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7th AFRICA THINK TANK SUMMIT

“Implementing the African Continental Free Trade Area (AfCFTA) Agreement: Assessing country readiness and the implications for capacity building”

28-29 November 2021 (Virtual)

SUMMIT REPORT

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Implementing the African Continental Free Trade Area (AfCFTA) Agreement: Assessing the readiness of countries and implications for capacity building

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TABLE OF CONTENTS

Preface	4
Key Messages from the Opening Remarks of the Executive Secretary, ACBF.....	4
Key Messages from Remarks of the African Development Bank Group	6
Acronyms	9
1. Introduction	10
2. Implications of the COVID-19 Pandemic for Making AfCFTA a Reality	13
3. Exploring the Critical Determinants of Country Readiness in Implementing the AfCFTA	18
4. Identifying Key Capacity Issues facing the Implementation of the AfCFTA at the Continental and Country levels (Perspectives from Government, Private Sector and CSO).....	23
5. Building the Capacity of Frontline State Actors and Institutions to Effectively Drive the Implementation of the AfCFTA	27
6. Building the Capacity of SMEs as a Driving Force for Success in the Implementation of the AfCFTA.....	33
7. The Role of Think Tanks in Supporting the Implementation of the AfCFTA	37
8. Establishing Partnerships, and Coordination Mechanisms to Enhance Country Readiness.....	41
9. Closing Session	49
10. Conclusion and Recommendations.....	50
Conclusion.....	50
Key Recommendations	50
Annexes.....	52
Communique.....	52
Think pieces	54
Governance, the African Peer Review Mechanism (APRM) and Implementation of the African Continental Free Trade Area (AfCFTA).....	54
Implementing the AfCFTA: the African governance landscape and the impact of COVID-19.....	60
How to leverage Africa’s digital transformation in the context of the African Continental Free Trade Area (AfCFTA) Agreement and for the sustainable recovery from COVID-19?	66
List of participants.....	77



Preface

Key Messages from the Opening Remarks of the Executive Secretary, ACBF

Welcoming Participants and Acknowledging Partners

Prof Emmanuel Nnadozie (Executive Secretary, ACBF) expressed his sincere gratitude to the cadre of partners: the African Union Commission, the African Development Bank, the Afreximbank, the United Nations Development Programme (UNDP), BADEA, the UN Economic Commission for Africa (UNECA), the Islamic Development Bank, the Development Centre for the Organisation for Economic Co-operation, International IDEA, International Cooperation Centre of China's National Development and Reform Commission (ICC-NDRC), and the Southern Voice.

About the 2020 Africa Think Tank Summit

The First Africa Think Tank Summit held in 2014 in Pretoria, South Africa on the theme "Think Tanks and the Transformation of Africa", was witnessed by 50 participants mainly from think tanks. The 2020 edition (7th Africa Think Tank Summit) represents a significant milestone. Over 150 think tanks and key stakeholders (African Union, regional economic communities, governments, private sector, civil society organizations and international development partners) have attended the Summit to discuss how best to implement a flagship program of Agenda 2063, the *African Continental Free Trade Area (AfCFTA) Agreement*.

Rationale for the Theme and the Aim of the 2020 Africa think tank Summit

The theme of the 2020 Africa think tank Summit is "*Implementing the African Continental Free Trade Area (AfCFTA) Agreement: Assessing country readiness and the implications for capacity building*". African Continental Free Trade Area (AfCFTA) represents a major opportunity to help African countries diversify their exports, accelerate growth, increase intra-African trade, attract foreign direct investment, create jobs through value addition and to build back better.

The AfCFTA is expected to cover a market of 1.2 billion people with a gross domestic product (GDP) of US\$2.5 trillion, making it the world's largest free trade area since the formation of the World Trade Organization. However, the start of trading has been delayed by COVID-19 which was declared on 11 March 2020 by the World Health Organization (WHO) as a pandemic. The operational phase of the AfCFTA was officially launched on 7 July 2019 and the commencement of trading was initially slated for 1st July 2020. The start of trading under the AfCFTA is now tentatively scheduled for 1 January 2021.

There is therefore a need to find solutions to put the AfCFTA back on track, to accelerate its implementation and to deliver on the promises. Hence the aim of the Summit is **.....to provide a platform for African Think Tanks and other key stakeholders to engage in a high-level deliberation on the most effective ways of addressing the capacity challenges facing the implementation of the AfCFTA to accelerate its implementation and enhance country readiness in implementing and benefiting from the Agreement, especially in light of the COVID-19 pandemic.**

Accelerating the Implementation of the AfCFTA

Prof Nnadozie highlighted the importance of 'critical ingredients' for implementation of policies and programs to succeed. For the AfCFTA to be accelerated there is a need to address the following: (1) examine the implications of the COVID-19 pandemic for making the AfCFTA a reality; (2) understand the determinants of country readiness in the implementation of the AfCFTA; (3) identify and examine key capacity challenges facing countries and other key institutions and state and non-state actors



driving the AfCFTA and determine the most effective ways of addressing these institutional and human capacity challenges facing the implementation of AfCFTA; (4) understand the role of Think Tanks in addressing AfCFTA-related challenges and in supporting the implementation of the AfCFTA at country and regional levels; and (5) propose the partnerships and coordination mechanisms that will enhance the capacity development and overall effort in advancing country readiness in implementing and benefiting from AfCFTA.

Conclusion and call for action

ACBF is committed to making African think tanks strategic intellectual partners to nurture home-grown solutions necessary to tackle the capacity challenges of the AfCFTA by defining priority actions including efforts needed to get the AfCFTA agenda back on track after the postponement of the trading date.

Prof Nnadozie called upon all continental key stakeholders, African governments, and development partners to provide the necessary political and financial support for ACBF, as the African Union's Specialized Agency for Capacity Development to coordinate and work with the think tanks to support the implementation of the AfCFTA.



Key Messages from Remarks of the African Development Bank Group

Prof Kevin Chika (Senior Director, African Development Institute, African Development Bank Group) represented the President of the African Development Bank Group. He commended the efforts of the ACBF for organizing this annual event and ensuring it stays focused on achieving the set goals and objectives.

The theme of the 7th Africa Think Tank Summit, ***“Implementing the African Continental Free Trade Area (AfCFTA) Agreement: Assessing Country Readiness and the Implications for Capacity Building”*** is extremely timely and appropriate, demonstrating the focus of the Summit on contemporary policy issues facing the continent. Africa was excited when the decision was taken by Heads of State and Government of the African Union (AU) at their 18th Ordinary Session to establish the AfCFTA. The excitement has continued to grow more and more, as countries sign the protocols and plan for its expected operationalization come 2021. Africa is excited because AfCFTA is expected to address some key development challenges facing the continent in the engine room of economic growth. Trade. ***Trade is the lifeblood of economies everywhere.*** Economics, as it were, is simply a theory of exchange in goods and services. For all economic units: the agent who sells more gains more! Those who buy more, lose more! As I always say, Consumers never declare profit.

Although Africa is endowed with many commodities that are traded in world markets, Africa has benefited least from global trade, compared to its peers in other regions. Africa hosts 30% of the world’s mineral reserves and accounts for more than 20 percent of global annual production of five key minerals namely, 80 percent platinum, 77 percent cobalt, 51 percent manganese, 46 percent of diamonds, 39 percent chromium and 22 percent of gold. Africa also possesses 60 percent of world’s arable land, 13 percent of the global population and is the most youthful continent with about 60 percent of its population under the age of 25 as well as abundant energy potentials. Despite this wealth in natural capital endowments, African economies remain among the least developed countries in the world with the size of economies amongst the lowest compared to other regions.

These challenges could be exacerbated by the recent global headwind to economic development – the COVID-19 pandemic. Approximately 70% of cotton exports from Africa are in raw form, embodying limited value addition. Only 12% take the form of yarn and 18% of cotton fabrics. Conversely, the continent imports around 72% of its cotton fabrics. This trend cuts across almost all major commodities most African countries export. They are exported in raw form with little or no value addition while the value-added versions are imported by expending scarce foreign exchange.

The current COVID-19 pandemic has further revealed the need for strengthening regional value chains. The COVID-lockdowns are testament to the fact that countries and regions need to build and strengthen national and regional supply chains. The pandemic affected trade, FDI, remittances, prices of commodities, and several other important economic variables which have trended downwards. For the first time in more than 50 years, Africa is expected to enter a deep recession in 2020. Here is where AfCFTA is to the rescue!

Thanks, Universities and Academies of Sciences are the engines of thoughtful policies, strategies that drive economic growth and social progress everywhere. Everything in this world starts from an idea, emphasizing the importance of thinking. Think tanks are the engines for new ideas, problem framing, agenda setting, solution searching, and the push for public policies to implement and monitor the outcomes of the ideas produced. Think Tanks should be the source of the policies for the



domestication of the ACFTA, its implementation, monitoring and evaluation at the national, regional, and continental levels.

As African think Tanks, COVID-19 suggested and brought to the fore that only African can solve African development challenges. The transnational nature of the pandemic forced all nations to focus first on emergency public policy measures to flatten the disease curve within their national boundaries and implement fiscal and monetary policy measures to alleviate the impacts of the lockdowns on their own citizens. This is of course, the right thing to do. Charity begins from home. Development partners are partners who want to help Africa address its problems but should not be expected to ultimately bear the burden of African development.

African think tanks need therefore to find innovative ways to address these development challenges in Africa. The African Development Bank, has over the years, invested significantly in supporting African Universities and Think Tanks, and we are impressed by the results. The African Development Institute remains committed to work with think tanks to help Africa “think” inclusive development, do development, and ensure that Africans are “thankful” for the role of think tanks in improving the quality of lives for Africans.



Acknowledgements

The African Capacity Building Foundation (ACBF) was very pleased to convene the 7th Africa Think Thank Summit online. ACBF is most grateful to all partners for accepting to support this Africa Think Thank Summit which was held in the special context of COVID-19 – hence, the organization of the event online. The Africa Think Thank Summit is part of the activities organized under the Africa Think Tank Network (ATTN) with the ACBF as Secretariat. We wish to express our gratitude to all think tanks and members of the Network.

The event was held for the first time online with about 150 think tanks, development partners, academia, public and private sector representatives represented. Our appreciation goes to all the participants who attended the 2020 Africa Think Thank Summit. Our special thanks go H.E. Dr. Sidi Ould Tah (Director General of the Arab Bank for Economic Development in Africa (BADEA)) for joining participants in closing the 7th Africa Think Thank Summit.

Various teams supported the event including the rapporteurs, Master of Ceremony, panelists, and moderators as well as ACBF management and staff. We express our gratitude to each and every one who made the 2020 Africa Think Thank Summit a success.

We express our appreciation to the partners, namely African Development Bank (AfDB), the African Export-Import Bank (Afreximbank), the African Union Commission (AUC), the Arab Bank for Economic Development in Africa (BADEA), the Development Centre for the Organisation for Economic Co-operation (OECD-Dev), the International Cooperation Centre of China's National Development and Reform Commission (ICC-NDRC), the International Institute for Democracy and Electoral Assistance (International IDEA), the Islamic Development Bank (IsDB), the Southern Voice, the United Nations Economic Commission for Africa (UNECA), the United Nations Development Programme (UNDP) for ensuring the success of this Africa Think Thank Summit.

We look forward to working with you in implementing the Summit recommendations and hope to see you in future Africa Think Thank Summits as well.



Acronyms

ACBF	African Capacity Building Foundation
AfCFTA	African Continental Free Trade Area
AfDB	African Development Bank
Afreximbank	African Export-Import Bank
APTA	Asia-Pacific Trade Agreement
ASEAN	Association of Southeast Asian Nations
ATTN	Africa Think Tank Network
AUC	African Union Commission
BADEA	Arab Bank for Economic Development in Africa
CADERDT	Centre Autonome d'Etudes et de Renforcement des Capacités pour le Développement au Togo
CAMERCAP	Cameroon Policy Analysis Research Center
CAPEC	Cellule d'Analyse de Politiques Economiques du CIRES
CAPEs	Centre d'Analyse des Politiques Economiques et Sociales
CEMAC	Central African Economic and Monetary Community
CERAPE	Centre d'Etudes et de Recherche sur les Analyses et Politiques Economiques
CMAF	Centre Mauritanien d'Analyse de Politiques
COVID-19	Coronavirus Disease 2019
CRES	Consortium pour la Recherche Economique et Sociale
CSOs	Civil Society Organizations
ECA	United Nations Economic Commission for Africa
ECCAS	Economic Community of Central African States
ECOWAS	Economic Community of West African States
EU	European Union
HACCP	Hazard analysis and critical control points
ICC-NDRC	International Cooperation Centre of China's National Development and Reform Commission
IDEA	International Institute for Democracy and Electoral Assistance
IDEC	Institut de développement économique du Burundi
IPAR-Rwanda	Institute of Policy Analysis and Research - Rwanda
IsDB	Islamic Development Bank
KIPPRA	Kenya Institute for Public Policy Research and Analysis
OECD-Dev	Development Centre for the Organisation for Economic Co-operation
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNIDO	United Nations Industrial Development Organization
SAIIA	South African Institute of International Affairs
SMEs	Small and medium enterprises
TRALAC	Trade Law Centre
ZEPARU	Zimbabwe Economic Policy Analysis and Research Unit



1. Introduction

The African Capacity Building Foundation (ACBF) held the 7th Africa Think Tank Summit online on the 18th - 19th of November 2020 under the theme *“Implementing the African Continental Free Trade Area (AfCFTA) Agreement: Assessing the readiness of countries and implications for capacity building.”* The Summit was organized against the background that the AfCFTA is expected to be the world’s largest free-trade area in terms of the number of countries since the establishment of the World Trade Organization in 1994. An agreement was signed in Kigali, Rwanda, on 21 March 2018, launching the AfCFTA, which entered into force on the 30th of May 2019. The implementation phase of the Agreement was launched in July 2019, and formal trading was expected to begin in July 2020. However, the COVID-19 outbreak declared as a global pandemic by the World Health Organization (WHO) on 11 March 2020 delayed its implementation to 1 January 2021.

The outlook for Africa in the face of the COVID-19 pandemic seemed worrisome due to inadequate and weak health systems and the expected negative impact on the economy. While the global economy is in turmoil due to the COVID-19 pandemic, the operationalization of the AfCFTA represents a challenge but it is also a major opportunity to help African countries diversify their exports, accelerate growth, attract foreign direct investment and to build back better.

The 7th Africa Think Tank Summit was attended by diverse stakeholders in the African continent and beyond drawn from the think tanks, regional and international partners, government representatives, private sector representatives, civil society organizations, chamber of commerce, the academia, the African Union Commission and ACBF Executive Board among other stakeholders.

The main objective of the 7th Africa Think Tank Summit was to provide a platform for African Think Tanks and other key stakeholders to engage in a high-level deliberation on the most effective ways of addressing the capacity challenges facing the implementation of the AfCFTA to accelerate its implementation and enhance country readiness in implementing and benefiting from the Agreement, especially in light of the COVID-19 pandemic. Specifically, the 7th Africa Think Tank Summit provided an opportunity to:

- Examine the implications of the COVID-19 pandemic for making the AfCFTA a reality;
- Understand the determinants of country readiness in the implementation of the AfCFTA;
- Identify and examine key capacity challenges facing countries and other key institutions and state and non-state actors driving the AfCFTA and determine the most effective ways of addressing these institutional and human capacity challenges facing the implementation of AfCFTA;
- Understand the role of Think Tanks in addressing AfCFTA-related challenges and in supporting the implementation of the AfCFTA at country and regional levels; and
- Propose the partnerships and coordination mechanisms that will enhance the capacity development and overall effort in advancing country readiness in implementing and benefiting from AfCFTA.

Prior to addressing the objectives of the 7th Africa Think Tank Summit, the opening session was organized to welcome participants and set the stage to discuss critical issues affecting country readiness and the capacities required by key stakeholders to facilitate the implementation of the AfCFTA. A summary of the key issues discussed in the **Introductory Session** included the following:



Overcoming the challenges of COVID-19 and opportunities for socio-economic transformation

The COVID-19 which was declared a pandemic by the World Health Organisation (WHO) in March 2020 delayed the implementation of the AfCFTA from July 2019 to a new operational date of January 2021. The COVID-19 pandemic exacerbated development challenges among African countries and brought the global economy in turmoil. However, it will create opportunities for African countries to accelerate growth and diversify their economies. COVID-19 did not act as a wake-up call but a wake-up command to innovate and grow the African economies.

The AfCFTA therefore presents a huge opportunity for Africa's socio-economic transformation as it will create the largest free trade area since the formation of the World Trade Organisation in 1994 with 1.2 billion people and a combined GDP of US\$2.5 trillion. The AfCFTA will address the issue of Africa's intra-regional trade which is very low at about 15% between 2015 and 2017 compared to 67% in the European Union (EU), 61% in Asia and 47% in the Americas.

The AfCFTA is a game changer as its aim is to build a single market for goods and services to enable sustainable socio-economic development in Africa. It has the potential to transform African economies to boost intra-Africa trade and real wages for skilled and unskilled workers to enhance inclusive growth. The 7th Africa Think Tank Summit therefore contributed to assisting African countries to identify and address challenges to enable them to implement the AfCFTA to enhance growth post COVID-19 pandemic.

Assessing country readiness and enhancing preparedness

The 7th Africa Think Tank Summit was an opportunity to assess country readiness to implement the AfCFTA. African countries are in various stages of readiness to participate in the AfCFTA which will significantly reduce reliance on primary commodity trading, amongst other things, to enhance global income. However, there will be short-term adjustment costs from the public sector through fiscal losses and the private sector through changes in the labor and capital markets which may translate itself into revenue losses due to adjustment costs.

The recently launched AfCFTA Adjustment Facility by the African Import-Export Bank (Afreximbank) will provide short to medium term financing to vulnerable countries to reduce tariff revenue losses among member countries. It is also designed to support countries negatively affected by the AfCFTA to develop competitiveness, diversify production and to improve productive capacity.

Afreximbank has also disbursed over US\$20 billion in trade finance in support of African countries on key areas including infrastructure projects to enhance preparedness by reducing transport costs in the continent. There is a need to attract investment to lower transportation costs in road, rail, and air transport to increase readiness of countries and enhance preparedness for intra-African trade.

Identifying capacity constraints to be addressed

The 7th Africa Think Tank Summit provided an opportunity to identify capacity challenges to be addressed to accelerate the implementation of the AfCFTA. Addressing supply side constraints to set the continent on a major industrial drive and investing in new skills through training to respond to the labor market adjustments to diversify production from primary commodities improve productive capacity and competitiveness are critical to meet the AfCFTA's demands. For example, there are skills gaps in engineering, sciences, medical research, and infrastructure to enable value addition of primary commodities across the African continent. Bridging the financing gaps to increase infrastructure financing, and boost trade facilitation and information availability on trade opportunities are also important for the successful implementation of the AfCFTA.



With appropriate supply side responses, the continent will be put into a sound growth trajectory with ownership of the African development process resulting in the strengthening of regional value chains and closing the gap between actual and potential output to create a condition for global income convergence. The African continent has resources and a growing population hence the need to address supply side problems and non-tariff barriers to boost trade.

However, building the various capacities is a prerequisite for improving intra-African trade and Africa's global trade performance. It was noted that the Afreximbank has set up an Academy which is expected to be fully operational in 2021 to support skills development in trade and related areas. The Trade Policy Advisory Centre and the Afreximbank Academy will act as the Bank's core center for capacity building initiatives.

Need for a coordinated capacity development program to address priority capacity gaps

There is need to map critical capacity needs, create awareness, and develop skills to enhance the operationalization of the AfCFTA. Digital capacity, institutional and policy support, as well as financial and political support are also important for the success of the AfCFTA. This calls for the need for home grown solutions – hence think tanks and other stakeholders have a role to play.

ACBF already has a strategy in place to accelerate the AfCFTA but requires partnerships and coordination mechanisms to enhance capacity development in advancing country readiness in implementing the AfCFTA with priorities clearly identified for short, medium, and long-term capacity development actions.

Role of think tanks in supporting the implementation of the AfCFTA

Think tanks as drivers of change can focus on research in critical areas such as trade in goods and services, trade barriers, corruption, bureaucracy, and geopolitics of trade, intellectual property laws, competition policy and investment policy. The African think tanks, universities and knowledge institutions should anchor the process to proffer actionable recommendations for the success of the AfCFTA.

Generally, Africa has good strategies but lacks implementation capacity. Think tanks can therefore play a key role in supporting and building implementation capacity through research and policy-making to realize the full benefits from the AfCFTA. Think tanks can also provide a multi-stakeholder platform for various engagement between stakeholders.

However, think tanks have their own challenges which include financing from government which is often limited and staffing constraints. Furthermore, think tanks are grossly underfunded as they do not benefit from large endowment of counterparts in other developed countries. Their existence and independence are constantly at stake hence the need to ensure their sustainability and relevance given their importance in providing evidence-based advice, advocacy and capacity building to policy makers and other stakeholders.



2. Implications of the COVID-19 Pandemic for Making AfCFTA a Reality

The AfCFTA aims to promote trade in goods and services by allowing the free movement of persons and goods to expand economic integration as guided by the African Union Agenda 2063. However, COVID-19 has delayed the effective operationalization of the Agreement and the start of trading. This session focused on the implications of COVID-19 for the AfCFTA, the status of the implementation of AfCFTA by African countries, key stakeholders, and continental institutions, on-going initiatives and the efforts required to get the AfCFTA agenda back on track after the postponement of the trading date due to COVID-19. The Session was moderated by Prof Emmanuel Nnadozie; Executive Secretary, ACBF. The panelists were Dr. Hippolyte Fofack (Chief Economist and Director, Research & International Cooperation Department, Afreximbank); Mrs. Trudi Hartzenberg (Executive Director, TRALAC); Mr. Junien Roxan N’Zebiyoghe (Economiste, Expert en économie du Développement, CADERDT, Togo); Mrs. Eugenia Kayitesi (Executive Director, IPAR-Rwanda); and Mr. Michael Kottoh (Chief Strategist, Special Advisor, AfroChampions Initiative). Key contributions and inputs from the panel discussion and other participants are presented below.

Implications of COVID-19 and its impact on AfCFTA

Worst global downturn and contraction in global trade

The number of casualties caused by COVID-19 is estimated at 1.3 million globally and 47,000 across Africa as of November 2020.¹ COVID-19 led to a shift in positive global output to the worst global downturn on record resulting in global contraction of 4.4% in 2020 down from pre-COVID-19 global expansion forecast of 3.3%. Africa is set to register the first contraction in more than 25 years (see Box 1 for some examples of the potential impacts of COVID-19 on AfCFTA). Global trade is set to contract by almost 9.2% in 2020, worse than 2019 due to policy induced shocks such as trade wars, technological wars, and tariff escalations.

Box 1. COVID-19 and its implications for Africa’s trade dynamics, including AfCFTA

The economic recession triggered by the COVID-19 pandemic is hitting African countries hard, with most African countries facing their first recession in 25 years. GDP growth will likely decrease in 41 of the 54 countries in 2020, according to the IMF forecast (October 2020). By contrast, when the global financial crisis hit the continent in 2009, only 11 countries went into recession. The crisis has exposed Africa’s reliance on the global economy, especially regarding trade. In 2017, China, European Union (EU) countries and the United States accounted for 56% of Africa’s exports, with oil and oil products accounting for 38% of Africa’s export in 2017. There have been disruptions on imports of food and pharmaceuticals. While nearly two-thirds of African countries are net importers of basic foods, Africa imports around 90% of its pharmaceutical products from outside the continent (mostly from China, the EU and India).

The crisis has also led to postponing the implementation phase of the AfCFTA until January 2021. COVID-19 is likely to accelerate ongoing trends in global trade, with some intensification of the ongoing shift in international supply chains. Since 2010, international firms have been gradually using more local and regional inputs in their products. The volume of world merchandise trade has been steadily declining since the 2008-09 global financial crisis. Moreover, since 2012, the ‘erosion’ in globalisation (i.e., the reduction in the average length of supply chains since 2012) is 52 kilometres per year. The increased need for more resilient supply chains in the post-COVID-19 period, combined with the imperative of reducing the carbon footprint of production could result in the “regionalisation” of complex global value chains and disrupt global FDI flows. At least in the short term,

¹ As of 15 February 2021, the estimated number of casualties was 2,412,191 globally and 98,625 across Africa. See Worldometer. (2020). COVID-19 Coronavirus Pandemic. Available at: https://www.worldometers.info/coronavirus/?utm_campaign=homeAdvegas1?%22%20%5C%20%22countries (accessed on 15 February 2021)



the WTO predicts a trade fall of between 13% and 32%, while UNCTAD estimates a FDI contraction of 30% to 40% during 2020 and 2021.

