African Continental Free Trade Area (AfCFTA) as a Good Option for Africa's Industrialization Aspiration. The case of Somalia, Ethiopia, Eritrea and Djibouti.

According to the report by the United Nation Industrial Development Organization (UNIDO) in 2020, Manufacturing industry is a key driver of sustainable development. Many countries around the world, especially China has demonstrated with a robust growth in industrialization sector[1]. In addition to, the report connects the process of industrialization to improvements in people's living situation.

While industrialization is considered globally as the key driver of economic development and well-being of the people, unfortunately, Africa become the least industrialized continent as only South Africa, is the only country that is industrialized[1]. This unpleasant reality has made Africa left behind for the economic competition of the world. Africa has to join this global competition on economic development through industry, especially manufacturing. To this effect, the African Continental Free Trade Area (AfCFTA) was established and assigned to usher in new and dynamic opportunities through uplifting Inter-African trade in order to create an environment that unpacks foreign direct investment (FDI) in the continent.

The African Continental Free Trade Area (AfCFTA) is a trade bloc of 54 African countries that aims to create a single market for goods and services across the continent while also promoting the free movement of investments and people[2]. Established in 2018, it represents the largest free trade area formed since the inception of the World Trade Organization. The successful implementation of AfCFTA has the potential to drive intra-Africa trade up by over 50% by 2030, which in turn could lay the foundation for sustainable development and prosperity throughout the continent.

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[1] 'What Industrialization Means for Well-Being – and Why It Matters | UNIDO', accessed 14 August 2023, https://www.unido.org/stories/what-industrialization-means-well-being-and-why-it-matters.

[2] 'Africa's Free Trade on Track, More Efforts Needed', Africa Renewal, 6 January 2023, https://www.un.org/africarenewal/magazine/january-2023/africa%E2%80%99s-free-trade-track-more-efforts-needed.

Some of the most significant objectives of AfCFTA include: removal of tariffs on 90% of goods traded among African countries, the liberalization of services by eliminating restrictive regulations and barriers, addressing non-tariff barriers that hinder efficient trade, and facilitating the smooth movement of capital and people across the entire continent[3].

The significance of AfCFTA extends to its potential to stimulate intra-African trade and drive industrialization through various channels. Firstly, it offers the opportunity for African firms to expand their markets, capitalizing on economies of scale for increased efficiency. Additionally, by granting access to low-cost inputs, AfCFTA has the potential to enhance competitiveness among African businesses[3]. The agreement also promotes the diffusion of knowledge and technology, a result of increased connectivity, which can lead to broader innovation and development across the continent.

AfCFTA has the capacity to attract foreign direct investment into regional value chains which are networks of businesses that are involved in the production and distribution of a product or service thereby contributing to the overall economic growth of participating countries through jobs creation, boosting exports, and promotion of innovation[3]. Moreover, the initiative serves as an incentive for the development of regional infrastructure, which in turn can facilitate smoother trade and commerce. By encouraging diversification of exports, AfCFTA aims to reduce the reliance on primary commodities, ultimately fostering a more balanced and sustainable economic landscape.

Developing Regional and Sub-Regional Value Chains:

The Horn of Africa is a region with a lot of potential for regional and sub-regional value chain (RVCs and SRVCs) development[4]. The region has a diverse range of resources and capabilities, including:

[3] 'The African Continental Free Trade Area', accessed 14 August 2023, https://www.worldbank.org/en/topic/trade/publication/the-african-continental-free-trade-area.

[4] 'The Internationalization of Small and Medium Enterprises in Regional and Global Value Chains by Hank Lim, Fukunari Kimura :: SSRN', accessed 14 August 2023, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1654304.

- Abundant agricultural land: The Horn of Africa is home to some of the most fertile land in Africa. This land can be used to produce a variety of crops, including cereals, fruits, vegetables, and livestock[5].
- A young and growing population: The Horn of Africa has a young and growing population. This provides a large pool of potential workers for RVCs and SRVCs[5].
- A strategic location: The Horn of Africa is located at the crossroads of Africa, Asia, and the Middle East. This provides access to a large and growing market for RVCs and SRVCs[5].

