



International  
Trade  
Centre



# Made by Africa – Creating value through regional integration

A new approach to value chain diagnostics

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20 July 2022



# Three major developments will shape Africa's trade development

## # 1 COVID-19 pandemic

- Supply chain disruptions led to a lack of medical equipment and vaccines
- Locally available inputs exported without transformation

## #2 War in Ukraine

- Disruption of trade in wheat and other commodities, rising oil prices
- Africa's food and energy security at risk

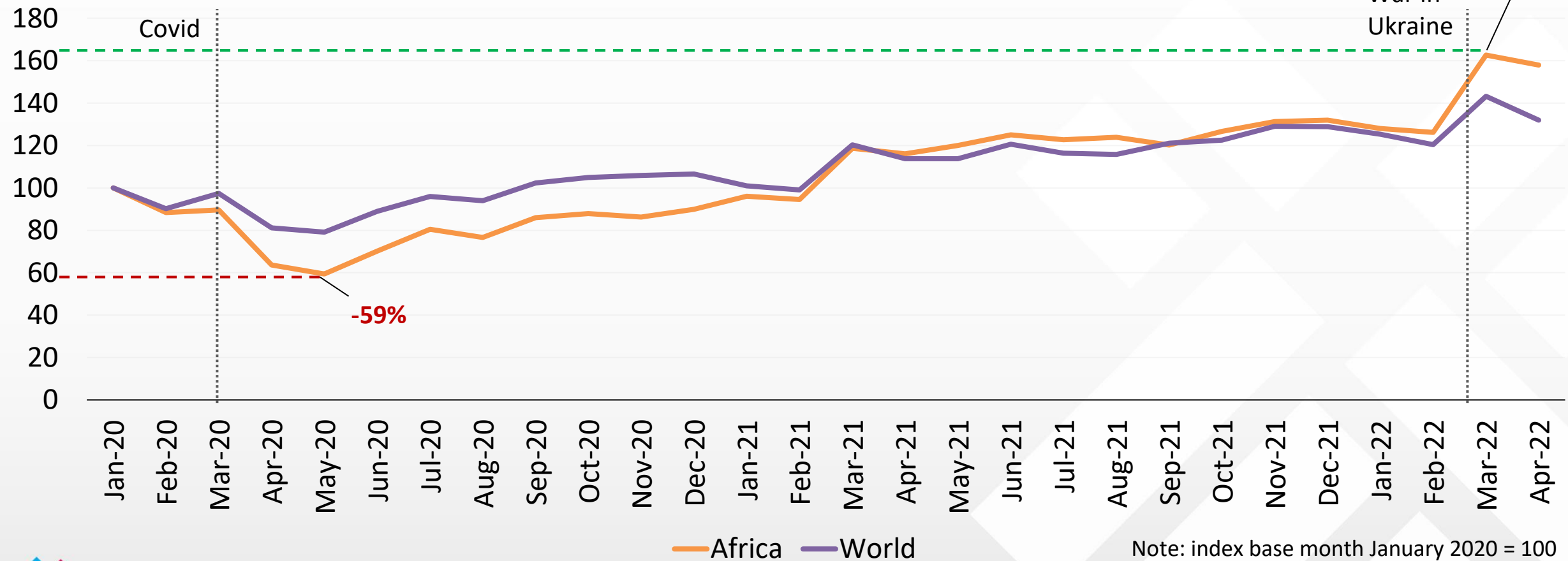
## #3 AfCFTA

- Single market connecting 1.3 billion consumers across 54 signatory countries
- Improved conditions for continent-wide value chain development

**Unprecedented challenges and opportunities to create resilient value chains in Africa**

# #1 COVID-19 pandemic led to a profound drop and recovery of Africa's exports

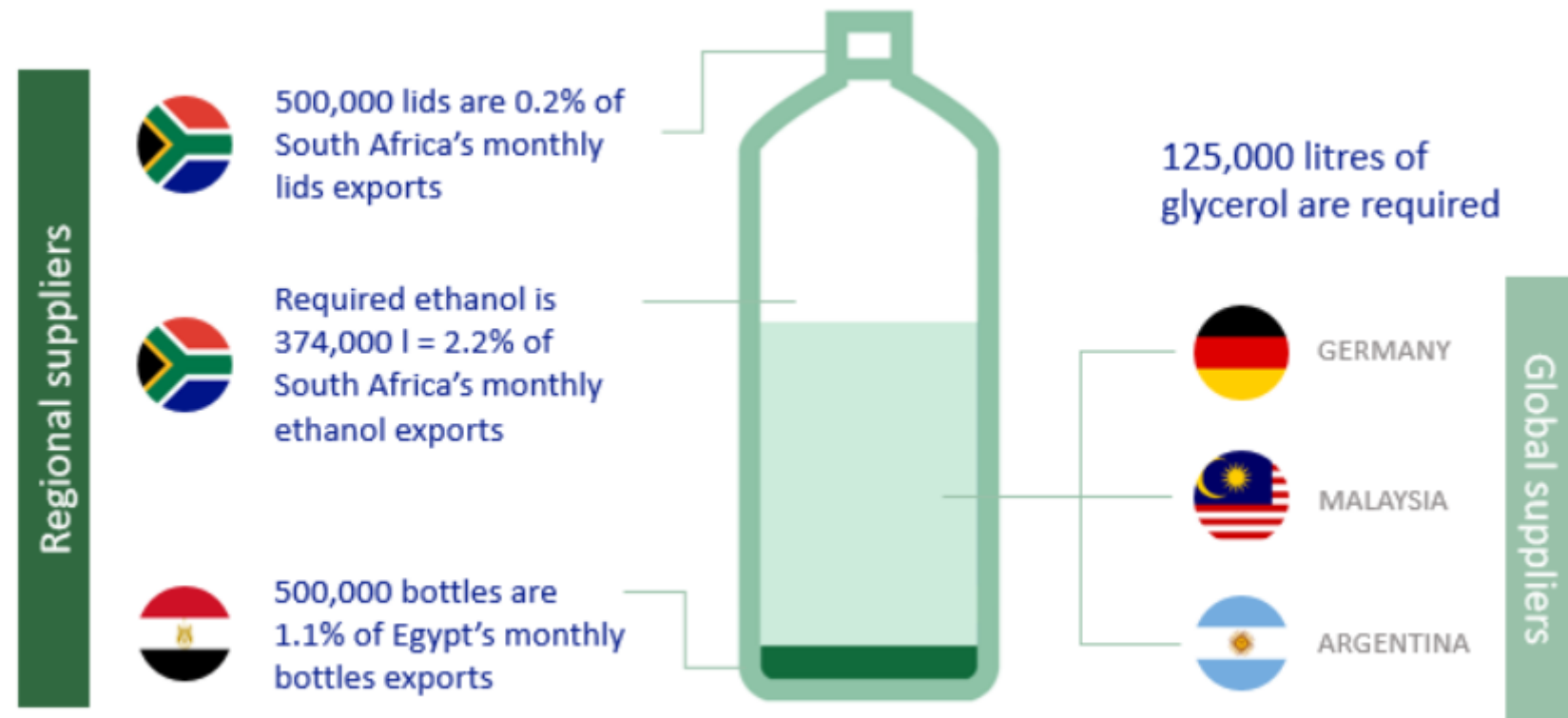
Exports per month, Africa vs World, Jan-20 to Apr-22



Note: index base month January 2020 = 100

# #1 COVID-19 pandemic ...revealing the need and the capacity for continent-wide cooperation to increase resilience to shocks

- WHO\* estimated that Africa would need 500,000 litres of disinfectants each month to fight the pandemic
- Through regional and global cooperation, Africa could produce sufficient amounts of disinfectants to meet its own requirement



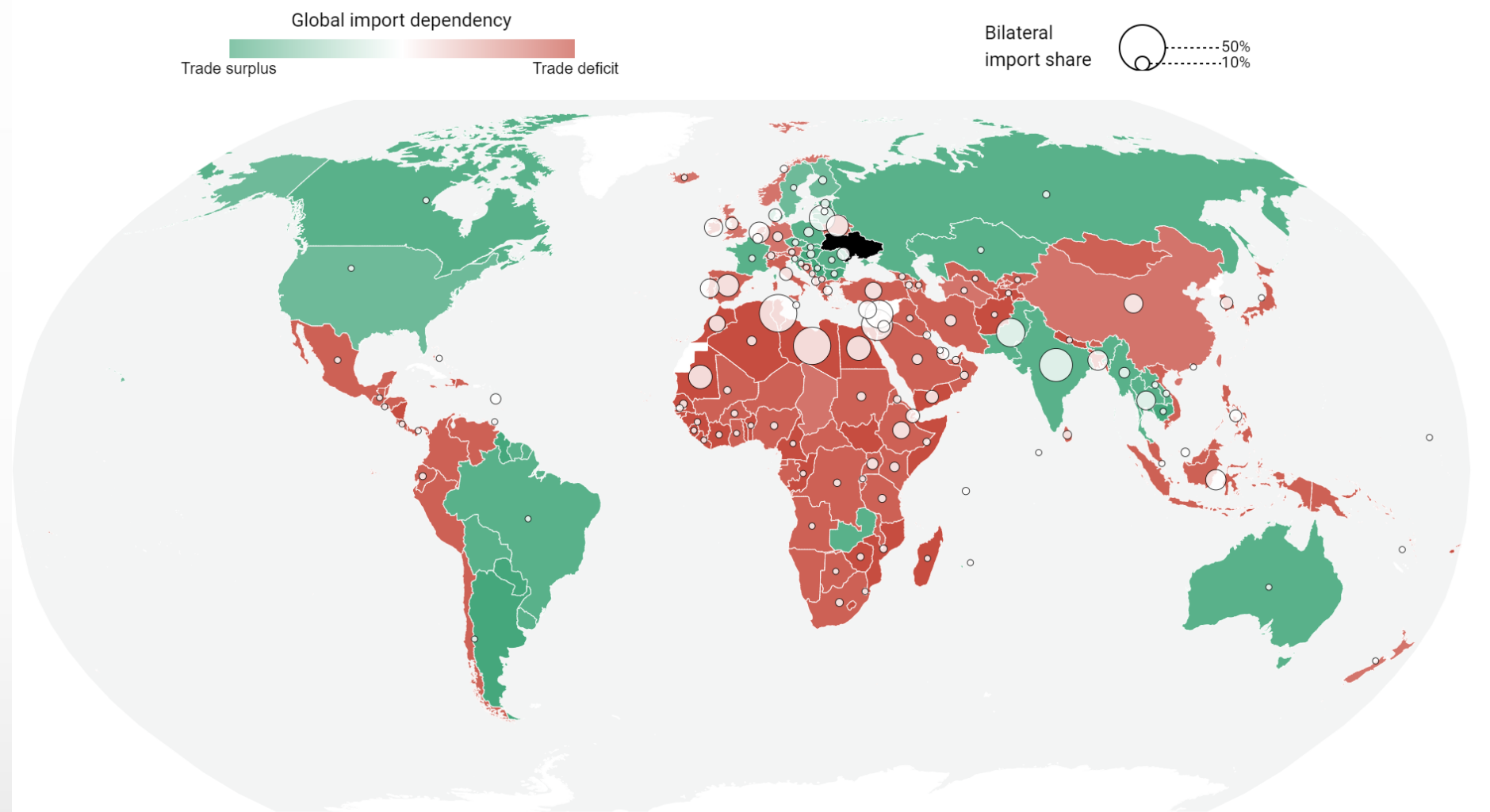
→ See ITC Technical Paper: *"Medical Industries in Africa: A Regional Response to Supply Shortages"*  
\*ITC regional breakdown of WHO global estimates.