Uncertainty could lead to higher trade costs. The OECD estimates that trade costs could rise between 6% and 9% across transport modes in the post-COVID-19 era. Trade restrictions could further increase global trade costs. During the first semester of 2020, 89 jurisdictions implemented 154 export controls on medical supplies, and 28 jurisdictions executed 40 export curbs on agricultural and food products. Effective implementation of the African Continental Free Trade Area (AfCFTA) agreement could strengthen regional value chains and build economic resilience against future crises. Intra-African trade is key for diversifying and for accumulating new capabilities, particularly for SMEs. African firms' exports to intra-African markets are 4.5 times more diversified than those to non-African markets.

Source: Presentation shared by Dr Arthur Minsat (Head of Unit for Africa and Middle East & Senior Economist, OECD Development Centre) at the 2020 Africa Think Tank Summit

Disruption in global, regional, and local supply chain

COVID-19 led to the disruption in global supply chain and African countries shifted from reliance on global supply chains to local and regional supply chains, thereby reversing a trade pattern which has been a major driver of globalization in the last few decades. Trade and value chains have slowed down, or even been brought to a halt because of reduced mobility of goods and people, reduced supply channel and reduced demand channel following COVID-19. Hence, going forward there is need to localize and regionalize the value chains in Africa for national and continental survival. African countries must adopt and build digital supply networks which are increasingly designed to anticipate disruptions and mitigate the impacts of pandemics such as COVID-19.

The COVID-19 pandemic triggered opportunities for industrialization

The urgency to accelerate industrialization and local production on the continent was triggered by the opportunities created by COVID-19 to respond to local and regional challenges for certain supplies. For example, local producers developed the capacity to produce products at a significant scale or products that were not produced before such as masks, sanitizers, and personal protective equipment. As global supply chains recover, local and regional suppliers may lose their market share again as imports recover, unless concerted efforts are made to reverse the historical imbalance in trade patterns. Hence, the AfCFTA provides an opportunity to convert some of these benefits of developing local capacity by continuing to produce locally and regionally to take advantage of the benefits of intra-Africa trade. Coming up with a framework for essential goods such as food and agricultural products, medicines, and household consumable goods by establishing some quotas for these goods within the AfCFTA is essential to ensure national and continental survival. The rules of origin for essential goods can be made more stringent compared to non-essential goods.

Status of the AfCFTA

On the status of the AfCFTA, out of 55-member countries of the African Union (AU), only Eritrea has not yet signed the agreement. Thirty-eight countries have complied with their domestic requirements for the ratification of the AfCFTA Agreement and 35 countries have deposited their instruments of ratification with the Chair of the African Union Commission (AUC). Figure 1 presents the status of ratification and signature for the implementation of the AfCFTA.



Figure 1. AfCFTA Ratification Barometer

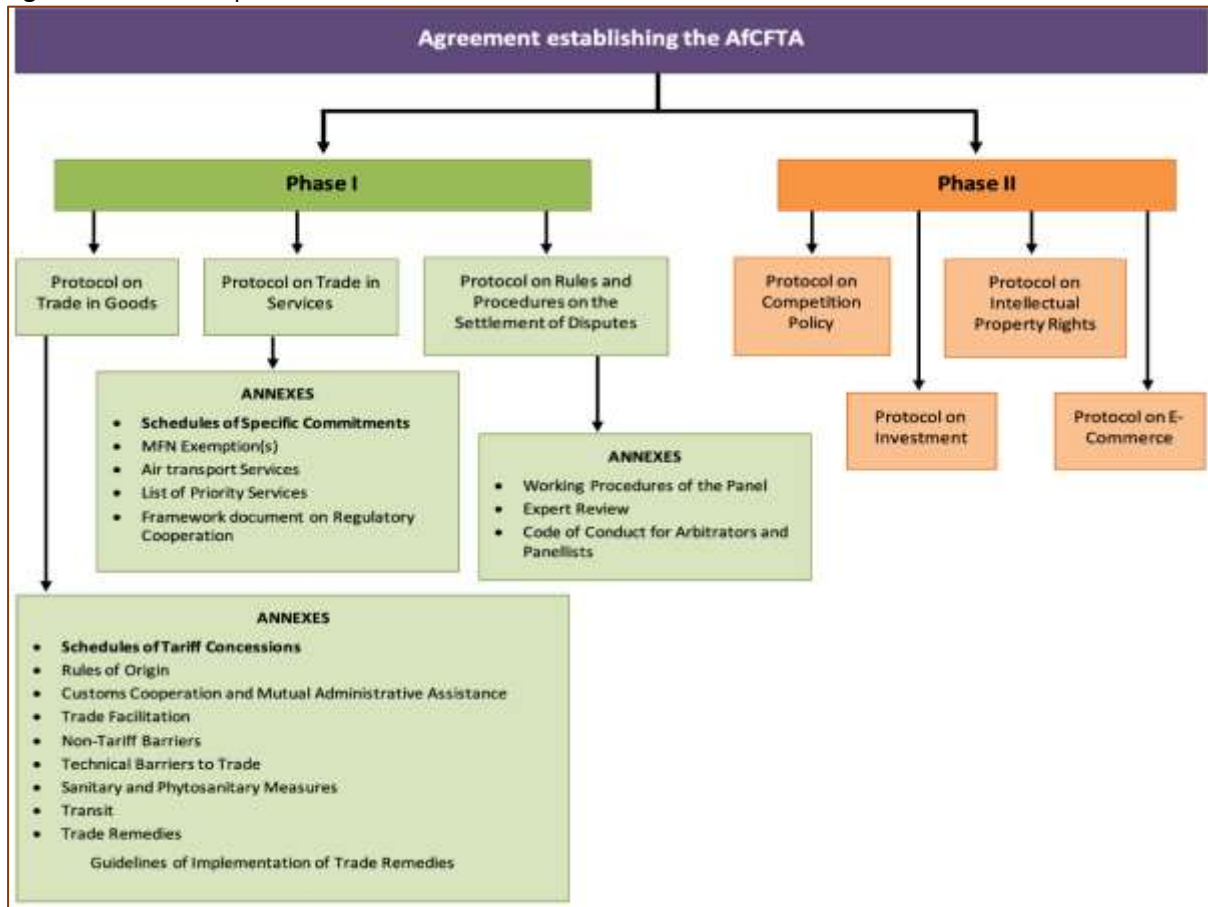


Source: Presentation shared by Mrs. Trudi Hartzenberg (Executive Director, TRALAC) at the 2020 Africa Think Tank Summit and updated from Tralac. (2020). Updated Status of AfCFTA Ratification as of 20 January 2020: Infographics. Available at (accessed on 25 January 2021)

The pandemic delayed the implementation of the AfCFTA. Phase I negotiations which include protocol on trade in goods, protocol on trade in services and protocol on rules and procedures on the settlement of disputes have been completed. Phase II negotiations are outstanding and include protocol on competition policy, protocol on investment, protocol on intellectual property rights and protocol on e-commerce. As a result of COVID-19, Phase II negotiations were shifted from July 2020 to January 2021 and negotiations have to be conducted through virtual platforms as opposed to the traditional roundtable discussions (see Figure 2 Phases and protocols of the AfCFTA).



Figure 2. Phases and protocols of the AfCFTA



Source: Presentation shared by Mrs. Trudi Hartzenberg (Executive Director, TRALAC) at the 2020 Africa Think Tank Summit

For example, in countries such as Togo, COVID-19 created delays in the implementation of the AfCFTA. Togo recorded a decline in government revenue as major expenditures was shifted towards fighting the pandemic resulting in huge budget deficit. COVID-19 negatively impacted SMEs in many African countries but in Togo a recovery fund boosted their capacities. The country has also boosted medical capacities through acquisition of ventilators and medicines to fight COVID-19.

On-going efforts to put the AfCFTA agenda back on track

Speeding up digitalization

The COVID-19 accelerated the transition towards digitalization. Box 2 shows the importance of digitalization on trade. Examples drawn from country cases shows that in the light of declining trade due to the COVID-19 pandemic, Rwanda put in place some initiatives to build capacity to use digital technology to enhance e-commerce. For example, declaration, assessment, and payment of duties as well as release and clearance of goods are conducted through a single window system (Rwanda electronic Single Window). Despite the key challenges of working at home, digital solutions are increasing being utilized, including the use of mobile money to ensure access to services required online. The automation of the customs clearance procedures remains a priority in Rwanda to reduce the spread of COVID-19. Guidelines have been published for traders on the Rwanda Trade Information Portal to enable them to clear goods digitally. COVID-19 therefore accelerated the use of digitalization such as e-payments systems.



Box 2. Digital transformation in Africa as an opportunity to strengthen exporters capacities but will require an enabling regulatory environment

Digital connectivity can enable Africa's entrepreneurs to grow and become more productive as there is a high impact of digitalisation on the performance of firms (productivity, sales, and new export opportunities) and on their access to longer-term financing. Empirical findings on more than 30 000 firms from 38 developing countries – including 9 countries in Africa – show that a 10% increase in e-mail use by firms raises their total annual sales by 37-38%, number of full-time workers by 12-14% and export opportunities by 150%.

Trade facilitation and competition measures remain critical to ensure African firms can participate in digitally enabled trade. Cross-border recognition of e-documents is essential. For instance, the East-African Community has reduced transit times and costs by fully operationalising the OSBPs (one-stop border posts) in all its member countries. However, regulatory harmonization needs to accelerate in certain areas such as licenses for e-commerce, online tax registration and declaration for non-resident firms, electronic authentication and payment, online dispute resolution, and intellectual property rights.

Source: Presentation shared by Dr Arthur Minsat (Head of Unit for Africa and Middle East & Senior Economist, OECD Development Centre) at the 2020 Africa Think Tank Summit

Pandemic Trade Mitigation Facility to avert a financial crisis

The Afreximbank provided US\$7 billion to assist central banks and monetary institutions in affected member states to meet trade payments that are due and to stabilize reserves. The Pandemic Trade Mitigation Facility is designed to manage the impact of the financial shocks caused by the pandemic to avert payment default and to ensure that the COVID-19 does not transform itself into a financial crisis. As of September 2020, about US\$6.7 billion has been approved, with US\$6 billion disbursed and an additional US\$1.7 billion by end of 2020 to boost intra-African trade.

An amount of US\$200 million has been mobilized to support local manufacturing to produce COVID-19 related products and pharmaceutical products in member countries to set the region on a long-term development path. The Afreximbank also assisted airlines and hotels so that they do not go into bankruptcy. Also, the issue of availing Pandemic Unemployment Payments (PUPs) is meant to contribute to facilitating payments for cross border traders. More than 3,100 people have been trained on trade finance and trade negotiations over the past 20 years through a collaboration of partners which included the Afreximbank and the African Capacity Building Foundation (ACBF).

The need for capacity building to put the AfCFTA back on track

The emerging challenges caused by COVID-19 can be mitigated if the AfCFTA is domesticated by the countries. However, there is need to identify the significant human and institutional capacity gaps to improve country readiness to support the effective implementation of the AfCFTA.



3. Exploring the Critical Determinants of Country Readiness in Implementing the AfCFTA

Besides COVID-19, the delay in operationalizing the AfCFTA is explained by the low level of readiness among member States. This Session explored the extent to which countries are ready for the commencement of trading under the AfCFTA in January 2021. Country readiness ensures that capacity needs for the effective implementation of the AfCFTA are understood and priorities defined based on the experiences of countries to improve readiness, drawing on existing good practices and lessons learned, including some of the sticky areas in terms of readiness, and gaps that still exist which could stall the process. The Session also reflected on the type of support needed by countries and priority areas to operationalize the AfCFTA. The Session was moderated by Prof Sylvain Boko, Senior Advisor to and representing H.E. Adeyemi Dipeolu; Special Adviser to the President on Economic Matters, Office of the Vice President of Nigeria who could not join because of an official engagement. Speakers were Dr Gibson Chigumira (Executive Director, ZEPARU, Zimbabwe); Mr. Abdoullah Alhadji Mahamat Allamine (Expert, CAMERCAP, Cameroon); Dr. Wumi Olayiwola (Senior Programme Officer, Economic Policy Analysis Unit, ECOWAS Commission); and Mr. Prudence Sebahizi (Chief Advisor of AfCFTA & Head of AfCFTA Negotiations Unit, AUC). The messages emanating from the panel discussion and inputs from other participants are provided below.

Country readiness, experiences and lessons learnt

Determinants of country readiness

Critical determinants of country readiness in implementing the AfCFTA need to consider issues that countries have to grapple with which includes:

- Customs and harmonization of trade rules: customs regulations; and harmonization of trade rules; regulations and customs procedure are essential to facilitate easy movement of goods and services.
- Trade enhancing infrastructure: for countries to be ready, they need to address the trade enhancing infrastructure deficits – e.g., upgrading of road and railway networks, information technology and communication backbone infrastructure.
- Upgrading or installation on new industrial infrastructure to promote production of value-added export products (e.g. oil refineries; fertilizer manufacturing plants; cocoa/cashew nuts processing plants; cotton ginneries/textile mills and other agro-processing plants) to manufacture high quality differentiated products.
- Upgrading of e-infrastructure: Critical for country readiness is the upgrading of e-infrastructure. Africa needs world class internet services to facilitate the development of the new digital economy, big data analytics, logistics and payment systems. Digital infrastructure is being built faster and has greater potential in boosting growth in trade in services.
- Building a culture of entrepreneurship: Africa needs to address in-country barriers to entrepreneurship as entrepreneurs are a key cog to drive innovation and the development of manufactured products to feed into the enlarged African market.
- Productivity and competitiveness: For countries to be ready there is need to improve productivity in Africa's key value chains – e.g., agroindustry and mineral value chains – by increasing manufacturing capacity and improving levels of competitiveness through adopting measures for enhancing productivity and competitiveness.
- Access to finance and foreign exchange constraints: African countries need to embark on adequate reforms to improve the business environment under the AfCFTA which includes measures to address the limited access to finance and credit facilities, and the scarcity of foreign exchange.



Table 1 presents some examples of basic indicators to consider, the processes involved and key considerations to improve country readiness to implement the AfCFTA

Table 1. Selected indicators, the processes involved and key considerations to improve country readiness

Basic Indicators	Processes	Key Considerations
Supranational Authority	Ceding some level of sovereignty on trade related matters to the AfCFTA Secretariat	+ Willingness to embrace the agreement and not considering it as an option of choice + Platform useful for balancing national interest and positions + Key requirements as building block and not stumbling block
Domestication	(a) Signing & ratification (b) Transformation (c) Incorporation (d) Legislation of provisions	+ Nature of the AfCFTA + Force of the AfCFTA provisions, legal system (monism versus pluralist) + Establishment and strengthening of relevant and supportive institutions for the advancement of the Agreement
Production, Value Chain and Supply Chain	+ Offensive and defensive position + Trade creation, trade diversion and trade deflection	+ Understanding of the AfCFTA provisions and requirements + Trade complementarity + Boosting Intra African Trade (BIAT) and continental value chain
Trade Policy Alignment	Framework for effective division of labor between the AUC, RECs, member states, regional mechanisms pursuant to Declaration (MYCM/DECL/1(I))	+ Address policy diversity in the spirit of subsidiarity + Close correspondence and programmatic gradualism + Presence of national implementation Strategy

Source: Presentation shared by Dr. Wumi K. Olayiwola (Principal Program Officer, Economic Policy Analysis Unit (EPAU), Macroeconomic Department, Ecowas Commission) at the 2020 Africa Think Tank Summit

Country experiences

Zimbabwe

In terms of progress in selected country case studies, Zimbabwe has developed a country strategy for AfCFTA in 2019 having signed and ratified the AfCFTA in cognizance of the immense potential envisaged in fully implementing the Agreement. On the supply side, the country exports primary commodities hence beneficiation and value addition of products is critical to increase production of exportable products. Enhancing trade facilitation through improving efficiency at the border and strengthening the business operating environment is all-important for the success of the AfCFTA. The country has human and institutional capacity gaps and empowering of the youth, women and SMEs is seen as critical. Competitiveness of the private sector is considered as the bedrock of the AfCFTA strategy hence the need to develop sector strategies in the value chain and proper coordination between the private sector and the public sector. Financing of long-term capital is also pivotal for Zimbabwe so is the capacity to drive e-commerce which includes use of e-government and cyber security for payment system. The Cyber Security Bill for Zimbabwe is currently under consideration.

Some of the priority capacities identified by Zimbabwe include enhancing the capacity of local firms to undertake research and development to develop competitive products that meet the changing taste and demand of the growing middle-income class in Africa; establishing regional warehouses and distribution centers to improve the road to markets; strengthening institutional capacity among trade



related agencies to design, implement, coordinate, monitor and evaluate trade related policies; and increasing the production capacities to be able to produce critical volumes of exports to meet the market demand. Stimulating and supporting policy research and analytical studies are therefore considered extremely important to inform the AfCFTA implementation process in Zimbabwe.

Cameroon and countries in CEMAC region

Cameroon, a member of the Central African Economic and Monetary Community (CEMAC) launched its National Development Plan 2020 – 2030 which considers the AfCFTA ratified by the country in 2019. Weak integration in CEMAC coupled with the impact of COVID-19 worsens capacity gaps already inherent in the region. In addition, the region has inadequate communication and airline routes as well as poor digital infrastructure which may affect the implementation of the AfCFTA. There are also other problems with poor dialogue between CEMAC member states and the private sector. Moreover, poor involvement of private sector in preparing standards has also been noted in the region. The business climate is not favorable in member states of the CEMAC and there is a recognition that local diversification is essential to improve the competitiveness of the countries.

Cameroon is working towards operationalizing its AfCFTA Strategy in close collaboration with the private sector. Some of the key actions include ensuring ownership of Agreement by the different national stakeholders through a strengthening of capacities of all actors in the international logistics chain; revising the legal and institutional framework, with the creation of an Agency for Export Promotion and Capacity Building; improving economic infrastructure and trade; reducing tariff and non-tariff barriers as well as all obstacles to trade. Other measures include streamlining controls on cross-border corridors, actively promoting cooperation focused on the harmonization of quality at the sub-regional and regional level; and promoting the production and processing of primary products, by encouraging innovative production capacities to have surpluses in export. Cameroon has also put as priority the development of cross-border and continental value chains; the development of trade with Nigeria and countries in the Economic Community of Central African States (ECCAS) to serve as springboard to more distant markets; and the establishment of a trade finance bank.

Countries in ECOWAS region

In the Economic Community of West African States (ECOWAS) region, 11 out of the 15 member countries including Nigeria ratified the AfCFTA. In terms of readiness, some countries have domesticated the AfCFTA. Trade facilitation is critical for the ECOWAS trading bloc. Some of the mechanisms and interventions put in place by ECOWAS to support AfCFTA include the development of Regional Schedules of Tariff Concessions taking into consideration level of ambition of 90% liberalization of tariffs, sensitive (7%) and exclusive (3%) to maintain commonality as a customs union in transition; the development of regional schedules of specific commitments for trade in services and regulatory frameworks; support for the development of coherent strategic implementation plans at national and regional levels and a reporting framework using coordination and monitoring mechanisms. Other measures include the use of institutional Framework as platform to facilitate and expedite the process of domestication of the AfCFTA provisions by Member States; support for the creation of regional value chains via West Africa Competitiveness Programme; and support to the implementation of WTO-TFA via Regional Committee on Trade Facilitation, Regional Customs Modernization Programme and Joint Border Post.

Key areas identified by the ECOWAS region to develop capacities include institutional capacity to address financial and structural bottlenecks. Other capacity challenges faced by ECOWAS countries include limited appropriate legal institutions, capabilities, and operational modalities for managing the AfCFTA provisions such as rules of origins, non-tariffs barriers, etc. There is also a limited capacity



to develop a Regional AfCFTA Consolidated Strategic Action Plan, Communication and Coordination Plan and Regional Trade Observatory aligned to AU Trade Observatory; and limited capacity to develop and operate Trade Information Portal and Business Information system.

Critical capacity issues and support needed by countries

Building and enhancing productive capacity

African countries face significant challenges to develop the productive capacity of the private sector through various industrialization strategies. Building productive capacity in key sectors will enhance value chains to boost intra-African trade which is very low at around 20% of Africa's trade. Some of the needs expressed by Zimbabwe are on building capacity and increasing capacity utilization in manufacturing firms and installing new manufacturing capacities to improve country readiness. For countries such as Cameroon, the expressed needs also focused on strengthening national capacities to ensure production, trade and competitiveness as well as offer local products. There is also a need to develop sector strategies in the value chain development. For example, Togo needs support in identifying and selecting a limited number of sectors and value chains with high added value, which will be prioritized within the framework of the AfCFTA. Beneficiation and value addition of products is therefore critical to increase production of exportable products. Establishing industrial parks in Africa to support product transformation with a multi-sectoral approach will strengthen and build forward and backward linkages in the supply chain in strategic sectors.

Building capacity to access finance

Zimbabwe expressed the need to finance industrial retooling to support post-COVID 19 industrial transformation. In addition, Togo identified the need to improve the planning and management system for public investments, calling for capacity building in the use of tools such as Public Private Partnerships (PPPs), particularly around strengthening the legal and institutional framework for PPPs. Financial inclusion integrated in continental and global value chains supported by strengthening technology will boost intra-African trade.

Building digital capacity

Zimbabwe identified the need to build adequate skills to drive e-commerce and e-business which should move in tandem with the rolling out of e-government and building the capacity in cyber security for payment system to support intra-African trade.

Building capacity for exports

Countries need support to address the capacity gaps on trading regimes; export procedures; establishing new markets; and meeting quality standards by SMEs as well as improving quality standards through capacitation of quality infrastructure-laboratories; certification and accreditation infrastructure. Countries must also be ready to develop framework and modalities for the alignment of all operational trade measures to the AfCFTA to boost export capacity.

Building and strengthening institutions as well as improving coordination arrangements

Building appropriate institutions responsible for AfCFTA such as the national AfCFTA committee to work towards implementation of the AfCFTA is a key priority. Enhancing the capacities of institutions dealing with trade facilitation measures and trade information sharing with the business community will boost trade performance and increase intra-African trade. Togo also identified other areas requiring support including strengthening the capacities of private sector actors in terms of economic intelligence and information monitoring; and building the capacities of national statistical system for better monitoring of sectoral and trade policies. To ensure that the AfCFTA realizes some benefits, countries must ratify the agreement, domesticate it, undertake requisite national reforms, and finalize



AfCFTA negotiations. The African Union Commission has put in place coordination mechanisms that enhances trade between African countries. For example, the non-tariff barriers reporting mechanism is now available online and is accessible to anyone in the AfCFTA and the mobile AfCFTA platform and a repository of trade information are key instruments to allow countries to trade under the AfCFTA in January 2021. Cameroon expressed the need for capacity development to ensure the development of physical infrastructure (transport, airport, seaport, and digital) and the required policies and strategies. See Box 3 on the importance of addressing non-tariff barriers to ensure the successful implementation of the AfCFTA.

Box 3. Tackling non-tariff barriers for the success of the AfCFTA

Prior to COVID-19, Africa’s regional markets were growing fast, with demand for processed goods expanding 1.5 times faster than the global average. However, currently, African firms are losing out to new competitors both at home and in emerging markets. Looking at the domestic markets, only 15% of African exports go to other African countries, while intra-regional trade is at 58% in Asia and 67% in Europe. Moreover, between 2009 and 2016, African exports of consumption goods to African markets decreased from US\$12.9 billion to 11.8 billion. At the same time, imports of consumption goods from the rest of the world grew from US\$11.2 billion to US\$19.0 billion. With respect to international markets, African exporters only accounted for 0.3% of the increase in China’s consumption imports, compared to 12.0% from ASEAN countries and 5.1% from Latin America and the Caribbean.

Regional policies can enhance firms’ ability to export to regional, continental but also global markets. In the short term, reducing administrative procedures and promoting the development of logistic services can facilitate market access and help firms respond better to market changes. In the medium term, improving regional infrastructure, particularly in energy transmission and generation, roads, ports, and payment systems can reduce costs for firms and boost trade and economic growth across the continent.

Source: Presentation shared by Dr Arthur Minsat (Head of Unit for Africa and Middle East & Senior Economist, OECD Development Centre) at the 2020 Africa Think Tank Summit

Multi-stakeholder platforms

Proper coordination is needed between the private sector and the public sector through a multi-stakeholder platform to address a range of implementation issues and challenges to maximize the benefits of participating in the AfCFTA. Building capacity for the sensitization of stakeholders for them to understand the rules of the game will facilitate the implementation of the AfCFTA.