Developing regional and sub-regional value chains (RVCs and SRVCs) in the Horn of Africa involves a series of strategic steps to harness the economic potential of the region. Here are some key measures to consider:

1. **Identify Key Sectors:** The initial stage is to pinpoint the sectors that hold the most promise for RVCs and SRVCs development in the Horn of Africa. These sectors could encompass agriculture, manufacturing, tourism, and logistics[6]. A meticulous analysis is necessary to identify sectors with substantial growth potential and compatibility within the region's context.
2. **Assess Comparative Advantages:** The subsequent step entails evaluating the comparative advantages of each country in the region across the chosen sectors[7]. This assessment aids in determining which activities each country should specialize in within the RVCs and SRVCs. By recognizing where individual strengths lie, a well-coordinated strategy can emerge.
3. **Develop a Roadmap:** With key sectors and comparative advantages delineated, a comprehensive roadmap can be crafted for RVCs and SRVCs development[7]. This roadmap should outline specific objectives, measurable targets, and feasible timelines. Establishing these benchmarks provides a clear trajectory for progress.

[5] 'Towards Regional Seed Trade in the Horn of Africa Region - IGAD', accessed 14 August 2023, https://igad.int/towards-regional-seed-trade-in-the-horn-of-africa-region/.
[6] 'Chapter 1. Why Regional Value Chains Matter for Africa's Recovery | Africa's Development Dynamics 2022 : Regional Value Chains for a Sustainable Recovery | OECD ILibrary', accessed 14 August 2023, https://www.oecd-ilibrary.org/sites/e1de4174-en/index.html?itemId=/content/component/e1de4174-en.
[7] 'Integration into Regional or Global Value Chains and Economic Upgrading Prospects: An Analysis of the East African Community (EAC) Bloc | Future Business Journal | Full Text', accessed 14 August 2023, https://fbj.springeropen.com/articles/10.1186/s43093-022-00141-9.

4. **Implement the Roadmap:** The ultimate phase centers on the execution of the developed roadmap for RVCs and SRVCs. This necessitates harmonized efforts and coordination between governments, businesses, and development partners6. Collaborative engagement ensures the alignment of resources, expertise, and support to drive meaningful advancements in value chain development.

Some of the value chains that can be developed by these countries, based on their resources and capabilities include

- An agricultural value chain: This value chain could link farmers in the region to processors, retailers, and exporters[8]. This would help to increase agricultural productivity and incomes, and it would also create jobs in the processing and distribution sectors.
- A manufacturing value chain: This value chain could link factories in the region to suppliers of raw materials and components[9]. This would help to promote industrialization and job creation in the region.
- A tourism value chain: This value chain could link tourism operators in the region to suppliers of goods and services. This would help to develop the tourism sector in the region and generate foreign exchange earnings.
- A logistics value chain: This value chain could link ports, airports, and railways in the region to businesses in the region. This would help to reduce transportation costs and improve the efficiency of trade in the region.

Regional comparative advantage

The success of AfCFTA, is pegged on the need to identify and capitalize on individual region's /countries comparative advantages which is key in to fostering specialization and efficiency is essential for the development of regional and sub-regional value chains (RVCs and SRVCs).

Somalia

In Somalia for example, livestock accounts for 40% of the country's GDP and more than 50% of their exports. Therefore, Somalia possesses a significant comparative advantage in livestock

[8] Md. Morshadul Hasan et al., 'Green Business Value Chain: A Systematic Review', *Sustainable Production and Consumption* 20 (1 October 2019): 326–39, https://doi.org/10.1016/j.spc.2019.08.003.
[9] 'Integration into Regional or Global Value Chains and Economic Upgrading Prospects: An Analysis of the East African Community (EAC) Bloc | Future Business Journal | Full Text'.

production, owing to its abundant herds of cattle, goats, sheep, and camels. Somalia can strategically focus on developing a comprehensive livestock value chain[10]. This involves establishing a range of interconnected activities, including animal husbandry, veterinary services, meat processing, and leather production. The country can invest in modern livestock farming techniques, disease control measures, and improved breeding practices to enhance the quality and quantity of livestock.