## #2 War in Ukraine

demonstrated the continent's reliance on imports for food security

## Worldwide Dependencies on Food Imports

Import dependency for All cereals with import shares from Ukraine

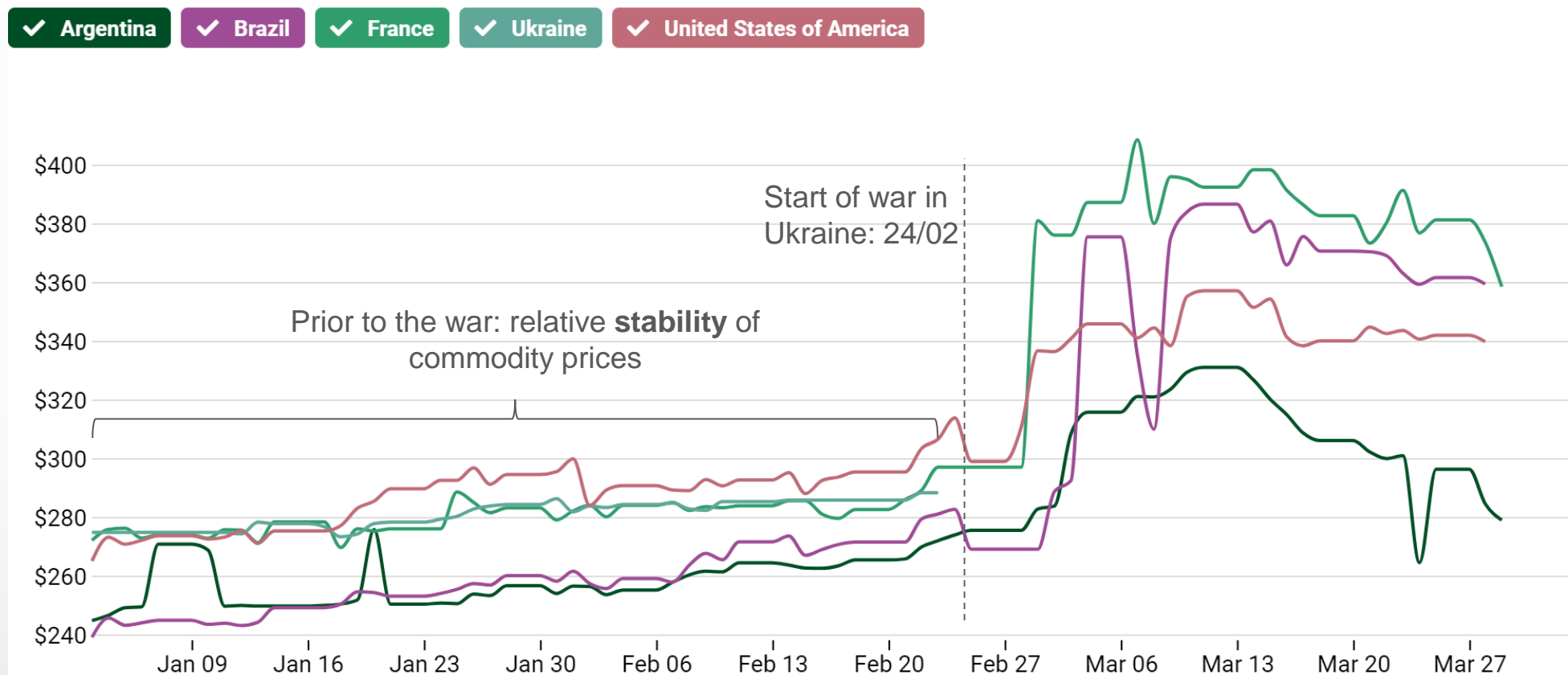


Disclaimer: This map has been generated using data from © Natural Earth, borders may not be accurate. © Natural Earth

Source: [ITC Trade Map](#) (2022), [IMF World Economic Outlook](#) (2021)

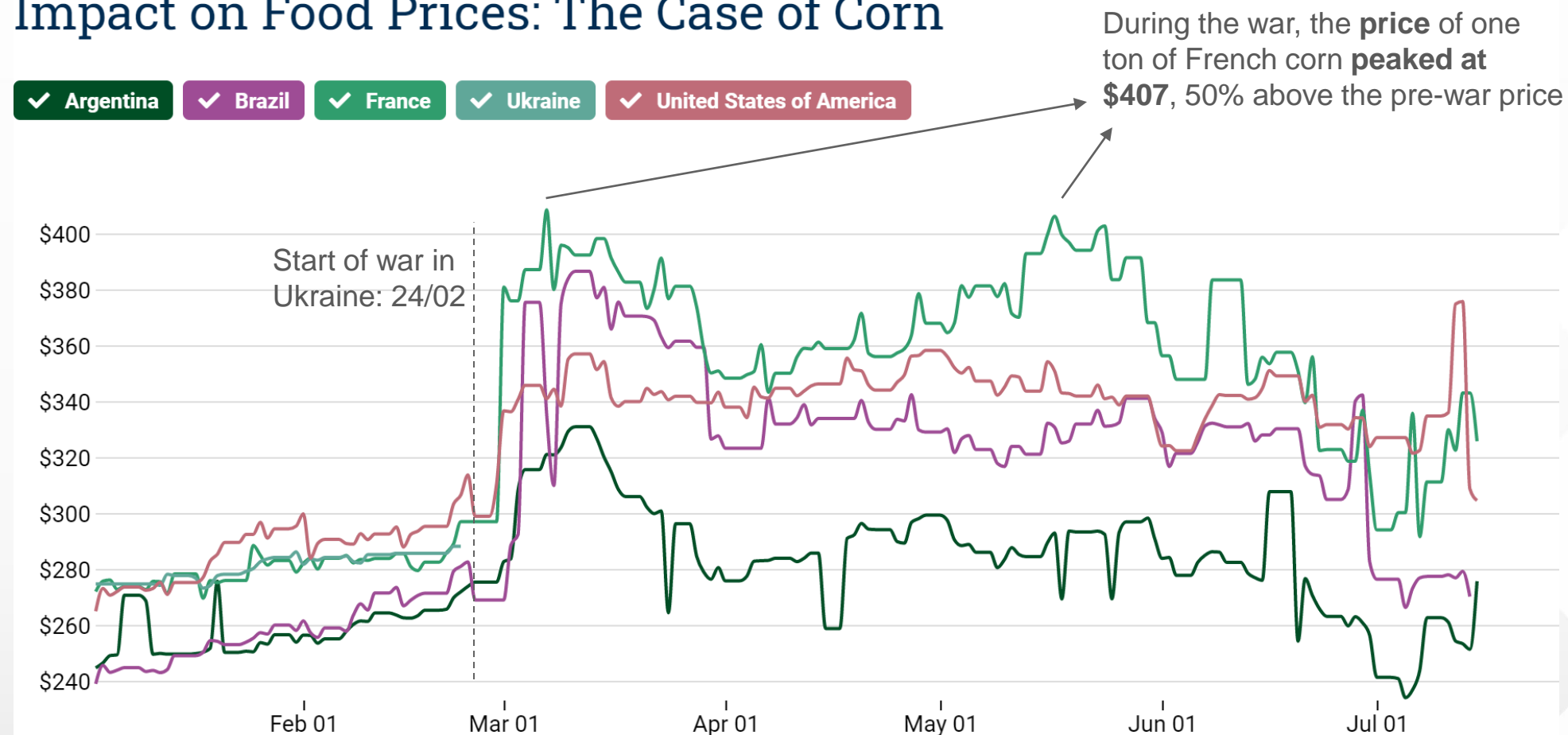
## #2 War in Ukraine ...making the continent vulnerable to commodity price peaks

### Impact on Food Prices: The Case of Corn



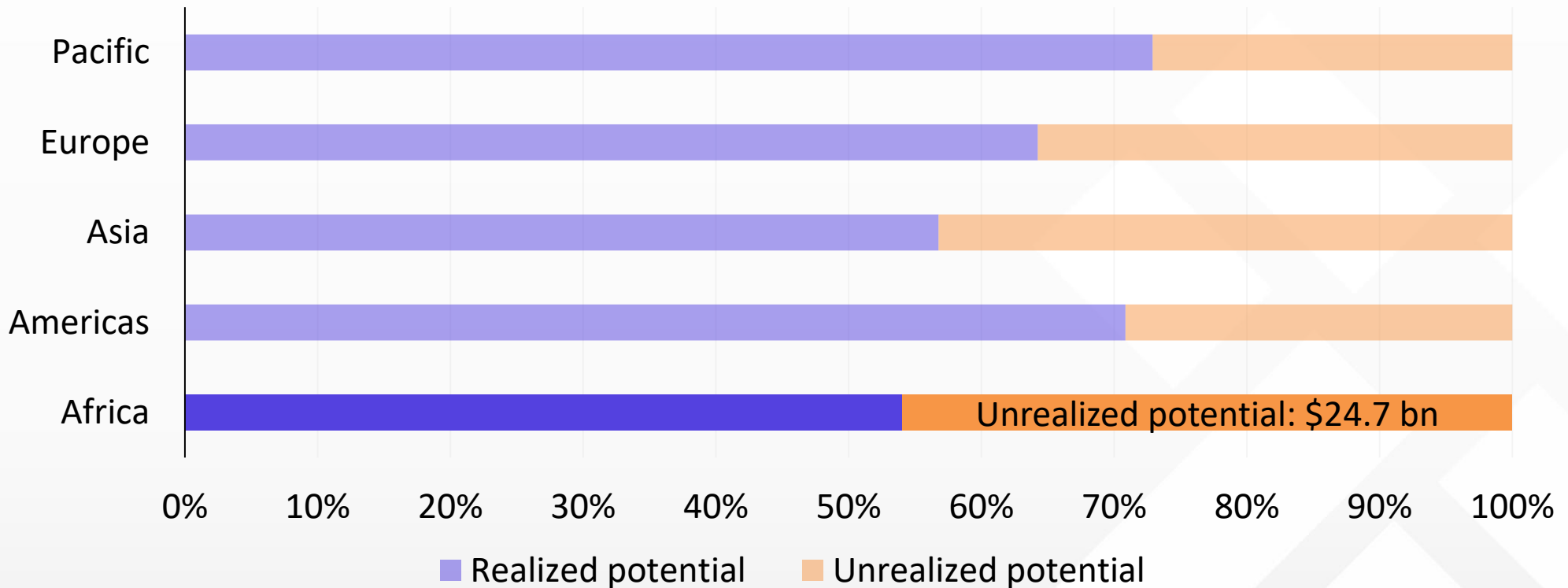
## #2 War in Ukraine ...making the continent vulnerable to commodity price peaks

### Impact on Food Prices: The Case of Corn



# AfCFTA ...so that the share of unrealized trade potential can be unlocked

Realized and unrealized export potential by region

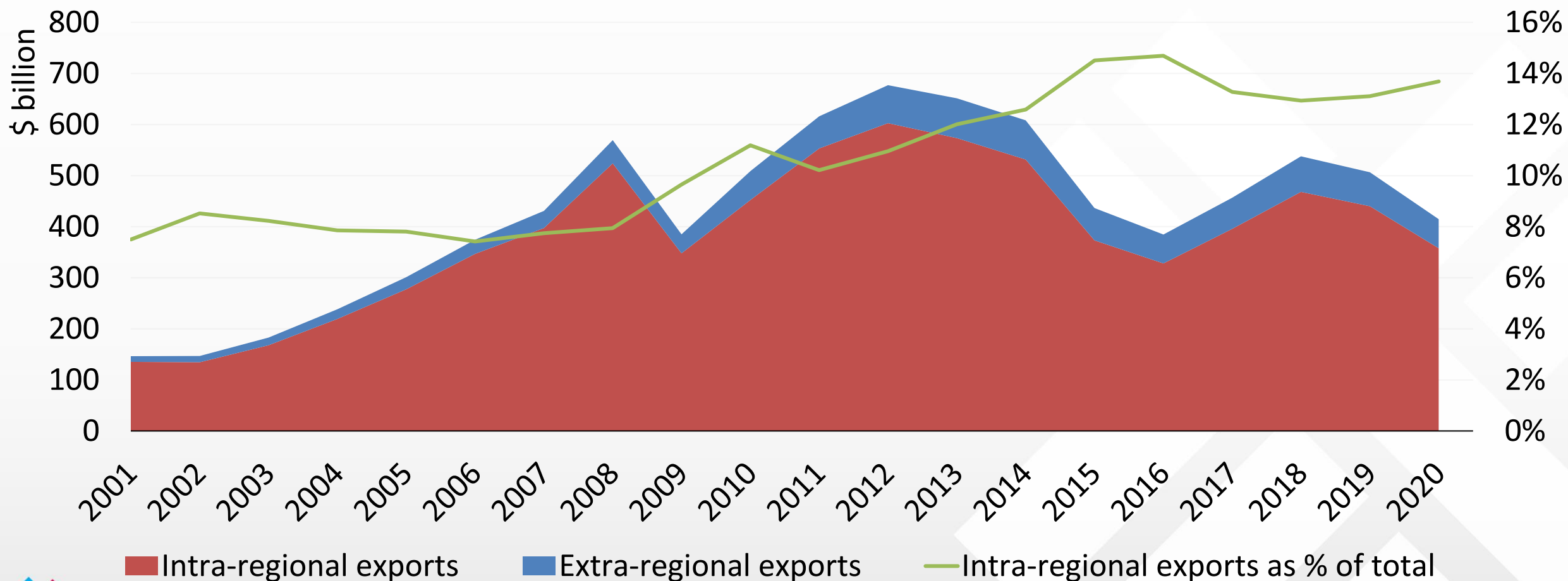


Unrealized export potential in Africa amounts to \$24.7 billion, this is a higher share of unrealized potential than in any other region of the world.

