



AfCFTA  
Secretariat



# WHICH VALUE CHAINS



FOR  
**A MADE IN AFRICA  
REVOLUTION**

An Organ of the



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# List of Acronyms

<b>4IR</b>	Fourth Industrial Revolution	<b>CFA</b>	Communauté Financière d'Afrique [African Financial Community]
<b>AAAM</b>	African Association of Automotive Manufacturers	<b>CFTA</b>	Continental Free Trade Area
<b>AB</b>	<i>Artium Baccalaureus</i> / Bachelor of Arts	<b>CGEM</b>	Confédération Générale des Entreprises du Maroc [General Confederation of Moroccan Enterprises]
<b>ABAO</b>	Federation of Associations of Banks and Financial Institutions of ECOWAS	<b>CKD</b>	Completely Knocked-Down
<b>ABCHealth</b>	African Business Coalition for Health	<b>CM</b>	Centimetre
<b>ACCI</b>	Abuja Chamber of Commerce and Industry	<b>CMT</b>	Cut, Make, Trim
<b>AfCFTA</b>	African Continental Free Trade Area	<b>CNP</b>	Conseil National du Patronat du Sénégal [National Employers Council of Senegal]
<b>AfDB</b>	African Development Bank	<b>CO<sub>2</sub></b>	Carbon Dioxide
<b>Afreximbank</b>	African Export-Import Bank	<b>COMESA</b>	Common Market for Eastern and Southern Africa
<b>AGEVEC</b>	L'Académie Engins Lourds et Véhicules Commerciaux [The Heavy Machinery and Commercial Vehicles Academy]	<b>CPC</b>	Central Product Classification
<b>AGRA</b>	Alliance for a Green Revolution in Africa	<b>CPS</b>	Compact Power Station
<b>AI</b>	Artificial Intelligence	<b>CSOs</b>	Civil Society Organizations
<b>AIPAWAS</b>	Federation of ECOWAS Investment Promotion Agencies	<b>CSR</b>	Corporate Social Responsibility
<b>AJIEL</b>	African Journal on International Economic Law	<b>DRC</b>	Democratic Republic of the Congo
<b>AKEFEMA</b>	Association of Kenya Feed Manufacturers	<b>DSM</b>	Dutch State Mines
<b>AMDC</b>	African Mining Development Council	<b>EAC</b>	East African Community
<b>AMGF</b>	Africa Mineral Governance Framework	<b>EASSI</b>	Eastern African Sub-regional Support Initiative for the Advancement of Women
<b>AMSP</b>	Africa Medical Supplies Platform	<b>EC</b>	European Commission
<b>AMV</b>	African Mining Vision	<b>ECOWAS</b>	Economic Community of West African States
<b>APIs</b>	Active Pharmaceutical Ingredients	<b>EIB</b>	European Investment Bank
<b>ARIA</b>	Assessing Regional Integration in Africa	<b>EMEA</b>	Europe, the Middle East and Africa
<b>ARSO</b>	Africa Regional Standards Organization	<b>EPZs</b>	Export Processing Zones
<b>ASEAN</b>	Association of South East Asian Nations	<b>ERA</b>	Economic Report on Africa
<b>BDO</b>	Binder Dijker Otte	<b>ESG</b>	Environmental, Social & Governance
<b>BMW</b>	Bayerische Motoren Werke [Bavarian Engine Works]	<b>ETLS</b>	ECOWAS Trade Liberalization Scheme
<b>CAGR</b>	Compound Annual Growth Rate	<b>EU</b>	European Union
<b>CAR</b>	Central African Republic	<b>EV</b>	Electric Vehicle
<b>CBC</b>	COMESA Business Council	<b>FAO</b>	Food and Agriculture Organization of the United Nations
<b>CBI</b>	Centre for the Promotion of Imports from developing countries	<b>FDI</b>	Foreign Direct Investment
<b>CBS</b>	Cocoa Bean Shells	<b>FEFA</b>	Federation of Business Women, Women Entrepreneurs of ECOWAS
<b>CCI</b>	Cultural and Creative Industries	<b>ECOWAS</b>	Economic Community of West African States
<b>CEMAC</b>	Central African Economic and Monetary Community	<b>FEWACCI</b>	Federation of the West African Chamber of Commerce and Industry
<b>CEO</b>	Chief Executive Officer	<b>FEWAMA</b>	Federation of Industrialists' Associations of West Africa
<b>CET</b>	Common External Tariff	<b>FinTech</b>	Financial Technology
<b>Forex</b>	Foreign Exchange	<b>FOPAO</b>	Federation of Employers' Organizations of West Africa
<b>G</b>	Gram	<b>MSMEs</b>	Micro, Small & Medium Enterprises
<b>GAIN</b>	Global Alliance for Improved Nutrition	<b>NAP</b>	National Automotive Policy
		<b>NCDs</b>	Non-Communicable Diseases



<b>GATS</b>	General Agreement on Trade in Services	<b>NCR</b>	National Cash Register
<b>GDP</b>	Gross Domestic Product	<b>NEPAD</b>	New Partnership for Africa's Development
<b>GEPA</b>	Ghana Export Promotion Authority	<b>NIH</b>	National Institutes of Health
<b>GES</b>	Global Entrepreneurship Summit	<b>NTBs</b>	Non-Tariff Barriers
<b>GIZ</b>	Deutsche Gesellschaft für Internationale Zusammenarbeit [German Corporation for International Cooperation]	<b>OBM</b>	Original Brand Manufacturing
<b>GM</b>	General Motors	<b>ODM</b>	Original Design Manufacturing
<b>GMP</b>	Good Manufacturing Practice	<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>GSMA</b>	Global System for Mobile Communications Association	<b>OEMs</b>	Original Equipment Manufacturers
<b>GVCs</b>	Global Value Chains	<b>ÖFSE</b>	Österreichische Forschungsstiftung für Internationale Entwicklung [Austrian Foundation for Development Research]
<b>HS</b>	Harmonized System	<b>PIDA</b>	Programme for Infrastructure Development in Africa
<b>ICR</b>	Investment Climate Reform	<b>PMPA</b>	Pharmaceutical Manufacturing Plan for Africa
<b>ICT</b>	Information Communication and Technology	<b>PPE</b>	Personal Protective Equipment
<b>ILO</b>	International Labour Organization	<b>PSRO</b>	Product-Specific Rules of Origin
<b>InsureTech</b>	Insurance Technology	<b>R&amp;D</b>	Research and Development
<b>IoT</b>	Internet of Things	<b>PIDA</b>	Programme for Infrastructure Development in Africa
<b>IP</b>	Intellectual Property	<b>PMPA</b>	Pharmaceutical Manufacturing Plan for Africa
<b>ITC</b>	International Trade Centre	<b>PPE</b>	Personal Protective Equipment
<b>JD</b>	<i>Juris Doctor</i> / Doctor of Law	<b>PSRO</b>	Product-Specific Rules of Origin
<b>KfW</b>	Kreditanstalt für Wiederaufbau [Credit Institute for Reconstruction] Development Bank	<b>R&amp;D</b>	Research and Development
<b>KG</b>	Kilogram	<b>RBA</b>	Regional Bureau for Africa
<b>KM<sup>2</sup></b>	Square Kilometres	<b>RCA</b>	Revealed Comparative Advantage
<b>L</b>	Litres	<b>RDB</b>	Rwanda Development Board
<b>LDCs</b>	Least-Developed Countries	<b>REACH</b>	Registration, Evaluation, Authorisation and Restriction of Chemicals
<b>LIBs</b>	Lithium-Ion Batteries	<b>RECs</b>	Regional Economic Communities
<b>LLM</b>	<i>Legum Magister</i> / Master of Laws	<b>RMVCs</b>	Regional Mineral Value Chains
<b>LLP</b>	Leather and Leather Products	<b>RMVs</b>	Regional Mining Visions
<b>LNPs</b>	Lipid Nanoparticles	<b>RoOs</b>	Rules of Origin
<b>Low Mid-Inc</b>	Lower-Middle-Income Country	<b>RoW</b>	Rest of World / Rest of the World
<b>Low-Inc</b>	Low-Income Country	<b>RRA</b>	Rwanda Revenue Authority
<b>Ltd</b>	Limited	<b>RVCs</b>	Regional Value Chains
<b>M<sup>2</sup></b>	Square metre	<b>SACU</b>	Southern Africa Customs Union
<b>MBA</b>	Master of Business Administration	<b>SADC</b>	Southern African Development Community
<b>Mercosur</b>	Southern Common Market	<b>SANLAM</b>	Suid-Afrikaanse Nasionale Lewens Assurance Maatskappij [South African National Life Assurance Company]
<b>MFN</b>	Most-Favoured-Nation	<b>SDGs</b>	Sustainable Development Goals
<b>MIASA</b>	Mining Industry Association of Southern Africa	<b>SEZs</b>	Special Economic Zones
<b>Mid-Inc</b>	Middle-Income Country	<b>SHFs</b>	Smallholder Farmers
<b>MINICOM</b>	Rwanda Ministry of Trade and Industry	<b>SIM</b>	Subscriber Identity Module
<b>MNCs</b>	Multi-National Corporations	<b>SKD</b>	Semi-Knocked-Down
<b>MPA</b>	Master of Public Administration	<b>SMEs</b>	Small and Medium Enterprises
<b>mRNA</b>	Messenger Ribonucleic Acid	<b>SMS</b>	Short Message Service
<b>MRTC</b>	Malaria Research and Training Centre	<b>SPS</b>	Sanitary and Phytosanitary
<b>MSc</b>	Master of Science	<b>SSA</b>	Sub-Saharan Africa
<b>STEM</b>	Science, Technology, Engineering, and Math		
<b>STRs</b>	Simplified Trade Regimes		
<b>TBT</b>	Technical Barriers to Trade		
<b>TIPS</b>	Trade and Industrial Policy Strategies, South Africa		
<b>Tralac</b>	Trade Law Centre		

<b>TTNF</b>	Tripartite Trade Negotiating Forum
<b>TVET</b>	Technical and Vocational Education and Training
<b>UK</b>	United Kingdom
<b>UN</b>	United Nations
<b>UN/ECE</b>	United Nations Economic Commission for Europe
<b>UNCTAD</b>	United Nations Conference on Trade and Development
<b>UNDP</b>	United Nations Development Programme
<b>UNECA</b>	United Nations Economic Commission for Africa
<b>UNESCO</b>	United Nations Educational, Scientific and Cultural Organization
<b>UNIDO</b>	United Nations Industrial Development Organization
<b>US</b>	United States
<b>USA</b>	United States of America
<b>US\$</b>	United States Dollar
<b>VAT</b>	Value-Added Tax
<b>VCs</b>	Value Chains
<b>VNOM</b>	Value of Non-Originating Materials
<b>VW</b>	Volkswagen
<b>WBG</b>	World Bank Group
<b>WDR</b>	World Development Report
<b>WHO</b>	World Health Organization
<b>WSMEs</b>	Women-Led Small- and Medium-Enterprises
<b>WTO</b>	World Trade Organization
<b>YGL</b>	Young Global Leader
<b>YPO</b>	Young President's Organization
<b>ZMA</b>	Zambian Manufacturers Association



Casablanca, Morocco industrial shipping port at dawn.  
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# Acknowledgements

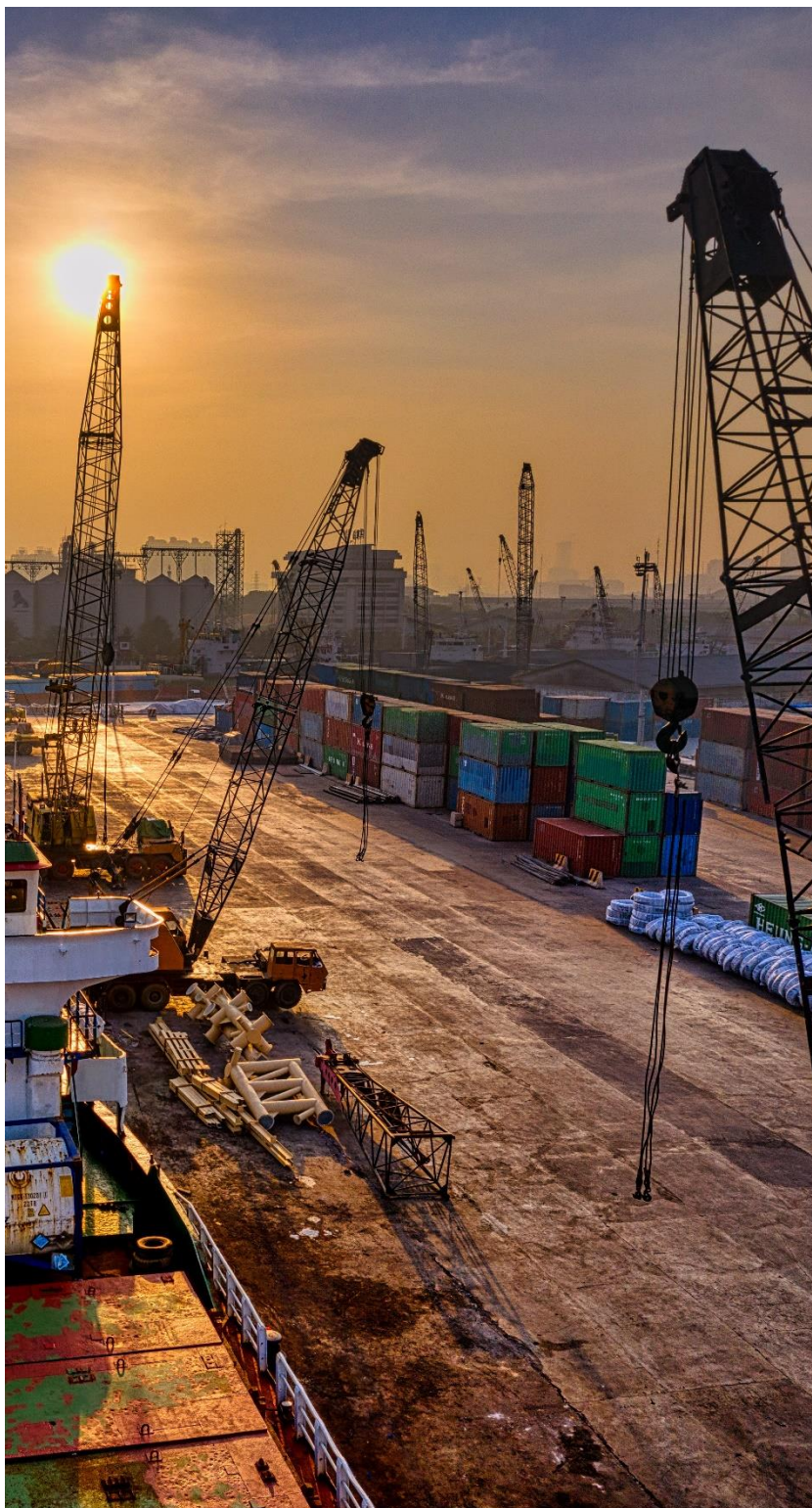
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The following AfCFTA Secretariat Officials acted as the Internal Review Team: Silver Ojakol - Chief of Staff, AfCFTA Secretariat; Mohamed Ali - Director, Trade in Goods and Competition Policy; Emily Mburu-Ndoria - Director, Trade in Services, Intellectual Property, Investment and Digital Trade; Grace Khoza - Senior Advisor on Communication; Themba Khumalo - Senior Advisor on Industrialization; Beatryce Chaytor - Senior Advisor, Trade in Services. The following UNDP officials also served as the Internal Review Team: Frederick Mugisha – SDG Integration Advisor; Fatmata Lovetta Sesay – Economist; Tony Muhumuza – Senior Economist; Wilmot Reeves – Senior Economist; Weyinmi Omamuli – Senior Economist; Jacob Assa – Policy Advisor, Strategic Analysis and Research Team (SART); El Hadji Fall - Strategic Advisor (SART).

In addition to the above, the following colleagues participated in the Expert Review Meeting to assess the methodology and draft findings: Isiyaka Sabo – Head of Inclusive Growth, UNDP Regional Service Centre for Africa; Aissatou Diallo – Senior Coordinator, AfCFTA (ITC).

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# Foreword



**Wamkele K. Mene**

**Secretary General – AfCFTA Secretariat**

As the world recovers from the Covid-19 pandemic and coalesces around a growing impetus for environmental protection, and as trading and investing within the AfCFTA begins in earnest, this publication's timeliness and breadth will truly serve as a *vade mecum* for economic operators. The AfCFTA provides a single continental trade and investment system that is stable, predictable and rules-based, underpinned by oversight institutions. A robust, modern and comprehensive arrangement covering the broad spectrum of trade and investment, the AfCFTA is part of the current global zeitgeist in which industrial policy is at the core of social economic transformation and sustainable development.

Africa's vision is to be integrated, prosperous, peaceful, sovereign and internationally efficacious. Towards this end, the AfCFTA is the frontline for continental economic integration under Agenda 2063. Through immense opportunities, decent jobs, and a common rule-book, the AfCFTA improves living standards, fosters political and macroeconomic stability, and supports Africa's diplomatic imperatives globally. From my engagement with Heads of State and Government and stakeholders around the continent, there is absolutely no doubt that the momentum around the AfCFTA must be high. We are determined to ensure that the AfCFTA is a transformative intervention that must be effectively operational right away, with inclusive regional value chains (RVCs), for the benefit of the people of Africa including small scale traders, small to medium enterprises and historically- and culturally-marginalized sectors of society such as women and youth.

*Implementation of the AfCFTA will deepen national economic policy reforms to improve the African trade and investment environment. From the power inherent to 1.3 billion people, as well as the market access resulting from tariff liberalization and trade facilitation, industrialization and infrastructure programmes, we are generating a supportive framework for critical levels of investment into industry and infrastructure. These are bolstered by supportive interventions such as the pan-African payment and settlement system, new dedicated financing lines from various development and commercial banks, the online system for addressing non-tariff barriers, and market and investment intelligence platforms (including for clean energy). Together, these initiatives will promote the structural transformation of Africa and fast-track the achievement of UN Agenda 2030.*

Africa must add value to its minerals and other natural resources. We must diversify into other commodities that are viably available on the continent, to leverage them in spurring and benefitting from the current wave of technological revolutions. And we must diversify beyond the current commodity cycle traps into different high technology-content industries. This is clearly possible. Africa has 42 of 63 elements for the fourth industrial revolution (4IR), including coltan, cobalt, copper, nickel and graphite, for which global demand will increase by 1,000% by the year 2050 at current trends. Costa Rica, for instance, moved from coffee and bananas making up 68% of total merchandise exports in 1965 to electronic micro-circuits contributing 26% and parts and accessories for machines accounting for 15% by 2005. Such transformative trajectories require consistent vision, adequate resources, and inclusive policymaking, implementation and regular review.

As the pioneer Secretary General for the AfCFTA, it is a pleasure to work closely with partners and stakeholders on the continent and across the world, universally determined that the AfCFTA is successful. I will continue to place industrial policy and RVCs high on the agenda, together with complementary initiatives for resource mobilization and human capital through the AfCFTA Academy, while ensuring the AfCFTA functions and delivers on sustainable development. I heartily pay tribute to UNDP on this joint Futures Report, which maps out concrete RVCs available under the AfCFTA, and I appeal to stakeholders to use it avidly.





**Ahunna Eziakonwa**

**Assistant Secretary General – UNDP Africa**

As Africa works its way through this first-in-a-generation economic recession, the AfCFTA presents practical opportunities for a home-grown stimulus package. At a time when other nations issue stimulus checks to citizens to counter the pandemic's socioeconomic impact, I am swayed by the argument that Africa's stimulus can be boosted by strengthening its readiness to maximize opportunities in the continent-wide market.

Before us is an opportunity to change the destinies of Africa's men and women, boys and girls – by offering a new pathway to making trade easier, more streamlined, and less costly in Africa. If we succeed, we will have parted ways with an Africa that is the world's exporter of raw materials, which capture little value and bring even less gains for both nations and exporters.

Africa will now industrialize its economies, produce goods rich in African content, and create decent jobs for generations to come. This will keep Africa on a march towards prosperity.

This is the Africa we all want.

To actualize these objectives, we need to invest in building capacities for RVCs – and for Made in Africa.

We must start to actualize these value chains (VCs), with a preference especially for those initiatives that have significant impact for women and youth.

The era of the AfCFTA requires development practitioners to pivot towards accompanying the continent on this great journey of transformation in a manner that accelerates widespread attainment of socioeconomic progress. Anchored in our belief in Africa's promise, we at UNDP contribute, through this Signature Flagship Report – now in its second edition, and produced jointly with the Secretariat of the AfCFTA - to a discourse on the concrete steps required for the One African Market to take off in earnest. Africa's structural transformation will get on track when the continent's small

and medium enterprises (SMEs), women- and youth-led exporting enterprises are empowered to build those products - both goods and services - that are demanded in the AfCFTA. This in turn requires positioning production, investment, and business decisions around what is concretely on offer under the AfCFTA. Understanding these imperatives – and operationalizing them - is what this volume of the Futures Report is about. By analysing the Offers that State Parties to the AfCFTA have exchanged (both tariff and services), identifying where preferential treatment is emerging, and then identifying what this means for participation in regional value chains, this Report is the first of its kind. Its assessments are based on what the One African Market is shaping up to look like. It makes a novel and much-needed contribution by advising market participants in the AfCFTA on where their investment decisions can have the greatest impact.

This Report is a step forward in actualizing the Africa we want, and in accelerating the Sustainable Development Goals (SDGs) as a practical contribution to strengthening the readiness of Africa's exporters - both current and prospective - to maximize opportunities in the AfCFTA. It highlights the multiple entry points into the AfCFTA by showing what products have been offered for preferential treatment under the AfCFTA, and how these can be transformed into holistic value chains. In this way, it gives policymakers a workable tool to understand where to position national AfCFTA competitiveness strategies, as well as how to channel capacity-building for increased exports. It is our hope that with this depth of focus, Africa's businesses can position themselves more effectively and strategically for the AfCFTA. As we look ahead into the Decade of Action, if trade is to play its meaningful role as a means of accelerating action on the SDGs, we will need this kind of clarity to get us firmly on the pathway to sustainable development.



# The Contributors

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**Dr. Nicholas Charalambides**



**Ndidi Nwuneli**



**Gloria Katusiime**



**H.E Tiguidanké Camara**



**Sandra Uwera**



**Amel Hamza**



**Fortunate Kwiringira**



**Nadira Bayat**



**Efe Ukala**



**Edith Njage**



**Zakaria Fahim**



**Clare Akamanzi**



**Prof. Nellie Mutemeri**



**Aminou Adikari**



**Natalie Jabangwe**

# The Editors

---

**Dr. Francis Mangeni**



**Dr. Joy Kategekwa**



**Dr. Raymond Gilpin**



# Executive Summary

Market openings significantly boost trade and economic growth, but the AfCFTA's unique contribution is to the economic transformation of Africa – a much needed factor to create higher quality trade. Without structural change, the continent is less likely to address the persistent challenge of poverty, unemployment and the economic marginalization of women and youth.

The ability for the AfCFTA to drive this transformation in Africa is partly dependent on the successful transition from current inward-looking approaches to trade and investment towards the strengthening of RVCs where different segments of the industry VCs are located across the region reflecting local comparative advantage. RVCs enable countries to combine their comparative and competitive advantages to participate in industries from which they would likely be excluded if they relied only on their own capability sets. RVCs enable the emergence of specialized agglomerations which are essential for effective participation in higher value sectors with rapidly changing technologies and attendant skill sets, and they facilitate the development of economies of scale.

There are at least three reasons why RVCs should be a priority for Africa:

- 1) the region is the main economic space where regional firms are exporting manufactured products, hence it is of strategic importance to support structural transformation processes;
- 2) RVCs are controlled by regional players in terms of ownership, production and investment, hence there are more opportunities to upgrade into high-rents VC links such as product design, branding and distribution; and,
- 3) there is policy space to intervene given the existing regional economic integration agreements such as the various Regional Economic Communities (RECs) and the AfCFTA, which contribute towards a regional industrialization agenda.

The AfCFTA underpins the development of RVCs and, ultimately, a Made in Africa Revolution, by increasing market opportunities and expanding market size, improving access to better and lower cost inputs, thinning borders to reduce the cost and time of trade, and enabling resources and skills to be shared throughout the many links in the chain – irrespective of location.

Through enabling the widening and deepening of RVCs, the AfCFTA is engendering what is needed to ensure that not only is there greater trade within the continent, but that there is a sea-change in growth and job creation through greater value addition and structural change towards higher productivity sectors that generate jobs. Beyond the VCs themselves, Made in Africa is instrumental in ensuring that Africa's market needs are met, and that the integrated market is 'future-proofed'.

This Report presents which VCs can be maximized for a Made in Africa Revolution; showing new opportunities on both Goods and Services that arise from value addition and beneficiation, African innovation to meet context – specific needs, enablers of efficiency and transformation, future proofing, and impact on SDGs and Agenda 2063.

Identifying the VCs that will most benefit from AfCFTA liberalization involves: (1) identifying the main traded products that benefit from tariff preferences; (2) drawing out the key products where trade is set to expand, based on AfCFTA's empirical assessments; and (3) identifying the VCs that these liberalized products are integral to.

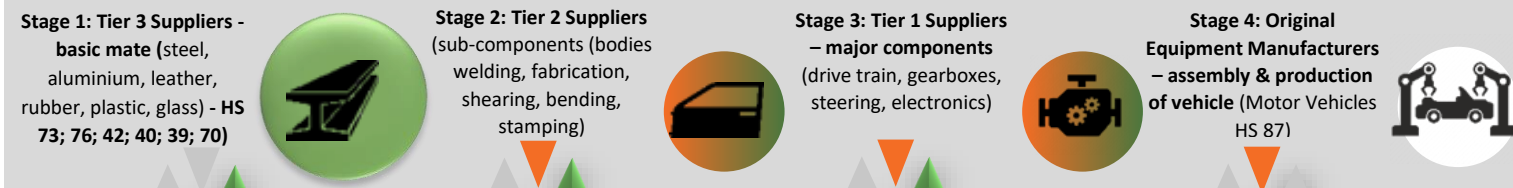
Future-proofing Africa's economy is an important consideration as the Covid-19 pandemic - with its disruptions in global supply chains, the inability to access foreign markets, and partial exclusion from procuring Personal Protective Equipment (PPE) and vaccinations - has highlighted the importance of greater self-reliance and the development of RVCs. What needs to be Made in Africa to future-proof an integrated continental market has been taken into account when selecting VCs for assessment.

This Report provides market players an opportunity to better understand where business decisions can be made to invest in the AfCFTA, informed by the direction of emerging opportunities in VCs. It also offers the view from industry players running exporting enterprises in some of the VCs identified. Their experiences shed a light on practice and on needed policy interventions to make the AfCFTA work in accelerating the objectives of structural transformation and sustainable development.

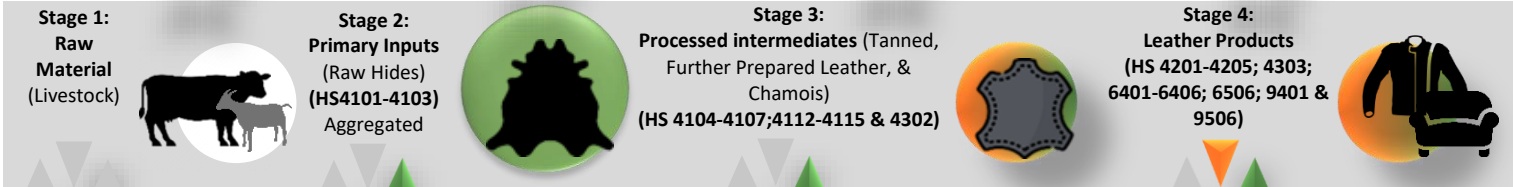
AfCFTA Value Chains: Opportunities at a Glance



Automotive VC



Leather & LP-VC



Cocoa Products VC



Soya Bean VC



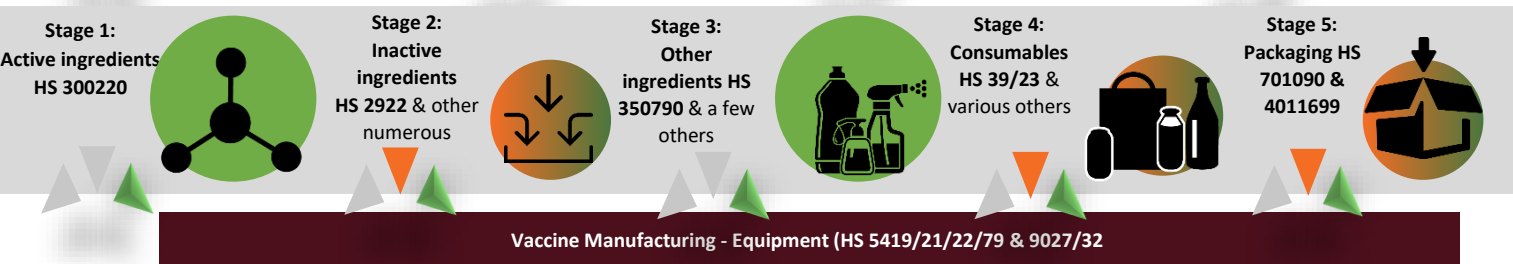
Textiles & Apparel VC



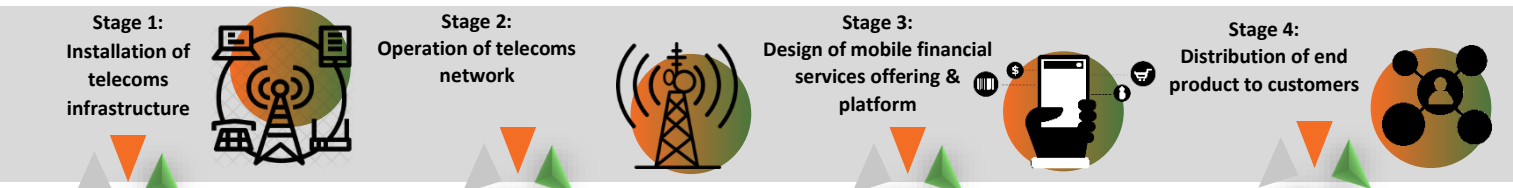
Pharmaceuticals



Vaccine Manufacturing



Mobile Financial Service



Cultural Industries VC





# 1 Introduction

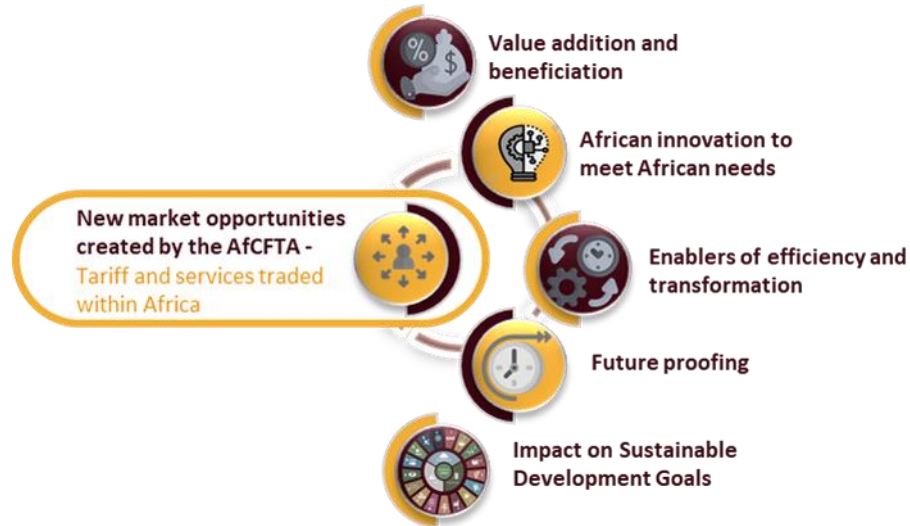
The AfCFTA is much more than a trade agreement. It should be seen as an instrument for Africa's development. By driving the continent's integration, the AfCFTA will result in wider and deeper RVCs, thereby laying foundations for a Made in Africa Revolution. The Report has two broad pillars: the first teases out the rationale for VCs and identifies which ones are emerging in both Goods and Services; the second presents testimonials and voices from practice – consisting *mostly* of women leading businesses that operate in some of the VCs that are identified in the Report.

**Section 2** of this chapter provides an overview of the potential impact of the AfCFTA and briefly outlines the conceptual framework on how the AfCFTA facilitates the growth of RVCs to engender a Made in Africa Revolution and the consequent structural transformation of the continent.

**Section 3** sets out an initial assessment of the Tariff and Services Offers, identifying where new market opportunities are emerging. We prioritize those specific VCs in which AfCFTA Offers directly liberalize the key products or services traded within them, creating new market opportunities. The second consideration is to identify which VCs have scope to capture greater value addition and beneficiation of the continent's raw materials and natural resources. We then ask where Made in Africa engenders African innovation to meet African needs – especially those needs that are currently underserved by the global economy. Recognizing that the AfCFTA objective is robust and resilient economic transformation, we target some of the VCs that are key enablers for economic efficiency and generate economic complexity - underpinning productivity gains and structural transformation - as well as those that contribute to the future-proofing of the Made in Africa Revolution, including resilience to future pandemics. The centrality of the AfCFTA as an instrument for development requires that the selected VCs collectively promote the realization of the SDGs and of Agenda 2063 – the Africa We Want - in particular with regard to the empowerment of women and youth. A final consideration is the importance of the *acquis*, ensuring that VC selection reflects the strategic priorities of RECs in the African Union (AU).

**Section 4** sets out the criteria for selection of VCs addressed in this Report.

Figure 1 Criteria for Selecting Value Chains



**Section 5** presents the results of the assessment of sector – specific VCs emerging from the analysis – with a focus on trade in goods – highlighting links to both the SDGs and Agenda 2063.

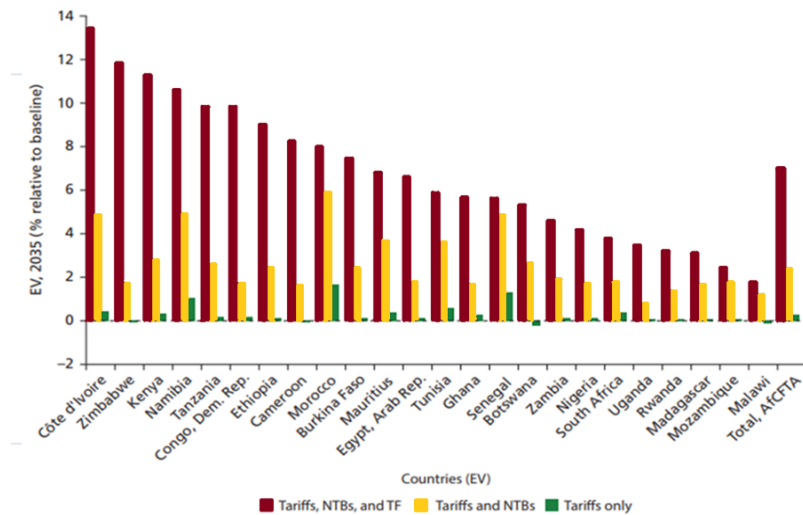
**Section 6** looks at how the AfCFTA encourages the growth of mobile financial services, cultural industries and the role of these sectors in promoting a Made in Africa Revolution.

One of the first assessments by Mevel & Karingi (2012) estimated that establishing the Continental Free Trade Area (CFTA) would result in real income increasing by 0.20% (US\$296.7 million).<sup>1</sup> Simulations by Jensen and Sandrey (2015) pointed to a 0.7% increase in real Gross Domestic Product (GDP) for the African continent in a zero-tariff environment.<sup>2</sup> Saygili, Peters, and Knebel (2018) predicted that full tariff elimination in the AfCFTA would result in real income increasing \$16.1 billion.<sup>3</sup> The United Nations Economic Commission for Africa (UNECA) (2018) projected the AfCFTA to increase GDP by 1%.<sup>4</sup> AfDB (2019) estimated that elimination of tariffs would result in a 0.1% (\$2.8 billion) increase in net real income for Africa,<sup>5</sup> although estimates provided by Abrego *et al.* (2019) indicated that the welfare gains for the continent under a zero-tariff area would only be 0.05% of GDP given low levels of applied tariffs on intra-African trade and low levels of inter-regional trade.<sup>6</sup>

Narrowing in on opportunities within Phase I of the AfCFTA, the liberalization of trade in goods, reduction of NTBs, and enhanced Trade Facilitation have been analysed in a recently published paper by the World Bank (2020). The analysis suggests that tariff liberalization will boost GDP by under 1% by 2035, relative to the counterfactual of no AfCFTA. Tackling NTBs alongside removing tariffs has a much greater impact – raising income by an estimated 3%, while Trade Facilitation results in over 7% growth.<sup>7</sup>

Analysis of the trade impact of the AfCFTA on exports generally emphasizes an expected increase in intra-African trade. Mevel & Karingi (2012) predicted that African exports will increase by 4% (\$25.3 billion) and intra-African trade by 52.3% (\$36.4 billion).<sup>8</sup> UNECA (2018) estimated growth in exports of 3%, but that intra-Africa trade would increase by between 15% (\$50 billion) and 25% (\$70 billion).<sup>9</sup> AfDB (2019) suggested that the AfCFTA would increase intra-African trade by up to 15%.<sup>10</sup> The World Bank (2020), under the scenario that removal of NTBs and Trade Facilitation accompany tariff reduction, points to a 29% increase in exports by 2035, with intra-African exports increasing by 81%.<sup>11</sup>

Figure 2: Quantification of impact of AfCFTA if successfully implemented



The sectoral composition of trade is important in providing insights into the impact of the AfCFTA on specific RVCs. The World Bank (2020) highlights the significant growth in trade in agriculture and manufacturing exports, but also provides a more granular view, identifying textiles and clothing; manufactured goods; wood and paper products; processed foods; and chemicals as sectors where exports to AfCFTA State Parties will increase significantly.<sup>12</sup> Baker McKenzie (2021) identified industrial products and manufactured goods as drivers of intra-African trade, including mineral products, machinery, motor vehicles and parts, chemicals, and fertilizers.<sup>13</sup> The analysis by UNECA (2018) emphasizes that the growth of manufactured exports is, in relative terms, much greater for AfCFTA trade partners than for the rest of the world.<sup>14</sup>

Finally, Africa's trade in services potentially represents a way to overcome current production and industrialization limitations. Services are the glue that binds trade in goods, and are a viable economic driver in their own right. The AfCFTA, with its Protocol on Trade in Services, opens the door for services-led development. With improved infrastructure and human capital development, African nations can leverage regional partnerships to reduce their reliance on imports from non-African nations.

<sup>1</sup> S. Mevel & S. Karingi. "Deepening Regional Integration in Africa: A Computable General Equilibrium Assessment of the Establishment of a Continental Free Trade Area followed by a Continental Customs Union". 2012.

<sup>2</sup> H. G. Jensen & R. Sandrey. "The Continental Free Trade Area - A GTAP assessment". 2015.

<sup>3</sup> M. Saygili, R. Peters & C. Knebel. "African Continental Free Trade Area: Challenges and Opportunities of Tariff Reductions". 2018.

<sup>4</sup> UNECA. "An empirical assessment of the African Continental Free Trade Area modalities on goods". 2018.

<sup>5</sup> AfDB. "Integration for Africa's Economic Prosperity". 2019.

<sup>6</sup> Lisandro Abrego, Maria Alejandra Amado, Tunc Gursay, Garth P. Nicholls, & Hector Perez-Saiz. "The African Continental Free Trade Agreement: Welfare Gains Estimates from a General Equilibrium Model". 2019.

<sup>7</sup> World Bank. "The African Continental Free Trade Area Economic and Distributional Effects". 2020.

<sup>8</sup> S. Mevel & S. Karingi, op. cit.

<sup>9</sup> UNECA. 2018. op. cit.

<sup>10</sup> AfDB. 2019. op. cit.

<sup>11</sup> World Bank. 2020. op. cit.

<sup>12</sup> Ibid.

<sup>13</sup> Baker McKenzie. AfCFTA's Three Trillion Dollar Opportunity. 2021.

<sup>14</sup> Note 9, op cit.

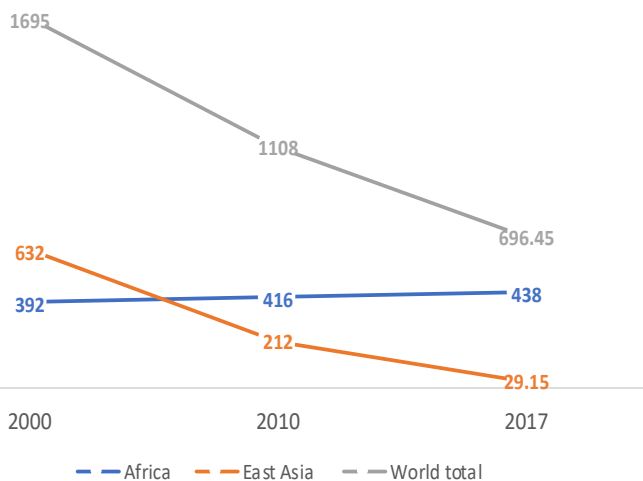


Simulations also provide estimations of the impact of sectors and employment throughout the continent. Saygili, Peters, and Knebel (2018) predict that if the continent were to adopt a zero-tariff environment, total employment would rise by 1.17%, with the manufacturing sector enjoying the largest employment growth rates. The only sector that would contract is the mining sector, which was projected to shrink by 0.03% in the zero-tariff scenario.<sup>15</sup>

## 2.1 The AfCFTA, RVCs and the Need for a Made in Africa Revolution

Despite strong growth and trade performance in the last decades, and a concomitant reduction in the poverty headcount ratio, Africa is the only continent where the number of poor people has increased, up from 392 million in 2000 to 438 million in 2017. During this same period, the poverty head count in East Asia fell from 632 million to 29 million. Absolute poverty levels are exacerbated by rising inequality, which has become a greater challenge for Africa,<sup>16</sup> further chronicled by UNDP's 2019 Human Development Report.

Figure 3 Number of People Living Below \$1.90 a Day (Million People)



Source: WDI

Another important characteristic of Africa's growth is that it has been largely jobless. The AfCFTA and its focus on creating markets for Made in Africa products stands to disrupt the status quo in the interest of industrialization based on value addition.

Unemployment remains stubbornly high and is an ever more pressing challenge. Every year 10 to 12 million people enter the job market, but only 3 million new formal sector jobs are created, which has resulted in a third of African youth aged between 15 and 35 being unemployed. Official unemployment rates for many African countries are over 20%,<sup>17</sup> and this does not reflect the insecurity and temporary

nature of most employment created on the continent, where less than 20% of workers are wage or salaried employees, compared to over 40% in East Asia and the Pacific.<sup>18</sup>

Part of the reason why trade and growth has resulted in low labour productivity and wages and limited job creation is the continent's continued reliance on the production and trade of non-complex products and natural resources, and the failure to ignite competitive manufacturing.<sup>19</sup> This results in low labour productivity and limited job creation. In turn, low labour productivity leads to low wages, creates a cap on the value of exports, and undermines the tax revenue base. Despite this, there are immediate opportunities for growth in industrial sectors where African countries have demonstrated comparative advantage e.g. in agro-processing and basic textiles and garments, but these sectors are of moderate complexity and while they can contribute to the creation of more and better jobs in the short term, the achievement of middle income status for the majority of African countries demands further transition to more advanced industries and industry segments such as vehicles, man-made fibres, plastics, machinery, pharmaceuticals, chemicals and electrical products, and higher value services including finance, insurance and Information Communication and Telecommunications (ICT).

*Greater regional integration on the continent has had a positive effect on women's employment, contributing to the shift away from agriculture and towards services in the sectoral composition of female employment, but this was mainly at the lower end of the skills spectrum, in sectors such as trade and tourism. Analysis by United Nations Conference on Trade and Development (UNCTAD) in 2018 found that export tariff liberalization between East African Community (EAC) Partner States had a positive impact on women's employment in production tasks, but the effect was insignificant for non-production workers.<sup>20</sup>*

<sup>15</sup> M. Saygili, R. Peters & C. Knebel. "African Continental Free Trade Area: Challenges and Opportunities of Tariff Reductions". 2018.

<sup>16</sup> P. Osakwe & M. Poretti. "Trade and Poverty Alleviation in Africa: The Role of Inclusive Structural Transformation" 2015.

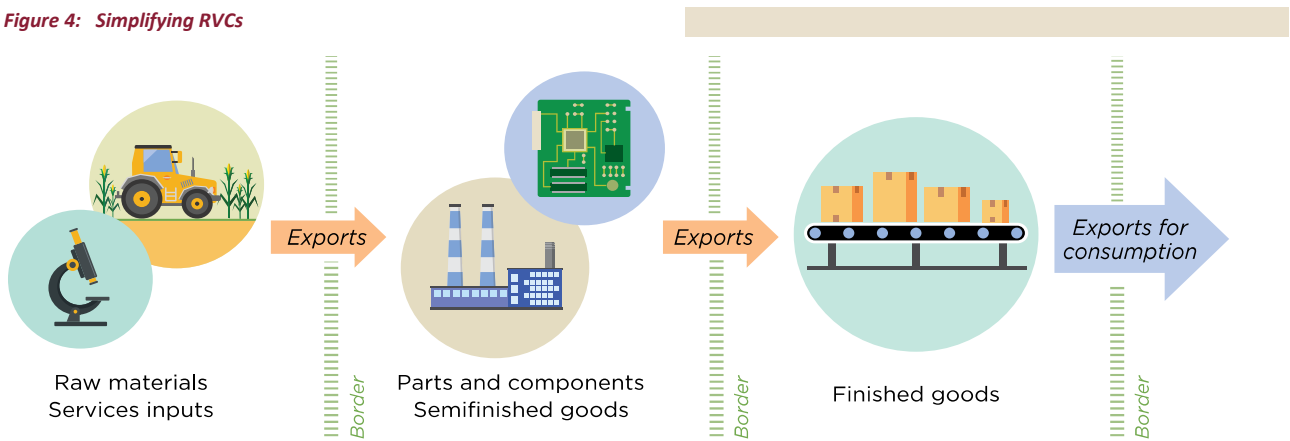
<sup>17</sup> ILO. "Employment and Social Outlook 2020". 2021.

<sup>18</sup> G. Fields. "Reflection on Africa's Youth Unemployment Problem." *AfDB African Economic Brief*. 2021.

<sup>19</sup> UNECA. "Economic Report on Africa: Industrialising through Trade". 2015.

<sup>20</sup> United Nations Conference of Trade and Development (UNCTAD). *East African Community Regional Integration: Trade and Gender Implications*. 2018.

Figure 4: Simplifying RVCs



Source: WDR 2020

A RVC breaks up production across countries, unbundling tasks and functions, with each business specializing in a particular activity along the production process.

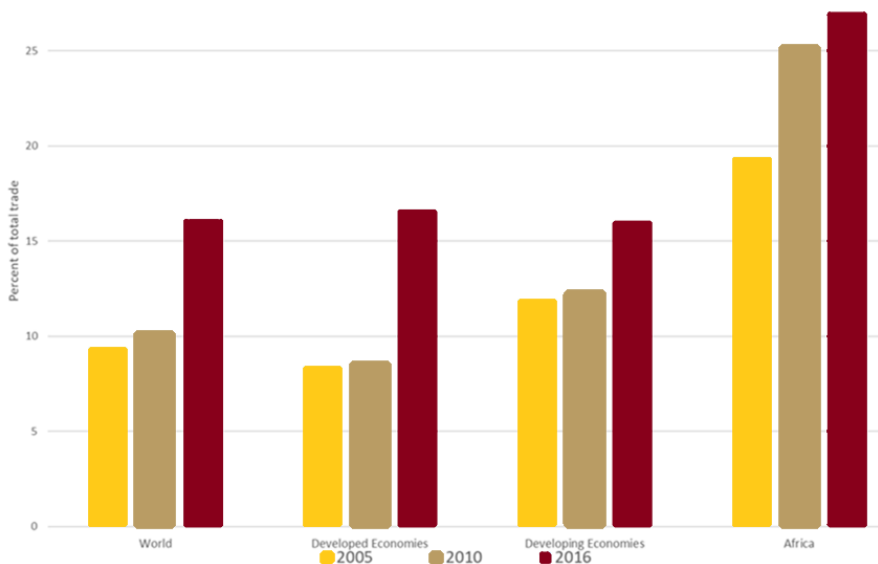
RVCs are different from national VCs and GVCs in important ways. The consideration of RVCs is particularly important because these chains may be more amenable to upgrading than GVCs, as all the players in the VC in the former are located within the region.<sup>21</sup> RVCs also have important dynamics which are not generally taken into account in the GVC literature. These dynamics consist of the coexistence of regional trade, regional investment and regional corporate ownership.

RVCs can work in different ways, depending on the nature of the business relationship between client and suppliers, from buying and selling inputs and components on a spot market to a wholly-owned subsidiary. Each governance structure has its own strengths and weaknesses. For example, spot markets are more inclusive, allowing for multiple suppliers to compete as well as enable them to sell to multiple clients. Conversely, longer-term contractual relationships can foster the development of supplier capabilities and capacity (Gereffi, Humphrey and Sturgeon).

<sup>21</sup> J. Keane. "Firms and Value Chains in Southern Africa". 2015.

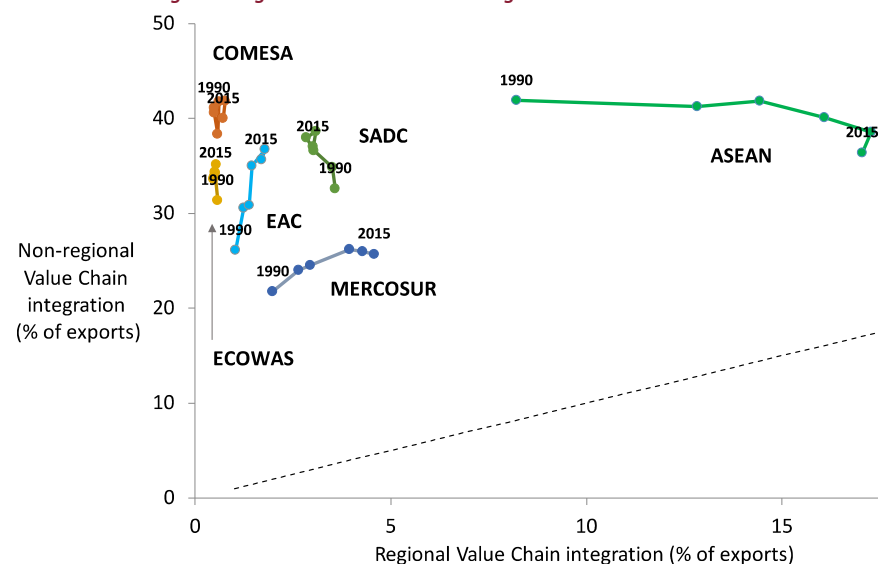
RVCs are already providing a path to greater complexity, particularly when exports within the RVCs on the continent embody higher technology than exports by African companies within GVCs (see Figure 6).

**Figure 5: Share of Medium and High Technology Goods in Africa's Exports by Destination (2005-2016), by Percentage**



However, much work remains to facilitate the further development of RVCs in Africa. Currently, while participation in GVCs has increased since the 1990s - accounting for between 25 and 40% of global exports by 2015 in selected African RECs - participation in RVCs remains below 5% of exports. In the case of the Southern African Development Community (SADC), RVCs have actually shrunk. In contrast, RVC participation has increased in both ASEAN and Mercosur.

**Figure 6 Regional Versus Global VC Integration**



Source: Twum and de Melo using Borin and Mancini (2015, 2019) database

## 2.2 The AfCFTA's Six Strategic Levers for Growing RVCs and Driving a Made in Africa Revolution

The AfCFTA underpins the development of RVCs and, ultimately, a Made in Africa Revolution, through serving as an overarching framework with the following six levers:

### 2.2.1 Tariff Phase Down

Liberalizing tariffs helps to create demand, increasing market size and enabling economies of scale. However, it is the tariff on inputs that is equally, if not more, important. The average tariff on intermediates across African countries is around 10%, having fallen slowly over the past 15 years, but this figure is still roughly twice the average for other developing country regions, being a legacy of a historic pursuit of inward-looking industrialization strategies. Importantly, there is strong evidence to show that these tariffs cascade down the VC into different stages of production. Where multiple intermediate inputs are required, high impacts on the cost of vertical specialization and RVC development are felt. For sectors such as iron and steel and the automotive sector, high tariffs on intermediate goods (e.g. wires, bars, rods) prevent greater regional manufacturing and processing, being undermined by competition from cheaper imports.

### 2.2.2. Appropriate and Harmonized RoOs

Appropriate and harmonized Rules of Origin (RoOs) are central to ensuring that RVCs are able to benefit from tariff preferences, without distorting their production decisions. The high thresholds for local content, going up to 40% for some products, serve to illustrate how RoOs will incentivize Made in Africa, whilst the tariff preferences on offer for originating goods act as a further catalyst. Accordingly, it is encouraging to see that as of July 2021, 86% of the AfCFTA RoOs have been agreed, while negotiations on the outstanding 14% (2% issues scattered across multiple sectors, 10.5% in textiles and 1.4% in automotive) are ongoing.<sup>22</sup> In terms of particular sectors, it is notable that considerable parts of Harmonized System (HS) Chapters 50-63 (textiles, clothing, and household textiles) and HS Chapter 87 (motor vehicles, parts, and accessories) remain under review.<sup>23</sup> These two sectors have long been identified as prime candidates for RVC development in Africa and it is hoped that the AfCFTA will encourage this. As such, it is important for stakeholders in these sectors to mobilize their resources to finalize RoOs, and in so doing, enable RVC development.

Beyond the AfCFTA RoOs and their finalization, it remains important to determine common RoOs across Africa to address the current diversity of both regime-wide and Product-Specific Rules of Origin (PSRO) across the RECs.

Finally, of particular importance for RVCs are the AfCFTA RoOs and treatment of goods produced in Special Economic Zones

<sup>22</sup> Tralac. "AfCFTA Rules of Origin: Updated Factsheet". July 2021. Situation remains the same in September 2021.

<sup>23</sup> Ibid.

(SEZs) and Export Processing Zones (EPZs), which are currently still under negotiation and usually are subject to limits.

### 2.2.3 Enabling Services

According to UNCTAD, services make up over half of Africa's combined GDP, at 55%. The share of services in African trade reached 22% in 2016.<sup>24</sup> Services are a key diversification pathway and have a transformative effect on other sectors, such as manufacturing and agriculture, making production more efficient.

The services sector contributes significantly to African GDP growth. In 2017, services made up 75% of Africa's Foreign Direct Investment (FDI).<sup>25</sup> Additionally, liberalization of trade in services enables the formation of RVCs and the structural transformation they can drive.

Five sectors have been prioritized for liberalization in the first phase. These are: Financial, Communication, Transport, Tourism, and Business services. Services are a key component of the commercial viability of any VC

technical testing & analysis services (CPC 8676 in Mode 3 & 4); services incidental to mining (CPC 883 & 5115 in Mode 3 & 4); services incidental to manufacturing (CPC 884 & 885 in Mode 1, 3 & 4); and logistics services (CPC 741,742 & 748 in Mode 3 & 4).

Accordingly, the parallel attention that the AfCFTA pays to strengthening capacities in these sectors through their liberalization is critical for RVC development in Africa.

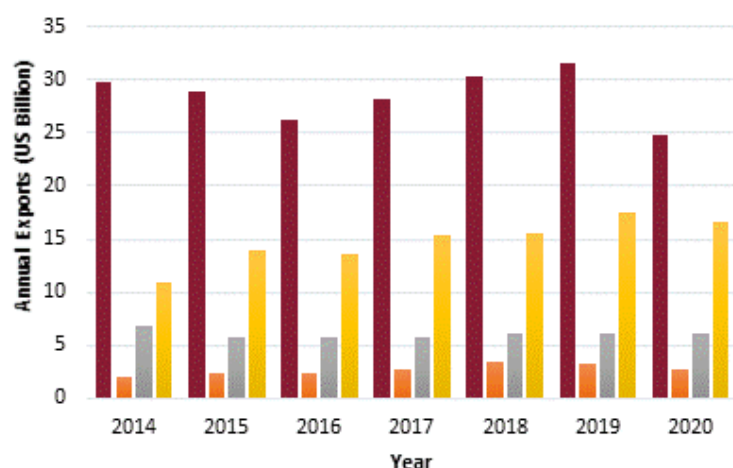
### 2.2.4 Harmonizing Standards

The elimination of tariff barriers and NTBs, and harmonization of standards called for under the AfCFTA represent a unique opportunity to boost intra-regional trade and investment. AfCFTA Protocols on Sanitary and Phytosanitary (SPS) Measures and on Technical Barriers to Trade (TBT) will play a key role in this regard.

### 2.2.5 Removal of NTBs

The AfCFTA specifically addresses NTBs and the effect they have on competitiveness, cost and transit times for intra-African trade. A meaningful reduction in the prevalence of NTBs would have a significant and positive impact for AfCFTA State Parties. The UNECA 2019 ARIA Report illustrates the high costs of NTBs and TBT in Africa's manufacturing sectors.<sup>26</sup> Addressing these barriers will go a long way in establishing RVCs.

Figure 7: Total Services Exports from African Countries for Selected Sectors (WTO Data)



The business services sector includes many services that are key to the commercial success of the VCs analysed in this Report. Cross-cutting services include engineering, manufacturing, packaging, advertising, and market research services. Collectively, these cross-cutting services will be central to capturing market share and growing local brands from home-grown inputs. Additionally, technical testing and quality assurance services - along with logistics and distribution services - will play an important role.

It is likely that Mode 1 and Mode 3 will be some of the most important to target for liberalization, allowing companies to sell services across borders and establish a local commercial presence unencumbered. Liberalization via Mode 4 will also be relevant, allowing personnel to move across borders temporarily to work on specific projects.

In the case of the automotive RVC for example, there is need for engineering & integrated engineering services (Central Product Classification [CPC] 8672 & 8673 in Mode 3 & 4);

### 2.2.6 Enhanced Trade Facilitation

The AfCFTA explicitly addresses Trade Facilitation in Annex 4 of the Trade in Goods Protocol. Enhanced Trade Facilitation will lead to significant real income gains, and significantly decrease the high costs of trade and transit within Africa, and in so doing,

- Transport
- Financial services
- Telecommunications, computer, and information services
- Business services

make it easier to establish RVCs and attract investment. New research emerging out of UNDP and Africa Investor (2021) confirms that streamlining regulation in support for AfCFTA implementation could not only act as a stimulus for Africa's post-Covid-19 recovery, but it would also save governments \$17 billion in costs and earn businesses \$500 billion in revenues.

Trade Facilitation is the most resource-intensive to realize in its entirety, as it includes (amongst other measures), establishing soft border infrastructure, modernization and digitalization of customs management and border administration systems, as well as attendant staff capacity-building. Though the initial challenges are daunting, this category has the best return on investment. A recent study by the Trade Law Centre (tralac) calculated that if the time for trucks to deliver goods in Africa was decreased by just 20%, this would increase intra-African trade by a greater percentage increase than fully liberalizing all intra-African

<sup>24</sup> UNCTAD. "Mission to unlock Africa's services sector". 2019. available at: <https://unctad.org/news/mission-unlock-africas-services-sector>.

<sup>25</sup> UNECA. "ARIA Report". 2019.

<sup>26</sup> UNECA, *ibid*.

trade. Enhancing Trade Facilitation and enabling RVCs will depend heavily on how well AfCFTA institutions cooperate with RECs to leverage lessons learned from related reform initiatives.

### 2.3 How the AfCFTA Enables a Made in Africa Revolution

Through substantially reducing tariffs, developing and enforcing RoOs, liberalizing services – particularly trade-enabling services, harmonizing national and regional standards, reducing NTBs, and enhancing Trade Facilitation -

the AfCFTA will enable the widening and deepening of RVCs, engendering a Made in Africa Revolution. This is necessary to ensure that not only is there greater trade within the continent, but that there is a sea change in growth and job creation through greater value addition and structural change towards higher productivity sectors which generate jobs.

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## Methodology

*In order to identify the VCs emerging in the AfCFTA, we assessed the opportunities in the AfCFTA based on Offers that have been made in the AfCFTA in both goods and services. We then examine the potential for a series of VCs to grow and develop as a result of the AfCFTA, based on a methodological assessment of what countries are offering each other in the form of conditional tariff and services Offers. These Offers, although not yet bound into tariff or services schedules, nor complete, are the best set of pointers we have of what the pan Africa market might look like when the Agreement is fully implemented.*

*In practice, our assessment has involved: (a) identifying inputs and outputs for each of the VCs at the different stages of production; (b) selecting the main products traded within Africa (over \$1 mn. annually) at each stage (c) conducting an analysis of the tariff Offers of each of the RECs and Egypt to assess which of the main traded products will benefit from tariff preferences from at least three of the key markets. This analysis also highlights where specific State Parties to the Agreement need to extend their tariff offers and, by reciprocating, realise the opportunity to benefit from tariff preferences on new markets; (d) we then provide an assessment of the scope for export expansion of key products within each stage of production in the VCs. The estimate of export potential is derived using the UN International Trade Centre (ITC) export potential assessment tool, which is based on a gravity model framework with a three-factor breakdown of a country's potential product exports to a specific target market: supply, demand, and ease of trade.*

*The analysis extends to certain key services inputs, focusing on whether countries services Offers provide for market access to trade partners.*





**“The debate on the benefits of trade has dominated this decade, and Africa has cast its vote for more and better trade with itself”**  
Dr. Vera Songwe, Executive Secretary of the Economic Commission for Africa, United Nations



# 3 Opportunities in the AfCFTA

This section provides a brief overview of the Tariff and Services Offers of State Parties available at the time of writing. The picture may change as additional countries submit their Offers.

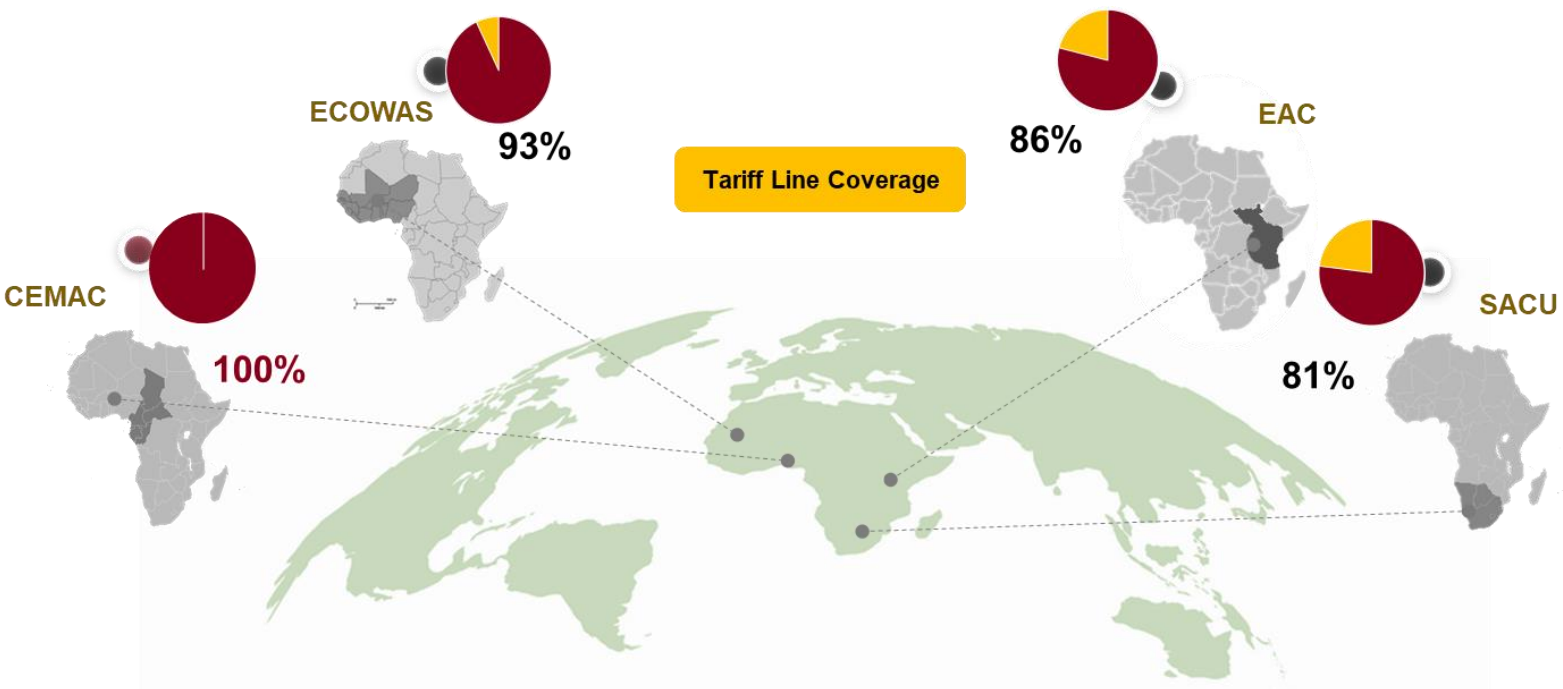
## 3.1 The AfCFTA Tariff Offers

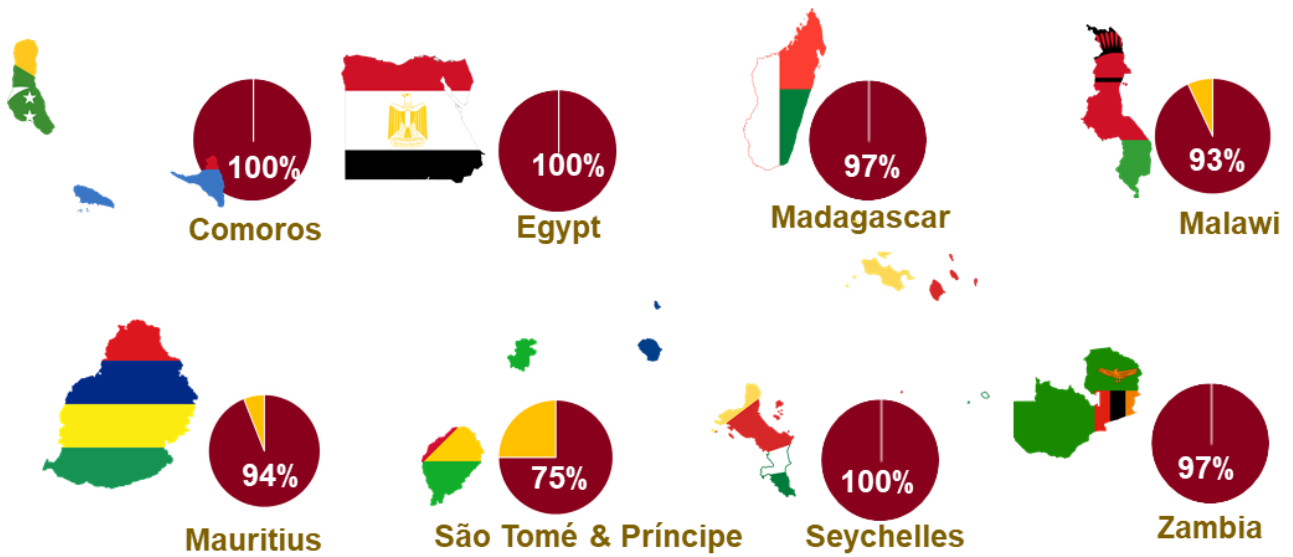
To date, 29 State Party Tariff Offers, either as regional groups or as single countries have been examined: Central African Economic and Monetary Community (CEMAC), Comoros, EAC, Economic Community of West African States (ECOWAS), Egypt, Madagascar, Malawi, Mauritius, Southern Africa Customs Union (SACU), São Tomé and Príncipe, Seychelles, and Zambia. An examination of the Tariff Offers of the AfCFTA's liberalizing regions and nations provides insight into where (and for what items) tariff preferences will create new market opportunities.

