

Chapter 2

Strengthening regional value chains in the African Continental Free Trade Area

This chapter identifies priority policies to facilitate regional value chains in the context of the COVID-19 pandemic and the African Continental Free Trade Area (AfCFTA). First, it reviews past efforts at continental and regional levels to develop regional value chains and highlights key lessons for implementing the AfCFTA. Second, it offers recommendations on how African policy makers can work with the private sector to accelerate digital adoption and reduce the costs of cross-border trading and production. Third, the chapter reviews public policies to create stronger linkages within African industrial networks. It focuses on policies related to skills development, public procurement and investment.

BRIEF IN

African governments have committed to developing regional value chains (RVCs) through a number of programmes and strategies both at regional and continental levels. Many initiatives have suffered from implementation gaps. Bridging these gaps requires bottom-up RVC policies including involving the private sector more closely. Better mobilising domestic resources and new sources of financing is equally important to ensure ownership, implementation and adequate results monitoring.

These lessons and the megatrends highlighted in Chapter 1 bring forward two cross-cutting areas for regional co-operation:

- Policy makers and the private sector can work together to reduce the costs of intra-African production and trade. These costs have increased to the levels of 2007. Scaling up innovative solutions in logistics and finance can help lower them. Developing intra-regional Internet infrastructure and ensuring accommodative regulations for cross-border data flow are other necessities in the digital era. In 2020, intra-regional bandwidth as a share of total Internet bandwidth reached 16% in Africa compared to 20% in Latin America and the Caribbean, 56% in Asia and 75% in Europe.
- Policy makers can actively strengthen linkages between workers, domestic producers and multinational enterprises. Countries can take advantage of the AfCFTA process to develop skills, public procurement and common investment frameworks. Focusing on business clusters can help increase domestic competitiveness and facilitate investments. Between 2012 and early 2019, the night light intensity of cluster areas – a proxy for cluster activity and development – almost doubled.

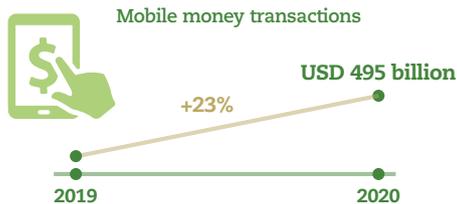
Strengthening regional value chains in the African Continental Free Trade Area

Which policies can strengthen regional value chains?

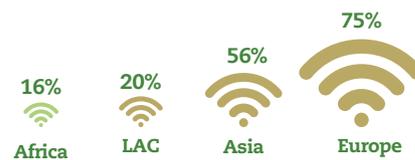
Accelerate the digital transformation of cross-border production and trade

Public-private alliances can scale up innovations in trade, logistics and finance

Intra-continental flow of data requires supportive infrastructure and regulation



Intra-regional bandwidth, 2020



Adapt national industrialisation strategies to the AfCFTA

Regional initiatives can develop skills



Public procurement schemes can extend to producers in AfCFTA

Public procurement as % of GDP, 2015-19



Infrastructure investments can prioritise connecting existing industrial clusters

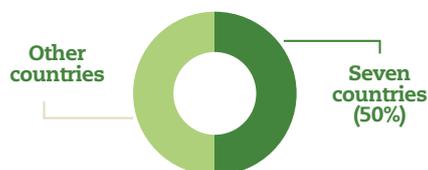
African special economic zones (SEZs) across 38 countries



How can African governments implement these priorities?

Integrate the private sector in the design and implementation of RVC policies

Total PPP infrastructure projects in Africa since 1990



Mobilise domestic resources and unlock new sources of finance

Tax-to-GDP ratio in Africa



Policies to develop regional value chains should focus on the private sector and mobilise domestic resources

Since the 1980s, African institutions have undertaken initiatives to foster regional and global value chains as part of a broader strategy for productive transformation. Table 2.1 presents those initiatives, along with their main objectives and challenges to implementation. In 2003 for example, the African Productive Capacity Initiative set two targets for regional value chains to achieve by 2015: i) to produce “goods that meet the quality requirements of present markets”; and ii) “to upgrade in order to tap future markets”. Each region was assigned one or more value chains to develop by 2015 (Marti and Ssenkubuge, 2009).

Table 2.1. African initiatives to foster global and regional value chains, 1980-present

Initiative (year)	Stakeholders	Main objective	Major implementation challenges
Industrial Development Decade for Africa (IDDA I) (1980-90)	African Union Commission (AUC), Regional Economic Communities (RECs), member states,	End Africa's dependency on developed countries	Weak industrial base and economic structures Inadequate business and regulatory environment
IDDA II (1991-2002)	United Nations Economic Commission for Africa (UNECA), United Nations Industrial Development Organization (UNIDO)		No concrete, practical programmes or projects formulated No involvement from the donor community or other United Nations agencies
IDDA III (2016-25)	(key stakeholders)	Firmly anchor Africa on a path towards inclusive and sustainable industrial development	Lack of political will and poor national planning
African Productive Capacity Initiative (2003)		Develop regional value chains through investment in infrastructure and in human and physical capital	Lack of human, institutional and financial capacity
Action Plan for Accelerated Industrial Development of Africa (AIDA) (2007)	Key stakeholders, World Bank	Integrate African companies into global value chains and develop small and medium-sized enterprises and start-ups	
African Mining Vision (2009)	African Union Development Agency-New Partnership for Africa's Development (AUDA-NEPAD), UNECA, African Minerals Development Centre, United Nations Development Programme, African Development Bank (AfDB)	Create vertical and horizontal linkages between the mining sector and skills, research and development (R&D) and infrastructure	Non-binding nature State-centric implementing mechanisms that prevent civil society's influence the process
Agribusiness and Agro-industry Development Initiative (2010)	AUC, AUDA-NEPAD, AfDB, Food and Agriculture Organization, International Fund for Agricultural Development, UNECA, UNIDO	Decrease dependency on imported products and foster value-addition in agricultural products	Poor skills and technologies in post-production segments of the agriculture value chain Lack of complementarities between the African Agribusiness and Agro-industry Development Initiative (3ADI), the Comprehensive Africa Agriculture Development Programme (CAADP) and the Programme for Infrastructure Development in Africa
High-Level Conference on 3ADI, CAADP and the Maputo Declaration (2010)	Key stakeholders	Promote public-private partnerships in the agricultural sector	
Pharmaceutical Manufacturing Plan for Africa (2012)	AUDA-NEPAD, Africa CDC, AUC Health Humanitarian Affairs and Social Development Department	Strengthen production of affordable pharmaceuticals and essential medicines	Complex legal frameworks Guidelines and assessment procedures not in line with World Health Organization standards

Table 2.1. African initiatives to foster global and regional value chains, 1980-present (continued)

Initiative (year)	Stakeholders	Main objective	Major implementation challenges
Agenda 2063 (2013)	AUC, RECs, member states, AUDA-NEPAD UNECA	“Aspiration 1: Economic transformation through natural resources, manufacturing, industrialisation, and value addition, as well as raising productivity and competitiveness (...) and becoming a net food exporter”	
African Union Commodities Strategy (2017)	Key stakeholders, AUDA-NEPAD		Limited capacities in forging public-private partnerships
Establishment of the AfCFTA (2018)	Key stakeholders	Boost intra-African trade Support Africa’s transformation through resource-based industrialisation and value addition	
Africa Industrialization Week (2018)	UNIDO, AUDA-NEPAD, UNECA, member states	Raise awareness for accelerated, sustainable and inclusive industrialisation	

Notes: AUDA-NEPAD: African Union Development Agency; AfDB: African Development Bank; UNECA: United Nations Economic Commission for Africa; RECs: Regional Economic Communities; AUC: African Union Commission; CDC: Centres for Disease Control and Prevention; FAO: Food and Agriculture Organization of the United Nations; UNIDO: United Nations Industrial Development Organization; UNDP: United Nations Development Programme.

Source: Authors’ compilation.

Over the past few years, Regional Economic Communities have defined road maps of specific regional value chains. The regional level offers the opportunity to identify value chains based on comparative advantages, such as those mentioned in Annex 2.A1. For instance, the Southern African Development Community (SADC) Regional Industrialisation Roadmap 2015-2063 aims to develop six regional value chains (agro-processing, minerals and mining, pharmaceuticals, other consumer goods, capital goods, and services). Since 2014, the Economic Community of West African States (ECOWAS) and the West African Economic and Monetary Union (WAEMU) have adopted the West Africa Competitiveness Programme, a six-year plan to support eight selected value chains (cassava, textile and garments, mango, information and communications technology, onion, pineapple, hides, and skin and leather) at the national and regional levels. Following the development of the East African Community (EAC) Cotton, Textiles and Apparel Strategy, the industry emerged as priority sector within national development plans of member countries, with the common target to build a globally competitive textiles and apparel industry.

Despite the rising numbers of initiatives, the majority have fallen short of the expected results so far. Most African economies have not been able to expand their participation in regional value chains (see Chapter 1). Intra-regional trade continues to account for only 15% of Africa’s total trade. The limited domestic fulfilment of many regional and continental commitments has also led to concerns over a “crisis of implementation” (AU, 2017). However, it is important to highlight that the slow pace of economic integration in Africa is similar to most other regional integration efforts across the world. For example, the European Single Market came into existence only some 35 years after the European Economic Community identified the development of a common market as a core objective. Additional challenges such as slow productive transformation have also limited the progress.

These experiences highlight the importance of avoiding a top-down approach in developing regional value chains. Top-down approaches are likely to overlook specific conditions, needs and opportunities for firms when producing and trading across borders in Africa (Hartzenberg, 2011; Ndzana Olomo, 2021a). Furthermore, failing to take into account domestic interests and incentives often results in an implementation gap. Regional initiatives may falter when facing entrenched political and business interests (Byiers et al., 2021).

Limited domestic resource mobilisation has hindered the implementation of past regional industrialisation programmes. Most initiatives have lacked adequate resources and institutional mechanisms for monitoring and evaluating implementation. For instance, many countries have not respected their commitment to the Maputo Declaration that calls for reserving at least 10% of national budgets for agricultural development (AU, 2016). The Industrial Development Decade for Africa was unable to formulate an operational strategy for allocating financial resources. Similarly, many countries have failed to implement programmes of the New Partnership for Africa's Development (NEPAD), which relied too heavily on unpredictable external financial inflows. Improving domestic resource mobilisation will thus be essential to fund the implementation of regional development strategies. As such, the African Union aims to finance 75-90% of the Agenda 2063 targets through domestic resource mobilisation, with the remainder coming from external financing mechanisms.

