



# AfCFTA: A New Era for Global Business and Investment in Africa

INSIGHT REPORT

JANUARY 2023



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# Foreword

The AfCFTA will provide important opportunities for Africa, increasing international exports and intra-African trade.



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Officially launched in 2021, the African Continental Free Trade Area (AfCFTA) creates a single market projected to grow to 1.7 billion people and \$6.7 trillion in consumer and business spending by 2030.<sup>1</sup> The preferential trade agreement will increase international exports and intra-African trade, unlocking tremendous opportunities for local and global businesses to enter into and expand throughout new markets across the continent. Four sectors – automotive; agriculture and agro-processing; pharmaceuticals; and transport and logistics – were identified by the AfCFTA as important areas of business due to their potential for meeting local demand with local production. To better understand the business opportunities, operational tools and possible strategies for success in using the AfCFTA, this insight report offers both a systematic analysis of the important trends and opportunities and an investigation into some illustrative examples of success in each sector. It builds on macro trends in the region as well as insights from Landry Signé's book *Unlocking Africa's Business Potential*,<sup>2</sup> the AfCFTA Secretariat, the World Economic Forum and case studies from companies currently operating in Africa to explore how the private sector can seize the opportunities of the AfCFTA for the mutual benefit of businesses and African economies.

Macro trends in the four key sectors and across Africa's growth potential as a whole reveal tremendous opportunities for business expansion as population, income and connectivity are on the rise. The AfCFTA will unlock these opportunities, but not without disruption and change in business and production dynamics, especially due to increased

intra-African trade. Companies can better anticipate and mitigate these disruptions through the various initiatives and tools provided by the World Economic Forum and the AfCFTA. The Forum's initiatives will help to ease physical, capital and digital flows in Africa through stakeholder collaboration, private-public collaboration and information-sharing due to the organization's wide range of partners and experience. Similarly, the AfCFTA and other tools will help with specific issues and opportunities for trade under the AfCFTA, including clarification on rules of origin and payment simplification through an innovative platform. Lastly, feedback from companies already finding success in navigating African markets will reveal their strategies for success, including: the importance of employing local partnerships; making the most of trust and close relationships with communities; using AfCFTA accelerators such as infrastructure, banking and logistics; and drawing on synergies across multiple projects and goals. Combined, these resources and strategies will help guide new investors to the important considerations and enablers when taking part in critical markets across the continent.

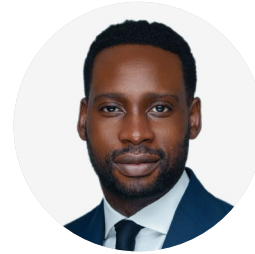
The benefits to African countries and to business success under the free trade area arise from the private sector understanding, recognizing and acting on the initiative's value. This report is important for global businesses that are serious about doing business in Africa because it lays out the value of the unique opportunities available and examines how to capitalize on them as economies evolve with and transition to a more integrated regional market.

# Preface

Africa is experiencing swift growth of a young labour force, rapid urbanization, increasing technology adoption and an expanding middle class.



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By 2050, the continent will be home to 2.5 billion people, with its combined business and consumer spending reaching \$16.12 trillion.<sup>3</sup> The African Continental Free Trade Area (AfCFTA), which was signed in 2018, ratified in 2019 and officially launched in 2021, creates a single market in Africa, offering tremendous opportunity for unlocking business potential across Africa and the world. Taking into account the additional benefits from increased foreign direct investment (FDI) expected from the AfCFTA, the World Bank projects that the AfCFTA could lift 50 million people out of poverty, raise overall incomes by 8%, increase intra-African exports by up to 109% and increase international exports by 32% by 2035.<sup>4</sup> These projections reveal an unprecedented opportunity for local and global businesses to invest in African countries and play a vital role in the development of crucial local and regional value chains on the continent.

Historically, Africa's FDI, as well as its regional and global value chain participation, have been consistently low compared to the rest of the world, hampered by barriers to trade and competitiveness. The AfCFTA aims to remove many of these barriers and unlock opportunities for Africa to join regional and global value chains and integrate with international businesses. The promising gains from an integrated African market should be a signal to investors around the world that the continent is ripe for business creation, integration and expansion.

Moreover, investment in Africa under the AfCFTA is undoubtedly a path towards sustainable, equitable and inclusive prosperity, and represents an unprecedented opportunity for companies to have a lasting impact on the flourishing of the continent with the youngest average population in the world. Increased investment and the strengthening of value chains due to the AfCFTA's promise of greater economic integration will bring much-needed jobs and increase wages for all, especially women. By 2035, wages for men are projected to increase by 8.5%,

while wages for women should increase by 11.2% on average.<sup>5</sup> Furthermore, in conjunction with the Fourth Industrial Revolution, the AfCFTA will enable Africa to both "leapfrog" certain industrial stages in which it has sometimes lagged and spur the job creation so essential to its young workforce.<sup>6</sup> As the AfCFTA facilitates trade and thus accelerates industrialization, virtuous cycles will begin to emerge across the continent: increased manufacturing leading to high-skill jobs creation, bringing better educational training and educational opportunities, and finally the development and retention of local talent, leading to thriving local businesses that can partner with global leaders to the mutual benefit of African and international companies alike. It is this promise – the promise of a symbiotic relationship between international business and the people of the continent – that is at the root of the commitment to this project and report.

The report aims to provide a pathway for global businesses and investors to understand the biggest trends, opportunities and strategies to successfully invest and achieve high returns in Africa, developing local, subregional and continental value chains and accelerating industrialization, all of which go hand in hand with the success of the AfCFTA. To do so, it uses the work of Landry Signé (including his book *Unlocking Africa's Business Potential*<sup>7</sup> and his forthcoming work *Africa's Fourth Industrial Revolution*) and that of the AfCFTA Secretariat, and cites illustrative cases from numerous multinational corporations and institutions. Global businesses and investors are encouraged to invest in the four priority sectors explored here (automotive; agriculture and agro-processing; pharmaceuticals; and transport and logistics), capitalizing on the various tools and strategies provided in this report. The examples set by the institutions and companies highlighted here are inspiring, having grasped so successfully what it means to invest in Africa, in every sense of the word. The insights provided will be of use in imagining and building Africa's future in the era of the AfCFTA.

# Executive summary

The AfCFTA will create the world's largest free trade area, bringing transformative change and tremendous economic and business opportunities.

The adoption of the African Continental Free Trade Area (AfCFTA) will accelerate intra-African trade and develop regional and local value chains, creating new business dynamics that offer investors access to a population of 1.7 billion people with combined business and consumer spending reaching \$6.7 billion by 2030.<sup>8</sup> To better understand the opportunities available, four high-potential sectors were initially selected by the AfCFTA to analyse in its Private-Sector Engagement Strategy as sectors representing opportunities for companies looking to invest in Africa: automotive; agriculture and agro-processing; pharmaceuticals; and transport and logistics. These four sectors are expected to see rapid acceleration in production and trade volumes under the AfCFTA, given that they have a high potential to meet local demand with local production.

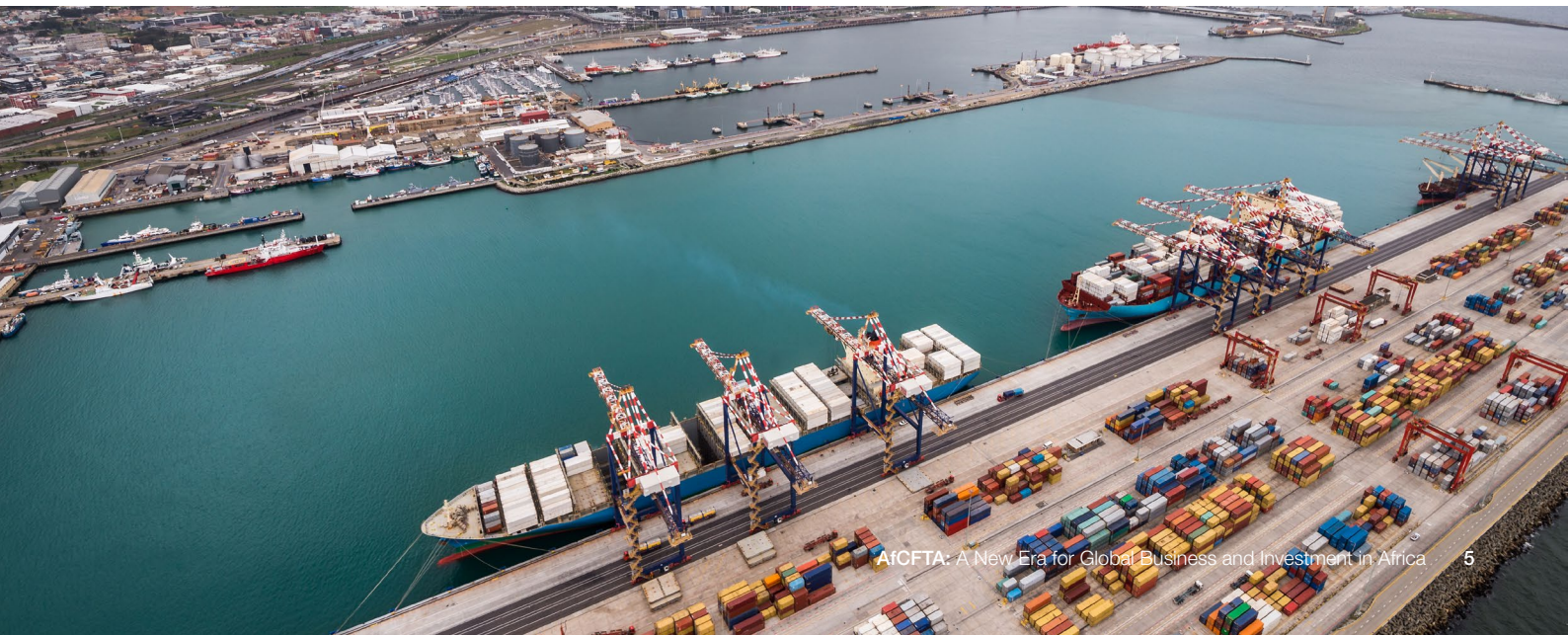
- The automotive industry in Africa is expected to grow to more than \$42 billion by 2027 due to increasing domestic demand, rising incomes and high projections for intra-African trade.<sup>9</sup>
- Agriculture offers opportunities for economic growth, job creation, poverty reduction and food security, with the potential for even more value added with agro-processing. Intra-African trade in agriculture is expected to increase by 574% by 2030 if tariffs are eliminated under the AfCFTA.<sup>10</sup>
- Pharmaceuticals was selected as a vital value chain given its potential for more value added as a complex product, given the feasibility of overcoming traditional barriers under the AfCFTA. The AfCFTA will help increase intra-African trade in pharmaceuticals, which is currently extremely low

(only 3% of demand is met by intra-African trade), leading to more resilient health supply chains.<sup>11</sup>

- Transport and logistics will be a crucial area for investment as an enabler of trade in goods as intra-African trade increases. The AfCFTA is projected to increase intra-African trade demand by 28%, with demand for almost 2 million trucks, 100,000 rail wagons, 250 aircraft and more than 100 vessels by 2030.<sup>12</sup>

While the AfCFTA offers business opportunities in each of these four sectors, companies will need to understand how the changing environments under the trade agreement will affect their strategies for success in the region. Public-private initiatives, operational tools and illustrative case studies offer insight into the type of support that exists for companies to build effective strategies for the way forward under the AfCFTA.