4. Identifying Key Capacity Issues facing the Implementation of the AfCFTA at the Continental and Country levels (Perspectives from Government, Private Sector and CSO)

African countries are searching for effective approaches to facilitate the implementation of the AfCFTA. Some of the key issues usually identified as compromising the effective and successful implementation of the AfCFTA include inadequate or lack of country capacity development strategy, inadequate implementation capacity of the private sector due to low level of engagement, inadequate trade facilitation, low capacity for implementation, etc. State and non-state actors such as private sector, civil society, media, and development partners therefore have a critical role to play in supporting and/or complementing the efforts of policymakers. This Session focuses on the capacity challenges faced by governments in implementing the AfCFTA, the key capacity challenges identified by the private sector and civil society organizations (CSOs) and their priority capacity needs. The Session was moderated by H.E. Mr. Erastus Mwencha; Chair, Executive Board, ACBF. Speakers included Mrs. Winnie Ngumi (Managing Director and CEO, Space and Style, Kenya); Dr. Yao Graham (Coordinator, Third World Network – Africa, Ghana); Prof. Alban Ahoure (Director, CAPEC, Côte d'Ivoire); and Dr Philani Mthembu (Executive Director at the Institute for Global Dialogue, South Africa). Key contributions and inputs from the panel discussion and other participants are presented below.

Capacity challenges faced by governments and capacity needs

Example of Côte d'Ivoire

Some of the key capacity challenges faced by governments are the *limited commercial supply*. For trade liberalization to bear fruit, most African countries must overcome trade supply-side constraints. These supply-side constraints include weak infrastructure, long and cumbersome customs border procedures, and landlocked states. The other challenges to be addressed include the inadequate level of information shared with stakeholders about the AfCFTA; weak institutional and regulatory mechanism for promoting trade; inadequate reference framework for policies to promote national competitiveness; high transaction costs associated with trade and trade facilitation; non-conducive business environment; and inadequate promotion of the participation of women and the informal sector in cross-border trade.

The immediate capacity needs expressed by Côte d'Ivoire are building capacities, through a study, to understand the impact of the AfCFTA on economic sectors in Côte d'Ivoire to identify sectors that are fragile and likely to be negatively affected by their low competitiveness to put in place support strategies. Other areas of interest include assessing the effects of non-tariff barriers on the competitiveness to identify the costs and benefits of removing them. The other needs include identifying structural reforms that could increase efficiency in sectors where Côte d'Ivoire has comparative advantages (agriculture, for example) and define a framework for the effective implementation of these reforms; and strengthening the collection, processing, and dissemination of statistics on foreign trade.

Example of Zambia

In Zambia, some of the capacity challenges faced by the government are on trade facilitation at borders (streamlining processes, increasing efficiency); and building the capacities of institutions such as Bureau of Standards to ensure standards within the country and standards of products coming from other countries are compliant in terms of quality, weight, substances, labels, safety etc. Moreover, there are challenges on building capacity in the Competition Commission to ensure countries do not



start anti-competitive practices while implementing private sector development reforms to ease doing business for private sector (e.g., ease of formalizing business and getting permits for various needs, energy needs, regulatory frameworks should be easy, taxes etc.). In addition, Zambia also faced challenges in the following areas ; they include increasing manufacturing base to increase exportable products; access to information related to trade particularly from Zambia's negotiating partners such as domestic laws, regulatory restrictions, and the Agreements that those partners have, which will give institutions good insight of the trade policy of their trading partners; understanding and trade negotiating skills which would then enable the country to look at their interests in all negotiated texts, and agreements; and allocating financial resources to undertake market intelligence, undertake research, and participate in negotiations.

Capacity challenges and development priorities for private sector

Using Kenya as example, the private sector is known to be a regular participant on international trade issues, including the AfCFTA. It is important to ensure that all information portals are available with adequate information on trade in goods and services for businesses to know of the existing opportunities. This includes issues on registration, availability of opportunities, rules of origin, standards, currency information, how to trade and available products.

There are several ways through which business can be capacitated to enhance their participation in exploiting the opportunities from the AfCFTA and to encourage export orientation. Currently most businesses mainly think of ease of imports within the context of AfCFTA as they are mainly import oriented.

Dialogue, networking, and consensus capacity building are needed by involving the private sector, but the level and frequency of dialogue does not exist at the moment. There is a need to build capacity for business membership organizations in the continent to strengthen relationships across borders to identify networking opportunities for members.

Physical infrastructure provision is critical to remove the compliance bottlenecks for the private sector. Poor infrastructure remains one of the key features of domestic economies which pose challenges to the country's implementation capacity. Key interventions are required to enhance productivity, competitiveness and facilitate trade in the context of AfCFTA. Adequate infrastructure including land transportation and rail, adequate and reliable power supply, and physical and trade infrastructure including ports will assist in reducing transactions costs considerably and easing compliance.

Although infrastructure performance has improved significantly over the years, much remains to be done in Africa to support the private sector. Indeed, continuous improvement in the quality of Africa's infrastructure is critical for the success of the AfCFTA. Moreover, the lack of proper communication channels among African countries can be a serious bottleneck to the AfCFTA. Getting from one country to another is not often easy and must be addressed to increase intra-African trade. Some regional economic communities have already made progress in this area by creating roads to link the various capitals: for example, in West Africa with the almost completed 4,500 km West-Trans-African coastal highway connecting Nouakchott (Mauritania) to Lagos (Nigeria) and railways such as the one linking Addis Ababa (Ethiopia) to Djibouti (Djibouti) in East Africa. But much remains to be done in terms of roads, railways, and flights. Even electronic communications and access to the internet and telephone, which are important tools for remote transactions, remain at prohibitive prices in some countries, such as those in CEMAC. In addition, the quality of the internet connection is also problematic, just as much as the production and distribution of electricity.



Governments should prioritize the development of manufacturing and value addition in-country strategies with the necessary incentives to encourage policy uptake to ensure that there is local capacity to participate in the AfCFTA. African countries need to address the challenge of scaling up manufacturing as it remains a strategic sector in economic transformation, productivity, competitiveness, and innovation. Some of the key continental initiatives are to be cascaded down to country level; they are the implementation of the African Small and Medium Enterprises Strategy; promotion of start-ups, development of Pan-African fashion industry; development of the African pharmaceutical industry; development of continental automotive value chains as well as development of agro-processing.

Capacity challenges and development priorities for civil society

From the civil society perspective, it is important to pay attention to specific issues. Among the key challenges is lack of knowledge on the AfCFTA, which justifies the need for more research, dissemination, and outreach activities. Currently, there has been limited attention given to the challenges including the disruptive effects which a big project such as the AfCFTA is going to have in the different countries. There is, therefore, a need to ensure that there is a good understanding of all the dimensions of the AfCFTA.

There are several challenges, which are (i) knowledge-resources for undertaking research, dissemination, and outreach, (ii) absence of platforms to facilitate interactions between state and non-state actors on the AfCFTA agenda including continuous engagement with civil society organizations on the issues on the AfCFTA and (iii) capacity challenges from CSOs. In terms of the necessary steps, these can be split into the following areas:

- (i) There is need to build the capacity to understand what is going on with respect to the AfCFTA.
- (ii) The productive capacity of industry and creating the framework for trade as well as building the capacity of institutions to ensure policy coherence from trade to industrialization.
- (iii) Support the capacity of the media to unpack the issues; It is important to build the capacity of the media on the AfCFTA to ensure that the media plays an informed participatory role.
- (iv) Bring together a broad range of actors, from think tanks, labor unions and associations of private sector to share perspectives. Inclusivity of the AfCFTA is very critical as there are a number of stakeholders in the countries that can be easily left out.
- (v) Help society understand the process of transformation that the AfCFTA offers.

Digital capacity needs for stakeholders

Some other important issues were raised relating to digital capacity which are cross-cutting as it affects government, private sector, and civil society. Digital infrastructure bottlenecks have to be addressed for meaningful participation in the AfCFTA. There is currently a gap on the digital space, making it important to explore the mechanisms of making sure that all stakeholders including SMEs are digitally ready. It is important to ensure that Africa is not just a consumer of digital technologies but should also use them as a solution. Measures are needed to ensure that there are African firms within the technology space rather than having multinational corporations (MNCs) dominating.



Priority interventions to speed up AfCFTA implementation

Key interventions needed to speed up the AfCFTA implementation include:

Managing competition within the AfCFTA is a challenge which needs to be prepared for. Competitiveness of business must be improved; that is ability to improve business climate, addressing the challenges in obtaining construction permits, protection of minority investors, electricity access, transaction costs, as well as identification of sectors that are ready to respond and those that can suffer as a result of this opening up under the AfCFTA.

Setting up national champions to compete including setting up the necessary infrastructure to improve the functioning of the product market. The flexibility of the labor market needs to be looked at by removing some of the regulations linked to the labor market.

Investing in strategic communication in the short term to identify weak sectors and the effect of non-tariff barriers (NTBs) which can be drawbacks. There is also a need to protect those that are going to lose out from the AfCFTA process.

Institutional capacity strengthening, to ensure that the AfCFTA can benefit local firms within the context of the other RECs.

Addressing infrastructure bottlenecks for meaningful participation in the AfCFTA. To ensure that the AfCFTA is a success, there is need to improve trade-related infrastructure and address non-tariff barriers to intra-African trade, including inefficient customs practices.

Addressing the vulnerabilities in global supply chain affecting Africa. This arises from the need to import some critical raw materials, including those that can be manufactured locally quite easily. However, each of the RECs has a plan in place on infrastructure, manufacturing and beneficiation which can be leveraged for regional value chains. Regional value chains are important, and this should be done under the AfCFTA. Support measures for value chains are therefore important at the AU level rather than at individual level.



5. Building the Capacity of Frontline State Actors and Institutions to Effectively Drive the Implementation of the AfCFTA

The success of the AfCFTA and its effective implementation depends on frontline institutions at the continental and regional levels and capacities of frontline institutions and state actors in member states. The discussion focused on the priority capacity needs of frontline state actors and institutions and the type of support needed highlighting the role of key institutions at the continental and regional levels and capacities required by member states.

The session was moderated by Dr. Emmanuel Akwetey, who is the Executive Director of IDEG, Ghana. Speakers included Ms. Beatrice Chaytor (Senior Expert - Trade in Services - CFTA Support Unit, AUC); Prof. Abdoulaye Diagne (Director, CRES, Senegal); Dr. Deo Ngendakumana (Director, IDEC, Burundi); Mr. Cheikh Baye Beddy (Deputy Director, CMAP, Mauritania); Dr. Thomas Munthali (Director General, National Planning Commission, Malawi) and Prof. Mike Obadan (University of Benin, Nigeria). Critical questions which the panelists addressed include issues on how prepared the continent is, the capacity challenges of the continental and regional institutions, member states and possible mechanisms to accelerate the implementation of the AfCFTA. Key contributions and inputs from the panel discussions and other participants are presented below.

Key Institutions and Actors in the African Union

The African Union Commission (AUC)

The AUC mandate focuses on developing continental legal and policy frameworks, associated medium term plans, and strategies. As well as developing continental trade programs and strategies, the new Directorate of Economic Development, Trade, Industry and Mining (following the merger with the Department of Economic Affairs) will also have to facilitate the conclusion of Phase I (goods and services), Phase II (intellectual property rights, investment, and competition) and Phase III (electronic commerce and digital trade) of the AfCFTA negotiations.

The African Trade Observatory

The African Trade Observatory located within new Directorate of Economic Development, Trade, Industry and Mining, is established to act as a trade information bank. Trade and trade related data in Africa is vital for evidence-based policy and decision making by governments, business community and other stakeholders on the opportunities for intra-African trade. The Observatory will perform the following functions: (1) collecting data from Member States and other sources, relating to intra-African exports and imports, rules of origin, tariff levels and structures, non-tariff barriers, trade regulations and technical standards; (2) establishing a database for intra-African trade; and (3) analysing trade data, publishing, and disseminating information on intra-African trade.

The AfCFTA Secretariat

The AfCFTA Secretariat is the main institution responsible for overseeing the implementation of the Agreement, including its three Protocols and nine Annexes. The AfCFTA Secretariat will convene all the statutory meetings of the institutions and bodies established under the Agreement.

Priority Capacity Building Needs of Key AU Institutions

There will be a need for building human resource capacity at AUC and the AfCFTA Secretariat to mirror the technical issues contained in the Agreement e.g., agriculture, fisheries, Sanitary & Phytosanitary



Measures (SPS), technical barriers to trade, services, customs, trade facilitation, etc. This will require technical assistance, research, and knowledge generation to develop specialist critical technical skills on thematic issues under the AfCFTA and soft skills as the AUC continues to facilitate the Phase I, Phase II, and Phase III negotiations whilst the AfCFTA Secretariat oversees the implementation of the Agreement. For the African Trade Observatory to be fully functional and effective, it will have to be supported through human and technical resources to enable it to be sustainable in the long term.

Building capacity for dialogue, networking and consensus building will be required given key milestones for AfCFTA negotiations and the need for significant coordination and collaboration. For the AUC, coordination with other Departments in the AUC will be critical such as Political Affairs, which deals with the AU Protocol on Free Movement and Gender Directorate which covers gender mainstreaming. Coordination between the AUC Directorate of Economic Development, Trade, Industry and Mining and the AfCFTA Secretariat is imperative to avoid duplication and inefficiency. Building capacity for monitoring and evaluation (M&E) is also required at two different levels: for the specific projects and programs developed by the AUC Directorate of Economic Development, Trade, Industry and Mining and for regulatory compliance with the AfCFTA Agreement. With the volume of the national regulations, practices and laws required to comply with the Agreement, critical technical skills will be required in M&E.

Regional and State Institutions and Actors

The AfCFTA is expected to be a multi-stage implementation process which straddles both the short-, medium- and long term and requires capacity building to support regional and state institutions and actors given the different stakeholders involved. This includes Regional Economic Communities (for interventions at regional level and to support to countries). Capacity building and strengthening of the key institutions is required for effective implementation of the programs, strategies, and policies of AfCFTA.

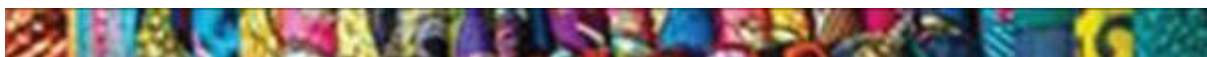
Regional Institutions and Actors

In the context of AfCFTA, it is important to note that the existing Regional Economic Communities (RECs) have existed for some time on the continent. There are currently eight (8) RECs officially recognized by the African Union and majority of countries had experiences within one REC or more and have engaged with trade and integration issues. However, significant trade capacity deficits still exist in the RECs.

In West Africa, the experience in establishing a common external tariff under the West African Economic and Monetary Union (WAEMU) and ECOWAS as well as the negotiations under the ECOWAS Commission shows that capacity was gradually built up, which is a good starting point within the AfCFTA. The experience also highlights the need to have adequate knowledge and database on a whole series of issues to do with international trade and regional integration. Compensation mechanisms are needed, as some countries will suffer from the opening of trade under the AfCFTA, hence the need to put in place mechanisms adjust for those losses. The need for identifying the different skills to be enhanced in each country to ensure that the trade benefits are enjoyed when the AfCFTA kicks off was also mentioned.

National Institutions and Actors

Public institutions involved in the AfCFTA are core government departments, agencies and corporations such as Ministries of Trade/Commerce (guiding national interventions), Customs



Administrations (ensuring trade facilitation, consumer protection and border security), Investment, Industry, Finance, National Planning and Foreign Affairs, and other institutions such as Competition Commissions responsible for competition policy monitoring competition, Standard Bureaus for regulating trading standards and other specialist institutions dealing with intellectual property rights and addressing disputes. The state actors include policy makers, government officials or representatives from government and its agencies in relation to AfCFTA.

Experience in Burundi

Countries experiences were also shared during the Session, with the example of Burundi, although it was pointed out that the country has not yet ratified the AfCFTA. The country signed the Agreement during the AU summit in 2019 but after a Draft Ratification had been prepared, it was returned for clarification on compensation mechanisms, as there was a feeling that there would be loss of customs revenue in implementing the AfCFTA. Burundi felt that the renunciation of custom duties would be about US\$1.5 million per month, which is quite significant in terms of government expenditure. The Council of Ministers therefore felt that there was more work to be done, especially within the national and regional strategies to counter the effects on the AfCFTA, hence the decision not to ratify the agreement. Based on these lessons there are some emergent needs to be addressed for the AfCFTA to work well, and this includes having an Adjustment Facility to compensate for revenue losses, modalities for liberalization of services and the different tariff lines, given that least developed countries (LDCs) had been given up to 10 years to liberalize. The concern is that this reprieve has been taken away. In addition, there is need to emphasize on public-private partnerships and the digital needs to ensure that there is adequate preparation for the AfCFTA.

Experience in Mauritania

The Session also draws lessons from Mauritania, which has already ratified and adopted the National Strategy for the implementation of the AfCFTA. However, the main challenge is that the economy is not very diversified, relying mainly on two products, namely iron ore, and fish. The poor industrial fabric makes it difficult to have significant trade going on. The population is also small, while the transport infrastructure, and the communication network are not in good condition. Moreover, the human resource base is not very specialized, and specialized training centers are not available. It is quite apparent that Mauritania needs to improve in these areas. More information from partners would also help if the country were to benefit from the AfCFTA.

Experience in Malawi

The first step taken by Malawi was to undertake analytical studies to understand the country's trade position with the rest of Africa to determine the exclusion list of goods and services in the initial years as local competitiveness is being built. The study revealed that while Malawi imports from 34 of the 55 African countries, the single largest source of imports is South Africa accounting for 61% of Malawi's total imports from Africa. The study also revealed the projected fall in annual collected total tax revenue under different scenarios (full liberalisation for South Africa and AfCFTA liberalisation) which provided the basis for the approach to be adopted. Malawi has initiated development of a local strategy which includes initiation of economic reforms to increase trade competitiveness focusing on a review of trade policies, laws, and regulations to guide her participation in the AfCFTA to optimize on its benefits. The strategy involves an extensive consultation by the trade Ministry to determine which strategic goods/services should be subject to import and export controls.



Based on the analytical studies, certain capacities were identified as priorities to guide Malawi's effective participation in ACFTA:

- Capacity to increase regional infrastructural connectiveness such as ICT, transport network and energy.
- Trade facilitation capacity building support to reduce costs of trading across borders to ease flow of goods and services and people (non-tariff barriers) – one passport, one-stop border posts.
- Due to market imperfections, revenue lost by government will not necessarily translate into low prices on imported goods for consumers. Accordingly, AfCFTA trade liberalization should be accompanied by capacitating Government to effect broader economic reforms to remove market distortions (cartels, price collusion, etc.) and increase competition.
- Capacity for Government to undertake trade competitiveness reforms.

Experience in Nigeria

Another country experience shared was that of Nigeria. The country was dealing with some domestic realities, having recovered from a recession in 2017 while price of oil remains volatile, resulting in serious revenue and foreign currency constraints. The country has challenges in exporting non-oil goods. Key state actors identified include policy makers, government officials and relevant Ministries include Trade/Commerce and Investment, Industry, Finance, National Planning and Foreign Affairs. The State officials and institutions need training if the country is to benefit from the AfCFTA. In general, there are four areas of capacity that is required for effective exploitation of opportunities from the AfCFTA: production capacity; trade infrastructure; enabling trade environment; and trade policy enforcement. Several capacity gaps were identified and need to be addressed for effective benefits from the AfCFTA. These include:

- (i) Capacity to understand and appreciate the AfCFTA Agreement, rules and mechanisms that will guide its operations;
- (ii) Enhance negotiation capacity to ensure that their concerns addressed;
- (iii) Trade formulation and implementation capacity needs to be enhanced; and
- (iv) Support to state actors to perform their roles is needed which includes financial, technical skills and technical assistance to set up platforms, as well as human rights issues related to labor rights.

Priority Capacity Needs of Member States

With respect to capacity gaps, several areas were mentioned, including the following:

Human capacity needs. Strengthening skills for relevant government officials – technical capability is required for appreciating the various elements of the AfCFTA Agreement, understanding the protocols and their implementation, and dealing with issues arising from the AfCFTA. Building critical technical and sector-specific skills is essential for formulating and implementing trade-related public policies and to deal with other areas such as phytosanitary measures, tariff barriers and non-tariff barriers, among others. Capacity can be built practically through attachments, training, secondments, and intra-country exchange programs. Capacity building should also extend to building research capacity for investigating emerging issues which could serve as stumbling blocks.

Institutional capacity needs. Strengthen institutional capacity of trade-related public institutions and other relevant government departments is required in policy making, research, statistics, and monitoring and evaluation to assess the impacts of the implementation of AfCFTA on the economy, certain sectors, and particular socio-economic groups. There is need to upscale institutional capacity



building to support programs for competitiveness development, export readiness and value chain compliance for SMEs focusing on AfCFTA and developed markets.

Trade competitiveness reforms focusing on the review of relevant trade-related policies, improvements in doing business environment and continuous analytical assessments on competitiveness and areas for improvement. For example, Malawi plans to do further analytical studies focusing on Malawi's offensive interests in potential AfCFTA markets beyond South Africa.

Trade facilitation capacity. The AfCFTA Agreement acknowledges the significance of trade facilitation and enjoins state parties to take appropriate measures in accordance with the provisions of Annex 4 on Trade Facilitation. Even when the right goods are produced for trade, exporters and importers tend to experience serious challenges which increase transactions costs and reduce competitiveness due to low trade facilitation on the continent. For example, customs efficiency and trade-related infrastructure remains a major challenge to increase intra-African trade. Therefore, trade facilitation capacity needs to be enhanced to ensure that export and import procedures and processes are harmonised to ensure the smooth movement of goods and services. Trade facilitation should enable trade to move across borders faster and cheaply when issues such as poor transport infrastructure, high transport costs, cumbersome customs procedures and weak payments and insurance systems, among others are effectively addressed.

Knowledge and information generation capacity needs to be strengthened to ensure that all stakeholders are fully informed and prepared. This includes undertaking studies on all thematic areas of the AfCFTA. Involvement of the academic constituency is needed as there are huge research and capacity needs that will emerge that would need to be fed into the academic curricula. Trade and trade related data and information needs to be available for evidence-based policy-making to improve trade performance. Knowledge will be required for trade policy formulation, especially, the development of AfCFTA National Strategies, as well as trade and trade related issues.

Dialogue, networking, and consensus building capacity needs to ensure that the partnerships needed for implementing the AfCFTA and to appreciate the benefits and challenges associated with the AfCFTA implementation, AfCFTA objectives, rules, and mechanisms. As the Agreement covers trade in goods, trade in services, investment, intellectual property rights and competition policy, there will be several rounds of negotiations for some of these issues, especially, investment, intellectual property rights and competition policy earmarked for Phase II negotiations. Gradual liberalization of trade in goods and services is also based on successive rounds of negotiations. Negotiation is an activity which requires strong skills in networking and consensus building to engage in it effectively. Capacity development/enhancement of state actors for negotiation is thus imperative.

Coordination and collaboration capacity needs given that there are a number of other departments and institutions working on the AfCFTA issues, there is a need for coordination of efforts among all the stakeholders.

Monitoring and evaluation capacity as a mechanism to monitor the various activities and check gaps in the implementation of the AfCFTA agreement and to ensure that the objectives are met.



Country Capacity Needs Assessment

Whilst it is important to have a national AfCFTA strategy and implementation plans, progress cannot be made without a capacity needs assessment and the development of an action plan to build the required number of quality technical and leadership skills and institutional capacity to strengthen the relevant government departments. Individual country capacity needs assessment is evidence-based as needs differ from country to country. Country capacity needs assessment is important to identify priorities of key institutions and state actors in the different countries and to prepare a customized and targeted response based on the needs identified for specific economies. The findings from country capacity needs assessments provide the basis to develop capacity development action plans which could enable different countries to identify the nature of the assistance required given their contextual priorities for the effective implementation and operationalization of the AfCFTA Agreement.

Need for a Capacity Development Plan on the AfCFTA

The Session equally re-emphasized that the capacity building role of ACBF is more important now under the AfCFTA than ever before. However, ACBF has been underutilized greatly given the experience it has. Within the context of the AfCFTA, there is need for analytical studies on benefits of the AfCFTA for each country, for example, in Malawi such a study has already been done which identifies the products which Malawi should put on the exclusion list based on wins and losses. There is need to develop a Capacity Development Plan on the AfCFTA for the whole region first, and then a country-by-country plan would follow later. However, RECs need to be supported on interconnectivity to ensure that ICT, transport, etc. are not a setback, including issues to do with the ease of migration.



6. Building the Capacity of SMEs as a Driving Force for Success in the Implementation of the AfCFTA

The COVID-19 pandemic has led to reduced economic activity by SMEs which has increased income losses, lowered disposable income for consumers either as employers or employees of SMEs. Given the significant role of SMEs as the main source of economic growth in Africa and in the implementation of AfCFTA, there is need to ensure that the institutional, human, and transformative leadership capacities are built. The discussion focused on the capacities needed to strengthen SMEs and the strategies required to ensure that SMEs play an effective role as the driving force for the successful implementation of the AfCFTA.