Private sector participation is key for developing regional value chains

African institutions can better engage with the private sector in designing and implementing RVC policies. Byiers et al. (2021) propose a six-step adaptive and problem-driven approach for co-operation between public and private sectors. Adopting a bottom-up process driven by the private sector helps sustain political momentum, while better identifying priorities, such as lowering tariffs, providing infrastructure, developing skills and enhancing access to finance (OECD, 2020).

Regional Economic Communities play an important role in facilitating private sector engagement in regional value chains (AfCFTA/UNDP, 2021). In recent years, a number of regional programmes have emerged that provide new platforms for discussion between policy makers, business representatives and relevant stakeholders in strategic value chains. For example, the annual editions of the Banking and SME Fair in WAEMU, begun in 2014, have gathered 525 exhibitors and set up nearly 1 200 business-to-business meetings. Since 2009, the Ghanaian section of the West Africa Competitiveness Programme has facilitated a series of projects to connect the Federation of Ghanaian Exporters, the Ghana Export Promotion Authority and the Enterprise Support Program - Matching Grant Scheme. Such projects can help identify the major constraints and opportunities in production, processing, compliance and access to markets for value chains (WACOMP Ghana, 2020).

Strengthening the institutional representation of small and medium-sized enterprises can ensure the inclusiveness of RVC integration, improve linkages and create more jobs. Better representation of small and medium-sized enterprises in industrial associations can accommodate their interests by increasing their bargaining power and communicating their specific needs in policy discussions. For instance, the Durban Auto Cluster and the South African Automotive Benchmarking Club allow local suppliers in the Durban automotive clusters to interact and collaborate to meet customer demand (UNCTAD, 2010).

Better mobilising domestic resources and unlocking new sources of finance are needed to reduce financing gaps in regional strategies

At the national level, reforms on tax administrations can improve domestic resource mobilisation and strengthen financial resources available to African governments. Some countries have achieved significant progress in expanding their revenues through administrative reforms. In Rwanda, for instance, the digitalisation of tax collection systems has contributed to improve compliance. On average, the tax-to-GDP ratio across 30 African countries increased over the last decade to reach 16.6% in 2019. Nonetheless, this increase remains below the average growth observed in Latin America and the Caribbean and OECD countries during the same period – suggesting room for further improvement

(OECD/AUC/ATAF, 2021a). In addition, tackling illicit financial flows helps fight against financial corruption and preserve resources for Africa's development. In this regard, the African Union, alongside African governments and international partners, is actively working on improving transparency and the cross-border exchange of information in their tax investigations (AU, 2019a; OECD/AUC/ATAF, 2021b).

Diversifying funding sources is crucial in the context of COVID-19 (Ndzana Olomo, 2021b). As the fight against the pandemic has significantly reduced the fiscal space available to African governments, countries need to "crowd in" private investment (see Chapter 1). So far, public-private partnerships remain limited: only seven countries (Egypt, Ghana, Kenya, Nigeria, Tanzania, Uganda and South Africa) accounted for 50.3% of the 759 public private partnerships to develop infrastructure in Africa since 1990. Some recent public-private partnership projects also raise concerns over their fiscal implications for state budgets (IMF, 2019).

Better supranational co-ordination increases the achievement of priorities and broadens the country destinations for public-private partnerships (OECD/ACET, 2020). It also can provide strategic assistance to improve legal, regulatory and institutional frameworks in order to attract new sources of capital to African countries. For instance, the African Development Bank set up the African Financial Alliance for Climate Change, linking stock exchanges, sovereign wealth funds, central banks and other financial institutions. It aims to mobilise capital and shift portfolios towards green investment.

Regional development banks and international partners can play a critical role in this process. Regional development banks and dedicated initiatives such as the Africa50 Infrastructure Fund can facilitate dialogue and matching among potential stakeholders, help develop project pipelines and provide feasibility studies. Addressing uncertainties, such as the public sector's capacity to design and monitor project development processes, could reduce private investors' perception of high risk when investing in Africa.

African governments can develop value chains by attracting more investment in green infrastructure projects. The growing attention from public and private investors to environmental, social and governance standards makes green infrastructure projects increasingly attractive to them, generating new initiatives across the continent to tap these financing sources. At the regional level, African heads of state set up the African Adaptation Initiative to mobilise USD 1 billion by 2025 by issuing a continental climate bond. Creating a visible pipeline of infrastructure investment opportunities aligned with environmental, social and governance standards can help attract investors' attention. For instance, in 2021, the African Development Bank and the European Investment Bank launched a shared pipeline of investment projects aimed at tackling climate change and environmental sustainability. Nonetheless, transparency and impact reporting practices will be crucial to avoid greenwashing (defined as positive communication on projects with poor environmental performance). Most recently, 16 African countries joined the United Nations Sustainable Stock Exchanges initiative to set common standards and co-operation platforms for green bonds issuance.

Beyond resource mobilisation, more effective means of channelling funds and ensuring the bankability of regional projects are needed. Addressing capacity gaps in project cycles can help accelerate quality cross-border infrastructure development. Under the first phase of the Programme for Infrastructure Development in Africa (PIDA, 2012-20), less than half of the projects reached the construction or operational stage. Applying recognised standards of quality, such as the PIDA Quality Label of the African Union Development Agency-New Partnership for Africa's Development (AUDA-NEPAD), can both enhance the quality of project preparation and reassure potential investors as to the feasibility of the projects (OECD/ACET, 2020).

Box 2.1. Improving the evaluation of cross-border projects in Africa

To encourage investment in regional infrastructure, African countries and their development partners need to apply accurate discount rates in evaluating the costs and benefits of cross-border projects. Discount rates measure the rates at which a society would be willing to forego present consumption for future consumption. Many government agencies in Africa apply discount rates of 10-12% with short evaluation periods when evaluating projects, following norms set by the World Bank and multilateral development banks (UNDP, 2016). However, such a practice prioritises short-term needs and discourages projects with significant immediate costs and long-term benefits, such as infrastructure (especially rail) and climate resilience projects. For comparison, since 2003, the Government of the United Kingdom has lowered the standard discount rate for evaluating public investment from 10% to 3.5% over a 30-year evaluation period.¹ The existence of various national rates in Africa also suggests a need to adopt a common discount rate for regional institutions and cross-border infrastructure (as done in the European Union) or to harmonise the principles that determine national discount rates.

Planning and evaluation frameworks should factor in the supra-national benefits of cross-border projects. In cross-border projects where each jurisdiction is responsible for the funding of its national section, project evaluation is fragmented into separate national evaluations of the respective sections. As a result, many countries often fail to factor in the benefits to non-residents, undercounting the net benefits of regional investments. Consequently, when starting the Trans-European Networks Programme in 1997, the European Union adopted new calculations that incorporate the “community component of the social return” in order to properly account for such benefits. These calculations boosted by a quarter the social return from the Paris-London-Brussels-Cologne-Amsterdam high-speed rail project, the first project of the network. Adopting comparable calculations for the cross-border projects of PIDA could better determine their net benefits, in absolute terms and relative to domestic projects.

Source: Roy, R. (forthcoming), “The case for intra-continental trade: The re-orientation of Africa’s trade and the twin challenges of development and environment”, background paper for *Africa’s Development Dynamics 2022*.

Policy makers and the private sector should work together to reduce the costs of cross-border production and trade

The COVID-19 pandemic and rising domestic markets are accelerating the digital transformation in Africa. Among others, new digital solutions, especially in logistics and financial services, have the potential to alleviate the high costs of intra-Africa production and trade. This section explores how policy makers can work with the private sector to scale up such solutions by addressing critical issues related to regulation, co-ordination and infrastructure.

Furthermore, the digital transformation of production networks creates new demands for the safe and seamless flow of data across borders. The section explores the various policy options to tackle this challenge at the national, regional and continental levels, especially in the context of the AfCFTA process.

Governments can help scale up innovative solutions in trade logistics and finance

Problems with trade-related services such as logistics, trade finance and payments are major bottlenecks to African exchanges. For example, logistics costs in Africa are three to four times higher than the world average (Plane, 2021). Africa’s trade finance

gap, broadly measured by the total value of rejected applications for banks' trade finance, stood at USD 81.8 billion in 2019 – thus reducing the ability of African producers to compete in international markets. Similarly, cross-border payments in Africa are costly and often delayed (see Box 2.2). These bottlenecks affect micro, small and medium-sized enterprises in particular. For example, those enterprises benefited from only 34% of trade finance in 2019, despite representing 80% of Africa's firms (AfDB and Afreximbank, 2020). They also create the majority of jobs.

New start-ups are transforming the quality and costs of support services, reducing constraints to cross-border trade. Start-ups in the logistics sector have introduced innovative platforms to connect markets, lower transport costs, and increase service predictability and transparency. For example, the Lagos-based Kobo360 has developed a digital platform using the Global Positioning System (GPS) to connect freight owners and 10 000 truck owners, drivers and cargo consignees, reducing supply chain costs and ensuring traceability of products. In fintech, start-ups such as Asoko Insight, Matchdeck and Fraym are collecting and enhancing information on African businesses to facilitate credit assessment. They propose time- and cost-saving solutions to connect African companies with future stakeholders and democratise access to investment ecosystems like platforms for remote transactions.

Traditional players, especially in the financial sector, are also innovating to respond to the competitive pressure and the challenges of the COVID-19 pandemic. A recent survey suggests that 80% of African banks enable customers to access banking services through mobile or Internet platforms and over 50% provide mobile money wallets. Following the COVID-19 shock, most banks surveyed plan to spend an average of USD 5 million, or 1.2% of their assets, on digitalising their offers and business models by 2022 (EIB, 2021). Applications of advanced digital technologies such as blockchain are also emerging. For instance, Ecobank uses its Omni Platform, and Standard Bank has a Hyperledger Fabric-hosted blockchain platform for payments in foreign currency.

Applying innovative solutions requires overcoming three major challenges to digital adoption across supply chains (see Chapter 2 of *Africa's Development Dynamics 2021* for a detailed discussion):

- First, regulatory barriers continue to slow down the digital adoption in these sectors. For example, only a few countries in Africa (Cameroon, Egypt, Nigeria and South Africa) currently permit e-signatures and electronic authentication of official documents for financial transactions (COMESA, 2020).
- Second, interoperability is key to avoid lock-in to uncompetitive winner-take-all digital platforms and to facilitate cross-border integration of finance, logistics and trade flows. By 2019, 23 African countries had interoperable mobile money systems, increasing peer-to-peer transfer volumes by 25% and flows to and from bank accounts by 32% (GSMA, 2019).
- Third, investment in physical infrastructure remains critical. Modernising customs administration infrastructure is key for enabling digital applications in logistics (e.g. real-time tracking) and in trade finance and payment (e.g. smart contracts). Similarly, logistics costs will not drop off without significant investment in better storage management to ensure the quality of goods and mitigate the effect of price volatility throughout the supply chain.