The World Economic Forum is actively working towards implementing trade and investment tools that are aligned with the negotiation process of the AfCFTA by identifying areas where public-private collaboration can help reduce barriers and facilitate investment from international firms. Public-private collaboration can help remove obstacles in the supply chain, improve cross-border payments and access to trade finance, reduce the costs and delays of moving goods across borders, help to mainstream environmental sustainability, and tackle barriers to investment entry and expansion. To do so, the Forum is helping to drive these goals across five key pillars to ease physical, capital and digital flows in Africa and grow inclusive and sustainable development.



- Pillar 1 is the effort to facilitate trade in goods. The World Economic Forum is supporting public-private collaboration centred on implementing trade-facilitating provisions through projects already under way.
- Pillar 2 is the effort to facilitate services and investment. The Forum is working to address fragmented investment regulatory frameworks through on-the-ground projects.
- Pillar 3 is the effort to facilitate digital trade. As negotiations over the Protocol on Digital Trade advance, efforts are being developed to accelerate e-commerce preparedness for small businesses in Africa.
- Pillar 4 is the effort to facilitate inclusive trade. The Forum has launched the Inclusive Trade Initiative to improve the societal outcomes of trade through its Trade and Labour Programme as well as the Trade and Indigenous Peoples Programme, which uncovers good practices that can be shared with AfCFTA negotiators and businesses.
- Pillar 5 is the effort to facilitate environmentally sustainable trade. The Forum is working to mainstream environmental sustainability in trade policy, which will be necessary to keep pace with the sustainability preferences of important trade partners, such as emissions reductions and material circularity.

To achieve its goals of reducing barriers and facilitating flows in Africa across all five pillars, the Forum acts as a convener to deliver impactful outcomes achieved through two working methods: 1) driving collective action; 2) experience-sharing and peer learning. Through its findings, the Forum's initiatives can provide businesses with knowledge on best practices for facilitating and improving trade and investment, enabling businesses to have a more data-driven and experience-driven approach for making use of AfCFTA. Furthermore, the Forum is driving collective action by facilitating public-private cooperation around pillars of mutual interest between business and governments.

In addition to the Forum's efforts, five operational tools have been created to help companies adjust to new dynamics under the trade agreement.

1. The AfCFTA Guided Trade Initiative has facilitated the start of actual trade under the trade preferences in eight countries for 96 products.
2. The Pan-African Payment and Settlement System is a transformative tool that enables users to make near-instant payments in their local currency without needing to convert to a foreign currency or use a third-party institution.

3. The AfCFTA Adjustment Facility Fund is a combination of a base fund, general fund and credit fund that assists governments and the private sector in addressing short-term disruptions through financing, technical assistance and grants and compensation funding.
4. The AfCFTA Private-Sector Engagement Strategy is a tool that helps companies to better understand the overall continental strategy as well as the specific initiatives and policy recommendations in emerging sectors that the AfCFTA is prioritizing.
5. The *Rules of Origin Manual and E-Tariff Book* sets out guidelines for the rules and procedures determining the origin status of goods. This will help companies clarify and keep track of the changes in trade at the international and regional levels.

Beyond operational tools, illustrative examples from successful companies show how successful strategies have been developed and implemented up to now, and how companies are planning to seize opportunities from the trade agreement in the future. On-the-ground experience from companies including Agility, the Africa Finance Corporation (AFC), Coca-Cola, DP World, Menzies Aviation, Novartis, the Office Chérifien des Phosphates (OCP), the United Bank for Africa (UBA), Volkswagen and Yara has revealed three main strategies that have led to success in Africa so far and also promise future success. The first strategy is to use local partnerships with governments, local institutions, universities etc. The second strategy is to use important trade accelerators such as investing in local infrastructure and logistics. The third and final strategy is using synergies for multiple projects through integrated environments.

This report presents data on important high-potential sectors, supporting initiatives from the Forum, operational tools for the AfCFTA and practical examples and advice from global companies. The information will enable local and global businesses looking to invest in Africa to be ready for and take advantage of the transformative change under integrated markets so that they can achieve business success while helping to usher in a new era of economic development. The global private sector must be prepared for the coming changes in trade dynamics on the continent in order to seize the opportunities that the AfCFTA brings to business in Africa.



# 1 Introduction

Signed in 2018, ratified in 2019 and officially launched in 2021, the AfCFTA creates a single market in Africa.

The African Continental Free Trade Area (AfCFTA) offers tremendous opportunity for unlocking business potential across the continent and the world. Historically, Africa's FDI as well as its regional and global value-chain participation have been consistently low, hampered by barriers to trade and competitiveness. The AfCFTA removes many of these barriers and unlocks opportunities for Africa to join regional and global value chains and integrate with international businesses.

Specifically, the AfCFTA Private-Sector Engagement Strategy, through multistakeholder consultations, has identified four key sectors that have high potential for local and global business: automotive; agriculture and agro-processing; pharmaceuticals; and transport and logistics. All of these sectors

add value in different ways, including through job creation, inclusivity, contribution to GDP and potential for local value addition.

This report first presents the unique trends, players and opportunities for local and global businesses in these four sectors in the era of AfCFTA. Second, it discusses various operational tools the private sector can use to capitalize on these opportunities, with a specific focus on facilitations by the AfCFTA Secretariat, World Economic Forum and strategic tools. Finally, the report shares the experiences and strategies of various successful companies (including AFC, Agility Logistics, Coca-Cola, DP World, Menzies Aviation, Novartis, OCP, UBA, Volkswagen and Yara) to better understand the impact of the AfCFTA and how it can be a driver for business growth across the continent.

## 2 Key sectors

The four sectors identified as high-potential are: automotive; agriculture and agro-processing; pharmaceuticals; and transport and logistics.





The four sectors identified in the AfCFTA Private-Sector Engagement Strategy as having high potential for investment (automotive; agriculture and agro-processing; pharmaceuticals; and transport and logistics) have been selected as opportunities

to focus on here on the basis of their potential to meet African demand through local production as well as their potential value as exports to the rest of the world. Together, these four sectors represent \$130 billion in goods and services imports.<sup>13</sup>



## 2.1 Automotive industry

The automotive industry was identified as a key sector by the AfCFTA Private-Sector Engagement Strategy because of characteristics that will accelerate intra-African trade: high product complexity and high potential for meeting local demand. The AfCFTA will help amplify these strengths, providing opportunities for domestic and global businesses alike to invest in the automotive sector.

### Key trends

In 2021, the automotive industry in Africa was valued at \$30.44 billion and is predicted to grow to \$42.06 billion by 2027 – an almost 40% increase in value.<sup>14</sup> Across the continent, there is an average annual demand for 2.4 million motor cars and 300,000 commercial vehicles. Currently this

domestic demand – rising due to the continent-wide increase in disposable income, strong growth of the middle class and rapid urbanization – is met mainly by imports of used vehicles. However, domestic production has been growing in the past few years at a rate of 7% per year on average. At present, domestic production across Algeria, Egypt, Morocco and South Africa exports about 56% of its production outside Africa. With domestic production already growing, there is a strong opportunity to apply domestic production to local demand.

Today, Morocco and South Africa are leading the way as major players in the automotive sector, making up 80% of African exports, with Algeria experiencing rapid growth. The AfCFTA will likely increase the competition and interest in North Africa as a nearshoring destination for European countries and as a manufacturing hub for local demand.<sup>15</sup>

Major private-sector players include the African Association of Automotive Manufacturers (AAAM) and several global companies that have expanded their operations across the continent. AAAM has been a major player for the sector, working directly with governments in Egypt, Ghana and South Africa, among others, and directly with the AfCFTA Secretariat to help shape the vision and strategy for the automotive sector under the AfCFTA trade agreement. Specific global companies are also

recognizing the opportunity for industrialization in Africa through the automotive sector. For example, Volkswagen has recognized the potential and need for new, modern and safe vehicles to be produced in African countries to meet African demand rather than the continent continuing to rely on imported used cars. So far, the company has successfully established local assembly operations in Kenya, Rwanda and Ghana and two wholly owned subsidiaries in Rwanda and Ghana.

## BOX 1

### Volkswagen identifies opportunity with the AfCFTA

Volkswagen has been successful in establishing local assembly operations on the continent, with the long-term goal of becoming a driver of industrialization in the automotive sector through strong local value chains. The company attributes its success in Africa so far to its collaboration with African governments in developing and implementing automotive policies in their respective countries. It recognizes that the increase in local

manufacturing requires different levels of investment that depend on consistent enabling industrial policies with access to local markets. It sees this as a major benefit of the AfCFTA. According to the company, South Africa, Morocco, Tunisia, Ghana, Kenya and Egypt have made positive policy developments towards an enabling investment environment, making them more competitive and attractive for automotive investment.

“The common market is a much more attractive dynamic for investors than 54 smaller economies, especially in a sector that requires economies of scale.”