By specializing in livestock production, Somalia can capitalize on its existing strengths, generate employment opportunities across rural and urban areas, and produce high-quality meat, dairy products, and leather goods. This specialization not only contributes to domestic food security but also positions Somalia as a reliable supplier of animal products to both regional and global markets.

Ethiopia.

Agriculture, accounts for 40% of Ethiopia's GDP and 80% of all its exports. The country's fertile land and growing population provide a distinct comparative advantage in agricultural production, including cereals, fruits, vegetables, and coffee[11]. Ethiopia can harness its agricultural potential by concentrating on agro-processing industries. This involves adding value to raw agricultural products through processing, packaging, and distribution. By investing in advanced processing facilities and technology, Ethiopia can ensure consistent product quality, extend shelf life, and create a diverse range of processed foods and beverages.

Specializing in agricultural agro-processing enhances Ethiopia's economic diversification, generates employment across various skill levels, and reduces post-harvest losses. By producing value-added agricultural products, Ethiopia can expand its export base, contribute to GDP growth, and play a vital role in food supply chains within the region.

Eritrea

Known as the Red Sea camels, Eritrea is considered the wealthiest country in terms of mineral, in the entire horn of Africa region. Eritrea possesses rich mineral deposits, including gold, cement,

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[10] Federal Government of Somalia, *Somalia's First Adaptation Communication to the United Nations Framework Convention on Climate Change*, 2022.

[11] 'Agriculture and Food Security | Ethiopia | Archive - U.S. Agency for International Development', 8 January 2021, https://2017-2020.usaid.gov/ethiopia/agriculture-and-food-security.

copper, ceramics, potash, granite, oil, natural gas, gypsum, marble, limestone, iron ore and zinc, all of which offer a significant comparative advantage[12]. Eritrea can strategically focus on the development of its mineral and metal value chain. This involves attracting foreign direct investment for mineral exploration, extraction, and processing. By establishing modern mining and mineral processing facilities, Eritrea can extract and refine raw minerals to produce metals that are essential for industries worldwide11.

Specializing in mineral extraction and processing can contribute to Eritrea's economic growth by generating export revenues, creating skilled jobs in mining and processing, and supporting infrastructure development. Additionally, investment in the mineral sector can lead to technology transfer, knowledge sharing, and advancements in geological studies.

Djibouti

Djibouti also possess deposits of gold, marble, granite and limestone. However, the country's Djibouti's strategic location at the crossroads of Africa, Asia, and the Middle East provides a unique comparative advantage in logistics and trade facilitation[13]. Djibouti can further develop its logistics value chain by focusing on expanding port facilities, transport infrastructure, and trade-related services. By investing in state-of-the-art port terminals, efficient customs processes, and integrated transportation networks, Djibouti can position itself as a vital transit and transshipment hub.

Specializing in logistics can enhance Djibouti's role in regional and global trade by attracting shipping lines, multinational corporations, and logistics providers. This specialization leads to increased cargo throughput, job creation in warehousing, transport, and related services, and the growth of ancillary industries that support efficient trade flows.

Furthermore, these countries can identify and capitalize on their comparative advantages using other methods, for example, they can: Conduct research to identify new opportunities for specialization, develop partnerships with businesses and organizations that can help them to

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[12] 'Eritrea: A Final Frontier for Mineral Explorers', accessed 14 August 2023, https://www.theassay.com/articles/feature-story/eritrea-a-final-frontier-for-mineral-explorers/.

[13] Chriss Allen and Jan Burges, 'Review of African Political Economy', no. 1996 (n.d.), chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://roape.net/site/wp-content/uploads/2020/10/Volume-23-1996-Issue-70.pdf.

develop their comparative advantages, invest in education and training to improve the skills of their workforce and Promote innovation and entrepreneurship.

