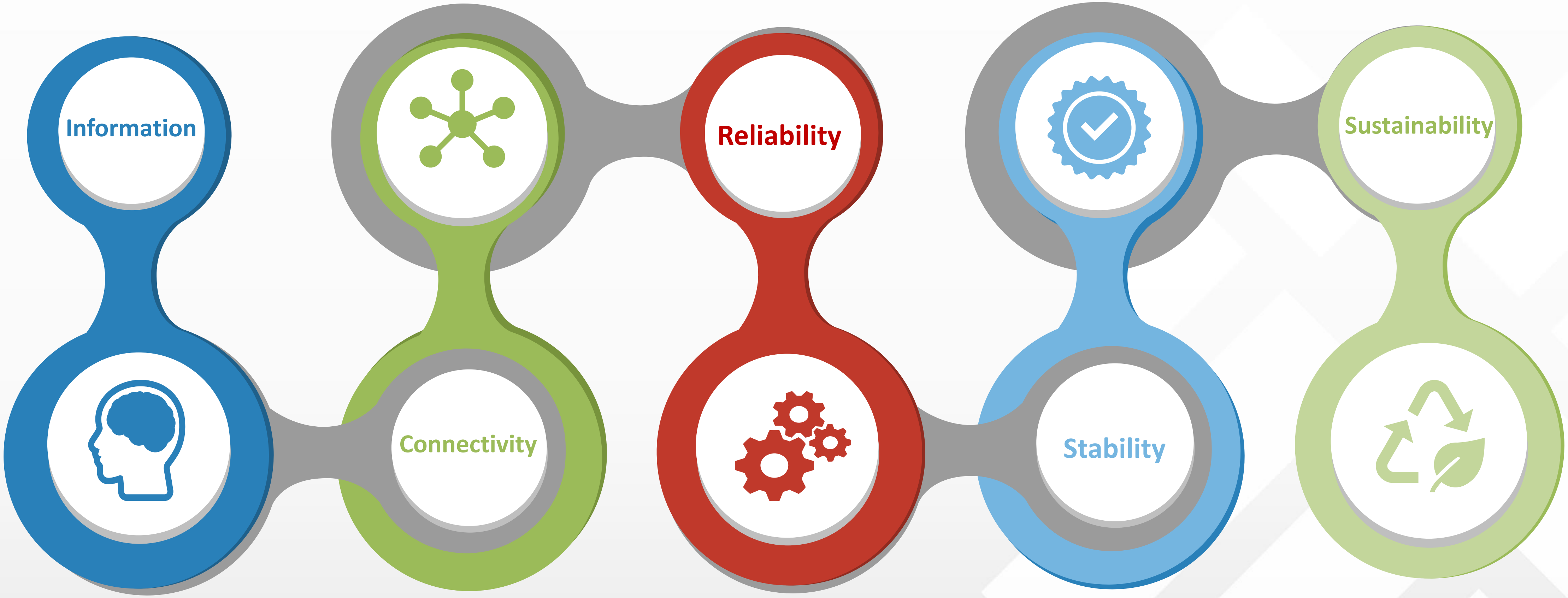
Preamble: Key ingredients for value chain functioning



What prevents businesses from fully exploiting the opportunities for greater value chain integration?

Insights from interviews with value chain participants and other stakeholders across Africa

15 February 2022

Insights from two major survey and consultative initiatives

African value chain diagnostics

- Expert-led interviews with >400 businesses involved in **4 priority value chains**
- Consultations with business support organisations, value chain experts and relevant stakeholders
- Responses to web-based consultation on value chain development and regional integration in Africa

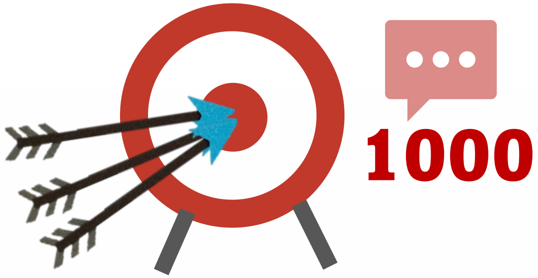
Dec 2021 – ongoing

ITC's NTM Business Surveys in Africa

- Large-scale survey of exporters and importers on non-tariff measures
- Interviews with nearly 10,000 businesses in 22 countries in Africa
- Capturing intra-regional trade (obstacles) with 49 countries
- Insights on key regulatory and procedural hurdles to cross-border trade (all goods sectors)