### Key opportunities

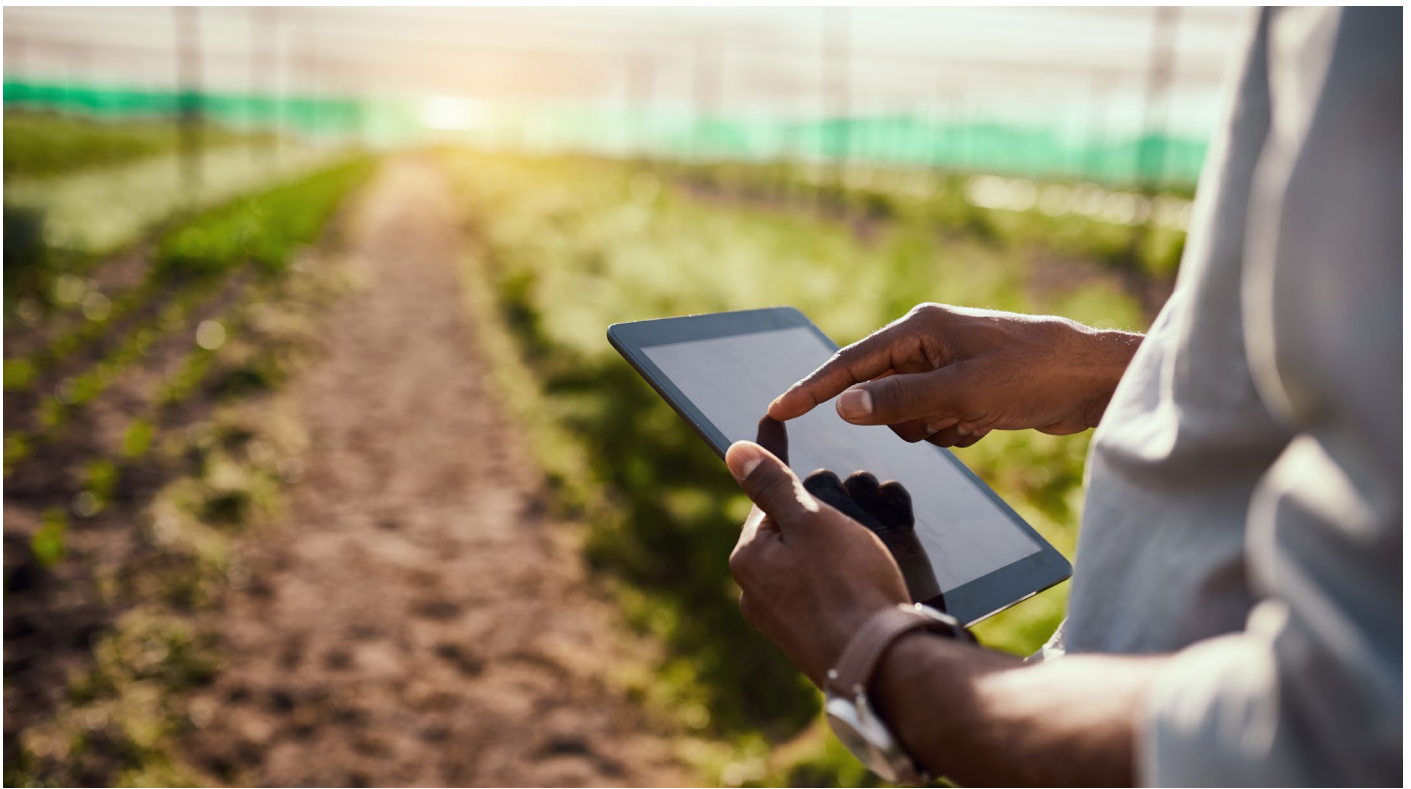
The AfCFTA unlocks several opportunities for African and global businesses in the automotive industry to seize. These include 1) the enhancement of a more competitive market for local assembly and sourcing; 2) political will from the local public and private sectors; and 3) market opportunities for electric vehicles and motor vehicles.

***The unified market under the AfCFTA enhances the competitiveness of local assembly and local sourcing partnerships.*** This means opportunities for local and global businesses to enter or expand their operations in the automotive industry in Africa.<sup>16</sup> The common market is a much more attractive dynamic for investors than 54 smaller economies, especially in a sector that requires economies of scale.<sup>17</sup> It will allow companies to plant assembly locations in one country while being able to both target a greater consumer base across the region and take advantage of reduced tariffs on local inputs (for example, aluminium in Mozambique, rubber in Côte d'Ivoire). As companies relocate production steps and supply chains in African countries, these countries will be able to avoid losing out on revenue from value addition as they do when raw materials are exported.<sup>18</sup> Currently, many regional economic communities apply a 25–35% value-added threshold for locally originated products.<sup>19</sup> The AfCFTA's rules of origin will help to set common thresholds for value-added levels. If these common thresholds are progressively harmonized across regional communities, these more general and co-equal rules will help stimulate trade.<sup>20</sup>

***There is significant political will among numerous African governments and private-sector players to develop*** automotive regional value chains because of the sector's historic contribution

to knowledge-intensive industrialization, and leadership is actively working towards improving the investment environment for the automotive sector specifically. For example, the African Export-Import Bank (Afreximbank) and the African Association of Automotive Manufacturers (AAAM) are working together to support the industry by helping to harmonize automotive standards, developing a focused training programme for the public and private sectors, and providing financing to industry players across the value chain.<sup>21</sup> In addition, Afreximbank has committed \$1 billion to supporting the industry through direct financing and partnerships.<sup>22</sup>

***Current and future demand is pointing to opportunities for new markets in electric vehicles and motor vehicles.*** Africa could be an important region for local and global companies to promote sustainable mobility and harness renewable energy. Electric vehicles make up less than 1% of sales in South Africa, but demand is growing across the continent as some of Africa's main trading partners have banned internal combustion engine vehicle sales as early as 2035.<sup>23</sup> Already, there are pilot projects for sustainable vehicles in Rwanda, Egypt and South Africa, and e-mobility start-ups have emerged across the continent.<sup>24</sup> Africa has a great wealth of the natural resources that are vital raw materials for vehicles that run on new types of energy,<sup>25</sup> and several countries have their own procurement markets for materials such as copper, platinum, cobalt, bauxite and lithium. There is also a huge market for motorcycles in Africa (especially in West, East and North Africa), with the potential for more domestically produced inputs and domestic production. There is opportunity, too, for electric two-wheelers to become more of a player as the technology for electric motorcycles is simpler than it is for electric vehicles.



## 2.2 Agriculture and agro-processing

Agro-processing was named a key sector for the AfCFTA's Private-Sector Engagement Strategy because of its exceptional potential for increasing intra-African trade, meeting local demand, accelerating GDP growth, creating jobs and improving inclusivity due to its upstream and downstream linkages. The AfCFTA will expand participation in value chains and trade since countries will no longer have to rely on exporting only agricultural intermediaries with little value added.<sup>26</sup>

### Key trends

Agro-processing has important implications for economic growth, food security, job creation and poverty reduction.<sup>27</sup> While African countries have accelerated their focus on agro-processing as a result of food insecurity caused by trade disruptions from global shocks, it will also be important as a way to transform economies from the current export of raw materials, which has much less benefit for a country's economy.

As much as 80% of food production on the continent is from smallholder farmers with historically low yields.<sup>28</sup> Agriculture and agro-processing have high potential for economic growth, employment and inclusivity, and could spur an increase in intra-African trade. Currently, the continent imports about \$50 billion of agricultural products per year,<sup>29</sup> but, by 2030, intra-African agricultural trade is projected to increase by 574% if import tariffs are eliminated compared to a scenario without the AfCFTA.<sup>30</sup>

In particular, the fish and meat industries have great potential for investment. The majority of demand for both fish and meat is met by local production that is not traded and only 16% and 10% of demand respectively is met by imports.<sup>31</sup> They are both expected to see an increase in overall demand given rising incomes, which means there is tremendous opportunity to scale production and increase the trade in processed goods. Demand for fish is exceeding local supply, growing at around 4% annually for the past 10 years,<sup>32</sup> and demand is also accelerating for meat.<sup>33</sup> Production of beef is widely fragmented across the continent, but meat processing is concentrated in a few countries.<sup>34</sup> This means there is a major opportunity to scale up the production of processed meats such as sausages and canned meats to meet the rising local demand.<sup>35</sup> Southern Africa is more connected via trade relationships within the beef industry, but the AfCFTA will unlock opportunities for Northern and Western African countries to join.<sup>36</sup>

Ghana is an example of a country that has taken steps to boost agro-processing by attracting foreign investment and investing in infrastructure for preserving, storing and transporting harvest yields.<sup>37</sup> Ghana intends to process more of its cocoa domestically rather than exporting raw cocoa beans so that it can reduce dependence on raw material exports and shift its status and strengths towards the top of the value chain – becoming a top trader of processed goods.<sup>38</sup>



“ Scaling agro-processing has important inclusivity effects as well, given that women make up 70% of employment in the overall agricultural sector and the majority of the domestic agro-processing workforce is female.

## Key opportunities

Important opportunities for the private sector here include adding value to an already competitive agriculture sector, using regional differences to develop food value chains and meeting input and infrastructure needs.

**Agro-processing is a way to add value to an already competitive agriculture sector.** Africa's wide range of climates, high percentage of arable land and counter-seasonality to the northern hemisphere all contribute to the competitiveness of the sector. Agro-processing specifically has unique strengths for investors and African countries alike. It is described as the most important sub-sector of manufacturing because of the greater stability of world prices for processed agricultural products compared to raw products. It is also significant for its effect on the generation of new companies, its diversification of rural economies and its creation of new job opportunities.<sup>39</sup> Scaling agro-processing has important inclusivity effects as well, given that women make up 70% of employment in the overall agricultural sector and the majority of the domestic agro-processing workforce is female.

**The common market can use regional differences in the strengths and competitiveness of African countries in food value chains.**<sup>40</sup> Increased intra-African trade through the AfCFTA will help reduce dependency on foreign agricultural inputs with positive effects for continental food resilience. Each region has natural advantages that, if better coordinated to benefit African partners, can help create full regional value chains. For example, South Africa's integrated

value chain, from inputs, equipment, packaging and specialized logistics to marketing and retail, is an example for other African countries, and showcases the great potential for investment in this sector in conjunction with the AfCFTA.<sup>41</sup>

**There is also a great opportunity for new businesses to meet the input and infrastructure needs of the agricultural sector.** Some major barriers to scaling agro-processing include the need for more local production of inputs. For example, a major barrier to scaling fish production is the high costs and high dependency on foreign trade for fish feed.<sup>42</sup> Regional hubs can help increase intra-African trade of fish feed and allow for scaling up within what is now a highly fragmented market made up of small producers.

For agriculture more broadly, there is also a significant need for inputs and infrastructure to sustain higher levels of exports. According to a McKinsey report, Africa's agricultural potential will require an 800% increase in fertilizer application for main nutrients, a \$65 million-plus investment in irrigation and more than \$8 billion in investment for storage through local warehouses.<sup>43</sup> Companies are already finding these areas to be lucrative opportunities to develop value chains across the continent. The common market will help reduce dependency on exports, leading to stronger and more sustainable domestic development. OCP, for example, has recognized the potential of the AfCFTA to develop unifying standards for fertilizer regulation and to increase inter-African trade for agricultural goods and supplies, as well as the significant potential of investing in these value chains (see Box 7 below).



## BOX 2 Finding success in mutual goals: Coca-Cola in Africa

Coca-Cola has been a long-time partner in Africa – by 1970, Coca-Cola was available across the continent. Today, the Coca-Cola system (which includes bottling partners and plants) employs more than 50,000 people, with 30 bottling partners and 130 bottling plants. To get this far, the company has taken tangible steps to find areas of mutual interest with various countries, including the following initiatives.

