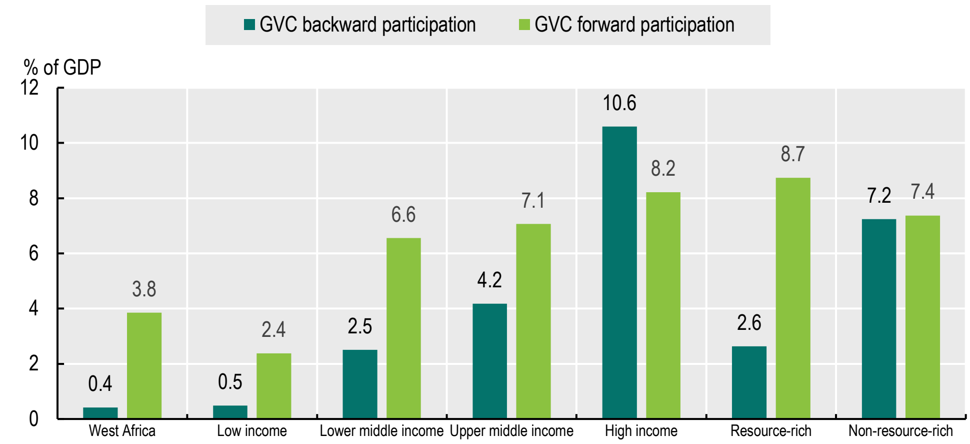
Africa's Development Dynamics 2022: Regional value chains for a sustainable recovery

STATISTICAL COUNTRY NOTE

WEST AFRICA

Global value chain participation and development

West African participation in global value chains, 2019



Note: Countries are classified as low income, lower middle income, upper middle income, and high income according to the World Bank Country and Lending Groups. Countries classified as "resource-rich" for this chart are countries for whom over 10% of GDP came from oil, gas, coal and mineral production for at least 5 years between 2010 and 2019.
Sources: Authors' calculations based on data from Casella et al. (2019), UNCTAD-Eora Global Value Chain Database, https://worldmrio.com/unctadgvc/.

A measure of the degree to which a country's production derives from integration into the global economy is its "forward" and "backward" global value chain (GVC) participation (see box). This measure tends to be related to a country's level of income, as well as whether it is a "resource-rich" country, or a country in which extraction of natural resources plays a major role in its economy.

West Africa's backward participation accounted for 0.4% of the country's GDP while forward participation accounted for 3.8% of GDP. The rates of backward and forward participation most closely resembling that of West Africa were found in Nigeria, DR Congo, and Chad.

What is GVC participation?

Global value chain (GVC) participation or integration is a measure of the proportion of the total value of a country's exports that is generated by global value chains. Total GVC participation is the sum of backward and forward participation. Higher income countries tend to have higher GVC participation due to higher levels of integration in the global economy.

Backward participation is the amount of a country's export value that comes from imported intermediate products. Higher income countries tend to have higher rates of backward participation as they tend to have a greater capacity to transform raw materials and input goods.

Forward participation is the amount of a country's export value that is added by national production and that is embedded in another country's exports. Countries, typically resource-rich and lower income countries, that are more focussed on exporting raw materials than manufacturing, tend to have more forward than backward participation.

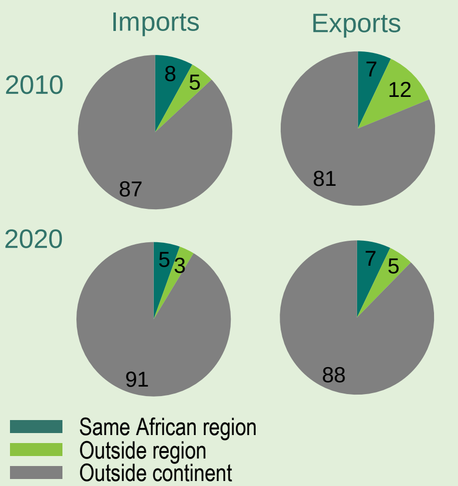
Industries in West Africa with highest GVC participation, 2015

Mining, quarries
52% of GVC

Agriculture
12% of GVC

Transport
7.7% of GVC

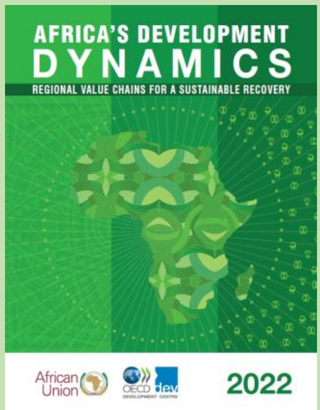
Origin and destination of imports and exports (% of total)



Key numbers for West Africa

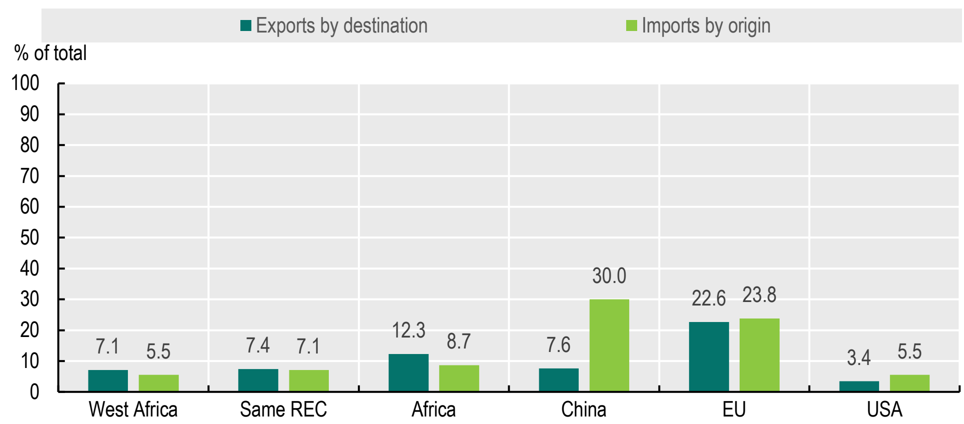
Growth per capita/yr, 2022-27	1.6%
Vulnerable employment, 2021	76.6%
Poverty rate (under USD 6.85/day)	77.6%
Frwd participation (% GDP), 2019	3.8%
Bkwd participation (% GDP), 2019	0.4%
Imports as % of GDP, 2020	22.8%
Exports as % of GDP, 2020	16.1%

