Regional value chain development – opportunities across the continent

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African Share of participation in VC

- Africa is on the margins 1.7% participation in global value chains (2019).
- Regional value chains account for only 2.7% of Africa’s global value chain participation compared to
  - 26.4% in Latin America and the Caribbean and
  - 42.9% in developing Asia.
AfCFTA Advantage

• AfCFTA creates a single market of 1.2 billion people and a combined GDP of over $3 trillion.

• Growing African cities that has needs quality good and services;

• Growing disposable incomes to spend on goods and services;

• This opens massive opportunities for intra-African trade, which is currently low.

• RVCs are key to unlocking this potential.
Opportunities Abound

• Industrialisation and Job Creation:
  • RVCs can help Africa develop its industries, creating jobs and boosting economic growth.

• Increased Trade:
  • African countries can specialize in different parts of the production process, leading to more efficient trade within the continent.

• Access to Knowledge and Technology:
  • Collaboration allows countries to share knowledge and expertise, accelerating technological advancement.

• Opportunities for inclusive growth
  • Integrating SME’s and Woman led businesses in regional Value Chain
Promising RVCs for Africa

- Automobiles
- Leather products
- Cocoa processing
- Soybean production
- Textiles and clothing
- Pharmaceuticals
- Vaccine manufacturing
- Lithium-ion batteries
- Mobile financial services
- Creative industries

South Africa Auto Industry

- growth of a regional value-chain in the auto industry,
- integrating raw-materials and production capacities in different parts of the African continent.
  - leather car seats from Lesotho,
  - copper wire from Zambia and the
  - wiring harnesses from Botswana,
  - rubber from Cote d’Ivoire, Nigeria, Malawi, Ghana and Cameroon,
  - steering wheel components from Tunisia.
- US$200 million worth of products traded among African,
- These cars are traded on the world market.
• High trade costs:
  • Logistics and border inefficiencies can make it expensive to move goods around Africa.

• Policy harmonization:
  • Different trade rules and regulations across countries can hinder smooth operations.

• Investment gaps:
  • Infrastructure development and skills training are needed to support RVC growth.
What should be done?

• Investment and Innovation:
  • Businesses invest in production, processing, and logistics infrastructure, which forms the backbone of RVCs. They also drive innovation by developing new products and technologies.

• Specialization and Efficiency:
  • Private companies can specialize in specific stages of production within a value chain. This leads to increased efficiency and overall cost reduction.

• Market Access and Linkages:
  • Businesses connect different parts of the value chain, ensuring raw materials reach processors, finished goods reach distributors, and finally, consumers.

• Skills Development:
  • The private sector plays a vital role in training workers with the skills needed to participate effectively in RVCs.
Role of the Private Sector

• **Partnerships:**
  • Collaborating with governments and regional organizations to improve infrastructure, harmonize policies, and attract investment.

• **Small and Medium Enterprises (SMEs) Integration:**
  • Including smaller players in the value chain to promote inclusive growth and local participation.

• **Sustainable Practices:**
  • Adopting environmentally friendly practices and ensuring social responsibility throughout the production process.
What should Governments do?

• Identify Bottlenecks:
  • Industrial policy can help pinpoint obstacles hindering RVC formation, such as skill gaps or underdeveloped infrastructure.

• Strategic Investments:
  • Governments can invest in strategic sectors with high RVC potential, like building industrial parks or funding research and development (R&D) initiatives.

• Skills Development:
  • Industrial policy can prioritize training programs to equip workers with the skills required for specific RVC activities.
What should Governments do?

• Technology Adoption:
  • Government initiatives can promote technology transfer and adoption to enhance production efficiency within RVCs.

• Standardization and Quality:
  • Setting and enforcing quality standards can improve the competitiveness of African products within regional markets.

• Incentivize Participation:
  • Targeted incentives to encourage businesses, especially domestic players, to participate in RVCs.
What should Governments do? CAUTION

• Select target sectors Carefully:
  • While some industrial policies target specific industries, choosing winners can be risky.
  • It's crucial to focus on sectors with existing comparative advantage to ensure long-term sustainability.

• Market Distortions:
  • Excessive government intervention can distort markets.
  • Industrial policy should aim to create a conducive environment for RVC development, not replace market forces entirely.

• Collaboration
  • Leverage private sector expertise and resources for infrastructure development and skills training.
  • harmonize policies and regulations across borders, fostering a more integrated RVC environment.
THANK YOU