Contemporary Issues

AfCFTA: The Game-changer for Africa's Economic Integration

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Historical Background

Trade has been the catalyst of economic, social and political integration in African countries for many centuries prior to the establishment of the Organisation of African Unity (OAU) in 1963. The OAU strived towards boosting inter-African cooperation and integration in the economy of the continent, the organisation saw the formation of several Regional Economic Communities (RECs) that were created first with a view to consolidating the economic space of a particular region to harness potential benefits of such integration. Also, these would serve as the pillars for the eventual formation of a continental economic community. In 1980, the OAU adopted the Lagos Plan of Action for the Economic Development of Africa, articulating a regional development plan for the continent that included the formation of an African Common Market. While several programmes and institutional creation proliferated, the level and rate of implementation of trade integration programmes of many RECs faltered. With a view to reviving and launching the continental integration project, the OAU Abuja Treaty establishing the African Economic Community was adopted in June 1991. The Treaty articulated the formation of a Continental Free Trade Area (CFTA) as a stepping stone towards the realisation of the African Economic Community. Furthermore, with the formation of African Union (AU) in 2002 the member States paid greater attention to continental integration; the Union decided to concentrate the process of fostering continental economic integration through trade integration.

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Formation of Africa Continental Free Trade Area (AfCFTA)

The 18th Ordinary Session of the Assembly of Heads of State and Government of the African Union, held in Addis Ababa, Ethiopia in January 2012, adopted a decision to establish a Continental Free Trade Area (CFTA). The Summit also endorsed the Action Plan on Boosting Intra-Africa Trade (BIAT) which identifies seven clusters: trade policy, trade facilitation, productive capacity, trade related infrastructure, trade finance, trade information, and factor market integration. At the 2015 AU summit in Johannesburg, the summit agreed to commence negotiations.

This began a series of ten negotiating sessions which took place over the subsequent three years.

The 2018 Kigali Summit

In 2018, at the 10th Extraordinary Session of the African Union on AfCFTA, three separate agreements were signed: the African Continental Free Trade Agreement; the Kigali Declaration; and the Protocol on Free Movement of Persons. The Protocol on Free Movement of Persons seeks to establish a visa-free zone within the AfCFTA countries, and support the creation of the African Union Passport. At the summit in Kigali on 21 March 2018, 44 countries signed the AfCFTA, 47 signed the Kigali Declaration, and 30 signed the Protocol on Free Movement of People. While a success, there were two notable holdouts: Nigeria and South Africa, the two largest economies in the continent. One complicating factor in the negotiations was that Africa had already been divided into eight separate free trade areas (Regional Economic Communities), each with different regulations. These regional bodies will continue to exist; the African Continental Free Trade Agreement initially seeks to reduce trade barriers between the different pillars of the African Economic Community, and eventually use these regional organizations as building blocks for the ultimate goal of an Africa-wide customs union. The eight recognised RECs are:

The Protocol on Free Movement of Persons seeks to establish a visa-free zone within the AfCFTA countries, and support the creation of the African Union Passport.

- Arab Maghreb Union (AMU)
- Community Market for Eastern and Southern Africa (COMESA)
- Community of Sahel-Saharan States (CEN-SAD)
- East African Community (EAC)
- Economic Community of Central African States (ECCAS)
- Economic Community of West African States (ECOWAS)
- Inter-Governmental Authority on Development (IGAD)
- Southern African Development Community (SADC)

Ratification

After the Kigali summit, more signatures were added to the AfCFTA. At the AU summit in Nouakchott on 1 July 2018, five more nations joined the agreement including South Africa. Kenya and Ghana were the first nations to ratify the agreement, depositing their ratifications on 10 May 2018. Of the signatories, 22 needed to ratify the agreement for it to come into effect, and this occurred on 29 April 2019 when both Sierra Leone and the Saharawi Arab Democratic Republic ratified the agreement. As a result, the agreement came into force 30 days later on 30 May 2019; at this point, only the Republic of Benin, Nigeria, and Eritrea had not signed the Agreement. Eritrea was not part of the initial agreement due to an ongoing state of war, but the 2018 peace agreement between Ethiopia and Eritrea ended the conflict and ended the barrier to Eritrean participation in the free trade agreement. The 12th Extraordinary Session of the African Union on AfCFTA was called to launch the new agreement, which was hosted in Niamey on 7 July 2019.

At this Summit, the Republic of Benin and Nigeria signed the Agreement, leaving Eritrea as the only African state that was not a part of the AfCFTA as at that date. Also, as at the date of the launch, 27 States had ratified the agreement while 28 States including Nigeria were yet to ratify it.