Between 2011 and 2020

Value Chain Diagnostics – current progress of consultations for 4 pilot value chains



Insights come from across Africa

441 Expert-led interviews with **businesses** along 4 priority value chains (Automotive, Pharma, Apparel, Baby/Infant food)

\+ **55** Expert-led interviews of **Businesses Support Organisations** in Africa (national and pan-African)

\+ **415** Responses to the **web-based consultation** on value-chain development and regional integration in Africa (www.ntmsurvey.org/Africa)

911

ITC

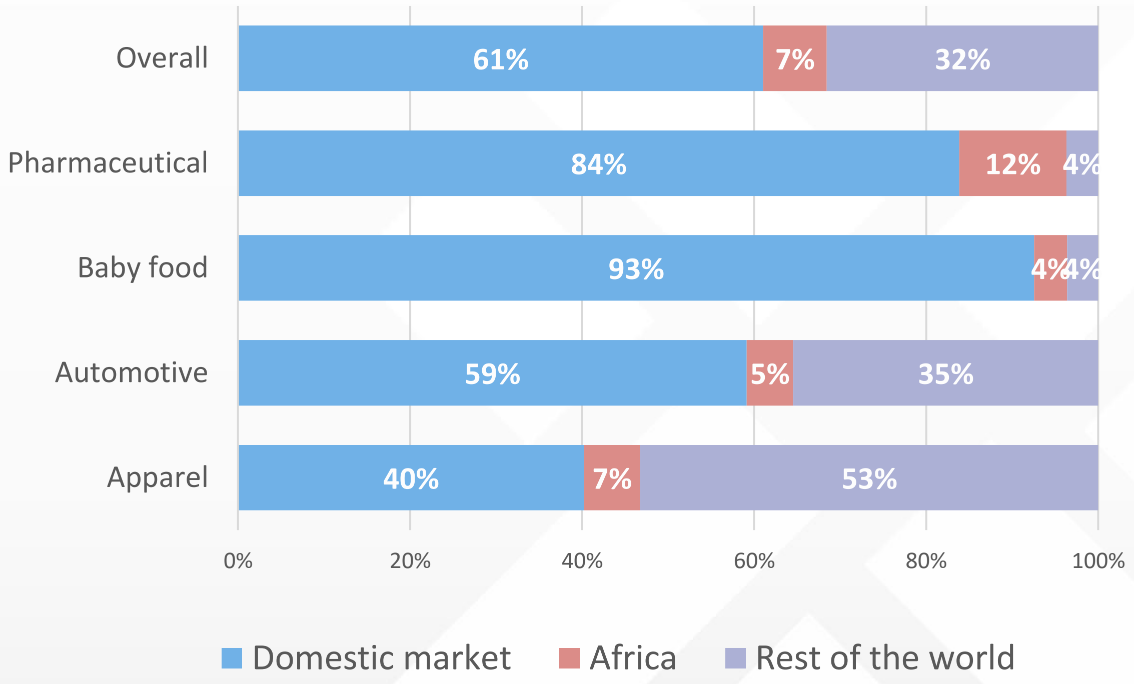
Insights received in the form of detailed interviewer-led surveys of businesses, consultations with Business Support Organisations (BSOs), and feedback received via the web-based consultation

