

Report on the WEBINAR

AfCFTA and its Impact Beyond Borders

Co-hosted by Shared Value Africa Initiative and Consumer Goods Council of South Africa.

Thursday, 13 August 2020

Discussants

John Bee, *Regional Head, Regulatory & Scientific Affairs Sub-Saharan Africa, Nestle; AfCFTA Expert and Shared Value Advocate, Côte D'Ivoire (Discussion Facilitator.)*

Dr Eve Gadzikwa, *Director General & Secretary, ARSO Zimbabwe/ Former President of AU Standards Body, African Organisation for Standardisation, Zimbabwe.*

Peter Varndell, *Chief Executive Officer, NEPAD Business Foundation, South Africa.*

George Wood, *Customer Operations & Customs, Customer Support Manager, DHL Express Sub-Saharan Africa, South Africa.*

Contributors

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Report By

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Introduction and Context

The African Continent stands at the crossroad of what seems to be a defining moment in its intra-continental trade. As the official launch date for the African Continental Free Trade Area - AfCFTA (meant for July 2020, but delayed due to the COVID-19 pandemic) draws closer, conversations about this colossal single market of 55 sovereign countries, over 1.3 billion consumers (worldometers.info), multiple trade blocs and over 30 currencies (Checkli.com) have intensified.

While projections of a more prosperous continent resulting from the AfCFTA may seem to be what the African continent is in dire need of for economic recovery post-COVID-19, it may be bypassed if the role of the private sector in economic development keeps being sidelined. It is therefore imperative that private sector leaders have a place on discussion tables to vocalise their contributions to economic growth across the continent and why the AfCFTA presents enormous potential to escalate such contributions.

To ensure the right conversations are happening, Shared Value Africa Initiative (SVAI) is uniting leading voices from the business and civil society communities under the principals of shared value. This will challenge them to focus on delivering on the responsible business philosophy to not only to invest and grow from freer trade but also to ensure that their growth is enhancing the African communities in which they operate.

According to Tiekie Bernard, the founder and Chief Executive Officer of the Shared Value Africa Initiative and Shift Impact Africa, Africa's economic success needs to be approached through collective effort. Africa needs to unite and create its own narrative independent of colonially imposed languages and borders. It is imperative that such unity is directed towards building local infrastructure, finance, supply and value chains.

In this discussion, the discussants set out to scrutinise the AfCFTA as an economic game-changer for Africa and how the resulting benefits could be ensured to reach the ordinary African and not just be set up to enrich an elite few. The discussion also emphasised on what as a continent, Africa need to do in order to maximise the benefits of what is now known to be the largest single market in the world.

Discussion and Proceedings

According to the World Bank (2020), the implementation of the AfCFTA will bring about an increase of USD450 billion in continental GDP by 2035. While different countries will witness varying growth rates between 2% (e.g. Madagascar, Malawi) and 12-14% (e.g. Côte d'Ivoire, Zimbabwe), aggregate continental exports will increase by almost 29% and intercontinental exports by 81% in 15 years (World Bank, 2020). This will be able to lift 30 million people from extreme poverty and 68 million people from moderate poverty which, according to John Bee, is a small number, however. The AfCFTA will also, in the short run, cushion the adverse effects of COVID-19 on economic growth through supporting regional trade and local supply and value chains.

It is, therefore, a no-brainer that once implemented, the AfCFTA will be an unprecedented economic game-changer for the African continent. As such, questions for debate had long moved from if the AfCFTA is the way out for the continent to what it would take for the AfCFTA to be successfully implemented.

According to Peter Varndell, based on his work with NEPAD Business Foundation and other partners such as AfCFTA Secretariat and GIZ, research to find factual and scientific knowledge on how to benefit from freer trade found three main things that need to be closely considered so as to get full value out of the AfCFTA. Firstly, there needs to be the eradication of non-tariff barriers which in the short run will consequently reduce the cost of intracontinental trade.

