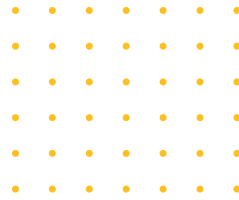


PROCURA SUPPLY CHAIN OUTLOOK

2024

H1
SUB-SAHARAN
AFRICA

"The biggest challenge in supply chain management is not logistics, but information."



CGO's Message



”

Leadership Oath

I am committed to steering Procura's growth strategies towards sustainable success. This involves co-navigating our clients' complex global supply chain challenges with a focus on ethics, excellence, innovation, and collaboration.

Dear colleague,

Sub-Saharan Africa is bursting at the seams. As the last notable frontier of largely untapped economic potential, the region offers immense opportunities for growth and innovation. This potential is particularly evident in our supply chains, which are undergoing unprecedented transformations in the areas of sustainability, artificial intelligence, technology, and digitalization. All of these disruptive forces are unfolding against the backdrop of the game changing African Continental Free Trade Agreement - which we find ourselves at the forefront of.

Now, more than ever, the strategic positioning of supply chain resources through technical and professional enablement is crucial for harnessing these opportunities, and ensuring that the region's transformation is indigenously led.

Our priority has to be building sustainable, and efficient supply chains that will not only enhance productivity and competitiveness, but contribute to the overall economic resilience of our region.

Tsholofelo Tsholofelo

Chief Growth Officer
Procura Insights

Overview - Movement of Goods

As home to the world's youngest population and a rapidly growing urbanization rate, Sub-Saharan Africa is teeming with significant opportunities and challenges in supply chain and logistics.

The region's logistics landscape is evolving rapidly. The adoption of disruptive, cutting-edge technologies based on AI, IoT, and blockchain, and aimed at overcoming infrastructural deficits and inefficiencies has created room for smaller, less experienced companies to flourish, within a traditionally tight market.

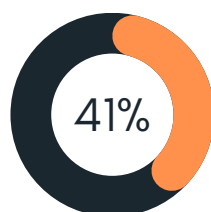
However, high logistics costs, political instability, and climate change continue to impact trade and supply chain resilience. With increasing intra-African trade and ongoing efforts to improve infrastructure and regulatory frameworks, it is expected that the region will become a crucial player in mid mile and last mile delivery in the next 3 to 5 years.



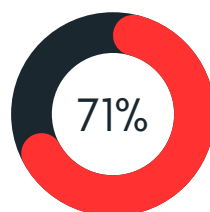
Key Statistics



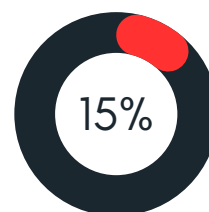
It was 36% more expensive to move goods in SSA in H1, than in Europe and Asia.



Companies in East Africa who identified transport as a major constraint to operational efficiency



At 10 containers per crane hour, the Port in Mombasa, Kenya is 71% slower than the port in Singapore.



Intra-Africa trade is 15.2%. Compared 61% intra-continental trade with Europe, and 67% with Asia

Cost of Regional Challenges

Sub-Saharan Africa's supply chain faces significant hurdles, including high logistics costs due to inadequate infrastructure, which is 30-40% higher than other regions. Political instability disrupts trade, with intra-African trade at just 15.2%. Climate change exacerbates food insecurity, affecting 82% of conflict-affected Africans.



Poor Infrastructure

USD 112bn more than Europe, USA, Asia in additional logistics costs flowing from poor infrastructure

Political Instability

USD 60bn is the estimated cost of political instability in the region

Corruption

USD 148bn lost as a result of fraud and corruption, annually

Climate Change

82% suffering from acute food insecurity as logistics service providers struggle to maintain market access due to poor route maintenance.

01. Fragmented Supply Chains

The region's supply chains are often fragmented and lack integration, leading to inefficiencies and increased costs. This fragmentation causes delays and reduces the ability to respond quickly to market demands.

02. Customs and Border Delays

Inefficient customs procedures and lengthy border delays are prevalent across many countries in Sub-Saharan Africa. These delays increase lead times, disrupt the supply chain flow, and add costs.

Nigeria



Unique Country Context

Nigeria's supply chain environment is characterized by significant strides towards modernization and efficiency amidst persistent challenges. As Africa's largest economy, Nigeria has been actively addressing its supply chain inefficiencies through strategic investments in infrastructure, technology, and local supplier partnerships. These efforts are aimed at reducing the historically high logistics costs and overcoming delays that have hampered economic growth.

