How to Implement the AfCFTA

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The African Continental Free Trade Agreement (AfCFTA) highlighted 2018—as an extraordinary year for the collective African Union membership. The AfCFTA presents new opportunities for the parties, if fully implemented. For instance, higher trade liberalisation—complemented by predictable and favourable product rules of origin would expand intra-Africa trade by 15%. Increased intra-Africa trade is necessary to shield Africa's development from the effects of: 1) fracturing multilateral trading system; 2) growing protectionism and populism; and 3) proliferation of MEGA regional Trade Agreements—to consolidate and ring-fence neighbouring geo-economic and geo-strategic interests. From trade co-operation perspective, the AfCFTA offers a new pathway to "*how better Africa should engage the rest of the world as single voice.*" For example, the AfCFTA disciplines offer Africa (members of the ACP grouping) the levers to leverage in the negotiation of trade and development related aspects of a new ACP-EU framework to replace Cotonou Partnership Agreement (CPA), post 2020. The same levers will be fundamental in the proposed reformsof the World Trade Organisation (WTO) and the related global rules-based trading system. For example, in the interest of the continental actions, Africa should advance expansion of the WTO Dispute Settlement Appellant Body Membership, from the current seven persons. And call for a regular Africa representation in the Appellant Body Membership.

The AfCFTA also provides entry points into new ways to build Africa's political settlements and collective actions on global issues such as Climate Change; and a baseline for collective Africa positions on multilateral trade issues and negotiations. The conclusion of trade agreements has a tendency of increasing trade growth expectations—AfCFTA is the same. However, Africa does not have strong record on full implementation of trade agreements. To avoid AfCFTA implementation disappointments, responsible stakeholders need to identify suitable and innovative AfCFTA Means of Implementation (MoI)—*going beyond resource allocation and technical assistance*. I propose three key MoI.

AfCFTA financing

The AfCFTA implementation will require additional domestic and international human and financial resources—which requires regular reforms. In addition to the game changer AU self-financing reforms, AfCFTA implementation needs a modern and strategic Continental Aid for Trade coordination Strategy for *three reasons*: (a) proactively direct development partners' focus to AfCFTA implementation priority areas; (b) avoid diversion of Aid for Trade resources and focus from regional integration programmes to AfCFTA implementation; and (c) find new and emerging financial sources. Implementation of Africa's trade agreements/integration programmes, largely, rely on external funding. For the AfCFTA implementation, ownership and on the continent financing—through public-private partnership is critical. To limit competition between different regional integration programmes and AfCFTA for existing core Aid for Trade resources, the AfCFTA should leverage the rapidly emerging new investment financiers, such as: Asset Managers, Capital Markets, and Pension Funds—to fund implementation of certain aspects of the CFTA. For example, Africa pension funds sector (based on study of 12[1] African countries), is expected to hit $1.1 trillion mark by 2020. And the asset management sector (in the same 12 countries) is expected to reach $1,098 billion in the same year. These emerging sources of domestic revenues offers AfCFTA parties' domestic levers to implement AfCFTA obligations (especially national commitments)—creating space for development partners to focus on multi-country (regional) AfCFTA projects.

Leveraging RECs Convening Power and Comparative Advantages

The AfCFTA brings together markets of 44 countries—the kind of market integration envisaged in the Abuja treaty. As such, the AfCFTA will contribute to the *completion of Africa's last mile of Integration*—started by Regional Economic Communities (RECs) decades back—but spread into overlapping free trade area memberships. RECs have comparative advantages in Africa integration process. For instance, each REC membership is founded on either of: regional neighbour geo-economic interests which facilitates continued goodwill and political settlements; shared history dating back to the colonisation and Pan Africanism era; shared people integration—based on people migration and common ethnicities and languages a cross neighbouring countries' borders; and common challenges—for example physical connectivity challenges for land locked countries in the East Africa Community Membership. Also, RECs have unique and focused '***convening powers"*** *(through the liked minded REC Leaders' summits and other political engagements)*. Thus, AfCFTA implementation should leverage the RECs comparative advantages and convening powers and strengthen RECs institutions focusing on aspects of the AfCFTA. For example, instead of creating AfCFTA dedicated National Ministries similar to the EAC model[2], the AfCFTA MoI could:

- **strengthen national capabilities for effective AfCFTA implementation**. The national trade agenda is congested in most Africa Countries—*due to the on-going regional trade integration, implementation of the Multilateral Trade Facilitation Agreement (TFA), in addition to other national trade development programmes*. Hence, countries and RECs need additional pair of human resources to effectively deliver AfCFTA related work programmes. In this regard, a whole-of-Africa technical assistance arrangement should be explored to deliver AfCFTA coordinated implementation—by supplementing national and regional organisations' human resources—to undertake additional AfCFTA related workstreams, including private sector development and resource mobilisation. The arrangement could be modelled on the existing Intra-ACP Hubs and Spokes Programme—which has played unique roles in the implementation of trade and investment policies in the different ACP regions.
- **mainstream the AfCFTA integration into National Development Plans/Strategies (NDPs), and Regional Integration agendas**. Parties

should establish National Coordinator (NC) departments /desks within Ministries of Trade; and regional coordinator within RECs—to work as a liaison office on AfCFTA implementation at the national and regional levels; and mainstreaming AfCFTA implementation into RECs regional agendas and NDPs. Such AfCFTA governance approach would enable whole-of-government/RECs collaboration in the implementation of AfCFTA commitments; and inclusion of AfCFTA financing into national and regional planning, budgeting, Evaluation processes.

