CALL FOR EXPRESSIONS OF INTEREST TO DEVELOP FRAMEWORK PAPERS

VALUE CHAIN DEVELOPMENT, TRADE AND ECONOMIC TRANSFORMATION IN AFRICA

Introduction

While sustained growth has contributed significantly to rapid economic transformation in Asia and Latin America, in Africa it has been observed that relatively high growth rates have contributed very little to job creation and in lifting the largest segment of the population out of poverty. Although there has been growth in exports and value over time, there has been a declining African export share in global value chains, pointing to Africa’s reduced competitiveness in these sub-sectors. Despite decades of protectionism of Africa’s manufacturing sector, its share of manufactured goods remains low. The service sector continues to be promising but is faced with stiff competition from the more developed world where tourism and hospitality industry is more robust. Africa’s significant agricultural and natural resources are being exploited and exported mostly in their raw form, with little or no value added to commodity exports. Some of these natural resources represent irreplaceable, non-renewable assets, and their exploitation needs to be monitored while also recognizing that generally it has weak economic linkages to the rest of the economy.

Economic diversification based on value-addition to natural and agricultural resources and export-oriented production, therefore, has a major role to play in the transformation of African economies from the current low-income to middle-income levels. Economic diversification should have a significant impact on job creation and poverty reduction. The upsurge in GVCs/RVCs as a vehicle for economic diversification and the basis for resource-based industrial development is timely, given the increased demand for Africa’s natural resources, together with increased urbanization and consumer demand for processed goods within the continent.

Against this backdrop, the AERC proposed a collaborative research project on Value Chain Development, Trade and Economic Transformation in Africa. The purpose of this project is to explore value chain (GVC and RVC) development dynamics in terms of upgrading opportunities for African countries. The projects is also to explore the development policy implications and imperatives for economic transformation. The project will be predicated on the premise that development of regional and global value chains is an important instrument for Africa’s economic transformation, inclusive growth and deeper poverty reduction, with development of agro-industrial, manufacturing and tourism sectors particularly targeted for this purpose. It is envisaged that the project will build upon institutional links with the Government of Sweden, with whom AERC has already successfully undertaken several collaborative projects, and the vast linkages with universities, regional institutions, research institutes, government centres for analysis, and policy-makers throughout Africa.
The project is to evaluate performance of African economies in global and regional value chains through framework research (about 10 papers for a phase I) to be followed by a dozen phase II country case studies.

The call for Expressions of Interest

AERC is inviting expression of interest from researchers to develop framework papers which evaluate performance of African economies in global and regional value chains. AERC Framework papers relate to cross-national and regional studies seeking to develop and/or apply analytical methodologies on the issue under investigation. Therefore, researchers should submit proposals to undertake studies that are cross-national and include more than one country. The framework papers will guide and support country case studies to be undertaken during the subsequent phase of this project. It is expected that the framework papers will use existing datasets. To that end, researchers interested in undertaking framework research should submit proposals that identify and briefly describe the datasets to be used. Under this collaborative research project AERC will commission about 10 framework papers. It is hoped that the papers will result in contributions suitable for dissemination in a special issue in a journal and/or an edited volume.

The literature on GVCs is growing, though more rapidly than data availability, especially for comparative work covering many countries. Below is list of topics on which AERC is hoping to elicit interest with a few entry points. Other suggestions are, of course, welcome.

1) How much participation in supply chain trade Across Africa: What the data say?
GVC and RVC participation indicators have been built on several data sources with sporadic updating (EORA, MRIO, TiVA, WBES). Most rely on input-output (IO) tables. How do GVC indicators (backward, forward, length of supply chain) compare across data bases? Is Africa different, are there exceptions across the continent? Lessons from comparisons with other cross-regional patterns, e.g. EAP, ECA, SA, LAC, MENA. Some references on this topic are Van Biesebrock & Mensah (2019), de Melo & Twum (2021); World Bank (2019), Zhan et al. (2020) and papers presented at NASEM workshop “Innovation, GVCs, and Globalization Measurement”.