Size of the Supply Chain Industry

Nigeria's logistics and supply chain industry is substantial, contributing significantly to the national economy. The transport and logistics sector alone contributes approximately 1.49% - 2.42% to Nigeria's GDP. The sector's growth is driven by increasing urbanization, population growth, and expanding e-commerce.

Legislative Environment

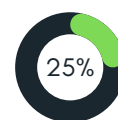
The Nigerian government has introduced several reforms to enhance procurement practices and reduce corruption. The pre-eminent procurement legislation is the Public Procurement Act of 2007 established the Bureau of Public Procurement (BPP). Additionally, the Federal Government's Executive Order 5 emphasizes local content and technology transfer, aiming to build capacity and enhance local industries.

Infrastructure and Efficiency

Infrastructure remains a critical challenge in Nigeria's supply chain operations. The country's transport infrastructure, which includes roads, ports, and railways, is underdeveloped. This inefficiency is reflected in delays and higher operational costs. For example, the port of Lagos, one of Nigeria's primary logistics hubs, is notorious for congestion, resulting in significant delays and increased costs for businesses.



Reduction in costs as a result of local supplier partnerships & concerted infrastructure improvement efforts



Implementation of digital procurement tools has led to a reduction in costs by up to 15% and efficiency gains of 25%



60% of corruption cases in Nigeria involve procurement fraud.

Nigeria - Improvement Case Study



Lekki Deep Sea Port

A notable example of successful infrastructure improvement is the Lekki Deep Sea Port project. This public-private partnership aims to alleviate congestion at Lagos ports and enhance Nigeria's logistics capabilities. Expected to handle about 1.5 million twenty-foot equivalent units (TEUs) annually, this port is a significant step towards improving the efficiency of Nigeria's supply chains.

Mobile Penetration

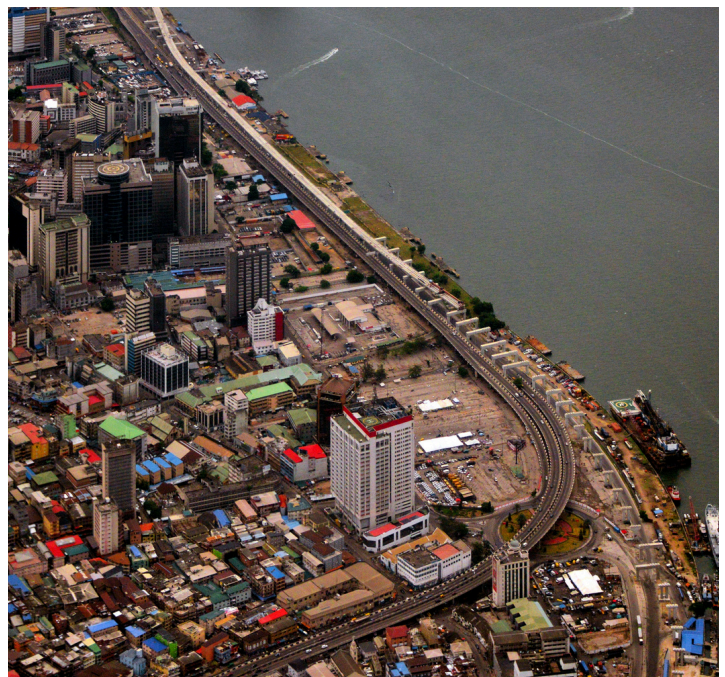
Mobile penetration in Nigeria stands at 44%, which is instrumental in facilitating mobile-based logistics and payment solutions, enhancing supply chain efficiency (GSMA).

Public Procurement Authority

The Bureau of Public Procurement (BPP) oversees public procurement activities worth approximately \$20 billion annually, with regulations in place to promote transparency and efficiency (Bureau of Public Procurement).

Port Capacity

The Port of Lagos, Nigeria's busiest port, handles approximately 1.5 million twenty-foot equivalent units (TEUs) annually, making it a crucial logistics hub in West Africa (Nigerian Ports Authority).



Rail Infrastructure

The Nigerian Railway Corporation operates a rail network of over 3,505 kilometers, primarily used for the transport of bulk commodities (Nigerian Railway Corporation).



