



Transforming Africa's Trade

African Export-Import Bank
Banque Africaine d'Import-Export

African Trade Report 2022

Leveraging the
Power of Culture and
Creative Industries for
Accelerated Structural
Transformation in the
AfCFTA Era



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Foreword

After the myriad negative shocks triggered in 2020 by the Covid-19 pandemic, 2021—which was supposed to be a transitional year—proved to be exceptional in macroeconomic terms. Global trade recovered strongly, growing by 26.6 percent after contracting by 7.5 percent the year before. World output also rebounded from one of the steepest contractions on record, expanding by 6.1 percent.

The bounce back was even more impressive in Africa, which has consistently shown growth resilience. African trade—which had contracted sharply amid falling commodity prices in the face of sharp global demand and supply shocks—rebounded strongly, rising by 31.4 percent. Africa's aggregate GDP expanded by 6.9 percent, recovering from the 1.6 percent contraction in 2020 that marked the region's first recession of the last 25 years. Forecasts point to continued resilience, even in light of various post-pandemic and geopolitical pressures.

The strong rebound and increasing resilience of African economies reflect several factors, including swift and bold fiscal and monetary support, timely counter-cyclical measures from multilateral and development finance institutions—including Afreximbank's Pandemic Trade Impact Mitigation Facility (PATIMFA)—and the effectiveness of Covid-19 vaccines and therapeutics, which led to the relaxation of containment measures. Globally, easing financing conditions also supported the strong post-pandemic performance, strengthening global demand and improving commodity terms of trade.

The remarkable bounce back has also been propelled by the recovery of consumer-facing industries, particularly in the services sector, which were markedly affected by the pandemic as household consumption shifted more towards goods. One exception was the entertainment industry, specifically the movie and music sectors, which were able to sustain growth even when strict containment measures were being enforced by riding high on the wave of digitalisation.

Cultural interactions among countries and the growth of cultural and creative industries (CCIs), which have been supported by globalisation and the diffusion of modern technologies, accelerated during confinement. CCIs are transforming economies and driving growth through three types of spillover. First, knowledge spillovers in the form of new ideas, skills, and innovation.

Second, industry spillovers from productivity gains achieved through the creation of vertical value chains. And third, network spillovers through agglomeration effects.

With limited barriers to entry, increasing access to modern technologies is magnifying the welfare effects of CCIs. Most recent estimates show that CCIs employ more than 30m people worldwide, mostly young people, and are gender neutral. They are estimated to generate more than US\$2.25tn annually and account for around 3 percent of world GDP. Across Africa, a region with a rich cultural heritage, the youth bulge has precipitated a burst of creativity and innovation that is accelerating the growth of CCIs. According to UNESCO, the African film industry has the potential to generate more than US\$20bn in revenue and over 20m jobs in the coming years. The growth potential of other creative sectors is just as important, and the African Union has prioritised CCIs as critical drivers of regional development.

However, realising these potential hinges on overcoming several constraints, including the lack of a clear framework for analysing the creative economy to inform policymaking. There is an absence of reliable data to highlight the importance of the production and trade of creative goods and services. Moreover, the application of standards to sustain quality and promote the growth and trade in creative goods and services is limited, and there is a dearth of connected cultural infrastructure to facilitate the integration of African creatives into global circles. Additionally, there is currently a lack of institutional capacity to protect intellectual property rights, which are critical to supporting the development of creative industries, as well as financing gaps. That being said, Afreximbank—through its Creative Africa Nexus (CANEX)—and other regional development finance institutions are playing an increasingly important role in reducing the capital gap faced by African organisations.

This report outlines various policies and programmes to alleviate existing constraints and support the growth of CCIs as one of the engines for structural transformation of regional economies in the era of the African Continental Free Trade Area (AfCFTA). The report shows that the AfCFTA could emerge as a major growth springboard for Africa's creative industries, especially after the completion of negotiations on investment, intellectual property rights, competition policy and e-commerce scheduled for 2022.

Another important feature of Africa's CCIs is their intraregional trade orientation. Intra-African trade in creative industries is growing faster than that of other sectors and could boost the aggregate value of intra-African trade to further reduce the region's exposure to global volatility. Although intraregional trade recovered strongly from the pandemic—increasing by more than 18 percent to account for 14.4 percent of total African trade in 2021—it remains relatively low compared to other parts of the world, even by developing country standards.

The report also reveals large untapped export potential in intra-African trade across all subregions, pointing to significant growth opportunity. South Africa—which remains the largest intra-African trading nation, accounting for around 20 percent of total intra-African trade—has been the leading driver of intraregional trade growth dynamics. Its strong performance consolidated Southern Africa's position as the top intra-African trading subregion. After recording the fastest growth rate in 2021, Southern Africa's share of intra-African trade increased to account for more than 44 percent of total intra-African trade.

The recovery of extra-African trade, which grew by 29.5 percent after contracting by 16.2 percent in 2020, was even more impressive, supported by improving commodity terms-of-trade and expanding trade ties with Asia. That region consolidated its position as Africa's foremost trading partner, accounting for more than 32 percent of extra-African trade. The much lower growth rate of extra-African imports narrowed the region's trade deficit in 2021. Final negotiations on the rules of origin under the AfCFTA—which prioritise "Made in Africa" and are expected to conclude this year—will further boost intra-African trade and could accelerate the diversification of sources of growth and trade to set the region on a long-run growth trajectory of fiscal and debt sustainability.

Looking ahead, this report argues for a speedy conclusion of negotiations on the rules of origin as well as those on trade in services, intellectual property, investment, and digital trade. More than a passport enabling goods to circulate freely, these reforms to deepen integration could unleash creativity and stimulate innovation to further leverage CCIs and facilitate development through knowledge sharing. Simultaneously, they could catalyse technology transfers to accelerate the diversification of sources of growth and boost African trade in the AfCFTA era.

Professor Benedict O. Oramah

President and Chairman
of the Board of Directors

The African Export-Import Bank

Cairo, Egypt
June 2022

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The AfCFTA could emerge as a major growth springboard for Africa's creative industries.

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List of Abbreviations

Afreximbank	African Export-Import Bank
AfCFTA	African Continental Free Trade Area
CANEX	Creative Africa Nexus
CCI	Cultural and Creative Industry
DOTS	Direction of Trade Statistics
DRC	Democratic Republic of Congo
ECCAS	Economic Community of Central African States
IFC	International Finance Corporation
IMF	International Monetary Fund
ITC	International Trade Centre
NFTs	Non-Fungible Tokens
ODI	Overseas Development Institute
PAPSS	Pan African Payment and Settlement System
PwC	Pricewaterhouse Coopers
UNCTAD	United Nation Commission on Trade and Development
WEO	World Economic Outlook
WTO	World Trade Organization

Chapter One

Introduction & Executive Summary

The African Export-Import Bank's 2022 edition of the African Trade Report examines trade and economic developments in Africa and other parts of the world during 2020 and 2021, a period during which the global economy witnessed a synchronized global downturn triggered by the COVID-19 pandemic. Containment measures implemented to stem the spread of the virus, including lockdowns, social distancing, and border closures, led to widespread supply and demand shocks with dramatic consequences for global growth and trade. World trade decreased by 21 percent at the height of the pandemic downturn, between March and April 2020. Global GDP contracted by 3.1 percent—one of the sharpest contractions on record. The swift implementation of bold measures, including loose monetary policy and fiscal stimulus by governments especially from developed economies, contributed to recovery in the global economy. The effectiveness of these measures was bolstered by counter-cyclical support from international and development finance institutions, in addition to the development of vaccines and treatments for COVID-19.

In 2022, the second year of the pandemic, the world became increasingly upbeat, with significant progress made on both disease prevention and treatment of COVID-19 infections. Despite the emergence of highly transmittable variants, the number of COVID-19-related deaths and patients on ventilators trended downward from peaks reached in 2020, leading markets to progressively view the pandemic as a healthcare problem, rather than an economic obstacle. Global GDP rebounded firmly in 2021, expanding by 6.1 percent. Africa which showed growth resilience, contracting by just about 1.6 percent in its first recession over the last 25 years, rebounded strongly, with its GDP expanding by about 6.9 percent in 2021.

In addition to the effectiveness of COVID-19 therapies and vaccines, the strong rebound of global trade and growth in 2021 was driven by the release of pent-up demand as the pandemic was brought under control through effectively coordinated policy responses by governments and development finance institutions (DFIs). Bold and timely support from multilateral development banks, international financial institutions, including the International Monetary Fund (IMF) through its Rapid Credit Facility (RCF), Rapid Financing Instrument (RFI) and the African Export-Import Bank through its Pandemic Trade Impact Mitigation Facility (PATIMFA), helped the most affected nations adjust to the virus-induced macroeconomic fallout. At the same time, bold monetary and fiscal responses from leading economies, which enjoyed fiscal space or the privilege of issuing reserve currencies, emerged as major growth catalysts, with positive spillover for emerging and developing market economies. Improving commodity terms-of-trade was also an important piece of the global recovery puzzle.

Despite the strong global rebound, Africa remained a peripheral contributor to both global trade and growth,

accounting for just about 2.6 percent of global trade and less than 3 percent of world GDP in 2021. To increase its share of global growth and trade, and foster its integration into the global economy, the continent must use the AfCFTA to accelerate the process of structural transformation and growth and develop promising sectors which have not been fully exploited. Among the least tapped but promising sources of growth are the dynamic creative and cultural industries (CCIs), which include the arts, media, and design sectors, along with convergent and emerging digital technologies.

As one of the fastest growing sectors in the world, CCIs have the power to boost economic growth and job creation and deepen the process of economic integration by fueling cultural convergence. They have the potential to drive innovation and contribute to the development of other sectors to empower individuals across social classes to take ownership of their creations and set the region on a path of inclusive growth. However, despite Africa's rich cultural and creative heritage, the sector has received limited attention in both policy discourse and development dialogue. To highlight the importance of the sector, the African Union declared the year 2021 as "The AU Year of the Arts, Culture and Heritage: Levers for Building the Africa We Want".

It is against this backdrop that the 2022 African Trade Report focuses on the theme of "Leveraging the Power of Culture and Creative Industries for Accelerated Structural Transformation in the AfCFTA Era." a recognition of the potential contribution of this sector to the continent's developmental aspirations. Globally, CCIs are estimated to generate about US\$2.25 trillion annually (three percent of global GDP) and employ 30 million people. Globalization and new technologies have accelerated cultural interactions among countries, and exports of creative goods have been growing. CCIs can effectively contribute to sustainable development,

+24.3 percent

Africa's merchandise imports grew to US\$607.86 billion in 2021

+40 percent

Africa's merchandise exports grew to US\$572.59 billion in 2021

56.02 percent

Africa's merchandise trade deficit narrowed to US\$35.27 billion in 2021

Introduction & Executive Summary

economic transformation, and social and political cohesion.

CCIs can be a 21st century gold mine for Africa, the continent with one of the oldest and most diverse cultural heritages and where the growing middle class which is the largest consumer of creative and cultural products could emerge as a major growth driver in a digital era. Across Africa, these growth potentials are further boosted by growing penetration of internet and mobile applications, a young, vibrant pool of talent, and advancements in technology that enable new forms of creation and facilitate access to new markets. Accordingly, this thematic report examines the state of CCIs in Africa and their potential contribution to growth and trade, explores obstacles to their growth, sheds light on financing issues in the sector, outlines infrastructure requirement for growth, highlights policies and programs for their promotion, and discusses the growth prospects of Africa's creative industries under the AfCFTA.

The report finds that while African CCIs are probably the oldest, with some of the most refined and original pieces and creations that are disseminated around the world as consequence of colonial conquests, modern literature on Africa disregards the precolonial growth the continent achieved, and in the process has marginalised centuries of scientific and technological advancements in the fields of astronomy, agriculture, shipbuilding, metallurgy, textile looms, and basket-weaving critical to the development of CCIs in developed nations outside Africa. It also finds that the CCI sector is ever evolving, building on the interplay between human creativity and ideas and intellectual property, knowledge, and technology. African CCIs are a mosaic with significant overlaps and divergences across nations, regions, sectors, and models.

Despite the weight of the colonial legacy, Africa CCIs may have entered an era of renaissance, boosted by the use

of digital and technological innovation and new creative energy. While several creative industries are nurturing these positive developments to sustain their growth and contribution to aggregate output, the boom in the CCIs has been particularly pronounced in the film, music and fashion sectors, which have become leading drivers of African exports. A case in point is the Nigerian film industry, Nollywood, recognized as the world's second largest film producer, exporting thousands of films every year and promoting the rich African cultural heritage around the world. Digitalization has also expanded growth opportunities for African musicians who are extending their influence on many genres in the global market. With digitalization leading to the rise of the gig economy, African musicians are utilizing their creativity and power of innovation to enhance their presence in emerging sectors and new industries. Video gaming has become an important source of skills development and income for Africa's youth. According to recent estimates, Africa's video gaming industry is projected to grow by 12 percent by 2025. Africa's fashion industry, dominated by SMEs, is generating value and jobs while fostering African identity and accelerating the process of cultural convergence which is critical for economic integration.

This report also highlights the lack of appropriate policy frameworks, financing, and requisite infrastructure on the African continent. It notes the challenges of upholding intellectual property rights, the lack of standards, and the extent to which language barriers constrain the promotion of CCIs in Africa. With loans, grants, and financing from family and friends the most common funding sources for the sector, the report lauds Afreximbank for the establishment of the Creative Africa Nexus (CANEX) program through which it is investing US\$500 million to support the sector, among other initiatives. As Africa's first continental platform,

bringing together the continent's creative talents drawn from the music, arts, design, fashion, literature, publishing, film and television sectors, a show organized under CANEX is dedicated to promoting and exhibiting products within the creative and cultural industry.

The report also shows that developing appropriate national, regional, and international policies, in addition to making available adequate funding sources, is critical to promoting the growth of CCIs in Africa. The report notes that the share of intra-African exports of CCIs are greater than the share of total traditional intra-African exports. Consequently, Africa's creative industry, including textile and clothing sector is expected to receive a significant boost from the AfCFTA.

World merchandise trade rebounded strongly, growing by 26.6 percent in 2021 after contracting by 7.5 percent in 2020. World output expanded by 6.1 percent in 2021 after contracting by 3.1 percent in 2020. The large fiscal and monetary stimulus extended by advanced economies had positive spillovers for developing countries. In Africa, aggregate GDP expanded by 6.9 percent in 2021, setting the region as one of the strongest rebounds globally, after its first contraction over a quarter of a century. In a sign of increasing growth resilience, Africa's GDP contracted by 1.6 percent in 2020, less than the world average.

After contracting by 13.6 percent in 2020, Africa's total merchandise imports grew by about 24.3 percent in 2021. Its exports performed more strongly, growing by 40 percent, after contracting by 19 percent the year prior. That growth helped narrow the trade deficit by 56.02 percent to US\$35.27 billion in 2021, significantly down from US\$80.19 billion in 2020. Resumption of economic activities and investment, along with strengthening global demand in the post-containment phase of the pandemic, positively impacted

“The creative economy is a source of innovation that spills into other industries and increases their productivity and competitiveness.”

”

Introduction & Executive Summary

commodity terms-of-trade and boosted the level of foreign reserves, which recovered by 10.5 percent to US\$426.7 billion in 2021, from US\$401.9 billion in 2020.

The value of Africa's merchandise trade with the world increased by 31.4 percent in 2021 at US\$1,180.45 billion, following a sharp decline of 16.2 percent in 2020. The value of intra-African trade grew by 18.2 percent in 2021 up from a decline of 7.3 percent in 2020. While the sharp decline in 2020 reflected the impact of containment measures on trade, the strong recovery of African trade in 2021 was underpinned by the solid and synchronized global recovery and improving commodity terms-of-trade.

Across Africa, aggregate output has been highly correlated with commodity price cycles, lending credence to the argument that the continent's growth is a commodity narrative. Despite ongoing efforts to diversify sources of growth and trade, more than 80 percent of countries in the continent remain highly commodity dependent. This report examines the performance of key commodities of export interest to Africa.

Financial markets also picked up in 2021 after heightening uncertainty and tightening global financing conditions and massive capital outflows following the outbreak of the COVID-19 pandemic in 2020. Global stock markets closed 2021 with double digit gains buoyed by global monetary largesse, especially from systemically important central banks. The FTSE All-World Index rallied by 16.7 percent in dollar terms, surpassing the previous year's 14.1 percent gains. In Africa, the Johannesburg Stock Exchange's All-Shares Index closed the year with a gain of 24 percent. Collectively, sovereign bond issuances by African frontier markets reached a value of US\$19.6 billion in 2021, up by 25 percent from 2020.

Forecasts point to growth resilience in the face of heightening geopolitical pressures. Despite lingering negative effects of the pandemic from global supply chain disruptions to rising inflationary pressures, both of which have been exacerbated by the Ukraine crisis, global growth remains resilient. Even though the challenging global environment has led to a sharp downward revision of global growth and raised the risk of stagflation especially within the EU, the global economy will remain on an expansionary track with world output expanding by about 3.7 in 2022 slightly down from about 4 percent forecast pre-Ukraine crisis in January 2022. Africa's growth prospects are expected to follow same path – with forecast aggregate GDP of the region decelerating by about 4.2 percent in 2022, down from 6.9 percent in 2021 but slightly above the world average.

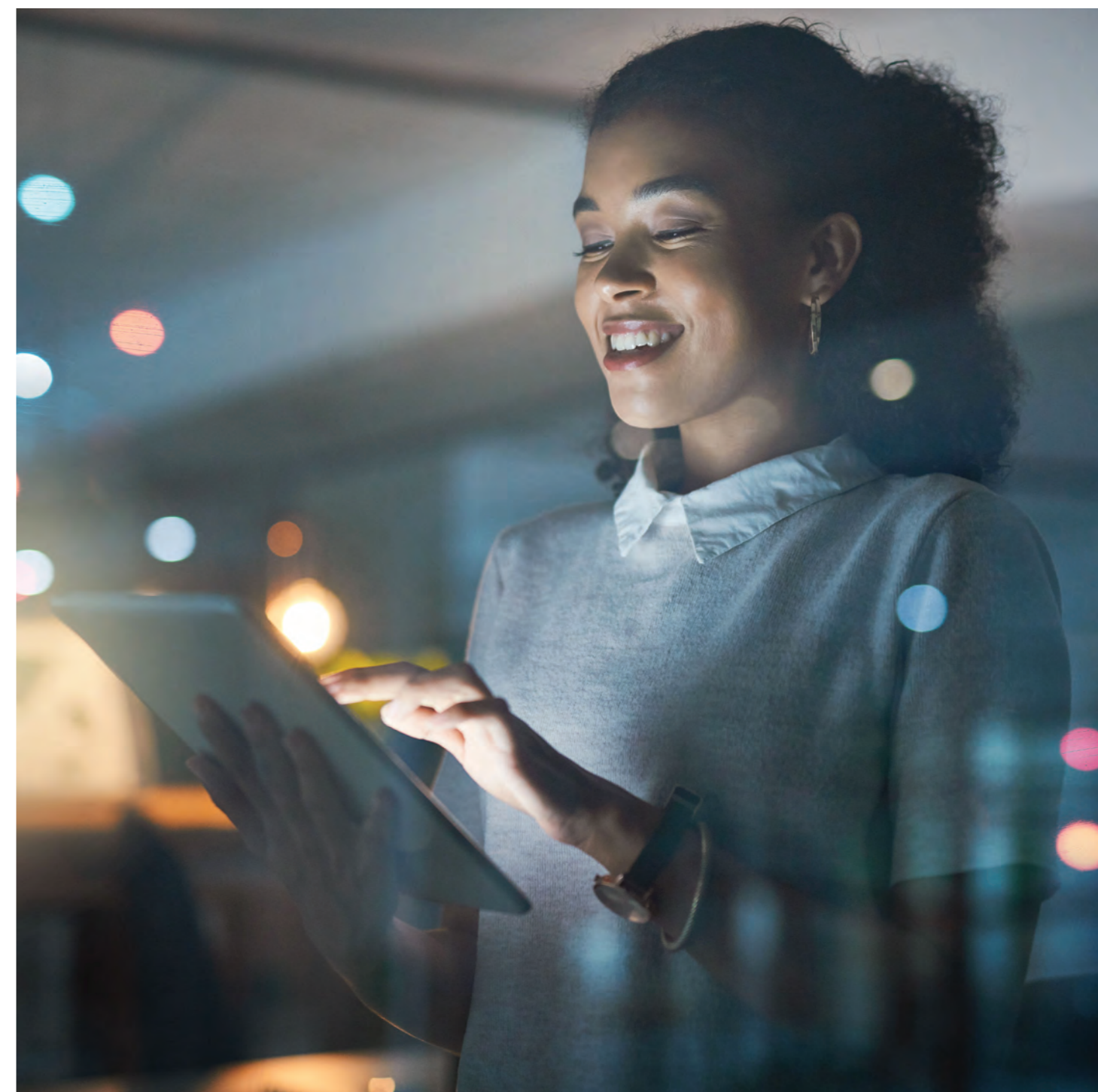
The forecast growth resilience is underpinned by several factors, including the strong performance in several large economies not directly affected by the Ukraine crisis and where output will continue to expand above trend growth. These include India and the United States, Africa's the second and third largest trading partners. In China, the leading driver of global growth and trade and largest trading partner with African nations over the past decade, the implementation of pro-growth policies as the government takes advantage of lower inflationary pressures is expected to mitigate the risk of hard landing to boost world output, and global trade. World trade volumes in both goods and services are forecast to expand by five percent in 2022.

Improving commodities terms-of-trade will further support the growth process, especially with futures markets suggesting a strengthening of oil and gas prices in 2022. Base metals prices, which have risen markedly post-pandemic downturn, will be boosted by ongoing energy transition in the near

term. In the medium term, the accelerated diversification of sources of growth and potential expansion of African trade in the AfCFTA era will further strengthen the foundation of growth resilience, broadening the fiscal space and improving balance of payments to mitigate the exposure of the region to excessive global volatility and tightening global financing conditions.

In terms of prospects, the 2022 African Trade Report also highlights the risk posed by the Ukraine crisis and implementation of Western-led sanctions to growth recovery from the Covid-19 pandemic downturn. The fallout from the Ukraine crisis especially on EU countries which are directly exposed and where growth forecasts have been revised downwards sharply have tilted the risk to the downside. Accordingly, global growth is projected to slow at an estimated 3.6 percent in 2022, from 6.1 percent in 2021.

Notwithstanding the positive impact of the Ukraine crisis for oil-exporting countries in Africa showing growth in the European Union and China, the main trading partners of Africa and the leading driver of global growth, has ramifications for developing economies and commodity exporters, including those on the African continent. The crisis has contributed to soaring food prices. Higher food prices adversely impact consumers' purchasing power and welfare – particularly among low-income households and weigh on domestic demand. At the same time, the booming risk of social and political unrest could weigh on the continent's growth prospects in the medium term, should the Ukraine crisis persist.



Chapter Two

Leveraging the Power of Culture and Creative Industries for Accelerated Structural Transformation in the AfCFTA Era



2.1 INTRODUCTION

A country is defined by its economy, geography, and history, but also by its art, culture, and traditions. Failing to accept the role that cultural heritage plays in the evolution of a nation and its people denies the identity of a country. The African continent, with its sweep of diverse lands and peoples, has a breadth of unique stories that can be told through its fabrics, crafts, films, festivals, arts, and music, all part of the cultural and creative traditions. Only when these stories are valued and shared can the many nations of the continent be liberated from the colonial past that continues to impact their peoples. Arts, culture, traditions, customs, and the heritage of the African continent are the path to self-discovery and restoration of self-esteem among peoples who have been considered less human than their colonizers, beginning with the era of enslavement and continuing through the racially motivated targeting of the present day.

The cultural and creative industries have become the link between past atrocities and the emotions of the present. They are the medium for historical reflection, displaying brutal honesty, spirituality, inherited consciousness, and outrage. Today, Africa is more than colourful batik prints and the beat of the djembe drum. It possesses bustling music, film, arts, video gaming, and fashion industries. The time is opportune to reoccupy global spaces and promote African leadership through the Creative and Cultural Industries (CCIs). There is power in owning one's identity and expressing one's culture and language. The continent and its people must derive strength and creativity from its rich heritage and vibrant roots as:

"...we retune our ears to the music of Zao and Franco of the Congos and the poetry of Mazisi Kunene of South Africa and refocus our eyes to behold the paintings of Malangatane of Mozambique and the sculptures of Dumile Feni of South Africa."
- Thabo Mbeki¹

The creative and cultural industries are among the fastest growing and dynamic sectors in the world. They have the power to fuel structural transformation, socioeconomic progress, and job creation. They also represent unexploited economic potential to contribute to the innovation economy as well as other dynamic sectors. They empower individuals across social classes to take ownership of their creations and self-realization, contributing to achieving inclusive development (Palanivel, 2019). Around the world, CCIs tend to favor youth and women. Palanivel's study found that in Europe, CCIs typically employ more youth than other sectors, and women make up 50 percent of those employed in the music industry in the United Kingdom. The study further found that in the developing world, especially Turkey and South Asia, women make up a large percentage of workers generating creative products, including carpets and other crafts.

Due to lack of comparable international statistics or standard definitions, the sector remains hugely underrepresented and undervalued in policy discourse (OECD, 2021). However, CCIs are estimated to generate US\$2.25 trillion annually and contribute to about 3 percent of global GDP. They employ 30 million people worldwide, a majority of whom are between 18 and 25 (OECD, 2021). But that employment is not distributed equally around the globe. Asia and the Pacific, Europe, and North America are experiencing unprecedented growth in the creative and cultural industries, and account for 93 percent of global revenue and 85 percent of jobs generated by them (Palanivel, 2019). Africa (along with the Middle East), represents about 3 percent of this output, generating about US\$58 billion (UNESCO, 2021).² CCI is recognized as a highly diversified, resilient, and gender-neutral sector that provides high-skilled jobs and encourages young entrepreneurship, while supporting innovative forms of sustainable economic growth (UNESCO, 2021).

The CCI sector is broad and builds on the interplay between human creativity, innovation, intellectual property rights, and technology. The term "creative industries" has different meanings and uses around the world. The World Intellectual Property Organization defines it as all activities that generate copyright, patents, or trademarks. It can also denote sectors that produce artistic content. The United Kingdom's Department of Culture, Media, and Sports defines CCI as industries that "have their origin in creativity, individual skills and talent and have the potential to create wealth and employment through the generation and exploitation of intellectual property" (International Development Bank 2014). It is this diversity of definitions that make international comparisons difficult. To better understand the status and potential of the creative industries worldwide, the 2004 United Nations Conference on Trade and Development (UNCTAD) was tasked to conduct research and policy analysis, consensus building, and technical cooperation to help developing countries harness the development potential of their creative economies.

¹ Read the full statement here: www.dirco.gov.za/docs/speeches/1998/mbek0813.htm

² Given its share of global population (17.2 percent in 2021), Africa has the potential to generate greater CCI output. But data gathering on the continent is hampered severely by the informality of the creative sectors. Therefore, actual output may be higher.

Leveraging the Power of Culture and Creative Industries for Accelerated Structural Transformation in the AfCFTA Era

Table 2.1. Classification systems of creative and cultural industries

UK DCMS model	Symbiotic texts model	Concentric circles model	WIPO copyright model
<ul style="list-style-type: none"> • Advertising • Architecture • Art and antiques market • Crafts • Design • Fashion • Film and video • Music • Performing arts • Publishing • Software • Television and radio • Video and consumer games 	<ul style="list-style-type: none"> • Core cultural industries • Advertising • Film • Internet • Music • Publishing • Television and radio • Video and computer games • Peripheral cultural industries • Creative arts • Borderline cultural industries • Consumer electronics • Fashion • Software • Sport 	<ul style="list-style-type: none"> • Core creative arts • Literature • Music • Performing arts • Visual arts • Other core cultural industries • Film • Museums and libraries • Wider cultural industries • Heritage services • Publishing • Sound recording • Television and radio • Video and computer games • Related industries • Advertising • Architecture • Design • Fashion 	<ul style="list-style-type: none"> • Core copyright industries • Advertising • Collecting societies Film and video • Music • Performing arts • Publishing • Software • Television and radio • Visual and graphic art • Interdependent copyright industries • Blank recording material • Consumer electronics • Musical instruments • Paper • Photocopiers • Photographic equipment • Partial copyright industries • Architecture • Clothing • Footwear design • Fashion • Household goods • Toys

Sources: Adapted from International Development Bank (2014) and United Nations (2008).

UNCTAD defines the creative economy as knowledge-based economic activities that build on the interplay between human creativity, intellectual property, and technology. This definition—still the most widely used today—includes sectors considered important sources of commercial and cultural value, namely advertising, architecture, arts and crafts, design, fashion, film, video, photography, music, performing arts, publishing, research and development, software, computer games, electronic publishing, and television and radio broadcasting. A creative economy includes all production, labor, and trade components of creative industries (UNCTAD, 2021).

The economic contribution of the sector is hard to measure, since most CCIs include non-creative aspects vital to their functioning. Thus, estimates of the size of creative economies often suffer from an upward bias. This is particularly true for creative goods. According to

UNCTAD's classification, creative goods include carpets, paperware, yarn, CDs, DVDs, fashion, glassware, jewelry, toys, books, newspapers, antiques, and paintings. But which carpets, for example, should be classified as textiles and which as part of the creative sector? Despite this statistical conundrum, this chapter uses the standard UNCTAD classification for creative goods which is the most common classification adopted by researchers and governments globally.

Classifying creative services according to UNCTAD's definition is a simpler task. Services such as architecture, advertising, audio-visual, research and development, information, computer, payments for use of intellectual property including royalties and franchise fees, and other cultural services can be classified entirely as creative services. In fact, the initial definition of a creative industry was based on its ability to generate

intellectual property and potential wealth through an expression of individual creativity, skill, and talent (Newbiggin, 2014).

Clearly, the creative economy is a source of innovation that spills into other industries and increases their productivity and competitiveness (UNCTAD, 2019). Evidence shows the creative economy creates three types of economy-wide spillovers; knowledge spillovers in the form of new ideas, skills, and innovations; industry spillovers seen as gains in productivity through the creation of vertical value chains; and network spillovers through an agglomeration effect (Metro Dynamics, 2020). This dynamic sector has presented an unprecedented opportunity for developing countries to leapfrog into a high-growth and sustainable economic path (UNCTAD, 2021). This is especially true for Africa as it undergoes an unprecedented creative revolution.

Historically, Africa has burst with creative energy and has exported various forms of creative and cultural products and services around the world. The most prominent example is the Nigerian film industry, Nollywood, recognized as the world's second largest film producer. It exports thousands of films and showcases the rich cultural heritage of the Nigerian people (Matengo, 2022). Another industry creating ripples globally is the African music industry. African musicians have extended their influence on many global genres but still lack sufficient recognition and representation in the global market.

Reliable data on the creative and cultural industries in African countries remains lacking (UNCTAD, 2008a; Duran, 2021). Without the ability to accurately measure the contribution of creative goods and services to economic growth in terms of inputs, outputs, value of production, prices, employment, and trade, the creative sector will continue to be overlooked in policymaking processes. Although some estimates on the size and scope of the creative economy in Africa exist, they are incomplete. The informal nature of CCIs and associated lack of data on their operations means that creative industries often fall outside the purview of government policy and support schemes (UNESCO, 2021).

Over the last few years, the sector has been boosted by a surge in digitalization, a trend that has accelerated amidst the pandemic. Consumers switched to digital platforms amid social-distancing measures to consume digital content, including series and movies distributed via over-the-top media services, online concerts, and educational master classes (Digital Africa 2021). Digitalization has also led to the development of the gig economy within the CCI sector. The gig economy has disrupted traditional jobs in the sector and exposed artists to international competition while

providing opportunities for more individuals to enter creative fields. However, the impermanence of creative gig employment has been exacerbated by the digital divide on the continent (UNCTAD, 2019).

Many African countries are constrained in harnessing their creative capacities to tap into growth opportunities CCIs present. Several obstacles prevent African countries from growing their creative economies. Most lack clear and coherent policy frameworks to supporting the creative economy. This is exacerbated by the dearth of reliable and consistent data to accurately measure the contribution of creative goods and services to economic growth. At the macro-level, the creative industries have suffered from minimal investments in hard and soft infrastructure and skills development. Limited intellectual property rights and enforcement also constrain the ability of creative entrepreneurs to earn a return on their investment. The growth of the creative economy has been further constrained by the colonial legacy and extroverted model that facilitate the removal of African creative works and/or associated revenues from the continent. At the micro-level, a lack of access to affordable financing remains a significant challenge for entrepreneurs and businesses operating in creative industries.

2.2: THE STATE OF CREATIVE AND CULTURAL INDUSTRIES IN AFRICA

(a) Key Features

The CCIs have been booming in Africa for several decades, and African countries have exported goods and services from these sectors to the rest of the world for centuries. However, modern literature on Africa disregards the precolonial growth that the continent achieved,³ marginalizing centuries of scientific and technological advancements in astronomy, agriculture, shipbuilding,

metallurgy, textile loom, and basket-weaving that have been critical to the development of CCIs in developed nations outside Africa.

Metallurgy: In West Africa, several centers of iron production using natural furnaces emerged in the early second millennium A.D. but smelting of iron dates to 1200 BC. Beginning in about 500 BC, the Bantu people of East Africa (present day Uganda) used preheated draft furnaces to produce high grade carbon steel. Gold was widely mined and employed during the Sahelian empire of the 13th century, with gold exported to Europe and North Africa. Later, copper metallurgies were found in Mauritania and Niger.⁴

Textiles: The earliest textiles woven on the continent were Egyptian linens from 4000 BC., while raffia fiber cloth was produced on Nigerian looms in Igbo Ukwu from the 9th century AD. Indigo dyed cloth was produced in Benin and Ijebu during the 16th century AD⁵. The batik prints that became popular in Africa originated with Dutch merchants who brought the prints to the continent from Indonesia in the 17th century.⁶

Crafts: The oldest basket-weaving techniques for making bags and carriers were carbon-dated to ten thousand years, older than the archaeological pottery findings of Egypt. Today, Tonga baskets from Zambia and Sisal baskets from Kenya are known worldwide for their reliable materials and durability.⁷

Architecture: The famous pyramids of Giza were not the only examples of notable early architecture on the continent. Sungbo's Eredo in Nigeria was constructed to be larger than the pyramids in 800-1000 AD by the Yoruba people, with mud walls to honor their titled personages,⁸ while Tichitt was the oldest surviving archaeological settlement in Sahel, present day Mauritania⁹, and Nubian architecture was found in Sudan dating back to 6000 BC.¹⁰

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Writing and literature: Hieroglyphs, Africa's oldest known writing systems, led to the formation of the modern-day Greek and Aramaic alphabets in the 9th century BC and the Arabic alphabet. The Meroitic alphabet also originated from the hieroglyphs in the Nubian empires of Kush and Meroe during the period 700-300 BC.¹¹

Today, African CCI contains all sectors defined by UNCTAD (see Section 2.1), but more than half of African countries do not report data on such sectors. This makes it difficult to paint a truly representative and comprehensive picture of CCI in Africa.

Despite this dearth of data, based on the data, qualitative observations have produced the following key features of Africa's creative industries have emerged:

Human-centric—One key feature of the sector is its rich cultural heritage that offers a truly diversified output across the continent. The human-centric approach of the sector means that its economic value can be used to improve lives, reduce poverty, and provide millions of jobs for Africa's growing youth population.

Sustainable—Creativity is a renewable, sustainable, limitless resource. CCIs offer African countries the opportunity to diversify their economic models and sources of growth from reliance on non-renewable resources towards more sustainable and resilient sources of income (Matengo, 2022).

Gender friendly—Women form an integral part of CCIs in Africa. Data shows that recreational services, cultural and creative services, as well as the textiles and clothing sector employ a high percentage of women. Across the continent in 2014, recreational services employed 49.7 percent women and textiles and wearing apparel sector employed 33.4 percent women (World Bank, 2020).

Youth empowering—People under the age of 25 benefit from and power of the CCIs in Africa. There is strong correlation between the percentage of the population below the age of 35 years and the growth between 2015 and 2020 in the entertainment and media industries. In Nigeria, Kenya, South Africa, and Egypt, for example, more than 50 percent of total population are younger than 35 and their entertainment and media industries were projected to grow by more than 5 percent between 2015 and 2020 (PwC, 2016).

Informal—Most creative activity in Africa takes place in the informal sector. The creative economy has a unique structure, often relying on networks of small and medium enterprises, freelance, and gig workers. This structure, combined with various levels of informality, means CCIs often fall outside the purview of government support schemes (UNESCO, 2021). This has been particularly evident during the COVID-19 pandemic, which has adversely impacted the revenues and performance of informal CCI businesses (Gachara, 2020).

(b) Sectoral Developments

The audio-visual sector, including the production of films and television shows, is one of the largest contributors to CCI in Africa. The film sector currently accounts for US\$5 billion of African GDP, with the potential to generate US\$20 billion in revenue and more than 20 million jobs in coming years (UNESCO, 2021). Notably, the Nigerian film industry, or Nollywood, is projected to be worth US\$6.4 billion in 2021, with an annual production of 2,500 films (Igbinalador, 2022). Nollywood, in fact, one of the fastest-growing creative industries in the world, with an annual compound growth rate of more than 10 percent (PwC, 2021).

In 2016, the film juggernaut contributed 2.3 percent to Nigeria's GDP, with an output of US\$600 million. Nigeria's

government has identified it as a priority sector of its economy and hopes to expand film exports to US\$1 billion (PwC, 2017). In 2021, Nollywood is estimated to have employed close to 300,000 persons, most of them youth (Bailey, 2022). Nigeria has even set up a fund to facilitate Nollywood productions (Digital Africa, 2021). But Nollywood is not the only film industry in Africa. South Africa,¹² Morocco,¹³ and Egypt¹⁴ also have built vibrant film industries. In Senegal and Côte d'Ivoire, support funds for the film industry have also been set up (Digital Africa, 2021). Ghana's Gold Coast Film Unit was established in 1948 as an attempt to formalize the film industry and has since played an instrumental role in the production of many Ghanaian films (Odonkor and Amoah-Darkwah, 2019). However, infrastructure for distribution remains a challenge calling for investments in home theatres.

Several initiatives exist to promote the film industry across Africa's subregions. In 2017, the African Union (AU) established the African Audiovisual and Cinema Commission to promote the film industry (UNESCO, 2021). In 2020, the African Export-Import Bank launched

3 <https://confucianweeklybulletin.wordpress.com/2020/02/17/technological-developments-in-pre-colonial-africa>

4 <https://oxfordre.com/africanhistory/view/10.1093/acrefore/9780190277734.001.0001/acrefore-9780190277734-e-148>

5 <https://www.adireafriantextiles.com/textiles-resources-sub-saharan-africa/some-major-west-african-textile-traditions/nigerian-womens-weaving>

6 <https://indonesiadesign.com/story/batik-around-the-world>

7 <https://projectupendo.com/basket-weaving-in-africa/>

8 <https://thegomagazine.com/2022/03/22/13024>

9 <https://link.springer.com/article/10.1007/BF01117458>

10 <https://www.ststworld.com/pyramids-of-sudan>

11 <https://www.afrikaiswoke.com/nubian-meroitic-script-of-kush>

a US\$500 million fund to support the creative industries, including the film and audiovisual sector. At a country level, some notable initiatives include the Creative Industry Financing Initiative to promote fashion, IT, and music in Nigeria, and a series of investments in film, music, gaming, and fashion by the HEVA fund in East Africa (UNESCO, 2021). West Africa, notably Nigeria, is the leader on the continent in the number of films produced annually, Southern Africa has the largest number of cinema screens on the continent, with most found in South Africa, and Eastern Africa, predominantly Kenya, has the largest number of private television channels (UNESCO, 2021).

Piracy is rampant in Africa's film industry and concentrated in regions with low ability to consume films due to high prices. For instance, estimates show that of 100 legitimate copies of a Nigerian film sold for approximately US\$6, 90 percent are pirated for less than US\$1 (Bamgbose, 2015). Although the rapid digitization of visual content has reduced the role of piracy agents, most consumers cannot afford to subscribe to paid television channels or over-the-top platforms like Netflix, Disney+, and Prime Video. In fact, these international streaming platforms only offer services to a handful of countries in the region. A positive recent development has been the emergence of deals between multinational over-the-top platforms and African film and TV

12 The National Film and Video Foundation under the Department of Sports, Arts and Culture is tasked with developing and promoting the sector through grants and training programmes in national and international markets.

13 The Moroccan film sector, under the Ministry of Culture, Youth and Sports, considers cinema as a sector reflecting values, producing culture, and generating wealth and employment.

14 The Egyptian film and audio-visual industry is overseen by the Ministry of Culture, which manages all aspects of arts and culture under the Egyptian Arts Academy, the Department of Applied Arts, and the Fine Arts Sector, among others.

producers to develop regional and local content to be streamed in Africa to bring local stories to life. Netflix debuted its first original African content in 2020 (Roxborough 2022).

Video gaming is emerging as an important source of skills development and income for Africa's youth. Gaming is shaping the culture of tomorrow as a source of entertainment and leading the digital transformation of CCI. Globally, videogaming and e-sports generated a revenue of US\$1 billion in 2019. Africa's videogaming industry is projected to grow 12 percent by 2025, led by South Africa and Egypt (Munnik, 2020). The proliferation of video-gaming and e-sporting events has provided opportunities for youth to be identified and trained to compete on a pan-African and international level. Leading gamers on the continent include South African player Thabo Moloi (screen name Yvng Savage) one of the most recognized players of African origin. Moloi has attracted prestigious endorsements and sponsorships. Another Kenyan gamer is Sylvia Gathoni (screen name Queen Arrow), who has led women to be recognized and celebrated in this male-dominated industry in Africa (Munnik, 2020).

The growth of Africa's video gaming industry is constrained by limited connectivity and soft infrastructure. Video gaming has empowered youth economically, socially, and creatively. Despite its popularity, the industry still suffers from lack of fast and stable internet connections, soft infrastructure, and high tariffs on related equipment that have curtailed its growth (Munnik, 2020).

African musicians have exported their talents and music around the globe for centuries. American jazz in the 1970s and 1980s was heavily influenced by African music and by artists such as Manu Dibango of Cameroon and Fela Keketekuty of Nigeria. Modern day artists such as Beyonce pay homage to African deities, while the Nigerian singer

songwriter Ayodeji Ibrahim Balogun, known as Wizkid, has found international success (Austen-Peters, 2017). The African music industrial structure includes many collaborators, including creators, booking agents, promoters, record companies, publishers, manufacturers, broadcasting agencies, and streaming services (de Mendoza, 2019). The music industry in Africa is strikingly diverse, encompassing a broad range of regions, colonial languages, and socio-economic successes. There is a vast difference in the nature of the industry and markets between Francophone and Anglophone countries in Africa. Francophone countries have better access to internet services and therefore a larger user base for streaming music. South Africa, Nigeria, Kenya, Mali, and Senegal also have highly developed music industries. However, many countries are still in infancy of the streaming ear due to lack of an industrial structure (de Mendoza, 2019).