TRADE IMPACT FOR GOOD

Companies focus on domestic markets – or export outside the continent

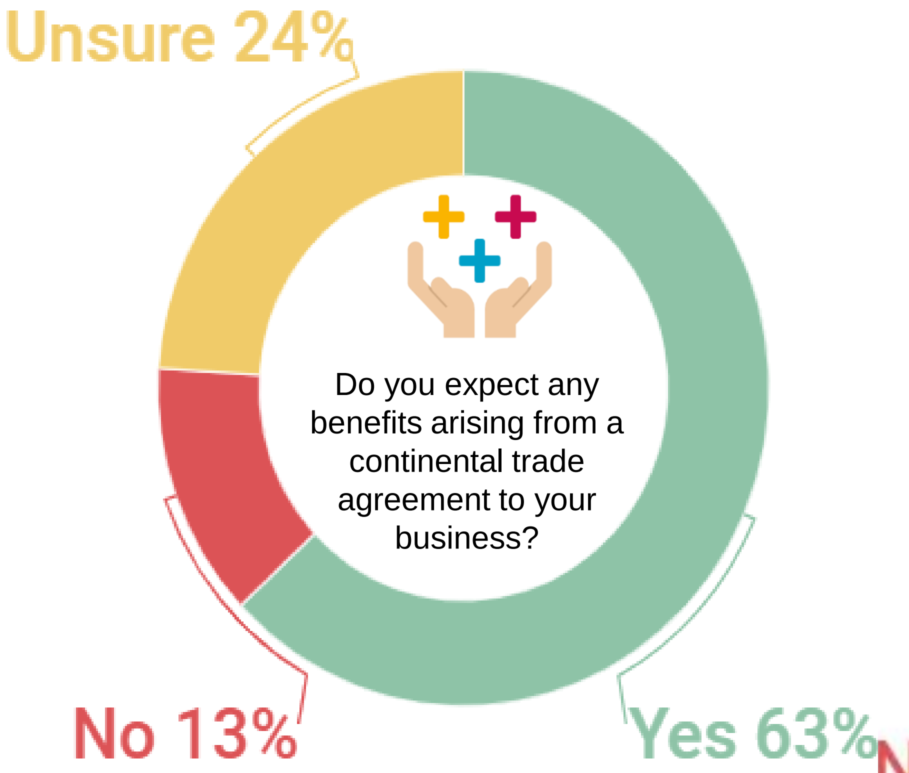
For interviewed businesses in the four pilot value chains:

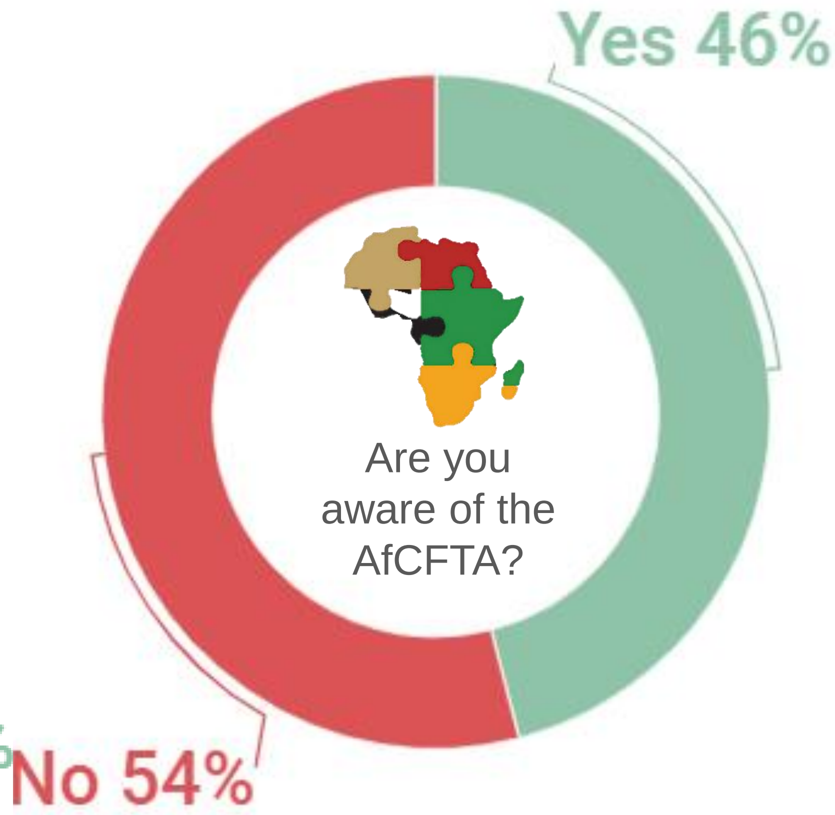
7% of total sales are generated from exports to other African countries