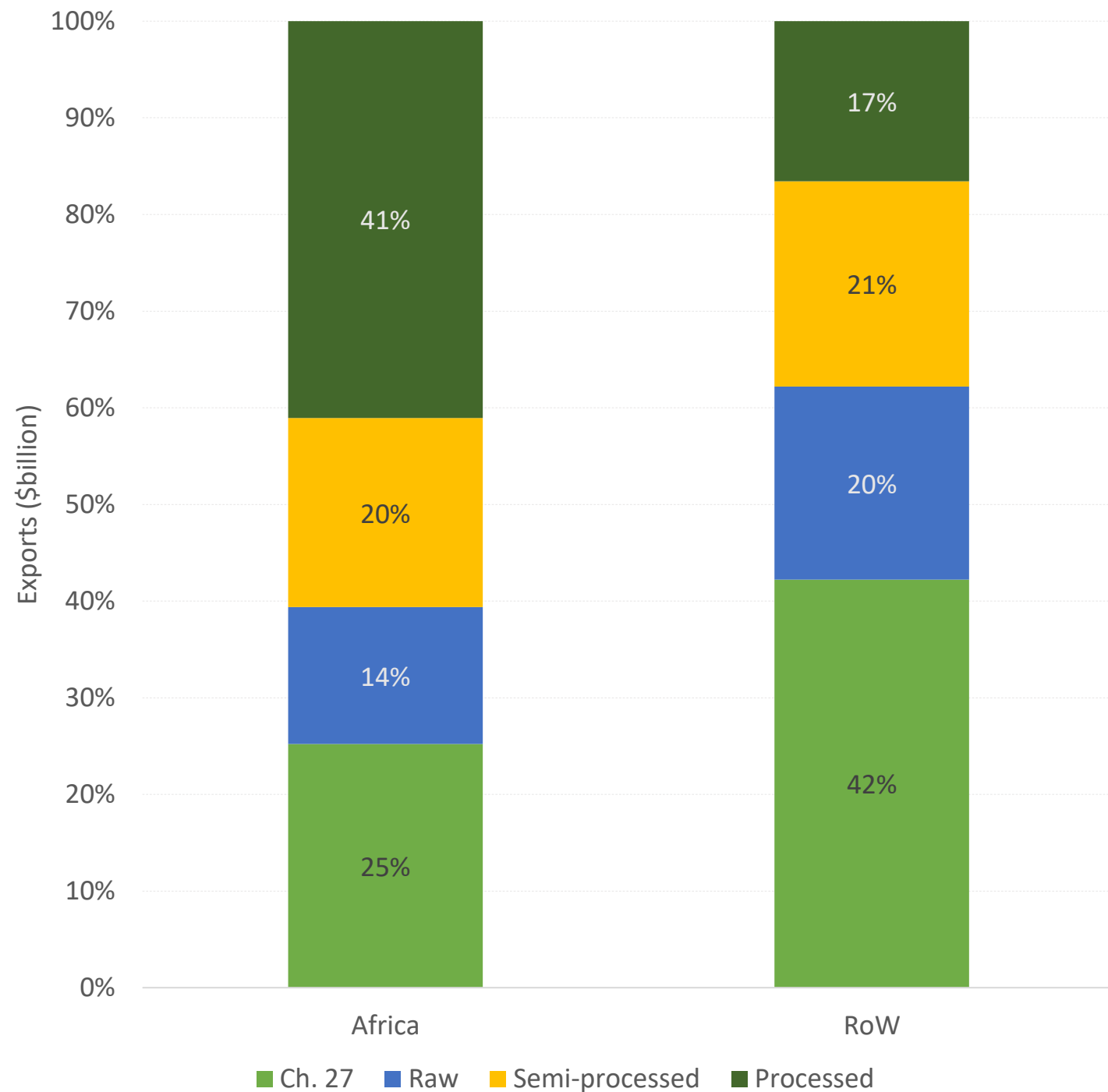


# AfCFTA ...giving a new push to regional trade integration that has stagnated since 2015

Intra- and extra-regional exports, 2001 to 2020, Africa



**AfCFTA** ...thereby leveraging the generally higher level of processing in intra-regional trade (as compared to trade with the rest of the world)



# Support value chains that drive resilience, diversification and deep integration on the African through:

## Innovative methodology for **value chain selection**

- ✓ Starting from the world's most detailed input-output tables
- ✓ Matching the Harmonized System's product classification to a new classification of value chains
- ✓ Using trade and other indicators to assess their feasibility for Africa
- ✓ Easy to customize from continental- to regional- and national-level value chain assessments



## Comprehensive business survey for assessment of **challenges in value chain development**

- ✓ Combining stakeholder questionnaire and in-person business interviews
- ✓ Evidence from the ground on challenges and solutions



Defining priority areas of intervention to provide **trade-related assistance in line with business needs**

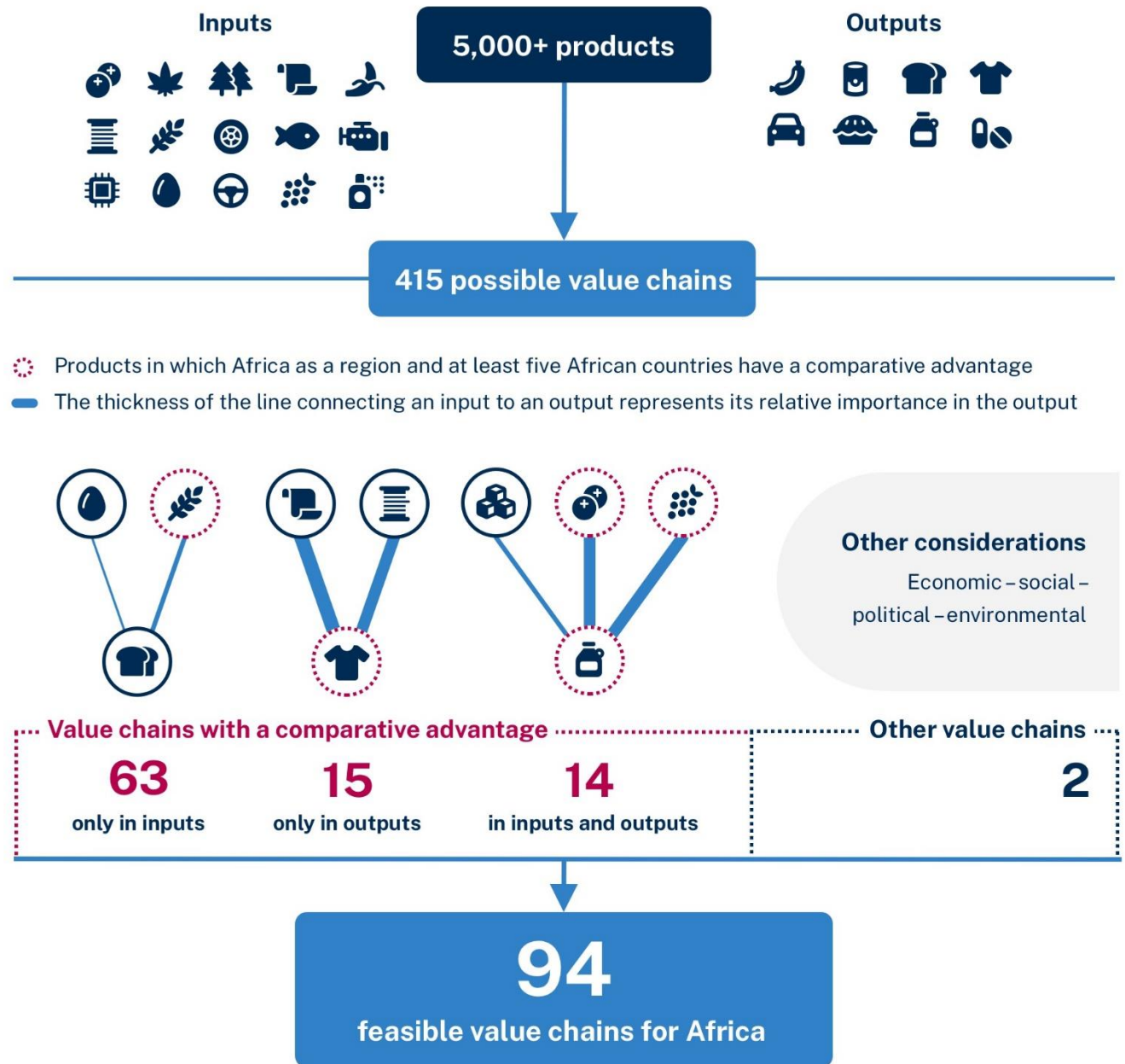
Which are the feasible and promising opportunities for value chain integration at the continental level?

# STEP 1

## Identification and selection of feasible value chains

### Additional criteria

- **Supply:** Production, trade, export potential in inputs and / or the output, supplier diversification
- **Demand:** Relative import demand, import dependency (for pharma and agrifood)
- **Market access:** Ease of trade (incl. post-AfCFTA), tariffs and tariff advantages
- **Strategy:** Alignment with / complementarity to other national and regional development initiatives, employment and income generation, crisis resilience, Attractiveness for investors, nearshoring
- **Sustainability:** Possibility for green transformation, female / SME participation



# The characteristics of promising value chains

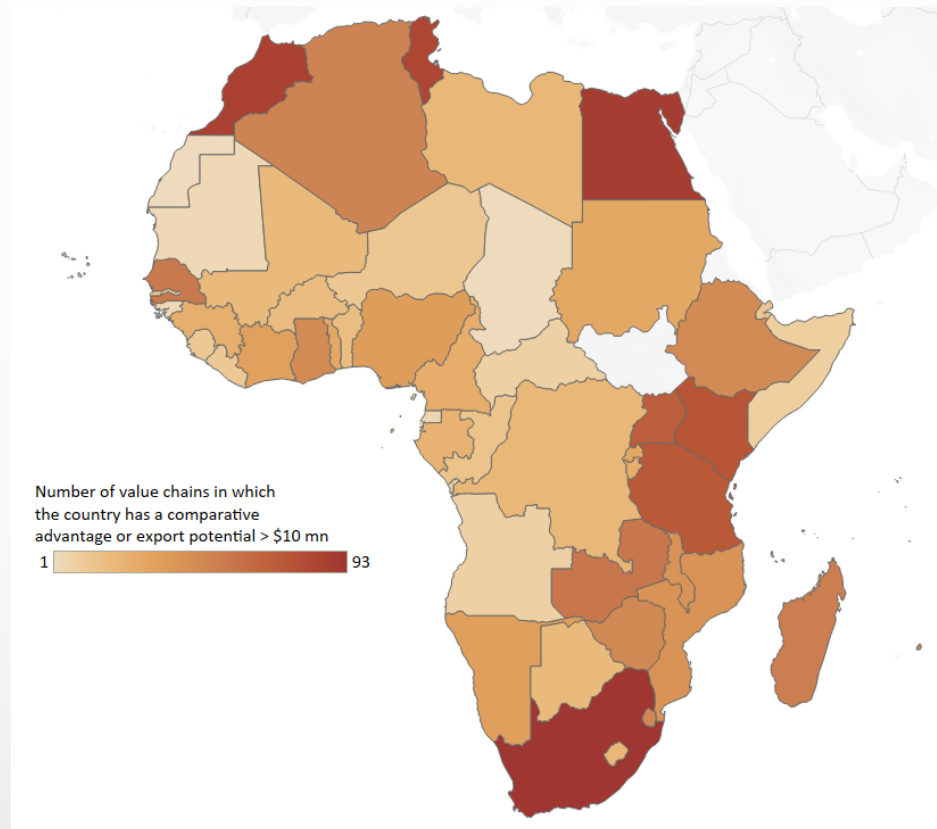
**94**

promising value chains in **23** sectors

Most in processed food (28) and machinery and electricity (11)