Due to lack of reporting and distribution infrastructure in Africa, reported revenue from creative and cultural industries are underestimated. Estimates show the music industry contributed less than 0.1 percent to the African GDP (Sanchez, 2014). Even the International Federation of Phonographic Industry fails to compile data due to the absence of recording industry associations on the continent, leaving the industry unregulated (de Mendoza, 2019). The issue is not a lack of musical talent or creativity, but the absence of active government support in the form of financing, investment, and copyright law enforcement (de Mendoza, 2019).

Consumption of music on the continent is primarily via radio transmission. According to the African Music Development Program (AMDP), the large variety of radio stations, relatively inexpensive to operate, has played a major role in supporting the growth of the music industry in Africa (AMDP, 2018). Pay-to-watch music channels on

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television also promote the music industry through live performances and talk shows (de Mendoza, 2019). Recently a boom in smartphone ownership in Africa has made music streaming increasingly popular. International platforms such as iTunes, Spotify, and YouTube offer services to just a few countries in Africa. Introducing the services to more markets will require collaboration with national telecommunication companies responsible for making data accessible and affordable to consumers.

The lack of access to music has led to significant levels of piracy. De Mendoza (2019) highlights an informal, yet important channel that operates on the continent—emerging music artists distribute their work via piracy agents to attract crowds to their live performances. But as streaming services take hold on the continent, international smartphone companies and record labels are changing the landscape. For example, Chinese smartphone manufacturer Transsion Holdings launched smartphones in 2015 that are pre-loaded with a Chinese music application, Boomplay. This has helped expand the user base to more than 17 million users of the service in Africa (de Mendoza, 2019). Naturally, streaming provides an immense opportunity to make music affordable and reduce piracy. Moreover, international record labels such as Universal Music, Sony Music, and Warner Music Group have established a local presence in African countries including Nigeria, South Africa, and Côte d'Ivoire.

Africa's fashion industry is growing rapidly and plays a key role in keeping its history and culture alive through the choice of colors, threads, dyes, motifs, and sewing techniques. Africa produces world famous woven textiles in Nigeria (Ukara Ekpe, Aso Oke) and Ghana (Kente), bark cloth in Uganda, beadwork in Kenya and South Africa, dyed artwork in Nigeria (Adire), Mali (Bogolan) and South Africa (eShweshwe), and

handmade fabrics in Tanzania and Kenya (Kikoy). These techniques have been exported to the rest of the world and continue to influence global fashion.

The industry is comprised mainly of small and medium enterprises capable of generating value and jobs, especially among women and youth (AfDB, 2018). The African fashion industry offers a way to foster local content and a unique African identity, but remains highly informal and fragmented, with a few large players. Demand for African patterns is increasing globally, and governments are investing to increase the value of fashion-related exports. For example, the government of Ethiopia aims to generate an additional US\$30 billion in export revenue by 2030 through new industrial parks (AfDB 2021). Other notable fashion industries exist in Kenya, Nigeria, South Africa, Mauritius, and Côte d'Ivoire. Moreover, a pan-African program developed by the African Development Bank called Fashionomics Africa aims to strengthen value chains and provide technical support to fashion entrepreneurs on the continent (AfDB, 2021).

Arts, both indigenous and contemporary, is an intrinsic part of the continent from an anthropological, social, and economic perspective. Historically, art has been a medium of expression and has emerged in design, architecture, fashion, and advertising. Visual and performing art has been linked to the consumption of heritage, traditions, beliefs, and historical experiences of the continent influenced by several elements over the centuries.

However, many priceless African paintings and sculptures were lost during the colonial period. Efforts have been made by African governments to repatriate looted artefacts from foreign museums and governments. By some estimates, more than 90 percent of African cultural artefacts were stolen during the colonial era and have not been returned. Recently, Senegal's Museum of Black Civilizations requested

a large-scale return of looted items held by French museums (Africa Business News, 2020). A similar push came from the government of Egypt to retrieve Egyptian artefacts in the collections of European museums. Since 2012, world-renowned Egyptian archaeologist Zahi Abass Hawass has led a campaign, so far unsuccessful, to reclaim both a bust of Nefertiti and the Rosetta Stone, both in the permanent collection of the British Museum in London, to Egypt (Marie, 2019).

The fate of the famous Bénin Bronzes has been decided—they are being loaned back to Nigeria by European museums. Before being incorporated into British-ruled Nigeria, these artifacts adorned the royal palace of the Oba, Ovonramwen Nogbaisi, the Kingdom of Bénin (Lime, 2018). Other notable stolen artefacts include the Bangwa Queen from Cameroon, representing the power and health of the Bangwa people; the Maqdala treasures, including an 18th century gold crown and a royal wedding dress taken from Ethiopia; and the soapstone sculptures of the Zimbabwe Birds (Lime, 2018).

At the domestic level, Ghana has made significant strides in promoting the visual and performing arts, offering important lessons for other African countries. Several art galleries and studios cater to the demand for arts in the country. Many multinational firms have invested in advertising and textile industries celebrating Ghana's visual arts including symbols, paintings, sculptures, ceramics, and textiles (Annku and Lodonu, 2012). To preserve and promote the sector in Ghana, the National Commission on Culture was set up in 2004. The Commission has collaborated with the AU, regional organisations, the diaspora, the United Nations, and independent cultural organisations through workshops, exhibitions, conferences, festivals, and other programs to further the initiative. Members of Ghana's diaspora import visual art forms from Ghana (Annku and Lodonu, 2012).

Drivers of Growth

Africa's rich and varied cultural heritage infused with legacies of creativity, invention, and trade in aesthetics has supported CCI growth. The consumption of Africa's creative offerings is supported by strong historical ties and stories and global recognition of African artists and creators. The boldness and ambition of the continent's creative products and services has recently created a sense of an emergent new world that is more culturally inclusive and growing confidence in Africa's CCIs (British Council, 2013).

CCIs are increasingly recognized as a sector that not only contributes to economic growth but also lies within the nexus of creativity and globalization. This has helped countries gain international recognition for their CCIs, fostering foreign investment and further expansion of the sector (South African Cultural Observatory, 2021). Recent pushes from national governments and regional organizations to diversify their growth strategies towards CCIs through providing them incentives has also helped drive growth in the creative industries across Africa. For instance, the South African Department of Trade and Industry has recognized the cultural and creative economy as a focus area under its "Reimagined Industrial Strategy" (South African Cultural Observatory, 2020).

Rapid urbanisation in African countries has increased the consumption of creative goods and services.

Urbanization has increased accessibility and affordability by more people, now residing in towns and cities and connected to creatives through digital platforms. African cities, with growing middle-class populations demanding a higher share of creative goods and services in their consumption baskets, are increasingly becoming drivers of commerce, talent, and creativity.

The African diaspora is the primary consumer of African entertainment and serves to introduce the rich cultural and creative output from the continent to the global market. The diaspora occupies a unique position and plays the role of social, economic, and cultural ambassadors for the continent. The AU, in collaboration with the World Bank, promotes such engagement through the African Diaspora Program (Negas, 2012). Music has played a particularly pivotal role in determining the relationship between culture and identity for the African diaspora and creating a sense of consciousness among members (Lidskog, 2017). Music also produces a means to preserve African culture, while contributing to growth in its demand. A similar case can be made for the consumption and role of African films by the diaspora across cinemas showcasing films of African origin. For instance, Nollywood films have a large network among the diaspora around the world (Kakonge, 2018). The African diaspora has contributed to the production of contemporary African visual art globally (Moura, 2019). This acts as means for preservation, but at the same time promotes the consumption of art originating from Africa.

The wave of digitalization is rapidly transforming the growth and consumption trajectories of creative industries. Digitalization offers opportunities for creators to access larger national and international markets from their homes and has led to a significant growth in their revenues. Simultaneously, digital platforms have also increased the appetite for content, including music, films, art, and video games. Furthermore, the popularity of the sector has grown due to uptake by youth on the continent by means of digital tools and marketplaces. Innovators in new and emergent technologies, multi-platform, and multi-channel activities are now mainstream in Africa, and there is a proliferation of straight-to-digital business models across the region.

Africa is home to the largest youth population in the world, making it particularly well placed to harness digital technologies to transform its CCIs. Millennials can adapt their production and consumption behavior to the digital transformation of CCIs easily than older generations. This finding underlines the importance of digital media in promoting young talent and their creations to wider audiences on the continent and around the world. The rising number of internet subscribers on the continent will play a vital role in this creative boom. According to a PwC study, the video gaming industry—mostly driven by youth—is likely to propel growth in the creative industry in several leading economies including Kenya, Nigeria, Egypt and South Africa.

2.3 CONTRIBUTION OF CREATIVE AND CULTURAL INDUSTRIES TO ECONOMIC GROWTH

Lack of data makes it difficult to estimate the contribution of CCIs to economic growth in Africa. The informal and mostly unregulated nature of creative output translates into significant underreporting of data. Estimates on the contribution of CCIs to GDP at the national and continental levels are few, and are usually incomplete, capturing just a fraction of the wide range of creative industries. For example, estimates from UNESCO show that formal and private cultural activities contribute 1.53 percent of Ghanaian GDP. But this does not reflect informal creative and cultural activities – with the informal sector estimated to account for about two-thirds of Ghanaian economy. Data on music, television programs, broadcasting activities, and historical sites are also not available for Ghana and hence not captured within CCI estimates (Odonkor and Amoah-Darkwah, 2019). Furthermore, the data used to compile the estimates are typically collected in an ad hoc manner and in a particular year, making comparisons over time or

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across African countries difficult. Methodological tools used by agencies can also differ, with the findings of data collection exercises not always widely distributed or made available to the public. The strong linkages between CCIs and other sectors mean creative industries are sometimes indirectly captured within GDP estimates, but it is impossible to ascertain their contribution. Accurate measurement by national statistics offices of the creative industries' impact on GDP is critical to legitimize their commercial potential.

The creative economy is underutilized as a source of economic growth in Africa. One estimate shows Africa contributed about three percent to global GDP (UNESCO, 2021) but less than one percent to the global creative economy, although African creative output more than doubled between 2004 and 2013 (UNECA, 2021). Currently, African creative industries account for less than 1 percent of African GDP¹⁵ compared to a global figure of 3 percent.¹⁶

CCIs contribute a higher share to GDP for the handful of African countries that have actively promoted the sector. Available data shows significant variation in the contribution of CCIs to GDP among African countries. Botswana has the highest contribution of creative industries to GDP at 5.46 percent, followed by Kenya's at 5.3 percent. In Botswana, the contribution of CCIs to GDP surpasses sectors such as water, electricity, agriculture, and manufacturing. In Malawi, the contribution of the creative industries is higher than that of the mining and quarrying, human health, education, construction, transport, and storage sectors. In Tanzania creative industries contributed 3.2 percent to GDP in 2009,

15 <https://www.atlanticcouncil.org/programs/africa-center/africa-creative-industries-summit>.

16 <https://mastercardfdn.org/africas-creative-renaissance>

more than the mining and quarrying sectors (Fondo, 2021). In South Africa, one of the largest producers of creative services, estimates show that the total value added to GDP was about 1.7 percent in 2018, up from 1.5 percent of GDP in 2016. Moreover, the contribution of CCIs to GDP grew at a pace of 2.4 percent per year between 2016 and 2018 (South African Cultural Observatory, 2020). In Nigeria, creative industries contribute approximately US \$18 billion to GDP (World Bank, 2020).

Data shows the growing contribution of the video gaming industry to growth, offering significant potential for Africa's youth. Egypt was a forerunner in the video-gaming and e-sports industry with an associated revenue of US\$293 million in 2018, followed by South Africa (US\$216 million), Morocco (US\$129 million), and Nigeria (US\$122 million) (Statista 2019). By 2021, this order was re-shuffled such that South Africa had overtaken Egypt with a revenue of US\$290 million, followed by Nigeria (US\$185 million), Ghana (US\$42 million), Kenya (US\$28 million), and Ethiopia (US\$35 million) (Tech Space Africa 2021). The total number of video game users in Africa grew from 77 to 186 million between 2015 and 2021 due to rapid digitalization amidst the pandemic, led by smartphone owners (95 percent of all gamers). Most of these gamers were in South Africa (40 percent), Ghana (27 percent), Nigeria (23 percent), Kenya (22 percent), and Ethiopia (13 percent) (Tech Space Africa, 2021).

Data on CCI's contribution to employment can provide additional information but is also scarce. Attempts to measure the size of employment in the cultural and creative sector face a statistical challenge: not every job in the creative industry is "creative," and many jobs outside the creative industry are clearly creative in nature. The latter category could include design elements in the retail, transport, planning, and health sectors, but this type of

employment is not included in much of the data available (Newbigin, 2014). Much like GDP, collection of this data in the African context is complicated by the informal and unregulated nature of many CCI activities.

According to available data, South Africa has the highest contribution on the continent of creative industries to employment. In 2015, 1.14 million people were directly employed by CCIs in South Africa, 6.7 percent of South Africa's total workforce. Thousands more were indirectly employed by CCIs (Department of Arts and Culture, 2017). In Malawi, CCIs contribute 3.35 percent to employment and in Botswana, creative industries contributed 2.66 percent to employment in 2019, more than mining, quarrying, finance, and insurance, water, and electricity (Fondo, 2021). International Labor Organization data shows that Nigeria's crafts and related sector employed the highest number of individuals in 2019 (about 8.1 million), followed by Egypt (4.9 million), and Ghana (2.5 million). Female participation in this sector is also highest in Ghana, at 49.2 percent, followed by Nigeria, at 40.3 percent. In Egypt, in contrast, just 2 percent of females participate in the crafts and related sectors (International Labor Organization, 2019).

2.4: CONTRIBUTION OF CREATIVE AND CULTURAL INDUSTRIES TO TRADE

Regular and reliable data on trade in creative goods is more readily available than GDP data for the creative economy. Like the GDP analysis above, the dispersed, unregulated, and informal nature of CCIs creates challenges for capturing data on cross-border trade transactions for creative goods and services. Estimates based on formal trade underestimate that tied to CCIs. In addition, issues arising from misinterpretation and underrepresentation of some sectors in aggregate data complicate understanding of the role of CCIs in

trade. Notwithstanding these challenges, significant progress has been made in recent years in the collection and presentation of data on the creative economy. UNCTAD compiles, validates, and processes a wide range of data collected from national and international sources and UNCTAD features data sets on creative goods, services, and related industries. For this chapter, trade trends for cultural and creative goods and services are based on the UNCTAD classification described. Data for trade in goods is drawn from the United Nations Comtrade database and for trade in services from the World Trade Organization (WTO) database on commercial services (see Annex 1).

A handful of African countries lead in exports of creative goods. Egypt, Tunisia, Morocco, Mauritius, and Madagascar (in descending order) were the largest exporters of creative goods on the continent, although the value of exports from Egypt was more than triple the exports from the rest of the four countries across the period. The countries had a combined share averaging around 55.3 percent between 2015 and 2019.¹⁷ With the exception of Egypt, exports from the top five exporters remained stable during the period. On a more disaggregate level (HS 6 digit), comparing top products exported from the continent in 2012 versus 2020, jewelry (valued at US\$ 211 million, with a share of 11.5 percent in total exports from CCIs), wooden Furniture (US\$208 million, 10.9 percent), riding toys (US\$188 million, 9.9 percent), carpets (US\$154 million, 8.2 percent), and printed books (US\$113 million, 5.9 percent) were the top export items in 2020. In 2012, however, exports of collector's pieces and newsprint exceeded those of carpets and printed books.

Africa's trade deficit in CCIs with the rest of the world constrains the internationalization of region's creative industries. Africa had a deficit in CCIs throughout the period 2012-2020,

although it declined from US\$2.7 billion in 2012 to its lowest value of US\$1.1 billion in 2018 due to a surge in exports. Through these large imbalances of trade, with African countries importing significantly more creative goods and services than they export, African consumers tend to absorb ideas embedded in creative goods from the United States, Europe, China, and elsewhere (UNESCO, 2021). This constrains the growth and internationalization of African CCIs.

Africa's exports of creative services jumped in 2018. Figures 2a and 2b describe trends in exports and imports of creative services from the continent.¹⁸ Due to a paucity of data, important sectors such as architectural and advertising services are missing from the illustrations. On the export side, 2018 and 2019 witnessed the largest value of creative and cultural services exported from the continent. The exports were dominated by computer services, valued at US\$3.46 billion in 2018 and dropping by 5.1 percent to US\$3.28 billion in 2019. At the country level, Morocco, followed by Ghana, South Africa, and Egypt were the largest exporters of creative and cultural services in 2019. By 2020, Mauritius overtook Ghana in exports in the sector, due to a surge in its sales abroad of computer services.

Exports of computer services increased amidst the pandemic due to rapid digitalization and greater demand for digital services. Apart from computer services, other personal, cultural, and recreational services, charges for use of intellectual property, and audio-visual services were among the highest contributors to total creative and cultural services exports from the continent, with a share of 19.9 percent, 10 percent, and 9.9 percent respectively in 2019.

Regarding audio-visual service exports, South Africa, Morocco, and Mauritius led the pack. An obvious player in such export trade, Nigeria (via Nollywood) is missing from this analysis due to lack of data reported by Nigeria.

Africa's imports of creative services have increased significantly in recent years. On the import side, data for the continent is quite limited, but for the purpose of the analysis, imports by each of the countries for which data is available have been aggregated to create an estimate for the continent for the period 2015 to 2020.¹⁹ Since many countries do not report such data, the aggregates suffer from downward bias. Imports of total creative and cultural services were valued at US\$6 billion in 2012 and rose by 6.1 percent each year to reach US\$7.2 billion in 2018, led by imports of charges for the use of intellectual property and computer services. However, it is hard to separate the cultural and creative component from these services. This is likely to result in an overestimate of creative and cultural services imports of this kind. Africa's creative and cultural services imports were mostly led by South Africa, Nigeria, and Egypt. Other personal and cultural services were the third largest imports, valued at an average of US\$535 million between 2015 and 2019. As expected, creative and cultural services imports declined in 2020 amidst the pandemic to about one-fifth their value.

17 The period was chosen due to completeness of data for the five countries.

18 This covers data from 50 African countries.

19 Data for services was chosen for the same period as for the goods to ensure comparison is possible

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Figure 2a: Exports in creative and cultural services (US\$ million, 2015-2020)

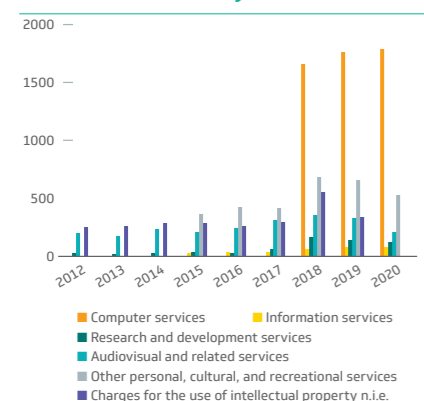
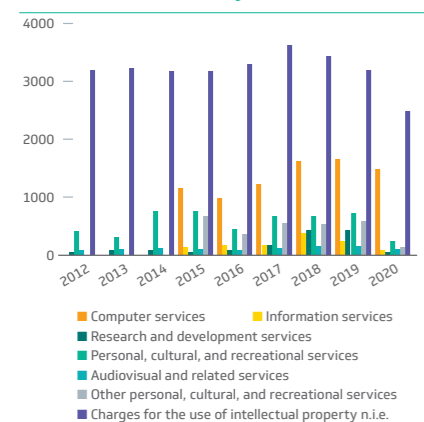


Figure 2b: Imports in creative and cultural services (US\$ million, 2015-2020)



Source: World Trade Organization Extended Balance of Payments Services Classification (2010).

There is a dearth of publicly available national accounts data on creative and cultural industries. Estimates from South Africa, the only African country that publishes regular data on CCIs, show the country's cultural goods exports in 2018 valued at US\$ 446.5 million and its imports at US\$ 469.8 million. Exports of cultural goods grew at 14.6 percent per year between 2015 and 2018, making up 0.47 percent of

South Africa's total trade in 2018, up from 0.37 percent in 2015 (South African Cultural Observatory, 2018). Data on CCIs from other countries is unavailable.

2.5: OBSTACLES TO THE GROWTH OF CREATIVE AND CULTURAL INDUSTRIES IN AFRICA

Despite the significant growth and trade gains the creative economy presents, most African countries are constrained in harnessing their creative capacities to tap these opportunities. The continent remains heavily reliant on non-renewable natural resources, with most creative industries still in the early stages of development. This section provides an overview of the main obstacles preventing African countries from growing their creative economies.

The outbreak of the COVID-19 pandemic has significantly undermined the creative industries across Africa. Travel restrictions, lockdown measures, and quarantine regulations have significantly contributed to a reduction in tourism, cancellations in performing arts events, and delays in film shoots and album releases. This has made it more difficult for creative actors to collaborate, build networks, and market their goods and services (World Bank 2020). Unlike African businesses operating in the formal sector, many creative entrepreneurs, siloed in the informal sector and excluded from traditional social safety nets, have struggled to secure a basic daily income. The crisis has highlighted the need to ensure the resilience of creative workers to reduce their vulnerability in the face of future crises (UNESCO, 2021). Furthermore, the pandemic is likely to adversely affect the livelihoods of creatives by reducing disposable incomes in the overall economy and the consumption of cultural and creative products and services (Durant, 2021). A positive outcome of the pandemic, however, has been the necessitated shift to digital solutions and online streaming, which

has helped boost the performance and resilience of creative industries underpinned by digital models and platforms.

In a 2020 survey by the HEVA fund on how the pandemic has affected the professional and personal lives of creative and cultural practitioners and business owners, nearly all respondents said COVID-19 had adversely impacted their business. Eighty-eight percent reported experiencing a reduction in revenue. More than two-thirds of respondents operated as freelancers, highlighting the informal and fragmented nature of the industry and its acute fragility and exposure to shocks (Gachara, 2020). In comparison, a study estimating the impact of the pandemic on cultural and creative industries in the European Union found that, in 2020, the total turnover of cultural and creative industries fell by €199 billion, a decline of 31 percent from 2019. Performing arts and music sectors recorded the largest losses of 90 percent and 75 percent, respectively (Ernst & Young, 2021).

(a) Policy Frameworks

Governments in Africa have not dedicated sufficient resources to the creative industries as sources of income and development. The existing growth of cultural and creative industries is driven by grassroots investments led by Community Service Organizations (CSOs), associations of actors and artists, and local officials. It is critical that CCIs be regarded as an integral part of the development policy process in line

17 The period was chosen due to completeness of data for the five countries

18 Another form of export from CCIs that is not explicitly included here is in the form of cultural tourism that can be used to attract domestic and international tourists to unique heritage sites. However, data for this is missing.

19 This covers data from 50 African countries.

20 Data for services was chosen for the same period as for the goods to ensure comparison is possible.

with the Brussels Declaration of the 4th Meeting of ACP Ministers of Culture which acknowledges "the central role of culture as a driver of economic growth and sustainable human development" and calls for "the need to place culture at the heart of development policies and strategies" recognizing that "cultural industries are not only sources of job creation and innovation, but also instruments of peace and social cohesion" (ACP, 2017). Transforming the internal and external view of Africa's cultural heritage will be vital for designing supportive policy frameworks and promoting investment and engagement in the creative and cultural industries. There is a need to change mindsets on the continent to recognize arts and creativity as an important part of shaping Africa's own identity, narrative and transformation agenda, as well as a valuable and viable enterprise for youth to pursue.

Many creative and cultural related policies in Africa are outdated and do not reflect the realities of the 21st century. In Nigeria, the National Cultural Policy was first developed in 1988 and the only subsequent review was unsuccessful, resulting in a 2008 draft cultural policy very similar to the original 1988 document. The policy thus does not address the complexities and dynamics of the creative economy today, including the significant rise of digitalization and changing skills demands and needs.

Most African countries lack a clear framework for understanding and analyzing the creative economy to inform policy making. The creative economy is multidimensional, encompassing a wide range of economic sectors but is addressed by few agencies of governments. A comprehensive policy framework on the creative economy requires coordination and inputs from policy areas including economic development and regional growth, urban planning, international trade, labor and industrial relations, migration, domestic

and foreign investment, technology and communications, art and culture, tourism, social welfare, and education (UNCTAD, 2008a). In most African countries, policy relating to CCIs is led by the ministry in charge of issues relating to arts, culture, and heritage, with minimal involvement by other government ministries. This can result in underrepresentation of the creative economy in government policies and budgets, including in the areas of productive capacities and skills development, regional and international trade, and investment in soft and hard infrastructure. Coordination between the government, private sector, and civil society is also sometimes lacking, which can mean that CCI policies do not adequately reflect the critical needs and priorities of industry actors.

(b) Finance

Creative industry funding in Africa has typically focused on grants for non-commercial activities. UNCTAD recently carried out a study in Zambia which highlights that the historic tradition of viewing the creative industries from a cultural rather than commercial lens has left the industry dependent on public funds (Nurse, 2017). The banking sector is typically reluctant to fund creators without traditional forms of collateral in a perceived "risky" industry. A lack of data on CCIs means creative entrepreneurs can find it difficult to highlight comparisons to justify projected returns on their investment. Furthermore, investors sometimes hesitate to fund the creative industry due to its complex value chain. For example, from production to the distribution of a film, there are a significant number of steps involved in the process of filmmaking (Ankrah-Newton, 2021).

A lack of access to affordable capital remains a significant challenge for entrepreneurs and businesses operating in creative industries. In 2019, only about US\$22 million, or 1.1 percent of total investment in African

start-ups, went to entertainment companies. In contrast, US\$800 million in venture capital was invested into American and other creative economy start-ups between October 2020 and August 2021 (IFC, 2021). Businesses and banks investing in creative capital are beginning to emerge in more established markets such as Cape Town, Nairobi, and Lagos. Nigeria's Bank of Industry's "Nollywood Fund" and Access Bank's "Access Nollywood" demonstrate that the banking industry is starting to acknowledge the commercial potential of African film industries (Oh, 2014). The demand for capital, however, is much higher than the amount of capital provided by these funds. While the Nollywood Fund's maximum borrowing limit is around US\$140,000, which significantly exceeds the average Nollywood film budget of US\$40,000, it comes nowhere close to Bollywood's average film budget of US\$1.5 million or Hollywood's US\$47.7 million. This lack of financing for Africa's film industries has compromised the quality of films and limited their competitiveness and the potential for commercial success beyond African markets (Oh, 2014).

(c) Infrastructure

The development of competitive cultural and creative industries relies on availability of supportive soft and hard infrastructure in place. Africa's markets are fragmented, separated by weak and expensive transport links, particularly for rail and air. This makes often means it is easier for African creative artists to export to or perform in Europe, rather than in other African countries (IFC, 2021).

A lack of access to quality information communication technologies in African countries impedes the development of creative industries. The internet is a critical tool for the development and consumption of online entertainment and marketing and dissemination of cultural and artistic talent. Although connectivity throughout the continent has significantly improved in recent

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years, limited broadband penetration—particularly in rural areas—and the high costs that accompany it continue to constrain the development of new technology-based creative industry business models. According to the International Telecommunication Union (ITU) World Telecommunication/Information Communication Technologies Indicators Database, only 29 percent of the Sub-Saharan population was using the internet in 2019. Furthermore, governments sometimes introduce overly stringent regulations on what the internet can be used for, which further constrains the ability of content creators to grow their platforms. For example, in Uganda, the “over-the-top” tax charges citizens for their use of social media such as Facebook and Twitter (IFC, 2021). Obstacles are particularly prominent for women in the digital creative industries as they have less access to training programs and professional networks. In Africa, initiatives like the HEVA Fund program, launched in 2019, are nurturing entrepreneurship skills in the digital creative field to promote women-owned and -led creative businesses.²⁰

Inadequate investment in soft infrastructure and skills development is constraining the development of productive and innovative creative industries in Africa. Many educational systems on the continent are still rooted in the colonial experience with a focus on traditional subjects, theory, and replication. Arts departments are typically underfunded in schools and art teachers are among the lowest paid staff members. This means that the skill-sets available in African economies often do not match the needs of creative industries, which rely more on practical methods of learning and application, entrepreneurialism, arts, digital literacy, technology, and innovation. Investing in CCI skills is not only essential to positioning creative industries as value-adders to African economies, but also key to boosting the quality and innovation of other sectors. Clusters and

networks of creative industries enabled by digital platforms are increasing in number across the African continent, but more needs to be done to scale up and upgrade these networks. This will enable knowledge to be exchanged and ideas to be generated through creative talent, both national and regional (British Council, 2013).

Africa’s youth are not equipped with skills needed to nurture creative talent and competitively position Africa’s creative industries in global markets. According to recent survey interviews conducted by the British council across four countries in Africa—Kenya, Nigeria, South Africa, and Zimbabwe—there is a significant shortage of skills in the cultural and creative sectors. Most survey respondents across the four countries identified that young people, although the drivers of CCIs, are usually under-qualified for their roles in cultural and creative sectors and require significant on-the-job training. Participants explained that while graduates generally have the appropriate level of qualifications for academically focused skills (curating and archiving), they are underqualified for business support roles (marketing and business development) and technical roles (exhibition design and sound engineering) (British Council, 2021). Similarly, there is a creative skills gap which prevents young Nigerians from harnessing opportunities in the creative industry (Jobberman Nigeria, 2021). Jobberman’s soft skills baseline assessment indicates significant gaps in young people’s employability skills with an average of 48 percent from 34,705 responses. The top skill gap areas based on the analysis are cinematography and videography, project management, marketing, acting, customer service, booking and ticketing, graphic design, and photography (Jobberman Nigeria, 2021).

(d) Intellectual Property Rights

Most African countries lack the institutional capacity to protect intellectual property rights critical to supporting the development of creative industries. These rights play a key role in supporting the emergence and growth of creative industries, protecting creativity, and controlling commercial exploitation of the products of scientific, technological, and cultural creation. African countries, however, face several challenges in protecting intellectual property rights. Piracy and a lack of efficient royalty collection mechanisms can result in countries losing revenues—including individual profits, taxable income, and public funds—and missing out on valuable domestic and foreign investments (Durant, 2021). Not all countries have copyright societies and those which do are typically parastatals or state-funded societies (African Union, 2006). There also often exists a lack of awareness of creative entrepreneurs’ rights across the value chain, which can result in the abuse of rights and losses in income. Many African countries have weak legal and administrative mechanisms which discourage systematic enforcement.

Limited intellectual property rights and enforcement constrain the ability of creative entrepreneurs to earn a return on investment and may encourage them to leave Africa to pursue their talents elsewhere. Nigeria’s “Nollywood” film industry has the potential to become the country’s greatest export, according to PwC, which cites a compound annual growth rate of 19.3 percent from 2018 to 2023. However, piracy and counterfeiting hinder advancement, with filmmakers receiving only a fraction of total revenue generated by their movies, as discussed in Section 2 (Buckholtz, 2021). In South Africa, the country loses 44 percent of its DVD revenues, 15 percent of which is online, to piracy (National Film and Video

²⁰ <https://www.hevafund.com/ota>

Foundation, 2013). Piracy also deters international co-production and distribution opportunities in foreign markets. Much of the music industry in Africa focuses on live performance, with formal production and circulation of music products still awaiting further development. Many countries lack the institutional resources to manage copyright collection and payment systems, and therefore performers are frequently attracted overseas in search of wider opportunities and higher payments (UNCTAD, 2008a). Music is regularly obtained in the Nigerian markets through illegal downloads, rather than legitimate music stores or streaming services that ensure artists receive their portion of a sale (Searcy, 2017).

The reliance of the creative economy on digital technologies creates further intellectual property rights challenges. Electronic platforms, file sharing, and music streaming, among other technologies, have led to new business models, presenting the challenge of applying intellectual property rights to the digital context. For example, electronic copies of original works may be reproduced in unlimited amounts, potentially threatening traditional businesses in publishing, printing, and bookselling. In addition, digital files can be easily shared across national borders, while intellectual property rights are limited by national jurisdictions. The European Union has been active in establishing guidelines and regulatory frameworks for digitalization, including a directive on copyrights in the digital single market, adopted by the European Parliament in 2019. In May 2020, The World Intellectual Property Organization launched an online policy tracker providing updated information on measures adopted by national intellectual property offices in response to the pandemic, including on the increased use of electronic measures (UNESCO, 2021).

(e) Standards

The use of standards and norms to promote cross-border trade in CCIs is relatively weak in Africa. Compliance with standards and technical regulations is important for signaling and guaranteeing the quality of produced and traded creative goods and services. This helps to encourage CCI trade by protecting consumers and creating confidence in traded goods, and enhancing production, trade capacity, and competitiveness. The International Standards Organization has developed standards for creative industries, particularly for the music industry (e.g., acoustic quality criteria for musical rehearsal rooms and coding of audiovisual objects) and the fashion industry (e.g., standard methods of garment measurement), but there has been minimal adoption of these standards by African countries, which constrains Africa’s CCI exports. In certain industries, such as crafts, fashion, and events management, efforts are also required to develop new CCI related standards contextualized to the African continent. For instance, in clothing, a size medium in China is not the same as a size medium in Nigeria or Zimbabwe. Profiling the different sizes of men and women across Africa is critical to increase the quality and value addition of creative tailoring work. Events management is a critical creative services industry that also lacks appropriate norms and standards—particularly related to health and safety—which has constrained the organization of concerts headlined by global artists. The African Organization for Standardization is supporting increased uptake of International Standards Organization CCI standards among its members but requires support and funding to upscale its programs to develop and harmonize African Quality Standards for creative industries.

(f) Data

Reliable and regular data on CCIs for African countries is lacking and there is no universally agreed definition of the “creative economy.” Accurate data on the creative economy—in terms of inputs, outputs, value of production, prices, employment, and trade—are lacking in most African countries (UNCTAD, 2008a). Although some estimates on the size and scope of the creative economy in Africa exist, these are usually incomplete. Definitions and methodological tools used by agencies can also differ, making comparing CCI data difficult. Furthermore, CCI estimates typically do not capture the full extent of the creative economy due to the significant presence of informal activities in this sector which rely on networks of small and medium enterprises, freelance, and gig workers. Finally, the rapid pace of technological change makes it difficult to ensure that CCI data reflects all new products and services constantly entering the market. In relation to trade, although exports and imports of physical products produced by creative industries are recorded, the increasing dematerialization of cultural products has made statistical tracking of trade difficult.

Without data to accurately measure the contribution of creative goods and services to economic growth, the creative sector will continue to be overlooked in policymaking processes. The informal nature of CCIs and associated lack of data on their operations, means that creative industries often fall outside the purview of government policy and support schemes (UNESCO, 2021). Data that provides an accurate representation of CCIs is crucial to inform evidence-based policy making (Durant, 2021). CCI data is needed to facilitate the effective formulation, implementation, and monitoring of creative industry policy and complementary trade and development policies. Estimates on CCIs

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are essential to develop accurate overall trade and GDP statistics and facilitate improved macroeconomic management policy. CCI data is also needed to respond to the special needs of actors in the creative economy, including women and youth, and the specific structure and operation of CCIs.

UNESCO has developed a coherent system to effectively measure and monitor culture's contribution to sustainable development which can be applied in African countries. UNESCO's Culture for Development Indicators are structured around seven policy dimensions to be implemented at the national level. UNESCO has also worked with the UNESCO Institute of Statistics and several international organizations and experts to develop the Culture 2030 Indicators, a tool launched in 2019 to measure culture's contribution to the SDGs at national and local level, both as a sector of activity and transversally across other sectors. This methodology provides a set of 22 indicators to evaluate the contribution of culture to prosperity and livelihoods, including various variables such as culture in GDP, cultural employment and businesses, culture-related household expenditure, trade in cultural goods, and services or public finance for culture (UNESCO, 2021). According to the UNESCO Institute for Statistics, less than fifty percent of census surveys in Africa contain culture-related questions. This highlights the need for capacity building to strengthen the capacities of African National Statistical Organizations (NSOs) to collect relevant data on CCIs which can be used to track the Culture 2030 indicators across the continent.

(g) Language

The vibrancy of Africa's creative and cultural ecosystem is driven by the continent's multilingual nature. The continent is home to more than 2,000 languages - roughly one-third of all human languages. The most spoken languages include Kiswahili, Hausa,

Amharic, Oromo, Yoruba, and Igbo. Cross-border languages include Chichewa, Fulfulde, Mandekan, Wolof, Somali, Lingala, and Malagasy. Many African countries have also adopted the languages of their former colonizers—English, French, Portuguese, and Spanish—for official business and educational purposes. Some countries have adapted these foreign languages to create variations such as Pidgin English, Creole, and Afrikaans. These languages are central to the heartfelt expression and feeling of belonging embodied in African films. Fifty-six percent of Nollywood movies are made in local languages, and most Kenyan Riverwood films are produced in local languages (Ugochukwu, 2013). Swahili has been adopted by the African Union as the continent's international language, with more than 200 million speakers. It is broadcast regularly in Burundi, the DRC, Kenya, Liberia, Nigeria, Rwanda, South Africa, Sudan, Eswatini, and Tanzania. Swahili words and speech can also be heard in international movies such as *Star Trek*, *Out of Africa*, the *Lion King* and *Lara Croft: Tomb Raider* (Mugane, 2022).

The large number of languages used across Africa, however, constrains the commercialization and trade of cultural and creative production in indigenous languages. Creative works such as movies and music produced in local languages are typically in sync with local traditions and have more impact on countries where most of the population, especially in rural areas, is not fluent in English, French, or other foreign languages. Furthermore, according to the World Economic Forum, one of the main reasons many Africans do not go online, when they can, reflects a “lack of content in local languages” (Stephane, 2019).

Subtitling offers a critical tool that can help to overcome the challenge of linguistic diversity and enhance the consumption of Africa's CCIs in overseas

markets. Subtitling is typically preferred to dubbing by foreign audiences, particularly those who prefer to hear the original dialogue. It is also the more cost-effective option and more authentically portrays the cultures and original African flavor embodied in productions. Subtitling has been applied to both Igbo and Yoruba Nollywood films since the early 1990s (Ugochukwu 2013). Several video-on-demand platforms have also emerged to distribute African content. iROKO is a Nigerian multimedia company that licenses, distributes, streams, and produces Nollywood content and offers both subscription video on demand service and an android app service. iROKO provides subtitles for several movies in local languages. In Kenya, Viusasa is a subscription video on demand service offering movies, videos, and live TV channels in nearly all of Kenya's local languages (Goethe, 2020). The use of subtitles, however, can pose challenges, most notably linguistic quality, including grammar and spelling mistakes, faint or too-small font, and the use of translations that lose the original meaning. This highlights the need for greater regulation of subtitle production and graduate programs to guarantee linguistic quality.

Dubbing offers an alternative to subtitling but is generally less widely adopted in Africa. Dubbing into French has been a common choice for Nigerian filmmakers, since the country is surrounded by francophone countries. For example, in Cameroon and Gabon, Nollywood movies are sold as “African movies” after being dubbed in French. New York-based Global Vocal has developed a platform that digitally dubs African songs in Xhosa or Zulu into Swahili or Yoruba, making South African content suitable for consumers in Nigeria or Kenya. This has helped to facilitate the creation of “pan-African” artists and musicians. Dubbing is still less common than subtitling, however, since it is generally more expensive and

more suitable for films with a narrator. It also requires careful scripting and professional voice actors. This has presented a particular challenge for Nigerian producers since many Nollywood films rely partially on actors' spontaneous performance as detailed scripting is gradually developed (Ugochukwu, 2013).

(h) Colonial Legacy and Extroverted Model

The “first-mover” advantage in CCIs which makes it more difficult for African countries to compete in global markets for creative goods and services. Obstacles to growth of African CCIs at the international level center on a lack of access to markets and non-competitive business practices, particularly in the digital and audio-visual industries. Marketing channels and distribution networks for many creative industries are concentrated to markets in the developed world. A large part of creative revenues originates from copyrights, licenses and marketing and distribution, much of which often fails to reach creators in developing countries. The significant digital and technological divides between Africa and the rest of the world further hold back the international competitiveness of the continent's creative products and services (UNCTAD, 2008b). Multilateral creditors have made limited funds available to support the development of creative industries in developing countries, and aid for trade for CCIs is very minimal. These factors have made it difficult for African countries to catch up with more advanced nations that dominate the CCI sector.

The growth of the creative economy has also been constrained by corrupt practices that facilitate the removal of African creative works and associated revenues from the continent. African artists continue to lose part of their earnings through misappropriation of royalties, diversion of funds earmarked for the sector, copyright fraud, piracy of

intellectual work, and bribery and exploitation of cultures such as gift giving to advance corruption. African cultural products are sometimes fraudulently shipped to developed countries and re-exported to Africa at much higher prices. For example, the illegal poaching of elephants in Africa to fill demand for ivory in countries such as China and the United States has been a significant challenge. Ivory is often transformed into jewelry outside the continent, which can make its way back to African consumers. Counterfeits have flooded African markets with non-authentic cultural products damaging to national cultural identities, such as the smuggling of imitation “African” fabrics from China that have hampered local Ghanaian and Nigerian textile industries (McGregor 2015). The existence of corruption in the arts, culture, and heritage sectors requires the adoption of legal and institutional measures to sustainably reduce graft. The African Union Convention on Preventing and Combating Corruption offers practical recommendations to reduce the culture of impunity and corruption for a political, social, economic, and cultural stability. It acts as a guiding framework for the African Union Advisory Board on Corruption which is working to address issues of graft in the creative sector both on and outside the continent (AU, 2021a).

Africa's creative and cultural industries have been repressed by centuries of looting of masterpieces, with important implications for African cultural renaissance. Between 1880 and 1960, colonizers removed a large share of art and cultural objects from the African continent, often through military action and other coercive means. For instance, the British Museum displays 900 objects from the Kingdom of Benin, now Southern Nigeria, which include exhibits looted from Benin City by a British military force in 1897. Such practices have transplanted African memories and foundational pillars of African history

and culture away from the continent and removed avenues for wealth creation. African activists are now calling for the restitution of Africa's art and cultural objects to contribute to the process of African cultural renaissance. Moving forward, further political efforts will be required to ensure the return of African art to the continent. The display of African art and cultural objects in Europe and other regions outside Africa should be based on an official trade or lending arrangement within a set time frame so the value of art produced on the African continent is captured by creators and retained on the continent.



