

A new report titled “ [Made by Africa: Creating Value through Integration](#) ”, was released by the International Trade Centre (ITC) during the African Union Summit on Industrialization and Economic Diversification in Niamey, held in Niger from 20 to 25 November 2022 at the Africa Industrialization Week. The report, elaborated in close collaboration with the African Union Commission and the European Commission, identifies 94 value chains where African countries have a comparative advantage or high export potential that can spur industrialization. Among them, pharmaceuticals, baby food, cotton clothing and automobiles are indicated as the most promising.

The importance of the pharmaceuticals sector, in the aftermath of the COVID-19 pandemic, is self-evident: investing in this sector is much needed in order to improve health of Africans and reduce imports. In this regard, it must be noted that already a [report](#) published a few months ago by Development Reimagined revealed that the continent produces only 3% of global medicines, and imports over 75% of its pharmaceutical needs, with Egypt, Nigeria and South Africa having the largest deficits.

Baby food, on the other hand, has a main challenge: production capacity is low in Africa. Moreover, low consumer trust in local African brands keep hindering the growth of this sector, hence investments aimed at increasing quality of such products and at improving their packaging are essential, an objective however that is hindered by lack of modern production machinery by firms engaging in their production.

With regard to cotton clothing, despite Africa is the top cotton producer in the world, lack of technical know-how, modern production machinery and qualified personnel have left the continent dependent on imports of cheap yarn, fabric and second-hand clothes. Networks of input producers and output suppliers in Africa are also limited, largely due to insufficient market information and weak marketing capabilities of businesses. Ultimately, unclear and differing rules of origin, waste management, treatment and recycling systems and sustainability standards make even more challenging the development of this sector. Investment in machinery and knowledge transfer are also needed to enhance skills and know-how, along with capacity building on sustainability and access to affordable finance.

Automotives has high potential for intraregional trade growth, with links to other value chains, such as leather and electrical machinery. This sector has already attracted the interest of foreign multinationals. However, the lack of a continent-wide strategy has contributed to keep the African automotive sector highly fragmented. The influx of cheap, imported second-hand cars and a weak regulatory environment to control the sector have kept investments low. Poor processing capabilities due to limited technical know-how and lack of access to modern technologies have made it challenging to attain economies of scale. The adoption of continent-wide automotive strategy is indicated in the report as a prerequisite to further develop the sector, a strategy that will subsequently need to be translated into regional and national contexts.

This is not the first study on value chains development in Africa. In November 2021, the AfCFTA Secretariat and UNDP published a [report](#) that identified 10 strategic potential value chains that can be developed in the continent to enhance production capacity and competitiveness and increase intra-continental trade. These regional value chains were indicated as follows: 1) automotive; 2) leather and leather products, 3) cocoa; 4) soya; 5) textiles and apparel; 6) pharmaceuticals; 7) vaccine manufacturing; 8) lithium-Ion batteries; 9) mobile financial services; and 10) cultural and creative industries.

The new ITC report indicates that African nations have little diversified economies. At present, Africa contributes only 2.3% to global exports. However, while trade with the rest of the world continues to be dominated by the export primary commodities and natural resources (Africa hosts the highest number of commodity-dependent economies in the world), intra-African trade is more diversified and technologically advanced in nature, much of this trade being represented by transformed products with some form of value addition.

The background message is that in order to promote growth, African policymakers need to keep focusing their efforts on industrialization and diversification. According to [World Bank data](#), the manufacturing sector contributes to the Sub-Saharan African aggregated GDP only for 11%. In order to increase this share, industrial policies need to be developed at both national and regional level (to ensure that countries in the same region do not prioritise the same sectors, worsening a trade complementarity that is always low among African countries), to develop selected strategies aimed at changing the production structure of African economies in favour of the manufacturing industry. This can be done by channelling both governments' selected budgetary and non-budgetary resources and private capital, labour, and entrepreneurs towards the manufacturing sector.

Accelerating productive transformation through industrialization and a higher form of value

addition, is at the very centre of Africa's agenda towards sustainable development, structural transformation, competitiveness, recovery, resilience and inclusive prosperity.

With a large market offered by the African Continental Free Trade Area (AfCFTA), the development of regional and continental value chains becomes now more viable than ever. In fact, investing in diversification and stronger regional value chains, under the umbrella of the continental trade agreement, is seen by the authors of the report as key to unlocking Africa's full economic and development potential.