The information presented here can be found in the 2022 edition of the publication *Africa's Development Dynamics*



Regional trade

Origin and destination for West African trade, 2019 (% of total)

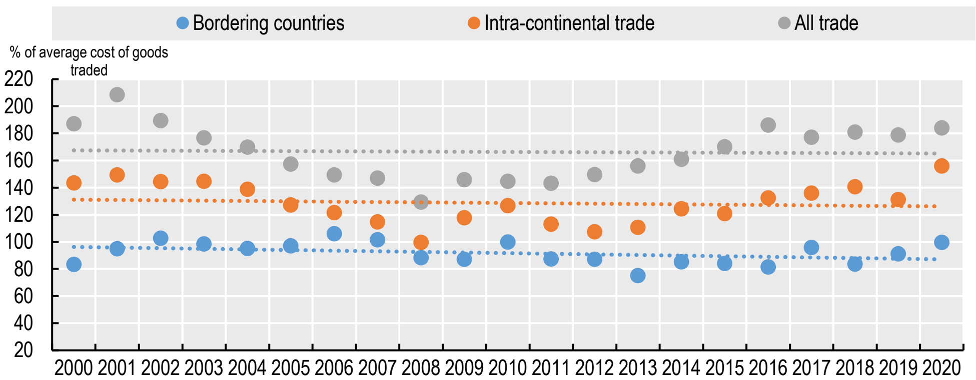


Sources: Author's calculations based on BACI International Trade Database at the Product-Level from CEPII (updated February 19, 2021).

Developing regional value chains will depend on the degree of trade integration between nearby countries. In West Africa, 8.7% of imports and 12.3% of exports were intra-continental. This was lower than the world average of 55.9% for imports and lower than the world average of 56.8% for exports. Of West Africa's intra-African trade, 81.5% of imports and 59.7% of exports were within the same regional economic community. Of the world's three largest traders, West Africa's biggest source of imports was China and its biggest destination for exports was the EU.

Cost of trade

Average cost of trading manufactured goods, by type of trade partner, 2000-20

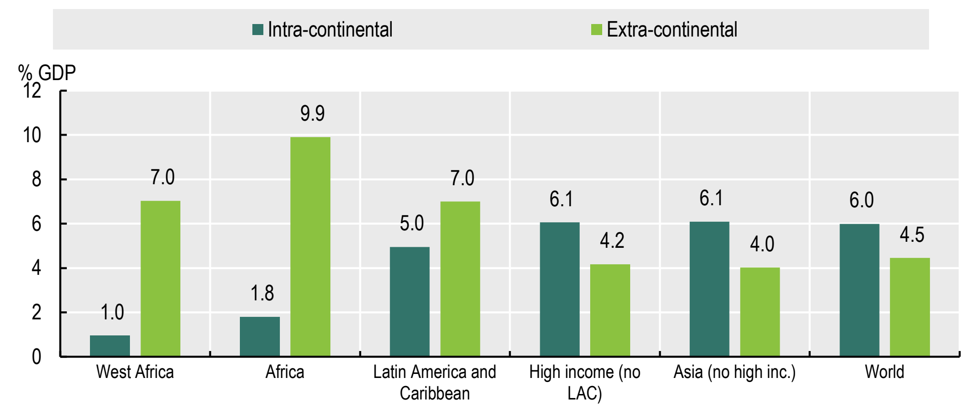


Source: Authors' calculations based on UN ESCAP/World Bank (2021), *ESCAP-World Bank Trade Cost Database*, www.unescap.org/resources/escap-world-bank-trade-cost-database.

Reducing trade costs is a key element of efforts to encourage trade integration and value chain development. The estimated cost of trading manufactured goods for West Africa has been nearly constant since 2000. In the most recent estimate, in 2020, the cost of trading manufactured goods for West Africa was, on average, 184% of the cost of the underlying good traded. The cost of intra-continental trade in manufactured goods was 15.3% less expensive than the overall average, and for trade with bordering countries, it was 45.8% less expensive.

Trade in intermediate goods

Intra-continental trade in intermediate goods, by group of countries, 2020



Source: Authors' calculations based on data from the International Trade Database at the Product-Level (BACI) developed by the Centre d'Études Prospectives et d'Informations Internationales (CEPII, 2020).

West African trade in intermediate goods, which is the core component of international value chains, was on average 8% of GDP in 2020. This is lower than the average of 11.7% for countries in Africa and lower than the global average of 10.5%. West African intra-continental trade in intermediate goods was 11.9% of their total trade in intermediate goods, which was lower than the ratio of 15.3% for Africa and lower than the global ratio of 57.4%.

African Union

OECD dev DEVELOPMENT CENTRE

Co-funded by the European Union

For more information see: https://oe.cd/AFDD-2022