### 3.1.1 Tariff Line Coverage

The tariff line coverage of submitted Tariff Offers differs among the regions and countries under consideration. CEMAC, Comoros, Egypt, Seychelles, and Zambia have 100% coverage and have included Tariff Offers for non-sensitive, sensitive, and excluded goods within their schedule of Tariff Offers. EAC, ECOWAS, Madagascar, Malawi, SACU, and São Tomé and Príncipe have only submitted Tariff Offers for non-sensitive goods. Madagascar's Tariff Offer covers 97% of tariff lines; those of ECOWAS and Malawi cover 93%, while the EAC, SACU, and São Tomé and Príncipe Tariff Offers cover between 75% and 86% of all tariff lines. Figure 9 below highlights the percentage of tariff lines covered by each region's and country's submitted Tariff Offers.

Figure 9: Tariff Line Coverage for Each Region and Country



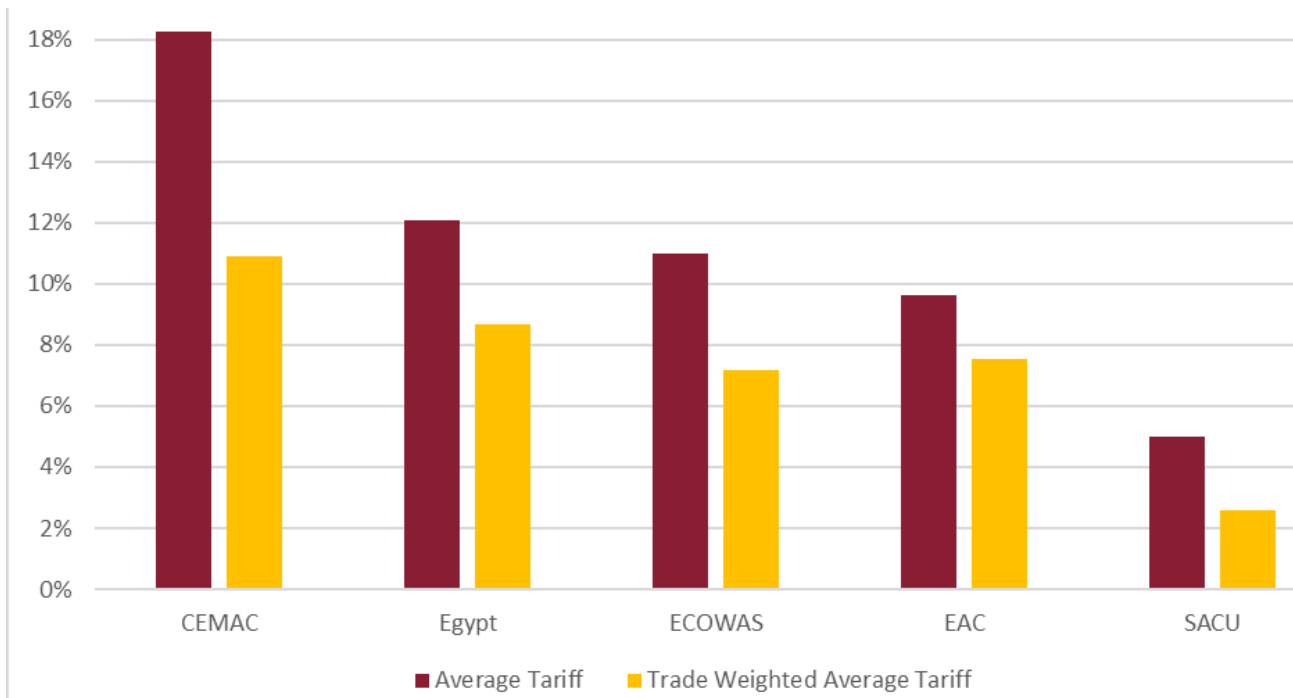


### 3.1.2 Tariff Preferences Resulting from the AfCFTA

Looking at some of the main traders within the AfCFTA, CEMAC's tariff schedule provides an average tariff preference to AfCFTA reciprocating members of just over 18% (10% when trade-weighted). Tariff Offers from EAC, ECOWAS, and Egypt result in average preferences of 12%, 11% and 10% respectively;

when weighted for trade, average preferences drop to between 7% and 9%. SACU's tariff preferences are significantly lower - 5% on average and just over 2% when trade-weighted - which reflects the exclusion of a large number of sensitive items from their initial Tariff Offers.

Figure 10: Average and Trade Weighted Tariff Preference



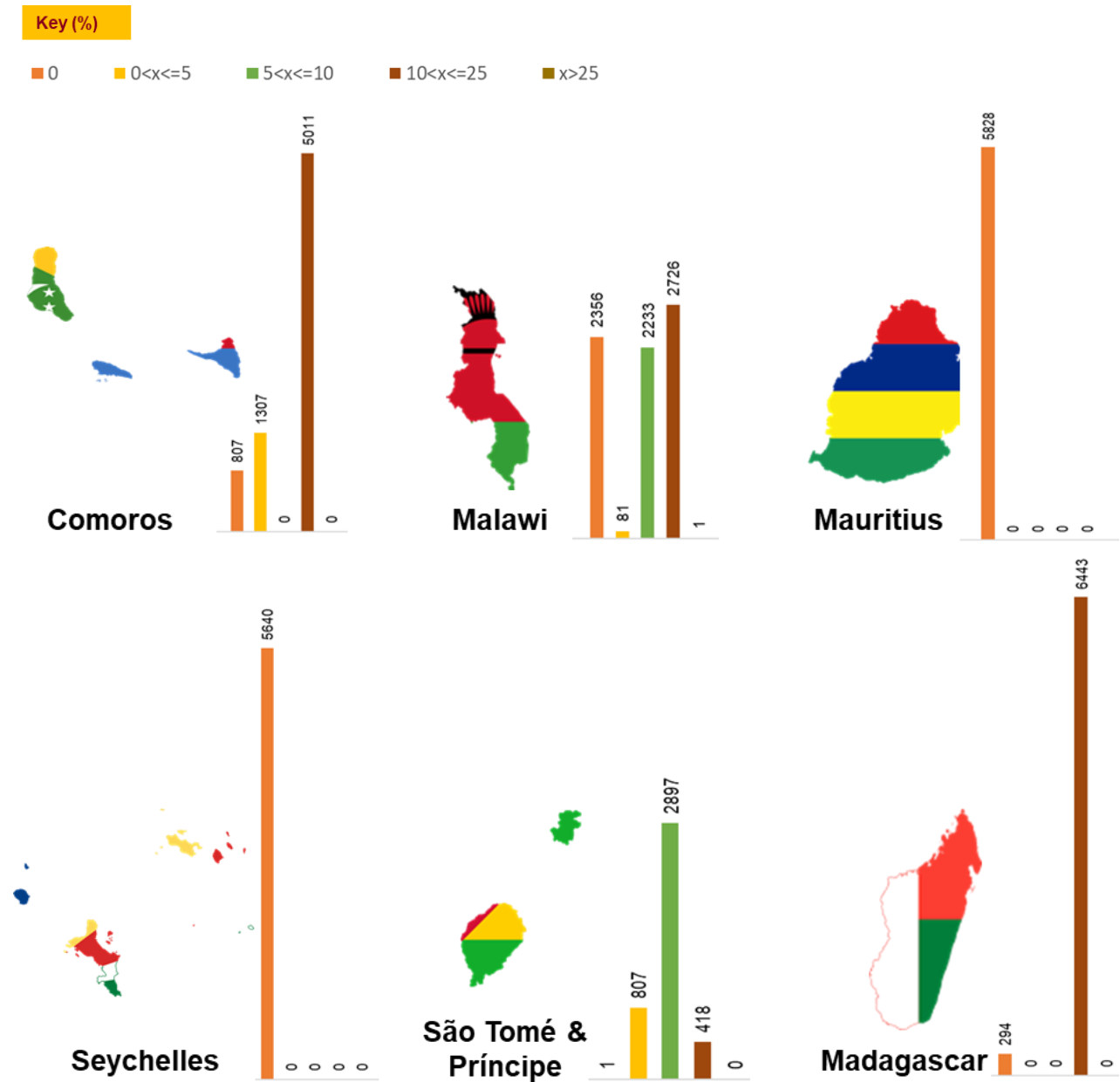
Source: Initial Tariff Offers and COMTRADE

The value of tariff preferences offered by each region and country vary by tariff line. Because Mauritius and Seychelles have unilaterally liberalized, most of their tariff lines are zero-rated and therefore nearly all tariff lines in their schedules offer 0% tariff preference. A large number of the tariff lines in EAC'S and SACU's schedules also offer 0% tariff preference. CEMAC's and Egypt's Tariff Offers result in preferences of

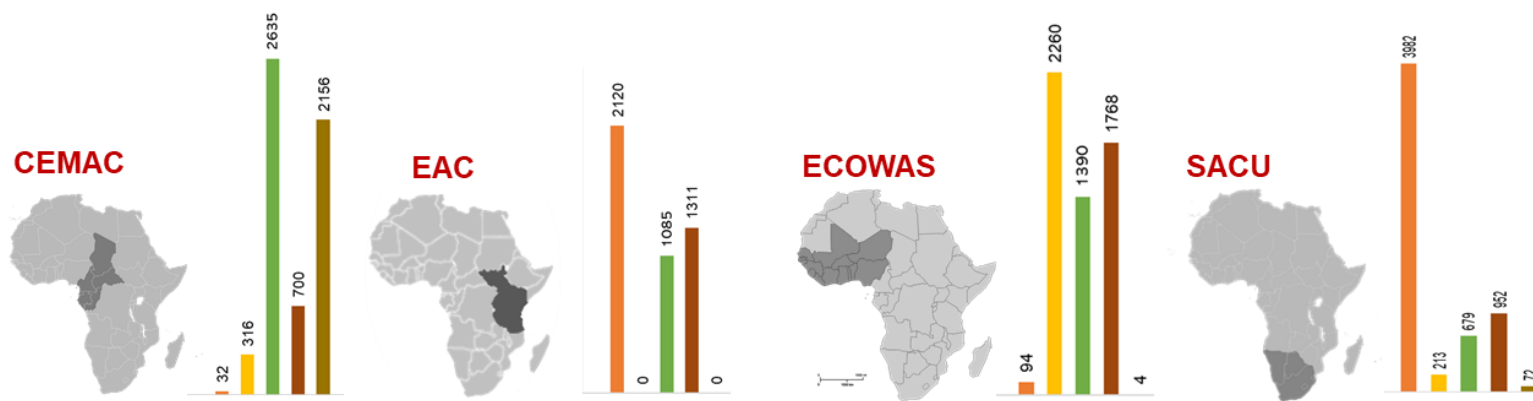
over 25% for 2156 and 972 tariff lines, while most countries' and regions' Tariff Offers create tariff preferences of between 10% and 25%. Figure 11 below displays the various of tariff preferences across the regions and countries discussed.



Figure 11: Tariff Offers for each Region and Country



Tariff Offers submitted for each country						
Tariff Preferences (%)	Comoros	Mauritius	São Tomé & Príncipe	Malawi	Seychelles	Madagascar
0	807	5828	1	2356	5640	294
0<x<=5	1307	0	807	81	0	0
5<x<=10	0	0	2897	2233	0	0
10<x<=25	5011	0	418	2726	0	6443
x>25	0	0	0	1	0	0



Tariff Offers submitted for each region						
Tariff Preferences (%)	CEMAC	EAC	ECOWAS	Egypt	SACU	Zambia
0	32	2120	94	0	3982	2005
0<x<=5	316	0	2260	1336	213	700
5<x<=10	2635	1085	1390	995	679	0
10<x<=25	700	1311	1768	326	952	3661
x>25	2156	0	4	972	72	161

### 3.1.3. Main Traded Products Benefiting from Tariff Preferences, by Region and Country

Significant tariff preferences and high levels of imports for plastics and articles thereof (HS 39) were found for CEMAC, SACU and Zambia, while tariff preferences and high levels of imports for machinery and equipment (HS 85) were found in CEMAC, Comoros, EAC, ECOWAS and Zambia. There are also

significant preferences and high levels of imports for wood and articles of wood (HS 44), articles of iron and steel (HS 73), and articles of clothing accessories (HS 61, 62). Other special product lines include chemicals (HS 28, 29) and cotton (HS 52). Figure 12 below highlights further product lines where possible opportunities lie, by region and country.

Figure 12: Main Traded Products with Significant Tariff Preferences





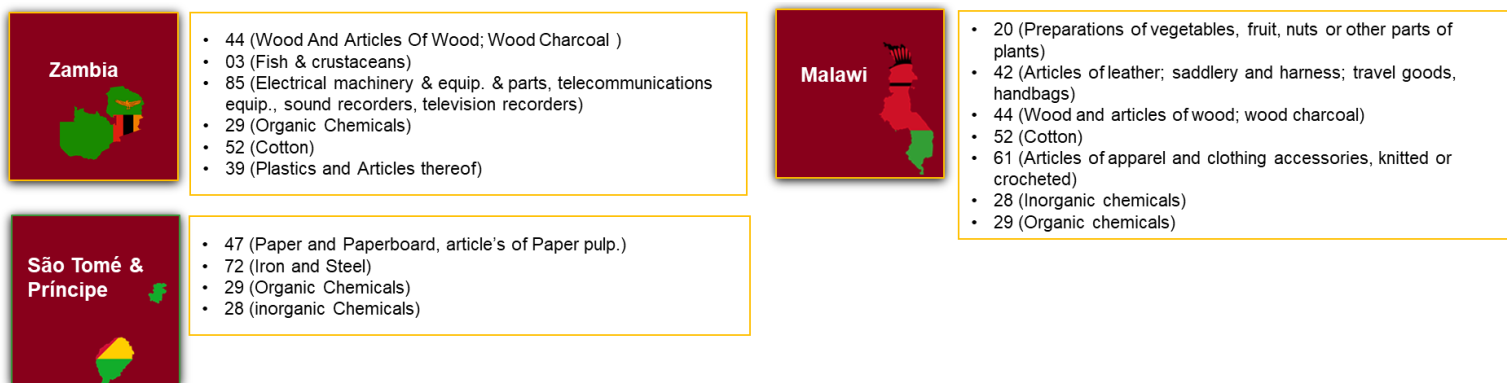


Figure 8: Main traded products benefitting from AfCFTA (Tariff preference 0%)



## 3.2 Services in the AfCFTA

### 3.2.1. The AfCFTA Protocol on Trade in Services

The AfCFTA, through the Services Protocol, aims to create a single liberalized market and formalize a framework governing trade in services in Africa. Achieving this goal will enable the services sector to realize its potential to create employment and transform the continent.

Sector-specific schedules offer a degree of certainty for service providers. These Offers set out a minimum level of treatment, providing certainty for businesses which will allow them to plan market entry, and protecting them against costly policy reversals once they have entered a market. When service providers are given this degree of confidence, they are more likely to invest in exporting to a new market (whether this is by reconfiguring their operations so that they can sell services across borders under Mode 1, or invest in a new operation in the importing country under Mode 3 - as they will have some certainty that conditions will not change in a way that will put their investment at risk.)

But even where schedules have, on paper, liberalized a sector, barriers can remain and prove difficult to remove.<sup>27</sup> Service providers often find themselves having to comply with two different sets of regulations when exporting (the regulations of the exporting country where they are based, and the regulations of the destination market). This creates significant costs for exporters, and can have the result of locking them out of markets even if other restrictions to foreign service suppliers have been removed. To this end, the AfCFTA Services Protocol provides a platform for regulatory cooperation, which will allow State Parties to work together

to harmonize regulations in various services sub-sectors. Greater integration and exportability of services will increase the efficiency of the sector in Africa through additional competition and through the spread of new technology and practices, which will in turn increase the efficiency of the manufacturing and agricultural sectors given the enabling nature of services. Working together to complete this process and harmonize regulations in key sub-sectors will be an important focus of State Parties as the Protocol is implemented.

Once negotiations on the original five priority sectors are concluded, State Parties will move on to the remaining seven sectors (Construction, Education, Health and social, Recreational and cultural, Distribution, Environmental, and other). In practice, some countries have already made Offers in these seven sectors, which bodes well for prospects in the One African Market.

In the AfCFTA Services Protocol, State Parties commit to offer access for four types of supply: cross-border supply (Mode 1), consumption abroad (Mode 2), commercial presence (Mode 3) and the presence of natural persons (Mode 4). These commitments can be either for market access, national treatment, and/or additional commitments (which provide supplementary information on regulations that may affect the offer). Most AfCFTA sector-specific commitments are in Modes 1, 2 and 3; Mode 4 is left unbound for the majority of sectors, and deviations or exceptions to this are largely listed in horizontal commitments, rather than under specific services.<sup>28</sup>

A total of 40 countries have tabled initial Offers, with many making significant improvements to their World Trade Organization General Agreement on Trade in Services (GATS)

<sup>27</sup> World Trade Organization (WTO). "WTO Trade Report 2019: The Future of Trade in Services" 2019.

<sup>28</sup> In keeping with WTO trends with this scheduling practice.

commitments. This Report assesses 10 of these offers to provide an insight into emerging opportunities.

### 3.2.2. What did the Initial Service Offers Tell Us?

The table below shows the results of a preliminary analysis of the Services Offers of 10 countries: Comoros, Democratic Republic of the Congo (DRC), Egypt, Eswatini, Madagascar, Mauritius, Namibia, Seychelles, South Africa and Zambia. This assessment is limited to the five priority sectors under Phase 1 of the AfCFTA services negotiations, and gives an overview of how these offers improve on existing GATS commitments

for these sectors. Not all AfCFTA State Parties are members of the WTO, and such countries (e.g. Comoros) will therefore not have GATS commitments. In such cases, any Offer submitted provides an improvement to the status quo.

While DRC, Mauritius, and Namibia offered relatively significant improvements for at least three of the five priority sectors, some others (e.g. Seychelles and Zambia) largely retained their WTO GATS commitments, while others (e.g. Egypt and Eswatini) offered additional opportunities in the business services category.

**Table 1: Approaches to Services Liberalisation being taken by AfCFTA Signatories under the AfCFTA**

Country	Horizontal	Business	Communication	Financial	Tourism	Transport
South Africa	Red	Yellow	Green	Yellow	Yellow	Green
Comoros (Not yet acceded to the WTO) <sup>29</sup>	Green	Green	Green	Green	Green	Green
DRC	Yellow	Green	Green	Green	Red	Green
Egypt	Red	Green	Yellow	Yellow	Red	Red
Eswatini	Red	Yellow	Yellow	Green	Yellow	Red
Madagascar	Yellow	Red	Green	Yellow	Yellow	Yellow
Mauritius	Yellow	Green	Green	Yellow	Green	Green
Namibia	Yellow	Yellow	Green	Green	Red	Green
Seychelles	Red	Red	Red	Red	Red	Red
Zambia	Yellow	Red	Red	Red	Yellow	Red

**Key**

Significant GATS+Commitments



Limited Changes from GATS Commitments



No Change from GATS Commitments



As the table shows, the Communications sector is the one with the most significant changes in commitments between the GATS schedule and the AfCFTA Offer, which is a welcome development given the technological changes that have taken place since the GATS was negotiated in the early 1990s.

While all of the priority sectors have important links to trade and the overall economy, steps outlined to liberalize the Business, Financial and Transport services sectors hold strong promise for the AfCFTA. Business services will allow the easier provision of specialist services across borders, which should improve efficiency and assist in alleviating skills shortages. Furthermore, several of the State Parties who have made Offers have included the provision of Computer and Related Services, which were in their infancy when the GATS was negotiated. The opening up of the Financial sector will be extremely important for the flow of capital (although carve-outs, horizontal commitments, and unbound modes will decrease impacts), and could provide better access to capital for prospective exporters. Finally, the liberalization of the Transport sector - especially freight, marine, and aviation sub-sectors - will provide new opportunities for better Trade Facilitation on the continent, which will have the spillover effect of inducing further exports as the cost of transport falls.

In addition to the Offers made in each of the five priority sectors, State Parties also make horizontal commitments which bind every services sub-sector listed in their submitted Offer. As a result, these commitments are cross-cutting and have a wider effect than sector-specific ones. Most horizontal offers relate to Mode 4 commitments and in some cases, Mode 3.

Negotiations are ongoing on a request and offer basis, and from the Offers available, it is difficult to get an accurate idea of the full economic implications. On the basis of the information available at the time of writing, less than 50% of offers analysed improve on the GATS position.

There is still progress to be made if the opportunity to liberalize services is to be seized. The increased numbers of Offers provided since this analysis began is a good indication that there is a commitment to improve and deepen integration of the sector.

<sup>29</sup> There are no GATS commitments to compare with their AfCFTA Offers.







# 4

# Value Chains for a Made in Africa Revolution

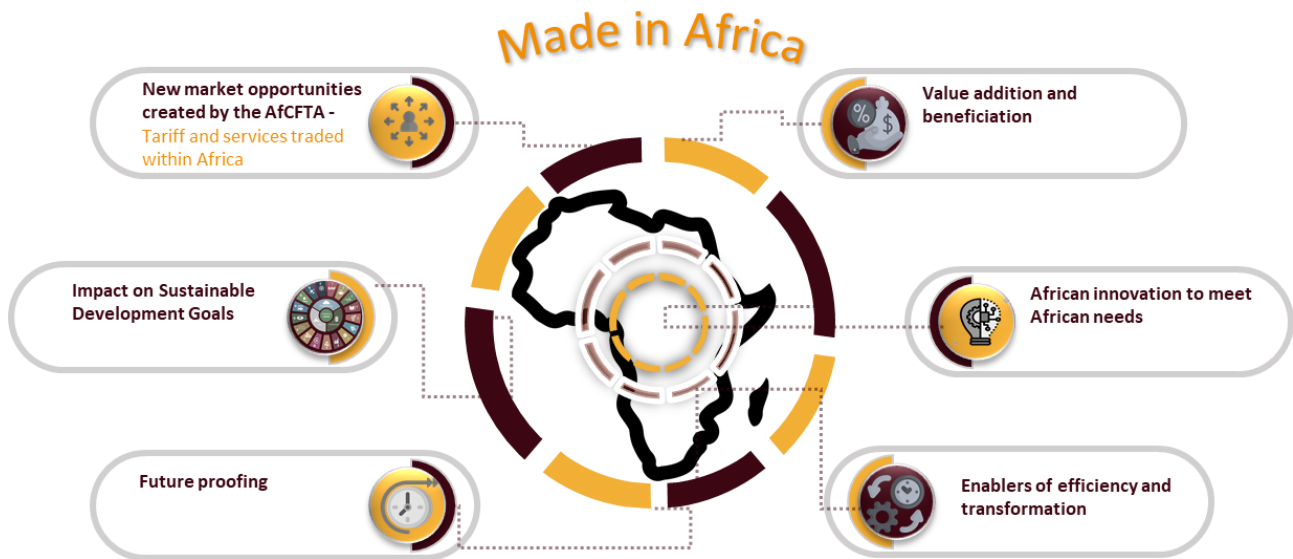
## 4.1 Which VCs for a Made in Africa Revolution?

The AfCFTA will play a fundamental role in the growth of RVCs through reducing the time and cost of transacting across borders, enabling resources and skills to be shared across the continent, creating new market opportunities, and an enhanced regulatory environment for business. The level of opportunity varies based on Tariff and Services Offers. Equally, the centrality of Made in Africa to the impact in development varies significantly from one VC to another. It is greater where there is significant scope for value addition and

beneficiation. This situation is mirrored where African innovation is needed to meet African needs, in particular where those needs will not be catered for by global suppliers – a challenge that the recent pandemic has served to underscore painfully. Certain RVCs are also key to enabling efficiency gains and transformation, while others are key to future-proofing the Made in Africa Revolution and promoting the realization of the SDG targets.

These considerations are reflected in the following criteria developed to guide the selection of VCs:

Figure 13: Selection Criteria for RVC for a Made in Africa Revolution



- (a) the extent to which the AfCFTA liberalizes key products or services traded within a specific VC;
- (b) the scope for the specific VC to capture greater value addition and beneficiation of the continent’s raw materials and natural resources;
- (c) African VCs that create the innovation necessary to meet African demands that are currently unmet;
- (d) VCs which are key enablers for economic efficiency and generate economic complexity, underpinning productivity gains and structural transformation;
- (e) VCs that contribute to the future-proofing of the Made in Africa Revolution, including to future pandemics, making the continent’s integrated economy more robust and resilient;
- (f) the extent to which VCs promote attainment of the SDGs and Agenda 2063 aspirations.

## 4.2 VCs to Capitalise on the First Round of Market Opening

The most direct and immediate impact of the AfCFTA will be through the Tariff and Services Offers, increasing trade within RVCs.

Identifying the VCs that will most benefit from AfCFTA liberalization involves: (1) identifying the main traded products that benefit from tariff preferences; (2) drawing out the key products where trade is set to expand based on AfCFTA’s empirical assessments; and (3) identifying the VCs that these liberalized products are integral to.

The Tariff Offers create market opportunities through preferences for heavily traded products in textiles and apparel, cotton, iron and steel, articles of leather, footwear, electrical machinery and equipment, and plastics. In addition to these product groups, the empirical assessments of the impact of the AfCFTA on trade identify agri-foods – including cereals and crops, dairy, and sugar – and chemicals, pharmaceuticals, vehicles and transport equipment as key market opportunities.

Table 2 provides an overview of the VCs identified as benefiting from Tariff Offers and trade expansion. This assessment is further explained in the specific VCs in the sections below.

**Table 2: Value Chains Benefiting Directly from Tariff Offers**

Main traded products with tariff preferences and/or high export potential	Tariff category (HS2)	Tariff preference offered by region or country	VC selected
Textiles and apparel	61, 62, 63, 64	CEMAC, EAC, ECOWAS, Egypt,	Textiles and Apparel
Cotton	52	CEMAC, ECOWAS, Egypt, EAC, SACU	Textiles and Apparel
Articles of Leather	42	CEMAC, ECOWAS, Egypt, EAC	Leather and Leather Products
Footwear	64	Egypt	Leather and Leather Products
Chemicals	29	Zambia, Malawi, STP	Leather and Leather Products Pharmaceuticals and Medical Supplies
Plastics and packaging	39	CEMAC, SACU	Pharmaceuticals and medical supplies Cocoa and chocolate
Iron and Steel	72, 73	CEMAC, ECOWAS, Egypt, SACU	Automotives
Vehicles and transport equipment	87		Automotives
Electrical Machinery and equipment	85	EAC, ECOWAS, Egypt	Automotives Lithium -Ion Batteries
Cocoa, cocoa products, and sweeteners	18, 17	ECOWAS, CEMAC, Egypt	Cocoa and Chocolate
Dairy, Sugar	04, 17	CEMAC, EAC, Egypt	Cocoa and Chocolate
Processed foods, Crops	10, 15, 22, 02, 21, 20, 03, 09, 04, 19, 16, 11	CEMAC, ECOWAS, Egypt	Soya

In services, the main sectors where the AfCFTA is delivering improved market access and treatment are:

- Business services
- Financial services
- Telecommunications.

The mobile financial services VC has therefore been selected in part because the Services Offers in Financial and Telecommunications both enable its cross-border provision and growth.

### 4.3 Value Addition and Beneficiation

Strengthening regional value for Made in Africa has an immediate and significant impact in capturing greater value addition and beneficiation of the continent’s raw materials<sup>30</sup> and natural resources<sup>31</sup> – generating not only income but also employment opportunities and helping to reduce poverty. This approach can fundamentally change Africa’s integration into the global economy as well, shifting from an exporter of commodities and national resources to an exporter of processed and high-value goods.

For the VCs assessed in the Report, value addition and beneficiation are particularly important for:

- The cocoa and chocolate VC, given that the continent is a major producer of cocoa beans, yet most producers are trapped at the initial stages of production;
- The LLPs VC, which allows the continent to capitalize on its abundance of livestock and translate that into industrial gains;
- The Lithium-Ion Battery (LIB) VC is ambitious to consider, but leverages minerals that are central to the 4IR. While these minerals are found primarily in Africa, they are currently exported with little beneficiation; and
- The cultural industries tap the rich cultural heritage of the continent.

### 4.4 African Innovation to Meet African Needs

The recent pandemic has underscored the extent to which African needs can go unmet by overseas suppliers. While challenges in the health sector are particularly stark, there are countless instances where the African market has presented very particular opportunities and demands that have required African innovation to service, and in turn have resulted in the creation of enormous value. One such example is Celtel, which “transformed the telecommunications landscape in every country where it operated.”<sup>32</sup> The AfCFTA can not only enable the private sector to provide goods and services that meet needs that are specific to the African market, it can also provide a framework to regulate market dominance and

<sup>30</sup> Paul Stevens, Glada Lahn, Jaakko Kooroshy. “The Resource Curse Revisited”. August 2015. Available at: <https://www.chathamhouse.org/2015/08/resource-curse-revisited>.

<sup>31</sup> UNECA. “Economic Report on Africa 2013. Making the most of Africa’s commodities: Industrializing for growth, jobs and economic transformation”.

2013. Available at: [http://www.uneca.org/sites/default/files/PublicationFiles/unera\\_report\\_eng\\_final\\_web.pdf](http://www.uneca.org/sites/default/files/PublicationFiles/unera_report_eng_final_web.pdf).

<sup>32</sup> Efosa Ojomo. “8 attributes of successful market-creating innovations”. August 2016. Available at: <https://www.christenseninstitute.org/blog/eight-attributes-of-successful-market-creating-innovations/>.

allow African producers to compete in African markets on fairer terms than they might face on international markets.

For the VCs assessed in the Report, African innovation is particularly important for:

- Mobile financial services, which address the financing needs of small-scale cross border traders and SMEs. While the challenges may not be unique to Africa, they are far more important on the continent than elsewhere, and a Made in Africa solution is likely to be central to unlocking value in the provision of this service;
- The Pharmaceutical VC, which is informed by Africa's experience of the need for vaccines, cures and remedies - especially for diseases that are particular to African countries, such as Ebola - to be provided by African companies. As the AfCFTA creates a large integrated market, a complementary broad framework of cooperation could allow governments to pool resources for procurement to provide the commercial incentives required to engender private sector investment;
- The cocoa and chocolate VC, where the regulation of market power may enable African producers of chocolate to overcome barriers to entry in the African market.

#### 4.5 Enablers of Efficiency and Transformation

A factor in the selection of certain RVCs has been the extent to which the deepening and widening of those VCs can have on economic efficiency and the economic transformation<sup>33</sup> of the continent, while underpinning a Made in Africa Revolution. It has been of particular relevance for:

- Automotives and LIBs, as they are economically complex VCs that create capabilities fundamental to industrial development;
- Mobile financial services, since they are central to addressing key business constraints linked to access to finance for SMEs in particular;
- Upgrading production in the cocoa VC to cocoa butter engenders cold chain development, while soya plays an important role in animal feed; both VCs contribute to productivity gains in agri-foods.

#### 4.6 Future-Proofing

Future-proofing is of particular relevance for:

- The Pharmaceutical and medical supply VC;
- Mobile financial services, as this VC embodies and engenders technological innovation, which is itself crucial to the future of Made in Africa;
- The LIB VC is an important response to the growing challenges of climate change and an integral part of the transition of the current automotive sector towards a more sustainable future.

#### 4.7 Targeting the SDGs

The ultimate aim of the AfCFTA is the achievement of the SDGs.<sup>34</sup> This has therefore been fundamental to VC selection, but different SDGs carry different weight for different VCs. For example, the eradication of poverty and gender equality is relatively more important for the cocoa and chocolate VC and mobile financial services, while decent work and economic growth is more central to automotives. This is explored within the assessment of each VC in the sections below.




<sup>33</sup> Carol Newman, John Page, John Rand, Abebe Shimeles, Måns Söderbom & Finn Tarp. "Made In Africa: Learning To Compete In Industry". 2016. Available at: <https://library.oapen.org/bitstream/handle/20.500.12657/25778/1004311.pdf?sequence=1&is>.

<sup>34</sup> Willemien Viljoen (tralac). "The African Continental Free Trade Area (AfCFTA) and the Sustainable Development Goals (SDGs)". February 2018. Available at: <https://www.tralac.org/discussions/article/12762-the-african-continental-free-trade-area-afcfta-and-the-sustainable-development-goals-sdgs.html>.



Table 3: Relevance of the different selection criteria for VCs

Tariff & services schedules create new opportunities	Opportunity for beneficiation, value addition	African innovation to meet African needs	Value chains for a Made in Africa Revolution	Enabler of efficiency & transformation	Future proofing (incl COVID response)	Impact on SDGs
○	✓		Automotive	✓		✓
	✓		Lithium Battery	✓	✓	✓
✓	✓		Leather & Leather Products	✓		✓
✓	✓	○	Cocoa	✓		✓
✓	✓		Soya	✓		✓
○	✓		Textiles & clothing	✓		✓
✗	✓	○	Pharmaceutical & medical		✓	✓
○	✓	✓	Mobile financial Services	✓	✓	✓
○	✓	✓	Cultural Industries			✓

-  Significant Contribution
-  Moderate Contribution
-  Low Contribution
-  No Contribution

The selection also recognizes the importance of the *acquis*, ensuring that each of the VCs are priorities with the RECs set out in the table below.

**Table 4: Priority VCs for the RECs**

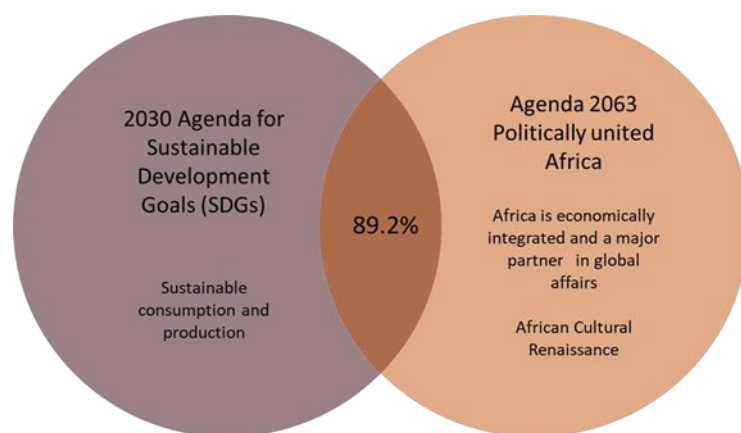
Sector and RVC	REC Prioritizing this Sector for RVC Development
Agro-processing: Soy value chain	ECOWAS, CEMAC, EAC, SADC
Pharmaceutical	ECOWAS, CEMAC, EAC, SADC
Leather and leather products	ECOWAS, CEMAC, EAC, SADC, COMESA
Cocoa and chocolate value chain	ECOWAS and CEMAC
Textiles and Apparel	ECOWAS, CEMAC, EAC, SADC
Lithium-ion battery	SADC, ECOWAS & Morocco
Automotive	SADC, ECOWAS & EAC
Financial Services value chain (services)	ECOWAS, CEMAC, EAC, SADC
Cultural Industries value chain (services)	ECOWAS and EAC

In summary, the RVCs have been chosen because together they contribute to driving structural transformation, sustainable development, women and youth empowerment through employment creation and poverty alleviation, and ultimately advance the continent’s movement towards achieving the SDGs. As such, they are all priorities of multiple RECs.

#### 4.8 Linking SDGs to the AU’s Agenda 2063 Aspirations and Goals.

The aims of Agenda 2063 are similar to the SDGs in that they both seek to convert African nations into democratic, peaceful, and inventive powerhouses in the next 50 years. Agenda 2063 aims to focus on addressing new development concerns such as population growth and the youth bulge, urbanization, climate change and inequality. As a result, most of the principles in Agenda 2063 are reiterated in the 2030 Agenda for Sustainable Development. According to UNDP research, the level of congruence between the AU’s Agenda 2063 and the 2030 Agenda for Sustainable Development is as high as 90%.<sup>35</sup>

**Figure 14: Agenda 2063 - 2030 Agenda Alignment**



The assessment of each VC discussed below explores the SDGs that they aim to achieve, as well as the corresponding Agenda 2063 aspirations and goals.

<sup>35</sup> AU. “Agenda 2063 and SDGs Implementation in Africa”. March 2020. Available at: [https://www.unsouthsouth.org/wp-](https://www.unsouthsouth.org/wp-content/uploads/2021/03/Agenda-2063-and-SDGs-Implementation-in-Africa.pdf)

[content/uploads/2021/03/Agenda-2063-and-SDGs-Implementation-in-Africa.pdf](https://www.unsouthsouth.org/wp-content/uploads/2021/03/Agenda-2063-and-SDGs-Implementation-in-Africa.pdf).

# 5

## The AfCFTA and Goods VCs



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## 5.1 The Automotive VC

**Stage 1:**  
Tier 3 Suppliers - basic materials (steel, aluminium, leather, rubber, plastic, glass)  
HS 73; 76; 42; 40; 39; 70



**Stage 2:**  
Tier 2 Suppliers  
Sub-components (bodies welding, fabrication, shearing, bending, stamping)



**Stage 3:**  
Tier 1 Suppliers  
Major components (drive train, gearboxes, steering, electronics)



**Stage 4:**  
Original Equipment Manufacturers  
Assembly and production of vehicle (Motor Vehicles HS 87)



- In **Stage 1**, raw materials such as sheet steel, aluminium rods, or windscreen glass are made with the automotive industry standards and preferences in mind.
- In **Stage 2**, the basic materials from Stage 1 are stamped, sheared, welded, and bent into sub-components of the final car.
- In **Stage 3**, the sub-components are assembled into or combined with specific car brands: drive trains, transmissions, steering systems, and other electronics.
- In **Stage 4**, the major components are assembled with the chassis of the vehicle and the vehicle body parts into a finished, functional motor vehicle ready for use.

### 5.1.1. Why this VC

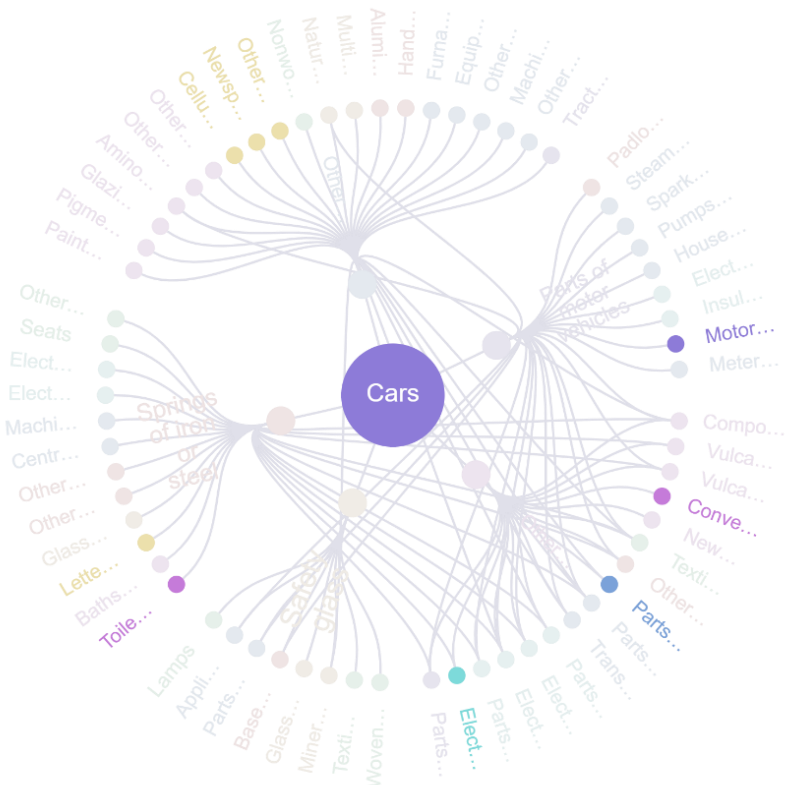
The African automotive market was valued at \$28.45 billion in 2020, and it is expected to reach \$39.87 billion by 2026, registering a compound annual growth rate (CAGR) of 5.55% over the forecast period.<sup>36</sup> Furthermore, the Automotive VC is widely known for having heavy linkages with numerous supplier industries - such as the petrochemical, iron and steel, tire and glass, leather and fabric, and electronics industries - and has been at the centre of developments and technological advances in these industries.<sup>37</sup> This is shown by Figure 4, which visualizes all the primary and secondary inputs and sectors that link into the automotive VC. Given the numerous proximate products and the well-known spillovers of the industry, we have not listed spillovers of this VC as we have for the preceding VCs.

In Africa, however, there is limited capturing of upstream and downstream value in the VC, given how Original Equipment Manufacturers (OEMs) often operate in EPZs, and have supplier contracts with global - rather than local or regional - Tier 1 suppliers. Furthermore, much of the research and development (R&D), branding, and designing is done in foreign countries.<sup>38</sup> To illustrate, the sector employs 112,000 in part production and vehicle assembly, while more than

320,000 are employed across the supply chain in South Africa alone. Furthermore, if done with an eye on the future - like the 4IR partnership between Rwanda and VW to trial and produce e-vehicles for the African market - the sector could contribute to enhancing Africa's aspirations to join the e-mobility wave.<sup>39</sup>

Homing in on value addition, where it lies, and how it is currently distributed across the stages in Africa is also important. The African Automotive RVCs Tier 3 and Tier 2 suppliers are currently underdeveloped, and many of the localization and employment creation opportunities lie within

**Figure 15: Supplier Linkages and Proximate Sectors of a Motor Vehicle**



<sup>36</sup>Mordor Intelligence. Africa Automotive Market - Growth, Trends, Covid-19 Impact, And Forecasts (2021 - 2026). 2021. Available at: <https://www.mordorintelligence.com/industry-reports/africa-automotive-industry-outlook>.

<sup>37</sup> A single car has about 30,000 parts, counting every part down to the smallest screws.

<sup>38</sup> Tier 1 components suppliers are, typically, large MNCs supplying subassemblies (consisting of many parts) to the vehicle manufacturer's assembly line.

<sup>39</sup> Davies, M. Schiller, T. "Deloitte Africa Automotive Insights: Navigating the African Automotive Sector - Ethiopia, Kenya and Nigeria". May, 2016. Available at: [https://www2.deloitte.com/content/dam/Deloitte/za/Documents/manufacturing/za\\_Africa-Auto-2016-Report-28-May-2018.pdf](https://www2.deloitte.com/content/dam/Deloitte/za/Documents/manufacturing/za_Africa-Auto-2016-Report-28-May-2018.pdf).



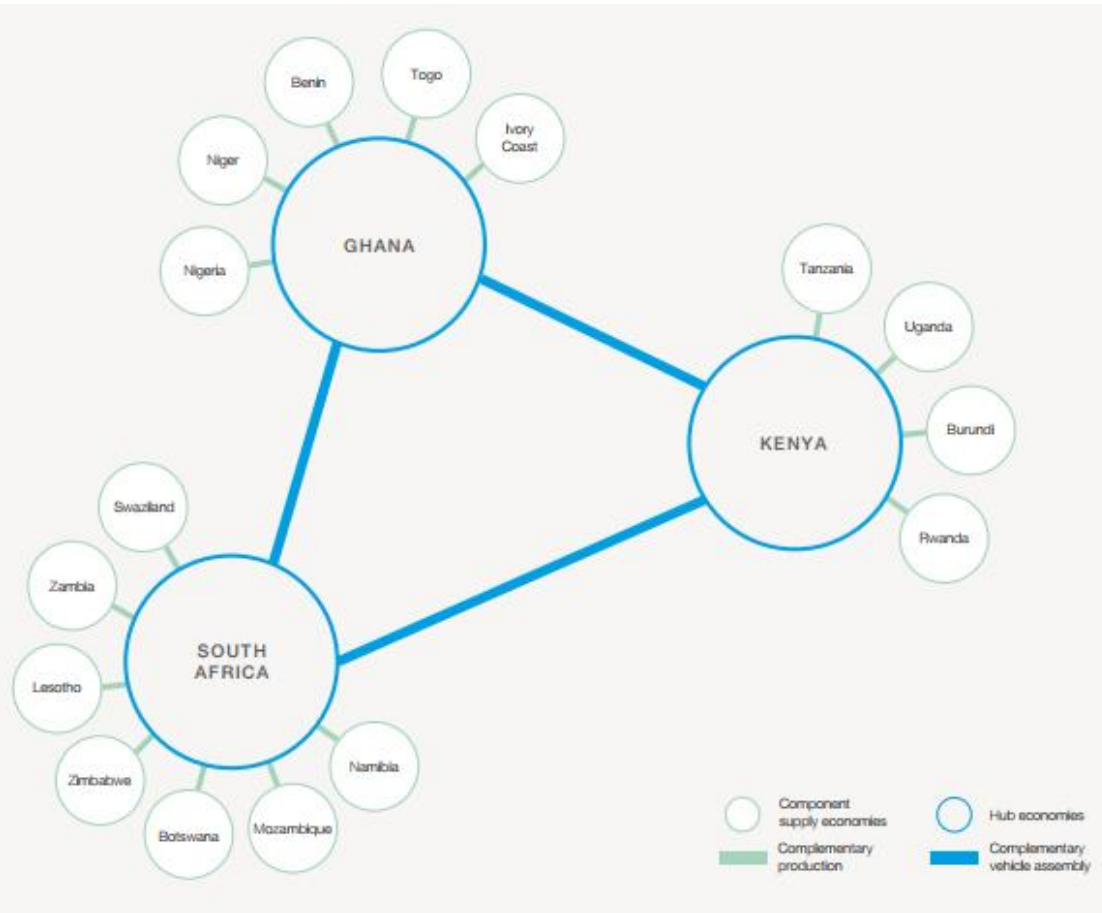
Tier 2 and 3 suppliers. In the standard Automotive GVC, OEMs account for 20% of value addition, with Tier 1 suppliers at 30% and the remaining Tier 2 and 3 suppliers at 50%. In comparison, in South Africa's Automotive VC - the most developed automotive sector in Africa - OEMs account for 40% of value addition, with Tier 1 suppliers at 40%, while Tier 3 and 2 only account for 20% of value addition.<sup>40</sup>

Nevertheless, there are assembly plants being built in Africa to service the growing demand generated by the rising middle class. Some of these are in Egypt, Morocco and South Africa, with recent additions in Ethiopia, Nigeria, Rwanda and Uganda.<sup>41</sup> The real opportunity for Africa looking towards the future in this VC is in establishing parts plants, which have even more of an impact on economic development than assembly plants. On average, parts plants produce 60% of final vehicle value-added, and they employ 3.5 times as many workers as assembly plants.<sup>42</sup> Multinational vehicle manufacturers are currently setting up production plants in Angola, Ethiopia, Ghana, Kenya, Namibia, Nigeria, Rwanda

and South Africa, which is a clear indicator that there is potential to boost manufacturing for the automotive market in Africa. Parts plants also comprise the area where the most significant AfCFTA tariff preferences are located in the VC.

With many competitive pressures, and constant innovations in design and production methods, the automotive industry is complex and highly influenced by global production networks. Accordingly, the style of the nascent RVCs in Africa are hub-and-spoke RVCs, with the more complex and diversified economies acting as hubs and the less complex and less diversified economies acting as the spokes (suppliers of intermediate goods - participating in forward integration). The specific countries involved in the nascent RVCs and their relative positions in the RVC are depicted below.

Figure 16: Current African Participants In The Automotive VC as it Stands



Deloitte WEF automotive RVCs in Africa?

<sup>40</sup> Irma Venter. Engineering News. Auto Thought Leader on Need to Build Tier 2 and 3 suppliers of Local Content Falls. August, 2018. Available at: <https://www.engineeringnews.co.za/article/auto-thought-leader-on-need-to-build-tier-2-and-3-suppliers-as-local-content-falls-2018-08-24>.

<sup>41</sup> <https://www.mordorintelligence.com/industry-reports/africa-automotive-industry-outlook>.

<sup>42</sup> Industry Week. "The Automotive Industry: Economic Impact and locations issues". Jan 2007. Available at: <https://www.industryweek.com/the-economy/article/21958422/the-automotive-industry-economic-impact-and-location-issues>.

For example, in Southern Africa, Botswana plays an important role as a supplier of electrical wiring, car seats and upholstery to vehicle manufacturers in South Africa. In East Africa, Kenya exports small volumes of automotive components to its EAC neighbours Rwanda, Tanzania and Uganda. However, South Africa's exports to these countries exceed those of Kenya, despite South Africa not being a member of the EAC Customs Union. Kenya has established certain restrictions and policies to try and encourage local assembly of components and new vehicle purchases, including discouragement of the importation of second-hand vehicles via an 8-year age limit,

and imposing a 25% tariff on fully built-up units.<sup>43</sup> Looking at other 'spoke' countries like Benin, Mozambique, Togo and Uganda shows that tariffs constrain their participation in the Automotive RVC as component suppliers, because like Zambia, they have relatively high average tariffs of 10.2% on the HS 8708 (parts and accessories of the motor vehicles contained in 8701-8705).<sup>44</sup> This means the AfCFTA's tariff liberalization could play an important part in increasing the participation of 'spoke' countries in Automotive RVCs.



Source: Copyright: <a href='https://www.123rf.com/profile\_zhu\_zhu'>zhu\_zhu</a>

<sup>43</sup> Davies, M. Schiller, T. 2016. op. cit.

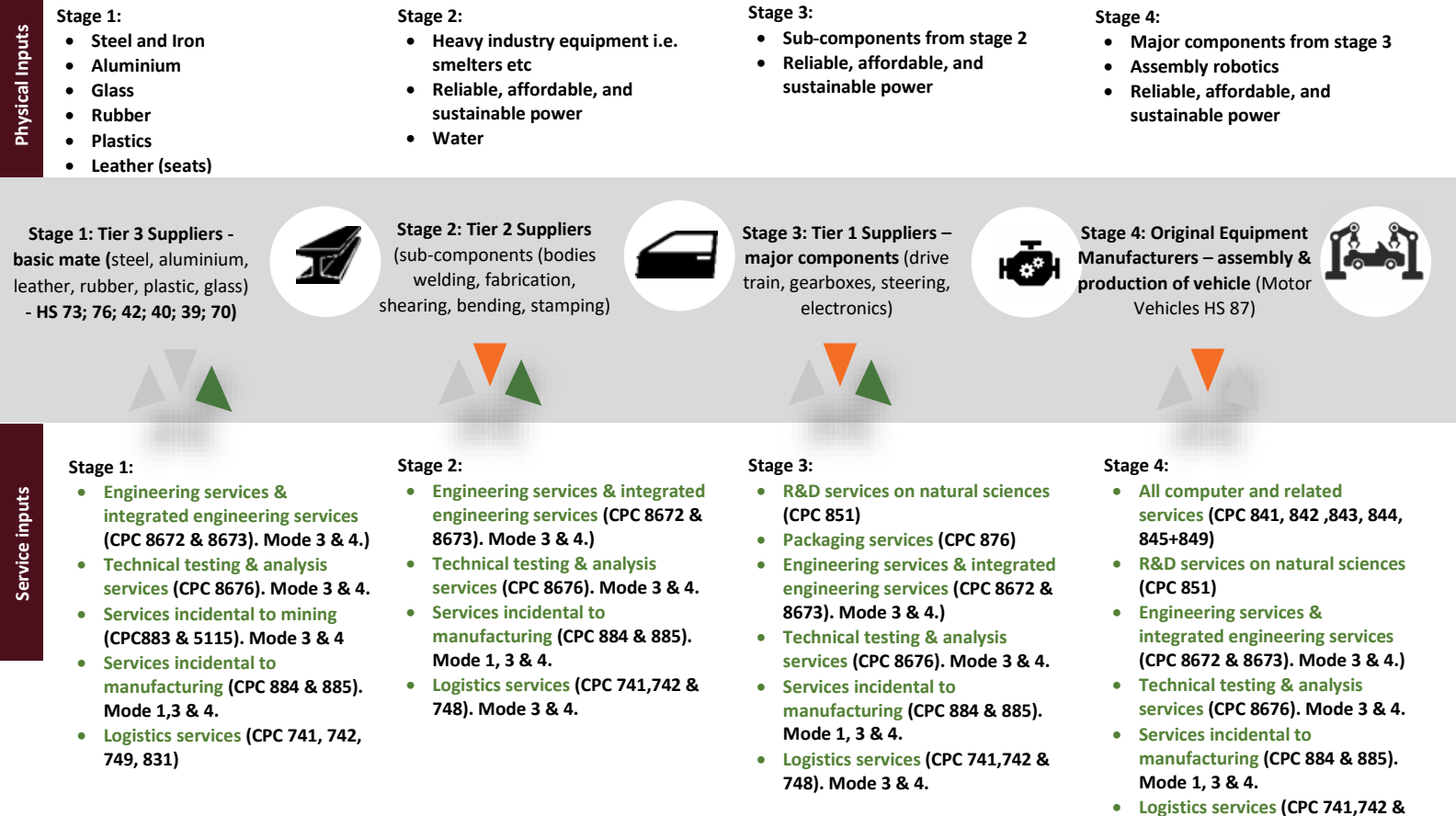
<sup>44</sup> John Stuart. "The Trade in Automotive Components and Regional Value Chain Development". March, 2020. Tralac. Available at:

[https://www.tralac.org/blog/article/14454-the-trade-in-automotive-components-and-regional-value-chain-development.html#\\_ftn2](https://www.tralac.org/blog/article/14454-the-trade-in-automotive-components-and-regional-value-chain-development.html#_ftn2)



- New Opportunity
- Contingent Opportunity (Upon Reciprocity)
- No New Opportunity

## Automotive Value Chain



### 5.1.2. Where the AfCFTA will Result in Early Harvest Benefits

There are four stages in a simplified Automotive VC.

**Stage 1: Tier 3 Suppliers - basic materials (steel, aluminium, leather, rubber, plastic, glass) - HS 73; 76; 42; 40; 39; 70)**

The AfCFTA will have the most impact on, and create new opportunities for the trade of the following top-ranked

**Steel - Tube or pipe fittings, of iron or steel (HS 7307)**

Income Status	Top Intra-African Exporters	Exports to Africa (in million)	Export to World (in million)	Export Potential (in million)
Mid-Inc	South Africa	\$56.388	\$70.084	\$46.3
Mid-Inc	Kenya	\$1.738	\$1.748	\$302.4k
Low-Inc	Tunisia	\$1.910	\$12.555	\$1.17
Low-Inc	Tanzania	\$0.399	\$0.449	--

Source: ITC TradeMap and Export Potential Data

products in each category (assessed on the basis of those goods with the most Tariff Offers that are most traded within Africa).<sup>45</sup>

<sup>45</sup> There is only a tariff analysis for the two top categories of steel. inputs and plastics inputs.



There are 96 HS 6 tariff lines where there is intra-African trade of more than \$1 million a year in this category of input. Tariff Offers are given by three or more RECs for 93 of these HS 6 tariff lines. The major opportunities are for CEMAC (10%-30%), ECOWAS (5%-20%), Egypt (5%-60%), and SACU (5%-

20%). The EAC only has Tariff Offers for 57 of the 93 tariff lines with three or more Tariff Offers.

#### Aluminium - Bars, rods and solid profiles, of aluminium alloys (HS 7604)

Income Status	Top Intra-African Exporters	Exports to Africa (in million)	Export to World (in million)	Export Potential (in million)
Mid-Inc	Egypt	\$20.650	\$136.866	\$20.1
Mid-Inc	South Africa	\$7.730	\$8.001	\$2.3
Low-Inc	Tunisia	\$1.957	\$11.240	\$1.47
Low-Inc	Uganda	\$0.938	\$0.939	\$376.1 k

Source: ITC TradeMap and Export Potential Data

#### Leather - Seats whether or not convertible into beds, and parts thereof -Upholstered (HS 9401)

Income Status	Top Intra-African Exporters	Exports to Africa (in million)	Export to World (in million)	Export Potential (in million)
Mid-Inc	South Africa	\$57.605	\$121.875	\$ 43.77
Mid-Inc	Morocco	\$8.443	\$121.629	\$8.85
Low-Inc	Lesotho	\$20.671	\$20.671	--
Low Mid-Inc	Cote d'Ivoire	\$2.888	\$2.933	\$1.2

Source: ITC TradeMap and Export Potential Data

#### Rubber – Solid or cushion tyres, interchangeable tyre treads and tyre (HS 4012)

Income Status	Top Intra-African Exporters	Exports to Africa (in million)	Export to World (in million)	Export Potential (in million)
Mid-Inc	South Africa	\$10.173	\$12.503	\$7.4
Mid-Inc	Ghana	\$0.065	\$0.065	--
Low-Inc	Sierra Leone	\$0.493	\$0.503	--
Low-Inc	Libya	\$0.021	--	--

Source: ITC TradeMap and Export Potential Data

**Plastic** – Trade of products in this category of Tier 3 supplier products is the most positively impacted category and has the greatest potential to increase African countries exports to Africa.

#### .Polymers of vinyl chloride or of other halogenated olefins, in primary forms (HS 3904)

Income Status	Top Intra-African Exporters	Exports to Africa (in million)	Export to World (in million)	Export Potential (in million)
Mid-Inc	South Africa	\$23.247	\$43.987	\$43.7
Mid-Inc	Egypt	\$22.089	\$100.782	\$69.4
Low Mid-Inc	Côte d'Ivoire	\$3.243	\$3.243	\$3.8
Low-Inc	Senegal	\$1.182	\$1.249	\$462.5 k

Source: ITC TradeMap and Export Potential Data

#### Other articles of plastics and articles of other materials (HS 3926)

Income Status	Top Intra-African Exporters	Exports to Africa (in million)	Export to World (in million)	Export Potential (in million)
Mid-Inc	South Africa	\$72.347	\$95.521	\$38.59
Mid-Inc	Egypt	\$33.224	\$107.240	\$15.02
Low-Inc	Tunisia	\$30.947	\$227.702	\$23.5
Low Mid-Inc	Côte d'Ivoire	\$13.869	\$14.180	\$829.6 k

Source: ITC TradeMap and Export Potential Data



There are 89 HS 6 tariff lines where there is intra-African trade of more than \$1 million a year in this stage. Tariff Offers are given by 3 or more RECs for 80 of these HS 6 tariff lines. The major opportunities are for ECOWAS (5%-20%), CEMAC (5%-

30%), and Egypt (2%-60%). SACU and EAC have not given Tariff Offers for most tariff lines within the 80 tariff lines. SACU has no Tariff Offers for 47 lines, while the EAC has no Tariff Offers for 40 tariff lines.

**Glass – Toughened "tempered" safety glass (HS7007.11)**

Income Status	Top Intra-African Exporters	Exports to Africa (in million)	Export to World (in million)	Export Potential (in million)
Mid-Inc	Egypt	\$4.525	\$11.894	\$1.5
Mid-Inc	South Africa	\$1.928	\$6.884	\$2.4
Low-Inc	Tanzania	\$0.020	\$0.020	--
Low-Inc	Zambia	\$0.003	\$0.003	--

Source: ITC TradeMap and Export Potential Data

The AfCFTA has created numerous new opportunities in Stage 1, particularly in steel and plastics inputs from Tier 3 suppliers, which allows for preferential sourcing of these materials from AfCFTA State Parties. Although there are still many opportunities for the EAC and SACU, they are the two regions which will reap the least benefit from this VC because of the higher frequency of 'no tariff' offers from them. Although this is the case for SACU with plastics, it has substantially

liberalized steel and iron products. Through the AfCFTA, South Africa could realize the untapped export potential of steel tube or pipe fittings to Africa equalling \$46.3 million annually.

**Stage 1: Tier 3 Suppliers - basic materials (steel, aluminium, leather, rubber, plastic, glass) - HS 73; 76; 42; 40; 39; 70**



Energy intensive process requiring reliable, affordable, & sustainable energy supply

**1 Input-output & Tariff Analysis**

Tariff offers are given by 3 or more RECs for 80 HS 6 tariff lines

ECOWAS 5-20%

CEMAC 5-30%

Egypt 2-60%

No tariff offers from SACU & EAC Tariff Offers for 47 & 40 of the 80 tariff lines

**2 Key Exporters & (Export) Trade Potential**

(Tariff lines/products with >3 offers & current intra-African exports & imports of > \$1mn) Output Export Values (Millions)

**Steel - Tube or pipe fittings, of iron or steel (HS 7307)**

Country	UMIC	LMIC	LMIC	LMIC
South Africa	\$56.388	\$70.084	\$46.3	
Kenya		\$1.748	\$1.748	\$0.302
Tunisia		\$12.555	\$12.555	\$1.17
Tanzania		\$0.399	\$0.449	\$--

**3 Key inputs & Additional services**

**Input Export Values (Millions)** Trade in Plastic products (Tier 3) has highest potential to increase African countries exports to Africa.

**Plastic - Tubes, pipes and hoses, and fittings therefor (HS 3917)**

Country	UMIC	LMIC	LMIC	LMIC
South Africa	\$102.303	\$109.153	\$127.9	
Ghana		\$12.41	\$122.441	\$14.1
Côte d'Ivoire		\$34.281	\$34.368	\$67.4
Tunisia		\$5.220	\$47.573	\$15.6

**4 Impact**

1. Engineering services & integrated engineering services (CPC 8672 & 8673). Mode 3 & 4.

2. Technical testing & analysis services (CPC 8676). Mode 3 & 4.

3. Services incidental to mining (CPC883 & 5115). Mode 3 & 4.

4. Services incidental to manufacturing (CPC 884 & 885). Mode 1, 3 & 4.

**1** High Standard of Living, Quality of Life and Well Being for All

**4** Transformed Economies and Job Creation

**10** World Class Infrastructure crisscrosses Africa

**7** Environmentally sustainable and climate resilient economies and communities

**9** INDUSTRY, INNOVATION AND INFRASTRUCTURE

**15** LIFE ON LAND

**Stage 2: Tier 2 Suppliers – sub-components (bodies welding, fabrication, shearing, bending, stamping)**

The AfCFTA will have the most impact on, and create new opportunities for the trade of the following top-ranked (most Tariff Offers and most traded within Africa) products:

- Ignition wiring sets and other wiring sets for vehicles, aircraft or ships (HS 8544.30.00)

- Lead-acid accumulators of a kind used for starting piston engine starter batteries (HS 8507.10)

Botswana has developed a considerable revealed comparative advantage (RCA) in ignition wiring sets (HS 8544.30), and its untapped export potential to the African market is \$152 million annually, which could be unlocked by the AfCFTA.

