



International
Trade
Centre



MADE BY AFRICA

CREATING VALUE THROUGH INTEGRATION

Cross-cutting challenges to value chain
development and integration



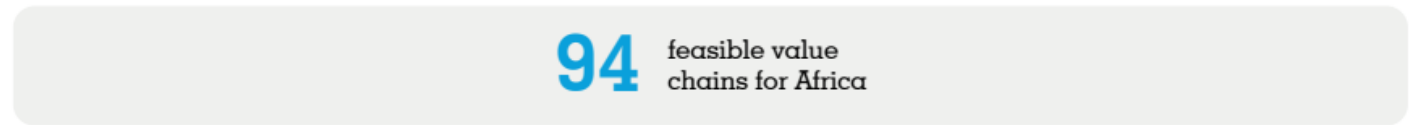
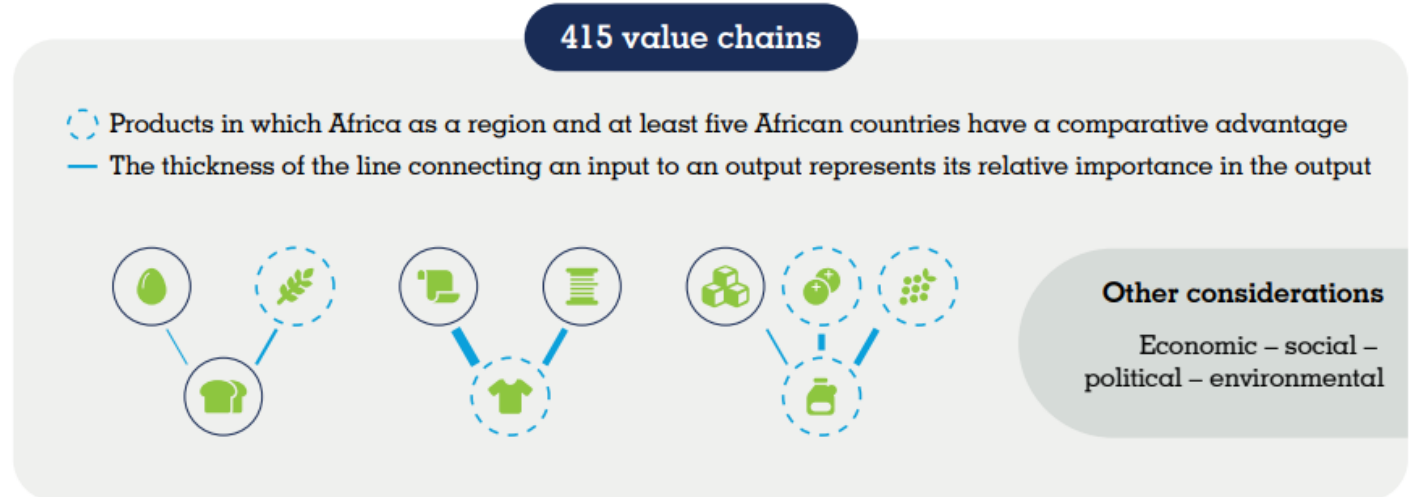
From 415 to 94 to 4 pilot value chains for Africa

Classification of 5,000+ products as **inputs or outputs** and assessment of production coefficients

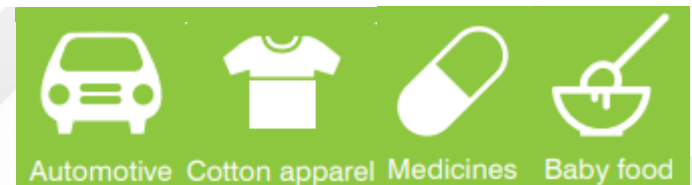
Evaluation of **comparative advantages** and strategic considerations

Broad range of supply, demand, market access, business, strategic and sustainability considerations

Consultations with sector exports, key stakeholders, feedback questionnaires



4 PILOT VALUE CHAINS



Facts and figures: The 4 pilot value chains

Exports have **grown by 32.7%** between 2017 and 2022

Africa's **net imports** of the final products amount to **\$24.3 bn**

Over **90%** of **inputs** are **imported** from outside Africa

47% of the intra-African **trade potential** between input and output providers remains **unrealized**, more than in other sectors

Inputs imported from overseas **travel 6,622 km** on average. The average distance to potential regional suppliers is 1,932 km.