Each country in the Horn of Africa can leverage its comparative advantages to foster specialization and efficiency within regional and sub-regional value chains. By strategically developing these value chains, Somalia, Ethiopia, Eritrea, and Djibouti can create synergistic collaborations. Partnerships and collaborations among neighboring countries can play a crucial role in pooling resources and expertise to develop regional and sub-regional value chains (RVCs and SRVCs. Some of the benefits of partnerships and collaborations among neighboring countries include:

Enhancing resources: Collaborative ventures fostered through partnerships enable the pooling of resources from diverse countries. This collective resource allocation becomes particularly vital for nations grappling with limited fiscal capacities, offering a shared financial foundation to support the development of RVCs and SRVCs[14].

Knowledge exchange: Partnerships and collaborations facilitate the exchange of expertise across borders, nurturing an environment of shared learning. This knowledge dissemination contributes to heightened operational efficiency and productivity within RVCs and SRVCs[15]. For countries with developing economies, this mutual knowledge transfer becomes a catalyst for accelerated growth.

Mitigated risks: The cooperative nature of partnerships and collaborations acts as a buffer against risks inherent in RVCs and SRVCs development. In the event of a natural disaster or adverse circumstances affecting one country, the collective strength of the partnership can serve to ameliorate the impact on the affected value chain.

Enhanced market reach: Collaborative efforts extend market access for RVCs and SRVCs, effectively unveiling untapped markets for regional enterprises. This expanded market reach yields increased export opportunities and augmented profits, fortifying the economic landscape for businesses operating within the region[15].

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[14] 'Science and Technology Collaboration: Building Capability in Developing Countries', accessed 14 August 2023, https://apps.dtic.mil/sti/citations/ADA391917.

[15] Felicita W. Njuguna and Florence M. Itegi, 'Cross-Border Higher Education in Africa : The Kenyan Experience', *Journal of Emerging Trends in Educational Research and Policy Studies* 4, no. 5 (October 2013): 752–59, https://doi.org/10.10520/EJC145164.

Linking into Global Value Chains (GVCs):

Linking Regional and Sub-Regional Value Chains (RVCs and SRVCs) into Global Value Chains (GVCs) is a strategic approach that enables countries to access international markets, enhance competitiveness, and maximize the benefits of economic integration[16]. This process involves integrating the stages of production within RVCs and SRVCs into the broader global economic network. This integration is driven by various mechanisms:

1. **Supply Chain Integration**: RVCs and SRVCs can align their production processes with global supply chains. This involves specializing in specific stages of production where countries have a competitive advantage and seamlessly connecting these stages across borders.
2. **Interconnected Trade Relationships**: Establishing trade linkages with global partners enables the flow of goods, services, and technology across regions. This integration enhances efficiency, reduces costs, and expands market access for participating countries.
3. **Trade Agreements and Treaties**: Participation in trade agreements, such as the AfCFTA, provides a framework for countries to coordinate and integrate their value chains with other member states. These agreements facilitate harmonization of regulations, tariffs, and trade procedures.
4. **Foreign Direct Investment (FDI)**: Attracting FDI from multinational corporations with established GVCs allows countries to benefit from the expertise, technology, and market access of these global players[17].

Importance of Adhering to Global Standards, Quality Control, and Compliance Requirements:

[16] Rashmi Banga, 'Linking into Global Value Chains Is Not Sufficient: Do You Export Domestic Value-Added Contents?', *Journal of Economic Integration* 29, no. 2 (2014): 267–97.

[17] 'Integration into Regional or Global Value Chains and Economic Upgrading Prospects: An Analysis of the East African Community (EAC) Bloc | Future Business Journal | Full Text'.

Adhering to global standards, quality control, and compliance requirements is imperative for successfully linking RVCs and SRVCs into GVCs. These measures enhance market access and promote sustainable participation in global trade:

1. **Quality and Reputation**: Compliance with international standards ensures the quality, safety, and reliability of products and services. This enhances the reputation of participating countries and builds trust among global partners and consumers.
2. **Access to High-Value Markets**: Meeting global standards enables countries to access high-value markets that demand products adhering to specific quality and safety criteria.
3. **Minimized Barriers to Trade**: Compliance with regulations and standards reduces non-tariff barriers, such as rejected shipments or costly rejections at borders, facilitating smoother trade flows.
4. **Competitive Advantage**: Countries that consistently meet global quality and compliance benchmarks gain a competitive advantage in GVCs. Reliable production and adherence to regulations attract foreign partners seeking reliable suppliers.