**Stage 2: Tier 2 Suppliers – sub-components (bodies welding, fabrication, shearing, bending, stamping)**



Energy intensive process requiring reliable, affordable, & sustainable energy supply



**Stage 3: Tier 1 Suppliers – major components (drive train, gearboxes, steering, electronics)**

The AfCFTA will have the most impact on, and create new opportunities for the trade of the following top-ranked (most Tariff Offers and most traded within Africa) products:

- Parts and accessories for tractors, motor vehicles (HS 8708.99.00)

- Parts and accessories of bodies for tractors, motor vehicles (HS 8708.29.00)
- Bodies for motor cars and other motor vehicles (HS 8707.10.00)

## Stage 3: Tier 1 Suppliers – major components (drive train, gearboxes, steering, electronics)



Energy intensive process requiring reliable, affordable, & sustainable energy supply

### 1 Input-output & Tariff Analysis

SACU, is a major player in the automotive RVCs in Africa, cannot currently take advantage of these opportunities (it has not provided tariff offers for all top 3 intra-African traded tariff lines)

Typically, large multinational companies supplying sub-assemblies

Tier 1 suppliers account for 40% of value

Tariff offers are given by 8 or more RECOs for 40 HS 6 tariff lines

ECOWAS 5 - 20%

CEMAC 10 - 30%

Egypt 5 - 135%

EAC & SACU have the least tariff offers, 31 & 3 respectively.

### 2 Key Exporters & (Export) Trade Potential

(Tariff lines/products with >3 offers & current intra-African exports & imports of > \$1mn)  
Output Export Values (Millions)

#### Parts & accessories, for tractors, motor vehicles for the transport (HS 8708.99.00)

Country	UMIC	LMIC	Value 1	Value 2	Value 3
South Africa	UMIC		\$122.22	\$221.096	\$148.8
Egypt	LMIC		\$2.663	\$3.737	\$-
Côte d'Ivoire	LMIC		\$1.826	\$1.864	\$-
Zambia	LMIC		\$1.412	\$1.417	\$-

#### Parts & accessories of bodies for tractors, motor vehicles for the transport (HS 8708.29.00)

Country	UMIC	LMIC	Value 1	Value 2	Value 3
South Africa	UMIC		\$31.553	\$88.416	\$18.4
Namibia	UMIC		\$0.275	\$0.278	\$-
Uganda	Low Mid-inc		\$0.128	\$0.128	\$-
Tanzania	LMIC		\$0.076	\$0.080	\$-

### 3 Key inputs & Additional services

1. Engineering services and integrated engineering services (CPC 8672 & 8673). Mode 3 & 4.
2. R&D services on natural sciences (CPC 851). Mode 1 & 4.
3. Technical testing and analysis services (CPC 8676). Mode 3 & 4.
4. Services incidental to manufacturing (CPC 884 & 885). Mode 1,3 & 4.
5. Packaging services (CPC 876)
6. Logistics services (CPC 741-742 & 748). Mode 3 & 4

### 4 Impact

## 8 DECENT WORK AND ECONOMIC GROWTH



1 High Standard of Living, Quality of Life and Well Being for All



4 Transformed Economies and Job Creation



10 World Class Infrastructure crisscrosses Africa



20 Africa takes full responsibility for financing her development



19 Africa as a major partner in global affairs and peaceful co-existence



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



17 PARTNERSHIPS FOR THE GOALS



## Stage 4: Original Equipment Manufacturers – assembly and production of vehicle (Motor Vehicles HS 87)

The AfCFTA will have the most impact on, and create new opportunities for the trade of the following top-ranked products:

- Motorcycles including mopeds (HS 8711)
- Special purpose motor vehicles (HS 8705)
- Trailers and semi-trailers (HS 8716)

- Chassis fitted with engines for tractors, and motor vehicles that transport 10 or more people (HS 8706)

Beyond the above tariff lines, there are some new opportunities in Stage 4 of the Automotive VC besides motor cars and other vehicles principally designed for the transport of persons (HS 8703.90), with Tariff Offers from CEMAC (18.75%), EAC (25%); ECOWAS 0%, and Egypt (135%). SACU has not provided Tariff Offers. South Africa is the largest exporter of this product to Africa.

## Stage 4: Original Equipment Manufacturers – assembly & production of vehicle (Motor Vehicles) HS 87



Energy intensive process requiring reliable, affordable, & sustainable energy supply

### 1 Input-output & Tariff Analysis

Except Railway or Tramway & Parts etc. (HS 87)

**Tariff offers** are given by 3 or more RECs for 40 HS 6 tariff lines

ECOWAS 5 - 20%

CEMAC 10 - 30%

Egypt 5 - 135%

EAC & SACU have the least tariff offers, 31 & 3 respectively.

### 2 Key Exporters & (Export) Trade Potential

(Tariff lines/products with >3 offers & current intra-African exports & imports of > \$1mn)  
Output Export Values (Millions)

#### Special purpose motor vehicles (HS 8705)

Country	UMIC	LMIC	LMIC	LMIC
South Africa	\$29.086	\$35.890	\$37.2	
Morocco	\$2.710	\$5.564	\$4.4	
Tunisia	\$17.579	\$19.510	\$3.6	
Côte d'Ivoire	\$10.833	\$16.698	\$6.4	

#### Trailers and semi-trailers (HS 8716)

Country	UMIC	LMIC	LMIC	LIC
South Africa	\$109.06	\$128.018	\$182.1	
Kenya	\$10.718	\$10.760	\$18.8	
Tunisia	\$38.673	\$42.760	\$12.4	
CAR	\$15.885	\$15.885	\$--	

### 3 Key inputs & Additional services

1. Engineering services and integrated engineering services (CPC 8672 & 8673)
2. R&D services on natural sciences (CPC 851). Mode 1 & 4.
3. Technical testing and analysis services (CPC 8676). Mode 3 & 4.
4. Services incidental to manufacturing (CPC 884 & 885). Mode 1, 3 & 4.
5. All computer and related services (CPC 841 - 845 + 849). Mode 1, 3 & 4.
5. Road Freight and Logistics services (CPC 7123, 741, 742 & 748). Mode 3 & 4.
6. Advertising services (CPC 871). Mode 1, 3 & 4)

HS4 tariff line 8703 currently has no other tariff offers within it & this is a missed opportunity as this tariff line holds over \$1 billion in export potential to Africa from Morocco & South Africa

#### Motor cars and other vehicles principally designed for the transport of persons, incl. station [...] (HS 8703)

Country	Mid-inc	Low-inc	Low-inc
South Africa	\$383.22	\$5669.26	\$898.9
Morocco	\$56.285	\$3197.02	\$236.4
Uganda	\$14.097	\$15.64	\$--
Senegal	\$7.853	\$9.066	\$--

**Missed Opportunity?**

4 Impact

8 DECENT WORK AND ECONOMIC GROWTH



Impact

1 High Standard of Living, Quality of Life and Well Being for All

4 Transformed Economies and Job Creation

10 World Class Infrastructure crisscrosses Africa

20 Africa takes full responsibility for financing her development

19 Africa as a major partner in global affairs and peaceful co-existence

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

17 PARTNERSHIPS FOR THE GOALS

### 5.1.3. Missed Opportunity?

The HS tariff line 8703 currently has no other Tariff Offers within it and this is a missed opportunity, as this tariff line holds over \$1 billion in export potential to Africa from Morocco and South Africa alone. Given the nature of the automotive industry and its numerous upstream suppliers, the benefits of realizing this export potential would also be shared by the 'spoke' countries that act as Tier 3 and Tier 2

suppliers to the hubs of Morocco and South Africa – these include Botswana, Côte d'Ivoire, Togo and Zambia.



**Motor cars and other vehicles principally designed for the transport of persons, incl. station [...] (HS 8703)**

Income Status	Top Intra-African Exporters	Exports to Africa (in million)	Export to World (in million)	Export Potential (in million)
Mid-Inc	South Africa	\$383.228	\$5669.262	\$898.9
Mid-Inc	Morocco	\$56.285	\$3197.026	\$236.4
Low-Inc	Uganda	\$14.097	\$15.644	--
Low-Inc	Senegal	\$7.853	\$9.066	--

Source: ITC TradeMap and Export Potential Data

For all other tariff lines associated with motor vehicles for the transportation of people, the RECs and Egypt have no Tariff Offers from HS 8701.90 – HS 8704.90, meaning the import and export of motor vehicles will not currently be facilitated by the AfCFTA (other than HS 8703.90).

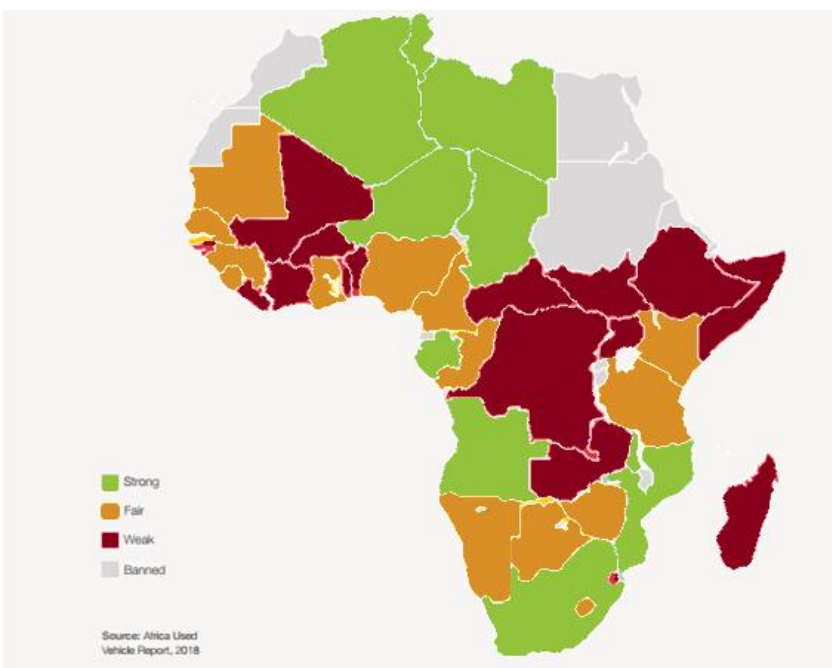
**5.1.4. Measures Needed to Fully Realize This VC's Potential (Deep Integration)**

Although there is significant potential for new trade in some of the intermediate inputs mentioned in the Automotive VC, **Figure 17: Used Vehicle Import Controls in Africa**

the major issues remain the lack of tariff preferences for vehicles themselves, coupled with the widespread importation of second-hand vehicles from Asia into Africa. There are countries that have strict import bans or controls and enforce them well, such as Egypt, Ghana, Morocco, Rwanda, and South Africa. However, strengthening capacity for used vehicle control is needed across the board.<sup>46</sup>

*“One of the greatest inhibitors to the advancement of Africa’s automotive sector is the proliferation of second-hand vehicles available in the market”<sup>47</sup>*

The vast range of used cars already imported into Africa also makes it difficult for the local parts industry to develop, because of the wide range of parts required.<sup>48</sup> Additionally, RoO’s vital to this RVC: HS Chapter 87 (motor vehicles, parts and accessories), are not yet agreed, and their continued negotiation and finalization is bound to be a complicated affair given the numerous stages of transformation that products in this VC go through, coupled with the strong defensive national interests of certain AfCFTA State Parties. Moreover, different forms of manufacturing or assembly can result in a built-up motor vehicle. This situation leads to questions like ‘Should the local assembly of an imported semi- / completely knocked-down (SKD / CKD) vehicle kit confer origin status, or should a maximum threshold on the value of non-originating materials (VNOM) be used as a more appropriate RoO requirement?’.<sup>49</sup> These RoOs, as well as the RoO of goods manufactured in SEZs and EPZs, will also need to be agreed on and finalized before this VC can substantially benefit from the AfCFTA, as many OEMs in the automotive industry are operating (and/or will operate) within EPZs and SEZs in AfCFTA State Parties.



Source: Deloitte World Economic Forum RVC’s In Africa

<sup>46</sup>Davies, M. Schiller, T. 2016. op. cit.

<sup>47</sup> Davies., M. Schiller., T. “Deloitte Africa Automotive Insights: Navigating the African Automotive Sector - Ethiopia, Kenya and Nigeria”. May, 2016. Available at:

[https://www2.deloitte.com/content/dam/Deloitte/za/Documents/manufacturing/za\\_Africa-Auto-2016-Report-28-May-2018.pdf](https://www2.deloitte.com/content/dam/Deloitte/za/Documents/manufacturing/za_Africa-Auto-2016-Report-28-May-2018.pdf)

<sup>48</sup> Black, Anthony H., Brian Makundi, and Thomas McLennan. “Africa’s Automotive Industry: Potential and Challenges”. 2017.

<sup>49</sup> Tralac. “AfCFTA Rules of Origin: Updated Factsheet”. July 2021.

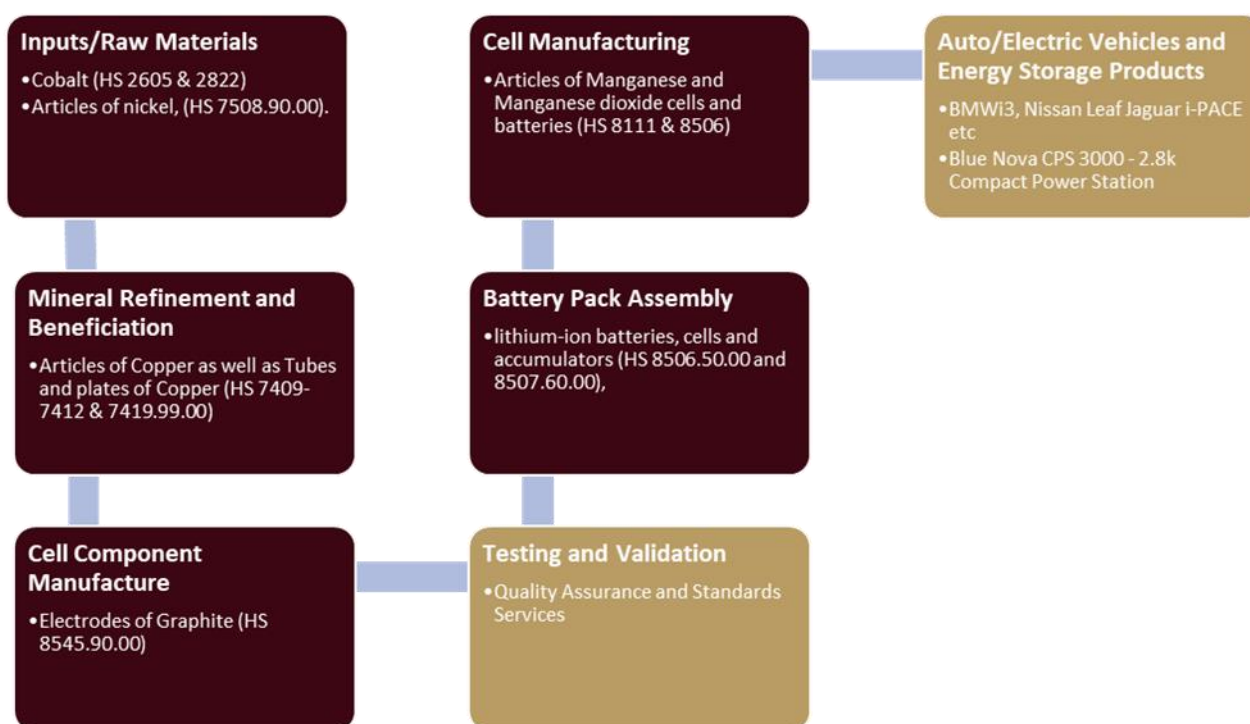
## 5.2. The Lithium Ion Battery VC

### 5.2.1. Why this VC?

LIBs are comprised of several mineral inputs necessary for its production, including lithium, cobalt, manganese, copper, nickel and titanium. This VC presents opportunities for African countries with mining export capacity in these sectors. The Electric Vehicle (EV) and LIB VC represents multiple opportunities for countries in Africa to participate in, and benefit from, the e-Mobility wave which is a manifestation of the 4IR. It has a significant impact on the energy, mining, and automotive industries. There is significant African demand for LIBs and the energy storage devices that they are components

of, such as the South African-manufactured Blue Nova CPS 3000-2.8k Compact Power Station. Currently, ECOWAS, EAC, SACU, and CEMAC all import over \$1 million worth of LIBs, cells and accumulators (HS 8506.50.00 and 8507.60.00), from the rest of the world per annum. Additionally, LIBs are key inputs in almost all EVs, whose demand is rapidly growing and is set to further accelerate, with the global EV market expected to reach \$567 billion by 2025, growing at a CAGR of 22.3% (2018-2025).<sup>50</sup>

Figure 18: Sectors with VC opportunities for African countries



Source: "SADC Futures of Mining: Implications of Large-Scale EV Adoption." Policy Insights, No. 94, October 2020. SAIIA.

### 5.2.2. Where the AfCFTA Will Result in Early Harvest Benefits

In order to show where the AfCFTA will impact on the LIB sector, we undertook an initial tariff and trade analysis of some of the inputs and outputs of the LIB VC, with results showing new opportunities in the following areas:

- Cobalt (HS 2605 & 2822) - in CEMAC
- Titanium (HS 8108.90) in CEMAC and ECOWAS
- Articles of nickel (HS 7508.90.00)
- Articles of manganese and manganese dioxide cells and batteries (HS 8111 & 8506) - across all regions

- Articles of copper as well as tubes and plates of copper (HS 7409-7412 & 7419.99.00). This represents an important opportunity, as SACU exports a large amount of these commodities to the rest of the world and could possibly supply to new open markets under the AfCFTA
- Electrodes of graphite, as well as articles of graphite (HS 8545.19.00, 8545.90.00) - in ECOWAS, EAC and CEMAC
- For the final product, LIBs, cells and accumulators (HS 8506.50.00 and 8507.60.00) - ECOWAS and CEMAC

Countries with nascent potential in this VC are Cameroon, Côte d'Ivoire, Kenya and Namibia, although their exports are primarily re-exports with little to no value added.

<sup>50</sup> D. Cloete. "SADC Futures of Mining: Implications of Large-Scale EV Adoption." October 2020. Available at: <https://media.africaportal.org/documents/Polis-Insights-94-cloete-002.pdf>

South Africa and Tunisia are the current leaders in R&D and manufacturing - and top importers and exporters - in Africa. For example, the South Africa-based battery manufacturer Maxwell+Spark designs and assembles batteries and associated mobile systems, as well as conducting independent lithium-ion cell testing. Maxwell+Spark went to market in early 2020 with the 'fridge.li' system – the first ever commercial electric truck refrigeration system powered by LIBs for the logistics and transport industry. According to the company, the fridge.li electric truck fridge system is over 90% more energy cost-efficient than a standard diesel truck fridge, resulting in an average saving of ~\$97,000 per vehicle in the long run.<sup>51</sup> Currently, the company supplies its fridge.li system domestically to the SPAR group, as well as multiple large transporters and retail supermarkets across the country. In addition, the firm exports to Australia and is looking at other export opportunities including within Africa.

Algeria and Morocco are the top markets for inputs related to the LIB VC in Africa. In the case of Morocco, these inputs are likely to be used by the automotive industry as it manufactures electrical vehicles.

The manufacturing, distribution, and sales stages of this VC are where the AfCFTA can have the largest impact on this RVC.

### 5.2.3. Measures Needed to Fully Realize this VC's Potential (Deep Integration)

There are three major challenges to the development of LIB RVCs in Africa. The first is the need for region-wide refining capability, knowledge dissemination and sharing, and peer learning. There is refining capability in Morocco, South Africa, and to some extent in Namibia and Zambia. However, there need to be more direct and functional links made between

AfCFTA State Parties to facilitate peer learning and the development of appropriate skill sets for refining the key metals and minerals that go into LIBs. Currently, there is little beneficiation of minerals to battery grade in Africa, with South Africa and Morocco being the only State Parties refining lithium-ion-related minerals and metals to battery grade (these are currently manganese, aluminium and phosphate. Nickel and lithium are in the pipeline in South Africa).<sup>52</sup>

The second challenge is how to motivate support on the part of AfCFTA State Parties for realizing opportunities in the VC in this sector. Raising the profile of this sector ultimately requires the business case for LIBs to be established, and to demonstrate the benefits it would have for Africa and the specific AfCFTA State Parties involved in it.

The third challenge is support for commercializing what is fairly abundant intellectual property (IP) in this RVC. Mintek is an example of the design and manufacture of affordable batteries that haven't been successfully commercialized. Additionally, the South African-designed electric passenger vehicle Joule is another example where support is needed for scaling up and achieving market penetration.

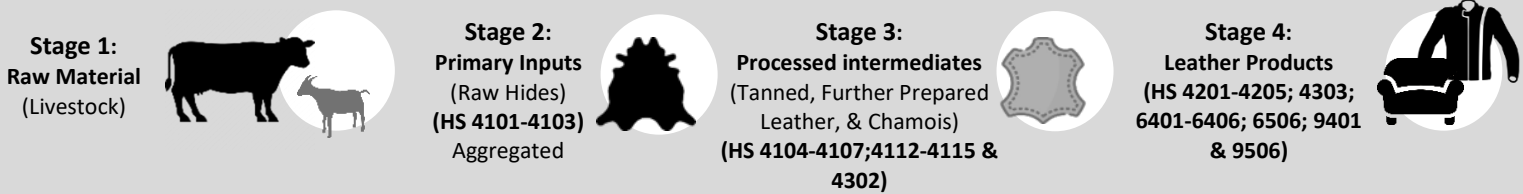
To overcome these three key challenges, key stakeholders and apex bodies such as the African Mining Development Council (AMDC), Mining Industry Association of Southern Africa (MIASA), SADC, EAC, ECOWAS, CEMAC, Common Market for Eastern and Southern Africa (COMESA) Business Councils, New Partnership for Africa's Development (NEPAD) Business Foundation, as well as leading African universities need to collaborate and form partnerships in line with SDG 17.

<sup>51</sup> TIPS. "Opportunities to Develop a Lithium-ion Battery Value Chain in South Africa". 2021. Available at:

[https://www.tips.org.za/images/Battery\\_Manufacturing\\_value\\_chain\\_study\\_main\\_report\\_March\\_2021.pdf](https://www.tips.org.za/images/Battery_Manufacturing_value_chain_study_main_report_March_2021.pdf)

<sup>52</sup>ibid.

### 5.3. The Leather and Leather Products LVC



- In **Stage 1**, livestock are bred and tended to, primarily by smallholder farmers (SHFs) in Africa. This stage is crucial for the quality of leather, as the animal needs to be healthy and have minimal to no scars or marks on its hide.
- In **Stage 2**, wet/raw hides are collected from the meat industry.
- In **Stage 3**, hides and skins are converted into leather in tanneries. This process usually requires substantial investment in equipment and involves multiple chemical and natural substances to treat the hides and by-products.
- In **Stage 4**, the manufacture of leather products occurs. This is often carried out in small, labour-intensive workshops with less need for substantial investment in equipment, or in larger capital-intensive factories.

#### 5.3.1. Why this VC?

The LLP VC has significant potential for growth and development in Africa, with real opportunity for more of the value addition being captured within the continent. Most Sub-Saharan African countries are rich in livestock. Africa has over 25% of the world's sheep and goats, and 10% of the world's cattle. On the Livestock Production Index, there is a rising trend in almost all countries in Africa outside of

Southern Africa.<sup>53</sup> Africa's total livestock population in 2018 relevant to the LLP VC was estimated at 438 million goats, 384 million sheep, just under 356 million cattle, 40.5 million pigs, almost 31 million camels, and 38 million equines (including 30 million donkeys, 6.5 million horses, and 885,000 mules).<sup>54</sup>

This indicates the availability of raw material, coupled with the growing strength and sustainability of the region in procuring raw materials for the leather industry. Given the labour-intensive nature of the industry, it can generate large-scale employment for low-skilled labour and engages predominantly micro - small- and medium-sized enterprises (MSMEs), making it a candidate to drive structural transformation in Africa within the confines of the continent's current labour demographics. Leather tanning industries are known to generate substantial amounts of toxic waste that pollute ecosystems and pose environmental and health risks to those living in nearby areas. The need to optimize and manage the leather tanning processes and waste generated is therefore important as Africa looks to sustainably develop this RVC. Transformation of the LLP RVC in Africa can help create decent jobs, an integrated green VC (provided eco-friendly tanning processes are used), as well as set up technical training, research institutes, and eco-industrial parks across the continent. The recent introduction of innovative bioprocessing and bioremediation techniques into this VC also creates more opportunities for green leather development in line with the SDGs.<sup>55</sup>

<sup>53</sup> World Bank Livestock Production Index. 2021. Available at: [https://data.worldbank.org/indicator/AG.PRD.LVSK.XD?end=2018&name\\_d\\_esc=false&start=2018&view=bar](https://data.worldbank.org/indicator/AG.PRD.LVSK.XD?end=2018&name_d_esc=false&start=2018&view=bar).

<sup>54</sup> Malabo Montpellier Panel. "Meat, milk and more for Africa: Four countries with successful livestock policy innovations to emulate". 2020. Available at:

<https://www.mamopanel.org/news/in-the-news/2020/jul/17/ilri-overview-meat-milk-and-more-africa-four-count/>

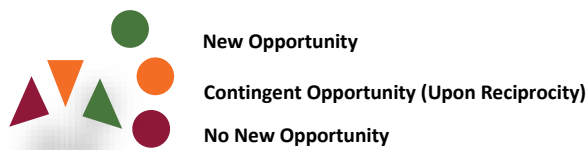
<sup>55</sup> Oruko, R. O., H. J. O. Ogola, J. N. Edokpayi, T. E. Volenzo, & J. O. Odiyo. "Integration of Sustainable Development Goals into Leather Tanning Industries in Sub-Saharan Africa". 2021.



SDG Goal	SDG Icon	Agenda 2063 Goals	Agenda 2063 Icon
Goal 1: No Poverty		Goal 1: A high standard of living, quality of life and well-being for all citizens	
Goal 8: Decent Work and Economic Growth <sup>56</sup>		Goal 1: A high standard of living, quality of life and well-being for all citizens	
Goal 9: Industry, Innovation and Infrastructure		Goal 4: Transformed Economies  Goal 10: World Class infrastructure crisscrosses Africa.	 
Goal 12: Responsible Consumption and Production			
Goal 13: Climate action		Goal 7: Environmentally sustainable and climate resilient economies and communities.	
Goal 17: Partnerships to achieve the Goal		Goal 19: Africa as a major partner in global affairs and peaceful co-existence.  Goal 20: Africa takes full responsibility for financing her development Goals.	 

<sup>56</sup> Nigeria's leather and leather products industry currently employs over 750,000 workers with about 500,000 workers in the finished leather goods sector, alone. This illustrates the kind of employment RVCs could create in this sector across Africa.

### 5.3.2. Where will the AfCFTA Result in Early Harvest Benefits?



#### LLP Value Chain

- |  |  |   |  |
|--|--|---|--|
| <b>Stage 1:</b> <ul style="list-style-type: none"> <li>• Feedstock (soya, maize bran, sunflower seed cake)</li> <li>• Animal nutrition products</li> <li>• Livestock vaccines</li> </ul> | <b>Stage 2:</b> <ul style="list-style-type: none"> <li>• None</li> </ul> | <b>Stage 3:</b> <ul style="list-style-type: none"> <li>• Chemical and natural treatment inputs</li> </ul> | <b>Stage 4:</b> <ul style="list-style-type: none"> <li>• None</li> </ul> |
|--|--|---|--|



- |  |   |  |  |
|--|---|--|--|
| <b>Stage 1:</b> <ul style="list-style-type: none"> <li>• Animal husbandry extension services</li> <li>• Traceability services and software (CPC 842)</li> <li>• Veterinary Services (CPC 932)</li> </ul> | <b>Stage 2:</b> <ul style="list-style-type: none"> <li>• Technical testing services (CPC 8676)</li> </ul> | <b>Stage 3:</b> <ul style="list-style-type: none"> <li>• Quality &amp; standards assurance services</li> <li>• R&amp;D services on natural sciences (CPC 851)</li> </ul> | <b>Stage 4:</b> <ul style="list-style-type: none"> <li>• Advertising services (CPC 871)</li> <li>• Marketing services (CPC 864)</li> <li>• Packaging services (CPC 876)</li> </ul> |
|--|---|--|--|

- In Stages 2 and 3, RVCs for some regions and countries will be enabled by the AfCFTA, however, there are certain regions that are constraining RVC potential through their lack of reciprocation.
- In Stage 2, all regions and Egypt stand to benefit through exporting and importing chemical and natural treatment inputs preferentially.
- In Stage 3 the only region not making Tariff Offers is SACU.

In order to show where the AfCFTA will impact the LLP industry, we isolated the production chain within the LLP VC to conduct an input-output tariff analysis. Below each stage of the simplified LLP VC, we identify the tariff lines/products with Tariff Offers from three or more RECs and current intra-African exports and imports of more than \$1 million, and provide the export potential to Africa of the top product.

Additionally, the products offered in these graphics are those with the highest current value of intra-African trade across all regions in Africa. These products/tariff lines are indicative of

where the AfCFTA’s liberalization will have the most profound impact within each stage of the VC.

#### Stage 1: Raw Materials – Livestock

The main product that benefits from Tariff Offers of three or more RECs is live cattle, not for breeding – HS 010229. Tariff preferences are 30% for CEMAC, 25% for EAC and 10% for ECOWAS. SACU’s most-favoured-nation (MFN) tariff is zero-rated. Given that trade is predominantly informal outside of Southern Africa, the longer-term impact of tariff reductions on inter-regional trade will be to increase formalization as well as to increase absolute numbers. However, health and safety standards will have to be met for formalized trade to grow, which will require access to a wide range of services, including animal husbandry extension services (CPC 881), traceability software (CPC 842), and veterinary services (CPC 932).

The major raw material suppliers will be countries with high numbers of livestock such as Ethiopia, Nigeria and Tanzania, although most African nations have relatively large national herds.

## Stage 1: Livestock



### Stage 2: Primary Inputs - Raw Hides (HS 4101-4103)

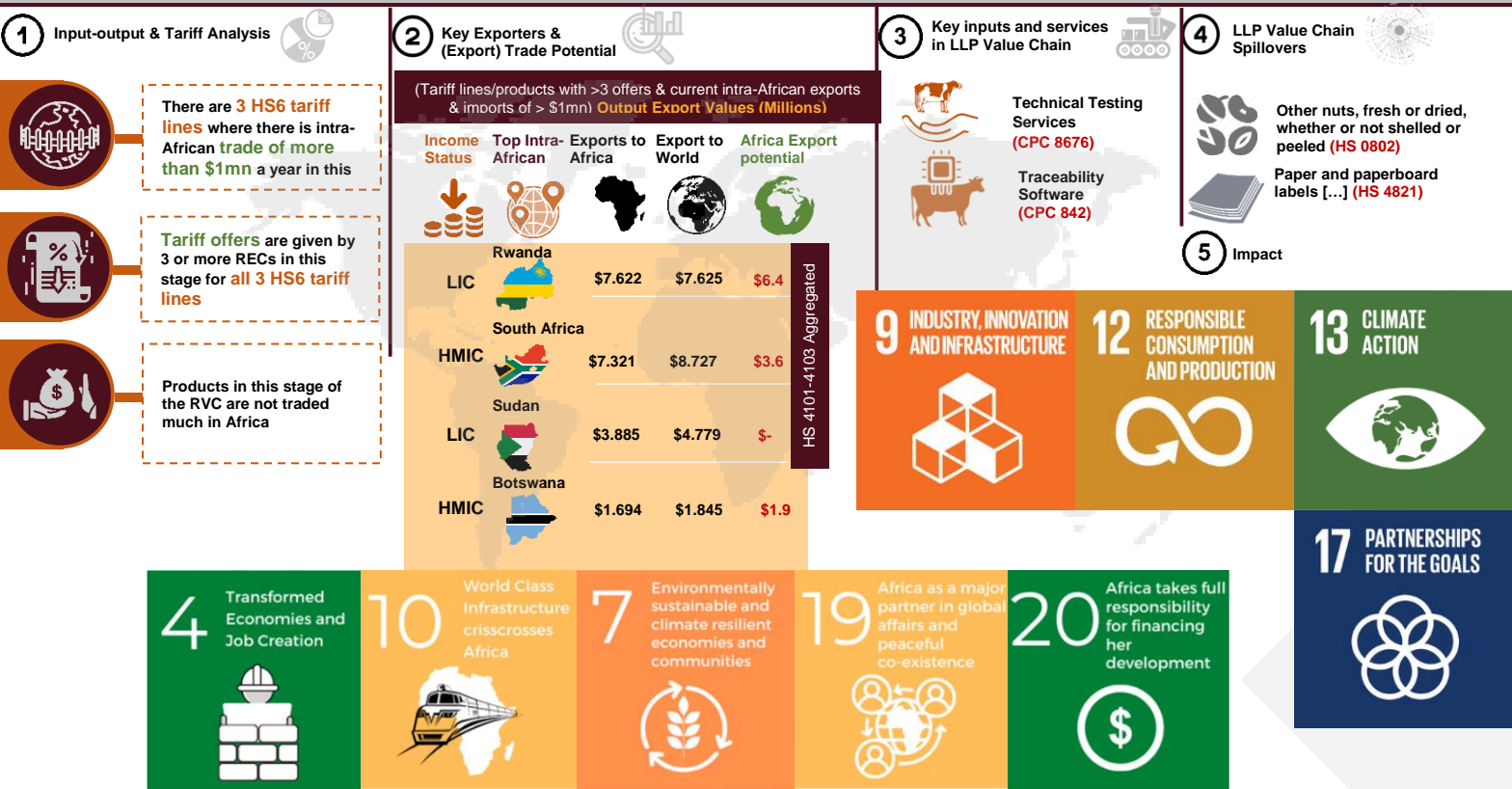
There are Tariff Offers for bovines (HS 4101) sheep and lamb (HS 4102) and goat hides (HS 4103) made by CEMAC, EAC, ECOWAS, Egypt and SACU. Tariff preferences are 10% for CEMAC and the EAC, 5% for ECOWAS, 2% for Egypt and ranging between 0% and 10% for SACU.

The major primary input suppliers in Africa are Botswana, Niger, Rwanda, South Africa and Sudan.

There are only three HS 6 tariff lines where there is intra-African trade of more than \$1 million a year in this stage of the VC. Tariff Offers are given by three or more RECs in this

stage for all three HS 6 tariff lines. This means that products that fall within this stage are not currently traded much in Africa, as currently AfCFTA State Parties source most of these inputs from extra-African partners because of the low quality of most of the raw hides sourced from Africa. The AfCFTA's tariff preferences for African hides will, along with improvements in animal husbandry and alternatives to branding, transform the status quo and drive regional sourcing and value addition. The AfCFTA will have an impact on this stage, however, the tariff preferences will need to coincide with improvements in the quality of African raw hides, which will be improved through the liberalization of agricultural extension services.

## Stage 2: Primary Inputs (Raw Hides) (HS 4101-4103 Aggregated)



### Stage 3: Processed intermediates - Tanned, Further Prepared Leather, and Chamois (HS 4104-4107, 4112-4115 & 4302)

Chemical inputs: In order to transform raw hides into processed intermediates, several chemical inputs are required. The major potential suppliers of these in Africa are Algeria, Ghana, Mauritius, Morocco, Senegal, South Africa, Uganda and Zimbabwe.<sup>57</sup> These chemical inputs include for example: sodium sulphides (HS 2830.10); synthetic tanning substances (HS 3201.90); synthetic organic colouring matter (HS 3204); organic surface-active agents (HS 3402) & polishes and creams for footwear (HS3405.10).<sup>58</sup>

There are 17 main traded products within the HS 6 tariff line, where there is intra-African trade of more than \$1 million a year in these key chemical inputs. Tariff Offers are given by three or more RECs or countries for 15 of these tariff lines. CEMAC tariff preferences are 10%, but with 18.75% and 20% on two main traded products. These tariff lines are mostly already zero-rated by the EAC and SACU, though for SACU preferences are up to 15% for two tariff lines. Tariff preferences are between 2% and 10% for ECOWAS and Egypt.

Consequently, the AfCFTA should have a significant impact in increasing the supply of chemical inputs for leather processing on the continent, thereby increasing the volume and quality of intra-African trade. State Parties that would realize the greatest benefit from capitalizing on their export potential to Africa in the top product category (leather creams and polishes), in order of export potential, would be: Senegal (\$6.1 million), Tunisia (\$19.5 million), Egypt (\$45 million) and South Africa (\$247 million).

Processed leather intermediates:

There are five HS 6 tariff lines where there is intra-African trade of more than \$1 million a year in Stage 3. Tariff Offers are given by three or more RECs in this stage for all five HS 6 tariff lines. Tariff preferences are 10% for the EAC, ECOWAS, CEMAC and Egypt, and between 0% and 10% for SACU. Additionally, Egypt and SACU have prioritized several of these tariff lines for full liberalization in five (rather than ten) years.

Intermediate processed leather's primary potential suppliers in Africa are Mali, Namibia, South Africa, Sudan and Zimbabwe.

<sup>57</sup> UNCTAD. "Identifying Regional Value Chains in Leather and Leather Products in Africa". 2018.

<sup>58</sup> Chemical inputs of the leather RVC include: 2830.10, 2841.30, 2916.11, 2929.10, 3201.10, 3201.20, 3201.90, 3202.10, 3204.11, 3204.12, 3204.13,

3204.14, 3204.16, 3204.17, 3206.11, 3210.x, 3402.11, 3402.12, 3402.13, 3403.11, 3403.91, 3405.10, 3507.90, 3809.93.

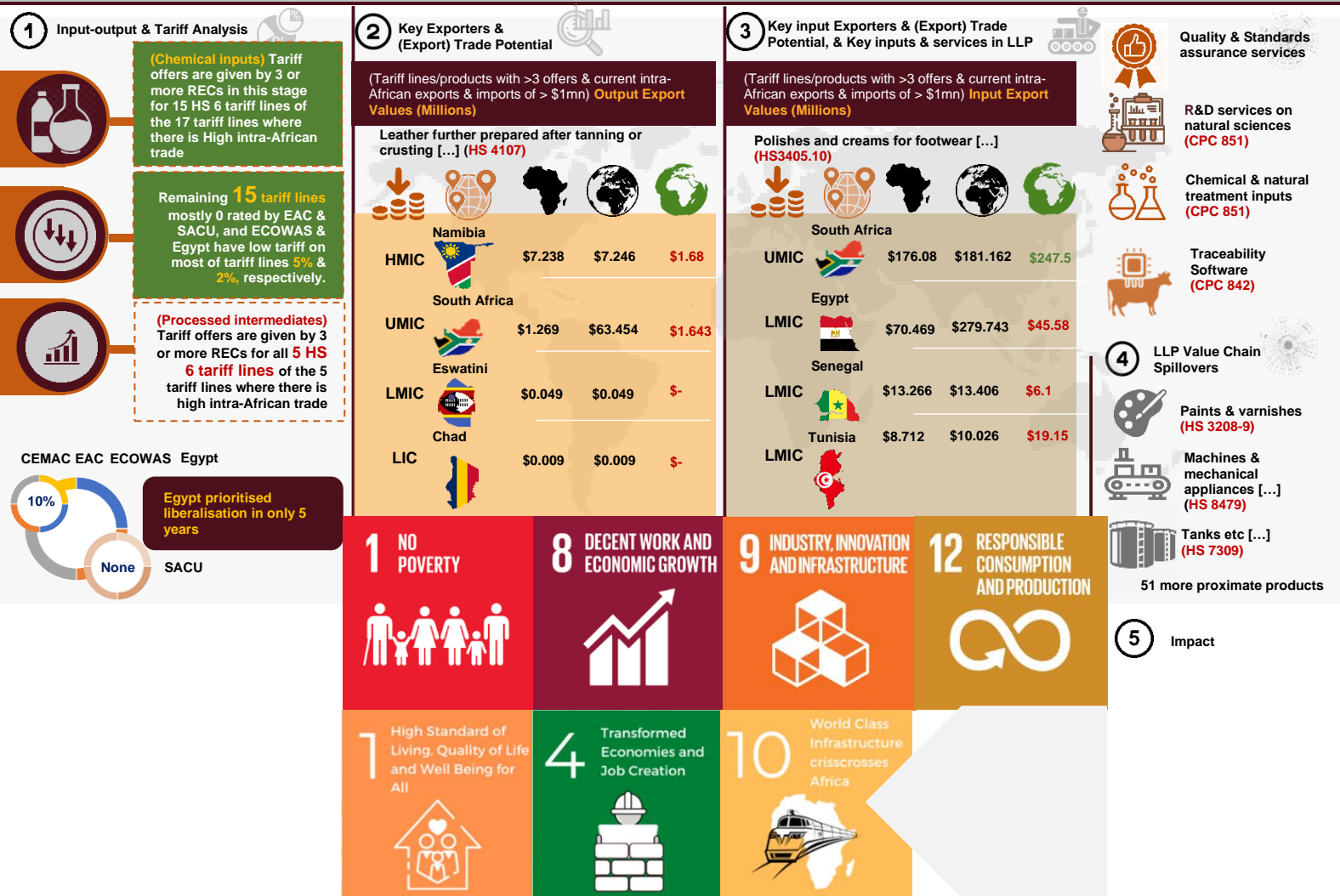


The production of leather from hides and skins is the most capital- and skills-intensive part of the VC and will require the liberalization of quality and standards assurance services (CPC 83115) from AfCFTA State Parties who have already been producing leather. The same applies for R&D services on natural sciences (CPC 851), as innovation is required to produce high quality leather without harming the environment in the process. This is particularly important for

the industry to contribute to the achievement of SDG 12 on Responsible Consumption and Production.

There are over 50 proximate products for which the strengthening of this VC will have spillover effects, primarily within chemicals (including machines and storage equipment for chemicals) and paints and varnishes.

### Stage 3: Processed intermediates (Tanned, Further Prepared Leather, & Chamois) (HS 4104-4107; 4112-4115 & 4302)



#### 1 NO POVERTY

#### 8 DECENT WORK AND ECONOMIC GROWTH

#### 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

#### 12 RESPONSIBLE CONSUMPTION AND PRODUCTION

#### 7 High Standard of Living, Quality of Life and Well Being for All

#### 4 Transformed Economies and Job Creation

#### 10 World Class Infrastructure crisscrosses Africa

### Stage 4: Outputs - Leather Products (HS 4201-4205, 4303, 6401-6406, 6506 & 9401)

There are over 26 HS tariff lines where there is intra-African trade of more than \$1 million a year with Tariff Offers given by three or more RECs in this stage. Key products include leather saddles and bags, articles of leather and leather clothing (within the categories of HS 4201-4205 and 4303), leather footwear (within the categories of HS 6401-6406), leather headgear (within HS 6506), and leather seats (within the categories of HS 9401).

The tariff preferences offered by the AfCFTA in this stage of the VC are high. Egypt's tariff preferences range between 20%-60% but are mostly 60%, EAC preferences are 25%, CEMAC's are between 18.75% and 30%, and ECOWAS 10%-20%. This creates significant opportunity once these high tariffs have been phased-down to 0%.

This stage of the VC sees the most intra-African trade, but it takes the form of intra-REC trade rather than inter-REC trade, with the RECs and individual countries protecting this stage of the VC from outside competition. Consequently, inter-REC trade of finished leather products is only likely to grow after

the full implementation of the tariff phase-downs in 10+ years.

Advertising (CPC 871), marketing (CPC 864), and packaging services (CPC 876) will contribute to growing the value of the market for leather fashion items and footwear in particular, enhancing the customer experience.

### 5.3.3. Paying Attention to Complementary Services to Enable the LLP RVC

The LLP VC faces two major constraints: The poor quality of hides which are often scratched, scuffed, or punctured because of weak animal husbandry practices amongst livestock small holder farmers (SHF) - the dominant supplier of such inputs in SSA; and non-compliance or the lack of awareness of industry and market entry standards and requirements such as the EU's REACH standards.

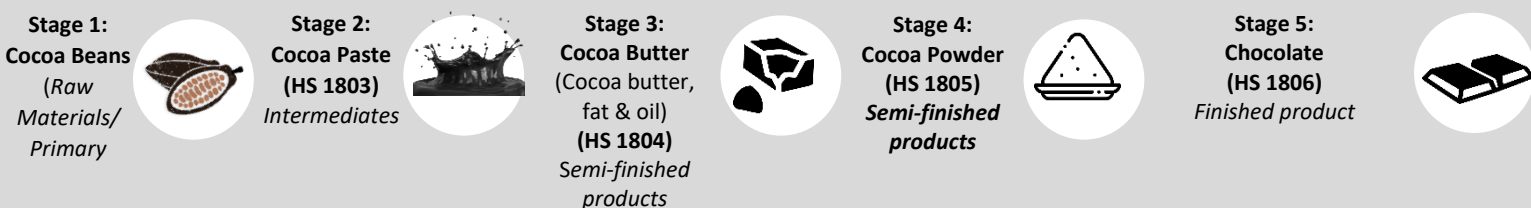
Accordingly, for the AfCFTA to enable the LLP VC in Africa, beyond tariff liberalisation, there is need for complementary action on services that enable the trade of animal husbandry extension services, which in turn would decrease the amount of poor-quality primary inputs. Distribution and logistics services will also support more effective performance of the sector.

There are 20 proximate products to this stage of the VC, mostly via leather seats, but also extending to springs and leaves of steel and to other furniture.

Additionally, building capacity for quality and standards compliance services would improve quality of treating, tanning and semi-processing leather in Africa. and thus increase the number of intermediate inputs sourced from within Africa. Linked to this is the need to increase **environmental and social certifications**.

Overcoming this challenge is made more difficult because the LLP industry in Africa is predominantly made up of MSMEs who are engaged mainly in the informal sector. This makes conforming to these standards and ensuring traceability an even bigger challenge.

## 5.4. The Cocoa and Cocoa Products VC



- In **Stage 1**, cocoa is grown and then harvested (twice a year), and the beans are removed from the shell, sorted and fermented. After this they are dried, sorted again, and transported to grinding plants.
- In **Stage 2**, the cocoa beans are roasted, whereafter they become nibs. These nibs are ground down to give a fine cocoa paste. Part of this paste is used to manufacture chocolate, while other parts are further processed to make cocoa butter, and later cocoa powder.
- In **Stage 3**, cocoa butter is extracted from the cocoa paste by pressing it through a very fine sieve or with a solvent. Most of the cocoa butter extracted in this way is used as an input in the manufacturing of chocolate. Alternatively, it is shipped in liquid form to the dairy, confectionary and baking industries.
- In **Stage 4**, the cocoa cake (the pressing residue still containing 10% to 20% fat) is further ground and sifted to produce cocoa powder. Cocoa powder varies in terms of fat content (depending on how much fat has been pressed out), a parameter which in turn determines its end use, ranging from drinking chocolate to use in bakery products and fillings.
- In **Stage 5**, cocoa paste and butter are combined with inputs like sugar, vanilla, and powdered milk to form a chocolate dough, which is further refined by putting it through a *conche* machine to produce *couverture* (or industrial chocolate). *Couverture* is then refined further by chocolate makers and bakers, depending on the quality of the final product. For those who buy it in bulk, it is delivered in liquid form in a heated tanker. For small scale operations, it is delivered in solid form and in smaller units, and needs to be tempered to be used in recipes and made ready for final consumption.<sup>59</sup>

### 5.4.1. Why This VC?

The Cocoa and Cocoa products VC is different from the LLP VC in that, while the tariff preferences of the AfCFTA will incentivize the growth of trade in several stages, they will not be the major vector of impact that will meaningfully enable the development of a RVC. Rather, it will be the liberalization of key services that countries like Cameroon, Côte d'Ivoire, Ghana and Nigeria do not have in sufficient content, but that countries like Egypt, Kenya and South Africa can provide, *viz.*, like branding, packaging, marketing, distribution and sales.

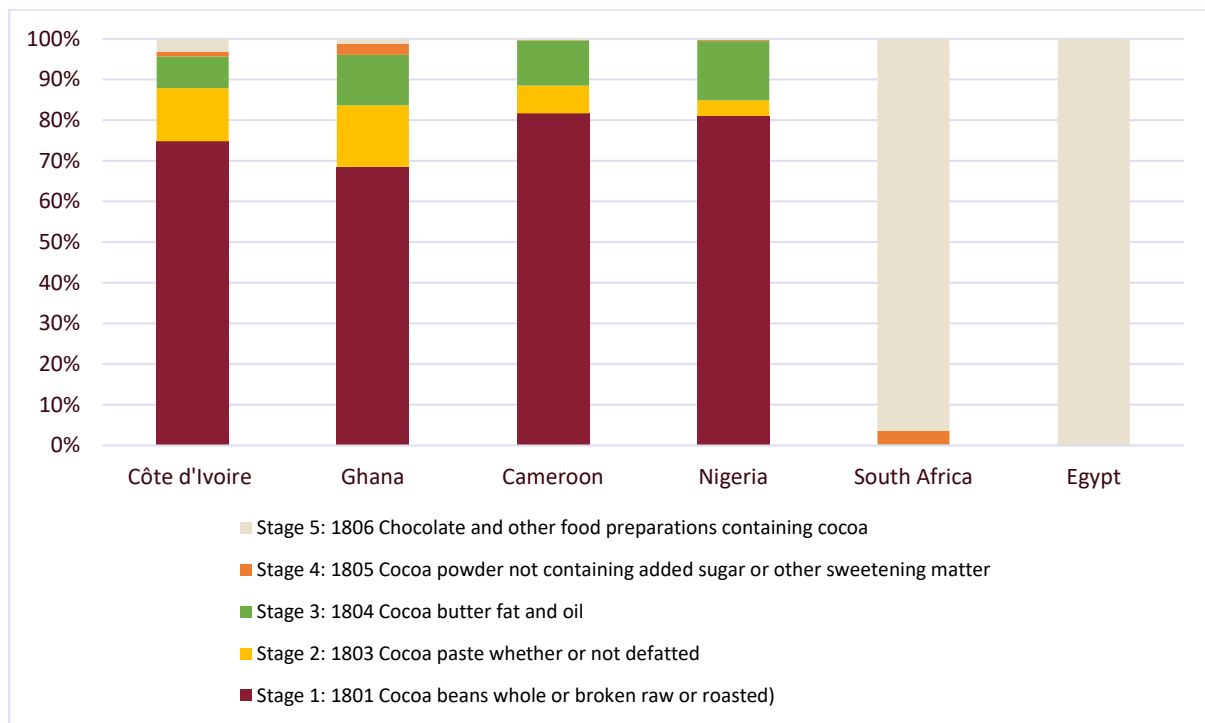
The world's number one, two, three and six cocoa bean exporters are all party to the AfCFTA Agreement - Côte d'Ivoire, Ghana, Nigeria and Cameroon. Cocoa production is dominated by SHFs in these countries, and a large portion of those who work on the farms are women and youth. This means that improvements in this VC will have far-reaching and more significant poverty reduction impacts than many other VCs in Africa. Accordingly, the prevalence of vulnerable groups in this VC and the potential to reduce deforestation through sustainable management of the VC means that its development has the potential to contribute significantly towards the achievement of the following SDGs in Africa:

<sup>59</sup> UNCTAD. "Cocoa Study: Industry Structures and Competition". 2008. Available at: <https://digitallibrary.un.org/record/646138?ln=en>

SDG Goal	SDG Icon	Agenda 2063 Goals	Agenda 2063 Icon
Goal 1: No Poverty		Goal 1: A high standard of living, quality of life and well-being for all citizens	
Goal 8: Decent Work and Economic Growth		Goal 1: A high standard of living, quality of life and well-being for all citizens	
Goal 5: Gender Equality		Goal 17: Full gender equality in all spheres of life. Goal 18: Engaged and empowered youth and children.	 
Goal 9: Industry, Innovation and Infrastructure		Goal 4: Transformed Economies Goal 10: World Class infrastructure criss-crosses Africa.	 
Goal 13: Climate action		Goal 7: Environmentally sustainable and climate resilient economies and communities.	



Figure 19: Value-added Content of Selected AfCFTA State Parties Exports, 2019 (%)



This graph illustrates the opportunity for increasing regional value addition in the chocolate RVC in Africa, and includes South Africa and Egypt because they are in the top five African importers and exporters in each stage of products from cocoa paste to chocolate, as well as serving as the top two African exporters of chocolate to Africa. The export potential for chocolate to Africa from these two middle-income countries is an additional \$72 million per annum.<sup>60</sup> For Cameroon and Senegal it is an additional \$9.5 million per annum.<sup>61</sup>

International cocoa grinders and chocolate manufacturers are increasing their backward integration and locating processing plants closer to farms (cocoa is increasingly being processed at origin; in the year 2019/20, cocoa grinding at origin accounted for ≈49% of all grinding activities worldwide).<sup>62</sup> This is done to ensure that they have enough influence over their supply chains to quickly make adjustments and comply with new environmental and social standards set by governments and private retail groups, whilst also lowering their production costs and giving them access to regional markets. However, most of these firms are

non-African in origin, and grinding adds comparatively little value relative to chocolate manufacturing, as well as offering lesser linkage potentials. Additionally, since ground cocoa products are priced with different mark-up ratios based on cocoa bean futures prices, they have similar price volatility to beans.<sup>63</sup> The links of the VC that take place after the grinding of cocoa nibs are highly concentrated, and often take place in jurisdictions outside of Africa, making it difficult for African players to enter the market and VCs in these areas.<sup>64</sup> AfCFTA-driven industrialization will enable African firms to overcome this challenge and capture more value within Africa. In time, African firms will capture more market share from the already established non-African firms, particularly in the major African markets that currently make up most of the continent's demand for chocolate and other finished products of the VC: Botswana, Egypt, Kenya, Morocco, Nigeria, Senegal, and South Africa.<sup>65</sup> Additionally, the AfCFTA will develop African chocolate markets through liberalization of key supporting services related to the VC (i.e. marketing and branding) and the destination markets it will liberalize.<sup>66</sup>

<sup>60</sup> (South Africa \$38.7 million; Egypt \$33.63 million) – Source ITC Export Potential Analysis

<sup>61</sup> (Cameroon \$7.5 million; Senegal \$2 million) – *ibid.*

<sup>62</sup> “Ghana is also a large producer and processor of cocoa beans. The country’s grinding industry consumed an estimated 300 thousand tonnes in 2018/19, accounting for 6.3% of global grindings. Between 2015/16 and 2018/19, cocoa grindings in Ghana increased at an average annual rate of 14%. Ghana also relies on a multinational cocoa-processing industry. Besides Cargill, another large multinational present in Ghana is the Touton Group (France). In general, Africa accounted for an estimated 21% of global cocoa grindings in 2018/19.” <https://www.cbi.eu/market-information/cocoa-cocoa-products/semi-finished-cocoa-products/market-potential>

<sup>63</sup> Grumiller, Jan, Hannes Grohs, Werner Raza, Cornelia Staritz, and Bernhard Tröster. Strategies for sustainable upgrading in global value chains: The Ivorian and Ghanaian cocoa processing sectors. No. 24/2018. ÖFSE Policy Note, 2018.

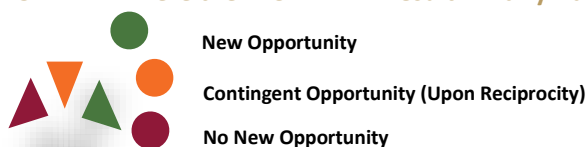
<sup>64</sup> “Ultimately, there seems to be a structural imbalance upstream in the Cocoa-Chocolate VC, between cocoa producers (with a structure of production

characterized by the predominance of small-scale producers) and buyers (highly concentrated, with the emergence of oligopsonistic or even monopsonistic market structures). This asymmetry gives rise to the potential for the exercise of oligopsonistic or monopsonistic power in cocoa purchasing, both at the farm gate and at the international level.” UNCTAD Cocoa Study: Industry Structures and Competition Study prepared by the UNCTAD secretariat.

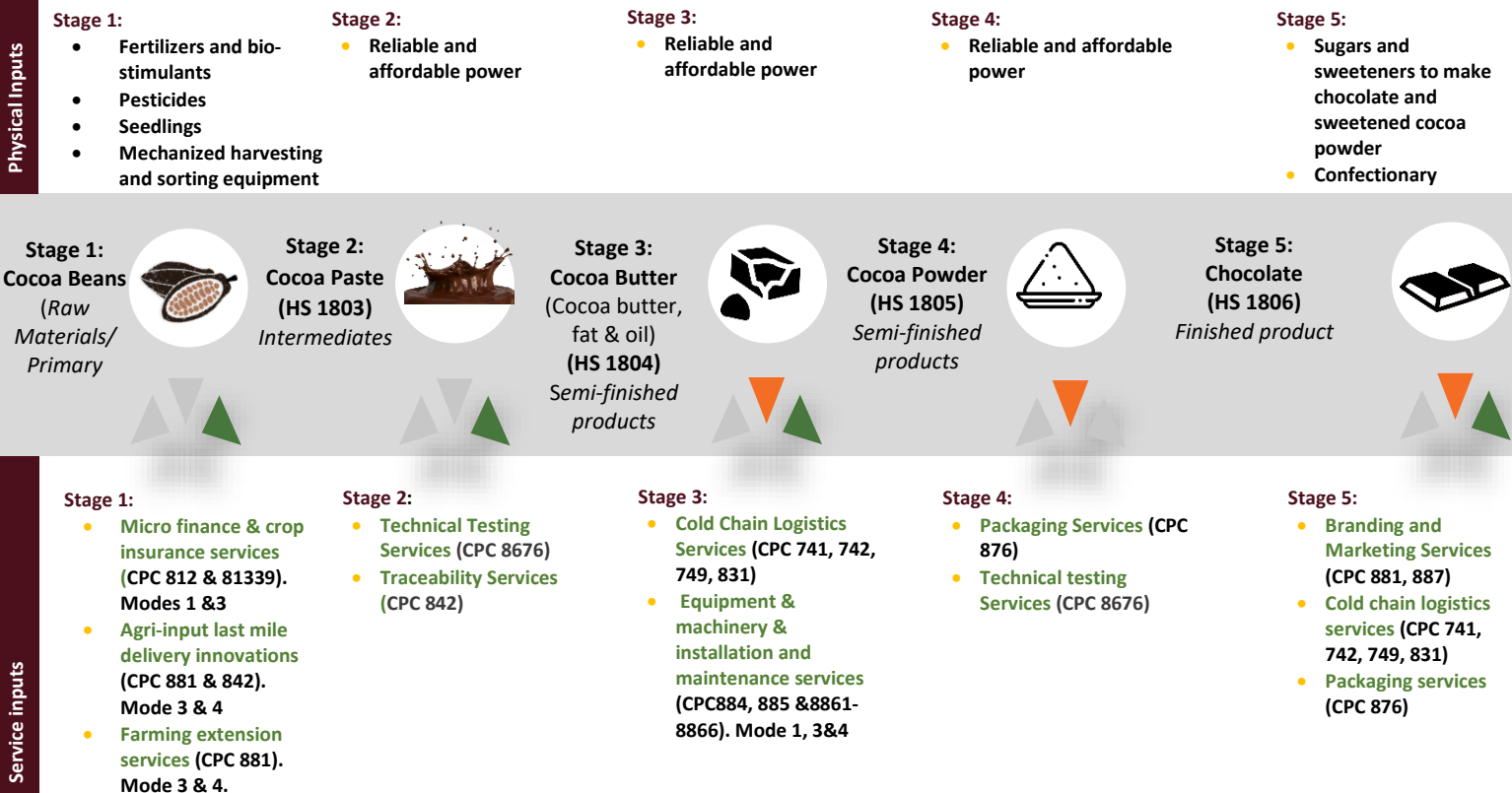
<sup>65</sup> Oliver Nieburg. “Africa steadily finding its place on the world chocolate map”. July 2017. Available at: <https://www.confectionerynews.com/Article/2017/07/20/Africa-chocolate-market-to-grow-above-world-average>.

<sup>66</sup> Furthermore, annual per capita chocolate consumption in Africa remains low at ≈0.5 kg, compared to 4-12 kg per capita in Global North markets like the UK, US and Switzerland. Currently the continent only makes up 4% of global consumption. Despite this challenge, developing African and regional chocolate markets is crucial for the capturing of more value addition in the Cocoa and Cocoa products VC in Africa. Source:

## 5.4.2. Where the AfCFTA will Result in Early Harvest Benefits



### Cocoa Products VC



- AfCFTA tariff preferences will have a positive impact in Stages 1 and 2 of the RVC for all regions and Egypt.
- In Stages 3 and 5, RVCs for some regions and countries will be enabled. However, there are certain regions which are constraining RVC potential through their lack of reciprocation, like SACU's lack of Tariff Offers on sugar inputs used in the chocolate and confectionary industries.
- In Stage 4, the issues of non-reciprocation applied for both cocoa powder-producing regions CEMAC and ECOWAS, which constrains the importing of these products by manufacturing and consuming regions in Africa.

The input-output tariff analysis, along with other features of how the RVC and the AfCFTA will interact, are illustrated in the graphics below. They show that the impact of the AfCFTA's tariff liberalization has the potential to be most impactful for Stages 2 and 3. Stage 5 will be most impacted by

services liberalization, but there are opportunities created by tariff liberalization for CEMAC, EAC, ECOWAS and Egypt in the trading of sweetener inputs.

#### Stage 1: Cocoa Beans HS 1801

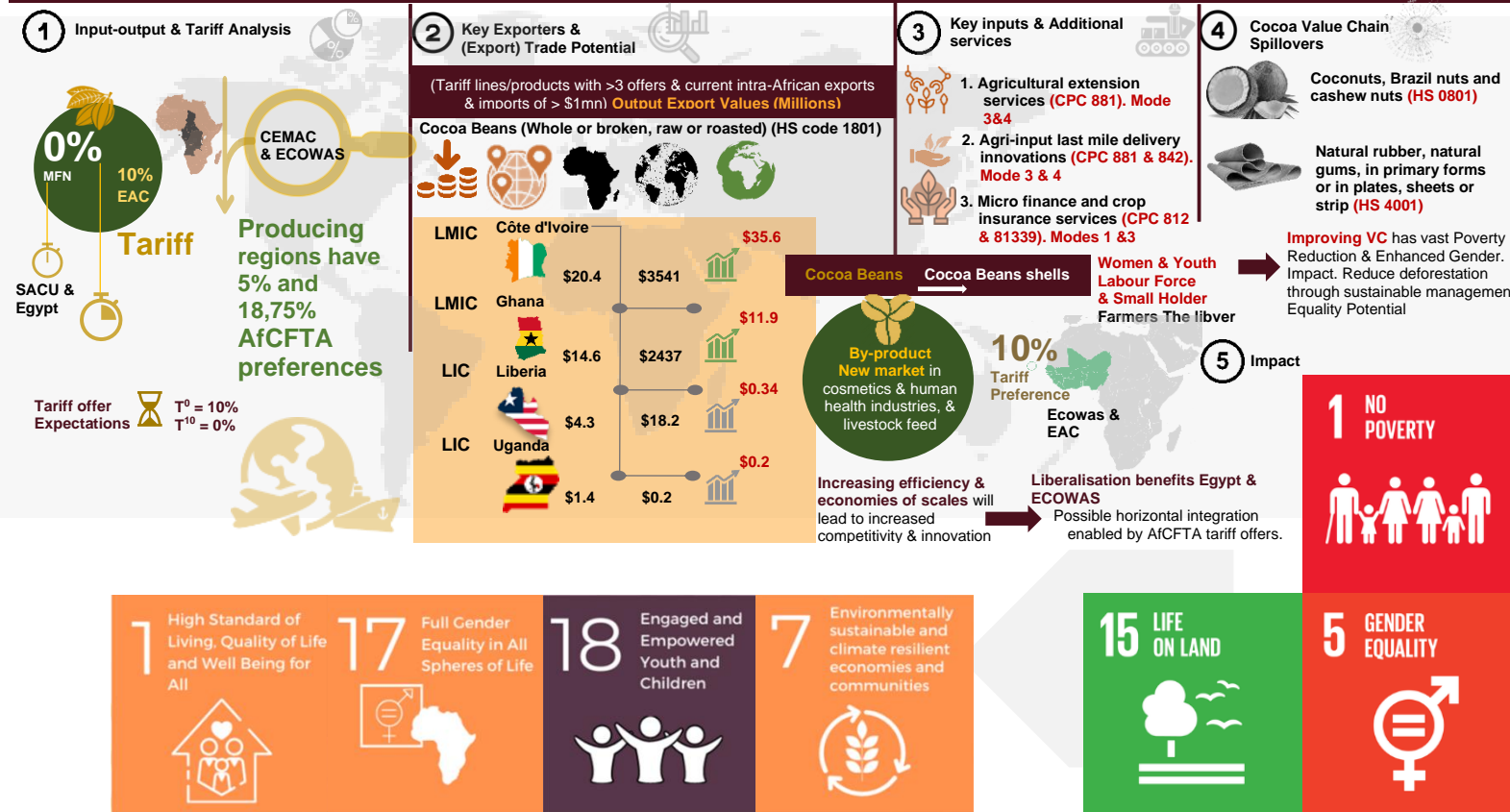
Cocoa beans themselves have a tariff preference of 18.75% in CEMAC, 10% in EAC, 5% in ECOWAS, and zero for the main importers (SACU and Egypt). While tariffs do not play a significant role in growth in this stage of the VC, there is significant potential for increased trade facilitation to boost intra-African trade, in particular for Côte d'Ivoire and Ghana. The liberalization of agricultural extension services (CPC 881) will contribute to boosting productivity, but access to delivery services of agri-inputs (CPC 881 and 842) and access to micro finance and insurance (CPC 812 and 813) are also central to the sustainability of smallholder crop production.