High **strategic importance** and with potential to:

- ✓ Spur industrialization and value addition
- ✓ Create more and better jobs
- ✓ Support women's employment
- ✓ Boost regional integration
- ✓ Strengthen resilience to shocks
- ✓ Enable green transition

43 competitive exporters across **5** sub-regions

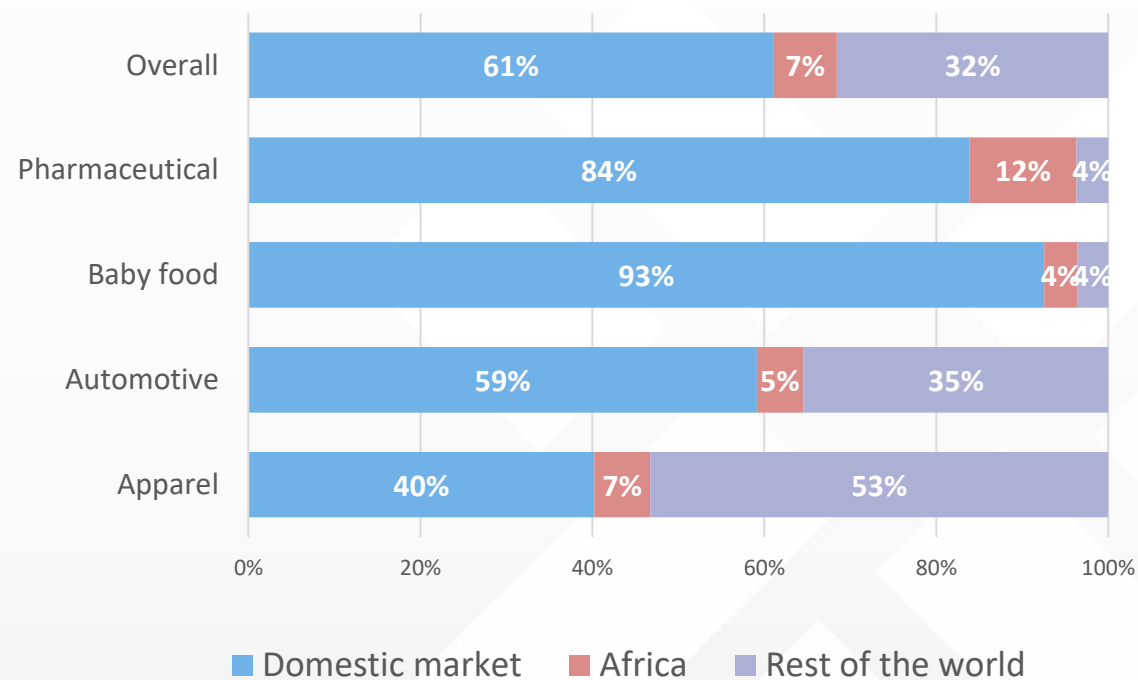


Companies focus on domestic markets – or export outside the continent

For interviewed businesses in the four pilot value chains:

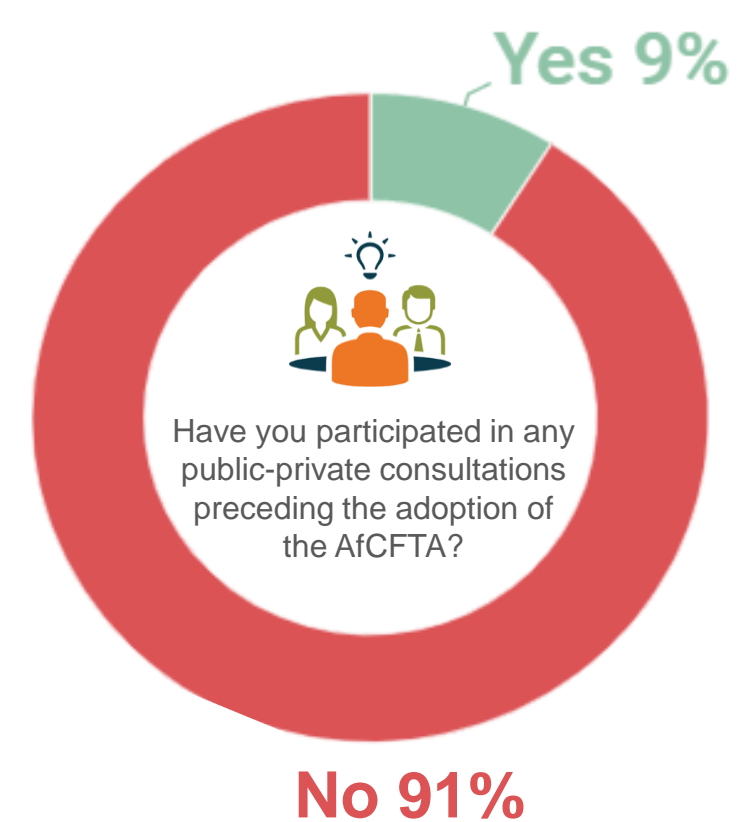
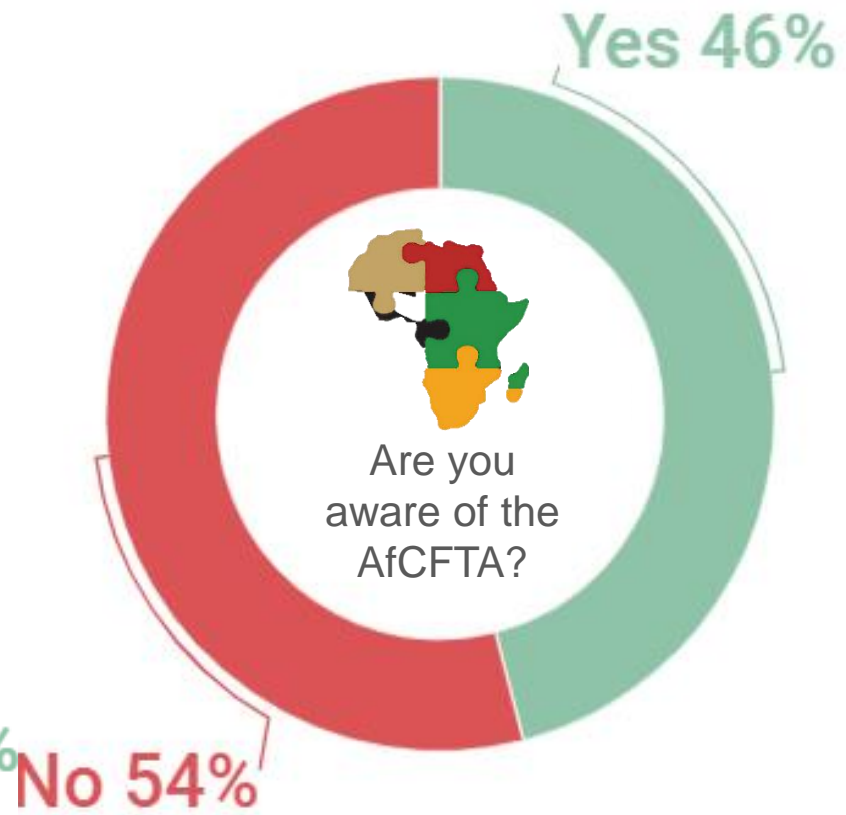
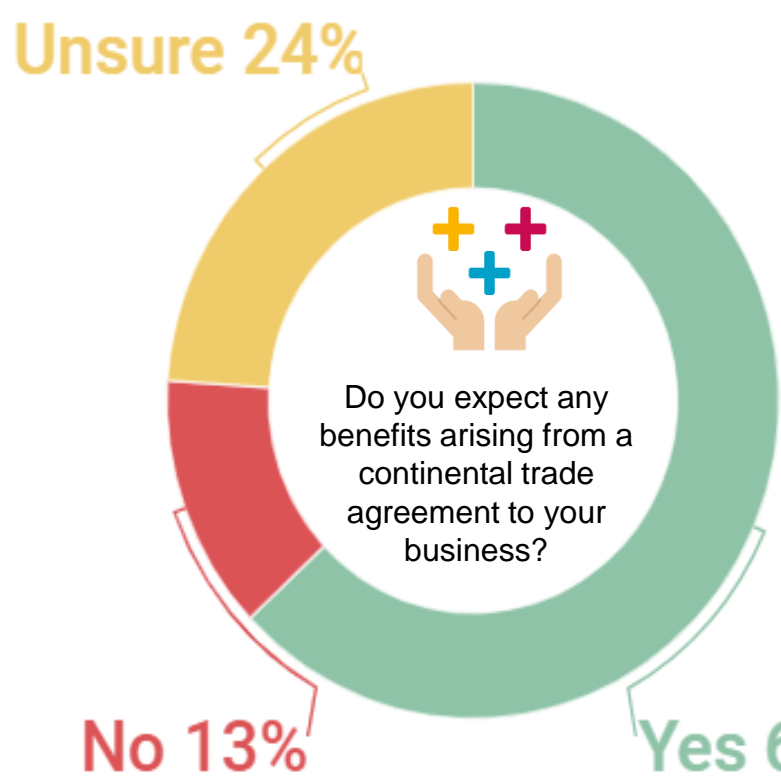
7%