Implementation

The AfCFTA is set to be implemented in phases, with some of the future phases still under negotiation. At the Kigali Summit, areas of agreement were found on trade protocols, dispute settlement procedures, customs cooperation, trade facilitation, and rules of origin. This was part of Phase I of the Agreement, which covers goods and services liberalisation. There was also agreement to reduce tariffs on 90% of all goods. Each nation is permitted to exclude 3% of goods from this agreement. At its launch on July 7 2019, five operational instruments that will govern the AfCFTA were activated:

- the rules of origin
- the online negotiating forum
- the monitoring and elimination of non-tariff barriers
- a digital payment system
- the African Trade Observatory

A number of key issues in Phase I remained to be negotiated, including schedules of tariff concessions, schedules of service commitments and rules of origin. As long as these negotiations are pending, the products that will be subjected to tariff cuts and the services sector that will be liberalised will remain unclear. Also, uncertainty remains regarding rules of origin, i.e. rules regarding the type of value addition that must occur within the AfCFTA State Party in order for a product to benefit from the Agreement's tariff rates. Moreover, negotiation for Phase II began in February 2019; these will cover protocols for competition, intellectual property rights and investment. Negotiators are also debating whether the Agreement should include a protocol on e-commerce in order to take full advantage of the Fourth Industrial Revolution. In December 2018, a roadmap was adopted to finalise outstanding work on the Agreement's negotiation; negotiators are expected to submit an agreement on rules of origin by June 2019. In addition, the AU members agreed on a January 2020 deadline for the submission of negotiated market access offers for goods and the five priority services sectors: transport, communications, financial services, and tourism and business services. Negotiations on Phase II are expected to be completed by June 2020.

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General Objectives of the AfCFTA

a.) To create a single market for goods and services facilitated by movement of persons in order to deepen the economic integration of the continent

b.) To create a liberalised market for goods and services through successive rounds of negotiations

c.) To contribute to the movement of capital and natural persons and facilitate investments building on the initiatives and developments in the member States d.) To lay the foundation for the establishment of a Continental Customs Union at a later date

e.) To promote and attain sustainable and inclusive socio-economic development, gender equality and structural transformation of member States

f.) To enhance the competitiveness of the economies of member States within the continent and the global market

g.) To promote industrial development through diversification and regional value chain development, agricultural development and food security

h.) To resolve the challenges of multiple and overlapping membership and expedite the regional and continental integration processes

For the purpose of fulfilling and realising the objectives listed above, State Parties are expected to:

a.) Progressively eliminate tariffs and non-tariff barriers to trade in goods

b.) Progressively liberalise trade in services

c.) Cooperate on investment, intellectual property rights and competition policy

d.) Cooperate on all trade-related areas

e.) Cooperate on customs matters and the implementation of trade facilitation measure

f.) Establish a mechanism for the settlement of disputes concerning their rights and obligations

g.) Establish and maintain an institutional framework for the implementation and administration of the AfCFTA

Governing Principles of AfCTA are as follows:

a.) It must be driven by Member States of the African Union

b.) RECs Free Trade Area (FTAs) will act as building blocs for the AfCFTA

c.) Variable geometry

d.) Flexibility and special differential treatrment

e.) Transparency and dsiclosure of information

f.) Most-Favoured-Nation (MFN) treatment

g.) National treaty

h.) Reciprocity

Administration and Organisation of AfCFTA

The institutional framework for the implementation, administration, facilitation, momitoring and evaluation of the Agreement shall consists of the following:

a.) The Assembly of Heads of States and Government

b.) The Council of Ministers

c.) The Committee of Senior Trade Officals

d.) The Secretariat

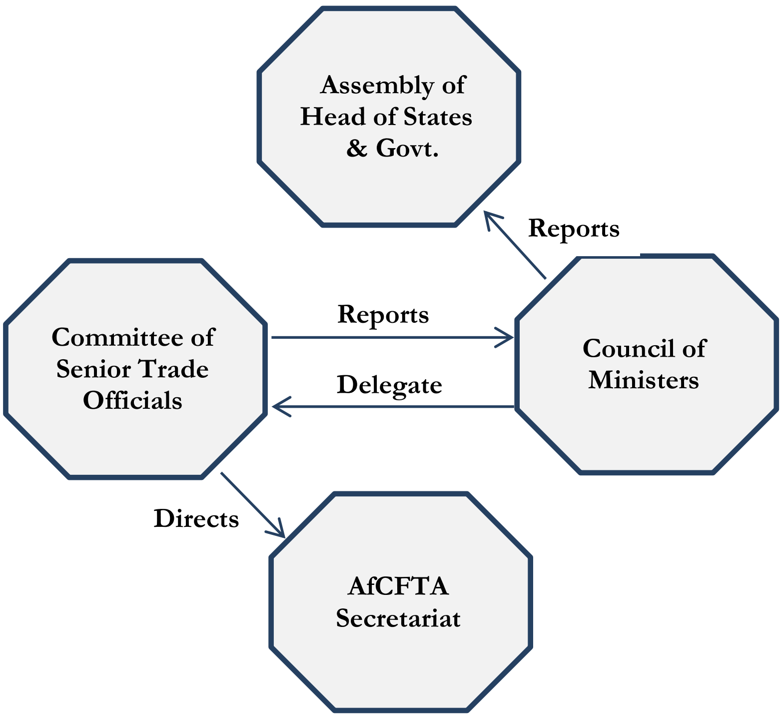
The Assembly of Heads of State and Government is the highest decision-making organ of the AfCFTA, it shall provide oversight and strategic guidance on the Agreement including the Action Plan for Boosting Intra-African Trade (BIAT).

The Council of Ministers has the authority to take decisions on all matters under the Agreement, they are expected to work in collaboration with the relevant organs and institutions of the African Union.

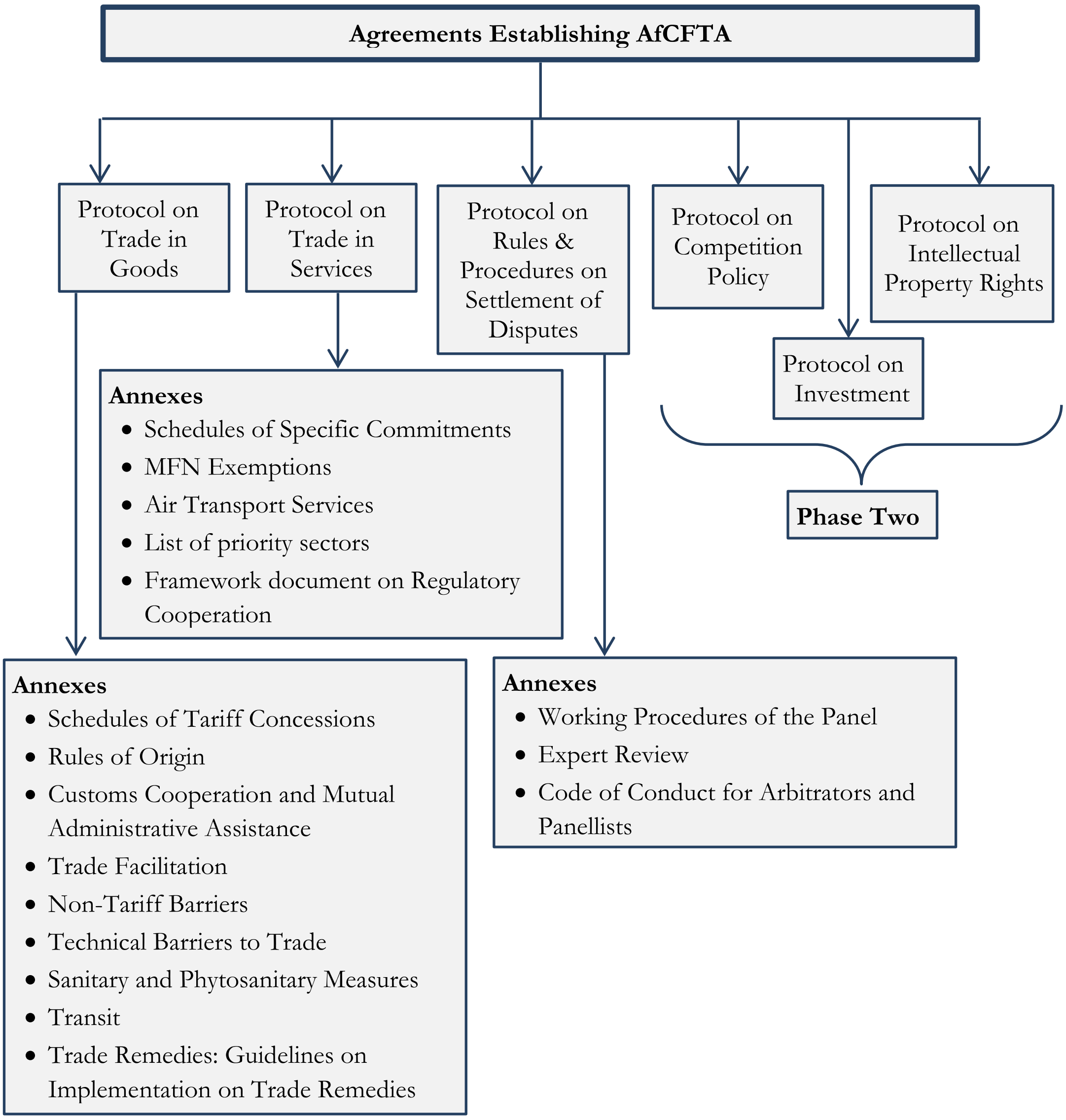
The Committee of Senior Trade Officials is a high level working group comsisting of permanent/principal secretaries or other officials designated by each Member State. The body is responsible for the development of programmes and action plans for the implementation of the AfCFTA Agreement.