African countries need to respect the AfCFTA's protocol on e-commerce to accelerate regulatory harmonisation at the continental level. Enhancing dialogue between regional regulatory authorities, central banks, digital financial intermediaries and the private sector can help harmonise regulations. In some areas, such as trade finance, digital

financial intermediaries can play a strategic role in linking a variety of actors with sufficient capital. For payments, a number of initiatives are building integrated regional and continental systems to reduce the time and costs of cross-border payments (Box 2.2).

Box 2.2. Scaling-up integrated regional payment systems

Cross-border transactions in Africa often involve multiple intermediaries due to different regulations, currencies and time zones, leading to delays and additional costs. In 2017, about 80% of cross-border payments in Africa required an intermediary settlement currency, most often United States dollars, resulting in high transaction fees ranging from 3% to 10% (Swift, 2018).

Scaling up integrated regional payment systems could streamline cross-border payments between suppliers. Multiple regional payment systems have emerged to reduce the costs and time associated with cross-border payments, decrease liquidity requirements from central banks and strengthen regulators' oversight of cross-border transactions. At the continental level, the Association of African Central Banks, in partnership with the AUC and Afreximbank, set up the African Inter-Regional Payments Integration Task Force to develop an integrated framework to facilitate cross-border payments (AU, 2019b). Existing regional experience offers learning opportunities to support the development of a continental payment settlement system:

- **Expanding regional payment systems to smaller amounts to reach sufficient scale and include more small and medium-sized enterprises.** Smaller countries might benefit from using regional payment systems infrastructure to scale up domestic retail payments. For instance, the Common Market for Eastern and Southern Africa (COMESA) Business Council aims to develop a low-value regional digital payment scheme to reinforce smaller firms' inclusion and harmonise regulations by bringing together regional financial services regulators (COMESA, 2021).
- **Avoiding overlaps and inefficiencies in national and regional mandates.** In the Economic Community of Central African States, for instance, the regional banking sector regulator establishes financial services regulations, while other regulations, such as for data and consumer protection, are set nationally and may overlap or conflict with each other. Capacity building initiatives could also provide guidance on how to set up reliable national banking systems.
- **Providing multicurrency cross-border systems.** In SADC, the transaction values settled through the SADC real-time gross settlement system have grown over time but still represent only about 1% of the total value transferred. This partly reflects the prevalence of the United States dollar for cross-border payments in the SADC region and the relatively high liquidity management costs for participating banks (BIS, 2020).

Governments can facilitate co-ordination among market actors to increase interoperability across different platforms. Since 2014, in Tanzania, national regulators have supported mobile money providers and local banks have partnered to co-ordinate and offer interoperable peer-to-peer payment services; by 2017, these had reached as much as 30% of total transactions. In logistics, the Kenyan government and the East African Grain Council have been working together since 2008 to create a new warehouse receipt system, resulting in 18 private warehouses certified alongside the state-owned and state-operated warehouses. In 2016, the income of the participating warehouses increased by 14-40% (EAGC, 2016).

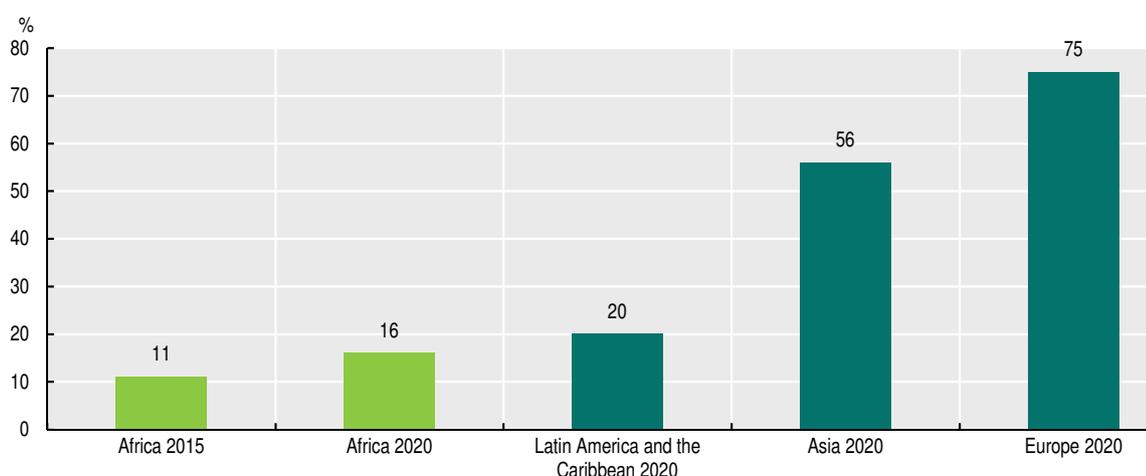
The digitalisation of cross-border customs operations can help governments to reduce costs and increase transparency. The Automated System for Customs Data (ASYCUDA) programme adopted by 27 African countries, has helped increase and secure customs revenue, and reduce clearance times and trade costs (UNCTAD, 2020). For example, the Abidjan-Ouagadougou corridor in West Africa experienced a 111% increase in transit documents processed between 2019 and 2020. Other countries, such as Morocco, have implemented their own automated customs systems. Morocco's system has contributed to a 20% increase in customs duties collected and an acceleration of export procedures from 2-3 days to 15-20 minutes (INSME, 2019).

Co-operation in providing soft and hard infrastructure for data will improve data flow across African countries

Ensuring the safe and seamless flow of data across borders is key to building regional value chains in the context of Industry 4.0. All stages of modern production and supply chain management increasingly depend on generating, sharing and processing digital data (see Chapter 1). Moreover, connecting Africa's national digital economies through a seamless cross-border data flow will generate economy of scale, attract investment in critical areas such as data centres and boost competitiveness.

African economies need to continue to build hard infrastructure for cross-border data flow. New analysis of Africa's international Internet bandwidth performed for this report reveals that Africa's Internet network is increasingly oriented towards other African partners, albeit from a low base. Intra-regional bandwidth has increased in Africa from 11% of total bandwidth in 2015 to 16% in 2020 (Figure 2.1). However, this estimate trails far behind other world regions such as Latin America and the Caribbean (20%), Asia (56%) and Europe (75%). Plugging this gap is particularly important to connect landlocked countries to the undersea cable and to reduce latency for intra-Africa Internet traffic. To do this, the PIDA plays an important facilitator role in attracting new investment to expand the terrestrial fibre-optic network and enhance Internet exchange points among African countries.

Figure 2.1. Intra-regional Internet bandwidth, by continent



Note: Data reflect traffic and bandwidth utilisation over Internet bandwidth connections across international borders. Data as of mid-year.

Source: Authors' elaboration based on data from Telegeography (2021), *Global Internet Geography* (database), www2.telegeography.com/telegeography-report-and-database.

StatLink  <https://doi.org/10.1787/888934297978>

Africa's performance in adapting favourable regulations for data flow is limited. A recent assessment of 28 African countries identifies weak regulations on data protection as one of the main restrictions to digital trade on the continent (OECD/ECA, forthcoming). Another exercise suggests that African countries are less likely to have an open model for domestic and cross-border data transfers than other developing countries (Ferracane and van der Marel, 2021). Open data regulation helps facilitate trade in services and increase the productivity of local firms (Ferracane and van der Marel, 2018).

African countries can rely on a variety of mechanisms to enable cross-border data flows (Table 2.2):

- African countries have been active in using **plurilateral arrangements** to harmonise approaches to cross-border data flows. However, results have proven uneven. The ratification in 2014 of the Convention on Cyber Security and Personal Data Protection (the Malabo Convention) has stagnated, and adoption of the 2013 SADC Model Law on data protection is limited. So far, only ECOWAS Personal Data Act is in place. The African Union's Digital Transformation Strategy for Africa (2020-2030), adopted in 2020, is the most recent and ambitious of all pan-African efforts to create a Single Digital Market on the continent.
- The adoption of provisions related to e-commerce and data remains limited among the **trade agreements** in Africa; partners outside of Africa tend to be given priority. Going forward, the sparsity of e-commerce-related provisions in trade agreements can help avoid overlapping rules, which have often limited integration efforts for trading goods in Africa.
- Regarding **unilateral mechanisms**, 32 of the 54 African countries have enacted data privacy laws. About half of these laws are not yet in force, or not fully effective, nor are they harmonised between countries in most cases.
- In terms of **standards and technology-driven initiatives**, Africa has largely adopted global norms in the development of digital technology and infrastructure.

Table 2.2. Regulatory mechanisms that affect cross-border data flows

Type of mechanisms	Examples relevant to Africa's context
Plurilateral arrangements	<ul style="list-style-type: none"> • African Union Digital Transformation Strategy for Africa (2020-2030) • 2018 Policy and Regulation Initiative for Digital Africa • 2014 Malabo Convention (African Union Convention on Cyber Security and Personal Data Protection) • 2010 ECOWAS Data Protection Authority (Supplementary Act A/SA. 1/01/10 on Personal Data Protection) • 2013 SADC Model Law on Electronic Transactions and Electronic Commerce • 1981 Convention 108 (Convention for the Protection of Individuals with regard to Automatic Processing of Personal Data)
Trade agreements and partnerships	<ul style="list-style-type: none"> • E-commerce chapter in the United States-Morocco (2004) Free Trade Agreement (FTA) • Privacy provision related to e-commerce in European Union-Eastern and Southern Africa States Economic Partnership Agreement (EPA) (Article 15.6) and European Union-Ghana EPA (Article 68) • European Union-Algeria Regional Trade Agreement with a co-operation provision on information services (Article 60) and a domestic framework provision on personal data protection (Article 45) • United States' proposal in United States-Kenya FTA negotiation • World Trade Organization Joint Statement Initiative (six African countries)
Unilateral mechanisms	<ul style="list-style-type: none"> • Open safeguards including ex-post accountability principles, contracts and private sector-led adequacy decisions • Pre-authorised safeguards including public adequacy decisions and public sector-led ex-ante safeguards
Standards and technology-driven initiatives	<ul style="list-style-type: none"> • International Organization for Standardization/International Electrotechnical Commission (ISO/IEC) 27701:2019 • Privacy-enhancing technologies (e.g. cryptography, sandboxes)

Source: Authors' elaboration based on a framework proposed by Casalini, López-González and Nemoto (2021), "Mapping commonalities in regulatory approaches to cross-border data transfers", *OECD Trade Policy Papers*.

At the national level, establishing a data protection authority (DPA) enables the enforcement of data protection laws adopted by various regulatory mechanisms. DPAs can facilitate enforcing data protection laws by detecting, investigating and penalising violations. They can also help increase awareness of data protection rights and obligations. To date, 15 African countries have established a national DPA to enforce the law with varying levels of capacity (Greenleaf and Cottier, 2020; Ilori, 2020). To ensure greater data protection, more countries need to establish independent DPAs with robust legislative and enforcement frameworks.