**Up to 33** African countries can connect to each value chain (inputs, outputs, or both)

On average, an African country can connect to **31** of these value chains



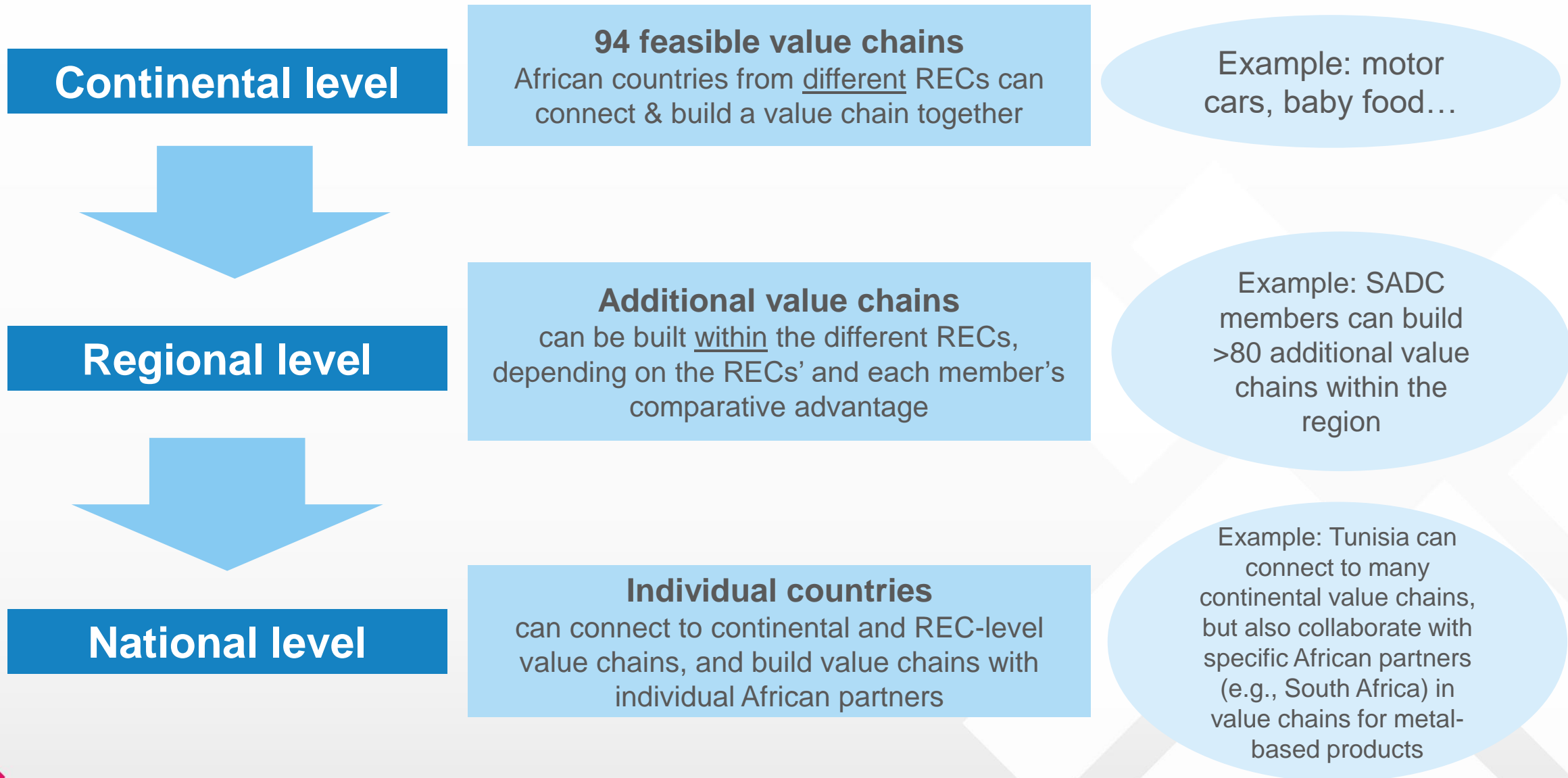
In **73** value chains, Africa has enough immediate inputs to cater to regional and international consumers

These are just the opportunities that already exist – with the necessary support, they could **grow much further**

# 23 sectors comprising 94 promising value chains

|   |   |                                   |
|---|---|-----------------------------------|
| Apparel                                       | Footwear  | Paper products                    |
| Beauty products & perfumes                    | Home textiles                                   | Pharmaceutical components         |
| Beverages (alcoholic)                         | Jewellery & precious metal articles             | Processed meat                    |
| Beverages (not alcoholic)                     | Machinery, electricity                          | Skins, leather & products thereof |
| Chemicals                                     | Metal products                                  | Textile fabric n.e.s.             |
| Cocoa beans & products                        | Miscellaneous manufactured products             | Vegetable oils & fats             |
| Fish products (processed)                     | Motor vehicles & parts                          | Wood products                     |
| Food products n.e.s. (processed or preserved) | Optical products, watches & medical instruments |                                   |

# From continental to regional and national level





# In that context: Stakeholder engagement

- Throughout the project duration
- Key in **selecting the pilot value chains for the diagnostics**, designing the survey questionnaires, identifying experts, ensuring smooth implementation and effective follow-up
- **Key milestones:**
  - Oct 2021: consultative meeting with several DGs of the European Commission
  - Dec 2021: participation in AU retreat
  - Jan-Mar 2022: Participation in 6 EABF working groups with various EU and African business associations & other partners
  - Feb 2022: EU-Africa Business Forum
  - Mar 2022: first AUC-led steering committee meeting on value chains



# Selected pilot value chains with high development potential at the continental scale



# Automotive

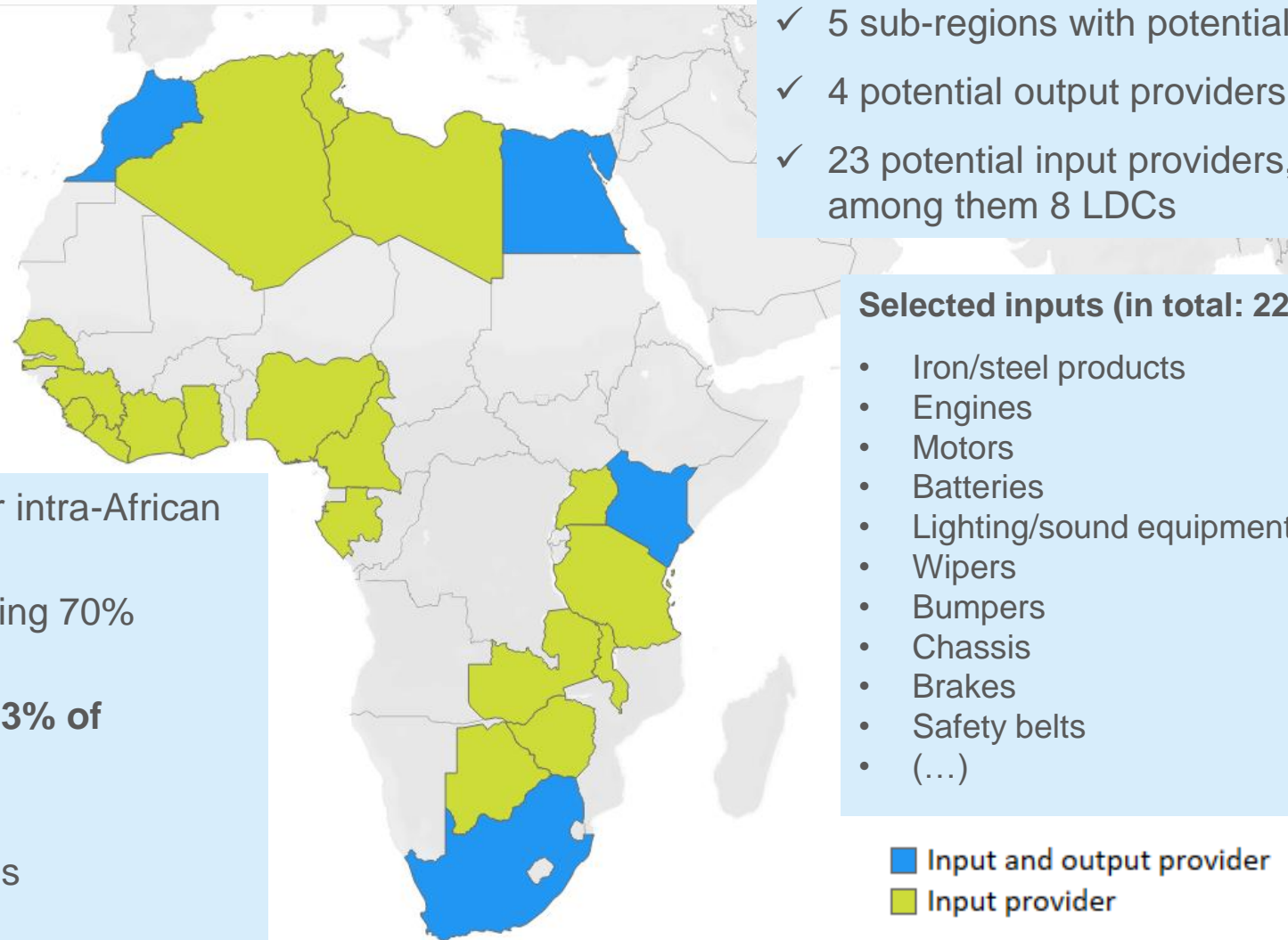
# Mapping of countries into value chains: Motor Cars

**4<sup>th</sup> most exported product from Africa**

**Africa's export potential**

- To the world: \$10.3 bn
- To Africa: \$1.1 bn

- Sector with the highest potential for intra-African export growth
- Trade deficit of \$6.7 bn, imports being 70% higher than exports
- **African output providers source 3% of imported inputs from Africa**
- Recent investments in the region
- Decent jobs that raise income levels
- Green technology potential



- ✓ 5 sub-regions with potential
- ✓ 4 potential output providers
- ✓ 23 potential input providers, among them 8 LDCs

**Selected inputs (in total: 221)**

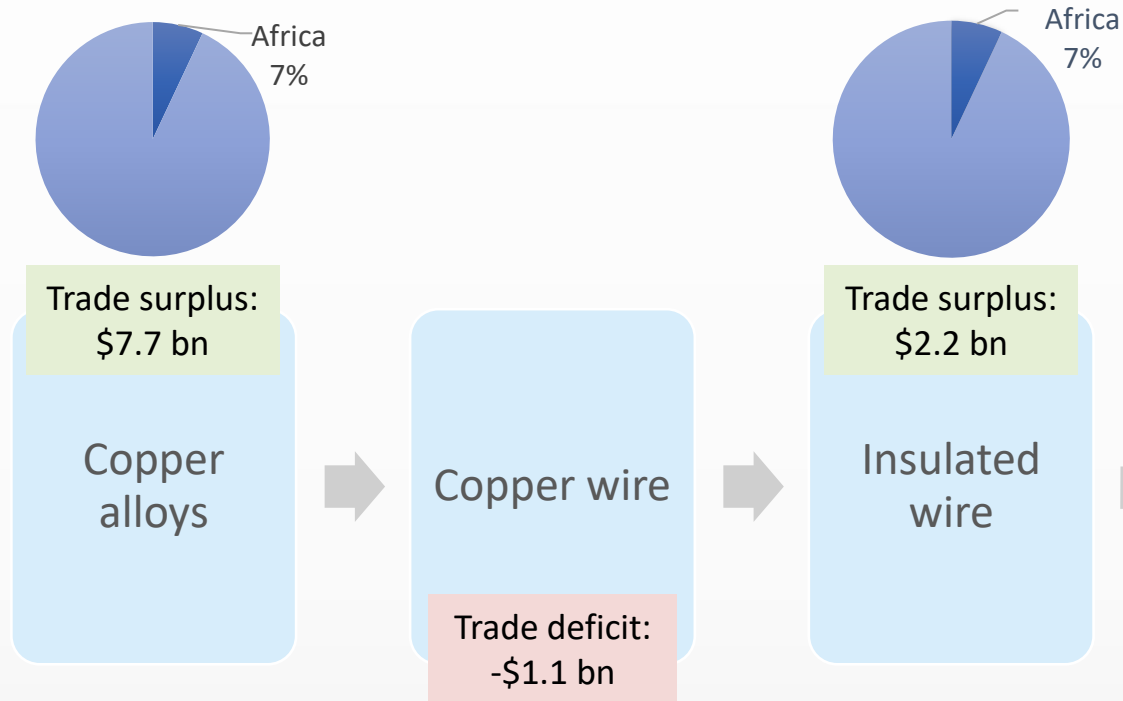
- Iron/steel products
- Engines
- Motors
- Batteries
- Lighting/sound equipment
- Wipers
- Bumpers
- Chassis
- Brakes
- Safety belts
- (...)

