



SOUTHERN
AFRICA EUROPE
CEO DIALOGUE



The European House
Ambrosetti

SOUTHERN AFRICA EUROPE CEO DIALOGUE

7th Edition

Johannesburg – The Capital On The Park & **Virtual Platform**
November 26-27, 2020

BUILDING AN EXCLUSIVE, INFLUENTIAL COMMUNITY OF LEADERS FOR GROWING
THEIR ENTERPRISES, THEIR COUNTRIES, AND THEIR CONTINENTS

PRESENTATION BY VALERIO DE MOLLI

SOUTHERN AFRICA EUROPE CEO DIALOGUE

Opening Session

Valerio De Molli

CEO & Managing Partner, The European House - Ambrosetti



GAUTENG
PROVINCIAL GOVERNMENT
REPUBLIC OF SOUTH AFRICA



BBMLAW



 **Terna**

Partners



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With the patronage of

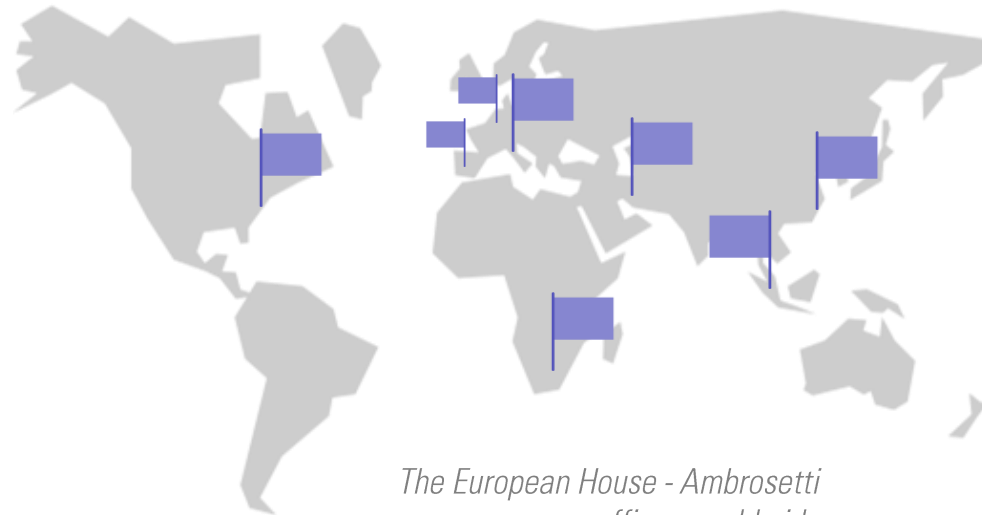


About

The European House - Ambrosetti



The European House - Ambrosetti is a consultancy firm with offices in Italy and around the world



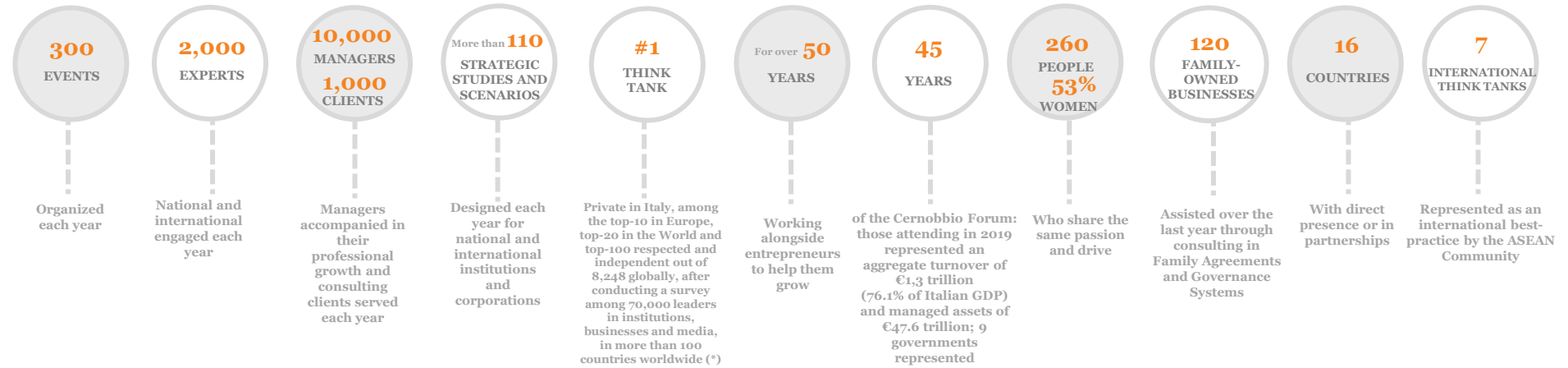
*The European House - Ambrosetti
offices worldwide*

- **Established in 1965**, we have a team of more than 200 people with specialized business skills and expertise operating in project teams
- The European House - Ambrosetti services include **leaders' education, management consulting, strategic scenarios, research studies, and policy advisory**

For the **seventh consecutive year**, The European House - Ambrosetti has been nominated - in the "Best Private Think Tanks" category - the **No. 1 Think Tank in Italy, ranking in the European top ten and in the World top twenty**, and ranking in the World top one-hundred most-esteemed and independent out of 8,100 Think Tanks globally, in the University of Pennsylvania 2019 Global Go To Think Tanks Report, after conducting a survey among 70,000 leaders in institutions, businesses and media, in more than 100 countries worldwide.

The European House - Ambrosetti

Our figures, our successes



(*) in the last edition of the "Global Go To think tanks Report" of the University of Pennsylvania



Vision and goals of the Southern Africa Europe CEO Dialogue

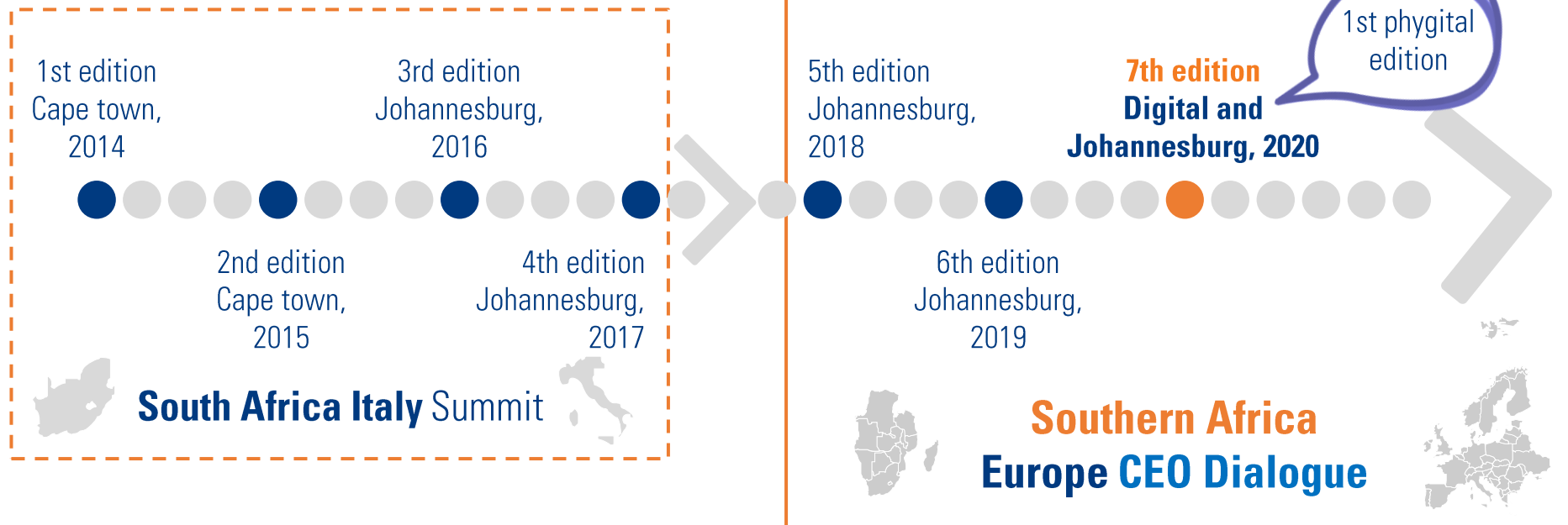


Today's Southern Africa Europe CEO Dialogue is the result of a seven-years journey

Our journey began in Cape Town in 2014, when we created the South Africa Italy Summit to foster bilateral relations between Italy and South Africa, the core of our community.