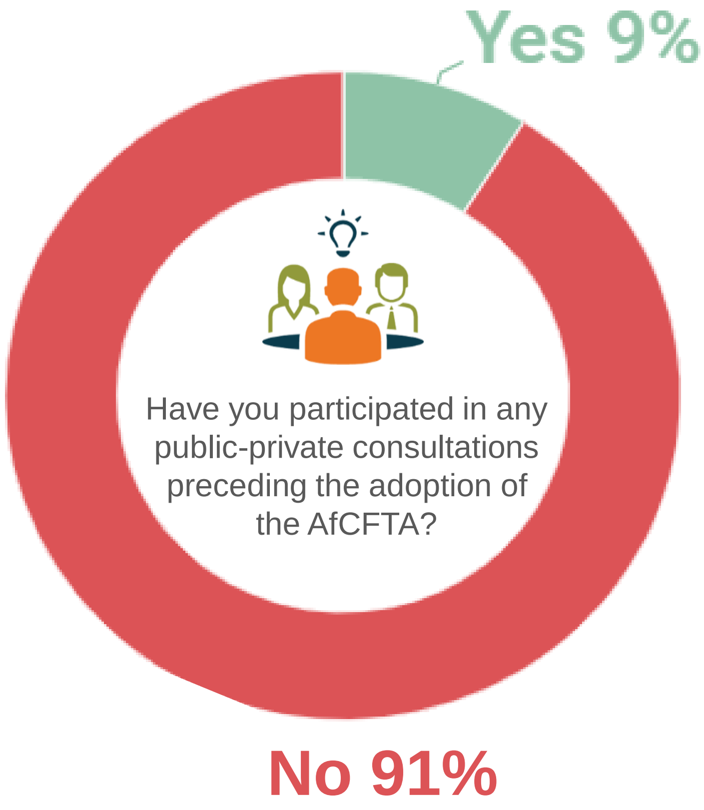


There is optimism about the impact of a continental trade agreement – but awareness of AfCFTA remains to be improved

> *AfCFTA? First time I hear about it*







What prevents businesses from fully exploiting the value chain integration opportunities?

We need information on the available offer in African countries. There should be more African suppliers participating in our national trade fairs, but also those in Europe.

Sourcing inputs from Africa? For us, this is the future. Yet to date, we have no knowledge about fabrics supplied by African countries.

I don't know any African company which supplies the inputs that we would need.

1st ingredient for functioning value chains: **Information**. The evidence from the ground suggests: **Suppliers and producers on the continent often do not know each other…**

… and businesses currently do not necessarily look for each other either…

Key challenges reported

Connectivity	Reliability	Stability	Sustainability

- High transport and logistics cost and inadequate transport connections
- Lacking (trust in the) quality of products made in the continent; no confidence in the conformity assessment system
- Poor payment systems and limited access to (trade) finance
- Insufficient implementation of existing trade agreements

- Uncompetitive production cost / pric
- High incidence of trade obstacles related to non-tariff measures
- Inefficient border clearance processes
- Environmental challenges

Transport cost and uncompetitive prices

> *Shipping inputs from Africa is as expensive as shipping inputs from China. Yet the price of inputs is lower in Asia.*

→ Currently, geographical proximity cannot "compensate" for higher cost of production

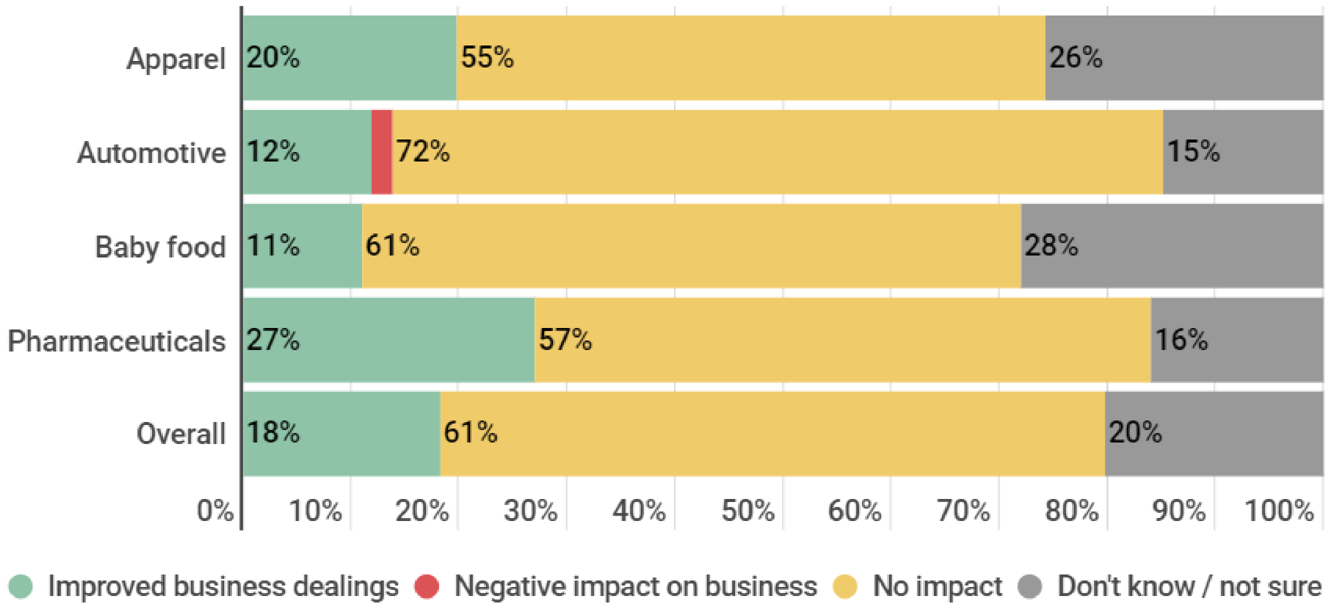
Product quality and conformity assessment