Tariff Challenges for S/RVCs

Addressing tariff challenges for the regional and sub-regional value chains (RVCs and SRVCs) of Somalia, Ethiopia, Eritrea, and Djibouti is crucial for their successful integration into broader economic networks[18]. Tariffs, which are taxes on imports and exports, can present significant obstacles to the development and efficiency of these value chains. Some of the challenges posed by tariffs on these countries' RVCs and SRVCs include:

Higher Production Costs

Tariffs can increase the cost of imported inputs and materials, which can raise the overall production costs for industries within the value chains. This can diminish the competitiveness of the final products in both domestic and international markets, undermining the potential benefits of specialization and integration[19]. For example, let's say a company in Ethiopia that produces textiles imports cotton from India. If a tariff is imposed on imported cotton, the

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[18] 'The Political Economy of the African Continental Free Trade Area (AfCFTA): A Policy Analysis of the Prospects and Challenges', accessed 14 August 2023, https://open.uct.ac.za/handle/11427/36124.

[19] 'African Continental Free Trade Area: Challenges and Opportunities of Tariff Reductions | UNCTAD', accessed 14 August 2023, https://unctad.org/publication/african-continental-free-trade-area-challenges-and-opportunities-tariff-reductions.

company will have to pay more for its raw materials. This will increase the cost of production, which will make the company's textiles less competitive in the international market. As a result, the company may have to reduce its production or even shut down altogether.

Disrupted Supply Chains

Tariffs can disrupt the smooth flow of goods and services across borders, causing delays and uncertainty in supply chains. This disruption affects the timely availability of inputs for value chain participants, leading to inefficiencies and reduced overall productivity[19]. For example, if a company in Somalia that produces beef imports its products from Uganda. If a tariff is imposed on imported Beef, the company will have to wait longer for the Beef to arrive. This delay could cause the company to miss its production deadlines, which could lead to lost sales.

Limited Market Access

Tariffs can restrict access to foreign markets for RVCs and SRVCs. High import duties in target markets can make it difficult for finished products to compete on price, limiting the ability of these value chains to expand and reach new customers[20].For example, if a company in Ethiopia that produces textiles exports its products to the United States. If the United States imposes a tariff on imported textiles, the company will have to pay more for the products to enter the US market. This will make the company's textiles less competitive in the US market, which could limit the company's ability to export its products.

Impacts on Small and Medium Enterprises (SMEs)

High tariffs disproportionately affect smaller enterprises that lack the resources to absorb or navigate tariff-related costs [19]. This can hinder the growth and competitiveness of SMEs within the value chains. If a small textile company from Ethiopia imports cotton from Kenya and a tariff is imposed on imported cotton, the company will have to pay more for its raw materials. This will increase the cost of production, which could make it difficult for the company to compete with larger, more established businesses.

[20] 'Trade Integration in Africa: Unleashing the Continent's Potential in a Changing World', accessed 14 August 2023, https://www.imf.org/en/Publications/Departmental-Papers-Policy-Papers/Issues/2023/05/03/Trade-Integration-in-Africa-Unleashing-the-Continent-s-Potential-in-a-Changing-World-529215.

Addressing Tariff Challenges for S/RVCs

To help solve address the challenges posed by tariffs for S/ RVC, stakeholders ought to:

Reduce or eliminate tariffs: This is the most effective way to reduce the negative impact of tariffs on value chains. By reducing or eliminating tariffs, businesses can lower their costs and become more competitive. **Providing subsidies to SMEs**: This can help SMEs to absorb the cost of tariffs and remain competitive. Subsidies can be provided in a variety of forms, such as tax breaks, grants, or loans[21]. **Simplifying tariff regulations**: This can make it easier for businesses to comply with tariff regulations and avoid delays in production. **Promoting regional and international trade agreements:** This can help to reduce tariffs between countries and create a more level playing field for businesses**. Promote innovation**: Promoting innovation can help businesses to develop new products and processes that are more efficient and less reliant on imported inputs. This can help businesses to compete in the global market and create jobs in the region.