Growth in this segment of the VC will also boost production of nuts and natural rubber and gums.

<https://www.afdb.org/en/news-and-events/huge-youth-employment-and-business-opportunities-in-africas-cocoa-sector-14480>.

## Stage 1: Cocoa Beans (HS 1801)

Raw Materials/ Primary products



## Stage 2: Cocoa Paste HS 1803<sup>67</sup>

CEMAC and ECOWAS offer tariff preferences of 18.75% and 10%, while EAC, Egypt and SACU have 0% MFN tariffs. This creates significant opportunities for three of the major exporters of chocolate in Africa - Egypt, Kenya and South Africa - who stand to benefit from tariff-free imports of cocoa paste for the manufacture of chocolate, but also for use in the confectionary industry more broadly.

African countries are quite well established in this component of the VC, and exports of its associated product to the world, with Côte d'Ivoire and Ghana playing a significant role in supplying world markets with cocoa paste. Côte d'Ivoire is the world's largest cocoa grinder, with 12% of global grindings in 2019, while Ghana accounted for 6.3% of global grindings, with a rapidly growing global share at an average annual increase of 14% between 2015-2019.<sup>68</sup>

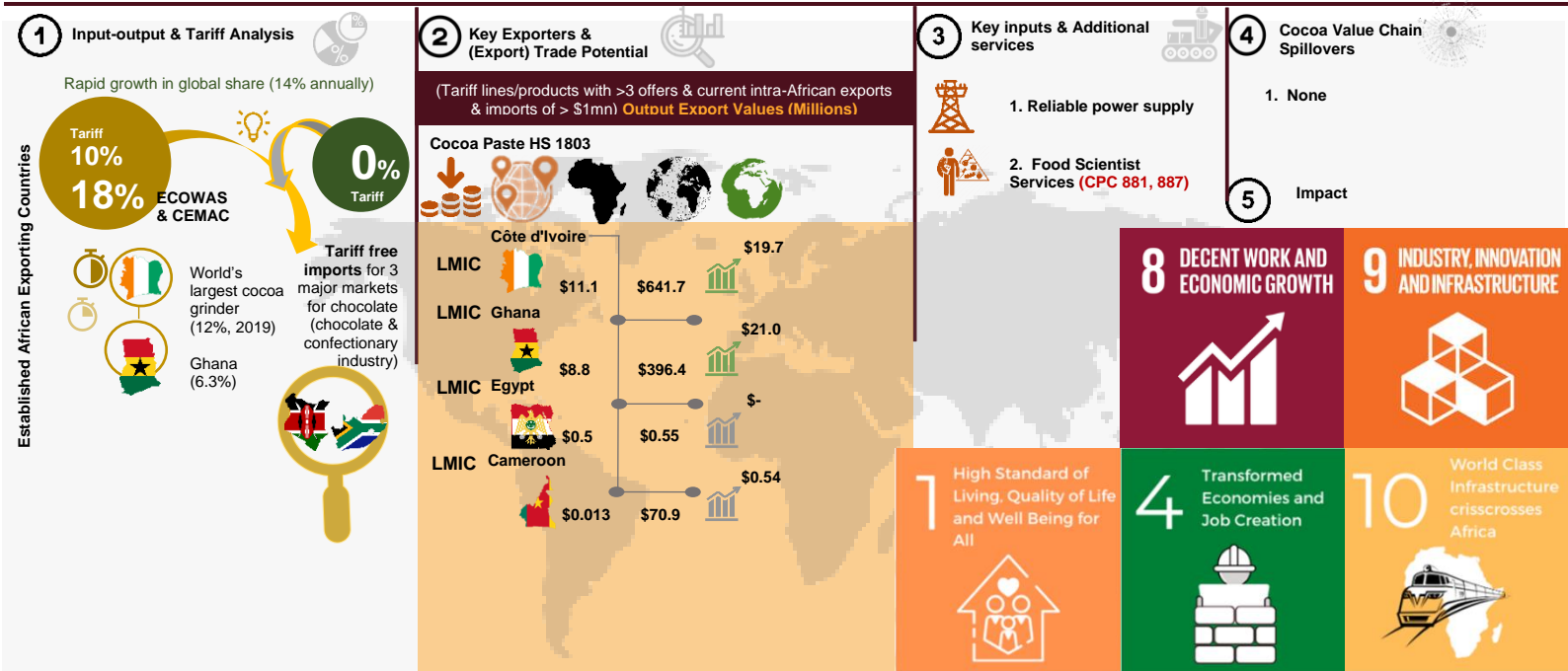
<sup>67</sup> HS 1802 is skipped to focus the analysis. However, cocoa bean shells (CBS) (HS1802) are a by-product of cocoa processing and they were not seen as valuable by the industry for a long time, but as the circular economy has gained traction and research has been conducted into their possible uses, it has become evident that these by-products need to be valorised as they have many potential uses in the cosmetics and human health industries (they have antibacterial, antiviral, anticarcinogenic, antidiabetic, or neuroprotective properties, and could benefit the cardiovascular system, and act as an anti-inflammatory) and in their raw or lightly processed form can also be used as a component of livestock feed. The direct benefits of liberalisation here

would benefit Egypt and ECOWAS the most as currently Egypt imports all of its cocoa bean shells (...) from Africa, namely ECOWAS. Thus, although the value of intra African imports and exports is currently low, given the recently discovered uses for this product it is possible that there may be some horizontal integration enabled by the AfCFTA tariff offers.

<sup>68</sup> CBI. "The European market potential for semi-finished cocoa products". September 2021. Available at: <https://www.cbi.eu/market-information/cocoa-cocoa-products/semi-finished-cocoa-products/market-potential>.



**Stage 2: Cocoa Paste**  
(Cocoa paste (excl. defatted))  
HS 1803 Intermediates

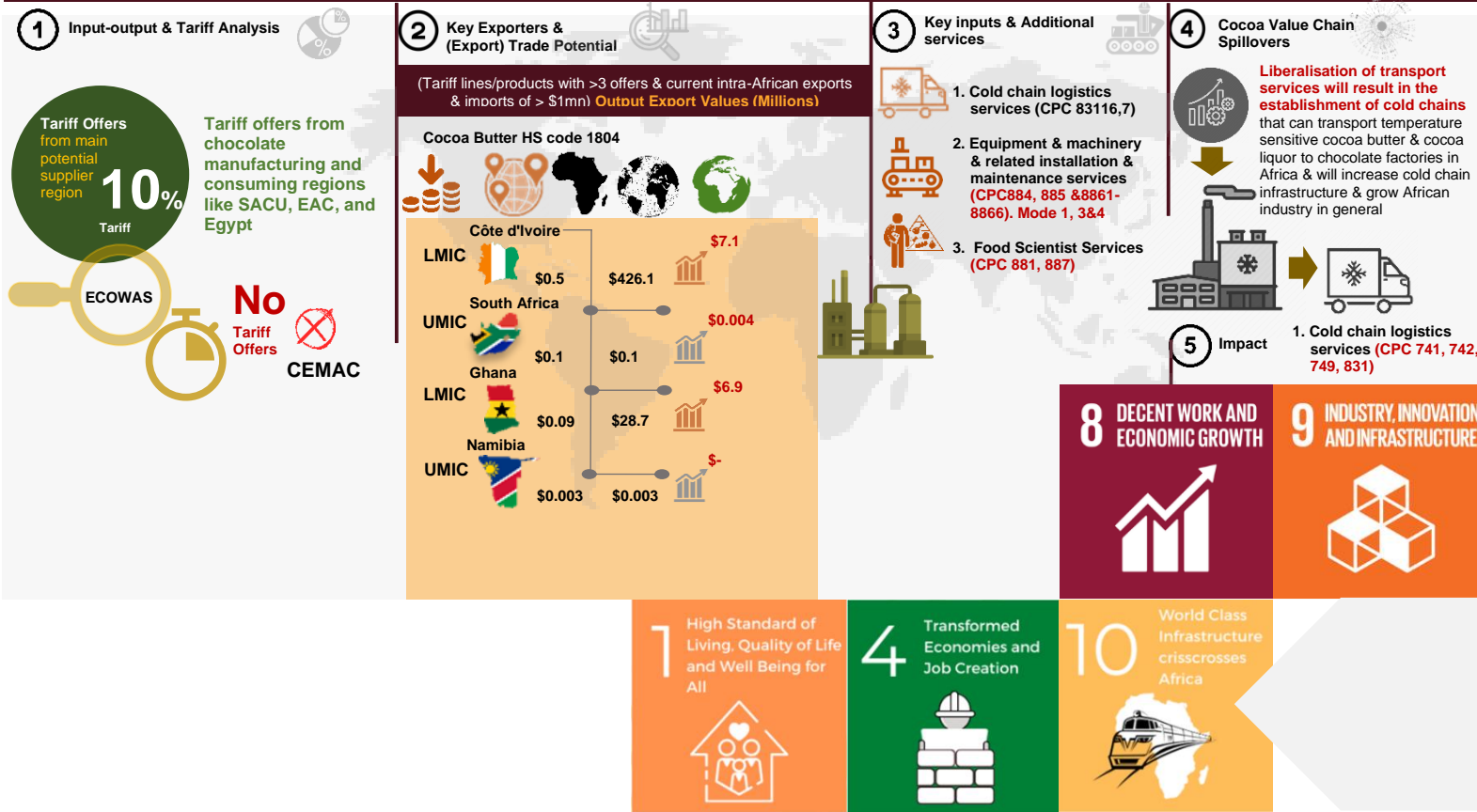


**Stage 3 (Cocoa Butter HS 1804):**

ECOWAS offers a tariff preference of 10% on cocoa butter. For the EAC, Egypt and SACU, MFN tariffs are generally zero-rated, though there are some preferences at 2%. In terms of estimated trade potential, Côte d'Ivoire stands to gain \$7 million in exports.

The development of this sector needs to be underpinned by the liberalization of services to stimulate the development of cold chains, which in turn would have very significant spillover effects on logistics capacity to promote trade in a wide range of agricultural commodities.

**Stage 3: Cocoa Butter (Cocoa butter, fat & oil)**  
(HS 1804)  
Semi-finished products

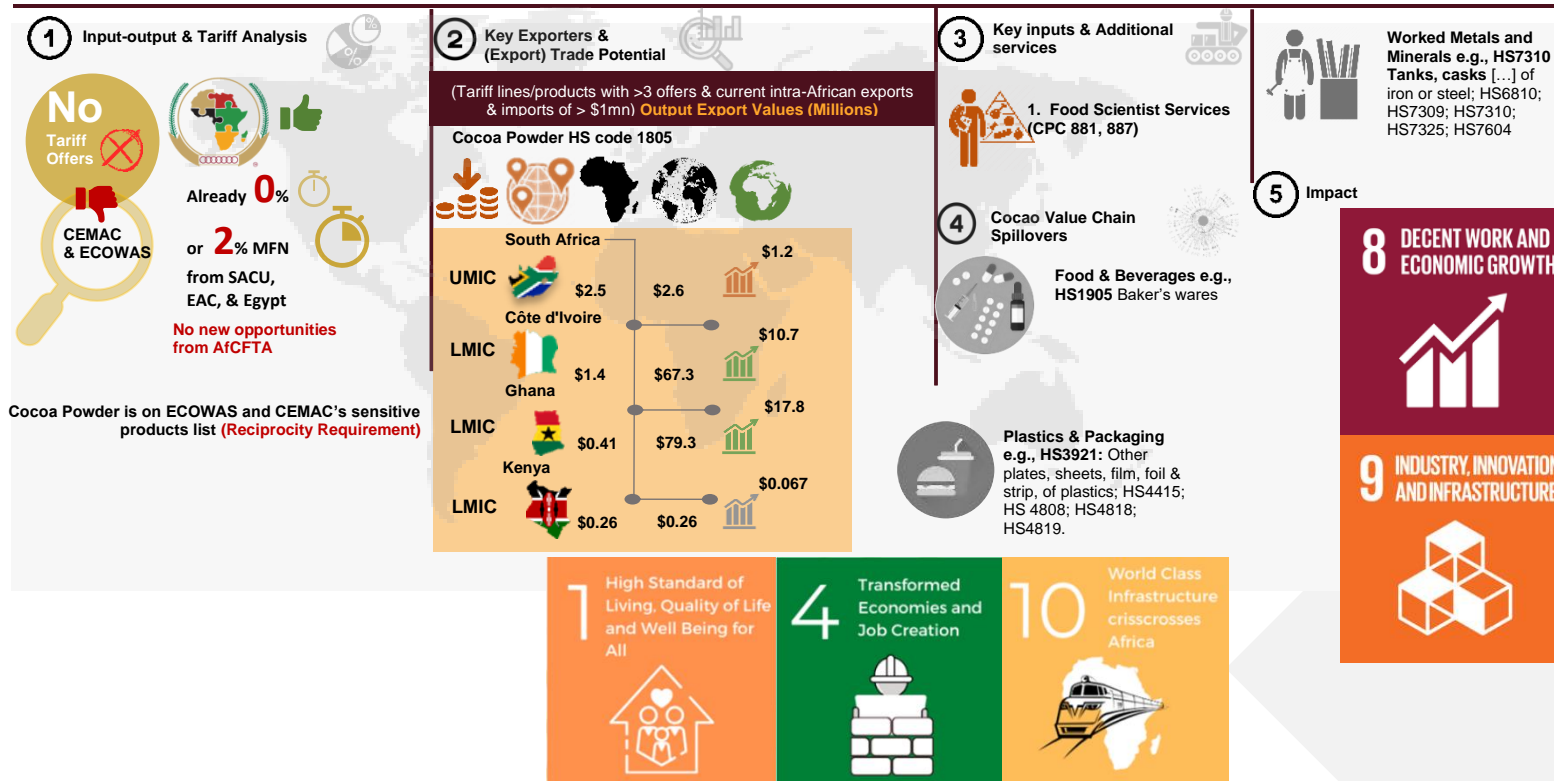


**Stage 4: Unsweetened Cocoa Powder HS 1805**

The major cocoa powder-producing regions in Africa, CEMAC and ECOWAS, have excluded cocoa powder from their Tariff Offers. The EAC, Egypt and SACU all have a zero-rated MFN tariff. In terms of trade potential, Ghana is estimated to be able to expand exports by \$17.7 million and Côte d'Ivoire by \$10.7 million.

Spillovers from this stage of the VC are on the proximate products of baker's wares, certain plastics and packaging, and specific metal products including steel tanks.

**Stage 4: Cocoa Powder  
HS 1805)**  
Semi-finished products



**Stage 5: Chocolate Manufacturing and Sweetener Inputs**

The main traded products within Africa at this stage of production include sweetened cocoa powder (HS 1806.10), chocolate slab of various weights unfilled (HS 1806.20, 1806.32) and filled (HS 1806.31), and packaged chocolate (HS 1806.90). The key traded input to this stage is refined sugar (HS 1701).

Egypt offers tariff preferences on sweetened cocoa powder (HS 1806.10) of 20%, and between 20% and 40% for chocolate slabs and packaged chocolate (HS 1806.20, HS 1806.30) with several HS lines being phased in over the next five years. SACU offers tariff preferences on sweetened cocoa powder of 17%, and 20% to 21% on chocolate slab. However, CEMAC, EAC and ECOWAS make no offers themselves, meaning they will not be able to benefit from tariff preferences when they export these chocolate products to Egypt and SACU. Furthermore, SACU includes Namibia, which is the largest chocolate importer from Africa, as well as Botswana, which is the fourth-largest chocolate importer from Africa.

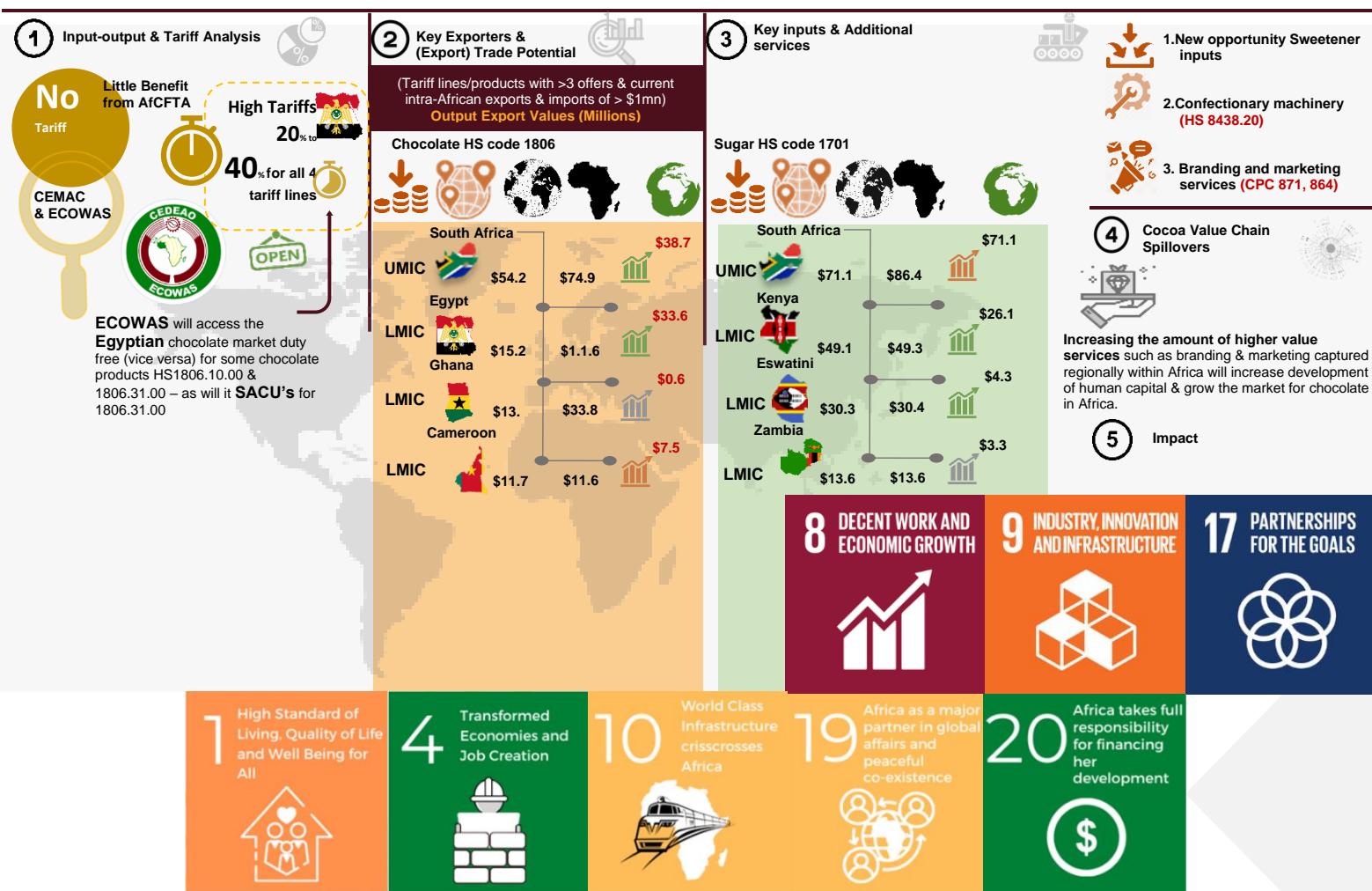
On the inputs side, the key traded product is refined sugar (HS 1701), with only very limited coverage by CEMAC - providing an offer of 18.7% - and ECOWAS, for sugar for refining, of 10%.

The significant scope for building this value across the continent is constrained by the absence of reciprocity. For

example, the potential is there for ECOWAS to import sugar from South Africa, the largest African exporter of this product; with South Africa benefiting from a 10% tariff preference, ECOWAS could refine this sugar and use it to sweeten cocoa powder. In turn, ECOWAS would benefit from a 17% tariff preference on exports to SACU and a 20% preference to Egypt. However, tariffs in South Africa on sugar exports would remain high, as would tariffs on ECOWAS exports of sweetened cocoa powder to SACU, because of the lack of reciprocity. There is, however, potential for the AfCFTA to directly encourage trade in packaging (HS 4819) for the chocolate VC, which benefit from a 5% to 20% preference for Egypt, between 0% and 20% for ECOWAS, and 10% for CEMAC and SACU.

From the analysis of the initial absence of Tariff Offers from CEMAC, EAC and ECOWAS on most chocolate products, it appears these regions are looking to encourage regional production of chocolate for their markets, rather than importing it from other regions in Africa. This doesn't hinder RVCs from developing *per se*, but it does hinder the chocolate products made by these RVCs from freely accessing CEMAC, EAC and ECOWAS markets if they are not manufactured within one of their State Parties. This hinders the realization of the very significant potential for trade in chocolate and sugar that is latent within the VC.

**Stage 5: Chocolate**  
HS code 1806  
Finished product



**5.4.3. Measures Needed to Fully Realise this RVC's Potential (Deep Integration)**

Services are a key component of the commercial viability of any VC. The business services sector, which is one of the five priority sectors included in Phase 1 AfCFTA negotiations, includes many services integral to the commercial success of cocoa VCs in Africa. Packaging services, advertising services and market research services will be central to capture market share, growing local brands from locally grown inputs etc. It is likely that Mode 1 and Mode 3 will be the most important modes to target for liberalization, allowing companies to sell services across borders and establish a local commercial presence unencumbered. Mode 4 liberalization could also be of use, allowing key personnel to move across borders temporarily to work on specific projects related to developing cocoa RVCs within Africa.

Competition law and policy will play a key role in boosting the cocoa VC in Africa. The cocoa industry is dominated by grinders and chocolate manufacturers, and has a duopoly. The industry's markets for cocoa export, cocoa processing and chocolate production are highly concentrated both at country and global levels. This concentration is also increasing, and currently 10 chocolate companies account for 43% of global sales.<sup>69</sup> If African grinders and chocolate manufacturers are going to emerge and compete for the African market, competition and investment policy must enable this, given the concentration of the industry and the stronghold of non-African firms in key African chocolate markets like Egypt, Kenya and South Africa.

**5.4.4. Quality and Standards**

With multinationals dominating the processing of cocoa at origin, offering value-added cocoa products made of specialty cocoa backed up with sustainability certifications may serve

<sup>69</sup> Teye, Joseph Kofi, and Ebenezer Nikoi. "The Political Economy of the Cocoa Value Chain in Ghana". 2021.



as the impetus for AfCFTA to develop its own. Côte d'Ivoire and Ghana have begun to target the high end of the export market through process upgrading and certification. This strategy is also vital in ensuring the benefits of the development of this VC are inclusive and have a positive impact on the women and youth involved in production stages of the VC, as standards like Fairtrade ensure that the farmer receives a fair price for their goods. The AfCFTA can serve as an opportunity to break with current trends where SHFs receive only ≈6% of the price that consumers in Global North countries pay for chocolate. In the 1980s, their share was almost three times this, at 16%.<sup>70</sup> This strategy needs to be complemented with quality control, transport and storage, and technologies for traceability which can be competitively sourced from other AfCFTA State Parties forming a RVC and increasing the amount of value addition captured by African countries.

## 5.5. Selected Agro-processing VCs

### 5.5.1. Why these VC's?

Agriculture and agro-processing employ the most women out of any sector in Africa, and increasing agricultural productivity is a key component of driving structural transformation, especially for low and low-middle income countries. The important role of the green revolution, and the enhanced agricultural productivity it fomented in the East Asian miracle, is often overlooked by development economists and is one of the most influential aspects of these countries' success.<sup>71</sup>

Activity	Employment			Wage Premium	
	Total	Females	Skilled	Females	Skilled
Agriculture	38.5	30.8	16.3	-38.4	40.2

Source: WBG the impact of the AfCFTA

Development of this RVC and the broader agro-food system in Africa raises incomes in the sector where the poorest people work, increasing demand for goods and services throughout the economy (primarily those provided or sold by non-farm informal businesses) through the multiplier effect.<sup>72</sup> Developing the agro-food system will produce more food, lowering its price in urban areas. This helps to keep the cost of living down and make competitive wages liveable, which is vital for structural transformation. In terms of trade, agricultural exports help countries earn the foreign exchange needed to pay for imported technology and capital, especially if there is a sustainable shift of agricultural production into higher value export crops.

Africa's population is projected to double by 2050, and will account for over 80% of the world's population growth during this time. Rapid population growth, rising per capita incomes, and urbanization are all precipitating a rise in demand for higher value agriculture products and processed food within Africa. The AfCFTA can enable African farmers and agro-food

system firms to capitalize on Africa's rapidly rising demand for food and could change the current low levels of food imports originating from other African countries (consistently low, averaging about 20% over the past several decades, with South Africa accounting for over a third of this intra-African food trade).<sup>73</sup> A large share of the labour force in Africa still earns at least part of its income from farming, even in the more industrialized countries. For example, a quarter of the employed population in Egypt reports agriculture as their primary economic activity, while 35% in Morocco do, similar to the average of 40% in Sub-Saharan Africa's low- and middle-income countries.<sup>74</sup> Raising incomes through increased labour productivity would thus benefit a large share of the employed population by increasing household income and consumer purchasing power, attracting more market-seeking FDI. Achieving this goal will require African food VCs to become more integrated to form dynamic and efficient agro-food systems that are internationally competitive.

<sup>70</sup> AfDB. "Huge youth employment and business opportunities in Africa's cocoa sector". June 2015. Available at: <https://www.afdb.org/en/news-and-events/huge-youth-employment-and-business-opportunities-in-african-cocoa-sector-14480>.

<sup>71</sup> Joe Studwell. "How Asia Works". 2013.

<sup>72</sup> C. L. Delgado. "Agricultural Growth Linkages in Sub-Saharan Africa". 1998.

<sup>73</sup> Louise Fox and Thomas Jayne. "Unpacking the misconceptions about Africa's food imports". 2020. Available at: <https://www.brookings.edu/blog/africa-in-focus/2020/12/14/unpacking-the-misconceptions-about-african-food-imports/>.

<sup>74</sup> World Development Indicators. 2020. Available at: <https://databank.worldbank.org/source/world-development-indicators>.

The agro-processing VC is distinctly circular, insofar as it relies on both sourcing and distribution networks in rural areas. Sourcing can be specialized (sourcing seed), opportunistic (briefcase buyers, agent networks), or passive (farmers deliver to the agro-processor). However, the agro-processor is deeply integrated with the sale of inputs and consumer goods, as well as producing food products. Often, processed products supply other high value VCs.

Our input and output Tariff Offer analysis revealed that there were considerable new opportunities provided in the Tariff Offers and the liberalization of agricultural and agro-processing products that the AfCFTA will bring about.

There are over 700 HS codes within agro-processing showing the depth and breadth of opportunities in the sector. Targeting VCs which have high levels of youth and women participation is key, and preliminary findings include the following:

- The fresh and dried fruit and nuts VC;
- Spices VC (particularly ginger)<sup>75</sup>;
- Soya bean flour and meal has Offers from CEMAC, ECOWAS, and Egypt, but not EAC or SACU.

The soya VC has linkages with numerous agro-processing VCs, such as livestock and poultry, meat and meat processing, aquaculture, and prepared and processed foods. As such, we have focused in greater detail on this VC.

Figure 20: High Level Agri-Food Value Chain



<sup>75</sup> Although the EAC has not given tariff offers for at least 11 tariff lines within this VC.

## 5.6. The Soya VC

Stage 1:  
Soya Beans  
(HS 1201)



Stage 2: Soya  
Meal/flour  
(HS 120810)



Stage 3:  
Soya oil  
(HS 150710  
and 10790)  
Crude and not  
crude soya oil)



Stage 4: Oil cake  
from Soya  
(HS code 2304)



Stage 5: Soya Sauce  
(HS 210310)



- In **Stage 1**, soya beans are grown and harvested. Quality seed inputs are vital for good yields, and so is correct post-harvesting handling that ensures the beans do not get damp or wet. After harvesting, soya beans are dried and sorted.
- In **Stage 2**, a portion of the dried soya beans are milled into soya meal or flour, which is used in animal feed but also as a flour for in food products consumed by humans.
- In **Stage 3**, a portion of the dried soya beans are processed and turned into either crude or refined soya oil.
- In **Stage 4**, oilcake is produced as a by-product from soya oil production in Stage 3, and often makes up the majority of the resultant product from soya bean processing. Oilcake from soya is a major component of stockfeed especially for production of certain stockfeeds which are, in turn, essential to the production of monogastric animals such as broilers and pigs which cannot digest cottonseed meal.
- In **Stage 5**, soya meal is fermented to create a paste of soybeans, which also contains roasted grain, brine, and *Aspergillus oryzae* or *Aspergillus sojae* moulds. From this process, soya sauce is extracted.

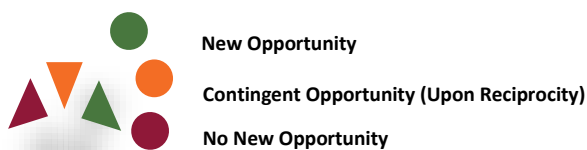
### 5.6.1. Why This VC?

There is excess soya processing capacity registered in several AfCFTA State Parties, and the potential to grow production as

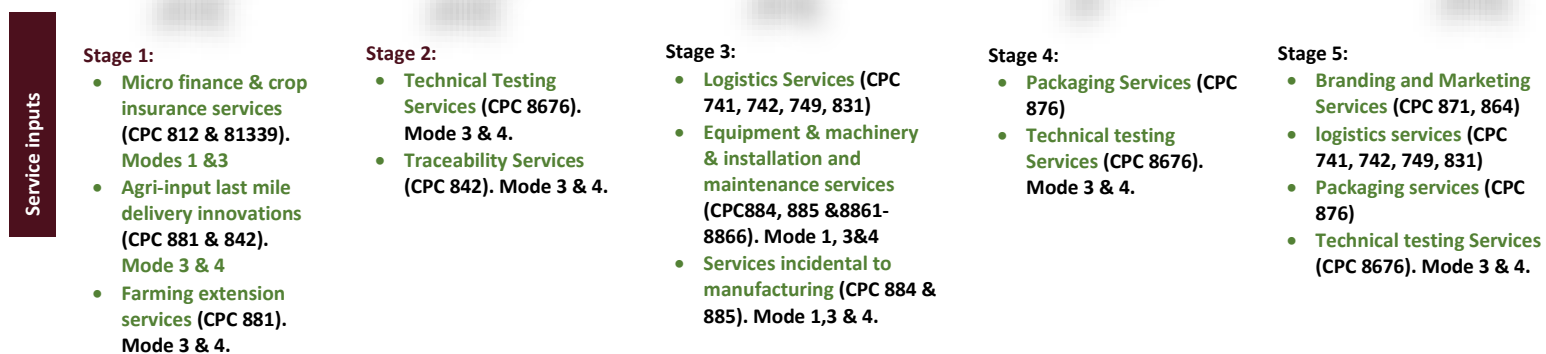
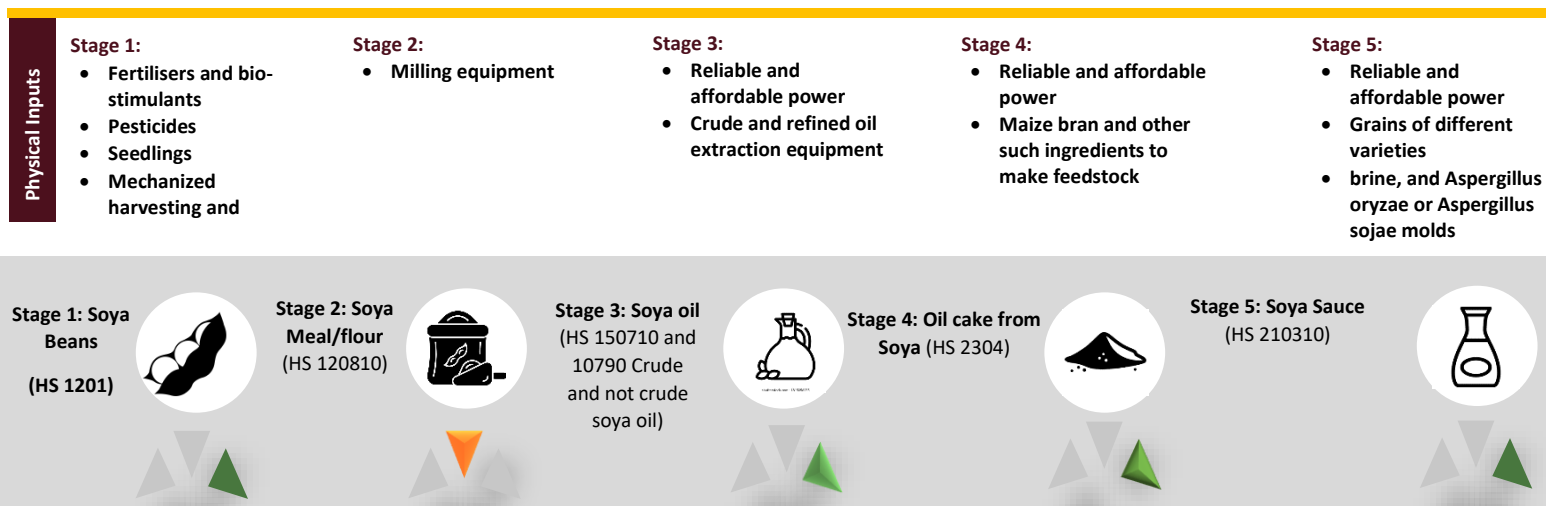
many SHFs move away from other crops like tobacco and cotton. Of all the assessed RVCs, soya shows some of the highest (and still increasing) levels of intra-regional investment, along with growing volumes of intra-regional trade. Soya is an important current and future crop, and has been a major driver in production and processing in the poultry industry, as well as a key input in livestock and fish feed. The importance of soya continues to grow due to the rising middle class, as soy is a key ingredient in animal feed, which makes up a large percentage of the cost of poultry production, which is the cheapest and most widely consumed protein in the African market. Furthermore, the production and farming of soya is predominantly carried out by SHFs in Africa (many of whom are women and youth), serving as a key cash crop. Developing RVCs in soya production and value addition contributes significantly to ensuring food security on the continent by making animal proteins such as eggs and chicken more affordable, through enhancing locally sourced and affordable poultry and livestock feed inputs. Additionally, soya bean is a high protein bean that, once processed, is an affordable and healthy source of plant-based protein for African citizens. Beyond servicing the African market, a wider and deeper soya RVC will likely export to the rest of the world, as there is large, unmet, and growing global demand for soya. This will contribute significantly to AfCFTA State Parties' foreign exchange accounts. The development of this VC has the potential to contribute significantly towards the achievement of the following SDGs in Africa:



## 5.6.2. Where the AfCFTA Will Result in Early Harvest Benefits



### Soya Bean Value Chain



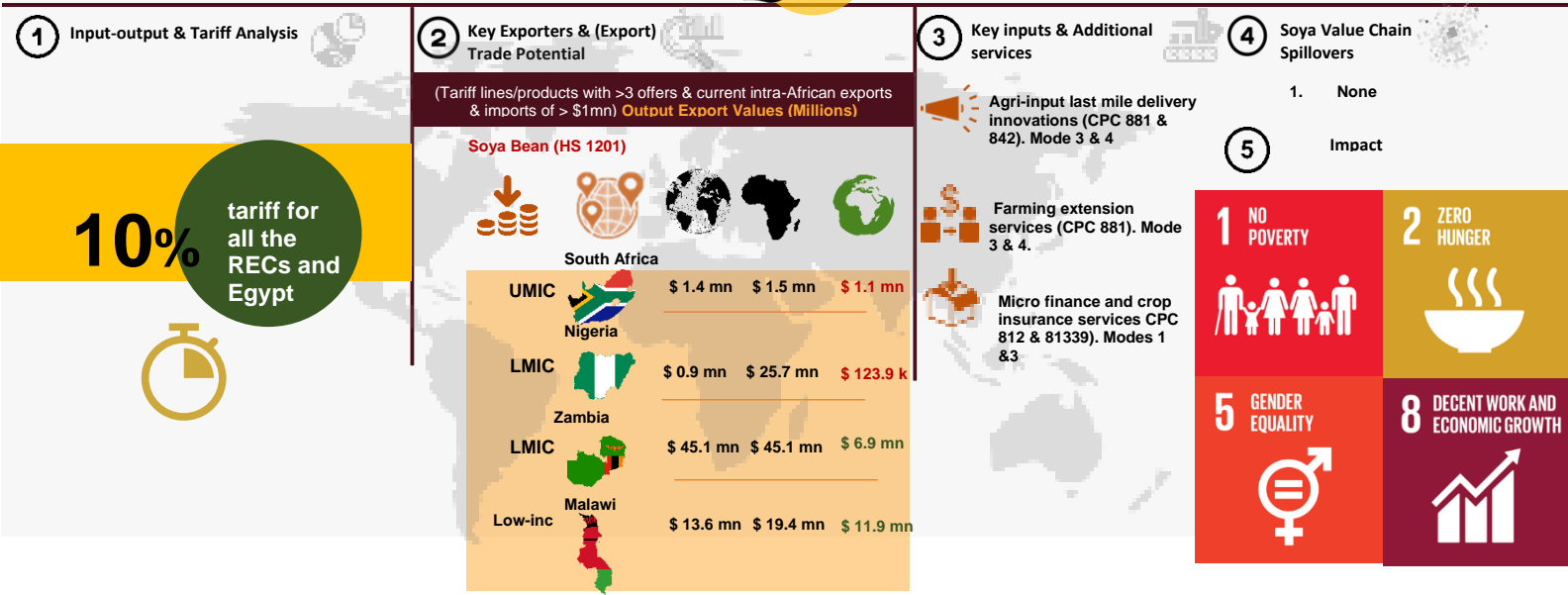
There is significant regional trade in three of the products of the VC: soya bean flour and meal, soya oil (crude and not crude), and oilcake from soya bean oil. The graphic above reveals that there are early harvest opportunities from tariff liberalization in: soya beans (10% across all the RECs and Egypt); soya meal/flour (5-10% for CEMAC, ECOWAS, and Egypt, and 0% Tariff Offers from EAC and SACU); soya crude and refined oils (5-10% across the RECs and Egypt); soya bean oilcake (5-10% across the RECs and Egypt), and soya sauce (5-30% across the RECs and Egypt - although currently there are very few exporters of soya sauce in Africa, as most of it is currently imported from the RoW [Rest of the World]).

#### Stage 1: Soya Beans (HS 1201)

Illustratively, the AfCFTA will increase the market size and accessibility for soya bean exports from Zambia and Malawi to Africa every year by \$6.9 million and \$11.9 million respectively. This is a significant amount and given the high participation of SHFs and women in soya farming, this will increase their incomes as they are integrated into VCs and linked to markets.



Stage 1: Soya Beans  
HS 1201



**Stage 2: Soya Meal/Flour (HS 120810)**

In Stage 2, the AfCFTA would enable Zambia to export an additional \$18 million per annum to Africa. These additional

volumes would help the numerous mills throughout Africa run at full capacity, rather than 50% or 75%.

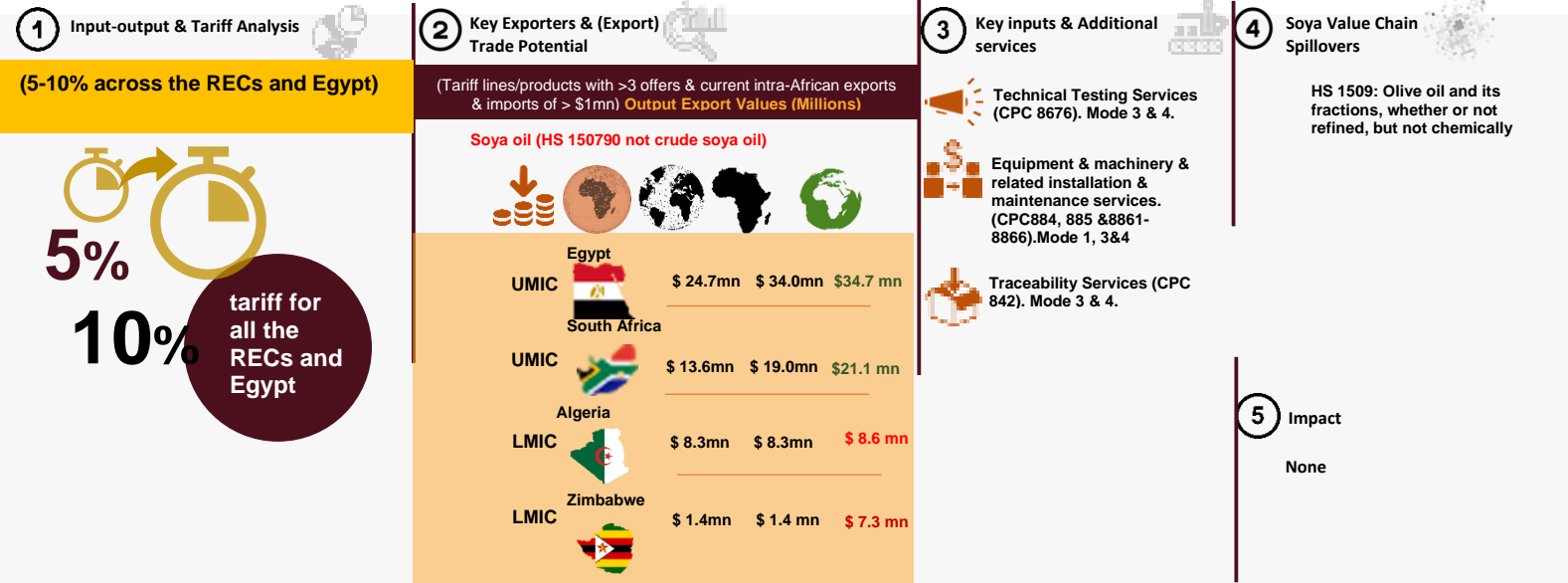
Stage 2: Soya Meal/Flour  
HS 120810



**Stage 3: Soya oil (HS 150710 and 15790 Crude and not crude soya oil)**

There is significant potential for the export of refined soya oil to Africa; this is illustrated by Egypt and South Africa's combined export potential of \$56 million per annum. There is also potential for soya oil to be used as an input in biofuels in the future, and this should not be overlooked.

**Stage 3: Soya oil**  
 HS 150710 and 15790  
 Crude and not crude soya oil

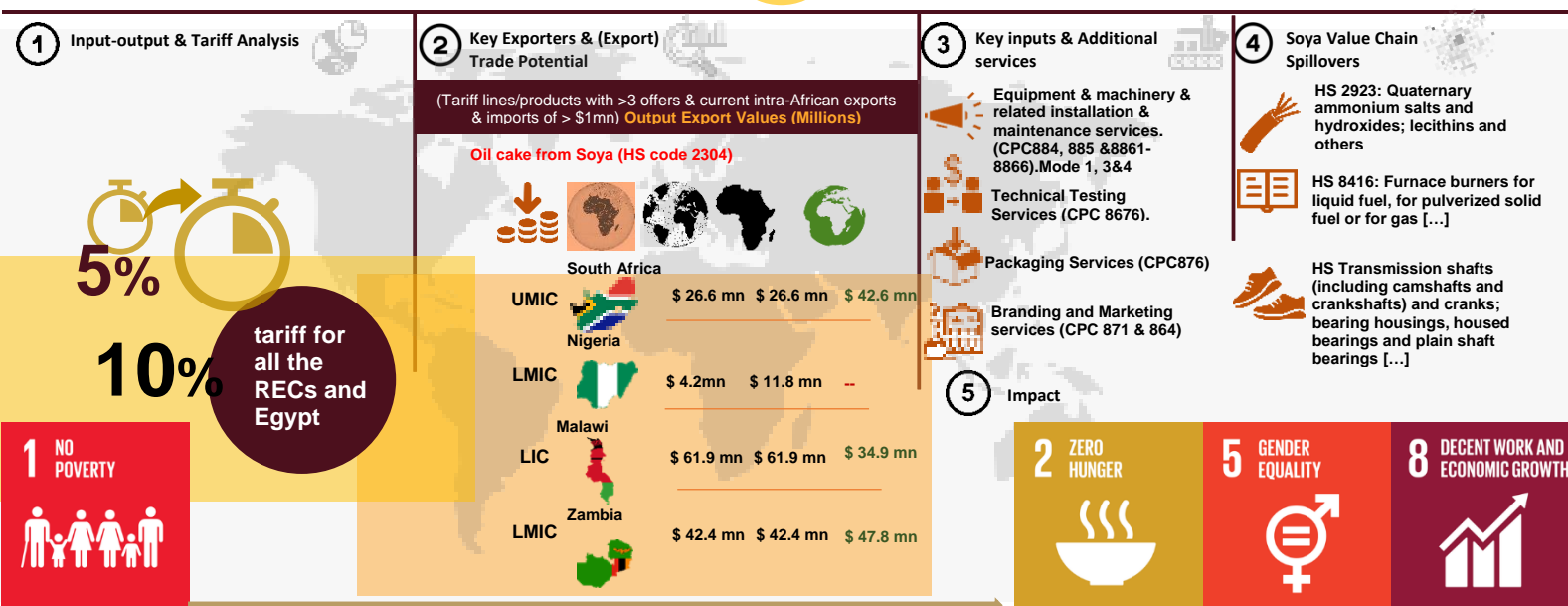


**Stage 4: Oil cake from Soya (HS code 2304)**

Stage 4 is where the AfCFTA could have the most impact. The full implementation of the AfCFTA could lead to countries like Malawi and Zambia exporting soya oilcake to Africa to the

This is largely accounted for by the fact that soya cake is a major component of numerous stockfeeds. This illustrates the positive multiplier effects that deepening and widening the soya RVC can have for Africa's agricultural productivity and competitiveness, and accordingly its food security.

**Stage 4: Oil cake from Soya**  
 HS 2304



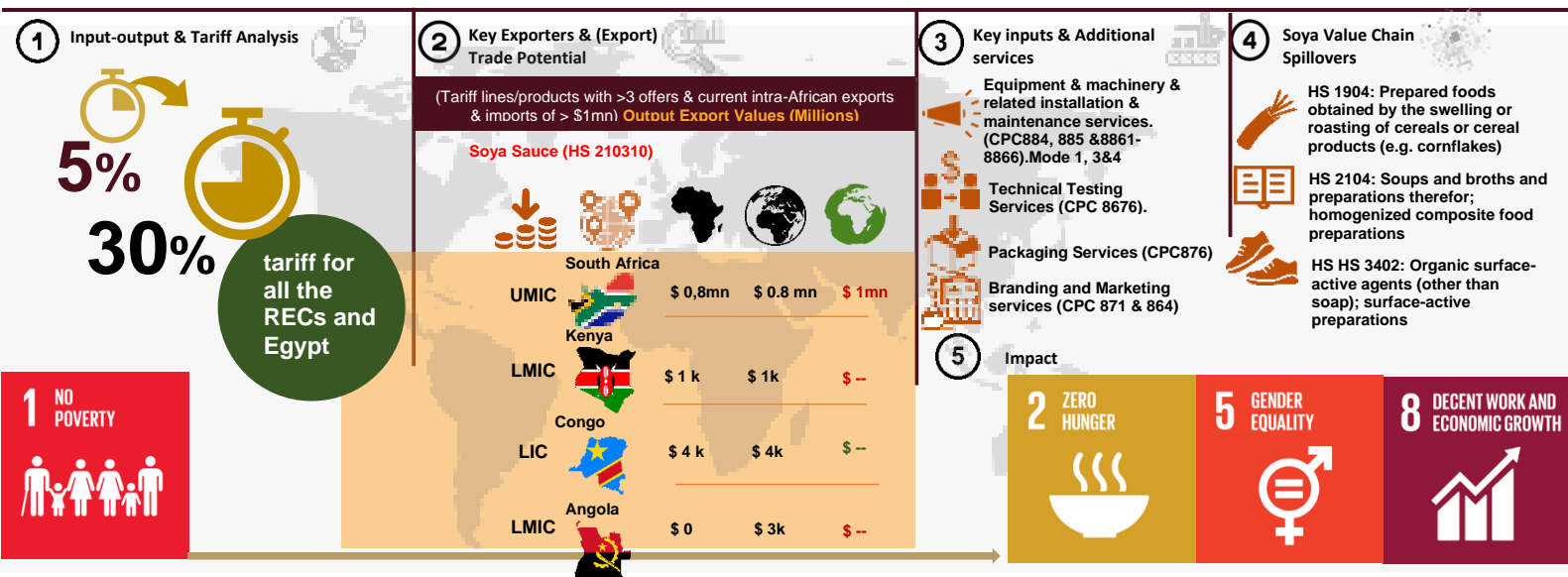
tune of \$35 million and \$48 million per annum, respectively.

**Stage 5: Soya Sauce (HS 210310)**

There are currently very few intra-African exports of soya sauce, and neither are there many such exports to the RoW. Accordingly, the export potential is low, as is expected when

applying a gravity model. For these reasons, the soya VC was primarily selected for the impact that the AfCFTA would have on the preceding four stages of the VC.

## Stage 5: Soya Sauce HS 210310



### 5.6.3. Measures Needed to Fully Realise this RVC's Potential (Deep Integration)

At the early stages of this VC there is the issue of certified soya seed being very expensive, so many farmers in Africa use recycled seed, which decreases their yields and can cause quality to diminish. The AfCFTA will make it easier and more affordable to acquire certified soya seed through the removal of SPS- and TBT-related NTBs that often hamper the trade of seed. Related to this is the issue of the last and first mile in the agri-input and agro-processing sectors. Last mile distribution initiatives which reach SHFs across Africa are increasingly valuable as more and more companies look to access this large and uniquely African customer segment, both via delivering goods to them as well as through marketing services like microfinance innovations and mobile money. Additionally, these solutions link SHFs to markets and provide quality, affordable agri-inputs which will increase their productivity and the quality of their product. The AfCFTA will encourage the expansion of first and last mile distribution amongst its members through creating economies of scale, opening up regional markets, as well as facilitating investment in transport and ICT infrastructure to better connect SHFs to services and markets.

An issue of particular importance currently constraining this RVC is the trade policy uncertainty around the export and import of the soya bean, as Zambia's recent export ban on

soya illustrates. This is a widespread issue across AfCFTA State Parties, but the case in Zambia illustrates the issue well. The government recently imposed export bans on soya and sunflower meals and any products containing them as a proportionally substantial component (such as in animal feed). This policy stopped many Zambian Manufacturers Association (ZMA) members from servicing their export customers and undermined the regional supply of such inputs to Kenya, Malawi, Mozambique, Namibia and South Africa. This often leads to oversupply on the domestic market, however, as production destined for export markets has to be sold locally and this often undermines the price structuring of maize, soya and other agri-commodities. It also leads to shortages on export markets in Africa, and severe price increases that constrain the numerous agro-processing VCs relying on feedstock e.g. the aquaculture, dairy, and meat and meat products VCs.<sup>76</sup> This has prompted the Association of Kenya Feed Manufacturers (AKEFEMA) to request that the government allow them to import soya bean meal from the global market.

The AfCFTA can create more certainty in such environments as it will act as an overarching framework that seeks to regularize and open up markets. It will incentivize collaboration and coordination amongst its members, rather than protective measures like export or import bans

<sup>76</sup> Business Daily. "Zambia material export ban sends feed prices record high". 2021. Available at:

<https://www.businessdailyafrica.com/bd/markets/commodities/zambia-material-export-sends-feed-prices-record-high-3531764>

## 5.7. The Textiles and Apparel VC

**Stage 1:  
Cotton**  
(Production & Ginning Raw  
Cotton)  
(HS 5201)



**Stage 2:  
Spinning**  
(Carded Cotton & Cotton Yarn)  
(HS 5203 – HS 5207)



**Stage 3:  
Weaving**  
(Woven Fabrics of  
Cotton)  
(HS 5208 - HS 5212)



**Stage 4:  
Apparels & Made ups**  
(HS 6101 – HS 6217)



- In **Stage 1**, cotton is grown and harvested and then ginned. Ginning is the process in which cotton seeds are removed from the cotton and lightly stretched, creating cotton lint which is then compressed into large bales.
- In **Stage 2**, this cotton lint is put through seven distinct and sequential processes to create thread and weft yarn.
- In **Stage 3**, the warp thread and weft yarn are crossed over one another to weave the required type of fabric. The major machine used to complete this process is a loom. There are six distinct and sequential stages to create fabric out of thread and yarn.
- In **Stage 4**, the fabric is then cut, trimmed, and sewn together into various items of apparel and 'made ups' (non-apparel textiles such as bed linens or carpets). This stage is the most labour-intensive, and is where the majority of employment will be created by textiles and apparel RVCs.

### 5.7.1. Why This VC?

For countries seeking to pursue industrialization, the textile and apparel industry presents a unique opportunity. It directly employs at least 60 million people globally, and nearly double that many people are indirectly dependent on the sector.<sup>77</sup> Additionally, in many developing countries - including those in Africa - handicraft production is the second-largest employer, with 30 million people employed in this sector in India alone.<sup>78</sup> Most significantly, about 75% of garment workers worldwide are women.<sup>79</sup> Full implementation of the AfCFTA is expected to boost wages for women by 10.5% - a more significant increase than projected for men.<sup>81</sup> A major part of this growth in wages for women will stem from the expansion of output in female labour-intensive industries, such as textiles and apparel. Furthermore, the industry can help diversify an economy and can be used as a relatively stable source for foreign exchange if it is geared towards exports. It also offers a platform for value-addition for primary products, including cotton and leather.

According to AfDB, it is estimated that along the cotton VC, up to 600% of value can be generated: from cotton processing, spinning and twisting into yarn, to weaving and knitting into cloth, followed by dyeing, printing and designing. In addition, a large majority of the industry consists of MSMEs which are beneficial - especially for young people and women - in generating decent employment for both skilled and unskilled workers.<sup>82</sup>

The Development of this VC has the potential to contribute towards the following SDGs in Africa:



<sup>77</sup> ILO. "Textiles, clothing, leather and footwear sector". 2014

<sup>78</sup> Michele Kahane, Alliance for Artisan Enterprise. "To assess the value and viability of a global scale Artisan goods certification model on behalf of the Alliance for Artisan Enterprise and determine its worth to retail and artisan partners". 2014.

<sup>79</sup> "The values of the worldwide fashion business." Textile Future, Virginia. 2016.

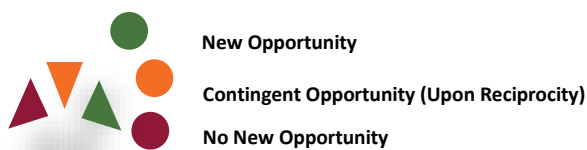
<sup>80</sup> Jodie Keane and Willem te Velde. "The role of textile and clothing industries in growth and development strategies". 2008

<sup>81</sup> World Bank. "The African Continental Free Trade Area: Economic and Distribution Effects." 2020. Available at: <https://www.worldbank.org/en/topic/trade/publication/the-african-continental-free-trade-area>

<sup>82</sup> AfDB. Textile and Clothing industries can drive Africa's industrialization, benefit women. 2018. Available at: <https://www.afdb.org/fr/news-and-events/textile-and-clothing-industries-can-drive-africas-industrialization-benefit-women-18427>



## 5.7.2. Where the AfCFTA will Result in Early Harvest Benefits



### Textiles and Apparel Value Chain



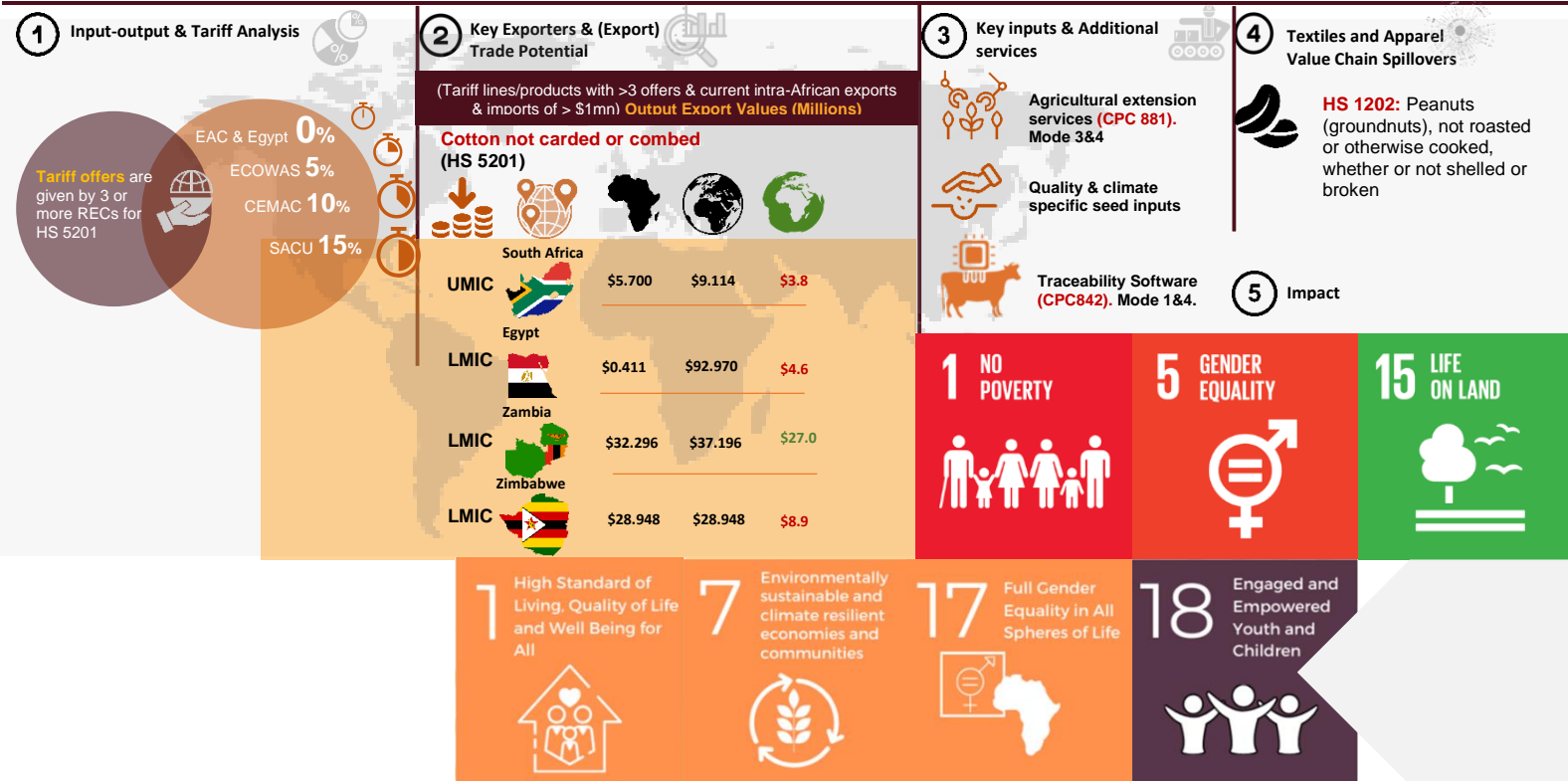
- AfCFTA tariff preferences will have a positive impact for all regions and Egypt in Stage 1. This will in turn have a positive effect on Stage 2, as most regions and AfCFTA State Parties will be able to preferentially source cotton from across the continent.
- In Stages 2, 3 and 4, the AfCFTA will have a positive impact on CEMAC, ECOWAS and Egypt but not the EAC or SACU given their lack of Tariff Offers and the issue of non-reciprocity. For example, in Stage 4 the EAC only provides offers of 25% on about three-tenths of the tariff lines, and SACU hasn't provided Tariff Offers for any of 121 highly traded tariff lines with 3 or more Tariff Offers from RECs.
- For a truly continental textiles and apparel RVC and market to develop, EAC and SACU need to adjust their initial Tariff Offers in Stages 2 and 3, and in particular Stage 4. This is because if CEMAC, ECOWAS and Egypt cannot access the EAC and SACU apparel and made ups

markets and vice versa, it will severely dampen the upstream economies of scale that these large markets would create for manufacturers in the sector.

#### Stage 1: Cotton Production and Ginning Raw Cotton: (HS 5201)

Nearly all Tariff Offers submitted by regions and countries give concessions across all tariff lines. Tariff preferences of 15% are provided by SACU, 15% for CEMAC, and 5% for ECOWAS, while MFN tariffs are zero-rated for EAC and Egypt. Zambia will be one of the major benefactors in this stage, as the AfCFTA could help it realize its untapped export potential to Africa of \$27 million annually. Growth of this stage of the RVC and enhanced productivity will also require agricultural extension services (CPC 881), and quality agri-inputs (drought resistant seeds and fertilizers). Furthermore, given current consumer trends, all the cotton will need to be completely traceable and ethically sourced. This will require traceability software and related services (CPC 842).

**Stage 1: Cotton  
(Production & Ginning Raw Cotton)  
HS 5201**



**Stage 2: Spinning - (HS 5203 – HS 5207) carded cotton and cotton yarn**

The top two traded products within Africa that will significantly benefit from comprehensive Tariff Offers coverage and preferences in the AfCFTA are:

- Cotton, carded or combed - HS 5203
- Cotton yarn containing - HS 5207.10.00

There are 10 products in the HS 6 tariff lines where there is intra-African trade of more than \$1 million a year. All of these tariff lines are included in the offers of 3 or more RECs or countries. Tariff preferences are 10-30% for CEMAC, 10% for

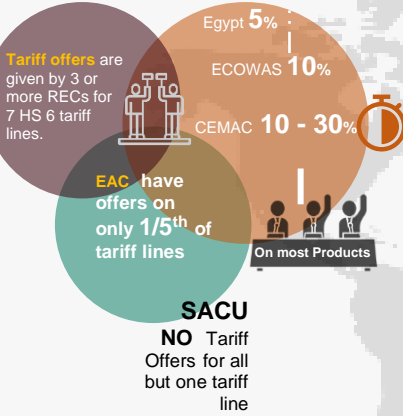
ECOWAS, and 5% for Egypt. The EAC offer covers only 3 products (with a preference of 25%), while SACU has only one tariff line included in its offer.

Therefore, the AfCFTA creates opportunities for the trading of Stage 2 intermediate products in inter-REC RVCs for CEMAC, ECOWAS and Egypt. However, the EAC and SACU would have to enhance their Tariff Offers to benefit from reciprocity. A key input for the development of this stage of the VC is reliable, affordable and sustainable power, and access to equipment & machinery & related installation & maintenance services (CPC884, 885 & 8861-8866 in Mode 1, 3 & 4.)

## Stage 2: Spinning (Carded Cotton & Cotton Yarn) HS 5203 – HS 5207



### 1 Input-output & Tariff Analysis



### 2 Key Exporters & (Export) Trade Potential

(Tariff lines/products with >3 offers & current intra-African exports & imports of > \$1mn) **Output Export Values (Millions)**

**Cotton, carded or combed (HS 5203)**

Country	UMIC	LMIC	LIC
South Africa	\$0.186	\$0.186	\$1.2
Egypt	\$0.044	\$18.970	\$0.363
Lesotho	\$8.484	\$8.484	\$--
Mali	\$0.087	\$0.087	\$--

### 3 Key inputs & Additional services

- Equipment & machinery & related installation & maintenance services. (CPC884, 885 & 8861-8866). Mode 1, 3&4.
- Technical Testing Services (CPC 8676). Mode 3 & 4.

### 4 Textiles and Apparel Value Chain Spillovers

HS 6002: Knitted or crocheted fabrics of a width not exceeding 30 cm, containing by weight 5 percent or more of elastomeric yarn or rubber thread, other than those of heading 6001

### 5 Impact

N/A

### Stage 3: Weaving - (HS 5208 - HS 5212) woven fabrics of cotton

The AfCFTA will have the most impact on, and create new opportunities for the trade of the following top-ranked (most Tariff Offers and most traded within Africa) products:

- Denim, containing  $\geq 85\%$  cotton by weight and weighing  $> 200 \text{ g/m}^2$ , made of yarn of different ... (HS 5209.42)
- Woven fabrics of cotton, containing  $\geq 85\%$  cotton by weight and weighing  $> 200 \text{ g/m}^2$ , made of ... (HS 5209.49.00)

There are 16 HS 6 tariff lines where there is intra-African trade of more than \$1 million a year in this stage. Tariff Offers are given by 3 or more RECs in this stage for 14 HS 6 tariff lines within this stage. It is similar to Stage 2, in that ECOWAS (0-20%), CEMAC (5% - 30%), and Egypt (10%) have made Tariff Offers on almost all 14, and in this case the EAC and SACU have made 0% Tariff Offers on all of the same 14 tariff lines. This means that the AfCFTA creates new opportunities for Egypt, ECOWAS and CEMAC, with Egypt standing to benefit most with an untapped export potential to Africa (for woven fabrics of cotton) of \$53 million annually that the AfCFTA could unleash.