Unique Country Context

South Africa, the continent's second-largest economy, is a pivotal player in Africa's logistics and supply chain sector. The country boasts relatively advanced infrastructure, surpassing that of its peers on the continent. However, like many Sub-Saharan African countries, South Africa has a detailed, but overly sophisticated procurement legislative framework. Fueled by this sophistication and ignited by a tough history, procurement corruption and fraud are prevalent in the country.

Size of the Supply Chain Industry

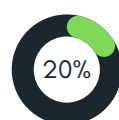
South Africa's logistics and supply chain industry is a fundamental core tenet of the country's economy. The sector accounts for approximately 8.9% of the country's GDP, equivalent to around ZAR 499 billion. This robust sector is driven by South Africa's strategic location, serving as a gateway to other African markets.

Legislative Environment

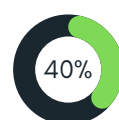
Prior to the new Public Procurement Act 28 of 2024, which has been assented to but is yet to take effect, South Africa had implemented various legislative measures to enhance procurement practices and ensure transparency. The Public Finance Management Act (PFMA) and the Municipal Finance Management Act (MFMA) provide/d the regulatory framework for public procurement. These laws aim to promote fair, equitable, transparent, competitive, and cost-effective procurement processes. Additionally, the Broad-Based Black Economic Empowerment (B-BBEE) Act seeks to promote economic transformation and enhance the participation of black people in the economy.

Infrastructure and Efficiency

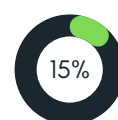
South Africa is renowned for its developed infrastructure, which supports its logistics and supply chain activities. The country has a well-established network of roads, railways, ports, and airports. According to the World Bank's Logistics Performance Index (LPI), South Africa ranks 33rd globally, making it the highest-ranked country in Africa. This infrastructure facilitates efficient movement of goods, although there are still areas needing improvement.



Automation and AI-driven analytics improved procurement efficiency by 25% and reduced costs by 20%



E-procurement platforms increased transparency by 40%



Enhanced coordination with regional suppliers has decreased delivery times by 15%

South Africa - Innovation Case Study



Transnet Freight Rail

A notable example of successful supply chain innovation is the collaboration between Transnet and GE Transportation to develop a digital solution for rail logistics. This partnership aims to improve the efficiency of South Africa's rail network, which is crucial for the transportation of minerals and other goods. The project has led to a 10% increase in rail freight efficiency and a significant reduction in operational costs (Transnet Annual Report).

Mobile Penetration

Mobile penetration in South Africa stands at 96%, facilitating advanced mobile-based logistics and payment solutions (GSMA).

Public Procurement Authority

The South African government spends approximately \$50 billion annually on public procurement, with strict regulations to promote transparency and efficiency (National Treasury of South Africa).



Port Capacity

Africa's biggest and busiest container terminal, the Durban Container Terminal and recently pioneered a world class rail dual cycle operation on the container planning system Navis. The terminal has a combined capacity of 3.6 million TEU per annum.

Rail Infrastructure

Transnet Freight Rail operates a rail network of over 31,000 kilometers, which is the largest in Africa and supports the transport of bulk commodities like minerals (Transnet Annual Report).

Kenya



Unique Country Context

Kenya, East Africa's largest economy, plays a crucial role in the region's logistics and supply chain. The country has been making significant strides in improving its procurement and supply chain processes, through infrastructure investments, technological adoption, and regulatory reforms. Mobile technology has revolutionized logistics and supply chain management, with platforms like Twiga Foods using mobile solutions to connect farmers directly with retailers.

Size of the Supply Chain Industry

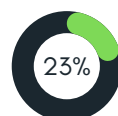
Kenya's logistics and supply chain industry is a vital component of its economy, contributing around 12.5% to the national GDP (Kenya National Bureau of Statistics). The country's strategic location, particularly with the Port of Mombasa serving as a major gateway for East and Central Africa, underscores its significance in regional trade.

Legislative Environment

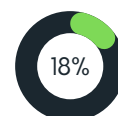
The Kenyan government has implemented various legislative measures to enhance procurement practices and ensure transparency. The Public Procurement and Asset Disposal Act of 2015 provides a robust framework for public procurement processes, aiming to promote fairness, equity, and transparency. The government has also established a Public Procurement Regulatory Authority (PPRA) to oversee and regulate public procurement activities.