Regional Economic Communities can help shift data protection laws from a national preoccupation to a continental-wide concern. For example, the African DPA Network was created in 2016 to share privacy practices, foster co-operation between African DPAs and support countries that may not have the resources and capacity for effective DPAs. Currently, however, only 11 African countries are part of this network. Regional Economic Communities need to expand the scope of existing plurilateral agreements to the continental level to improve customers' trust and legal certainty for investments. For instance, in Côte d'Ivoire, processing personal data outside of the ECOWAS region requires prior authorisation, as mandated by the ECOWAS DPA. To take advantage of opportunities that arise from continental integration, this approach needs to become an Africa-wide standard.

At the continental level, African governments need to take advantage of the AfCFTA process to adopt a holistic approach to digital transformation. The accelerated negotiation of the protocols on e-commerce allows for discussion of other cross-cutting issues such as service trade, competition and investments. A unified continental approach, combined with the implementation of the African Union's Digital Transformation Strategy for Africa (2020-2030), is also critical to give African countries a stronger advantage in shaping global data governance (AUC/OECD, 2021). African governments can also future-proof the AfCFTA by including explicit commitments to international data agreements and international mobile roaming services. These issues have featured prominently in recent trade agreements, such as the 2021 free trade agreement between Iceland, Liechtenstein, Norway and the United Kingdom.

Proactive policies can strengthen industrial linkages in regional production networks

Strengthening linkages between workers, suppliers and multinational enterprises is vital to developing regional production networks. However, weak productive capacities and barriers to investments continue to limit their development (see Chapter 1).

This section identifies policies to strengthen RVC participation for workers, local producers and lead firms. First, it reviews policy priorities for developing skills, especially in the context of the digital transformation and opportunities in green value chains. Second, it highlights how public procurement can create a demand-pull for industrial upgrading among regional producers. Third, the section explores how harmonising domestic investment frameworks and facilitating investment among existing networks of industrial clusters can help attract lead firms.

Skills policies depend on the specific needs and upgrading goals in each value chain

A skilled workforce is key to attracting investment and increasing linkages with lead firms. Talent and skills rank among the top four determinants driving foreign investment to developing economies, alongside political and macroeconomic stability and sound regulatory frameworks (World Bank, 2020). Many downstream activities such as sewing

(textiles) and assembly (electronics) depend on abundant manual labour as well as supervisors, managers and quality controllers. Participation in higher value-added and knowledge-intensive activities including research and development, industrial design, and aftercare services requires technical and other advanced skills. So far, technical and vocational education and training (TVET) remains limited, and significant mismatches persist between youth education and career aspirations, hindering the potential for upgrading (Box 2.3).

Box 2.3. Youth aspirations and the reality of jobs in Africa

The gap between youth job aspirations and the reality of the labour markets in Africa is large (AU, 2018). Accelerating the creation of quality jobs is crucial to absorb into the labour markets the 29 million Africans reaching working age each year from now until 2030 (AUC/OECD, 2019). Currently, the majority of jobs available remain in agriculture. Globally, over one-third of rural youth work in agriculture, while the share can reach very high levels in low-income countries (e.g. 71% in Uganda and 79% in Madagascar) (OECD, 2018). Around 39% of surveyed youth across ten African countries work in agriculture compared to 14% in manufacturing and construction, 26% in trade and transportation, and 21% in all other services. However, most jobs in agriculture, occupied by women at 54% in 2019 (ILO, 2020), are characterised by low pay and poor working conditions, without formal contracts or basic social protection, making them less attractive for young people.

An OECD study on career aspirations shows large gaps between what young Africans want to do and the reality of the labour markets. Evidence from ten countries – Benin, Republic of the Congo, Egypt, Liberia, Madagascar, Malawi, Tanzania, Togo, Uganda and Zambia – shows that over 80% of youth in school wish to work in high-skilled occupations, while in reality only 8% are able to find such jobs. Job security was noted as the most important driver of job satisfaction, even more than earnings. Indeed, 74% of youth want a job in the public sector for the job security, while only 12% of employed youth are found in this sector. Agriculture-related work or medium-skilled jobs in manufacturing are the least attractive for young Africans.

Even if labour market conditions were to improve, the large gap between aspirations and the reality of the labour markets is likely to persist due to the high level of skills mismatch. According to subjective measures, about 55% of young African workers think that their education is relevant to their job, while the others feel either overqualified or underqualified, with underqualification affecting more young people in low-income countries. When using a normative approach – comparing actual qualifications with the qualifications required for a job – only 29% of young workers are actually qualified for the work that they do.

Long-term unmet career satisfaction can lead to social unrest, and policies are urgently needed to address the misalignment between youth employment preferences and employment opportunities. A two-pronged approach is recommended: i) helping young people shape career aspirations that are realistic and that can fit with the world they will be entering; and ii) improving the quality of jobs with due regard to the job conditions that matter for young people, particularly in agriculture. Agriculture is the main provider of jobs for rural youth in Africa and will remain so for some time. Making farming and related medium-skilled occupations in food processing or food services more attractive for young people means ensuring job security, providing training for skills upgrading, improving farmers' income and modernising agricultural practices.

Source: Lorenceau, A., J. Rim and T. Savitki (2021), "Youth aspirations and the reality of jobs in Africa", OECD Development Policy Papers.

Skills policies for value chain development need to be tailored to the specific segments of value chains and the upgrading goals. Figure 2.2 summarises different approaches to address the challenges for upgrading skills in regional and global value chains. In the long term, reforms to education systems are necessary, in particular to improve the quality of education and its alignment with labour market needs (AfDB, 2020) and to include disadvantaged populations (e.g. women, rural dwellers). In the short to medium terms, focusing on upskilling and reskilling, according to sector-specific and socio-economic transformation needs, is crucial.

Figure 2.2. Priorities for skills policies to develop value chains

	Early reactive interventions	Proactive interventions	Long-term oriented interventions
Targeted workforce	Near-hires and existing workforce	Career changers or secondary students considering tertiary education	Future students
Involved stakeholders	Private sector supported by public sector	Private & public sector, multi-stakeholder council	Public sector & educational institutions
Priorities	Expand exports, productivity, competitiveness, and meet standards requirements	Carry out higher value-added activities in existing or emerging sectors (digital and green economies)	Adapt skills for rapidly changing knowledge and technology environment
Upgrading goals	Value chain entry, product and process upgrading	Functional upgrading	All types of upgrading
Policy interventions	<ul style="list-style-type: none"> Evaluate sector-specific skills gaps Incentivise firms to provide on-the-job training and upskilling opportunities Prioritise managerial skills development Implement skills recognition systems at national and regional levels 	<ul style="list-style-type: none"> Determine potential upgrading trajectories in RVCs and GVCs Identify emerging jobs and skills requirements Enhance public-private dialogue with TVET institutions Prioritise targeted technical training Incentivise firms to re-skill internal workforce according to evolving needs 	<ul style="list-style-type: none"> Keep investing in core skills (literacy, numeracy, digital skills) Emphasise soft skills acquisition Increase TVET and STEM enrollment and alignment with labour market requirements Institutionalise multi-stakeholder coordination on curricula development Develop labour market information systems

Notes: RVCs = regional value chains; GVCs = Global value chains; TVET = technical and vocational education and training; STEM= science, technology, engineering and mathematics.

Source: Adapted from Fernandez-Stark, Bamber and Gereffi (2012), "Upgrading in global value chains: Addressing the skills challenge in developing countries", *OECD Background Paper*.

Strengthening the collaboration between the private sector, training institutions and policy makers at the sectoral level can help identify the skills needed in the workforce and design appropriate training programmes. In Rwanda, for instance, the government set up the National Agricultural Export Development Board to facilitate dialogue and provide training to private stakeholders and co-operatives involved in agricultural and livestock production for export (World Bank, 2015). In Guinea, the International Finance Corporation and international mining companies have supported more than 100 local suppliers in the mining sector by providing training, building managerial capacity and facilitating access to finance. Through the programme, these local businesses have gained USD 9.1 million in contracts with the lead firms (World Bank/KEDP, 2015). Governments can also promote on-the-job training to upgrade workers' capabilities. Currently, only 28% of African firms offer formal training to their workers (World Bank, 2020). In South Africa, providing tax incentives has encouraged firms to offer training opportunities to employed and unemployed South Africans aged 16 to 35 (OECD, 2017).

Skills policies need to adapt to new requirements emerging from the digital transformation. Addressing the growing need for digital skills can help workers upgrade their capacities at all levels of a value chain. In the food value chain, for instance, the provision of basic digital skills and foundational skills (literacy, numeracy) could help on-farm workers benefit from new technologies to improve production yields and connect to local markets (AfDB, 2020; Jeehye et al., 2020). In 2021, the African Union, AUDA-NEPAD and UNESCO launched the Pan African Initiative for Digital Transformation of TVET and Skills Development Systems in Africa to reform both formal and informal technical and vocational education and training systems and adapt to the growing transversal and digital skills requirements (UNESCO, 2021).

Policy makers can also design skills policies to tap new opportunities in “green” value chains and to help existing sectors such as agriculture or manufacturing adapt to climate change. Successfully transitioning to environmental sustainability will require reskilling and upskilling the current and future workforce. For instance, Senegal’s National Strategy for the Promotion of Green Jobs (2015-2020) provided support to strengthen skills and capabilities in green industries, which resulted in the creation of over 2 000 green jobs mainly for youth and women (UN, 2019). At the regional level, ECOWAS adopted both the Energy Efficiency Policy and the Renewable Energy Policy in 2013, developing a harmonised framework for qualification standards and skills certification in the renewable energies sector.

Intra-regional skills mobility should be encouraged to alleviate skill shortages and foster further integration. Skills mobility largely determines participation in manufacturing global value chains for African countries (Yameogo and Jammeh, 2019). Existing initiatives by Regional Economic Communities have laid the groundwork for removing restrictions on the intra-Africa mobility of skilled labour and reducing labour market mismatches across the continent. For instance, the East African Community (EAC) implemented sector-specific mutual recognition agreements in accounting, architecture, engineering and veterinary practices. Since 2011, nine SADC countries have started to harmonise their national qualification frameworks, with the aim to improve the comparability and recognition of professional skills (Sawere, 2019).