2) Deep Trade Agreements as a vehicle for GVC integration in Africa
Modern trade agreements are increasingly deep. New data bases cover measures that go beyond reduction in tariffs. These data bases cover a wide range of border and behind-the-border policy areas regulating customs procedures, services trade, Technical Barriers to Trade (TBTs) and Sanitary and Phytosanitary (SPS) and Intellectual Property rights (IPRs). These are available by degree of enforceability for a large number of Preferential Trade Agreements (PTAs). How has Africa performed relative to other developing regions like LAC. Is there evidence of enforceable depth and on indicators of GVC performance. What do the indicators of trade facilitation performance tell us? Any evidence of regulatory cooperation across RTAs? Some references on this topic are World Bank (2021); and Fernandes, Rocha & Ruta eds. (2021).

3) Value Chains in Services across Africa
Servicification is taking place both at the aggregate level (increasing share in value-added and trade) and at the firm level (a shift towards services in revenues). GVCs are increasingly active in services: networked production (rather than between firms and customers), call centers, back-office functions for finance, etc. Very little liberalization of services has taken place but the regulatory framework created by the Regional Trade Agreements (RTAs) could facilitate services trade (offers for liberalization of Services under African Continental Free Trade Area (AfCFTA) yet to be submitted)). How has trade in services (by sector and mode) in Africa evolved and can one detect any effects of Services provisions in African PTAs? Update and extend indicators of services trade restrictiveness. Any evidence that, like in Latin America, intra-African RTAs are less ambitious in their RTAs with other
regions which might then be a factor holding back developments of RVCs in Services? Some references in this topic are Borchert & Di Ubaldo (2021)- especially chaps. 1-3 or Jafari and Tarr (2016)

4) Digitalization incentives and regulation across (and towards) Africa
Better data on policies is needed prior to policy analysis. The ability of firms, consumers and countries to benefit from digitalization depends on policies towards digital trade which is more complex than 'conventional' protectionism. Taxation of ICT activities has been used in some countries. What is the state of play across Africa on ICT incentives, on taxing ICT, on restrictiveness to trade in Services, more particularly to digital trade? What is the evidence on the performance of networks? What mechanisms are proposed/needed to give confidence in low-income countries to prevent them from blocking promising developments in international regulation? Some references in this topic are Borchert & Winters eds. (2021), Crawford (2020), Ferracane & van der Mel (2020), Ma, Guo, Dong (2019), Matheson & Petit (2017) and Rota-Graziosi & Sawadogo (2020).

5) Technological Change in the age of Digital Trade: Will it cause a great divergence in Africa?
The digital transformation under the impulse of digitization and digitalization is reflected in a re-organization of production across the world. There are fears that the new wave of technological change involving artificial intelligence, machine learning, robotics, big data and networks, might lead to a strong substitution of machines for human labour. This is a particularly worrisome possibility across Africa which is having difficulty reaping the benefits of its demographic dividend. Is digitization deepening the “smile curve”, or flattening it which would soften divergence between and within countries? Is Africa witnessing an easing of new entrants/start-ups which would help Africa catch up? Some references in this topic are Hoekman (2021), McCormick & Somaya (2020); Sturgeon, T. (2019); UNECA (2021); Africa Union Commission (2021).

6) Foreign Direct Investment in supply chain trade and government procurement
Much inward FDI in Africa has gone towards extractive activities. The potential for greater market-seeking FDI in e.g. telecoms, digital trade, public procurement, appears under-exploited. Inward FDI can be a channel to contest public procurement opportunities. Country-level VAT transactions linked with firm and customs level transactions can help get a more granular description of RVC participation, aggregate trends, and the drivers of performance at the firm level. Some references on this topic are Djankov, Islam & Saliola (2016) and Hoekman & Sanfilipo (2019).

7) Connectivity for supply chains: Is Africa lagging?
Even though there is a debate about the relative importance of hard vs soft infrastructure as the weaker link in supply chains across Africa, transport infrastructure by all modes is generally recognized to be weak. It is the subject of PIDA transport projects. Submarine cables are also part of the needed infrastructure to develop supply chain trade. What evidence on this channel as an impediment to the development of GVCs and RVCs? Some references on this topic are Cariolle (2020) and El-Sahli (2020).