The Secretariat is the administrative organ to coordinate the implementation of the Agreement, it will work autonomously within the African Union system but it will be supervised by the AU Commission's chairperson and the Secretariat will be funded through the AU budget.

Institutional Framework of AfCFTA



Agreements Establishing AfCFTA



What Are the Benefits of AfCFTA in Concrete Terms?

The AfCFTA will cover a market of 1.2 billion people and nominal Gross Domestic Product (GDP) of US$2.5 trillion, across all the fifty-five member States of the African Union. In terms of numbers of participating countries, AfCFTA will be the world's largest free trade area since the formation of the World Trade Organisation in 1994. Giving long term social-economic trends, the AfCFTA will allow space for leveraging the dynamism of the African market with several fast-growing economies, a rising middle-class and a young and expanding population. Estimates show that Africa could nearly double its manufacturing output to US$930 billion in 2025 from US$500 billion in 2016. Three quarters of this could come from meeting domestic demand, mostly in food, beverages and similar processed goods according to McKinsey Global Institute. Moreover, in the context of globalisation and potential trade wars, the benefits of the Agreement may help temper some of the uncertainties that surround the global context in this regard. This diversification strategy could be particularly important as African exports are skewed towards primary commodities, making the continent vulnerable to adverse price shocks.

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Against a background of uneven progress of African regional economic communities towards regional integration and consolidation, the Agreement represents an opportunity to address high tariffs and trade costs across these regional economic communities. This in turn may help the continent reap the benefits of regional integration, by achieving greater economies of scale and harnessing trade complementarities across large economies and sub-regions which are currently trading with each other mainly on a most-favoured nation basis. It has been estimated that under a successfully implemented AfCFTA, the continent will have combined consumer and business spending of US$6.7 trillion in 2030. Also, the Agreement will have a significant impact on manufacturing and industrial development, tourism, intra-African cooperation and economic transformation. Furthermore, the United Nations Economic Commission for Africa has projected that the Agreement will raise intra-Africa trade by between US$50 billion to US$70 billion by 2040. Similarly, the International Monetary Fund (IMF) estimated that under AfCFTA, Africa's expanded and more efficient goods and labour markets will significantly increase the continent's overall ranking on the Global Competitiveness Index. Increased market access will in turn enhance the competitiveness of industries and enterprises, the exploitation of economies of scale and the efficiency of resource allocation. The benefits of the agreement in concrete terms when it is fully implemented are:

- African businesses, traders and consumers will no longer pay tariffs on a large variety of goods that they trade within the continent
- The burdens of customs procedure and excessive paper works that traders are constrained with will be removed
- Cooperation between customs authorities over product standards and regulations, as well as trade transit and facilitation will make it easier for goods to flow between Africa's borders
- Through the progressive liberalisation of services, supplier of services will have access to the markets of all African countries on terms that will be no less favourable than domestic suppliers
- Mutual recognition of standards, licensing and certification of service suppliers will make it easier for businesses and individuals to satisfy the regulatory requirements of operating in each other's markets
- The easing of trade between African countries will facilitate the establishment of regional value chains in which inputs are sourced from different African countries to add value before exporting externally
- To protect against unanticipated trade surges, State Parties will have a recourse to trade remedies to ensure that domestic industries can be safeguarded
- A dispute settlement mechanism provides a rule-based avenue for the resolution of any disputes that may arise between State Parties in the application of the agreement
- Upon conclusion, the Phase II negotiations will provide a more conducive environment for recognising African intellectual property rights, facilitating intra-African investments and addressing anti-competitive challenges.