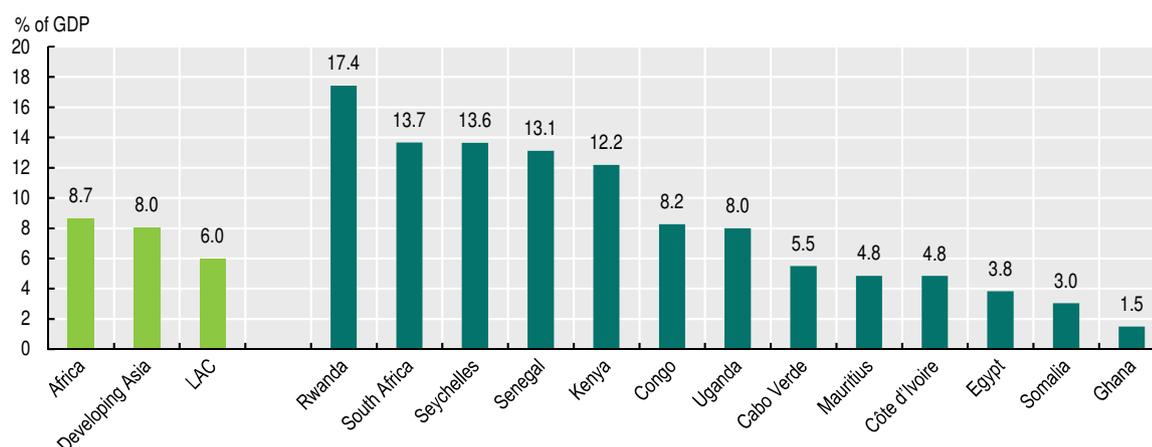
Modernising and broadening public procurement programmes will help regional producers upgrade their industrial capacity

Public procurement can create a strong demand-pull for local producers. Over the 2015-19 period, public procurement – the purchase of goods and services by governments and state-owned enterprises – accounted for a yearly average of 8.7% of gross domestic product in Africa compared to 8% in developing Asia and 6% in Latin America and the Caribbean (Figure 2.3). Through tools such as “buy national” policies, set-asides for targeted groups (such as small and medium-sized enterprises) and technology transfer requirements for foreign bidders, public procurement contracting can create employment, promote firms’ upgrading and develop regional supply chains (UNIDO, 2017). Findings from a survey across 19 African countries suggest that a 10-percentage-point increase in the share of total output sold to a government is associated with 4% higher productivity (Hoekman and Sanfilippo, 2020). Given the importance of public procurement for industrial development, the African Union recently called upon member states to allocate at least 30% of public procurement contracts to the African private sector, including small and medium-sized enterprises and women- and youth-owned businesses (AU, 2021).

The current use of public procurement in Africa raises concerns over its efficiency and inclusiveness. Calculations based on the World Bank Enterprise Surveys show that 32% of African firms resort to bribery to secure government contracts. Without a competitive

and transparent bidding process, preferential procurement policies create dependencies and inefficiencies across the supply chain, reduce the availability of competitively priced inputs and skilled workers, and deter foreign investment. Furthermore, many producers, especially small and medium-sized enterprises, cannot engage in public contracts due to the slow payment process, government arrears, and lack of adequate information, knowledge and skills to successfully tender for government contracts. On average, producers in Africa have to wait six months to receive payments from public contracts (World Bank, 2016).

Figure 2.3. Government procurement spending as a percentage of gross domestic product, 2015-19 average



Note: This figure draws on the OECD methodology to derive general government procurement spending. Africa, developing Asia, and Latin America and the Caribbean (LAC) averages are weighted. Asia includes 11 countries: Afghanistan, Indonesia, Jordan, Kyrgyzstan, Mongolia, Myanmar, Nepal, Philippines, Thailand, Timor-Leste and Uzbekistan. LAC includes 9 countries: Brazil, Chile, Colombia, Costa Rica, El Salvador, Honduras, Mexico, Paraguay and Peru.

Source: Authors' calculations based on the OECD methodology and data from IMF (2021), *Government Finance Statistics* (database), <https://data.imf.org>.

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Investment in e-procurement systems can improve timely and transparent payments of suppliers. The use of e-procurement systems stands at less than 25% for most African countries, compared to more than 75% for member states of the European Union and the Association of Southeast Asian Nations (Hoekman et al., 2021). In Cabo Verde, the institutional reform and new e-procurement system encouraged the participation of small and medium-sized enterprises in the bidding processes, from only 15 enterprises in 2012 to 444 in 2015, and stimulated average growth in sales revenue by 43% (World Bank, 2016).

In the context of the AfCFTA, governments could broaden existing public procurement schemes to promote participation from regional firms. Eligibility criteria for preferential treatment can be expanded beyond narrowly defined domestic producers to cover regional actors. Most recently, EAC private sector stakeholders called for a “Buy East Africa, Build East Africa” approach to develop regional supply chains, notably in the pharmaceutical sector (TMEA, 2021). Harmonisation of product standards and mutual recognition agreements will also reduce the costs for African suppliers to participate in regional markets (Box 2.4).

Box 2.4. Harmonising and strengthening quality standards systems in Africa

The harmonisation of quality standards makes it cheaper for small and informal businesses to obtain and maintain them. For example, products in the EAC that are certified based on harmonised standards avoid the cost of re-testing. This reduces the cost of complying with multiple quality standards from an average of USD 205 to almost zero and reduces the clearance time for conformity assessment from 38 days to 0.5 days for certified products with notified quality certification marks (TMEA, 2019).

To exploit the benefits from the AfCFTA, governments can harmonise regional standards and accelerate the implementation of mutual recognition agreements. Out of 1 991 products with comparative advantage on the continent, three-quarters have no quality standards harmonised at the Regional Economic Community level. Because the harmonisation of all quality standards at once is not possible, the quality standards harmonisation process at the continental level should prioritise products that have a comparative advantage in at least two Regional Economic Communities and for which quality standards already exist in at least two such communities (UNECA, 2020).

At the same time, African countries need to strengthen their quality standards infrastructure. Twenty-six African countries do not have sufficient quality standards infrastructure such as accreditation, metrology systems and national standard bodies to meet the demands for conformity assessment and quality control. Throughout the continent, clearly delineating the responsibilities in rule-making and verification functions among governments agencies can reduce conflicts of interests and hurdles for necessary compliance (PAQI, 2020). Cross-border sharing of technical capabilities could help bridge the gaps in implementation capacities across African countries and accelerate the co-ordination efforts. For example, COMESA established regional associations of regulatory authorities to facilitate policy and regulatory harmonisation as well as foster capacity building and information sharing between its members.

Furthermore, harmonisation of public procurement regulations can lower the costs of cross-border participation and reinforce the quality and integrity of procurement awards. For instance, COMESA adopted a common framework on public procurement to reform national procurement systems (AfDB, 2018). Similarly, WAEMU's Regional Public Procurement Enhancing Project aims to harmonise public procurement regulations to alleviate barriers to regional participation. This initiative also led to the establishment of a Regional Observatory of Public Procurement to strengthen oversight mechanisms and transparency across West Africa (Nam, 2019).

Regional efforts in attracting investments from lead firms can benefit from better monitoring and prioritisation

Institutionalising a strong monitoring structure is vital to accelerate the domestic adoption of the Pan-Africa Investment Code

A number of African firms have expanded their geographic footprint beyond their home market, but they remain focused on a few sectors and countries. Table 2.3 provides some examples of such firms in Africa. Many have a strong continental orientation, with African subsidiaries accounting for more than half of their subsidiaries abroad. However, intra-African investments remain concentrated in a few sectors – finance, telecommunication, energy and mining, and retail. South Africa comprises the majority of firms investing in other African countries, reflecting its position as a central node in Southern Africa's regional production networks (Qiang, Liu and Steenbergen, 2021).

Table 2.3. Performance and geographic footprint of selected African multinational enterprises, 2019

Home country	Name	Sector of activities	African subsidiaries*	Number of African countries	Number of employees	Operating revenue (in USD)
South Africa	Shoprite Holdings	Retail	56%	16	142 602	12 234 902
South Africa	MTN Group	Telecommunications	50%	18	19 295	12 219 844
Egypt	El Sewedy Electric company	Energy	9%	7	14 463	2 993 803
Nigeria	Dangote Cement	Mining, cement, agro-food, packaging, oil and gas	84%	24	15 478	2 726 903
Morocco	Attijariwafa Bank	Finance/banking	69%	15	20 583	2 677 403
Nigeria	Zenith Bank	Finance/banking	50%	3	7 544	2 410 595
Mauritius	IBL	Multiple (e.g. finance, logistics, retail)	11%	8	25 205	1 435 793
Togo	Ecobank	Finance/banking	88%	33	14 023	946 449
Kenya	KCB Group	Finance/banking	30%	5	7 525	907 226
Cameroon	Afriland First Bank	Finance/banking	82%	8	n/a	883 205
Gabon	BGFI Holding Corporation	Finance/banking	50%	8	n/a	140 138

Note: *Share of subsidiaries located in Africa; n/a = not available.

Source: Authors' compilation based on data from Bureau van Dijk (2021), Orbis | Company Information across the Globe (database), <https://orbis.bvdinfo.com/version-20211118/orbis/1/Companies/Search>.

Countries need to take advantage of the Pan-African Investment Code and the AfCFTA to tackle regulatory barriers for investment in Africa (see Chapter 1). Research on foreign direct investment (FDI) location choices of African lead mobile network operators finds that most operators do not expand in geographically close markets; instead, their investments decisions hinge on African countries with better institutional frameworks (Dike and Rose, 2018). While the negotiations on the AfCFTA Investment Protocol were still ongoing at the time of writing (November 2021), early indications suggest that adoption of the protocol and the Pan-African Investment Code (agreed in 2017) will help facilitate investment in Africa. Investment agreements can reduce perceived risks for investors by improving transparency and predictability in policy making and implementation, aligning domestic regulation with international legal frameworks, notably by applying harmonised frameworks throughout the continent, and facilitating access to dispute settlement mechanisms.

Existing regional experience in co-ordinating investment frameworks in Africa offers important lessons to support the implementation of continental initiatives. In 2020, ECOWAS launched the Improved Business and Investment Climate in West Africa initiative to identify barriers to investment and to implement and monitor the results of reforms to the private sector through the ECOWAS Investment Climate Scorecard (ECOWAS, 2020). In 2016, SADC also developed the SADC Regional Action Plan on Investment to facilitate regional co-ordination and exploit economies of scale in improving investment frameworks and policies across its member states.

Establishing monitoring structures can help track progress and ensure domestic adoption of regionally agreed reforms, as SADC has done. The SADC Secretariat, in collaboration with the OECD, developed a set of indicators to benchmark and monitor members states' progress in implementing the SADC Investment Policy Framework (Table 2.4). The SADC Secretariat should assume the central monitoring responsibility, while devolving specific reporting functions to dedicated national contact points in each member state.