- **5by20 Program:** In 2010, Coca-Cola launched this initiative to provide business skills training, mentoring connections, financial services and other assets. In 2020, the company exceeded its target (of helping 5 million female entrepreneurs) and supported 6 million women entrepreneurs worldwide including 2 million in Africa.
- **Project Last Mile:** The Coca-Cola system works with global donors and African governments to strengthen health systems through the company's expertise in logistics, distribution and marketing.

- **Replenish Africa Initiative (RAIN):** Since 2010, The Coca-Cola Foundation's RAIN initiative has reached more than 6.7 million people in 41 countries and territories in Africa with safe, sustainable access to water, sanitation and hygiene.

Due to these commitments and the recognition of the economic powerhouse that is Africa, Coca-Cola has been successful in working with local suppliers and developing value chains as important components of its strategy on the continent. This increased attention on Africa has led to billions of dollars of investment. Together with its bottling partners, Coca-Cola has benefited from a thriving business due to Africa's young population, while contributing to economic growth through job creation, sustainability and the economic empowerment of women and youth. The AfCFTA will help the company further develop sourcing and production as well as packaging within African markets. The AfCFTA could help drive costs down, which will give more countries an equal chance to be suppliers for Coca-Cola.



## BOX 3 Agri-business opportunities under the AfCFTA: Yara

Yara is a leading Norwegian crop nutrition company and a provider of environmental and agricultural solutions. The company has operated in Africa since 1929, expanding to 12 African countries, including a blending facility, a chemical enterprise and sales offices throughout different countries.

Yara recognizes the power of the AfCFTA in unlocking and strengthening business opportunities on the continent by reducing costs, improving infrastructure and support services, and promoting gender equality and youth empowerment. The agreement's tariff reduction will significantly reduce the cost of producing, importing and exporting fertilizers, digital farming technologies, mechanized

farm equipment, power generation and other crop nutrition services. The AfCFTA will also reduce costs for infrastructure and support services such as basic storage, transport facilities, integrated roads and infrastructure, cold-chain investments and irrigation, which will help farmers reach new destinations efficiently – something that was impossible before the AfCFTA. Yara also recognizes the AfCFTA's ability to promote gender equality and youth empowerment by unlocking entrepreneurship opportunities for women and youth in agriculture. These promising opportunities have prompted Yara's social impact commitments, including supporting 5 million women and young people with agri-related economic opportunities by 2025.

## 2.3 Pharmaceuticals

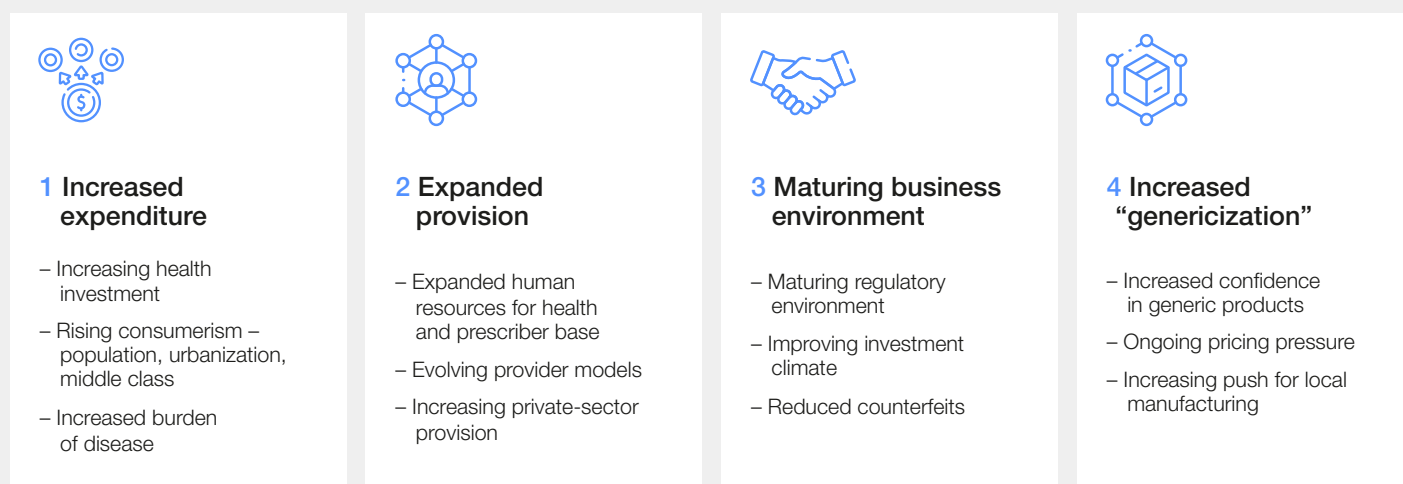
Pharmaceuticals is one of the four sectors seen to have the highest potential due to the feasibility of addressing barriers to trade and production in a short time frame, as well as the strong potential for meeting demand locally. Pharmaceuticals also have high product complexity, which can lead to greater opportunities for high local value-added production.

### Important trends

The pharmaceutical industry is projected to grow at 5.13% compound annual growth rate (CAGR) in 2022–2027 in Africa.<sup>44</sup> The United Nations Industrial Development Organization (UNIDO) has identified four important factors that are leading to high projected growth in Africa's pharmaceutical market specifically. These are: increased expenditure; expanded provision; a maturing business environment; and increased genericization.

FIGURE 1 UNIDO has identified four important factors leading to a high projection for the growth of Africa's pharmaceutical market specifically<sup>45</sup>

### Four main factors underpin the future growth of Africa's market, with different impacts depending on the country



Source: UNIDO, “Africa – an Opportunity for Pharma and Patients”, McKinsey & Company, 2018: [https://www.unido.org/sites/default/files/files/2018-03/Jean%20Mina\\_McKinsey%26Company\\_African%20Pharma%20Market\\_01032018.pdf](https://www.unido.org/sites/default/files/files/2018-03/Jean%20Mina_McKinsey%26Company_African%20Pharma%20Market_01032018.pdf)

Within pharmaceuticals, packaged medicines and medical instruments<sup>46</sup> make up the largest import shares for the continent (65% and 12% respectively of the \$17 billion<sup>47</sup> pharmaceutical imports).<sup>48</sup> Packaged medicines represent the biggest opportunity, given their high percentage of imports and the sourcing and manufacturing stages of the value chain. Some 40% of the disease burden on the continent is due to HIV/AIDS, tuberculosis, malaria, diarrhoea and respiratory diseases. To treat these, packaged medicines typically come in the form of either solid oral pills or liquids and gels that have simpler manufacturing processes than other types of drugs such as injectables. Total demand for all packaged medicines in Africa is around \$18 billion annually, of which 61% is imported and 36% is locally produced and not traded. Only 3% of demand is met by intra-African trade. This lack of

intra-African trade is leading to high dependency on imports (seven times more than India, for example), even though local production is possible.

Meanwhile, local production is concentrated in generic medicines (70%) with simple production processes. The processes, which are concentrated downstream in formulations and packaging, have little upstream R&D and limited production of intermediates and active pharmaceutical ingredients (APIs), which require complex chemical and biological processes.<sup>49</sup> There are currently about 600 manufacturers of packaged medicines on the continent, and they are highly concentrated in eight countries (80%), with North Africa leading the way. Only four countries have more than 50 manufacturers, while 22 countries have none.



“ The AMA will promote the adoption and harmonization of medical products’ regulatory policies and standards, as well as provide scientific guidelines and coordinate existing regulatory harmonization efforts in the African Union.

## Key opportunities

The pharmaceutical industry in Africa presents unique advantages for the private sector to pursue both profit-driven and impact-related interests. These opportunities are growing, thanks to the mitigation of regulatory challenges and the acceleration of new manufacturing. Wider opportunities are also arising within the pharmaceutical industry for products that can be produced locally.

### ***Regulatory challenges that have long hindered the growth of the pharmaceutical industry in Africa are already being mitigated*** by the AfCFTA.

For example, the lack of regulatory alignment and weak regulatory frameworks have been addressed through the Africa Medicine Regulatory Harmonization (AMRH) initiative. The AMRH initiative was created in 2009 to address challenges faced by national medicine regulatory authorities (NMRAs) that were leading to poor access and overpriced medicines.<sup>50</sup> Thanks to this initiative, the marketing approval time has been reduced from more than a year to between seven and eight months in the East African Community (EAC) and the Southern African Development Community (SADC) regions.<sup>51</sup> It has also successfully achieved appropriate standards for four of the seven East African NMRAs and five West African NMRAs. Most importantly, the AMRH paved the way for the treaty to establish the African Medicines Association (AMA) in 2019, which has been ratified by 24 countries to date. The AMA will promote the adoption and harmonization of medical products’ regulatory policies and standards, as well as provide scientific guidelines and coordinate existing regulatory harmonization efforts in the African Union. The AfCFTA can help scale these efforts by acting as a liaison between local manufacturers and the AMA, as well as supporting other countries that are not covered so that they are also able to align standards and regulatory practices. Such regulatory harmonization will be a great enabler for innovation, for regional as well as international companies, and the reduced fragmentation of the market can also help reduce the prices of imported medicines (such as by eliminating the need for bespoke packaging).

### ***The AfCFTA will help to overcome the challenge of small fragmented markets in order to create a positive cycle of increased regional manufacturing, research and local talent.***

Small and isolated markets made it impossible for African countries to compete with Asian manufacturers. With a continental market, it will be possible to sustain greater economies of scale, which will help businesses achieve higher production volumes that will save money.<sup>52</sup> Regional markets will allow for specialization, which ultimately will enable regional procurement markets that are beneficial for investors. Frannie Léautier, Chief Executive Officer of Southbridge Investments, explains how local manufacturing contributes to stronger local health systems for the mutual benefit of investors and countries: “There is a positive cycle, where you go from detection and diagnosis to research and development to treatment. This creates an ecosystem of experts who work together on different dimensions of the problem. The missing link in all of that is the manufacturing side. If you can tighten that link, and improve the medical products that are available, you attract qualified doctors and nurses. Then more people come down for treatment, so you have longitudinal studies that offer results. Manufacturing has been very important in all the countries that have succeeded in building pharmaceutical centres of excellence – it has helped them retain talent.”<sup>53</sup>

***The AfCFTA will open a wider range of opportunities*** for the types of activities that can be executed and sourced within the continent. Beyond packaged medicines, there are several opportunities in the pharmaceutical industry for investment, including building quality healthcare infrastructure and increasing the capacity for vaccine manufacturing.<sup>54</sup> The Africa Investment Forum has facilitated investments since the onset of the pandemic, including five transactions, valued at \$484 million total, spanning from the creation of a multinational health fund to a mobile telemedicine product.