- Input and output provider
- Input provider

# Missing links in African value chains

## Example: Automotive wire

Share of  
**exports** to ...



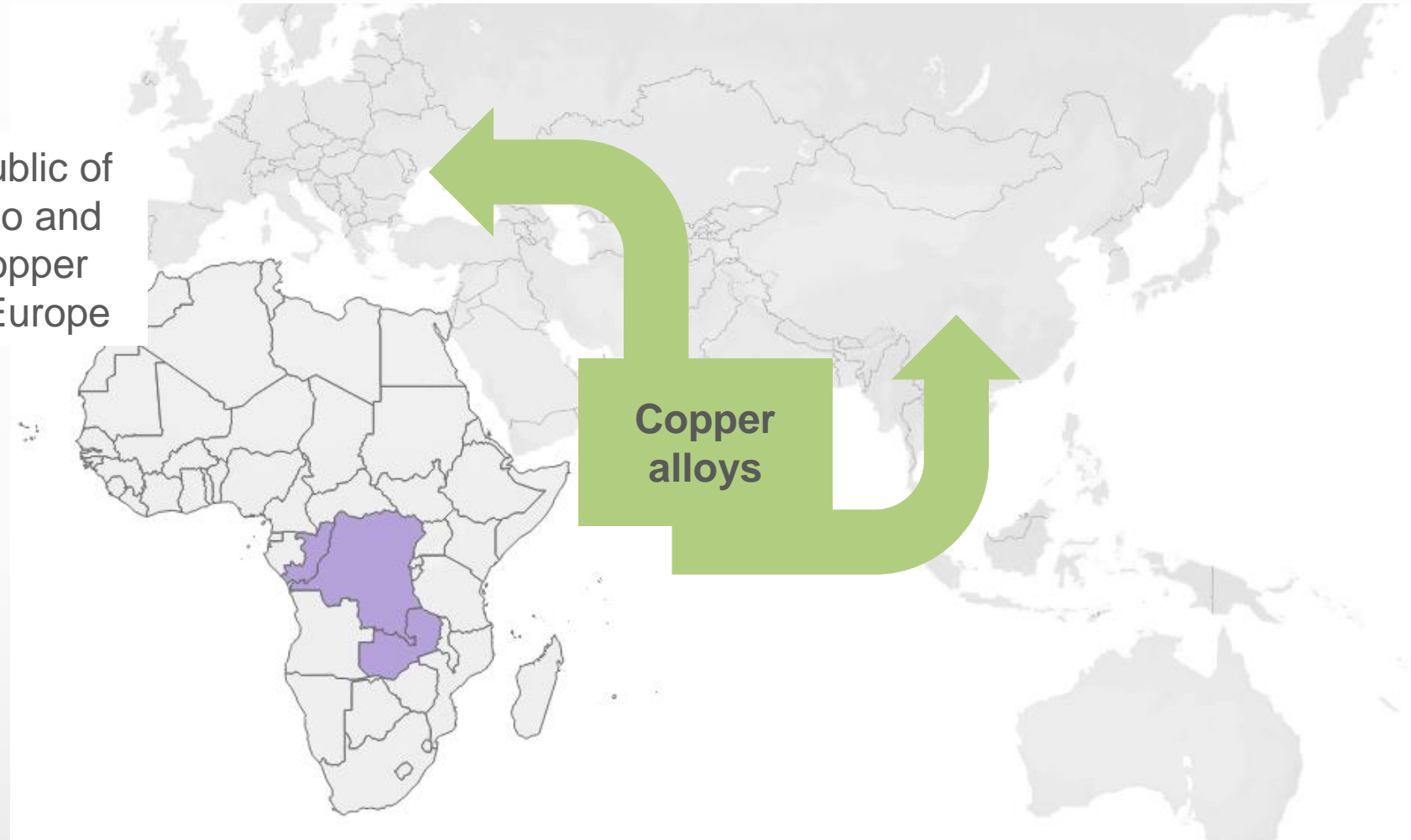
Share of  
**imports** from ...

# Missing links in African value chains

## Example: Automotive wire

1

Democratic Republic of the Congo, Congo and Zambia export copper alloys to Asia & Europe