Secondly, there need to be the reenacting local manufacturing and building cross border value chains. While non-tariff barriers will have a short-term effect of reducing the cost of trade, a more significant opportunity lies in Africa's ability to build and communicate market information; and to connect markets to suppliers. This has proven right in the pharmaceutical and agricultural industries, among others.

Thirdly and closely linked to the previous point is developing the regional infrastructure and support for cross-border trade. This includes having a transportation network of roads, rails, ports etc. up and running effectively. According to Peter Varndell, this is highly essential in linking markets and products across the continent in a way that reduces the cost of trade logistics. He also highlighted that some progress is being made such as rail solutions linking the Democratic Republic of Congo and Zambia through Zimbabwe to the ports of South Africa are on the way among others.

According to the World Bank (2020), lowering and eliminating tariffs will be the relatively more comfortable part of the implementation of the AfCFTA. The harder part will be enacting non-tariff and trade facilitation measures such as transportation networks (already alluded to by Peter Varndell) and harmonisation of standards across the Continent. Such actions require substantial policy reforms at a national level than they are at a continental level.

With regards to standards, Dr Eve Gadzikwa highlighted the increasing concerns about the grey market and counterfeit products. These are challenges already existing and need to be addressed at the initial stages of the Continent-wide market. While the liberalisation of trade presents a huge opportunity for more meaningful trade

among countries, it also presents a threat in the expansion of the grey market and counterfeit products which can, in turn, result in distrust of products from other countries.

A practical example of this in recent times is being observed in the healthcare industry during the COVID-19 as healthcare practitioners have become hypervigilant against low-quality personal protective equipment (PPE) and test kits from abroad or even local producers. According to Dr Eve Gadzikwa, just like health practitioners, consumers in any market arrangement want to be assured that whatever product they are consuming is safe to use.

Dr Eve Gadzikwa went forward to highlight that the successful implementation of the AfCFTA and Africa to be a significant player in the global market, the harmonisation of standards on the continent as well as an understanding of the global standards that apply is paramount. While efforts are being made to achieve this, the need to fully understand the regulations across borders and the culture at play can't be overlooked by bodies such as the Consumer Goods Council.

Besides the changing business landscape as a result of the COVID-19 pandemic, there are also changes brought about in preparation for the full implementation of the AfCFTA. According to George Wood, the combined effect of these two factors is already having an immediate effect on global business and thereby causing a shift in the operation strategy of multinational companies such as DHL. For example, there is increasing use of technology for custom clearance in most African Countries. In support of harmonisation as a key to the successful implementation of the AfCFTA (previously raised by Dr Eve Gadzikwa), George Wood called for such progress in custom clearance to be harmonised by other countries.

In line with the philosophy of shared value, it is important that the benefits of the AfCFTA are not solely limited to large corporations/organisations and legislators but that these benefits are felt right at the grass-root level of the society, in this case, consumers.

According to Eve Gadzikwa, short-term benefits of the AfCFTA for consumers will be the reduction in imported products in line with the uplifting of tariffs that come with the AfCFTA. Also, consumers will have access to high-quality products and lesser exposure to substandard and counterfeit products conditionally on that the implementation of the AfCFTA comes with the right framework to combat such ills.

With the launch date of the AfCFTA being delayed until January 2021, the implementation strategy needs to be adapted to include the realities left behind by the pandemic, which were not considered when the initial implementation plans were drawn. There is, therefore, a challenge to freer trade brought about by movement restrictions resulting from the pandemic.

Referencing South Africa, George Wood highlighted the constraints brought about by the pandemic to a supposedly freer trade era. With the number of daily flights dropping from 117 to 6 in South Africa, trade capacity and business

travels are, therefore, being limited due to the pandemic. While the AfCFTA secretariat needs to adapt to such a new reality, it is also important for local and international businesses to adjust their strategies accordingly.

In the case of Zimbabwe, according to Dr Eve Gadzikwa, the closure of borders and limitation to global movement has also brought about a demand for the localisation of production of certain products previously imported. For example, through government support and intervention, there has been the testing and certification of over 33 companies involved in the production of personal protective equipment.