Novartis has understood the opportunities in the region and created a dedicated organization focused on reaching more patients in sub-Saharan Africa, aiming to maximize its impact on patients and its ability to grow a sustainable business. Novartis identified four areas where the AfCFTA will have the greatest impact:

1. Sustainable healthcare systems

A resilient health system requires investment in high-quality healthcare, medicines, services and healthcare innovations. The AfCFTA can provide incentives for partnerships between governments, companies and international organizations to support a shift away from reliance on donor funding and build sustainable, resilient health systems across the SSA region. Novartis supports regional and country capacity-building, acting as a catalyst towards sustainability by providing time, expertise and financial support.

2. Innovation policy, intellectual property (IP) rights

The AfCFTA can help regional and country bodies develop policies and IP laws that nurture healthcare innovations, which can have a critical impact on health across the continent. Novartis sees opportunities for new voluntary licensing mechanisms to increase access to medicines, similar to the agreement it entered into in 2022 with the Medicines Patent Pool (as part of the Access to Oncology Medicines Coalition) to increase access to nilotinib for the treatment of chronic myeloid leukaemia.

This type of voluntary licensing mechanism has been tested successfully with communicable diseases such as HIV and COVID-19, but is the first of its kind for the treatment of a non-communicable disease such as cancer.

3. Effective regulatory systems and harmonization

Novartis recognizes the role of the AfCFTA in producing medicine regulation that is clear, transparent and robust. The company looks to partner with regulatory bodies to support regulatory harmonization that accelerates patient access to medicines while reducing the burden on individual countries.

4. Strengthening supply chains

Novartis is committed to making sure it can meet as many health needs as possible through its facilities, and via a robust supply chain. A global supply chain increases sustainability and supply security, which is put at risk through forced localization. Novartis sees the developments made by the Africa Medical Supplies Platform, an online portal that enables the delivery of medical supplies to African governments, as encouraging insofar as there is the potential to facilitate greater economies of scale, simplify logistics and reduce mark-ups across the distribution chain. The AfCFTA can promote incentive-based policies in the region that strengthen the supporting infrastructure, workforce capacity and capability, and stability required to create a favourable environment to attract investment.





## 2.4 Transport and logistics

Transport and logistics represents a high-potential sector due to its role as an important enabler of the trade of goods and the fact that it is the largest contributor to imports (the value of imports of freight transportation to African countries – from within and outside of the continent – is \$36.8 billion annually).<sup>55</sup> Transport and logistics includes passenger and freight transportation, third-party logistics, freight forwarding, and courier express and parcel services.<sup>56</sup>

### Key trends

A majority of intra-African exports are transported over land (60% of automotive exports, 56% of pharmaceutical exports and 60% of agro-processing product exports). As for maritime trade, this is projected to increase from 58 million to 132 million tons by 2030 with the implementation of AfCFTA.<sup>57</sup> Road and maritime freight transportation therefore offer, at present, the biggest opportunity as the infrastructure for air and rail transportation

is still being developed. Transport and logistics barriers have historically held African countries back as they have faced higher custom delay periods, lower percentages of paved roads and a higher loss of goods due to limited cold chains compared to other regions in the world. All of these challenges are being addressed through the AfCFTA.

The establishment of the AfCFTA is projected to increase intra-African freight demand by 28%, leading to demand for almost 2 million trucks, 100,000 rail wagons, 250 aircraft and more than 100 vessels by 2030.<sup>58</sup> Large logistics companies have historically been too expensive for African companies to use, but that is changing with the rise of new digital logistics companies.

China and South-East Asia have been major players in the sector, with competitive transit times for companies connecting Asia and East Africa. An example of this is Hapag-Lloyd, which successfully entered the market to connect landlocked East African countries with inland connections.<sup>59</sup>

28%

Projected increase in intra-African freight demand thanks to the AfCFTA



### BOX 5 Macro-trends affecting logistics: Agility Logistics

**Agility Logistics**, a company that focuses on many different aspects of transport and logistics, has been successful in developing a strategy that both enables local companies to scale and attracts international companies to enter African markets. Agility has been successful in building warehouses to match supply and demand efficiently.

The macro trends that guide Agility's strategy in Africa are:

1. Demographics
2. Regional trade
3. Growing consumption
4. Digitization and simplification of moving goods across Africa

5. Supporting small and medium enterprise development
6. Attracting FDI to the continent
7. Local manufacturing
8. The AfCFTA single market

These macro trends have led Agility to focus on purchasing land close to economic hubs in order to reduce the time barriers and costs for companies that use warehouses. The company has been successful in attracting multinational companies and SMEs since it is a reliable source of quality warehouses across the continent that can be managed under one landlord.

“ African companies spent \$2.6 trillion on B2B transactions in 2015, with spending expected to reach \$3.5 trillion by 2025.

## Key opportunities

As the AfCFTA increases intra-African trade and eliminates burdensome customs and costs, there is an opportunity to help close the urban-rural divide, develop digital logistics and fulfil the logistics needed to ensure long-term increases in both business-to-business and business-to-consumer commerce.

***The overwhelming demand and need for logistics and transport services will only increase as the AfCFTA is implemented*** and intra-African trade increases. Unlocking intra-regional trade will skyrocket the demand for logistics, with more small and medium-sized enterprises needing logistics providers to connect to bigger markets. If commodities prices are lower due to the removal of trade barriers and import costs, consumption and demand will increase, to the benefit of African manufacturers and the logistics and transport sector.<sup>60</sup> This will also open the door for digital logistics companies to step in and reduce costs, as well as improving the quality of services while promoting sustainability.<sup>61</sup>

***Closing the urban-rural divide*** also presents significant opportunities in the logistics sector. Rural areas are increasingly reliant on regional supply chains rather than megacities, but they are often isolated due to inadequate road infrastructure. Start-ups have begun to address these issues, with innovative solutions to integrate rural and city markets.<sup>62</sup> Infrastructure gaps, especially those that take a long time to fix, such as road issues, have prompted companies to create innovative, new solutions, including cargo drones, inland waterways and ports, and other means of transport.

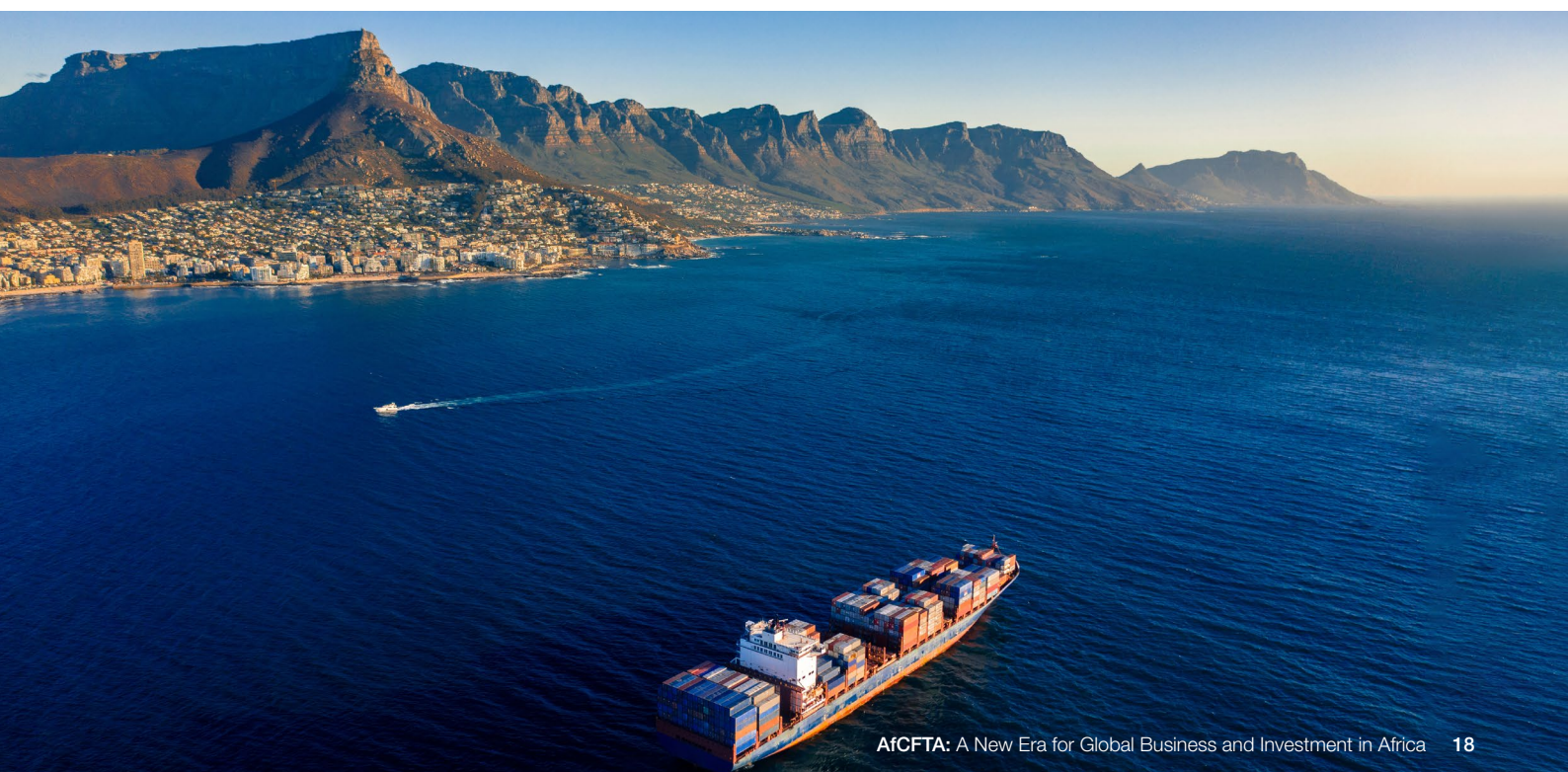
***Business-to-business (B2B) logistics*** is expected to dominate the sector in the short to medium term, but business-to-consumer logistics will continue to increase as consumer spending rises, e-commerce becomes more prevalent and urbanization increases.<sup>63</sup> African companies spent \$2.6 trillion on B2B transactions in 2015, with spending expected to reach \$3.5 trillion by 2025.<sup>64</sup> Building upon these already existing trends, the AfCFTA will accelerate opportunities for companies providing B2B services, including companies specializing in digital logistics.

### BOX 6

#### Opportunities in aviation transportation: Menzies Aviation

Menzies Aviation is the largest aviation services provider in Africa, supplying air cargo services, fuel services and ground services in 20 African countries and employing more than 3,500 people. Menzies has identified Africa as one of the fastest-growing aviation markets for both air cargo and passenger travel, both of which will be accelerated by the AfCFTA. The company recognizes the AfCFTA's potential to help make air travel and cargo movement easier, cheaper, safer and more competitive, which will help revive economies and create jobs. The aviation industry will soar as a result of the greater

geopolitical stability, harmonized aviation standards, lower air tariffs and greater passenger confidence that will result from AfCFTA and the investment it can bring. Already, there is political will to connect Africa (first to connect African countries one with another, then with the rest of the world), as seen through the Single African Air Transport Market (SAATM), which opens up Africa's skies, connecting 15 countries. Menzies is already working with airlines looking to enter the African market, including several Middle Eastern carriers looking to jointly expand their networks along with Menzies.