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Box 2.1: Overcoming challenges of blockchain technology to African creative and cultural industries

Blockchain is a shared, immutable ledger that facilitates the process of recording transactions and tracking assets in a business network. An asset can be tangible (a house, car, cash, land) or intangible (intellectual property, patents, copyrights, or branding). Virtually anything of value can be tracked and traded on a blockchain network, significantly reducing risk, and cutting costs. Blockchain and some of its extensions can help solve many challenges in the creative industries value chain:

Proving authorship and authenticity: In the art industry, determining whether what is on sale was produced by the artist and what the seller has the right to sell is very important in facilitating purchases and preventing the selling of forgeries. In the music industry, records of who played on which track affects who ultimately gets paid, and the intellectual property status associated with creating work. But these records are not always complete. Tracking supply chains with blockchain can help to facilitate proof of authorship and authenticity in Africa's CCIs.

Introducing digital scarcity: A contributing factor to value in art is often the rarity value of a desirable object with restricted availability. The blockchain can help grow the African market for digital works (which has to date been constrained) through preventing the creation of fake works (e.g., unlimited number of digital copies) and guaranteeing digital works are unique originals, creating scarcity and value.

Increasing access to finance and liquidity: Blockchain offers a new way for African artists to raise funds by issuing digital tokens (which correspond to entries in a particular blockchain) in return for conventional money, so called initial coin offerings and the prospect of rising value if the token is widely used. Unlike conventional crowdfunding, which already happens for African creative projects, the tokens are usually tradable via online exchanges which creates additional liquidity. Blockchain can also allow more sophisticated conditions to be attached to accessing financing and facilitating payments (Davies, 2019).

Retaining value in Africa: With the rapid expansion of internet connectivity across Africa, non-fungible tokens (NFTs) offer a platform to level the playing field with the West in creating value from CCIs. NFT platforms can be used by African artists to get full transparency on secondary buyers, as well as the ability to set up royalties to earn from their art in perpetuity. NFTs also offer potential to create wealth from historical and archived material that might be long forgotten through digitization (Kimeria, 2021).

In recent years, like the rest of the world, the African continent is increasingly embracing blockchain technologies across its creative industries.

Binance, a marketplace for NFTs and digital collectables, is among the companies pioneering the use of blockchain within Africa's creative economy. The company offers a host of products that includes mergers and acquisitions, an incubator, and its own blockchain, the Binance Smart Chain. The Binance NFT platform, which has millions of users globally, recently became available to African artists. That means a Congolese artist, for example, can now create and sell a piece of digital art anywhere in the world without friction. This not only opens new trade and market opportunities, but also removes middle layers like record companies, giving an artist a way to distribute and copyright their work. The NFT layer contains intellectual property, and also find a way to sell and distribute it because of NFTs on the Binance Marketplace (Hansen, 2021).

Artist3 is a new blockchain-enabled, end-to-end digital ecosystem for creatives, artists, musicians, and art collectors to create and NFT art. Artist3 through its NFT marketplace, Mart3, provides digital galleries for curating, selling, and auctioning art from emerging markets, including African themed digital imagery, artworks, animated assets, digital collectibles, cultural cachet, gaming, short thematic videos, holograms, original music, motion graphics, visual effects, still pictures, selection of photography, and animation. The Vision of Artist3 is to become a leading international NFT all-inclusive art platform, curating the most innovative artists and dynamic creators from across the world.²¹

Africarare is a new 3D virtual reality experience set in UbuntuLand²². The aim is to create and develop a home for African creativity and innovation. Using the \$UBUNTU Token, UbuntuLand can be bought, traded or kept as well as used for various experiences such as art exhibitions, games, and social experiences. Africarare plans to add additional experiences such as staking, DAO, and play-to-earn gaming. MTN, Africa's largest multinational mobile telecommunications company has partnered with Africarare on an upcoming 12x12 village (144 plots of real estate) secured in UbuntuLand. Renowned South African artist Norman Catherine has developed a unique collection of avatars for the metaverse, which will shortly be available to purchase. Two art galleries will feature in Africarare dedicated to showcasing Africa's prolific creativity and selling art pieces as NFTs. Africarare is expected to stimulate growth, create multiple new jobs such as digital designers, creators, and architects, and enable African artists to showcase their talent to the world and monetize their distinctive creations (African Business, 2022).

²¹ <https://artist3.io>

²² <https://africarare.io/overview>

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2.6: FINANCING CREATIVE AND CULTURAL INDUSTRIES IN AFRICA

Ensuring access to affordable and sufficient finance is key to transforming Africa's creative sector and boosting the competitiveness of Africa's CCI in international markets. The continent's rapid economic growth, large number of young people, growing middle class, and new landmark free trade area make Africa an attractive investment destination. According to UNCTAD, CCIs are amongst the most dynamic sectors in the global economy, and Africa offers an abundance of talent, rich cultural traditions, and heritages. The pandemic has increased the need for investment in CCIs, as home confinement has boosted creativity and content consumption. As mobile data rates continue to fall, and with access to the internet growing faster in Africa than in any other part of the world, demand for streaming services is increasing significantly (Gachara, 2020). There is therefore an urgent need to address funding and support gaps faced by CCIs.

This section will discuss the CCI financing landscape in Africa and present examples of encouraging new CCI financing initiatives emerging in both the public and private sectors.

Africa's CCI financing gap is attributable not to a lack of capital or investor interest but to a lack of understanding by creatives and investors of investment processes within CCIs. According to recent research based on interviews with creatives and investors in Africa, successful investments happen when creatives have a full understanding of the mode of investment suited to their business model. This includes brands from reputable existing businesses which have demonstrated positive cashflow and won several pitching rounds but failed to convert investor interest into a willingness to invest. Others redesigned their business models to meet the needs of investors and invest greater time in

understanding the fundraising and investor landscape (Mokuolu et al., 2020). According to this research, the main sources of financing CCIs in Africa fall under the following categories:

Friends and Family: This remains the easiest pathway for growth money after income generation, sponsorship, corporate partnerships, and self-financing. Networks are a key aspect in the finance for CCIs in Africa and access is fundamental.

Grants: This is the simplest option after friends and family. However, businesses sometimes choose not to opt for grant money due to challenges relating to following aspects: size, timing, requirements, reporting and monitoring, donor agenda, chance of success, path to growth, and lack of grants for commercial enterprises or follow-on support.

Loans: Although creatives are familiar with this financing option, most find the cost of capital unattractive since it places additional pressure on their business. The number of new loan options and providers, however, especially in the digital age, offer more opportunities to access better suited financing options.

The creative industry in many African countries benefits from public funding, though investment from public authorities is still insufficient. For example, the Kenyan 2020/21 budget provides KES15 billion for the culture department, which translates approximately into only 0.01 percent of Kenya's 2019 GDP (FSD Kenya, 2021). The cultural and creative industries are increasingly being recognized for both their social and economic potential, and a growing share of public funds are being allocated towards emphasizing the growth of CCIs. Grant funding is critical to promote experimentation and innovation in the creative sector, particularly for the promotion of young artists, new artforms, and for building human resource and institutional

capacities. Public grants—through ministries of culture and/or trade—are typically more generous in the more advanced African countries. For example, the South African Department of Arts and Culture funds a wide variety of arts, culture, and heritage initiatives under the Mzansi's Golden Economy programme. Eligible projects are divided into five main categories: national and provincial flagship events, festivals and events, touring ventures, public art programme, and miscellaneous art projects. The National Department of Arts and Culture budget increased in real terms by an average of 2.5 percent per year between 2011/12 and 2016/17 (Van Der Linde et al., 2020).

Public-private partnerships are also emerging to fill the CCI financing gap in Africa. Many African governments have started to facilitate alliances between the public and private sectors to encourage capital investment. This includes setting aside public funds for partnerships supporting CCIs and providing incentives to international companies to invest in Africa's economies. Morocco and South Africa's growing film production industries offer positive examples for other countries and industries. In these two countries, government incentives have been designed to attract international producers who partner with African companies and hire Africans to assist in production (Hruby 2018). The Central Bank of Nigeria, in 2019, in collaboration with the Bankers' Committee, established the Creative Industry Financing Initiative with a seed fund of N22.9 billion. Creatives whose businesses fall within the focal sub-sectors of the eligible activities (fashion, IT, film, and music) can obtain loans ranging from N3 Million to N500 Million. Participating financial institutions include all commercial and microfinance banks licensed by the Central Bank to operate in Nigeria (Banwo and Ighodalo, 2020).

In response to the limitations of public financing, non-profits have also stepped in to help fund the creative sector. For example, the Dutch Doen Foundation has established a large presence for funding CCIs in Africa. The Doen Foundation provides funding towards green, social, and creative initiatives. Doen directly finances creative organizations like the Arterial Network, African Synergy, Art Moves Africa, and the Arts Collaboratory. In addition, the Foundation provides grant financing to institutions in the creative and cultural sector in countries including Uganda, Kenya, Mali, and South Africa. The funding is granted under three frameworks: project, programme, and institutional subsidies (Nurse 2016).

Impact funds for African creatives typically focus on extending finance to creative small and medium enterprises and are supporting creative

entrepreneurs to recover from COVID-19. HEVA was Africa's first dedicated finance, business support, and knowledge facility for creative industries. Since 2013, HEVA has invested in 50 creative businesses, directly supporting more than 10,000 creative practitioners in the fashion, digital content and television, live music, and gaming value-chains. More recently HEVA has made US\$1 million in debt financing available to help businesses survive the pandemic. The fund serves to counteract the risk-averse approach of outside investors and their disconnect with elements of the African economy.²³ Similarly, Hatch Africa was established in 2012 to address the lack of dedicated business development and financing options for creative industries across Africa.²⁴ More recently, in November 2021, the Ethical Fashion Initiative in collaboration with the African Fashion Foundation announced a

partnership to launch the Impact Fund for African Creatives worth £100 million. The Fund will provide grants and funding to African creatives working in the fashion and lifestyle industries.²⁵ Impact funds with a targeted gender lens have also emerged. For example, WIC Capital is a women-focused investment fund in West Africa including creatives in their portfolio. The Fund offers business partners structured self-liquidating financing instruments that reduce the risk of a company not finding a traditional exit and operate a dedicated technical assistance programme, WIC Académie, that provides pre- and post-investment support to women-led businesses.²⁶

²³ <https://www.hevafund.com/ota>

²⁴ <https://hatchafrica.com/>

²⁵ <https://robertaannan.com/the-island-of-saints-and-scholars>

²⁶ <https://wic-capital.net/>



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Box 2.2: Comoé Capital: Providing seed capital for innovative start-ups and small and medium enterprises in the creative and cultural industries

Creative and Cultural Industries (CCIs) generate income through trade and commercialization of intellectual property rights, and create new jobs in higher occupational skills, particularly for small and medium sized enterprises. With advancement in technology, creative and knowledge-based industries have emerged amongst the most dynamic sectors of the global economy. In addition to its economic benefits, CCIs generate non-monetary value that can contribute significantly to achieving people centered, inclusive and sustainable development.

However, despite being among the most rapidly growing sectors in Africa, CCIs and their linkages to the rest of the economy have largely been overlooked resulting in the dominance of informal players, and emergence of unstructured markets. In addition to the challenging policy and operating environment, the growth of CCIs is constrained by several other factors, including unfavorable regulatory environment, knowledge gap, access to market and limited access to financing.

In order to lift these constraints and maximize the trade and development potential of CCIs throughout Africa, Afreximbank established the Creative Africa Nexus (CANEX) program, in January 2020. Through CANEX, the Bank is investing US\$500 million to support the sector. This facility aims to monetize the commercial value of CCIs. The program aims to support creative talent across Africa and Diaspora especially in fashion, film, music, sports, visual arts, and crafts. It is envisaged as a one stop shop for governments, creative companies, and individuals to find and access technical support, finance, investment, and market opportunities. Key instruments of intervention under the CANEX program include i) financing (debt, equity, advisory), ii) capacity building (masterclasses, accelerator/incubator program), iii) digital solutions, iv) linkages and partnerships, v) investment and export promotion (market access and twinning services), and vi) policy advocacy.

The key strategic objectives under CANEX include:

- Increasing Africa's share of global cultural trade flows through trade and investment promotion activities;

- Deploying specialized financial products to support the CCIs ecosystem;
- Facilitating technical capacity programs that enable export grade production;
- Facilitating market access to high value demand hubs (through partnerships);
- Advocating for harmonized regulatory reform especially in relation to intellectual property rights and incentives.

The Bank also created the Creative Africa Nexus show. As Africa's first continental platform, it brings together the continent's creative talents drawn from the music, arts, design, fashion, literature, publishing, film, and television sectors. Dedicated to promoting and exhibiting products within the cultural and creative industry, the program holds the CANEX Weekend (CANEX WKND) and CANEX at Intra-African Trade Fair (IATF) events to convene leaders from culture and creative industries from Africa and the diaspora to explore cultural and creative market opportunities. CANEX WKND offers a consolidated marketplace where buyers and sellers of CCIs products and services meet and explore business opportunities with the view to facilitating investments in the sector and enhance implementation of the AfCFTA (Afreximbank, 2020).

Through its CANEX, Afreximbank has already over \$270 million to support the growth of culture and creative industries in various sectors, including entertainment, infrastructure, development and production of films. In 2021, CANEX at the IATF in Durban, South Africa brought together over 3,000 delegates, and realized over \$70 million dollars in creatives specific trade and investment deals. Building on the key successes of CANEX at IATF2021, CANEX WKND will further build bridges across African creatives.

The next 3-day 2022 CANEX WKND will be held in Abidjan, Cote d'Ivoire between 25-27 November 2022. The event will be an important milestone in Afreximbank's promotion of the CCIs which are among the fastest growing with tremendous potential for boosting intra-African trade.

Box 2.3: Africa Unsigned: Crowdfunding for Africa's music industry

Africa Unsigned is a Netherlands-based website which utilizes crowdfunding for music projects that are not found in mainstream record stores and commercial radio. The general public can invest in a music project by purchasing shares worth €5. Once a project has attracted 5,000 shareholders or "believers" and raised €25,000, an album is then produced and shared with each believer. Africa Unsigned works with a network of studios and NGOs in Senegal, Kenya, South Africa, Zimbabwe, and Mali that guide the scouting process and facilitate the promotion of the artists. In 2012, Africa Unsigned shifted its business model from running a crowdfunding platform to facilitating interactive music campaigns. The Africa Unsigned business model is based on the crowdfunding concept of SellaBand.com and includes partners in the foundation Wisdom of Crowds: UpToYouToo in Kenya, Niyel in Senegal, Tuvalu Media, a television production house and Pim Betist, Founder of SellaBand.com (Nurse, 2017).

African CCIs also benefit from projects supported by international funds. The International Fund for Cultural Diversity supports the development of policies and actions in developing countries that invest in culture and creativity, implementing both the 2005 Convention and the United Nations 2030 Agenda for Sustainable Development. Projects supported by the Fund cover a wide range of areas: development and implementation of cultural policies, improvement of access to markets, increased mobility of artists and cultural professionals, creation of new cultural industry business models, capacity-building for cultural entrepreneurs, and mapping of cultural industries. Of the projects it funds, 44 percent are in Africa, with a total value of US\$2,823,293 (UNESCO, 2017).

The banking sector is typically reluctant to fund creators without traditional forms of collateral in a perceived "risky" industry. This risk can be mitigated by targeted programs and credit-guarantee schemes established by governments or regional and development banks and implemented

by commercial banks. For instance, in 2003, the International Francophony Organization established a Cultural Industries Guarantee Fund to provide financing to West African cultural projects. Management of the fund was entrusted to the Economic Community of West African States Investment and Development Bank and in 2009, the International Francophony Organization and the Bank agreed to increase the capital of CGIF to €1,300,000 which guarantees financing for projects costing between XAF1million and XAF155million (Nurse, 2016). However, the program has not been prioritized since 2015 (Hruby, 2018). At the national level, in 2012, Cabo Verde created a Bank of Culture with the aim of "contributing to the preservation, protection and enhancement of the Cabo Verde's cultural heritage." The Bank offers a micro-credit facility to facilitate access to finance for creators and small entrepreneurs. It is a type of guaranty fund that allows small entrepreneurs to go directly to the bank and submit a project which is evaluated according to its intangible value. Limited resources for the demand of financing by the cultural and creative sectors has however been a significant challenge (UNCTAD, 2015). A greater number of credit guarantee schemes are required on the African continent, but efforts must be taken to ensure that they are prioritised and adequately funded and staffed.



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Box 2.4: Banks offering innovative financing for creative and cultural industries in Africa

Anakazi Proposition, Stanbic Zambia: The Anakazi product is a banking proposition tailored for women-led enterprises in Zambia. Informal enterprises are signed up with the bank's Tamanga account which is priced more affordably than other bank products and can access loans without collateral once the bank has generated a six-month transaction history of the enterprise. Because most creatives are not formalized, this offers a channel to include them within the financial system.

Creative Industry Financing Initiative, Central Bank of Nigeria: In 2019, the Central Bank of Nigeria in collaboration with the Bankers' Committee introduced the Creative Industry Financing Initiative to improve access to long-term, low-cost financing by entrepreneurs and investors in the Nigerian creative and information technology sectors. The sub-sectors eligible under the initiative are fashion, information technology, film, and music.

Creative Loan, Access Bank Nigeria: The creative sector loan is a banking product aimed at capacity building and employment creation for creative enterprises. The bank offers single digit funding for creative enterprises with flexible repayment plans.

CFC Stanbic Skiza Product: In 2018, Stanbic Bank launched a partnership with Cellulant to avail loan facilities to music artists secured by their Skiza ringtone royalties. After the musician has received a loan under this arrangement, Cellulant deducts repayments for the loan from royalties received from Safaricom on behalf of the artists and pays this amount to Stanbic Bank.

Equity Bank, Kenya: The bank launched the Design your Destiny project under the bank's Vijana na Equity campaign in 2014 aimed at supporting fashion designers in commercializing their ventures. The project offered a financial literacy workshop for 40 promising fashion designers and attempted to implement a group lending model to facilitate financial access for participants without conventional capital.

Standard Bank, South Africa: Standard Bank sponsors numerous artistic ventures, such as the Standard Bank Jazz Festival, the National Arts Festival, and the Standard Bank Young Artist Award as well as hosting the bank's personal art gallery. The National Arts Festival is the largest in Africa and second largest in the world.

Source: fsd Kenya (2021).



Other development finance institutions at the national, regional, and international levels are also expanding their support to the creative sectors. The Nigerian Export-Import Bank provides loans to CCI entrepreneurs under the Nigerian Creative Arts and Entertainment Facility Loan, targeting the music, film, television, radio, fashion, exhibition, production platforms, and hi-tech equipment industries.²⁸ In 2015, the African Development Bank launched the Fashionomics initiative to extend financial support to small and medium enterprises in Africa's fashion and textile industry, and in 2017 established the Fashionomics platform to enable designers, buyers, suppliers, traders, investors, and financiers to connect with one another (African Development Bank 2016). More recently, the Bank approved a loan of US\$170 million to finance the Digital and Creative Enterprises Programme (i-DICE) in Nigeria with the aim of promoting investment in digital and creative industries. The programme targets more than 68 million Nigerians from 15 to 35 recognized as leaders of innovative, early-stage, technology-enabled start-ups or as leaders of creative sector small and medium enterprises (African Development Bank 2021). The International Finance Corporation (IFC), which has historically invested in infrastructure, financial, and agribusiness sectors, among others, is now exploring investments in Africa's creative space and are currently undertaking a mapping of the market space (IFC, 2021). In November 2021, the IFC organised a virtual event, "Inside Africa's Creative Industries," to hear from Africa's next generation of creatives and industry leaders in music, fashion, and film, and to highlight the lucrative investment opportunities in Africa's CCIs.

²⁸ <https://neximbank.com.ng/nigerian-creative-arts-entertainment-industry-loans>

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Box 2.5: Lessons from India: Financing Africa's Film Industry

Since 1998, the Indian government has taken targeted action to make available institutionalized funding for the growth of the film industry, Bollywood (D'Souza 2017). India Export-Import (EXIM) Bank plays a leading role in providing institutional funding for the production of Bollywood films. EXIM Bank offers lower interest rates for film financing at 500 basis points over Libor (London inter-bank offered rate), particularly for films with lower risk and overseas potential such as the globally famous Yash Chopra banner films. The Bank typically lends at around 200 basis points above Libor to other sectors, but the film industry borrows from non-institutional sources at a much higher rate (Vidyalaxmi and Iyer 2013). The EXIM Bank has mainly focused on financing the dubbing of popular Indian movies in foreign languages, but also funds production of Indian movies planned for export²⁹. For example, EXIM Bank financed a project involving a box-office hit, *Kaho Na Pyar Hai*, for export to Latin America, with dubbing in Spanish.³⁰

To complement the institutional financing provided by India EXIM Bank, the Government of India has introduced initiatives to encourage foreign investment in the industry. These include film tourism, exemption from entertainment tax in some states, the "Incredible India Campaign" that focuses on the promotion of tourism in India but also includes the promotion of Indian cinema in international film festivals (PwC 2017), and film treaties signed with fifteen countries with key benefits such as co-production recognition for India and requirements to employ locals (PwC 2017). These countries are Bangladesh, Brazil, Canada, China, France, Germany, Israel, Italy, New Zealand, Poland, Portugal, Republic of Korea, Russia, Spain and the United Kingdom.³¹

The India EXIM Bank financing model offers important lessons for Africa's development finance institutions and export-import banks. In recent years India-EXIM Bank has prioritised the African region, and through financing, advisory and support programmes, has worked to facilitate and promote India's trade and investment relations with the African region, in line with government initiatives. Through the Global Network on Eximbanks and Development Finance Institutions (G-NEXID)—established to share information, expertise, and experience between Eximbanks and DFIs—the India EXIM Bank recently partnered with the Nigeria Export-Import Bank to design and implement a programme to finance Nigerian and Indian films, particularly those with potential to earn foreign exchange. The Indian Bank has also helped train officials at its Nigerian counterpart and organized study visits for them to major film production houses, facilities, and studios in India. The collaboration led to the launch of the Nigeria Export-Import Bank Nollywood film financing programme.³²

²⁹ <https://www.financialexpress.com/archive/exim-bank-bets-big-on-film-financing/104788>

³⁰ <https://www.financialexpress.com/archive/exim-bank-to-finance-overseas-movie-marketing/103158/>

³¹ <https://www.fifo.gov.in/en/co-productions/international-treaties>

³² <https://www.eximbankindia.in/blog/blog-content.aspx?BlogID=14&BlogTitle=Exim%20Bank>



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2.7: INFRASTRUCTURE FOR THE GROWTH OF CREATIVE AND CULTURAL INDUSTRIES IN AFRICA

For African countries to grow globally competitive creative industries, the development of a highly connected fabric of cultural and creative infrastructure is required. As with minerals and other commodities, Africa is rich in talent and creativity, but lacks the infrastructure and expertise to convert this into potential, profitable, and internationally competitive enterprises. Creative entrepreneurs and businesses require connected, accessible, flexible infrastructure that provides them with stimulation, inspiration, practical skills, sector intelligence, trading opportunities, and partnerships. This requires the concentration of infrastructure to transform places into creative hubs.

This section identifies key infrastructural conditions the growth and competitiveness of creative industries and discusses the status of creative skills development and digital infrastructure in Africa. We adopt an understanding of “infrastructure” as referring to the network of platforms that shape how creatives produce, distribute, and communicate their work to their audience. Infrastructure can refer to physical objects (the fiber optic lines that provide broadband access services), digital platforms (e-mail client servers or music production software), or soft infrastructure (digital skills development).

(a) Hard Infrastructure

Africa requires greater investment in high profile, connected, and concentrated creative infrastructure. Creative infrastructure—including galleries, museums, cinema, bookshops, concert halls, and events program—is low in Africa per capita compared to

other developing and advanced regions, and access is highly concentrated among the most prosperous in society. The wider the range of this infrastructure, the greater the dissemination opportunities for creative entrepreneurs and businesses. It is essential that creative infrastructure is connected through concentrations of infrastructure in specific places. More specialist creative industries support services are also needed, including business incubators and acceleration and investment programs, high quality network initiatives, and continuous professional development.

Physical infrastructure such as high-quality digital technology, or good public transport, particularly access to airports, is essential to developing a competitive creative hub. Investments in Africa’s underdeveloped physical transport and connectivity infrastructure, through implementation of the Program for Infrastructure Development in Africa, is critical to complement investments in creative infrastructure. The Basketball Africa league, for example, has created a range of jobs—from players and coaches to artists, singers, videographers, and sport reporters—but remains stunted since it requires easier and more affordable options for travel.

Facilities for creative industries such as media centers, rehearsal space, studio space, and workspace are lacking in most African countries. It is important these facilities be affordable and accessible across the creative industries value chain on the continent. What is a challenge is that the more creative a place, the more expensive it is, and in turn the less places one must incubate content, despite contents’ success being the reason a place becomes known as creative. In Africa, and globally, there exists significant underinvestment in creative facilities. National theatres and

concert halls remain fixtures in most African cities, yet affordable rehearsal spaces and recording studios are difficult to find, despite the strong relationship between the two (Fleming 2021). Investment is also required in creative spaces to offer platforms for convergence and connectivity and place for creative knowledge workers to meet, exchange, and build relationships towards the generation and trade of ideas. In Africa, the number of creative spaces is on the rise. An interesting example is the disruptive creative start-up BookingsAfrica.com, whose mission is to become the largest employer of freelance creatives across the continent.

In Africa, as in many other regions, creative infrastructure is typically positioned as focusing either on creative production or consumption. For example, in Uganda the National Theatre is emphasized as a unit of creative consumption,³³ whereas Design Hub Kampala is a production-focused, co-creation, and co-working space in Kampala where entrepreneurs, freelancers, designers, writers, product developers, marketing minds, and tech start-ups can work on their own projects and share, engage and work with other like-minded creatives³⁴. However, the most successful infrastructure—whether measured in audience figures, visitor numbers, or business growth—is based on an understanding of the inseparability of processes of production and consumption. This ensures highly networked, high energy creative clusters where processes of cultural consumption are symbiotic with processes of cultural production. (Fleming 2021).

Creative infrastructure in Africa is being re-tooled for the digital age. Although information communication technologies benefit the entire economy, their role in creative industries is of particular importance. In the past

few years, there has been a sizable increase in the capacity of undersea cables connecting Africa to the rest of the world, which has driven mobile data prices down. Innovative approaches to encouraging additional Wi-Fi services using TV white space are emerging in Africa to expand the consumer base for CCIs. Malawi and South Africa’s partnership with Microsoft in this area can serve as a testing ground for potential scale up elsewhere (Hruby 2018). This increased connectivity, coupled with digital platforms, is enabling Africa’s creative entrepreneurs to utilize new distribution channels and reach new audiences. For example, the e-commerce platform Ananse connects African fashion designers and artists with local and international consumers through facilitating simplified international e-commerce payments and logistics.³⁵ Digitalisation is also facilitating the adoption of new innovative entrepreneurial business models. Africa’s film and music industries have benefited from cost reductions and possibilities that digital production and presentation have provided.

(b) Soft Infrastructure

The educational systems in most African countries are not sufficiently aligned to producing the skills demanded by creative industries. Educational systems play an essential role in developing creative economies. This requires outward-facing knowledge transfer, incubation and convergence programs, strong links across creative and non-creative sub-sectors, and a commitment to inter-departmental approaches to creativity. In Africa, educational systems are still mainly premised on colonial roots and do not match the needs of creative industries, which rely more on practical methods of learning and application, entrepreneurialism, arts, digital literacy, technology, and innovation. For example, the Nigerian National Policy on Education provides for vocational

enterprise institutions in the areas of traditional fashion, craft, performing arts, make-up, art, and contemporary fashion design, and innovation enterprise institutions to cater for certification in industry-specific skills. These include the Fashion Institute of Technology, Film Academy, Academy of Creative Arts, Construction and Engineering Institute, and other science-based and industrial institutions. Beyond this, there is limited recognition of the creative economy. Pre-1960s CCIs were neglected in favor of providing clerical training. Post-1960s attention shifted to producing manpower for economic expansion and the civil service, and today the focus is on promoting science and technology education. Cultural and creative arts subjects are only compulsory in primary schools, and in higher education institutions students are directed to consume theoretical knowledge rather than seek new understandings and practical applications (Obia et al. 2021).

Innovative creative skills development programs for entrepreneurs are emerging and can be scaled. The development of competitive creative industries requires a ready supply of creative talent and specialist skills. Many creative entrepreneurs in Africa have not been trained in the crafts they practice. They may have studied something else at college, are informally self-taught, or have failed in a variety of jobs and careers before finding their niche. The British Council has played a critical role in supporting the development of 21st century creative skills in Africa, drawing upon the experience of the United Kingdom as a global leader in CCIs. For example, the British Council has developed the West African Creative Enterprise Support Program to upskill young and emerging creative entrepreneurs towards the development of successful businesses through training, mentoring, coaching, and internship opportunities. The International Labor Organization also supports creative skills development through its Start and

Improve Your Business management-training program which trains artists in the skills required to start and operate a business (International Labor Organisation 2016). More African-grown creative skills development programs like the successful HEVA Forum is required. Since its launch in 2014, the forum has hosted a range of skills training workshops, and master classes on sound production, public relations, photography, and garment manufacturing as well as international exchanges and symposia to facilitate networking.³⁶

Digital literacy programmes to support creative entrepreneurs to leverage digital technologies are gaining greater prominence in Africa. For example, in 2019 the Association for the Development of Education in Africa, the Didier Drogba Foundation, and the Cote d’Ivoire Ministry of National Education, Technical and Vocational Training established an initiative to promote digital literacy across the continent. The project aims to improve literacy levels of more than 10 million people in Africa over five years, using new information technology, including smartphones, with a special focus on women and rural communities. The project utilizes the Ability, Balance, and Critical thinking (ABC) model of digital literacy, developed by the Ivorian innovator BYTE sarl (African Development Bank 2019). The HEVA fund offers dedicated trainings and workshops for Mombasa-based women business owners in the creative industry to assist them in choosing cost-effective digital content, increasing their reach on social media and marketing their products online.³⁷

³³ <http://architectuul.com/architecture/uganda-national-theatre>

³⁴ <https://designhubkampala.com/>

³⁵ <https://ananse.com/en>

³⁶ <https://www.hevafund.com/workshops>

³⁷ <https://www.eventbrite.com/e/mombasa-workshop-social-media-and-marketing-tickets-65304277853?aff=ebapi>

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Associations and guilds in many African countries are weak and fragmented. Countries with vibrant creative industries typically have industry players organized into associations and guilds that help improve standards, harmonize compensation for artists, and serve as platforms for learning. These associations can also play an important role in uniting creatives to develop common positions and engage the government in a coordinated manner. In East Africa, research on the creative industry institutional infrastructure finds that associations are fragmented, disunited, and lack a common consistent agenda on how to engage the government and different industries to ensure standards in the industry consistently improve the lifestyles of artists in the sector (Hivos 2016).

Creative industry infrastructure investment in African countries primarily focuses on building local markets. Greater attention needs to be attached to the development of creative industries connected to regional and global markets and partners. This is important for facilitating business-to-business relationships and emphasizing partnerships above competition. In recent years, some interesting regional and global partnerships and trade initiatives have started to emerge including the Afreximbank Creative Africa Exchange and the Atlantic Council Africa Creative Industries Summit which works to promote trade and exchange with the United States.³⁸ The United Kingdom Arts and Humanities Research Council also funds an international research network on “Understanding and Supporting Creative Economies in Africa” to connect creative academics, practitioners, and policy and network bodies and facilitate knowledge exchanges between the Global North and the Global South, highlighting the importance of context specific knowledge and encouraging connections between local cultural production networks. The AfCFTA is expected to

offer an additional impetus for African countries to connect their creative industries and boost both intra-African and external trade in creative goods and services.

2.8: POLICIES AND PROGRAMS TO GROW CREATIVE AND CULTURAL INDUSTRIES IN AFRICA

Despite the abundance of talent and creativity on the African continent, the economic potential of the creative economy remains highly underutilized. Africa’s share in global trade of creative products is less than one percent despite recent increases. This reflects national and regional policy weaknesses and sometimes unfavorable international policy frameworks, along with a lack of investment by governments and the private sector. The design and implementation of supportive and coherent creative policy frameworks are required to solve the myriad of challenges Africa’s CClIs face, as outlined in Section 5. In the words of prominent Senegalese poet Leopold Sedar Senghor, “Culture is at the beginning and the end of development.” This section discusses key policies and programs for promoting the growth of CClIs in Africa at the national, regional, continental and international levels.

(a) National Policies

Notwithstanding the broad recognition of CClIs by African governments, the design and implementation of supportive creative industry policies is typically lacking. Currently, most initiatives to support the development of cultural industries are driven by civil society. Many countries across the continent do not have an explicit cultural policy, however, and those that do often lack the institutions or infrastructure to implement policy and strategy documents (UN 2021). This constrains the development of Africa’s creative industries since many obstacles faced by CClIs can be overcome only with targeted

government interventions and policy reforms. For example, a significant challenge for the growth of creative industries is the lack of copyright, intellectual property right legislation and poor enforcement, perpetuating rampant piracy. Moving forward, national governments will need to make concerted efforts to reflect the value of creative activities more effectively in their policy frameworks and programs (Matengo, 2022).

A handful of African countries have made significant strides in prioritizing creative industries in their policy frameworks. For example, South Africa’s Mzansi Golden Economy Strategic Plan has helped reposition the country’s cultural industries as a source of growth, job creation, and social cohesion. The Plan has supported large-scale projects relating to cultural events, touring ventures, cultural precincts, public art, art bank, the National Academy for Cultural & Creative Industries of South Africa, artists in schools, and a cultural observatory. The Kenyan government has developed the Nairobi Plan of Action on Cultural Industries and is setting up independent arts and culture institutions and funding creative institutions such as the Music Copyright Society of Kenya and the Kenyan Film Commission. In Tanzania, artists are given a platform to present their positions to Parliament as their contribution to the constitution making process (Hivos, 2016). In 2014, Nigeria created an online copyright registration system to protect publishers effectively against copyright infringements (PwC, 2016). Finally, the Government of Cape Verde has created the Fonds Autonome d’Appui à la Culture to promote local needs and realities of the cultural sector through creation of clusters and the launch of three intertwined networks to disseminate output in the form of crafts, arts and museums (Digital Africa, 2021). These positive examples offer important lessons for other African countries and can be replicated elsewhere.

Tax and fiscal incentives are underutilized as tools for promoting creative industries. Tax incentives are an increasingly popular tool to promote the growth of creative industries and arts-related revitalization in advanced nations such as the United States and the United Kingdom. These may include artist-based tax incentives (artists may not have to pay taxes on royalty income), place-based tax incentives (creative institutions such as galleries and theatres may be exempt from sales and admissions tax if they locate in a designated “arts district”) and industry-based tax incentives (designated creative industries may be eligible for tax credits based on how much production and related spending occurs nationally). The tendency of African countries to view creative industries from a cultural rather than a commercial lens, coupled with constrained fiscal space, means that many African governments have overlooked CClIs in national budgets, including around tax and fiscal incentives. In recent years, a handful of African countries have begun to make progress in this area. For example, in 2017 the Nigerian government granted “Pioneer Status” to the creative industry, which extended eligibility for corporate income tax and withholding tax exemptions to companies operating in the creative sector (South Africa Cultural Observatory 2017). In 2019, with support from the EU, the Uganda government established a project to provide tax incentives to encourage local content development in the film sector.³⁹

Instruments included in African policymaker’s creative industry policy toolkits need to be increased. Operating at the interface between culture, economics, and technology, CClIs require

³⁸ <https://www.atlanticcouncil.org/event/africa-creative-industries-summit>

³⁹ <https://en.unesco.org/creativity/activities/creating-tax-incentive-measures-support-local>

a comprehensive package of policy and program support. This may include investment in physical infrastructure, advocacy on the importance of the creative and cultural economy, mapping of inventories of cultural assets and creative industries, small and medium enterprise business development and finance, copyright legislation and enforcement, direct and indirect support for creatives and the arts, conservation of tangible and intangible cultural heritage; expansion of digital capacity and know-how, domestic and export market development, tourism promotion, education, training and skills development, and industry assistance such as investment incentives and tax concessions (UNCTAD 2008). In general, this wide breadth is not accounted for, and the critical role regional and international trade can play to boost the competitiveness and diversification of Africa’s creative industries is overlooked in creative policymaking.

Creative policymaking is typically uncoordinated and fragmented. In general, CClIs typically occupy an ambivalent position within public policy frameworks and are insufficiently integrated in sector policies beyond those focusing on culture. As a result of the wide scope of the creative sector, policy development cannot be confined to a single ministry, but requires coordinated action across a range of ministerial responsibilities. A positive example is Cabo Verde, which has established an Inter-ministerial Committee for Creative Economy. In addition to the Ministry of Culture, the committee includes the Ministries responsible for foreign affairs finance and planning, social development and family, youth, employment and human resources development, tourism, industry and energy, education and sports, internal affairs, higher education, science and innovation, and communities (UNCTAD 2015). Similar comprehensive policy mechanisms to facilitate inter-ministerial cooperation

are required in other African countries. This will help to ensure more robust integration of the creative economy in national development plans (UNESCO 2021).

Platforms are emerging to facilitate coordination between African governments, civil society, and the private sector in the design and implementation of creative policies. Active dialogue between policymakers and the civil society for policy design and implementation is needed to enable needs-based and reactive policymaking. Business and Arts South Africa offers a successful model with potential for replication in other African countries. It was established in 1997 as a joint initiative between government and the private sector, as part of a strategy to secure greater involvement in the arts from businesses operating in South Africa. A similar network of companies throughout the continent could partner with Arterial Network, a pan-African civil society network of creative practitioners and entrepreneurs, to ensure a dynamic and prosperous African creative sector, engaged in qualitative creative practices that contribute to positive and lasting changes in governance policies (African Business 2014).

(b) Regional Policies

Over the past decade, the African Union has recognised and prioritised CClIs as critical drivers of Africa’s development. Aspiration 5 of the African Union Agenda 2063 calls for an Africa with a strong cultural identity, common heritage, shared values, and ethics. Specifically, the Agenda highlights the need for (a) pan-African ideals to be fully embedded in all school curricula, (b) the enhancement of Pan-African cultural assets (heritage, folklore, languages, film, music, theatre, literature, festivals, religions, and spirituality), (c) the repatriation and safeguarding of Africa’s stolen culture, heritage, and artefacts, and (d) the integration of culture,

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heritage, and a common identity and destiny as central to all strategies. It emphasizes the important role women and youth play as drivers of change, and that intergenerational dialogue is key to adapting to cultural change (AU, 2015). More recently, in recognition of the importance of CCIs in achieving the broader Agenda 2063 objectives on regional integration, inclusive and sustainable economic growth and development, the African Union declared the Year 2021 as “The AU Year of the Arts, Culture and Heritage: Levers for Building the Africa We Want.” The Statute of the African Audio Visual and Cinema Commission is to be established as a specialized agency of the African Union to promote the production and marketing of African creative products.

(c) The African Union Plan of Action on Cultural and Creative Industries in Africa

The Charter for African Cultural Renaissance was adopted in 2006. Complementary to this, the African Union Plan of Action on Cultural and Creative Industries in Africa emanated from the process of revising the 1992 Dakar Plan of Action on Cultural Industries developed within the framework of the World Decade for Cultural Development (1988-1997). It was adopted during the 2nd Session of the African Union Conference of Ministers of Culture (CAMC2) in 2008. In 2021, the Plan was updated to reflect current trends on the African creative economy and refocus potential areas for the development of the creative economy sector on the continent. The plan articulates priorities and paths for the development of African cultural and creative industries and provides a framework that allows for effective coordination of inputs from Member States, strategic partners, and stakeholders. It emphasizes the

importance of advancing Africa’s regional integration and developing a common market for creative industries. The fifth (of seven) objectives of the plan are to increase intra-African trade in creative goods and services by five percent in ten years and grow international trade in goods and services by ten percent in the same period (AU, 2021b).

(d) International Policies

International policies and treaties have important implications for the development of Africa’s creative economy. An important step forward in raising the profile of the creative sector in Africa has been the ratification of the 2005 UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions. The treaty attaches attention to the role of the creative industries as a source of economic and cultural empowerment and encourages countries to prioritize policymaking in the area. It calls for creative products from the global South to have preferential access to global North markets. Two-thirds of African countries have signed the Convention, but their commitment must be realized through the development of new policies and enforcement mechanisms to advance and protect Africa’s CCIs (Hruby, 2018).

International trade agreements include provisions to strengthen the competitiveness of African CCIs through increased market access, but more needs to be done in intellectual property rights. At the multilateral level, the WTO General Agreement on Trade in Services includes built-in flexibilities that developing countries can use to strengthen their creative industries. Africa’s CCIs can also utilize Preferential Trade Agreements to export creative goods and services to

international markets. For example, since 2001 the African Growth and Opportunities Act has included garments in the list of products eligible for duty-free access to the United States market. This provides a waiver of United States import duties, generally about 15-30 percent ad valorem. Intellectual property rights, however, remain a binding constraint for many African creatives to expand production and trade. The WTO Agreement on Trade-Related Aspects of Intellectual Property Rights offers some prospect for consideration of topics related to the creative economy, but to date, matters such as folklore and traditional knowledge have received little attention (UNCTAD, 2008). Furthermore, greater efforts are required to facilitate visas for the international travel of creatives and to encourage technology transfer to support African creatives access international markets.

Global discussions are underway to ensure a renewed partnership to better support the creative economy and harness its contribution to sustainable development. COVID-19 has accelerated wider recognition of the economic weight of the cultural sector and added impetus for global partnerships towards its recovery. A growing number of international and regional partners, including financial institutions, have expressed renewed interest in supporting the creative economy as a unique competitive engine, a driver for recovery, and a core component of sustainability strategies. The year 2021 was declared the International Year of Creative Economy for Sustainable Development at the 74th United Nations General Assembly. This provided a platform to foster alliances between key international agencies involved in the creative sector, notably UNESCO, UNCTAD, World Bank, The World

Intellectual Property Organization, WTO, International Telecommunications Union, and the International Labor Organization. Emphasis is attached to the need to support developing countries and countries with economies in transition to diversify production and exports. The regulation of global cultural platforms is also a top priority for global policy dialogue. Strengthening online cultural diversity, better protecting copyright and cultural professionals’ livelihoods, and supporting countries efforts to invest in the digital realm and develop needs and context-based solutions were key areas for discussion at the June 2021 meeting of the Ministers of Culture (UNESCO 2021).

The African diaspora offers untapped potential to support the growth of African CCIs. The African Union estimates the size of the African diaspora is 170 million. The diaspora global celebrity culture and Africa’s growing diaspora population has contributed to increased investments in Africa’s CCIs and accelerated the spread of African music, film, and fashion to international markets. The success of African celebrities and African-influenced theatre, movies, and music abroad highlights a growing appetite for African stories and African voices, often brought to foreign markets through the African diaspora. As international markets are exposed to the peoples and cultures of Africa, the demand for Africa’s CCI exports is expected to rise (Hruby, 2018). The positive impact of the African diaspora on African creative industries has, however, tended to occur organically. The impact would be much larger if supported by dedicated policies and frameworks for nurturing Africa’s diaspora populations for CCI growth. For example, the Prosper Africa Initiative has been designed to recognize the unique historical connection between the United States and the African continent and is important for fostering African talent in the global market.