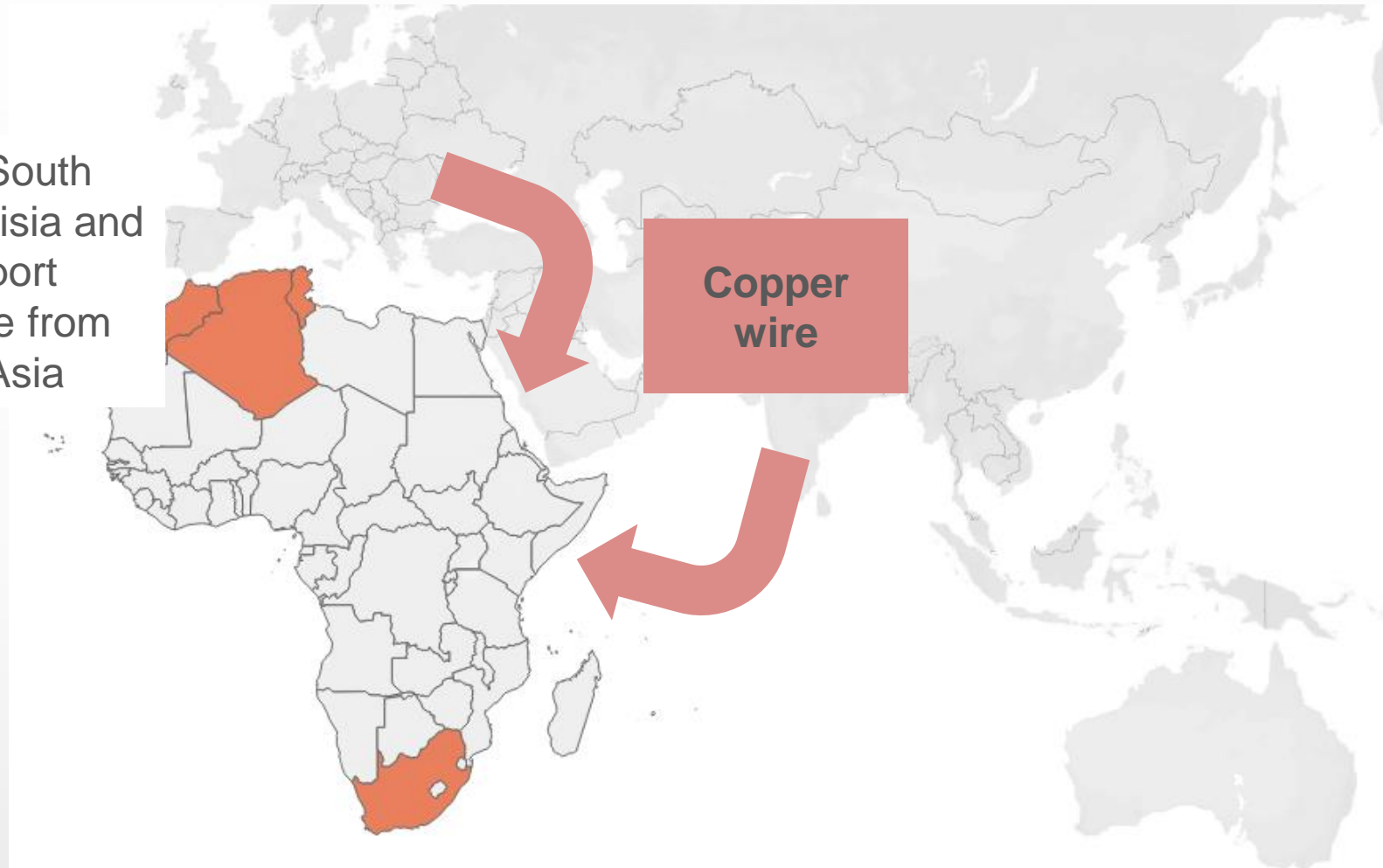


# Missing links in African value chains

## Example: Automotive wire

2

Morocco, South Africa, Tunisia and Algeria import copper wire from Europe & Asia

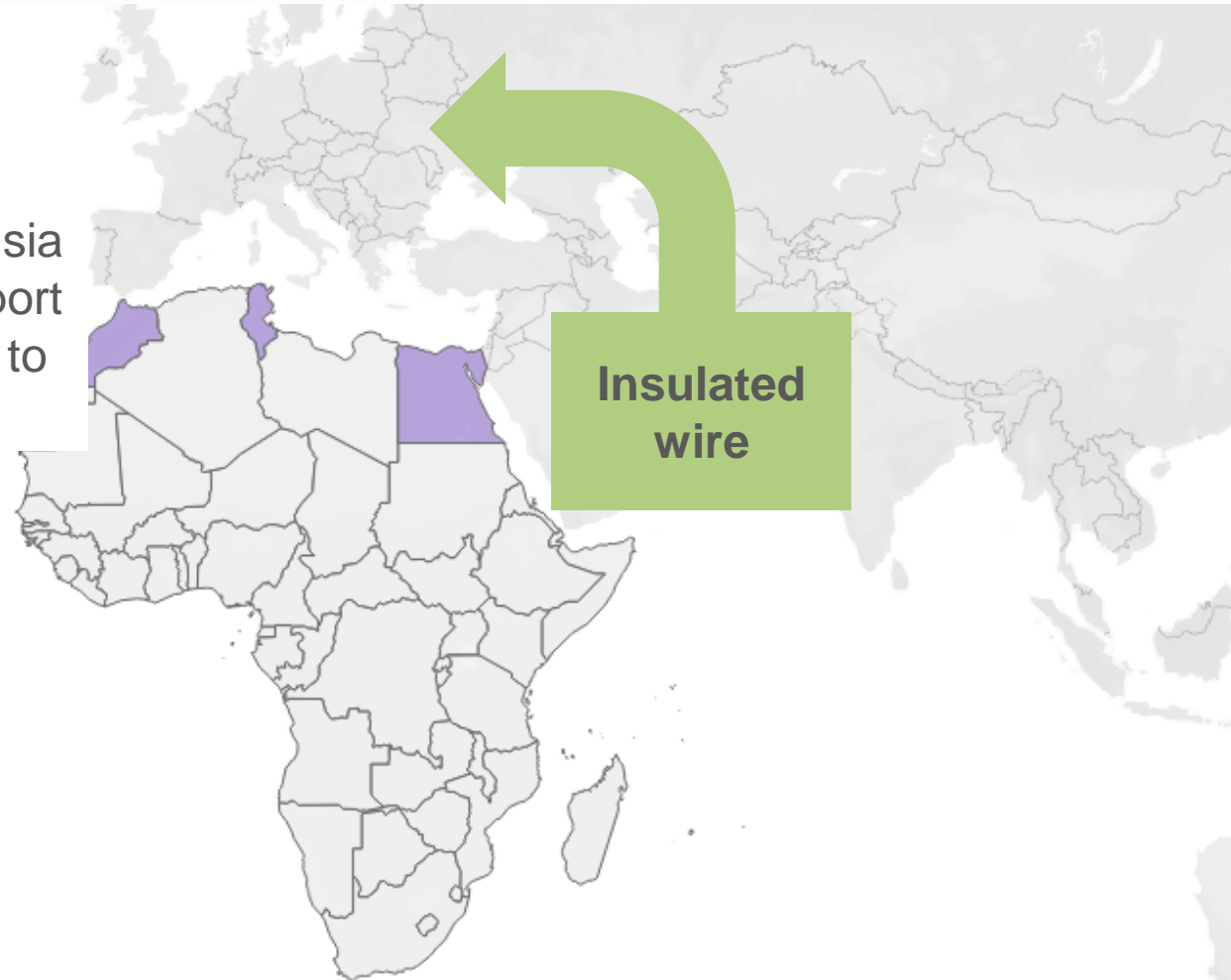


# Missing links in African value chains

## Example: Automotive wire

3

Morocco, Tunisia  
and Egypt export  
insulated wire to  
Europe



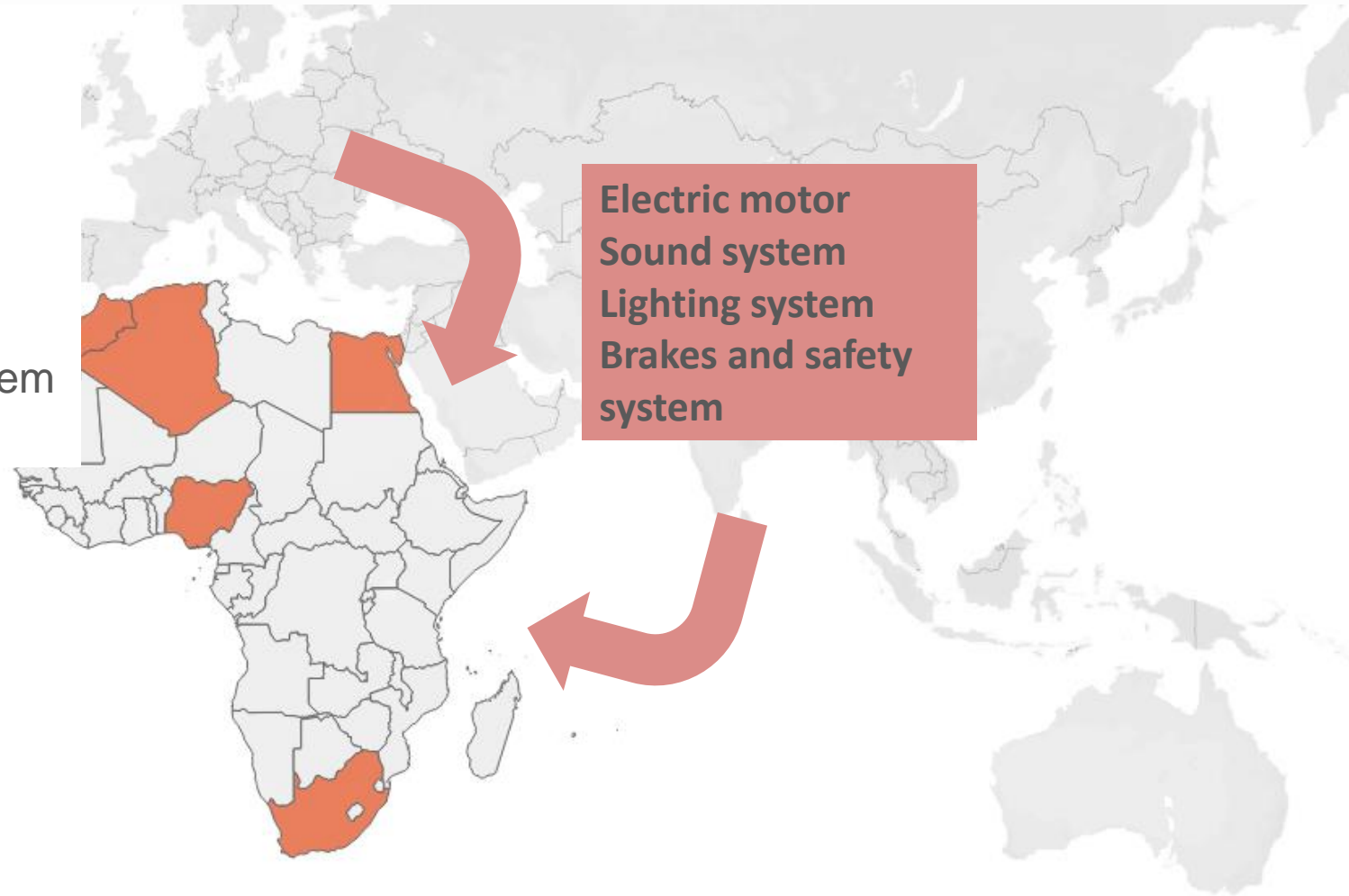


# Missing links in African value chains

## Example: Automotive wire

4

South Africa, Egypt, Morocco, Algeria and Nigeria import electric motors, sound system, lighting system, brakes and safety system from Asia and Europe



# Automotive seat inputs

Africa's trade deficit for automotive seats: **\$107 million**

Share of inputs imported from Africa by African countries: 9%



**Polymers of propylene**  
 ✗ RCA at continental level  
 ✓ 2 countries are potential input providers\*

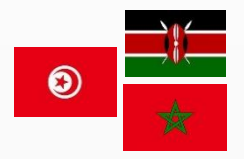
**Screws and bolts**  
 ✗ RCA at continental level  
 ✓ 4 countries are potential input providers\*



+ 12 more

**Hides, skins and leather**  
 ✓ RCA at continental level  
 ✓ 18 countries are potential input providers\*

**Synthetic fibres and textiles**  
 ✗ RCA at continental level  
 ✓ 8 countries are potential input providers\*



**Adjustment cables**  
 ✗ RCA at continental level  
 ✓ 3 countries are potential input providers\*

**Polyvinyl Chloride**  
 ✗ RCA at continental level  
 ✓ 2 countries are potential input providers\*



**Stainless steel**  
 ✗ RCA at continental level  
 ✗ 0 countries are potential input providers\*

**Bars and rods of iron/steel**  
 ✗ RCA at continental level  
 ✓ 8 countries are potential input providers\*



+ 4 more

\* Potential input providers: RCA or export potential > \$10m

# Baby/infant food

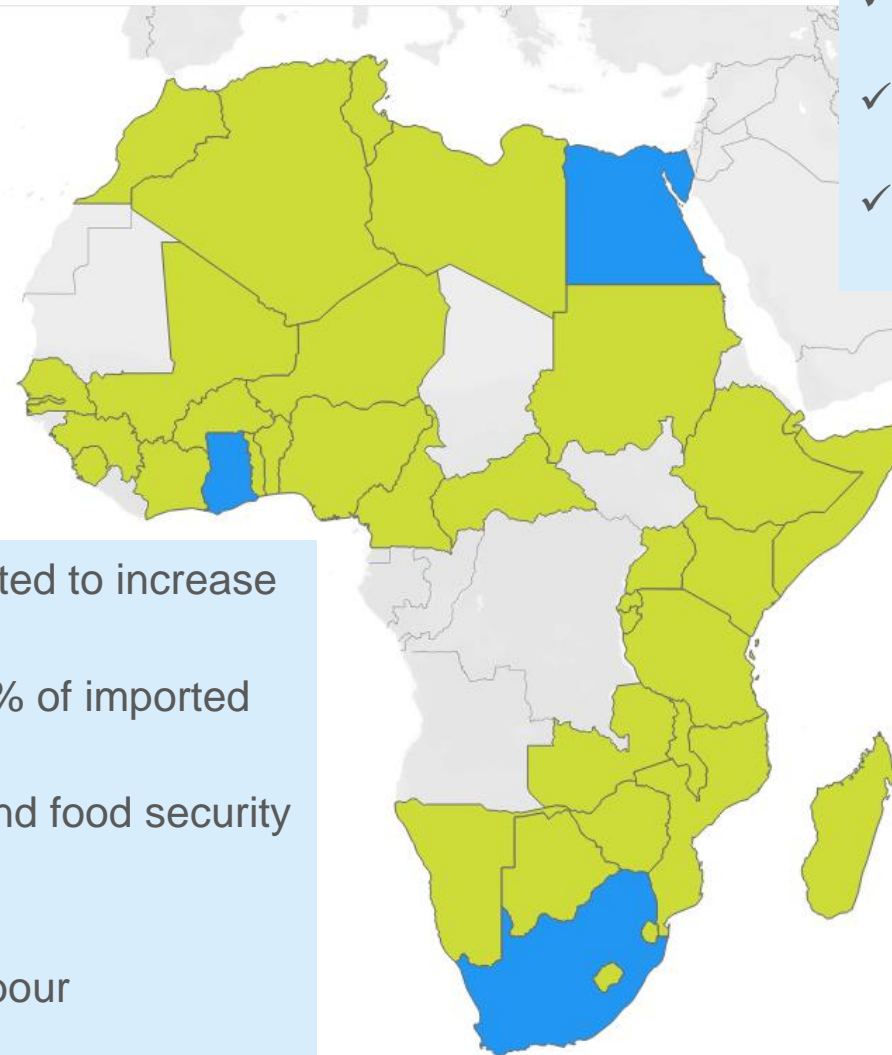
# Mapping of countries into value chains: **Baby/infant food**

**Value of Africa's exports in inputs: \$16.1 bn**

**High import dependency** creates incentives for exploiting local capabilities

**Trade deficit of \$604.8 mn,** imports 10 times as high as exports

- Current imports: \$650.5 mn, projected to increase by more than 100% by 2026
- African output providers source 16% of imported inputs from Africa
- Policy emphasis on agribusiness and food security
- Covers multiple agri-value chains
- Opportunity for value addition
- High share of SMEs and female labour participation



- ✓ 5 sub-regions with potential
- ✓ 3 potential output providers
- ✓ 39 potential input providers, among them 23 LDCs

## Selected inputs

- Fruit
- Vegetables
- Cereals
- Dairy products
- Meat
- Fish
- (...)

- Input and output provider
- Input provider

# Infant food inputs



+ 19 more

**Fruits & vegetables**  
 ✓ RCA at continental level  
 ✓ 23 countries are potential input providers\*



+ 12 more

**Fish & shellfish**  
 ✓ RCA  
 ✓ 16 countries are potential input providers\*



**Cocoa beans & products**  
 ✓ RCA  
 ✓ 4 countries are potential input providers\*



**Cereals (incl. rice)**  
 ✗ RCA  
 ✓ 2 countries are potential input providers\*



**Cartons**  
 ✗ RCA  
 ✓ 5 countries are potential input providers\*

**Dairy products**  
 ✗ RCA  
 ✓ 4 countries are potential input providers\*



**Malt and starch**  
 ✗ RCA  
 ✓ 1 country is potential input provider\*



African imports of baby food: \$651 million  
 Projected imports by 2026: >\$1.3 billion  
 Trade deficit: \$604.8 million

Share of inputs sourced from Africa by African producers: 16%



**Jars**  
 ✗ RCA  
 ✓ 8 countries are potential input providers\*



+ 4 more

**Lids**  
 ✗ RCA  
 ✓ 4 countries are potential input providers\*



**Meat**  
 ✗ RCA  
 ✓ 4 countries are potential input providers\*



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

STEP 2

# Providing evidence from the ground for 4 pilot value chains

Drawing from two survey initiatives

## 1. Value Chain diagnostic survey: Dec'21 - Feb'22



531

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

+

101

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

+

643

Responses to the **web-based consultation** on value-chain development and regional integration in Africa ([www.ntmsurvey.org/Africa](http://www.ntmsurvey.org/Africa))

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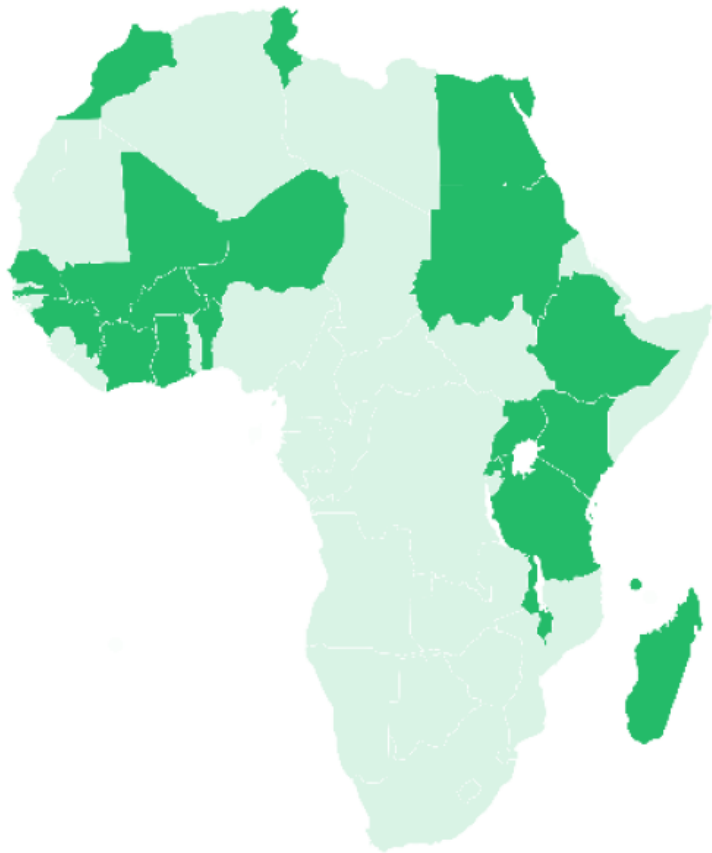
**1,275** TRADE IMPACT FOR GOOD

