

The new report from UNCTAD '[The Potential of Africa to Capture Technology-Intensive Global Supply Chains](#)', analyses the challenges to the economic growth of Africa and the sectors where the potential is higher.

The cost of production is indicated as an important factor for the integration of Africa into supply chains, which affects investment decisions of firms to move entire production processes to the continent. The study notes that as the transportation costs are already high (due to the long distances that cargo must travel from the production sites to the consumption destinations), it is extremely important to compensate such challenge with low production costs.

Currently, African companies have high operating costs due to lack of reliable supply of electricity for instance, which makes difficult for them to compete with imports from China and India. To overcome this challenge, clustering production through Special Economic Zones (SEZs) and industrial parks offering lower operation costs can be a viable option. The report mentions as a good example the recent agreement concluded between the Democratic Republic of the Congo and Zambia for the creation of a SEZ for the production of lithium batteries.

Access to financing is indicated as another key challenge of African companies. The report notes that the financial products landscape in Africa is less developed than in other development economies, pointing out that there is a gap in the banking system. In fact, while big companies and microenterprises have specific financial instruments that address their needs (for instance the microfinance market for microenterprises), similar financial tools are not available for middle-size companies. Accordingly, modern and innovative financial solutions need to be made available to support their expansion processes, and an enabling environment has to be created by African States for the development of a supply chain finance market. Supply chain finance focuses on working capital financing, bridging the payment time gap between buyers and sellers to manage the cash levels and needs of suppliers in daily operations in an efficient manner and reduce stress to the balance sheet.

The report also recommends that African countries should implement policies aimed at increasing the skills of workers and the ability of companies to innovate and use technology in the production process, as well as in the overall supply chain system.

In conclusion, UNCTAD argues that the role of Africa in technology-intensive global supply chains will be significant in the near future, owing to the rising demand for critical materials. Indeed, the changing dynamics in technology-intensive supply chains brought about by green technologies, provide impetus for African countries to achieve deeper supply chain integration. For instance, an electric car requires about 6 times the mineral inputs of a conventional car. Africa holds approximately 19 per cent of all the global metal reserves required to make an electric vehicle. Out of those metals, the continent accounts for 48 per cent of world reserves of cobalt and manganese, 80 per cent of phosphate and 92 per cent of platinum. It also accounts for 97 per cent of the world's exports of cobalt and 84 per cent of manganese and at least a fifth of the world's reserves in a dozen minerals that are necessary for the energy transition. There is a strong potential to develop large-scale production of automotive parts and component suppliers. Similarly, solar panel module assembly is indicated as a lucrative area for investment, given the high growth of the demand in renewable energy systems and the availability in the continent of several sources of critical minerals that are needed for the manufacture of solar power components. Another case is the production of smartphones, which can contain components from more than 200 suppliers, with the use of a variety of metals and minerals that are largely available in Africa.