The Session was moderated by Mr. Aliou Faye (Executive Director, CEPOD, Senegal). Speakers included Mr. Jonas A. Daou (Member of the Executive Board, ACBF); Ms. Michelle Chivunga (CEO, Investor-Global Policy House & Member of African Union Taskforce on Digital Trade and Transformation for Africa); and Dr. Joy Kategekwa (Strategic Advisor, Regional Bureau Africa, United Nations Development Programme (UNDP)). Key contributions and inputs from the panel discussion and other participants are presented below.

Impact of COVID-19 on SMEs

The AfCFTA is an important instrument needed to ensure the sovereign economic emergence of Africa, but it is also a powerful means of building post-COVID resilience. The COVID-19 resulted in US\$200 billion in lost income and US\$500 billion in lost export earnings. About three quarters of SMEs are at risk of survival especially those operating in the informal sector. Hence there is need for Africa to invest in the production of goods and services to support and equip youth, women, micro and SMEs especially through access to finance to ensure the success of the AfCFTA. This can be done through tapping into the financing platforms in Africa. Africans have no choice but to trade among themselves to support and develop their economies while ensuring their resilience during these challenging times of COVID.

Capacity needs and strengthening of SMEs to contribute to the implementation of the AfCFTA

SMEs can play a catalytic role, but there is need for strong and concerted actions around capacity building, organization, and support, considering the specificities of Africa's SMEs. These are mainly characterized by the fact that they are operating in the informal sector; and located in isolated areas with difficulties in accessing financing, technology, and equipment.

SMEs have significant capacity gaps to respond to the opportunities created by the AfCFTA which requires to be addressed in terms of institutional strengthening and skills development in key areas such as trade facilitation, emerging technology education, implementation strategy development cybersecurity, blockchain, Artificial intelligence (AI), digital trade, and digital transformation. There is also a need for capacity building of SMEs about the issues of rights, scale ups, and other opportunities that are going to arise because of the AfCFTA. However, as the AfCFTA comes into play it is important to take note of several critical issues:

(i) Measures to be undertaken to implement the AfCFTA should not exclude existing traders at the expense of MNCs to the detriment of the local firms and small-scale players. Significant volume of trade is already taking place within the continent by small scale players, including at informal sector level. Trade statistics generally underestimates the value of trade taking place at the informal basis. The beneficiaries of the AfCFTA should therefore include the existing traders as well.



(ii) Capacity building should be biased towards the existing local and small-scale traders to ensure that they are not left behind and to ensure that the existing traders become more resilient at regional and continental level.

(iii) Capacity building of SMEs can be enhanced mainly in partnerships with other institutions. For instance, capacity building is needed in critical areas such as reporting and monitoring of non-tariff barriers, training on hazard analysis and critical control points (HACCP), packaging, how to develop bankable project proposals, resource mobilization and digital technology for e-commerce.

Strengthening the capacities of SMEs to support the implementation of the AfCFTA requires packaging appropriate interventions to deal with specific challenges of SMEs and to address the capacity gaps (see Box 4).

Box 4. Support to SMEs for the successful implementation of AfCFTA

One of the important areas requiring particular attention is to develop a simple model easily applicable to the context of African countries to make the AfCFTA work, starting from a mechanism of local exchange. The AfCFTA should be based on a model of domestication within countries using several criteria which could possibly be linked to quantities, types of products, and levels of processing. This approach promotes a gradual co-construction of national and continental exchange centers and partnerships. Digitization will be a success factor in this approach.

A second area is to support SMEs to get into a value chain dynamic. The idea is to boost the production of materials but also to create the conditions for reviving African industry. SMEs therefore need to be supported to ensure that they specialize and pursue the objective of participating in a process of creating finished products or transforming a material. To achieve this, industry champions are needed and the AfCFTA must work towards supporting such an initiative.

A third area of focus is to develop road, motorway and especially railway corridors. Railroad remains a great asset while being a requirement for the development of SMEs because of its competitiveness as mass transport. Indeed, trains offer opportunities in terms of freight capacities, means of conditioning, logistics storage and handling services that are beyond comparison with other modes of transport. Moreover, trains can also facilitate low-cost, user-friendly passenger traffic, allowing SMEs to easily conduct their business.

Source: Adopted from contribution made by Mrs Khady Ndao Diagne (Directeur de Cabinet du Secrétaire d'Etat chargé du réseau ferroviaire, Senegal) during the 2020 Africa Think Tank Summit

Strategies for ensuring an effective role for SMEs as the driving force in implementation

Re-examining the whole ecosystem to identify challenges

The AfCFTA should look to meet the needs of SMEs and to understand their challenges. The AfCFTA is an instrument designed to break barriers to intra-African trade by addressing the root causes of low intra-African trade. To understand the value addition created by SMEs, the whole ecosystem (government, private sector, SMEs, and support institutions) should be examined holistically. Training is important not just for SMEs but should be specifically directed to government policy makers often with limited experience and expertise to address the challenges of SMEs. Creating appropriate policies through a better understanding of how SMEs work will enable them to grow their businesses and to maximise the benefit from the AfCFTA.



Building financial instruments to improve access to financing

Access to financing is one of the major challenges that SMEs face. Governments in Sub-Saharan Africa need to create financial institutions that respond to the needs of SMEs in Africa. Promoting capital development for SMEs is critical. One of the initiatives aimed at supporting SMEs in Africa include the support of the Coalition of Small and Medium Enterprises where SMEs may access requisite information on financing and opportunities that may be available. SMEs are key in the economies in Africa, yet their financing needs are not adequately addressed, and they often suffer from limited access to markets.

Building business development services through market information and growth pathways

SMEs are not often seen as key actors in their countries and regions, but the reality is that SMEs play a significant role in key sectors in Africa's development. It is important to maximize their participation in the AfCFTA through business development and creation of standardized information so that they can respond to market needs at regional level (not just locally). As part of implementing the AfCFTA there is a need to identify and profile cross-border SMEs which have perfected their trading skills for further training in transformative leadership. A directory of SMEs with their constraints should be established at the level of each country and/or region to serve as a basis for the design of strategies and policies in favor of the AfCFTA. African governments should set up mechanisms that encourage SMEs to migrate from informal sector to formal businesses supported by programs to encourage Micro and Small Enterprises (MSEs) to grow to Small and Medium Enterprises (SMES) to enhance SMEs competitiveness.

The gender dimension to increase trade

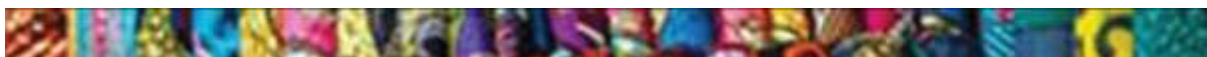
UNDP publication on the "Futures reports – Opportunities for youths and women in the AfCFTA" was cited to demonstrate the importance of gender in the AfCFTA to facilitate trade in goods and services across borders. The International Trade Centre (ITC) and SheTrades initiative was also noted as an example the AfCFTA can learn from to facilitate the integration of women-owned businesses in the economy and increase their participation in trade.

Gradual co-creation of national and continental exchange centers and partnerships

There is a need to adopt a simple model easily applicable to Africa's context to make the AfCFTA work, starting from a mechanism of local exchange. The AfCFTA should be based on a model of domestication within countries according to several criteria that could possibly be linked to quantities, types of products, and levels of processing to promote a gradual co-creation of national and continental exchange centers and partnerships.

Strengthening the network of SMEs along production and value chains

SMEs have insufficient knowledge and often do not receive recognition for the value they are adding to their communities and countries. SMEs should be supported to get into value chains by building networks of connectivity, a system to publicize the AfCFTA and share information resources and experiences. The idea is not only to boost production capacity but also to create the conditions for relaunching African industries. SMEs need to be supported to specialize and pursue the objectives of participating in a process of creating finished products or transforming a material or producing raw material. There are regional approaches to SMEs development that need to be leveraged by the AfCFTA. For instance, ECOWAS Regional partnership platforms, regional finance access facilitation, regional entrepreneurship development programs are aimed at mainstreaming SMEs into industrial program at the continental level.



Preferential treatment of SMEs as wealth and jobs creators

Negotiations should be concluded responsibly to include informal traders, and SMEs in the initial 90% of trade of the AfCFTA. Negotiations should ensure that the interests of SMEs are catered for as they are wealth and jobs creators. Most SMEs evolve as innovators and some grow to become large companies but in Sub-Saharan Africa, most SMEs remain in the informal sector and do not have the knowledge to meet required standards. Preferential treatment of SMEs on trade related capacity building is therefore very critical as SMEs may not have enough knowledge to export their products. Creating opportunities for SMEs to build export capacity adhering to standards will make their products more competitive at the continental and international level.

Rules of origin

Rules of origin should strike a balance between growth of productivity, while using trade instruments to curtail the breaking of the opportunity in the AfCFTA. The rules of origin should be structured to help facilitate trade among SMEs to popularize the AfCFTA to SMEs, women, and youth and to enhance their understanding that the AfCFTA is part of the Agenda 2063.

Adhering to the standards

SMEs should be supported to unlock opportunities in trade by ensuring that the goods and services they produce meet the standards for gateway entry such as Sanitary & Phytosanitary Measures (SPS), Technical Barriers to Trade (TBT) and trade facilitation. Removing tariffs under the AfCFTA does not remove gateway fees and charges. Another challenge is to do with the Action Plan on Boosting Intra-Africa Trade (BIAT) so trade policies, trade finance, trade productive capacity building are important for producing more products to be exported.

Supporting SMEs in innovation and in adopting emerging technology

It is important to create a culture that embraces innovation in SMEs and to identify innovators and change drivers by learning from the Global Innovation index published every year. There are opportunities in leveraging technology and providing access to emerging technology solutions such as decentralizing financing, block chain and ensuring SMEs leverage on cyber security. Block chain can act as a game changer for SMEs to trade across the world. Emerging technology solutions can help SMEs to scale and improve their access to new markets, financing, but there is a need to address challenges around connectivity, skills development, access to affordable data, training, and capacity building to include support in informal settings.

Improving trade facilitation

Developing road, motorway, railway corridors and other infrastructure to improve trade facilitation is essential to unlock business opportunities for SMEs. Optimizing and accelerating the establishment of rail corridors will constitute an essential lever for the proper implementation of the AfCFTA and the development of a regional supply chain. Railroad is an asset that can create competitiveness as mass transport as train offers freight capacities, transportation that is cost effective, providing logistics, storage or handling services that are superior to other modes of transport. The train also facilitates low-cost, user-friendly passenger traffic, allowing users to conduct their business needs and to move around quickly.



7. The Role of Think Tanks in Supporting the Implementation of the AfCFTA

Think tanks, given their mandate and role, could make a significant contribution in providing solutions to some of the issues identified and to support the implementation of the AfCFTA. The discussion focused on how think tanks can inform public debate on the AfCFTA through knowledge production, sharing and advocacy, the kind of knowledge think tanks can generate on the AfCFTA and the role of think tanks in supporting key stakeholders (government, private sector, SMEs, and CSOs) to accelerate the implementation of the AfCFTA.

The moderator for the session was Prof. Adebayo Olukoshi, Executive Director, International IDEA-Africa, supported by Prof Herbert Robinson, Director of Knowledge, Research and Learning at ACBF. Speakers included Mrs Elizabeth Sidiropoulos (Chief Executive, SAIIA, South Africa); Dr Daniel Kaboré (Executive Director, CAPES, Burkina Faso); Prof. Jean-Christophe Boungou Bazika (Executive Director, CERAPE, Congo); Dr. Rose Ngugi (Executive Director, KIPPRA, Kenya) and Dr. Khondaker Golam Moazzem (Research Director, Centre for Policy Dialogue (CPD), Bangladesh).

The Session highlighted the role of think tanks with respect to engaging policy makers and communicating research to support policies in the implementation of AfCFTA. Key contributions and inputs from the panel discussion and other participants are presented below.

Policy research, communication, and engagement of think tanks to inform public debate on AfCFTA

Role of think tanks in informing public debate on AfCFTA

There are new issues on trade that are emerging because of the global trading architecture, making it necessary for think tanks to identify critical priorities in the African context rather than maintaining the status quo. Think tanks can inform the public debate in the following ways:

- Support the development of national strategy for the implementation of the AfCFTA by engaging with civil society, government, the private sector, institutions, and research centers.
- Participate in policy dialogues at different stages of the development of the AfCFTA strategy together with the relevant ministries such as trade, commerce, industry and other strategic partners and agencies.
- Organize workshops and conferences bringing together researchers and decision-makers to ensure ownership and increase uptake of AfCFTA.
- Develop, formulate, and implement a research agenda on critical issues relating to the continental free trade area, mobilize African researchers to conduct relevant studies on AfCFTA and ensure that research findings are used by national policymakers.

The governments and the private sector can be useful partners for think tanks, but it is important for think tanks to ensure that they build up the trust needed for these partnerships to be exploited.

Knowledge that can be generated by think tanks

The AfCFTA is a long-term agenda; so, research should be relevant to support the implementation of the AfCFTA. Think tanks should package research in an appealing, concise, and succinct manner to policy makers with policy briefings designed to convey the key messages and actionable recommendations. There is a need for think tanks to be strategic in messaging for uptake of their research. Building strategic dissemination capacity among think tanks is therefore a priority so that they can identify partners and policy champions for effective messaging.

Knowledge must inform policies to implement various aspects of the AfCFTA and to accelerate its implementation and African think tanks can play a crucial role, working or learning from the



experience of think tanks in other parts of the world. In this regard, there are several policy avenues identified as priorities:

- (i) Assessing the AfCFTA with clear understanding of impact in different countries and recommendations on mitigation measures.
- (ii) Clustering to generate economies of scale, including the establishment of special economic zones.
- (iii) Regional product network building, which can be leveraged through the existing RECs, for example using the SADC Industrialization Strategy.
- (iv) Boosting export capacity given that 80% of new exporters survive in Africa in the third year, which is higher than elsewhere in the world.
- (v) Digital connectivity given its impact on increasing email usage and sales and the role of digital capacity to increase intra-African trade under the AfCFTA.
- (vi) Regulatory harmony across all areas to ensure that the business environment is harmonized at REC and at continental level.

Other areas where knowledge can be generated by think tanks are as follows:

- Exploring how best the continental free trade area can be implemented successfully.
- Shedding light on the determinants, the impacts, plans, and solutions aimed at the progressive realization of the AfCFTA.
- Developing value chain of different products to meet the challenge of competitiveness.
- Assessing the effects and impacts after entry into force of the AfCFTA.
- Monitoring and evaluating various government measures in terms of socio-economic impact (distribution of income, job creation, etc.).

Experience of think tanks in supporting key stakeholders

Experience of think tank in the Republic of Congo

The session draws from the experiences of the Centre d'Etudes et de Recherche sur les Analyses et Politiques Economiques (CERAPE, a think tank based in Republic of Congo), which focuses on regional trade in Africa. CERAPE has conducted some studies on trade supported by the World Bank. There is need to promote relationships between researchers and policy makers and ACBF should give institutional support to research centers. Of urgency is the need for support to conduct studies on the implications and impact of the AfCFTA in Africa. Training of think tanks is important, while relationships between think tanks and policy makers should be strengthened. CERAPE is ready to participate with the support of ACBF in the formulation and implementation of a research agenda on the AfCFTA and to ensure that research findings are used by national policymakers.

Experience of think tank in Kenya

The experience of the Kenya Institute for Public Policy Research and Analysis (KIPPRA) on engagement and research related to the AfCFTA was also shared as an autonomous think tank that is embedded within the government. KIPPRA is a government think tank which provides advisory and technical support to government and other stakeholders and participates through various working groups. KIPPRA has been involved already in the AfCFTA through conducting studies. The experience shows that research evidence has great influence in specific product identification as well as to assess the impact the AfCFTA would have in the economy.

Experience of think tank in Burkina Faso

The Centre d'Analyse des Politiques Economiques et Sociales (CAPES), Center for Economic and Social Policy Analysis) as a think tank participated in the workshop to craft the AfCFTA Strategy in Burkina Faso and took part in the different stages of the development of the strategy together with the



Ministry of Commerce, Industry and Handicrafts. On 26 October 2020, actors from civil society, government, the private sector, institutions, and research centers met in Ouagadougou for a series of consultations to contribute to the development of the national strategy for the implementation of the AfCFTA. CAPES noted that knowledge on value chain development of different products should be developed to meet the challenge of competitiveness. It is also important to assess the effects and impacts after entry into force of the AfCFTA and to monitor and evaluate various government measures in terms of socio-economic impact (distribution of income, job creation, etc.)

Lessons from the Asia-Pacific Trade Agreement

The Asia-Pacific Trade Agreement (APTA) faced obstacles and challenges particularly relating to political will. The AfCFTA can therefore learn lessons from this, hence knowledge sharing between Asia-Pacific think tanks and African think tanks would be beneficial. The Session also provided some recommendations on the AfCFTA process using lessons from the Asia-Pacific Trade Agreement. It was mentioned that about 80% of trade in the APTA is intra-exports while imports among the countries is mainly about 16%, even though trade has stagnated over the past years. There is limited bilateral trade among the members, and there is a lack of political commitment to the agreement. The requirements related to the rules of origin are also stringent which has imposed a stumbling block in the effectiveness of the trade agreement. For maximum effectiveness, there is need for rules of origins to be low and flexible. Most of the countries in the APTA are also part of other trade blocks, for example the Association of Southeast Asian Nations (ASEAN), which is also functional. As a result of multiple membership, there is competition between the trade blocks. Under AfCFTA, continental integration should be faster but the specific country requirements should be considered to ensure that some African countries are not disadvantaged.

Think tanks are vibrant in the APTA but are not contributing much even though suggestions are made with on-going contributions on a regular basis. Capacity building to governments with support from development partners on trade related capacity building will remain in demand for countries.

Emerging capacity needs and issues

For the AfCFTA, several capacity needs were identified which includes the following:

- (i) Capacity building needs for government officials. A think tank inside government might be needed for quick absorption of research evidence. For example, in KIPPRA, there is a Young Professional Programme where government officials spend time at KIPPRA for building their capacity in evidence-based informed policy-making. Currently, there are five officers that are at KIPPRA.
- (ii) Capacity building of the think tanks. KIPPRA receive budgetary support from the Kenyan government which is used to build the capacity of its staff on technical issues.
- (iii) Capacity building for negotiators so they can have the information necessary for effective negotiations.
- (iv) A platform for dialogue between government and think tanks is important, but having other stakeholders onboard is more important, such as AfCFTA Secretariat, businesses and CSOs.

Through the discussions, the following issues were also raised:

- (i) Criticizing government or being too critical might undermine the role of think tanks; there is need for constructive criticism;
- (ii) Research evidence should inform engagements between government and think tanks, including identifying bottlenecks and barriers which link economies; and
- (iii) Think tanks still need to grow and build capacity in the AfCFTA process.



It was also recommended that ACBF should find ways of building on the theme of the 2020 Africa Think Tank Summit (ATTS) by establishing links between African Think Tanks and the AfCFTA Secretariat, and to propose a joint session between the two parties.



8. Establishing Partnerships, and Coordination Mechanisms to Enhance Country Readiness

Various approaches have been explored to improve the implementation landscape for the AfCFTA in Africa including the need for the development of partnerships. This Session focused on the partnerships that can be harnessed from the Summit to support AfCFTA and strengthen implementation capacities. The Session explored key initiatives and priorities of development partners, coordination mechanisms required to build capacity to enhance country readiness, the way forward in creating a partnership and the immediate actions to be taken by partners for successfully implementing the AfCFTA.

The Session was aimed at how to galvanize the required partnerships to ensure joint and coordinated effort to support the implementation of the AfCFTA. The Session was moderated by Dr. Christiane Abou Leahf, who is the Manager, International Cooperation Research, and International Cooperation Department, Afreximbank.

Speakers included Mr. Adeyinka Adeyemi (Senior Adviser, African Trade Policy Centre, ECA); Dr. Tshepelayi Kabata (Technical Advisor, Office of the Director General, BADEA); Mr. Chang Hao (Deputy Director-General, ICC-NDRC, China); Dr. Arthur Minsat (Head of Africa Unit - Senior Economist, OECD Development Centre, OECD); Dr. Raymond Gilpin (Chief Economist and Head of Strategy and Analysis, UNDP Africa); Mr. Abdelhakim Yessouf (Senior Technical Cooperation Coordinator, Africa & Latin America, Islamic Development Bank (IsDB); and Dr. Levi Madueke Uche (Head of Partnership Management and Coordination Division, African Union Commission). The main contributions from the panelists and inputs from other participants are detailed below:

Partnerships are required to fully realize the value of AfCFTA as a development opportunity

The AfCFTA is an enabler for socio-economic transformation and a development issue in several respects – it is trade enhancing and can foster sustainable growth post-COVID; it is dependency reducing particularly on aid and conditionality; it has income distribution effects particularly for vulnerable groups in Africa; it is job creating; and facilitates creativity and innovation and increases productivity and purchasing power. Continued dependence on international aid has truncated growth and aid needs to be channelled for building institutional capacity. Trade is therefore an enabler as it transforms the structure of economies, but social issues such as health and poverty need to be taken into cognizance.

The need for partnerships for implementing the AfCFTA

The AfCFTA is the biggest momentum for building African economies and should be made to work. To ensure that the AfCFTA achieves milestones, building capacities for international trade and identifying lessons which can facilitate the implementation of the AfCFTA is a major priority. Key priorities, for example, includes capacity building for exporters to boost regional value chain, trade facilitation and to focus on quality products and infrastructure provisions. There are significant issues to be addressed for all stakeholders to be ready for the AfCFTA, which includes amongst other things, access to all AfCFTA documents, domestication of the AfCFTA agreement and dissemination of knowledge on the process to all stakeholders including the private sector and SMEs with an important role to play as an engine of growth. However, no African country can go it alone, neither can the continent do it on its own so partnerships that foster innovation and creativity are very critical. Partnerships are important from moving the AfCFTA from concept to transformational reality.



Building sustainable partnerships

Continuous capacity building on partnerships should be a permanent process for building innovative and equitable partnerships. However, the sustainability of partnerships is rarely discussed. Strengthening and better coordination are required to build sustainable partnerships. Mutual respect, trust, co-creation, and sharing are some of the key prerequisites of smart partnerships. True partnerships do not simply happen, they are cultivated over time through a combination of commitment, determination, and dedication. There is a need to move away from seeing partnerships as a static concept to a continuous process that requires monitoring, evaluation, and learning. A partnership tool to track progress is equally important to monitor the implementation of partnerships and adjust, as necessary.

Need for support from partners in the implementation of AfCFTA

Various support from partners is needed in developing AfCFTA national strategies of African countries. Building implementation capacities for countries to translate the AfCFTA strategies into actionable capacity development plans are equally important. A critical success factor in the implementation of AfCFTA agreements, development of AfCFTA national strategies and capacity development plans is the commitment of countries. Member states fall into various groupings reflecting varying degree of commitment from “reluctant”, “nervous” to “early birds” and “opportunity hunters” as shown in Table 2.

Table 2. Framework for understanding the degree of commitment and the implementation gaps

Typology	Characteristics	Gaps (fuelled by...)	Examples of key interventions
Reluctant/ very reluctant	Large economies, large population, high (youth) unemployment, poor manufacturing base,	Fear of dumping, loss of revenues, Structural/organizational	Policy advocacy and analytical studies (e.g., “Transformative industrialization in the context of AfCFTA”; Policy briefs on Rules of Origin, Market Access, Financing issues) to demonstrate the benefits
Nervous/ very nervous	Small economies, small populations, good manufacturing	Fear of domination, policy somersault/dislocation, mistaken perception of value added, political objections, etc	Analytical studies addressing the root causes of apprehension and to demonstrate how small economies can benefit from AfCFTA
Early birds	Medium/small economies who have things to sell; manageable populations/ attractive economies, FDI magnets	Anxiety to penetrate large markets; frustrated by stunted negotiations; eager to commence trade; advanced in subregional economic integration	Skills development, policy forums, analytical studies (e.g., to show how to penetrate large markets; studies into implementation challenges) knowledge creation and management to engage key stakeholders on priority issues
Opportunity hunters	Functioning Subregional FTAs; optimal ICT infrastructure; medium-sized economies	Interface challenges (AfCFTA does not have specific implementation roles for RECs) though RECs are mandated to pursue free trade areas/Customs Union/Common markets	Analytical studies (e.g., key areas of comparative advantage); skills development; Knowledge creation, diffusion, and management

Source: Adapted from presentation shared by Mr. Adeyinka Adeyemi (Senior Adviser, African Trade Policy Center, UNECA) at the 2020 Africa Think Tank Summit



There is a varying degree of enthusiasm with some countries fully committed whilst others are skeptical. For example, some large economies with high youth unemployment and poor manufacturing base have a fear for dumping of products and revenue losses in their countries. These countries need to enhance their productive capacity in key areas of comparative advantage to maximize the benefits of participating in the AfCFTA. For example, UNECA carried out an analytical study on "Transformative industrialization in the context of AfCFTA" to dispel the fear about loss of revenue and instead focus on the spotlight in trade in services, particularly Nollywood where Nigeria has considerable experience and comparative advantage. However, small economies with small population may fear political assault whilst medium to small economies with manageable population and good infrastructure base can see the immediate benefits in signing the AfCFTA. Capacity gaps can be considered at **three levels**:

National level: e.g., customs coordination, Phase 2 challenges (Investment, Intellectual Property and Competition policies), skills deficit, NTBs, stakeholder buy-in etc.