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

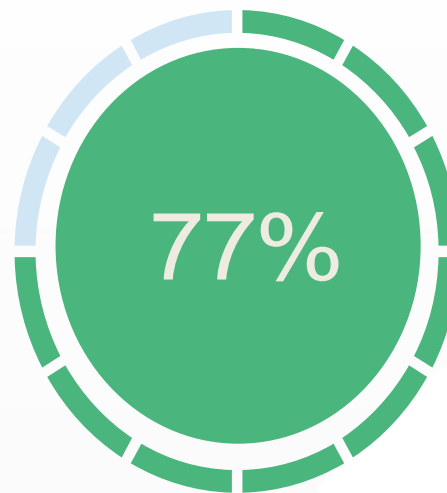
“ AfCFTA? First time I hear about it



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"

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

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.

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...**



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

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

Sustainability



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



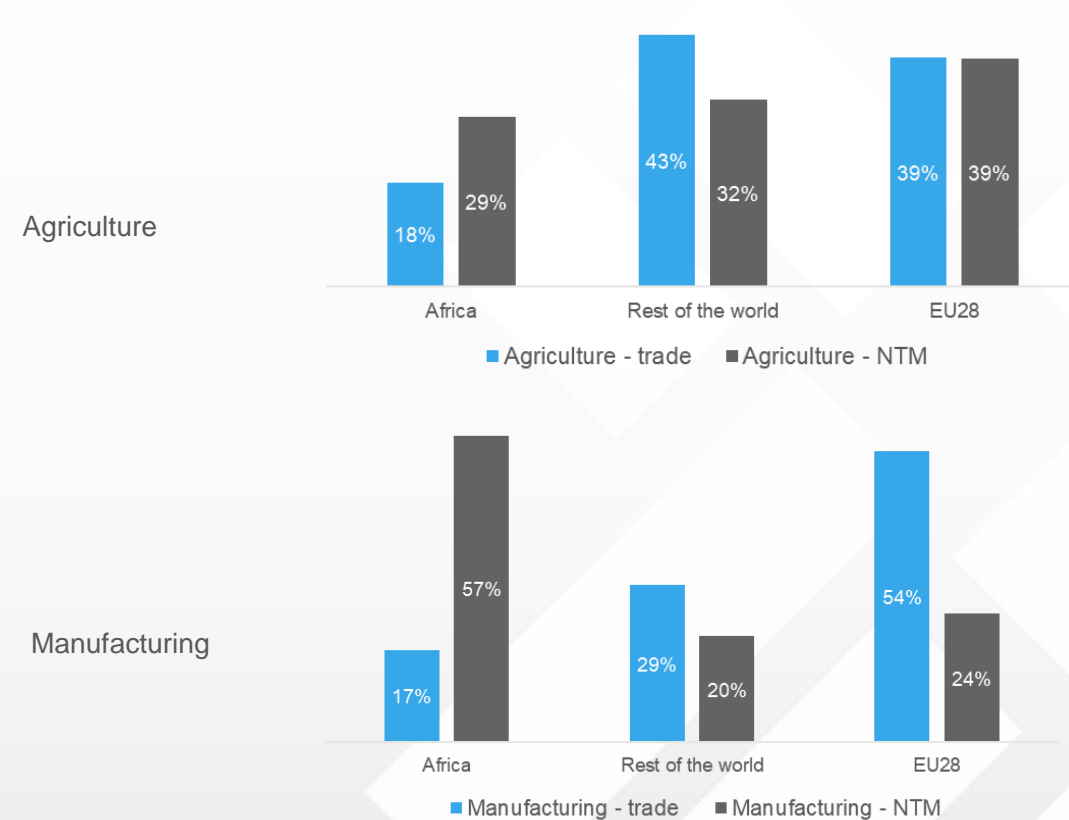
High incidence of trade obstacles related to non-tariff measures