Similar programs are needed with other critical international export destinations with a specific focus on creative industries. Moreover, national governments and regional organizations can also design policies that incentivize an uptake in investment and entrepreneurial opportunities by the diaspora in Africa by providing tax incentives, improved contract laws, and access to capital (Negash 2012).

2.9: GROWTH OF AFRICA’S CREATIVE ECONOMY UNDER THE AFRICAN CONTINENTAL FREE TRADE AREA

The AfCFTA offers significant potential to transform and commercialise Africa’s creative industries. When fully implemented, the free trade area will create an integrated African market of 1.3 billion people across 55 countries with a combined GDP of about US\$3.4 trillion. This section will discuss the potential implications of the AfCFTA Protocols on Trade in Goods, Trade in Services, Investment, Intellectual Property Rights, Competition Policy and E-commerce, for Africa’s creative economy, and present estimates of the impact of the Trade Area on the export of select creative products such as textiles and paper.

The share of intra-African exports of CCI is greater than the share of total intra-Africa exports. Figures 2.da and 2.db illustrate the trend in exports and imports of CCI for Africa and individual well-performing Africa countries over the period 2012–2020. On the export side, intra-African CCI exports comprised a share of 44 percent in 2012, but this dropped to 25 percent in 2020. This figure is still much higher than the share of total intra-African exports, which was 18 percent in 2020. Most CCI intra-African exports originated from South African Development Community members Botswana, Eswatini, and Namibia; pointing towards an inclination

to supply to the local market. Bilateral WTO data on charges for intellectual property rights also reveals the share of intra-Africa export of these services is greater than extra-Africa exports for Angola and Sierra Leone at about 60 percent. Other large intra-African exports were concentrated in Burundi (20 percent), Niger (40 percent), Uganda (25 percent), and Zambia (35 percent). On a more disaggregate level, the top CCI products exported from Africa in 2020 were, jewelry (US\$ 211 million, with a share of 11.5 percent in total exports from CCI), wooden furniture (US\$208 million, 10.9 percent), riding Toys (US\$188 million, 9.9 percent), carpets (US\$154 million, 8.2 percent) and printed books (US\$113 million, 5.9 percent).

On the imports side, the share of intra-African creative imports remained unchanged from 2012 to 2020. Intra-African creative imports occupied a share of 76.8 percent in 2012 and 74.1 percent in 2020, led by Namibia and Mauritius, which imported solely from the continent. Morocco, Egypt, and Tunisia were the among the largest importers (as well as exporters); they were joined by Algeria and Nigeria in the top five. On a product level, printed books, IT software-related goods, wooden furniture, riding toys, and knitted or crocheted furnishing textiles were the top imports from Africa in 2020. Bilateral WTO data on charges for intellectual property rights also reveals that the share of intra-Africa import of these services is greater than extra-Africa imports only for Malawi at 55 percent. Other large values of intra-Africa imports were displayed by Lesotho (10 percent), Madagascar (20 percent), Sao Tome and Principe (20 percent), and Somalia (25 percent).

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Figure 2c: Exports in creative goods (US\$ mm, 2012-2020)

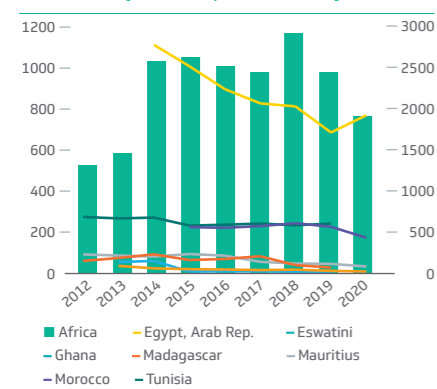
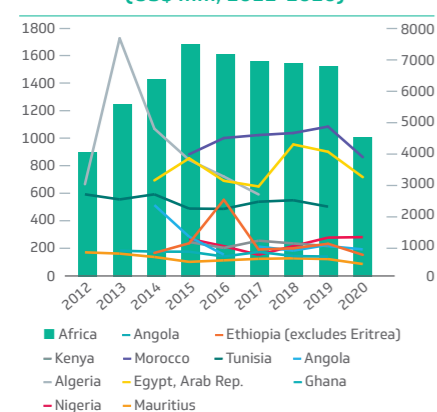


Figure 2d: Imports in creative goods (US\$ mm, 2012-2020)



Tariff liberalisation under the AfCFTA will significantly reduce the costs of intra-African trade in creative goods. The agreement targets the removal of tariffs on 97 percent of imported goods from State Parties over a period of between 5 and 15 years. It also aims to reduce non-tariff barriers and foster standards harmonization, customs cooperation, and trade facilitation. Implementation of the Agreement will therefore significantly reduce import costs associated with creative goods and open up new market opportunities for the continent's creatives. Under the AfCFTA, the African Technology and Creative Group is mobilizing growth in

the sector at the grassroots level through start-ups and innovation hubs, while working with artists and creative professionals from thirty countries across the fashion, media, film, and music industries (Onukwue, 2020).

Africa's creative textile and clothing sector is expected to receive a significant boost from the AfCFTA. As a result of major tariff reductions projected under the AfCFTA (from 10 percent to 3 percent), the fashion and textiles industry is likely to receive a significant boost in cross-border trade (World Bank, 2020). A simulation study by UNECA and TradeMark East Africa (2020) reveals that in East Africa the strongest positive effect of the AfCFTA would be on the textile and clothing industry. The region's cumulative exports to the rest of the continent were estimated to increase by 27.8 percent as compared to the baseline. It is expected that the creative sections of the industry will also benefit. The same simulations also find that paper products and the publishing sector will gain in Kenya, Madagascar, and Uganda, while the wearing apparel sector will benefit all countries in East Africa. A simulation by the World Bank (2020) estimates that employment in textiles and wearing apparel will increase in Central and Southern Africa because of the AfCFTA.

The AfCFTA also offers opportunity to liberalise and integrate Africa's creative services industries. Member states have agreed on five priority services for the first round of AfCFTA services negotiations: business services, communication services, financial services, tourism and travel, and transport. As highlighted in Section 7, these services are all critical elements of the infrastructure required to enable the growth of dynamic and efficient creative industries. However, creative and cultural services are currently excluded from priority services sectors for negotiation. Member states should consider adding

CCIs to the priority list. Alternatively, the liberalization of professional services under the overall business services sector could extend to cover personnel working in creative services such as advertising, audio-visuals, and architecture. Through mode 3 (commercial presence), the establishment of co-working spaces, digital hubs, events venues, and other creative infrastructure can also be prioritized in the first round of services negotiations.

The Phase II and III negotiations scheduled for 2022 offer a window of opportunity to reflect CCIs more explicitly in the AfCFTA framework. The AfCFTA protocols include not only trade in goods and services, but also investment, competition policy, intellectual property rights, and e-commerce. The investment protocol will provide common rules for state parties to introduce harmonized incentives for attracting investments to accelerate creative development. The AfCFTA is expected to boost collaboration between creative professionals from different countries through joint projects, which are typically more successful in attracting foreign investment. Investment in information communication technologies would help to create a unified internet network and improve data security, data storage and cloud storage facilities, in turn helping to enhance the quality of creative content (UNECOSO 2021). The AfCFTA e-commerce protocol will provide a continental framework to integrate and expand the e-commerce space, enhance access to digital technologies, and develop regulations relating to piracy and consumer protection, all of critical importance to the development of competitive creative industries in the digital age.

The AfCFTA offers a framework for supporting official co-productions across national borders. This would involve production houses in one country utilizing national treatment

benefits in other regional countries, including tax breaks, and specialized access to financial resources (UNESCO 2021). Currently very few countries confer national treatment to other countries in the sector, but the phase 2 negotiations on intellectual property rights offer the opportunity to change this. The AfCFTA Protocol on intellectual property rights is expected to enable single registration of intellectual property for the entire continent. This will eliminate costs associated with dealing with multiple jurisdictions and contribute to a stronger and more enforceable legal protection of rights. More broadly, the AfCFTA negotiations on intellectual property rights offer an opportunity for African countries to develop a common position on protecting and enforcing these rights to support the growth and development of Africa's CCIs and reduce cultural exploitation. As highlighted in previous sections, piracy is rampant on the continent and a unified intellectual property rights law can add certainty, stability, and confidence in the creative output from the continent.

2.10: POLICY RECOMMENDATIONS AND WAY FORWARD

Policy frameworks must be updated to respond to cultural and technological change taking place in Africa and around the world. Former Secretary General of the United Nations Ban Ki-moon said in 2013 that *"too many well-intended development programs have failed because they did not take cultural settings into account... development has not always focused enough on people."*

This holds true in Africa. Despite the continent's wealth of creative talent, its creative potential remains largely untapped. This is a reflection both of domestic policies that fail to adequately support potential by incorporating creativity, culture, and technology in development agendas. Initiatives to

support CCIs in Africa are still primarily driven by civil society. It is essential to change mindsets on the continent to recognize arts and creativity as important elements shaping Africa's identity and advancing its transformation agenda. Globally, urban centers have emerged as leaders in the development of new policies and strategies aimed at making culture, creativity, and digitalization a driving force for sustainable development and urban regeneration. Indeed, several Asian cities are formulating urban development strategies with a strong emphasis on cultural and creative industries, which can offer important lessons for an increasingly urbanized Africa.

Mapping and analysis of CCIs is needed to help policymakers design effective policies and initiatives to promote the creative economy. African governments must be able to understand the entire value chain involved in the production and trade of creative goods and services to effectively formulate policy support. This includes understanding CCI stakeholders (including both large corporations, SMEs, and individual artists) and how they interact, the obstacles CCIs face, and the critical linkages between the creative economy and other sectors such as tourism, information technology, and education. Value chain analysis can help map out CCI industries from early stages of production to the final good or service. It also offers a tool for policymakers to identify creative products and services with competitive advantages and to strengthen the status of artists, craftspeople, and cultural professionals.

Given the cross-cutting nature of the creative economy, policies to support CCIs must be coordinated among ministries. Interventions are required across a broad range of areas including infrastructure building, small and medium enterprise development and finance, skills development (including

digital know-how), fiscal and tax incentives, and copyright legislation and enforcement. A coordinated approach across a range of government ministries and agencies (including in rural areas) is critical. A positive example is Cabo Verde, which has established an Inter-ministerial Committee for Creative Economy. In addition to the Ministry of Culture, the committee includes ministries responsible for foreign affairs; finance and planning; social development and family; youth employment; human resources development; tourism; industry; energy, education, and sports; internal affairs; higher education; science and innovation; and communities. Similar comprehensive policy mechanisms to facilitate inter-ministerial cooperation should be established by other African countries.

Platforms are also required to facilitate coordination between African governments, civil society, and the private sector in the design and implementation of creative policies. Active dialogue between policymakers and civil society for policy design and implementation is needed to enable needs-based and reactive policymaking. Business and Arts South Africa offers a successful model with potential for replication in other African countries. A similar network of companies throughout the continent could partner with Arterial Network, a pan-African civil society network of creative practitioners and entrepreneurs.

At the continental level, implementation of the African Union Plan of Action on Cultural and Creative Industries in Africa should be fast-tracked. The plan articulates priorities and pathways for the development of African cultural and creative industries and provides a framework for effective coordination of inputs from member States, strategic partners, and stakeholders. It can also offer impetus

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for advancing Africa's regional integration and the development of a common market for creative industries.

African leaders should use the African Continental Free Trade Area as a springboard to transform and commercialise Africa's creative industries. Creative industries should be prioritised in the tariff liberalisation process to reduce the costs of intra-African trade in creative goods. Member states should also consider adding creative and cultural services to priority services sectors for negotiation to build more robust and competitive across-Africa CCI. Finally, Phase II and III negotiations on investment, intellectual property rights, competition policy, and e-commerce, scheduled for 2022, should be utilised to include CCIs more explicitly in the AfCFTA framework.

The African diaspora can be harnessed to support the growth of African CCIs. The positive impact the African diaspora has had on African creative industries has tended to occur organically. This impact would be much greater if supported by dedicated policies and frameworks. For example, the Prosper Africa Initiative has been designed to recognize the unique historical connection between the United States and the African continent and is important for fostering African talent in global markets. Similar programs with specific focus on creative industries are needed to target other critical international export destinations. National governments and regional organizations can also design policies that incentivize investment and entrepreneurial opportunities by providing tax incentives, improved contract laws, and access to capital.

At the international level, African countries should take steps to translate the UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions into concrete actions. The treaty specifically highlights the role of CCIs as sources of

economic and cultural empowerment and encourages countries to prioritize them in their policymaking. Two-thirds of African countries have signed the Convention, but their commitment must be increased through the development of new policies and enforcement mechanisms to advance and protect Africa's CCIs. African countries not signatories to the Convention should be encouraged to take steps towards signing.

Policies should be designed to target the following key obstacles to the growth of CCIs in Africa. This will help create an enabling environment for creative ecosystems to thrive in Africa and allow CCIs to be more resilient and sustainable in the face of future crises:

Finance

Increased efforts are required to ensure sustained and reliable public funding of the creative sector. Grant funding is critical to promote experimentation and innovation in the sector, particularly for the promotion of young artists and new artforms, and for building human resource and institutional capacities. Public funding may also include developing or strengthening international or public-private partnerships or improving the sustainability of existing financing models. Credit guarantee instruments established by governments and implemented by commercial banks can help mitigate the risks of offering loans to creators who lack traditional forms of collateral. More such programs are needed on the African continent, but efforts must be taken to ensure they are adequately funded, prioritised, and staffed. Facilitating export insurance and/or credit lines from national, regional, and international development finance institutions can also provide additional security to financial services providers lending to creative small and medium enterprises.

Tax and fiscal incentives should be used as tools for promoting creative industries. Tax incentives are an increasingly popular tool to promote the growth of creative industries and arts-related revitalization in advanced nations such as the United States and the United Kingdom. The tendency of African countries to view creative industries from a cultural rather than a commercial lens, coupled with constrained fiscal space, means many African governments have overlooked CCIs in their budgets, and failed to provide them with tax and fiscal incentives. The cases of Nigeria and Uganda offer important examples of success, which may be replicated elsewhere on the continent.

Innovative private financing mechanisms are required to complement public funding for the creative sector. Various impact funds have emerged in recent years to address the lack of dedicated business development and financing options for creative industries on the African continent. These include HEVA, Hatch Africa, and the Impact Fund for African Creatives. More such funds are needed to fully finance the creative and cultural industries in more countries. Crowdfunding has become an important part of the African start-up environment in recent years and can offer a critical source of seed capital for creatives operating in the film, arts performance and events, design, and publishing industries. The rewards-based approach to crowdfunding works best for creative and innovative campaigns.

The African Export-Import Bank and other development finance institutions can play important roles in facilitating CCI finance and investments. The AFREXIMBANK CANEX program can be used as a platform to invite creative small and medium enterprises to matchmaking sessions with regional and international sources of finance. This could be informed by a preparatory exercise to map the main sources of

funding available by creative sector. A financing gateway could also be developed to list sources of financing, business support organizations, and creative hubs so that creative small and medium enterprises can quickly filter, select, and link to financing options and business development services that match their needs.

Complementary efforts are required to assist creative actors and enterprises in improving their credit profiles. Financial education, coaching, handholding, and pitching to investors and financiers will be critical to ensure that creatives are able to access the financing options on offer.

Hard infrastructure

Africa requires greater investment in high profile, connected, and concentrated creative infrastructure. Creative entrepreneurs and businesses require connected, accessible, flexible infrastructure that provides them with stimulation, inspiration, practical skills, sector intelligence, trading opportunities, and partnerships. This requires the concentration of infrastructure to transform places into creative hubs. More specialized creative industry support services are also needed, including business incubators and acceleration and investment programmes, high quality network initiatives, and continuous professional development.

Physical infrastructure such as good public transport, particularly access to airports, is essential for developing competitive creative hubs. Investments in Africa's underdeveloped physical transport and connectivity infrastructure, through implementation of the Programme for Infrastructure Development in Africa, is critical to complement investments in creative infrastructure. There is also a need to build information and communications technology infrastructure to increase the access and use of digital services by content producers and consumers.

Creative infrastructure in Africa must be re-tooled for the digital age. Although information and communications technology infrastructure benefit the entire economy, its role in creative industries is of particular importance. African countries will need to take steps to enhance digital connectivity. The competitiveness of creative services such as streaming, and news media is heavily dependent on digital technologies and affordable internet. To facilitate the effective uptake of new technology-based creative industry business models, efforts are required to significantly upscale digital infrastructure and capacities. Data costs on the continent are among the highest in the world and access to affordable internet is limited, especially in rural areas. Moreover, there exists a digital divide within the continent and within countries. Countries will need to provide digital skills and literacy to bridge this divide.

Soft infrastructure

Supportive policies and investments are required to ensure skills available in African economies match the needs of creative industries. Investing in CCI skills will help to position creative industries as value-adders to African economies and boost the quality and innovation of other sectors. CCIs rely heavily on practical methods of learning and application, entrepreneurialism, arts, digital literacy, technology, and innovation. They also require outward-facing knowledge transfer, incubation and convergence programs, strong links across creative and non-creative sub-sectors, and a commitment to inter-departmental approaches to creativity. The increasing involvement of youth in the industry has resulted in an uptake in digital platforms to present art, music, films, and video game streaming. To upgrade the entire industry, it will be essential to develop digital skills for those it employs.

Innovative creative skills development programmes for entrepreneurs should be increased. Many creative entrepreneurs in Africa have not been trained in the crafts they practice. More African-grown creative skills development programmes (including digital-related skills) like the successful HEVA Forum are required. Since its launch in 2014, the forum has hosted a range of skills training workshops and master classes on sound production, public relations, photography, and garment manufacturing as well as international exchanges and symposia to facilitate networking.

Associations and guilds in African countries should be strengthened and connected. Countries with vibrant creative industries typically have industry players organised into associations and guilds that help improve standards, harmonize compensation for artists, and serve as platforms for learning. Such associations play an important role in uniting creatives to develop common positions and engage governments in a coordinated manner.

Intellectual property rights

African governments must take steps to strengthen their systems ensure effective enforcement of intellectual property rights. A significant challenge for the growth of creative industries is the lack of copyright and other intellectual property rights legislation and poor enforcement of what laws are on the books. This combination fosters rampant piracy. It is important to protect investors to incentivize investment in creative and cultural ventures. Establishing measures to limit illegal copying of content, particularly on the Internet, are critically important. Anti-piracy laws, if implemented, can boost international co-production and distribution activities in foreign markets. Countries must invest in institutional resources to manage copyright collection and payment systems. This will help minimize talent

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drain from the continent. Artists, musicians, and filmmakers will be able to receive their full sale proceeds, without the fear of leaked payments due to piracy and copyright infringements. As signatories to the AfCFTA e-commerce protocol, countries must also form a continental framework to integrate and expand the e-commerce space, by developing regulations on piracy and consumer protection.

International trade agreements include provisions to strengthen the competitiveness of African CCIs through increased market access but more needs to be done to bolster intellectual property rights. Intellectual property rights remain a binding constraint for many African creatives to expand production and trade. The WTO Agreement on Trade-Related Aspects of Intellectual Property Rights offers some prospect for consideration of topics related to the creative economy, but to date, matters such as folklore and traditional knowledge have received little attention. The AfCFTA negotiations on intellectual property rights offer an opportunity for African countries to develop a common position on protection and enforcement to support the growth and development of Africa's CCIs and reduce cultural exploitation.

Standards

Efforts are required to strengthen CCI-related standards and technical regulations and support the compliance of creative actors with these requirements. This is critical for signaling and guaranteeing the quality of produced and traded creative goods and services. The International Standards Organization has developed several standards for the creative industries, which can be adopted by African countries. In certain industries, such as crafts, fashion, and events management, efforts are also required to develop new CCI related standards contextualized to the African continent. The African Organization for Standardization is supporting increased uptake of ISO CCI standards among its members but requires support and funding to upscale its programs to develop and harmonize African Quality Standards for creative industries.

Data

Efforts are required to ensure the collection of reliable, timely, and comparable data on the creative economy. This will be critical to highlight the importance of the production and trade of creative goods and services and inform evidence-based policymaking to support CCI sectors. Data on inputs, outputs, value of production, prices, employment, and trade are required for most African countries. There is also an urgent need to include CCIs in national accounts statistics based on internationally recognized definitions (e.g., UNCTAD). Governments must also make efforts to formalize the industry to ensure its economic coverage and to devise support schemes.

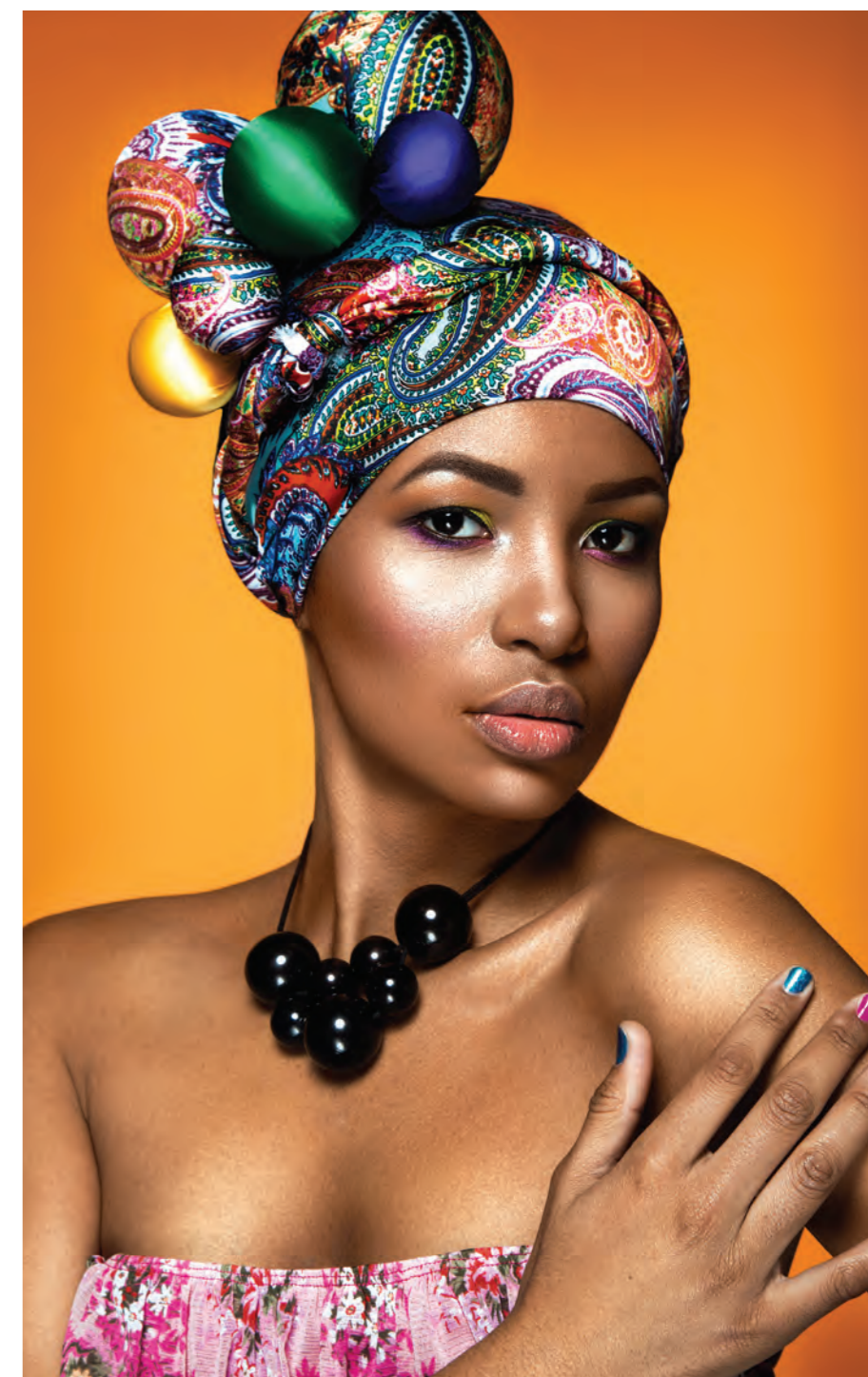
Language

Measures are needed to overcome Africa's challenge of linguistic diversity and support the commercialization and trade of cultural and creative production in indigenous languages. Subtitling currently offers the most helpful tool to enhance the consumption of Africa's CCIs in overseas markets. It is typically preferred to dubbing by foreign audiences, particularly those who prefer to hear original dialogue. It is also the more cost-effective option and more authentically portrays the cultures and original African flavor embodied in productions.

The stickiness of the colonial legacy and unfair practices

The colonial legacy and poor governance practices that facilitate the removal of African creative works and/or associated revenues from the continent must be curbed. African artists still lose part of their earnings through misappropriation of royalties, diversion of funds earmarked for the sector, copyright fraud, piracy of intellectual work, and bribery and exploitation of cultures such as gift-giving to advance corruption. The African Union Convention on Preventing and Combating Corruption offers practical recommendations which can be implemented by African countries to reduce the culture of impunity and corruption for a political, social, economic, and cultural stability.

Calls for the restitution of Africa's art and cultural objects must be matched with political will and concrete actions. Africa's CCIs have been repressed because of centuries of thievery of the continent's artistic masterpieces. The continued difficulties in repatriating such objects have important implications for the prospects of furthering Africa's cultural renaissance. Efforts will be required at the leadership level to ensure the return of African art to the continent. The display of African art and cultural objects in Europe and other regions outside Africa should be based exclusively on an official trade or lending arrangement so the value of the art is captured by the owner and retained on the continent.



Chapter Three

The Operating Environment



3.1 THE GLOBAL ECONOMIC ENVIRONMENT

3.1.1 Output Developments

Just like the widespread recession which resulted from the implementation of COVID-19 containment measures including lockdowns, social distancing, and border closures in 2020, the rebound in 2021 from the economic downturn was just as synchronized and swift. While the containment measures helped stem the spread of COVID-19, they also triggered global demand and supply shocks and resulted in one of the sharpest economic contractions on record, with world trade volumes decreasing by 21 percent at the height of the pandemic between March and April 2020 and global GDP contracting by 3.1 percent at the end of 2020 (International Monetary Fund, 2022).

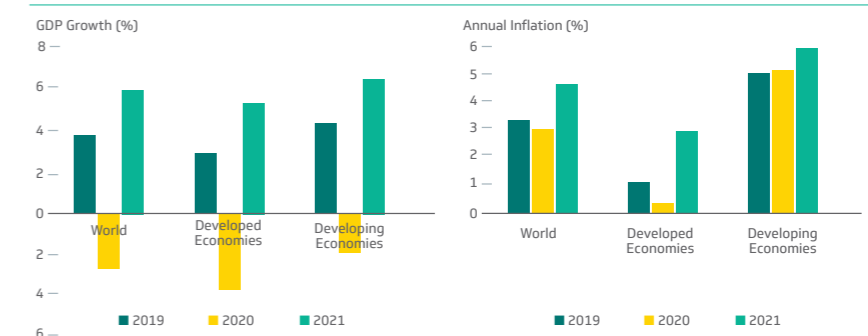
The swift responses which started during 2020 and continued in 2021 set the stage for a speedy recovery. These included loose monetary policy and fiscal stimulus—especially from developed economies, which enjoyed fiscal space and the exorbitant privilege of issuing reserve currencies—along with counter-cyclical support from international and development financial institutions, in addition to significant progress made on vaccine production and COVID-19 treatment. Accordingly, amidst the synchronized global recovery, world output expanded by 6.1 percent in 2021, with most countries growing above trends (Table 3.1 and Figure 3.1a) (IMF, 2022).

The recovery was particularly strong in developed economies, where output expanded by 5.2 percent, from a contraction of 4.5 percent in 2020, supported by exceptionally large fiscal space and monetary stimulus. Central banks played a major role in the recovery, emerging as both global lenders and markets of last resort. For instance, the United States Federal Reserve and the European Central Bank cut interest rates and expanded their bond-buying programs and balance sheets to depress long-term interest rates, thereby contributing to providing requisite liquidity for an accelerated recovery.

Under the vaccine-powered recovery, vaccine hoarding, and nationalistic policies adopted by developed economies, along with stimulus, led to a two-speed recovery. While per-capita income is forecast to return to pre-pandemic levels in more than 40 percent of high-income countries, where more than 60 percent of the population is fully vaccinated, with significantly lower vaccination rates - 36 percent in middle-income countries and less than 5 percent in the low-income countries, only 25 percent in the former and just 23 percent in the latter are projected to have their per-capita income return to pre-pandemic levels (Reinhart and von Luckner, 2022).

The synchronized global recovery following the easing of containment measures in 2021 contributed to a rebound in global trade, which expanded by about 26.6 percent in 2021 from high and improving commodity terms of trade, after contracting by 7.5 percent in 2020. Emerging and developing market economies enjoyed a stronger rebound, with their trade volume expanding by more than 31.7 percent, compared with 23.7 percent for advanced economies. Demand for consumable goods dominated the rebound in global trade, increasing sharply in the post-containment phase of the pandemic and fueling inflationary pressures in the process.

Figure 3.1a. Global output and price developments, 2019-2021 (Percentage)

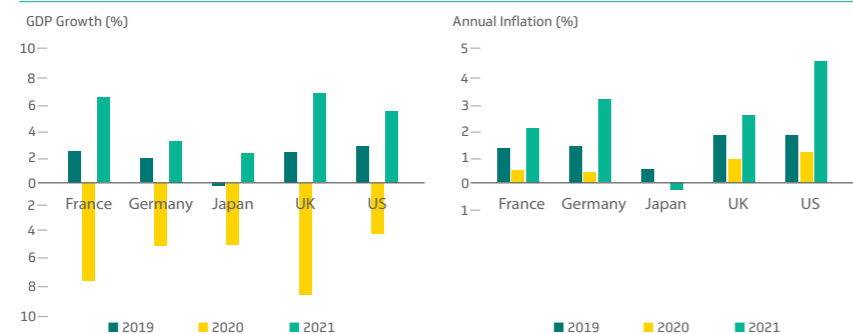


Sources: International Monetary Fund World Economic Outlook (April 2022).

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The United States economy recovered strongly, posting an estimated growth rate of 5.7 percent in 2021, from a contraction of 3.4 percent in 2020 (Table 3.1 and Figure 3.1b). In addition to progress on COVID-19 vaccination and treatment, the strong recovery was supported by large government support to businesses and corporates. In addition to mitigating the risk of corporate bankruptcies, of which there were very few, these measures boosted domestic consumption and investment through the release of pent-up demand.

Figure 3.1b. Output and price developments in key developed economies, 2019-2021 (Percentage)



Sources: International Monetary Fund World Economic Outlook (April 2022).

After contracting by 6.4 percent in 2020, output in the Eurozone rebounded by 5.3 percent in 2021, supported by the large monetary and fiscal stimulus program. At the height of the pandemic in July 2020, the Eurozone Council approved the Next Generation European Union Fund of €750 billion—an EU economic recovery package to support member states adversely affected by the COVID-19 pandemic downturn. Despite the synchronized nature of the rebound within the Eurozone, the recovery was uneven. While the recovery was moderate in Germany, where output expanded by 2.8 percent, from a 4.6 percent contraction in 2020, it was strong in Italy, with output expanding by 6.2 percent, and in France, where it expanded by 6.6 percent, from a contraction of 9 percent in the year prior.

Outside the Eurozone, the economy of the United Kingdom recovered strongly, expanding by 7.4 percent in 2021, from a pandemic-triggered contraction of 9.4 percent posted in 2020—emerging as the fastest-growing nation in the group of developed economies.

On the other hand, recovery in Japan, the second-largest economy among the group of developed economies, was relatively weak, reflecting the severity of COVID-19 infections, which hit a record level later in the second half of 2021. GDP expanded by 1.6 percent, from the pandemic-induced contraction of 4.5 percent posted in 2020.

Consistent with the global recovery from the pandemic-triggered downturn, developing economies recovered strongly from a contraction of two percent in 2020, with their aggregate output expanding by 6.8 percent in 2021. The swift and strong rebound achieved by the group reflected a combination of several factors. Closing output gaps, supportive accommodative fiscal and monetary policies, along with the release of pent-up demand drove commodity prices. These factors had significant positive spill-over effects for developing economies, most of which are natural resource-dependent. The easing of financing conditions and the strengthening of investment growth and domestic consumption in these economies, including China where output expanded by more than 8 percent, also contributed to the rebound of developing economies.

Asia, which had been the main driver of global growth, continued this trajectory, with GDP expanding at an estimated 7.3 percent in 2021 from a contraction of 0.8 percent in 2020.

Table 3.1 Developments in Global Output, 2019-21

	Real GDP Growth			Interest Rate (3-month)		
	(annual percent change)			(end of period, percentage)		
	2019	2020	2021	2019	2020	2021
WORLD	2.9	3.1	6.1	3.5	3.2	4.7
DEVELOPED ECONOMIES	1.7	4.5	5.2	1.4	0.7	3.1
US	2.3	3.4	5.7	1.8	1.2	4.7
UK	1.7	9.3	7.4	1.8	0.9	2.6
France	1.8	8.0	7.0	1.3	0.5	2.1
Japan	0.2	4.5	1.6	0.5	0.0	0.3
Italy	0.5	9.0	6.6	0.6	0.1	1.9
Canada	1.9	5.2	4.6	1.9	0.7	3.4
Germany	1.1	4.6	2.8	1.4	0.4	3.2
Euro area	1.6	6.4	5.3	1.2	0.3	2.6
DEVELOPING ECONOMIES	3.7	2.0	6.8	5.1	5.2	5.9
Africa	3.5	1.6	6.9	9.2	10.8	13.0
Developing Asia	5.3	0.8	7.3	3.3	3.1	2.2
Latin America and the Caribbean	0.1	7.0	6.8	7.7	6.4	9.8
Developing Europe	2.5	1.8	6.7	6.6	5.3	9.5

Sources: IMF World Economic Outlook Database - April 2022

China was the only major economy in the world to expand in 2020 at 2.2 percent (albeit it was a major deceleration compared to 6 percent growth in 2019) as the pandemic ravaged businesses around the world. It maintained its upward trajectory, with its GDP expanding by 8.1 percent in 2021, supported by large fiscal expansion and strengthening domestic consumption in a context of gradual rebalancing. India, which suffered a sharp downturn in 2020, contracting by 6.6 percent, recorded a strong rebound in 2021, with its GDP expanding by 8.9 percent.

3.1.2 Price Developments

The period 2020-21 was characterized by heightened uncertainty and increasing inflationary pressures, especially in the second half of the 2021 fiscal year (H1-21). In addition to supply-demand imbalances, increasing health costs and widening fiscal deficits, the COVID-19 pandemic downturn had other major impacts. Global supply chain disruptions and large monetary and fiscal stimulus extended by governments to speed up the recovery process led to a sharp increase in inflation in developed and emerging markets and developing economies. Other major drivers of inflation included energy and tightening labor markets (especially in developed economies), non-energy industrial goods, and food items.

The easing of financing conditions and the strengthening of investment growth and domestic consumption in these economies, including China where output expanded by more than 8 percent, also contributed to the rebound of developing economies.

Asia, which had been the main driver of global growth, continued this trajectory, with GDP expanding at an estimated 7.3 percent in 2021 from a contraction of 0.8 percent in 2020.

On the back of these developments, global inflation which had declined to 3.2 percent in 2020, from 3.5 percent in 2019, inched-up to 4.7 percent in 2021, with marked variations across regions and countries. Inflation in developed economies stood at an estimated 3.1 percent in 2021, up from 0.7 percent in 2020 (Table 3.1 and Figure 3.1b). In the United States, where a tightening labor market has been a major driver, inflation set new records in December 2021, reaching 7 percent. This drives the annual average inflation to 4.7 percent in 2021, up from 1.2 percent in 2020. Having enjoyed several years of low inflation, the strong resumption of economic activity post-containment phase was accompanied by increasing inflationary pressures. Even though the Eurozone posted an average annual high

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inflation rate of 2.6 percent in 2021, up from 0.3 percent in 2020, prices have been trending upwards, with annual inflation exceeding 5 percent in December, up from 4.9 percent in November.

The widespread inflationary pressures which characterized the immediate post-containment phase of the pandemic downturn led to increased inflation rates across emerging markets and developing economies, including those in Africa. Overall, average annual inflation across emerging markets and developing economies reached 5.9 percent in 2021, up from 5.2 percent in 2020. In some countries in Africa and the Middle East, food prices increased significantly amid domestic shortages and strengthening global demand. In most developing countries, especially low-income countries, currency depreciation also stoked inflationary pressures through higher prices of imported goods.

3.2 THE AFRICAN ECONOMIC ENVIRONMENT

3.2.1 Output Developments

After contracting for the first time in 25 years in 2020 as containment measures undertaken by governments to protect the population against the COVID-19 virus brought the world economy to a sudden halt, Africa recovered in 2021, posting an estimated real GDP growth at 6.9 percent, compared with a 1.6 percent contraction in 2020 (Table 3.1). The recovery was underpinned by a strong rebound in commodity prices on the back of strengthening global demand, the rollback of pandemic-induced restrictions, recovery in domestic consumption, and a gradual resumption of tourism in several tourism-dependent economies including Egypt, Mauritius, Seychelles, and Tunisia. The region's largest economies, especially Egypt, Nigeria, and South

Africa, supported its strong performance. For instance, South Africa, which contracted by 6.4 percent in 2020, rebounded with an estimated real GDP growth of 4.9 percent in 2021 as activities in the services sector picked up. Egypt, which showed resilience in 2020, expanding by 3.6 percent during the pandemic downturn, remained on a growth-accelerating track, with GDP expanding by 3.3 percent in 2021. Similarly, after contracting by 1.8 percent in 2020, Nigeria's GDP grew by 3.6 percent in 2021, supported by improving commodity terms-of-trade, especially on account of strong rebound in oil prices. Moreover, supportive monetary and fiscal measures contributed to accelerate the diversification of sources of growth through the expansion of manufacturing output.

In addition to the generally favorable global operating environment of easing financing conditions during 2021, Africa's economic performance was also aided by government efforts in the form of temporary fiscal and monetary support (including forbearance) as well as swift and bold counter-cyclical financing from multilateral and regional development finance institutions. In particular, the International Monetary Fund (IMF) and Afreximbank set new records of disbursements. Between March 2020 and December 2021, the IMF approved more than US\$36 billion in COVID-19 related short-term financial assistance (Rapid Credit Facility and/or Rapid Financing Instruments) to African countries. The Afreximbank disbursed more than US\$19.6 billion to its member countries in support of pandemic response measures over the same period.

Table 3.2 Africa: Real GDP Growth, 2019- 2021

Country Name	(annual percent change)		
	2019	2020	2021
Algeria	0.8	-4.9	4.0
Angola	-0.7	-5.6	0.7
Benin	6.9	3.8	6.6
Botswana	3.0	-8.7	12.5
Burkina Faso	5.7	1.9	6.9
Burundi	1.8	0.3	2.4
Cabo Verde	5.7	-14.8	6.9
Cameroon	3.5	0.5	3.5
Central African Republic	3.0	1.0	1.0
Chad	3.4	-2.2	-1.1
Comoros	1.8	-0.3	2.2
Côte d'Ivoire	6.2	2.0	6.5
Democratic Republic of the Congo	4.4	1.7	5.7
Djibouti	6.6	1.0	4.0
Egypt	5.6	3.6	3.3
Equatorial Guinea	-6.0	-4.9	-3.5
Eritrea	3.8	-0.6	2.9
Eswatini	2.6	-1.9	3.1
Ethiopia	9.0	6.1	6.3
Gabon	3.9	1.9	0.9
Ghana	6.5	0.4	4.2
Guinea	5.6	6.4	4.2
Guinea-Bissau	4.5	1.5	3.8
Kenya	5.0	0.3	7.2
Lesotho	-	-6.0	2.1
Liberia	-2.5	-3.0	4.2
Libya	13.2	-59.7	177.3
Madagascar	4.4	-7.1	3.5
Malawi	5.4	0.9	2.2
Mali	4.8	-1.2	3.1
Mauritania	5.8	-1.8	3.0

Country Name	(annual percent change)		
	2019	2020	2021
Mauritius	3.0	-14.9	3.9
Morocco	2.6	-6.3	7.2
Mozambique	2.3	-1.2	2.2
Namibia	-0.9	-8.5	0.9
Niger	5.9	3.6	1.3
Nigeria	2.2	1.8	3.6
Republic of Congo	-0.4	-8.1	-0.2
Rwanda	9.5	-3.4	10.2
São Tomé and Príncipe	2.2	3.0	1.8
Senegal	4.6	1.3	6.1
Seychelles	3.1	-7.7	8.0
Sierra Leone	5.3	-2.0	3.2
Somalia	3.3	-0.3	2.0
South Africa	0.1	-6.4	4.9
South Sudan	0.9	-6.6	5.3
Sudan	-2.5	-3.6	0.5
Tanzania	7.0	4.8	4.9
The Gambia	6.2	0.2	5.6
Togo	5.5	1.8	5.1
Tunisia	1.5	-9.3	3.1
Uganda	7.7	-1.4	5.1
Zambia	1.4	-2.8	4.3
Zimbabwe	-6.1	-5.3	6.3

Source: IMF, WEO, April 2022

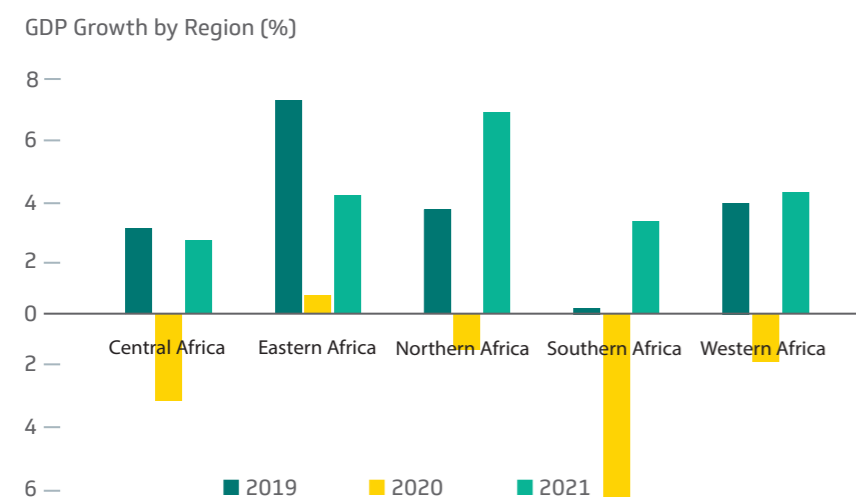


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3.2.1.1 Regional Variations

The continent's economic performance in 2020 and 2021 masks variations across subregions. **Northern Africa** emerged as the subregion with the fastest growth in GDP, with average real GDP growth estimated at 6.4 percent in 2021 from a contraction of 1.1 percent posted in 2020 (Table 3.2 and Figure 3.2). In addition to the resumption of tourism and strengthening global demand, Egypt, the largest economy in the subregion, was the main driver of the recovery. After expanding by 3.6 percent at the height of the pandemic downturn, the Egyptian economy remained firm on a growth trajectory expanding by 3.3 percent in 2021.