RECs level: e.g., structural/organizational, standardization, skills deficit, non-tariff barriers; coordination/harmonization; customs coordination, etc.

Continental level: e.g., transboundary infrastructure, investment/financing bottlenecks; peace deficits.

Partnerships are required to address significant capacity gaps across at all levels from customs coordination at national level to standardization at RECs level to transboundary infrastructure, investment, and financing deficit at continental level.

Initiatives, priorities, and actions of key development partners to support the AfCFTA

The participants in the Session recognized that each institution across the region has its own initiative and currently there is little coordination between them. Thus, partnership building and the enhancing the spirit of partnerships are needed. All stakeholders should be involved to ensure that the envisaged benefits of the AfCFTA materialize. Examples of initiatives and priorities of various partners are shown below.

United Nations Development Programs
<p>UNDP’s strategic plan on Africa focus on four priorities with respect to the AfCFTA for economic transformation: productivity; regional value chains; digital economy; and supporting the AfCFTA Secretariat.</p> <p>a) How to scale up productivity particularly for women and youth e.g., UNDP’s Youth Connect program (ensures that young innovators have a platform to work together and to use technology productively. The focus on women regarding issues of productivity is a scale-up from small projects previously done with women.</p> <p>b) Boosting regional value chains – US \$450 billion could be made from the AfCFTA and 292 billion of this could come from trade facilitation. Trade impediments need to be addressed in order to enhance value creation and to ensure that most of this value created will be retained on the continent.</p> <p>c) How to unlock the potential of the digital economy – the way and cost of doing business, and technological connectivity (flow of resources, finances)</p> <p>d) Support the capacities of the AfCFTA Secretariat for expeditious and efficient exercising of its functions.</p> <p>UNDP made suggestions focusing on four areas:</p> <p>i. Programs and policies have to be evidence driven.</p> <p>ii. Partnerships that bolster creativity and innovation – e.g., UNDP accelerator labs.</p> <p>iii. How to establish co-creation opportunities is important.</p> <p>iv. How to build capacity (moving from talking to action) to support the AfCFTA as a collective operation.</p>



United Nations Economic Commission for Africa (UNECA)

ECA is supporting a total of 37 countries (including 2 RECs) with technical support in the development of AfCFTA National Strategies. The two RECs are EAC and ECOWAS. A total of 12 countries (Cameroon, Chad, Cote d'Ivoire, Guinea, Mauritania, Niger, Senegal, Sierra Leone, The Gambia, Togo, Zambia, and Zimbabwe) have validated their AfCFTA strategies. Of these, ECA is supporting three countries (Cameroon, Togo, Sierra Leone) to implement some specific activities spelled out in their strategies. Further, inception meetings have been held for six "Phase 2" countries (Burkina Faso, Burundi, EAC, Malawi, Mauritius, and Rwanda), all of which are now moving into stakeholder consultations stage. Other initiatives include:

- + Technical support on establishment of industrial parks and due diligence on modular power plants.
- + Implementation of the Third Industrial Development Decade for Africa (2016-2025)
- + High level policy advocacies (addressing countries' thematic priorities and implementation challenges)
- + Direct executive engagements with high level political officials in African countries
- + Informal Cross Border Trade initiative (with Afreximbank)
- + Analytical work on AfCFTA impact assessment
- + Study on AfCFTA and regional value chain in manufacturing/industrialization

The Arab Bank for the Economic Development in Africa (BADEA)

BADEA has over the past 45 years been involved in financing infrastructure (e.g., transport, energy, ICTs) that has contributed to intra-Africa trade. BADEA has extended its work to national development priorities, countries' commitments to the AU Agenda 2063 and the UN 2030 Agenda, BADEA's strategy is around 4 strategic pillars: i. Infrastructure; ii. Private sector and trade financing; iii. SMEs and entrepreneurship; iv. Agricultural value chain; with Capacity Development as a cross-cutting pillar.

i. Infrastructure: BADEA is expanding its financing particularly focusing on infrastructure that boosts regional integration for increased trade and services and movement of people. BADEA is also mobilising other Arab partners in the Arab Development Group, and other multilateral development banks on improving infrastructure in Africa.

ii. Private Sector and Trade financing: BADEA has developed a trade facility working with other partners including Afreximbank for mobilisation of more resources to fill the trade financing gap. BADEA is also focussing on ICT infrastructure for better connectivity and increased digitisation in trade.

iii. SMES: One of the key initiatives of BADEA is the Coalition for SMEs through which BADEA aims to put together key stakeholders for a holistic approach for support to SMEs continent-wide. BADEA is working with AU on its initiative in promoting 100 000 SMES for creation of 1m jobs by 2021 and ultimate goal of 44 m jobs by 2030. Ecobank is also part of the initiative headed by AUDA-NEPAD. This initiative is for SMEs to access information on financing, opportunities for capacity development and of accessing markets.

iv. BADEA considers the addition of value to agricultural products as a means to increased trade within the continent and even with the rest of the world.



Islamic Development Bank

Islamic Development Bank (IsDB)'s initiatives are driven by their experience that short term interventions are not sufficient. A long-term programmatic approach is needed for capacity development. A National Ecosystem for Effective International Trade was presented which has seven pillars as follows:

- (i) Political will for effective international trade from government is vital for including international trade as an element of the National Development Strategy and for mainstreaming it in relevant legislative and regulatory instruments;
- (ii) Establishment of a National Strategy for effective international trade which clearly identifies priority areas as well as potential gaps or developmental needs which could be addressed by international trade;
- (iii) Effective international trade information system for assisting countries in maintaining a comprehensive database for enhancing their international trade activities;
- (iv) Capable and connected actors for international trade so that views and perspectives from various stakeholders are captured, which allows them to coordinate and harmonize efforts and augment the ability of countries to engage in international trade;
- (v) The institution of the National Body for international trade to facilitate increased coordination of national stakeholders through institutional arrangements;
- (vi) Financing Mechanisms, which include Export Competitiveness Funding Mechanisms at the national level to bring in more domestic resources and international contributions for international trade activities.
- (vii) Performance Management Systems for international trade to provide the means to learn from experience and use this learning to improve efficiency and effectiveness of activities.

However, it was emphasized that there is no fixed template for the International Trade Ecosystems and each country may establish/strengthen its own International Trade Ecosystem based on its own context.

ICC-NDRC China

How to tap into the Belt and Road Initiative (BRI) is important. By 2019 China had signed BRI agreement with 39 African countries plus the African Union. Protocols of cooperation were also signed with Nigeria, South Africa, and other African countries. China is looking into synergies between the BRI and the AfCFTA to promote the development of the latter. The synergies must be at a strategic level for the cultivation of skills. Specifically, China is looking at 3 levels:

- (i) Broad level of Chinese Development and UN 2030 SDGs and Agenda 2063 as well as National development strategies of African countries. Further studies can be carried out in aligning BRI with the Agenda 2063.
- (ii) Trade and Investment (between Africa and China) is also very important. China is already one of Africa's biggest partners. Africa will form a unified market under the AfCFTA which is important for increase in trade.
- (iii) Synergies on infrastructure: China is making active investment in African infrastructure in line with Africa's real demands/needs. There is a gap as big as US \$130 billion per year for Africa's infrastructure needs (based on recent AfDB study) so partnership with China and Africa is very important on this aspect. Infrastructure development is important for improving Africa's regional economic integration.

Capacity Building cannot be discussed without talking of cultivation of talents or skills development. The BRI puts forward vocational training and joint exchange programmes to provide for the skills needed in Africa. China has helped establish 200 skills centres (which include vocational training schools). The cultivation of a favourable business climate in Africa is important for the implementation of the AfCFTA, based on China's own experience where this enabled the improvement of trade and the economy. Public-private partnerships is also important for Africa's business environment as has been shown in other places.

Think tanks are crucial for the development of the AfCFTA. Joint research between Africa and China's think tanks has increased since the BRI but greater partnership between think tanks in Africa and China would provide good input to the implementation of the AfCFTA.



OECD-Development Centre

OECD-Dev is involved in several initiatives that will the readiness of African countries for the successful implementation the AfCFTA in Africa. This includes the following:

Promoting capacity building through extensive collaboration with 56 governments (27 OECD and 29 non-OECD – 11 African governments), working with international organisations (AUC, AUDA-NEPAD, ACBF, ATAF...), and researchers and private sector on a wide array of policy areas deeply connected with the success of the AfCFTA (i.e., infrastructure, business environment, skills development etc)

Supporting knowledge sharing and capacity building through its publications Africa’s development dynamics, Revenue Statistics with the latest report promoting capacity building in the field of infrastructure such as the “Quality Infrastructure in 21st century Africa” with ACET/AUDA-NEPAD, GIZ supported by ACBF.

Digital capacity is noted as a key area to be strengthened for a successful implementation of the AfCFTA and Africa can learn from other regions to accelerate the creation of a digital single market (e.g., Insights from the European Union (landmark achievements)

- + Ending roaming charges enables all travelling citizens to use their mobile phones for calls, SMS, and data for the same price as in their country of residence.
- + Ensuring cross-border portability of online content to enable access to online subscriptions to films, sports events, e-books, video games and music services while travelling to other member states.
- + Modernising data protection
- + The removal of geo-blocking barriers to e-commerce ensuring consumers can access goods and services online without concern for geographically based restrictions to e-commerce, or cross-border transactions.

African Union Commission

In the Dubai Expo postponed to October 2021 to March 2022, AfCFTA will be one of the key highlights that the African Union will showcase as Africa’s development is highly anchored on it. ACBF could help African countries, African Union, and institutions to highlight their endowments by generating and collating data required by countries to market themselves and to mobilise resources for their national needs and to be fully prepared for the AfCFTA. However, the African Union (AU) recognised that there is significant amount of work to be done for member states to be ready for the implementation of the AfCFTA: This includes for example:

- Production and distribution of AfCFTA trading documents to countries;
- Domesticating agreements into national laws;
- Providing the AfCFTA into national customs’ clearing systems;
- Sensitisation of stakeholders, especially the private sector about the agreement;

African Union also highlighted specific capacity challenges for Africa to boost intra-African trade which includes:

- Building requisite skills and indigenous knowledge: The continent has inadequate skills in the areas of knowledge creation and there is a need for knowledge in trade policies, trade laws and trade policy analysis for effective trade negotiation;
- Building of strong institutions that depend less on government to reduce political interference and to strengthen public-private partnerships. AU sees poor public-private interaction as an issue that ACBF is well placed to look into.
- Digitization is very important.

AU backed ACBF as a specialized agency in capacity development which puts ACBF in a unique and special position to work on capacity development with member-states of the African Union, African Union organs and RECs as well as African private sector to assess needs for building human and institutional capacities in Africa. At the 2018 FOCAC, China showed its commitment to capacity development by pledging to build a capacity building institute at ACBF Headquarters in Harare to enhance the coordination required for achieving Agenda 2063. AU appealed to RECs and African Financial Institutions and other established institutions to support ACBF in building the requisite capacities for implementing Agenda 2063.



Mapping of AfCFTA initiatives and the financing needs

Mapping of the initiatives as well as the support provided by funding partners to AfCFTA is important. There are various initiatives designed to support the AfCFTA but with so many players, development partners and stakeholders involved, mapping of who does what, the scope of their involvement and delivery timescales are critical to identify capacity gaps and to avoid duplication. For example, UNECA is developing national AfCFTA strategies to enable effective use of the AfCFTA by State Parties. Afreximbank is involved on development of a Pan African Payment System that will enable seamless payment for transactions between State Parties using local currency, which will reduce the cost of doing business across Africa. BADEA has worked with a wide-range of partners such as other multilateral finance institutions, UN Agencies and especially the Arab Coordination group.

Significant resources will therefore be required to support various aspects of the AfCFTA including capacity development to improve country readiness and to facilitate implementation. For example, AfDB and Afreximbank study has shown a US \$70 – 100 billion gap in trade financing alone. All African financial institutions and development partners should support capacity building using a coordinated approach, which would allow uniformity in the way capacities are built across countries, state and non-state actors and institutions. The mobilization of financing resources to support capacity development is therefore a critical issue as the objectives of the AfCFTA will not be realized without addressing significant capacity gaps of key actors and institutions.

Coordination required for the successful delivery of the AfCFTA

Effective coordination between all relevant partners to avoid duplication and to enhance coherence and complementarity is essential to achieve a win-win situation. Continuous capacity building, both human and institutional development, through various partnerships are needed. Support should be channeled to development issues that are catalytic and transformative rather than those that create continued dependence on donor support. The key is to forge **partnerships at all levels** which can be clustered as follows (Box 5).

Box 5. Type of partnerships required

Enabling/funding partnerships: e.g., Multilateral development banks and key bilateral partners, European Union, Canada, Rockefeller Foundation, DFID, China, IDRC, etc.

Executing partners: e.g., Governments, Ministries/Departments/Agencies

Activating partners: e.g., Organized private sectors, chambers of commerce, manufacturers' associations, labor unions, parliamentarians, women's groups, youth organizations, etc.

Institutional partners: e.g., AU, ACBF, UNIDO, UNCTAD, ITC, UNDP, etc.

Source: Adapted from presentation shared by Mr. Adeyinka Adeyemi (Senior Adviser, African Trade Policy Center, UNECA) at the 2020 Africa Think Tank Summit



Partnerships can also be built at **three levels: policy level, institutional level, and international level** (see Box 6).

Box 6. Partnership levels required

Policy level: Trade seen as a lever/instrument - internal and external investments targets the right sectors and closing the right gaps for transformation of societies to achieve the SDGs. Also seen as an enabler for transformational change.

Institutional level – focus on effectiveness of public institutions; reducing redundancies and ensuring effectiveness and efficiency and that requisite accountability systems are put in place for delivering for the people. UNDP sees the private sector as having a big role given that they are engines of growth (this includes the non-formal sector). Civil society also needs to have a productive role not as observers.

International level: UNDP looks at synergies and harmonisation. UNPD’s work affects trade at a policy and international level.

Source: Presentation shared by Dr. Raymond Gilpin (Chief Economist and Head of Strategy and Analysis, UNDP Africa) at the 2020 Africa Think Tank Summit

The Way Forward

Partnerships require a roadmap, and an implementation plan on how the objectives will be achieved working with different stakeholders involved. The role of partnership in establishing collaboration to build capacity is crucial and it is important to address the capacity gaps of the key stakeholders.

- Continental and regional organisations – AU, AfCFTA and RECs
- The government is important as it issues policies and regulation that affect implementation of the AfCFTA.
- Finance and development finance institutions have a role to play through their programs which the continent may not be fully benefitting from due to insufficient coordination.
- Private sector (including SMEs, youth and women businesses, entrepreneurs, and large businesses)
- Think tanks, academia, and research institutions
- Civil society, NGOs, and other groups

A clear action plan is required with three elements of readiness:

- i. translation of the agreement into actionable instruments at national level (by-laws etc, so that all local actors/stakeholders can understand and implement).
- ii. Establishment phase – with institutions and mechanisms that lead to the implementation process.
- iii. Effective participation – if all traders (including non-formal) are not trading then the agreement does not work.

There is also a need for clarity as to what partnerships are meant to achieve so that every actor/stakeholder understands their role/s and the capacity building actors need to have clarity on the capacities being built. A good example of a successful partnership was cited between Afreximbank and ACBF underpinned by an agreement with clear roadmap, annual implementation plans, progress meetings and yearly reviews.

Creating a multi-stakeholder platform for partners, government, private sector, think tanks and other stakeholders is a crucial step to maximize engagement, and to advance the implementation of the AfCFTA. Thus, it is important for ACBF through the Africa Think Tank Network to convene dialogues through a multi-stakeholder platform where government, businesses, civil society, and development



partners can discuss these issues together. The multi-stakeholder dialogue platform will play a critical role in facilitating and coordinating the partnerships required for capacity building in a wide range of areas to support the implementation of AfCFTA.

9. Closing Session

The closing session included a written communique that was read by Prof. Herbert Robinson; Director, Knowledge and Learning Department, ACBF. Among other things, the communique acknowledged the important role that the 2020 Africa Think Tank Summit had played in determining the state of readiness of African countries, the capacity building needs and actions required to put the AfCFTA back on track following the delay by COVID-19. The Summit calls for ACBF to coordinate efforts to address capacity gaps of key stakeholders in African countries to improve the state of readiness in the continent. The important role of think tanks was also underlined, especially with respect to evidence-based policy formulation, hence the need for continued support of the think tanks. ACBF therefore has an important role to play in coordinating the work of the think tanks through the Africa Think Tank Network (ATTN) in addressing existing capacity gaps to accelerate the implementation of the AfCFTA.

The closing remarks were given by H.E. Dr. Sidi Ould Tah, the Director General, Arab Bank for Economic Development in Africa (BADEA). In addition to thanking ACBF and its various supporting partners for the successful summit, there were several issues raised, which included the following:

- (i) The AfCFTA is a milestone achievement for Pan-Africanism. Agenda 2063, under which the AfCFTA is one of the flagship projects, was structured in such a way that Pan Africanism was on the front.
- (ii) The AfCFTA is a noble idea. However, transforming an idea into a project is a big task. There are several challenges which will be coming but these have to be addressed to succeed.
- (iii) Think tanks played an important role in the design of the AfCFTA and this role will continue in its implementation.
- (iv) ACBF has an important role in providing capacities to ensure that there is knowledge needed for Agenda 2063 and the AfCFTA. This task is heavy for ACBF alone, however, capacity building is needed for which BADEA will continue to provide in ensuring that ACBF is supported for the attainment of growth and prosperity in an integrated Africa.
- (v) It is hope that the discussions and recommendations made in the Summit will translate into concrete actions to make the AfCFTA a reality.

The final closing remarks was delivered by Prof Emmanuel Nnadozie (Executive Secretary of ACBF) who took the opportunity to thank all participants and partners. Prof Nnadozie highlighted that the deliberations were an illustration of what think tanks can do and what the Summit can offer for exchange of knowledge and experiences among key stakeholders (governments, private sector, CSOs, regional economic communities, continental organizations, and development partners) to build the capacities of countries to improve country readiness for the AfCFTA.

Prof Nnadozie put emphasis on three key messages. First, he highlighted the importance of supporting think tanks directly or indirectly through the Secretariat of the Africa Think Tank Network coordinated by ACBF so that together, the sustainability of think tanks is ensured to better contribute to providing home-grown solutions to address structural issues in the implementation of AfCFTA. The Africa Think Tank Network is a conduit for the continuous organization of these Summits by ACBF as well as the efficient use of resources at the disposal of think tanks. Second, there is a need for capacity building to accelerate the implementation of the AfCFTA. Participants have unanimously recognized that Africa



faces serious challenges of developing the required institutional and human capacities including transformative leadership capacities that are fundamental to successfully implement the AfCFTA. Think tanks can work with all relevant stakeholders to address existing bottlenecks using the available capacities while building new capacities required to accelerate the implementation of AfCFTA.

A third and last message is a call for a full political and financial support from all stakeholders to ensure that the actionable recommendations on capacity development for the AfCFTA in the short-term, medium term and long-term are implemented. The last session on partnerships is a clear demonstration of the willingness of partners to support the implementation of AfCFTA.

10. Conclusion and Recommendations

Conclusion

The 2020 Africa Think Tank Summit and the proposed theme for discussion, *“Implementing the African Continental Free Trade Area (AfCFTA) Agreement: Assessing Country Readiness and the Implications for Capacity Building”* offered a golden opportunity and multi-stakeholder dialogue platform to reflect on structural issues associated with the implementation of the AfCFTA. Signing and ratifying Agreements are no longer enough. Implementation is what matters and there is hope that the AfCFTA, if successfully implemented can be a game changer. The 2020 Africa Think Tank Summit highlighted the urgency of building the required capacities for all stakeholders at all levels and across all countries to ensure that the AfCFTA is implemented successful, given that January 2021 is the start date for trading under the AfCFTA.

The discussions held during the 2020 Africa Think Tank Summit highlighted and recognized the important role think tanks are playing and will continue to play on addressing issues affecting Africa’s development, particularly the AfCFTA. More importantly, all participants appreciated the vital role think tanks can play and call for a partnership with all stakeholders, whether it is the government, private sector, civil society, or development partners to ensure the successful implementation of the AfCFTA.

The 2020 Africa Think Tank Summit highlighted the importance of increasing capacity to undertake research and development. Think tanks can contribute to stimulating and supporting policy research and analytical studies to inform the AfCFTA implementation process.

Key Recommendations

The AfCFTA is part of the Agenda 2063 of the African Union and is therefore under significant scrutiny, with several critical issues to be addressed. However, the AfCFTA is a journey which is not going to be easy, especially with respect to the preparations needed. Addressing the key recommendations below focusing on building capacities will accelerate the implementation of the AfCFTA.

Importance of skilled manpower, and institutional capacities for the successful implementation of the AfCFTA. Participants called for African countries to leverage skilled manpower to increase trade while ensuring that institutional capacities are built in trade related agencies to design, implement, coordinate, monitor and evaluate trade related policies. It was also unanimously agreed that skilled manpower and institution building can enhance production capacities to be able to produce critical volumes of exports across the continent to meet the market demand in the AfCFTA.



Support to think tanks to successfully implement the AfCFTA. The support of think tanks is critical, especially in supporting governments to ensure effective policies are in place and in promoting private sector participation including SMEs in trade as these are the producers for the traded goods and services and hence should not be left behind for the AfCFTA to be a success. In addition, there is need to formalize the informal sector and strengthen government efforts on formalization and incubation of SMEs while enhancing trade facilitation. Equally important is the need to address the traditional trade barriers (such as language; transport; trust and financial arrangement) if the AfCFTA is to be implemented effectively.

Critical role of conducting research and providing evidence by think tanks to address the capacity gaps for the successful implementation of the AfCFTA. The Summit recommends that think tanks be supported in conducting strategic studies on institutional capacity and human including transformative leadership capacity gaps facing the continent and to share good practices on how to address them to facilitate the effective implementation of the AfCFTA.

Development of coordinated continental capacity development program to support the implementation of the AfCFTA. Participants to the 2020 Africa Think Tank Summit enjoin ACBF to coordinate the development of capacity development interventions to address gaps in key areas identified such as mapping of AfCFTA interventions, raising awareness, commitment and operational readiness, human capital and skills development, digital capacity, institutional and policy support, knowledge sharing, and advocacy based on the ACBF's strategy to accelerate the implementation of AfCFTA in Africa.

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The 7th Africa Think Tank Summit
7^{ème} SOMMET DES THINK TANKS D'AFRIQUE

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Annexes

Communique

Preamble

1. We, the African think tanks and delegates to the 7th Africa Think Tank Summit, met virtually on 18 and 19 November 2020. As we conclude our 2020 Summit on the theme ***“Implementing the African Continental Free Trade Area (AfCFTA) Agreement: Assessing country readiness and the implications for capacity building”***, we express our deepest and sincere appreciation to the African Capacity Building Foundation (ACBF) for convening such a gathering in partnership with the African Development Bank (AfDB), the African Export-Import Bank (Afreximbank), the African Union Commission (AUC), the Arab Bank for Economic Development in Africa (BADEA), the Development Centre for the Organisation for Economic Co-operation (OECD-Dev), the International Cooperation Centre of China’s National Development and Reform Commission (ICC-NDRC), the International Institute for Democracy and Electoral Assistance (International IDEA), the Islamic Development Bank (IsDB), the Southern Voice, the United Nations Economic Commission for Africa (UNECA), and the United Nations Development Programme (UNDP).
2. We note that the Summit provided us with the opportunity for stakeholders and development partners to have a good understanding of the capacity challenges posed by COVID-19, factors affecting the readiness of countries and the capacity gaps not only of governments but other key stakeholders – private sector, SMEs, civil society, regional economic communities, and the African Union. The Summit also enabled us to identify the actions including priority capacity building programs required to put the AfCFTA back on track and to build the capacity of key stakeholders (government, private sector, SMEs, civil society, regional economic communities, and the African Union) to improve country readiness.
3. We acknowledge that the challenges of COVID-19 can be overcome and the AfCFTA, if duly domesticated by countries and implemented as designed, could help Africa **achieve the future we want: “an integrated, prosperous and peaceful Africa”**. This is a common dream that underpins the Agenda 2063 and the Sustainable Development Goals.
4. We note that African think tanks are able and ready to play a critical role in supporting African countries in tackling AfCFTA implementation issues through evidence-based policy design and implementation, provision of platforms for stakeholder engagement, dialogue, advocacy and capacity development activities for state and non-state actors as well as their monitoring and evaluation to assess progress of the AfCFTA.