After moving to Johannesburg, Gauteng – the economic heart of Africa – in 2016, **we expanded our bilateral platform into a regional** one, involving all European and Southern African business leaders into a single platform:

the **Southern Africa Europe CEO Dialogue**



The first 6 editions of the CEO Dialogue in figures



over **900** participants
from 20 countries



over **200**
international speakers



500 CEOs from South
Africa, Italy, Europe
and SADC



45 Ministers,
Governors and
Mayors



Several MoUs
between local
institutions and
governments signed



14 Position Papers
discussed

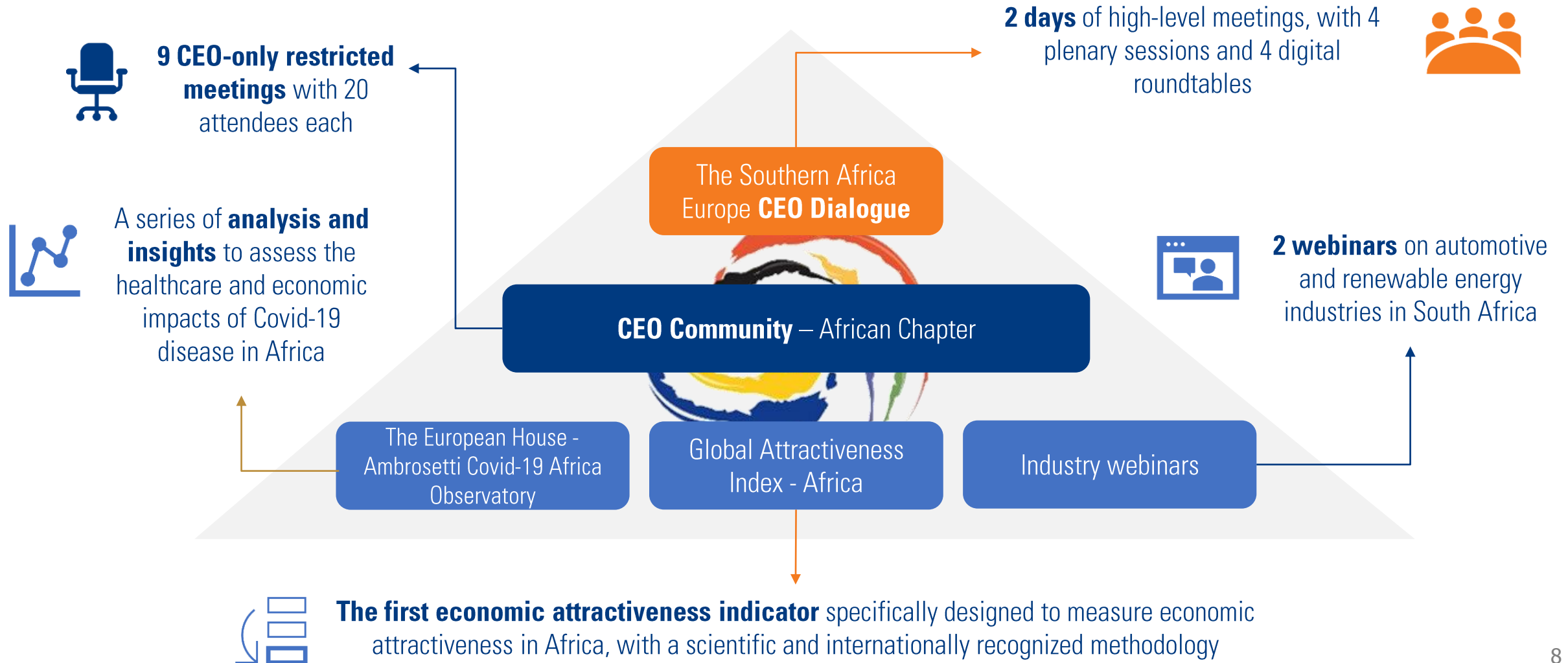


18 Advisors from
South Africa, Italy,
and beyond



Many business deals
signed since the
beginning of our
initiative

The Southern Africa Europe CEO Dialogue is the key moment of a year long series of activities to foster Euro-African engagement



Never we imagined
when we met last year....

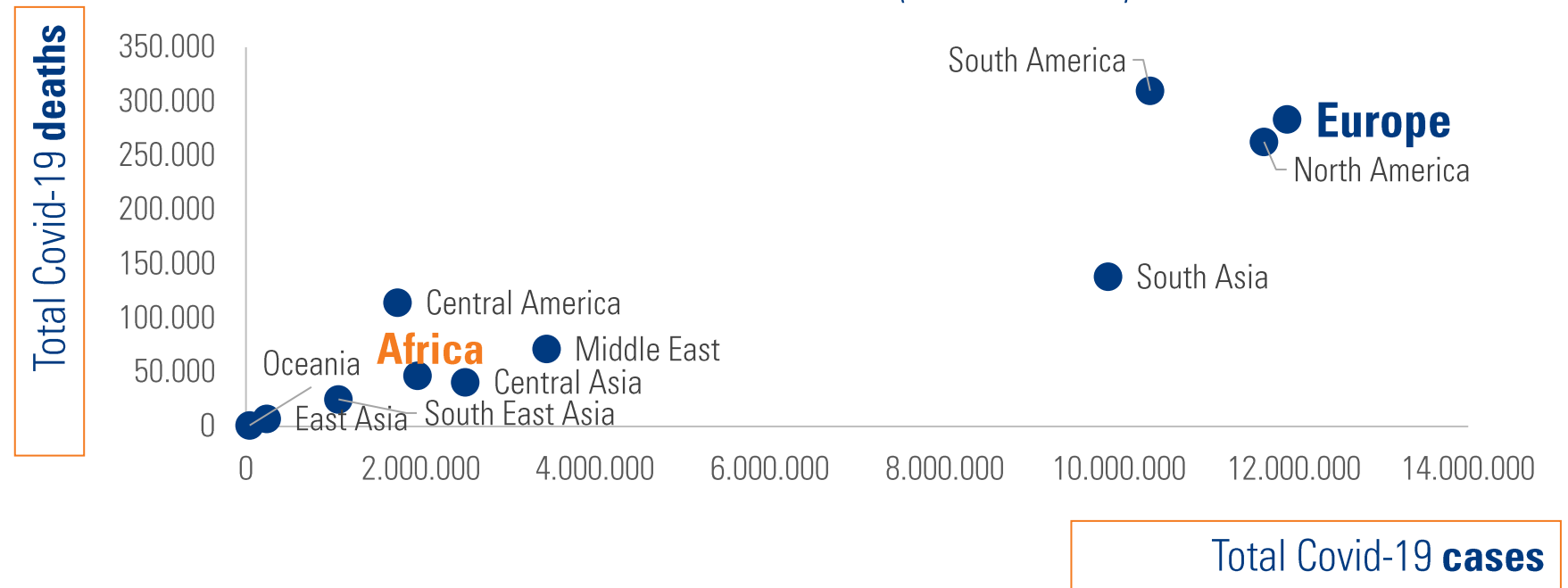


The Covid-19 crisis has shaken the world to its fundamentals, but unlike Europe Africa avoided the healthcare catastrophe many feared

Despite being home to 16% of world population, **Africa recorded only 3,6% of world Covid-19 cases** and 3,6% of total deaths

Total Covid-19 cases and deaths by world region

Number of cases and deaths (as of Nov 16th)