Infrastructure and Efficiency

Kenya's transport infrastructure, while more developed than many of its neighbors, still faces significant challenges. The country has been investing heavily in infrastructure to improve its logistics performance. The Standard Gauge Railway (SGR) from Mombasa to Nairobi is one such project, which has significantly reduced transit times and costs. However, road infrastructure remains underdeveloped in many regions, affecting supply chain efficiency. According to the World Bank, logistics costs in Kenya are about 27% higher than in more developed regions due to these infrastructural challenges.



E-procurement adoption led to a 20% reduction in procurement costs



Investments in logistics technology reduced scheduling delays by 18%



Blockchain initiatives improved supplier relationship management by 35%

Kenya - Efficiency Case Study



Port of Mombasa

One notable case is the success of the Kenya Ports Authority (KPA) in enhancing the efficiency of the Port of Mombasa. By adopting automated systems and improving port infrastructure, KPA has reduced the average container dwell time from 12 days to 3.5 days. This improvement has significantly boosted the efficiency of Kenya's supply chain (Kenya Ports Authority Annual Report).

Another example is the use of blockchain technology in agriculture supply chains. Agri-wallet, a blockchain-based platform, allows farmers to receive and manage payments securely and transparently, improving trust and efficiency in agricultural transactions (TechCrunch).

Mobile Penetration

Mobile penetration in Kenya is at 61%, facilitating mobile-based logistics and payment solutions that enhance supply chain efficiency (GSMA).

Public Procurement Authority

The Public Procurement Regulatory Authority (PPRA) oversees public procurement activities worth over \$8 billion annually (Public Procurement Regulatory Authority).

Port Capacity

The Port of Mombasa comprises Kilindini harbour, Port Reitz, the Old Port, Port Tudor and the whole of the tidal waters encircling Mombasa Island. The port has a capacity of 2.65 million twenty-foot equivalent unit.



Ethiopia



Unique Country Context

Ethiopia, Africa's second-most populous country, is experiencing significant growth and transformation in its procurement and supply chain sectors. As the government invests heavily in infrastructure and implements various reforms, the country is poised to improve its logistics efficiency and economic competitiveness. However, challenges such as political instability, corruption, and infrastructural deficits continue to impact the landscape.

Size of the Supply Chain Industry

According to the World Bank, logistics costs in Ethiopia account for about 20–30% of the cost of goods, which is higher than the global average. Primarily due to inefficiencies as well as infrastructural limitations. The country's strategic location as a gateway to East Africa positions it as a vital logistics hub for the region.

Legislative Environment

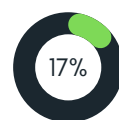
Ethiopia has introduced several legislative measures to improve procurement practices and ensure transparency. The Public Procurement and Property Administration Agency (PPPAA) oversees public procurement activities to promote fair and competitive processes. Additionally, the government's Growth and Transformation Plan (GTP II) emphasizes infrastructure development and technological adoption to boost the logistics sector.

Infrastructure and Efficiency

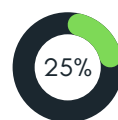
Ethiopia has been investing heavily in infrastructure to boost its logistics capabilities. The Addis Ababa-Djibouti Railway, a key infrastructure project, has reduced transit times significantly and lowered transportation costs by up to 30% (World Bank). However, road infrastructure remains underdeveloped, especially in rural areas, leading to higher logistics costs and inefficiencies.



Strategic cost management improved efficiency by 22%



Local sourcing strategies reduced delivery times by 17%



Regulatory frameworks enhanced procurement transparency by 25%

Ethiopia - Efficiency Case Study



Ethiopian Shipping and Logistics Services Enterprise (ESLSE)

A notable case study is the Ethiopian Shipping and Logistics Services Enterprise (ESLSE), which has been modernizing its operations to improve efficiency. ESLSE's investment in modern cargo handling equipment and technology has reduced the average cargo dwell time at the port of Djibouti from 12 days to 4 days (ESLSE Annual Report).

Another example is the adoption of blockchain technology in the coffee supply chain. The Ethiopian Coffee and Tea Authority, in collaboration with IOHK (Input Output Hong Kong), implemented a blockchain-based system to enhance traceability and transparency from farm to cup. This initiative has increased the trust and efficiency of the coffee supply chain, benefiting both farmers and exporters (TechCrunch).

Mobile Penetration

Mobile penetration in Ethiopia is at 43%, facilitating mobile-based logistics and payment solutions that enhance supply chain efficiency (GSMA)

Public Procurement Authority

The Public Procurement and Property Administration Agency (PPPAA) oversees public procurement activities worth over \$3 billion annually (PPPAA).