African think tanks and the implementation of the AfCFTA

5. While we reiterate our deep concern about the challenges facing the implementation of AfCFTA and the negative impact of the COVID-19 pandemic, we recognize the urgent need for capacity building to enhance country readiness and to put the AfCFTA back on track.
6. We recognize that think tanks should be the source of the policies for the domestication of the AfCFTA, its implementation and monitoring and evaluation at the national, regional, and continental levels.
7. We commit to providing advice on the policy options and innovative solutions available to successfully tackle the bottlenecks facing the implementation of the AfCFTA using knowledge, research and networking, while expanding our outreach to policy actors and making our research accessible to support the AfCFTA.



8. We encourage African governments and key stakeholders, especially the private sector, to work with African think tanks and capacity building institutions to support the expansion, retention and use of capacities required to develop home-grown interventions for the effective implementation of the AfCFTA.
9. We recommend that think tanks be supported in conducting strategic studies on **human, institutional and transformative leadership capacity gaps** facing the continent and to share good practices on how to address them to facilitate the effective implementation of the AfCFTA.
10. We enjoin ACBF to coordinate the development of capacity development interventions to address gaps in key areas identified such as **mapping of AfCFTA interventions, awareness, commitment and operational readiness, human capital and skills development, digital capacity, institutional and policy support, knowledge sharing, and advocacy** based on the **ACBF's strategy to accelerate the implementation of AfCFTA in Africa**.

Moving forward

11. We, think tanks and delegates, note with satisfaction that the 2020 Africa Think Tank Summit provided a unique opportunity for open and comprehensive discussions on a wide range of critical issues affecting the implementation of AfCFTA and the role of think tanks and other key stakeholders, which will facilitate the development of mutually agreed solutions.
12. We support the proposal and call upon ACBF, as the specialized Agency of the African Union for capacity development, to coordinate an Africa-wide approach to future capacity building efforts.
13. We further call for continued support to ACBF and other supporters of think tanks to enable the creation of new think tanks where needed, strengthen the capacities of existing ones and ensure that platforms such as the Africa Think Tank Summit are convened, and networks such as the Africa Think Tank Network are sustained.
14. We are encouraged to know that the key partners such as the AfDB, Afreximbank, AUC, BADEA, IsDB, OECD-Dev, UNECA, UNDP under ACBF coordination will convene a symposium to ensure that the key recommendations of the Summit are implemented and/or taken into consideration by relevant stakeholders.

Presented on 19 November 2020



Think pieces

Governance, the African Peer Review Mechanism (APRM) and Implementation of the African Continental Free Trade Area (AfCFTA)

By Dr McBride Nkhalamba, African Peer Review Mechanism (APRM) Secretariat

Introduction

On 21 March 2018 in Kigali, Rwanda, during the Extraordinary Summit on the African Continental Free Trade Area (AfCFTA), 44 Heads of State and Government of the 55 African Union (AU) Member States signed the Agreement establishing the African Continental Free Trade Area (AfCFTA)². The Agreement seeks to create a single continental market for goods and services, with free movement of 'business' persons and investments, paving the way for accelerating the establishment of the Customs Union. The Agreement was hailed as one of the continent's and indeed the African Union's key milestones as it seeks to create a trading block for a continent with an estimated combined Gross Domestic Product (GDP) of more than US\$3.4 trillion. The AfCFTA is estimated by [...] to be the world's largest free trade area since the formation of the World Trade Organization. Estimates from the Economic Commission for Africa (UNECA) suggest that the AfCFTA has the potential both to boost intra-African trade by 52.3 percent by eliminating import duties, and to double this trade if non-tariff barriers are also reduced.

The Agreement Establishing the African Continental Free Trade Agreement (AfCFTA) entered into force on 30 May 2019 for the 24 countries that had deposited their instruments of ratification but among the major unanswered questions is that of governance. The first question has to do with the governance regime for the framework as stipulated in the Agreement. Is governance of the AfCFTA framework sufficiently coherent in its congruence with international trade regimes and does it provide sufficient provisions for fair intra-regional trade and mediation thereof? The second governance question pertains to the broader aspect of governance on the continent. Are the efforts by the African Union (AU), the Regional Economic Communities (RECs) and member states sufficient for creation of the requisite environment within which the objectives of the AfCFTA can be attained?

This discussion paper asserts that both questions can be considerably addressed within the framework of the African Peer Review Mechanism (APRM), a specialised entity of the African Union established in 2003 as an instrument for democratisation and promotion of good governance on the continent. The mandate of the APRM is to ensure that policies and practices among African Member States conform to the agreed political, economic, and corporate governance values, codes and standards contained in the African Union Declaration on Democracy, Political, Economic and Corporate Governance. As a voluntary self-monitoring instrument, APRM fosters the adoption of policies, standards and practices that lead to political stability, high economic growth, sustainable development and accelerated regional and continental economic integration through sharing of experiences and best practices, including identifying deficiencies and assessing the needs for capacity building.

It is in this regard that the paper posits the centrality of the APRM to the successful performance of the AfCFTA. The APRM can contribute to the governance of and governance context of the AfCFTA in four ways. First, the APRM can undertake country assessments to determine the state of governance and preparedness to implement the Agreement. The outcome would provide member states with the intelligence needed to curtail appropriate policies. Second, the APRM can facilitate national buy-in into the AfCFTA through its sensitisation

² : International Trade Centre (2018). A business guide to the African Continental Free Trade Area Agreement. ITC, Geneva



and public mobilisation process which is implemented during the Country Governance Reviews. This is critical for subsequent reform efforts. Third the APRM can support the institutionalisation of the AfCFTA Agreement into ‘whole-of-Government’. This can be achieved through the APRM facilitated generation of a National Programme of Action (NPOA) which is subsequently integrated into the National Development Plans. Fourth and last but not least, the APRM can provide the platform with critical linkages to various economic communities and actors who collaborate with the mechanism on a variety of issues in economic governance and management.

Background

The relationship between good governance and trade governance has been established in literature since the advent of the notion of good governance over a decade ago. ‘Good governance’ has been invariably been defined as good governance is the process of decision-making to overcome government failure, market failure and system failure, or a combination of these, and to implement decisions through interaction between formal and informal actors³.

According to Khorana and Zorzoso (2018), from an international economic relations perspective, there are three dimensions of ‘good governance’. The first is about rules, resources, and power, how power is used and how institutions function. The second is about key principles such as participation and inclusion. The third encompasses several themes that affect transparency, accountability, democratisation, human rights, rule of law and administration of justice. Both the APRM and the AfCFTA are, to varying degrees, within the domain of multilateralism and international economic governance.

By extension, therefore, ‘trade governance’ is defined as ‘consisting of institutions and organisational structures that determine the formulation and enforcement of rules and the associated negotiations over policies’ (Khorana and Zorzoso, 2018). The review of literature highlights two major forms of trade governance: regional and global. The AfCFTA can arguably be described as the principal instrument for trade governance in the African Union.

The intersection, nexus and complementarity of the AfCFTA and the APRM in this regard, though not explicitly mentioned in the founding documents of each initiative, are logically inherent in the history and mandates of the two initiatives.

The African Peer Review Mechanism (APRM) was initiated in 2002 and established in 2003 by the African Union in the framework of the implementation of the New Partnership for Africa’s Development (NEPAD). The purpose as initially conceived was for the APRM to undertake assessment and foster policies that improve political governance, economic governance and management, corporate governance, and sustainable development policy. It was envisaged at the time that Africa needed to make profound improvements in these areas in order to generate the much-needed investor confidence critical for the success of NEPAD. Although NEPAD’s initial conceptualisation of Foreign Direct Investment (FDI) may have referred specifically to extra-continental investors, in the context of the AfCFTA FDI refers to all investment coming from outside the national economy.

The AfCFTA, established in May 2019, on the other hand, seeks to create a single liberalized market for goods and services, facilitated by movement of persons, in order to deepen the economic integration of the African continent. A critical dimension of this vision inherently speaks to the mandate and purpose of the APRM, and anchors the aforementioned nexus, that of deepening economic integration of the African continent.

³ Khorana, S, and I Martinez-Zarzoso (2018), ‘Trade Governance and Intra-Commonwealth Trade’, International Trade Working Paper 2018/04, Commonwealth Secretariat, London.



The nexus between the AfCFTA and the APRM, however, is more consequentially anchored in the purpose of the APRM as a tool for sharing experiences, reinforcing best practices, identifying deficiencies, and assessing capacity-building needs to foster policies, standards and practices that lead to political stability, high economic growth, sustainable development and accelerated sub-regional and continental economic integration. Accordingly, the APRM thus serves to support the implementation of the AfCFTA in regard to the creation of a yielding governance regime and enhanced governance context necessary for the realisation of the AfCFTA vision.

The AfCFTA and Governance

The AfCFTA will bring together all 55 member states of the African Union covering a market of more than 1.2 billion people. The APRM brings together a membership of 40 member states participating in the core mandate of the mechanism and through its various other initiatives, implemented as part of its expanded mandate, that cover all 55 member states of the African Union.

As indicated earlier grand project such as the AfCFTA cannot be achieved successfully and timely while discounting the conversation on methods of realisation. Among these indispensable conversations is that regarding corporate, economic, and political governance. As evidence indicates, progress in public governance has been a challenge owing to the historic international and domestic political economy. Additionally, the rapidly changing contextual conditions driven by the 4th Industrial Revolution, the decline of a unipolar hegemony and more recently the Covid-19 global pandemic, present new and complex governance challenges. The concurrent economic, health, and climate crises and their long-term consequences pose serious challenges to both the policy and business communities. These challenges are compounded by prevailing dysfunctions in public governance across many countries. Such contextual challenges cannot be addressed exclusively within the framework of the AfCFTA. They require a specialised instrument such as the APRM.

Discourse on the role of markets over the past two decades had relegated the role of the state to a quasi-observer status on the pretext of non-interference of markets. Following the 2008 global financial crisis states across the globe have revisited the position and begun to restructure their economies. In this regard, public governance is continually reviewing its steering capacities of markets and society. Similarly, companies now pay increasing attention to corporate governance modernisation and improved public administration or functioning of the state in general.

Regardless of the ideological differences that pertain to the discourse, the conclusion from all school remains that governments have a central role to play in markets. They provide political and social stability, and they regulate the private sector. This requires that governments have access to technological, ecological, and social developments all of which impact directly and significantly on trade. The role of government in markets and in the creation of a competitive economy goes beyond intelligent market regulation. Government must ensure strict respect of the rule of law. Similarly, it is universally recognised that governmental accountability promotes the willingness to invest.

All the above are governance challenges that governments must attend to if the AfCFTA is to achieve its objectives. Specifically, governments will need to profoundly revisit the way in which they steer markets and businesses, and how governments interact with one another in order to provide the context for the success of AfCFTA.

The Role of the APRM in the AfCFTA

The relevance and agency of the APRM in the implementation of the AfCFTA cannot be overemphasised. As a specialised governance entity of the African Union, the mechanism has the mandate and institutional framework to provide critical support to continental, regional and national processes aimed at strengthening political,

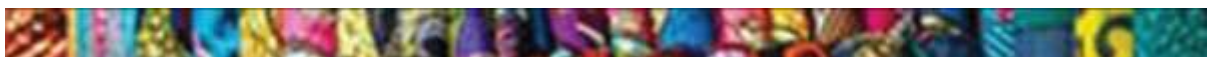


economic, and corporate governance for enhanced intra-regional trade. The mechanism also provides a unique platform for progressive policy sharing and monitoring. The APRM undertakes this role by fostering the adoption of policies, standards and practices that lead to political stability, high economic growth, sustainable development and accelerated sub-regional and continental economic integration. A coherent trading block can only be realised through such efforts. The sharing of experiences and reinforcement of successful practices, including the identification of gaps and capacity needs assessments for capacity building are indispensable to the establishment of an African continental free trade area.

The role of the APRM in the AfCFTA can best be derived from its functions as a governance entity and they fall within four major categories; governance assessments; stakeholder mobilisation; domestication and institutionalisation; and networking and partnership development. In its statute, the APRM key functions have been itemised as follows. The first and most prominent role of the APRM is to promote and facilitate governance self-monitoring and evaluation by the Participating States in four areas; political governance; economic governance; corporate governance and sustainable socio-economic development policy. The relevance of these governance domains to the AfCFTA are articulated in both the vision and objectives of the Agreement. The assessments are in the form of four types of reviews. The Base Review carried out immediately after a country becomes a member of the APRM; the Periodic Review carried out every four years; the Targeted Review requested by the member country itself outside the framework of mandated reviews; and the Special Review commissioned by the APR Forum of heads of States and Government when there are compelling signs of pending political and economic crisis. These reviews are undertaken using an instrument that covers codes and standards and a range of indicators for each of the four assessment (thematic) areas of the APRM.

The second function of the APRM is that of monitoring, evaluation and tracking the implementation of key governance areas on the continent. This function is undertaken collaboratively with other AU agencies and the United Nations and it covers the governance dimensions of the AU Agenda 2063, the UN Agenda 2030, and National Governance Reporting. Essentially the monitoring of these areas is an evolving process that continually integrates governance aspects of all AU instruments. The AfCFTA is one such instrument. The third function is the preparation of the African Governance Report (AGR) which is undertaken in collaboration with the African Governance Architecture (AGA). The report is a policy report of the African Union and is presented to the AU Assembly for consideration at its Ordinary Session every two (2) years. Essentially the AGR includes a status account of the governance of key initiatives of the African Union such as the AfCFTA.

The third function of the APRM is to serve as a platform for sharing best practices at national, regional, and continental level. In this regard, the APRM processes at a country and continental level mandatorily oblige the involvement of all stakeholders across the entire spectrum of society. This is aimed not only at ensuring inclusion but critically at promoting the sharing of successful practices and lessons. The logical end point is to accelerate coherence and convergence of policies, standards, and codes all of which are critical for the successful implementation of frameworks such as the AfCFTA. The fourth function of the APRM is to encourage the participating states to implement their National Plans/Programmes of Actions (NPOAs). This function is pivotal in ensuring that governments design feasible reforms and implement the same in a coherent and coordinated fashion. In pursuing this function, the APRM support governments to integrate these NPOAs into National Development Plans. The successful implementation of the AfCFTA will rely on the implementation of a variety of institutional and policy reforms most of which are undertaken within the gambit of governance reforms. From the onset the APRM would consider integration of AfCFTA-relevant standards and codes in its instruments and thereafter in the NPOAs. This function also drives the integration of the objectives of APRM into other plans such as those of the RECs and regional developmental bodies, including AUDA-NEPAD.



The fifth and final function relevant to the AfCFTA is that of promoting democracy and good governance on the continent. This is a broad function that covers entire spectrum of promoting good governance from research, to providing support to continental, regional and national bodies and actors working on good governance. Improved governance has direct implications for the success of the AfCFTA.

Recommendations

In view of the above this paper proposes that the APRM provide support and collaborate with relevant African Union Agencies in the following areas.

a. Governance Assessments

The APRM can undertake country assessments to determine the state of governance and preparedness to implement the AfCFTA Agreement. The outcome would provide member states with the intelligence needed to improve specific aspects of governance that bear on trade and foster appropriate intra-Africa trade policies. A series of national level country reviews and targeted reviews can be undertaken in this regard. These processes are implemented concurrently with others during the Country assessments that are in two key phases. The country self-assessment process which culminates to the production of the country assessment Report (CSAR) and the Country Review Mission which culminates into the Country Review Report (CRR). The latter is interrogated by a Forum Heads of State and Government of the African Union and it includes the National Programme of Action upon which a member states submits a progress report to the Forum on an annual basis. This platform would be ideal for a focused examination of progress made towards governance aspects of the AfCFTA.

b. Stakeholder Mobilisation

The APRM can facilitate national buy-in into the AfCFTA through its public information and sensitisation campaigns. The sensitisation campaigns involve both state and non-state actors at all levels of society and across geographies. They include both the formal and informal sectors and thus guarantee a unique interface between key actors in trade.

c. Domestication and Institutionalisation

The APRM can support the institutionalisation of the AfCFTA Agreement into 'whole-of-Government'. This can be achieved through the APRM facilitated generation of a National Programme of Action (NPOA) which is subsequently integrated into the National Development Plans. The NPOAs provide a unique mechanism for enumerating and institutionalising the key elements of the AfCFTA across the public sectors. Critically, the NPOAs integration into the National Development Plans is a vital step in securing public investment for governance reforms necessary for the successful implementation of the AfCFTA.

d. Networking and Partnership Development

The APRM provides platforms with critical linkages to various economic communities and actors who collaborate with the mechanism on a variety of issues in economic governance and management. The institutional framework of the APRM which includes AU policy organs, global strategic partners, the academia, schools of government and a variety of networks in both the public and private sector provides a strategic avenue for building theme-specific and broad partnerships for delivery of the AfCFTA. In this regard the AfCFTA can consider joining this governance ecosystem.

Conclusion



All international governance and financial institutions are that good governance remains a key precondition for transformational economic development. Accordingly, trade governance is playing a paramount role in maintaining stable and predictable trade flows by providing a transparent regulatory framework such as the AfCFTA that accords advantages of all countries. But such an instrument must necessary be harmonised with the full spectrum of governance instruments at a continental, regional and national level. To this end, the AfCFTA needs to be implemented within the framework of the governance AU architecture which is primarily defined and instrumentalised in the APRM in collaboration with AGA and other agencies. Essentially in this endeavour, the APRM further involves actors such as civil society, nongovernmental organisations, and trade unions, who as vectors infuse and internalise good governance into all AU frameworks.



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

By Camilla Rocca, Mo Ibrahim Foundation

1. Introduction

This is a testing time for Africa as the continent strives to realise the objectives of African Union Agenda 2063 in the midst of a global pandemic. Among these objectives is the African Continental Free Trade Agreement (AfCFTA). AfCFTA trading began on the 1st January 2021, but in the short term the impact is likely to be limited. For Africa to realise the full benefits of the agreement, a conducive governance environment is required to maintain strong institutions and administrations, address the infrastructure deficit, and tackle corruption.

Based on the results of the 2020 Ibrahim Index of African Governance (IIAG), this think-piece will look at the importance of governance for a successful implementation of the AfCFTA, taking into account the new COVID-19 context and exploring the unique opportunity for structural transformation.

2. Governance is key for a successful implementation of the AfCFTA

A strong political drive is an essential enabler for 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 to start tackling the non-tariff barriers trade. Good governance is the platform from which Africa's infrastructure deficit can be addressed, while it would also ensure that issues such as security, corruption, or public administration do not act as obstacles for the operationalisation phase of the agreement.

Moreover, if the effects of COVID-19 on Africa are not mitigated, existing negative trends could be exacerbated with concerning repercussions for governance that threaten the continent's path towards Agenda 2063 milestones such as the AfCFTA.

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"⁴.

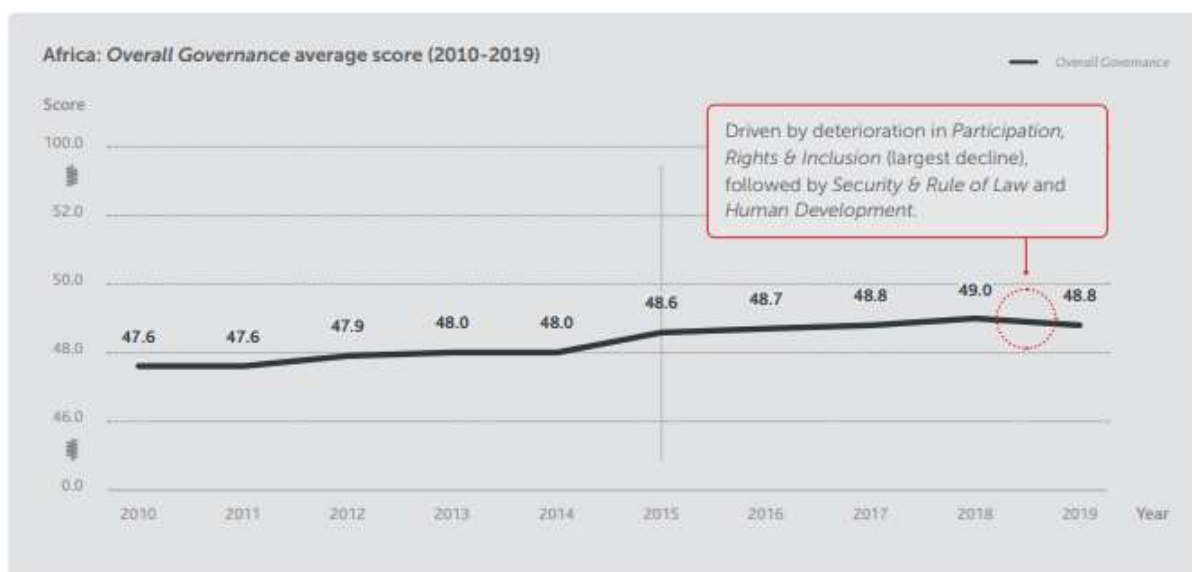
3. African governance landscape: an overview of the decade 2010-2019

2019 sees first decline of the decade in African governance performance

With an African average score of 48.8, *Overall Governance* has improved by +1.2 points since 2010, with 61.2% of the continent's population in 2019 living in a country where *Overall Governance* is better than in 2010.

⁴ <https://mo.ibrahim.foundation/sites/default/files/2020-11/2020-iiag-press-release-en.pdf>





However, since 2015 continental progress has lost pace, with the annual average pace of progress in the last five years (+0.05) being less than half that over the decade (+0.13). Concerningly, progress even declined in 2019 for the first time over the course of the decade.

Progress achieved over the last decade has mainly been driven by improvements in economic opportunities and human development, primarily led by improvements in the sub-categories *Infrastructure* and *Health*, complemented by advances in *Sustainable Environment*.

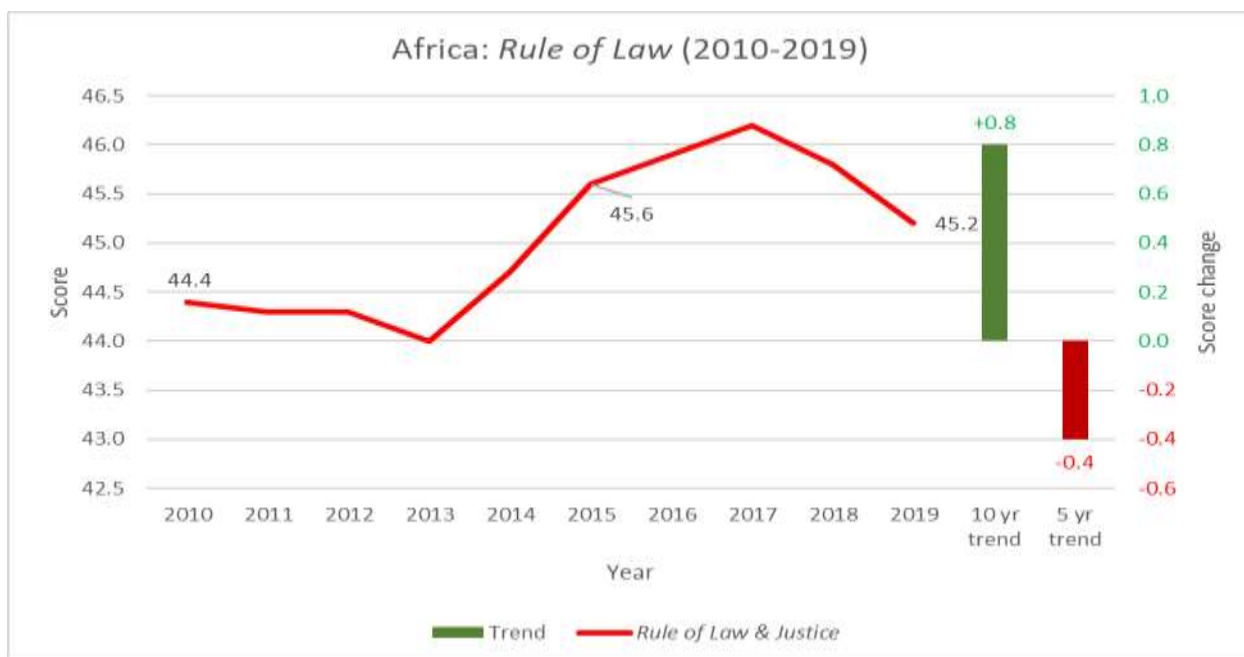
This is threatened, however, by an increasingly precarious security situation and concerning erosion in rights as well as civic and democratic space. Over the last decade, both *Participation, Rights & Inclusion* (-1.4) and *Security & Rule of Law* (-0.7) have registered worrying declines.