- **Lack of information** about applicable product requirements in target markets
- **Capacity to comply** with strict quality and sustainability standards
- **Cost of compliance and cost of proving compliance**, exacerbated by unpredictable delays in testing and certification procedures → the smaller the company, the bigger the problem
- **Insufficient quality infrastructure**, particularly in LDCs: lack of laboratories and recognized certifications, lack of (affordable) access to laboratories in other countries
- **Very limited harmonization of standards** across the continent and **limited mutual recognition** – where mutual recognition agreements exist they are often de facto not implemented

Insufficient implementation of existing trade agreements

> *Most of the trade agreements are yet to be implemented or are not implemented in the way it was stated."*

Impact of existing trade agreements with other African countries

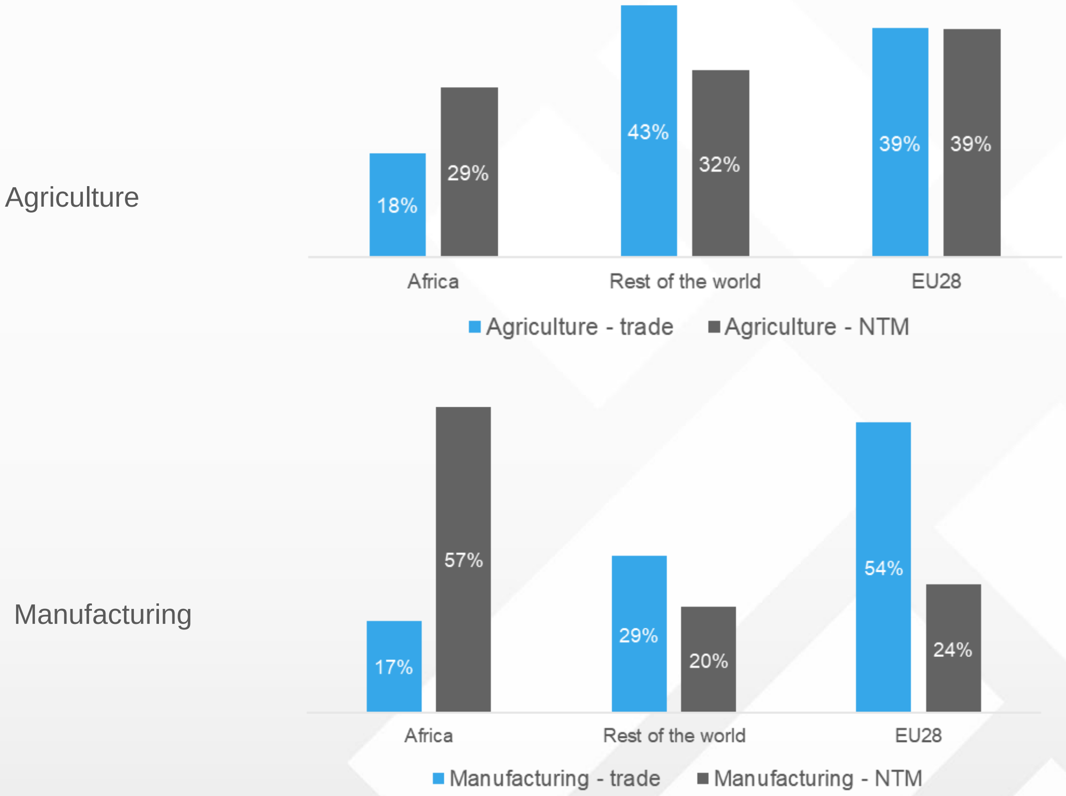


High incidence of trade obstacles related to non-tariff measures

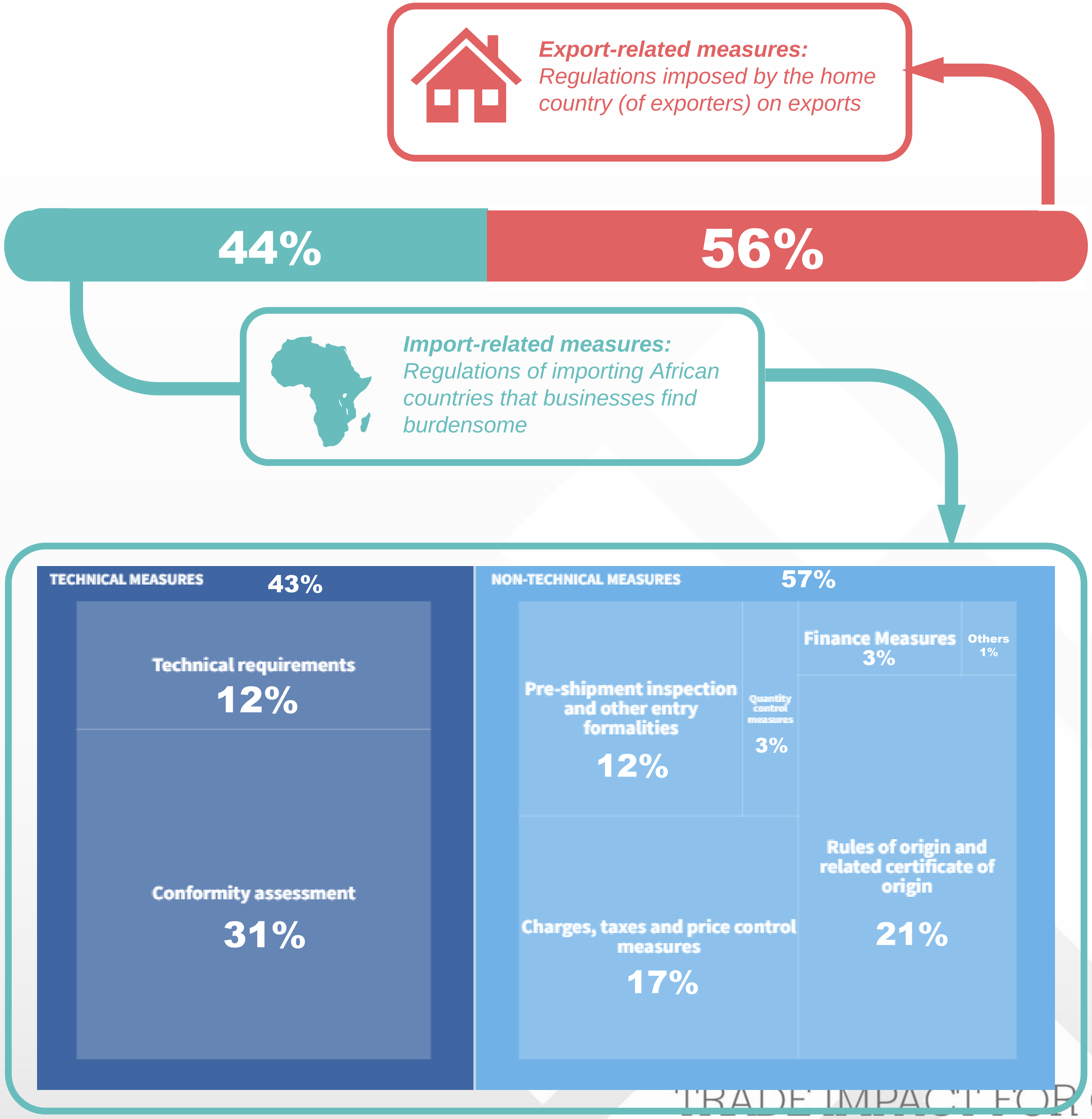
Disproportionately many trade obstacles are reported with respect to intra-regional trade, particularly in manufacturing

Share of exporters in Africa affected by NTM-related trade obstacles

Share of trade obstacles encountered vs total exports by region:



Non-tariff measures



Trade obstacles linked to NTMs imposed by partner countries mostly related to SPS/TBT as well as Rules of Origin.