Port Capacity

The Port of Djibouti is fully connected to the Addis Ababa-Djibouti railway, with 5 trains a day now stopping at the port and has a throughput capacity of 1.6 million TEU.



Ghana



Unique Country Context

Ghana, one of West Africa's most dynamic economies, has made significant strides in improving its procurement and supply chain sectors. With a strong emphasis on infrastructure development, technological adoption, and regulatory reforms, Ghana is enhancing its logistics efficiency and economic competitiveness. However, challenges such as corruption, inefficiencies, and infrastructural deficits continue to impact the country.

Size of the Supply Chain Industry

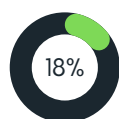
According to the Ghana Statistical Service, the transport and storage sector contributed about 9.5% to the GDP in 2020. The country's strategic location along the Gulf of Guinea and its role as a gateway to landlocked countries in West Africa underscore its importance in regional trade.

Legislative Environment

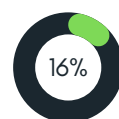
The Ghanaian government has implemented several legislative measures to enhance procurement practices and ensure transparency. The Public Procurement Act of 2003, amended in 2016, provides a robust framework for public procurement processes, aiming to promote fairness, equity, and transparency. Additionally, the establishment of the Public Procurement Authority (PPA) oversees and regulates public procurement activities to ensure compliance with these regulations.

Infrastructure and Efficiency

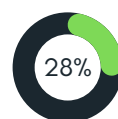
Ghana has been investing heavily in infrastructure to enhance its logistics capabilities. The Tema Port expansion project, one of the largest infrastructure projects in the country, has significantly increased the port's capacity and reduced congestion. This expansion is expected to handle up to 3.5 million twenty-foot equivalent units (TEUs) annually, improving the efficiency of Ghana's supply chain (Ghana Ports and Harbours Authority).



Efficient resource allocation improved procurement processes by 18%



Optimized supply chain routes reduced scheduling issues by 16%



Digital procurement platforms increased transparency by 28%

Ghana - Innovation Case Study



Ghana Community Network Services Limited (GCNet),

A notable example of successful supply chain innovation is the Ghana Community Network Services Limited (GCNet), which has implemented an electronic single window platform. This platform integrates various stakeholders involved in the clearance of goods, significantly reducing clearance times and improving efficiency at Ghana's ports. According to GCNet, the average clearance time for goods has decreased from two weeks to less than 48 hours (GCNet Annual Report).

Another example is the use of blockchain technology in the cocoa supply chain. The Ghana Cocoa Board, in collaboration with IBM, has implemented a blockchain-based platform to enhance traceability and transparency from farm to market. This initiative has increased the trust and efficiency of the cocoa supply chain, benefiting farmers and exporters (IBM).

Mobile Penetration

Mobile penetration in Ghana is at 55%, facilitating mobile-based logistics and payment solutions that enhance supply chain efficiency (GSMA).

Public Procurement Authority

The PPA oversees and regulates over GHS 20 billion worth of public procurement activities annually (Public Procurement Authority).

Port Capacity

The Tema Port expansion project is expected to handle up to 3.5 million twenty-foot equivalent units (TEUs) annually (Ghana Ports and Harbours Authority).



The World Around Us



01

Macroeconomic Impacts

Global economic trends, such as fluctuations in oil prices, exchange rates, and inflation, severely impacted supply chains in Sub-Saharan Africa in H1. These fluctuations led to increased transportation and operational costs, disrupted supply lines, and created volatility in procurement budgets, challenging businesses to maintain efficiency and profitability amid economic instability. Strategic adjustments and regional cooperation became essential to navigate these disruptions effectively.

02

Geopolitical Impacts

Geopolitical impacts, such as trade tensions, regional conflicts, and political instability, significantly disrupted supply chains in Sub-Saharan Africa in H1. Border closures and trade restrictions caused delays and increased costs, while conflicts in regions like the Sahel disrupted logistics networks. Additionally, political instability in countries like Ethiopia and Nigeria created uncertainty, complicating procurement and strategic planning for businesses operating in these volatile environments.

To navigate these continuing challenges, companies need to leverage regional cooperation, diversify their supply bases, and invest in resilient logistics and procurement strategies. This approach will help mitigate risks, maintain operational continuity, and adapt to the volatile geopolitical environment impacting supply chains in Sub-Saharan Africa.



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