



Value Chain Development, Trade, and Economic Transformation in Africa

‘Enhancing Africa’s Competitiveness and Participation in Global Value Chain’

Regional Policy Forum Concept Note

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Register Here: [Regional Policy Forum on Value Chain Development, Trade and Economic Transformation in Africa](#)

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African Economic Research Consortium (AERC)

Value Chain Development, Trade, and Economic Transformation in Africa` *‘Enhancing Africa’s Competitiveness and Participation in Global Value Chain’*

1. Introduction

Africa has great potential for full integration into the global value chain and trade amid structural and economic constraints. By enhancing competitiveness and facilitating deeper integration into the global value chain, African countries can unlock opportunities for industrialization, job creation, and sustainable growth. The drivers of Africa's global value chain and trade growth trajectory include abundant natural resources, a building consumer market, the AfCFTA, availability of labour, and growing technological advancement (UNCTAD, 2023)¹. Regional initiatives like the African Continental Free Trade Area (AfCFTA) exemplify the commitment to these goals by promoting intra-African trade, reducing barriers, and fostering value addition within the continent (African Union, 2018)². The broad scope of the AfCFTA encompasses the aspiration of eight other (8) Regional Economic Communities (RECs)³ on the continent, allowing for deeper integration of the spirit of the agreement within the member countries (Erasmus, 2021)⁴.

A critical look at opportunities and challenges is essential to have a realistic understanding of Africa’s position in regional and global value chains. Africa failed to trade at scale with competitive prices. 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 non-renewable assets, and their exploitation needs to be monitored.

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. 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.

Through generous support from the Swedish International Development Cooperation Agency (SIDA), the African Economic Research Consortium implemented the collaborative project *‘Value Chain Development, Trade and Economic Transformation in Africa (GVC)’* from 2020 to 2025. The country case studies phase was implemented from 2022 to 2025 which is a sequel from the framework phase that was completed in 2022 with the papers published as a Special Issue on *Supply Chain Trade in Africa: Retrospect and Prospect*

¹ UNCTAD (2023). Economic Development Report 2023. United Nations: New York

² AU(2018). Agreement Establishing the African Continental Free Trade Area https://au.int/sites/default/files/treaties/36437-treaty-consolidated_text_on_cfta_-_en.pdf

³ The Arab Maghreb Union (UMA); the Common Market for Eastern and Southern Africa (COMESA); the Community of Sahel-Saharan States (CEN-SAD); the East African Community (EAC); the Economic Community of Central African States (ECCAS); the Economic Community of West African States (ECOWAS); the Intergovernmental Authority on Development (IGAD) and the Southern African Development Community (SADC)

⁴ Erasmus (2021). Making the AfCFTA and the RECs Work. TRALAC Blog <https://www.tralac.org/blog/article/15233-making-the-afcfta-and-the-recs-work.html>

<https://onlinelibrary.wiley.com/toc/14679701/46/11>) in The World Economy Journal. The purpose of the GVC country case studies was to explore value chain (GVC and RVC) development dynamics in terms of upgrading opportunities for African countries. The papers in the project aimed to explore the development policy implications and imperatives for economic transformation. They are also premised on the fact 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.

2. The Goal of the Regional Policy Forum

The goal of this regional policy forum is to promote the use of research evidence from “*Value Chain Development, Trade, and Economic Transformation in Africa*” project to drive positive policy adoption and actions. The specific objectives of the regional policy forum are to:

- i) Strengthen regional collaboration by promoting dialogue and cooperation among relevant stakeholders to enhance the benefits of AfCFTA and African integration in the global value chain.
- ii) Share best practices and evidence that will inform an action plan on positioning and participation in the intra-African and global value chains.
- iii) Promote discussions and deliberations that will contribute to pathways for policy actions through leveraging on AfCFTA opportunities as a beacon for global positioning of African supply chains and trade
- iv) To ignite a positive debate on the findings of the studies and suggest ways to address the bottlenecks that have hindered smooth policy adoption and legislative and regulatory actions on data policy and governance in Africa.
- v) To foster public-private partnerships by encouraging collaboration between governments, private sector actors and development partners to address the bottlenecks towards a robust and vibrant global value chain integration.

3. Key Themes of the Regional Policy Forum

In the country case studies phase 11 papers were commissioned focusing on the following broad themes:

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.

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?

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?

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?

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?

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.

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

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?

The papers developed from the broad themes in the country case studies phase:

#	Paper Title	Authors	Link
1.	Greening Trade through Global Value Chains in Africa	Angella Faith Montfaucon; Socrates Kraido Majune	GVC-II-001
2.	Approximating the First order Effects of AfCFTA Tariff Reductions on CO2 Emissions	De Melo, Jaime; Solleder, Jean-Marc	GVC-II-002
3.	Potential for Africa Continental Free Trade Area to Increase East African Community Exports to Africa	Zgovu, Evious; Morrissey, Oliver	GVC-II-003
4.	Job Impacts of Global Value Chains: Firm-Level Evidence from Cameroon	Njikam, Ousmanou	GVC-II-004

5.	Assessing the Role of Innovation in Cameroonian Firms' Participation in Global Value Chains	Malah-Kuete, Flora Yselle; Avom, Desire	GVC-II-005
6.	Trade in Business Services' Booms: The Case of Ghana	Andrea Ariu	GVC-II-006
7.	Firm Volatility in an Era of Global Value Chain: The Role of Product Quality	Gideon Ndubuisi; Solomon Owusu	GVC-II-007
8.	Global Value Chain Participation of Firms in West Africa: Empirical Insights from Ghana and Nigeria	Osabuohien, Evans S.; Karakara, Alhassan Abdul- Wakeel; Edafe, Oluwatosin D.	GVC-II-008
9.	Factors that Influence Global Value Chains: Evidence from the Manufacturing Sector in Kenya	Kinuthia, Bethuel Kinyanjui	GVC-11-009
10.	Assessing the Drivers of Firm Participation in Global Value Chains: Empirical Evidence from Tanzania	Kweka, Josaphat; Sooi, Fadhili	GVC-II-010
11.	GVCPs in Zimbabwe's Critical Sectors in the Face of Environmental Pollution and Climate Change: The Case of Agriculture and Mining Sectors	Dube, Benhilda; Nyika, Teresa; Pasara, Michael Takudzwa	GVC-II-011

4.0 Stakeholders Attending the Regional Policy Forum

The regional policy forum brings key stakeholders in the value chain and trade space across Africa and the globe. The participants include African government representatives, private sector investors and practitioners, regional and continental organizations (AU, AfCFTA Secretariat, Regional Economic Communities (RECs), Development partners (AFDB, World Bank, UNCTAD, UNIDO), donors and international organizations, academia and think tanks and the civil society.

5.0 Structure of the Regional Policy Forum

Four sessions are organized for sharing evidence. In the opening session, a synthesis paper on the project will be presented, followed by a session for the value chain and trade practitioners' panel. A parallel paper presentation session will be convened then followed by a high-level policy panel made up of academicians and policy makers in the value chain and trade spectrum. The 'value chain and trade practitioners' and 'high-level policy' panels will provide an incisive platform for peer learning and sharing experiences and suggestions of potential pathways for hastening policy action related to value chain and trade across the African continent.