According to the World Bank, SMEs account for the majority of businesses worldwide and are important contributors to job creation and global economic development. In Africa, they represent about 90% of businesses according to the [International Finance Corporation](#) (IFC) and account for more than 80% of employment on the continent, according to the [World Economic Forum](#). It should, therefore, be a significant consideration if the AfCFTA is to play a significant role in economic recovery and development post-COVID-19. According to Dr Eve Gadzikwa, there is no point making a monster out of the AfCFTA and adopting standards that have no positive impact on the SMEs.

Conclusion and Recommendations

In conclusion, George Wood highlighted the importance of understanding that the implementation of the AfCFTA will take time for the continent to feel the anticipated benefits. It is also important for immediate efforts to be directed towards building the infrastructures that are needed to facilitate trade within the continent before a focus on trade out of the continent. According to Zinhle Tyikwe, it is also important that governments unite to combat the effects of the COVID-19 pandemic which is the immediate roadblock to the launch of the AfCFTA. It is also important for them to understand that the way of business on the continent has indeed changed.

Recommendations from the discussion included the following:

1. To help combat the grey market and counterfeit products, the AfCFTA needs to incorporate testing and certification of products and ensure that these facilities are accessible to SMEs across the continent.
2. According to George Wood and Dr Eve Gadzikwa, to ensure that the benefits of the AfCFTA trickle down the value chain, education is key. Local businesses need to educate themselves on doing business beyond their borders. Education avenues here include product labelling, international shipping and e-commerce technologies.
3. According to Dr Eve Gadzikwa, the government needs to play a pivotal role in building a framework that supports and promotes the integration of SMEs into the AfCFTA framework. This is only achievable by understanding their realities.
4. SMEs need to cluster together so as to benefit from resources that are made available to businesses brought about by the AfCFTA. This will help them benefit from resources which individually, they can't benefit from.

Additional Q&A

- 1. Given the January “sprint” and the reality that the focus has mostly been policy-driven, what can entrepreneurs practically focus on as a priority?**

John Bee: *I don't agree that the focus has been policy-driven to date, except for tariff-related matters. As we discussed in the webinar, the bigger opportunity and the lion's share of the work ahead of us is related to Non-Tariff Barriers - the restrictive practices that currently impede truly free movement of goods and services and which waste time and add cost. Given that the Regional Economic Communities have set up their NTB reporting tools (as we also reviewed last week), and that the AU Trade Commissioner has pointed out that the only way that adequate policy reform can be implemented via member states is if there is adequate data to inform the necessary policy changes, it is really important that entrepreneurs focus on using the NTB reporting tools to report each difficulty encountered. Only if they do this will they be able to influence the necessary changes, through this very practical, transactional effort.*

- 2. How do we position our Skills Development Institutions to support Africa's Industrialisation and Innovation?**

John Bee: *If we are going to take best advantage of AfCFTA, understanding its ramifications for different sectors should become a research topic and focus within educational institutions, while institutions teaching business administration or entrepreneurship skills should systematically include sensitisation of AfCFTA related opportunities as a standard part of any syllabus. In general terms it is unlikely that many innovators are yet casting their horizons beyond the country where they are domiciled. Educational institutions are key to bringing about the mindset change that will be necessary. And in terms of Africa's industrialisation, the education sector can be a useful catalyst for necessary change, helping the private sector study and document the choke points in (for example) raw material and finished goods movement between member states. Such systematic and rigorous study will prove useful in advocacy efforts.*

George Wood: *Courses in Import / Export processes, Customs and International Trade would be key to build the knowledge base and should be offered at all higher learning institutions thus ensuring access to a broad section of society.*

- 3. What are the current on-going projects/work on harmonization? Are there any standards already harmonised at ARSO level? Are they accepted by member states for implementation?**

Eve Gadzikwa: *ARSO is working on a number of projects in Agriculture, Food, Chemicals, Pharmaceuticals, Services.*

- 4. Is ARSO involved in supporting capacity for quality infrastructure e.g. labs, testing skills/capacities and conformity assessment programmes?**

Eve Gadzikwa: *How do we support our skills development institutions to support African*

industrialisation and innovation:

- *Helping them in setting up some guidelines documents and standards to better structure their systems.*
- *There is a project on including quality matters in the curriculum of some universities in Africa with a pilot of Zimbabwe and Kenya*
- *We partner with science-based institutions to develop useful standards, ARSO partnered with the African Academy of Sciences in developing the Good Research Management Practice and Good financial Grant Practice.*

5. George spoke about businesses needing education. There are realities on the ground about SME awareness of the opportunities on the continent. RSA is a sheltered market from the continent. How do we get Enterprise Development Spend to be directed towards building business to business ecosystems? Who is investing in this as it does require investment?

George Wood: As mentioned during the webinar, the first thing we need to do is, as businesses, as industry bodies, is use our collective voices to lobby Govt bodies regarding Trade Facilitation within the region and push for standardisation and the removal of non-tariff barriers which stifle business between member states. From an International perspective, there are bodies that already do a lot of work with Governments in relation to International Trade and educating SMEs and local Logistics Companies on the processes and complexities of compliant shipping etc. My view is that we need something similar to be set up by the AfCFTA Secretariat to promote the sharing of knowledge and provide SMEs in all member states access to training and advice with regards to customs compliance and best practices when shipping.

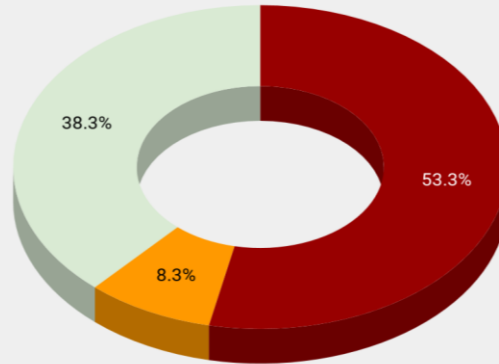
6. Could it not be a good starting point to build (creating jobs) a dedicated railway line to connect all African counties – only for trading and with its own set of regulations?

George Wood: An interesting and good question, the railway infrastructure certainly already exists in a lot of African countries, and rail is more energy efficient and comparatively a lot cheaper than other modes of transport over long distances. However, after decades of neglect and lack of infrastructure investment the rail networks are in poor condition and it will take both political buy in and public and private investment to rejuvenate the network, which will undoubtedly take a long time. The African Development Bank released a very interesting and informative report in 2015 titled “Rail Infrastructure in Africa, Financing Policy Options” you can find the link here : \ [https://www.afdb.org/fileadmin/uploads/afdb/Documents/Events/ATFForum/Rail_Infrastructure_in_Africa - Financing Policy Options - AfDB.pdf](https://www.afdb.org/fileadmin/uploads/afdb/Documents/Events/ATFForum/Rail_Infrastructure_in_Africa_-_Financing_Policy_Options_-_AfDB.pdf)

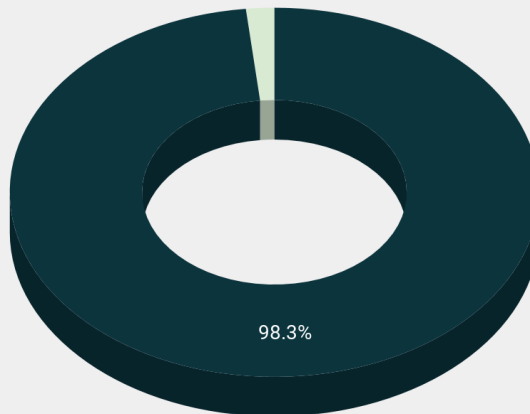
However we must also be cogniscent of what we are shipping, a regional rail system isn't going to be the silver bullet that solves the shipping challenges in Africa, Air is still the best and quickest option connecting countries, albeit more expensive than both road and rail, but this is offset by speed, pivotal in the ecommerce environment.

Webinar Polls

1. How would you rate your knowledge of the AfCFTA?



2. In your view, can the AfCFTA contribute to the economic recovery of our continent?



3. Who do you think will play the biggest role in the AfCFTA?