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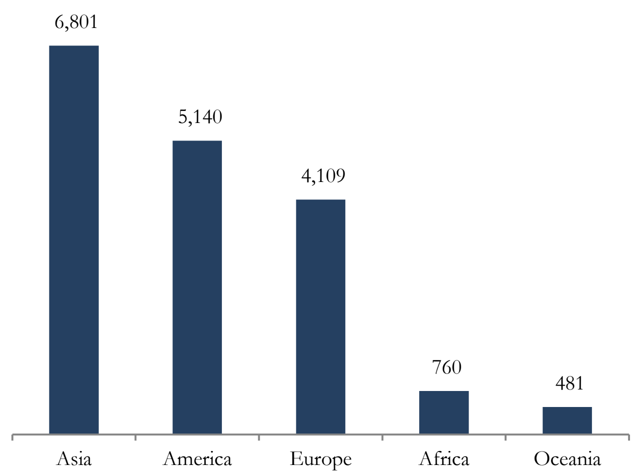
Intra-African Trade at a Glance

Regional integration is a key strategy for development and intra-regional trade is expected to produce considerable economic gains for the continent. Although, it is widely recognised that intra-regional trade could play a significant role in accelerating economic growth and poverty reduction and enhancing food and energy security in Africa, the proportion of intra-Africa trade is insignificant. Furthermore, Africa is a marginal player in the global trade in goods; total trade from Africa to the rest of the world averaged US$760 billion in current prices in the period 2015 – 2017 compared with US$4.1 trillion from Europe, US$5.1 trillion from America and US$6.8 trillion from Asia.

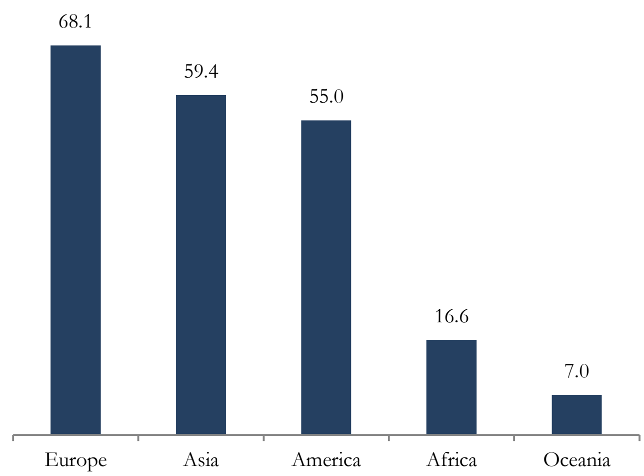
Moreover, Africa was adversely affected by the recession in 2008 and its aftermath, reflecting the high dependence of the region on trade with the rest of the world. Intra-regional trade can help reduce the vulnerability of the continent to external forces; in concrete terms, the share of exports from Africa to the rest of the world averaged between 80% and 90% in 2000 – 2017. The only other region with a higher export dependence on the rest of the world in the period is Oceania; conversely the proportion of intra-regional exports to total exports is lowest in Africa compared with other regions except Oceania. Intra-African exports to total exports were 16.6% in 2017, relative to 68.1% in Europe, 59.4% in Asia, 55.0% in America and 7.0% in Oceania.

Fig. 7: Trade value with rest of the world by region, 2015-2017 (US$b)



Source: UNCTAD, PAC Research

Fig. 7: Proportion of intra-regional trade to total trade in 2017 (%)

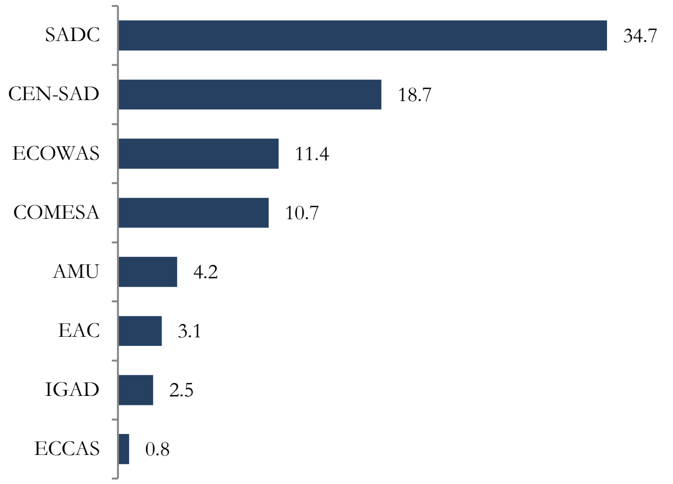


Source: UNCTAD, PAC Research

The level of intra-regional economic community trade in Africa differs between communities reflecting economic factors such as differences in stages of industrial and economic development and degrees of complementarity in production structures. That is, differences in the state of political relations among member countries, and varying levels of political commitment towards the implementation of the agreements underpinning the regional economic communities. Progress towards the regional integration of Africa has been uneven to date with some countries fairly well integrated at the sub-regional level and others less so. In 2016, SADC had the highest intra-regional value of trade of US$34.7 billion, followed by CEN-SAD with US$18.7 billion.