8) GVCs in agriculture and the environment
Digitalization offers an opportunity for the development of agriculture while at the same time offering solutions towards a better preservation of the environment. Both are high on the priority list for Africa’s development. What is the evidence so far? Some references in this topic are Aker, Ghosh & Burrell (2016), Begashaw (2020), Cariolle & Caroll (2020) and World Bank (2019), chp.5 on the environment.

Expression of Interest requirements
The Expression of Interest, including tables, figures, references, and annexes, should not exceed 5 pages with 1.5 spacing. It should contain the following.

- **A title** which reflects the main thrust of the proposed research project, preferably short, simple to understand and if possible inspiring.

- **An introduction** which shows the broad context of the study or motivation, research questions and their relevance, hypotheses or empirical approach including methods, description of the data to be used and the expected contribution of the study to the literature.

- **A brief literature review** focusing on the seminal contributions that are the foundations to the issue and any work done in Africa including on the specific country concerned (if relevant). Organize the literature review thematically. Avoid splitting theoretical literature and empirical literature and focus on what previous literature accomplished, state the gaps, and indicate how your project intends to close that gap.

- **Empirical strategy or approach** which outlines a valid theoretical, analytical, or conceptual construct that frames the empirical work. State hypothesis such as the expected signs of reduced form equations, parameter of interest for the empirical work. Motivate the specification of the empirical model and the econometric approach including the baseline model. Evoke hows issues of endogeneity robustness and robustness might be addressed.

- **Data** Present clearly and accurately the data relevant to answer the research question, its coverage and its source.. If possible, present any stylized facts (trends, relationships, similarities, differences) on key variables/indicators to be used in the study.

### Eligibility Requirements

Researchers meeting the criteria highlighted below are encouraged to submit an expression of interest. However, the lead investigator must demonstrate, in their CV, that they have:

- a strong publication record, especially in the project theme; and
- proven expertise in GVCs/RVCs; and
- completed at least one AERC research project (either thematic or collaborative project); and/or
- participated in or finalised a research project on a relevant topic not necessarily funded by AERC.
- All applicants are required to attach their CVs in the submissions. Qualified women are especially encouraged to apply.

### Submission Requirements and Key Dates

The submission must consist of an Expression of Interest and **The researcher’s most recent Curriculum Vitae (CV)**: the CV should not be more than 5 pages and should highlight education levels, research experience, publications, and other information relevant to this call. Additionally, the biographical section of the CV must include the researcher’s nationality, gender, and full contact details. Where the proposed study will involve more than one researcher, the CVs of all researchers must be included as part of the submission.
The researcher or research teams should also demonstrate expertise on the country selected for the study, either through research/publications or team composition. All applicants are required to attach CVs in their submissions. Suitably qualified women are especially encouraged to apply.

The lead researcher is responsible for ensuring that a complete application is submitted to the AERC. Incomplete applications will not be accepted.

**Project Timelines**

The total duration of the study will be 6 months, and draft papers should be submitted within 3 months of inception of framework research. This call for Expressions of Interest is the first stage in the application process. Researchers who submit applications that meet the necessary criteria in this first stage will be invited to present their proposed papers in a workshop. Those that have potential will be granted up to USD$15,000.00 to develop the papers. The breakdown of the timeline is as follows:

1. **11 June 2021**: Close of submissions.
2. **18 June 2021**: Applicants will be informed of the outcome of their Expressions of Interest.
3. **29-30 June 2021**: Inception workshop for framework papers and commissioning of framework papers.

Complete proposals should be submitted to:
- AERC Director of Research at cresearch@aercafrica.org with a copy to omiroro@aercafrica.org
- The subject of your email should read “AERC-value chain development project-proposal submission”.

**References and Suggested Readings**


Bernard Hoekman and Marco Sanfilippo (2021), [https://iap.unido.org/articles/public-procurement-industrial-policy-tool](https://iap.unido.org/articles/public-procurement-industrial-policy-tool)


Jafari and Tarr (2014) “Estimates of AVEs of barriers to trade Against Foreigners in 11 services sectors in 103 Countries”, WBWP# 7096