But a significant share of obstacles also relate to home country measures imposed on exports, such as licences, permits, registrations and taxes

Automotive – selected key challenges

Yes, we produce electric vehicles. But people still largely prefer fuel cars. This is partly because the government has not put in place the needed infrastructure to assure users that their vehicles can be adequately powered. For the vehicles we sell, we build our own charging stations.

Limited institutional infrastructure to certify against complex origin and quality criteria

LAB

There is a lack of validation facilities and automotive accredited laboratories. We certify our products in Spain and Thailand.

Limited readiness to face the trend towards more environmentally friendly vehicles

Automotive – key challenges

Visions and strategies for sector development have to date mostly been formulated with a national focus

Limited institutional infrastructure to certify against complex origin and quality criteria

Limited demand for new cars

Fragmented production of finished products lacking the necessary scale to make the production particularly of high-quality technical components economically viable

Despite the abundance of raw materials such as copper, lacking refinement possibilities on the continent

Challenges related to waste disposal.

Limited capacity to comply with complex quality and origin criteria and related documentation requirements

Limited readiness to face the trend towards more environmentally friendly vehicles

Pharmaceuticals – selected key challenges

The main challenge in Africa is infiltration of counterfeit and substandard products. If this is not addressed and harmonized across the continent, it will be difficult to achieve self-reliance in raw material production.

Strong formal competition with suppliers from Asia and strong informal competition from the counterfeit and expired drug markets.

Inadequate waste management systems, including for water waste and expired drugs.

Firms are concerned about the lack of clarity of regulations on how to deal with contaminated and hazardous waste and the often inadequate systems to treat such waste so that it does not harm the environment or human health.

Pharmaceuticals – key challenges

High cost of production but low purchasing power on the continent

Strong formal competition with suppliers from Asia and strong informal competition from the counterfeit and expired drug markets.

Absence of local production of APIs and of quality transformation of raw products

Inadequate waste management systems, including for water waste and expired drugs.

Regulatory and procedural barriers, particularly related to product registrations.

Lack of transparency of public tenders and related processes

And now what?

What support is needed for us to do more business in Africa? It is not a question of one specific support but rather the creation of a whole ecosystem. Everything else will follow.

We have to start believing in our own products.

Build trust in Made in Africa!

→ Invest in a continental quality framework and the conformity assessment infrastructure

→ For draft cross-sectoral and sector-specific recommendations, please refer to the working document on the session page

Apparel of cotton

The "missing middle"

Little sensitization about trade agreements,

Competitive pressure from low-cost production in Asia as well as the (imported) second-hand and informal markets.

Significant environmental challenges linked to inadequate waste management, treatment and recycling systems.

Lack of information on business opportunities and matching buyers and sellers.

Limited capacity to obtain certification against sustainability standards.

Limited visibility of African brands both at the continental and the global level..

In conclusion

There is potential.
But there must be the will to do it.

The way forward…

We want to hear your views!

Share your insights on doing business and economic integration in Africa, via our online consultation form

WWW.NTMSURVEY.ORG/AFRICA

Let's collaborate

Get in touch with us for an in-depth discussion on other related value chain initiatives, feedback on our work, and how insights from this project can be used as evidence base for decision making.

NTM@INTRACEN.ORG

Validation and next steps

Stay tuned for validation workshops once the diagnostics work is finalized. Until then, we will continue gathering insights from enterprises and prepare the final report.

COMING SOON!

Web-based Consultation

Value Chain Development and Regional Integration in Africa

We want to hear your views!
Fill in and share the following feedback form on doing business and economic integration in Africa.

WWW.NTMSURVEY.ORG/AFRICA

Join us in our next event!

7TH EABF EU-AFRICA BUSINESS FORUM 2022

African Union

International Trade Centre

e-Invitation

Accelerating regional integration through trade intelligence

African Trade Observatory

Webinar 2022

DATE
February 18th

TIME
10.00-10.45hs

OUR SPEAKER

Jacqueline Salguero

Associate Programme Officer
International Trade Centre

Online registration here (mandatory)

THANK YOU!

www.ntmsurvey.org/AfricaValueChains

ntm@intracen.org

International Trade Centre

+900
Survey Respondents

+25
National sector experts

+ all our partners