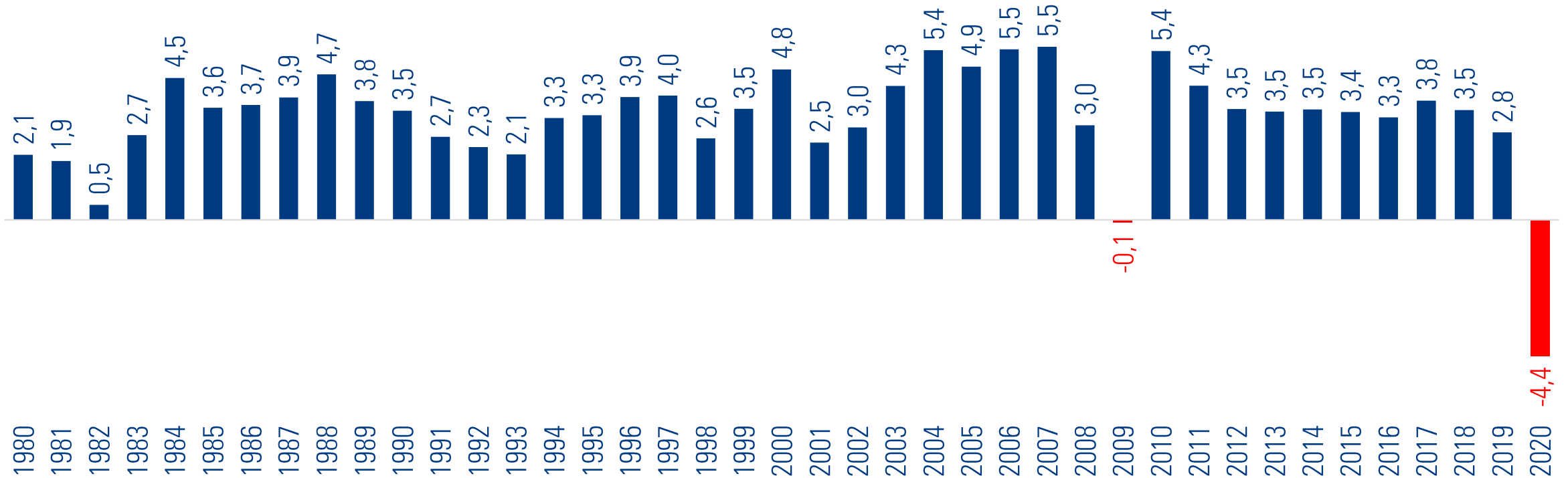
Africa proved to be more resilient than many pundits believed



But if Africa managed to avoid the Covid-19 bullet, **it won't be able to escape** the deep effects of **the Covid-19 economic crisis**

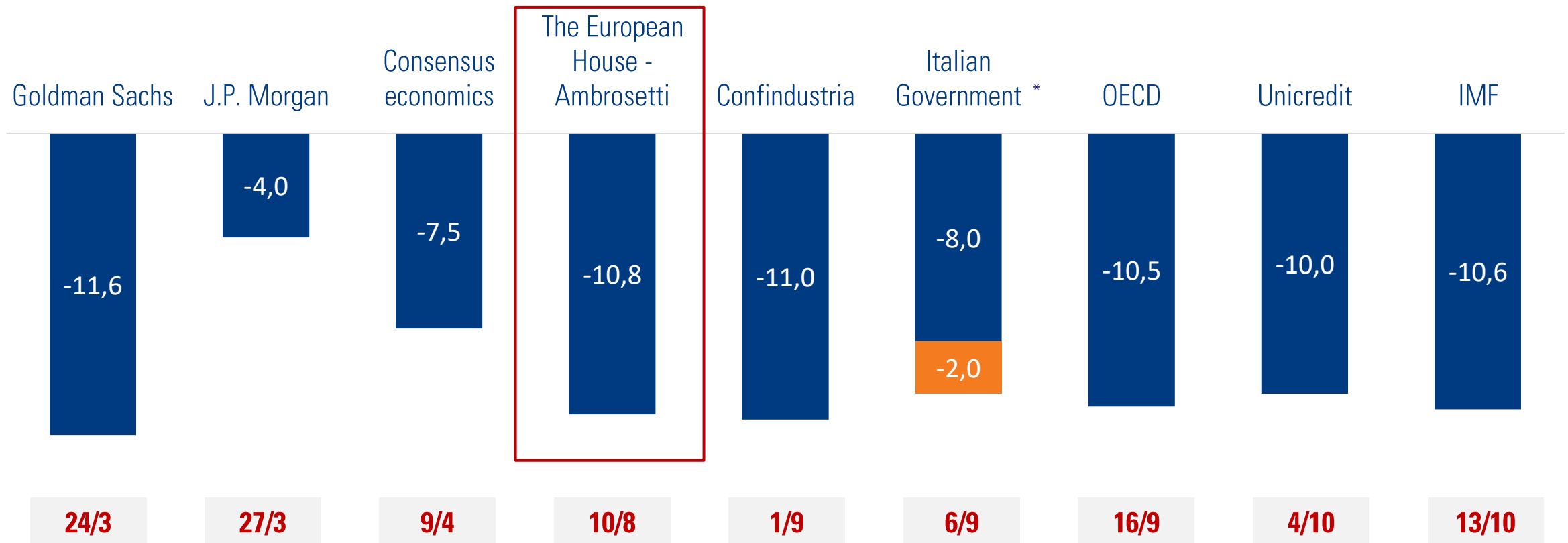
Global demand is collapsing, as 2020 will be the worst year of growth for the global economy in the past 40 years

World GDP growth rate
(percentage change), 1980-2020^e



The high level of uncertainty is reflected in the heterogeneity of the estimates released by the different institutes in the past months

Contraction's projections of Italian GDP in 2020 according to different Institutes



(*) Statement by the Minister of Economy and Finance at the Cernobbio Forum
 Source: The European House – Ambrosetti elaborations on various data, 2020

Subsaharan Africa will face its first recession in 25 years, with a -3,1% GDP contraction in 2020, down from a pre-Covid forecast of +3%.

Such contraction will be mainly caused by economic crisis in the world major economies. In particular:

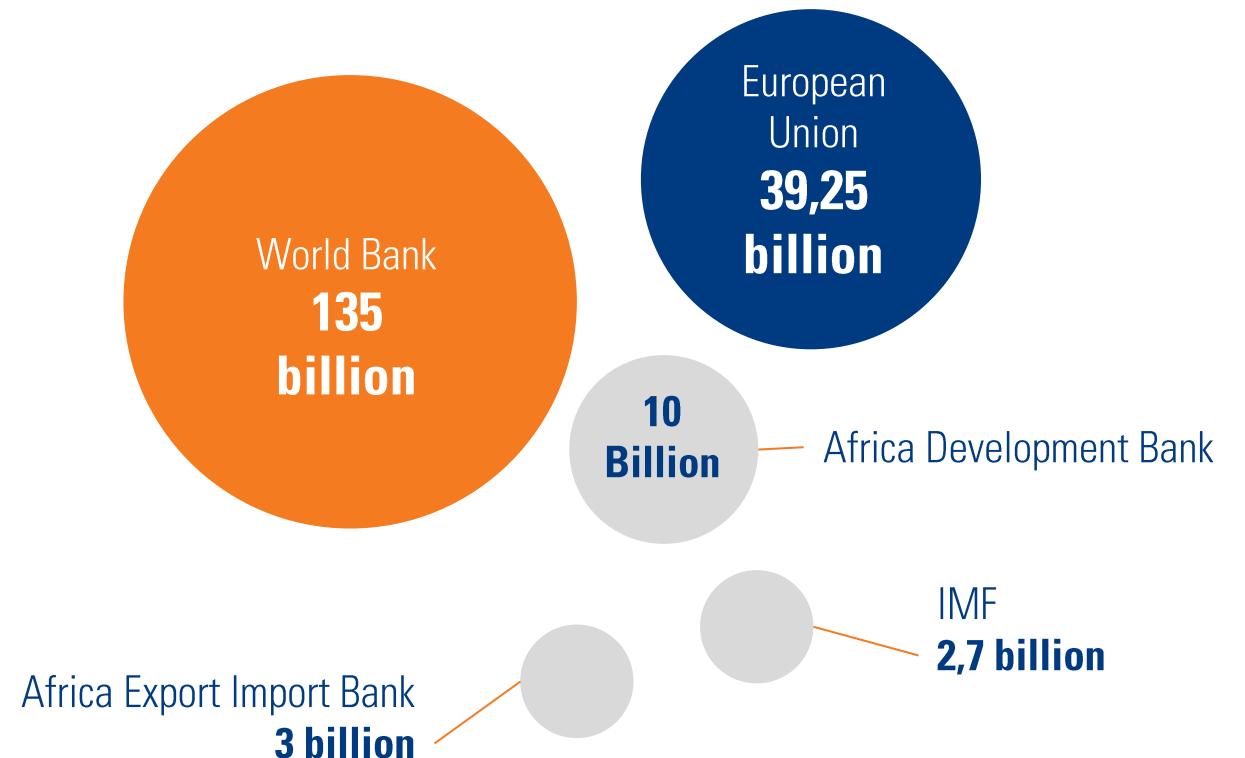
- Overall plunge in **world trade flows and aggregate demand**
- **FDIs contraction and remittances plunge** as more advanced economies shrink
- **Capital flight** as investors withdraw liquidity and assets amidst uncertainty
- **Exchange rates volatility**, which increases costs of dollar-denominated debt and imports, particularly equipment and devices to combat the epidemic
- **Commodity prices plunge** will further reduce fiscal space

