United Nations
Economic Commission for Africa

UNLOCKING THE POTENTIAL OF REGIONAL VALUE CHAINS IN NORTH AFRICA

focus on the financial services and digital finance sector

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Publications Section
Economic Commission for Africa
P.O. Box 3001
Addis Ababa, Ethiopia
Tel: +251 11 544-9900
Fax: +251 11 551-4416
E-mail: eca-info@un.org
Web: www.uneca.org

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Foreword

The United Nations Economic Commission for Africa is proud to present its research and findings on the potential of regional value chains in North Africa: a focus on the pharmaceutical industry. The timing of the study is ideal in that it takes advantage of the African Continental Free Trade Area and the increase in demand for pharmaceuticals, stimulated by the COVID-19 pandemic.

Despite having a combined population of more than 250 million inhabitants, linguistic and cultural affinities, continuity of physical space, and adequate infrastructure, trade on the region is below potential. In 2019, intra-regional trade represented only 5 percent of the total North African trade, well below the continental average of 16 percent due to the fragmented nature of North African economies.

To attain structural transformation and change the economic structure of North African economies, away from producing commodities with little value addition to economies, driven by industry and by products with greater value addition, it is essential to move towards producing manufacturing products to warrant the economic take-off desired for the region. In line with our mission to propose ideas and actions that would engender a self-reliant and transformed Africa within the framework of the 2030 Agenda and Agenda 2063, this study is an analysis of what we uncover to be a promising sector - the pharmaceutical sector and its growth potential.

The COVID-19 pandemic has revealed that the pharmaceutical industry is one of the new sectoral trends that could emerge post the COVID-19 period and has the potential to integrate North African countries by making use of existing economic complementarities. Due to disruptions experienced in the global value chain, as a result of the health pandemic, the development of an innovative and solid pharmaceutical industry is ever more timely in the post-COVID 19 period. This is especially true when one takes into account the trend towards the regionalization of sources of supply, the potential relocations of some production segments, the reconfiguration of value chains and the shortening of distribution cycles.

Despite being already well positioned in the medicines sector, this emerging sector has the potential for real comparative advantage that can stimulate economic integration. This means that there is an opportunity to develop the sector post-COVID by putting strategies in place to address structural difficulties through better spending and investments in the health sector and for industrial innovation. The construction of regional chains is again ever more timely since markets for medicines on the region are primarily characterized by generic medicines and the development of production chains for original medicines are still highly dependent on new capacities in the R&D segment.

The study is a detailed mapping of the pharmaceutical sector of the North African region and a comprehensive analysis of the potential for the development of regional value chains. The study does so by uncovering weaknesses and strengths of the sector and proposes regional policies to address these weaknesses, enhance the strengths and to expand regional value chains to attain the desired structural transformation and growth.

Zuzana Schwidrowski

Director of the Subregional Office for North Africa

of the Economic Commission for Africa