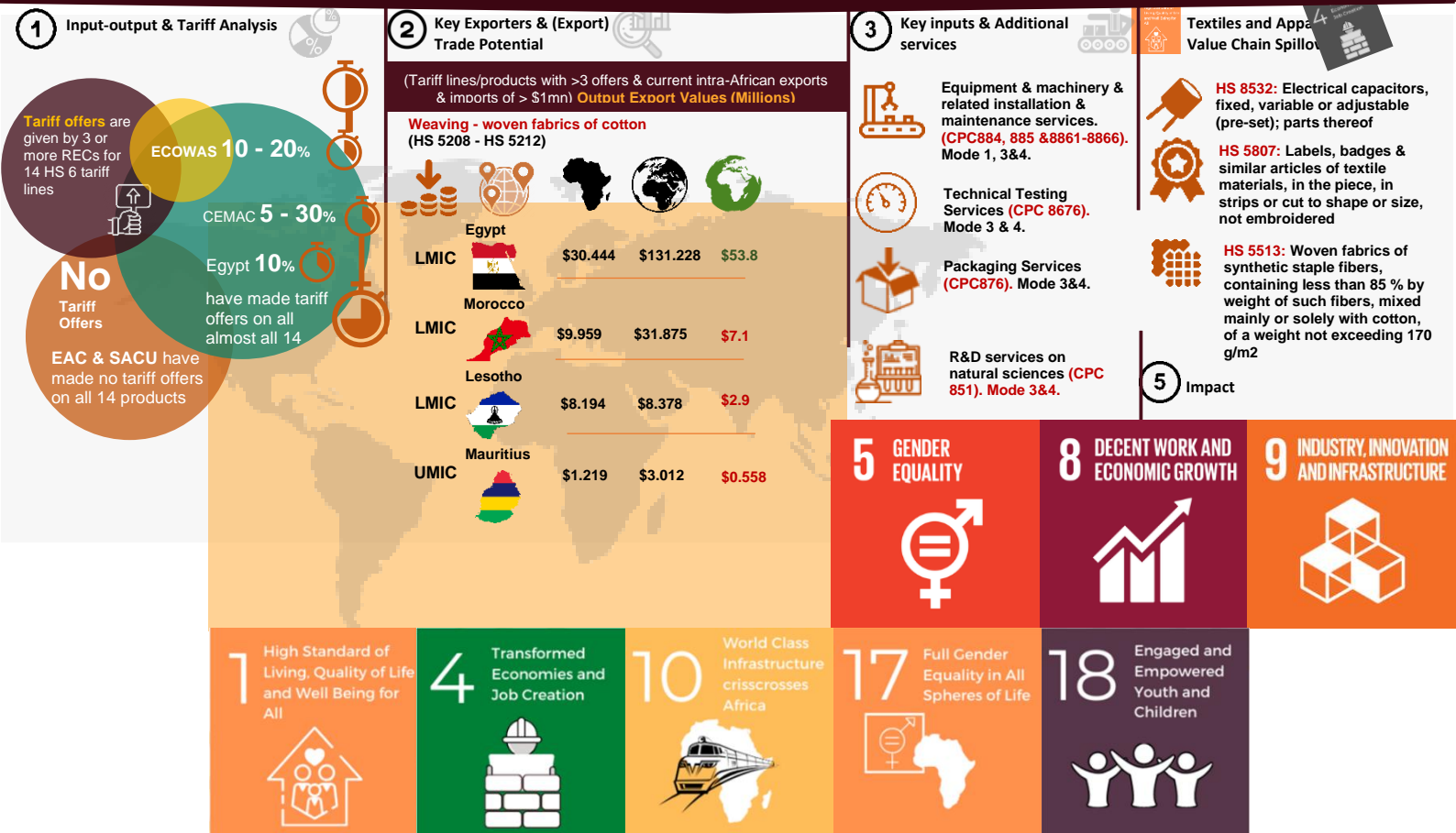
The lack of Tariff Offers from the EAC and SACU at this stage constrains the desired continental character of this RVC which requires free trade of fabrics across the continent.

The spillover effects of this VC will also increase the economic complexity of those economies participating in it. Some examples of the primary proximate products are electrical capacitors, variable or adjustable (pre-set) and parts thereof; and woven fabrics of synthetic staple fibres, containing less than 85% by weight of such fibres, mixed mainly or solely with cotton, of a weight not exceeding  $170 \text{ g/m}^2$ .

**Stage 3: Weaving  
(Woven Fabrics of Cotton)  
HS 5208 - HS 5212**



Energy intensive process requiring reliable, affordable, & sustainable energy supply



**Stage 4: Apparels and Made ups (HS 6101 – HS 6217)**

The AfCFTA will have the most impact on, and create new opportunities for the trade of, the following top-ranked (most Tariff Offers and most traded within Africa) products:

- T-shirts, singlets and other vests of cotton, knitted or crocheted (HS 6109.10)
- Men's or boys' trousers, bib and brace overalls, breeches and shorts, of cotton (excluding ...) (HS 6203.42)

Income Status	Top Intra-African Exporters	Exports to Africa (in million)	Export to World (in million)	Export Potential (in million)
Mid-Inc	South Africa	\$ 10.7	\$28.639	\$10.5
Mid-Inc	Morocco	\$3.08	\$169.308	\$12.7
Low-Inc	Mauritius	\$40.6	\$100.330	\$76.3
Low-Inc	Eswatini	\$15.210	\$15.575	\$10.4

Source: ITC TradeMap and Export Potential Data

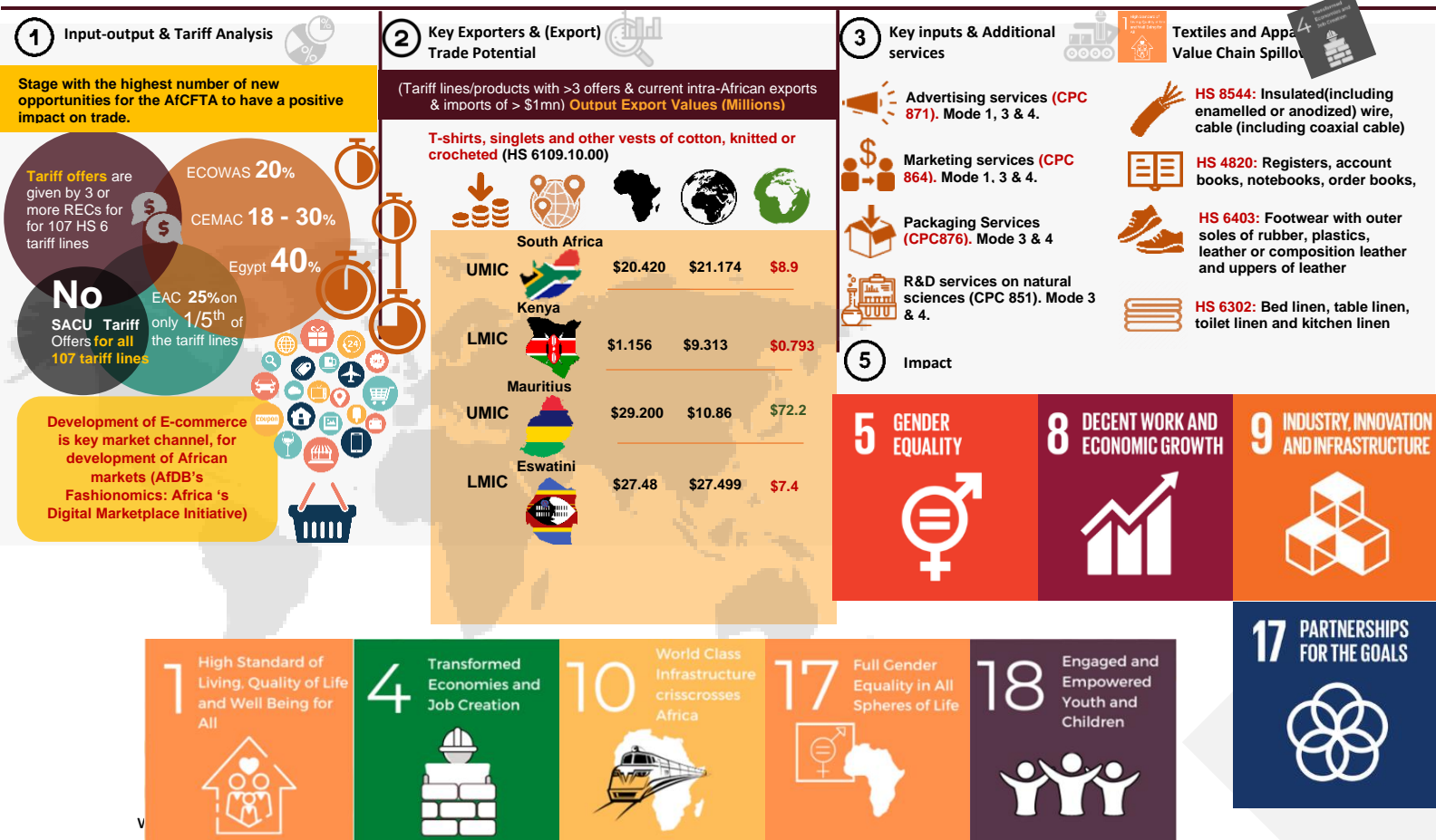


There are 126 HS 6 tariff lines where intra-African trade of more than \$1 million a year takes place in this stage of the VC. Tariff Offers are given by 3 or more RECs in this stage for all 126 HS 6 tariff lines, making it the stage with the highest number and most significant new opportunities created by the AfCFTA. The regions providing Tariff Offers are ECOWAS (20%), CEMAC (18.75%-30%), and Egypt (40%), all of whom will reap the benefits of the new opportunities along with Mauritius, which through the AfCFTA could realize its untapped export potential of T-shirts and singlets to Africa by \$72 million annually. On the other hand, the EAC only provided offers of 25% on about one-fifth of the tariff lines,

meaning they will benefit significantly less and not at all, respectively, despite the substantial opportunity.

Some examples of the primary proximate products that result from opportunities in spillovers of increased economic complexity include insulated wire cable (HS 8544) and footwear with outer soles of rubber, plastics, leather or composition leather and uppers of leather (HS 6403) and others.

## Stage 4: Apparels & Made ups HS 6101 – HS 6217



### 5.7.3. Measures Needed to Fully Realise this RVC's Potential (Deep Integration)

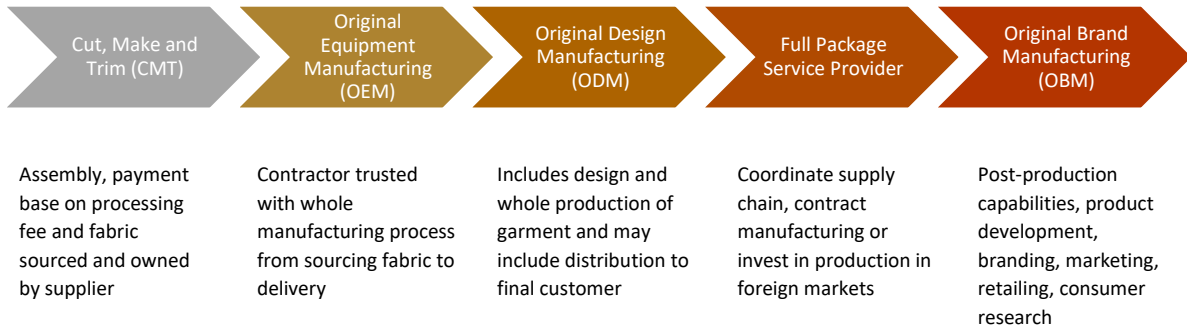
Currently, textiles account for the highest percentage of incomplete RoO negotiations, with 10.5% of the 14% of incomplete negotiations. The key issue involves agreeing on the number of distinct stages of (local) transformation that would confer originating status under the AfCFTA. For clothing, this means whether assembly of the garment from imported non-originating fabric confers origin (third country fabric criteria), or whether the fabric itself must also be from

AfCFTA State Parties (a double-transformation criterion as is utilized by SADC for its RoO). For fabric, the question is whether imported yarn may be used for onward processing, or whether both the fabric processing and the yarn production must take place within the AfCFTA State Parties in order for the resulting products to obtain AfCFTA origin status. Finalization of appropriate and RVC-enabling RoOs is critical for this RVC to realize its potential.

Increasing value addition and enabling regional textile and apparel VCs to develop in Africa will require shifting from largely Cut, Make, Trim (CMT) manufacturing towards full

package and original brand manufacturing, requiring significant investment in capacity-building, technology, and associated support services.

**Figure 21:: Increasing Value Addition and enabling RVCs**



## 5.8. The Pharmaceuticals VC

### 5.8.1. Why this VC?

In 2019, the global pharmaceutical industry was worth approximately \$1.2 trillion, a figure that is predicted to rise to around \$1.5 trillion by 2023, with Africa's total market being worth \$28.56 billion in 2017. Multiple benefits are recognized from developing a successful local pharmaceutical manufacturing industry, via creating high-quality jobs, attracting international investment and technology transfer, as well as through improving access to high quality affordable and generic medicines for patients, delivering faster than international suppliers, and adapting products to suit local needs. Building more robust and sustainable national health systems and synergies between industrial and health system investments is required to future-proof Africa and increase its resilience while decreasing reliance on imports. Africa currently imports between 70% and 90% of drugs consumed on the continent.<sup>83</sup>

The emergence of the double disease burden - with infectious diseases and increased prevalence of Non-Communicable Diseases (NCDs) in sub-Saharan Africa - is creating further demand for medicines, especially for generics over patented medicines, and there are significant baseline unmet medical needs. COVID-19 has shown how supply chain blocks, a slowdown in the production of medicines, and price rises in other countries have a global impact on pharmaceutical supply, especially for Africa as a net importer of medical and pharmaceutical products, demonstrating the urgent need to develop local production through RVCs. Supporting development of a more competitive and sustainable pharmaceutical industry in Africa is a powerful contribution to the achievement of the SDGs, particularly:

**SDG 3:** *'Ensure healthy lives and promote well-being for all at all ages'*. Implementing the Pharmaceutical Manufacturing Plan for Africa (PMPA), with a focus on the facilitation and advocacy of local production of maternal and childcare drugs and products in particular, is critical for maximizing the continent's health systems' capacities. The AfCFTA creates a new impetus for this drive. Other opportunities include the adoption of low-cost, high-volume pricing models to expand access to vaccines, diagnostic tests, pharmaceuticals, nutritional supplements, and family planning drugs.<sup>84</sup>

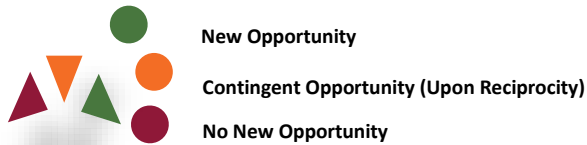
**SDG 8:** *'Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all'*. Opportunities here are also related to PMPA implementation and the promotion of the recently established Africa Medical Supplies Platform (AMSP), and include increasing local sourcing and manufacturing of vaccines, pharmaceuticals, diagnostic tests, medical supplies and medical devices in low- and middle-income countries. In addition, there are opportunities to integrate small-scale producers into VCs and provide them with support such as training, connections to supplier networks for lower cost joint procurement, and access to finance.

<sup>83</sup> Conway, M. "Should sub-Saharan Africa make its own drugs? A comprehensive analysis of the business, economic, and public-health impact finds the potential for local production of pharmaceuticals to be a mixed bag". 2019.

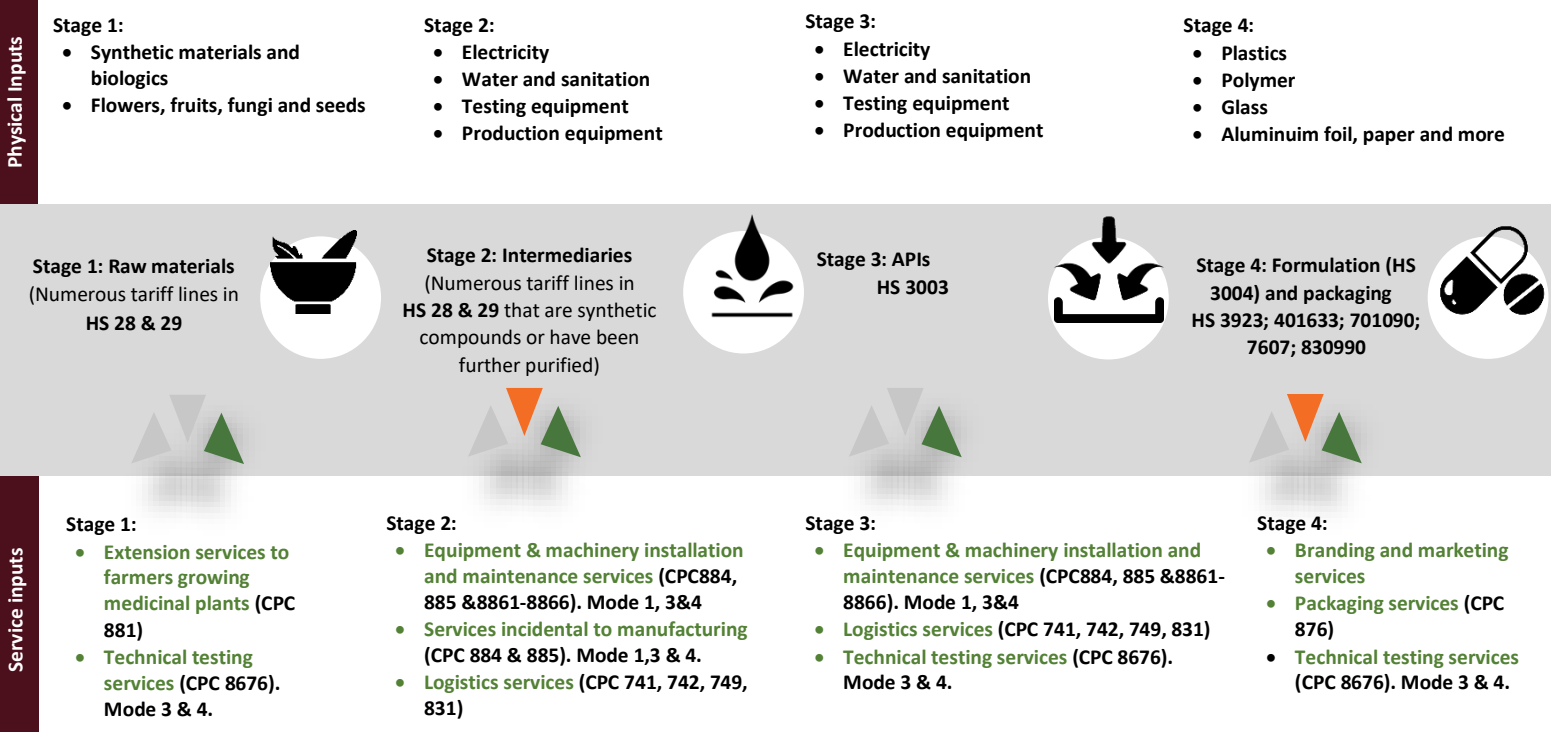
<sup>84</sup> UNIDO. "Pharmaceutical Industry In Sub-Saharan Africa: A Guide For Promoting Pharmaceutical Production In Africa". October 2019. Available at: [https://www.unido.org/sites/default/files/files/2019-10/PHARMACEUTICAL INDUSTRY IN SUB-SAHARAN AFRICA Guide Book.pdf](https://www.unido.org/sites/default/files/files/2019-10/PHARMACEUTICAL%20INDUSTRY%20IN%20SUB-SAHARAN%20AFRICA%20Guide%20Book.pdf)

SDG Goal	SDG Icon	Agenda 2063 Goals	Agenda 2063 Icon
Goal 3: No Poverty		Goal 3: Healthy and well-nourished citizens.	
Goal 8: Decent Work and Economic Growth		Goal 1: A high standard of living, quality of life and well-being for all citizens	

### 5.8.2. . Where the AfCFTA will Result in Early Harvest Benefits



### Pharmaceuticals Production Chain





The pharmaceutical VC is massive in both scale and number of participants, as well as in terms of inputs and outputs. Accordingly, this assessment narrows in on the production chain within this VC, and on the specific production process of Covid-19 vaccines.

An initial tariff and trade analysis of the inputs and outputs of its production chain is depicted below.

- **Stage 1:** Raw materials, which include various types of organic and inorganic chemicals, medicinal plants and biologics are sourced, and their quality assessed. The AfCFTA will have a positive impact on the trade and supply of raw materials (*viz.* organic and inorganic chemicals) which stands to benefit considerably from tariff opportunities. Our analysis revealed this is particularly the case for Malawi, São Tomé and Príncipe, and Zambia.
- **Stage 2:** Various raw materials are transformed into intermediary products through chemical synthesis<sup>85</sup>; fermentation that results in the production and separation of medicinal chemicals such as anticancer agents and vitamins from microorganisms; and/or through extraction of organic chemicals from vegetative materials or animal tissues for the manufacture of botanical and biological intermediates.<sup>86</sup>
- **Stage 3:** Active Pharmaceutical Ingredients (APIs) are further processed or purified into intermediates, either through this purification process or through combining multiple intermediates.
- **Stage 4:** Formulation and packaging - the formulation of bulk pharmaceuticals into various dosage forms such as tablets, capsules, injectable solutions, ointments, etc., that can be taken by the patient.<sup>87</sup>

To illustrate in more detail the potential that the AfCFTA could help Africa realize: under HS code 3004.90 (medicaments for therapeutic or prophylactic purposes), the EAC exports approximately \$116 million of such products to the rest of the world, while the trade analysis shows that African regions are not importing from the rest of Africa, but obtaining their goods from RoW. This means that the existing potential within the EAC can be maximized to supply Africa through the AfCFTA.

In the area of packaging material, we already see that downstream links to the packaging industry and distribution and supply networks are to some extent established in Africa. For example, outer cartons and 50% of plastic bottles used by the pharmaceutical industry in Kenya are locally sourced, but there are difficulties in sourcing higher-quality packaging material for more complex products like sterile injectables or glass bottles. There are therefore opportunities for AfCFTA State Parties to establish capacities in the production of more sophisticated packaging and related services, particularly as

being able to manufacture and appropriately package and store Covid-19 vaccines on the continent becomes more and more necessary.

### 5.8.3. Covid-19 and a Pathway to Vaccine RVCs in Africa

Below is simplified overview of a cross-border vaccine value chain from R&D to national distribution.

1. Vaccine Development → 2. Domestic Approval to Manufacture → 3. Vaccine Manufacture → 4. Domestic Approval for Importation → 5. Distribution Throughout Africa → 6. Border Clearance → 7. Domestic Clearance and Distribution.

The AfCFTA is most salient in stages five and six, via removing barriers and implementing trade facilitation measures<sup>88</sup>. However, through platforms and continental initiatives like the Pharmaceutical Manufacturing Plan for Africa (PMPA), it is also enabling RVCs through facilitating cooperation and information-sharing in vaccine development. It has the capability and remit to harmonize domestic standards for approval to manufacture and import the various Covid-19 vaccines and leverage this progress to do the same for other vaccines like the malaria and Ebola vaccines.<sup>89</sup>

Narrowing in even more to vaccine manufacture, storage and distribution, and its administration to the public, the graphic below depicts these three stages and the HS codes of the products and physical inputs required.<sup>90</sup>

**Vaccine manufacture:** we unpack the five stages of the manufacturing process and reveal where and how the AfCFTA will have a positive impact on the process on the following pages.

**Vaccine storage and distribution:** which includes products like dry ice, plastic cold chain boxes, chest and upright freezers not exceeding 800 L or 900 L capacity. Such products are set to substantially benefit from AfCFTA tariff phase-downs, as all of these products have tariff offers from 3 RECs or more, ranging from 5% to 60%, with the mode being 25%.

**Vaccine Administration:** includes PPE products like nitrile gloves and alcohol solutions, as well as products to actually administer the vaccine like syringes and metal needles. These products will benefit less from AfCFTA tariff phase-downs than those used for storage and distribution, since most regions not providing tariff offers for both alcohol solution products and the other products have low existing tariffs or are already being traded tariff-free.

- The only product that stands to benefit significantly from the tariff phase-downs is nitrile gloves, which have a minimum tariff of 10% currently, and a maximum of 30% with a mode of 10%.

<sup>85</sup> Examples are antibiotics, cardiovascular agents, and hormones.

<sup>86</sup> Examples are vaccines and insulin.

<sup>87</sup> Kaplan, Warren, and Richard Laing. "Local production of pharmaceuticals: industrial policy and access to medicines, an overview of key concepts, issues and opportunities for future research." 2005.

<sup>88</sup> Accelerating particular WTO reforms would be useful to enable the development of Pharmaceutical RVCs in Africa, in particular the digitization of procedures and trade documents for paperless trade.

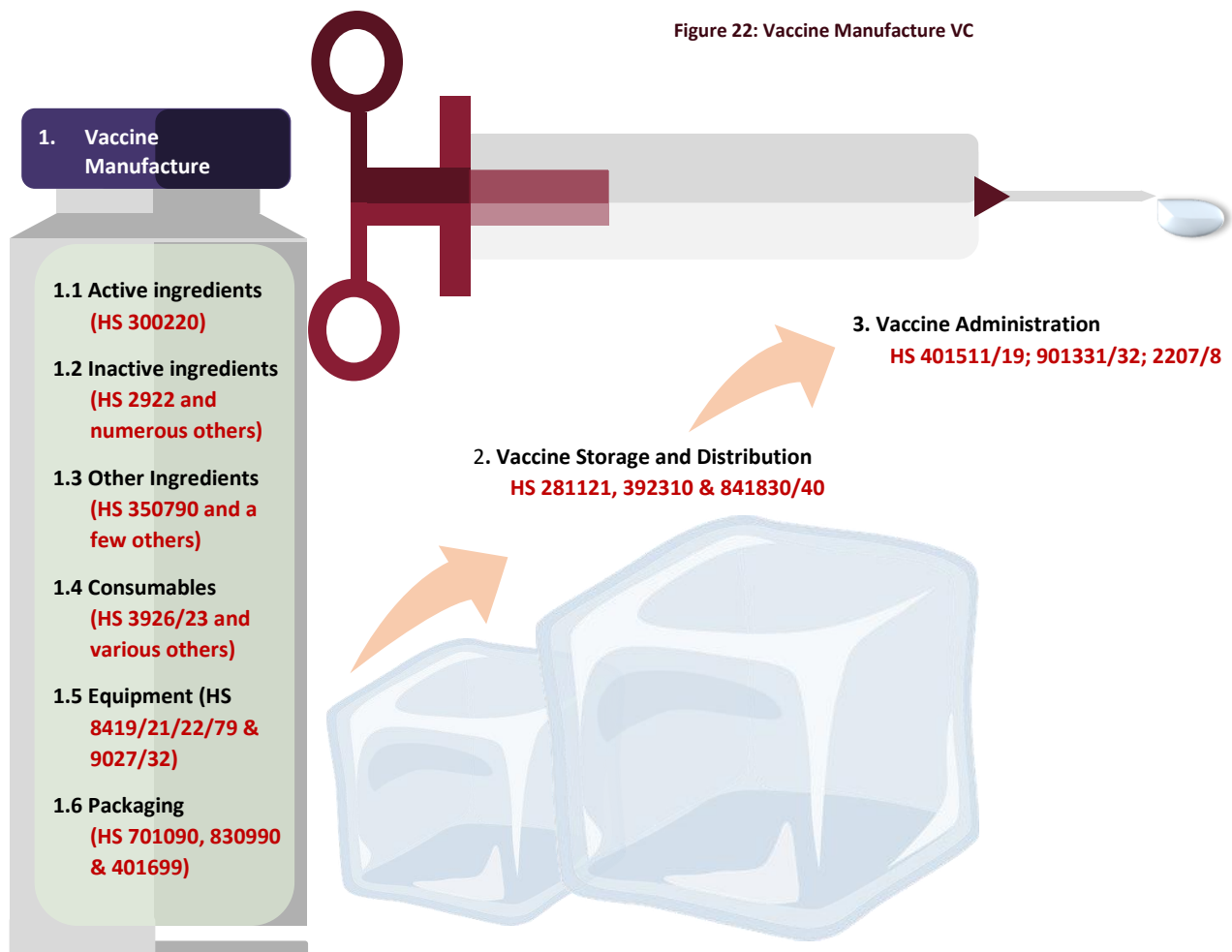
<sup>89</sup> These investments in materials will be useful not only for Covid-19 vaccines but also to make sure that the other vaccines can continue to be produced in parallel (some of them use the same materials).

<sup>90</sup> WTO. "Covid-19 Vaccine Supply China and Regulatory Transparency Symposium: Joint Indicative List of Critical Covid-19 Vaccine Inputs for Consultation (Version 1.0)". July 2021. Available at: [https://www.wto.org/english/tratop\\_e/covid19\\_e/vaccine\\_inputs\\_report\\_e.pdf](https://www.wto.org/english/tratop_e/covid19_e/vaccine_inputs_report_e.pdf)

1. Vaccine Development → 2. Domestic Approval to Manufacture → 3. Vaccine Manufacture → 4. Domestic Approval for Importation → 5. Distribution Throughout Africa

Narrowing in even more to vaccine manufacture, storage and distribution, and its administration to the public, the

graphic below (Figure 22) depicts these three stages and the HS codes of the products and physical inputs required.<sup>91</sup>



**Vaccine manufacture:** below, we unpack the five stages of the manufacturing process and reveal where and how the AfCFTA will have a positive impact on the process.

**Vaccine storage and distribution:** which includes products like dry ice, plastic cold chain boxes, chest and upright freezers not exceeding 800 L or 900 L capacity. Such products are set to substantially benefit from AfCFTA tariff phase-downs, as all of these products have Tariff Offers from 3 RECs or more, ranging from 5% to 60%, with the mode being 25%.

**Vaccine Administration:** includes PPE products like nitrile gloves and alcohol solutions, as well as products to actually administer the vaccine, like syringes and metal needles. These products will benefit less from AfCFTA tariff phase-downs than those used for storage and distribution, since most

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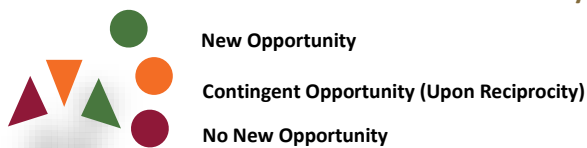
- The only product that stands to benefit significantly from the tariff phase-downs is nitrile gloves, which have a minimum tariff of 10% currently, and a maximum of 30% with a mode of 10%.

Unpacking the vaccine manufacturing process itself reveals that the AfCFTA’s tariff phase-downs are likely to have a significant impact on enabling a RVC, but interventions other than liberalization of trade in goods and trade in services will need to be undertaken. These are discussed in the following section.

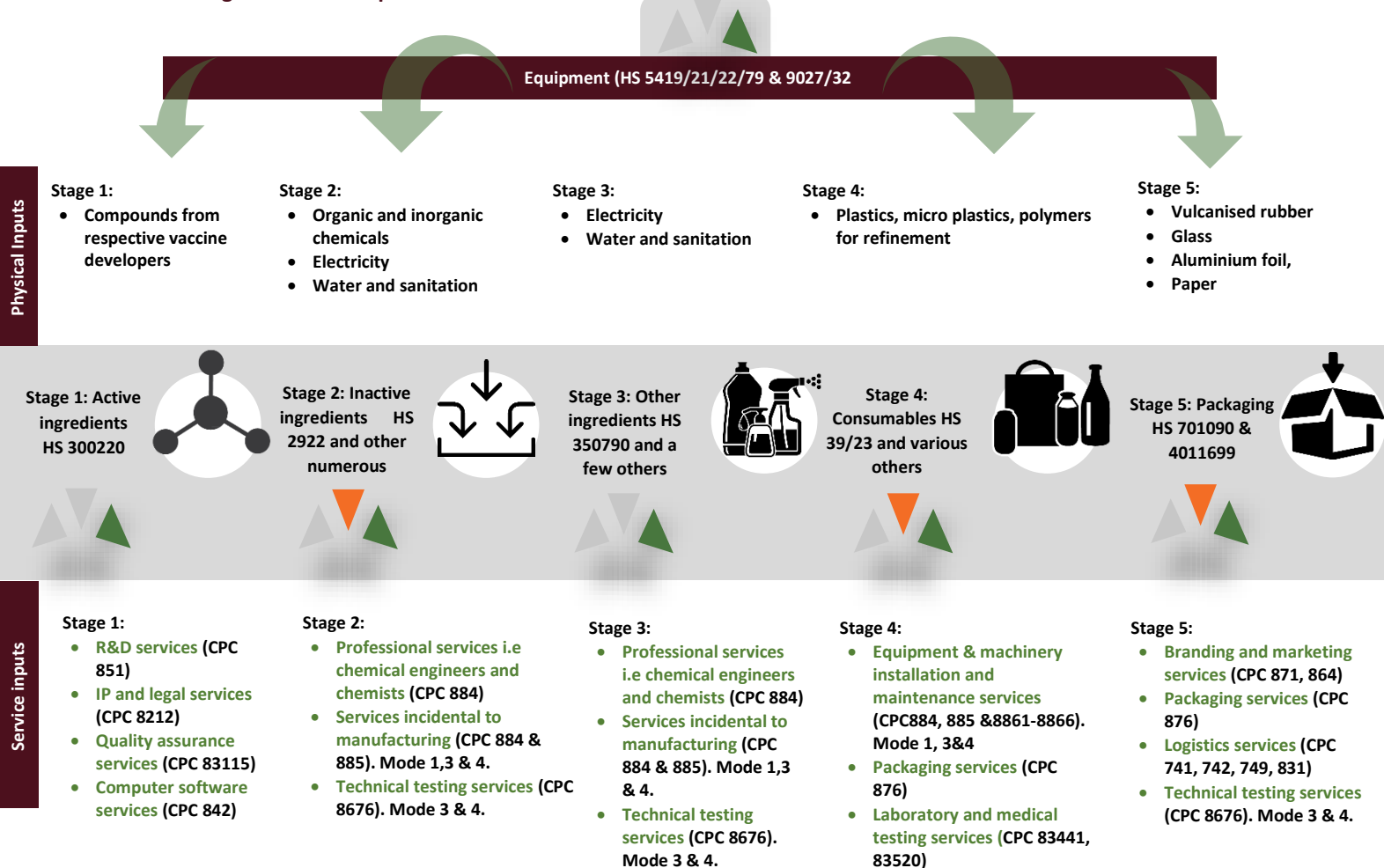
<sup>91</sup> WTO. “Covid-19 Vaccine Supply China and Regulatory Transparency Symposium: Joint Indicative List of Critical COVID-19 Vaccine Inputs for Consultation (Version 1.0)”. July 2021. Available at:

[https://www.wto.org/english/tratop\\_e/covid19\\_e/vaccine\\_inputs\\_report\\_e.pdf](https://www.wto.org/english/tratop_e/covid19_e/vaccine_inputs_report_e.pdf)

### 5.8.4. Where the AfCFTA will Result in Early Harvest Benefits



### Vaccine Manufacturing Process and Inputs



**The active ingredients** of each of the Pfizer, Janssen, and AstraZeneca vaccines are already tariff-free, except in CEMAC who have a 5% tariff on all three. Although this means the AfCFTA tariff phase-down won't have an impact, it is good news and contributes to enabling RVCs.

**The inactive ingredients** of Moderna, Pfizer, Janssen, and AstraZeneca have Tariff Offers from 3 or more RECs and are for the most part zero-rated or have low tariffs of between 5-10%. It is these ingredients that the AfCFTA will benefit the most and they include items like: potassium chloride (HS 3104.20), polysorbate-80 (HS 3402.13), and citric acid

monohydrate (HS 2918.14). These inactive ingredients are also widely used in other vaccines, such as those for malaria and Ebola. Additionally, most of these ingredients with 5-10% tariffs have annual intra-African imports and exports above the \$1 million threshold. There are at least three ingredients where almost all the regions have not provided Tariff Offers; these are: chemically pure sucrose, in solid form (HS 1701.99); ethanol (HS 2207.10), and sodium chloride (HS 2501.00).

**The other ingredients** of the Covid-19 vaccines (as well as most other vaccines) include ingredients like sorbitol,<sup>92</sup> neomycin,<sup>93</sup> gelatine,<sup>94</sup> and enzymes used in the

<sup>92</sup> Stabilizers - to keep the vaccine potent during transportation and storage.  
<sup>93</sup> Antibiotics - to prevent contamination by bacteria.

<sup>94</sup> Excipients - for preservation, stabilization, or products used to increase the immune response of the vaccine.

manufacturing process.<sup>95</sup> The EAC, Egypt and SACU already trade most of these ingredients tariff-free, however, CEMAC and ECOWAS have average tariffs of 5% and 10% respectively, so the AfCFTA would enable trade between these regions and the EAC, Egypt and SACU - contributing to the formation of RVCs.

**In consumables** related to vaccine manufacture, there are 13 products that have annual intra-African imports and exports above the \$1 million threshold, and the AfCFTA will have an impact on most of these products, given there are Tariff Offers from 3 or more RECs on almost all these products. Examples of the products are:

- Liquid storage bags (HS 3923.29)<sup>96</sup>
- Microporous plastic membrane materials incorporated in a housing (HS 8421.29)
- Filters for fluids (HS 8421.29)

Most have current tariffs of between 2-25% with the mode tariff being 10%, so the AfCFTA will have a positive impact on the trade of consumables related to vaccine manufacture.

**The packaging** used for vaccines is quite specific and includes stoppers of vulcanized rubber (HS 4016.99), vials (HS 7010.90),<sup>97</sup> and metal crimp seals for glass vials (HS 8309.90). All three of these products have annual intra-African imports and exports above the \$1 million threshold, and will benefit from the AfCFTA with Tariff Offers between 5-30% and a mode of 10%. However, the EAC and ECOWAS have not provided any Tariff Offers for vials.

**The equipment** used to manufacture vaccines will be traded more easily because of the AfCFTA, with most of the products having Tariff Offers from 3 or more RECs, and there being either no tariffs (the EAC and SACU) or 5-10% tariffs from CEMAC, ECOWAS and Egypt with a mode of 10%. Examples of the equipment that will benefit from the AfCFTA are:

- Microfluid and nanofluid mixers (HS 8479.82)<sup>98</sup>
- Machinery for filling, closing, sealing, and labelling of bottles [...] and capsuling bottles tubes [...] (HS 8479.82)
- Incubating shakers (HS 8479.82)

Although the focus of this VC and tariff analysis has been the Covid-19 vaccines, many of the inputs and ingredients analysed are also used in many other vaccines, including the Ebola and malaria vaccines. The local manufacturing and distribution of a malaria vaccine, one of which has recently been approved for mass production and which African countries (Ghana, Kenya and Malawi) and talent have been instrumental in testing and developing, would benefit from the AfCFTA in much the same way as the Covid-19 vaccine.

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<sup>95</sup> Raw material for mRNA vaccines.

<sup>96</sup> Plastic bags with inbuilt filters for the sterile filtration and transfer of biopharmaceutical fluids or other polymers (HS 3923.29)

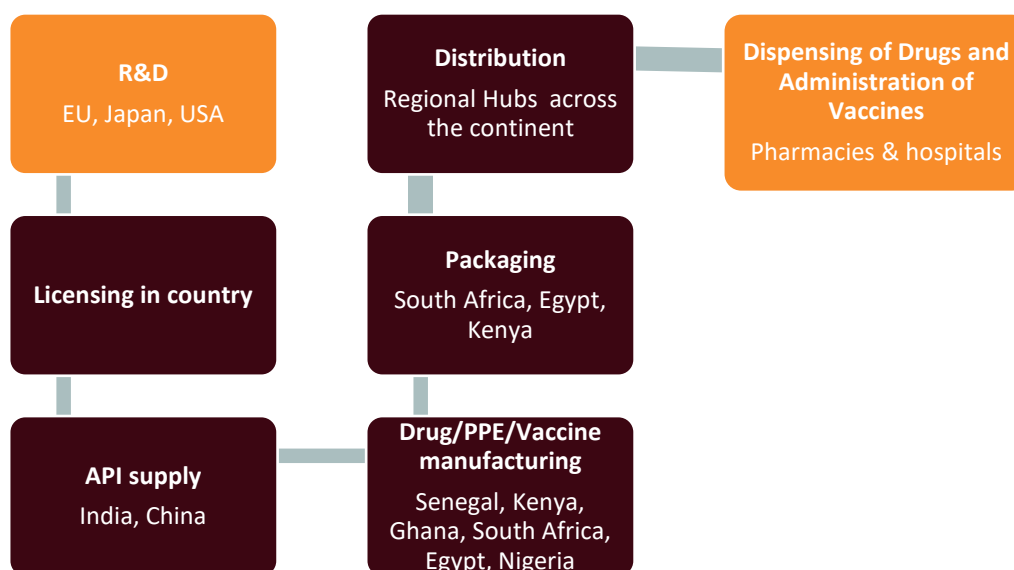
<sup>97</sup> Serum bottles, vials, and other pharmaceutical containers of glass.

<sup>98</sup> Specific type of equipment for producing lipid nanoparticles (LNPs).



### 5.8.5. What Measures are Needed to Fully Realise this VC's Potential (Deep Integration)

Figure 23: Pharmaceuticals Value Chain



Beyond tariffs and services, the following measures will help boost the pharmaceutical VC:

R&D capabilities need to be augmented, especially for uniquely African diseases and public health issues.

- Support for partnerships and platforms with universities and academia that enable technology and skills transfer in critical areas such as manufacturing more advanced formulations and APIs, based on emerging African disease trends. Progress has already been made on this with initiatives like the recently launched **West Africa AfCFTA Pharma Initiative** – a collaboration between the African Business Coalition for Health (ABCHealth), ECA, the US National Institutes of Health (NIH), and African government and business – and others like it.<sup>99</sup>

National and regional standards on the manufacturing and distribution of pharmaceutical products differ across jurisdictions, delaying issuance of national manufacturing licenses and product registrations, and frustrating RVCs when intermediates and inputs may be compliant with standards in one jurisdiction, but not in others.

- Harmonized medicine registration and regulation procedures within AfCFTA State Parties to cut costs and speed up the registration process and enable greater intra-African trade;

- Enforcement against counterfeits through harmonization of regulatory policies and standards on medical products;
- Support and technical assistance for pharmaceutical companies to obtain WHO Good Manufacturing Practice (GMP) status through investment in manufacturing facilities and equipment in order to produce more complex products and access international procurement bodies, global health initiatives, and markets. Strong budgets for pharmaceutical regulators are a step in the right direction.

African pharmaceutical manufacturers often have difficulties in forecasting demand, dealing with fluctuating costs, accessing finance and foreign exchange, sourcing locally manufactured ingredients, high transport costs and border delays, and managing their manufacturing pipeline.<sup>100</sup>

- Collaborate and learn from the Asian Development Bank and its initiative to map the sources of vaccines and other medically critical goods through supply chain mapping;
- Development of logistics and warehousing as a service to enable regional distribution and inventory holding to alleviate stock and supply shortages;
- Develop linkages with the agricultural sector which can provide industrial-grade starch and sugar inputs, and enhance the cultivation and production of medicinal plants;
- Initiate and sustain international cooperation to facilitate the smooth operation of new vaccine

<sup>99</sup> UNECA. “ABCHealth, ECA launch the West Africa AfCFTA Pharma Initiative at the successful Africa Investment Summit on Health”. September, 2021.

Available at: <https://www.uneca.org/stories/abchealth%2C-eca-launch-the-west-africa-afcfta-pharma-initiative-at-the-successful-africa>

<sup>100</sup> Kaplan, Warren, and Richard Laing. 2005. op. cit.

production and manufacturing sites in different countries, as it requires that international markets remain open for upstream suppliers of active ingredients, equipment and packaging;

- National Trade Facilitation committees should be used to strengthen collaboration between the public and private sectors to expedite product inputs and outputs for the pharmaceutical VC, especially the Covid-19, malaria, and Ebola vaccine VCs;
- Diversification of input providers to the specialized vaccine materials manufacturers in Africa to avoid over-reliance;
- Accelerating AfCFTA Trade Facilitation reforms to enable the development of pharmaceutical RVCs in Africa, in particular the digitization of procedures and trade documents for paperless trade.

The pharmaceutical VC is also unique in that many African governments control a major share of the end-use market through their public health systems and the products they procure.<sup>101</sup> Although this can be an issue in some cases, it is also an opportunity as it means governments have demand-side as well as supply-side levers to encourage local production.

Overall, the AfCFTA can drive a Made in Africa Revolution in the pharmaceutical sector by coordinating and augmenting national and regional efforts to increase local production through incentives in national tenders, subsidies and tax breaks, investment in SEZs, talent- and skill-building programmes, and other measures and interventions mentioned above.

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<sup>101</sup> JUPILOG Consulting. "A Study on the Value Chains and Opportunities for Small Businesses in the Chemical Sector". March 2020. Available at: <https://www.chieta.org.za/>

# 6

## The AfCFTA and Services Value Chains



Credit: Copyright: [https://www.123rf.com/profile\\_andreypopov](https://www.123rf.com/profile_andreypopov) andreypopov

The importance of services as an enabling factor to strengthen RVCs in goods has been identified above with regards to specific services that integrate into the targeted VCs. This section will look at services VCs in their own right. Two broad VCs have been identified here: the mobile financial services VC, and the cultural and creative industries (CCI) VC. This section will look at these VCs, speak to why they were

selected, identify where the AfCFTA provides some early benefits, and set out what needs to be done in the AfCFTA to fully realize each VC's potential. Included in this analysis will be a review of the services schedules offers.

## 6.1. The Mobile Financial Services VC



- In **Stage 1**, telecommunications infrastructure is built to anchor a foundation for mobile financial services to be provided. This includes the building of infrastructure that will relay the signals required to run a mobile network, and will require engineering and telecommunications services.
- In **Stage 2**, the telecommunications network is run by telecoms companies using the infrastructure built in Stage 1. This requires additional services provided by technical experts and must be regularly maintained.
- In **Stage 3**, financial services and telecoms services are combined to create a product that can offer financial services to end users via mobile networks.
- In **Stage 4**, the mobile financial services offering is distributed to clients, who are either able to download an app or access a platform via their own mobile devices.

### 6.1.1. Why Mobile Financial Services

Access to financial services can have a catalysing effect, especially for small businesses and those located in rural areas away from large economic hubs. This access is often cited as a major issue for MSMEs, given the low levels of capital available for loans and high interest rates in situations of limited collateral. Access to specialized trade finance is even more limited. The formal MSME finance gap is estimated at \$331 billion.<sup>102</sup> It is estimated that there are 339 million unbanked adults on the continent, who are therefore prevented access to this key entry point for obtaining basic financial services. Provision of innovative sustainable financing for Africa's private sector is therefore a major policy goal for the improvement of the MSME landscape, and the AfCFTA can play a role.

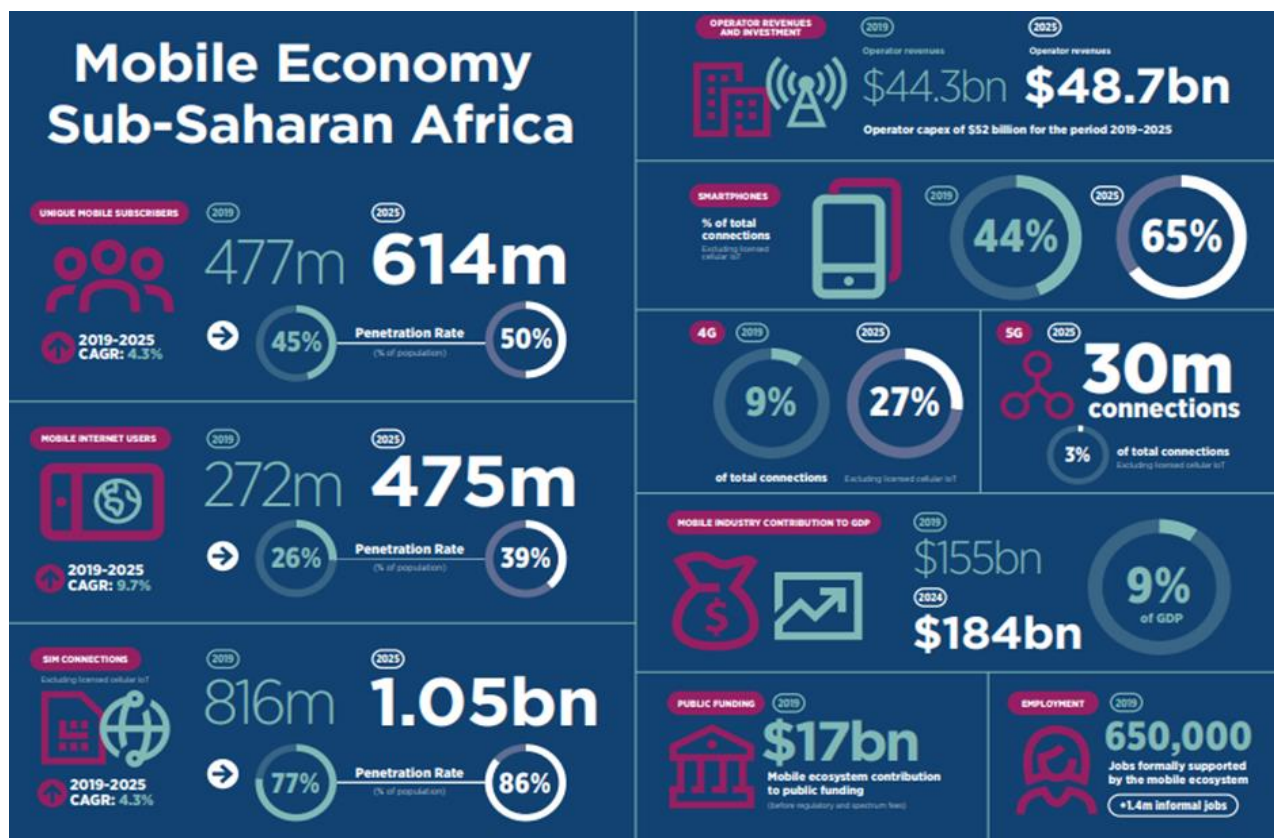
Mobile financial services are a way for individuals, MSMEs, and small traders to access finance more easily and cost effectively. The continent has embraced technology such as mobile money already; nearly half of worldwide registered accounts (496 million out of just over 1 billion) and two-thirds of all transactions by value (\$456 billion out of \$690 billion) occur in sub-Saharan Africa.<sup>103</sup> Mobile banking, mobile money, and other similar technologies counter these constraints.

<sup>102</sup> The World Bank. "Small and Medium Enterprises (SMEs) Finance: Improving SME access to finance and finding innovative solutions to unlock sources of capital". 2020. Available at: <https://www.worldbank.org/en/topic/smefinance>.

<sup>103</sup> GSMA. "State of the Industry Report on Mobile Money". 2019. Available at: <https://www.gsma.com/sotir/wp-content/uploads/2020/03/GSMA-State-of-the-Industry-Report-on-Mobile-Money-2019-Full-Report.pdf>.



Figure24: The Mobile Economy in Sub-Saharan Africa



Source: GSMA

Furthermore, smartphone penetration is expected to increase by 20% to 30% across sub-Saharan Africa by 2025, which means that more people than ever will be able to access mobile financial services when connected to a network. Network provision will also improve dramatically by 2025, with installation of 3G and 4G connections. As a result, mobile financial services will become a realistic option for a much larger segment of the African population than is currently the case. In some regions, like the EAC, smartphone adoption is forecast to increase from 36% to 62%, and slower 2G connections are forecast to fall from a majority of all

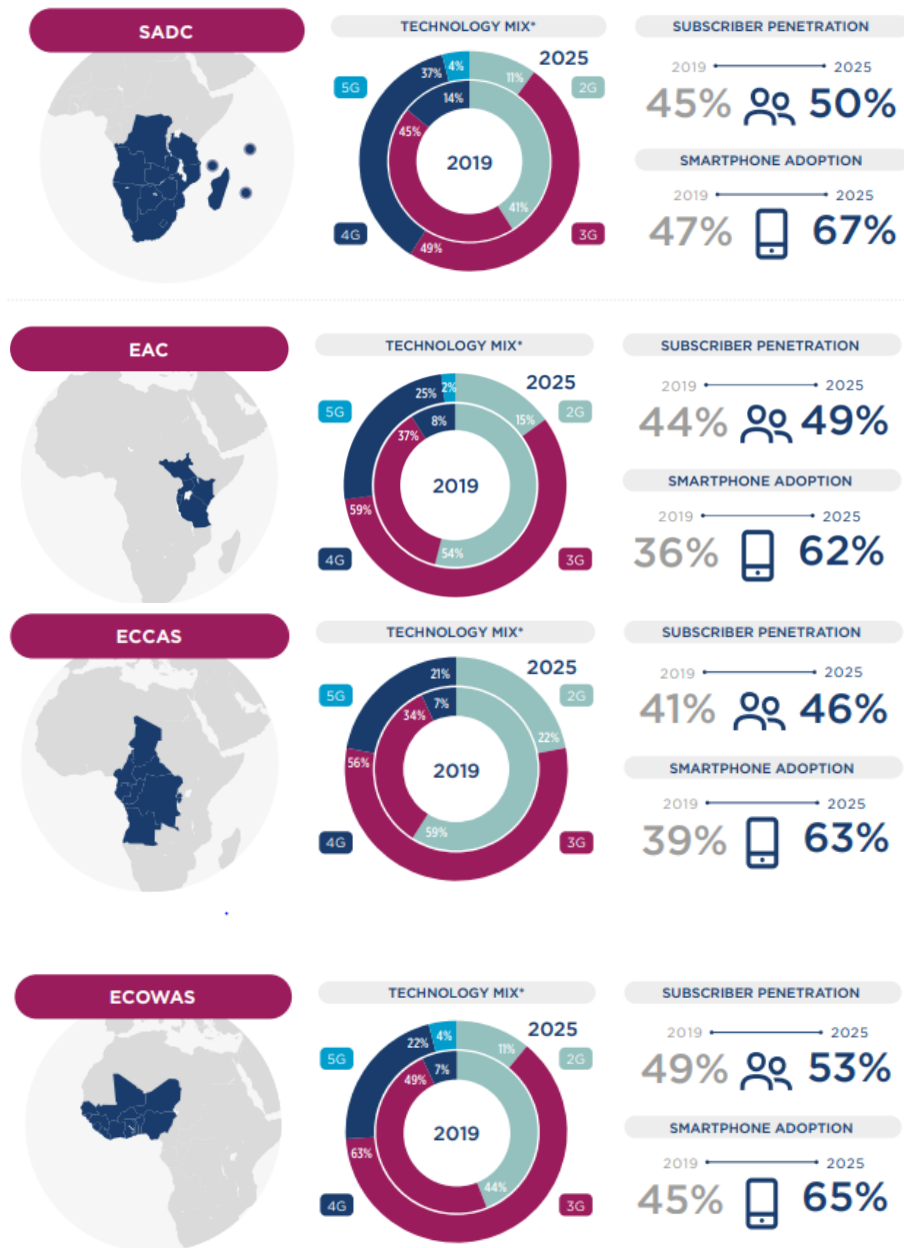
connections (54%) to only 15% after being replaced by 3G and 4G connections. An example of the steps being taken to improve access to 4G technology can be seen in West Africa, where Burkina Faso, Ghana and Senegal have all entered into agreements to improve 4G connectivity in partnership with telecoms firms (Orange in Burkina Faso, Vodacom in Ghana, and Tigo in Senegal).<sup>104</sup> Burkina Faso, Sierra Leone and Togo all launched their first 4G networks between January 2018 and January 2019.<sup>105</sup>

<sup>104</sup> GSMA. "The Mobile Economy in West Africa". 2019. Available at: [https://www.gsma.com/mobileeconomy/wp-](https://www.gsma.com/mobileeconomy/wp-content/uploads/2020/03/GSMA_MobileEconomy2020_West_Africa_ENG.pdf)

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<sup>105</sup> Ibid.

Figure25: Digitization of the African Economy



The digitization of the African economy has been accelerated by Covid-19. Between Q1 2020 and Q1 2021, installation of mobile applications increased by 41% across the continent, partially due to their ability to avoid the physical restrictions imposed during the pandemic.<sup>106</sup> The pandemic saw new financial services app installs increase in Nigeria and South Africa by 60% and 116% respectively, and it is likely that this industry will continue to grow in both the short and medium term as it sees increased investment.<sup>107</sup> FinTech apps are being developed outside of the continent’s large economies as well, with ExpressPay (an E-commerce marketplace and

payment gateway provider in Ghana) and MaTontine (a peer-to-peer savings platform with a built-in credit score that users can leverage to access financial services in Senegal).<sup>108</sup> New FinTech apps offer new solutions to old problems of access to finance and coverage of underserved MSMEs and individuals. They also allow for consumers to upgrade their consumption of financial services, as new services are made available, at affordable prices, to consumers who previously only had basic options.

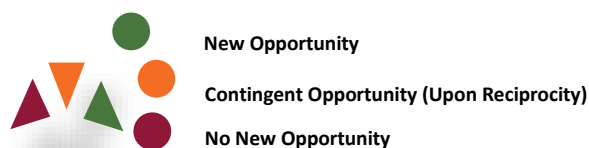
<sup>106</sup> AppsFlyer, “The African mobile apps landscape (and how to succeed in it)”. 2021. Available at: <https://www.appsflyer.com/resources/reports/african-mobile-apps-landscape/>.

<sup>107</sup> Despite the challenges faced throughout 2020 due to Covid-19, Southern African technology companies raised \$397.5 million across 112 deals. This

was a substantial increase on the total raised in 2018 (\$328.6 million across 71 deals) and 2019 (\$114.1 million across 89 deals). Source: <https://insights.thebaobabnetwork.com/q1-2021-south-africa-fintech-market-map/>.

<sup>108</sup> GSMA. “State of the Industry Report on Mobile Money”. 2019.

### 6.1.2. Where the AfCFTA will Result in Early Harvest Benefits



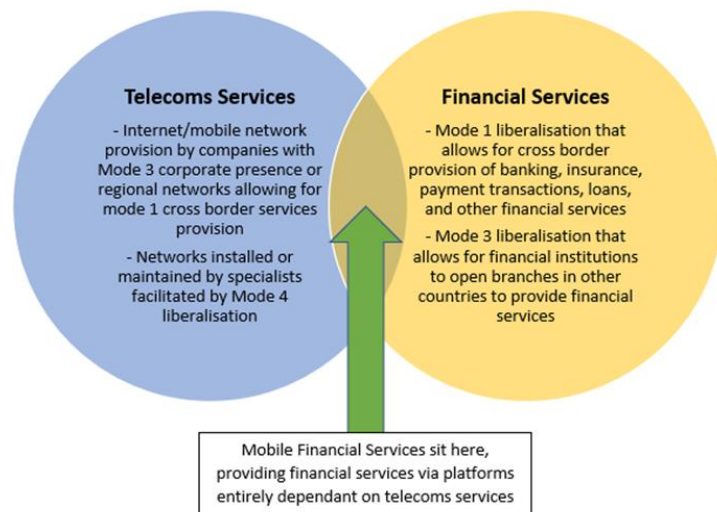
- |   |   |   |   |
|---|---|---|---|
| <b>Stage 1:</b> <ul style="list-style-type: none"> <li>• Hardware inputs (modems, pylons, etc)</li> </ul> | <b>Stage 2:</b> <ul style="list-style-type: none"> <li>• Cross border movement of Technical &amp; managerial experts</li> </ul> | <b>Stage 3:</b> <ul style="list-style-type: none"> <li>• Cross border movement of Technical &amp; managerial experts</li> </ul> | <b>Stage 4:</b> <ul style="list-style-type: none"> <li>• Access to the handset</li> <li>• Customer support</li> </ul> |
|---|---|---|---|



- |   |  |   |   |
|---|--|---|---|
| <b>Stage 1:</b> <ul style="list-style-type: none"> <li>• Engineering Services (CPC 8672)</li> <li>• Telecommunications services (CPC 8421, 8422, 8429)</li> </ul> | <b>Stage 2:</b> <ul style="list-style-type: none"> <li>• Maintenance and repair of equipment (CPC 633+)</li> <li>• Telecommunications services (CPC 8421, 8422, 8429)</li> </ul> | <b>Stage 3:</b> <ul style="list-style-type: none"> <li>• Data processing services (CPC 843)</li> <li>• Software implementation services (CPC 842)</li> <li>• Financial services (CPC 7110)</li> </ul> | <b>Stage 4:</b> <ul style="list-style-type: none"> <li>• Financial services (CPC 7110)</li> <li>• Advertising services (CPC 871)</li> </ul> |
|---|--|---|---|

The AfCFTA offers early harvest benefits in the mobile financial services sector because this sector straddles both communications and financial services - two of the five priority services sectors. While they themselves are financial services (offering services such as lending, transaction processing and deposit taking), they are built and rely on telecommunications services, and cannot function without them. As a result, it is important to look at the offers made under telecommunications (a sub-sector under communications services) for both traditional and mobile networks, as well as financial services. Specifically, the data processing and internet provision sub-sectors (under telecommunications in the communications services sector) will be important for the functioning of mobile financial services, as this is the infrastructure that such services are built on.

Figure 26: Where do Mobile Financial Services Sit



As the table below shows, the offers that were available for analysis provide new opportunities under the AfCFTA. When looking at the financial sector, Comoros, DRC and Eswatini made new offers in Modes 1, 2 and 3, while Namibia made a new offer under Mode 3. For the two telecommunications sub sectors that are most relevant to mobile financial services (telecoms – data transmission and mobile cellular networks), most countries made offers under data transmission, while offers on mobile cellular networks were more limited.

Horizontal offers were made in Mode 4 by most countries, and these will bind the three sectors where countries have elected to include those sectors in their offers.

**Table 5: Improved offers made in analysed schedules by mode for key services sectors**

Country	Telecoms - Data Transmission (CPC 7523)	Mobile cellular networks (CPC 7521)	Financial Sector (CPC 8111 – 8113, 8131 – 8133)
<b>Mode 1</b>	South Africa Comoros DRC Madagascar Mauritius Namibia	South Africa DRC Madagascar	Comoros DRC Eswatini
<b>Mode 2</b>	Comoros DRC Madagascar Mauritius Namibia	DRC Madagascar	Comoros DRC Eswatini
<b>Mode 3</b>	South Africa Comoros DRC Madagascar Mauritius	South Africa DRC Madagascar	Comoros DRC Eswatini Namibia
<b>Mode 4 (Horizontal commitments)</b>	Comoros Madagascar DRC Seychelles Mauritius South Africa	Madagascar DRC South Africa	Comoros Madagascar DRC Seychelles Eswatini Mauritius South Africa

The opportunities unlocked in VCs for producing mobile financial services will cut across several services sectors. Services such as engineering services and repair and maintenance services will be vital to the installation and operation of the telecoms networks, requiring skilled individuals and managers to move between countries to operate new networks efficiently and train local staff, which will facilitate Mode 4 trade. As the table above shows, there are Mode 4 offers (via the horizontal commitments) that will facilitate this, with most State Parties offering some Mode 4 mobility for intra-company transferees, and some (e.g. DRC) offering provisions for the movement of specialists and independent contractors.

On the mobile financial services platform side, companies will have to procure a variety of computer-related services to design the platform and ensure it continues to operate smoothly. In order to bring new products to market, they will also have to invest in advertising services. Finally, once the end consumer has started to use a product, companies will need service providers who are qualified to provide the financial services they offer, as well as customer service providers to ensure that customer queries and complaints are dealt with. Thus, there are multiple services inputs that will

be required to ensure that any mobile financial services VC functions properly and is able to deliver its main service to the end consumer, and these will include inputs in both the telecommunication and financial services sectors, as well as a variety of other services sectors.