Institutions

Building a strong institutional framework is essential for enforcing the AfCFTA. Secure states with a strong rule of law 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.

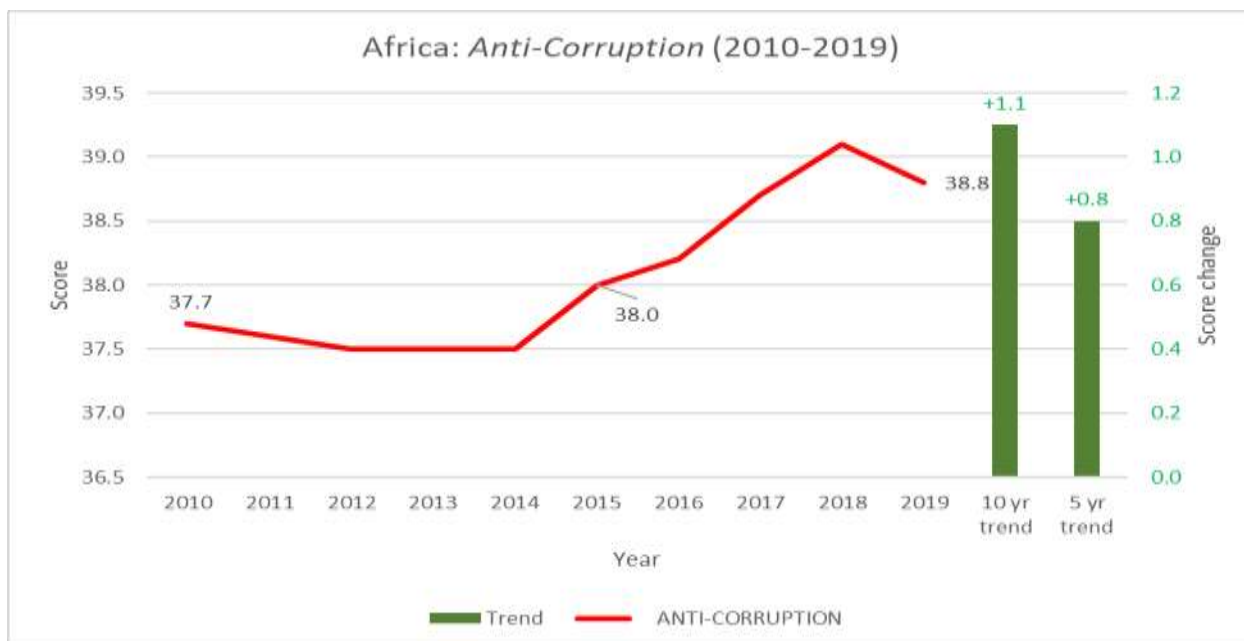
The IIAG shows that progress has been made in solidifying the rule of law, with the *Rule of Law & Justice* category increasing by +0.8 over the decade. Concerningly, security and safety are declining. However, despite a decline of -5.3 over the decade the *Security & Safety* sub-category remains the highest scoring (75.9 out of 100) on the IIAG in 2019.





Corruption

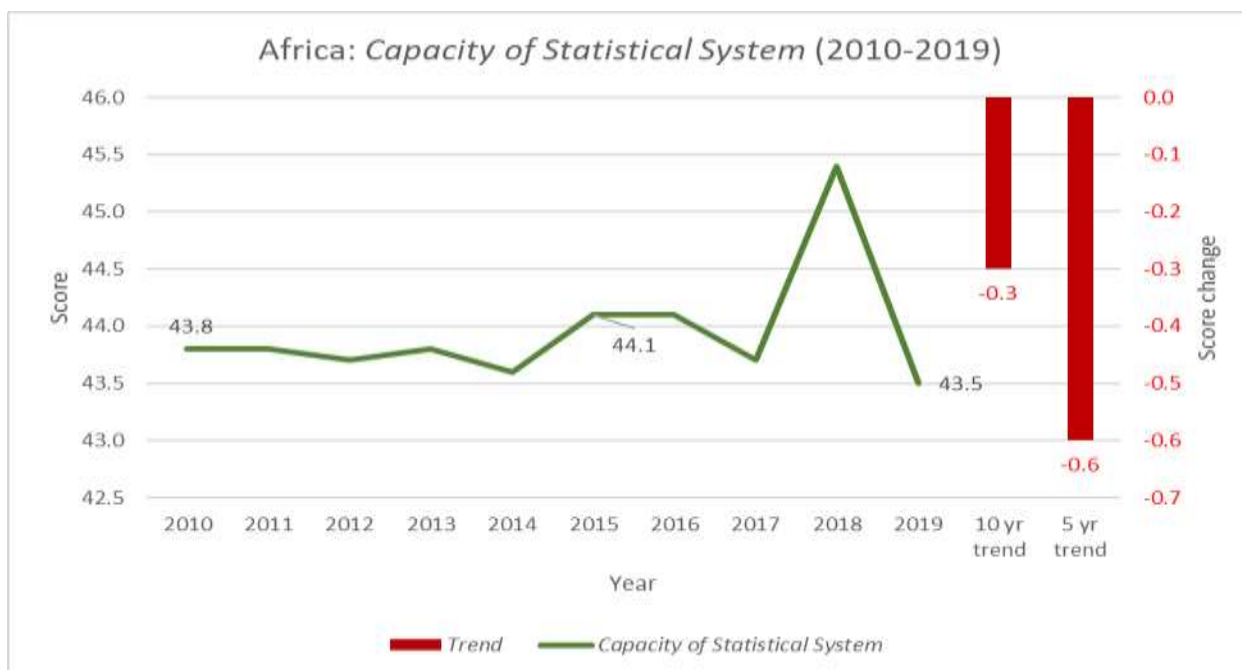
A functioning AfCFTA requires that corruption be routed out to prevent illicit financial flows that undermine legitimate trade and economic progress. Trends on the IIAG show that progress has been made in tackling corruption over the last decade. However, there remains a long way to go as the *Anti-Corruption* sub-category is the second lowest scoring (38.8 out of 100) on the IIAG.



Public Administration

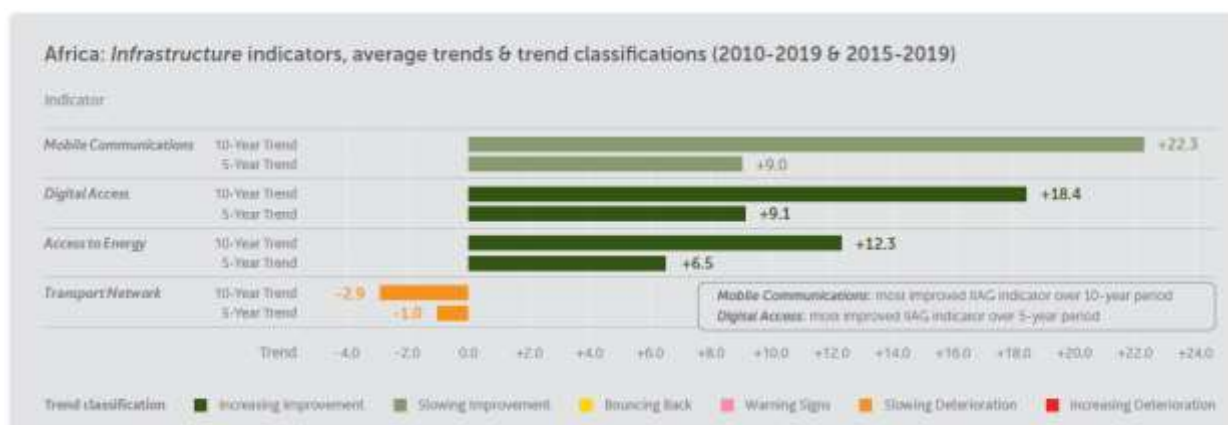
Administrative capacity will play a big role. Particularly the **statistical capabilities of governments**, which will help build a functioning African Trade Observatory. The IIAG shows that *Public Administration* has almost stagnated over the decade with a modest increase of +0.1. A concerning decline in the statistical capacities of government could also prevent the AfCFTA realising its potential.





Infrastructure

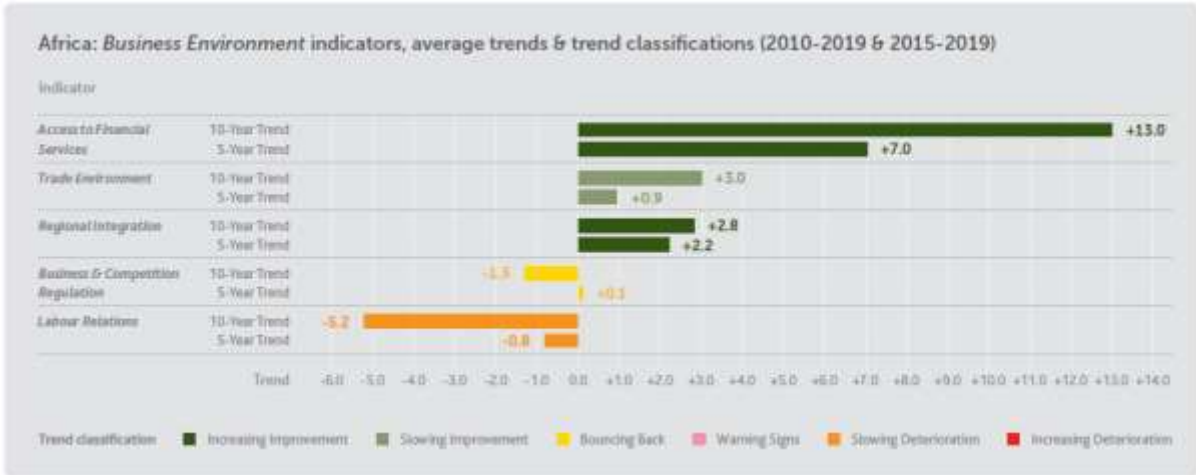
Physical and communications infrastructure are essential for boosting trade. The impact of the AfCFTA will be limited without it. Mobile phone penetration and the production of communications technology can facilitate digital trade within the AfCFTA and link up women and informal traders to new markets. The IAG shows much progress in this area with the *Infrastructure* (+12.8) sub-category the most improved on the index on the back of progress in mobile communications and digital access. However, there is still more work to be done, while the index shows a slight decline in the transport network.



Business Environment

Business environments must be strong and conducive for trade; **intra-African trade environment must be low cost** and without too much burden on producers, particularly SMEs. Just as importantly, it must also be **inclusive**, ensuring no-one is left behind. The IAG shows *Business Environment* has improved over the decade (+1.7) with the rate of progress accelerating in the latest five years (annual average trend of +0.40) to more than double that of the decade (+0.19). Progress has been 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.





4. 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. There 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 economies and pursue **structural transformation**.

There was a risk that the AfCFTA 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 SMEs** 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 and effectively so as not to miss the window of opportunity.

It is 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 AfCFTA 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 the space to develop more intra-regional tourism. The sector has been hit hard by COVID-19, but with the right infrastructure, relaxed travel requirements and the free movement of goods and services, an intra-African tourism sector could emerge.

5. 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 AfCFTA 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 AfCFTA make this possible.

The AfCFTA can make the free transit of these essential equipment needed to combat the pandemic smoother while guaranteeing 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.



6. 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.



How to leverage Africa’s digital transformation in the context of the African Continental Free Trade Area (AfCFTA) Agreement and for the sustainable recovery from COVID-19?

By Arthur Minsat and Elisa Saint-Martin, OECD Development Centre

This think piece builds on the discussions from the 7th Africa Think Tank Summit “Implementing the African Continental Free Trade Area (AfCFTA) Agreement: Assessing country readiness and the implications for capacity building” organised in November 2020 by the African Capacity Building Foundation. It aims to identify the potential and challenges of digital trade in the context of the implementation of the AfCFTA in 2021 and provide fit-for-purpose policy recommendations to scale up the benefits.

An assessment of COVID-19’s implication on African economies

The economic recession triggered by the COVID-19 pandemic hit African countries hard. Struck by the COVID-19 pandemic, the global economy will contract by at least 4.5% in 2020. The African continent, highly exposed to external shocks, will experience its first recession in 25 years, with a decline in GDP of between 2.1% and 4.9% according to scenarios mapped out by the African Union in July 2020 in collaboration with the OECD Development Centre (AUC/OECD, 2021). Overall, 41 of the 54 countries entered into a recession in 2020, according to the IMF forecast (October 2020). By contrast, when the global financial crisis hit the continent in 2009, only 11 countries went into recession.

This crisis has exposed Africa’s reliance on the global economy, notably through supply chains disruptions. By 2019, global markets accounted for 88% of Africa’s exports, mostly in oil, mineral resources and agricultural commodities. As of October 2020, the World Trade Organization (WTO) forecasted a drop of 9.2% in international trade (WTO, 2020a). In Africa, trade volumes were projected to decrease by at least 35% from the level reached in 2019, with a loss in value estimated at around USD 270 billion (Banga et al., 2020, WTO 2020b). Domestic demand and regional trade suffered from confinement measures with at least 42 countries imposing partial or full lockdowns on economic activities and movements of people during the second quarter of 2020 (UNECA, 2020).

COVID-19 might intensify the ongoing shift in international supply chains. Since 2010, international firms have been gradually using more local and regional inputs in their production. The volume of world merchandise trade has been steadily declining since the 2008-09 global financial crisis. The ‘erosion’ in globalisation – the reduction in the average length of supply chains – has been estimated at 52 kilometres per year since 2012 (Miroudot and Nordstrom, 2019). The increased need for more resilient supply chains in the post-COVID-19 period, combined with the imperative of reducing the carbon footprint of production could result in the “regionalisation” of complex global value chains and disrupt global FDI flows. The Association of Southeast Asian Nation (ASEAN), for instance, set a clear objective to strengthen regional supply chains in its recovery framework adopted at the 37th ASEAN Summit in November 2020 (ASEAN, 2020).

The development of African value chains – notably through the implementation of the AfCFTA – can stimulate a sustainable recovery

African value chains had much scope for growth prior to COVID-19. Regional markets were growing fast, with demand for processed goods expanding 1.5 times faster than the global average (AUC/OECD, 2019). Leveraging these opportunities would be key for diversifying and accumulating new capabilities, particularly for SMEs. African firms’ exports to intra-African markets are 4.5 times more diversified than those to non-African markets. In Senegal, firms are 8% more likely to upgrade to more sophisticated products when they export to regional market than when exporting to OECD markets. Expanding intra-African trade would likely benefit more broad-based and inclusive growth. Between 2015 and 2017, exports of manufactured goods accounted for 45% of intra-African exports, compared to only 20% of exports from Africa to the rest of the world (UNCTAD, 2019).

Despite these opportunities, most African firms were losing out to competitors in tapping demand both at home and in emerging markets. So far, the average level of regional sourcing in Africa remains under 16%,



compared to almost 60% in Asia and 68% in Europe (UNCTAD, 2020). Despite growing demand, African exports of consumption goods to African markets decreased from USD 12.9 to 11.8 billion between 2009 and 2016, while imports from the rest of the world grew from USD 11.2 to 19.0 billion. In emerging markets such as China, African exporters also lagged behind competitors from Asia and Latin America in tapping the demand. African exporters accounted for only 0.3% of the increase in China's consumption imports, compared to 12.0% from ASEAN countries and 5.1% from Latin America and the Caribbean. Interestingly, different export patterns appear depending on targeted market. African firms tend to export for lower value, spreading across multiple products to intra-African markets compared to global markets. On average, an African exporter sends 7.4 products to African markets, compared 1.6 products to China. However, average exports value to China is over 8 times higher than for African exports (AUC/OECD, 2019).

Effective implementation of the African Continental Free Trade Area (AfCFTA) agreement could help strengthen regional value chains and build economic resilience against future crises. Strengthening regional value chains could significantly improve Africa's resilience beyond COVID-19. Recent analysis of the impact of the pandemic on East African trade already highlighted greater resilience of intra-regional trade within the East African Community in the second quarter of 2020 compared to extra-regional trade (UNECA, 2021). In January 2021, 35 African countries started trading under the AfCFTA. The agreement aims to connect 1.3 billion people across 55 countries with a combined gross domestic product (GDP) valued at USD 3.4 trillion (World Bank, 2020). The hopes and aspirations attached to the AfCFTA – for trade, industrialisation and addressing the effects of COVID-19 – place it high on the agendas of African policymakers, but also of their partners who support the process. Overall, realising the potential of regional value chains will require greater co-ordination of national industrial policies, regional industrialisation strategies, and corporate strategies of domestic and transnational firms operating across the region.

Africa's digital transformation can be a powerful lever to accelerate continental integration and boost intra-African trade

Prior to the pandemic, digitalisation was already well underway in Africa. The rapid expansion of financial technologies provides an illustrative example: Africa registered over 450 million mobile money accounts by 2019, more than any other world regions. Building on this success, innovation hubs and incubators flourished across the continent. By 2019, 643 tech hubs were active across Africa, up from 314 in 2016, and only a handful in 2010. According to recent estimates, Africa's Internet economy accounted for 4.5% of Africa's GDP in 2020 and could reach USD 180 billion (5.2% of GDP) by 2025. With the implementation of supportive policies to accompany this development, the potential contribution of the Internet economy could amount to USD 712 billion or 8.5% of the continent's GDP by 2050 (Google Analytics/IFC, 2020).

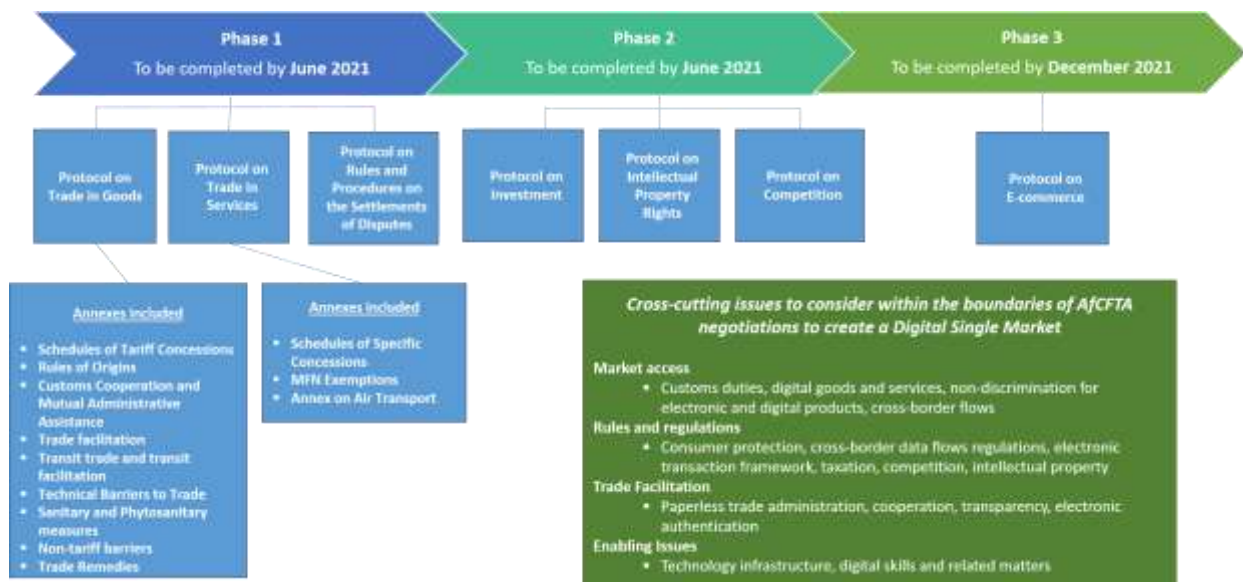
COVID-19 gave an impetus to accelerate Africa's digital transformation. Africa's private sector, with the support of policy-makers, implemented a host of digital solutions to increase effectiveness of public policies in different sectors such as healthcare, education and finance. For instance, the COVID-19 pandemic underscored Africa's weakness in crucial sectors such as pharmaceuticals, medical supplies, and equipment. To respond to this challenge, the Africa Centres for Disease Control and Prevention – in collaboration with 20 international partners and foundations – launched a not-for-profit continental e-platform to help African governments procure diagnostic tests and medical equipment from certified suppliers on the global market. Many businesses strived to adapt to the "new normal" by accelerating their adoption of technologies. In Ghana for instance, a survey on the impact of COVID-19 across 4311 firms found that more than a third (37.5%) of them started or increased their use of mobile money during the pandemic (GSS/UNDP/World Bank, 2020). In Rwanda, person-to-person mobile money transfers increased fourfold in just five weeks following Central Bank's decision to implement a three-months fee waiver on transfers during lockdown (MFW4A, 2021)

The African Union's Digital Transformation Strategy 2020-2030 set the objective to create a digital single market by 2030 (AUC, 2020). The Digital Transformation Strategy for Africa aims to build on the existing initiatives and frameworks, such the AfCFTA among others, to create a Digital Single Market where free



movement of persons, services and capital is ensured and individuals and businesses can seamlessly access and engage in online activities. Although the AfCFTA Agreement first focused on tariffs and did not prioritise the digital economy, digital considerations cut across many aspects of trade in goods and services. The acceleration of Africa’s digital transformation in the light of COVID-19, led African policy makers to push for the adoption of a continental Protocol on E-commerce, which will be formally negotiated in 2021 under Phase 3 of AfCFTA negotiations (see Figure 1). The objective will be to establish common positions on e-commerce, harmonise digital economy regulations and leverage the benefits of e-commerce (ECDPM, 2020).

Figure 1. AfCFTA negotiations phases and potential for the Digital Single Market



Source: Authors’ adaptation based on Signé and Van der Ven (2019) *Keys to success for the AfCFTA negotiations* and Tralac (2020) *An Agenda for the AfCFTA Protocol on E-Commerce*

Overall, the combination of growing digitalisation and the AfCFTA implementation – through its protocol on E-commerce – could deliver additional trade gains. A modelling exercise across 160 countries demonstrates that when combined with a regional trade agreement, a 10% increase in digital connectivity increases exports by an additional 2.3% (López González and Ferencz, 2018). Similarly, a review of 10 international data agreements, conventions and guidelines covering 63 countries show that the benefits associated with such agreements - higher trust and higher interoperability of legal frameworks - are bigger than its costs - restrictions to the free flow of data and compliance costs (Spiezia, V. and J. Tscheke, 2020). This highlights the crucial role that discussions around data governance will play under Phase 3 of the AfCFTA negotiations.

Understanding digitalisation’s implications on trade and production

Africa’s e-commerce activities are on the rise, despite challenges in measuring the extent of digital trade (see box 1). Since 2015, electronic transmission has become the dominant mode used in Africa’s trade in professional services (such as finance, insurance ICT and technical support). It accounted for USD 18.8 billion, or 57% of Africa’s export in professional services in 2017, up from USD 8.0 million in 2005. In like manner, Business-to-Consumer (B2C) e-commerce increased in recent years but has still much scope for growth. Estimated at USD 5.7 billion in 2017, the continent’s consumer e-commerce market represented less than 0.5% of its combined GDP, compared to a global average of 4% (UNCTAD, 2018).

Box 1. What is digital trade?

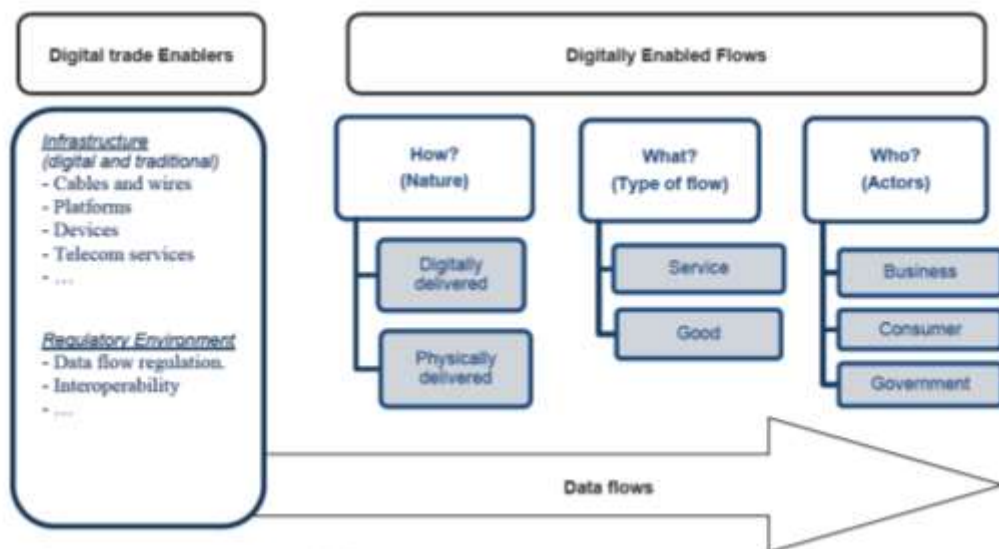
There is no single, recognised and accepted definition of digital trade. The African Union’s *Digital Transformation Strategy 2020-2030* recognises the definition proposed by the OECD, IMF and WTO: “Digital



trade encompasses digitally enabled transactions in trade in goods and services that can be digitally or physically delivered. This includes digitally delivered software, e-books, data or database services; and digitally enabled but physically delivered goods and services, such as a purchase of a good on an online marketplace or the booking of a hotel through a matching service. Digital trade involves business-to-business transactions within Global Value Chains (GVCs), as well as transactions between consumers or businesses purchasing from each other through online platforms. All of these transactions are underpinned by data, which is the lifeblood of digital trade” (see figure 2).