STEP **2**

# Providing evidence from the ground for 4 pilot value chains

Drawing from two survey initiatives

## 2. NTM Business Surveys in Africa: documenting trade obstacles



**22**

*Countries in Africa where  
NTM Business surveys have  
been implemented*



*Interviews with African  
exporters and import-  
ers of all sectors*

**9691**  
*Interviews*

*Interviews  
conducted during*

**2011-  
2020**



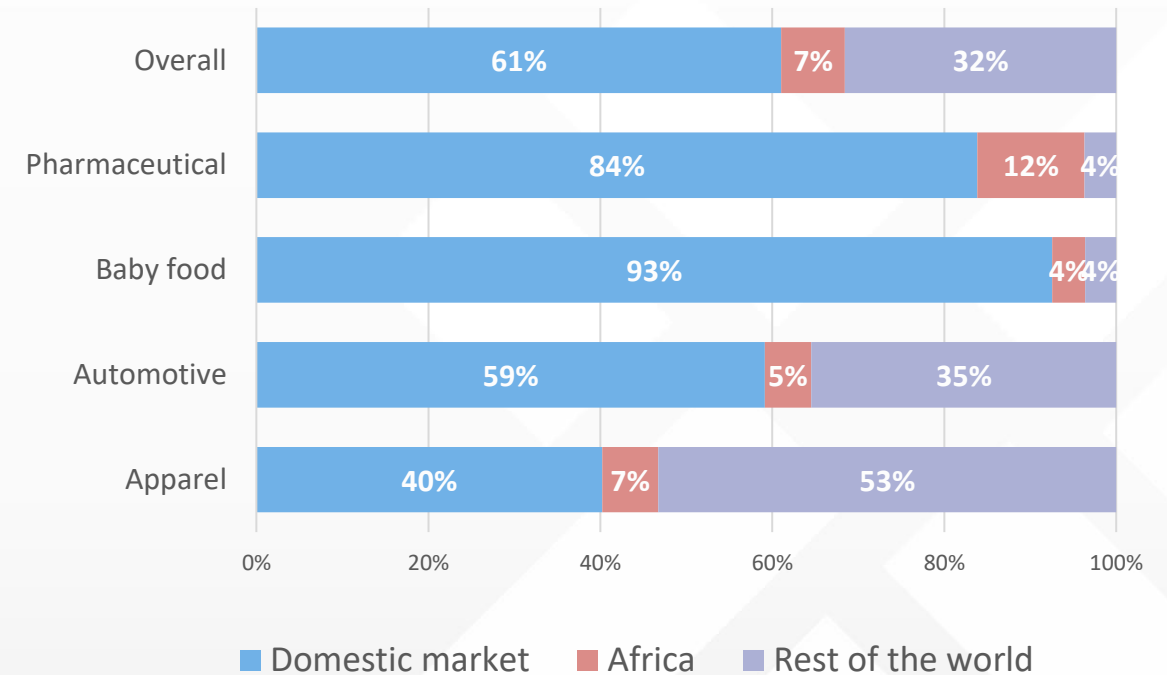


## Companies focus on domestic markets – or export outside the continent

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*

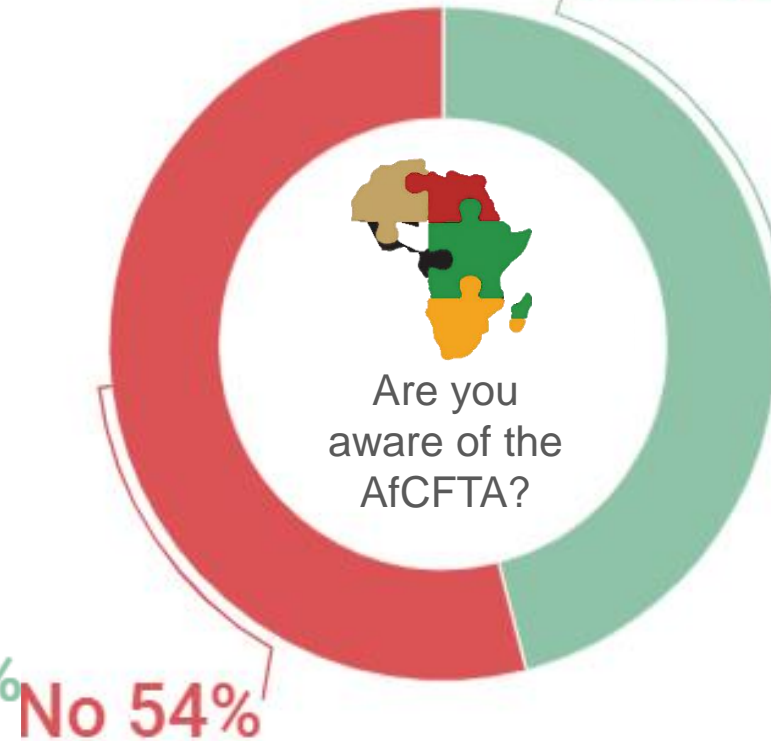
Unsure 24%



Yes 63%

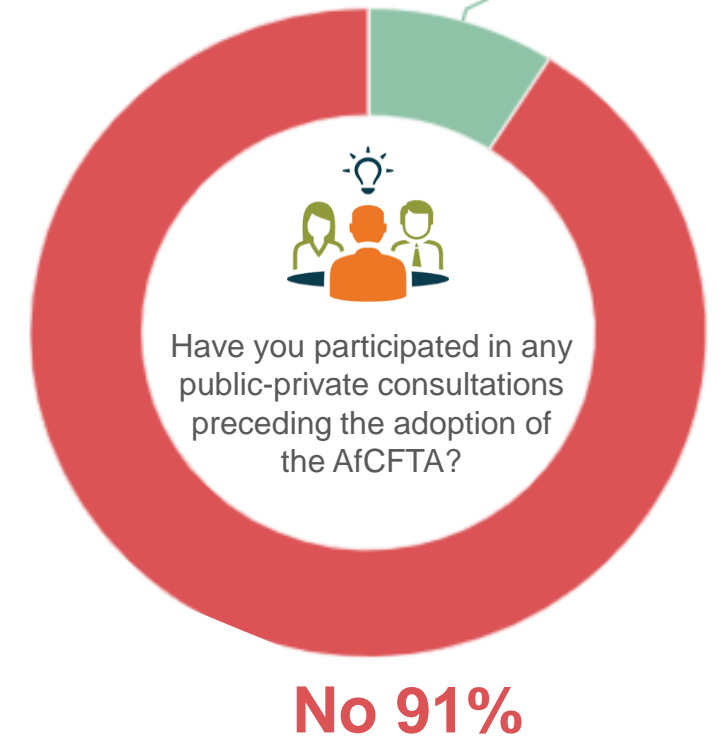
No 13%

Yes 46%



No 54%

Yes 9%



No 91%

## 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.*

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



*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.*

# ... and businesses currently do not necessarily look for each other either...

## Key challenges reported

### Connectivity

- 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

### Reliability



### Stability

### Sustainability

- Uncompetitive production cost / prices
- 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

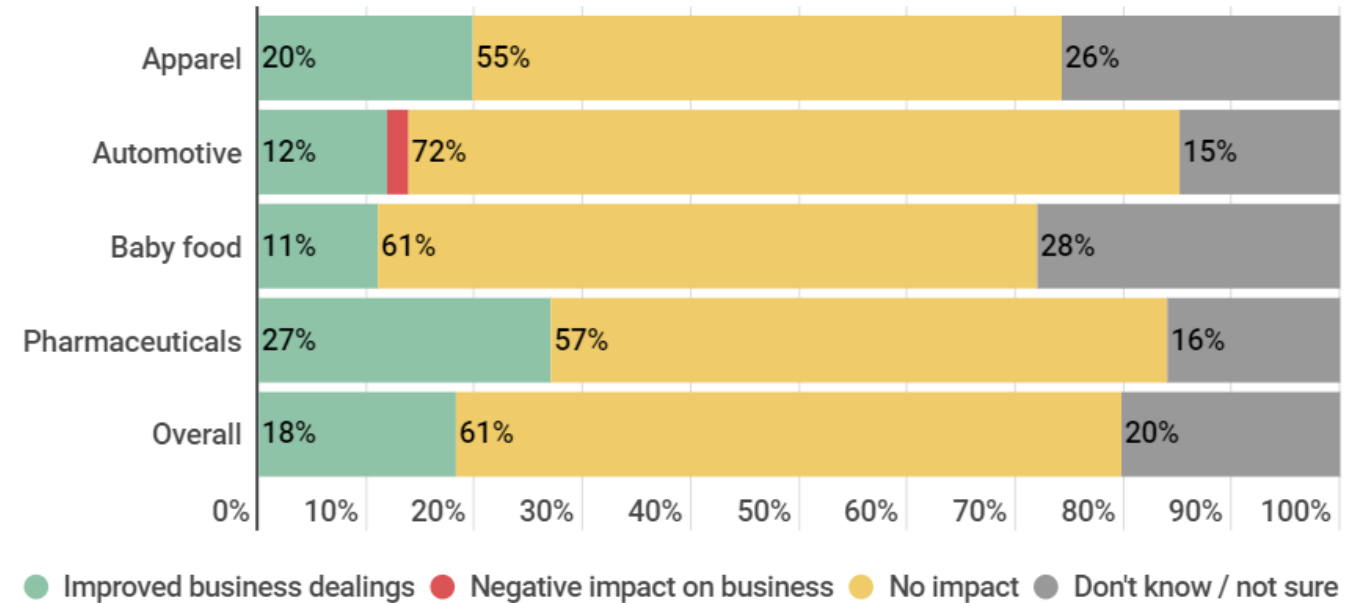


## Insufficient implementation of existing trade agreements



*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

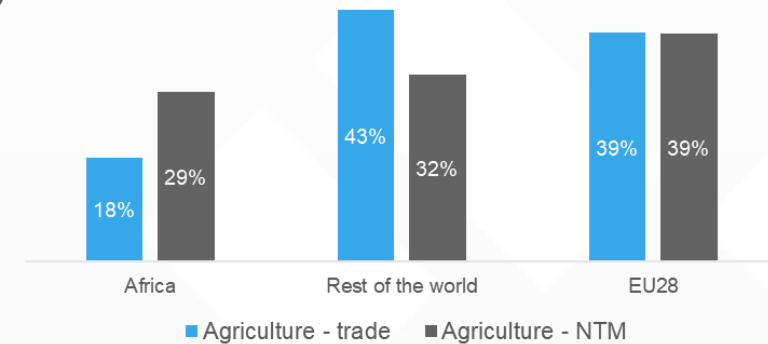
Disproportionately many trade obstacles are reported with respect to intra-regional trade, particularly in manufacturing



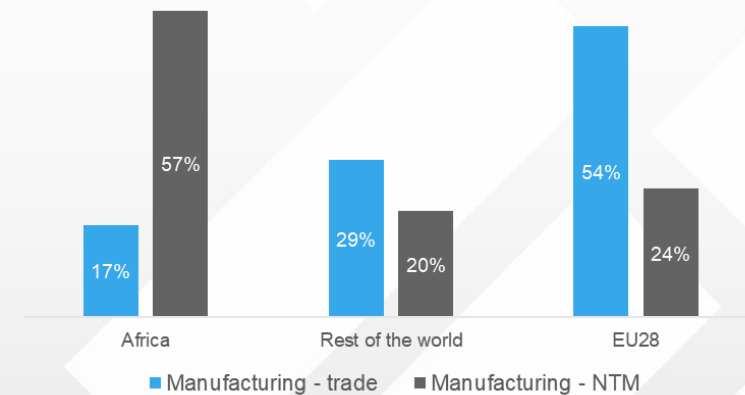
*Share of exporters in Africa affected by NTM-related trade obstacles*