3

# Tools

Companies wishing to conduct operations in Africa can make use of five key operational tools.



TABLE 1 | Five pillars to ease physical, capital and digital flows in Africa and grow inclusive and sustainable development

Pillar	AfCFTA	World Economic Forum supporting initiatives
<b>Pillar 1:</b> Facilitating trade in goods	<b>Phase 1 negotiations:</b> AfCFTA trade-facilitating provisions	<b>The Global Alliance for Trade Facilitation:</b> a public-private partnership led by the World Economic Forum, International Chamber of Commerce (ICC), Center for International Private Enterprise (CIPE) and the German Agency for International Cooperation (GIZ), which has been working with Cameroon, Madagascar, Malawi, Morocco, Mozambique, Senegal, Tunisia and Zambia to implement trade-facilitation projects. These projects cover various aspects of trade facilitation such as digitalizing border processes, digitizing phytosanitary and rules of origin certificates, modernizing customs broker arrangements, establishing advanced rulings and facilitating imports of vaccines and HIV/AIDS test kits.
<b>Pillar 2:</b> Facilitating services and investment	<b>Phase 1 and 2 negotiations:</b> Protocol on Trade in Services already in force	<b>Enabling Action on Sustainable Investment (EASI) initiative:</b> to be launched in Sierra Leone and Ghana in 2023. EASI projects will bring a public-private approach to implementing investment measures that will facilitate the flow of sustainable investment and grow a larger continental market, thereby attracting greater FDI from outside Africa. EASI projects can also help support the implementation of the WTO Investment Facilitation for Development Agreement, where this is requested by host governments participating in the Agreement, and work to maximize the benefits of trade and investment opportunities brought about by the AfCFTA protocols. EASI projects will help operationalize the provisions of the AfCFTA investment protocol once the text is agreed.
<b>Pillar 3:</b> Facilitating digital trade	<b>Phase 2 and 3 negotiations:</b> The Protocol on Digital Trade is advancing	<b>TradeTech:</b> a concept that reflects different Fourth Industrial Revolution technologies in the trade space. The Forum has identified opportunities and proposed policy recommendations associated with TradeTech, which are ready for deployment in Africa.  <b>Digital Economy Agreements Leadership Group:</b> this provides an impartial space for information exchanges and debate concerning digital economy agreements.  <b>Trade Finance Frontiers:</b> a multistakeholder group to explore and analyse where public-private cooperation can help the growing trade finance gap.  <b>Digital Economy Agreements Leadership Group:</b> this provides an impartial space for information exchanges and debate concerning digital economy agreements.
<b>Pillar 4:</b> Facilitating inclusive trade	<b>Phase 2 negotiations:</b> Protocol on Women and Youth	<b>Inclusive Trade Initiative:</b> the Forum aims to improve the societal outcomes of trade. Its Trade and Labour Programme and Trade and Indigenous Peoples Programme aim to identify how trade tools and mechanisms can better serve workers and increase access to trade benefits for Indigenous businesses and communities.
<b>Pillar 5:</b> Facilitating environmentally sustainable trade	<b>Phase 2 and 3 negotiations</b>	<b>Green Trade and Investment pathways:</b> for African governments and businesses to lead a just transition by preparing for the new competitiveness needs of a carbon-constrained global economy.  This includes a guidebook of investment facilitation measures for developing countries to attract FDI aligned with climate action.  The World Economic Forum has worked with national stakeholders in Ghana and South Africa to identify opportunities for trade policy to contribute to a circular economy for plastics. More of these studies at the national and regional levels are being planned.

As both local and global companies seek to capitalize on the immense opportunities in the various sectors that have been accelerated by the AfCFTA, operational tools exist to help them navigate the implementation period and beyond. As the AfCFTA continues to progress through the different negotiation periods, the World Economic Forum has developed five pillars that give an insight into the support it offers throughout the process. These supporting initiatives can provide companies with clearer information and allow them to take advantage of better coordination processes throughout the implementation stage. Beyond the five pillars, companies should be aware of five operational tools.

Companies looking to launch, expand or enhance their operations in Africa can take advantage of five operational tools as goods begin to be traded under the AfCFTA:

- The AfCFTA Guided Trade Initiative
- The Pan-African Payment and Settlement System (PAPSS)
- The AfCFTA Adjustment Facility Fund
- The AfCFTA Private-Sector Engagement Strategy
- The *Rules of Origin Manual and E-Tariff Book*

## 3.1 The AfCFTA Guided Trade Initiative

Though trade under the AfCFTA officially commenced in January 2021, commercially meaningful trade under the agreement was delayed due to disruptions arising from the COVID-19 pandemic, prolonged negotiation periods, administrative issues and overlaps with other existing customs unions.<sup>65</sup> Therefore, the Secretariat organized the Guided Trade Initiative, which was launched on 7 October 2022,<sup>66</sup> as an exercise to demonstrate that the AfCFTA is truly operational. Countries that have ratified the agreement and submitted their schedules of tariff concessions are able to trade preferentially among themselves.<sup>67</sup>

“ For the first time ever, African goods were traded with preferential duties and simplified documents under the AfCFTA.

Eight countries – Cameroon, Egypt, Ghana, Kenya, Mauritius, Rwanda, Tanzania and Tunisia – are participating in the inaugural exercise. In collaboration with their respective ministries of trade and national coordination offices, the AfCFTA Secretariat matched businesses and products for export and import among interested state parties.

For the first time ever, African goods were traded with preferential duties and simplified documents under the AfCFTA. The initiative helped members of the private sector learn how to use the agreement

practically and also helped the Secretariat note avenues and areas that require further intervention. Members of the private sector can currently take full advantage of all of the trade-facilitating aspects of the agreement now that it is fully operational. The Secretariat aims to host another guided trade exercise in 2023, expanding its scope to include not only trade in goods, but also trade in services, as well as highlighting youth in trade with a focus on digital trade and the creative industry.

As the AfCFTA Guided Trade Initiative continues, there is a great opportunity for interested companies to gain experience in trading under the AfCFTA with direct support from the initiative, giving them a head start and competitive advantage. The private sector should be engaged in monitoring the outcomes of this initial trading period as it may provide valuable, specific lessons in terms of implementation. This initiative is a powerful signal to the private sector locally and globally that trade under the AfCFTA has begun and that there is a tremendous opportunity for the private sector and the AfCFTA Secretariat to converge on their mutual interest of developing strong value chains by building on the lessons learned from this first period of trading.

## 3.2 The Pan-African Payment and Settlement System (PAPSS)

The Pan-African Payment and Settlement System (PAPSS) is a centralized financial market infrastructure enabling the efficient and secure flow of money across African borders. An African Union scheme developed in collaboration with the African Export-Import Bank (Afreximbank) to complement trading under the AfCFTA, it enables users to make near-instant payments (within 120 seconds) in their local currency, without converting to a foreign currency or using a third-party institution/bank.

As of October 2022, the PAPSS network consists of seven central banks, 28 commercial banks and five switches. It will expand into the five regions of

Africa before the end of 2023. All central banks are to sign up by the end of 2024 and all commercial banks by the end of 2025.

The instant nature of payments, in local currency, provided by PAPSS will help African businesses avoid the delays in confirming payments that have long been a barrier to trade. This new platform will lead to increased trust and time capacity to increase trade volumes.<sup>68</sup> Overall, PAPSS will remove the payment bottleneck for companies, reduce the dependency on foreign currencies and improve the efficiency of cross-border trade across the continent.<sup>69</sup>



### 3.3 The AfCFTA Adjustment Facility Fund

**\$10 million**  
Amount approved by the Afreximbank board as seed funding

The AfCFTA will create significant general and long-term benefits across the continent, including stimulating structural transformation. As with any major trade liberalization regime, the AfCFTA may introduce near-term disruptions, as tariff revenues by state parties are reduced, industrial sectors are disordered, businesses and supply chains are reorganized and employment is dislocated – often in ways that cannot be anticipated. The estimated requirement for uninterrupted implementation of the AfCFTA and elimination of the adjustment cost is \$7.7 billion over the next six to 10 years.

To combat the adverse effects that may arise from implementation of the AfCFTA, Decision Ext/Assembly/AU/ Decl.1(XII) of the 12th Extraordinary Session of the Assembly of July 2019 committed to provide an Adjustment Facility (the “Facility”) and to “collaborate with international financial institutions to mobilize short term financing to assist State Parties meet their liberalization commitments in the AfCFTA with minimum adjustment costs”.<sup>70</sup> Decision Assembly/AU/Dec751(XXXIII) further requested the development of a statute and resource mobilization plan.<sup>71</sup>

Afreximbank and the AfCFTA Secretariat were mandated by the AfCFTA Council of Trade Ministers and the African Union Heads of State and Government to establish and operationalize the AfCFTA Adjustment Funds, which consist of the base fund, the general fund and the credit fund.

The base fund will be used to mobilize grants to address tariff revenue losses and to support AfCFTA state parties to implement the various protocols under the AfCFTA. The Afreximbank board also approved grant funding in the amount of \$10 million as seed funding to kick-start the establishment of the base fund.

The general fund will be used to mobilize concessional funding, while the credit fund will mobilize commercial funding to support the public and private sectors, including small and medium-sized enterprises (SMEs) as well as youth and women, to adjust to the new trading environment arising from the AfCFTA. These funds will be critical in enabling the private sector to address the short-term disruptions through financing, technical assistance and grants and compensation funding. Specifically, the funds will support companies to undergo changes in skills, tools and capabilities in line with the development of regional value chains that add value to goods and services.<sup>72</sup> The credit fund will enable factories that previously produced primarily for local demand to retool and reorganize their operations for different types of production that will be traded within the region. The benefits for countries themselves should also give investors confidence that the AfCFTA is committed to offsetting potential losses, allowing smaller countries that were previously dependent on tariff income also to become important players participating in the AfCFTA.

## 3.4 The AfCFTA Private-Sector Engagement Strategy

The AfCFTA Secretariat has developed an engagement plan to guide its efforts in collaborating with the private sector and other important stakeholders to boost intra-Africa trade and production. The engagement plan is the outcome of extensive consultations with industry players and associations in the priority value chains, development finance institutions and African Union institutions. The plan can help companies better understand the initiatives and policy

recommendations associated with each of the four value chains discussed above (automotive; agriculture and agro-processing; pharmaceuticals; and transport and logistics) and their impact. The recommendations are based on on-the-ground experience that will provide practical advice and a better understanding of the links between company and continental goals. The AfCFTA has also outlined other important value chains that will be the focus of future reports.