International co-operation can also support the implementation of the AfCFTA's Investment Protocol and boost investment in Africa. Currently, numerous international initiatives for promoting investments to Africa exist (see Annex 2.A2). The multiplicity

of platforms also necessitates co-ordination and experience sharing among African countries and their partners. For example, the AUC-OECD Development Centre Platform on Investment and Productive Transformation aims to facilitate this co-ordination and share experiences between African countries and their development partners.

Table 2.4. Selected indicators to monitor progress of the SADC Investment Policy Framework

Action areas	Benchmarking and monitoring indicators
1. Setting up a transparent and coherent investment environment	<ul style="list-style-type: none"> • Transparency of government policy making • Regulatory quality • Quality of government online services • Total number of days required to start a business
2. Ensuring market access and competition	<ul style="list-style-type: none"> • Openness to foreign investment (de jure and perception-based) • Effectiveness of an anti-monopoly policy • Effect of taxation on incentives to invest
3. Supporting responsible business and inclusive investment for development	<ul style="list-style-type: none"> • Number of jobs created per unit of capital expenditure invested • Domestic and foreign firms offering formal training programmes • Domestic and foreign firms with permanent full-time female workers in the manufacturing sector • Share of small and medium-sized enterprises that are involved in direct export activities
4. Providing investment security and protecting investors' rights	<ul style="list-style-type: none"> • Political stability and absence of violence • Quality of the land administration index • Intellectual property protection • Absence of corruption
5. Promoting regional and international co-operation	<ul style="list-style-type: none"> • Regional and intra-regional direct investment positions • Quality of connectivity infrastructure • Efficiency of customs procedures • ICT Development Index

Source: Authors' elaboration based on Table A.2 in OECD/SADC (2017), *Role of Monitoring for Implementation: Advancing investment Policy Reforms in the Southern African Development Community*.

Policy makers should facilitate investment and develop infrastructure along existing networks of industrial clusters

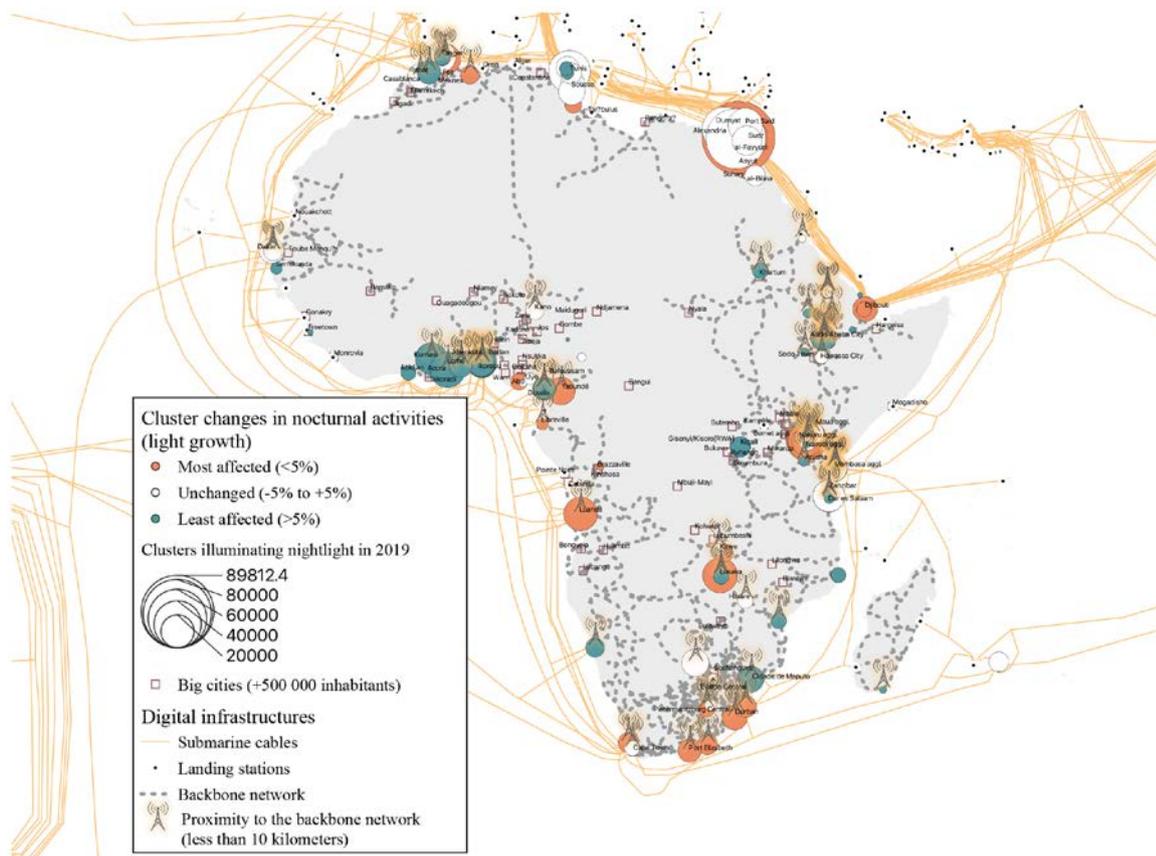
Africa's existing networks of industrial clusters provide a critical entry point for facilitating value chain development. According to estimations by the United Nations Conference on Trade and Development, the number of African special economic zones grew from about 20 in 1990 to 237 in 2020 spanning across 38 countries (UNCTAD, 2021). Cluster policies enable governments to concentrate public investment in one location and tackle critical bottlenecks to local competitiveness. The higher density of firms, of services providers and of research institutions can facilitate technology transfers and innovation.

The development strategies of industrial clusters vary across contexts depending on the availability of production factors, market access, strategic location and the local absorptive capacity. For instance, Ethiopia's clustering strategy relied on low labour costs and tax incentives to attract lead firms like Decathlon, H&M, Primark and Tesco to integrate global textile production networks. In Morocco and South Africa, emerging eco-industrial parks such as Ouarzazate Solar Power Station and Cookhouse Wind Farm help attract green investments, integrate firms into sustainable value chains, and achieve social, environmental and economic targets. In Egypt, the Robbiki Eco-Leather Park aims to develop the local leather industry while lowering local tanneries' environmental impact. For this purpose, the cluster opened a Leather Technology Transfer Centre involving local and foreign firms to promote the adoption and upgrading of green technologies by local factories (UNCTAD, 2021).

The quality of public infrastructure is critical to the success of special economic zones. Our analysis of night light intensity across 127 African industrial clusters – special economic zones, export-processing zones and industrial parks – showcases the growth

in cluster-based economic activities, almost doubling over the 2012-19 period (Box 2.5). While all clusters experienced a drop in night light intensity in 2020, clusters benefiting from better access to communication infrastructure – located less than 10 kilometres from a broadband backbone network – experienced a smaller downturn at the onset of the COVID-19 shock than unconnected clusters (Figure 2.4). This proximity to a broadband network can serve as an indicator of access to other critical infrastructures, such as electricity, that are necessary for industrial development and competitiveness.

Figure 2.4. Change in night light intensity across selected industrial clusters in Africa, 2019-20



Note: Night light intensity is used as a proxy for activity and development across 127 industrial clusters operating in 31 African countries.

Source: See Annex 2.A1.

Box 2.5. Industrial clusters in Africa during COVID-19

Industrial clusters exhibited high levels of activity prior to the slowdown in foreign direct investments in 2019. Between 2012 and early 2019, night light intensity almost doubled at the continental level. The cluster's dynamic activity and development that this implies were mostly driven by African economies' early industrial development. Egypt, Kenya, Morocco, Nigeria and South Africa hosted more than half (73) of the 127 clusters operating across 31 countries.

Box 2.5. Industrial clusters in Africa during COVID-19 (continued)

The shutdown of the economy caused by COVID-19 halted cluster activity until the end of 2020 (Figure 2.5). Weaker global demand, mobility restrictions and production constraints reduced the level of activity within clusters compared to 2019, resulting in a steady decline in light emissions, with the largest drop (-5.8%) recorded in the second quarter of 2020 compared to 2019, simultaneously with the application of more stringent COVID-19 restrictions (by an average score of 71 on a scale of 100). Clusters' light emissions bounced back by 5.7% in the last quarter of 2020 as restrictions were progressively lifted.

Figure 2.5. Growth rate of night light emissions and government interventions within clusters, 2019Q4-2020Q4



Note: Light growth emitted from clusters is calculated monthly by comparing 2019 and 2020 figures. The Stringency Index from 0 to 100 is averaged from day to month and records the strictness of government policies during the COVID-19 outbreak. High index values mean that selected African countries adopted stricter rules.

Source: Authors' calculations based on the night light intensity data from Colorado School of Mines (2021), VIIRS Nighttime Lights (database), <https://payneinstitute.mines.edu/eog/nighttime-lights/>, and CIIP (2018), "Location of clusters", *Competitive Industries and Innovation SEZ Database*, www.theciip.org. The Stringency Index comes from Blavatnik School of Government/University of Oxford (2021), *Oxford COVID-19 Government Response Tracker*, <https://www.bsg.ox.ac.uk/research/research-projects/covid-19-government-response-tracker>.

StatLink <https://doi.org/10.1787/888934298016>

Investment in connective infrastructure among these industrial clusters can help facilitate regional production networks. Several regional corridors have emerged in recent years, such as the LAPSET Corridor (Kenya-Ethiopia), the Central Corridor (Dar es Salaam-DR Congo), the Maputo Development Corridor (Mozambique-South Africa) and the Walvis Bay Corridor (five SADC countries). In North Africa, road infrastructure development facilitated the emergence and attractiveness to foreign lead firms of technology parks such as Smart Villages between Cairo and Alexandria and the El Ghazala high-tech zone between Tunis and Bizerte. Similarly, in West Africa, public investments in road networks to connect Abidjan to the Lagos-Accra corridor in West Africa significantly boosted FDI inflows (UN-Habitat, 2018).

Investment promotion agencies (IPAs) can further facilitate investment from lead firms into key segments of the value chain. IPAs act as interlocutors between governments and foreign businesses, such as in the area of tax compliance (Box 2.6). They can also provide different types of services such as matchmaking, financial assistance (credit, insurance), market intelligence, local business branding and investor aftercare. Past experiences from developing countries show that governments should focus on the following points when

establishing IPAs: i) ensure high-level government support; ii) establish clear targets for investment promotion; iii) consult local public and private stakeholders to ensure strategic alignment; iv) facilitate collaboration with other investment institutions and funds; and v) provide sufficient and sustained financial resources (World Bank, 2020).

