There are no translations available.

A new study from Supply Chain Africa (a digital media platform that aims at advancing African supply chains byshedding light on supply chain stories, best practices and models for change), analyses how the African Continental Free Trade Area (AfCFTA) will impact global supply chains through the increase of intra-African trade and foreign direct investment. This is not the first study of this type. Already the International Trade Centre (ITC) issued a report, elaborated in close collaboration with the African Union Commission and the European Commission, that identified 94 value chains where African countries have a comparative advantage or high export potential that can spur industrialization.

The Supply Chain Africa's report, elaborated in tandem with Aloinett Advisors, points out that infrastructure development in Africa - which is a pre-condition for intra-Africa trade to take off - risks to occur at different paces, as not all state parties of the AfCFTA have the same capacities and resources at their disposal to invest in infrastructure. These differences, the report warns, could create gaps in the development of critical infrastructure in the continent, compromising the objective of reduction of transport and trade transaction costs that currently limit the development of intra-African trade. Hence, the study provides a series of policy recommendations to try to reduce this risk.

Among these, the most interesting ones is the proposal to create "cohesion funds" for the development of infrastructure similar to what the European Union (EU) did to help to bridge the gaps between more advanced member states and those more economically disadvantaged, noting that a similar concept is already being implemented within the AfCFTA. This is the AfCFTA Adjustment Fund, that aims at compensating the revenue losses arising from the abolition of customs duties among African states which is the consequence of the creation of a free trade area. The EU "structural funds" are a series of funds that the EU created to re-equilibrate the development of its territory, by transferring financial resources from the wealthier EU States to the more underdeveloped areas (entire countries or specific territorial districts within the EU countries), for the development of infrastructure and other economic activities, including employment, research and innovation, education and training, among others.

In addition, the report suggests that specific policies should to be designed to stimulate businesses to invest in the development of intra-African supply chains. These policies could also include measures to help African companies develop better connections with regional value chains, for example, by promoting sourcing choices aimed at new suppliers or investment in local production capacity linked to new local sources of raw materials. This is supposed to help strengthen Africa’s position in global supply and value chains.