## 3.5 The Rules of Origin Manual and E-Tariff Book

The AfCFTA *Rules of Origin Manual and E-Tariff Book* sets out guidelines on the operationalization of Annex 2 on Rules of Origin to accord tariff preferences to goods that meet the origin rules and are traded among the AfCFTA state parties. Flexible rules of origin regimes will be vital to unlocking the potential of the AfCFTA, and the manual can help provide transparency and consistency among trading partners.

The manual spells out in detail the application of the rules used in determining the origin status of goods, the procedures for administering the rules and the

institutional framework for the implementation of the AfCFTA Rules of Origin. This manual can help provide clarity for countries and businesses so they can understand how an economic identity will be assigned to goods. In the future, its annual review will help simplify, clarify and enhance the rules.

*The Rules of Origin Manual and E-Tariff Book* is another milestone – by publishing information on the rates of duty under the AfCFTA state parties, and makes searching and comparing easy, companies will be able to use it to close any information gaps.<sup>73</sup>

4

# Strategies for success

Local and multinational companies outline their strategies and advice for others wishing to invest in Africa.





Operational tools such as those mentioned above can help businesses close information gaps, facilitate payments more efficiently and provide practical insight into the progress of the implementation of the AfCFTA in various industries and value chains. Some companies, local and multinational, have already found success in African

countries by building local partnerships, trust and relationships with communities, and using AfCFTA accelerators and synergies in a way that is beneficial to both their company goals and the overall country goals. These companies share their strategies and advice for global companies looking to invest in Africa.



## Using local partnerships



**Central to our approach are partnerships with governments, institutions, experts and other players in agricultural and global food supply chains, all of which help to provide the full range of support farmers need to prosper and meet Africa's agricultural needs.**

Office Chérifien des Phosphates (OCP)

OCP Africa, a long-standing player in African markets, is an African company that specializes in providing customized fertilizer solutions. With offices in 12 African countries, it represents a successful example of making use of local partnerships on the continent to expand its reach and impact. In three years, OCP established 80 farmer hubs in Nigeria and Côte d'Ivoire, which provide farmers with a range of inputs and agricultural services. Its success in reaching farmers locally is due to its strong partnerships with governments, non-profit organizations, research centres and universities across Africa.

One example is OCP's partnership over the past decade with Mohammed VI Polytechnic University (UM6P) in Marrakesh to develop training

programmes for OCP's employees as well as to conduct research, putting UM6P at the core of OCP's innovation, sustainability and transformation strategy. The university provides 80% of OCP's R&D activity, houses the Agri-Food Tech start-up incubator,<sup>74</sup> partners with Shell on piloting the large-scale production of low-carbon ammonia, and offers multidisciplinary vocational and technical training to African students.

In the future, OCP will double its commitment on the continent. It hopes to launch hundreds of farmer hubs in several countries in Eastern and Western Africa by 2025. The company is also continuing to invest in its university partnerships on the continent and internationally.



**BOX 7 | OCP's winning strategies in Africa: Succeeding today, investing in tomorrow**

Winning strategies:

1. Farmers are at the centre of OCP's strategy

With farmers at the centre, OCP recognized that farmer profitability and livelihood was the key to OCP's success, leading to several initiatives focused on holistic support for farmers, including farmer hubs, soil mapping, training, field trials and market linkages.

2. OCP's approach aims to end a one-size-fits-all approach to fertilizers

OCP has developed 44 fertilizer formulas based on soil mapping. It has worked directly with wholesalers and distributors by selling to large farmers and co-ops while also customizing methods and products to smallholder farmers. Already, OCP has helped improve the productivity of African crops by 20–40% over six years. It is also working to address other barriers for farmers, including developing support packages that address inputs, financing, irrigation, mechanization and market access and which have already trained millions of farmers.

3. Digital transformation and innovation support the mission

OCP has made digital solutions across the value chain a main priority in the farming environment. It has developed its own digital platform, Udongo, which offers its services digitally, and AI Moutmir, which provides customized solutions and fertilizers.

4. OCP invests in Africa for Africa

The AfCFTA will help divert fertilizer production towards servicing local demand, rather than being only for export. This will also unlock other benefits, including food security and resilience. The company sees the AfCFTA as an opportunity to develop a unified set of regulations for fertilizers that is based in science and has the needs of farmers and sustainability at its core. It has earmarked nearly \$5 billion for developing industrial platforms in Ethiopia, Nigeria and Ghana, as well as 11 platforms for logistics that have a storing capacity of 300 kilotons and a blending capacity of nearly 1.2 megatons.

5. It believes in innovating today to harvest Africa's future

The company is increasing its R&D investment in optimal nutrient management and climate-smart solutions in response to climate change and water scarcity.

6. OCP makes African markets attractive to investors

OCP is developing a blended finance platform that would de-risk the agricultural value chain for investors and end isolation between financial partners so that investment is more coordinated and therefore more effective at supporting the African agriculture value chain.

Novartis has also used local partnerships for a variety of programmes with African governments, civil society, religious groups, domestic and international companies and foundations. These

partnerships have been vital in tackling access barriers that would otherwise have been impossible if the company was working alone.

## BOX 8

### Using local healthcare partnerships: Novartis

Novartis has made use of local partnerships in three main areas: building sustainable healthcare systems; IP and local manufacturing; and creating sustainable business models.

#### **Building sustainable healthcare systems: sickle cell disease programme**

Novartis uses local partnerships to help bridge disparities in health outcomes through its sickle cell disease (SCD) programme, which has become a blueprint for addressing major global health challenges.

In June 2022, Novartis announced a partnership with the American Society of Hematology to provide six additional African nations with the technology being used in Ghana to document and track the diagnosis of babies with SCD. Novartis has also partnered with Bill & Melinda Gates Foundation and Precision Biosciences to develop and roll out innovative SCD gene therapies across the continent.

Novartis is also working with the Ghanaian government to reimburse SCD treatments and diagnostics through the country's national health scheme and has been able to expand access to generic medicines and a child-friendly formulation through tight collaboration with the government.

#### **IP and local manufacturing: Access to Oncology Medicines (ATOM) Coalition**

Novartis is a founding member of the new ATOM Coalition that aims to increase the availability of cancer medicines in low- and lower-middle-income countries and build capacity in diagnosis and treatment. It is the first pharmaceutical company to contribute an innovative treatment to the coalition through a freedom-to-operate licence agreement. The licence allows generic manufacturers in seven middle-income countries, including Egypt, Morocco and Tunisia, to independently develop, manufacture and supply generic versions of the therapy to treat chronic myeloid leukaemia. Royalties from the commercialization and distribution of the treatment

will be invested back into the coalition for continued investment aimed at strengthening local health systems. The goal is for the contribution to serve as a new model and first step towards closing the gaps in access to medicine by tailoring approaches to IP.

#### **Creating sustainable business models: Healthy Family programmes**

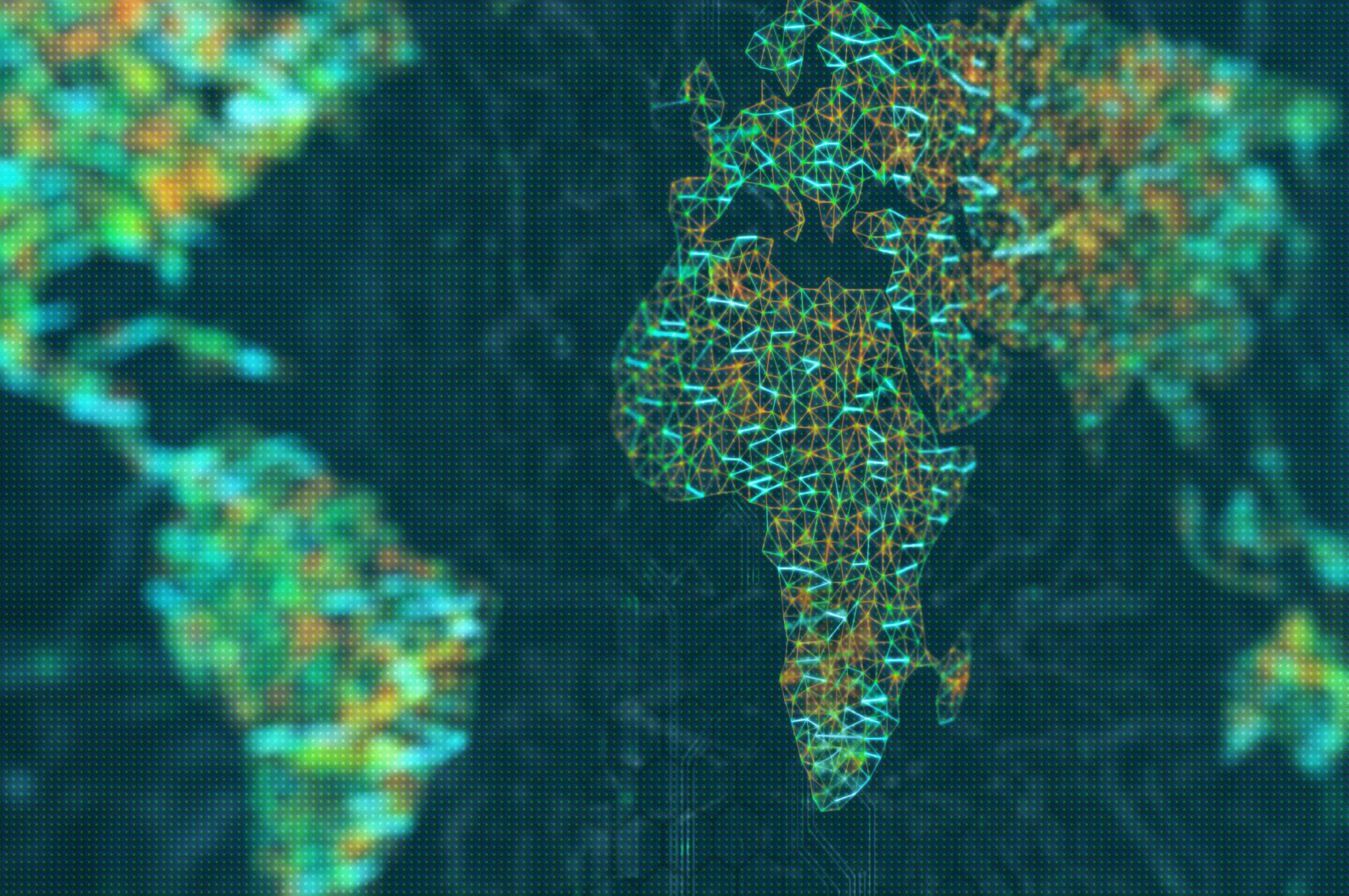
Novartis uses local partnerships to tailor its Healthy Family programme to each country's healthcare priorities, with the overall goal of increasing access to community education, improving infrastructure and expanding affordable healthcare products for rural communities through an innovative business model. Through the programme, Novartis is committed to reaching 40,000 workers, community members and schoolgirls, including 20,000 women workers with health education, products and services on reproductive health and family planning in at least five countries by 2023. Already in 2022, Novartis exceeded this commitment by reaching more than 90,000 people, including 60,000 women.