There is however a strong case for a rebound, as international and financial institutions committed a significant amount resources

All these resources combined make up **8% of the continent's GDP**, which add up with each national government recovery plan

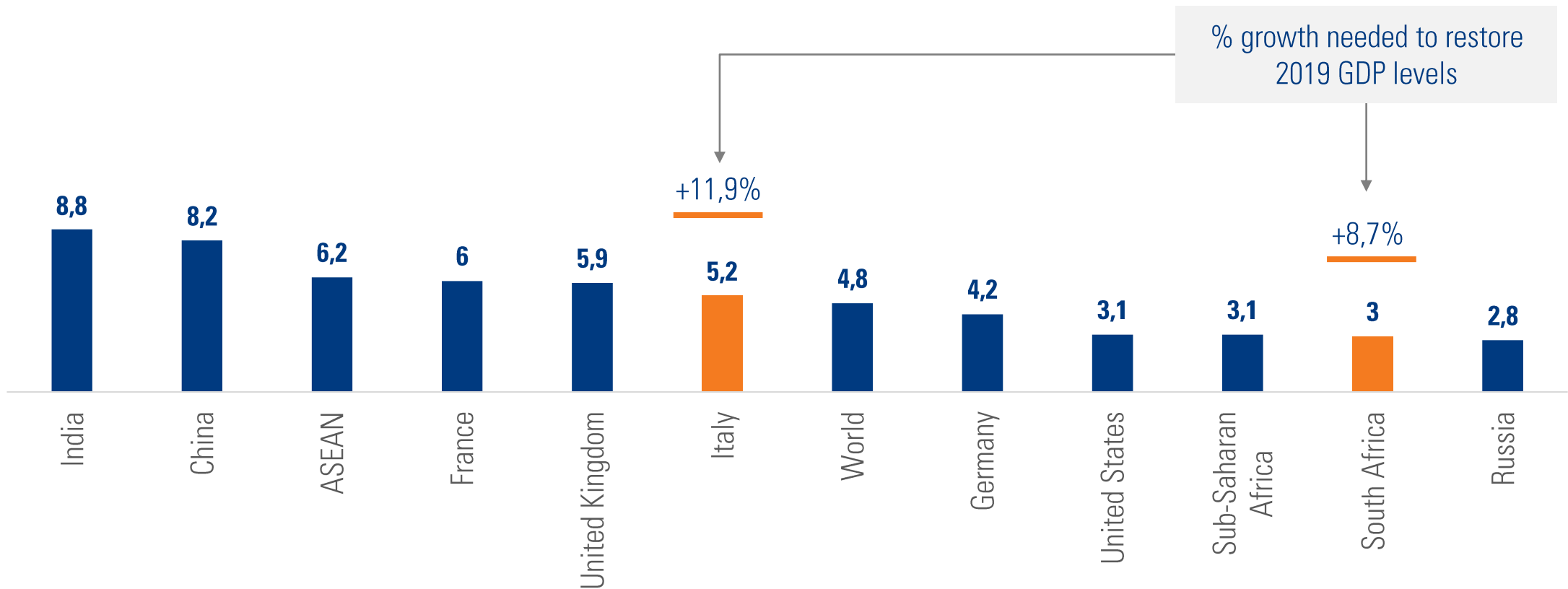
Resources committed by international or multilateral financial institutions to support the pandemic recovery in Africa

Billions of Euro



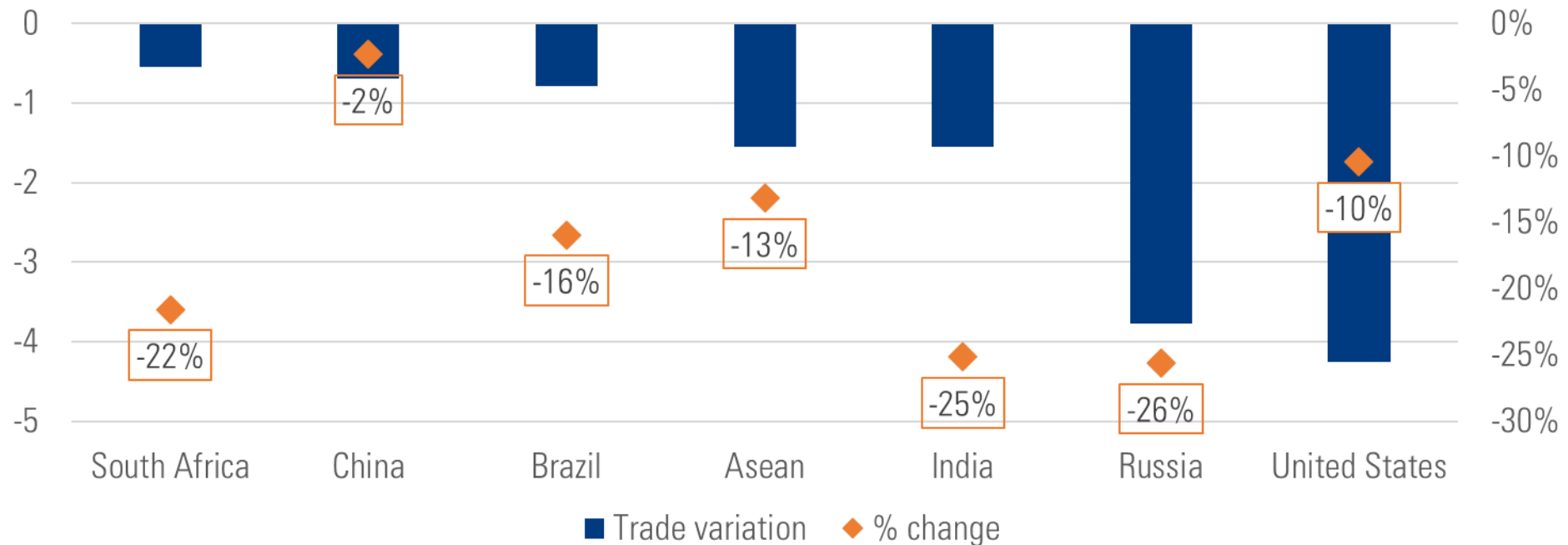
The IMF expects a rebound in 2021, not always enough to recover the 2019 levels

2021 GDP growth rates in specific countries (percentage change)



In 2020, Italy's trade has collapsed towards all major countries of the world, including South Africa