Box 2.6. African tax officials' perception on tax compliance of multinational enterprises

Taxation has become an increasingly important issue, and recent years have seen various new principles and reporting standards emerge to help demonstrate and track corporate behaviour on tax. A number of these principles relate to how businesses interact with tax authorities, making it difficult to assess compliance with or the impact of such initiatives, as they relate to confidential interactions.

To help address this issue, the OECD recently carried out a perception survey of more than 1 240 government officials (most of them tax auditors) working in tax administrations in 139 countries (OECD, 2021). The survey included 206 responses from 34 African countries. It aimed to capture tax officials' perceptions of the tax behaviour of multinational and other large companies against the voluntary principles developed by Business at the OECD (the business representation at the OECD) (BIAC, 2013). The survey highlights various areas for strengthening tax compliance in Africa, such as responding to information requests and addressing tax disputes. In partnership with the African Tax Administrators Forum, the OECD then organised a virtual roundtable that brought together African tax officials and businesses in April 2021 to discuss these results and potential solutions to the challenges identified.

More broadly, building trust and facilitating communication between tax authorities and businesses lie at the heart of many proposed solutions. Only 37% of tax officials in Africa say that most multinational enterprises (MNEs) are not open and transparent. Similarly, 34% of African tax officials do not trust the information they receive from most MNEs. To improve these relationships, tax administrations can make it easier for businesses to comply with tax laws by improving the clarity and specificity of demands made on businesses, while businesses need to ensure information is made available, including in the local official language. One way to improve relations is the use of guidelines for dealing with MNEs and other large businesses. The survey suggests a positive correlation between respondents identifying the existence of specific procedures and guidelines to deal with MNEs and perceiving higher levels of trust in MNEs.

Source: OECD (2021), *Tax Co-operation for Development: Progress Report in the COVID-19 Era*.

Annex 2.A1. Examples of promising continental and regional value chains in Africa

Table 2.A1.1. Overview of promising continental and regional value chains in Africa

Continental value chains				
Value chain	Strengths	Weaknesses (Specific challenges)	Opportunities	Threats
Agro-industry	<p>Large workforce</p> <p>Competitive advantage in key cash crops (i.e. cashews, coffee, cocoa)</p> <p>60% of the world's uncultivated arable land in Africa</p> <p>Increased food demand driven by population growth and urbanisation</p>	<p>Fragmented chain leading to a 20-50% mark-up import price in major agricultural inputs</p> <p>Only 10% of the continent's arable land being registered</p> <p>Agro-processing value-added below 50%</p>	<p>High export potential in processed products (e.g. fruits and nuts)</p> <p>The AfCFTA possibly increasing agricultural intra-African trade by 20-35%</p> <p>Changes in dietary habits</p> <p>Potential for higher productivity and more off-farm jobs in marketing and sales</p> <p>Sustainable farming for profitable agriculture value chains</p> <p>Attracting private sector investment flows</p>	<p>Recurring droughts, climate-induced disasters and faster desertification</p> <p>Falling youth labour participation in agriculture</p> <p>Limited uptake of conservation agriculture</p> <p>Shortage of skills and technologies</p> <p>Lack of financing and risk mitigation mechanisms</p> <p>Unsustainable land and soil management</p>
Pharmaceutical	<p>Strong political momentum (e.g. AUDA's Pharmaceutical Manufacturing Plan for Africa; AUC/UNIDO Business Plan; the African Union's African Medicines Agency)</p> <p>National initiatives to boost manufacturing development (e.g. Ethiopia, Zimbabwe)</p> <p>International co-operation mechanisms (e.g. WHO resolution of 2021 sponsored by all 54 African countries)</p>	<p>95% of medicines imported and 3% of global medicine produced locally</p> <p>An underdeveloped local sector with 375 pharmaceutical companies clustered in 12 countries</p> <p>Lack of education and skills policies that foster R&D in pharmaceuticals</p>	<p>The health and wellness sector in Africa being valued at USD 259 billion by 2030</p> <p>Over 16 million potential jobs to be created by 2030</p> <p>AfCFTA-anchored CPPM to encourage global manufacturers to build plants in Africa</p>	<p>Endemic diseases (i.e. Africa is home to 90% of the world's malaria deaths and 70% of the population lives with HIV/AIDS)</p> <p>Africa accounting for 42% of the world's cases of counterfeit drugs</p>
Automotive	<p>Up to seven additional jobs created by every automotive manufacturing job</p> <p>Rising demand (e.g. in 2019, Kenya's vehicle ownership, at 31.5/1 000 persons, outpaced population growth)</p> <p>Existing intermediary production (e.g. wiring harness in Botswana, seat leather in Lesotho)</p>	<p>Africa remaining a retail-automotive market</p> <p>Dominant semi-knockdown model reducing value chain development</p> <p>Limited access to affordable finance hindering car ownership</p>	<p>Aftermarket parts production offering an opportunity for industrialisation</p> <p>Electric two-wheelers leapfrogging to electric vehicle technologies</p> <p>Technological innovation and start-ups (e.g. Moove uses an alternative credit scoring technology offering better terms for borrowers)</p>	<p>Imported used cars with limited assembly potential hindering regional integration</p> <p>Protectionist pressure in favour of small national industries</p>

Regional value chains				
Value chain	Strengths	Weaknesses (Specific challenges)	Opportunities	Threats
Central Africa				
Coltan	Limited possible substitutes Commitment by Central African countries to the Extractive Industries Transparency Initiative	Lack of technical knowledge and innovation Limited public geological information Non-transparent contract bidding process	Small-scale mining services expanding social development Need for traceability, certification and logistical innovations Improved monitoring and harmonised data systems curtailing illicit trade	Political instability and illicit coltan trade Institutions unable to secure compliance with tax regulations Risk of intra-regional tax competition
Wood	Main source of formal jobs (e.g. Gabon) The forest cover of Central Africa representing 7% of the world's forests	Limited trade of processed goods slows down participation in international markets Ineffective forest management in the Congo Basin due to policy incoherence Skills shortage in science, technology, engineering and mathematics	Certification for sustainable and renewable exploitation Increasing demand in the furniture market Moderate costs in establishing processing factories and stable prices of wood products	Recent increase in deforestation rate Widespread illegal logging and corruption
Copper	The Central African copper-cobalt metallogenic belt being the world's largest and highest-grade sedimentary area Rise in consumption of refined copper, driven by China's construction manufacturing and auto industries	Scant profits from semi-processed copper as miners capture most rents High cost of exports Inefficient management of tax collection leading to revenue losses	Boosted demand from electrification, green technologies and smartphones A compound annual growth rate of 4.5% expected by 2024 for Africa's copper production Reduction in local copper price from developing technological capacity	Weak labour regulations Corruption and poor management of resources limiting social upgrading Land, water degradation and air pollution from sulphuric acid affecting residents near mines
East Africa				
Coffee	Optimal growing conditions for coffee varieties Major export and source of foreign exchange	Market prices and structure skewed by few purchasers Declining coffee quality from disappearing high-quality cultivars High cost of production	Improved global bargaining power and pricing with regional collaboration Expanded domestic demand offsetting volatile export market and asymmetric information Niche markets for origin and geographic coffee appellations (e.g. terroir, single-origin and organic coffee)	Climate change and extreme weather, insects, and diseases Production-related environmental degradation
Tourism	Strong job-creating sector in the region Development driver in remote rural and less-developed areas Enhance regional tourism and integration (e.g. common entry visa, standard criteria for hotels) thanks to EAC measures	Operations below capacity (i.e. East Africa captures less than 0.5% of global tourism revenues) Restrictive regulations on air travel detrimental to competitive fares Regional disparities in the quality of roads and air infrastructure	Remote work (e.g. Mauritius launched a yearly, free digital Nomad visa in 2020) Tourism for large-scale events and exhibitions Firm-level upgrade through certification (e.g. IATA) allowing increased partnerships between and international firms	Vulnerability to external shocks (i.e. pandemics, financial crises) Underdeveloped intermediary segment (i.e. local tour companies) Unequal share of benefits when global tour operators and transport firms capture 40-50% of tourism spending in Kenya
Floriculture	Stable employment due to year-round production, mainly for women (e.g. in 2014, 75% of floriculture workers in Kenya were female) Climate and geographic advantage Low production costs and simple export procedures	High interest rates for farmers' loans Uneven reliability of logistics compromising flower quality Prevalent auction sourcing systems limiting direct relationships between buyers and farmers	Diversification of horticultural products (e.g. prepared bouquets or pyrethrum, natural insecticides) Innovation and long-run competitiveness within cluster farming Alternative sales channels with new supermarkets	Lake Naivasha has seen drastic water level changes Transport pollution with air freight Vulnerability of export-oriented sector to macro shocks