#### **Examples**

In Kenya, Novartis partnered with the Christian Health Association of Kenya and Kenya Conference of Catholic Bishops to increase access to healthcare through education and awareness, screening, strengthening early diagnosis and treatment across a wide range of disease areas.

In Uganda, Novartis partnered with the Uganda Protestant Medical Bureau and Uganda Catholic Medical Bureau with a focus on awareness and education, screening, early diagnosis, treatment and the establishment of patient support groups, made up mainly of women with chronic conditions.

In Ethiopia, Novartis is collaborating with the Tropical Health Education Trust to reach community members with health and well-being information, awareness, screening and treatment.



## Drawing on close relationships with countries and communities



**Building trust and long-term relationships is fundamental to doing well in Africa.**

Fernanda Lopes Larsen, Executive Vice-President, Africa and Asia, Yara

Trust and close relationships are vital for competitive companies operating in Africa. To build this trust, Yara has focused on investing time and resources in identifying and growing local talent, people who are connected and knowledgeable about their own country and regional markets. Locals can help identify the needs, cultures and ways of doing business in individual regions, which is critical to being able to customize products and solutions to

different customers and markets. For example, Yara identified the importance of strong relationships with African governments in assessing the products, technologies and public policy frameworks that will help it achieve its wide range of goals. Developing this type of trust and close relationships requires time and commitment but can ultimately lead to success, with new doors opened and a better understanding of the market.

### BOX 9

#### How Yara has adapted its practices to local needs

Yara's relationships with farming communities through Yara Crop Nutrition Centers have helped the company understand how best to provide specific agronomic advice and methodologies to improve farmers' prosperity in an environmentally sustainable manner. This includes developing digital farming technologies and online environments to make smallholder and commercial farmers more competitive and attractive to financial investors. Yara embedded a social impact strategy across the business in

Africa in 2021 to address the challenges specific to smallholder farmers in the communities in which they operate. So far, it has launched MBA-style leadership academies in Kenya to strengthen skills for micro, small and medium-sized enterprises, with plans to expand further in 2023. Central to Yara's strategy is an "Africa for Africa" focus to build a comprehensive field-to-fork value chain on the continent by further investing in current and aspiring farmers, retailers, distributors, technology developers and agri-entrepreneurs.

## Using key AfCFTA accelerators



To unlock the immense economic potential of Africa, and to realize the full benefits of the AfCFTA, the continent needs massively increased investment in the development of trade and logistics infrastructure – opportunities therefore abound.

### DP World

The expansion of the common trade area will lead to increased demand for companies that provide the infrastructure needed to support the increased trade volumes. DP World is a global logistics provider that has spent the past 20 years on the continent meeting the great demand for road, rail, maritime and air freight. This has led it to invest in

infrastructure, logistics and fully integrated services and solutions that will help accelerate the AfCFTA's goals and add maximum value as intra-African trade increases. DP World has been successful with this strategy, operating 10 ports and terminals and employing 9,000 people, with four more projects currently in development.



### BOX 10

#### Using local AfCFTA accelerators: DP World

##### Example 1

Kigali: DP World helped Rwanda – a land-locked country – become a valuable trade hub through a one-stop-shop logistics hub with efficient access to two ports. Through integrated solutions, DP World has helped the capital Kigali significantly increase its exports, especially in agriculture, which has enabled them to reach markets in Europe, the United States and the Middle East. Trade hubs helped make advanced and specialist logistics networks possible.

The African Finance Corporation (AFC) focuses on overcoming Africa's infrastructure deficit and has also been successful in understanding the infrastructure needs that will accelerate the implementation of the AfCFTA, including transport and logistics, power and technology. Investment in transport and logistics was based

##### Example 2

Somaliland: DP World invested more than \$440 million in transforming Berbera Port in Somaliland into a maritime gateway in the Horn of Africa that can now service the largest container ships in the world. The company is currently developing a nearby economic zone to become a centre of trade, investment and job creation, targeting warehousing, logistics, traders, manufacturers and other related sectors.

The ports and terminals operated by DP World in Africa (Algeria, Angola, Egypt, Mozambique, Rwanda, Senegal, Somaliland and South Africa) will help African countries to grow global trade relationships, support export competitiveness and integrate into the global economic system.

on the recognition that high-quality infrastructure significantly increases bilateral trade intensity among African countries. This need was a main driver for AFC to both add value and bridge infrastructure gaps. So far, AFC has led or contributed to approximately \$4 billion in sovereign facilities for power, roads, water and other infrastructure assets.



TABLE 2 | AFC's strategic pillars

<p>1</p> <hr/> <p>Revenue growth balancing debt and equity, with a diversified and high-quality asset book</p>	<p>2</p> <hr/> <p>Project development, advisory and country relations as origination engines</p>	<p>3</p> <hr/> <p>Vertical industry integrations, country and regional ecosystems</p>
<p>4</p> <hr/> <p>Strategic and complementary partnerships with governments, sponsors, peers and players</p>	<p>5</p> <hr/> <p>Innovation to address and monetize market distribution and standardization gaps</p>	<p>6</p> <hr/> <p>Analytics and data-driven risk, balance sheet and liquidity management</p>
<p>7</p> <hr/> <p>Robust enterprise risk and portfolio management</p>	<p>8</p> <hr/> <p>Building the core of critical enabling systems and processes</p>	<p>9</p> <hr/> <p>Building capabilities, organizing to execute, aligning performance management</p>

The United Bank for Africa (UBA) has been successful in becoming and continues to strive to be the bank of choice for individuals and businesses already on the African continent as well as those wishing to do business in Africa. Banking and access to financing are important enablers for new and existing companies wishing to take advantage of the integrated

markets under the AfCFTA. UBA has a customer-first philosophy using three levers – people, process and technology. Through its African footprint, product construct and support provided to the AfCFTA for the rollout of the PAPSS, UBA has found success in applying its strengths to AfCFTA accelerators and goals such as job creation, e-commerce and infrastructure.

**Job creation:** UBA's banking operations are helping to address the issues facing small businesses in Africa, including business formalization, access to credit and multiple taxation, among others.

**E-commerce:** As the AfCFTA is negotiating the protocol on digital trade in Africa to facilitate cross-border e-commerce transactions, UBA is helping accelerate solutions to challenges related to payments and currency conversion. UBA has pioneered ground-breaking products such as Leo, Africa's largest chatbanking platform (which performs banking services via chat apps), and has created interoperable systems to facilitate intra-African trade

and retail payments. The company's leadership in helping the deployment of PAPSS means it is uniquely positioned to provide reliable rails for partners, especially fintechs and corporate entities.

**Infrastructure:** UBA recognizes the vital role of the AfCFTA in identifying important infrastructure projects that will enhance intra-African trade and attract local and foreign partners who will deliver capital, expertise and governance for these types of projects. The company is looking to partner directly with the AfCFTA through UBA's credit fund, which is purely private-sector-driven and focused on infrastructure finance, given its extensive experience in this space.

### Using synergies for multiple projects through integrated networks

AFC has been successful in developing end-to-end value chains around a country's natural resources. This can lead to synergies that de-risk projects, as multiple projects can benefit from shared infrastructure. One example is the ARISE Integrated Industrial Platform in Gabon, a \$1 billion wood-based export ecosystem co-owned by AFC and Olam International. The platform is in the Nkok special economic zone (SEZ). The Nkok SEZ has developed a sustainable forestry ecosystem, with a furniture manufacturing cluster supported by a

comprehensive and shared infrastructure, including power and water and transport logistics that move timber into the economic zone and finished projects out of the zone to the port. Over 10 years, this economic zone has tripled the number of jobs to 34,000, achieved EBITDA (earnings before interest, taxes, depreciation and amortization) of more than \$500 million and increased the export of wood products from \$350 million in 2010 to \$1 billion in 2021 (a 17-fold increase). The success of the zone, which attracted more than 140 global investors, has led AFC to use this model in other countries such as Benin, Togo, Rwanda, Côte d'Ivoire, the Democratic Republic of the Congo (DRC), Nigeria and Chad.

34,000

Number of jobs created in the Nkok SEZ over 10 years



# Conclusion



Participation in bilateral and multilateral free trade agreements like the AfCFTA, standards regimes and related frameworks can help firms better mitigate their operating costs, barriers to market entry, compliance with non-harmonized standards and regulations across borders and enable them to grow their industries more effectively in support of local and regional economic development and transformation.

Yara

With trade beginning under the AfCFTA, there has never been a more exciting time for new and expanded investment in Africa. Growing populations, rising incomes and integrated markets are all offering businesses tremendous opportunities for success and growth in meeting new levels of demand. The four sectors examined here – automotive; agriculture and agro-processing; pharmaceuticals; and transport and logistics – present growing opportunities for new and existing businesses due to their high potential for meeting local demand with local production. Each sector has specific strengths that companies can take advantage of: high product complexity in the automotive industry; high contribution to GDP growth and inclusive job growth in agriculture and agro-processing; high feasibility of addressing barriers quickly for the pharmaceutical industry; and the overwhelming demand and enabling opportunities in transport and logistics. With intra-African trade expected to accelerate to new levels, local and global businesses can leverage the World Economic Forum's supporting initiatives across five pillars, the five AfCFTA operational tools, and practical experience and strategic insight from global companies.

The supporting initiatives provide opportunities for public-private partnerships and engagement that can bridge information gaps, while the operational tools provide a logistical basis for how to effectively trade under the AfCFTA. The company examples highlighted here offer invaluable advice for new investors while also collectively underscoring the attractiveness of operating across the continent. Using these sources, companies looking to enter or expand into African markets will be able to develop their own strategy for seizing the opportunities brought by a more integrated continent. By 2030, Africa will be home to 32% of the world's youth, a powerful force for entrepreneurship and innovation that will drive the growth and success of new business as markets become more connected. Macro trends, operational support and company testimony all point to the reality that business in Africa is the future. The private sector will play a huge role in helping the continent reach the goals promised by the AfCFTA. Now is the time for local and international companies alike to align their strategies and investment priorities with the profound change to come as economies evolve and opportunities abound.



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## Acknowledgements

The World Economic Forum thanks the following individuals for their contributions to this insight report:

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The World Economic Forum also thanks Hanna Dooley, Daniela Ginsburg and Holly Stevens for their special assistance.

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