The impact of greater trade in mobile financial services will come from its transformative effect on those that are currently not serviced, or are underserved, by traditional financial services providers. Similarly, small-scale traders, informal traders, and SMEs lack access to basic financial services under the sector’s current structure, resulting in a large finance gap. Mobile financial services offer an entirely new infrastructure that can underpin virtually any other sector of the economy, as it is not limited by product, size or location. The overall gains in efficiency from access to capital and cheaper finance will improve general competitiveness, which will in turn stimulate exports.<sup>109</sup>

For small-scale cross-border traders, access to finance issues are accompanied with challenges in exchanging currency, especially for women who make up the majority of these types of traders.<sup>110</sup> Traders are forced to carry cash, and often must first convert funds into US dollars from their respective currencies, and then onward to the domestic currency of the

<sup>109</sup> OECD “Trade finance for SMEs in the digital era”. 2021. Available at: <https://www.oecd.org/cfe/smes/Trade%20finance%20for%20SMEs%20in%20the%20digital%20era.pdf>

<sup>110</sup> Simonetta Zarrilli. “Leveraging digital solutions to seize the potential of informal cross-border trade”. 2020. Available at <https://unctad.org/news/leveraging-digital-solutions-seize-potential-informal-cross-border-trade>



host country. By doing so, traders face many risks, including theft, exchange losses, and other conversion costs. The lack of financial and payment services has not only hindered service providers, but has also led to the establishment and entrenchment of parallel currency markets at the borders. Mobile money offers the possibility to make payments domestically and across borders by bypassing the need for physical exchange at borders.

Mobile Financial services are reliant on the infrastructure that underpins mobile and data networks, and the technology utilized by end users to access them. The most common device used to access the internet is the cell phone, and smartphone variations are also able to access app-based FinTech via mobile and internet networks. The expansion of these networks will increase the demand for smartphones, and as a result this is a product line which the AfCFTA could create an opportunity for. As the table below shows, CEMAC

and ECOWAS have offered a tariff preference of 10% after full implementation of the AfCFTA. Given the expanded adoption of this technology over the next decade, this could represent a key business opportunity for producers on the continent. Modems, which allow for internet connection for devices without a SIM card, represent another potential opportunity in CEMAC and ECOWAS.

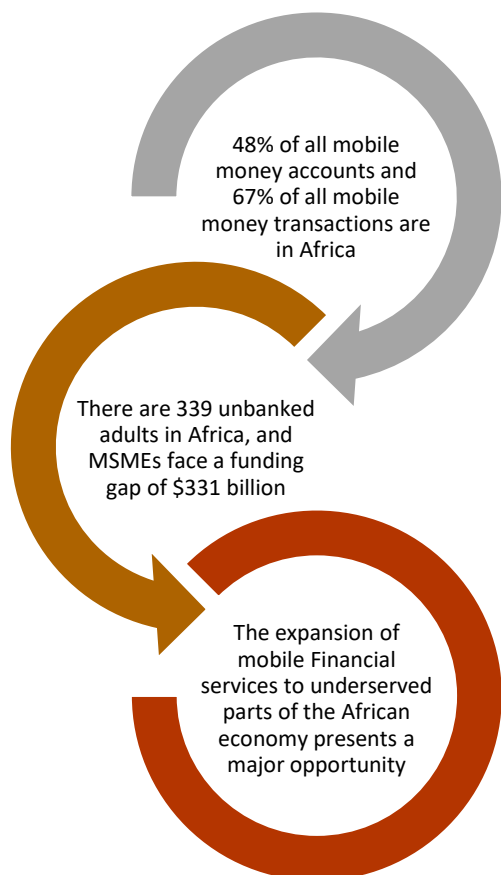
The creation of telecoms infrastructure is going to be a major factor in the success of the mobile financial services sector in the next decade. Investment in telecoms-related infrastructure - including installation of 4G and 5G networks - will require a range of inputs, which could present opportunities for African VCs. The tariff preference offers for some of these key inputs, including insulated copper and non-copper wire, electric conductors, fibre optic cables, base stations, and towers/lattice masts are shown below. Offers in these products range from none or 0%, to as high as 30%.

**Table 6: Tariff Offers for selected Mobile Financial Services Inputs**

Product Code HS LEVEL 6	Product Label	EAC Tariff Preference	ECOWAS Tariff Preference	CEMAC Tariff Preference	Egypt Tariff Preference	SACU Tariff Preference
85441100	Insulated copper wire	None	10	20	None	15
85441900	Other insulated wire	None	10	20	10	15
85444200	Electric conductors	None	20	20	None	None
85447000	Optical fibre cables	0	5	10	None	15
85171200	Cell phones	0	10	10	None	None
85176100	Base stations	0	10	10	None	0
85176200	Modems	0	10	10	None	None
85177000	Parts of Cell phones	10	5	10	None	None
73082000	Towers and lattice masts	25	None	10	30	None

### 6.1.3. Measures Needed to Fully Realise this RVC's Potential (Deep Integration)

Figure 27: Services Offers Under the AfCFTA



In order for mobile financial services to reach their potential, liberalization will have to be seen in both the financial services sector where these services fall, as well as the communications sector which forms the infrastructural backbone upon which these services rely. Under the communications sector, the primary sub-sectors of importance are telecoms (data transmission) and the mobile cellular network sub-sectors, which provide the infrastructure for mobile financial services to operate on. As mobile financial services can offer essentially any of the financial services that standard financial service providers offer, they will benefit from any of the sub-sectors being liberalized. However, the priority sub-sectors for the industry as it currently stands should be deposit-taking services, the services that facilitate payments (including cross-border payments), and services that offer loans (especially business and trade finance). Much of the current mobile financial services industry is built on mobile money and other payments services, while deposit-taking and the provision of finance will have major benefits for the MSME eco-system which is currently underserved in these areas. Payment services and the provision of finance to export-oriented businesses or traders will have the added benefit of facilitating trade, and will allow a larger number of under-served people (especially women and youth) to access the opportunities that participating in trade can provide. Because mobile financial services are easier to access, they will also be available to small-scale cross-border traders and informal traders, who make up a large percentage of intra-African trade.<sup>111</sup>

Modes 1 and 3 are vitally important for both the financial sub-sectors and the telecommunications sub-sectors identified above. As mobile financial services are offered online, they can be made accessible via Mode 1 consumption relatively easily. Payment services are an example of this, with mobile financial service operators such as M-Pesa allowing customers to send and receive money across borders quickly and conveniently via an SMS feature on their phone. While Mode 1 is important for the financial services side, Mode 3 is vital for the telecommunications industry. Mobile and internet networks are generally the domain of large companies who have the capital, knowledge and technical capacity to install and run these networks. For example, the M-Pesa product mentioned above is owned by Vodafone (a large multinational corporation headquartered in the UK), in partnership with Kenyan telecoms company Safaricom, while French multinational Orange has a presence across much of

Francophone Africa via local subsidiaries. These companies are able to leverage their large networks and subscriber bases to provide mobile financial services to a substantial consumer base, taking advantage of the synergies between telecommunications services and mobile financial services. Without secure rules on national treatment, these companies will be reluctant to invest, and this is especially true in the telecommunications industry, which is highly regulated and often requires the obtaining of limited licenses from the government in order to operate.

**6.1.4. Regulation Harmonisation and the AfCFTA**  
Greater harmonization of regulation will allow for easier flows of capital across borders, decreasing costs of acquiring foreign currency, paying foreign suppliers, and receiving payments from foreign customers. This will be extremely important to MSMEs that need trade finance or operate

<sup>111</sup> It is estimated that there are nearly four times as many traders in Africa operating informally compared to formally, and that between 30% and 40% of Africa's regional trade is informal. For more information see UNCTAD, "Leveraging digital solutions to seize the potential of informal cross-border trade," (2020), available at: <https://unctad.org/news/leveraging-digital-solutions-seize-potential-informal-cross-border-trade>

across borders. Innovative regulatory approaches can help, as was seen in the EAC where an alliance of mobile money companies/apps (Tigo in Tanzania, M-Pesa in Kenya, MTN MoMoPay in Uganda, and MTN and Airtel in Rwanda) allowed for customers in any of the above countries to send and receive money to or from the e-wallets of customers in any of the other countries. The partnership has enabled these companies to meet the growing demand for cross-border transactions within East Africa with a service that is fast, safe, affordable and convenient.<sup>112</sup> As demand for cross-border transactions increases post-Covid-19, this service is likely to see a commensurate increase in demand, operating as a clearing operation for MSMEs involved in eCommerce or trade to transact across borders.

Greater access for service providers and harmonized regulations that will prevent the need for duplication (for standards, technology used, and administration) will better integrate the continent's financial and telecommunications sectors. For example, laws on the storage of electronic data could have a significant effect on mobile financial services providers, forcing them to build data centres in each country they operate in and wall off their systems so that each in-country centre operates a slightly different system that conforms to that country's data protection laws. Given the complexity in harmonizing regulations, and the fact that in the initial phases, some RECs would likely remain at a higher level of integration than the AfCFTA. The RECs will be an important part of liberalizing these services (assuming that financial services are part of the liberalization agenda of these RECs). The EAC Secretariat's financial sector integration to create a single market for financial services is a case in point.<sup>113</sup> Included in the six components for this project are

objectives to harmonize financial laws and regulations in the EAC, and to allow for the mutual recognition of supervisory agencies such that licences to operate in one partner state will be recognized in all other partner states, and enabling cross-regional mobile banking.

Some RECs have a more liberalized environment for financial and telecommunications services than others. While ECOWAS and the EAC score relatively well on trade restrictiveness for these services, COMESA lags behind, and SADC - while scoring well on financial sector restrictiveness - does poorly when it comes to the telecommunications sector. This indicates that different RECs have different priorities, and are at varying levels of services sector integration, which could be a stumbling block in the creation of AfCFTA harmonization. As a result, RECs will have to be encouraged to develop greater harmonization within their regions before major steps can be taken on activities that bind the different RECs together under harmonized laws and regulations.

The financial sector, and the mobile financial services sector in particular, would greatly benefit from a regulatory framework that allows for greater integration of mobile systems, including the facilitation of transactions across borders. Regions such as the EAC already have platforms capable of this, and could serve as an example for the AfCFTA as a whole. Similarly, coordination between members of RECs in the telecommunications sector, through activities such as bandwidth allocation, mutual standards, and complementary data protection laws, will facilitate trade in services in this sector by reducing the burdens on telecoms companies operating across borders.

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<sup>112</sup> "Tigo Tanzania simplifies mobile money services across the East Africa region." 2020. Available at <https://www.africanews.com/2020/04/21/tigo-tanzania-simplifies-mobile-money-services-across-the-east-africa-region/>

## 6.2. The Cultural and Creative Industries VC

Stage 1: Hiring of writers, actors, technicians, & other staff for a movie project



Stage 2: Filming conducted on location in several



Stage 3: Postproduction & editing of the film by



Stage 4: Marketing & promotion of final product to potential consumers across the region



Stage 5 Distribution of final product via an online streaming platform



### 6.2.1. Why Cultural Industries

The UNCTAD classification of cultural and creative industries includes: Traditional cultural expressions, performing arts, audio-visuals, new media, creative services, design, publishing and printed media, visual arts, and cultural sites. In recognition of the importance of cultural and creative industries (CCIs) in achieving the Agenda 2063 objectives of regional integration, inclusive and sustainable economic growth and development, the AU declared 2021 “The AU Year of the Arts, Culture And Heritage: Levers for Building the Africa We Want.”

The cultural and creative industries draw on the vast and diverse cultural heritage of Africa – much of which is currently an under-utilised resource, although its contribution to the African economy is growing in many regions. The Ernst and Young report mapping the global CCI market found that the Africa and Middle East region achieved revenues of \$58bn and created 2.4 million jobs. A lot of the CCI business is conducted in the non – formal sector ( which, from the same report, is estimated to be worth another \$4bn in revenues and half a million more jobs). CCIs in Africa show a higher job to revenue ratio than other regions, indicating that they have a greater potential for employment creation and the AfCFTA could be an important factor in facilitating this growth.

Figure 28: The CCI VC



CCIs have already developed into an important part of many economies in Africa. In South Africa, it was estimated that CCIs contributed around \$5bn (R74 bn) to the national economy in 2018, growing at more than twice the rate of the national economy. The industry also provided more than a million jobs (using a less restrictive criteria than the EY report) across the country and generated \$446.5 million in exports for the year.<sup>114</sup> South African multimedia company Naspers (the largest multimedia company in Africa) provides pay tv channel M-Net, satellite service DSTV, and a new streaming service Showmax to subscribers across sub-Saharan Africa.

### 6.2.2. Services Trade and the CCIs

Trade in CCIs can also fall under trade in goods, with products such as books, magazines, DVDs, and handcrafts. However, services trade is a major part of CCIs, as it covers the movement of performers themselves across borders to give performances, as well as capturing the online streaming of CCI products via platforms such as Netflix.

### 6.2.3. Trade in Services in the Film Industry

In 2016, Nollywood In Nigeria Generated About 2,500 movies a year, making it the second-biggest producer after

<sup>114</sup> South African Cultural Observatory, Mapping the Economic Value of the Creative Industry, (2020), available at:

<https://www.southafricanculturalobservatory.org.za/article/mapping-the-economic-value-of-the-creative-industry>



Bollywood in India.<sup>115</sup> The industry directly and indirectly employs a million people — second only to farming — in Nigeria, pumping \$600 million annually into the national economy. The fact that only 14 years before this, in 2002, it made only 400 movies and \$45 million in contribution to the economy underlines the incredible growth that the industry has undertaken.

The fast turnover time for Nollywood movies synergises well with the explosive growth in streaming services over the last decade. Consumers are able to get more entertainment from the comfort of their own home, increasing the demand for new content, which Nollywood is flexible enough to provide. The streaming market in Africa is not limited to international players like Netflix, African based companies such as Irokotv and Showmax are also present in the market. Irokotv is a web platform that provides paid-for Nigerian films on-demand. It is one of Africa's first mainstream online movie streaming websites, providing access to over 5,000 Nollywood film titles.<sup>116</sup> Showmax is an online subscription video on demand (SVOD) service which launched in South Africa on 19 August 2015 and is now available in over 30 countries in Africa and more than a dozen nations outside the continent. Showmax is already employing a localisation strategy, with a focus on sourcing local content from the countries it has entered.<sup>117</sup>

Trade in services is a major component of the film industry for both inputs and the sale of the final product. Actors and specialists from foreign countries will travel across borders to provide their services to foreign audiences, while entire production teams will travel to shoot on location. Streaming services based in one country selling their product to a consumer based in another country is an example of a mode

1 services export. An example of how trade in services is needed for the modern film industry is shown in the hypothetical value chain above, for a South African streaming company Showmax creating content for its expansion into the West African market. As this example shows, facilitating the trade of the final output (the film or series) will have a knock-on effect on inducing services exports for a variety of upstream activities. These activities include the hiring of actors and specialists from other countries, the hiring of specialist services from experts in other countries (such as special effects or editing), and the movement of the entire project across borders to film on location.

#### Trade in other CCIs and Synergies

Performances in concerts and festivals present additional benefits for other services export industries, such as the hotel and travel industry which accommodate tourists traveling for such events. This impacts the economy at large, with international visitor spending estimated to make up 27.4% of global services exports.<sup>118</sup>

#### 6.2.4. Mode 4 and CCIs

Given the horizontal manner in which Mode 4 offers are scheduled, existing offers provide a lot of insight into what could be available for CCIs when the sector is included. The current horizontal mode 4 offers are shown in the table below

**Table 7: Current AfCFTA Mode 4 Horizontal Commitments**

Country	Horizontal Commitments for Mode 4
Comoros	Temporary stay for the following <ul style="list-style-type: none"> <li>- Business trips</li> <li>- Intra-company Transferees (managers, specialists and officers)</li> <li>- Contract service Providers</li> </ul>
Madagascar	Admission and stay for renewable period of up to one year for <ul style="list-style-type: none"> <li>- Intra company transferees (only for executives and managers)</li> </ul>
DRC	Allows for a work permit for a renewable period of two years for <ul style="list-style-type: none"> <li>- Business visitors for meetings, marketing, and negotiations of agreements for sale of a service or to set up a presence in a field</li> <li>- Contractual service providers</li> <li>- Independent professionals</li> <li>- Employees of foreign service providers (only managers, executives, and specialists)</li> </ul>
Seychelles	Provision made for <ul style="list-style-type: none"> <li>- Business visitors</li> <li>- Intra-corporate transferees (managers, executives, specialists)</li> <li>- Contractual services suppliers</li> <li>- Independent professionals</li> </ul>
Egypt	<ul style="list-style-type: none"> <li>- Business visitors may enter and stay for period of 90 days</li> <li>- Provision allowing for intra-corporate transferees (only senior managers, and specialists). This is subject to multiple requirements</li> </ul>
Eswatini	Provision made for <ul style="list-style-type: none"> <li>- Two years for Intra corporate transferees (managers and specialists)</li> <li>- 90 days for Business visitors</li> </ul>

<sup>115</sup> Norimitsu Onishi, Nigeria's Booming Film Industry Redefines African Life.

<sup>116</sup> Teo Kermeliotis, "Netflix of Africa' brings Nollywood to world," (2012), available at: <https://edition.cnn.com/2012/07/04/business/jason-njoku-iroko-nigeria>

<sup>117</sup> Jan Vermeulen, "ShowMax: we're better than Netflix," (2015), available at <https://mybroadband.co.za/news/broadcasting/135750-showmax-were-better-than-netflix.html>

<sup>118</sup> World Travel & Tourism Council, "Economic Impact Reports," (2020), available at: <https://wtcc.org/Research/Economic-Impact>.

Mauritius	<ul style="list-style-type: none"> <li>- 90 days per every year for Contractual services suppliers</li> </ul> Mode 4 provisions for <ul style="list-style-type: none"> <li>- Business visitors</li> <li>- Intra-corporate transferees (managers, executives, specialists)</li> <li>- Contractual service supplier</li> <li>- Independent professionals</li> </ul>
Namibia	Has the following mode 4 provisions, but with conditions <ul style="list-style-type: none"> <li>- Services salespersons</li> <li>- Intra-corporate transferees (executives, managers, specialists, and professionals)</li> <li>- Persons engaged in establishment of commercial presence</li> </ul>
Zambia	30-day entry for <ul style="list-style-type: none"> <li>- Business visitors</li> <li>- Contractual suppliers</li> <li>- Independent professionals</li> </ul> Two-year employment permits with option for a two-year extension for <ul style="list-style-type: none"> <li>- Intra-corporate transferees (executives, managers, and specialists)</li> </ul>
South Africa	Temporary presence for three-year period allowed for <ul style="list-style-type: none"> <li>- Services salespersons</li> <li>- Intra-corporate transferees (executives, managers, specialists, professionals)</li> <li>- Persons engaged in establishment of commercial presences</li> </ul>

As the table shows, there is a degree of variation in the offers made by the 10 countries. The most popular offers are for business visitors and intra-company transferees. More would need to be done for independent professionals, contractual service suppliers and other categories.

#### 6.2.5. What is Needed to Reach CCIs Full Potential Under the AfCFTA

The two primary benefits for CCIs from AfCFTA will be the extension of horizontal mode 4 commitments for movement of contractual suppliers and independent professionals to CCI industries when these sectors are added to services schedules, and the binding of restrictions on mode 1 provision of services for the radio and television transmission services subsector (which falls into the Communications Services Sector, under audio-visual services).

There is scope for greater openness to be pursued in the radio and television services subsector. As the provision of these services sits on the end of a major CCI value chain, the exemption of this trade should be a key objective for the furthering of CCIs on the continent. Allowing large Africa based streaming services to export their products seamlessly across borders on the continent will provide a larger consumer base and diversify demand for cultural products. This will likely see them fund the production of more African produced films and series, which both resonates with their audience and is cost effective. This will in turn provide resources for upstream stream content creators to grow and improve their offering and will cover everything from actors to producers to sound engineers, creating more service industry jobs.

For the remainder of CCI industries, it is imperative that the Recreational, Cultural, and Sporting Services sector is included in the next round of services negotiations. Individual artists, actors, musicians, painters, and so on, creating in their personal capacity are the backbone of the CCI industry, especially when it comes to younger less well-known individuals just starting out in their career and not in the position to start their own companies in order to qualify as contractual services supplier. Easing the way for these performers to cross borders and integrate themselves into larger regional or continental CCI markets will be a big step towards unlocking the artistic talent that is abundant in Africa. The temporary presence nature of this industry, whereby economic activity is performed across a border in a set location for a limited time before moving on applies both to the individual performers and specialists involved and also often to the equipment involved. Specialised equipment, such as cameras or musical instruments, are often transported across borders without being imported as there is every intention to return them back to the originating State Party upon completion of the project or contract. Provision for this needs to be made in customs laws, not just to ensure that tariffs are not charged but also to ensure that necessary equipment is not held up at customs (this is especially important given the time sensitive nature of CCI initiatives).

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#### About Nick Charalambides

*Nick Charalambides is Director of Regional Integration and Trade at Imani Development International. He has over 20 years’ experience in Africa, the Caribbean, Pacific and Europe, working with COMESA, ECOWAS, the EAC, SADC, SACU, the AU, the EU and the ASEAN Secretariat. He has a doctorate from the Centre for the Study of African Economies, Oxford University, an LLM in International Trade Law from the University of Liverpool, and a Masters in Economics from Queen Mary, University of London. He lives in Cape Town.*



Opportunities for African Made Products & Africa Centric Services

Connecting African Markets through Key Value Chains

Credit: "©hibrida/123RF.COM" Africa



## 7.1. Emerging Policy Implications

The analysis on VCs reveals areas requiring attention to enhance the prospects of the AfCFTA yielding a tariff and services outcome that promotes VC development across Africa. Three main points arise: reciprocity, consistency in offers across all regions, and the importance of services commitments and regulatory support.

The principle of reciprocity in the AfCFTA means that businesses can only benefit from AfCFTA tariff preferences if their own country or REC has also provided a tariff preference on the same tariff line. Our analysis suggests that the lack of reciprocity will result in lost opportunities for trade within the continent and slow down RVC development. For example, as a result of no offer from ECOWAS on cocoa powder, Côte d'Ivoire and Ghana may forego over \$30 million in exports to Africa, denying chocolate producers access to high quality, lower cost inputs. EAC and SACU treatment of the textiles sector also limits their own exports and the clothing sector VC in general. The automotive VC could also benefit from more opening on particular parts and accessories. It is therefore important to ensure that offers are made and reciprocated for all the various tariff lines, for each VC.

The 'servicification' of manufacturing has meant that almost all RVCs rely heavily on traded services and enabling regulation to operate effectively and develop further. This means that AfCFTA service commitments need to be understood as trade in goods enablers and aligned appropriately with tariff schedules and industrialisation and

manufacturing objectives. In other words, reciprocated tariff preferences on all the relevant input and output tariff lines of a VC are not sufficient to catalyse the formation of a RVC in that specific sector. Trade policy must also look to make services commitments. For example, on the Cocoa and Cocoa Products VC, the first stage of growing the cocoa requires micro finance and crop insurance services and farming extension services. The last stage requires three supporting services: branding and marketing services; packaging services, and cold chain logistics services. Marketing and branding firms registered in South Africa could help grow the market for cocoa and its products on the African continent and supply packaging services to chocolate producing companies in Côte d'Ivoire and Ghana. Without these services being included in the services offers, it is unlikely that the VC will take off effectively.

Consistency also goes beyond Tariff and Services Offers. Complimentary policies need to be in line with the objective of developing RVCs, as evidenced in the case for restricting second hand automotive imports. At a very fundamental level, the approach to trade and investment needs to move away from pursuing narrow national interests to one that looks at opportunities to share capabilities and resources.

## 7.2. Evidence of Practice: Case Stories

We now look at practice on the ground, offering a platform to industry practitioners to tell their stories of how trading in the intra-African market space continues to unfold. The choice of contributors is informed by the content of identified VCs. Each of them is an inspirational leader in their own right. Through their experience, this Report aims to inspire, as well as spotlight additional policy interventions needed to strengthen the capacity of Africa's producers and exporters to maximize utilization of the AfCFTA. We start out with agri-business, profiling Nigeria's Ndidi Nwuneli's experience in food production across Africa. Her AACE Foods company shows what steps are needed to nourish Africa. We then move on to coffee production – a bean that could transform Africa, as it is a major cash crop export for many African countries. In this story, Gloria Katusiime, a Ugandan coffee exporter, chronicles what draws her to this incredible bean that has world demand consistently growing. She tells a compelling story of why the AfCFTA needs to leave the political and policy spaces and land in the farms and markets of Africa's women and men. We then go to Côte d'Ivoire, where MOHA Foods Tiguidanke Camara shares her work in creating Africa's Luxury Food Brands, while bringing along West Africa's women. AfDB's Amel Hamza showcases Fashionomics – a dedicated platform to promote the continent's clothing and jewellery industry – as a gateway to realizing the AfCFTA's textiles and apparel promise.

The role of governments in strengthening readiness is also highlighted, with Rwanda Development Board's CEO Clare Akamanzi presenting insights on strategies and approaches for niche sectors and complementary government action. We then meet Natalie Payida Jabangwe, the Sanlam's Group Digital Executive Officer and the youngest CEO to have run a Mobile Money Enterprise at national scale in Africa. She talks about how to get digital finance to underpin the AfCFTA, building on a successful track record in enhancing inclusivity of women through mobile money platforms. BDO's Senior Consultant, Fortune Kwiringira, narrates a practitioner's experience of how RoOs can help promote VCs in the automotive industry, with the example of Kiira Motors' Kayoola Solar Bus production. Nellie Mutemeri, an Associate Professor at the University of the Witwatersrand, takes us through the mining sector with a unique perspective on how to ensure women get the right dividends. The larger SME market place landscape and their voice is heard through Zakaria Fahim's advocacy for entrepreneurs crossing borders across Africa as a prerequisite for the One African Market. He is the CEO of BDO. We then hear from Efe Ukala, a woman on a mission to ImpactHER. She shares practical experiences of what it will take to make the AfCFTA reach women exporters. Edith Njage of Arielle for Africa gives recommendations for how youth can embrace opportunities in the AfCFTA, while Senior Gender Specialist Nadira Bayat offers some of the first insights into how women can be prioritized in the operationalization of the AfCFTA through a Simplified Trade Regime for Women. We move on to business support institutions, starting with the Federation of West Africa Chambers of Commerce. CEO Aminou Adikari shares the approach they are taking to support regional enterprises to seize the continental market, and we conclude with the CEO of the COMESA Business Council (CBC) Sandra Uwera, who pushes for building from REC advancements upwards.



## A. Unlocking The AfCFTA' s Promise to Nourish Africa: An Agribusiness Perspective – Nndidi Nwuneli



*Nndidi Nwuneli – Founder – ACCE Foods ( Nigeria)*

*...manufacturing Africa's food...*

The emergence of the AfCFTA holds significant promise for SMEs in the African food and agriculture landscape. The prospects of one unified, efficient African food market essentially means new customers and suppliers, bringing considerable revenue growth and profitability for companies; improved nutrition, jobs, and wealth creation for the entire ecosystem; and improved livelihoods for African farmers.

For companies like Nigeria-based [AACE Foods](#), and the many agribusinesses that [Sahel Consulting](#) and [Nourishing Africa](#) support, tapping into the opportunities that a 1.3

billion-mouth market offers has proved elusive. Sadly, the share of intra-African agricultural trade has been consistently below 20 per cent.<sup>119</sup> Unlocking these opportunities will require urgent and collaborative action by governments, regional economic groups, and the private and non-profit sectors to address the logistics bottlenecks, ease registration and regulation barriers, and ensure sustainable market linkages.

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<sup>119</sup> Bouët and Odjo, 2019; AGRA, 2019.

From its inception in 2009, AACE Foods' business model has been rooted in the promise of a transformed African agribusiness landscape. Our mission - to provide nutritious and tasty food products made from the best of West Africa's cereals, grains, herbs, and vegetables - is hinged on a commitment to local sourcing, improving the lives of smallholder farmers, addressing the high rates of malnutrition, and displacing imports. Over the past twelve years, we have also embraced a regional vision to be the preferred provider of food for West Africans, thereby contributing significantly to the improved livelihoods of our farmers and the nutritional status of our people.

Since its inception, AACE Foods has recruited a proudly Nigerian team, with over 50 per cent women and youth. In addition, the team has built a local supply chain as a critical competitive advantage, training SHFs and ensuring that they can meet the company's sourcing standards. To date, the company sources chili, ginger, garlic, turmeric, maize, soybeans, and a range of other products from 10,000 farmers in rural communities across Nigeria. This direct relationship has enabled AACE Foods to build reliable sources of raw materials for its range of products, coupled with clear traceability, which is critical for building trust with local and international customers.

our specifications. All attempts to recover our funds proved futile. Burned by this experience, today AACE only sources small quantities of 'Cameroon Pepper' from informal importers, limiting the amounts that we can process, the level of traceability, and the profitability of the farmers in the supply chain.

While sourcing from Cameroon might have proved a little more difficult given that it was outside the ECOWAS region, even attempts to source chili and yellow maize from Benin have proved problematic. Finding reliable suppliers, navigating the currency barriers between the Nigerian naira and the CFA franc, the high financial transaction costs imposed by local and regional banks, the transportation barriers tied to trucking cartels and informal fees at borders and illegal checkpoints have made trade with our neighbouring country extremely difficult. These experiences illustrate the complexity of the trade of agricultural produce across Africa driven by the following critical factors which must be urgently addressed for the promise of ACFTA to be fulfilled:

- **The high level of fragmentation and information asymmetry in the food and agriculture landscape,** coupled with the dearth of mapping information of



**Products of AACE Foods.**  
*Credit: Ndid Nwuneli*

Attempts to source raw materials from other African countries have proved more difficult. Early in AACE Foods' history, it attempted to source pepper directly from farmers in Cameroon. Though it is widely appreciated across Nigeria and labelled as 'Cameroon Pepper', Cameroonians have many different names for this foodstuff, and potential suppliers can only identify it when they receive physical samples. After sending numerous samples between the two countries, the AACE team finally identified an aggregator, signed a contract, and provided an advance payment in euros to the supplier to deliver this unique pepper. Sadly, the delivery was only partially completed and did not meet

where produce can be sourced, and credible links to cluster or cooperative leaders or agribusinesses who can provide what is required, limit supply chain linkages on the continent. Sadly, more African agribusinesses have an easier time cultivating relationships with suppliers outside the continent than finding local partners. There is an urgent need to ensure a cohesive database of suppliers, with an external accreditation system for sellers and an escrow service for payment, enhancing the confidence of the parties engaged in transactions. Nourishing Africa has been working diligently to close this information asymmetry by providing data, connecting entrepreneurs across countries, and

building trust across the ecosystem. Over the past year, the organization has screened applications from entrepreneurs in 35 African countries, and now has a robust membership base of over 1,500 verified entrepreneurs. Many of these entrepreneurs now trade with each other.

- **The lack of widely accepted names, product, and grading standards limits consistent, high-quality produce** being traded in the system. No database lists traditional names of African produce, their botanical names, standards that adequately describe the crop, and a grading system to ease communication and build trust between suppliers and customers. Standards organizations across Africa, working in collaboration with the RECs, the AU, the AfCFTA Secretariat, and Codex Alimentarius (the joint FAO/WHO Food Standards Programme) should take a lead on consolidating and streamlining an open-source system which outlines food safety and grading standards that will be accepted across Africa.
- **The absence of efficient transportation and cross-border infrastructure increases the cost of transportation of products and delays across borders.** This reality, coupled with inappropriate packaging and a lack of storage infrastructure, leads to high rates of post-harvest losses. Even when transportation routes exist, leveraging formal and informal borders, cartels dominate the trading landscape, controlling pricing and frustrating new entrants. In addition, there are a plethora of illegal customs checks and charges at some road borders, and multiple roadblocks across the region by police and army requiring some form of payment before passage despite the trucks and suppliers having all the legally required documentation. These delays further exacerbate the high rates of losses incurred when transporting produce.

- The average cost to transport a container within West and Central Africa is \$2.43 per kilometre which is 1.5 and 2.2 times the freight rates applied in South Africa and the United States respectively. For land-locked countries, transport costs represent on average 45 per cent of the value of imports and 35 per cent of exports, much higher than the global averages of 5.4 per cent (of imports) and 8.8 per cent (of exports) (tralac, 2016).<sup>120</sup>
- *In Southern Africa, road freight rates for food and commodities are high primarily due to lack of return loads and low levels of competition.*<sup>121</sup>

The AfCFTA's Protocol on Trade in Goods addresses some of these challenges through the inclusion of digitalizing customs procedures, fees and charges, and regulations affecting trade. This Protocol will need to be implemented effectively and efficiently to truly address these transportation barriers.<sup>122</sup>

- **There are inefficient and ineffective payment systems and methods, increasing transaction costs and limiting transparency and accountability throughout the process.** The need to institute a credit bureau and document financial crime infrastructure across countries is critical to restoring trust. As reinforced by AACE Foods' inability to recover lost funds from a supplier in Cameroon, it is imperative that governments work with credit bureaux across Africa to foster transparency and accountability, ensure safeguards and aid recovery efforts. In addition, we must strengthen insurance and the financial services sectors and trade financing instruments to ensure risk management, mitigation and hedging products for traders across the continent. .



**Ndidi Nwuneli and her team at AACE Foods.**  
Credit: Ndidi Nwuneli

<sup>120</sup> <https://www.tralac.org/discussions/article/9364-transportation-costs-and-efficiency-in-west-and-central-africa.html>.

<sup>121</sup> <https://www.tandfonline.com/doi/full/10.1080/0376835X.2018.1456905>.

<sup>122</sup> For TF Annex, see Annex 4, page 9 here: <https://www.tralac.org/documents/resources/african-union/2163-compiled-annexes-to-the-afcfta-agreement-legally-scrubbed-version-signed-16-may-2018/file.html>



AACE Foods has also attempted to build robust distribution channels across Africa, with a few successful attempts to South Africa but also significant losses. The biggest challenges have hinged on three key barriers:

- **Infrastructure challenges:** Nigeria, like most African countries burdened by their colonial histories and the investment in commodity exports, has built its trade routes from farms to the ports and not to processing facilities. The poor feeder roads from rural to urban areas, limited road and rail networks, inefficient ports, and numerous borders further limit regional trade. They have increased the costs of local and regional transportation and also caused long lead times between when orders are placed and when they are received, fostering high rates of spoilage. The poor infrastructure also reduces the cost competitiveness of local products versus imports from outside the continent. Attempts by AACE Foods to sell its products via distributors in landlocked countries like Zambia have proved extremely difficult. The limited shipping and transport logistics routes have meant that products must be sent to Europe first, then to Mombasa, and finally transported by road to Zambia. Sadly, no customer is willing to bear the additional cost of transportation versus alternatives imported from Europe.
- **Limited market linkages:** AACE Foods has struggled to find credible and committed distributors in neighbouring countries willing to stock our products and meet our minimum requirements to allow for economies of scale. This experience is not unique to AACE Foods. Many of the Nourishing Africa hub entrepreneurs have struggled to find new customers in other African markets. They have closer ties to customers in Europe and North America than customers in Africa. Even regional retailers like Shoprite and Massmart have not supported their SME suppliers enough to enter their new markets. Through its membership platform, Nourishing Africa is working diligently to change this reality.
- **There are expensive and cumbersome processes for registering trademarks, obtaining product registration, and food safety licences** with differing requirements and standards for each country.

To truly unlock opportunities for agro- and food SMEs in Africa and enable them to scale and foster strong supply chain and distribution channel relationships, AfCFTA must work with its State Parties, civil society, and non-profit organizations to implement five bold actions:

- **Partner to promote market linkages to ensure efficient and effective supply chains and distribution channels.** This will require a multi-pronged approach, leveraging Chambers of Commerce, VC associations,

and SME hubs to provide an appropriate mapping of the entire ecosystem to accelerate business linkages on the continent. By hosting a virtual First Thursdays online networking event, offering an intensive entrepreneur support programme complete with training and funding support, and directly matchmaking its members, Nourishing Africa is creating a vibrant community of entrepreneurs who trade with each other. There is tremendous potential to scale up this type of engagement. The AfCFTA should partner to scale up such hubs and support entrepreneurs vetted and registered via these hubs, Chambers of Commerce, and established associations to distribute their products across the continent.

- **Partner with local and regional research institutions, the private sector and civil society to foster innovation in new product development, backward integration, and local substitutes to foster regional trade in value-added products (not commodities).** AACE Foods' growing success story as a business-to-business supplier of processed spices and seasonings is linked to our ability to educate local companies about the availability of high-quality alternatives relative to imports. It is imperative that the AfCFTA Secretariat works with key stakeholders in the industry, including Changing Narratives Africa, to rebrand African food, celebrating our local brands and showcasing our comparative and competitive advantage in this ecosystem. VCs such as cocoa, cashew, yam, cassava, sesame, fonio, rooibos, ginger, turmeric, and teff are poised for amplification to enable more trade across Africa and with countries in Europe and North America.
- **Streamline, harmonize and standardize trademark, food safety, and regulatory approval registration processes to ensure that they are cost-efficient, transparent, and easy for SMEs that want to trade across borders.** This will require collaborative agreements between national governments and the RECs to create a seamless process, which ensures that if one product is registered in Nigeria, it can be sold across Africa because other countries have confidence in the systems in Nigeria. It is imperative to develop a shared database and information-sharing system for validating products across regions. This could include introducing and **promoting a 'Proudly African' seal to promote food products that are certified regionally and internationally.**
- **Collaborate with banks, mobile money, and other financial operators to reduce the barriers associated with currency transfers, payments, and transactions across Africa and protect customers who encounter fraudulent partners.** This includes fast-tracking standardized currency across the region (such as the



Eco for West Africa), and working with the leaders of the financial services sector across Africa - including regulators such as Central Banks - to develop, implement and measure the impact of a streamlined and comprehensive trade financing system to ensure efficient, cost-effective and easy processes for trade.

- **Enhance the emergence of efficient logistics systems and the scaling of private sector-led solutions, leveraging innovation and technology to ensure transparency at our borders.** This must be fast-tracked by introducing a comprehensive system of total and complete validation at the borders. For example, by ensuring that after one complete check, a vehicle's movement can no longer be interrupted across established trading routes. In addition, the African private sector must leverage innovative

models similar to the [Kobo360](#) and [Lori Systems](#) to support the growth of the ecosystem.

Finally, we have to **track results actively, adequately capture data on the trends and VCs and products of most interest (as well as our most significant challenges)**, celebrate successes, and document lessons from failures to inspire other agriculture and food ecosystems.

The transformation of the African continent hinges on our collective ability to unlock the vast opportunities in the food and agriculture landscape. Working with SMEs across the food and agriculture landscapes to build sustainable supply chain and distribution channels will enhance the availability, affordability, and accessibility of nutritious food and create jobs and spur long-term economic growth.

#### About Ndidi Nwuneli

*Ndidi Nwuneli is the co-founder and Managing Partner of Sahel Consulting Agriculture & Nutrition Ltd., and Co-founder of AACE Foods. She is the founder of LEAP Africa, Nourishing Africa and Changing Narratives Africa.*

*Ndidi holds an MBA from Harvard Business School and an undergraduate degree with honours from the Wharton School of the University of Pennsylvania. She was a Senior Fellow at the Massavar-Rahmani Center for Business & Government at the Harvard Kennedy School and an Aspen Institute New Voices Fellow.*

*Ndidi was recognized as a Young Global Leader and Schwab Social Innovator by the World Economic Forum and received a National Honour from the Nigerian Government. Ndidi serves on the boards of the Rockefeller Foundation, GAIN, AGRA, Nigerian Breweries Plc. (Heineken), Godrej Consumer Products Ltd. India, Fairfax Africa Holdings Canada, Royal DSM Sustainability Board, Netherlands, and the African Philanthropy Forum.*

*Ndidi is the author of 'Social Innovation in Africa: A Practical Guide for Scaling Impact' and 'Food Entrepreneurs'.*

## B. The Bean That Transforms Communities and Nations: How Agro-Production and Value Addition Can Be Enhanced in Africa's Coffee Chain – Gloria Katusiime



***Gloria Katusiime – Co-CEO, Endiro Coffee (Uganda)***

***... A tree-to-cup coffee business out of Uganda, changing lives at each step of the supply chain...***

Too good to be true? You have most probably heard this phrase used before, but not in connection to intra - African Trade. But this is what comes to mind when I think of the AfCFTA. It sounds like the magic bullet that could make all of Africa's economic development woes go away. But even as I think of that, I immediately reflect on how impractical - even impossible - this agreement seems, and my initial elation is followed by doubt. I will explain why shortly. But first, let me say that this reflection is not about criticizing the AfCFTA. I am sure many of the challenges of operationalizing and seeing its objectives achieved have been discussed in many boardrooms and on many platforms. My work today is to share my personal thoughts, as an executive of an SME, on the opportunities it presents for a business like mine and other similar entrepreneurs, and the roadblocks I see ahead.

But before I go into all of that good stuff, I should share a short introduction of who I am and what I do.

One of my fondest memories is of me as a young girl, about seven years old, sipping coffee with my grandfather. My grandfather was larger than life: toughened by years of work on a farm which he successfully ran and managed. When he returned home from a hard day of work at the farm, we the children would scurry off somewhere far from him, usually to the smoky warm kitchen to watch my grandmother prepare the evening meal.

Every morning before my grandfather left the house for the day, he would single me out from the more than 10 children in the household, pull up a stool for me to sit next to him, and the magic of making me a cup of coffee would begin. The aroma of the coffee as he made us both cups most mornings was the highlight of my day. More than the delicious taste, in that moment, my grandfather was not one to be feared, he was human, generous, and was creating a space to share his special morning brew with me.



Even though Uganda is not predominantly a coffee drinking country (tea is more common here), the seed for this wonderful tree had been planted in me, and several years later, unexpectedly and even surprisingly, I found myself - a journalist by training - starting a coffee business. Thank you *shwenkulu* (grandfather) for planting that seed and letting me experience not just a great-tasting beverage, but a shared moment of interaction and bonding.

Today we own a total of 11 coffee shop locations in Uganda and the United States of America, and we plan to expand. Our vision as a company is to create that experience many times over, and to be a company that partners with others to end child vulnerability. While it is true that universal developmental realities make a certain amount of

vulnerability inherent to all children, what we have in mind here is more specific to situations in which children are especially 'at-risk'. The United Nations has used the phrase 'children of concern'. We are guided in our understanding of what it means to end 'child vulnerability' by many powerful documents, resources and statements. We aim to work globally through the utilization of coffee and its related products, profits, services and spaces. We are a tree-to-cup coffee business committed to changing lives at every step of our supply chain. We serve specialty beverages at our shops and partner with more than 250 farmers to source our beans.



**SHFs From Whom Endiro Coffee Sources**  
Credit: Gloria Katusiime

We have the audacious goal of growing and becoming the biggest coffee brand in Africa, one coffee bean at a time. Which is why the AfCFTA excited me when I first heard of it. The dream and goal of growing a local Ugandan coffee brand to become an African household name seemed possible through this initiative. Removing tax and tariff barriers for more than 90 per cent of applicable tariff lines

and opening markets in a series of services and allowing them to move unhindered without the red tape seemed like a game-changer. Reducing costs and growing sales is what all businesses want. The 1.3 billion-person market that Africa represents will mean growth in that revenue; removing tax barriers would result in savings, therefore increasing my business's bottom-line. What's not to love about that? But this is where the reality check comes in.

As an SME, these are the barriers and possible solutions I see to taking our delicious coffee product from Uganda to the rest of Africa.

1. **Global and fluctuating coffee prices** which don't adequately and fairly value the input and labour of the coffee producer. Because of these changing prices, and because most coffee producing countries in Africa (excluding Ethiopia) still largely depend on the western export market for their coffee sales, most countries are forced to sell their coffee at incredibly low prices that are determined by the international futures trading market. With a small but growing local consumer base and little value addition to the product, producer economies find it incredibly difficult to trade and compete at the levels that are possible with a thriving local and regional market.

To address this barrier, Africans must begin to love and consume their own products. It is very disheartening that coffee leaves Africa as a raw material and returns to Africa processed as instant coffee: the worst way to drink coffee, because instant coffee is usually made from the lowest grade of coffee. We sell the best and get the worst resold back to us. No wonder coffee is not commonly consumed in Africa, because of quality issues. When quality *is* achieved, then the affordability of the product comes into play. A 250g retail bag of good quality coffee costs anywhere from \$3-5, and with an estimated 38 per cent of the population in Uganda earning about \$1.90 a day, that doesn't give most people an opportunity to buy and enjoy good quality coffee. More must be done regarding addressing the reasons we don't consume our own products (not just coffee). Usually, the challenges are around quality and pricing, and perhaps when some of these challenges have been addressed - for example paying fair prices, which increases income and spending power, in so doing driving up demand for quality products - the opportunity to trade locally and beyond our borders will become a reality.

2. **High inland transport costs.** Businesses are always looking to save money to improve their bottom line. I was recently talking to a friend of mine who lives in Germany about exporting Ugandan coffee to the German market. One of the potential clients was a Nigerian entrepreneur who was buying coffee from Germany and sending it to Nigeria. I wondered about this, since she could easily have access to coffee in Africa at a lower price than what she was getting it at in Germany. But when I thought about it further, I realized that it was indeed cheaper for her to buy Ugandan coffee from Germany and fly it to Nigeria! The cost of moving coffee from Uganda to Nigeria, although cheaper at source, becomes more expensive and less profitable for her because of the transport costs. The high costs of freight within Africa make

trading expensive. The high costs of fuel and the poor road infrastructure all make transport expensive, thereby increasing product mark-ups so that it's uncompetitive compared to other imported products when all costs are added excluding taxes.

3. **Infrastructure.** Whilst some countries are ahead of others regarding rail and road transport, it is paramount that countries that have ratified the AfCFTA build their infrastructure to reduce this operating cost of doing business across the continent. As most of the farmers that engage in coffee production are in the rural areas, access to feeder roads is particularly challenging. In addition, other supportive infrastructure - like the capacity to dry, roast and upgrade the product - also remain a challenge, as a major percentage is consumed with these costs, making it impracticable to make a sustained profit within the country, let alone tackle the enormous barriers involved in trade across borders.
4. **The costs of operating and doing business in foreign countries.** Coupled with high transport costs are other operating costs that SMEs like mine are anxious about. I have had the opportunity to open a business in the USA, and to be honest, it's a miracle that the business exists. It 'closed' so many times before we ever opened for business. So many unexpected costs, tight regulations, lack of access to finance, and high labour costs are among the many reasons we almost never opened. The budget kept growing from our initial \$40,000 start-up cost to over \$300,000. The USA is clear on how one can open a business. You often do not even need to meet a person, as most transactions are done online. The efficiency of their systems would suggest that starting or conducting a business in the US would be a walk in the park, but that was not my experience. With this experience in mind, I am anxious about all the hidden and unknown costs of doing business in Africa. We should not ignore that to get things begun or completed will usually take an under-the-table fee, and there is no telling how many people one must pay before one gets their product to market. This, plus unclear or undocumented policies and procedures of operating are a herculean feat that even the most courageous of entrepreneurs will struggle to achieve. Resolving this challenge requires investment in digitalization of business support and registration processes so that one knows what the conditions of licensing are, and that there is a level of certainty and predictability to accompany this.
5. **Language is another barrier that comes to mind.** There are an estimated 2,000 languages spoken in Africa. Communicating in some parts of my own country can be hard because of the different ethnic languages spoken. I struggle oftentimes to communicate with our farmers who speak a local



dialect different from mine, but we have made it work. When I think of the many local ethnic languages, coupled with 29 countries in Africa where French is spoken, (I am from East Africa where English is spoken) I am nervous to think about how the language barrier would affect understanding, trust, marketing and sales. We all know that language is connection. Whilst there are ways to get around this through translators and finding partners who can speak English in my case, the cost of doing business in a country where communication is a barrier is one that needs further scrutiny.

6. **The language barrier also reveals her sister: tribalism - and in its worst form, xenophobia close behind.** I know that many countries have made huge strides and are working towards more inclusiveness and diversity in their nations, but the ugly face of xenophobia has been known to arrive and cause trouble and obstruct progress. We all know stories and examples of businesses that have been targeted by locals when the business is known to be owned by a foreigner.



**Endiro Merchandise**  
**Credit: Gloria Katusiime**

We must root for and support one another no matter the nationality. Africa's progress is all our progress. The narrative that has been promoted about Africa will change when we unite and work for the good of all. If the company I work for opened a coffee shop in Senegal or Zimbabwe, that would create employment opportunities for the people in those countries notwithstanding the sales tax and other economic and social benefits to households and the economy. Therefore, maximizing the One African Market requires putting differences aside, and being those Africans that are united about being Africans first.

7. As I bring this reflection to a close, I think of another critical barrier to my goal, the subject and talk of

many SMEs – **access to working capital**. It is not the elephant in the room, but it is still major concern that needs to be discussed - and equitable solutions found - if we are to see SMEs taking part in this trade agreement that promises to change the economic tide in Africa. It is estimated that there is a \$136 billion gap in financing for SMEs. Financial institutions are afraid to lend to small business because they lack confidence in these companies to pay loans back. It is understandable that banks act in this way to manage their risk, but that lack of trust and confidence means that small businesses never get to grow and optimize their potential. Without access to capital, this Agreement will only benefit established large companies, and only continue to grow the financial gap between large and small enterprises. SMEs employ up to 80 per cent of the population in African countries. It only goes to show that something must give if we are to see the change we want. Financial lending institutions must find ways of providing

flexible capital through reduced interest payments and long repayment schedules to give the business time and opportunities to grow without financial pressure. Larger financial institutions can find ways to de-risk small business debt by acting as guarantors or identifying other innovative ways to capitalize SMEs.

8. The finance trade flow and the issue of **payment** is one that has also made its rounds in this conversation, with a solution yet to be found. But with the ever-increasing new innovations in the FinTech sector, I believe that this is a risk that can be mitigated through Pan-African banks and using instruments like the standby letter of credit, a legal document that guarantees a bank's commitment of payment to a seller if the buyer defaults on the agreement. A standby letter of credit helps facilitate international trade between companies that don't know each other and have different laws and regulations.

So, I end with where I started, with a question: is this too good to be true? All good things come at a price and there is indeed a lot of hard work to be done as the architects of the AfCFTA work with the public and private sector to

address some of these challenges. With the goodwill and support of all Africans, we have a chance. We are usually our own worst enemy: self-sabotaging our own growth and development. But herein lies an opportunity for the brave. Those who will take the challenges in their stride and strive to make this work - I hope to be one of those brave ones!

#### **About Gloria Katusiime**

*Gloria Katusiime is the Co-CEO of Endiro Coffee. "My motivation is to see the lives of young people transformed. Everything we do is for that end." Endiro Coffee is a tree-to-cup coffee enterprise established in 2011 with an aim to end child vulnerability through the utilization of coffee and its related products, profits, service, and spaces. As of 2021, Endiro consists of ten store locations in Kampala and Eastern Uganda, as well as a coffee shop and roastery located in the Chicago area (USA).*

### C. Growing Luxury AfCFTA Brands Through Africa's Food – H. E. Tiguidanke Camara



**H.E. Tiguidanké Camara – CEO, Tigui Holding (Guinea)**

***... Africa should be able to develop a luxury brand which can compete with other global brands in the near future. At MOHA, we are luxury made in Africa...***

Youth and women are the most impacted by inequality, yet they represent Africa's most significant force to advance both economic growth and sustainable development. Unleashing the creative energy of young Africans and women by nurturing their aspirations, promoting their access to opportunities, resources, and giving them a chance to become active citizens, or entrepreneurs, is the next challenge that I will conquer through my business ventures at Tigui Holding.

Across Africa, specifically in Guinea, Ghana and Côte d'Ivoire, I am implementing numerous initiatives to encourage economic development, environmental protection, and social cohesion. I invest in local content, continuously giving youth and women platforms to earn a decent and reliable form of income and to support their families. In my enterprises, I focus on the 70 per cent of rural women in the informal sector, by giving them opportunities, structure, and training - but most of all, a sense of pride in reaching economic freedom.

My investments are in mining (Tigui Mining Group), agriculture (Agromine), real estate and infrastructure (MOHA Houses & Boutiques), textile, fashion design (Foudis) and cosmetics (Danké1975). I believe in strict professional ethics, enforce high standards of corporate governance, and invest in the growth of my employees - strongly believing that business growth must correlate with employee satisfaction, corporate responsibility, and transparency. All of these activities allow us to create jobs and incomes.

Sustainability is at the core of my businesses, and the Tigui Foundation, as a non-profit organization, is dedicated to improving the livelihoods of communities in West Africa, with an emphasis on empowering and educating women and youth.

As a member of UNDP's African Influencers for Development - a group of Africans leading home-grown African MNCs and CEOs who have come together to provide private sector leadership for Africa's integration and transformation - I fully subscribe to the ideals of the AfCFTA. I look back with a sense of responsibility, at that time in 2018 in Kigali, when I participated as a panellist during the signature of the AfCFTA. Because of this commitment, I have dedicated my time to pivoting some of my production lines for the African market.



**MOHA Foods Products**  
Credit: H.E. Tiguidanké Camara

population, which has given rise to an ever-expanding affluent class that underpins the growing demand for luxury goods. Africa's luxury sector, including cars, clothing and accessories, watches, private jets, yachts and hotels generated approximately \$6.1bn in revenue in 2018. This is expected to increase, with Africa currently the world's second-fastest growing region for the consumption of luxury goods, trailing only the Middle East.

With growing middle and even wealthy classes across Africa, we anticipate an attendant increase in demand for luxury brands. If luxury brands are to take root on the continent, they must appeal to the millennial generation, who have a vastly different set of tastes than their forebears. Social media is the primary driver of consumption, offering markets for products that highlight the lifestyle of internationally successful individuals steeped in entrepreneurial success.

MOHA is a lifestyle luxury brand running a range of products: food, clothing, textiles, cosmetics, concierge services, private jets, real estate, and chains of boutique hotels. It is working to bring new customers into luxury goods that are Made in Africa. MOHA supports local entrepreneurship, promoting food products that come directly from our agricultural fields located in the towns of Dabou and Bouaflé in Côte d'Ivoire. It promotes local supply and consumption of finished products, and through its procurement actions, guarantees an inflow of resources for SMEs, women's cooperatives and experienced young people.



Credit: H.E. Tiguidanké Camara

The Luxury Goods Market – Made in Africa for a rising middle class of the young and affluent.

The January 2020 edition of The African Business magazine noted Africa's robust economic growth and booming



## Produits organiques de Luxe, Made in Africa.

La durabilité communautaire est la base de notre business !

Une filiale de **TIGUI HOLDING**  
MOHA | +225 0709961401 | thagriculture@gmail.com

MOHA

**Credit: H.E. Tiguidanké Camara**

Africa's production of luxury brands competes with preferences for established foreign brands, often backed up by more extensive marketing clout. Another challenge is the difficulty associated with mass-producing African luxury brands at the scale of globally competitive brands. Most African luxury goods are produced by small-scale artisanal designers. European and North American luxury firms have the advantage of being able to link to global supply chains, thanks to low import tariffs and preferential bilateral or multilateral trade agreements. This is why the AfCFTA is important, because it will create a better chance to trade more within Africa. Africa should be able to develop a luxury brand which can compete with other global brands in the near future, and MOHA is framed in that mindset.

### Ensuring Women Lead the Way

#### Our Suppliers

We source our cashew nuts products from local farmers in Guinea Bissau, Guinea and the cashew nut snacks from companies such as Crunchy Nuts in Côte d'Ivoire. The spices are derived from products harvested from our fields and supplied by women's cooperatives.

**The Kasbah of Sidi Mokhtar Carpets**, 70km from Essaouira en route to Marrakech, is a women's cooperative that specializes in carpets. This cooperative presents carpets handmade by the women of the village, who weave MOHA's handmade carpets in Morocco.

**The Arganomade Cooperative for Argan Oil** products is located in the region of Onagha, a village on the way from

In the production of our luxury goods, we conduct business with seven SMEs, two cooperatives, and 13 individuals in the informal sector, and local farmers ranging from countries such as Côte d'Ivoire, Guinea, Guinea Bissau, Ghana, Ethiopia and Morocco. These provide us with finished products such as snacks, chocolates, juices, dairies, meats, and also raw products for our own transformation like oils, butter and cereals just to name a few. Our products are organic fresh foods and promote a healthy diet for Africans.



**H.E. Tiguidanké Camara at work sourcing products from women businesses in Bassam, Bouaflé and Adjamé, in Côte d'Ivoire**

**Credit: H.E. Tiguidanké Camara**

Essaouira to Marrakech. They supply us with all of our glycerin and argan oil soaps.

**Cooperative Rose Kelaat Megona** in Morocco provides us with all of our rose-related products, oils (argan and olive oils), herbs and spices.

These collaborations demonstrate Tigui Holding's ethos in contributing to the AfCFTA goals of promoting intra-African trade and uplifting small companies and groups of women and youth cooperatives.

One of our women producers/collaborators is a young lady in Ghana - Ms. Ayishetu Ibrahim, owner of Kuyoma Delight Home Dish, and Kuyoma Bissap. She produces MOHA's organic *bissap* (roselle) juice. Her testimonial is below:

My name is Ayishetu Ibrahim, owner of Kuyoma Delight Home Dish and Kuyoma Bissap. Bissap has become very popular due to its flavour, taste and nutritional values. We at Kuyoma Bissap are committed to providing our customers with the finest beverage. Our hallmark is quality and consistency; our products are processed with all-natural ingredients, including hibiscus leaves, ginger, *hwentia* (grains of Selim), *prekese* (Aidan fruit), cloves, and *fomwisa* (grains of paradise), mixed with three natural flavours of pineapple, mint leaves and lemon. All healthy, organic foods. Export growth is a necessary objective for every business venture that plans to expand. Kuyoma Bissap is excited to be part of this great experience. This cross-border trade will expand the market and my business, by employing more women staff and paying them well. This we believe will empower them, as they will also acquire new skills. In terms of the economy, our international trade will help to bring in needed foreign exchange in the country. This way, I will be contributing in my own small way to the economic development of the country. As an individual, I will also be benefiting by being self-empowered, and creating job opportunities for others. This is another way of helping my country by reducing the high youth unemployment level in the country, which is one of our major challenges. Through this partnership, my business will be able to provide employment to others, especially women in my community. The farmers who are producing our raw materials will benefit immensely, since increased *bissap* production will increase demand for their products. Most of the farmers are women, who stand to benefit financially from the good prices for their produce.

Covid-19 has created numerous challenges for companies. Supply chain breakages from pandemic-related lockdowns have created disruption. Slower shipments, customs duties



and fees related to import and export are major constraints. Business as we knew it has changed tremendously. Companies have had to adopt new strategies, with a big focus on technology. At Tigui Holding, we have integrated more technology in our communications, workspaces, and even production.

Africa's agriculture and food market is projected to more than triple, reaching \$1 trillion by 2030. Currently, Africa is a net importer of agricultural products, creating vulnerability to disruptions in international logistics and distribution, resulting in food shortages and high prices.

Africa's private sector working under the AfCFTA can change this situation, especially if governments build buyer-supplier networks, connecting SMEs and SHFs to buyers locally and regionally, and identifying opportunities for engaging them in RVCs. There will also be need for capacity-building to meet food safety and labelling requirements, as well as investments in infrastructure such as telecommunications, road networks, and quality market information.

**H.E. Tiguidanké Camara**  
Credit: H.E. Tiguidanké Camara



### About Tiguidanké Camara

*H.E. Tiguidanké Camara is the CEO of Tigui Holdings. A leading player in private sector development, Ms. Camara's ventures - spanning mining, agriculture, hotels, transport and fashion - are working to transform Africa and to create opportunities for women and youth. She is also a member of the UNDP African Influencers for Development.*

## D. Fashionomics: Creating the Platforms for Africa's Creative Talent – Amel Hamza



**Amel Hamza – Division Manager, Fashionomics (AfDB)**  
*... Dress up Africa – A Made in Africa Clothing Revolution...*

The AfDB Group has identified the cultural and creative industries, notably the fashion industry, as a high-growth emerging sector with significant potential for job creation and economic diversification for African economies and their people.

The cultural and creatives industries are some of the fastest-growing industries on the continent.

The value of the global fashion industry is around \$2.4 trillion, with an annual growth of 5.5 per cent according to McKinsey. In terms of market share, the African market is the smallest in the global fashion industry.<sup>123</sup> However, demand for African textiles and garments is increasing globally. In recent years, there has been a growing interest in Africa's traditions, whether it is the vibrancy of its various cultural identities or the high-quality of the African *savoir-faire* and local know-how, especially in the fashion industry worth \$31 billion in the Sub-Saharan region.<sup>124</sup> This industry

is a highly profitable one and provides a unique opportunity for African countries to tell their own stories and collectively project their continental identity and culture with pride.

<sup>123</sup> <https://capitalcounselor.com/fashion-industry-statistics/>

<sup>124</sup> [https://www.afdb.org/fileadmin/uploads/afdb/Documents/Generic-Documents/Final\\_Report\\_AFDB\\_Fashionomics -](https://www.afdb.org/fileadmin/uploads/afdb/Documents/Generic-Documents/Final_Report_AFDB_Fashionomics_-_)

[Investing in the African Creative Industries for the Continent's Inclusive Growth.pdf](#)



MSMEs populate Africa's fashion industry, yet their growth has been hampered by a lack of capital. Investors are increasingly recognizing the potential of the African fashion sector and estimate it to become a \$15.5 billion industry in the next five years<sup>125</sup> as personal incomes increase, and the continent's middle class grows.

In recognition of these trends and opportunities, the Bank launched the **Fashionomics Africa Initiative** in 2015. With Fashionomics Africa, the Bank assumes leadership in promoting investments, increasing access to finance and markets for entrepreneurs, whilst incubating and accelerating start-ups in the textile and clothing sector. Through the initiative, the Bank is building a Community of Practice around local and international fashion networks, encouraging partners to come on board and provide services such as capacity-building opportunities through the Fashionomics Africa [Masterclasses](#) and [webinars](#), mentoring and coaching services, access to finance, access to markets and market intelligence.

Fashionomics Africa supports African entrepreneurs and MSMEs to source and produce locally with African artisans, and stimulate job creation on the continent with a strong focus on sustainability. Since inception, the Bank has adopted a partnership approach to implement Fashionomics Africa. It has forged strategic partnerships with various public and private sector stakeholders such as the African Export-Import Bank (Afreximbank), Trade and Development Bank, the United Nations Environment Programme, Google Africa, Facebook, the International Trade Centre's Ethical Fashion and SheTrades Initiatives, Parsons School of Design, DHL Express, various African fashion councils, African fashion press relations agencies, commercial banks, angel and impact investors networks, and more.

As part of the programme and its strategy to promote intra-African trade, the Bank has launched the [Fashionomics Africa Digital Marketplace](#) and Mobile Application <sup>126</sup> (available both on [IOS](#) and [Android](#)), a one-stop shop for the industry that showcases the most exclusive high-end Made-in-Africa creations and connects African designers with consumers, mentors and investors around the world. Additionally, the Fashionomics Africa Digital Marketplace aims to generate relevant data about the industry and its players. The objective is to develop a pipeline of viable MSMEs in order to support commercial banks and potential investors to have a better understanding of their businesses. This will reduce the perception of risks by banks and financiers and facilitate greater access to capital for fashion entrepreneurs. Market information will increase transparency and encourage investors to lend to the sector, and data will increase the credibility of the underlying business plans of fashion

entrepreneurs who are trying to mobilize funds to scale up their operations.

### **The AfCFTA: Opportunities for the Fashion Industry**

With the AfCFTA, Africa is beginning a new chapter in its history. This pioneering agreement offers many opportunities, particularly for the fashion sector, with women and youth at the heart of this change. The Bank is fully involved in making this historical milestone a reality, and is providing financial support to the AU in setting up and operationalizing the AfCFTA Secretariat.

Both RVCs and GVCs offer new opportunities for structural transformation in Africa: instead of industrializing from the bottom up and building up all the sectors required to compete in international markets, African countries can integrate into RVCs and GVCs at a particular stage by providing specific skills or products. This opens up new and quicker routes for development, for instance, for garment-producing countries such as Egypt, Ethiopia, Kenya, Lesotho, Madagascar, Mauritius, Morocco, South Africa and Tunisia. The combination of digital transformation and free trade has the potential to propel the African creative scene to new heights on the international stage. This is why the Bank created the Fashionomics Africa Digital Marketplace to promote E-commerce and allow African fashion entrepreneurs to sell their products online, which has already commenced.

Despite this positive outlook, the reality remains that the expansion of the African fashion industry requires public and private investment at national and regional levels to build the capacity and technical skills of fashion entrepreneurs.

### **Access to Finance: A Must for the African Fashion Industry to Expand Regionally and Globally**

The fashion industry is poorly served when it comes to access to finance. Limited access to finance remains a major impediment that MSMEs face in Africa, where the majority of these enterprises operate in the informal economy.

Many African fashion entrepreneurs are extremely talented, but struggle to run and develop a viable business model to grow their brands. Financiers view the fashion industry as unstructured, disorganized, and often lacking the history and collateral required to access funding. According to a Fashionomics Africa survey,<sup>127</sup> 42 per cent financed their brand with their own funds, while 22 per cent borrowed from family or friends. None of the respondents received a loan from a financial institution.