Figure 3.2. Africa's output development by region, 2019–2021 (Percentage)



Sources: International Monetary Fund World Economic Outlook (April 2022); Afreximbank Research.

Western Africa emerged as the subregion with the second-fastest growth in GDP, recording an estimated real output expansion of 3.9 percent in 2021, from a contraction of 1.5 percent in 2020. Nigeria, the largest economy in the subregion, was a key driver of its growth. Its GDP grew by 3.6 percent in 2021, from a contraction by 1.8 percent in the prior year, largely on the back of pick-up in commodity prices, especially oil which accounts for more than 70 percent of government's revenue and more than 90 percent of the country's foreign exchange earnings. But the performance of the region was also supported by a strong rebound in the traditionally fastest-growing economies, Côte d'Ivoire (6.5 percent) and Ghana (4.2 percent).

As the only subregion on the continent which avoided a recession in 2020 owing to better performance in agriculture, sustained public spending on large infrastructure projects, and increased regional economic integration, Eastern Africa continued that strong growth path. The subregion posted real GDP growth rate of 3.4 percent in 2021, from 0.7 percent in 2020. The region's economic performance during the post-containment phase was driven by strong public spending in infrastructure, strengthening global and domestic demand, increasing private investment and expanding manufacturing output, as well as the high performance of its key economies, including Rwanda (10.2 percent), Kenya (7.2 percent), and Tanzania (4.9 percent).

Southern Africa, the subregion most affected by the COVID-19 outbreak, rebounded at an estimated 3 percent in 2021, from a 7 percent contraction posted in 2020 as. A strong rebound by South Africa, the largest economy in the subregion, mostly drove the recovery.

It grew at an estimated 4.9 percent in 2021 in a sharp reversal from its 6.4 percent contraction in 2020. Other economies that supported the region's recovery include Botswana, which grew at 12.5 percent in 2021, and Mauritius, which grew by about 4 percent after undergoing one of the sharpest contractions on record – 14.9 percent in 2021.

Central Africa, the continent's most natural-resource-dependent subregion, registered an estimated output expansion of 2.4 percent in 2021, from a contraction of 2.7 percent in 2020. In a context of general weak recovery within the subregion, there were a few exceptions. The main drivers of the subregion's growth in 2021 were Cameroon, registering an estimated growth rate of 3.5 percent, and Democratic Republic of Congo (DRC), which grew at 5.7 percent. These two countries accounted for about 65 percent of the combined output expansion of the subregion.

3.2.1.2 Price Developments

In line with global developments and an increasingly challenging operating environment of supply-demand imbalance, global supply chain disruptions, rising energy prices, and food shortages, average inflation in Africa inched up to 13 percent in 2021,

from 10.8 percent in 2020. Currency depreciation also heightened inflationary pressures across the region. However, price development showed some variations and was particularly pronounced in a few countries in Northern Africa (Sudan) and Southern Africa (Angola, Zambia, and Zimbabwe).

Despite high inflation rates, which overshot targets in resource-intensive economies such as Nigeria (17 percent), Guinea (12.6 percent), Sierra Leone (11.9 percent), and Ghana (10 percent), overall, inflationary pressures decreased marginally in **Western Africa**, falling to an estimated 5.9 percent in 2021 from 6.1 percent in 2020. This was due to a combination of falling prices in a few countries (Liberia, Senegal, Sierra Leone) and inflation dynamics in the West African Economic and Monetary Union (WAEMU) group, where the euro peg of the CFA and financial repression have kept inflation relatively low, averaging 3 percent between 2020 and 2021.

Declining inflation rates across several countries, including Eritrea (4.5 percent), Rwanda (0.8 percent), and Uganda (2.2 percent), contributed to muted price pressures within the **Eastern Africa** subregion. Accordingly, annual average inflation declined marginally from 9.4 percent in 2020 to an estimated 9 percent in 2021.

With most countries in the region recording single-digit inflation, except for Angola (25.8 percent), Zambia (20.5 percent) and Zimbabwe (98.6 percent), inflationary pressures eased in the **Southern Africa** subregion. Overall, average inflation declined to 14.3 percent in 2021, significantly down from the 45.1 percent recorded in 2020.

Overall, annual average inflation in the **Northern Africa** subregion increased sharply at 33.8 percent in 2021, from 26.1 percent in 2020. This was largely due to rising food costs and higher inflation in Sudan where inflation was very pronounced at 359.1 percent. The exception was Egypt, the largest economy in the **Northern African** subregion, where inflation fell to 4.5 percent in 2021, from 5.7 percent in 2020, the lowest rate since December 2005.

Table 3.3 Africa: Inflation, 2019–2021

Country Name	(annual percent change)			Country Name	(annual percent change)		
	2019	2020	2021		2019	2020	2021
Algeria	2.0	2.4	7.2	Libya	0.2	2.8	3.7
Angola	17.1	22.3	25.8	Madagascar	5.6	4.2	5.8
Benin	0.9	3.0	1.7	Malawi	9.4	8.6	9.3
Botswana	2.7	1.9	6.7	Mali	2.9	0.5	4.0
Burkina Faso	3.2	1.9	3.9	Mauritania	2.3	2.3	3.8
Burundi	0.7	7.3	8.3	Mauritius	0.5	2.5	4.0
Cabo Verde	1.1	0.6	1.9	Morocco	0.2	0.6	1.4
Cameroon	2.5	2.5	2.3	Mozambique	2.8	3.1	5.7
Central African Republic	2.8	0.9	4.3	Namibia	3.7	2.2	3.6
Chad	1.0	4.5	0.8	Niger	2.5	2.9	3.8
Comoros	3.7	0.8	1.5	Nigeria	11.4	13.2	17.0
Côte d'Ivoire	0.8	2.4	4.2	Republic of Congo	0.4	1.4	2.0
Democratic Republic of the Congo	4.7	11.4	9.0	Rwanda	2.4	7.7	0.8
Djibouti	3.3	1.8	1.2	São Tomé and Príncipe	7.7	9.8	8.1
Egypt	13.9	5.7	4.5	Senegal	1.0	2.5	2.2
Equatorial Guinea	1.2	4.8	0.1	Seychelles	1.8	1.2	9.8
Eritrea	16.4	4.8	4.5	Sierra Leone	14.8	13.4	11.9
Eswatini	2.6	3.9	3.7	Somalia	4.5	4.3	4.6
Ethiopia	15.8	20.4	26.8	South Africa	4.1	3.3	4.5
Gabon	2.0	1.3	1.1	South Sudan	51.2	24.0	5.3
Ghana	7.1	9.9	10.0	Sudan	51.0	163.3	359.1
Guinea	9.5	10.6	12.6	Tanzania	3.4	3.3	3.7
Guinea-Bissau	0.3	1.5	3.3	The Gambia	7.1	5.9	7.4
Kenya	5.2	5.3	6.1	Togo	0.7	1.8	4.3
Lesotho	5.2	5.0	6.0	Tunisia	6.7	5.6	5.7
Liberia	27.0	17.0	7.8	Uganda	2.3	2.8	2.2
				Zambia	9.2	15.7	20.5
				Zimbabwe	255.3	557.2	98.55

Source: IMF, WEO, April 2022

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The Central African Region recorded the lowest rate of inflation across the five subregions on the continent for the third consecutive year, going against global trend of heightening inflation pressures. Inflationary pressures decreased during 2021, with the average inflation rate declining from 4.8 percent in 2020 to an estimated 3.9 percent in 2021. Like in the WAEMU group, the peg of the CFA Franc used by Central African countries to the euro continued to drive price stability in the subregion.

3.3 INTERNATIONAL FINANCIAL MARKETS AND FINANCING CONDITIONS

3.3.1 Financial Markets

Notwithstanding investors' concerns about the global economic outlook amid persistent COVID-19-related challenges and the emergence of new variants, global capital flows rebounded from the 2020 pandemic downturn (Rennison, 2022) on account of the strong recovery in the global economy, increased foreign direct investment (FDI) and portfolio flows, and a strong recovery in hard currency bond-issuance. At the height of pandemic in 2020, equity markets witnessed significant losses on the back of subdued corporate activity. Recovery of the global economy underpinned by strengthening demand as containments measures were relaxed contributed to higher corporate earnings, thereby boosting activity in equity markets in 2021.

Monetary and fiscal policy measures undertaken by governments to support economic recovery from the pandemic downturn spurred stock markets to close 2021 on a high with double-digit gains. The combination of fiscal stimulus and accommodative monetary policies by major central banks in addition to easing COVID-19 restrictions, all of which boosted investors' sentiments sustained the rally in financial markets across the world. In this regard, the FTSE All-World share index rallied by 16.7 percent in dollar terms in 2021, up from a 14.1 percent gain in 2020 (Rennison, 2022). The strong stock market performance in 2021 was particularly pronounced in the United States, where earnings grew by 45 percent—the highest since 2008.

The S&P 500 gauge increased by about 27 percent during the review period, driven by energy stocks, which increased by about 50 percent due to increasing oil prices. Tech stocks led performance in stock markets across the Atlantic, as the pan-European Stoxx 600 index climbed by 22 percent. The TOPIX index gained 10.4 percent in 2021, up from less than 5 percent posted in 2020, as Japanese stocks ended the year on a high. However, a regulatory crackdown by Beijing contributed to a more than 14 percent decline in Hong Kong's Hang Seng index.

Bond market performance was subdued by rising inflation, uncertain economic recovery, and a gradual shift in monetary policy. Consequently, the Morningstar US Core Bond Index fell by 1.6 percent, posting its worst calendar-year return since 2013. Bonds in most emerging markets and developing economies also experienced similar poor performance, while interest-rate-sensitive and dollar-denominated bonds funds posted losses. On average, emerging-market local-currency bond funds slumped by 7.3 percent. A key development in the bond market was the EU becoming a major borrower by issuing bonds to finance its post-pandemic recovery fund. It also sold the world's largest green bond, raising 12 billion euros from record demand (Financial Times, 2022).

In the foreign exchange market, the rise of the dollar index (which grew by 0.5 percent), pushed most other currencies lower. Amongst developed countries, the euro suffered the most and depreciated in trade-weighted terms against the US dollar. It depreciated by 4.9 percent, reflecting the widening of short-term interest rate expectations differential between the two ends across the Atlantic. Currencies in emerging markets, including the Turkish lira, the South African rand, and the Mexican peso, experienced significant depreciation. The Turkish currency fell to an all-time low of 10.44 lira to the dollar, down by 2.4 percent. After recovering from the 2020 pandemic loss, the South African rand fell to a low level, while the Mexican peso, the most sensitive currency to changes in the dollar in Latin America, continued to depreciate against the dollar.

3.3.2 Financing Conditions

Despite heightening inflationary pressures during the latter part of 2021, financing conditions remained largely accommodative. Even though the United States Federal Reserve took the important step of selling back its bond-buying programme, accelerating the pace of unwinding from US\$15 billion each month to US\$30 billion, it kept its policy rate set at 0 percent to 0.25 percent, unchanged throughout the year, although the real rate probably increased in part to reflect rising inflation.

Likewise, financing conditions remained highly accommodative within the Eurozone. The European Central Bank maintained its Pandemic Emergency Purchase Programme of €1.85 trillion and kept the horizon for purchases to March 2022. The European Central Bank also maintained the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility at 0 percent, 0.25 percent, and 0.5 percent, respectively.

In China, where the key objective of government officials was to mitigate the risk of a hard landing to meet the overarching goal of doubling per capita income by 2035, monetary authorities remained on an easing path throughout 2021. The People's Bank of China cut the Bank's required reserve ratio twice, in July and December 2021. The Bank also lowered the one-year loan prime rate by 5bps in December 2021, raised its lending to micro and small businesses by ¥300 billion and cut its lending rates by 25 basis points in December.

One exception among systemically important central banks was the Bank of England, which increased its bank rate by 0.15 percentage points in December 2021, to 0.25 percent. The move came in response to increasing pressures on prices, with inflation reaching 5.1 percent in November 2021. However, the Monetary Policy Committee also voted to maintain the stock of United Kingdom government bond purchases at £875 billion.

Inflationary pressures, which crept in during late 2020 and strengthened in 2021, have strengthened further in recent months, leading monetary authorities to lean toward tightening monetary policy. With persistently high inflationary pressures and expectations, several rate hikes are expected in 2022, along with heightened global volatility and capital flows. After years of easing financing conditions, which started after the 2008/09 global financial crisis, the world may be entering a long cycle of tightening. This could have significant implications for growth and macroeconomic management in emerging market and developing economies.



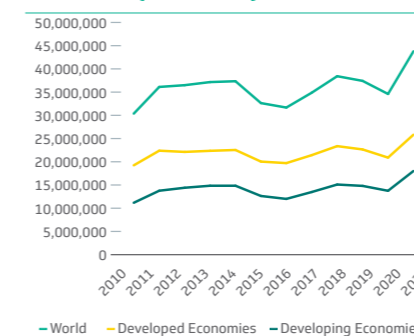
Chapter Four

Global Trade and Trading Environment

4.1 GLOBAL TRADE

The year 2020 was characterized by significant pressure on global trade, triggered by the outbreak of the COVID-19 pandemic and implementation of widespread containment measures, including lockdowns, social distancing, and border closures, which generated both supply and demand shocks and resulted in a sharp contraction of global trade. However, 2021 saw a reversal in the trajectory of global trade, driven by sustained recovery in global demand and output growth following increasing relaxation of pandemic-related containment measures, widespread rollout of vaccines, and support through fiscal stimulus and monetary policies which contributed to boost the performance of trade. Accordingly, the most recent estimates from the WTO show that the value of global merchandise trade, which contracted by 7.5 percent in 2020, recovered strongly, growing by 26.6 percent in 2021. Trade in current US dollar terms rebounded to US\$44.23 trillion in 2021, from US\$34.94 trillion in 2020, exceeding the pre-pandemic level of about US\$37.79 trillion in 2019 (Figure 4.1).

Figure 4.1. Trends in global trade, (US\$ billion)



Source: International Monetary Fund, Direction of Trade Statistics Database (2022).

In developed economies, the value of merchandise exports is estimated to have rebounded by about 23.71 percent in 2021, after contracting by 7.9 percent in 2020, from an earlier contraction of about 3.03 percent in 2019. Merchandise imports followed a similar trajectory, growing sharply by about 23.6 percent in 2021 after contracting by 7.6 percent in 2020 from another contraction of about 3.09 percent. In the United States, merchandise exports expanded by about 22.8 percent in 2021, compared to about 12.8 percent and 1.4 percent contractions in 2020 and 2019, respectively, while imports grew by about 21.6 percent in 2021 from the contractions of 6.5 percent in 2020 and 1.7 percent in 2019. In Europe, merchandise exports and imports expanded by 21.1 percent and 25.5 percent, respectively in 2021, following deep contraction of 6.0 percent and 7.0 percent, respectively in 2020.

Developing economies also experienced a remarkable recovery from the sharp pandemic-related contractions of global trade. As a group, their merchandise trade expanded sharply by an estimated 31.7 percent, up from a 6.1 percent contraction in 2020 and a 2.1 percent contraction in 2019. Growth in their merchandise imports was virtually as strong, standing at about 30.5 percent in 2021, from a contraction of 8.3 percent in 2020. Developing Asia's performance was also strong, with merchandise exports accelerating by about 29 percent in 2021, from the sluggish expansion of 0.8 percent and 0.3 in 2020 and 2019 respectively, while imports rebounded by about 32.5 percent in 2021 after plunging by 6.4 percent in 2020 and 2.8 percent in 2019.

China and India, the major drivers of developing Asia's merchandise trade, saw a strong rebound in their trade. For instance, China's merchandise exports accelerated by about 29.6 percent in

2021, up from an expansion of about 4 percent in 2020 and a contraction 0.1 percent in 2019, while imports grew by 30 percent in 2021 after contracting by 0.4 percent and 3 percent in 2020 and 2019 respectively. India's performance was even stronger, with exports rebounding by 43.3 percent in 2021 from a deep drop of 15.2 percent in 2020 and a marginal expansion of 0.5 percent in 2019, while imports jumped by 56.5 percent from two consecutive years of contraction of 23.3 percent in 2020 and 5.7 percent in 2019.

In South and Central America, trade was significantly undermined by the challenging pandemic, with imports contracting by 3.6 percent in 2019 and by 15.6 percent in 2020. Exports followed a similar trend, plunging by 9.1 percent from a contraction of 2.2 percent over the same period. Trade growth remained flat as Argentina faced a prolonged recession in 2020. Brazil, the largest economy in the subregion, was already confronted with macroeconomic management challenges, and its struggling economy was hit particularly hard, including via commodity and investment channels. In Chile, the prolonged impact of social unrest on small and medium enterprises at the end of 2019 and the outbreak of COVID-19 significantly damaged output.

The worldwide resumption of economic activities and pick up in global demand positively impacted trade in the subregion, with merchandise imports rebounding by 38.4 percent in 2021 from a contraction of 15.6 percent in 2020. Likewise, merchandise exports increased by 27 percent from a decline of 9.1 percent over the same period. Brazil, the largest economy of the region, largely drove this performance. Brazil's merchandise exports recovered strongly, growing by 33.3 percent to US\$281.7 billion in 2021, up from US\$211.3 billion in 2020. The country's

Global Trade and Trading Environment

imports also rose by about 38.1 percent, to US\$232.7 billion from US\$168.5 billion over the same period, as increasing demand lifted commodity prices in a country where commodities accounted for more than 67 percent of the export basket in 2021.

Strengthening global demand and easing restrictions supported the recovery in global trade. The rise in innovation, especially the advancement of digital infrastructure and adaptation by businesses and consumers, also helped reduce supply chain disruptions and boosted trade during 2021. However, major risks remain, and are particularly related to the persistence of the COVID-19 pandemic with the emergence of new variants and heightening geopolitical tensions which have been exacerbated by the Ukraine crisis.

4.2 GLOBAL TRADE ENVIRONMENT

The global environment in 2020 and 2021 was overwhelmingly dominated by the outbreak of the COVID-19 virus. The year 2020 was particularly difficult for world trade as the pandemic, which began as a health crisis, created ramifications that extended to many other sectors. International trade was hard hit, as the rapid spread of the virus called for quick and coordinated but restrictive response measures around the world including lockdowns, social distancing, and border closures. The resulting disruptions to supply chains and labor shortages had significant dampening effects on global trade. However, the gradual relaxation of containment measures and resumption of economic activities, largely underpinned the strong recovery of global trade in 2021.

Despite the raging COVID-19 crisis, there were also trade tensions between several members of WTO in 2020 and 2021. For instance, a dispute broke out between the European Union and Turkey

following the adoption by the EU of provisional and definitive safeguard measures on imports of certain steel products, on the grounds that increased global steel overcapacity and an increase in the use of trade restrictive and trade defense measures on steel had led to an increase in imports of certain steel products into the EU market threatening the EU steel industry with injury. The safeguard measure took the form of duty-free tariff quotas and 25 percent out of quota safeguard duties.

Turkey argued that the definitive safeguard measure violated various provisions of the WTO Agreement on Safeguards because according to Turkey, the EU applied distinct safeguard measures on 26 products without examining whether the circumstances and conditions for imposing these measures existed for each of those products. However, the WTO Panel on dispute settlement rejected Turkey's claim, after its examination of the case found the EU's actions were not inconsistent with WTO safeguard measures and that the EU had applied a single safeguard measure on 26 product categories taken together. While the measures were initially adopted by the EU in 2018 and 2019, they had been in effect throughout 2020 and 2021 while much of the deliberations took place, even though the final report of the Panel was expected to be circulated in 2022.

Trade tensions also erupted between China and Australia in 2021, after China imposed anti-dumping duties of between 116.2 percent and 218.4 percent on bottled Australian wine imports for five years, effective from March 26, 2021. The decision arose after investigations by the Chinese concluded that dumping and subsidies had occurred in imported Australian wine, causing damage to the Chinese wine industry. Australia escalated the matter to the WTO and requested dispute consultations with China and the establishment of a panel for dispute settlement in effort to reach an optimal

solution for both parties, given that China accounts for more than 40 percent of the Australian wine export market. The tensions between the two countries increased when Australia imposed anti-dumping and countervailing measures on certain products originating from China, including wind towers, deep drawn stainless steel sinks, and railway wheels. China escalated the issue to the WTO and requested consultations with Australia and the establishment of a dispute panel to resolve the issue, as China contended that the measures appeared to be inconsistent with Australia's obligations under WTO's Anti-Dumping Agreement.

The review period was also characterized by trade tensions between the EU and Brazil over the EU's sanitary measures on importations of certain poultry meat preparations from Brazil, especially salted poultry meat and turkey meat with pepper. Specifically, the tension arose following the imposition by the EU of salmonella food safety requirements on fresh poultry meat and certain poultry meat preparations imports from Brazil to avoid the risk to human health from contamination of salmonella.⁴⁰ As a response, Brazil claimed that the application by the EU of these measures violates the rules of the WTO's Agreement on Sanitary and Phytosanitary Measures, and that there was no technical or scientific evidence to support the EU decision. Brazil requested WTO dispute consultations with the EU Commission to reach a friendly resolution.

⁴⁰ Salmonella infection (salmonellosis) is a common bacterial disease that affects the intestinal tract. Salmonella bacteria typically live in animal and human intestines. Humans become infected most frequently through contaminated water or food. Most people develop diarrhoea, fever, and stomach (abdominal) cramps within 8 to 72 hours after exposure to salmonella.

At the end of 2021, WTO membership remained unchanged at 164 members, covering 98 percent of global trade. Despite the challenging global environment characterized by the COVID-19 pandemic, trade tensions and disputes, countries continued to maintain their membership in the organization. Seventeen countries, including six African countries (Algeria, Equatorial Guinea, Ethiopia, Libya, South Sudan, and Sudan), continued negotiating their accession to the WTO. Eritrea remained the only African country not a member or observer not negotiating for membership of the Organization.

WTO members continued their efforts to enhance the organization's trade facilitation agenda, consisting of the Trade Facilitation Agreement, which entered into force in February 2017, four years after WTO members concluded negotiations at the Bali Ministerial Conference. As of December 31, 2021, 155 countries had ratified a protocol of acceptance of the agreement and submitted their instrument of acceptance to the WTO. A work plan for the implementation of the agreement has been determined. The agreement's main objectives include expediting the movement, releasing, and clearance of goods, including goods in transit. Effective implementation of this agreement is expected to reduce trade costs globally by an average of 14 percent. Further, the WTO continued to play a key role in resolving trade disputes among its member countries, using its dispute settlement mechanism.

The review period also saw continued negotiations and steps towards implementation of regional and preferential trade agreements amongst countries and between countries, including the Regional Comprehensive Economic Partnership, signed in 2020 by 15 countries, comprising the 10 member states of the Association of Southeast Asian Nations and their five regional partners, Australia, China, Japan, Republic of Korea, and New Zealand (India having pulled out during the final round of

negotiations). The ratification process continued throughout 2021 with 10 countries—Australia, Brunei Darussalam, Cambodia, China, Japan, Lao PDR, New Zealand, Singapore, Thailand, and Vietnam— depositing their instrument of ratification, paving the way for the coming into force of the Agreement projected on January 1, 2022. When fully implemented, RCEP could connect about 30 percent of the world's population, contribute 30 percent of global output, and add about US\$500 billion to world trade by 2030, making it the largest trade agreement in history.

During the review period, African countries also continued to make progress towards implementation of the AfCFTA. While the coming into force of the continental agreement, initially announced for July 1, 2020, was postponed due to the pandemic, trading officially began under the AfCFTA on January 1, 2021. Progress has also been made on the ratification front, with seven countries ratifying the Agreement in 2020, and five additional countries doing so in 2021, bringing the number of countries having ratified the Agreement to 41 at the end of 2021. Despite progress made so far, there are still significant outstanding issues, due in part to the pandemic, security concerns, and other factors, which have delayed the implementation phases of the AfCFTA. For instance, phase 1 negotiations on goods and services initially projected to end in June 2021 had been delayed as some of the key components including rules of origin and tariff schedule were still outstanding at the end of the review period. Likewise, phase 2 negotiations related to intellectual property rights, investment, and competition policy, initially scheduled to be concluded in December 2020 and then rescheduled to conclude in December 2021, were still ongoing at the end of the review period, with negotiations delayed especially regarding the Investment Protocol. As of December 2021, out of the 55 African Union member states, only Eritrea has yet to sign the Agreement.

The African Export-Import Bank will continue to provide support to the AfCFTA, through products and initiatives, to facilitate implementation of the agreement. The commercial launch of the Pan-African Payment and Settlement System (PAPSS), the Bank's flagship initiative, developed in collaboration with the African Union, is an important milestone for boosting intra-African trade, in line with the objectives of the AfCFTA. Specifically, PAPSS will enable intra-African trade and commerce payments to be made in African currencies, thereby reducing the challenges posed by liquidity constraint, which has been one of the major barriers in the promotion of African trade and economic growth. PAPSS will also reduce transaction costs in intra-regional trade and formalize a significant portion of informal cross-border trade. The Bank is also implementing the Africa Collaborative Transit Guarantee Scheme which facilitates movement of goods across borders under the AfCFTA using a single technology-enabled transit bond. The signing by the Bank of the Instrument of Accession to the Inter-Surety Agreement for the Implementation of the COMESA Regional Customs Transit Guarantee/Bond Agreement paves the way for the implementation of the US\$1 billion Continental Transit Guarantee Scheme, of which about US\$200 million is earmarked for the COMESA region.

Under its mandate by the African Union Summit of Heads of State and Government and the AfCFTA Council of Ministers, Afreximbank is working with the AfCFTA Secretariat for the establishment and management of the Base Fund of the AfCFTA Adjustment Fund to support African countries and the private sector to effectively participate in the new trading environment established under the AfCFTA. The resources required for the Adjustment Fund over the next five to ten years are estimated at US\$10 billion, of which Afreximbank has already committed US\$1 billion.

Global Trade and Trading Environment

4.3 AFRICAN EXTERNAL RESERVES AND EXCHANGE RATE DEVELOPMENTS

The pandemic downturn had significant adverse effects on global demand and commodity prices, especially oil prices. The sharp contraction of global demand and trade widened the current account deficit and exacerbated balance-of-payment pressures. As a result, Africa's foreign exchange reserves, which suffered a 1.5 percent decline year-on-year from US\$409.7 billion in 2018 to US\$404.2 billion in 2019, experienced another difficult year in 2020, plunging

further by 4.6 percent to US\$386.1 billion (Table 4.1). However, 2021 saw a reversal in the trajectory of Africa's foreign reserves, as strengthening global demand in the post-containment phase of the pandemic improved commodity terms-of-trade and boosted the level of foreign reserves in a region where over 80 percent of countries are natural-resources (UNCTAD, 2021). Accordingly, the region's foreign exchange reserve holdings, which contracted for the third consecutive year by 4.6 percent year-on-year to US\$401.9 billion in 2020 from US\$403.2

billion in 2019, recovered strongly in 2021, surging by an estimated 10.5 percent year-on-year to US\$426.7 billion (Table 4.1). With energy, especially oil prices, witnessing the most impressive growth and recovery from the pandemic, oil-exporting countries were among the main beneficiaries of the commodity shock. These include Equatorial Guinea, where foreign reserves increased by 396.7 percent, the Republic of Congo (357.1 percent), Angola (20.4 percent), Libya (10.9 percent), and Nigeria (10.3 percent).

Table 4.1 Reserve Position of African Countries, 2019–21 (UPDATES) (US\$ billions, unless otherwise indicated)

	Reserves in Billions US\$						Growth (percent)					Months of Import Cover				
	2016	2017	2018	2019	2020	2021	2017	2018	2019	2020	2021	2017	2018	2019	2020	2021
Algeria	114.4	97.6	80.2	63.3	48.9	46.1	-14.7	-17.8	-21.1	-22.8	-5.8	23.4	19.4	24.0	13.8	11.6
Angola	23.7	17.5	15.4	16.3	13.8	14.5	-26.3	-11.7	6.0	-15.6	5.0	13.5	13.4	14.1	11.8	10.1
Benin	0.3	0.8	1.0	1.0	1.6	1.9	193.0	29.0	2.4	56.1	21.5	3.0	3.7	4.2	5.1	5.3
Botswana	7.2	7.5	6.7	6.2	4.9	5.3	4.2	-11.1	-7.3	-19.9	7.2	16.7	12.7	11.3	8.1	7.9
Burkina Faso	1.0	1.6	1.6	1.7	1.6	1.9	63.5	-3.5	9.1	-8.7	23.8	5.2	4.4	5.8	3.8	4.4
Burundi	0.1	0.1	0.1	0.1	0.1	0.3	2.2	-30.4	64.3	-19.5	198.8	1.5	1.0	1.5	1.1	2.9
Cabo Verde	0.6	0.6	0.6	0.7	0.7	0.7	7.8	-1.8	21.7	-0.5	-9.2	9.3	8.9	11.2	8.7	7.2
Cameroon	2.2	3.2	3.5	3.7	4.0	4.8	43.6	8.2	7.5	8.0	19.5	7.4	7.2	8.4	6.0	6.5
Central Africa Republic	0.2	0.4	0.4	0.4	0.4	0.5	51.3	-0.3	2.1	9.2	27.4	10.4	11.3	9.7	6.8	8.4
Chad	0.0	0.0	0.1	0.1	0.4	0.4	4.9	1622.0	-24.3	291.4	-9.8	0.2	2.1	1.3	1.1	1
Comoros	0.2	0.2	0.2	0.2	0.3	0.3	30.5	-4.2	1.4	45.8	12.1	11.9	10.4	12.0	10.3	10.2
Congo Dem. Rep. of	0.7	0.7	0.7	1.2	0.7	3.5	-1.8	-4.3	79.5	-37.4	363.7	0.6	0.5	0.5	2.2	2.2
Congo Republic	0.8	0.5	0.5	1.0	0.7	3.4	-40.2	0.9	99.4	-24.4	357.1	1.3	1.7	3.0	0.6	2
Côte d'Ivoire	4.9	6.2	6.3	7.4	9.5	11.0	25.3	2.0	17.6	28.0	16.0	7.7	6.9	8.5	8.7	9.5
Djibouti	0.4	0.5	0.4	0.5	0.7	0.6	37.4	-18.8	12.9	36.8	-14.3	5.7	4.7	4.1	2.4	1.8
Egypt	20.9	33.2	38.6	40.7	34.1	35.1	59.2	16.2	5.4	-16.2	2.9	6.7	7.1	6.2	6.4	5.8
Equatorial Guinea	0.0	0.0	0.0	0.0	0.1	0.3	1.0	32.1	-25.9	56.7	396.7	0.5	0.5	0.4	0.3	1.3
Eritrea	0.1	0.1	0.2	0.2	0.2	0.2	-1.4	13.7	17.6	-20.0	38.6	4.8	5.9	7.5	1.8	2.1
Eswatini	0.6	0.6	0.4	0.4	0.5	0.6	-0.2	-21.7	-0.1	23.9	4.9	4.2	2.8	2.9	3.9	4.4
Ethiopia	3.0	3.0	4.0	3.0	3.0	3.3	0.4	31.0	-25.1	2.2	8.0	1.6	1.9	1.4	2.1	1.9
Gabon	0.8	1.0	1.3	1.4	1.5	2.7	22.3	36.9	3.9	10.1	80.4	5.0	6.7	6.9	3.6	5.4
Gambia	0.1	0.2	0.2	0.3	0.4	0.7	93.9	12.8	34.0	50.6	68.6	4.4	4.6	5.9	6.7	10
Ghana	5.5	6.7	5.9	7.1	7.4	10.5	20.0	-10.8	20.2	3.0	43.1	6.3	6.0	8.2	3.7	4.7
Guinea	0.8	0.9	1.1	1.2	1.5	2.1	17.3	22.3	7.5	22.1	38.7	2.8	3.6	4.2	2.8	4
Guinea, Bissau	0.3	0.5	0.5	0.5	0.5	0.7	29.4	4.0	5.2	-	35.0	18.6	20.3	20.5	12.9	15.3
Kenya	7.6	7.3	8.2	9.1	8.3	9.3	-3.0	11.5	11.7	-9.0	12.0	5.3	5.6	6.3	5.6	5.5

Table 4.1 Reserve Position of African Countries, 2019–21 (UPDATES) (US\$ billions, unless otherwise indicated) (cont.)

	Reserves in Billions US\$						Growth (percent)					Months of Import Cover				
	2016	2017	2018	2019	2020	2021	2017	2018	2019	2020	2021	2017	2018	2019	2020	2021
Lesotho	0.9	0.7	0.7	0.8	0.6	0.8	-28.9	10.8	6.3	-19.8	29.1	4.3	4.7	4.9	3.7	4
Liberia	0.6	0.6	0.6	0.3	0.5	0.6	1.0	-6.7	-37.6	54.1	16.8	3.7	5.8	2.0	5.6	6.5
Libya	65.9	74.6	80.5	79.0	72.8	80.7	13.1	8.0	-2.0	-7.8	10.9	89.0	71.5	59.3	48.2	38.6
Madagascar	1.2	1.6	1.7	1.7	2.0	2.3	35.2	8.7	-2.7	17.0	17.9	5.2	5.3	5.4	6.3	7.7
Malawi	0.6	0.8	0.8	0.8	0.6	0.7	26.6	-1.4	8.6	-27.5	20.2	3.6	3.4	3.4	2.4	2.8
Mali	0.4	0.6	0.9	1.2	1.7	2.4	62.1	41.9	28.8	45.7	40.8	1.8	2.4	3.0	3.4	4.3
Mauritania	0.8	0.9	0.9	1.0	1.5	2.1	2.8	7.1	11.9	45.2	38.9	2.9	3.5	3.5	4.9	6
Mauritius	4.5	5.5	5.8	6.8	6.5	7.8	21.4	6.9	15.6	-3.2	19.9	12.5	12.3	14.4	16.7	15.9
Morocco	24.3	25.3	23.5	25.3	34.7	34.4	4.1	-6.9	7.7	36.8	-0.9	6.8	5.6	6.0	9.3	7.5
Mozambique	2.0	3.2	3.1	3.7	3.9	3.6	57.2	-3.2	20.1	4.2	-7.8	6.7	5.4	5.1	5.9	4.3
Namibia	1.8	2.4	2.1	2.0	2.2	2.8	32.6	-11.6	-4.7	5.9	27.3	4.3	5.5	3.0	5.7	5.9
Niger	1.2	1.3	1.1	1.6	1.7	2.0	9.5	-17.0	46.1	9.4	16.1	8.8	4.9	5.3	6.4	6.8
Nigeria	27.0	39.4	42.6	38.3	36.7	40.5	45.8	8.2	-10.0	-4.2	10.3	13.4	12.1	10.0	6.1	7
Rwanda	1.0	1.2	1.4	1.5	1.8	2.0	16.3	15.0	8.1	23.3	9.8	7.9	5.5	5.5	6.1	5.6
São Tomé and Príncipe	0.1	0.1	0.0	0.0	0.1	0.1	-6.7	-25.9	7.9	59.7	30.0	4.8	3.5	3.8	7.9	8.1
Senegal	1.6	1.9	2.4	2.9	3.2	4.6	23.1	25.3	21.3	8.9	45.0	3.8	4.1	4.3	4.3	5.6
Seychelles	0.5	0.5	0.5	0.6	0.6	0.7	4.1	0.8	5.6	-3.6	25.5	4.9	5.8	4.8	5.0	4.5
Sierra Leone	0.5	0.5	0.5	0.5	0.7	1.0	10.4	-8.5	5.9	32.9	39.9	6.1	6.1	3.7	5.6	6.7
Somalia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
South Africa	42.6	45.5	46.5	48.9	47.4	50.3	6.9	2.2	5.3	-3.1	6.1	6.2	5.7	6.3	8.4	6.4
South Sudan	-	-	-	0.4	0.2	1.0	-	-	-	-	442.3	-	-	-	0.1	1.2
Sudan	0.2	0.2	0.2	0.2	-	-	5.7	-14.5	8.5	-100.0	-	0.2	0.2	0.2	-	-
Tanzania	4.3	5.9	5.0	5.6	4.8	6.7	37.2	-14.6	10.5	-14.4	40.8	7.1	7.1	6.1	6.3	7.1
Togo	0.7	1.0	0.7	1.3	1.7	2.2	32.5	-22.4	80.5	24.6	34.4	7.0	4.7	8.7	8.7	9.5
Tunisia	5.8	5.4	5.0	7.6	9.4	8.4	-6.3	-7.4	51.1	23.8	-10.1	3.2	2.7	3.9	5.6	4.3
Uganda	3.0	3.7	3.2	3.2	3.8	4.5	20.4	-11.9	0.6	18.8	15.8	7.7	5.7	5.2	4.5	4.8
Zambia	2.4	2.1	1.6	1.4	1.2	3.1	-11.5	-24.6	-7.7	-16.9	154.7	2.9	2.0	2.4	2.5	5.7
Zimbabwe	0.4	0.3	0.1	0.2	0.0	0.8	-28.2	-70.4	74.3	-78.8	2519.9	0.8	0.2	0.4	0.1	1.1
Total	390.7	415.8	409.7	404.7	386.1	426.7	6.4	-1.5	-1.2	-4.6	10.5	-	-	-	-	-
Average	-	-	-	-	-	-	-	-	-	-	-	7.8	7.1	7.1	6.3	6.5

† Growth rates are Afreximbank staff calculations.

*Blue-Estimates

* Blank-Not available

The generalized surge in commodity prices also contributed to improve the reserve position of several other major non-oil-exporting countries in the region. For instance, the stock of foreign exchange reserves of Guinea increased by 38.7 percent to US\$2.1 billion in 2021, from US\$1.5 billion in 2020. The DRC's foreign reserves recovered strongly, growing by 363.7 percent to US\$3.5 billion from less than US\$1 billion in 2020. Similar trends were observed in Tanzania and Zambia. The stock of reserves rebounded by 40.8 percent to US\$6.7 billion, from US\$4.8 billion in 2020 in Tanzania. It surged by about 154.7 percent to US\$3.1 billion, from US\$1.2 billion in 2020.

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Table 4.2 Africa: Exchange Rate Developments, 2016–2021

	2016	2017	2018	2019	2020	2021	Percentage change between			
							(2) & (1)	(3) & (2)	(4) & (3)	(5) & (4)
Algeria - dinar	109.44	110.97	116.59	119.44	126.75	135.00	5.06	2.44	6.13	6.50
Angola - kwanza	163.66	165.92	252.86	364.83	578.26	624.74	52.40	44.28	58.50	8.04
Benin - franc	592.61	580.66	555.45	585.96	575.59	554.70	(4.34)	5.49	(1.77)	(3.63)
Botswana - pula	10.90	10.35	10.20	10.76	11.46	11.09	(1.42)	5.45	6.51	(3.22)
Burkina Faso - franc	592.61	580.66	555.45	585.96	575.59	554.53	(4.34)	5.49	(1.77)	(3.66)
Burundi - franc	1,654.63	1,729.06	1,782.88	1,845.62	1,915.05	1,975.90	3.11	3.52	3.76	3.18
Cabo Verde - escudos	99.69	97.81	93.41	98.50	96.80	93.26	(4.49)	5.44	(1.73)	(3.65)
Cameroon - franc	592.61	580.66	555.45	585.96	575.59	554.50	(4.34)	5.49	(1.77)	(3.66)
Central African Republic - franc	592.61	580.66	555.45	585.96	575.59	552.40	(4.34)	5.49	(1.77)	(4.03)
Chad - franc	592.61	580.66	555.45	585.96	575.59	552.40	(4.34)	5.49	(1.77)	(4.03)
Comoros - franc	444.45	435.49	416.58	439.47	431.69	414.30	(4.34)	5.49	(1.77)	(4.03)
Congo, Dem. Rep. of - Congo franc	1,010.30	1,464.42	1,622.52	1,647.76	1,851.12	1,989.50	10.80	(63.89)	(1.90)	(3.57)
Congo, Rep. of - franc	592.61	580.66	555.45	585.89	574.76	554.24	(4.34)	196.66	12.34	7.48
Côte d'Ivoire - franc	592.61	580.66	555.45	585.96	575.59	552.40	(4.34)	5.49	(1.77)	(4.03)
Djibouti - franc	177.72	177.72	177.72	177.72	177.72	177.72	–	0.00	–	–
Egypt - pound	10.03	17.78	17.77	16.82	15.82	15.70	(0.09)	(5.34)	(5.97)	(0.75)
Equatorial Guinea - franc	592.61	580.66	555.45	585.96	575.59	554.70	(4.34)	5.49	(1.77)	(3.63)
Eritrea - nakfa	15.35	15.08	15.08	15.08	15.08	15.08	–	–	–	–
Eswatini - lilangeni	14.71	13.32	13.23	14.44	16.46	14.78	(0.67)	9.12	14.02	(10.23)
Ethiopia - birr	21.73	23.87	27.43	29.07	34.93	43.82	14.93	5.98	20.15	25.46
Gabon - franc	592.61	580.66	555.45	585.96	575.59	554.50	(4.34)	5.49	(1.77)	(3.66)
Gambia - dalasi	43.37	46.61	48.15	50.06	51.50	51.22	3.31	3.97	2.87	(0.55)
Ghana - cedi	3.91	4.35	4.59	5.21	5.59	5.80	5.40	13.73	7.28	3.73
Guinea - Guinea franc	8,967.93	9,088.32	9,011.13	9,183.88	9,565.08	9,814.00	(0.85)	1.92	4.15	2.60
Guinea-Bissau - franc	592.61	580.66	555.45	585.96	575.59	554.10	(4.34)	5.49	(1.77)	(3.73)
Kenya - shilling	101.50	103.41	101.30	101.99	106.45	109.64	(2.04)	0.68	4.38	2.99
Lesotho - loti	14.71	13.32	13.23	14.45	16.46	14.77	(0.67)	9.18	13.92	(10.26)
Liberia - Liberia dollar	94.43	112.71	144.06	186.43	191.52	166.10	27.81	29.42	2.73	(13.27)
Libya - dinar	1.39	1.39	1.36	1.40	1.40	4.48	(2.07)	2.44	(0.02)	220.74
Madagascar - ariary	3,176.54	3,116.11	3,334.75	3,618.32	3,787.76	3,841.00	7.02	8.50	4.68	1.41
Malawi - kwacha	718.01	730.27	732.33	745.54	749.53	804.10	0.28	1.80	0.53	7.28
Mali - franc	592.61	580.66	555.45	585.96	575.59	554.50	(4.34)	5.49	(1.77)	(3.66)
Mauritania - ouguiyas	35.24	35.79	35.68	36.69	37.19	36.20	(0.33)	2.84	1.36	(2.66)
Mauritius - rupee	35.54	34.48	33.93	35.47	39.35	41.55	(1.59)	4.54	10.92	5.60
Morocco - dirham	9.81	9.69	9.39	9.62	9.50	8.99	(3.16)	2.46	(1.25)	(5.35)
Mozambique - meticals	63.06	63.58	60.33	62.50	69.50	65.46	(5.12)	3.60	11.20	(5.82)
Namibia - namibia dollar	14.71	13.31	13.23	14.45	16.46	14.78	(0.59)	9.18	13.94	(10.22)
Niger - franc	592.61	580.66	555.45	585.96	575.59	554.53	(4.34)	5.49	(1.77)	(3.66)
Nigeria - naira	253.49	305.79	306.08	306.42	356.32	398.87	0.10	0.11	16.29	11.94
Rwanda - franc	787.25	831.55	861.09	899.35	943.28	988.90	3.55	4.44	4.88	4.84
São Tomé and Príncipe - dobra	22.15	21.74	20.75	21.88	21.51	20.89	(4.55)	5.46	(1.73)	(2.87)
Senegal - franc	592.61	580.66	555.45	585.96	575.59	554.70	(4.34)	5.49	(1.77)	(3.63)
Seychelles - rupee	13.32	13.65	13.91	14.03	17.62	16.83	1.93	0.88	25.53	(4.46)
Sierra Leone - leone	6,290.30	7,384.43	7,931.63	9,010.22	9,829.93	10,394.20	7.41	13.60	9.10	5.74
Somalia - shilling	23,061.78	23,097.99	–	–	–	–	–	–	–	–
South Africa - rand	14.71	13.32	13.23	14.44	16.46	14.78	(0.67)	9.12	14.02	(10.23)
South Sudan - pound	46.73	113.65	141.39	–	–	–	24.41	–	–	–
Sudan - pound	6.21	6.68	24.33	45.77	54.00	372.10	264.02	88.12	17.98	589.13
Tanzania - shilling	2,177.09	2,228.86	2,263.78	2,288.21	2,294.15	2,297.78	1.57	1.08	0.26	0.16
Togo - franc	592.61	580.66	555.45	585.96	575.59	554.70	(4.34)	5.49	(1.77)	(3.63)
Tunisia - dinar	2.15	2.42	2.65	2.93	2.81	2.79	9.40	10.87	(4.16)	(0.65)
Uganda - shilling	3,420.10	3,611.22	3,727.07	3,699.24	3,710.71	3,580.64	3.21	(0.75)	0.31	(3.51)
Zambia - kwacha	10.31	9.52	10.46	12.89	18.34	20.17	9.89	23.25	42.31	9.96
Zimbabwe - US dollar*	1.00	1.00	1.00	8.50	51.30	86.40	–	750.00	503.53	68.42

Apart from rising commodity prices, recovery in private capital inflows and continued support from multilateral and regional development finance institutions, including liquidity injection from IMF's special drawing rights, also boosted the continent's stock of reserves. Collectively, the region received US\$33 billion from the exceptional US\$650 billion allocation. Further, the gradual lifting of COVID-19-related restrictions and the resulting increase in tourist arrivals and FDI inflows, along with increases in migrant remittances, enhanced the level of reserves. These positive developments contributed to raise the average import cover of the continent to 6.5 months in 2021, from 6.3 months in 2020, above the IMF threshold of 3 months of import cover.