Regional value chains				
Value chain	Strengths	Weaknesses (Specific challenges)	Opportunities	Threats
North Africa				
Date palm	<p>Continuous global increase in trade (i.e. in 2016, the region produced over one-third of the world's dates)</p> <p>Strong inter-regional linkages (e.g. in 2016, Morocco was the largest importer of Egyptian and Tunisian dates)</p> <p>Major source of export earnings and key cash crop for smallholders representing 70% of the total</p>	<p>Lack of R&D efforts on the supply chain and marketing</p> <p>Ill-equipped small-scale producers (e.g. poor machinery, cool storage and packing facilities)</p> <p>Outdated culture-related practices (i.e. hand-pollination, postharvest handling).</p>	<p>Secure source of food and nutrition, e.g. for school lunch programmes</p> <p>Use of pits and dates falling from palms before maturity for animal feed to reduce waste</p>	<p>The spread of pests (red palm weevil) and diseases (bayouh)</p> <p>Security and political unrest in some countries</p>
Energy production	<p>Richly endowed region with solar and wind energy resources</p> <p>Increase in the region's renewable energy production by 40% over the last decade</p> <p>Successful reforms on feed-in tariffs, power purchasing agreements and auctioning, boosting private financing</p>	<p>Renewables' small role at 4.6% of the overall generation mix vs. a global average of 25%</p> <p>By 2025, USD 13 billion needed yearly to support infrastructure overhaul</p> <p>Penetration of renewable energy mostly focused on heat and transport</p>	<p>Major supplier to the rest of the continent (e.g. the share of gas in the energy mix is 5% in sub-Saharan Africa)</p> <p>Growing urbanisation and vehicle ownership making transport the fastest-growing energy industry</p> <p>Possible de-risk of investment and favourable timely deployment due to effective auction</p>	<p>Vulnerability of oil-dependent countries to cyclical shocks</p> <p>Continuous dependence on subsidies putting pressure on fiscal budgets</p> <p>Countries in water stress facing challenges in their energy transition because of thermal and hydroelectric power and high water dependency</p>
Phosphate	<p>Important holder of the world's phosphate reserves (Morocco alone has 74%)</p> <p>Leading source of foreign exchange earnings</p>	<p>Water-hungry processing activities</p> <p>Waste management and pollution affecting coastal dwellers</p> <p>Steady supply not guaranteed due to geopolitical turmoil</p>	<p>Beneficiation activities help sophisticate value chain integration</p> <p>Spurring adoption of customs and border procedures to drive regional trade</p> <p>World's phosphate growth projected at 7.2% annually between 2020 and 2027</p>	<p>Sociopolitical demands to shut down mining operations</p> <p>Climate impact from processing projected to double by 2050</p> <p>Reduction in microbial functions that are key to crop health due to excessive phosphate use</p>
West Africa				
Construction	<p>Rising local content (i.e. domestic companies acting as contractors or subcontractors for multinational corporations)</p> <p>Strong potential for productivity growth and multiplier effect</p> <p>Political will to reduce housing deficit</p>	<p>Corruption and inflated contract prices</p> <p>Rising project costs caused by hikes in steel and land prices</p> <p>Limited supply of capital and a weakening local currency</p>	<p>Expected growth of the global green cement market (i.e. USD 38.1 billion by 2024, from USD 14.8 billion in 2015)</p> <p>High reliance on backup generators, indicating growth opportunity in renewable energy ventures</p> <p>Alternative building technologies (i.e. expanded polystyrene panels, cement reinforced mud blocks) speeding up construction, reducing costs and mobilise more workers</p>	<p>Rising costs of building materials and labour</p> <p>Narrow fiscal space and post-COVID-19 debt burden limiting public infrastructure plans</p> <p>Competition from imported inputs</p>
Poultry	<p>Diverse labour streams from skilled veterinarians to unskilled farmers</p> <p>Regional demand for poultry being twice the supply capacity of 2017</p> <p>Recent post-avian flu crisis public investments to revive the sector</p>	<p>Import restrictions over avian influenza concerns</p> <p>Limited access to credit facilities and insurance systems to support farmers</p> <p>Limited and inhospitable transport routes leading to product spoilage</p>	<p>Low investment costs facilitating vulnerable groups' integration (women)</p> <p>Research and development for more efficient feed and livestock care</p> <p>Municipal investments to enhance sanitation practices</p>	<p>Animal contamination and illness</p> <p>Competition from big producers</p> <p>Rising imports of frozen poultry and other close substitute meats</p>

Regional value chains				
Value chain	Strengths	Weaknesses (Specific challenges)	Opportunities	Threats
Cashew nuts	<p>Increasing demand for cashew kernels</p> <p>Strong political support to develop this value chain (e.g. Côte d'Ivoire targets a processing rate at 50% in 2030)</p> <p>Cross-regional measures promoting local processing (e.g. exemptions on import duties for machinery and direct subsidies and pre-finance support for raw cashew nut purchase)</p>	<p>High business and investment costs and infrastructure deficits</p> <p>Difficulty in ensuring raw cashew nut quality during the harvest season's four-month delay</p> <p>A lagging domestic processing market</p>	<p>Further processing (e.g. less than 15% of the nuts grown in East and West Africa are deshelled on the continent)</p> <p>Engagement for higher standards (traceability, transparency and sustainability of food chains)</p> <p>Further product upgrading as main export markets (i.e. European Union and United States) demand high-grade whole cashew kernels consumed mainly as snacks</p>	<p>Raw cashew nut export restrictions that promote processing having incentivised smuggling</p> <p>Export bans across land borders limiting access to raw materials by processors</p>
Southern Africa				
Textile	<p>Increasing global demand for African textiles</p> <p>Reinforced regional integration of textile and apparel value chains</p> <p>Close proximity to Asian markets</p>	<p>Competitiveness is weakened by high duties (e.g. a 22% levy on fabrics)</p> <p>Limited skills at technical and middle-management levels</p> <p>Marginal capital investments, efficiency-enhancing processes and skill-training from textile-related foreign direct investment (FDI)</p>	<p>Rapid increase of Chinese wages making the region more competitive</p> <p>Design, branding and marketing to move up in the chain</p> <p>Sourcing fabric within the region possibly reducing transportation costs</p>	<p>Toxic metals, dyes and bleaching agents making soil and sediment toxic</p> <p>Low entry barriers not incentivising worker upskilling and social upgrading</p> <p>Competition from second-hand clothing imports</p>
Edible salt	<p>Richly endowed region (i.e. salt reserves and dry climate for production)</p> <p>Salt mining inflicting minimal environmental damage</p> <p>Governments allocating permits to support small-scale mining</p>	<p>Lack of financing inhibiting construction and expansion of salt processing plants</p> <p>Energy-intensive and costly transportation</p> <p>Antiquated salt production and iodisation techniques</p>	<p>Growing chemical industry requiring high-quality imported salt</p> <p>Countries encouraged to join the Southern African Customs Union to minimise trade costs with major salt exporters (Botswana and Namibia)</p> <p>Mining and processing enable future manufacturing activities in minerals</p>	<p>Emerging oligopoly</p> <p>Trade barriers inhibiting necessary potassium iodate supply and disrupting iodisation processes</p>
Aquaculture	<p>Increase in aquaculture production in the Southern African Development Community (SADC) (i.e. 100 950 tonnes in 2020, from 92 773 tonnes in 2019)</p> <p>Roughly 145 000 direct jobs and 1 million benefiting indirectly</p> <p>Broad political will (i.e. implementation of national aquaculture programmes in 12 SADC states and its regional strategy)</p>	<p>Sub-optimal environmental conditions (temperature variation and aridity)</p> <p>Weak governance and onerous permits in the rezoning process</p> <p>Limited production due to the high energy coastline and a water-scarce inland area</p>	<p>Growing public support, expertise and FDI in aquaculture through NEPAD's Fish for All Summit (2005) and the Food and Agriculture Organization's Special Programme for Aquaculture Development in Africa</p> <p>Increasing Marine Protected Areas (MPAs) to help conserve fish stocks and marine life (e.g. South Africa's share of MPAs increased from 0.43% in 2016 to 5% in 2020)</p> <p>Business-oriented aquaculture boosting domestic private feed and diversify cultured fish species</p>	<p>Tourism possibly posing risks through waste and coastal habitat degradation</p> <p>Increasing intensification creating environmental and socio-economic risks</p> <p>Large fish meal volumes impacting wild stocks (adults and juveniles)</p>

Source: Authors' compilation.

Annex 2.A2. Examples of flagship initiatives to mobilise investments in Africa

Table 2.A2.1. Selected flagship initiatives to mobilise foreign investments in Africa

Country (Lead agency)	Initiative (Latest update/end year)	Key features
China (Ministry of Foreign Affairs' Department for Africa)	Forum on China-Africa Cooperation (FOCAC) (2000-ongoing)	The main commitments of FOCAC have been related to increasing trade, scaling up foreign direct investment and fostering South-South co-operation. According to Chinese officials, through FOCAC, China has cancelled interest-free loan debts for 15 African countries. The forum is held every 3 years, and the latest took place in November 2021 in Senegal.
European Union	Africa Investment Platform (AIP) (2017-ongoing)	The AIP provides blending grant resources from the European Union to mobilise loans from the European Investment Bank and other eligible financing institutions.
	Africa-Europe Alliance for Sustainable Investment and Jobs	The Alliance leverages investment and trade to boost employment and sustainable growth in Africa. It builds on "a new framework enabling a substantial increase of private investment from both Africans and Europeans", as well as on the European Commission's proposals for the next Multi-Annual Financial Framework and the outcomes of the European Union-African Union Commission meetings. A EUR 40 billion investment in Africa has been proposed for 2021 through 2027.
France (AFD and PROPARGO)	Choose Africa (2018-22)	Choose Africa was initially set at EUR 2.5 billion to financially support African start-ups and micro, small and medium-sized enterprises and assist them at the various stages of their development, particularly through local partners.
	Choose Africa Resilience (2020-22)	The second part of the Choose Africa initiative added EUR 1 billion to support the formal and informal private sectors in Africa, which were weakened by the COVID-19 crisis. This mechanism comprises tools for loans, guarantees, equity investments and assistance tailored to the crisis situation.
India (Confederation of Indian Industry and Export-Import Bank)	CII-EXIM Bank Conclave on India-Africa Project Partnership (2005-ongoing)	The Conclave is key in building partnerships and enhancing the economic engagement between India and Africa. It is supported by India's Ministry of External Affairs and the Ministry of Commerce and Industry. The 16 th edition of the Conclave was held in July 2021.
Japan (Ministry of Foreign Affairs)	Tokyo International Conference on African Development (TICAD) (1993-ongoing)	The last TICAD conference, in 2019 (TICAD VII), focused on business promotion and pledged to achieve over USD 20 billion in private investment. The TICAD process has a follow-up mechanism to hold ministerial conferences to track African development initiatives adopted by TICAD summits.
Spain (Ministry of Foreign Affairs)	Focus Africa 2023 plan of action under Plan Africa III (2021)	Focus Africa 2023 implements Plan Africa III. This blueprint pays strategic attention to fostering trade and increasing Spanish investment and the presence of Spanish firms in Africa. It prioritises the following sectors: agri-food; water sanitation and waste management; renewable energies; transport infrastructure; the chemical and pharmaceutical industry; and the digital transformation.
United States (USAID)	Prosper Africa (2020-26)	Prosper Africa is the United States Government's initiative to substantially increase two-way trade and investment between Africa and the United States. Worth up to USD 500 million over five years, for every USD 1 of public funding, Prosper Africa is expected to leverage more than USD 9 in private investment.
	African Growth and Opportunity Act, AGOA (2015-2025)	The AGOA provides 38 eligible sub-Saharan African countries with duty-free access to the United States market for over 1 800 products, in addition to the more than 5 000 products that are eligible for duty-free access under the Generalized System of Preferences programme.
United Kingdom (British International Investment plc, formerly CDC Group)	UK-Africa Investment Summit (2020-ongoing)	At the first Summit (in January 2020), the United Kingdom both announced that it would expand the Manufacturing Africa programme, generating considerable new FDI in manufacturing for West Africa and that it would deliver new partnerships with Investment Promotion Agencies in Nigeria and South Africa (funding of GBP 25 million).

Source: Authors' compilation.

Note

1. The United Kingdom Social Time Preference Rate has two components: a time preference (capturing the preference for value now rather than later) and a wealth effect (reflecting changes to values thanks to expected growth in per capita consumption over time).

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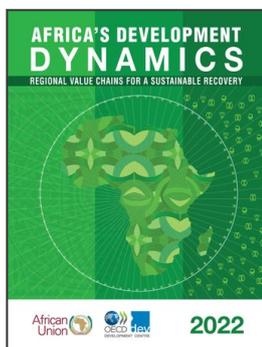
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