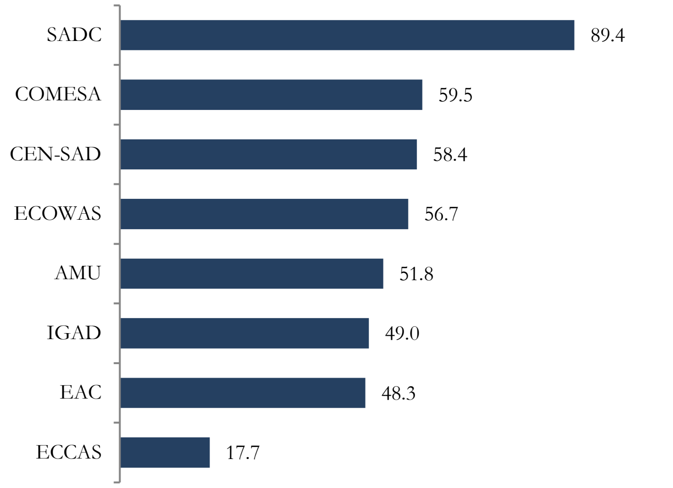
Furthermore, ECOWAS recorded intra sub-regional value of trade of US$11.4 billion, COMESA (US$10.7 billion), AMU (US$4.2 billion), EAC (US$3.1 billion), IGAD (US$2.5 billion) and ECCAS (US$0.8 billion).

Fig. 9: Value of intra sub-regional trade in 2016 (US$ billion)



Source: UNCTAD, PAC Research

Fig. 9: Share of intra sub-regional trade to total trade in Africa in 2016 (%)



Source: UNCTAD, PAC Research

With regard to the product and sectoral composition of intra-African trade, the continental market remains limited in size, yet intra-African exports appear to be more diversified and less primary commodity-dependent than exports from Africa to the rest of the world. Mineral products account for 33% of intra-African exports and constitute 50% of total exports from Africa to the rest of the world; the concentration of exports to the rest of the world on mineral products is also markedly evident at the regional economic community level.

Agricultural Trade

In 20017, total intra-African agricultural trade was valued at US$24.3 billion (i.e. US$13.2 billion exports and US$11.1 billion imports) representing about 19% of total intra-African exports and 18% of intra-African imports. South Africa is the main exporter of agricultural commodities to the rest of the continent, followed by Republic of Niger and Egypt. Also, South Africa, Kenya and Namibia are the main intra-Africa importers of agricultural products. Intra-African agricultural exports products are mainly palm oil, sugar, maize, rice and cigarettes, while the main agricultural products that Africa exports to the rest of the world include cocoa beans, nuts and coffee.

Non-agricultural Trade

Non-agricultural goods makes up about 80% of intra-Africa trade, these are dominated by mineral fuels, oil and gas and gold and diamonds. In 2017, there was also a significant intra-African trade in electrical energy, shipping vessels, copper ores and concentrates. Mozambique is an important intra-African exporter of electrical energy in terms of megawatt hour, but South Africa dominates export in terms of value. In 2017, intra-Africa gold and diamond exports represented 7% of total intra-Africa exports valued at US$4.6 billion.

The main gold exporters are Ghana and Mali, while intra-Africa diamond exports are mainly by Namibia and South Africa; 98% of intra-African trade in gold is exported to South Africa and 82% of diamonds is exported to Botswana. Furthermore, trade in commodities are important part of intra-African trade, these includes both agricultural and non-agricultural goods. Most traded commodities include petroleum oil, gold and petroleum gas; in 2017 about 7% of petroleum oil remains in the continent. Nigeria is the largest petroleum exporters with a share of 45% of intra-African exports, while South Africa is the main importer with a share of 37%. In addition, petroleum gas is mainly exported by Algeria who accounted for 64% of intra-African export while Egypt, Tunisia, Morocco and South Africa accounted for 91% of intra-African gas importation.

Currently, African services trade is low compared to the rest of the world, and intra-African services trade is even lower. However, given the worldwide increase in services trade over the past few decades, this suggests that there is potential for growth. Between 2016 and 2017, Africa's services export declined by 1% while global services export increased by 7%. Services negotiation are included in Phase I of the AfCFTA negotiations, the implementation of services liberalisation commitments and regulatory reform will be critical to achieving the aims of the African integration agenda.