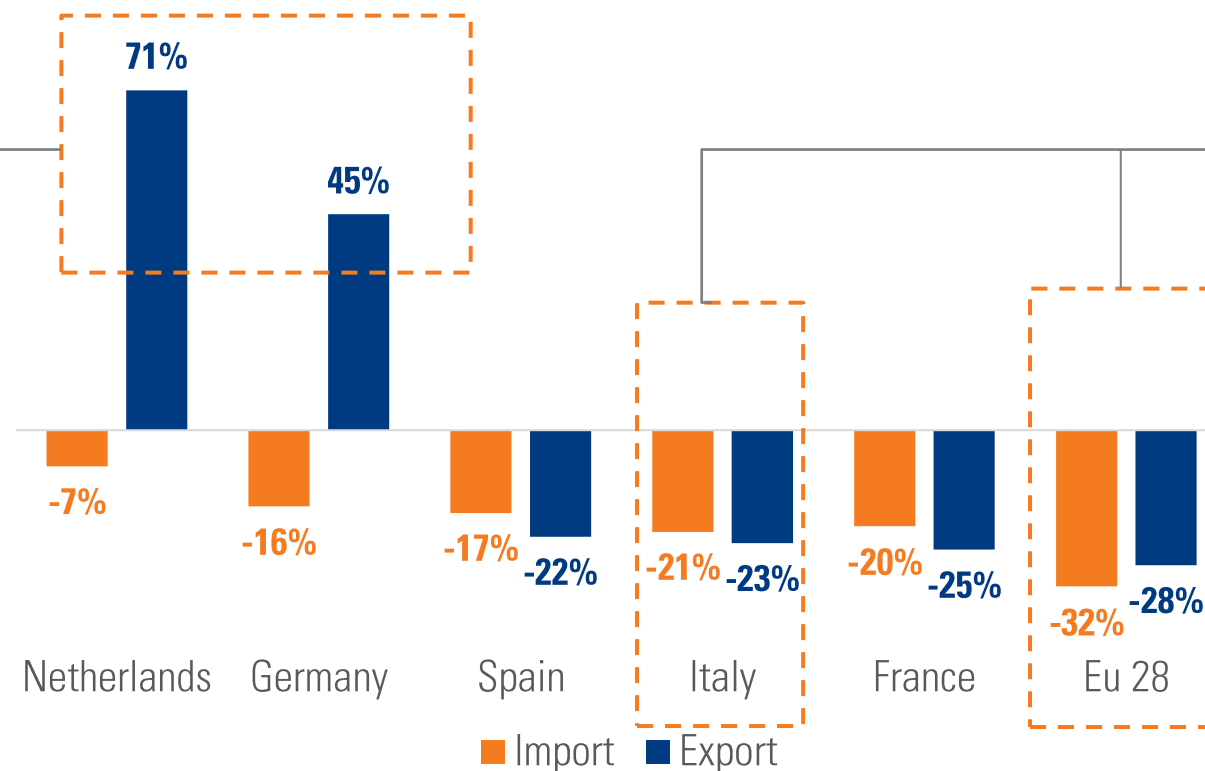
Italy 2020 trade variation towards selected countries,
Jan-Aug 2020 vs Jan – Aug 2019, % change



Italy's trade towards SADC countries performed better than the EU average, but way below Germany and Netherlands

Major EU-28 countries 2020 trade variation towards SADC,
Jan-Sept 2020 vs Jan – Sept 2019, % change

EU Medical equipment & PPEs manufacturers managed to dramatically increase their exports towards SADC Countries, further imbalancing trade relations and current accounts



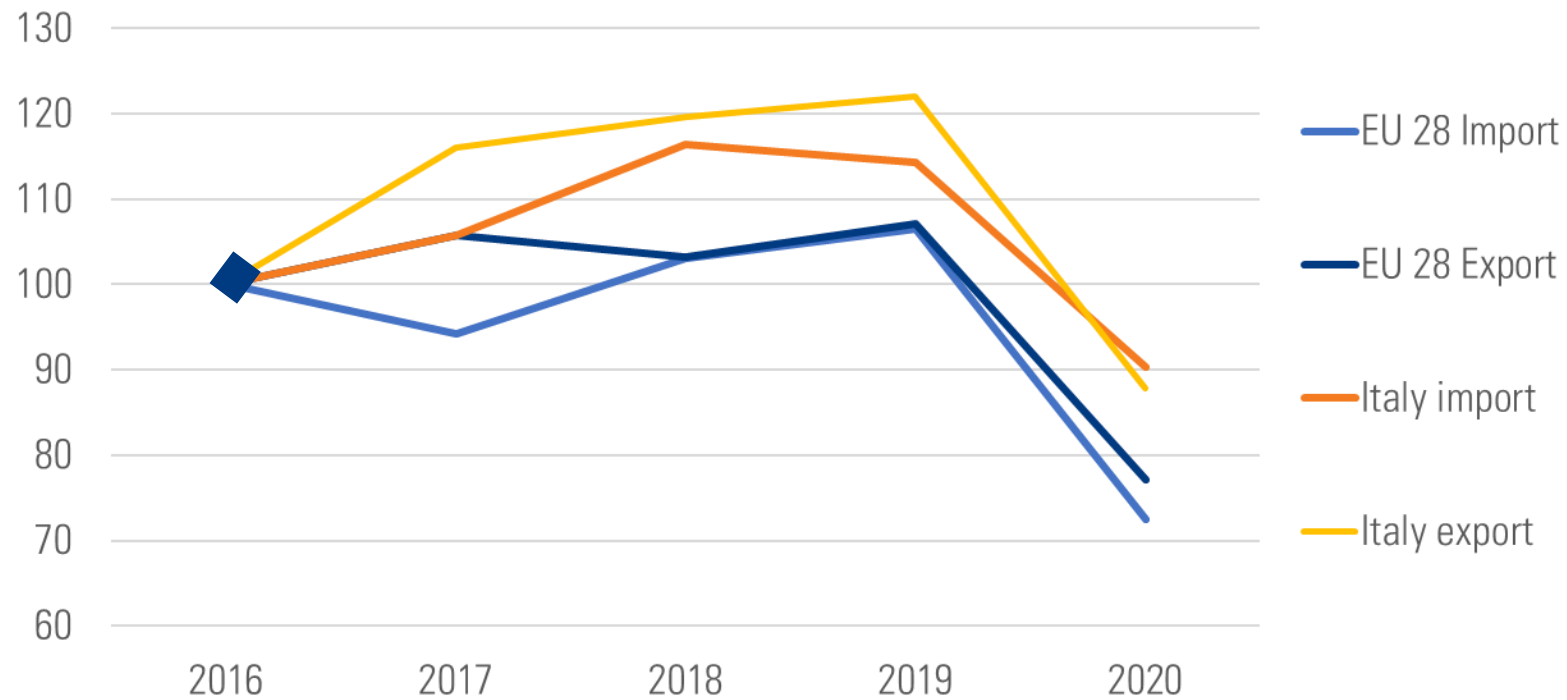
Total loss in trade between SADC Countries and the EU was **14 billion Euro**, of which 8,4 of imports and 6,3 of exports between January and September alone.