Importance of Regional Integration in Harmonizing Regulations, Standards, and Policies:

Regional integration plays a pivotal role in creating a conducive environment for value chain development by harmonizing regulations, standards, and policies across member countries. This collaborative approach offers several key advantages:

1. **Reduced Trade Barriers:** Harmonized regulations and standards simplify cross-border trade within the region. When countries align their policies, customs procedures, and product standards, it becomes easier for goods and services to flow seamlessly, reducing delays and costs.[22]
2. **Enhanced Market Access:** Harmonization eliminates redundant processes and bureaucratic hurdles, making it easier for businesses to access neighboring markets. This opens up new opportunities for participants in regional and sub-regional value chains.
3. **Attracting Investment:** Consistent and predictable regulations attract foreign direct investment (FDI) by reducing uncertainties and risks for businesses. Foreign investors are

[21] 'Removing Barriers to Trade in Africa', accessed 14 August 2023, https://www.worldbank.org/en/region/afr/publication/defragementing-africa-deepening-regional-trade-integration-goods-services.

[22] Ding Ding and Inci Otker, 'Strengthening Caribbean Regional Integration', IMF, accessed 14 August 2023, https://www.imf.org/en/News/Articles/2020/02/04/NA020420-Strengthening-Caribbean-Regional-Integration.

more likely to participate in value chains that operate within a stable and transparent regulatory framework.

4. **Boosted Competitiveness:** Regional integration fosters healthy competition among industries, encouraging innovation, efficiency improvements, and the adoption of best practices. This drive towards competitiveness enhances the overall quality of products and services in value chains.
5. **Scale Economies:** By pooling resources and collaborating on infrastructure projects, member countries can achieve economies of scale, which benefit value chain participants through lower production costs and increased market reach.
6. **Leveraging Comparative Advantages:** Regional integration allows countries to leverage each other's strengths and resources. This enables the specialization of certain value chain activities in countries with a comparative advantage, resulting in optimized production.

Robust Infrastructure to Reduce Production and Transaction Costs:

A robust infrastructure, including transportation, energy, and telecommunication networks, is vital for reducing production and transaction costs within value chains. These components enhance connectivity and efficiency:

1. **Transportation Infrastructure:** Well-developed road, rail, and port infrastructure facilitates the movement of goods within and between countries. Efficient transportation lowers transportation costs, enables timely delivery of inputs and finished products, and enhances competitiveness.
2. **Energy Infrastructure:** Reliable and affordable energy supply is essential for industrialization and value chain growth. Adequate energy infrastructure ensures uninterrupted production processes, reduces downtime, and lowers operational costs.
3. **Telecommunication Infrastructure:** Advanced telecommunication networks enable seamless communication between value chain participants, supporting coordination and information sharing. This is crucial for just-in-time production, quality control, and order management.

Examples of Successful Regional Infrastructure Projects:

1. **East African Community (EAC) Northern Corridor:** This corridor, connecting landlocked countries like Rwanda, Uganda, and Burundi to the port of Mombasa in Kenya, has witnessed significant investment in road and rail infrastructure. This has streamlined trade, reduced transportation costs, and boosted cross-border value chain activities.
2. **West African Power Pool (WAPP):** WAPP aims to integrate the power systems of West African countries, promoting energy trade and enhancing access to reliable electricity. This infrastructure supports value chain development by ensuring a stable energy supply.
3. **Central Corridor in East Africa:** The Central Corridor, connecting Tanzania, Rwanda, Burundi, and Eastern Congo, has undergone infrastructure upgrades, including roads and ports. This has facilitated trade and enhanced value chain integration in the region.
4. **Ethiopian-Djibouti Rail Link:** The railway connecting Ethiopia's capital, Addis Ababa, to the port of Djibouti has improved transportation of goods, benefiting value chains by reducing transit times and costs[23].