Traditional financing channels such as lines of credit need to be complemented by impact investment approaches that

<sup>125</sup> <https://venturesafrica.com/fashionable-business-deola-sagoe-leading-africa-towards-15bn/>

<sup>126</sup> In partnership with DHL as logistics partner to reduce transportation costs for the beneficiaries:

["African Development Bank's Fashionomics Africa launches "game changing" digital marketplace for the continent's fashion creators"](#).

<sup>127</sup> 216 fashion entrepreneurs surveyed.



leverage professional fund managers. Simultaneously, technological innovations - most notably E-commerce and digital tools - must continue to expand. The development of appropriate training programmes is also essential at all levels to build viable fashion businesses and qualify for funding.

The Covid-19 crisis has revived the debate on the financing of this sector. There is interest from industry practitioners in all sub-sectors of the cultural and creative industries for a coordinated response tailored to entrepreneurs. The crisis provides an opportunity to set up targeted support mechanisms and develop new and innovative financial tools for the textile, apparel and accessories industry that will not only help the entrepreneurs make it through, but build a foundation for them to grow their businesses going forward.

## Conclusion

The potential in the African fashion industry remains largely untapped, requiring development and support in order to establish African fashion culture as a vehicle for sustainable and human-centred development, whilst promoting ethical sourcing. There is the need to harness the opportunities and challenges posed by the 4IR, enhancing automation and digitalization in industrial production, working with global and African-led firms to support the development of local content, and creating jobs. The sector must develop its potential for revenue and job creation - this creates the foundation for a more sustainable and faster structural transformation of African economies.

### Annex – Fashionomics Africa Testimonials

Francis Mangeni, Head of Trade Promotion and Programmes, AfCFTA

“Initiatives like Fashionomics Africa and the textile sector really help to promote this culture and identity as Africans. We are trying to create the Africa we want, which is free, prosperous, integrated and effective. But to create the Africa we want, we need the Africans we want, so we need to feel good about ourselves, and I think the way we dress and the way we feel is extremely important in this regard.”

Hennie Heymans – CEO of DHL Express Sub-Saharan Africa

“Through our collaboration with Fashionomics Africa, we are delighted to offer an innovative programme specifically designed to help fashion designers understand the economic potential of international trade and the subsequent benefits to their businesses.”

Ann McCreath – Founder of KikoRomeo, Fashionomics Africa Masterclass in Kenya 2020

“I think the Fashionomics Africa Masterclass is a much-needed platform for everyone in fashion across Africa. At a time when governments are committed to inter-African free trade, we need to move ahead to dress the continent as well as our local markets. West Africa is strong on textiles, East Africa on formalized garment manufacturing. Together we can do it!”

Olivia Okinyi – Co Founder of Pine Kazi, Winner of Fashionomics Africa’s first online contest 2021

“Pine Kazi is greatly humbled to be the winner of the first Fashionomics Africa contest in Africa. This is indeed an honour to the Kenyan people and the African continent at large.”

To the question *“In what are you investing your financial reward from the contest?”* Pine Kazi “will invest the financial reward into developing production machinery which will help us automate our production process.”

Wakiuru Njuguna – Investment Manager at HEVA Fund, Fashionomics Africa Masterclass in Kenya 2020

“The Fashionomics Africa platform offers an approach that allows businesses to interact with the external factors that directly influence the success of their businesses – which is wonderful because it’s like a one stop shop for fashion designers.”

Brendan McCarthy – Co-Director of the undergraduate ‘Fashion Design Program’ at Parsons School of Design

“The Fashionomics Africa platform is helping to develop collaborative strategies to educate the entrepreneurs of tomorrow. Design and textile innovation can drive technological innovation and economic development, and that sort of sensibility is probably unique in Fashionomics Africa.”

Mojolaoluwa Aderemi-Makinde – Head of Brand and reputation at Google Sub-Saharan Africa

“At Google, we want to keep the creatives doing what they do best, and then bring in the power of technology to help them navigate through digital transformation. We have been working with Fashionomics Africa for a couple years now, and this has been a very interesting partnership because we want to help entrepreneurs navigate digital transformation and be able to attract the customers that they need to grow their businesses.”

Mahlet Afework – Founder of MAFI MAFI, Fashionomics Africa Pop-up Market, Global Gender Summit Kigali 2019

“The Fashionomics Africa concept is really helpful in so many ways: to learn, to connect and also to make sales. The pop-up market has been really helpful for me as an Ethiopian designer. Going out, especially in Africa, and having this kind of experience, meeting all these amazing African entrepreneurs and also people from different industries is just a whole new experience for me. I never looked at Africa as a market, so this event opened my eyes and gave my life a whole new experience.”

Safiétou Seck, Founder of SARAYAA, Fashionomics Africa Pop-up Market, Global Gender Summit Kigali 2019

“As a fashion designer, the Fashionomics Africa programme will give me much more visibility and credibility, because all these banks, all these financial institutions, which I don’t want to say ‘rejected us’, but that didn’t want to support us until now, will see that for a big organization like that to support women and fashion, there must be potential. It will be good in terms of visibility, credibility, but most of all, it will allow to build bridges that haven’t been there before.”

Margaux Rusita, Founder, Owner and Chief Designer at Margaux Wong

“We, the designers and the Fashionomics Africa initiative, are the ones who have the power to drive the industry. Our future and our destinies are in our hand. We have the skills, the know-how, the dream and the vision.”

Ashley Okwuosa, Contributor, The Business of Fashion

“Building communities where designers or individuals can come and connect is just wonderful, and I think that’s what Fashionomics Africa is doing.”

#### **About Amel Hamza**

*Amel Hamza is Division Manager in charge of Fashionomics at AfDB.*

## E. How Can Governments Position to Win the One African Market? A Story from Rwanda – Clare Akamanzi



**Clare Akamanzi – CEO, Rwanda Development Board**

*... Agroprocessing, manufacturing and services (tourism and ICTs) have been identified as priority sectors for Rwanda...*

The government of Rwanda gives particular consideration to women and youth because of their significant contribution to the country's development journey. Rwanda has a young population; over 50 per cent are under 20 years of age. Therefore, women and youth are a vital force in spurring Rwanda's economic growth. According to the 2018 Labour Force Survey, women account for close to 44.8 per cent of the country's labour force.

Rwanda is a global leader in championing women empowerment and gender equality. Today, 61 per cent of Parliamentarians in Rwanda are women, while 55 per cent

of Cabinet Members are also women. The same trend is reflected in the private sector.

In its aspiration to achieve upper-middle-income status by 2035, the Government of Rwanda laid out ambitious economic goals under the National Strategy for Transformation (NST1). Several pertain to industrial policy, including: creating over 200,000 jobs annually to promote development, establishing Rwanda as a globally competitive knowledge-based economy, promoting industrialization, and shifting the export base to high-value goods and services. However, these goals require an equally bold strategy to boost inclusive growth that further generates jobs and improves welfare for the Rwandan people, particularly women and youth

### **AfCFTA: What Is in It for Women and Youth?**

The AfCFTA can make a lasting impact on the lives of ordinary citizens across the continent by facilitating job creation and greater business competitiveness. The Government of Rwanda is fully committed to the AfCFTA for its critical role in advancing continental integration aspirations, and its capacity to deliver pathways to an empowered and prosperous Africa.

The AfCFTA presents Rwandan businesses with an excellent opportunity to implement forward-looking business decisions that maximize the benefits from the AfCFTA and integrate seamlessly with RVCs and GVCs. Specifically, it will enable women and youth to overcome market entry barriers commonly experienced by SMEs, such as access to finance, corruption, gender discrimination and production challenges, among others.

Additionally, lower tariffs through the AfCFTA will lead to greater opportunities for outward expansion of businesses, which women and youth can avail themselves of. Youth will have increased employment opportunities with expanded markets and easier labour mobility.

The AfCFTA will also help leaders in coordinating and collaborating on a continent-wide response to the various challenges presented by the Covid-19 pandemic or a future global crisis. Furthermore, it will create exciting opportunities for diversification for all the region's economies, and greater opportunities for Eastern Africa firms to export. The region will earn an extra \$1.1 billion on the strength of higher exports of processed food, textiles, clothing and light manufacturing (UNECA 2020).

#### **Maximizing Opportunities in the AfCFTA**

Trade plays a vital role in driving the economic empowerment of women and youth. Therefore, the World Trade Organization (WTO) encourages building a more inclusive trading system that will allow more women and youth to participate in trade and reap the economic benefits of regional and global trading.

Women in Rwanda and East Africa are actively involved in both informal and formal cross-border trading. The informal cross-border trade has discrete gender impacts: in major cross-border posts within East Africa, women account for a high percentage of informal traders.

This female-intensive sector has broad poverty and development ramifications. It constitutes a vital source of employment and livelihood for the poor, particularly for low-income and low-skilled women in border districts.

Furthermore, if adequately supported, it can generate significant rural non-farm income and become a catalyst for VC creation and support in rural areas. This benefit, in turn,

can lower rural unemployment and slow rural-urban migration while empowering women. Therefore, the AfCFTA offers more opportunities for women involved in this trade by creating new opportunities across trade in goods and services, and committing to a reform process that brings down other barriers to intra-African trade.

With the launch of trading under the AfCFTA in January 2021, expectations are high related to the expanded prospects for women-led business, which will unlock the potential for African women to grow from micro to macro enterprises.

The Agreement Establishing the AfCFTA recognizes the need to build and improve the export capacity of both formal and informal service suppliers, with particular attention to MSMEs in which women and youth actively participate.

#### **Case of Rwanda: Key Interventions Implemented**

Governments are aware that exports and investments play a critical role in the economic development of their economies. Notably, countries and businesses will always have competition in the export markets, and if they don't know what their competitors are doing, they could be missing out on tremendous opportunities.

That is why a competitive analysis is crucial for success as a country and as businesses, particularly in line with the AfCFTA. It brings to bear the tools needed to quickly adapt to any changes in the competitive landscape and potentially capitalize on industry trends that competitors haven't even noticed.

Rwanda needs to analyse the elements of industrial structure, such as competitive and comparative advantages, potential national and regional markets within the AfCFTA, and costs of production and delivery that can lead to competitive pricing over the competition and remove production constraints.

This will involve the identification of potential areas of production for Rwanda, which in turn will look at existing and potential competitive and comparative advantages, VC analysis, supply chain analysis and identification of constraints, securing originating status under the AfCFTA, identification of potential markets in the AfCFTA, and putting in place the necessary, legal, regulatory and standards requirements to allow Rwanda to maximize the opportunities made available under the AfCFTA.

The Rwanda National Institute of Statistics states that the country's exports to Africa have increased by around 50 per cent over the last five years, from ≈\$106 million in 2015 to ≈\$157 million in 2019, before seeing a decline following the Covid-19 outbreak in 2020. More than 70 per cent of Rwanda's total exports to Africa over the last five years have been to DRC.



Rwanda, being among the first signatories of the AfCFTA and also having completed the ratification process, is aware that maximizing the benefits of AfCFTA implies careful identification of market opportunities and the prioritization of sectors and products (goods and services) for value addition.

Specifically, agroprocessing, manufacturing, and services (tourism and ICTs) have been identified as priority sectors for Rwanda. The lesson here is that countries across the continent have to identify market opportunities in the continental market, as well as priority sectors where they can be competitive.

We are conducting trainings and capacity-building for our private sector. So far, more than 100 women-owned businesses were trained on the opportunities under AfCFTA. It was noted that there was a need to build the capacity of the private sector (specifically women and youth) and increase the awareness of exporters about the AfCFTA. National workshops about the AfCFTA have been organized for companies in various sectors, such as agro-processing and manufacturing, to sensitize them to the market opportunities and facilitation available.

We are currently strengthening our partnerships with other African trade promotion organizations to promote trade and investment between countries. For instance, we are jointly organizing business networking events together with GEPA of Ghana and ZimTrade of Zimbabwe. The objective is to share business information, business matchmaking and therefore increase intra-Africa trade. In all of our activities, we make sure that women and youth are represented.

In addition, we do facilitation of exporters through advisory services for access to finance, support for enterprises to acquire certification, and marketing support services through participation in national and international trade fairs. Trade facilitation has also included streamlining international trade procedures like the use of an 'Electronic Single Window' for import and export processes, as well as 'One-stop border posts' for cross-border trade and SME support services. Overall, we facilitate about 300 exporters and potential exporters through our support services. Below is a table of the various stakeholder interventions in Trade Facilitation:

#### Institutional Interventions to Facilitate Trade in Rwanda

Measures to facilitate trade	Responsible institution
Use of Electronic Single Window for clearing of imports and exports	Rwanda Revenue Authority (RRA)-Customs department
Use of One-Stop Border Posts for cross border trade	RRA – Customs department
Facilitation to explore international markets	Rwanda Development Board (RDB)
Business Advisory services	RDB, Business Development Fund
Certification facilitation services	RDB, Rwanda Standards Board
SME support services	RDB, Ministry of Trade and Industry (MINICOM)
Trade information portal	RRA-Customs
Trade policy reforms	MINICOM



Training of SMEs in the Honey / Beekeeping VC (Kigali, 2019)  
**Credit: Clare Akamanzi**

The AfCFTA is an opportunity for women and youth-owned businesses to grow and internationalize. Effective implementation of the AfCFTA should provide a suitable environment in which young entrepreneurs operate and thrive. In addition, more support should be provided to women and the youth through improved services, trade competitiveness and market linkages.

#### **About Clare Akamanzi**

*Ms. Clare Akamanzi is an International Trade and Investment Lawyer, who is currently the CEO of the Rwanda Development Board and a Cabinet Member. She has served the Government of Rwanda in several senior positions for the last 15 years.*

*Ms. Akamanzi is a Harvard Kennedy School MPA alum, and also holds an LLM (International Trade and Investment) from the University of Pretoria, South Africa.*

*She was a Young Global Leader of the World Economic Forum and was named one of Africa's Top 50 Powerful Women by Forbes in 2020. In early 2020, Ms. Akamanzi was appointed as a Founding Board Member of the World Health Organization Foundation. She was also recently appointed as an advisory board member of the Global Innovation Index.*

## F. Digital: Driving Financial Inclusion for Women and Youth Through MSMEs in the AfCFTA - Natalie Jabangwe



**Natalie Jabangwe – Group Digital Executive Officer, Sanlam**

***... Africa is undeniably growing in one specific domain, much faster than most of the rest of the world: the area of digital financial services...***

By 2050, Africa will account for almost 40 per cent of the world's population, making it the fastest growing continent in the world by demographics. However, at ≈\$4 trillion, Africa's economic dividend makes up only 3 per cent of world GDP. Over a 100-year benchmark, Africa has barely made economic progress – but this can and must change. Africa can compete globally, formalize markets, leverage her human capital, knowledge base and land resources, and catalyse the 4IR to fast-track socioeconomic progress. To accelerate this dream, Africa should leverage the one tool in which it is undeniably growing much faster than most of the rest of the world: digital financial services. According to the 2021 GSMA report, there are already 580 million mobile money wallets in Africa, just over 50 per cent of the number in use globally. Digital financial inclusion in Sub-Saharan Africa is growing at the fastest rate ever recorded in the history of finance.

In order to guarantee the outcomes of the AfCFTA, we need to take into account the 65 per cent of Africa's economic activity that is informal. This economy is based on cash flow, as opposed to balance sheet financing. Catering for what Daryl Collins's *Portfolios of the Poor* calls 'the dollar a day market' will determine whether the AfCFTA reaches Africans in a meaningful way or not. These self-employed, part-time subsistence farmers, traders, maids, tailors, poultry-rearers and agency service providers are the face of Africa's informal sector players. The portfolios of these categories are not burdened by formal income expenses, which tend to include balance sheets like mortgages, and higher value purchase loans whose scoring is usually dependent on one-cycle formal monthly wage incomes. The informal value of the micro finances has not been harnessed into formal deposits, rendering it impossible to leverage these for the One African Market.



A significant part of the informal sector market that is driving Africa's economic growth is MSMEs. The borrowings and savings of this group are mainly for short-term goals, such as daily stock management or product sales. The human capital driving Africa's informal markets is at least 50 per cent female. Measuring women's creditworthiness is difficult, because their eligibility can't be easily and formally traced as in more advanced economies. However, the advent of mobile money transactions in places like Kenya, Tanzania, Uganda and Zimbabwe has revealed the value of these markets, where mobile transactions based on cash flow markets are now accounting for over 50 per cent of those countries' GDP (from informal market activity, conducted primarily by women).

The new vertical of digital financial services progress can be used to measure the contribution of women in Africa's informal economic sector. This financial services revolution did not exist in Africa until two decades ago. In my country, Zimbabwe, financial inclusion was only at 10 per cent in 2011. The traditional set-up of banking across Zimbabwe, like most countries in Africa, meant that masses with lower assets were often limited to the informal sector and could not access bank accounts in order to participate and be measured in the formal finance sector. Existing banking services, which have traditionally been modelled by institutions from Western countries with regulatory approaches that neglect the power of the informal sector, have historically been a barrier for those in the mass low-value economy. Such models have also prioritized men and excluded women. Interestingly though, the digital finance revolution's first and early adopters were women, with at least 60 per cent of agency services across Africa being operated by women, although they are not necessarily the owners of the franchise service businesses.

In this way, digital financial inclusion has started to break the barriers which hinder women. This progress has been spurred by advancements in telecommunications, with the deployment of widespread infrastructure for instant communication, and millions of affordable mobile phones allowing women to be part of the financial sector through mobile wallets.

Innovative digital financial services such as EcoCash in Zimbabwe, which I was specially appointed to lead and build for the last seven years, came from witnessing a similarly disruptive financial services movement in Kenya, where the scalability of telecommunications had been used as an enabler for rolling out widespread financial services through the M-Pesa service. Evolutionary transitions like these can therefore be used as benchmarks to transform other industry verticals like E-commerce and payments, to service high growth-rate MSME sectors so as to make domestic trade much easier – which can also be a lever for cross-border trade.

The important role played by growing MSME sectors in Africa can't go unnoticed. Covid-19 has revealed how fundamental Africa's domestic MSME markets are, given

their role in keeping the continent from being decimated. These MSME markets have created new VCs in supplying PPE, ensuring food security, and meeting the day-to-day local supply chain demands. These MSMEs can be supported to produce more for the continental market.

The spread of mobile money services in Africa is providing a gateway to transformative growth in a range of services: healthcare, education, retail and wholesale commerce, employment and social protection, and bringing more people online - including women, young people, the rural poor and those internally displaced. Women stand to gain even more, as Mckinsey's Gender Parity 2019 Report points to a 10 per cent increase in Africa's GDP by 2025 if women and men play identical roles in labour markets.

To attain the results of the AfCFTA, financing of the 'cash flow' economy is critical, and within that, a prioritization of its highly productive human capital segments: women and young people. Through mobile money platforms, short-term loans can be extended to MSMEs that employ - or those that are run by - women and youth. Further, long-term financing can be harnessed from the continent's pension, private sector, and government funds, through capital market instruments like digital bonds and digital MSME stock exchanges to support pre-order financing and receipt financing, such as the one recently piloted by Zimbabwe's EcoCash as part of a feasibility case study for the UN Secretary General's Digital Financing TaskForce Pathfinder Initiatives Report of February 2020.

Start-ups being driven by young people in Africa require incentivized regulatory and private sector support in order to leverage the AfCFTA. Most of them are looking for ecosystem support and financing to take off, but incumbent private sector firms are not incentivized to support these novel initiatives. Infrastructure investment towards creative and innovation tech hubs is an avenue through which Made in Africa products and services can be produced, paid for, and consumed. According to the September 2021 Africa report, MTN will invest \$500 million in the next 10 years on fibre to reach and connect 10 million homes in Africa. Initiatives of this nature are welcome, as connecting one market will be essential for Africa's trade.

The AfCFTA and its opportunities for cross-border trade are an historic opportunity to leverage Africa's domestic markets and underpin commerce and payments. To implement the AfCFTA, we need to harness technology infrastructure for commerce, the availability of cross-continental interlinked payment platforms, and access to financial savings and investments instruments that can provide a stimulus pathway for those driving Africa's informal sector (privileging both gender and youth demographics).

Africa's continental trade is still limited by manual systems that lead to cross-border delays and weak or inconsistent domestic monetary policies. The case of the standoff between Benin and Nigeria's borders is one example, and is, unfortunately, not unique. Unified and interoperable



electronic trade and payment platforms must be put in place, supported by uniform regulations to facilitate regional buyers and sellers to exchange almost instantly. This would allow countries to have visibility of any illicit flows and manage their risks. It would also promote trust amongst traders, stimulate inclusivity, and cut down on corruption. In domestic markets, mobile money platforms have now linked consumers and SMEs, and provide visibility and taxation capabilities for governments. The traceability of mobile transactions has also reduced perpetrators of fraud and money laundering, forcing fair market pricing, which women so need when sourcing supplies.

Linked to the above is the need to invest in start-ups and MSMEs to make them a strong implementation pillar for the AfCFTA. Access to private venture capital funds to help scale up small and upcoming businesses is necessary for expansion on a continent that historically invests the bulk of available capital in big and formal businesses, and remains risk averse to SMEs – even if they have higher growth potential. Government-structured access to capital for MSMEs is especially urgent, and could be done by harnessing financial instruments for sovereign wealth funds that ensure investment into the future generations of this continent.

As financial services scale up in Africa, there is a need for consistency in financial regulations that facilitate ease of transactions between consumers, corporates, and most importantly SMEs. Zimbabwe had done well in this domain, until recent regulatory changes to mobile money hindered growth. Instability of local soft currency issues can't be dealt with at the expense of peoples' trading and rights to financial services. Digitalization should help to stamp out inconsistent monetary policy by exposing money supply loopholes. Financial services of the future should enable end-to-end traceable and accessible financial transactions from a persons' bank account or mobile money wallet, facilitating easy foreign exchange transactions that regulators have visibility into.

There is a need to ring-fence mobile money transactions from challenges in managing macro monetary policy to ensure that gains made by MSMEs are not lost. Supporting players that create value should be a priority, as should support for the ecosystems of technological enablers, innovators, and exporters through capital financing ecosystems.

Governments should partner with the private sector to help with efficient implementation of the AfCFTA, opening the way through incentives such as tax breaks for SMEs. The already existing telecommunications infrastructure and connectivity of MSMEs can be leveraged to make available advanced financial services through investment banking, savings, pension funds, asset managers, etc. to ensure a frictionless link between productivity and consumption.

Going forward, I have taken on a new role in financial services in Africa, building on the work I did at EcoCash in Zimbabwe. As the new Group Digital Executive Officer of Sanlam Group, Africa's largest insurance and banking firm, I would like to play my part in advancing the AfCFTA by making sure that I spearhead the creation of advanced digital financial offerings that go directly into serving MSMEs across 34 African countries, privileging the true productive drivers of our informal economic sector: women and youth. My role is to forge partnerships and ecosystems in finance that broaden both access and financial product suites, using digital tools. We have a rare opportunity, driven by Africa's largest non-banking entity, to include swift market diversification, collaboration with banks, telcos, FinTechs, and InsureTechs towards the building of a broad transactional ecosystem. Digital transformation in Africa into the future requires the buy-in and support of incumbent established firms to work for the success of women and youth. I would like to be part of that change in the One African Market.

#### **About Natalie Payida Jabangwe**

*Group Digital Executive Officer, Sanlam Group; Africa's largest non-banking financial services firm, spurring operations across 34 African countries in addition to India and Malaysia. Sanlam is a \$6 billion/annum revenue firm, delivering key financial services in investments, pension funds, asset management, personal finance and wealth management. Natalie is responsible for spearheading the firm's digital financial services transformation, ventures, partnerships and ecosystem development. She is the former (and youngest) chief executive to have run a mobile money business in Africa: EcoCash. EcoCash is Zimbabwe's leading and fastest-growing mobile money service in Africa (a subsidiary of telecoms giant Econet Wireless) and was the 2017 corporate recipient of the Mobile World Congress 'Best Mobile Payment Solution', Glomo Awards. With over 13 years of experience in finance and technology, she began her career as a software engineer in London, UK, eventually moving to Investment banking and retail banking sectors across the EMEA region. Prior to joining EcoCash, she was a Senior Mobile Financial Services Consultant at a Fortune 500 company, NCR Corporation, where she developed NCR's digital financial service strategy across 52 countries. Natalie holds a BSc in Information Technology, and an Executive MBA (Specialization in Hi-tech Strategy and Corporate Turnaround) from Imperial College London, UK and was a 2017 Oxford University Tutu Fellow. In 2017, Ms. Jabangwe became a member of YPO Africa. In 2018, she was named a World Economic Forum YGL, and nominated at #11 on the Choiseul 100, Africa Emerging Economic Leaders. She is passionate about finance, technology, telecoms and economic development.*

## G. Fostering Capacity and Inclusion in the AfCFTA Automotives VCs – Fortunate Kwiringira



**Fortunate Kwiringira – Senior Consultant, BDO**

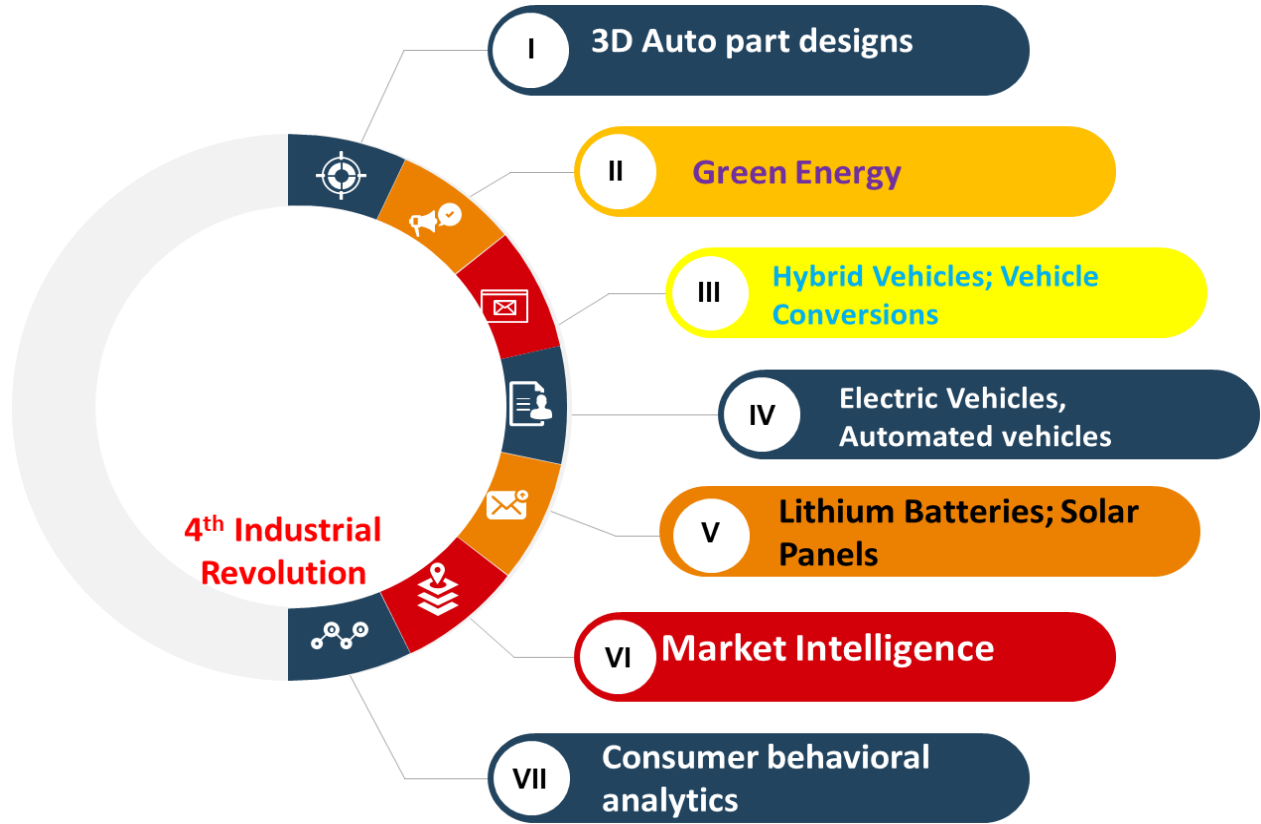
*...the economic-value-add potential of automotive manufacturing, the AfCFTA Secretariat and partners could consider funding the structuring of an automotive corporate bond...*

Globally, the automotive industry has evolved from developing a car concept, design, and development of parts plus assembly all done in-house, to a GVC in which auto component manufacturers specialize in the production of parts. This shift facilitated the rise of assembly plants and enabled OEMs and brands to open branches globally. In the automotive industry, a tiered

supply chain model prevails where the final product consists of complex components and sub-assemblers.

A 2017 Deloitte survey of female involvement in industry reports the automotive sector as one of the least successful at attracting and retaining women. In the USA, Women held 23.6 per cent of jobs in the motor vehicles and motor vehicles equipment manufacturing industry in 2019,<sup>128</sup>

while in the EU, women employed in wholesale and retail trade and repair of motor vehicles and motorcycles were 15.8 per cent in 2018, and 24.7 per cent in auto manufacturing.



Africa has the highest female representation at the board level in this sector compared to any region - at 25 per cent against a global average of 17 per cent, and is also marginally higher than average representation on executive committees at 22 per cent.<sup>129</sup> According to Morocco's Ministry of Trade and Industry,<sup>130</sup> between 2014 and 2018, the automotive industry created 405,496 jobs, 49 per cent of which were held by women, and the sector contributed 28.8 per cent of total jobs for the period. The female population among General Motors (GM) Egypt staff was around 21 per cent in 2018. A rapid survey<sup>131</sup> among four automotive companies in East Africa indicates that women on average make up 25.5 per cent of the total workforce in

the automotive sector, with the average workforce age being 34 years.

### *Automotive Revolution*

#### **Are There Opportunities for Women?**

Even though the automotive sector has been historically less attractive to women, more than 70 per cent of women would stay in manufacturing if they were to start their careers in manufacturing early enough (Deloitte 2017). The 4<sup>th</sup> Industrial Revolution (4IR) has opened up a new range of opportunities for women and youth – spanning automotive design, green energy conversions, product development, car aesthetics and functionality, and electronic tracking and surveillance (among others). All of these can be accessed

<sup>128</sup> <https://www.evoximages.com/resources/women-in-the-automotive-industry>

<sup>129</sup> McKinsey Global Institute, 2019.

<sup>130</sup> <https://www.morocoworldnews.com/2019/04/270057/morocco-automotive-industry-acceleration-plan>.

<sup>131</sup> Rapid telephone and email survey undertaken by the author between 10-18 August 2021.

without one having to be employed directly by an original equipment manufacturer. For every job created on an automotive assembly line, 10 more jobs are created in upstream and downstream areas.

There are some promising, innovative start-ups across Africa where women and youths are engaged: such as Nairobi-based Opibus – a green energy company dealing with EV conversions of off-road vehicles for safari use and the creation of an electric motorcycle. Drive Electric, another Kenyan company, offers charging station installation, operation and maintenance, e-mobility consultancy, EV leasing and fleet analysis. Solar E-Cycles offers electric bicycles, scooters and 3- & 4-wheel solar-powered light EVs (50 km a day powered from the solar rooftop). The Noopia Ride – the first fully electric ride-sharing app, established in August 2018 in Nairobi, is hailed as an ‘eco-taxi’, offering zero-emission rides.

In Ghana, women and young engineers have embraced opportunities offered by Solar Taxi, a transport service start-up, by assembling its solar-powered fleet of vehicles. Solar Taxi is a local EV start-up helping women contribute to finding greener solutions. In North Africa, a UNIDO [Heavy-Duty Equipment and Commercial Vehicles Academy \(AGEVEC\)](#) located in Settat, Morocco has been training 150 Moroccan, Senegalese and Ivorian youths in heavy-duty equipment maintenance every year since 2016; with the dual objective to promote youth employability and to stimulate socio-economic development in the three countries, AGEVEC is intentionally promoting a continent-wide pool of female mechanics. In 2018, GM Egypt celebrated the graduation of the first 30 women technicians<sup>132</sup> in the country’s automotive sector as part of its Economic Integration Programme for women in the Middle East and North Africa, in cooperation with GIZ.

Rapid technological advances in core automotive manufacturing, as well as in digitalization, are set to revolutionize the entire automotive supply chain. In Africa, digitalization is enabling predictive maintenance of vehicles, and automotive sales are also being digitally transformed, thereby redefining how OEMs, consumers, and car dealers interact. Occupations throughout the industry will be shaped by technology, with the increasingly rapid growth of data pushing demand for highly skilled workers in the fields of science, technology, engineering, and mathematics (STEM) and in ICT.<sup>133</sup> Africa’s youth can avail themselves of this opportunity given the right support. The production of EVs and autonomous vehicles (AVs) has also increased the demand for new materials, allowing for new product development by auto component manufacturers. This is poised to open up further employment space.

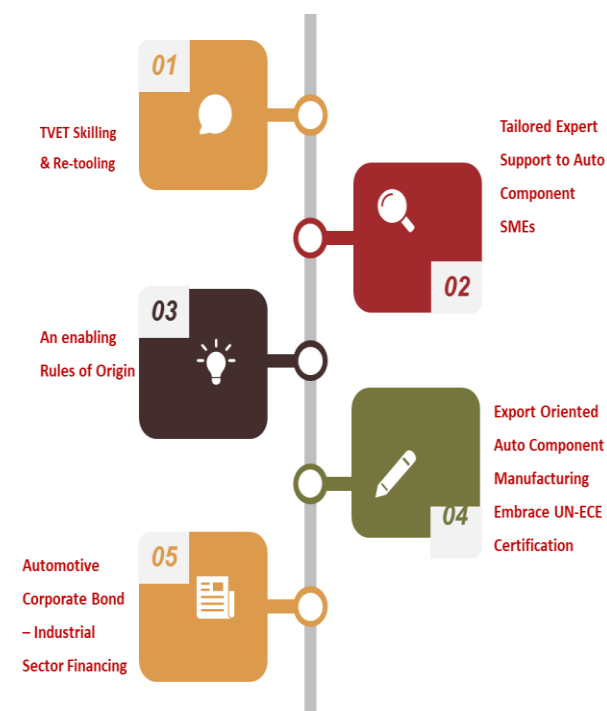
### Strengthening Female Participation in the Automotive Sector – An Inventory of Actions

<sup>132</sup> <https://dailynewsegypt.com/2018/12/06/gm-egypt-celebrated-graduation-of-first-30-women-technicians/>.

### Technical and Vocational Education and Training (TVET)

**Skilling & Re-tooling:** New developments on the technology frontier are calling for knowledge improvement and applications in process engineering. Technical and vocational training centres across Africa are revising content to remain relevant; Africa’s young people are the ultimate beneficiaries of these changes. In the automotive sector, buyers in global industries impose exacting standards, but are not always involved in helping their suppliers to meet them. Investing in engineering skills, including for new processes to meet technical and quality standards as well as capacities for materials science (such as the use of LIBs in EVs), is critical.

Under the dual training programme approach, in which school curricula are heavily influenced by developments in industry, TVET instructors and students need to be exposed to the current technologies, tools and computer electronics associated with the latest models of automotive products. As most of Africa moves towards Euro 4 and Euro 5 emission standards, related vehicle models - hybrids, complete electric and solar powered vehicles - will require up-to-date production and maintenance knowledge. In the AfCFTA era, as more African countries take on automotive production, there will be a need to forge partnerships to strengthen these industrial skills.



Enabling Strategies for an AfCFTA Automotive VC: Tailor Expert Support to Auto Component SMEs

<sup>133</sup> ILO, 2021.



Recalibrating current manufacturing to meet the car of the future (eco-friendly motor vehicles, EVs, bio-fuel engines, etc.) calls for parallel support to auto component manufacturers in Africa so that they can develop products to required specifications. Localization of parts in most nascent auto-hubs in Africa can take up to 2 years before the product meets the standards of OEM assemblers. This is partially because of the reluctance of OEMs to release part specifications to auto part manufacturers in Africa. Building this capacity for manufacturing parts is critical for the automotive VC in Africa.

Such parts production should have an export orientation, which can only be enhanced by the AfCFTA. This would trigger immense benefits (employment, FDI, foreign exchange earnings, etc.) to the continent. South Africa currently manufactures the VW Polo for the world. Nigeria has finalized the certification process and acquired its country number E63 2018/19. Such certifications will be key in attracting OEMs to any emerging automotive hub in Africa. Collaborations in automotive development-focused entities like the African Association of Automotive Manufacturers (AAAM) is also important in strengthening and accelerating the drive to realize needed certifications.

The automotive sector remains an untapped market with a huge potential to import-substitute \$35.8 billion worth of annual car imports.<sup>134</sup> To advance towards realizing this import substitution goal, auto parts production and CKD assembly require reliable market intelligence. The long-term survival of small firms in Africa's auto industry will depend on proactive market strategies that seek out new customers in untapped markets deep within Africa. Mining such intelligence is currently beyond the reach of SMEs.

Trade in Made in Africa vehicles and auto parts requires balanced **RoO** regimes, allowing for incremental accumulation of local content, provided the value of non-originating material measurement and definition is standardized across Africa. The harmonization of standards and ensuring testing, measurement and calibration facilities are available in all automotive hubs of Africa will be needed to enable firms to meet market requirements.

**Automotive Corporate Bond:** In February 2021, Afreximbank and the AAAM entered a memorandum of understanding for the financing and promotion of the automotive industry in Africa.<sup>135</sup> This advancement will foster the emergence of RVCs with a focus on value-added manufacturing to be created through partnerships between global OEMs, suppliers, and local partners. Long-term affordable financing for automotive manufacturing remains elusive in Africa, while short term models are not suited for industrial development. Given the economic value-add potential of automotive manufacturing, the AfCFTA Secretariat and partners could consider funding the

structuring of an automotive corporate bond: a move that can incentivize savings institutions and pension funds to invest in the bond and attract preferential international financing for the automotive sector.

Across the world, within the automotive industry itself, highly disorganized and fragmented parts production segment predominantly caters for the aftermarket. These SMEs face peculiar challenges like lower productivity, outmoded technologies, information gaps, and structural barriers to low-cost finance and technology.<sup>136</sup> There is a critical need to reduce this fragmentation, create synergies, and increase quality and efficiency in the sector - a role which an AfCFTA auto desk could champion. Lessons from South Africa<sup>137</sup> can inform how this effort can be championed.

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### About Fortunate Kwiringira

*Fortunate is a Senior Development Consultant at BDO East Africa, with extensive multisectoral experience including in the automotive industry where he has developed strategies to guide GIZ interventions in the Kenyan automotive sector; automotive concept papers to the Tripartite Trade Negotiating Forum (TTNF) in Ethiopia, Niger and Zambia, and acted as Lead Consultant on drafting the National Automotive Policy (NAP) for Kenya. He was part of a team of experts that developed a 15-year EAC Automotive Development Plan.*

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<sup>134</sup> ITC data 2021.

<sup>135</sup> <https://www.afreximbank.com/joint-press-release-aaam-and-afreximbank-sign-an-mou-to-drive-automotive-investment-in-africa/>

<sup>136</sup> <https://www.motorindiaonline.in/industry-news/automotive-supply-chain-why-smes-must-embrace-energy-efficiency/>.

<sup>137</sup> Creating Business Linkages: A Policy Perspective, UNCTAD 2010

## H. Broadening Women's Participation in Regional Mineral Value Chains to Maximize Opportunities in the AfCFTA - Nellie Mutemeri



**Nellie Mutemeri – Associate Professor, University of the Witwatersrand, Johannesburg.**

***... For the minerals sector, Made in Africa means taking raw mineral products and turning them into semi-finished and finished goods, for example, iron ore into steel and implements, respectively.***

The broadening and deepening of women's participation in regional mineral value chains (RMVCs) in Africa, as a way of optimally availing themselves of the opportunities from the AfCFTA, requires a solid understanding of the mineral VCs themselves and the actors involved, including women. This aligns well with the theme of the 'AfCFTA Futures Report: *Which Regional Value Chains for a Made in Africa Revolution?*'. The Made in Africa aspect implies beneficiation, value addition and production of finished or semi-finished goods. For the minerals sector, this means taking raw mineral products and turning them into semi-finished and finished goods, for example, iron ore into steel and implements, respectively. This makes understanding the mineral VCs important. Further, for inclusive and optimal utilization of opportunities arising out of the AfCFTA, it is important to map and develop RMVCs and the optimal participation of both women and men. This case study provides an overview of the

continental strategy and policy frameworks on mining and their relationship with the AfCFTA, as well as important considerations to support the success of RMVCs.

The AfCFTA is hailed as key contributor to the AU's **Agenda 2063: *The Africa We Want*** - the Pan-African development vision.<sup>138</sup> The AfCFTA supports integration and development in Africa, in *inter alia* business, production and trading, within Africa. Concrete measures for the integration of VCs are needed. One of the AfCFTA's objectives is to "promote industrialisation, economic diversification and development of value chains". It offers an opportunity for optimal participation of women for equitable benefits from the minerals VC.

<sup>138</sup> <https://au.int/en/agenda2063>.

The **Africa Mining Vision (AMV)**<sup>139</sup> is a key pan-African framework intended as a major contributor to Africa's economic transformation. It promotes a "transparent, equitable and optimal exploitation of mineral resources to underpin broad-based sustainable growth and socio-economic development." The AMV seeks to create an African mining sector that is:

*...a) knowledge-driven African mining sector that catalyses and contributes to the broad-based growth and development of ... a single African market; b) sustainable and well-governed mining sector that effectively garners and deploys resource rents and that is safe, healthy, gender and ethnically inclusive, environmentally friendly, socially responsible and appreciated by surrounding communities; c) has become a key component of a diversified, vibrant and globally competitive industrializing African economy; d) has helped to establish a competitive African infrastructure platform through the maximization of its propulsive local and regional economic linkages; e) optimizes and unites Africa's finite mineral resource endowments and that is diversified, incorporating both high-value metals and lower-value industrial minerals at both the commercial and small-scale levels; f) harnesses the potential of artisanal and small-scale mining (ASM) to stimulate local and national entrepreneurship, improve livelihoods and advance integrated rural, social and economic development; g) is a major player in the vibrant and competitive national, continental and international capital and commodity markets.*

One of the key African frameworks that support the actualization of the AMV is the **Africa Mineral Governance Framework (AMGF)**, created to improve governance in Africa's mineral resources sector, which has the risk of weakening the sector's potential to achieve the desired developmental outcomes if it is not achieved.<sup>140</sup> The **Programme for Infrastructure Development in Africa (PIDA)**<sup>141</sup> also provides a mutual framework for development of infrastructure in Africa in a more integrated way. It is an important framework for the optimal realization of the AfCFTA. It is also intricately interlinked with the development of RMVCs.

Women in the mining and minerals sector in Africa participate in a variety of roles, from high-level professionals in industrial-scale operations, to entrepreneurs, as well as miners and workers in ASM operations. It is in ASM that most of the women in the mining sector in Africa are to be found, constituting more than 90 per cent of the approximately 5 million women in the sector. Women are involved in the production of gemstones, gold, base metals, industrial minerals and construction materials.

<sup>139</sup> <https://au.int/en/ti/amv/about>.

<sup>140</sup> AMGF - 2017 Economic Commission for Africa Addis Ababa, Ethiopia "The AMGF has been designed to deepen the commitment to implementing the Africa Mining Vision by serving as a monitoring tool to help African countries to determine their progress with regard to realizing the transformative ambitions of the Vision. Beyond serving as a monitoring and accountability tool for the Vision's implementation, the Framework is a home-grown, holistic and

The aspirations of the AMV and gender inclusivity in the minerals sector can be advanced by the AfCFTA if the relevant AfCFTA protocols align with AMV's key tenets. This can be done via gender-sensitive provisions in the AfCFTA protocols, which will ultimately guarantee gender inclusivity. The AfCFTA's objectives to "promote industrialisation, economic diversification and development of value chains" offers an opportunity for the optimal participation of women for equitable benefits from the minerals VCs. Another AfCFTA core objective that can advance the ideals of the AMV is its quest to "liberalize exchange of service provision" between countries. This can be realized when countries develop mineral linkages that are key to the economic transformation of Africa. Additionally, the exchange of services between countries provides an opportunity to promote the exchange of goods between mining and mineral actors. In this way, the AfCFTA has an opportunity to bridge the gender gap in the minerals sector. This can be done through the promotion of equitable access to skills development, and by preparing women mining professionals and entrepreneurs to offer services in the mining and minerals sector.

The regional frameworks through which the regional involvement of women in the minerals sector can be understood include RECs<sup>142</sup> and regional mining visions (RMVs).<sup>143</sup> The development of RMVs is being promoted as an important step in cascading actualization of the AMV to the regional level through AU-recognized RECs. The Southern Africa Development Community (SADC) is the first REC in Africa to embark on the process of developing a RMV. The SADC RMV will support its Member States in actualizing the AMV by entrenching the unique needs of the region. It is being done as an inclusive process involving different stakeholders, allowing the voices of women and other vulnerable peoples to be heard.

RMVC development is also critical in aggregating application of mineral products to different sectors. For example:

- Agriculture-linked minerals like phosphates;
- Infrastructure development-linked minerals like limestone and gypsum for cement manufacture, and iron and steel;
- Energy and electronics-production minerals like cobalt, nickel, coltan, lithium etc.

From the perspective of the AfCFTA and the promotion of the Made in Africa RVCs, the important considerations to support the RMVCs involve the following:

- Optimal location of manufacturing hubs for specific VCs;
- Ease of movement of goods and people, i.e. logistics and tariffs;
- Availability of other inputs, such as skills;
- Technical facilities such as laboratories;

comprehensive instrument that responds to the specific challenges facing Africa's mineral sector..."

<sup>141</sup> <https://www.au-pida.org>.

<sup>142</sup> <https://au.int/en/organs/recs>

<sup>143</sup> Paul Jourdan (2017). <http://www.twinafrica.org/Regional%20Realisation%20of%20Linkages%20%20-%20the%20need%20for%20RMVs.pdf>.

- Location of feedstocks;
- Potential for region-wide mineral linkages.

The benefits of RMVs include<sup>144</sup>:

- Economies of scale with respect to inputs and market size: an intra-regional perspective will enable industries to have optimal sourcing of inputs and access to a larger market for their products;
- Larger skills pool: regional skills development strategies supported by easier movement of people will mean access to more diverse skills, reducing the dependency on more expensive international expatriates;
- Better regional environmental sustainability: environmental impacts managed at a regional scale will be particularly important for regional ecosystems, particularly as they will mitigate the risk of a race to the bottom;
- Harmonized infrastructure development: a regional outlook on the design and utilization of infrastructure will allow different countries to focus on their comparative advantage for the good of the region. It will also enable easier movement of goods because of harmonized transport corridors;
- Harmonized mineral regimes: this allows national mining policies and regulations to be synchronized, enhancing the region's capacity to act as a bloc and improving its competitive advantage, as opposed to competing for investment.

For women's participation to be optimal, there needs to be gender inclusivity in the planning stages, which should include gender-sensitive budgeting. Further, the implementation should include capacity-building for both women and men. Appropriate monitoring and evaluation would ensure that gender equality is mainstreamed in programme implementation.

It is believed that resilience to the Covid-19 pandemic and other future shocks should be a natural consequence of better-managed economies (of which the mineral resources sector in Africa plays an important part). With respect to optimal benefits for women from the AfCFTA, this means that all negative impacts must be mitigated.

There will be roles for different actors in broadening and deepening women's participation in RMVCs. This will include women's representative bodies, all levels of government, CSOs, and other development partners.

#### **About Nellie Mutemeri**

*Nellie Mutemeri, a Mineral Resources Governance Expert with a PhD in Geology, is an Associate Professor in the School of Mining Engineering at the University of the Witwatersrand in Johannesburg, South Africa. She is the founding Director and Mining Practice Lead of MutConsult. She is a scientific board member at the UNESCO International Geosciences Council Programme and serves an advisor to the Diamond Development Initiative. She has more than 30 years of experience in the mining sector in Africa and Latin America, focusing on strategy, policy and legislation, ASM formalization, gender equality, responsible supply chains and ethical audits.*

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<sup>144</sup> Ibid.



## I. Tools And Resources from Business And Trade Support Institutions - Putting SMEs First – The Voice From Business Development Practitioners - Zakaria Fahim



**Zakaria Fahim - Managing Partner, BDO**

**... For AfCFTA to work, we need a 'No Visa for African entrepreneurs' era...**

SMEs are the backbone and engine of the African economy. They alone account for more than 90 per cent of enterprises and employ about 60 per cent of workers, the majority of whom are women and young people.<sup>145</sup>

To reduce the capacity gap between African SMEs and others, we deemed it necessary to set up an online training in economic intelligence and business intelligence. At the Hub Africa platform, we believe in the strong added value that capacity-building for SME managers can bring. Thus, for three years to date, these trainings have been available on our [hubafrica.com](http://hubafrica.com) platform.

For AfCFTA to work, we need a 'No Visa for African entrepreneurs' era. We are fiercely defending this campaign to ensure that Africans can move and harness business opportunities in the One African Market.

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<sup>145</sup> Veinung Fjose, Leo A. Grunfeld, and Chris Green (2010). SMEs and Growth in Sub-Saharan Africa: Identifying SME Roles and Obstacles to SME Growth.

African entrepreneurs are victims of unfair competition vis-à-vis their foreign counterparts. But this state of affairs must stop. For how can we effectively design a Made in Africa market when Africans cannot move? It is not uncommon for African operators, who already hold letters of invitation duly legalized by the officials of a host country, to face insurmountable pitfalls at home in the embassies of these countries.

The example of the Guinean winners at the final of the Pitch of Casablanca, during the Hub Africa 2019 come to mind. They could not reach the economic capital in time, on June 12 and 13, 2019. However, ironically, one of their teammates - who holds French nationality - was able to travel without a hitch. Very often, the instructions on visa granting given by the chancelleries come too late. Because entrepreneurs are accustomed to traveling often over short periods, it is difficult for them to wait for the usual delays of 10 to 15 days, especially insofar as they are unable to access their passports, which are in such instances held by the consulate for the entire period.

There is an urgent need to give the right recognition to Africa's entrepreneurs. Initiatives, like those of Rwanda with its improved and business-friendly visa policies, should be emulated. Pending the application and entry into force of the African passport, we ask that entrepreneurs - through trusted third parties such as employers or country-level Chambers of Commerce, be able to obtain visas without a complex series of administrative procedures and unnecessary travel requirements.

Such steps are extremely expensive and demotivate those who want to go to our African markets. Like a leitmotif, everyone says: "It's complicated!" In practice, it remains a real battle. In 2021, we cannot call ourselves the continent of the future and allow such practices to continue, which are a burden on the economic performance of our companies.

Of course, we must integrate safety and security – we have also thought about this – but the entrepreneurs who will be 'validated' will be known within their networks. For example, the CNP (Conseil National du Patronat du Sénégal [National Employers Council of Senegal]) can issue visas to entrepreneurs recommended by their counterparts in host countries. This avoids the retention of business persons' passports over periods of several days. The idea is to validate operators with an already known track record. All security aspects related to movement would need to be respected.

In this way, the visa services would also be relieved of congestion. The embassies would be facilitators for economic diplomacy, by activating this public-private partnership at the service of entrepreneurs and the Made in Africa objective. We hope that the entry into force of the AfCFTA will answer these questions.

At our level, we have tried to remedy this by setting up SAGA AFRICA - a caravan of over 40 entrepreneurs from more than 10 nationalities to thwart air logistics struggles and exorbitant fares between African countries.

We believe in a stronger involvement of SMEs to achieve the Africa we want by 2063. It is in this sense that Hub Africa has set up its platform for the development of entrepreneurship in Africa and its diaspora. Through our various programmes and initiatives, the platform supports a new generation of African entrepreneurs to find innovative, effective and responsible solutions for the benefit of people and communities. Our action is based on the conviction that entrepreneurship is a powerful tool in the fight against inequality and poverty globally. We want to create a lasting and positive impact on our society through the development of entrepreneurship and innovation. It is in this sense that, in 2012, we launched Hub Africa, which is a trusted third party and an accelerator for the benefit of start-ups and SMEs. It offers the most complete ecosystem in terms of entrepreneurial support in Africa. Hub Africa connects various actors: start-ups, entrepreneurs, large companies, SMEs, incubators, business angels, cooperatives, investment funds, etc. to realize the promise of entrepreneurship and innovation.

### **Tomorrow's Africa**

Africa is projected to have 2.5 billion people by 2050, or 26 per cent of the world's working-age population, and to grow twice as fast as the pace of developed countries. With average tariffs of 6.1 per cent, companies are facing higher tariffs in intra-African trade than when they export outside the continent. The AfCFTA can change that – through tariff phase-downs. In this way, operationalization of the AfCFTA is perfectly in line with Hub Africa's vision for an integrated and prosperous Africa. Although not an end in itself, the AfCFTA marks the beginning of a broader collective purpose.

### **The Small Business Act for Africa: A Structuring Tool for the AfCFTA at the Service of the MSMEs**

To have success on the AfCFTA, and move towards a new normal of the African economy given Covid-19 contractions, there must be reliance on strong SMEs at the national level, which will allow them to better serve at the continental level. In this context, a Small Business Act for Africa can be a tool for strengthening SME competitiveness to ensure they can enter and thrive in the ecosystem of VCs.

A Small Business Act will help MSMEs to strengthen their competitiveness, guaranteeing them a fair proportion of government contracts and sales of surplus goods. It is a powerful lever - a springboard to facilitate the access of MSMEs to public procurement, and allows them to fill their order book. We propose this as a way to allow African MSMEs a better approach for the One African Market.<sup>146</sup>

### **The Mission of the Small Business Act:**

- Ensure the transition to formalization of 80 per cent of the activities that remain informal in many African economies;
- Make MSMEs efficient and competitive in the AfCFTA;
- Reserve a share and simplify access to public procurement by dematerializing and generalizing a simplified public procurement approach.
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<sup>146</sup> 'Small Business Act for Africa' By Hub Africa.

### **Better information for MSMEs**

- Reduce cash flow problems by advances ranging from 30 per cent to 50 per cent of the total order amount;
- Through the deployment of electronic invoicing, improve payment times to suppliers;
- Combat illegal work and fraud in the posting of workers, so that companies maintain their competitiveness;
- Encourage literacy and the use of local and international languages in enterprises;
- Support the development of start-ups and innovation by committing to devote a minimum of 2 per cent of regional public procurement to innovative purchasing.

### **Strengthening the competitiveness of SMEs**

- Improve the business climate through better organizational governance, tax reforms, simplification and incentives for improved administrative procedures;
- Promote innovation and technology;
- Promote access to markets and public procurement;
- Strengthen access to finance.

We believe that an implementation of this Small Business Act for Africa will go a long way in getting Africa's SMEs ready to benefit from opportunities in the AfCFTA, and stand ready to play our part in the capacity-building agenda.

### **About Zakaria Fahim**

*Zakaria Fahim is Managing Partner of BDO. He is an entrepreneur, past member of the Executive Committee of CGEM and of the Strategic Committee of GES 2015, Founding member and First President of CJD International (14 countries, including seven in Africa), President of the Union des Autoentrepreneurs Bidaya Association, founding member of the Atlas Business Angels association, and President of Hub Africa.*

## J. It Will Take Women–Led SMEs to Unlock the Promise of Intra-African Trade – Efe Ukala



**Efe Ukala – Founder and CEO, ImpactHER**

*... The AfCFTA holds immense potential for Africa’s economic well-being and is uniquely positioned to bridge Africa’s gender finance and technology gap if implemented from a gender-lens perspective...*

The commencement of intra-African trading under the AfCFTA on 1 January 2021 marked the beginning of a new dawn in Africa. It is a huge prospect for Africa’s economy, promising to increase Africa’s agricultural output and manufacturing capacity. Coincidentally, women-led small- and medium-sized enterprises (WSMEs) dominate these sectors. African WSMEs produce [70 per cent of Africa’s](#)

[food](#),<sup>147</sup> comprise [nearly 100 per cent of food processors](#),<sup>148</sup> and employ a majority of Africa’s textile workers. For example, women comprise 78 per cent of Ethiopia’s garment industry workers and 80 per cent of entrepreneurs in the textile, apparel, and accessories industry in Côte d’Ivoire.<sup>149</sup>

ImpactHER, an enterprise dedicated to helping African WSMEs build scalable businesses, access institutional capital

<sup>147</sup> Jamilla Abass, 2018. “Women grow 70% of Africa’s food. But have few rights over the land they tend” World Economic Forum. <https://www.weforum.org/agenda/2018/03/women-farmers-food-production-land-rights/>.

<sup>148</sup> Li Yong, 2017. “Africa’s industrialisation: leaving no woman behind” OECD Development Matters. <https://oecd-development-matters.org/2017/04/25/africas-industrialisation-leaving-no-woman-behind/#fn3>;

<sup>149</sup> AfDB. 2018. “Investing in the Creative Industries: Fashionomics”. Fashionomics Creative Industries Executive Summary Brochure P. 8 & 11. [https://www.afdb.org/fileadmin/uploads/afdb/Documents/Generic-Documents/Fashionomics\\_creative\\_industries\\_executive\\_summary\\_brochure.pdf](https://www.afdb.org/fileadmin/uploads/afdb/Documents/Generic-Documents/Fashionomics_creative_industries_executive_summary_brochure.pdf)



and new markets, is excited about the transformative power of the AfCFTA and has implemented innovative programmes to ensure that WSMEs scale up their production for the new markets and produce at rates commensurate with Africa’s increasingly high demand. Notwithstanding, for WSMEs to realize their full trading potential, the AfCFTA must offer an ecosystem that supports existing WSMEs to benefit from their deep assets, which include local, production and market knowledge, as well as a supportive ecosystem that encourages new WSME entrants to the market.

Four Cs are critically important for WSMEs to successfully contribute to the AfCFTA at their highest potential:

- (i) **Capital** – Adequate funding to scale and produce to meet Africa’s demand;
- (ii) **Connection** – Good links to market players and skills trainings;
- (iii) **Communication** - Reliable information on new trade rules, resources and benefits;
- (iv) **Conducive environment** – Security and stability for safe cross-border exchanges.



ImpactHER Trainee from Cameroon Showcasing Her Products to Vendors in Texas at the Invitation of ImpactHER.  
Credit : Efe Ukala

### On Capital

*“I own a 50-seat restaurant in Kampala and make at least \$150,000 annually. Business has been good. I tried to get a loan to expand my business to other locations, but the interest rate was high and the banks asked for collateral that I don’t have access to due to cultural bias. I run a profitable business and can pay back the loan if I am given. But I can’t accept their loan at such high interest rates. I can’t bankrupt a good business in order to get a loan.”*

**Anitah (Uganda)<sup>150</sup>**

### **Accessible Capital Can Unlock the Intra-African Trade Potential of WSMEs**

**Financing Must Be Unlocked:** WSME-friendly accessible financing must be at the cornerstone of the AfCFTA’s implementation plan if we are to reap the promised gains

fully. As with Anitah’s example above, 97 per cent of the 3,000+ WSME respondents from 47 African countries that ImpactHER surveyed in July 2021 revealed that they need access to capital to engage in intra-African trade.

Although many financial institutions currently provide ‘women financial products’, most are not practicable for WSMEs because of high interest rates, collateral requirements, short tenure periods, or guarantor requirements. ImpactHER’s conversation with 27 banks in 11 African countries that offer WSME finance products revealed interest rates ranging from 15 per cent to 28 per cent per annum, with 81 per cent requiring land as security; fewer than 13 per cent of women in Africa aged 20-49 have sole ownership of land.<sup>151</sup> A WSME that borrows at a 28 per cent annual interest rate for working capital must grow above 40 per cent per annum to survive. Moreover, those who do not have land or access to financially stable guarantors may be

<sup>150</sup> To protect the identity of survey respondents, pseudonyms were used.

<sup>151</sup> Isis Gaddis, Rahul Lahoti, Wenjie Li, 2018. “Gender Gaps in Property Ownership in Sub-Saharan Africa” World Bank Group, Gender Global Theme, Policy Research Working Paper 8573.

prevented from participating in the institutional lending markets, thus impinging on their access to the funds they need to scale.

Financial institutions must provide WSMEs with *real* access to finance. The use of the word 'real' in this context intends to distinguish between (a) 'available' capital that remains inaccessible to WSMEs due to gender-based systematic biases, and (b) capital that is both available and consistently accessible to WSMEs.

To ensure WSMEs have *real* access to capital, providers must consider African cultural idiosyncrasies and the realities of African women when designing financial products intended at WSMEs.

For example,

- i. financial products should not rely on land-collateral requirements [as women in many parts of Africa have minimal access to this collateral type](#)<sup>152</sup>
- ii. security for invoice factoring and inventory financing should ideally be the invoices and inventory, respectively, and not land,
- iii. personal guarantors' requests should be minimized [as women become reluctant to seek financing when asked to provide a guarantor](#)<sup>153</sup>;
- iv. interest rates cannot be unreasonably high [as African women tend to be more conservative borrowers and shy away from expensive debt](#)<sup>154</sup>;
- v. credit facilities should offer longer terms, [as short-term loans do not allow women entrepreneurs to explore opportunities for business growth](#)<sup>155</sup>;
- vi. project finances should require some promoter equity, but be secured on the project itself and not another asset;
- vii. significant debt financing must be available as WSMEs prefer debt financing; and,
- viii. financial literacy programmes should be mandated as a prerequisite from the lenders to the borrower with documented repayment plans [as a lack of financial education hinders women entrepreneurs from accessing capital](#)<sup>156</sup>.

*"I have been excluded from many funding opportunities because my business is not legally registered in Zimbabwe. I was also pre-selected for an accelerator programme but the*

<sup>152</sup> Mary Kimani, "Women struggle to secure land rights" Africa Renewal Magazine, United Nations, Special Edition on Women 2012. <https://www.un.org/africarenewal/magazine/special-edition-women-2012/women-struggle-secure-land-rights>.

<sup>153</sup> Chowdhury, T.Y., Yeasmin, A. & Ahmed, Z. "Perception of women entrepreneurs to accessing bank credit". J Glob Entrepr Res 8, 32 (2018). <https://doi.org/10.1186/s40497-018-0119-1>.

<sup>154</sup> Hanan Morsy (2020) "Opinion: The real thing holding Africa's female entrepreneurs back" CNN Business Perspectives. <https://edition.cnn.com/2020/03/08/perspectives/africa-female-entrepreneurs-financing/index.html>

<sup>155</sup> Global Partnership for Financial Inclusion (GPII), International Finance Corporation (IFC), 2011 "Strengthening Access to Finance for Women-Owned SMEs in Developing Countries" G20\_Women\_Report p.6 [https://www.ifc.org/wps/wcm/connect/2a9123b3-d369-4115-8cbf-19083218ce64/G20\\_Women\\_Report.pdf?MOD=AJPERES&cid=igal-xk](https://www.ifc.org/wps/wcm/connect/2a9123b3-d369-4115-8cbf-19083218ce64/G20_Women_Report.pdf?MOD=AJPERES&cid=igal-xk)

<sup>156</sup> The World Bank. (2014). "Expanding Women's Access to Financial Services". <https://www.worldbank.org/en/results/2013/04/01/banking-on-women-extending-womens-access-to-financial-services>.

<sup>157</sup> The World Bank. "Female Entrepreneurship Resource Point - Introduction and Module 1: Why Gender Matters"

*offer was rescinded when they found out that my business was not registered. But the registration fees in Zimbabwe are high so I cannot register my business until I can afford it. It's difficult to trade with Africa without money."*

**Esther (Zimbabwe)**

- a. **Informal and Micro Women-Led Businesses Cannot be Left Behind:** Esther represents one of the [63 per cent of women-led businesses in Sub-Saharan Africa that operate micro or informal businesses](#),<sup>157</sup> accounting for [55 per cent of Sub-Saharan Africa's GDP](#).<sup>158</sup> Nonetheless, their business growth is stunted due to a [lack of access to capital](#)<sup>159</sup> as they are not preferred clients of institutional capital providers due to traditional requirements dictated by such funders (e.g. business registration, consistent cash flow). Consequently, women like Esther often turn to informal sources such as [families, friends](#)<sup>160</sup>, and group-organized financing (e.g. [esusu](#))<sup>161</sup> However, these informal capital sources have limited funding capacity, as these women do not have high [net-worth networks that command the level of capital they require](#).<sup>162</sup> As a result, informal WSMEs often remain unregistered due to [unfriendly business registration processes, fees, and taxes](#)<sup>163</sup> and get caught in a vicious cycle where they yearn to scale their business but cannot access capital (loans, grants, etc.) and other business growth resources.

The AfCFTA can help solve this problem by advocating for policies that (a) do not exclude informal WSMEs from accessing financial resources, (b) reduce cumbersome registration processes and tax burdens for newly registered businesses, and (c) impose a sliding scale business-registration fee based on revenue.

*"For my loan application, I needed to show that I had properties, but I didn't have any. I found out that, for men, the bank accepts referrals from other men in lieu of presenting properties. I gave a referral, a woman, they refused. They asked that I present a man."*

**Laide (São Tomé and Príncipe)**

- b. **Enabling Cluster Financing for Informal and Micro Women-Led Businesses**

Conversations with women tailors on Zogbo Street in Cotonou, Benin revealed they struggle to access institutional

<https://www.worldbank.org/en/topic/gender/publication/female-entrepreneurship-resource-point-introduction-and-module-1-why-gender-matters>.