Italy – SADC trade lost almost **1 billion**, with 440 million Euro in imports and 444 in exports in the same period

The crisis has reversed the positive growth trend of trade between Italy, the EU and SADC countries

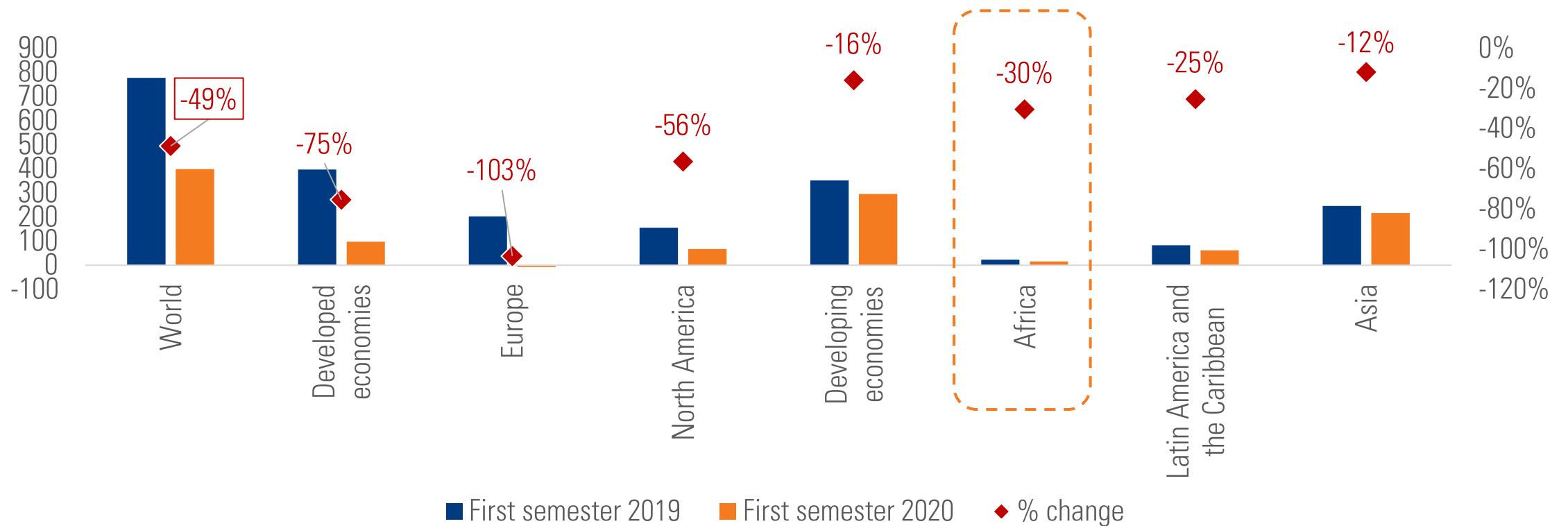
EU and Italy import export with SADC countries

index number (2016 = 100)



In the first half of 2020, global FDIs contracted by 49%, especially in advanced economies and Europe

FDIs inflow by region,
first half 2020 vs 2019, billions of USD and % change





Paving the way for a robust recovery:
The **Global Attractiveness Index - Africa**

To facilitate investment decisions and policy making across the continent, we have create the Global Attractiveness Index Africa



Gai Africa is the **first index** specifically designed to assess **economic attractiveness in Africa**



Gai Africa is **scientific**, leveraging a unique repository with 20,000 data points to rank 49 african countries

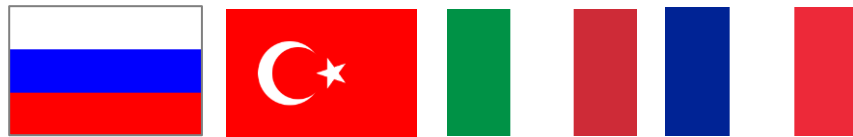


Gai Africa methodology allows analysis **back in time**, as its methodology can be applied to past years

As of now the Global Attractiveness Index has been...



Officially presented in **7 Countries**
and to the **European Commission**



Included within the **set of official indicators** monitored
by four governments



Supported by **international research Institutions**: Joint Research Centre and European
Political Strategy Centre



Presented at the **OECD** in Paris and inclusion among OECD's official indicators (on-going)



Presented to **more than 10,000 CEOs** and investors hired on Italy's repositioning in the country rankings.
Presented to the **Ministers and Under-Secretaries of the previous and current Government** in formal and
informal meetings, to the Parliamentary Commissions and in 3 editions of the Forum The European House -
Ambrosetti in Cernobbio

Key features of the Global Attractiveness Index and its African release

REPLICABILITY

Updated annually, thanks to the use of variables (KPI) periodically detected from main international institutions

OBJECTIVITY

Based mainly on objective quantitative variables derived from major international databases

ROBUSTNESS

Few proxy indicators as independent from each other as possible

SIGNIFICANCE

Focus on "results" (outputs) rather than "efforts" (inputs)



Measuring a Country's attractiveness

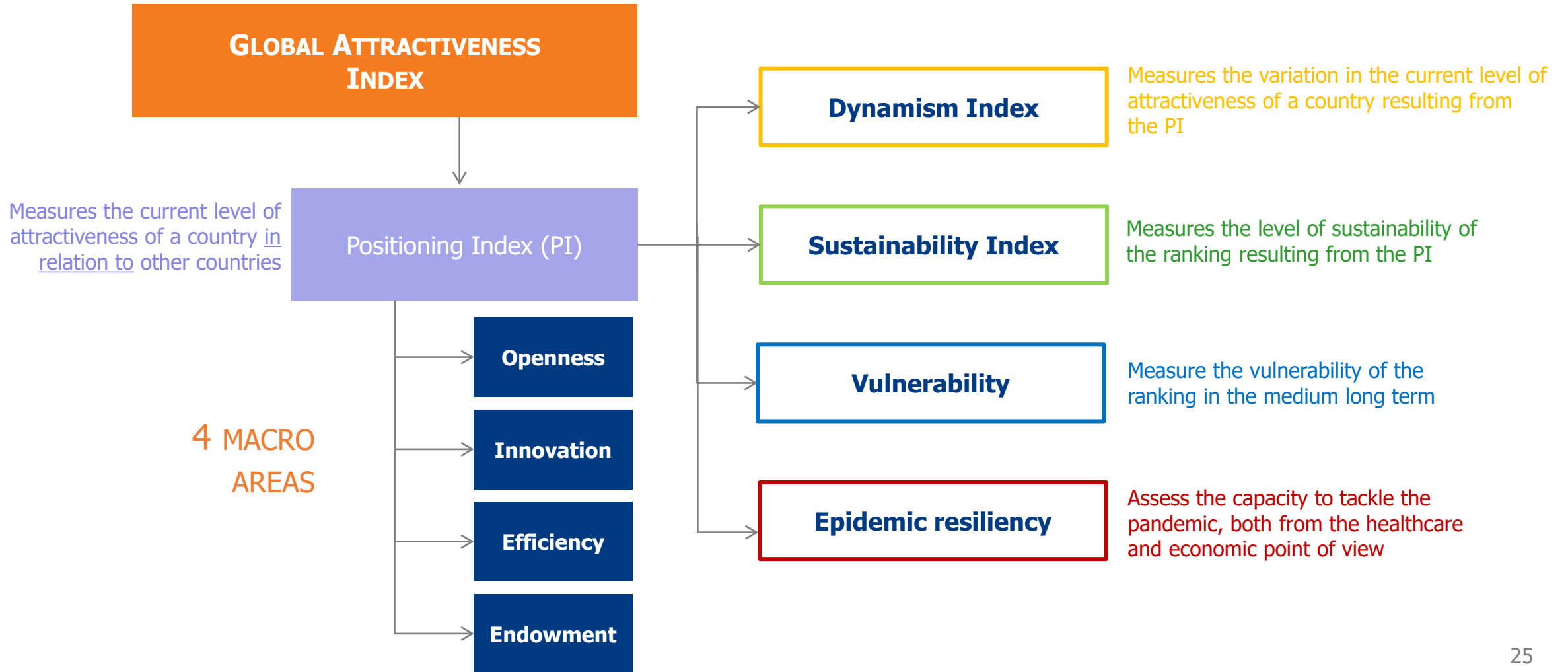
INTERNAL

Ability to retain resources already present in the territory

EXTERNAL

Ability to attract resources not present on the territory

Structure of the GAI Africa shadows GAI's structure, but with different and specific sets of KPIs



