

Africa to learn from Covid-19 and build more competitive and resilient regional value chains through the AfCFTA

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Addis Ababa, 18 August 2020 (ECA) - The Africa Trade Policy Centre (ATPC) of the United Nations Economic Commission for Africa (ECA) in collaboration with the UK-based Overseas Development Institute (ODI) released a working paper entitled “[Africa trade and Covid-19: The supply chain dimension](#)”. The paper investigates the impacts of the pandemic on trade and value chains in Africa, with a special focus on Ethiopia and Kenya, and the pharmaceutical sector. It also makes specific policy recommendations on how the African Continental Free Trade Area (AfCFTA) can be reconfigured to reflect the new realities and risks of the 21st century.

Mr. David Luke, Coordinator of ATPC, commenting on the report, noted that the nowcast for Africa is clear, but the forecast for growth and trade this year remains uncertain. COVID-19 has magnified Africa’s cross-border trade challenges, and endemic reliance on imports of essential food and medical products. Implementation of the AfCFTA must be fast tracked to help African countries bounce back from the pandemic and facilitate the emergence of robust and resilient African supply chains.

Covid-19 has created significant disruptions to global value chains, through lockdown induced contractions in demand and supply, increased transport and transactions costs in foreign trade and growing use of export bans. Africa has been particularly exposed. About 82 percent and 96 percent of Africa’s imports of food items, and medicinal and pharmaceutical products, respectively, originate from outside the continent. Also problematic has been the shift in the Covid-19 epicentre from China, which accounts for 11 per cent of African exports and 16 percent of imports, to Europe, which accounts for 33 percent of African exports and 32 percent of imports.

The leading argument is that the pandemic has strengthened the case for developing intra-African regional value chains and unlocking the continent’s business potential. Food shortages, price hikes and breakdowns in pharmaceutical supply chains are widespread and growing. In Kenya, the tea and cut flower value chains have been severely hit. Restrictions applied to passenger flights across the world have reduced the availability of transport for products such as cut flowers and fresh agricultural products. Ethiopia’s coffee and cut flower supply chains are also being adversely impacted, and

the slowdown in international travel has served a significant blow to the travel and transportation services provided by Africa's most successful air carrier, Ethiopian airlines.

Swift implementation of the AfCFTA Agreement will be crucial to fast track the development of "Made in Africa" brands embedded in competitive and robust regional value chains. The delay to start of trading offers a window of opportunity for creative thinking on how the AfCFTA can be reconfigured to reflect new realities and risks. This is needed to better position the African economy in the face of future adverse shocks emanating from novel viruses and climate change, among others. The pandemic highlights that a robust supplier management system that takes into account sub-tier dependencies and proximity is a prerequisite for today's supply chain, and in turn the need to utilize the AfCFTA as a springboard for developing Africa's industrial base.

The paper presents a set of priority actions needed for the AfCFTA to build competitive and resilient African value chains and economies in the post Covid-19 era. These include measures to tweak and finalize phase I issues, fast track and align phase II issues to public health priorities, and frontload phase III negotiations on e-commerce to boost digital connectivity. The overarching recommendation is for African policymakers to revisit the AfCFTA built-in agenda to introduce a new ambitious work program of simultaneous negotiations on phase 2 and 3 issues, as well as prioritization of the liberalization of health and education in services in 2021-22.

Perhaps more than any other industry, the pandemic has shone a spotlight on the heavy import-dependency and vulnerability of Africa's pharmaceutical sector. Enhanced integration on the continent provides a huge opportunity for the pharmaceutical industry. Yet it will not provide a panacea to Africa's over-reliance on pharmaceuticals without a targeted framework that integrates an awareness of the multiple ways in which trade can impact on health systems. In order to achieve this, the paper argues that the pharmaceutical sector should be elevated as the heart of the AfCFTA Agreement and prioritized in the initial stages of implementation.

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