Examples of challenges infrastructure that are specific to the horn of Africa

Somalia's challenges for industrialization

1- Weak state institution: As Somalia is yet recovering a prolonged lack of functioning government due to the civil war. State institution are the primary drivers of developmental projects, especially the country's aspiration for becoming industrialized state. Positively, Somalia, since 2012 when it again recognized as permanent government in the world, there are positive actions taken by the Somali officials to the right direction.

2- Poor Infrastructure: Though Somalia is one the country in the Horn of Africa region that is under speed recovery, especially the roads, banks, but still there is a drastic need for mass infrastructural development program led by the government.

3- Currency challenges: This is another major factor. Somali Shilling is disappearing by day due to negligence from the state.

4- Climate change challenges: Somalia is a primary victim for frequented droughts, famine, floods and other natural disasters. Due to the successive rainy seasons' failure caused food

[23] '9 Most Popular Development Projects in Africa | Construct Africa', accessed 14 August 2023, https://www.constructafrica.com/blog/9-major-infrastructure-construction-projects-africa.

insecurity, loss of livelihoods, and water shortage in many parts of Somalia are witnessed. According to African Economic Outlook (AEO, 2023), GDP growth is projected to be 2.8% in 2023 and 3.5% in 2024, driven by private consumption and external demand. Inflation is projected to be 4.2% in 2023 and 4.0% in 2024 as supply chains stabilize.

5- Aid reliance: Somalia's National Budget is dominated by international support and aid assistance. This culture of economic dependence has paralyzed the local-generated income. Lack of exported goods, and much of imported goods is also another major factor.

6- inadequate capital to inset in the industrial sector, and the local investors hinge on the government as well as foreign assistance[24]. This restricts the local investors to pursue in their quest for industrialization.

7- Somalia is a victim for lack of managerial skills, and as a result, there are endemic poor management and corruption that jeopardized the country (geographypoint, 2022).

Measures to Address Inadequate Infrastructure Challenges:

Public-Private Partnerships (PPPs): Collaborative efforts between governments and private sector entities through PPPs can mobilize resources, expertise, and funding for infrastructure development. Joint investments in road networks, ports, energy generation, and telecommunications can expedite the expansion and modernization of critical infrastructure.

Technology Adoption: Embracing technology is crucial to overcoming infrastructure deficiencies and reducing production and transaction costs:

Digital Platforms: Implementing digital platforms for supply chain management, e-commerce, and electronic documentation enhances transparency, automates processes, and reduces paperwork.

In conclusion, the development of regional and sub-regional value chains within the AfCFTA framework offers a promising avenue for African countries to foster industrialization, achieve economic diversification, and spur overall growth. By embracing harmonized regulations, investing in infrastructure, and facilitating resource movement, African economies are poised to tap into their vast potential. This integration into global value chains not only propels African

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[24] 'African Continental Free Trade Area: Challenges and Opportunities of Tariff Reductions | UNCTAD'.

nations towards economic prosperity but also strengthens their role in the global marketplace, contributing to a brighter and more prosperous future for the continent.

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Mr. Anwar Abdifatah Bashir is a Ph.D. Candidate in International Studies at University of Nairobi, and Lecturer at Somali National University. He holds three Masters degrees including Master of International Relations and Diplomacy at Kampala University in Uganda, Master of Public Management at Korean Development Institute (KDI) School in South Korea, Master of Disaster Resilience Leadership and Humanitarian Assistance at Benadir University in Somalia, and Postgraduate Diploma of Law at Mogadishu University in Somalia, and Bachelor degree on Journalism and Communication at Mogadishu University. Mr. Bashir has also Bylines at Aljazeera, the Elephant, Nation Media, Addis Standard, Anadole Agency, and the Somali-owned media outlets.

Professionally, he has worked for several public and private institutions, including Somali Federal Parliament for ten years, Somali Academy of Science, Culture and Arts since February 2023. Mr. Bashir is also the Executive Director at the East African Institute for Peace and Governance; an emerging think tank that engages in research activities on the East African Affairs. He is also the Author of recently published book titled "Horn of Africa: History, Politics and Dynamics".