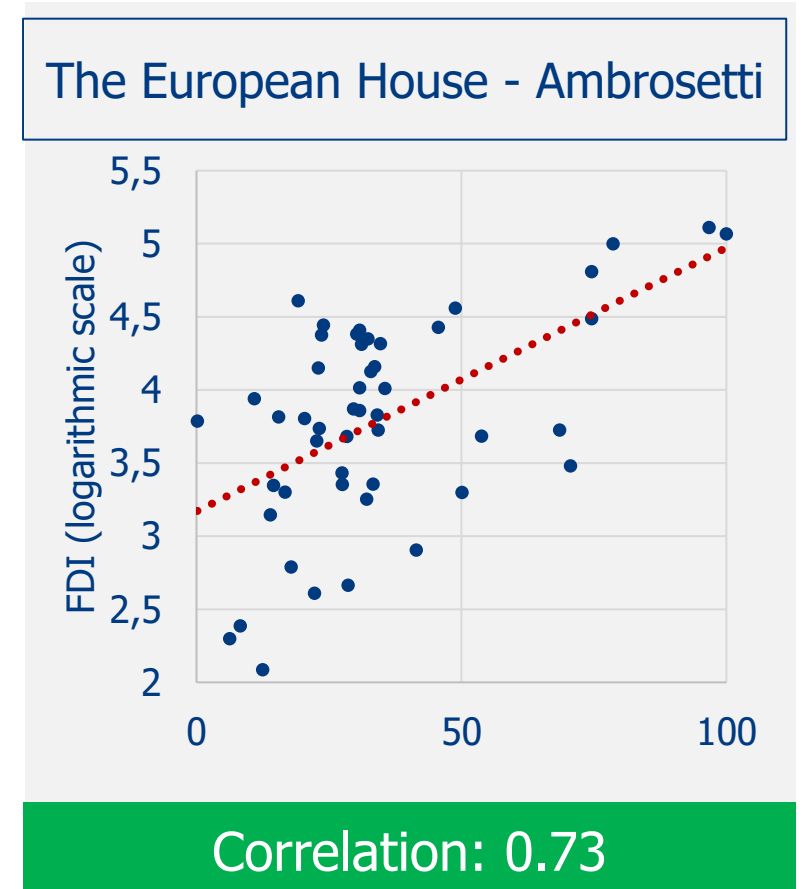
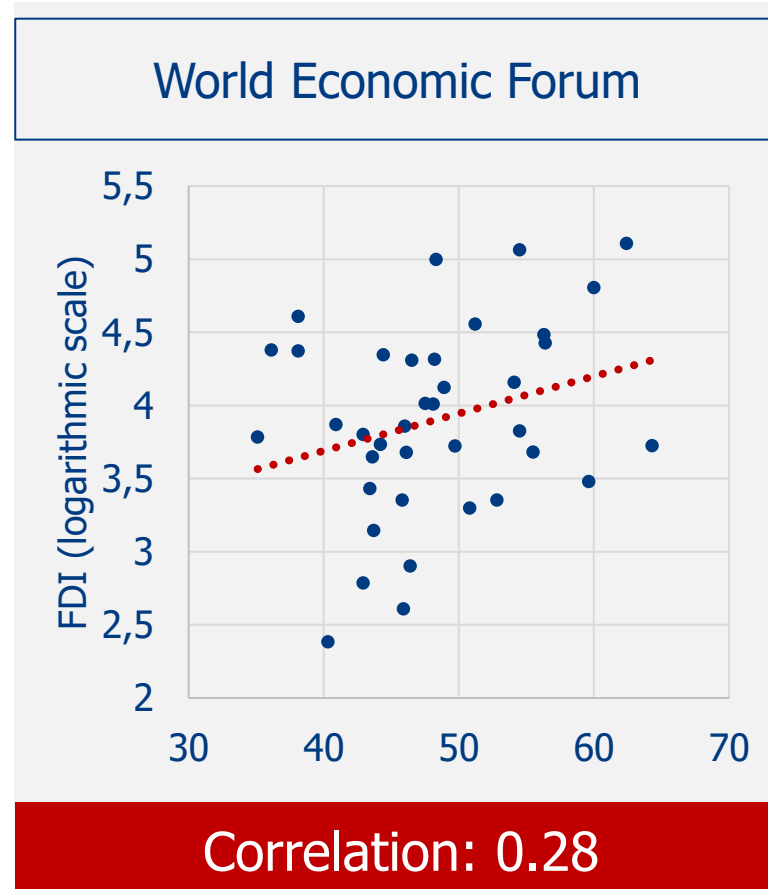
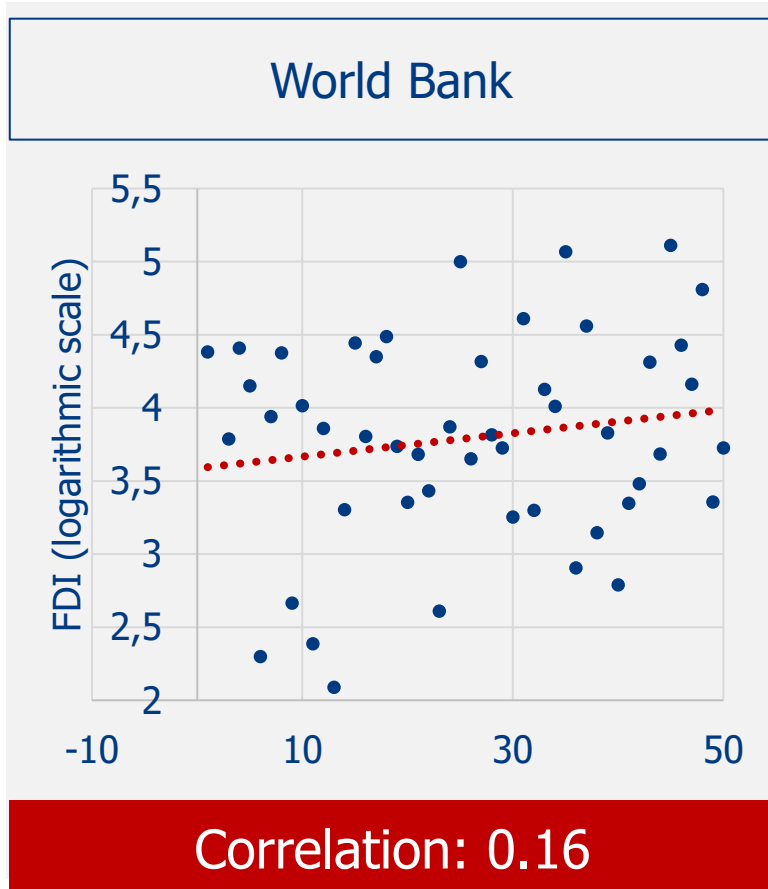
Key Performance Indicators behind the Global Attractiveness Index Africa

Openness	Innovation	Efficiency	Endowment	Resilience	Vulnerability
<ol style="list-style-type: none"> 1. FDI inward stock 2. Current account (% GDP) 3. Product concentration and diversification index of exports and imports 4. Export of products and services 5. Migrant remittances inflows (% GDP) 	<ol style="list-style-type: none"> 1. Manufacturing value added (% GDP) 2. Number of academic publications 3. Mobile cellular subscription (* 100 persons) 4. ICT Development Index 5. Services, value added (% GDP) 6. School enrolment, university and college 	<ol style="list-style-type: none"> 1. Interest payments on external debt (% GNI) 2. Corruption perception index 3. Government effectiveness 4. Unemployment rate 5. Transport: Logistic Performance Index 6. Political stability and absence of violence 7. Regulatory quality 	<ol style="list-style-type: none"> 1. GDP (PPP constant) 2. GDP Per capita 3. School enrolment, secondary 4. Investment: Gross fixed capital formation (% GDP) 5. Composite index: <ul style="list-style-type: none"> • Agriculture: Agricultural land on total Africa • Mineral resources: Adjusted saving mineral • Energy: Adjust saving energy 6. People: Population under 35 	<ol style="list-style-type: none"> 1. Rule of law 2. Regulatory quality 3. Global peace index 4. AIDI Transport 5. Potential labour force (18-65) in 2030 	<ol style="list-style-type: none"> 1. Commodities export, % on total 2. Ratio of female to male labour force participation rate 3. GDP forecast, 2024 4. Unemployment rate forecast, 2024 5. Working poverty rate

The KPIs previously included in the GAI are shown in blue. In orange are the KPIs specially introduced for the African version.