Fig. 11: Share of Africa's export growth in non-extractive commodities

		Share of export growth attributable to each market (%)	
		Intra-Africa	**Rest of the world**
Food & Beverages	Primary	18	82
	Processed	51	49
Industrial supplies	Primary	15	85
	Processed	44	56
	Capital goods	57	43
	Transport equipment	45	55
	Consumer goods	46	54

Source: UNECA, PAC Research

Inter-regional Economic Community Trade

There is significant scope to enhance inter-regional economic community trade in the continent. Most of the African trade in regional economic communities takes place either within communities (intra-regional economic community trade) or with another community, rather than being fairly distributed across the remaining communities (inter-regional economic community trade). Trade interactions among the eight RECs tend to be concentrated among a few groups, and there is scope to enlarge inter-regional economic community trade. The AfCFTA can provide a platform of dialogue and negotiations across all the eight regional economic communities, allowing communities to increasingly trade with one another to accelerate harmonisation and coordination among them to strengthen their roles as building blocks of the Agreement. The AfCFTA can boost intra-African trade by increasing the economic viability of industrialisation on the continent and accelerating structural transformation, with commensurate positive effects on product diversification.

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The development of regional value chains in Africa depends on the implementation of national and regional industrial policy that promotes diversification in the range of goods produced both immediate and final.

Potential Gains and Opportunities for Africa from AfCFTA

Consolidating the continent into one trade area provides great opportunities for trading enterprises, businesses and consumers across Africa and the chance to support sustainable development in the world's least developed region. Economic Commission for Africa estimates that AfCFTA has the potential to boost intra-African trade by 52.3% by eliminating import duties, and to double the trade if non-tariff barriers are reduced. The African Continental Free Trade Area presents opportunities for Africa, yet the translation of such opportunities into tangible socio-economic benefits is contingent on the containment of a set of risks and on addressing implementation challenges. Traditional trade theory posits that free trade areas lead to both trade creation and trade diversion, with the former outweighing the latter and generating a net positive effect on economic welfare. There are also static and dynamic gains to the preferential trade liberalisation underpinning the AfCFTA; static gains arise from short-term increase in economic welfare, and dynamic gains arise from competitive pressure that lead to long-term productivity gains. Furthermore, competitive pressure can provide incentives to producers to improve on their offers through innovation and technological upgrading and to build dynamic comparative advantages to perform better than the competition. The Agreement, through preferential trade liberalisation could generate long-term increase in consumer and economic welfare through increased competition and faster innovation.

Economic Commission for Africa estimates that AfCFTA has the potential to boost intra-African trade by 52.3% by eliminating import duties…

Examples of potential gains and the opportunities presented by the AfCFTA are as follows:

1.) **Increased competitiveness of firms in Africa and boosting of intra-African trade and investment:** The African Continental Free Trade Area is expected to provide momentum towards the consolidation of regional economic communities and the Tripartite Free Trade Agreement, with more communities having to align themselves to the provisions and obligations in the agreement establishing the Free Trade Area. Under the assumption that tariffs and non-tariff barriers will be reduced more quickly for members, such tariff and non-tariff barrier reductions should benefit intra-African trade by giving companies in Africa a boost to their competitiveness. As the gains from the Agreement become more visible and tangible to economic operators and the perceptions of long term benefits improve, the incentives to invest in regional economic communities and on the continent strengthen, leading to a mutually reinforcing relationship involving higher levels of trade and investment couple with positive spill-over effects on innovation and firm and industry-level productivity.

2.) **Improved business and investment climate that attracts foreign direct investment and fosters linkages between foreign and local firms:** The implementation of the relevant provisions of the Agreement on trade facilitation can lead to significant reductions in the indirect and invisible costs of doing business on the continent. As tariff and non-tariff barriers decline in the continent, there will be increased competitive pressures on firms in Africa to compete on non-price dimensions such as quality and differentiated marketing strategies based on branding that may involve the use of geographical indicators of origin and voluntary sustainability standards for example. Improvements in the business and investment climate, matched by stronger State support for entrepreneurs could attract a larger volume of foreign direct investment and offer opportunities to local firms to engage in equity and non-equity form of investment with foreign firms.

3.) **Economic growth and structural transformation:** Regional integration can serve as a launch pad for building industrial capabilities in Africa and intensifying African trade in manufactured goods. The advent of digitalisation and electronic commerce and the future potential application of additive technologies such as three-dimensional printing could transform the manufacturing and entrepreneurial landscape in the continent. This can generate opportunities for the customised mass-production of a range of consumer and intermediate goods by firms in Africa. If regional economic communities implement regional industrial policies and individual countries implement national industrial policies, supported by the implementation of the Accelerated Industrial Development for Africa initiative by the Africa Union. The AfCFTA has the potential to act as a catalyst for manufacturing and industrial development in Africa and to drive inclusive structural transformation. The continent currently has the youngest population in the world, harnessing this demographic dividend necessitates employment and entrepreneurship strategies, underpinned by structural transformation and the creation of marketable opportunities which the Agreement can provide.

