

Implementing the AfCFTA: the African governance landscape and the impact of COVID-19

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Introduction

This is a testing time for Africa. COVID-19 is exacerbating pre-existing weaknesses and challenges in African governance, as uncovered by the 2020 Ibrahim Index of African Governance (IIAG). The pandemic has brought to the fore gaps in Africa's health systems, while also triggering a major economic crisis. Furthermore, it has contributed to a declining democratic environment, increasing food insecurity, as well as instability and violence, including gender-based. If the effects of COVID-19 on Africa are not mitigated, the political and social costs could be devastating. Repercussions also threaten Africa's path towards African Union Agenda 2063 and some of its milestones, among these the African Continental Free Trade Agreement (AfCFTA).

A conducive governance landscape is key

A strong political drive is essential to a successful AfCFTA: as the case of SAFTA (South Asian Free Trade Area) in South Asia shows, where political will is not strong enough projects such as these fail to realise their full potential. However, the implementation of the AfCFTA is not just about signing commitments or opening borders to intra-continental trade. The AfCFTA requires a conducive governance environment, in which issues such as security, corruption, or public administration do not act as obstacles for the operationalisation phase of the agreement.

Mo Ibrahim says: "Citizens' dissatisfaction and mistrust with governance delivery are growing. African states have an opportunity to demonstrate both their resolve to safeguard democracy and their ability to drive a new growth model that is more resilient, more equitable, more sustainable, and more self-reliant".

Institutions – building a strong institutional framework is essential for enforcing the AfCFTA. The rule of law and a state monopoly on force will be key to facilitating free flowing trade of goods and services across borders in Africa. A weak institutional framework, including legal and security

apparatus could hinder the full and proper functioning. The IAG shows that progress has been made in the solidifying the rule of law, but concerning security and safety are declining. However, the *Security & Safety* sub-category remains the highest scoring on the IAG in 2019, in spite of this trend.

Corruption – a functioning AfCFTA requires that corruption is routed out to prevent illicit financial flows that undermine legitimate trade and economic progress. Trends on the IAG show that progress has been made in tackling corruption over the last decade. However, there remains a long way to go as the *Anti-Corruption* sub-category is the second lowest scoring on the IAG.

Public Administration – Administrative capacity will play a big role. Particularly the **statistical capabilities of governments**, which will help build a functioning African Trade Observatory. The IAG shows that Public Administration has almost stagnated over the decade, with a concerning decline in the statistical capacities of government that could prevent the AfCFTA realising it's potential.

Infrastructure – Physical and communications infrastructure are essential for boosting trade. The impact of the AfCFTA will be limited without it. Mobile phone penetration and the production of communications technology can facilitate digital trade within the AfCFTA and link up women and informal traders to new markets. The IAG shows much progress in this area with the Infrastructure sub-category the most improved on the index on the back of progress in mobile communications and digital access. However, still more work to be done, while the index shows a slight decline in the transport network.

Business Environment – Business Environment must be good; **intra-African trade environment must be low cost**, and without too much struggle for producers, particularly SMEs. But it must also be **inclusive**. The IAG shows Business Environment is promisingly improving at an increasing rate, driven by access to bank accounts and digital payment services that facilitate the free flow of finance. Concerningly though, labour-relations are on the decline, which must change to avoid the AfCFTA becoming a vehicle for multinationals.

COVID-19: an opportunity to cut dependence on international supply chains?

As every challenge is also an opportunity, as Mo Ibrahim said, COVID-19 could also strengthen political will and spur a new growth model. African private sector companies were able to rise to the COVID challenge and demonstrate great flexibility producing goods they did not normally produce. Can be no return to business as usual after this. The COVID-19 pandemic made clear the possibilities available.

This is an opportunity for **industrialisation**, with global **trade slowing and the collapse in commodity prices** it is an opportunity for African countries to change their economic structures.

There was a risk that the CFTA may have just provided a larger market for external actors and multinationals, maintaining Africa's export orientated markets focused on volatile primary commodities. **Regional supply chains must be built up that include SME's** and incorporate informal markets. There may be more political will now that the immediate rewards of commodity led growth appear to be diminished. However, the agreement must be implemented quickly so as not to miss the window of opportunity.

It's also an opportunity to **utilise Africa's technological potential** and become a producer of technological innovation. More **value-added processes** can be brought to the continent through the CFTA and regional supply chains, that can develop local industry. This may **also increase tax revenue and stabilise government incomes**, leaving them less dependent on the foreign exchange earned through volatile commodities exports.

There is also an opportunity to develop tourism. With the health impacts of COVID-19 in Africa comparatively lower than other regions of the world there is an opportunity to develop more regional tourism. Tourism sector has been hit hard by COVID, with the right infrastructure and free movement intra-African tourism sector could emerge.

An effective AfCFTA to better equip Africa against COVID-19 and similar emergencies in the future

Over-dependence on imports made Africa particularly vulnerable to the disruption to global markets triggered by COVID-19. It brought home that generating local supply chains is an issue of **national security not just an economic issue**.

Africa has been back of the line in terms of getting vital equipment from global value chains. By establishing an essential list of goods for survival and establishing quotas for regional supply chains, **the CFTA can foster resilience**. This includes medical equipment and pharmaceuticals, that will make reaction to future pandemics quicker and more effective. Rules of origin laws included in CFTA make this possible.

The AfCFTA can make the free transit of these essential equipment needed to combat the pandemic smoother. Can also guarantee access for goods in short supply, and potentially reduce costs of pharmaceuticals. **It can also foster food security** by linking up small-scale farmers to wider agricultural markets.

Conclusion

The continent is at a critical juncture. Despite COVID's tragic consequences, it has presented Africa with an opportunity for economic transformation and has hammered home the necessity of a successful AfCFTA. Simultaneously, it has highlighted how a successful AfCFTA could facilitate a successful fightback against COVID and any other pandemics the future may hold. However, underpinning all this is governance. Without the political will and good governance to implement the necessary changes for a successful AfCFTA, the opportunity for transformation will be lost, and the AfCFTA will not realise its full potential.