Improvement in fiscal and current accounts on the back of surging commodity prices and an increase in tourist revenues, remittances, and capital inflows positively impacted the performance of many national currencies in 2021. Accordingly, most African currencies appreciated against the US dollar during the review period (Table 4.2).

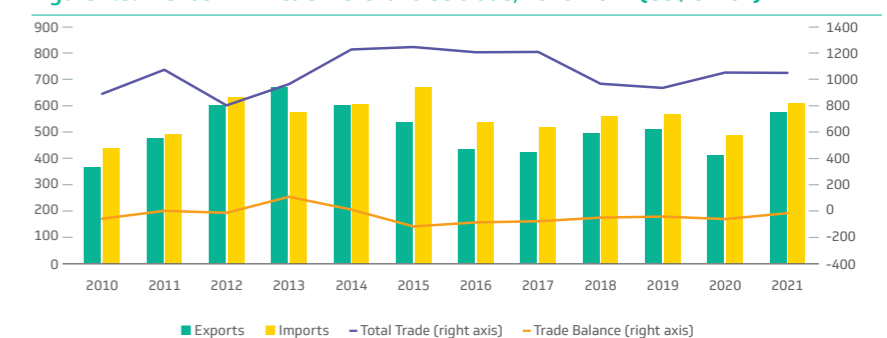
Among the best-performing African currencies were those of the members of the Common Monetary Area (Eswatini, Lesotho, Namibia, and South Africa), which saw their currencies improve, appreciating by about 10.23 percent against the US dollar in 2021, after their poor performance in 2020. In addition to improving external accounts, the relatively low inflation within the monetary union contributed to support the currencies. The Liberian dollar appreciated by about 13.27 percent against the US dollar during the review period, largely driven by limited cash supply.

The currencies of Ethiopia, Libya, Sudan, and Zimbabwe were amongst the worst-performing currencies in 2021. The sustained depreciation of the Ethiopian birr against the US dollar arose largely from the impact of the pandemic and socio-political instability fueled by the regional conflict in Tigray with consequent heightened inflation. After appreciating by 0.02 percent in 2020, the Libyan dinar depreciated by about 220.74 percent on account of persistent political instability and insecurity, which disrupted the production of oil, the country's main source of foreign exchange reserves. The Sudanese pound continued to perform poorly, depreciating further by about 589.13 percent against the US dollar in 2021, from a depreciation of 17.98 percent in 2020. The shortage of foreign reserves and a high parallel market premium, along with rising uncertainty, prompted the government to devalue the currency to SDG375:US\$1 in February 2021 from its value of SDG55:US\$1 in February 2020. Shortages of essential goods and weak export revenue reduced the supply of US dollars and put pressure on the Zimbabwean dollar, which depreciated by about 68.42 percent against the US dollar in 2021, from a depreciation of 503.53 percent in 2020.

4.4 AFRICA'S TRADE

The fallout from the COVID-19 pandemic particularly affected African commodity-exporting countries. The continent's merchandise trade, which decelerated sharply by 0.14 percent to US\$1,071.44 billion in 2019 after a strong growth of 12.1 percent in 2018, was significantly affected, contracting by 16.18 percent to US\$898.12 billion in 2020, as the widespread adoption of lockdown measures disrupted logistics networks, supply chains and global demand. The dramatic decline in commodity prices, particularly oil prices, which suffered record lows, with WTI futures plunging to around negative US\$37.6 bbl. and Brent dropping below US\$20 bbl. in April 2020, significantly constrained the performance of trade during the period. The most affected were oil-exporting countries – Algeria, Angola, Equatorial Guinea, the Republic of Congo, Libya, and Nigeria. Nigeria, Africa's largest economy and biggest oil exporter on the continent, suffered a 24.4 percent decline in its total merchandise trade, from US\$111.43 billion in 2019 to US\$84.21 billion in 2020, mainly resulting from a drop in the country's total merchandise export, from US\$65.6 billion in 2019 to US\$43.74 billion in 2020, equivalent to 33.3 percent contraction. These developments had significant knock-on effects on macroeconomic management, reflected by declining foreign exchange reserves and depreciation of national currencies in most oil-exporting countries in 2020.

Figure 4.3. Trends in Africa's merchandise trade, 2010–2021 (US\$ billion)



Sources: International Monetary Fund Direction of Trade Statistics (2022); Afreximbank Research.

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Table 4.3 Africa: Merchandise Trade, 2019-21 (in US\$ billion unless otherwise indicated)

	Merchandise Exports (US\$ Billion)			Growth Rate (Percentage)		Share of Merchandise Exports (Percentage)			Merchandise Imports (US\$ Billion)			Growth Rate (Percentage)		Share of Merchandise Imports (Percentage)			Total Merchandise Trade (US\$ Billion)			Growth Rate (Percentage)		Share of Total Merchandise Trade (Percentage)			Trade Balance Value (US\$ Billion)				
	2019	2020	2021	2020	2021	2019	2020	2021	2019	2020	2021	2020	2021	2019	2020	2021	2019	2020	2021	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020
Algeria	32.45	19.58	36.87	-39.65	88.28	6.42	4.79	6.44	41.31	32.50	32.37	-21.32	-0.40	7.29	6.64	5.32	73.75	52.08	69.24	-29.38	32.94	6.88	5.80	5.87	-8.86	-12.92	4.51		
Angola	35.08	27.94	24.35	-20.36	-12.83	6.95	6.83	4.25	14.17	9.88	12.74	-30.24	28.90	2.50	2.02	2.10	49.25	37.82	37.09	-23.21	-1.92	4.60	4.21	3.14	20.91	18.05	11.61		
Benin	0.85	0.85	1.02	-0.51	20.98	0.17	0.21	0.18	2.94	2.66	3.19	-9.31	19.68	0.52	0.54	0.52	3.79	3.51	4.21	-7.34	19.99	0.35	0.39	0.36	-2.09	-1.82	-2.16		
Botswana	5.05	3.73	6.45	-26.09	72.75	1.00	0.91	1.13	6.42	6.26	8.46	-2.60	35.20	1.13	1.28	1.39	11.47	9.99	14.91	-12.94	49.23	1.07	1.11	1.26	-1.37	-2.52	-2.01		
Burkina Faso	3.24	4.38	5.07	35.24	15.83	0.64	1.07	0.89	3.57	4.12	4.72	15.32	14.41	0.63	0.84	0.78	6.81	8.50	9.79	24.79	15.14	0.64	0.95	0.83	-0.33	0.26	0.36		
Burundi	0.18	0.16	0.12	-10.46	-26.21	0.04	0.04	0.02	0.89	0.91	1.12	2.46	23.08	0.16	0.19	0.18	1.07	1.07	1.24	0.27	15.63	0.10	0.12	0.10	-0.71	-0.75	-1.00		
Cabo Verde	0.06	0.06	0.06	-12.67	14.72	0.01	0.01	0.01	0.79	1.13	1.17	43.27	3.22	0.14	0.23	0.19	0.85	1.19	1.23	39.09	3.76	0.08	0.13	0.10	-0.73	-1.08	-1.10		
Cameroon	4.30	3.53	4.47	-17.88	26.45	0.85	0.86	0.78	5.72	6.19	7.52	8.11	21.57	1.01	1.26	1.24	10.03	9.72	11.99	-3.05	23.34	0.94	1.08	1.02	-1.42	-2.65	-3.05		
Central African Rep.	0.05	0.06	0.07	27.97	24.10	0.01	0.01	0.01	0.45	0.44	0.53	-2.91	20.46	0.08	0.09	0.09	0.50	0.50	0.60	-0.09	20.89	0.05	0.06	0.05	-0.41	-0.38	-0.46		
Chad	1.27	1.45	1.97	14.46	35.89	0.25	0.35	0.34	1.06	1.03	1.10	-3.06	6.73	0.19	0.21	0.18	2.33	2.48	3.07	6.48	23.79	0.22	0.28	0.26	0.21	0.42	0.87		
Comoros	0.05	0.02	0.02	-55.58	-9.78	0.01	0.01	0.00	0.20	0.27	0.31	33.02	17.43	0.04	0.05	0.05	0.25	0.29	0.33	15.68	15.38	0.02	0.03	0.03	-0.15	-0.25	-0.29		
Congo, Dem. Rep.	13.18	13.79	29.64	4.59	114.96	2.61	3.37	5.18	12.94	11.87	15.35	-8.32	29.38	2.29	2.43	2.53	26.13	25.65	44.99	-1.81	75.38	2.44	2.86	3.81	0.24	1.92	14.29		
Congo	5.58	4.90	6.59	-12.13	34.46	1.10	1.20	1.15	2.24	1.91	2.45	-14.89	28.38	0.40	0.39	0.40	7.82	6.81	9.04	-12.92	32.75	0.73	0.76	0.77	0.34	2.99	4.14		
Côte d'Ivoire	12.73	12.43	15.34	-2.34	23.44	2.52	3.04	2.68	10.52	10.64	14.14	1.16	32.91	1.86	2.17	2.33	23.24	23.07	29.48	-0.76	27.81	2.17	2.57	2.50	2.21	1.79	1.21		
Djibouti	0.25	0.27	0.26	9.64	-2.91	0.05	0.07	0.05	1.49	1.48	1.63	-0.60	10.64	0.26	0.30	0.27	1.73	1.75	1.90	0.85	8.56	0.16	0.19	0.16	-1.24	-1.21	-1.37		
Egypt	30.61	26.81	37.93	-12.41	41.47	6.06	6.56	6.62	78.57	60.88	74.24	-22.51	21.95	13.87	12.45	12.21	109.18	87.69	112.17	-19.68	27.92	10.19	9.76	9.50	-47.96	-34.07	-36.31		
Equatorial Guinea	4.70	2.83	4.44	-39.82	56.76	0.93	0.69	0.77	1.03	0.89	0.82	-13.33	-8.13	0.18	0.18	0.13	5.73	3.72	5.25	-35.08	41.23	0.53	0.41	0.45	3.68	1.94	3.62		
Eritrea	0.34	1.18	0.49	250.90	-58.17	0.07	0.29	0.09	0.31	0.35	0.34	12.30	-2.21	0.05	0.07	0.06	0.65	1.53	0.83	136.09	-45.36	0.06	0.17	0.07	0.02	0.83	0.15		
Eswatini	2.00	1.75	2.07	-12.53	18.30	0.40	0.43	0.36	1.85	1.62	2.07	-12.23	27.91	0.33	0.33	0.34	3.85	3.37	4.14	-12.39	22.92	0.36	0.38	0.35	0.16	0.13	0.00		
Ethiopia	3.22	3.30	3.19	2.65	-3.37	0.64	0.81	0.56	17.84	15.85	16.18	-11.14	2.09	3.15	3.24	2.66	21.06	19.15	19.37	-9.04	1.15	1.97	2.13	1.64	-14.62	-12.55	-12.99		
Gabon	5.59	3.98	5.22	-28.85	31.31	1.11	0.97	0.91	2.41	2.26	2.31	-6.41	2.39	0.43	0.46	0.38	8.00	6.23	7.53	-22.09	20.84	0.75	0.69	0.64	3.18	1.72	2.91		
Gambia, The	0.03	0.03	0.03	7.69	27.21	0.01	0.01	0.01	0.49	0.55	0.66	11.96	20.20	0.09	0.11	0.11	0.52	0.58	0.70	11.76	20.53	0.05	0.06	0.06	-0.47	-0.53	-0.63		
Ghana	16.78	18.76	18.55	11.82	-1.13	3.32	4.59	3.24	10.44	10.98	13.54	5.16	23.30	1.84	2.24	2.23	27.22	29.74	32.09	9.27	7.89	2.54	3.31	2.72	6.34	7.78	5.01		
Guinea	2.85	3.74	5.04	31.15	34.94	0.56	0.91	0.88	3.49	3.68	3.90	5.64	5.80	0.62	0.75	0.64	6.34	7.42	8.94	17.11	20.48	0.59	0.83	0.76	-0.64	0.05	1.15		
Guinea-Bissau	0.24	0.18	0.18	-22.29	-0.41	0.05	0.04	0.03	0.27	0.29	0.35	3.88	22.47	0.05	0.06	0.06	0.51	0.47	0.53	-8.23	13.51	0.05	0.05	0.05	-0.04	-0.10	-0.17		
Kenya	5.83	5.84	6.72	0.18	15.07	1.15	1.43	1.17	17.33	15.53	19.74	-10.38	27.09	3.06	3.18	3.25	23.16	21.38	26.46	-7.72	23.80	2.16	2.38	2.24	-11.50	-9.69	-13.02		
Lesotho	1.09	0.90	1.07	-17.34	18.51	0.22	0.22	0.19	2.30	1.75	1.85	-23.85	5.51	0.41	0.36	0.30	3.39	2.65	2.92	-21.75	9.93	0.32	0.30	0.25	-1.20	-0.85	-0.77		
Liberia	0.34	0.28	0.45	-18.03	62.22	0.07	0.07	0.08	1.34	1.53	1.73	14.44	12.96	0.24	0.31	0.28	1.68	1.81	2.18	7.83	20.59	0.16	0.20	0.18	-0.99	-1.25	-1.27		
Libya	32.59	11.03	42.85	-66.17	288.66	6.45	2.70	7.48	15.68	12.77	17.64	-18.52	38.14	2.77	2.61	2.90	48.27	23.80	60.50	-50.69	154.20	4.51	2.65	5.13	16.92	-1.75	25.21		
Madagascar	2.56	1.95	1.92	-23.75	-1.61	0.51	0.48	0.33	3.74	3.21	3.19	-14.18	-0.56	0.66	0.66	0.52	6.29	5.16	5.11	-18.07	-0.96	0.59	0.57	0.43	-1.18	-1.26	-1.27		
Malawi	0.92	0.79	0.99	-14.31	25.60	0.18	0.19	0.17	2.94	2.73	3.18	-7.30	16.38	0.52	0.56	0.52	3.86	3.52	4.16	-8.96	18.44	0.36	0.39	0.35	-2.02	-1.94	-2.19		
Mali	3.65	4.21	4.19	15.34	-0.41	0.72	1.03	0.73	5.05	5.60	6.16	10.84	10.10	0.89	1.14	1.01	8.70	9.81	10.36	12.73	5.59	0.81	1.09	0.88	-1.40	-1.39	-1.97		
Mauritania	2.29	2.84	3.84	24.31	35.22	0.45	0.69	0.67	3.52	2.74	3.37	-22.03	22.98	0.62	0.56	0.56	5.81	5.59	7.22	-3.79	29.21	0.54	0.62	0.61	-1.23	0.10	0.47		
Mauritius	1.89	1.67	1.68	-11.49	0.32	0.37	0.41	0.29	5.61	4.53	5.21	-19.32	15.06	0.99	0.93	0.86	7.50	6.20	6.88	-17.34	11.08	0.70	0.69	0.58	-3.72	-2.86	-3.53		
Morocco	27.69	28.70	38.34	3.64	33.60	5.48	7.02	6.70	50.38	44.65	58.96	-11.39	32.06	8.90	9.13	9.70	78.08	73.35	97.30	-6.06	32.66	7.29	8.17	8.24	-22.69	-15.95	-20.62		
Mozambique	4.73	3.47	4.56	-26.70	31.47	0.94	0.85	0.80	7.65	6.45	10.74	-15.72	66.61	1.35	1.32	1.77	12.38	9.91	15.30	-19.91	54.32	1.16	1.10	1.30	-2.92	-2.98	-6.18		
Namibia	6.34	5.65	6.90	-10.89	22.12	1.25	1.38	1.20	8.09	6.83	8.54	-15.62	25.06	1.43	1.40	1.40	14.43	12.47	15.43	-13.54	23.73	1.35	1.39	1.31	-1.75	-1.18	-1.64		
Niger	0.67	0.63	2.32	-5.53	269.17	0.13	0.15	0.41	2.79	3.05	4.10	9.26	34.64	0.49	0.62	0.67	3.45	3.68	6.43	6.41	74.77	0.32	0.41	0.54	-2.12	-2.42	-1.78		
Nigeria	65.60	43.74	59.63	-33.32	36.32	12.99	10.70	10.41	45.83	40.47	55.62	-11.70	37.45	8.09	8.27	9.15	111.43	84.21	115.25	-24.43	36.86	10.40	9.38	9.76	19.77	3.27	4.00		
Rwanda	1.16	1.64	2.20	41.36	33.62	0.23	0.40	0.38	3.19	4.21	5.34	31.90	26.79	0.56	0.86	0.88	4.36	5.86	7.54	34.42	28.71	0.41	0.65	0.64	-2.03	-2.57	-3.15		
São Tomé and Príncipe	0.00	0.02	0.02	1176.65	-9.96	0.00	0.01	0.00	0.15	0.14	0.17	-6.47	20.37	0.03	0.03	0.03	0.15	0.16	0.19	8.21	15.93	0.01	0.02	0.02	-0.15	-0.11	-0.15		
Senegal	4.33	4.27	5.09	-1.38	19.00	0.86	1.05	0.89	8.15	7.82	9.08	-4.08	16.17	1.44	1.60	1.49	12.48	12.09	14.17	-3.14	17.17	1.17	1.35	1.20	-3.81	-3.54	-3.99		
Seychelles	0.71	0.83	1.06	17.41	26.71	0.14	0.20	0.18	1.44	1.49	1.21	3.92	-18.91	0.25	0.31	0.20	2.15	2.33	2.27	8.38	-2.57	0.20	0.26	0.19	-0.73	-0.66	-0.16		
Sierra Leone	0.29	0.22	0.26	-25.11	17.46	0.06	0.05	0.04	1.77	1.11	1.79	-36.99	61.08	0.31	0.23	0.29	2.06	1.33	2.05	-35.30	53.91	0.19	0.15	0.17	-1.47	-0.89	-1.53		
Somalia	0.64	0.52	0.60	-18.01	13.85	0.13	0.13	0.10	3.08	3.26	3.68	5.86	12.65	0.54	0.67	0.60	3.72	3.79	4.27	1.77									

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However, the continent's merchandise trade rebounded strongly by about 31.4 percent to US\$1,180.45 billion in 2021, from US\$898.12 billion in 2020. These developments arose largely as prices of commodities rallied, on the back of increasing normalization of economic activities and robust demand. Considering these developments, oil-importing countries saw their total merchandise trade increase by 28.3 percent in 2021 from a decline of 9.5 percent in 2020. Over the same period, oil-dependent African countries also enjoyed a 37.5 percent growth in their total trade. These developments contributed to lift the value of region's total merchandise trade in 2021.

During 2020, adverse demand shocks to major commodities of export interest to Africa, especially in the base metal/mineral and agricultural groups, (including barley, cotton, maize, crude oil, aluminum, lead, and zinc), arising largely from worldwide COVID-19 restrictions and growth deceleration and/or contraction in advanced and emerging economies, negatively affected the performance of Africa's total merchandise exports. They contracted by 19.03 percent, from US\$505.08 billion in 2019 to US\$408.97 billion in 2020. However, the strong recovery in commodity prices in 2021 contributed to lift Africa's total merchandise exports, which expanded by 40 percent to US\$572.59 billion during the year. The surge in commodity prices was largely supported by a strong recovery in advanced economies, especially in North America and Europe, and robust growth in the group of developing Asian countries, which remain the leading export destinations for African economies.

While several smaller economies suffered considerable pressure on their exports during the pandemic downturn, the five largest economies, namely Algeria, Angola, Egypt, Nigeria and South Africa, which account for about 59 percent of the continent's total exports, contributed significantly to the sharp decline in African exports. The decline in exports from leading oil-producing countries, namely

Algeria (39.6 percent), Angola (20.4 percent), and Nigeria (33.32 percent) was a major driver of the overall contraction of exports on the continent.

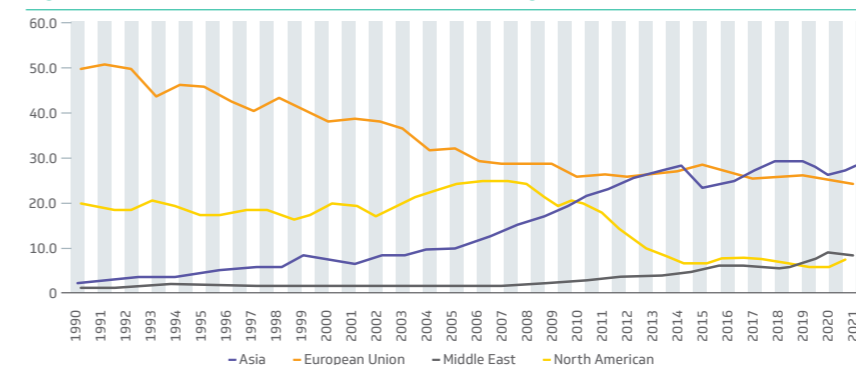
The decline in Africa's exports was also driven by financing constraints, as heightening uncertainty exacerbated by the pandemic led to massive capital outflows and sudden stops, coupled with more stringent regulatory frameworks at the global level. This caused many international banks to scale down their lending activities across the continent, while local banks tightened their lending conditions. These developments undermined trade finance availability on the continent.

Africa's imports also felt the impact of the pandemic with the continent's merchandise imports declining by 13.6 percent to US\$489.16 billion in 2020 from US\$566.37 billion in 2019. But in 2021, they gathered momentum, recovering by an estimated 24.3 percent to US\$607.86 billion. The decline arose largely from limited access to financing, as uncertainties over the socio-economic environment prompted a scale down of banks' lending activities. At the same time, macroeconomic challenges such as dwindling foreign reserves caused by falling export receipts, liquidity constraint, depreciation of national currencies, as well as difficult reforms and drastic fiscal adjustment measures including support to the health sector and enterprises, constrained the import capacity of many African countries in 2020. The group of net-oil exporters suffered the biggest loss, with their merchandise imports contracting by 19.63 percent to US\$162.59 billion in 2020 from US\$202.29 billion in 2019, led by Algeria (39.65 percent), Angola (20.36 percent), Libya (66.17 percent), and Nigeria (33.32 percent). The lower decline in the import of the group of net-oil importers resulted from import expansion in many countries in the group including Côte d'Ivoire (1.16 percent), Ghana (5.16 percent), Cameroon (8.11 percent), Mali (10.84 percent), Rwanda (31.90 percent), and Uganda (13.98 percent).

The recovery in merchandise imports was largely supported by increasing consumption of energy following resumption of economic activities in all sectors especially in the transport sector, as commercial flights, and public transports, as well as other private transport resume service. Oil exporters saw their imports recover, growing by 22.58 percent to US\$199.29 billion in 2021 from US\$162.59 billion in 2020, driven mainly by robust import growth in Libya (38.1 percent), Nigeria (37.5 percent), Angola (28.9 percent), and the Republic of Congo (28.38 percent). The performance of oil importers was even stronger, with their imports rebounding by 25.11 percent to US\$408.57 billion from US\$326.57 billion, led by strong growth by South Africa (35.44 percent), the region's second largest economy, and sturdy growth from other medium to large economies including Côte d'Ivoire (32.91 percent), Morocco (32.06 percent), the DRC (29.38 percent), Tanzania (28.08 percent), Ghana (23.30 percent), and Egypt (21.95 percent). While merchandise imports grew by 24.22 percent, exports had a stronger performance, expanding by 40 percent. This reduced the trade deficit, which narrowed to US\$35.27 billion in 2021, significantly down from US\$80.19 billion recorded in 2020.

Despite the strong recovery of Africa's merchandise trade which rebounded by 31.4 percent, the share of the continent's trade in global trade remained at 2.67 percent in 2021. Although this share is a slight improvement over the 2.57 percent recorded in 2020, it remained dismally low, calling for bolder and sustained policies at national and continental level to diversify the sources of growth and enhance Africa's integration into the global economy where trade has been dominated by manufactured goods with increasing technological content. In this context, it is critical to accelerate and conclude outstanding negotiations phases on the different protocols of the AfCFTA to ensure full implementation of the Agreement. This can pave the way for the development of regional value chains and accelerate Africa's integration into the global economy.

Figure 4.4. Africa's export destinations (Percentage)

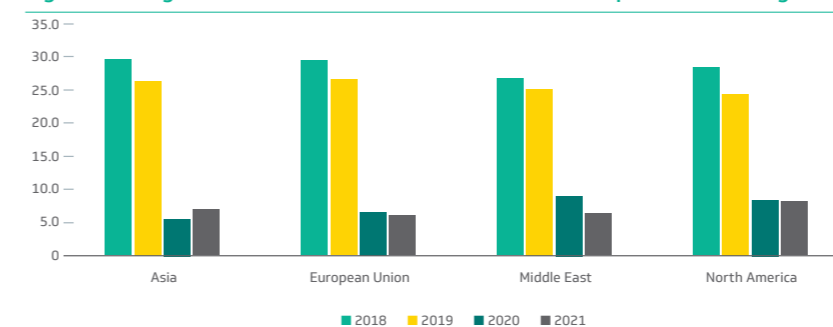


Source: International Monetary Fund Direction of Trade Statistics (2022).

Regarding export destinations, African nations have historically traded more with Europe, particularly with members of the European Union, than with any other region in the world. However, during the last few decades, this trend has been gradually shifting, with the rise of the developing world, especially Asia, enabling Africa to accelerate the geographical diversification of its trading partners. Accordingly, the share of Africa's merchandise exports to the EU, which averaged around 45.71 percent during the 1990s, has been declining steadily, averaging about 30.87 percent from 2002 to 2011 and 26.39 percent from 2012 to 2021. In contrast, Asia's share has seen a remarkable increase from just about 4.97 percent to 14.10 percent and 27.04 percent, respectively, during the same periods (Figure 4.4).

The growing trade ties between Africa and Asia reached a turning point in 2013, when Asia's share of Africa's exports reached 26.93 percent, exceeding for the first time the share of Africa's exports to Europe—26.60 percent. Despite the slight growth deceleration in 2015 and 2016, Africa-Asia trade rebounded and is steadily converging towards trend. In 2017, Asia's share reached 27.78 percent, exceeding once again that of the EU. That trend continued, with deepening trade ties between Africa and Asia, and falling Africa's exports to Europe. The share of Africa's exports to Asia increased to 28.34 percent in 2021, while the EU's share decreased to 24.29 percent during the same period (Figures 4.4 and 4.5).

Figure 4.5. Regional distribution of Africa's merchandise exports (Percentage)

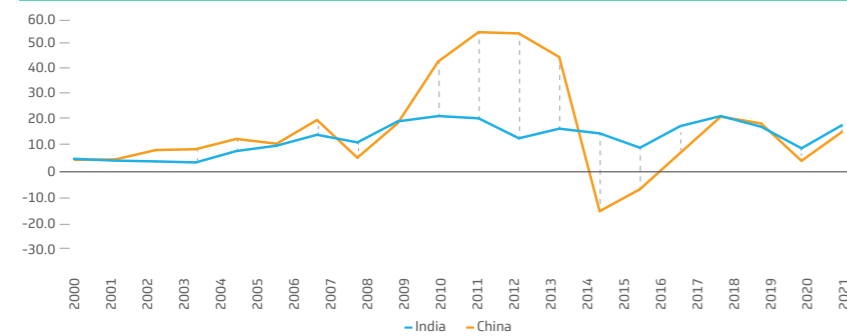


Source: International Monetary Fund Direction of Trade Statistics (2022).

China and India have been the main drivers of the growing trade ties between Africa and Asia. Africa's merchandise exports to Asia expanded by 28.34 percent to US\$159.32 billion in 2021, from US\$109.72 billion in 2020, and US\$139.37 billion in 2019. Of these, the share to China has remained above 60 percent during the last three years, and expanded by 62.42 percent in 2021, from 64.22 percent in 2020, and 62.96 percent in 2019. At the same time, China's share of Africa's total merchandise exports to the world also expanded by 17.37 percent in 2021, consolidating the country's position as Africa's single largest trading partner. Africa's exports to China have generally exceeded its imports, excepting during the 2015/16 commodity crisis, and the outbreak of the pandemic in 2020 when the region's imports exceeded exports. The stronger increase in Africa's exports to China (41.14 percent) than its imports (25.46 percent) enabled Africa to enjoy a trade surplus of US\$10.8 billion in 2021 from the sluggish deficit of US\$0.19 billion in 2020 (Figure 4.6).

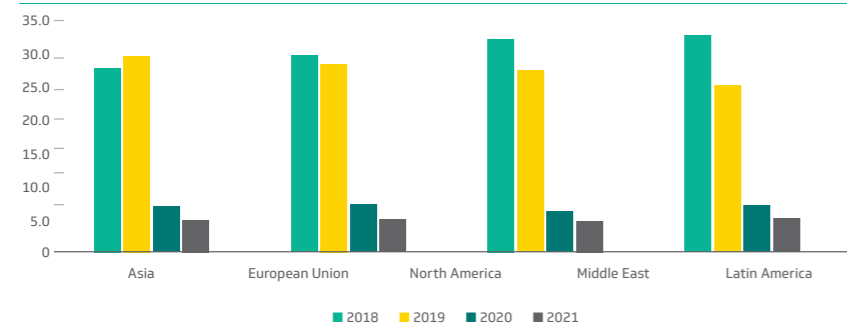
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Figure 4.6. Africa's trade balance with China and India (US\$ billion)



Source: International Monetary Fund (Direction of Trade Statistics), 2022.

Figure 4.7. Africa's import sources by region (Percentage)



Source: International Monetary Fund Direction of Trade Statistics (2022).

India's share of Africa's exports to Asia has also remained high over the last three years, expanding by 25.91 percent in 2021, from 23.43 percent in 2020 and 26.3 percent in 2019, though the performance in 2020 showed a slight deceleration due to the pandemic. Its share of Africa's total merchandise exports to the world also expanded to 7.21 percent in 2021, from 6.29 percent in 2020 and 7.26 percent in 2019. Since 2006, Africa's exports to India have exceeded imports, enabling the region to enjoy a trade surplus which reached US\$13.37 billion in 2021, up from US\$4.58 billion in 2020 (Figure 4.6). The combined share of China and India in Africa's exports to Asia remained high, increasing from 87.66 percent in 2020 to 88.33 percent in 2021, even though the share in 2020 was slightly lower than the pre-pandemic share of 89.26 percent recorded in 2019. Their combined share in Africa's exports to the world has averaged around 24.2 percent over the last three years, consolidating their position as Africa's single largest trading partners.

A similar trend is also observed in the sourcing of imports by African countries. Even though the EU has historically been Africa's largest import market, its share of total African imports has been trending down steadily over the years, while that of Asia has been trending upward. Reflecting that contrasting trend, the EU accounted for 24.67 percent of total African imports in 2021, down from over 45 percent in the 1990s. Asia which has become Africa's largest import market since 2019 consolidated its position as the primary source of goods for the continent. It accounted for 32 percent of Africa's total imports in 2021, up from 29 percent in 2019 (Figure 4.7).

The increasing geographical shift in Africa's sources of imports is due to several factors, most notably prolonged economic difficulties within the EU, characterized by stagnating growth and sustained decline in industrial production and manufacturing output. At the same time, strong economic growth in Asia, boosted by rapid technological progress and expanding manufacturing output have turned the region into an industrial powerhouse and world's factory. Africa's imports from Asia are increasingly dominated by machinery and electrical appliances, electronics, mineral fuels and oil, vehicles, and plastic materials with a combined share of 54.81 percent in 2021, up from 46.41 percent in 2020 (Figure 4.7).

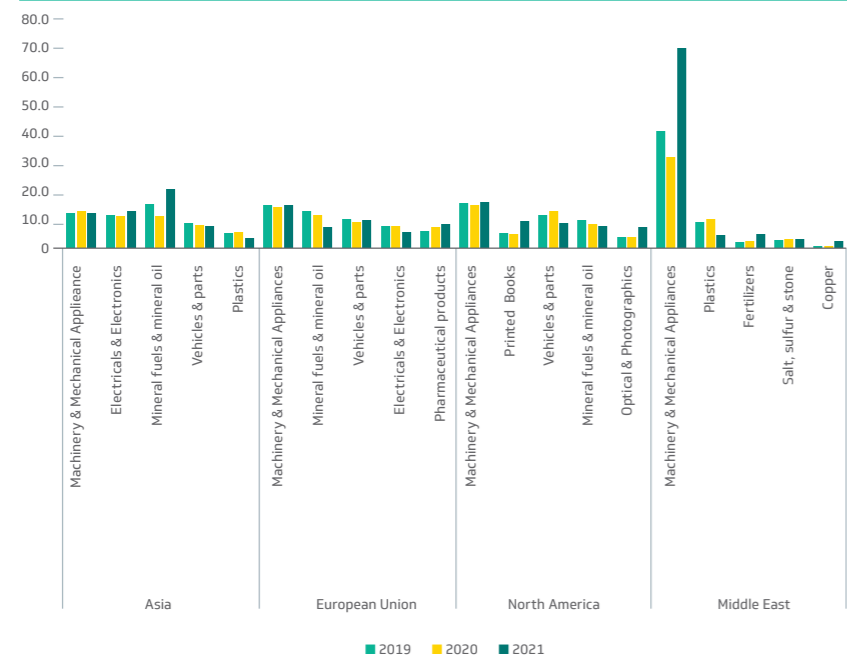
While its shares have been declining, the EU remained an important source of machinery and mechanical appliances, mineral fuels and oil, vehicles and parts, and pharmaceuticals for Africa. During the last three years, Africa's imports from Asia have exceeded its exports, creating deficits of US\$22.88 billion in 2021, down from US\$27.53 billion in 2020.

North America, historically Africa's third largest export destination, has lost its position during the last three years even though its share of the continent's exports grew by 8.03 percent in 2021 (up from 6.2 percent in 2020) to US\$45.13 billion. Since 2019, the Middle East has become Africa's third largest export market with its shares expanding by 8.45 percent (from 9.13 percent) to about US\$47.5 billion in 2021. The weakening in North America's position has been driven in part by a steady decline of Africa's exports to the United States, where the rise in shale oil production put the country on a path to energy independence, dramatically cutting its imports of oil from African countries. In contrast, strengthening trade and economic cooperation between Africa and Middle East, especially with members of the Gulf Cooperation Council, contributed to strengthen the Middle East's position.

Regarding imports, the Middle East maintained its position as the third largest source of imports for Africa with its share growing by 6.94 percent in 2021 (up from 6.05 percent in 2020) to US\$39.49 billion. With these performances, that region remained the leading source for Africa's import products related to mineral fuels, bituminous substances, fertilizers, and plastics. During the last two years, Africa's exports to the Middle East have exceeded imports, resulting in trade surpluses of US\$8.01 billion in 2021, from US\$11.31 billion in 2020. Africa's imports from North America increased by 4.96 percent in 2021 (up from 4.61 percent in 2020) to US\$28.26 billion. Africa's imports from North America are dominated by machinery and mechanical appliances, printed books, vehicles and parts, mineral fuels and oils, and optical and photographic-related products (Figure 4.8). Africa's exports to North America exceeded its imports, enabling the continent to enjoy a surplus of US\$16.87 billion in 2021, from US\$5.5 billion in 2020.

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Figure 4.8 Africa's sources of imports, by region and product group (Percentage)



In line with sharp contraction of global trade, Africa's merchandise trade contracted by 16.18 percent in 2020, as the pandemic-downturn triggered a steep decline in commodity prices. However, the increase in global demand and reduction in supply disruptions as activities increasingly normalize the lifting of lockdown and containment measures resulted in strong recovery of global trade, which grew by 26.6 percent in 2021. Africa's merchandise trade rebounded sharply by 31.44 percent, boosted by a generalized increase in commodity prices. Forecasts for 2022 have been revised down due to the conflict in Ukraine and the risk of food crises, with significant dampening effects on Africa's merchandise trade.

Sources: International Monetary Fund Direction of Trade Statistics (2022); International Trade Centre Trade Map (2022).



Chapter Five

Dynamics in Commodity Markets

Over the past two decades, Africa's economic expansion has been attributed to the sustained improvement in commodity terms-of-trade – what has commonly been referred to as commodity super-cycle. For instance, strong growth in Africa since 2000 coincided with a global commodity price boom, leading some analysts to argue that the continent's growth is a commodity narrative (Collier and Goderis, 2012). Since the end of the last commodity super-cycle in 2014/16, severe supply disruptions have affected commodity prices. More recently, the disruptions have been occasioned by the COVID-19 pandemic downturn, shrinking investment in energy, the disruption of supply chains and trade centers and the Ukraine crisis. The gradual, but steady global paradigm shift towards decarbonization is also having an impact on demand and price volatility, particularly on energy.

With dynamics in commodity markets contributing significantly to output volatility (Bani and Kadir 2017; Canton, 2002), business cycle models and empirical analysis show that output volatility is detrimental to development. After the volatility which characterized the second half of 2010s and major shock triggered by the COVID-19 pandemic, the post-containment phase has been characterized by rising commodity prices across the board (energy as well as hard and soft commodities). These developments have significant implications for growth and macroeconomic management across the region.

5.1 COVID-19, OVERLAPPING SHOCKS AND DYNAMICS IN COMMODITY MARKETS

Even though Covid-19 fatality rates have been relatively low across Africa, the region was hard hit by the economic fallout from the pandemic. As a continent with heavy commodity export dependence, volatility in the prices of natural resources emerged as a major driver of macroeconomic instability. Demand for inputs declined dramatically with the lockdown and movement restrictions that followed the outbreak of the pandemic. The dramatic decline in demand for inputs

due to very limited production activities and the supply disruptions affected global commodity markets.

The energy sector was deeply impacted by the pandemic, depressing consumption of energy (e.g. oil and natural gas). In this regard, oil exploration projects decreased from more than 800 in 2019 to 265 in 2021. The immediate impact of the pandemic on petroleum consumption was a decline of about 25 percent (Norouzi, 2021), perhaps the sharpest energy demand shock since the World War II (IEA, 2020). The dramatic fall in demand for crude oil led to mid-2020 prices as low as those in 2016. In 2022, with concern about the pandemic beginning to ease and economic activity picking up, energy prices, including of crude oil, have been on the rise to the benefit of oil-exporting countries which over a year ago were hard hit by the pandemic-triggered global demand and supply shocks.

The pandemic and the Ukraine crisis fueled agricultural market volatility, with grain and livestock prices significantly affected. Umer et al (2021) used a time-varying parameter vector autoregression methodology to examine the impact of the three waves of the pandemic on ten of the most relevant agricultural and livestock commodity markets, concentrated on the indexes of grains, soft commodities, and livestock.⁴¹ Their analysis shows the presence of dynamic total return and volatility connectedness measures changes over time with peaks during the first and third wave of the pandemic.

Economic Policy Uncertainty

The ongoing uncertainty of the pandemic, combined with the geopolitical and economic impacts of the Ukraine crisis, makes it difficult to quantify activities, shocks, impacts and responses. We observe “shorting” markets, investments in hedge funds, and other investment strategies to protect against risks of falling asset prices. In addition, we are witnessing other dramatic social, economic, and climatic upheavals around the globe.

Such uncertainty calls for a reconfiguration of development priorities and a careful

sequencing of policy options. But paradoxically, that same uncertainty makes it challenging to weigh probability as opposed to perceived potential risks (Knight, 2021). Amidst the myriad of shocks- health, humanitarian, economic, financial and geopolitical- investment in the oil and gas sector is shrinking. Policy makers are increasingly pushing for a policy alignment towards renewables and investment incentives for large scale decarbonization (Vaka et al, 2020). The World Bank, for instance, no longer finances fossil fuel exploration; Environmental, Social and Governance (ESG) investing and regulations are reducing oil and gas projects access to finance.