4.) Participation of small and medium-sized enterprises in regional and global value chains: Since AfCFTA will act as a catalyst for industrialisation on the continent and supports the development of regional value chains in manufacturing and agro-industry, gains can accrue to the private sector in Africa as it taps into investment and commercial opportunities in these sectors. The development of regional value chains can also stimulate local entrepreneurship. Gains can accrue to SMEs in Africa, provided their insertion into regional value chains is facilitated by targeted public policies within SME development strategies. Many SMEs in Africa have low chances of survival and expansion due to a range of constraints that affect their profitability. With AfCFTA, the creation of new and larger markets matched by possibilities to produce at a larger scale behind preferential walls and engage in learning by exporting can raise the odds of survival and expansion for SMEs, first in regional markets, then in global markets.

5.) **Development of agriculture and agribusiness and implications for rural development:** The potential for boosting intra-African trade in agriculture is substantial, intra-African trade in agriculture was 22% in 2017, compared with 52% in manufacturing in the same period. In addition, the range of agricultural products exported by Africa to the rest of the world is narrow. In 2014, the African Union committed to tripling intra-African trade in agricultural commodities and services through the fast-tracking of the establishment of the Agreement and the transition to a continental common external tariff scheme. However, there are many challenges to agricultural and rural development in Africa, but operationalisation of the agreement establishing AfCFTA and its annexes on investment, trade facilitation, services, technical barriers to trade, sanitary and phytosanitary measures and rules of origin can contribute to agricultural development by creating larger markets for small farmers through the removal of tariffs and non-tariffs barriers; by bringing farmers to markets through improved trade facilitation and trade connectivity; by attracting domestic and foreign investment to the sector that can provide the necessary hard infrastructure and by allowing the exploitation of opportunities in agribusiness and agro-industry linked to developing national and regional agricultural value chains whose end products are exported regionally and globally.

6.) **Unleashed potential of the services sector:** The services sector has a critical role to play in the structural transformation of the region, as a high value added stand-alone sector of its own or as an intermediate sector facilitating the transformations of the industrial and agriculture sectors in Africa. Intra-African trade in services is estimated to be low and the services sector in the continent tends to be dominated by low value added and informal transactions. Moreover, the sector does not exhibit or encompass sufficient levels of competitiveness, sophistication and efficiency to act a backbone of economic activity for industry and agriculture, with the exception of a few sub-sectors in a few countries. The creation of a continental market could provide to suppliers of services the scale of operations and the long-term finance they need to boost competitiveness in services provision and, in turn contribute to improving trade facilitation on the continent and strengthening the gains from the Agreement stemming from increased trade in goods.

7.) **Informal cross-border trade, gender implications and reduced illicit trade:** Informality in economic transactions is prevalent in Africa; informal cross-border trade in the continent can contribute up to 43% of income in the region according to some estimates. Much of this involves women trading on a small scale, although the long term impacts on developmental outcome is not clear yet. A potential cost of informality lies in the fact that it undermines the effective operationalisation of public and trade policies and the delivery of their goals, since economic agents operates outside of formal structures.

The deepening of regional integration to the extent that it can gradually provide more opportunities in the formal sector in terms of jobs, entrepreneurship and trade by accelerating transformative growth and the development of supply chains in several sectors, can contribute to the gradual reduction of vulnerability in employment among women and youths. In the medium term, this will reduce the incentives to engage in informal trade and informal business transactions. Supporting informal traders in formalising their trade is important for regional integration in the continent; as such a transition provides national policymakers with much needed tax revenues that can be used to finance regional integration programmes and compensate for lost tariff revenue under tariff liberalisation.

Factors that can affect the implementation of AfCFTA

Many factors can affect the degree and rate of implementation of the agreement establishing the African Continental Free Trade Area. These include political economy factor that will impinge on the distribution of costs and benefits across countries, sectors and economic actors. Other factors are success rates in implementing the complimentary measures and initiatives that should underpin the AfCFTA; global economic conditions; third party arrangements entered into by countries in the continent such as economic partnership agreements; the interface between regional economic communities and the African Continental Free Trade Area and the sequencing, coherence and timing of areas of negotiation among economic communities and the Agreement.

IMPORTANT DISCLOSURES

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