Unlike other indicators, GAI Africa offers a much better and realistic representation of attractiveness


Correlation between ranks and FDI inwards



GAI Africa top 20 ranking countries

	GAI Africa 2020 ranking and score		2019 ranking	Sustainability	Vulnerability	Dynamicity	Epidemic resiliency
Attractive	1. South Africa	100,00	1	●	●	●	●
	2. Egypt, Arab Rep.	94,80	2	●	●	●	●
	3. Mauritius	73,62	5	●	●	●	●
	4. Nigeria	71,23	6	●	●	●	●
	5. Morocco	69,46	4	●	●	●	●
	6. Seychelles	63,43	7	●	●	●	●
Medium high attractiveness	7. Algeria	61,25	3	●	●	●	●
	8. Ghana	51,67	9	●	●	●	●
	9. Botswana	51,05	8	●	●	●	●
	10. Tunisia	49,32	10	●	●	●	●
	11. Cabo Verde	47,50	11	●	●	●	●
	12. Cote d'Ivoire	41,34	16	●	●	●	●
	13. Namibia	37,75	12	●	●	●	●
	14. Eswatini	36,58	14	●	●	●	●
	15. Djibouti	35,92	30	●	●	●	●
Medium low attractiveness	16. Kenya	32,99	17	●	●	●	●
	17. Zambia	32,34	13	●	●	●	●
	18. Senegal	30,95	19	●	●	●	●
	19. Ethiopia	30,88	15	●	●	●	●
	20. Congo, Dem. Rep.	29,43	18	●	●	●	●

Note:
South Africa consistently ranks in the first place of GAI Africa (same placement for the last five years)

A sunset over a savanna landscape. The sun is low on the horizon, casting a warm orange glow across the sky and the ground. A single acacia tree stands prominently in the middle ground, its silhouette dark against the bright sky. The foreground is a mix of green grass and reddish-brown soil. In the background, there are rolling hills and mountains under a cloudy sky.

Despite the adverse scenario, our outlook on South Africa and the region remains positive

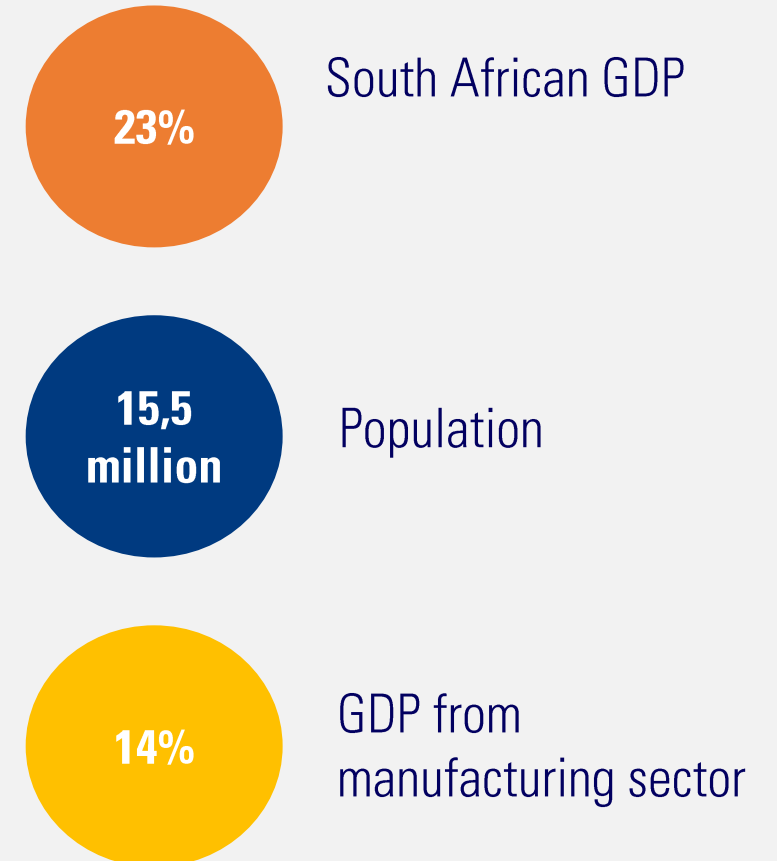
Gauteng will keep up its role as industrial powerhouse of South Africa and Africa at large

Gauteng is the **key linkage between Global Value Chains and Southern Africa**, leveraging world class infrastructure and educational facilities.

Gauteng **competitive advantages:**

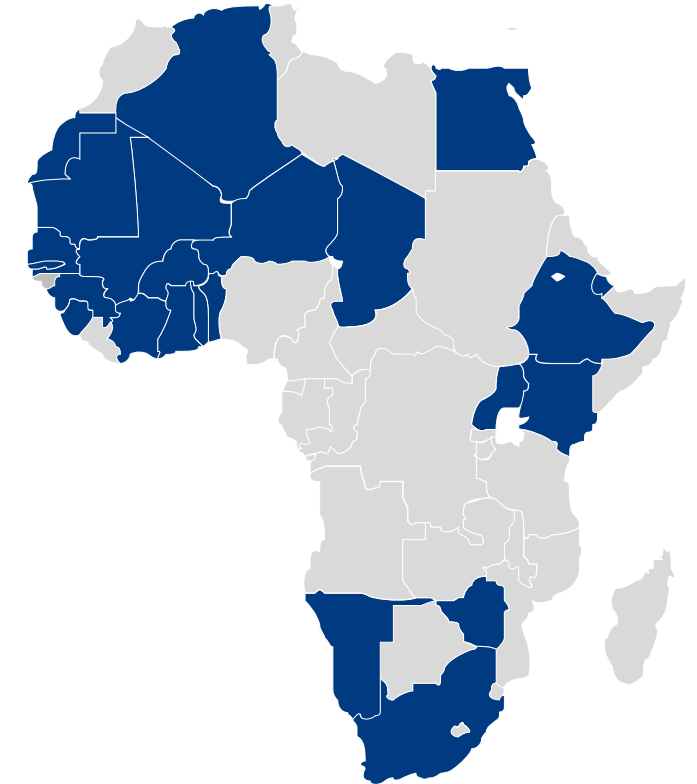
- Global cost advantage when compared to peers
- Growing infrastructure base
- Institutional base for Governance
- International Relations
- Talented Workforce
- A Gateway to Africa

Gauteng key numbers



The African Continental Free Trade Area is a gamechanging initiative to increase African social and economic development

- The AfCFTA is expected to boost Africa's GDP by **450 billion USD within 2035, and increase Africa's export by 560 billion USD**
- The World Bank estimates that the ACFTA will bring **30 million people out of extreme poverty** and to raise the incomes of 68 million others who live on less than \$5.50 per day.
- We expect that the ACFTA will boost South Africa's role as the continent technological, industrial, and logistics hub



Ratifying parties to the African Continental Free Trade Area

Digitalization and sustainability create great opportunities for job creation and sustainability in Africa



Falling technology costs make now renewables competitive with fossil fuel generation, but its more flexibility can help boost **electrification** in rural areas. Furthermore, electrification can be a pillar for digitalization, as the electricity infrastructure can be leveraged to increase digital coverage



If Africa will manage to leapfrog to **5g technology**, this will mean for many countries and regions a direct jump from 3g – or even 2g, creating immense opportunities for the youth in Africa and **unleashing massive entrepreneurial resources**.

Thank you and keep in touch!



Valerio De Molli

CEO & Managing Partner
The European House – Ambrosetti



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[@ValerioDeMolli](https://twitter.com/ValerioDeMolli)

Direct fallout of our Summits

1. Funding €40 million of an Italian plant in South Africa
2. Reshaping the European strategy of a big South African pharma company
3. Triggering of the township pilot project between Gauteng Province and Reggio Emilia Municipality for skills development in the automotive industry
4. Mentoring of young South African entrepreneurs by skilled Italian and South African leaders
5. Important lobbying possibility in South Africa
6. Two agreements on goods and people between Italian and South Africa Railway operators
7. Organization of a roadshow for an international electricity transmission operator to meet South African key stakeholders
8. Major contract between a South African and an Italian firm in the oil industry
9. High level meetings between major Italian energy and transport companies and relevant South African Government representatives