One expanding sector of economic activity is the renewable energy sector which is sustaining the growing demand for certain minerals. For instance, wind turbines require significant amounts of zinc and copper. Solar panels contain large amounts of zinc. Both renewables require a substantial amount of a variety of other minerals, boosting global demand and adding to mineral price hikes in commodity markets and to global inflationary pressures. According to the climate change research recently released by the OECD, the quantity of minerals required to generate power has increased by 50 percent since 2010, and a net-zero scenario could significantly raise that amount (OECD, 2021).

This chapter provides an overview of the dynamics of key commodities of export interest to Africa during the review period. The list is divided into these main categories, seven agricultural commodities (cocoa, coffee, cotton, corn, sugar, wheat and palm oil), five metals (aluminum, cobalt, copper, gold and zinc) and one in the energy space, oil. Table 5.1 provides relevant data on the dynamics of these commodities over the review period, focusing on growth rates and price volatility.

⁴¹ The Softs index includes the soft commodities of coffee, sugar, cocoa, and cotton while the Grains index includes the agricultural commodities of wheat, corn, and soybeans; and the Livestock index covers those commodities of lean hogs, live cattle, and feeder cattle.

Dynamics in Commodity Markets

Box 5.1: Supporting commodity-based manufacturing in Africa through export development

Although Africa's share of manufacturing value addition to GDP is expanding, Africa's market share in manufacturing exports lags far behind the global average, accounting for roughly 1.3 percent of world exports. This lack of dynamism in exports is largely responsible for the widening trade deficit and has been exacerbated by the deterioration of commodity terms of trade. While the end of the commodity super cycle in 2014-2016 highlighted the cost of external imbalances, the Covid-19-triggered lockdowns underscored the risk of depending excessively on imports for manufactured products.

Commodity-based industrialization provides the path to engineer the process of structural transformation of African economies and enhance Africa's integration into the global economy. One important way to leverage domestic demand for primary and processed commodities is to boost productive capacity and expand manufactured goods through industrialization. Further, by stimulating greater intra-African trade, the continent will become less exposed to adverse external shocks.

With increasing urban population and middle class, processed food and beverages industry offer tremendous growth potential with revenues projected to increase by US\$120 billion over the next decade. Intra-African trade in manufactured goods can become an engine of growth and industrialization for the continent and the AfCFTA is key to this strategy. More than boosting the intra-African trade, the AfCFTA will foster a more competitive manufacturing sector, enhancing the development of Regional Value Chains (RVCs) and their integration into Global Value Chains (GVCs) to accelerate the diversification of resources of growth and trade across the region.

Moreover, by fostering backward integration, the AfCFTA will sustain continental trade integration reforms, productivity, growth and value addition in exports. Africa's business-to-business market is already relatively well developed and has been surfing on the expansion of supply networks.

Increasing integration into international trade networks allows countries to overcome the constraints of the domestic labour force by importing technologies of innovation and encouraging knowledge transfer. Additionally, this strategy increases a country's ability to specialize, since necessary inputs can be sourced from neighboring markets.

Afreximbank's intervention in support of industrialization in Africa

Afreximbank strongly supports the manufacturing sector in Africa. The four pillars under the Bank's strategic plan VI are: Intra-African Trade and AfCFTA Implementation; Industrialisation and Export Development; Leadership in Global Trade and Banking in Africa; and Financial Sustainability. Under these four pillars, the Bank aims to diversify and accelerate the transformation of Africa's trade from reliance on primary commodities towards industrialization and export diversification.

The Bank has therefore developed several high impact interventions to support its core mandate. Afreximbank's industrialization strategy is facilitating the emergence and expansion of Industrial Parks (IPs), Special Economic Zones (SEZs) and Export Processing Zones (EPZs) across Africa, with a focus on light manufacturing, including agro-processing.

These economic infrastructures were instrumental in the successful export-led growth strategy which transformed Asia into a global manufacturing hub. The major advantages to this approach are the maximization of limited capital outlay, the ease to provide a dedicated institutional framework, an enabling business environment and lower production costs due to shared services and infrastructure within a designated enclave.

The Bank is also facilitating the emergence of internationally accredited quality assurance infrastructure across Africa that provide testing, inspection and certification services as well as training in conformity assessment under the Africa Quality Assurance Centres (AQAC) initiative. The initiative is envisioned to enable African producers to conform to international standards and technical requirements which would contribute towards improving market access for African produced goods; increasing exports of African goods to other African and international markets, particularly agricultural and agro-processed products as well as light manufactures.

The quality infrastructure will integrate African producers into regional and global supply chains and diversify export revenues beyond commodities. The pilot AQAC which focuses on food and agri-products is currently under construction in Ogun State, Nigeria, and will commence operations in 2022. Furthermore, the Bank is currently working on setting up additional testing, inspection and certification labs in Egypt, Tanzania and Ethiopia focusing on food and agri-products and textile products, respectively.

The Bank has also launched an African SME Development Programme to provide financial and non-financial support to enterprises that are aligned with achieving the Bank's Intra-Africa Trade, Industrialisation and Export Development objectives. It provides the resources necessary for SMEs with strategic relevance. Key focus sectors include agribusiness, light manufacturing, technology, hospitality, the creative industry, export-oriented businesses, consumer goods and financial services and entertainment.

The Bank remains a committed partner and is investing in the expansion of Africa's manufacturing output and the process of structural transformation. It has raised the financing of Africa's manufactured exports and services under its new strategic plan. It has also increased the share of loans dedicated to its financial intermediaries. Through this intermediation, the Bank will further support African SMEs, increase the value of semi-processed and finished exports and capacity development to accelerate the diversification of sources of growth and trade in its member countries.

Dynamics in Commodity Markets

Table 5.1: Price Developments for Commodities of Interest to Africa, 2019 - 2021

Commodity	Closing Price			Annual Growth Rate		Price Volatility		
	2019	2020	2021	2019/2020	2020/2021	2019	2020	2021
AGRICULTURE								
Cocoa	2497.00	2593.00	2520.00	0.04	-0.03	0.06	0.09	0.05
Coffee	1359.00	1369.00	2488.00	0.01	0.82	0.07	0.08	0.22
Cotton	68.92	76.20	112.60	0.11	0.48	0.09	0.10	0.13
Sugar	13.54	14.90	18.88	0.10	0.27	0.05	0.13	0.09
Wheat	556.25	627.00	770.75	0.13	0.23	0.07	0.07	0.09
Corn	390.00	451.00	593.25	0.16	0.32	0.07	0.11	0.11
Palm Oil	3035.00	3854.00	5159.00	0.27	0.34	0.12	0.17	0.12
METALS								
Gold	1510.56	1883.46	1829.20	0.25	-0.03	0.07	0.08	0.03
Cobalt	32305.00	32000.00	70193.00	-0.01	1.19	0.12	0.06	0.16
Aluminium	1808.25	2031.00	2803.00	0.12	0.38	0.03	0.10	0.12
Copper	283.65	356.00	446.35	0.26	0.25	0.04	0.13	0.07
Zinc	2305.00	2842.50	3534.00	0.23	0.24	0.08	0.13	0.08
ENERGY								
Brent Oil	68.16	51.29	77.78	-0.25	0.52	0.06	0.24	0.11

A review of commodities of trade interest to Africa indicates consistent positive annual growth across the majority of commodities over a three-year period, 2019 to 2021 with remarkable growth in cobalt, coffee, and cotton in 2021. Slight negative movements were observed in Brent crude oil from 2019 to 2020. Cocoa and gold prices remained relatively flat from 2020 to 2021. Volatility, as measured by the coefficient of variation of respective commodities was commensurate with price movements. In 2021, coffee, cotton and cobalt were the most volatile, having recorded the highest price growth in the same year. The Afreximbank African Commodity Index (AACI) provides an in-depth analysis of the dynamics of commodity indices in 2021.

AACI highlights areas requiring pre-emptive measures by the Bank, its key stakeholders and policymakers, as well as global institutions interested in the African market, to effectively mitigate risks associated with commodity price volatility.

Figure 5.1: The Afreximbank African Commodity Index (2016=100)



Sources: Afreximbank

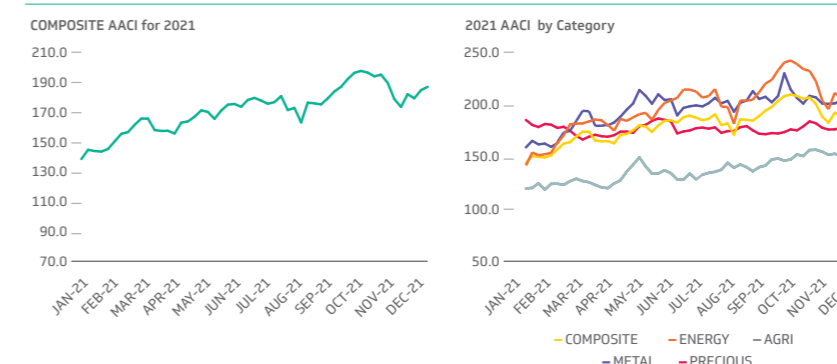
5.2 THE AFREXIMBANK AFRICAN COMMODITY INDEX 2021

The recurrence of adverse commodity terms of trade shocks has severely constricted growth in African economies, making it crucial for businesses and policymakers alike to consistently monitor trends in the region's key commodity markets. The AACI more accurately reflects the composition of African commodities and tracks the movements of commodity prices on a bi-annual basis. In so doing, the

The AACI composite index continued trending higher in 2021, gaining 35 percent year on year, following the V-shaped performance in 2020 which saw the index initially fall 86 percent from a level of 153 in January 2020 to a low of 82 in April on account of the deflationary spiral caused by the pandemic. The index recovered rapidly from the pandemic triggered collapse rising over 230 percent from its low in Q1-2020, due especially to a resurgence in post-covid energy demand in Asia. In that vein, the

energy subindex which rallied by over 50 percent year-on-year greatly boosted the AACI. Base metal prices also performed strongly as supply disruptions among major producers in Latin America squeezed markets tighter.

Figure 5.2: AACI for 2021 (2016=100)



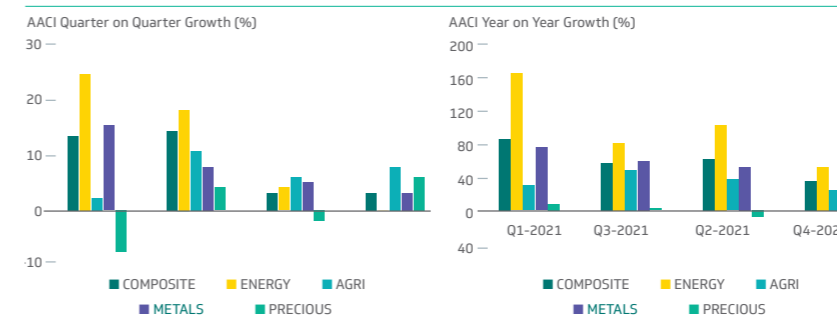
Source: Afreximbank

a. Energy

During 2021, the energy sub-index rose 50 percent year-on-year mainly on account of an exceptionally fast-paced global economic recovery, a cold and long winter in the northern hemisphere and a sluggish supply response. According to the International Energy Agency (IEA), surpluses that had accumulated over the pandemic period were markedly depleted as global demand outpaced supply. Inventories plummeted in Cushing, Oklahoma storage hubs, which ordinarily accounts for roughly 15 percent of the US storage capacity. Furthermore, OPEC+ produced limited amounts of oil such that stockpiles, across OECD countries drastically fell below 2015 to 2019 averages, an indication of market tightness.

This slow production was driven by the need to observe the OPEC oil quota cuts and pressure from Saudi Arabia to comply. Other extenuating factors hampering oil production included disruptions in the US Gulf due to adverse weather events including Hurricane Ida which triggered a shutdown of 96 percent of crude oil production and 94 percent of natural gas production. Furthermore, the market experienced a surge in oil demand from China, the world's second largest consumer, underpinned by a cooler-than-normal winter caused by the La Nina weather phenomenon, just as the economy was recovering from the pandemic.

Figure 5.3: AACI for 2021, Quarterly and Annual Growth Rate (2016=100)



Sources: Afreximbank

b. Agricultural Commodities

The agricultural commodities index rose by 24 percent in the year mainly on account of price increases for coffee (82 percent), cotton (48 percent), palm oil (34 percent), corn (32 percent), sugar (27 percent) and wheat (23 percent). Cocoa prices remained virtually flat over the year, closing just 2.4 percent lower at the end of 2021 compared with prices at the start of the year due to expectations for a production surplus. According to the International Cocoa Organization (ICCO), cocoa output exceeded demand by 100,000 tonnes in the 2020-21 season compared with a deficit of 85,000 tonnes in the previous season.

Coffee prices rose to their highest level in 10 years because of a shortfall in supply as well as logistical bottlenecks linked to the pandemic. According to the International Coffee Organization (ICO) increased logistics costs and concerns about future supply remained key market drivers. Poor weather, including the deeply intense frost experienced during the year, raised concerns around the size of the Brazilian crop, leading to record high volatility for spot and futures prices. This was exacerbated by the ever-increasing freight costs and the pandemic restrictions which disrupted global trade flows.

Cotton prices gained substantially during the year due to weather-induced tightness in supply. According to the US Department of Agriculture, global cotton supply suffered a second consecutive production deficit because of a severe drop in yields caused by weak precipitation in India and severe heat waves in the US—the biggest exporter of the commodity. A combination of firm cash markets, tight old crop supplies and suboptimal weather in the US combined to push corn prices higher in 2021. Strong demand from China also reduced corn and soybean inventories in state reserves resulting in record high imports of both crops and creating a huge shift in the global marketplace. Meanwhile the

Dynamics in Commodity Markets

impact of high prices was also felt in the region as Nigeria released corn from its reserves to firm local demand and to address rising food inflation.

c. Base metals

The base metals index rose 31 percent over the course of the year, led by aluminum which increased by 38 percent year-on-year, followed by copper (24 percent) and zinc (24 percent). The rise in aluminum price was driven by supply tightness resulting from production curtailments. Production was dampened by the substantial increase in output costs, mainly in relation to steeper energy prices over the review period. Energy accounts for around 40 percent to 50 percent of aluminium smelting costs and therefore the surge in energy prices created a hostile environment for aluminum producers causing most smelters in Europe to scale back on output.

Additionally, declining production capacity juxtaposed with rising demand led to a global drop in inventories. Meanwhile, China also clamped down on aluminum production to meet green targets and reduce pollution, further limiting supply. On their part, copper prices were buoyed by strong demand from China emanating from the construction sector and strike related disruptions in Chile – which accounts for over a quarter of global copper output. However, prices softened in the latter half of the year as car manufacturing slowed as did Asian demand. Elsewhere, zinc prices were supported by strong demand, power shortages in key producing regions, including China and Europe, and supply disruptions in Mexico. These countries on aggregate account for around 50 percent of zinc production.

d. Precious metals

The precious metals sub-index remained virtually flat during the year, rising barely 1 percent. Gold prices remained muted as investors anticipated higher

interest rates on signs of a global economic recovery. There was notably slow demand in the jewelry sector over the review period which kept a lid on gold prices. Moreover, the rollout of vaccines created a high level of optimism in financial markets causing safe haven flows into the metal to ease.

5.3 PRICE DEVELOPMENTS: A SNAPSHOT OF SELECTED COMMODITIES

i. Copper

Commodity-dependent African countries were hard hit as production decreased immensely and commodity prices fell sharply after the global demand and supply shocks which followed the implementation of containment measures to stem the spread of Covid-19 virus. As copper prices plunged to a 4-year low (US\$1.98/lb) in 2020, African copper giants, the Democratic Republic of Congo (DRC) and Zambia where the industry represents a significant share of their export revenues were particularly affected.

However, on the back of strong global demand in the post containment phase of the pandemic, the demand for copper surged significantly, particularly in China, the world's largest consumer of copper. The metal price rallied strongly, reaching multi-year highs of US\$4.67/lb during the third quarter of 2021. The price increase was further supported by the ongoing energy transitions with copper set to play a key role in the context of transition towards green energy. In addition, supply-demand imbalances caused by supply chain disruptions, including strike related interruptions at Codelco in Chile, the world's largest copper producer, coupled with reduced global stockpiles supported the price increase during the year in review.

In the short term, dynamics in the copper market including demand and

prices will be affected by the expected global growth deceleration which has been exacerbated by the increasing risk of stagflation in Europe. However, in the medium term, the outlook is positive in a world which has made a major shift towards clean energy and net-zero transitions. According to IEA, the stock for electric cars rose by 43 percent in 2020 and is expected to surge tenfold by 2030. Clean energy is projected to consume more than double the amount of copper in 2040, compared to the current levels. On the supply side, the African international mining hotspots, the DRC and Zambia are expected to increase supply in the next couple of years particularly from Kamo-a-Kakula mine and Mopani Copper Mines, respectively.

ii. Wheat

After the relative stability in the first half of 2021, wheat prices rose sharply in the second half. The dynamics of wheat prices was underpinned by several factors, including significant drop in production in Canada and the US, in addition to poor crops exports restrictions in Russia and quality issues in Europe. On account of these developments, prices continued to trend upwards, closing the year on a strong note. Overall, the average price of wheat increased by over 26 percent to US\$770.75/bu in 2021.

Another factor that exerted upward pressure on price was strong tender-based buying from destination markets which was prompted by price breaks during the year. In this regard, most of the countries used this method to secure supply purchased wheat more actively within tenders in 2021 compared to the same period in 2020. For instance, the General Authority for Supply Commodities (GASC), state importer agency in Egypt, the world's largest importer of wheat, broke its tender-buying record in late November, when it purchased about 600,000 tonnes in its biggest-ever purchase.

Additionally, higher cost of production from increased prices of key inputs such as fertilizer, seeds and energy also contributed to driving wheat prices in 2021.

Geopolitics also shaped the dynamics of global wheat markets with Ukraine crisis leading to a sharp increase of prices. Russia is the world's largest exporter of wheat, together with Ukraine accounts for over 24 percent and 30 percent of global wheat production and exports respectively. Conflicts and export restrictions heightened market uncertainty and dramatically raised the coverage price of wheat which hit a new record in May 2022, increasing by 70 percent to US\$1270/bu up from US\$745/bu year on year. Even though the price decreased slightly in June, it remained very high, about 11 percent off a record high averaged reached in March 2008. In the medium term, the dynamics of wheat prices depends on the duration of the Ukraine crisis and the extent of global coordination to mitigate the risk of food crisis.

iii. Cocoa

Global cocoa production increased by nearly 10 percent compared to 2020 on account of exceptionally good weather conditions in West Africa, especially in Côte d'Ivoire and Ghana, the world's first and second largest producers and suppliers of cocoa beans. With global market adequately supplied, global demand (measured by total global grindings), also picked up by more than 3 percent to push stocks above 2 mt in 2021, from 1.7 mt recorded in 2020, following a slump at the height of the pandemic downturn.

The supply-demand match-up contributed to the relative price stability during the review period. The relative stability in cocoa price was a result of a combination of factors including production and key market developments. Together Côte d'Ivoire and Ghana accounted for over 70 percent

of world's cocoa production in 2021, up from 65 percent in 2020. Between 2019 and 2021, cocoa prices increased by just about 0.92 percent to reach an average price of \$2426.80/tonne. Forecasts suggest that the world's prices of cocoa will register a 4.09 percent Compound Annual Growth Rate (CAGR) in the coming years (between 2021 and 2025). In addition to weather conditions in West Africa, other factors driving the projected growth are the varied appreciation in different industries, including confectionery, beverages, pharmaceuticals and cosmetics.

iv. Oil

During 2021, the oil market suffered significantly, with a historic price movement for oil, as a result of dwindling demand driven by COVID-19 lockdowns, concerns over storage capacity and a price war between Russia and Saudi Arabia, the world's two largest oil producers. In the face of these challenges, oil prices dropped into negative territory on 20 April, as WTI experienced its single day drop with WTI futures plunging by about 310 percent to -US\$37.6 bbl. from US\$17.85 bbl. at the start of the trading day. Brent crude oil fell below US\$20 bbl. from its peak of US\$64 bbl in January of the same year.

After hitting all-time low in April 2020, oil prices began to recover, largely on the back of the agreement among OPEC and non-OPEC members to maintain oil production cuts until July 2021 in a context of gradual relaxation of COVID-19-triggered containment measures, loose financing conditions and easing of supply-side disruptions. This momentum was sustained by increasing normalisation of economic activities and strengthening demand. As a result, 2021 turned out to be a better year for the oil market with oil prices ending the year averaging around US\$70.44 per barrel from just about US\$42.23 per barrel in 2020.

The Ukraine crisis and specifically the imposition of Western-led sanctions against Russia further raised the price of oil in the first half of 2022. Russian oil accounts for about 10 percent of global oil supply. More specifically, the oil prices reacted sharply to the outbreak of the crisis and global response, reaching its highest of US\$110/bbl in the lead-up to the end of the commodity super-cycle in 2014, as the financial sanctions made it difficult to clear Russian oil transactions through Western banks. With decreasing investment in the industry and heightening geopolitical tensions, supply remains the main concern. However, in the medium term, energy prices could remain high

v. Gold

The precious metals market enjoyed another good year in 2021 with the nominal price of gold maintaining its upward trajectory with an increase of 28.43 percent year-on-year to US\$1,788.32 per troy ounce, from US\$1,392.50 per troy ounce in 2019. Monthly evolution of gold prices shows that the price of the commodity had been experiencing a steady increase since January 2020 and reached its peak at US\$2,069.2 per troy ounce in August of the same year, on the back of strong demand as investors continued to use precious metals, gold in particular, as a safe haven asset in the face of heightened global uncertainties occasioned by the outbreak of COVID-19, and the synchronized ultra-low interest rate policies implemented by major central banks around the world to mitigate the impact of the pandemic. While gold prices remained elevated at US\$1,770.25 per troy ounce in 2021, it declined slightly by about 1.01 percent on the back of gradual relaxation of containment measures and resumption of economic activities driven by the rollout of vaccines which boosted immunity, alongside a strengthening US dollar.

Chapter Six

Developments in Intra-African Trade

The promotion of intra-African trade, which includes the flow of goods and services between African countries as well as between continental Africans and the diaspora, is a cornerstone of Afreximbank's strategy. Intra-African trade is firmly embedded as the first pillar and projected as the arrowhead of Bank's Sixth Strategic Plan- impact 2026—a position inherited from the predecessor Plan V: "Impact 2021- Africa Transformed", and one of the core tenets of the AfCFTA agreement as captured in the BIAT Action Plan. Theoretically, it has been demonstrated that intra-regional trade and inherent economies of scale provide the basis for investment in regional infrastructural development, which in turn facilitate integration, promote industrialization, and create much needed employment opportunities for the continent's growing population. At the same time, deepening intra-regional trade offers tremendous potential as a mitigant against adverse external shocks and global volatility.

In 2021, the value of intra-African trade reached US\$169.73 billion after two years of consecutive declines. The value of intra-African trade grew by 18.23 percent in 2021 compared with a decline of 7.33 percent in 2020. Extra-African trade expanded even more than intra-African trade, reaching US\$1.01 trillion with a growth rate of 29.54 percent in 2021, after the sharp decline in 2020 by 16.18 percent. While the sharp decline in 2020 reflected the impact of containment measures on trade, the recovery of African trade in 2021 was driven by the strong and synchronized global recovery, the strengthening global demand, and the improving commodity terms of trade.

However, the aggregate value of Intra African Trade which expanded to reach US\$169.73 billion in 2021 and accounted for about 14.4 percent of total African trade masks important regional variations. Southern Africa which recoded the most impressive growth rate of post-pandemic with its trade

with other countries around the region expanded by over 43 percent, consolidated its leading position as the main drive of intra-African trade, accounting for over 44 percent of total intra-African trade in 2021 (Figure 6.1). After registering the growth rate of 22.4 percent, West Africa also consolidated its position as the second intra-African trading sub-region, accounting for over 23.4 percent of total intra-African trade. As the third intra-African trading sub-region, North Africa accounted for about 12 percent. Contribution of Eastern and Central Africa to total intra-African trade are significantly much lower, 11 and 8 percent, respectively.

Figure 6.1: Contribution of the five regions in Intra-African trade (Percentage)

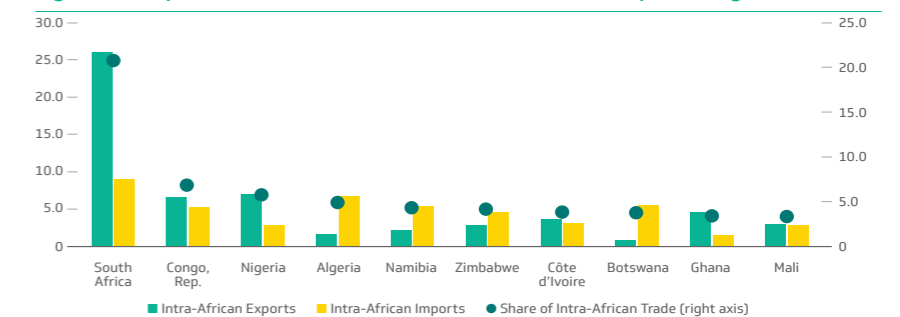


Sources: International Monetary Fund Direction of Trade Statistics (2021), Afreximbank Research.

6.1 INTRA-AFRICAN TRADE CHAMPIONS

What is increasingly apparent in the strong recovery profile of intra-African trade in 2021 is the enabling role of regional champions in promoting cross-border trade on the continent. Across the continent, South Africa maintained its position as the leading intra-African trading nation in 2021, with a total intra-African trade value of US\$34.83 billion, up from US\$27.01 billion in 2020. This was largely due to the rebound of the oil prices, which accounted for the lion's share of South Africa's imports from the rest of the continent. South Africa accounted for 20.5 percent of total intra-African trade in 2021, compared with 18.8 percent in 2020. While Africa is an important source of South Africa's imports, accounting for 11.1 percent of the country's total imports in 2021, the continent is an even more important export destination for South Africa. During the review period, Africa was the destination of more than 29 percent of total South African exports. South Africa's main African destination markets are the countries of the Southern African Customs Union and the Southern African Development Community. Botswana is South Africa's largest bilateral trade partner within the region, followed by Mozambique, Namibia, Zambia, and Zimbabwe.

Figure 6.2 Top 10 contributors to intra-African trade, 2021, percentage



Source: International Monetary Fund Direction of Trade Statistics (2021), Afreximbank Research.

Developments in Intra-African Trade

The DRC remains the largest intra-African trading nation in Central Africa and the second largest in Africa, trading more with its Southern African Development Community partner countries than with its counterpart country members of Economic Community of Central African States. Its share of total African trade increased by almost 40 percent, from US\$8.38 billion in 2020 to US\$11.69 billion in 2021. As a result of this strong recovery, the DRC became the second-largest intra-African trading nation, reverting to its second spot after falling to fourth in 2020. South Africa remains its major bilateral trade partner in Africa, accounting for the bulk of the DRC's imports from the continent. The government of the DRC remains committed to regional integration and is strengthening cooperation across the continent by expanding trade with neighboring countries, including members of the Economic Community of Central African States. In that regard, the DRC and other member countries maintained the momentum on their regional integration agenda by ratifying a revised treaty among the member states.

In West Africa, the value of Nigeria's trade with the continent expanded by 21.7 percent to US\$9.65 billion, up from US\$7.93 billion in 2020. Nigeria's share of total intra-African trade increased slightly in 2021 to about 5.7 percent from 5.5 percent in 2020, raising its overall standing as the third largest intra-African trading nation in 2021. About 7.8 percent of Nigeria's exports are to African

countries, with South Africa, Togo, and Côte d'Ivoire being the top three destinations of Nigerian exports to the rest of the continent. Nigeria's imports from the rest of the continent remained relatively low, accounting for less than 3.3 percent of its total imports.

Algeria emerged as the leading intra-African trading nation in North Africa and the fourth leading intra-African trade nation. Its trade with the continent increased by 11.3 percent to US\$8.19 billion in 2021. About 8.3 percent (US\$6.69 billion) of Algeria's total imports are sourced from Africa, while 1.68 percent (US\$1.49 billion) of its exports are to Africa. Although Egypt is eleventh in the distribution of leading intra-African trade nations, the country's trade with the continent increased by 27.2 percent to almost US\$6 billion in 2021. About 5 percent (US\$4.10 billion) of Egypt's total exports are directed to African countries, while 1.9 percent (US\$1.57 billion) of its total imports are sourced from Africa. Authorities in Egypt and Algeria continued to make efforts to boost trade with the rest of Africa. The two countries remained active members of the Pan-Arab Free Trade Area, under which import duties are removed to boost intra-African trade. Both countries also ratified the AfCFTA Agreement. Egypt's largest export partners on the continent traditionally have been in North Africa (Algeria, Libya, and Morocco) but exports to Kenya, Nigeria, and Sudan have been on the rise. Meanwhile, Kenya, Zambia, and Sudan also are finding a growing

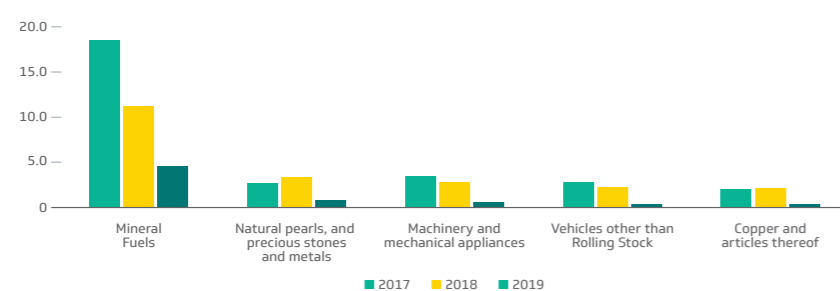
market in Egypt, aided by the improving logistical infrastructure and growth prospects associated with elimination of tariffs under the AfCFTA.

Other important contributors to intra-African trade, which are part of the top-10 countries, include Namibia, Zimbabwe, Côte d'Ivoire, Botswana, Ghana, Mali, and Zambia, together these countries accounted for around 26 percent of total intra-African trade in 2021. The contribution of these countries was boosted by Zambia, Côte d'Ivoire, and Botswana, which recorded big gains in their trade volume with strong growth of 32.3 percent, 26.2 percent, and 27.4 percent, respectively.

6.2 DRIVERS OF INTRA-AFRICAN TRADE

Intra-African trade involves both primary and manufactured products. Generally, trade in the broader primary and manufactured product categories, including fuels, precious stones, machinery, ores slags and ash, and copper, has been rising over the years (Figure 6.3). In terms of the technical intensity of the exports, manufactured products traded on the continent are dominated by high-skill and technology-intensive manufactures. This dovetails with the evidence that intra-African trade has relatively higher industrial and value-added content than African countries' trade with the rest of the world. Also, the technology content of intra-Africa trade exceeds that of African trade with the rest of the world (UNCTAD, 2021).

Figure 6.3: Top 5 intra-African exports (US\$ billion)

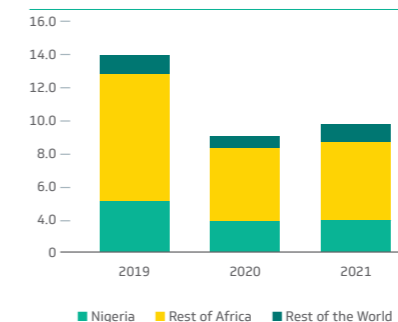


Source: International Trade Centre Trade Map (2021), Afreximbank.

Although the value-added and technological content of cross-border trade is higher than in extra-African trade, primary commodities, including crude oil, precious stones, and precious metals, largely from intra-African trade champions, continue to dominate intra-African trade (Figure 6.3).

In Southern Africa, South Africa imports about 40 percent of its crude oil from the continent, 63 percent of which comes from Nigeria. Nigeria is the leading global supplier of crude oil to South Africa, ahead of Saudi Arabia. While energy dominates South African imports from Africa, accounting for about 55 percent of all imports from the continent, the country's exports to the rest of the continent are more diverse. The profile of South African trade with the rest of Africa reflects the complexity of its economy as the most industrialized. The product mix of this trade profile is heavily biased in favor of manufactured exports from South Africa, including machinery, vehicles, aircraft and vessels, and prepared foodstuffs. It exports fuel and fuel products, precious stones, vehicles, and machinery to its largest bilateral regional trade partners, such as Botswana, Namibia, and plastic products to other trade partners, such as Nigeria. By contrast, around 65 percent of Namibia's exports to South Africa consist of precious minerals and live animals, while 60 percent of exports from Botswana to South Africa are precious minerals and machinery. Meanwhile more than 35 percent of Zimbabwe's exports to South Africa consist of prepared foodstuffs.

Figure 6.4: South Africa's crude oil imports (US\$ billion)



Source: International Trade Centre Trade Map (2021), Afreximbank Research.

In Central Africa, the main exports of DRC to South Africa are refined copper, diamonds, and vehicle parts. Its imports from South Africa consist primarily of machinery and mechanical appliances and pharmaceutical products. The DRC can play a key role in providing mineral resources for industrial and manufacturing output and development of regional value chains, supporting agricultural and agro-processing value chains, and emerging as a major driver of intra-African trade in the AfCFTA era.

The inflows of copper from the DRC into Zambia heavily boosted the latter's standing in intra-African trade. South Africa is also the top supplier of machinery and mechanical appliances to the DRC and an important supplier of pharmaceutical products. However, the market for pharmaceutical products is still dominated by imports supplied from Europe and Asia. Efforts by Afreximbank to promote intra-African trade in the provision of world-class health services and increase local production of pharmaceutical goods in the post-pandemic should further boost cross-border trade in medical services and pharmaceutical products in the medium and long term.

In West Africa, crude oil still dominates Nigeria's export to the rest of Africa, but the composition of its cross-border trade is changing. Although only 3 percent of total imports into Nigeria emanate from the continent, historically, there has been a thriving informal cross-border trade in light manufactured products and agricultural commodities within the Economic Community of West African States region and with neighboring countries in Central Africa (Afreximbank, 2020). Nevertheless, Nigeria's decision to close its land borders with neighboring country Benin—to curb smuggling and increase production and self-sufficiency in commodities such as rice—likely affected the volume of informal trade during the review period. Côte d'Ivoire's imports from the rest of the region are mostly crude oil from Nigeria, which is refined and exported to regional trading partners like Mali and Burkina Faso, which are also Côte d'Ivoire's top trading partners on the continent.

In North Africa, Egypt has indicated its commitment to help build capacity among other African countries as they seek to upgrade and promote the development of higher-productivity sectors, including manufacturing and high-end services. Egypt is mainly exporting fuels, plastics, essential oils, electric machinery, and iron and steel and importing copper, coffee and tea, tobacco, and vehicles other than rolling stocks from the rest of the continent.

Developments in Intra-African Trade



6.3 DEVELOPMENTS IN THE AFCFTA

One of the key achievements in ongoing efforts to boost intra-African trade in 2021 was the progress made in the implementation of the AfCFTA, which entered into force in January of that year. While it was envisioned that trading would commence based on legally implementable and reciprocal tariff schedules and concessions, with agreed rules of origin and customs documentation, protracted negotiations on rules of origin meant that meaningful trade under the AfCFTA was delayed.

Notwithstanding, significant progress was achieved, with more than 87 percent of the rules of origin agreed. In addition, preparatory work for negotiations on trade in services, intellectual property, investment, and digital trade commenced. At the time of writing this report, 42 countries have submitted their initial tariff offers, and 43 countries have submitted their initial services offers. The year under review also witnessed compliance by eight additional African countries with domestic requirements for the ratification of the AfCFTA Agreement, with six countries depositing their instruments of ratification and becoming State Parties to the Agreement. The number of State Parties now stands at 41. The year 2022 promises to be busy, with the commencement of tariff phasedowns and an increase in trade under the AfCFTA as remaining issues on rules of origin are resolved. Negotiations on trade in services are also expected to pick up pace as State Parties prepare for phase II negotiations.

Afreximbank is working closely with the African Union Commission and the AfCFTA Secretariat to support the implementation of the AfCFTA through several strategic initiatives. These include the Intra-African Trade Fair, the Pan-African Private Sector Trade and Investment Committee (PAFTRAC), an advocacy platform to enhance African private sector participation in trade negotiations and investment policy formulation, and the Pan-African Payment and Settlement System (PAPSS), which

became operational on January 13, 2022, following a successful operational pilot in six West African countries. PAPSS will facilitate the clearing and settlement of intra-African trade transactions in African currencies, lifting the liquidity constraints to enhance the growth of intra-African trade.

The Bank is also working with the AfCFTA Secretariat on several products, including the AfCFTA Adjustment Facility, to enable countries to adjust in an orderly fashion to sudden significant tariff revenue losses owing to the implementation of the agreement. In addition, the Interstate Transit Guarantee is offered as part of Afreximbank overall objective of facilitating and promoting intra-African trade by reducing some of the bottlenecks associated with the movement of goods across borders within Africa. The Bank is also supporting the establishment of Africa Quality Assurance Centre (AQAC).

6.4 ESTIMATING INTRA-AFRICAN TRADE POTENTIAL

Using the export potential assessment methodology developed by the International Trade Centre, this section assesses products with the greatest export potential in intra-African trade. The methodology highlights sectors with opportunities for export growth under current tariff conditions and sectors in which new opportunities will arise with tariff reductions under the AfCFTA. Export potential is computed with a time horizon of four to five years, and accounts for current and future tariffs. The AfCFTA foresees different tariff liberalization schedules for African economies classified as least developed countries (LDCs) and those which are not. While non-LDCs will fully liberalize tariffs within five years, LDCs will do so within 10 years. Full liberalization will apply for 90 percent of tariff lines. Another 7 percent of tariff lines can be considered sensitive products.

Also, 3 percent of tariff lines, which should represent not more than 10 percent of a country's total exports, can be excluded from tariff liberalization. Therefore, the methodology assumes three differential liberalization scenarios.

Scenario 1: Current tariff conditions

- tariffs
- No further liberalization within five years

Scenario 2: Differential liberalization according to LDC status

- Liberalization according to LDC status of the country or its regional economic community
- Non-LDC status: full liberalization within 5 years
- LDC status: 50 percent liberalization within 5 years
- Countries liberalize tariffs on all products equally

Scenario 3: Full liberalization within 5 years

- Full liberalization regardless of LDC status
- Countries liberalize tariffs on all products equally

The scenario 1 reveals untapped export potential of US\$22 billion on the continent. More than one third of this potential export growth (US\$8.6 billion) could be achieved by eliminating trade frictions, while the remaining US\$13.3 billion would arise through future economic growth and related increases in demand and supply. Under the differential liberalization by LDC status of Scenario 2, intra-African export potential would increase by another US\$9.2 billion. If all African countries fully liberalized tariffs on all products within the next five years, under Scenario 3, intra-African export potential would increase by US\$19.8 billion.

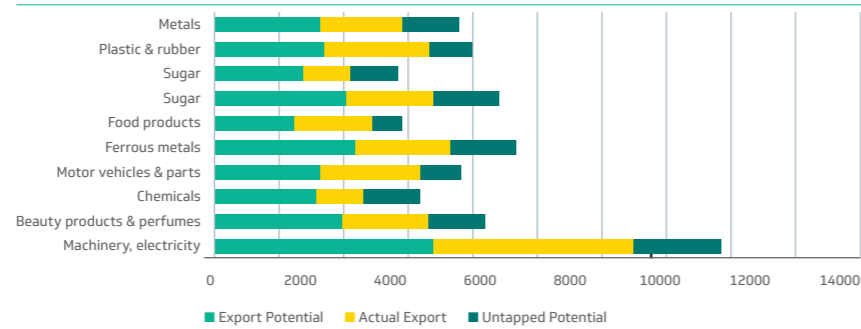
Overall, based on the export potential assessment and considering proven ability to export and products that have good prospects for intra-African trade, the export potential could significantly raise the current level of intra-African trade to more than US\$192 billion, hypothetically accounting for more than 13 percent of total African trade, all other conditions remaining the same. The products with greatest export potential from Africa to Africa are machinery, electricity, beauty products and perfumes, fish and shellfish, chemicals, motor vehicles and parts, ferrous metals, food products, sugar, plastic and rubber, and metals. These collectively account for almost 60 percent of the total intra-African export potential (Figure 6.5).



Developments in Intra-African Trade



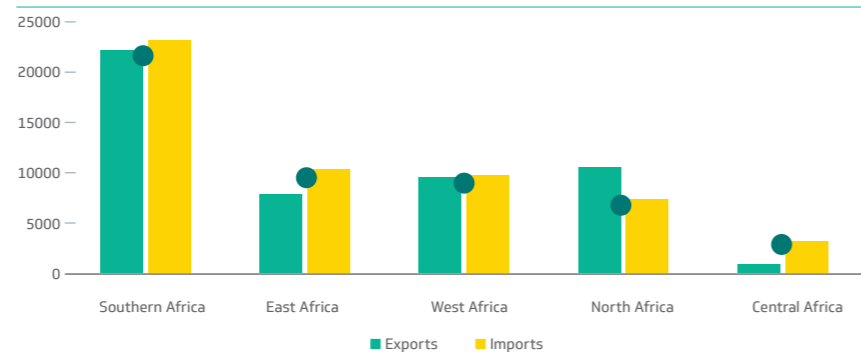
Figure 6.5: Products with greatest intra-African export potential (US\$ million)



Sources: International Trade Centre Export Potential Map (2021), Afreximbank Research.

An examination of 40 products with the greatest intra-African export potential—based on each subregion’s proven ability to be internationally competitive and which have good prospects for export success—reveals that the subregions with the greatest export potential are Southern Africa, with export potential more than US\$23.1 billion; followed by East Africa and West Africa, with export potential of US\$10.2 billion and US\$9.6 billion, respectively. North Africa holds export potential of about US\$7.3 billion, while Central Africa’s export potential is about US\$3.2 billion (Figure 6.6). The greater export potential enjoyed by Southern Africa largely reflects the complexity and sophisticated nature of the South African economy in a region where industrial products and manufactured goods are the leading drivers of cross-border formal trade.