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: Market Access begins at home

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

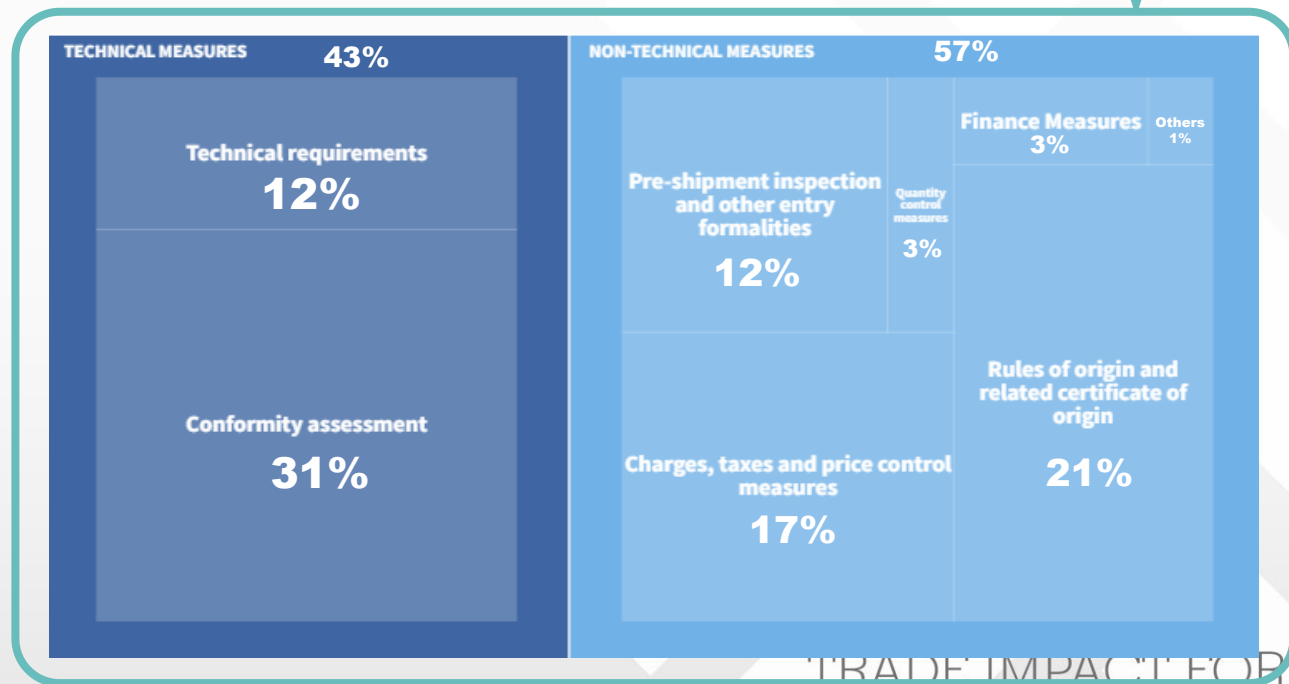
Many of these are a challenge because of procedural obstacles in the exporting country (e.g. cost and time to obtain certifications)

But a significant share of obstacles also relate to home country measures imposed on exports (e.g. licences, permits, registrations and taxes)

 **Export-related measures:**
Regulations imposed by the home country (of exporters) on exports



 **Import-related measures:**
Regulations of importing African countries that businesses find burdensome



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.