<sup>158</sup> African Development Bank. 2013. "Recognizing Africa's Informal Sector" <https://blogs.afdb.org/afdb-championing-inclusive-growth-across-africa/post/recognizing-africas-informal-sector-11645>.

<sup>159</sup> Subika Farazi. 2014 "Financial Inclusion of Informal Firms — Status and Determinants" World Bank Blogs. <https://blogs.worldbank.org/allaboutfinance/financial-inclusion-informal-firms-status-and-determinants>.

<sup>160</sup> Nguyen, B., Canh, N.P. *Formal and informal financing decisions of small businesses*. Small Bus Econ (2020). <https://doi.org/10.1007/s11187-020-00361-9>.

<sup>161</sup> Nimi Akinkugbe. 2016 "Esusu and Access to Credit" Business Day Nigeria. <https://businessday.ng/uncategorized/article/esusu-and-access-to-credit/>.

<sup>162</sup> Organisation for Economic Co-operation and Development "Small Businesses, Job Creation and Growth: Facts, Obstacles And Best Practices" <https://www.oecd.org/cfe/smes/2090740.pdf>.

<sup>163</sup> Immigration Africa. 2016 "Opening a business in Africa" Visafrican. <https://visafrican.com/opening-a-business-in-africa/>.

capital because some of them run informal businesses, no individual business produces a significant enough amount of revenue to gain banks' confidence in extending capital. Each business produces about 20-40 pieces of clothing per month, and makes an average of \$1,000 in revenue. The individual production and revenue size may appear insignificant to entice a bank's interest. However, in the aggregate these 17 tailors produce at least 450 pieces of clothing and generate \$17,000 monthly, translating to >\$200,000 annually. Such outputs could be sufficient to fulfil a bank's cash flow requirements and pan-African wholesale buyer's supply quantity requirements.

Cluster financing can unlock capital for informal WSMEs. Cluster financing entails providing capital to a group of informal or formal WSMEs in a production or trading consortium based on the group's collective creditworthiness. Eligibility could depend on the consortium sharing production resources to benefit from economies of scale, securing a purchaser for the consortium's goods, and working with a designated quality control officer to ensure the consortium's product quality meets the purchaser's standards.

Cluster financing can provide *real* access to finance for informal WSMEs that have historically been marginalized from institutional capital, enabling them to reach their true production potential. This could emancipate Africa from its high dependency on non-African imports.

#### **On Connection**

*"My dream was to export my organic products across Africa. I started but had to stop recently because the cost of exporting small orders was higher than the money I earned from such sales. I realized we needed volume buyers for exporting to be viable."*

**Nana (Ghana)**

#### **WSME Supplier Programmes Can Unlock the Intra-African Trade Potential of WSMEs**

WSMEs need access to markets.<sup>164</sup> The AfCFTA should mandate that State Parties reserve a percentage of governmental and multinational contracts for WSMEs. This reserved percentage should be commensurate with the percentage of WSMEs within each State Party. Using Ghana as an example, given that 46.4 per cent<sup>165</sup> of SMEs in Ghana are owned by women, 46 per cent of all government and MNC annual contracts in Ghana should be earmarked to be fulfilled by WSMEs. A gender-lens supplier programme would unlock markets for WSMEs while also helping Africa to achieve gender parity in a shorter period. Such affirmative action provides a level playing field for WSMEs, who have historically been left behind.

<sup>164</sup> United States Agency for International Development. 2005. "Enhancing Women's Access to Markets: An Overview of Donor Programs and Best Practices" GATE Analysis Document.

<https://europa.eu/capacity4dev/file/77144/download?token=yvXoTdT>.

<sup>165</sup> Mastercard 2018. "Mastercard Index of Women Entrepreneurs (MIWE)" [https://newsroom.mastercard.com/wp-content/uploads/2018/03/MIWE\\_2018\\_Final\\_Report.pdf](https://newsroom.mastercard.com/wp-content/uploads/2018/03/MIWE_2018_Final_Report.pdf).

<sup>166</sup> African Union Development Agency. 2021. "A Continental Free Trade Area For Africa - Driven By Emerging Technologies"

*"I usually travel to Nigeria to buy my goods but the roads are no longer safe. I would prefer to find trusted sellers on the internet but I do not know how to do so. The internet is also too expensive."*

**Emma (Togo)**

#### **Digital Skills Can Unlock the Intra-African Trade Potential of WSMEs**

Like Emma, a majority of the 3,000+ WSME respondents to ImpactHER's survey noted that they need digital skills training to improve their participation in intra-African trade. Moreover, the AfCFTA's implementation relies heavily on technology platforms for payments, settlements, reporting NTBs, etc.<sup>166</sup> yet there is a 37 per cent gender digital divide in Sub-Saharan Africa,<sup>167</sup> and women are 45 per cent less likely to be on the internet than men.<sup>168</sup> Failure to address the gender digital gap could exclude WSMEs from fully participating in intra-African trade.

Therefore, the AfCFTA must emphasize digital skills inclusiveness in its implementation agenda and incentivize State Parties to drive basic digital skills training for WSMEs, which could significantly increase WSMEs' access to intra-African markets.

*"Mozambican women want to trade with Africa, but it's difficult for us. We don't have the technology support that we need. We run 'women businesses' which are small fashion, agriculture and cosmetic businesses and these are not generally technologically supported. Most of my female friends don't use bank accounts and don't know how to use mobile applications that can receive money from abroad. It would be difficult for us to trade with Africa under such conditions."*

**Mel (Mozambique)**

#### **Inclusivity Can Unlock the Intra-African Trade Potential of WSMEs**

Conversations with women in Lusophone countries reveal they are eager to trade with Africa but are limited from doing so due to language barriers, lack of information and trainings, and/or FinTech illiteracy. For example, although many women in Mozambique use M-Pesa, they do not know how to use apps that would allow them to easily receive money from the rest of the world. Most rely on Western Union or MoneyGram, which are not always convenient for women due to the time commitment required, and which extract high fees.

The AfCFTA should encourage Lusophone State Parties to increase business skills and financial technology trainings to

<https://www.nepad.org/blog/continental-free-trade-area-africa-driven-emerging-technologies>.

<sup>167</sup> The World Bank. (2020, June 9). "Closing the Digital Gender Gap: Why Now Should Have Been Yesterday" <https://www.worldbank.org/en/news/feature/2020/06/09/closing-the-digital-gender-gap-why-now-should-have-been-yesterday>.

<sup>168</sup> Intel. 2013 "Closing the Technology Gender Gap with 'She Will Connect'" <https://software.intel.com/content/www/us/en/develop/blogs/closing-the-technology-gender-gap-with-she-will-connect.html>.



help women expand WSMEs to unlock their access to markets.

### **On Communication**

*“I personally transport honey to Senegal at least six times a year as shipping is too expensive. I have not heard about the AfCFTA and I have been in this business for 5 years.”*

**Marie (Guinea)**

### **Inclusive Awareness Campaigns Can Unlock the Intra-African Trade Potential of WSMEs**

Marie is representative of 76 per cent of the respondents to the ImpactHER July 2021 survey, who noted that they are not aware of the AfCFTA. Business registration status did not seem to impact awareness, as 49 per cent of the 76 per cent ‘unaware’ respondents were registered WSMEs, while 27 per cent were informal WSMEs.

Lack of [access to information is a major challenge for small business owners](#)<sup>169</sup> in Africa, which consequently prevents them from benefiting from schemes directed at them. WSMEs cannot participate in the AfCFTA if they are unaware of the agreement or its benefits. To unlock the AfCFTA’s full potential, State Parties must prioritize information access and seek creative ways to reach marginalized groups. Information must be disseminated through channels that African women trust and use.

Internet-based information dissemination is not a universal solution, as 71 per cent of African women are offline.<sup>170</sup> Therefore, non-internet-based information dissemination channels such as SMS messaging, radio education/announcements, and women groups must also be utilized. Moreover, such channels are likely to ensure that information reaches rural women farmers who are less likely to be online<sup>171</sup> or own smartphones, but who are still significant players in helping Africa meet its food demands.<sup>172</sup> Given that rural WSMEs have a large role to play in intra-African trade, ensuring inclusivity through access to information is necessary for the Made in Africa Revolution.

### **On Conducive Environments**

*“Custom officials often ask me to pay additional taxes on my imported goods and seize it when I don’t pay. They claim such additional taxes is required because my goods were shipped from America. However, my packages always show that they were in fact made in Africa and were shipped from Nigeria.”*

**Sarah (Guinea)**

### **The Dignity of Made in Africa Can Unlock the Intra-African Trade Potential of WSMEs**

<sup>169</sup> Milpark Education. 2019. “Lack of knowledge – and not funding – is the biggest challenge facing entrepreneurs today” The Small Business Site. <https://www.thsmallbusinesssite.co.za/2019/02/25/lack-knowledge-not-funding-biggest-challenge-facing-entrepreneurs-today/>.

<sup>170</sup> Yvonne R., David M., Sara H., Ben J., Ruba I. and Yesl K. 2020. “Making The Connection: How Internet Access Could Help Lift Women And Girls Out Of Poverty.” One. <https://s3.amazonaws.com/one.org/pdfs/making-the-connection-report-en.pdf>.

The AfCFTA should implement a dedicated dual-reporting online portal and phone reporting line where border officials are required to report the details of seized goods and reasons for such seizure. The trader whose goods are seized should also be required to report the details of such seizures. This dual reporting process will help match the border officials’ and traders’ claims to allow for further investigation and prevent arbitrary seizures. This should be distinct from the general NTB reporting portal.

*“When crossing the South African–Zimbabwe border, male custom officers belittle me and other women traders, and make us feel inferior. To avoid such humiliation, we ask male traders to help us transport our goods across the border. The border officials often take men more seriously and are less likely to belittle them.”*

**Radebe (South Africa)**

### **Minimized Gender Bias & Harassment Can Unlock the Intra-African Trade Potential of WSMEs**

Like Radebe, WSMEs report biases that make them feel unsafe when engaging in intra-African trade. For example, a group of women transporting their goods from Guinea to Mali reported that “border officials make it difficult to cross the border due to tribal differences and they usually ask for bribes.”

To address these gender-centric safety concerns, border officials should take part in mandatory trainings to help them recognize their implicit bias and develop tools on how to minimize such bias.

Also, 40 per cent of respondents in ImpactHER’s July 2021 survey reported experiencing sexual harassment and discrimination when engaging in intra-African trade, which consequently deterred them from continued engagement.

The AfCFTA should also consider mandating State Parties to provide border officials with compulsory sexual harassment and discrimination prevention trainings, while also providing a registry to log offenders, barring them from intra-African trade-related jobs. There should also be a dedicated sexual harassment reporting phone line and online portal.

### **On the Four Cs**

*frica’s village – the public, private and non-governmental sectors – must gather at the village square to each play their unique role to ensure the success of the AfCFTA. The AfCFTA Secretariat or State Parties cannot be left with this enormous burden. Together, Africa’s continuous rise would be exponential.*

### **It Takes a Village**

ImpactHER recognizes that it also has a significant role to play in ensuring WSMEs are not left behind and that they have

<sup>171</sup> Wikipedia. 2015. “Internet in Africa” [https://en.wikipedia.org/wiki/Internet\\_in\\_Africa](https://en.wikipedia.org/wiki/Internet_in_Africa).

<sup>172</sup> Nirit Ben-Ari. 2014. “Gendering Agriculture” Africa Renewal Magazines, United Nations, Special Edition on Agriculture 2014. <https://www.un.org/africarenewal/magazine/special-edition-agriculture-2014/gendering-agriculture>.



access to the capital, markets, and information required to participate in intra-African trade. ImpactHER has addressed the 4 C's by providing:

**Access to real capital for WSMEs;**

- **Designing WSME-friendly financial products** to help unlock \$25 million for 10 pan-African banks in eight African countries;
- **Business skills training** to 25,077 women across 53 African countries with the average business reporting a 52.5 per cent increase in business revenue six months post-training.
- **Digital skills training** to 10,418 WSMEs in the formal

equip them with the skills they require to access AfCFTA digital resources, E-commerce, and digital ecosystems;

- **Access to marketing by connecting** 7,000+ WSMEs across 48 African countries to be each other's supply chain across Africa;
- **A knowledge-sharing and peer-mentoring** forum for 7,000+ WSMEs to communicate on a daily basis;
- **AfCFTA awareness sessions** to educate women on AfCFTA and its benefits;
- **Business registration services** for informal WSMEs to access resources reserved for registered businesses.



and informal sectors across 52 African countries to

**ImpactHER Training in Mozambique.**  
Credit : Efe Ukala

All of these services have been provided at no cost to WSMEs. ImpactHER also provided the first female-only business training in collaboration with a Mozambican institution.

**Conclusion**

The AfCFTA holds immense potential for Africa's economic well-being, and is uniquely positioned to bridge Africa's gender finance and technology gap if implemented from a gender-lens perspective. Conversely, it also has the potential to widen the finance and technology gap if women-led businesses are not intentionally accounted for or given the requisite resources that would allow them to thrive. Therefore, AfCFTA should constitute a pan-African promotional team that tackles fundamental implementation issues. Africa's continuous rise will be stunted if women-led businesses are left behind; Africa must rise!

**About Efe Ukala:**

*Efe Ukala is an award-winning authority on African gender-lens investing and financial inclusion. She is an investment lawyer at J.P. Morgan Chase, New York, and the founder of ImpactHER, an impact driven organization that has directly supported over 25,000 African female entrepreneurs in 52 African countries, on a pro bono basis, to access institutional capital, new markets and build scalable businesses. Efe has structured over \$1.3 billion into companies in Sub-Saharan Africa. In the wake of the pandemic, Efe authored gender-smart Covid-19 policies that were adopted by several African governments. Efe received her A.B. degree from the University of Chicago, where she was inducted as a member of the Maroon Key Society (the University's honorary society) and her J.D. from Washington and Lee University School of Law.*

## K. Strengthening the Young Entrepreneur: What Must Be Done? – Edith Njage



**Edith Njage – Co-Founder/CEO, Arielle for Africa Ltd. (Kenya)**

***... As aggressively as we speak about the AfCFTA and making sure Africans understand it, we are still falling short if we do not strengthen the young entrepreneur...***

If you asked me as a teenager what I would be doing with my life at 26, I would never have thought I would be an African serial entrepreneur. I would have never imagined living out a mandate to create meaningful work opportunities for 1,000,000 young Africans. My entrepreneurship story in the African continent can best be described as stumbling into the wrong room but realizing it was the right place for me all along. At eighteen, I built my first company, which has gone on to provide job opportunities in 12 African markets. At twenty-three, I built *Arielle for Africa*, supporting thousands of entrepreneurs in Africa. Now at the age of twenty-six, I stand ready to launch two additional ventures. Life and the AfCFTA have this in common: you never really understand how perfect each puzzle piece is until you have the full picture.

I decided to become a social and serial entrepreneur to create opportunities in the continent because I was fed up - tired of seeing young Africans with potential set aside, tired of waiting for governments to do something, and tired of sitting back. I have always told the entrepreneurs and young leaders I work with:

***“If you identify a problem in the community or the country, it is so you can solve it. Don’t complain about it, don’t wait***

***for others to become the solution but build a solution that will live on long after you are gone.”***

My journey has been living out this statement. Living out the gap I see for support for entrepreneurs and SMEs, living out the lack of mentorship for our youth in the continent, and living out the mandate to build the Africa we all deserve.

The AfCFTA has provided a path I would never have imagined: a path to rebuild the continent bigger and better, and using entrepreneurship to do so. The ability for this agreement to provide wealth, markets and access for entrepreneurs and opportunities for women and youth is revolutionary, as soon as we understand this: **we are the AfCFTA and the AfCFTA is us.** We can make or break the opportunity before us.

There is a big difference between being an entrepreneur and being a business owner. Africa is plagued by business owners calling themselves entrepreneurs, and plagued by the lack of clarity around the difference between the two. The AfCFTA was built for entrepreneurs, not for business owners. The difference between the two? Well, an entrepreneur is a visionary and an agent of change. They build, they create, they grow, they multiply; you give them an amount of money and in a year, they have doubled it. A business owner, on the other hand, simply copies and pastes. They get into business for the revenues and profits and not for the purpose. It is for this reason that they simply generate 10-20% on any investment you make in them. Their growth is limited because their perspective and vision are limited.

In order to take full advantage of the AfCFTA you need to be ready and able to scale your vision. This may be in the form of partnerships, new branches, or furthering export. This can only be done sustainably by a visionary entrepreneur.

There is no doubt in my mind that the Agreement has the potential to create millions of jobs and reduce poverty drastically. My only doubt is that we are reliant on entrepreneurs to march at the frontlines to make this vision a reality, but many participants are still purely business owners. Many do not understand what it means to be an entrepreneur.

When I realized that as an entrepreneur I had a responsibility to my community, country and continent, I became relentless in my pursuit.

### **Relentless: Unceasingly Intense**

As an entrepreneur, the job creation we sing about left, right and centre is our responsibility. This is the reason I have never stopped building in the African continent, because I understand the responsibility on my shoulders for my generation and the next.

As aggressively as we speak about the Agreement and making sure Africans understand it, we are still falling short if we do not strengthen the young entrepreneur. Though we can accomplish this in many ways, the primary way is by being honest and helping them realize that entrepreneurship is anything but glamorous. It is hard work. It is a sacrifice. It is a daily pursuit beyond a simple livelihood.

Next in importance is making sure they have all the tools they need for them to scale. This starts with a proven and disruptive business model and ends in support. Let's start with the business model: contrary to popular belief, it is not the lack of resources that drives an entrepreneur out of business; rather, it is the wrong business model. The right business model will scale effortlessly and work in various markets. The right business model will generate revenues with or without investment being pumped in. Most entrepreneurs I have met and worked with will have what I call a 'close-to-right business model', and most times we just need to make a few changes. Africans were born creative! It is just sad that they don't all have someone to show them how to make adjustments to their model. The real trouble hits

when the entrepreneur has proven their business model but needs support to scale.

To strengthen the young entrepreneur, we need to build an ecosystem that does this across African markets. An ecosystem that provides them with legal support, access to funding and partnerships, a support system and the space to scale. How to scale my own experience and accomplishments throughout the continent is my challenge.

I am an entrepreneur in Africa, and I will clearly state that my journey has been harder than it should have been because I was not supported. I had to make my own way. Most days it still feels like I am stumbling in the dark. As a highly educated woman with two undergraduate degrees and two postgraduate degrees under her belt, I hold an advantage most entrepreneurs do not. Still, I struggle. This plagues my mind because if I am having a hard time, how about the entrepreneur that really has no idea what they are doing?

The truth is entrepreneurs in Africa have been failed by the system. I hope and pray with all my heart that the AfCFTA will lead us on the path of change.

I hope I do not come across as biased when I say Africa is something special. She is unique among her counterparts, but we have to allow her to take her place on the world stage. The AfCFTA is the greatest trade deal since the WTO was formed, and I firmly believe the group that has the most to gain is African entrepreneurs. They just have to be ready for it.

Many times, I see the AfCFTA as a sieve to separate the mediocre from the best Africa has to offer. The truth is, a business in South Africa can now choose a supplier from Ghana, Ethiopia or Gabon. They are no longer limited. Africa can now select the best despite borders. For this reason, as entrepreneurs, there is no space for mediocrity - we must all deliver the very best and be the very best.

My challenge to world leaders is to build for entrepreneurs, and as you build solutions for entrepreneurs, invite us to be part of the process. As great as the AfCFTA is, the possible impact will never be a reality if we do not make entrepreneurs the focus. I am all for policy, but policy needs *us* to become real.

Young entrepreneurs need the tools to thrive. They need to understand how to build strategic alliances, how to form stakeholder relationships in new markets, and how to build sustainably. This needs to be the focus, beyond reduction of tariffs; the truth is there are bigger fish to fry.

Our skills and abilities as young people need to not only be developed, but also to be utilized. There are bright, honest and genuine young Africans all over the continent, but sometimes we see them as a threat rather than a resource. We count them as a problem rather than as part of the solution, and we need to change that for the AfCFTA to achieve all that it was intended to.

We need to give the youth the space to shine, we need to see our young population as our biggest asset, and we need to

invest in them! It is our competitive advantage as a continent. I like to believe I am part of that competitive advantage.

In order for us to build the Africa we all want to see, we have to strengthen her future. The future is the younger generation.

My challenge is this: who are you mentoring? Who is your legacy? What young entrepreneur are you strengthening? If you cannot come up with an answer, you are part of the problem.

The journey of a young entrepreneur is hard and lonely; mentorship makes that journey a little easier. I firmly believe that the young entrepreneur is the solution to Africa's greatest problems, but unless we grow and mentor that entrepreneur, we will be dooming the future generations to live an even worse reality than the one we currently face.

**The AfCFTA is one piece of the solution; we are the other. If the AfCFTA does its part, will you? This is our chance to build the Africa we want! Let's not waste it.**

#### **About Edith Wangare Njage**

*Edith Wangare Njage is Co-Founder and CEO of Arielle for Africa Ltd. She is Regional Director - The Alpha Group, Co-Founder - African Wealth Oasis (AWO), and Director - Westlands Job Creation Ltd. She holds an MSc in International Business (Disruptive Innovation) and an MSc in Finance, and is the recipient of the Growth Mindset Award 2019. She is a social and serial entrepreneur and a Certified Business and Executive Coach.*

*"Cultivating a global generation of job creators and disruption agents in the African economy"*



## L. Unlocking the Potential of Women Cross-Border Traders in Africa: Considerations for a Simplified Trade Regime - Nadira Bayat



**Nadira Bayat – Senior Gender and Trade Specialist**

***... Empowering women small-scale cross-border traders as an intrinsic component of inclusive AfCFTA implementation can unleash the entrepreneurial potential of this group, towards stronger developmental outcomes...***

The start of trading under the historic AfCFTA unfolded in the midst of an acute health and economic crisis with no parallel in modern times. Emerging evidence on the impact of Covid-19 in Africa shows that the consequences have been particularly severe for women cross-border traders.<sup>173</sup> Small-scale cross-border trade, often referred to as informal cross-border trade,<sup>174</sup> is intrinsically woven into Africa's economic, social and trading landscape. Characterized by a predominance of female traders, small-scale cross-border trade creates jobs and is the primary source of income and livelihoods for families.<sup>175</sup> Often referred to as a vulnerable group - and in many ways they are - women are driving this small-scale cross-border trade that accounts for a significant proportion of intra-African trade.<sup>176</sup> While it is accepted that empowering women cross-border traders can contribute to

poverty reduction and food security in border areas, it is vital that this acknowledgment translates into gender-responsive interventions that address the priority needs of these traders. As AfCFTA State Parties turn to the hard work of implementing the AfCFTA Agreement, ensuring that inclusivity is placed at the core of implementation is key. Empowering women small-scale cross-border traders as an intrinsic component of inclusive AfCFTA implementation can unleash the entrepreneurial potential of this group, towards stronger developmental outcomes.

<sup>173</sup> Trademark East Africa (2020). *The Effects of COVID-19 on Women*. Available at: <https://eassi.org/wp-content/uploads/2021/03/Report-on-the-Effects-of-COVID19-on-Women-Cross-Border-Traders-in-East-Africa.pdf>.

<sup>174</sup> Informal cross-border trade refers to trade in legitimately produced goods and services that escape the regulatory framework set by the government (i.e. avoiding certain taxes and regulatory rules). See in this regard, the definition of informal cross-border trade set out by UNCTAD (2019). The preferred terminology for this article is 'small-scale cross-border trade'. The terms 'small-

scale cross-border traders' and 'women cross-border traders' are used interchangeably.

<sup>175</sup> International Centre for Trade and Sustainable Development (ICTSD) (2018). *Supporting Small-Scale Cross-Border Traders Across Africa*. Available at <https://ictsd.iisd.org/bridges-news/bridges-africa/issue-archive/supporting-small-scale-cross-border-traders-across-africa>.

<sup>176</sup> Afreximbank (2020). *African Trade Report 2020 Informal Cross-Border Trade in Africa in the Context of the AfCFTA*. Available at <https://media.afreximbank.com/afrexim/African-Trade-Report-2020.pdf>.

## Responding to Gender-Distinct Challenges Confronting Women Cross-Border Traders Through Simplified Trade Regimes

Women make up approximately 70 per cent of cross-border traders in the Southern African Development Community (SADC) region, and about 60 per cent of informal traders in West and Central Africa.<sup>177</sup> A data collection project along the Abidjan-Lagos Corridor in the ECOWAS region found approximately twice as many women than men trading in food items, but only 1.2 times more women than men trading in manufactured goods.<sup>178</sup> Studies conducted at various border locations across Sub-Saharan Africa show that corruption and sexual harassment are regular features of cross-border trade. Long waiting times at the border are further exacerbated by the lack of lodging and baby-changing facilities, as well as accessible bathroom facilities that meet the sanitation needs of women. In addition, poor lighting and fencing have severe implications for the safety and security of women traders crossing the border, especially with their children and during overnight stays.<sup>179</sup>

Border obstacles, including cumbersome customs procedures, unpredictable regulations, and prohibitive taxes constrain women cross-border traders in ways that male traders are not, especially in Least Developed Countries (LDCs) in Africa.<sup>180</sup> At the same time, women face a daunting array of constraints that range from unequal access to markets and information, transportation and education, to socio-cultural barriers and disproportionate care burdens. Access to finance ranks among one of the most pressing challenges for women cross-border traders.<sup>181</sup>

There is strong recognition among Africa's RECs of the importance of small-scale trade to regional trade. In response, COMESA and the EAC are implementing Simplified Trade Regimes (STRs) and a range of complementary trade facilitation measures to help address some of the gender-differentiated barriers confronting women in cross-border trade. The STR is an innovative trade facilitation instrument that targets small-scale cross-border traders who regularly transact low-value consignments, and seeks to boost their participation in cross-border and intra-regional trade. EAC and COMESA are the only two RECs that have functioning STRs. The SADC STR is not yet established, while discussions are underway to design and implement an ECOWAS STR for small-scale traders.<sup>182</sup>

In general, an STR consists of four principle instruments: a simplified customs document, a simplified certificate of origin, a common list of products, and a threshold for the

value of a consignment. The COMESA STR grants duty-free importation or exportation of goods worth \$2,000 or less that are on the common list of eligible products agreed upon by the two neighbouring countries based on goods that are commonly traded by small-scale traders.<sup>183</sup> A simplified customs document and a simplified COMESA certificate of origin allow traders to clear their consignments quickly and to cross borders more easily. Under the EAC STR, traders can obtain a simplified certificate of origin for goods valued at under \$2,000 that have been delineated on the EAC List of Originating Goods Commonly Traded by Small Scale Cross-Border Traders.<sup>184</sup> While STRs have emerged as one of the most beneficial trade facilitation instruments for small-scale cross-border traders in the COMESA and EAC regions, traders still confront a range of obstacles at some border crossings.<sup>185</sup> A study by AfreximBank found that the STR streamlines one set of compliance procedures (related to RoOs); however, traders still need to comply with SPS requirements and undergo various immigration controls. Taxes on products remain in place, including VAT, excise duties and other associated fees.<sup>186</sup>

STR implementation is also not consistent across the RECs. This includes the threshold values per consignment, as well as the 'common lists' that identify goods eligible for clearance under the STR. The scope of the 'common lists' have been raised in the context of the COMESA STR, with the COMESA Secretariat mandated to undertake a study on the possibility of adopting a regional common list as opposed to the current use of bilaterally agreed upon common lists of products.<sup>187</sup> Finally, awareness of the benefits of STRs remain low, especially among female cross-border traders,<sup>188</sup> while language constitutes a barrier. A study by the Eastern African Sub-regional Support Initiative for the Advancement of Women (EASSI) found that many women cross-border traders in the EAC are locked out from using the simplified certificate of origin in Kiswahili, French and English due to low literacy levels.<sup>189</sup>

The AfCFTA offers a tremendous opportunity to scale-up and build upon existing STRs at the REC level. Further consideration should be given to the design of a gender-responsive AfCFTA STR, that considers and supports the needs of women cross-border traders as an intrinsic component of inclusive AfCFTA implementation. Establishing a gender-responsive AfCFTA STR, one that is supported by an equally targeted gender-responsive trade facilitation agenda, is key for delivering on a more equal and empowered future for women. It would reduce the cost of formal cross-border trade for small-scale traders, support their gradual transition to the formal economy that provides more protection, and

<sup>177</sup> Ibid.

<sup>178</sup> Ibid.

<sup>179</sup> UNCTAD (2019). "Borderline: Women in informal cross-border trade in Malawi, the United Republic of Tanzania and Zambia." Geneva.

<sup>180</sup> UNCTAD (2020). Teaching Material on Trade and Gender. Volume 1: Unfolding the Links. Module 4E. *Trade and Gender Linkages: An Analysis of Least Developed Countries*. United Nations Publication.

<sup>181</sup> Ibid.

<sup>182</sup> ECA (2021). *Enhancing the quality of informal cross-border trade in the Economic Community of West African States*. Available at <https://repository.uneca.org/bitstream/handle/10855/46372/b1199650x.pdf?sequence=1&isAllowed=y>.

<sup>183</sup> COMESA. *In Brief* (2018). Available at <https://www.comesa.int/wp-content/uploads/2020/05/COMESA-in-brief-FINAL- web.pdf>.

<sup>184</sup> Fundira, T. (2018). *Informal cross-border trading- review of the simplified trade regimes in east and Southern Africa*. Tralac Trade Brief. No.US18TB03/2018. Stellenbosch: tralac.

<sup>185</sup> Afreximbank (2020). op. cit.

<sup>186</sup> Ibid.

<sup>187</sup> Alemi, D.C. (2021). *Key outcomes from COMESA policy dialogue on STR implementation*. Available at <https://imanidevelopment.com/key-outcomes-of-comesa-policy-dialogue-on-str-implementation/>.

<sup>188</sup> UNCTAD (2019). op. cit.

<sup>189</sup> Eastern African Sub-regional Support Initiative for the Advancement of Women (EASSI) 2020. *COVID-19: The Escalation of NTBs in the EAC and the Impact on Women Traders*, Available at <https://eassi.org/wp-content/uploads/2020/11/THE-ESCALATION-OF-NTBs-IN-THE-EAC-AND-THE-IMPACT-ON-WOMEN-TRADERS-DURING-COVID-19-PANDEMIC.pdf>.

will ultimately advance their participation in new opportunities created through the AfCFTA.<sup>190</sup>

### Considerations for a Gender-Responsive AfCFTA STR

Empowering women cross-border traders through an AfCFTA-STR requires applying a gender lens in both design and implementation. Women traders and cross-border associations must be consulted, with their benefit explicitly delineated as a goal. The list of products under an AfCFTA STR should include commodities commonly traded by women cross-border traders, and aim to be more extensive than the common lists of the COMESA and EAC STRs by encompassing manufactured goods.<sup>191</sup> Increasing the threshold level could further incentivize traders to engage in trade below the duty-free amount. Likewise, a gender-responsive AfCFTA STR should support women cross-border traders with information on opportunities that will be created through the AfCFTA for trading in higher-value-added products and integrating into higher-value-added segments of RVCs.

Awareness-raising and sensitization on the AfCFTA Agreement - and the STR that targets women specifically - should be prioritized to ensure better understanding and uptake. In terms of design and implementation, an AfCFTA STR would best be handled at the level of the RECs, and bilaterally between neighbouring Member States.<sup>192</sup>

Finally, an AfCFTA STR must be buttressed by a gender-responsive trade facilitation agenda. Key best practices of trade facilitation interventions at the REC level that have improved the safety and reduced the time and cost involved in trading, particularly for small-scale women cross-border traders, should be scaled-up. COMESA, for example, has successfully implemented a number of small-scale trade facilitation initiatives at various borders.<sup>193</sup> These include, *inter alia*, trade information desks, gender-sensitive infrastructure such as sanitary and childcare facilities, as well as markets and storage. In East Africa, gender desks have been established to facilitate the reporting of cases of gender-based violence and discrimination, while some borders have introduced a female customs officer as the gender champion.<sup>194</sup> The adoption of AfCFTA-specific digital trade facilitation measures such as single windows, electronic certificates of origin, and automated processing of trade declarations can address various border management challenges that disproportionately impact small-scale women traders. These traders can benefit from cashless cross-border

payments, mobile banking systems and other digital solutions that limit the risk of physical contact, harassment, bribery, corruption and confiscation of goods at the border.<sup>195</sup> As part of a broader gender-responsive trade facilitation agenda, provision should be made for gender-sensitive capacity-building and training for customs officers and border officials. All trade facilitation interventions must be supported by increased improvements in data collection on small-scale cross-border trade.

The STR takes on new significance in the era of the AfCFTA. Gender-neutral implementation, however, will not be sufficient. To accelerate progress towards inclusive AfCFTA implementation, concerted efforts are needed to design an STR that goes hand in hand with women's economic empowerment. This is important for building individual agency and enabling women - who comprise the majority of those crossing and accessing services at border posts - to become powerful drivers of inclusive economic growth. Delivering on these objectives now becomes a compelling priority and a faster way to rebound from the health and economic crisis of Covid-19.

### About Nadira Bayat

*Nadira Bayat is a Gender and Trade Specialist, currently providing technical support to the UN Women cross-regional programme on gender and the AfCFTA. In her previous position as Gender and Trade Expert with the UN Economic Commission for Africa (ECA), Nadira led the approach to gender mainstreaming in AfCFTA National Implementation Strategies. Nadira has over 20 years of experience, combining wide-ranging expertise across key policy areas on the sustainable development agenda, including in gender equality and women's economic empowerment.*

*Nadira has served in various roles in other UN agencies, including at the International Court of Justice, UN Transitional Administration in East Timor, and the International Criminal Tribunal for Rwanda. She has also held senior positions in the South African Government, including as Counsellor: Multilateral at the Embassy of South Africa in Washington D.C.*

*Nadira holds two LL.Ms, including in International Legal Studies from American University Washington College of Law.*

<sup>190</sup> ECA et al. (2019). *Assessing Regional Integration in Africa IX*. Addis Ababa.

<sup>191</sup> Ibid.

<sup>192</sup> Ibid.

<sup>193</sup> Presentation by Beatrice Simwapenga Hamusonde – Director, Gender and Social Affairs (COMESA) at the UN Women-convened multi-stakeholder dialogue on 8 February 2021.

<sup>194</sup> ECA (2021). op. cit.

<sup>195</sup> ECA (2020). *Facilitating cross-border trade through a coordinated African response to COVID-19*. Available at: <https://repository.uneca.org/bitstream/handle/10855/43789/b11986724.pdf?sequence=1&isAllowed=y>.

## What Can Chambers of Commerce Do? – Aminou Adikari



**Aminou Adikari – Executive Director, Federation of the West African Chamber of Commerce and Industry (FEWACCI)**  
**...there is a need for governments to develop specific policies to enable business continuity and resilience....**

The Federation of West African Chambers of Commerce (FEWACCI) was created in 1976 as the umbrella body of National Chambers of Commerce and Industry, to serve as a platform for consultation in order to publicize the opinions and proposals of the private sector on all ECOWAS acts and decisions that contribute to regional and continental economic integration. In line with the legal recognition given to FEWACCI by ECOWAS Heads of State and Member State governments granting observer access to statutory meetings, and with the key role the private sector plays in growth and development, FEWACCI is honoured to be hosted by the ECOWAS Commission.

As a key private sector organization in West Africa, **FEWACCI** is participating in the consultative framework set up by the ECOWAS Commission with the general objective of contributing to and strengthening regional economic integration through greater involvement of the regional private sector in the decision-making process, including formulation, implementation, monitoring and evaluation.

As such, FEWACCI has played a fundamental role in the formulation of the AfCFTA by ensuring that the interests of the private sector are safeguarded. We have ensured that

ECOWAS achievements are the basis for the formulation of the AfCFTA, and we have been supported by the ECOWAS Commission, which has accompanied Member States in the negotiation of the agreement, as well as its signature and ratification with a view to make Africa the largest trade area in the world.

For us, the AfCFTA is an unprecedented opportunity because it allows us to establish harmonized rules for doing business with counterparts in other AfCFTA State Parties, and complements the policies and measures of ECOWAS relating to business.

But it is also a threat if we cannot understand the complementarity between the AfCFTA and the ECOWAS texts relating to trade and investment. It is in this regard that a better appropriation of these two texts is necessary, to ensure that an environment favourable to trade and investment is cultivated. AfCFTA is an avenue for all businesspeople, companies, industries and SMEs especially - those led by women and youth – to benefit from this trade policy, which expected to be a catalyst for boosting trade between African countries, supporting industrial development, and creating business opportunities, jobs and poverty alleviation.



## BACKGROUND ON FEWACCI

CREATION	MISSION	ORGANISATION
<p>FEWACCI was created in 1976 by National Chambers of Commerce and Industry in West Africa <i>West Africa with Observer Status at ECOWAS Statutory Meetings</i>, to serve as a consultative platform to provide private sector's views and proposals on all ECOWAS actions and decisions that contribute to regional economic integration</p>	<p>Advocates on behalf of the private sector of the ECOWAS region for:</p> <ul style="list-style-type: none"> <li>• A greater involvement of the private sector in policymaking decisions</li> <li>• Improvement of the business climate for the development of private investment</li> <li>• <i>Public-private partnership in the development of projects and more particularly, regional projects covering more than one ECOWAS-member country, such as roads, railways, etc.</i></li> <li>• Institutionalized public-private dialogue</li> <li>• Good corporate governance</li> </ul>	<p>FEWACCI has a membership of 15 Chambers of Commerce from each country in ECOWAS region and its administration is being managed through the following organs</p> <p>a) <b>General Assembly:</b>  b) <b>Executive Bureau:</b> Comprises of six elected members for a two-year renewable tenure.</p> <p>c) <b>Technical Committee:</b> formed based on the projects that need to be handled by the Federation</p> <p>d) <b>Secretariat</b> in charge of the administrative duties of the Federation and is located inside ECOWAS Commission in Abuja</p>

SMEs are the main pillar of most developed economies, representing about 70 per cent of global employment and about 50 per cent of developing country GDPs. In West Africa, SMEs are one of the main engines of economic growth. They constitute major actors in the 75 per cent of exporting businesses across the West Africa region. Despite their crucial role, they face major challenges such as:

- lack of adequate funding
- lack of information and infrastructure
- insufficient use of information and technology
- lack of adequate raw materials

In the face of the Covid-19 pandemic that continues to exacerbate the challenges faced by SMEs in the region, there is a need for governments to develop specific policies to enable business continuity and resilience. These policies must take into account the needs of formal and informal SMEs. FEWACCI and national Chambers of Commerce have been heavily involved, alongside Member States and the ECOWAS Commission, to support SMEs during this painful period.

### Frame 2: FEWACCI Support to SMEs

*In recognition of the contribution of SMEs to economic growth, FEWACCI works with ECOWAS, national Chambers of Commerce, and regional and continental institutions to organize programmes and initiatives that promote the ease of doing business and build capacity to trade and invest across borders. FEWACCI has developed strategies and action plans that aim to:*

1. **Facilitate Access to Flexible Financing Support:** since access to finance is a crucial problem for SMEs in Nigeria, we facilitate collaborations between SMEs and relevant organizations and platforms that develop financial support packages like grants and interest-free loans. We also provide them with tools and guides that enable them to access funds. These tools include: guides on business plans, sample letters of application, and financial projection templates.
2. **Provide Business Support Mechanisms:** many SMEs are faced with the challenge of making important business decisions without a full understanding of business models. We assist them by providing free access to advisors and professionals in key areas like financial planning, tax advisory, and human resource management. We also expose them to available government support programmes that meet their needs, funding opportunities and application guidelines, business model adaptation strategies, etc.
3. **Facilitate Access to Regional Markets:** we have equipped SMEs with accurate information on ECOWAS protocols on the free movement of persons, goods and rights of establishment, as well as easy access to trans-border markets and RVCs.
4. **Organize Capacity-Building Programmes** to support SMES, especially those managed by women and youth: we are planning to establish an informal desk for traders along the Lagos-Abidjan corridor and we hope to develop this with our partner Ecobank, which was created by FEWACCI's founders, including Gervais Djondo and the late Akinyemi Lawson.

***If we agree that the private sector is a major beneficiary of the AfCFTA, what role should it play?*** This role, which should be primarily facilitated by private sector organizations - such as Chambers of Commerce - must be one of:

1. **Resource Mobilization:** the private sector can mobilize resources through a process of deepening financial intermediation. This can be achieved via the

development of a stock exchange, and financial services for SMEs.

2. **Productive Capacity:** The private sector can invest in productive capacity in at least three ways: (i) training and capacity-building, (ii) investment in production units, and (iii) entrepreneurship development.
3. **R&D:** The private sector can make a significant contribution to investment in research, innovation and development. More specifically, it can invest in the creation of trade facilitation committees, collaboration with governments to institutionalize public-private dialogue, as well as active participation in the design, implementation and evaluation of policies.
4. **Investments in Infrastructure:** the private sector can invest in infrastructure through the creation of joint ventures at the regional and continental levels.

Specifically, the major role of the private sector is that of joint venture-like investments, similar to the successful creation of [Ecobank](#) and the [Asky](#) Regional Airline Company, which were both led by FEWACCI. It is through this channel that we can create jobs and support development.

To achieve this objective, the private sector must unite and speak with one voice in order to accompany the ECOWAS and

AU Commissions in promoting the AfCFTA and its monitoring and evaluation. To this end, FEWACCI proposes the establishment of a private sector task force composed of regional associations recognized by ECOWAS, viz.:

- Federation of Chambers of Commerce and Industry of West Africa (FEWACCI)
- Federation of Industrialists' Associations of West Africa (FEWAMA)
- Federation of Business Women, Women Entrepreneurs of ECOWAS (FEFA ECOWAS)
- Federation of Employers' Organizations of West Africa (FOPAO)
- Federation of ECOWAS Investment Promotion Agencies (AIPAWAS)
- Federation of Associations of Banks and Financial Institutions of ECOWAS (ABAO)

The overall objective of this task force is to contribute to the strengthening and deepening of regional and continental economic integration through greater involvement of the regional private sector in the decision-making process, including the formulation, implementation, promotion, monitoring and evaluation of the AfCFTA, as well as ECOWAS texts on the free movement of persons, goods, services, and the right of establishment for the benefit of SMEs.

**Frame 3: The Creation of Ecobank – Evidence of What the Private Sector Can Do When We Work Together**

*In recognition of the important role that access to finance plays in the growth of businesses in the subregion, the founders of FEWACCI decided to establish a regional bank that would understand the needs of businesspeople and dedicate itself to meeting those needs. They promoted and established the first West African bank - Ecobank Transnational - which has grown to be one of the leading banks in Africa today. Ecobank has expanded quickly, and its operations now extend beyond the confines of the West African subregion. This further reveals the key role of strong partnerships between stakeholders in the private and public sector towards the achievement of continental initiatives like the AfCFTA*

With regard to SMEs, FEWACCI proposes the implementation of a new SME development strategy with the involvement of all stakeholders. This strategy will include a special plan and a dedicated SME fund to:

- Facilitate the development of the informal sector through advocacy and awareness-raising
- Facilitate access to markets and digital resources
- Engage in capacity-building and continuous training of SMEs

- Ensure legal certainty for SMEs in the business environment in which they operate
- Facilitate financial support for SMEs, youth, and women's entrepreneurship
- Develop a support framework for joint venture formation to support SMEs and partnerships

The realization and implementation of this strategy requires the collaboration of private sector associations legally constituted and mandated to support SMEs.



While there are several associations growing to support SMEs in the context of the implementation of the AfCFTA, the legal and institutional frameworks put in place by State Parties need to be mainstreamed, so that there is stronger accountability.

In conclusion, Chambers of Commerce will play a key role in advancing the objectives of the AfCFTA.

#### Frame 4: FEWACCI Success Stories in Policy Reform

*In line with its mission as a framework for public-private dialogue, advocacy, monitoring and promotion of policies and protocols leading to the improvement of the business climate in West Africa, in 2010 FEWACCI organized a Stakeholders' Conference in Banjul, Gambia. The conclusions of the conference served as an advocacy tool that led to the adoption of policies and measures that make our community a free-trade zone of distinction. These include, but are not limited to:*

- *The improvement of the use of the ECOWAS Trade Liberalization Scheme (ETLS) and its implementation in the 15 Member States to contribute to the elimination of all barriers to the free movement of persons, goods, services, capital and the right of establishment*
- *The adoption of common ECOWAS biometric passports and identity cards*
- *The adoption and implementation of the Common External Tariff (CET) and the harmonized customs code*
- *The adoption of a harmonized quality policy to facilitate market access for our products*
- *The adoption of an investment policy and code, and the establishment of a regional competition authority*
- *The adoption of a harmonized payment system with an investment guarantee mechanism*

ECOWAS Member States are poised to benefit from a promising business climate with a favourable environment for trade and investment.

- For 40 years, FEWACCI has been working and engaging with the public sector, development partners and international organizations to facilitate SMEs' access to the ECOWAS single markets, representing 500 million consumers.
- FEWACCI's experience and best practices will be leveraged at the continental level to develop joint ventures to accelerate the objectives of the AfCFTA.
- Given its geographical scope and familiarity with the various economic integration programmes of ECOWAS and the AU, FEWACCI stands ready to support the ECOWAS Commission and the AU Commission in carrying out their mission of



deepening regional and continental economic integration.

FRAME 5

***Based on FEWACCI's experience in promoting SME activities across the region, it is our opinion that collaboration between government and private sector stakeholders is crucial to address the challenges facing SMEs. For AfCFTA to properly achieve its objectives, the private sector must be fully involved in all its processes, and SMEs must be properly sensitized to know their roles.***

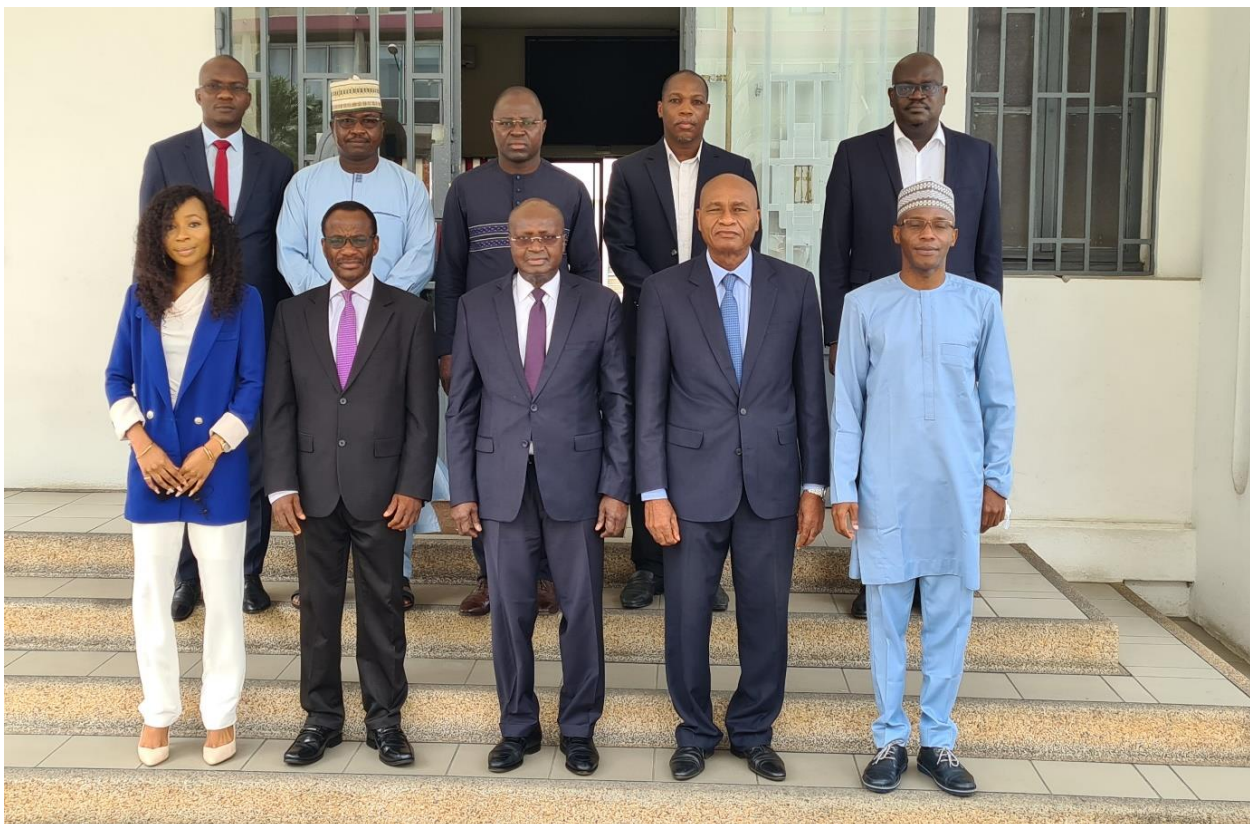
***FEWACCI serves as a link between businesspeople and prospective investors or clients. Through our Chamber Members and networks, we establish relationship and connect businesspeople. We also help to disseminate important business information and policies that are necessary for businesspeople in the region. We engage in meetings and are members of key committees that aim to drive economic integration.***

***In conclusion, the private sector is an indispensable force underpinning sustainable economic growth and job creation for Africa's prosperity. The African private sector can only achieve long-term sustainability if they have a voice when it comes to shaping the regulatory environment of their own countries to render them more conducive to trade. That is why it is important to invest in organizations that can facilitate public-private dialogue.***

Governments cannot hope to stimulate sustainable development without the private sector. Governments need to put in place frameworks for local entrepreneurship (local content policies); long-term policy-making; rules and laws to

protect consumers, workers, and the environment; to monitor contract enforcement; and to protect property rights.

The private sector, working through Chambers of Commerce and other business organizations, has a responsibility to work with governments to achieve these ends. However, to be a viable and credible partner in development, the private sector should be well organized and accountable, and should engage governments on the basis of sound policy analysis.



***Aminou Adikari with the Chamber of Commerce and Industry in Abidjan, Côte d'Ivoire.***  
Credit: Aminou Adikari



On July 14<sup>th</sup>-15<sup>th</sup> 2021, FEWACCI collaborated with the United Nation Economic Commission for Africa (UNECA), Abuja Chamber of Commerce and Industry (ACCI) and the European Union (EU) to identify women in SMES. Participants were sensitized on how to access finance and have an understanding of their role in the implementation of AfCFTA. There was also knowledge- and experience-sharing from women captains of business, and key stakeholders in the deepening of regional and continental economic integration.

On the 3<sup>rd</sup> and 4<sup>th</sup> of August 2021, FEWACCI organized a meeting in Abidjan, Côte d'Ivoire to validate the reports of experts who were recruited to achieve the harmonization of business laws in West Africa. The meeting was organized with technical assistance from the Investment Climate Reform (ICR) Facility, and was attended by Chambers of Commerce from across the West African region, who presented their views and opinions on what the laws should look like.

*Frame 6: FEWACCI to Support Harmonization of Business Laws in West Africa*

*Differing policies can impede cross-regional economic collaboration and activity. Conversely, the alignment of business laws across countries in a region contributes to an enhanced, conducive business environment. With this objective, FEWACCI, with technical assistance from the ICR Facility, engages in promoting business law harmonization in ECOWAS Member States. In a workshop with the participation of representatives from national Chambers of Commerce and industry from the region, and the delegation of the EU in Abidjan in August of 2021, we presented the findings of a comprehensive study on the potential for business law harmonization. These findings will serve as a recommendation for future steps.*

**About Aminou Adikari**

*Aminou Adikari is the CEO of the Federation of West African Chambers of Commerce and Industry.*

## M. COMESA Private Sector Speaks on the Vision of Industry Within the AfCFTA – Sandra Uwera



**Sandra Uwera – CEO, CBC**

**...-Improving the productive capacity of industries, and strengthening key high-value, high-impact production chains, is now the most important aspect to focus on...**

As Africans, we are living in interesting times. As we slowly bring back our economies from the unprecedented disruptions caused by the Covid-19 pandemic, we also carry the mantle of a very forward-looking, refreshing vision that will lift over 68 million people out of moderate poverty and drive sustainable economies in our continent. The AfCFTA is a win-win for governments and industries.

As the operationalization of the AfCFTA is being rolled out at various levels, industries have been exploring new opportunities beyond their traditional national and regional borders. Speaking to one of my members recently, I was excited to learn how businesses are exploring opportunities for consortia partnerships, towards common objectives of

servicing major markets in the continent. Even more exciting was the fact that these industry players are investing in exploration missions across the continent and developing operating processes to standardize strong partnerships with national industries in countries of interest. As the CBC, we have been mapping distribution channels, supply chain networks and export strategies, and providing trade promotion support to businesses in line with the AfCFTA. There is still much to learn for the average businessperson, and we are at the forefront of awareness-raising on the subject.

The CBC is a regional member organization that represents the interests of businesses and associations in 21 COMESA Member States. CBC seeks to improve the competitiveness and deepen the participation of the private sector in regional and global trade. This includes effectively advocating for industry, providing business facilitation services to access regional and global markets, and technical and skills capacity-strengthening for enterprises and associations to readily benefit from existing and new markets. The CBC membership comprises interest groups, Chambers of Commerce and Industry, business member organizations and regional corporations present in more than one country in the COMESA region.

COMESA represents the largest economic bloc in Africa, with a population of over 586 million people and physical territory covering over 11.7 million km<sup>2</sup> as of 2019. With the recent entry of Libya, Tunisia and Somalia, this market is set to expand further, with important socio-

economic interventions that will boost intra-regional trade. COMESA plays our part in propelling the larger vision of the AfCFTA.



**Stakeholder Engagement – speaking is H.E Amelia Kyambadde, Former Minister of Trade, Industry and Cooperatives (Uganda)**

The AfCFTA holds a huge growth potential for businesses, within and outside Africa. This is a market of 1.2 billion people, and has a combined GDP of over \$2.5 trillion. The region boasts a growing young African population and middle class, whose purchasing power is increasing. UNECA predicts that full implementation of AfCFTA will raise intra-Africa trade from 15% (or \$50 billion) in 2017 to 25% (or \$70 billion) by 2040.

One of the key agendas for the CBC has been ensuring and promoting intra-COMESA and Africa trade at large. Following this, CBC have been very active in encouraging the private sector to participate in the AfCFTA and developing programmes which facilitate their participation.

**What does this mean for the private sector?**

*Establishing VCs Using Innovation and Technology: To Produce and Export High-Quality Products Which Will Be Competitive in the Global Market*

The AfCFTA presents an array of opportunities for industries to leverage economies of scale and access cheaper raw materials from other countries in the continent.

***“Improving the productive capacity of industries, and strengthening key high-value, high-impact production chains is now the most important aspect to focus on.”***

This will involve strengthening regional manufacturing capacity that promotes African content that is quality-conscious, affordable, and is in consistent supply to ready markets in

the region. There is a need to strengthen RVCs, as they offer opportunities for companies to scale-up using the region to boost their competitiveness in producing and exporting higher value-added products. As the continent strives to develop well-established RVCs, we shall also see an increase in countries’ bargaining power with the global market when exporting African-owned products.

#### *Investing in Innovative Capacities That Boost Digital Businesses in Africa*

As a strong advocate for enterprise growth and the development of our local and regional markets, CBC focuses on nurturing SMEs, including women and youth in trade. Especially during the Covid-19 pandemic, SMEs have realized that more and more resources need to be channelled towards boosting capacities for online trade. The challenges, including access to finance, access to digital E-commerce platforms and strengthening digital supply chains, have never been more pressing. It is now a well-established fact that giving low-income households (and particularly women) access to formal financial services can make a critical contribution to reducing poverty and addressing inequality. Evidence from many parts of the world indicates that when more people have access to services such as secure savings, lower-cost remittances, affordable insurance and

appropriate forms of credit, it can contribute to more inclusive growth and help foster domestic resource mobilization, increase productive capacity, and reduce vulnerability. As part of this agenda, COMESA and other blocs in Africa are synergizing efforts towards strengthening digital commerce, payments solutions and IT literacy for industries at the bottom of the pyramid, in an effort to create a solution that captures the visions of borderless territories in Africa. Digital transformation lies at the heart of this exciting venture, and we have seen multi-stakeholder collaboration from mobile network operators, banks, FinTech companies and technology industries towards this agenda.

#### *Advocating for a Conducive Trade Environment in the Region: To Create an Environment That Will Support MSMEs and Industries to Have Timely Access to Both Output and Input Markets*

The AfCFTA will serve as a continental platform for aggregating and articulating the views of the private sector in the continental policy formulation processes. The African Business Council, though still nascent, will play a key role in private sector advocacy vis-à-vis continental policy formulation. CBC’s position on the AfCFTA Board will provide an avenue through which issues affecting its members can be channelled. It will also provide a platform to advance AfCFTA implementation.

At the COMESA level, the CBC has examined AfCFTA’s key protocols in the areas of trade in goods and relevant market access requirements. CBC organized a regional training workshop for 140 industry stakeholders on how to leverage opportunities provided within the trade rules that govern the AfCFTA. The private sector has developed a harmonized position on these key areas as follows:

##### **On the Protocol Regarding Trade in Goods**

- *Conclusion of the discussions on the Schedule on the Elimination of Tariffs should be fast tracked, and*

*Schedules should be made available to the stakeholders for use*

- *Outstanding issues on the RoOs should be addressed to allow for their application*
  - *There is a need for producers to make use of the RoOs principle of incremental accumulation to enhance the chances of originating goods to qualify under RoO criteria and promote regional and continental VCs*
- ##### **On Productive Capacity**

- *State Parties should develop AfCFTA national strategies with the involvement of the private sector to facilitate the implementation of the AfCFTA Agreement.*
- *State Parties should focus on addressing the gaps in production and trade, especially for strategic sectors that contribute to the region’s/continent’s export earnings and sectors with significant unexploited production and trade potential.*
- *There is a need to review policy, legal and institutional frameworks to promote private investment in RVCs*



#### On TBTs:

- Focus on eliminating TBT through addressing the issues emanating from technical regulations
- Consider developing mutual recognition arrangements and agreements to facilitate trade at the continental level to complement the harmonization process of product standards, which can take a long time to conclude
- Accelerate the process of harmonization of product standards from the current level of 13.6% of product coverage (1,469 standards) to higher levels (≈4,542 standards) to facilitate trade and also reduce standards-related NTBs
- More State Parties are encouraged to register with the Africa Regional Standards Organization (ARSO) as members to increase the coverage of ARSO standards and adoption of same, both of which will facilitate intra- African Trade

### Strengthening the African Narrative: Inspiring Consumer Confidence in African Products

Africa has a rich, complex, multicultural, multilingual and diverse swath of economies spread across 55 countries.

***“With her incredible wealth in land, labour, resources, knowledge and exposure to global markets, Africa also presents a highly sophisticated consumer who knows and expects quality, standards and price to drive the products demanded in the market.”***

Unfortunately, the narrative surrounding African products is shrouded in high costs of production, high costs of logistics, and inconsistency in the supply of products. These factors conspire to make African

products disproportionately very expensive. The AfCFTA is an opportunity to dismantle the barriers that directly affect our markets and products. By opening markets, and by establishing regional fairs that promote African-owned value-added products for our markets, the continent’s customers will begin to believe in and purchase local content. However, regulatory harmonization, country partnerships, and regional cluster collaborations for common markets are just a few of the important elements that can strengthen our products.



#### The Protocol on Trade in Services

The services sector accounts for more than half of COMESA’s GDP, and over a third of employment. The value added by services accounts for an average of 52.5%

of GDP and contributes 37.2% of total employment in the region.

Services exports in the region have increased over the decades, even though the share of global service exports remained at less than 1%.

Between 2014 and 2016, the COMESA region experienced a decline in exports of commercial services. However, from 2018 to 2019 the region witnessed an increase of 7.3% in exports of commercial services. Imports of commercial services also grew by 9.3% between 2018 to 2019, after a slump in trade between 2014 and 2016.

CBC has been supporting businesses in COMESA by advocating for the abolishment of visas for businesspersons in COMESA Member States. In addition, CBC has been working with COMESA countries to have consistent policies regarding the service industry, as well as promoting exhibitions in the services industry.

In conclusion, as we watch the continent leapfrog into being one of the strongest emerging global economies, the AfCFTA will increase the volume of intra-African trade by 81% by 2035. The AfCFTA is expected to significantly boost African trade, particularly intraregional trade in manufacturing. The volume of total exports is expected to increase by almost 29% by 2035 relative to baseline. The biggest gains from the AfCFTA will be the reduction of NTBs, and the implementation of trade facilitation initiatives, which are anticipated to increase intra-African trade. We envision a borderless territory for trade in Africa.

CBC continues to provide collaborative platforms for the private sector, such as public-private dialogues and tailored capacity-building initiatives, in order to put forward the recommendations of private sector stakeholders on how to improve the implementation of the AfCFTA. CBC plans to consistently remain at the forefront of driving this agenda, working closely with the

private sector, regional partners and counterparts in African and international markets, as well as other councils (e.g. East African Business Council and Southern Africa Business Council) in the region to create awareness on the AfCFTA, especially the potential market opportunities. Our overall vision remains aligned to the AfCFTA: to promote a conducive environment for the private sector to harness the opportunities presented, and in turn build sustainable economic growth and development, job creation and poverty alleviation in Africa.

#### **About Sandra Uwera**

*Ms. Uwera is a regional expert in private sector development, with 20 years' work experience in Eastern and Southern Africa, and within senior management positions. She currently heads the CBC, a leading regional business member services organization and a recognized private sector institution of COMESA.*

*Passionate about women empowerment, Sandra has driven projects and programs on gender inclusion within the digital financial services space, and with a keen focus on women economic empowerment in trade, across the COMESA region. She has successfully developed and implemented programs and projects that have increased profitability and sustainability and increased regional ownership and recognition of the CBC, as one of the leading Regional Business Services Organizations in Africa.*

*She sits on the Advisory boards for ECOMARK Africa, Minerals Africa Development Institute (MADI), and Women's Economic Empowerment - Financial Inclusion Advisory Council, and Small Firm Diaries Global Advisory Board. She is also an Eisenhower and Thomas Mc. Gabe Fellow, and as a personal interest, has founded the MWELL Project, whose focus is on Mind Wellness advocacy for everyday people.*

## About the Editors:

### Francis Mangeni



Francis Mangeni has been Senior Fellow with the Nelson Mandela School of Public Governance at the University of Cape Town, Head of Trade Promotion and Programs with the AfCFTA Secretariat, and Director of Trade Customs and Monetary Affairs with COMESA. He was Advisor to the Minister of Commerce and Industry of the Government of Malawi; Diplomat and Senior Economist at the Permanent Delegation of the AU to the United Nations and other International Organizations based at Geneva; and Regional Trade Policy Advisor at the Commission of the AU. He has taught on postgraduate and undergraduate programmes in Uganda and in the United Kingdom. His work has contributed to economic reforms across Africa and assisted Africa's diplomatic agency across the world. Dr. Mangeni has a doctorate in International Economic Law from the London School of Economics and Political Science.

### Raymond Gilpin



Raymond Gilpin is Chief Economist and Head of Strategy, Analysis and Research at the Regional Bureau for Africa, UNDP in New York. Prior to joining UNDP in 2019, he served as Academic Dean of the Africa Center for Strategic Studies in Washington DC; Economics Director at the US Institute of Peace; economist at the World Bank; Senior Economist at the AfDB; and Research

Director at the Central Bank of Sierra Leone. He earned a doctorate in development economics from Cambridge University.

### Joy Kategekwa



**Joy Kategekwa** is a leading global expert on international trade, investment and development law, policy and capacity development, with an 18-year track record influencing global and regional trade deals and advising governments on shaping trade-led growth strategies. At UNDP's Regional Bureau for Africa in New York, she advises senior management on strategy for a 46-country development programme, including design and implementation of the AfCFTA portfolio. She is the Founding Head of the United Nations Conference on Trade and Development (UNCTAD) Regional Office for Africa (Addis Ababa), where she spent close to 5 years leading the UNCTAD teams that provided technical advisory support in designing the AfCFTA. Previously at the WTO Secretariat, she led technical advice to negotiations on Special and Differential Treatment and institutional support to Africa Group Ambassadors and experts. At Oxfam International, she advised on the economic justice campaign, led engagement with the UN, and spearheaded the authorship of seminal reports auditing development in the Doha Development Agenda. She is a Member of the World Economic Forum's Global Future Council on Trade and Investment, serves on the Advisory Board of the African Journal on International Economic Law ([AJIEL](#)), and is the author of "[Opening Markets for Foreign Skills: How Can the WTO help?](#)". She holds a Ph.D. in International Trade Law from the World Trade Institute – University of Berne and teaches both LLM and Ph.D. classes on trade and development law and policy at leading global and continental post-graduate programmes.



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