- **at the continental level**, a coordination mechanism involving all RECs and relevant development partners should be explored. A good example is the Council of Regional Organisations in the Pacific(CROP). The CROP, chaired by the Pacific Islands Forum Secretariat, brings together more than 5 regional organisations to collectively advance Pacific Regional Priorities identified by Pacific Leaders. The CROP plays a key role in the agenda setting process for relevant Forum Membership engagements—on diverse matters outside the mandate of one single regional organisation—hence leveraging regional institutional knowledge and strengthening synergies. A similar model for the AfCFTA would enable coordinated and collective AfCFTA implementation, including resource mobilisation.

Exploit and Strategize for the emerging global trends At the time of writing,the international environment is going through a remodification phase, with possible implications on AfCFTA implementation. Three key trends which AfCFTA parties should strategize for are:

- **The growing protectionism and Populism.** The global rules-based trade is being challenged by its architects—with lingering trade protectionism practices involving bigger trading economies (USA and China), and between the mighty USA and Rwanda (AGOA suspension for Rwanda). First, these trends call for the reformation of the global trade rules—and their custodian—the Word Trade Organisation (WTO). Some WTO members, led by Canadaand the European Unionhave already tabled WTO reform proposals. Some of the proposed reforms on investment, for example technology transfer to the local economy (see page 4 of European Union proposal), has implications on specific aspects of AfCFTA and broader industrialisation plans. Secondly, the WTO reform process is likely to further delay revival of the Doha round issues—a matter of priority for developing countries—most AfCFTA members. Effective implementation of the AfCFTA requires a stable and predictable global trading system. Thus, AfCFTA members (Africa WTO Members in particular) should be agile in the review, and protection of development friendly (recognising varying levels of development) multilateral trading system. The current global trading rules were constructed without much input from African countries. Thus, the emerging WTO review presents Africa a chance to reshape future global trading rules with the broader Africa Integration Agenda (including AfCFTA disciplines) in mind—rather than otherwise. For instance, Africa now has a chance to push reforms in Developed Countries' subsidies (including agricultural), which continue to constrain market access opportunities for Africa's farm produce.

- **Changing Africa-EU relationship post 2020.** For over 70 years, Africa engages the European Union through the ACP-EU co-operation arrangements—the successive Lomé conventions, and the existing Cotonou Partnership Agreement (CPA). These arrangements have guided Africa and EU development cooperation on various matters, including trade (through unilateral and reciprocal trade arrangements—Economic Partnership Agreements), and development (mainly the European Union Fund (EDF)). The CPA will expire in 2020, and negotiations of a successor framework were launched in the last quarter of 2018. Negotiations of CPA successor gives AfCFTA parties a chance to: 1) align Africa-EU future cooperation on trade and development matters to the AfCFTA disciplines and aspirations; 2) strengthen south-south trade cooperation with Pacific and Caribbean regions; and 3) a chance to negotiate a dedicated Africa-EU protocol based on the broader ACP-EU foundation agreement. For the latter, Africa countries involved in the CPA successor negotiations should secure additional and new development cooperation package—to support Africa Integration (including AfCFTA).
- **BREXIT:** Whereas the end of BREXIT process is not yet clear, the United Kingdom remains a key partner—trade and historical (most AfCFTA parties are Britain ex-colonies)—with many AfCFTA parties. AfCFTA parties should leverage this historic relationship and advance their trade cooperation (including mobilisation of additional Aid for trade to support AfCFTA implementation) with the United Kingdom—post BREXIT. The 2020

CHOGMA, to be held in Kigali, offers a platform to lock in means of cooperation for AfCFTA implementation. The responsible organisation should convene Heads of Asset Managers (Pension Funds, Capital Markets, Insurance Companies) summit in the margins of the 2020 CHOGMA to showcase AfCFTA investment opportunities to potential private investors—from the continent and outside.

On a last note, the on-going BREXIT process is a constant reminder that market integration (AfCFTA *per se)* is not the end on its own—it should be: a means to people centred integration, and adaptive to evolving trends—such as demographic changes. Thus, for purposes of AfCFTA sustainability, AfCFTA implementation mechanisms should: integrate inclusive and participatory decision-making process; retain policy space for national interests; and extend AfCFTA benefits to all society groups—women, youth, people with disabilities, and Micro, Small and Medium Enterprises (MSMEs)—without comprising the sustainability of environmental resources.

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[1]South Africa, Morocco, Mauritius, Namibia; Egypt, Kenya, Botswana, Ghana, Nigeria; Angola, Algeria, Tunisia

[2]Most of the EAC Ministries have now been subsumed into Ministry of Foreign Affairs or Office of the President. Only the Republic of Tanzania and Uganda have maintained standalone EAC Ministries. This precedence caution establishment of standalone Ministries to implement CFTA, based on EAC Model.

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