Figure 6.6. Intra-African export potential, by subregion (US\$ million)

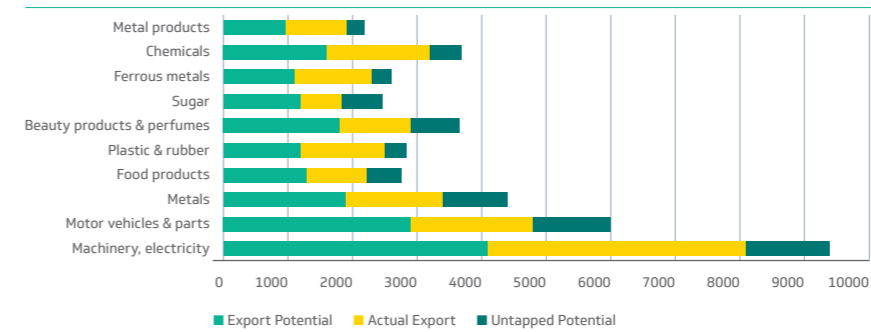


International Trade Centre Export Potential Map (2021), Afreximbank Research

6.5.1 Southern Africa Export Potential

Southern Africa’s export potential to the rest of Africa is estimated at approximately US\$23.1 billion. The products with the greatest export potential are primarily industrial products and include, machinery, electricity, motor vehicles and parts, Metals, food products, plastics and rubber, beauty products, sugar, ferrous metals, chemicals, and metal products. Collectively these products account for about 43 percent of the region’s total export potential (Figure 6.7). The dominance of South Africa’s economy—which accounts for more than 80 percent of the subregion’s total export potential—reflects the composition of intra-African trade, dominated by manufactured goods with content that is increasingly technological.

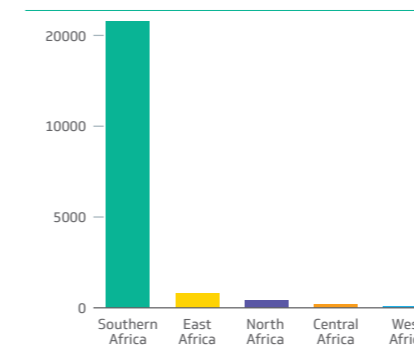
Figure 6.7: Southern Africa’s export potential, leading products (US\$ million)



Sources: International Trade Centre Export Potential Map (2021), Afreximbank Research.

The greatest driver of Southern Africa’s export potential is the Southern African region itself, estimated at US\$21 billion (Figure 6.8), which reflects the deepening process of economic integration within the Southern African Development Community. The products with the greatest export potential for Southern Africa are electrical energy, unrefined copper, and mixtures of odoriferous substances used in food and drink. East Africa presents the second highest potential for Southern African exports, estimated at US\$1.1 billion. The products with greatest export potential are apparel, beauty products and perfumes, and fish and shellfish. North Africa has the third greatest export potential for Southern Africa, estimated at US\$579 million, followed by Central Africa, with an estimated US\$254 million. West Africa has the lowest export potential, estimated at US\$99 million.

Figure 6.8: Southern Africa’s export potential, by subregional destinations (US\$ million)



Source: International Trade Centre Export Potential Map (2021), Afreximbank Research.

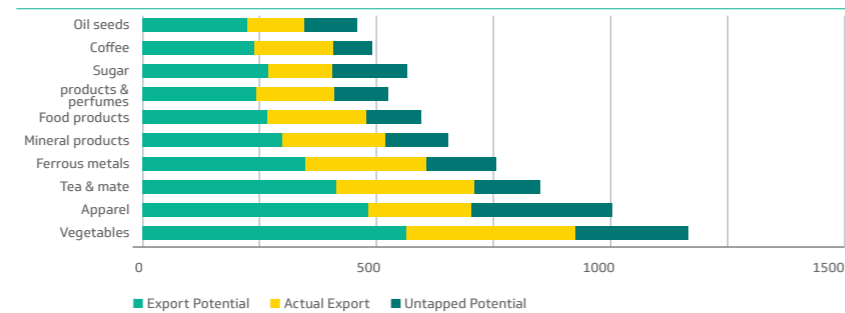
Developments in Intra-African Trade



6.5.2 East Africa Export Potential

East Africa's export potential to the rest of Africa is estimated at US\$10.2 billion, about 19 percent of total intra-African export potential. The products with the greatest export potential include vegetables, apparel, tea, ferrous metals, mineral products, food products, beauty products, sugar, coffee, and oil seeds, which collectively account for about 22 percent of the region's total export potential (Figure 6.9). While the products with the greatest export potential are similar across regions, one East African product that stands out is tea. Kenya, Uganda, Malawi, and Rwanda are leading producers of tea globally, with almost 75 percent of their product exported outside of Africa. This analysis suggests that the expanding African market for tea could be the next frontier for growth opportunities in this sector.

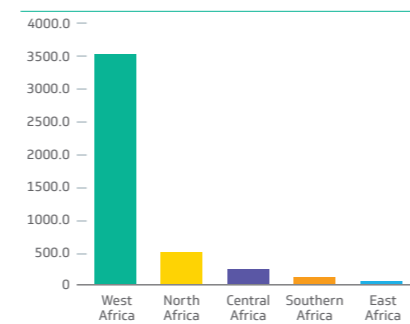
Figure 6.9: East Africa's export potential, leading products (US\$ million)



Sources: International Trade Centre Export Potential Map (2021), Afreximbank Research.

Consistent with the export potential in other subregions, the greatest export potential for East African exports is the East African region itself, estimated at US\$3.9 billion (figure 6.10), accounting for about 26 percent of total East African export potential. The products with greatest export potential are vegetables, ferrous metals, and sugar. Southern Africa presents the second highest potential for East African exports, estimated at US\$1.1 billion. The products with greatest export potential are tea, pulses, nuts, spices, oil seeds, and leather products. North Africa has the third greatest export potential for East Africa, estimated at US\$726 million, followed by Central Africa, with an estimated at US\$688 million. West Africa has the lowest export potential, estimated at US\$162 million.

Figure 6.10: East Africa's export potential, by subregional destinations (US\$ million)

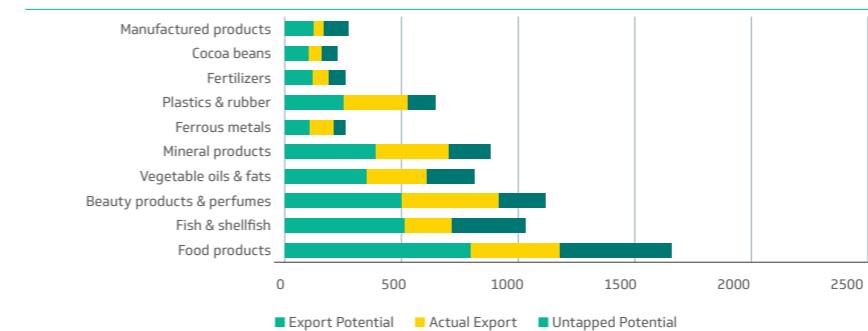


Source: International Trade Centre Export Potential Map (2021), Afreximbank Research.

6.5.3 West Africa Export Potential

West Africa's export potential to the rest of Africa is estimated at US\$9.62 billion, about 18 percent of total intra-African export potential. The products with the greatest export potential include food products, fish and shellfish, beauty products, vegetable oils and fats, mineral products, ferrous metals, plastics and rubber, fertilizers, cocoa beans, and manufactured products, which collectively account for about 60 percent of the region's total export potential (Figure 6.11).

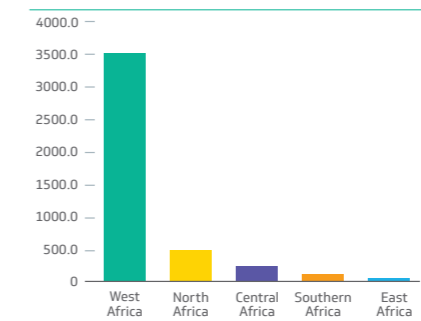
Figure 6.11: West Africa's export potential, leading products (US\$ million)



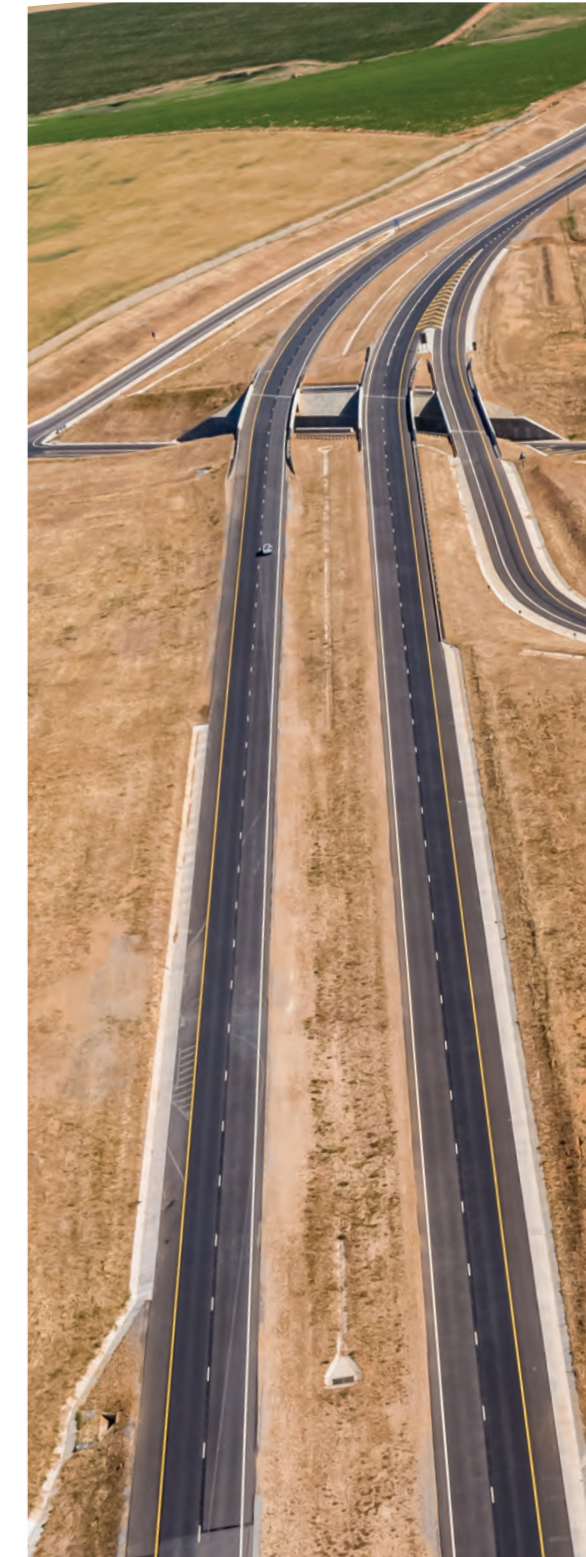
Sources: International Trade Centre Export Potential Map (2021), Afreximbank Research.

The greatest export potential for West African exports is the West African region itself, estimated at US\$3.5 billion (figure 6.12), accounting for about 17.5 percent of West Africa's export potential to the rest of Africa. North Africa presents the second highest potential for West African exports, estimated at US\$477 million. The products with greatest export potential are Cocoa beans and products, Vegetal textile fibers, and Coffee. Central Africa has the third greatest export potential for West Africa, estimated at US\$219 million, followed by Southern Africa, with US\$99 million. East Africa has the lowest export potential, estimated at US\$37 million.

Figure 6.12: West Africa's export potential, by subregional destinations (US\$ million)



Source: International Trade Centre Export Potential Map (2021), Afreximbank Research.

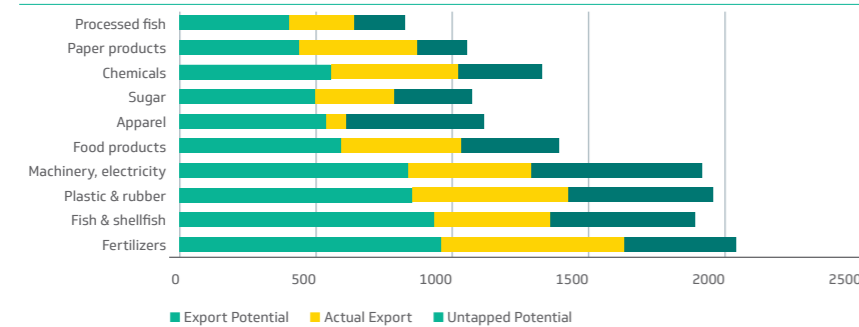


Developments in Intra-African Trade

6.5.4 North Africa Export Potential

North Africa's export potential for the rest of Africa is significant, estimated at US\$7.32 billion. The products with the greatest export potential include fertilizers, fish and shellfish, plastics and rubber, machinery, food products, Apparel, sugar, chemicals, paper products; and processed fish, which collectively account for about 14 percent of the region's total export potential (Figure 6.13). Much like Southern Africa, the sophisticated nature of products with export potential reflects the Egyptian economy's dominance. Egyptian export potential accounts for about 44 percent of the subregion's total export potential.

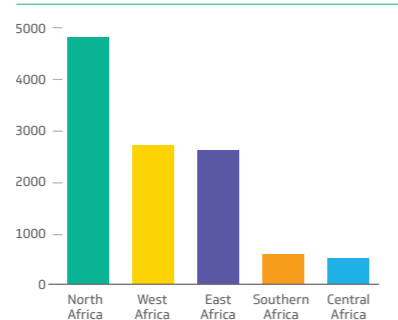
Figure 6.13: North Africa's export potential, leading products (US\$ million)



Source: International Trade Centre Export Potential Map (2021), Afreximbank Research.

The greatest export potential for North African exports is the North African region itself, estimated at US\$4.8 billion (Figure 6.14). The products with greatest export potential for North Africa are machinery, electricity, plastics and rubber, and chemicals. West Africa presents the second highest potential for North African exports, estimated at US\$2.7 billion. The products with greatest export potential are fish and shellfish, fertilizers, and fish products. East Africa has the third greatest export potential for North Africa, estimated at US\$2.6 billion, followed by Southern Africa, with an estimated US\$579 million. Central Africa has the lowest export potential, estimated at US\$496 million.

Figure 6.14: North Africa's export potential, by subregional destinations

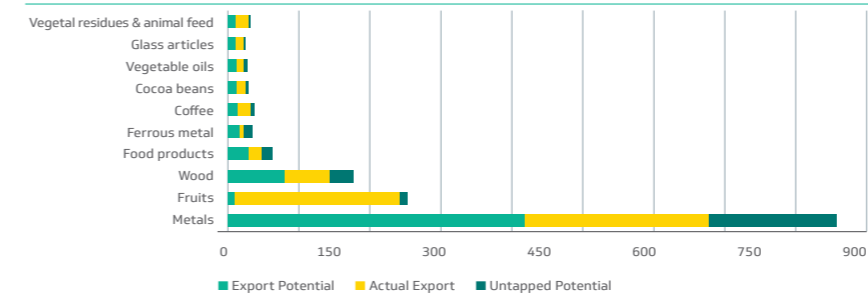


Sources: International Trade Centre Export Potential Map (2021), Afreximbank Research.

6.5.5 Central Africa Export Potential

Central Africa's export potential to the rest of Africa is estimated at US\$3.15 billion. While countries across Africa tend to trade less with each other than with the rest of the world, the external nature of trade has been most prevalent within Central Africa than in other subregions. The products with the greatest export potential include metals, fruits, wood, food products, coffee, cocoa, vegetable oil, glass articles, and vegetal residues, which collectively account for about 6 percent of the region's total export potential (figure 6.15).

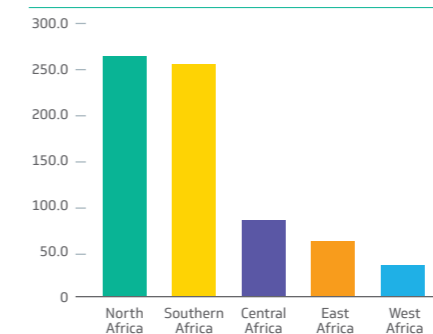
Figure 6.15: Central Africa's export potential, leading products (US\$ million)



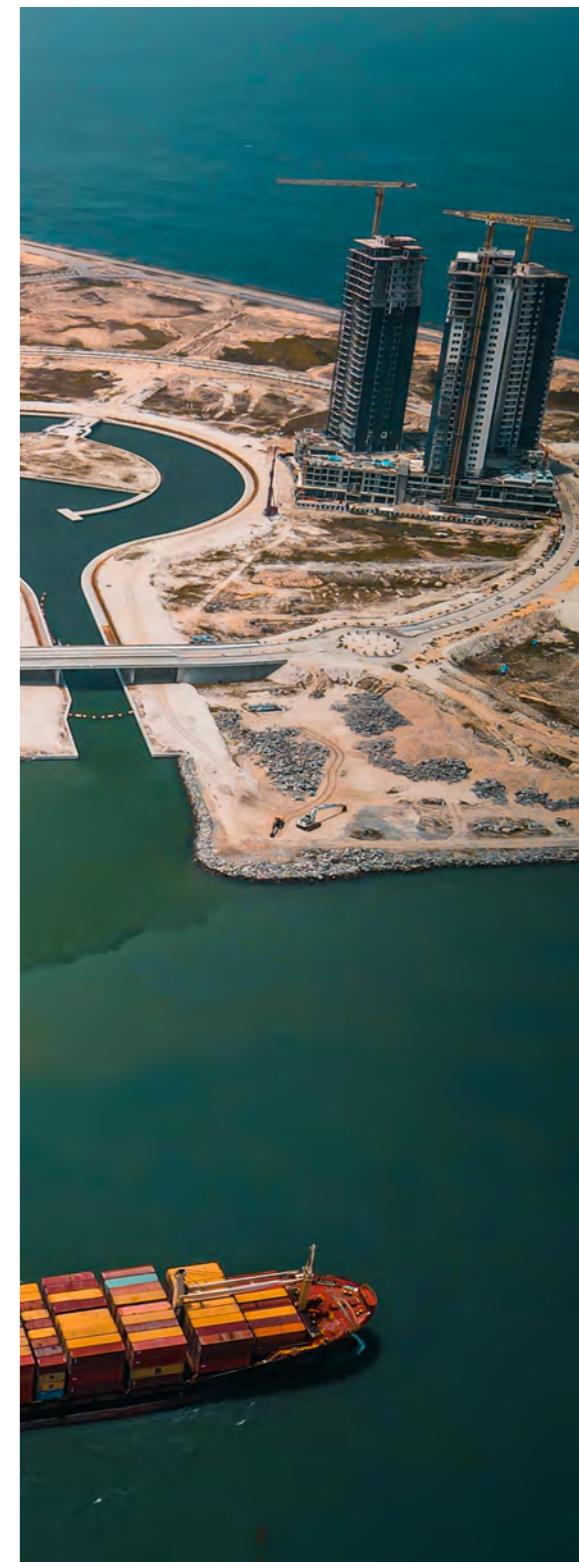
Source: International Trade Centre Export Potential Map (2021), Afreximbank Research.

In contrast to other subregions, the greatest export potential for Central African exports is not their home region, but rather North Africa, estimated at US\$263 million (figure 6.16), which represents 55 percent of total intra-African export potential enjoyed by Central Africa. The products with greatest export potential to North Africa are metals, wood, and vegetal residues and animal feed. Southern Africa has the second highest potential for Central African exports, estimated at US\$254 million with metals, wood, and precious metals, being the products with the greatest export potential. Central Africa has the third greatest potential for itself, estimated at US\$83 million, followed by East Africa, with an estimated US\$60 million. West Africa has the lowest export potential, estimated at US\$34 million.

Figure 6.16: Central Africa's export potential, by subregional destinations (US\$ million)



Source: International Trade Centre Export Potential Map (2021), Afreximbank Research.



Chapter Seven

Prospects

Forecasts signal resilience despite heightening geopolitical pressures. Notwithstanding the numerous lingering negative effects of the pandemic from global supply chain disruptions and rising inflationary pressures, both of which have been worsened by the Ukraine crisis, the globalization of growth resilience will emerge as one of the most important features of the COVID-19 pandemic downturn. Even though the globalization of the Ukraine crisis with the imposition of Western-led sanctions has led to a sharp downward revision of global growth forecasts and raised the risk of stagflation, especially within the European Union, which is directly exposed to the crisis (including through , influxes of refugees, remittances, commodities, trade and financial channels), the global economy will remain on an expansionary track, in the near term. World output is projected to expand by about 3.7 percent in 2022, slightly down from the pre-Ukraine crisis forecast of 4 percent.

The 2022 forecast expansion is underpinned by growth resilience of several economies where GDP will continue to rise above trend growth, though slightly down from the immediate exceptional performance of 2021. For instance, the United States, which has achieved energy independence and is less affected by the Ukraine crisis, is a case in point. On the trade front, trade with Russia accounts for less than two percent of total United States trade. Despite the tightening financing conditions as the U.S. Federal Reserve shifts its forces to inflation fighting mode in a turbo-charged normalization of monetary policy, U.S. aggregate output is forecast to expand by about 3.7 percent in 2022. In India, the country which overtook the U.S. in 2013 to become Africa's second largest trading partner, GDP is forecast to expand by more than 8 percent in 2022, supported by a combination of factors including expected improvement from

credit growth and significant catch-up potential following the hit from the delta variant of COVID-19.

In China, GDP is forecast to expand by about five percent in 2022. The government in Beijing is loosening the regulatory constraints which accelerated the process of growth decelerations in 2021 to remain on track to achieve its long-term growth objectives. In addition to front-loading infrastructure investment, China's pro-growth fiscal policy and easing financing conditions, as the Peoples Bank of China (PBC) takes advantage of lower inflationary pressures, are mitigating the risk of hard landing and will further support the process of growth resilience with positive spillovers for the rest of the world through investment and trade channels.

World trade volumes (goods and services) are forecast to expand by 5 percent in 2022, slightly down from more than 10 percent in 2021. After expanding by 31.4 percent in 2021, total African trade is forecast to decelerate in 2022 in line with global trends. Intra-African trade, which has been an efficient absorber of adverse global shocks, is forecast to grow sharply. Africa will greatly benefit from the developments in its main trading partners in the short-term, notwithstanding the challenging global operating and financial environment of rising interest rates and accelerated normalization of monetary policy.

Revised forecasts point to Africa's GDP expanding by about 4.2 percent in 2022. The forecast growth resilience is broad-based, with strong expansion in both large and small economies. The growth forecasts show that the economic expansion of 16 African countries (representing about 30 percent of all African nations) will exceed five percent in 2022, with the post-pandemic commodity price tailwind which has received another boost from the Ukraine

crisis emerging as a major growth catalyst for some of the large economies across the region.

Nigeria's 2022 growth forecast has been revised sharply upwards, with oil prices benefiting from a tailwind from the Ukraine crisis projected to remain largely above the country's fiscal breakeven price of US\$62pb. Similarly, after suffering from five consecutive years of economic recession (up to the pandemic downturn in 2020), Angola's GDP is projected to expand by more than 3 percent in 2022. Egypt, which over the last few years has remained on a robust growth trajectory, including during the 2020 globally synchronized pandemic downturn, is also emerging as a major driver of regional growth resilience. Its GDP is forecast to expand by 5.9 percent in 2022. Furthermore, and perhaps as a sign of post-crisis normalization, tourism-dependent economies which were among the most affected by the COVID-19 pandemic downturn are forecast to remain on a strong recovery track in 2022. Island nations (Cabo Verde, Mauritius, and Seychelles) are each expected to enjoy strong growth in 2022.

TRADE

With global output slowed by the Ukraine crisis and heightened uncertainties, forecasts indicate a slowdown in the growth of global merchandise trade in 2022, after the strong rebound in 2021, driven by the relaxation of lockdown measures and the increasing normalization of economic activities. Key factors impacting global merchandise trade include disruptions to supply chains exacerbated by the Ukraine crisis, disruptions to major trade routes, and chaotic logistics networks. The resulting general surge in commodity prices is creating significant inflationary pressure and triggering a tightening of monetary policies and credit conditions, with knock-on effects on investments.

Prospects

Geopolitical and economic uncertainties arising from the Ukraine conflict are expected to put further pressure on investment, undermine global output, and depress merchandise trade, potentially reversing its steep upward trajectory of 26.6 percent growth recorded in 2021.

Other factors depressing global merchandise trade include renewed lockdown measures in China, which have already had significant constraining effects on industrial production and manufacturing. The auto sector has been particularly impacted, with factory closures and major delays in delivery of goods causing massive disruptions to ports key to global shipping routes. These developments significantly undermine China's exports, with negative spillover effects on output, trade, and inflation across Africa.

Major economies are implementing monetary policies to contain inflationary pressures and sustain the momentum of recovery that had been building prior to Russia's invasion of Ukraine conflict. Multilateral and regional development finance institutions are also contributing to support governments' efforts by helping to address socioeconomic fallout from the conflict. Many such institutions have committed to provide crisis response facilities to support the most affected countries, especially vulnerable nations in the developing world.

Afreximbank launched its US\$4 billion Ukraine Crisis Adjustment Trade Financing Program (UKAFPA) in April 2022, to help member countries address the impact of the Ukraine crisis on their economies and businesses. The program includes Import Re-Order Cost Adjustment Financing to help member countries meet immediate import price increases, pending domestic demand adjustments. It also includes Oil and Metals Buy-Back Financing to refinance collateralized loans in the context of high oil and metal prices, releasing freer cashflow for use in meeting urgent

needs, including paying for critical food and fertilizer imports and servicing the rising cost of debt.

The combination of monetary policies and support from multilateral and regional development finance institutions is expected to help countries cope with the impact of the crisis and restore recovery momentum.

Intra-African trade, already boosted by the launch of the AfCFTA in 2021, is clearly set to redefine Africa's economic prospects for the future. By lowering barriers to trade in goods and services, the new free trade zone will provide great incentives for those seeking to do business across the continent. It will reduce reliance on the global value chain while setting a new direction for the regional value chain, making the free trade zone the essential tool for economic recovery for the continent. It therefore represents a significant milestone in the journey towards remedying Africa's trade imbalance. Greater intra-regional trade would be a boon for African economies to offset uncertainty and build resilience—the need for which has only increased amidst the financial pressures wrought by the pandemic and the Ukraine crisis.

The AfCFTA is expected to increase intra-African trade by 81 percent, lifting 30 million Africans out of extreme poverty and another 68 million out of moderate poverty by 2035. The AfCFTA aim of reduction in trade barriers by 97 percent will cause intra-African trade export value to increase between 15 percent (US\$50 billion) and 25 percent (US\$70 billion) by 2040 (World Economic Forum 2022). The impact of CCI's in intra-African trade and economic growth has been robustly examined in this report and it is clear the continent stands to benefit from increased growth from investments in CCIs.

While Africa's output and trade could get more impetus from the ongoing implementation of the AfCFTA, especially as the agreement truly enters into force and its trading phase begins, and as investments in CCIs increase, the region's trade outlook still faces downward risks. These include uncertainties about the scale and duration of the Ukraine conflict, which has pronounced negative impacts on Europe, and lower-than-expected growth in China, the continent's two largest trading partners.

Looking ahead, the risk to the outlook is tilted to the downside with the new cycle of a sharp increase in interest rates and heightening geopolitical tensions weighing on growth. These tensions have raised the risk of deepening antagonism between the United States and Russia which could have significant long-term economic and social costs for most vulnerable countries. In the short-term, the growth dynamics of Africa's main trading partners remain key to the region's forecast economic outlook. That makes resolution of the Ukraine crisis critical, as it will reduce the risk of deglobalization and technological decoupling that is likely to increase trade costs and global volatility and further undermine economic recovery from the COVID-19 economic downturn.

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Annexure



Annexure

ANNEXURE 1: DATA DESCRIPTION

Trade performance indicators were obtained from UNCTAD STAT for the category of “creative goods.” Classification of goods is based on the Harmonized Commodity Description and Coding Systems an international system for the classification of products. The system uses six digits to classify goods. Creative goods components and sub-components, as classified by the HS system (2012), include:

1. Art crafts

- a. Carpets (570110, 570190, 570210, 570220, 570231, 570232, 570239, 570241, 570242, 570249, 570250, 570291, 570292, 570299, 570330)
- b. Celebration (950510, 950590, 950810)
- c. Other art crafts (442090, 670290, 701890, 960110, 960190, 960200) o Paperware (480210)
- d. Wickerware (460121, 460122, 460129, 460192, 460193, 460194, 460199, 460211, 460212, 460219)
- e. Yarn (580430, 580500, 580610, 580620, 580631, 580632, 580639, 580640, 580810, 580890, 580900, 581010, 581091, 581092, 581099, 581100, 600240, 600290, 600310, 600320, 600330, 600340, 600390, 600410, 600490, 630232, 630240, 630411, 630491, 630800)

2. Audio-visuals

- a. Film (370610, 370690)
- b. CDs, DVDs, tapes (852329, 852341, 852349, 852380)

3. Design

- a. Architecture (490600)
- b. Fashion (420211, 420212, 420221, 420222, 420231, 420232, 420292, 420310, 420329, 420330, 420340, 430310, 611710, 611780, 611790, 621410, 621420, 621430, 621440, 621490, 621510, 621520, 621590, 621710, 621790, 650400, 650500, 650699, 900410)
- c. Glassware (701310, 701322, 701333, 701341, 701342, 701391)
- d. Interior (441900, 481420, 481490, 570310, 570390, 570410, 570500, 580410, 580421, 580429, 590500, 691110, 691200, 691410, 821510, 821520, 821591, 940320, 940340, 940350, 940360, 940381, 940389, 940510, 940530)
- e. Jewellery (711311, 711319, 711320, 711411, 711419, 711420, 711610, 711620, 711711, 711719)
- f. Toys (950300, 950420, 950440, 950490)

4. New media

- a. Recorded media (852321, 852351, 852352, 852359)
- b. Video games (950430, 950450)

5. Performing arts

- a. Musical instruments (830610, 920110, 920120, 920190, 920210, 920290, 920510, 920590, 920600, 920710, 720790, 920810, 920890)
- b. Printed music (490400)

6. Publishing

- a. Books (490110, 490191, 490199, 490300)
- b. Newspaper (480100, 490210, 490290)
- c. Other printed matter (490510, 490591, 490599, 490810, 490890, 490900, 491000, 491110)

7. Visual arts

- a. Antiques (970400, 970500, 970600)
- b. Painting (970110, 970190, 970200)
- c. Photography (370510, 370590, 491191)
- d. Sculpture (392640, 442010, 691310, 691390, 830621, 830629, 970300)

Creative services have been defined by UNCTAD under the Extended Balance of Payments Classification (EBOPS 2010) and data are from UNCTAD stats. They can be classified as:

1. SI2- Computer Services
2. SI3- Information Services
3. SJ1- Research and Development Services
4. SK1- Audio-visual and related services
5. SK2- Other Personal, Cultural and Recreational services
6. SH- Charges for use of intellectual property, nie

ANNEXURE 2: CASE STUDIES (BOXES)

1. The Audiovisual and Film Industry in Morocco: Lights, Camels, Action!

Morocco has had a successful presence in the global film industry for decades. A country with stunningly unique landscapes located relatively close to Europe, Morocco attracts many foreign film producers, but is also home to a rich cinema production industry of its own.⁴² As reported by the Moroccan Centre for Cinematography’s annual report, a total of 13 feature films, 83 short films, 36 television series, 28 television films, 86 commercials, and 16 docudramas were produced by the Moroccan industry in 2020. Foreign production in Morocco totalled eight feature films and nine series, resulting in investments of US\$21.5 million.⁴³ In the future, Morocco hopes to strengthen its position as an international film centre through policy and partnerships with hopes of boosting their domestic industry.



Founded in 1944 as a public establishment to deal with the regulation, production, screening and promotion of Moroccan film, the Moroccan Centre for Cinematography is one of the first such establishments for film in the world. The Centre is also in charge of issuing film permits and film-rating certificates, organizing film festivals and maintaining the archive of Moroccan film heritage.⁴⁴ In 2018 a new decree of public aid for the production of foreign films came into action, with a US\$11.4 million budget for projects to increase foreign production. The Centre has agreed to reimburse 20 percent of foreign production costs if a production in Morocco lasts for 18 days or longer, offers generous flight discounts through Royal Air Maroc, and has removed VAT for any purchases of goods or services in Morocco. The Centre also supported the development of Ouarzazate (pictured above) into the international film village that it is today. Originally a crossing point for traders from Africa en route to northern Morocco and Europe, Ouarzazate is filled with Moroccan history and breath-taking scenery.⁴⁵ While special settings offered by locations like Ouarzazate have been extremely successful in attracting foreign producers, too often they are objectified as an oriental drop curtain instead of celebrated for their cultural history.⁴⁶

Moroccan cinema is closely tied to its history with France and has an impressive female presence. As early as the 1970s, female directors such as Farida Benlyazid and Farida Bourquia were celebrated for their popular films embracing Moroccan culture and identity. For example, Benlyazid's 1987 film *A Gateway to Heaven* grapples with issues of identity through the story of a girl with a French mother and Moroccan father who reclaims her identity as a Muslim through a spiritual journey when she returns to Morocco.⁵ Female script writers, producers, and directors continue to influence the Moroccan film industry today. Narijiss Nejjar, Sonia Terrab, and Sofia Alaoui beautifully share the stories of the everyday lives of women in Morocco through their films.

2. The Fashion, Apparel, and Textile Industry in South Africa: An Avant-garde Anecdote of Global Growth

Just over two decades ago, when South Africa celebrated its liberation from apartheid, it also stepped onto the runway that is the global fashion industry. Global fashion trends began to shift away from American-inspired couture to a new inimitable celebration of culture and revenue began to increase.⁴⁷ South Africa's fashion sector

revenue is predicted to hit US\$1.12 billion this year and to grow annually at a rate of 19.58 percent between now and 2025.⁴⁸ With an increase in events, designers, and customers, the fashion industry in South Africa is emerging as one of the top markets of the 21st century.

Established in 1997, South African Fashion Week (SAFW) was created to promote South African designs and can be credited as the reason major local retailers such as Edgars and Woolworths began carrying South African designers in their stores. When this was successful, these retailers decided to prioritize developing indigenous fashion brands incorporating both traditional and contemporary South African design. One key brand created around this time is Loxion Kulca (pictured on the model above), which draws inspiration from township street culture. Original collections were particularly influenced by the Rosebank neighbourhood in Johannesburg and YFM, a South African radio station synonymous with youth culture. Another brand, Sun Goddess, works to incorporate traditional Xhosa heritage into modern fashion. SAFW also holds pop up shows, trade shows, and student design competitions and recently began a SAFW Men to celebrate the best South African male labels. Additionally, although many South African brands are sold internationally, SAFW's virtual store Runway Online makes browsing and purchasing South African fashion from anywhere easy.

42 <https://unesdoc.unesco.org/ark:/48223/pf0000379165/PDF/379165eng.pdf.multi>
 43 <https://www.ccm.ma/inter/bilans/bilan2020.pdf>
 44 <https://www.ccm.ma/en/missions>
 45 <https://visitafrica.site/visit-ouarzazate.html>
 46 <https://static.mfah.com/documents/moroccan-cinema.7624768075321831440.pdf>
 Photo: <https://tickethere.com/morocco/ouarzazate-high-atlas/#gsc.tab=0>
 47 <https://tdsblog.com/developing-fashion-industry-africa-case-study-south-africa/> (Photo as well)
 48 <https://www.statista.com/outlook/dmo/ecommerce/fashion/south-africa>



As the South African fashion industry continues to recover from COVID-19 there has been a push for an increase in manufacturing to stimulate more revenue and compete with powerhouse producers like China. However, Lucilla Booyzen, the CEO of SAFW asserts, "There must be manufacturing, yes, but the designers tell the story of the soul of a country. We have to build the entire value chain; we can't leave out any link." To her, local fashion reflects national identity and should act as a mirror of the characteristics of the country. Sadly, too many promising South African designers leave the continent and pursue fashion elsewhere. One solution to this problem could be state-backed programmes that allocate funding and grants to designers and brands, while increasingly domestic demand for locally designed and produced clothing could also be effective.⁴⁹



3. The Music Industry in Rwanda: A Digital Symphony Composed by a Diaspora

Fifty years ago, the only music in Rwanda was performed live on drums and other traditional instruments.⁵⁰ But rapid digitalization and a desire to share music for the Rwandan diaspora has reshaped the music industry, opening the door to a global audience of listeners.

Created in 2008 by a university student who craved Rwandan culture while studying in the United States on a government scholarship, InyaRwanda is an online music platform that operates as an intermediary between Rwandan musicians and global music streaming services such as iTunes, Spotify, and YouTube. In 2017, InyaRwanda was the eighth most visited website in Rwanda, featuring more than 7,000 songs from more than 250 artists. InyaRwanda advances the distribution and modernization of Rwandan music through a variety of online services including music streaming, music publishing, and video streaming. The company is also planning the launch of a streaming app that will offer online streaming and relevant payment options on mobile devices. Although the domestic market accounts for 69 percent of page views, foreign markets are becoming increasingly more important. For instance, as the second biggest destination for Rwandan emigrants, Uganda accounts for 18 percent of page views and the United States, another major receipt of Rwandan emigrants, is also large market. Emigrants are a crucial audience for exporters in any CCI, because they demand songs, music, films, and other creative work from their homelands, and help promote these products around the world. Additionally, they often have a higher income than domestic consumers and are therefore more likely to make purchases online.⁵¹ One of the artists who has found success on InyaRwanda is Alyn Sano (pictured above), Best Female Artiste recipient in the Isango na Muizka Music Awards.

She believes the Rwandan music industry is just beginning and that opportunities will only grow.



Unfortunately, unlike many CCIs, women are currently underrepresented in the music industry in Rwanda. As Sano said, "Music is life, it appeals to human emotion. It touches an important basic need for humans that require daily delivery, which is an ever-growing demand, all that makes the music industry important and safe for investment."⁵²

Improving the digital skills of Rwanda's population is a vital next step to ensure the continuation of this creative digital growth. In 2017, less than 20 percent of Rwandans were digitally literate despite a large increase in smart phone ownership. There is also potential for the use of blockchain technology to address value gaps that are present. Many artists struggle to claim a fair share of revenues they generate due to intermediate label companies. Blockchain could allow artists to receive payments directly from their listeners, giving them more control over their music and royalties.

49 <https://www.bizcommunity.com/Article/196/462/217266.html>
 50 The recording industry in Rwanda | Music in Africa
 51 Creative Industries in Rwanda: Digital paths to global markets report by the International Trade Centre
 52 <https://www.newtimes.co.rw/entertainment/rwanda-music-industry-ready-investment>
 Photo: <https://inyarwanda.com/inkuru/80269/video-80269.html>

4. The Video Gaming Industry in Kenya: A Multiplayer Storyline of Success

Once thought to be nothing more than a pastime for kids, with Kenya's soaring number of smartphone users the video gaming industry is becoming an exciting market. As of 2019, Kenya was the eighth largest gaming hub on the African continent with the local market predicted to hit US\$118 million this year, jumping from US\$63 million in 2017. This incredible growth can be attributed to Kenya's youthful population, swift adoption of technology, and recent endorsements from generous international sponsors.⁵³



Usiku Games Africa is a Kenyan Social Impact gaming company working to introduce blockchain gaming to the market. They are exploring ways to build financial mechanisms into their games to allow players to earn and spend money more transparently.⁵⁴ The Usiku Games studio in Nairobi is home to Africa's first ever co-working space for game developers. The games produced by Usiku Games are primarily casual mobile games, however they also have developed educational games for children. Denis Odera, a game producer at Usiku, said, "The gaming industry in Kenya is rapidly growing. I'm constantly surprised to see how quickly it is all happening and how fast the gaming industry's scale and potential are getting Kenyans' attention. However, the industry still needs to be accepted by the older generation. We need to

reach the stage where we can say that playing games isn't a sign of being antisocial; it is useful, enjoyable and educational just as any other activity."⁵⁵

In addition to game development, e-sports, or competitive video gaming, has also experienced recent growth in Kenya and presents valuable future opportunities. Launched in 2018, the Esports Kenya Federation was Kenya's first e-sports league. It aims to improve both Kenya's participation and visibility in esports competitions, currently consisting of 16 teams and attracting gamers from Uganda and Tanzania. In 2019, Safaricom (Kenya's leading mobile network provider) partnered with Standard Group and Pro Series Gaming to run an esports tournament for 700 players between the age of 18 and 26 who are considering gaming as a career. There is significant potential to monetize esports in Kenya through endorsements from brands such as Red Bull, Pro Series Gaming, and Reev Gaming. Current top Kenyan e-sport players include Brian Diang, known as "Beast", and Sylvia Gathoni (pictured above), known as "Queen Arrow." Both gamers compete in e-sports as their full-time career and act as an inspiration and motivation to younger Kenyans who dream of careers as players, casters, or content creators.

5. The Visual and Performing Arts Industry in Benin: A Dynamic Dance of People, Progress, and Potential

In Benin performance and dance play an important role in everyday life.⁵⁶ The country's unique culture is largely influenced by both a history of enslavement and the voodoo religion, which has adherents among approximately 40 percent of the population.⁵⁷ The most popular voodoo cult dances (pictured) performed today include zinli, akinta, akohoun, and tchinkoume. Although Benin is a politically stable country with an

impressive openness to international markets, there is significant room for improvement in development strategies to realize its full economic potential in this unique industry.

During the 2017 Trufesta International Dance Festival in Nigeria, a group of professional dancers from Benin told the News Agency of Nigeria that they see great potential for the dance industry if it were to receive investment. They said if African countries invested more in the industry it would lead to an increase in revenue and could advance both cultural integration and diplomacy. The dancers also asserted that effective nurturing of the dance industry would increase the GDP of Benin and other African countries.⁵⁸ Professional Beninese dancer and choreographer Ahehehinou Orphee suggested Benin could host an annual week-long dance festival to encourage dance enthusiasts from across the globe to visit and celebrate Benin.⁵⁹ Another talented Beninese dancer, Richard Adossou, said, "Government getting involved in the dance industry should start from creating an avenue for intending dancers to be trained and re-orientate citizens to stop viewing dancers as jobless individuals." He believes an increasing number of Beninese citizens would show interest and involvement in the sector if the government supported it, however private investment alone will never be enough.

Dialogues Inévitables, translated into English as "Unavoidable Dialogues", is a contemporary theatre and dance company from Benin.⁶⁰ The company was



created to encourage the artistic endeavour of expressing "the power of collective reflection and elaboration" while recognizing how crucial dialogue is for survival in contemporary society. In addition to rehearsing and performing, they host creative workshops, residencies, exhibitions, and inventive socio-cultural activities that are usually open to the public.⁶¹ They have also performed international shows featuring intercultural exchanges with artists and performers from Italy, Canada, and Belgium around the theme of dialogue.⁶² Most importantly, Dialogues Inévitables has become a platform for young professional artists from all over West Africa to meet and learn from each other.

53 <https://qz.com/africa/2088089/pro-gamers-are-putting-kenya-on-the-global-esports-map/#:~:text=In%20Kenya%2C%20digital%20gaming%20is,in%202017%2C%20according%20to%20PwC> (Photo as well)

54 <https://www.africanews.com/2022/02/21/africa-taking-over-the-world-s-video-game-market/#:~:text=South%20Africa%20leads%20the%20gaming%20industry%20in%20Africa&text=currently%20stands%20at%20186%20million,the%20population%20playing%20video%20games>

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ANNEXURE 3- Infographic 1: Creativity is the new gold



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