*Share of trade obstacles encountered vs total exports by region:*

### Agriculture



### Manufacturing



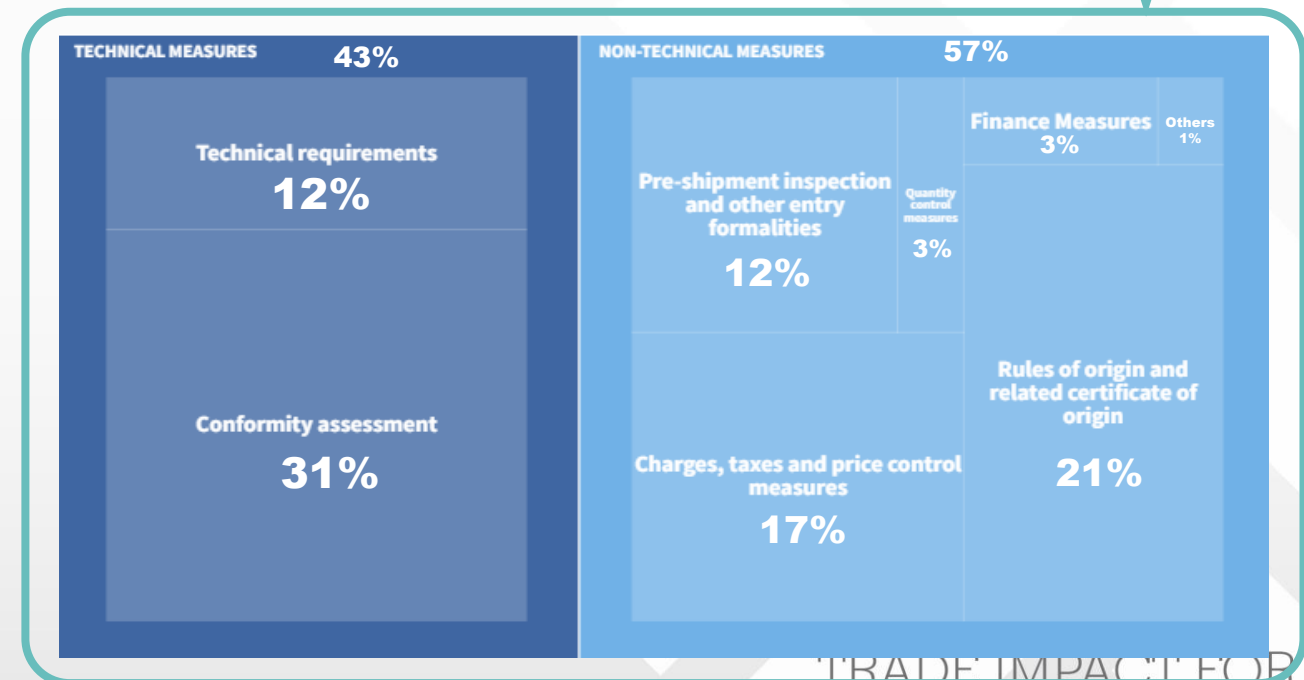


## Non-tariff measures: Market access begins at home

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

...And about 1/3 of partner country measures are experienced as problematic because of **procedural obstacles happening in the home country** (e.g. red tape, unclear procedures, etc. )

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





# Dimensions of change – where to act?

**Information:** Transparency, transparency, transparency

**Strategic vision and regulatory framework:** continental, sub-regional, national

**Business environment:** Infrastructure (e.g. transport and logistics), trade support institutions and trade-related services

**Finance:** loans, payment systems and insurance

**Institutional efficiency:** cooperation, digitalization and streamlining of processes (e.g. border clearance)

**Company level:** capacity, innovation, technologies, business skills, trade orientation

# What needs to change?

## Selected cross-sectoral recommendations

- **Build trust in “Made by Africa”**
  - Invest in a continental quality framework and conformity assessment infrastructure
  - Ensure maximum transparency of applicable regulations and certification procedures
  - Build the capacity of companies to comply with high quality standards
  - Monitor and effectively enforce existing quality standards
- **Connect businesses:**
  - Encourage and support the participation of businesses in national, regional and continental trade fairs
  - Improve information on available supply and demand along promising value chains
- Monitor the implementation of trade agreements: **capture and address also trade obstacles encountered domestically**, e.g. in relation to export-related measures or procedural obstacles encountered in the exporting country
- Increase **academia-industry partnerships** for research and innovation



*We have to start believing in our own products.*

# Example Automotive VC – key challenges

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



*Yes, I expect benefits for the automotive industry in my country arising from the AfCFTA, but only if the whole continent or leaders set a comprehensive strategy to enhance the automotive industry*

*Economies of scale matter a lot and African countries do not have enough capacity yet.*



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

*In terms of expanding our operations to other African countries, there are challenges related to different government policies protecting their local operators.*

# Example Automotive VC – key challenges



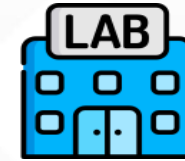
*Yes, we produce electric vehicles. But people still largely prefer fuel cars. This is partly because the government has not put in place the needed infrastructure to assure users that their vehicles can be adequately powered. For the vehicles we sell, we build our own charging stations.*



Automotive



Limited institutional infrastructure to certify against complex origin and quality criteria



*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

# Example Automotive VC – key challenges

Limited demand for new cars



*We try as much as we can to mitigate the environmental risks. However, the lack of proper waste disposal systems remains a great challenge to us.*



Challenges related to waste disposal.



*Consumers in Africa buy more used cars because they are 30 to 50% cheaper than a new car. Given the low purchasing power of citizens in Africa, they cannot bear the price of buying new cars.*

# Example Automotive VC – key challenges

*We currently do not source any of our inputs from other African countries aside our own because we have some doubts about the quality of inputs from Africa.*

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



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



Automotive

*African countries have been known to be suppliers of raw materials and semi-processed products, something that has to be corrected, especially with the coming into being of the AfCFTA. Africa needs to supply value-added inputs to be competitive.*

*We are unable to meet international standards due to lack of technical know-how and modernized equipment.*

# Example Automotive VC – key challenges





# Example automotive VC – what needs to change?

## Selected sector-specific recommendations: The continental dimension

- **Formulate the continental vision:** what automotive industry do we want? – And how does this link to the future of mobility on the continent?
  - OEM-led versus local brands
  - Classic fuel cars versus low emission vehicles
  - Cars versus motorbikes versus buses (or generally: public transport)
  - Supporting infrastructure and services (e.g. maintenance, repair and recycling services)
  - New cars (and components) versus used cars (and components)





## Talking about used cars...

Businesses, industry experts and other stakeholders are **divided about the second-hand car market**:

- 35% of respondents consider it a **threat** to the development of the automotive industry in Africa
- Many consider new and used cars as **complementary** serving different client segments: 40% of respondents find the used-car market helpful for meeting the needs of Africa and as a source of **business opportunities** (e.g. for maintenance and repair services, parts and components, upgrading to meet safety and environmental standards etc.)

Importance of **strict rules for safety, vehicle emissions and fuel efficiency** and their **enforcement** to avoid problems of pollution and lack of safety and to

Requirements for **periodical technical inspections** to confirm roadworthiness

+ **Action on the export side** (limit exports of vehicles not meeting safety and environmental standards that would no longer be authorized to circulate in exporting countries)



# Example automotive VC – what needs to change?

## The continental dimension

### Related to quality and conformity assessment

- Harmonize automotive sector standards: support and accelerate the efforts of ARSO (and Afreximbank) to harmonize standards for the automotive sector
  - Definition of standards
  - National implementation of standards
- Improve the **availability of specialized testing and certification facilities** on the continent
  - Mapping of existing laboratories / testing capacities
  - Assessment of economic viability to upgrade available facilities to offer testing and certifications currently not available
  - Improve accessibility to laboratories across borders
- Ensure **information transparency** related to standards, national legislation and available testing and certification infrastructure
  - Availability of information through online databases (e.g. ATO) allowing comparison of legislation across countries
  - Awareness raising / capacity building for businesses along the value chain



# Example automotive VC – what needs to change?

## The continental dimension

### Rules of origin and related certification

- **Clarify** rules: Review the rules of origin for inputs and outputs in the automotive value chain and clarify how differing rules between previous existing agreements and AfCFTA will be handled
- **Optimize** rules of origin such as to stimulate investment and local production as well as enable preferential trade
- **Review** certification procedures and ensure transparent time and cost thereof
- **Inform**: ensure transparency of applicable rules under the different agreements in force
- **Build capacity** of businesses and officials on the pertaining rules



# Example automotive VC – what needs to change?

## At the continental and national level

### ➤ Stimulate the green transition

- Support the gradual shift towards manufacturing of low emission vehicles
- Impose / enforce environmental and safety regulations, including on imported used cars
- Invest in recycling facilities for end-of-life vehicles and especially batteries
- Establish a regulatory framework that encourages proper waste management
- Formulate / Implement policies on vehicle deregistration
- Improve the quality of fuel supplied

# Example Baby food VC – key challenges



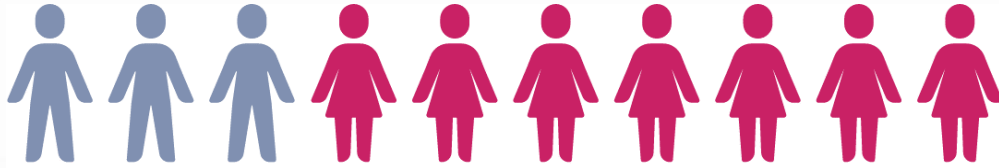


## Example baby food VC – what needs to change?

- **Recognize the sector:**
  - Craft a strategy for sector development and trade
  - Create sector-specific associations with tailored supports to MSMEs
- **Facilitate investments** along the value chain:
  - High-quality inputs from sustainable and certified farming
  - Machinery to automate and scale production
  - Sustainable packaging solutions
- Consider the **production on the continent of key machinery** used on agricultural and food processing
- Improve the **availability of timely information** (e.g. availability of high-quality, certified inputs, prices, labelling and packaging requirements)
- **Harmonization of standards and recognition of conformity assessment certification** (e.g. product registrations, licencing, packaging, labelling, tolerance limits, shelf live)



## Spotlight on women



65% of interviewed companies producing baby food are managed or owned by a woman.

For the majority of baby food producing companies, female employees make up more than half of the workforce.



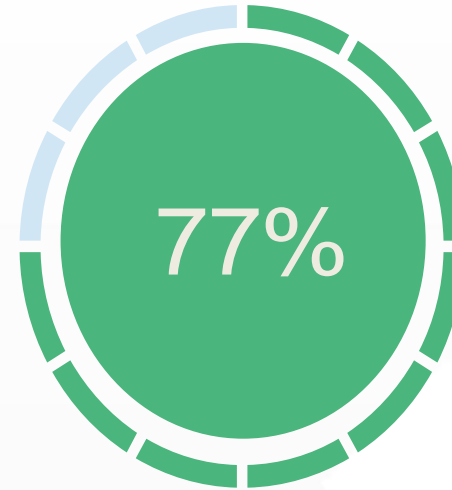
*If I need finance for my business, sometimes I have to show my marriage certificate! Accessing funds and entering business is a big challenge for women."*

However: Lack of political attention for the baby food sector, with dedicated policies, strategies and support for sector development, financing and investment and exports largely absent.

# Spotlight on environmental sustainability



*As we want to go toward 'zero waste to landfill' we need to invest in R&D to find as many options as possible for all the different types of leftover we have. Research Grants help us to do so, otherwise it's hard to find the resources as we're still a very small enterprise."*



*African businesses along the four pilot value chains that have taken some initiatives to make their production processes more environmentally friendly*

Many interviewed businesses expressed the desire to transition towards greener production, including for economic reasons (e.g. reduce cost of energy and water)

Most interviewed companies have already started implementing initiatives and in-house solutions to make their production more sustainable



*One day, I would like my packaging to be compostable, as I am still sending a lot of plastic into the world"*



# Stay tuned: “Made by Africa” publication in November 2022



## The full value chain report

- Method
- Results: cross-cutting and value-chain specific
- Thematic essays: gender, environment, second-hand car market, counterfeit pharmaceuticals
- Recommendations: cross-cutting and value chain specific

E.g.:

- Collaboration in product authorizations
- Online platforms of certified buyers and sellers
- Waste management and recycling
- Guarantee schemes for short-term pre-shipment loans
- Etc.

Will be available from: [www.ntmsurvey.org/AfricaValueChains](http://www.ntmsurvey.org/AfricaValueChains)

# What next?

## **Adding the institutional perspective and building consensus on next steps:**

Roadmaps /strategies to leverage opportunities and overcome bottlenecks

**Expand the diagnostic to additional value chains**, including feasible value chains at the continental, regional and national levels

## **Addressing the challenges:** Concrete projects and initiatives, e.g.:

- Mapping of laboratories, continental coordination in product authorizations, support initiatives for the harmonization of standards etc.
- Expansion of the African Trade Observatory and increased awareness raising and capacity building of policy makers and businesses on the information availability therein
- ...

→ ITC has started feeding the results of the value chain diagnostics in project design and implementation



*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.*

**(Let's) Build trust in Made by Africa!**

# THANK YOU!

[www.ntmsurvey.org/STC2022](http://www.ntmsurvey.org/STC2022)

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International  
Trade  
Centre

**4** pilot VCs  
(among 94  
feasible VCs)

**+25**

**National sector  
experts**

**+1250**

**Survey  
Respondents**