The nature of the links between growing digitalisation and trade and therefore the scale of the policy challenges remains difficult to assess. Even if traditional trade statistics for goods record many digitally enabled trade transactions, they do not differentiate goods transactions according to whether they have been digitally enabled or not. Similarly, in services, measuring cross-border transactions is difficult. In regards to digital trade, the need to identify digitally ordered as well as digitally delivered services compounds this challenge by. The rise of 3D printing is also set to raise challenges in capturing digital delivery for products that arguably encompass both services and goods. An additional challenge is that cross-border trade flows are mostly informal and not measured. By some accounts, about a third of Africa’s traditional trade flows are unaccounted for. Until better measures for “traditional” and digital trade are available, analysis has to proceed carefully, using existing statistics to shed light on particular aspects of trade in the digital era.

Figure 2. Typology for digital trade

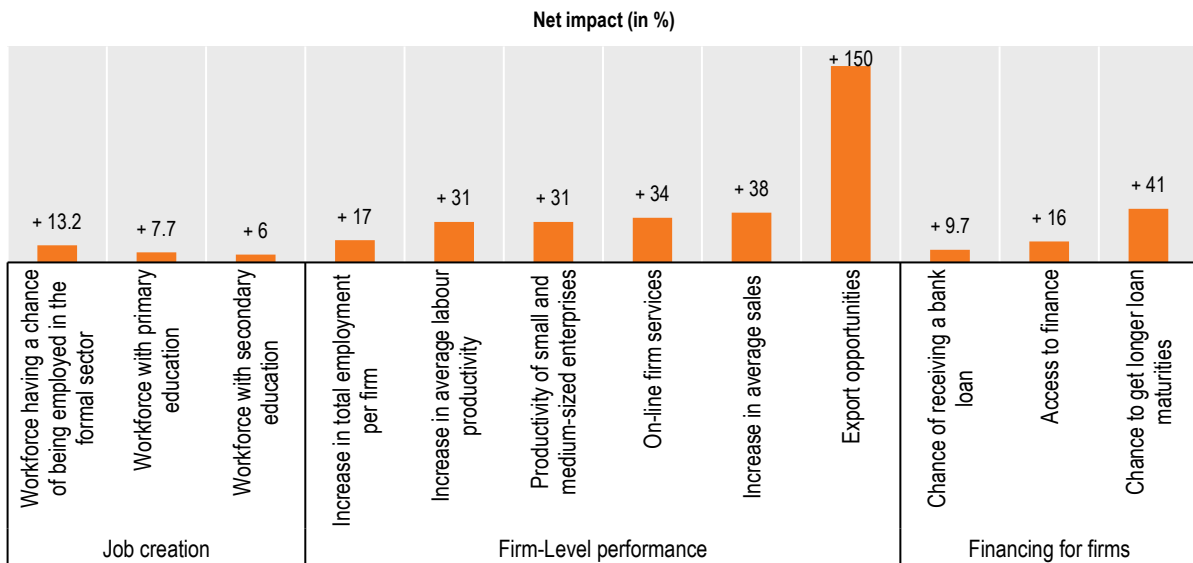


Source: López González and Jouanjean (2017); OECD/WTO/ IMF (2020)

More broadly, the use of digital technologies increases firms’ productivity, which is likely to lead to an expansion in output and exports. Several studies have highlighted the positive impact of digital technologies on firm performances in developing countries (see figure 3). A landmark study by Hjort and Poulsen (2019) shows that for 12 African countries, the arrival of high-speed Internet to a region, a proxy for the level of digital development, positively increases the employment rate for both workers with high and low education. Building on this approach, empirical findings on more than 30 000 firms from 38 developing countries – including 9 countries in Africa – show that a 10% increase in e-mail use by firms raises their total annual sales by 37-38%, sales per worker by 22-23% and the number of full-time workers by 12-14% (Cariolle, Goff and Santoni, 2019).



Figure 3. Impacts of digitalisation on firm performances in Africa and other developing countries



Note: This is a summary of econometric findings. The data presented here show the marginal impact of digitalisation (infrastructure development, speed of the Internet connection and Internet usage among the population) on job creation, firm-level performance, and financing for firms in Africa and other developing countries.

Source: OECD/AUC (2021)'s illustration based on Hjort and Poulsen (2019), "The arrival of fast internet and employment in Africa"; Cariolle, Goff and Santoni (2019), "Digital vulnerability and performance of firms in developing countries"; and D'Andrea and Limodio (2019), "High-speed internet, financial technology and banking in Africa"

Digital technologies can lead to diversification and movement into more sophisticated products. So far, many African countries lag behind other developing regions in terms of product complexity according to the Economic Complexity Index (Harvard University, 2018). Increased adoption of digital technologies could help firms produce more diverse and complex products and overcome some productive capabilities challenges. In Kenya for instance, Megh Industries, an automotive firm heavily invested in new technologies and managed to move from manufacturing of transport equipment and parts to full transport seating and van conversions (Banga and te Velde, 2018a). Similarly, Banga (2021) finds that increasing use of digital technologies significantly raised the average product sophistication level of Indian manufacturing firms participating in GVCs. Evidence from five Asian least developed countries—Bangladesh, Cambodia, Laos, Myanmar, and Nepal—also suggests that online trade is more diversified and value-added in nature than offline trade (WTO, 2018).

Increased cross border data flows have also contributed to a wider and deeper "servicification" of manufacturing. Between 2016 and 2020, cross border internet traffic in Africa grew at a compound annual rate of 48%, in parallel to the fast expansion of international internet bandwidth from 3,827 Gbps to 17,536 Gbps – the most rapid growth in the world (Telegeography, 2020). Producing goods now relies on a greater use of service inputs such as engineering, sales and research undertaken in-house or outsourced, domestically and internationally often orchestrated, or co-ordinated, through digital networks and relying across border data flows (Miroudot and Cadestin, 2017). This process of "servicification" helps manufacturers add value and create long-lasting relations with customers. In Ethiopia, Egypt and Kenya for instance, services accounted for 40-42% of the value addition in these sectors in 2015 (OECD/AUC 2019)

Digitalisation can act as a driver of export competitiveness and increase integration in production networks, especially for small and medium enterprises (SMEs). Entering international markets is difficult and costly, especially for SMEs that face a host of constraints including higher relative fixed costs than larger companies, insufficient R&D and skills training, and insufficient knowledge of foreign markets and regulations. Digital technologies can ease a number of these constraints and reduce SME expenditures in a range of areas, from market research to operational support (OECD/WTO, 2019). Results from an econometric analysis of 27 000



manufacturing SMEs in 116 developing countries — including 31 African countries — confirm that SMEs which adopt digital technologies are more likely to engage in international trade. Having a website is positively associated with a 4.6 percentage point increase in the share of imports among firm inputs and a 5.5 percentage point increase in the share of direct exports in firms’ sales (AUC/OECD, 2021).

Digital technologies in transactions and logistics hold potential for generating efficiency gains, reducing trade costs and increasing market access. The use of software and 3D modelling can facilitate product development and customisation; e-commerce platforms, mobile money, and online banking can increase B2B and B2C e-commerce, and digital customs can facilitate exchange of goods. For instance, recent estimations show that online submissions of customs documentation decreased time spent at the border by more than 70% for both imports and exports (WTO, 2018). Similarly, digital platforms can help buyers and sellers from around the world to meet and exchange goods and services, thus lowering their search costs. Interestingly, SMEs participating in e-commerce tend to remain exporters longer than those in purely traditional markets and growth of e-commerce yields productivity gains of 6 to 15 % for SMEs (OECD/WTO, 2019).

Leveraging the potential of digital trade and the AfCFTA to build resilient supply chains in Africa will require co-ordinated policies

Despite this growing potential, readiness for digital trade and adoption of new technologies largely differs across countries and firm size. According to the UNCTAD e-commerce readiness index 2021 – taking into account four indicators enabling e-commerce: financial inclusion, internet use, postal reliability and digital security – African countries still lag behind other regions. Mauritius ranks the highest at position 69 out of the 152 countries followed by South Africa (73), Tunisia (77), Algeria (80), Ghana (81), Libya (85), Kenya (88), Nigeria (94), Morocco (95), and Senegal (99) (UNCTAD 2021a). Among firms from the World Bank Enterprise Surveys, only 59% of all African firms use the Internet to interact with clients and suppliers, and only 50% of small African firms do so. The share of firms having their own website is even lower, at 31% among all African firms and 23% among small ones (AUC/OECD, 2021).

African e-commerce platforms have yet to harness the economies of scale created by the AfCFTA by expanding beyond borders. Research on African marketplaces shows that only 1% of Africa’s e-commerce marketplaces are responsible for 60% of the marketplace traffic in Africa and most of them are found in only five countries (South Africa, Morocco, Tunisia, Egypt and Algeria). In addition, cross border e-commerce remain limited with 80% of marketplaces operating exclusively in Africa and 91% of transactional marketplaces in Africa being solely national in scope (ITC, 2020). For the time being, African firms will need to access global platforms – Amazon, Alibaba, etc. – to reach global markets. In this context, bilateral and regional co-operation across borders will be needed to reduce barriers to entry, ensure that common standards are applied and that information is available to regulators (OECD, 2020)

Taking into account digital aspects of trade in AfCFTA negotiations will be essential to ensure competition in the digital economy. This will include tackling bottlenecks for cross-border e-commerce, supporting international e-payments, cross-border deliveries, standards and certification. For instance, the establishment of a Pan-African Payment and Settlement System (PAPSS) will allow quick settlements of cross-border transactions through digitalised means. Similarly, the AUC and the African eTRADE Group are collaborating to develop a continental e-commerce platform for SMEs. This platform will provide an online trading place and payment settlement for SMEs in order to facilitate cross-border trade and the delivery of products across the continent and reduce transaction costs.

Beyond trade facilitation, greater regional and continental co-ordination on cross cutting issues linked to digital transformation will be vital to scale up regional digital trade. The rise of digital technologies poses new and complex challenges. The fast development of technologies, their global reach and their cross-border nature – to which governments need to respond with “fit-for-purpose” policy frameworks and enforcement mechanisms – magnify these challenges. Most national strategies aim at turning a country into a “regional digital



hub” but do not prioritise regional and continental co-operation. The policy areas mentioned below provide some ideas and recommendations on key issues that will need to be addressed to achieve the ambition of the AfCFTA and Digital Transformation Strategy for Africa 2020-2030.

Improving access to international bandwidth infrastructure and services

Addressing bottlenecks in access to the Internet beyond large urban centres is crucial to develop regional value chains. Currently, only 26% of rural dwellers regularly use the Internet, compared to 47% of urban inhabitants. Promoting the spread of digital innovations to intermediary cities could have an important multiplier effect as nearly six in ten (57%) of all African cities that are not connected to the network lie within only 50 km of it; in 2015, they accounted for a total estimated population of 146 million. This could also represent a significant opportunity to fast track the development of regional corridors across the continent. To this end, the Programme for Infrastructure Development in Africa (PIDA) provides an important framework and monitoring tool. Of PIDA’s 114 ICT infrastructure projects, 42 aim to upgrade key Internet exchange points, 37 are dedicated to building new broadband fibre infrastructure across the continent and 34 intend to upgrade key existing terrestrial fibre backbones (AUDA-NEPAD, 2020).

Expansion of communications infrastructure should go hand-in-hand with policies promoting affordable Internet services and devices. Network equipment (fibre-optic cables, routers and switching apparatus) and devices (computers...) are still subject to high tariffs in Africa. Currently, only four African countries (Seychelles, Morocco, Egypt and Mauritius) are part of the WTO Information Technology Agreement (ITA) that ensure duty free access to these goods. In economies that are not participants to the ITA, tariffs are as high as 45% on certain ICT imports (WTO, 2020c). Similarly, in 2018, only 17% of Africa’s population could afford one gigabyte (1 GB) of data, compared to 37% in Latin America and the Caribbean, and 47% in Asia. Governments can make data prices affordable by creating new public-private alliances for rural connectivity, improving the use of Universal Service and Access Funds (USAFs) and ensuring fair competition among telecommunication providers. Reinforced international and regional co-operation can lower tariffs on digital equipment, transit costs and interconnection rates, yielding benefits for both coastal and landlocked countries.

Ensuring that Africa’s workforce possesses the right skills for the digital era

Despite the progress achieved in education, many entrepreneurs still lack basic capabilities to export. Among entrepreneurs in Côte d’Ivoire and Madagascar, most firms lack basic capabilities: doing basic bookkeeping, laying out a plant, using tools to plan over a multiyear horizon, identifying a relevant technological advance and cultivating human resources (OECD, 2017). Between 2010 and 2020, youth (aged 15-29) receiving post-secondary education grew from 47 million to 77 million. Under business-as-usual education scenario, this number could reach 165 million by 2040. Despite the progress, persistent skill mismatches persist among young workers in labour markets across the continent. Surveys across 11 African countries suggests that nearly one in two youth feels his or her skills are inappropriate for the local labour markets, with 28% of youth feeling underqualified and 17% feeling overqualified (Morsy and Mukasa, 2019).

Africa’s education systems will need to enhance the quality of foundational education and equip youth with additional skills for the digital era. Youth will need solid foundational skills, including good literacy, a basic knowledge of science, technology, engineering and mathematics, as well as digital skills to benefit from growing digitalisation. In Lesotho for instance, close to 60% of respondents identified digital illiteracy as the main reason for not using the Internet (RIA, 2016). In Benin, Liberia, Malawi and Zambia, 60% of employers on average equally value technical skills (efficient use of materials, technology equipment and tools) and soft skills (teamwork and communication) as capital factors for their business development (Arias et al., 2019). Going up the value chain, jobs in activities such as marketing, logistics and quality control as well as in agri-business will require more advanced technical skills including data analytics or digital marketing (ACET, 2018).

Tech hubs, incubators and tech companies can be of great relevance in preparing Africa’s youth for labour market requirements. A number of global tech companies are now carrying out initiatives around entrepreneurship and the development of digital skills for young Africans. Tech hubs offer a range of services to



the local ecosystem, acting as incubators and accelerators for local start-ups, facilitating networking between digital entrepreneurs and providing co-working spaces. Academic programmes are creating new alliances with these actors. In Nigeria for instance, Facebook launched its NG_HUB in 2018 in collaboration with the Co-creation Hub to provide 50 000 young Nigerians with skills for own-business development and to nurture a strong mutual learning community of entrepreneurs. In North Africa, triangular collaboration between governments, universities and the private sector are facilitating the establishment of technology hubs and incubation centres.

Expanding technical and vocational education and training (TVET) programmes could also improve workers' capabilities. For example, Generation Kenya, a public-private programme, works closely with the government of Kenya and TVET institutions to equip youth with technical and employability skills. Since its inception in 2015, Generation Kenya has successfully placed 84% of the 18 000 graduates in employment in multiple sectors (e.g. financial services, distributed sales, customer service manufacturing) through a network of more than 200 employer partners (AUC/OECD, 2019). Similarly, in South Africa, the government set the ambitious target of expanding the TVET college system to 2.5 million enrolments by 2030 as a way to reduce the 3.4 million young people not formally employed nor in education or training (Field, Musset and Álvarez-Galván, 2014)

Harmonising data regulatory frameworks to allow seamless cross border data flows without endangering digital security and personal data protection

Given the international scope of data value chains, African countries cannot cling to isolated national frameworks for data regulation. Despite some regional and continental efforts, the national data regulatory framework in most African countries is below the required level for the digital era. According to UNCTAD's Global Cyberlaw Tracker (2020), among Africa's 54 countries, only 33 countries have comprehensive legislations on electronic transactions, 25 countries on consumer protection, 27 countries data protection and privacy frameworks and 39 countries address cybercrime.

Reinforcing regional co-operation will better tackle digital security challenges. Serianu (2017) estimates that the cost of cybercrime in Africa was about USD 3.5 billion in 2017, with Nigeria and Kenya alone suffering losses of USD 649 million and USD 210 million, respectively. In 2014, the 23rd Assembly of the AU Heads of State and Government adopted a Convention on Cybersecurity and Personal Data Protection as a first step towards continental co-operation. Yet, as of June 2020, only fourteen (14) AU member states had signed it, and five (5) had ratified it (Ghana, Guinea, Mauritius, Namibia and Senegal). This is still far from the fifteen (15) ratifications required for the Convention to enter into force (AU, 2020).

Greater regulatory coherence across countries is required to navigate global digital data. Too many restrictions on data flows can have trade consequences, when, for instance, they affect the movement of data that is critical for the co-ordination of GVCs. For instance, evidence from a sample of 64 countries between 2006 and 2016, shows that isolated attempts to restrict the cross border movements of data or require local storage of data inhibit trade in services and reduce the productivity of local firms (Ferracane and Marel, 2018). In the case of the EU, barriers to data flows are estimated to reduce GDP by 0.4 to 1.1%, depending on the strength of data localisation requirements (ECIPE, 2014).

Principles for promoting open exchange of data in the context of regulatory heterogeneity can be found in existing trade agreements. First, transparency, both inclusive processes and access to information, is especially important in digital trade with more, and smaller firms, trading in more countries with more complex transactions. Second non-discrimination is critical to ensuring shared benefits and for enabling digital trade to prosper alongside its analogue equivalent, but raises new issues in the digital era. Third, avoiding unnecessary trade restrictiveness is key to finding balance and ensuring that regulatory objectives are fully met in a way that is least restrictive to trade. This is a challenge: in the digital age, local regulation can have global impacts, especially on SMEs. Finally, interoperability and open standards can increase the capacity of different systems to interact. Where harmonisation is not achievable or desirable, interoperability may help overcome issues related to technical and regulatory heterogeneity and enable greater sharing of the benefits of digital trade (Casalini, Lopez Gonzalez and Moïsé, 2019).



Adapting taxation to the digital economy requires new tax policies and international co-operation

The digital economy poses a number of challenges to tax collection in. According to Banga et al (2021), African private sector ranks harmonised laws for taxation of cross-border e-commerce as the most important regulation needed to boost intra-regional e-commerce. Currently, many African countries do not have laws and procedures in place to collect value-added tax (VAT) on sales made by suppliers that are not physically present in the consumer's country. This can lead to considerable revenue losses. It can also create unfair competitive pressure on domestic businesses that are required to charge VAT on their sales, while low-value imports are often exempt from VAT. In addition, higher value items are vulnerable to fraudulent undervaluation and miscategorisation by foreign suppliers.

Internationally agreed OECD standards provide examples of solutions for African countries for the effective collection of VAT on cross border e-commerce. The OECD Global Forum on VAT (comprising over 100 countries) has developed standards to address the VAT challenges linked to the digitalisation of the economy; they have been implemented or are being implemented worldwide (OECD, 2019; OECD, 2017). South Africa is one of over 50 countries that have implemented the standards on cross-border supplies of digital services, raising significant revenues (South Africa raised over ZAR 5 billion – approximately USD 276 million – between June 2014 and September 2019). Recognising that online marketplace platforms facilitate a large proportion of online sales, the OECD recommends involving them in the VAT collection process. African countries can benefit from others' experiences in implementing these standards. Most of the major platforms (responsible for the majority of online sales) have already developed systems and processes to comply with the standards.

The Inclusive Framework on Base Erosion and Profit Shifting is also bringing together over 135 countries and jurisdictions, including 23 African countries, to develop solutions on taxing the digital economy. Negotiations, with all members on an equal footing, are ongoing and focus on two pillars. The first would create a new taxing right for market jurisdictions, while simplifying the taxation of the profits from certain routine functions of multinational enterprises (OECD, 2020a). The second pillar would ensure the profits on multinational enterprises are subject to a minimum rate of tax to reduce the incentive for companies to adopt aggressive tax avoidance strategies. Both of these pillars offer potential gains for Africa. While the impacts are difficult to accurately predict before the exact policies are known, early estimates suggest that, in relative terms, low-income countries would benefit from both pillars (OECD, 2020b).

More broadly, providing a platform for discussion on tax policies and targeted support could strengthen African countries' capacities to identify best practices and improve tax collection. For instance, the joint OECD/UNDP initiative *Tax Inspectors Without Borders* launched in 2015 provides assistance to strengthen African countries' auditing capacity and multinationals' compliance. To date, *Tax Inspectors Without Borders* initiative has 52 completed and ongoing programmes across 19 African countries. Additional tax revenues attributable to TIWB programmes in Africa now amount to USD 354.1 million, and overall tax assessments in excess of USD 1.58 billion (OECD/UNDP, 2020). In addition, the flagship report *Revenue Statistics in Africa* produced by the OECD, African Union Commission and African Tax Administration Forum (ATAF) provide peer-learning opportunities on tax structures and related policies both among 30 African economies and with OECD, Latin American, Caribbean, Asian and Pacific economies (OECD/AUC/ATAF, 2020).

Learning from regional and international experiences could help identify best practices for the implementation the Digital Single Market

African governments can learn from digital strategies implemented by Regional Economic Communities (RECs). Accelerating the implementation of these initiatives and identifying the key bottlenecks could be insightful to create a continent-wide Digital Single Market. Policy makers could use these initiatives for mutual learning and scaling up (UNECA et al, 2019; Banga et al, 2021):

- The SADC developed a comprehensive regional strategy on the back of most of its members' national ICT strategies. Key pillars of this strategy include components of national e-commerce strategies, legislation,



national and sub-regional infrastructure, skills development, payment solutions (the SADC Integrated Regional Electronic Settlement System) and data collection.

- COMESA set up its own Digital Free Trade Area (DFTA), aiming to use ICT to improve efficiency in cross-border trade through development of a platform for online trade, an e-payment gateway and mobile apps for small-scale cross-border traders, the use of ICT to improve logistics and legislation allowing countries in the region to carry out e-transactions and e-payments. It also has a COMESA Regional Payment and Settlement System.
- The EAC developed an Electronic Transaction Bill (2014) to promote electronic transactions. EAC states also adopted e-transactions policy recommendations to be domesticated through the development of regulatory frameworks. The EAC partner states are at varying stages of introducing new or strengthening existing national ID systems. Kenya, Rwanda and Uganda already recognise each other's national ID as a valid document in lieu of a passport, which can facilitate digital trade

Africa can also learn from other regions such as the European Union, one of the most advanced examples in implementing a digital single regional market. In 2015, the European Commission presented the EU Digital Single Market Strategy, followed by a dedicated resolution by the European Parliament in January 2016 (European Commission 2019a; European Commission 2019 b). Since then, a number of landmark achievements have supported the construction of the European digital single market, including:

- **The end of roaming charges since June 2017.** The so-called roam-like-at-home approach enables all European citizens travelling in the Europe Union to use their mobile phones for calls, SMS and data for the same price as in their country of residence.
- **The removal of geo-blocking barriers to e-commerce since March 2018.** The new rules ensure consumers can access goods and services online without concern for geographically based restrictions to e-commerce, or cross-border transactions. This regulation increased real cross-border e-commerce activity inside the EU by between 9% to 13% (European Commission 2020)
- **The cross-border portability of online content since April 2018.** Europeans can access their online subscriptions to films, sports events, e-books, video games and music services while travelling to another member state.
- **The modernisation of data protection since May 2018.** The data protection reform is a legislative package that includes the General Data Protection Regulation.

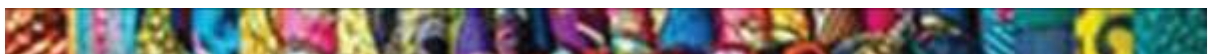
Overall, multilateral development co-operation can support Africa's digital transformation even further. Many lessons can be learned by sharing experiences from different countries and world regions. The report *Africa's Development Dynamics 2021: Digital transformation and quality jobs*, prepared jointly by the African Union and the OECD Development Centre, with the support of other institutions like the African Capacity Building Foundation (ACBF), ACET, the European Union or BMZ/GIZ , promotes evidence-based policy dialogue between African policy makers, entrepreneurs, academic communities and the civil society.

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