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Economic Commission for Africa

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### What Does the AfCFTA mean to Ghana?

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# AfCFTA: State of play

- The paper draws on the work of my colleague Simon Mevel-Bidaux [mevel@un.org](mailto:mevel@un.org). The views expressed are mine and should not be attributed to the UN and UNECA.
- The Agreement establishing the African Continental Free Trade Area (**AfCFTA**) entered into force on 30 May 2019
- To date: 54 out of 55 African Union (**AU**) member States have signed the Agreement; 30 have ratified. Angola and Cameroon have also ratified in addition to those below.



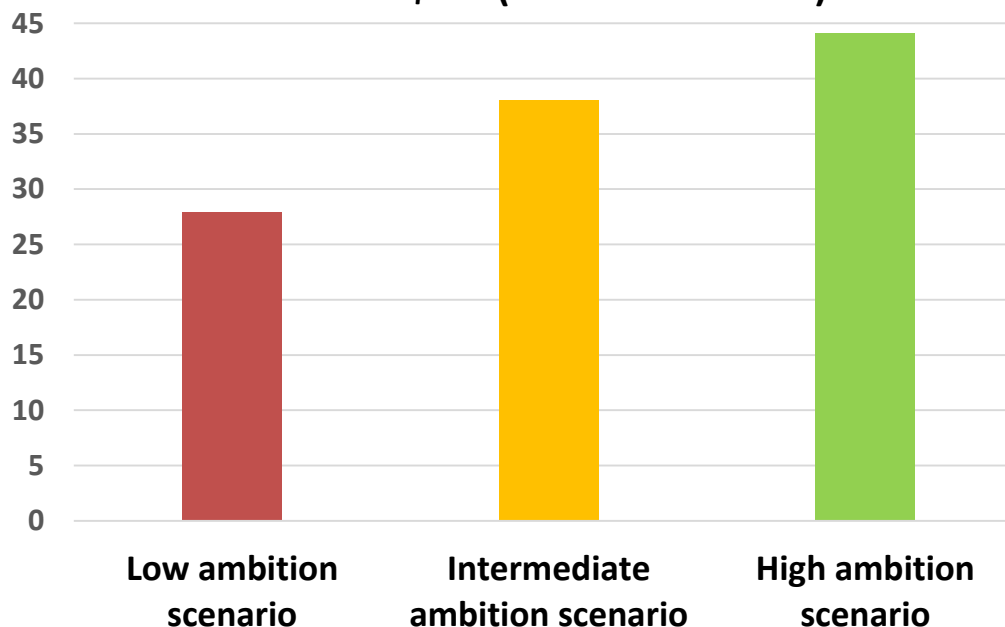
- AfCFTA Agreement and its Protocols**

<b>Agreement establishing the African Continental Free Trade Area</b>	<b>Protocol on Trade in Goods</b>	<p>Elimination of duties and quantitative restrictions on imports</p> <p>Imports shall be treated no less favourably than domestic products</p> <p>Elimination of non-tariff barriers</p> <p>Rules of Origin</p> <p>Cooperation of customs authorities</p> <p>Trade facilitation and transit</p> <p>Trade remedies, protections for infant industries and general exceptions</p> <p>Cooperation over product standards and regulations</p> <p>Technical assistance, capacity-building and cooperation</p>
	<b>Protocol on Trade in Services</b>	<p>Transparency of service regulations</p> <p>Mutual recognition of standards, licensing and certification of services suppliers</p> <p>Progressive liberalization of services sectors</p> <p>Service suppliers shall be treated no less favourably than domestic suppliers in liberalized sectors</p> <p>Provision for general and security exceptions</p>
	<b>Protocol on Dispute Settlement</b>	<p>Rules and Procedures for Settlement of Disputes within the African Continental Free Trade Area</p>
	<b>Phase 2 negotiations</b>	<p>Intellectual property rights</p> <p>Investment</p> <p>Competition policies</p>

# AfCFTA: Expected impacts - GDP

- From ECA's empirical assessment of AfCFTA modalities on trade in goods, **GDP of Africa would increase** (true for all countries)
  - The more ambitious the liberalization, the higher the gains [between 0.35% (or US\$ 28 bn) & 0.54% (or US\$ 44 bn) for GDP; depending on the ambition of the liberalization reform]

Changes in Africa's GDP, as compared to the baseline without AfCFTA in place  
- 2040 - US\$ bn (various scenarios)



Source: ECA based on MIRAGE CGE model

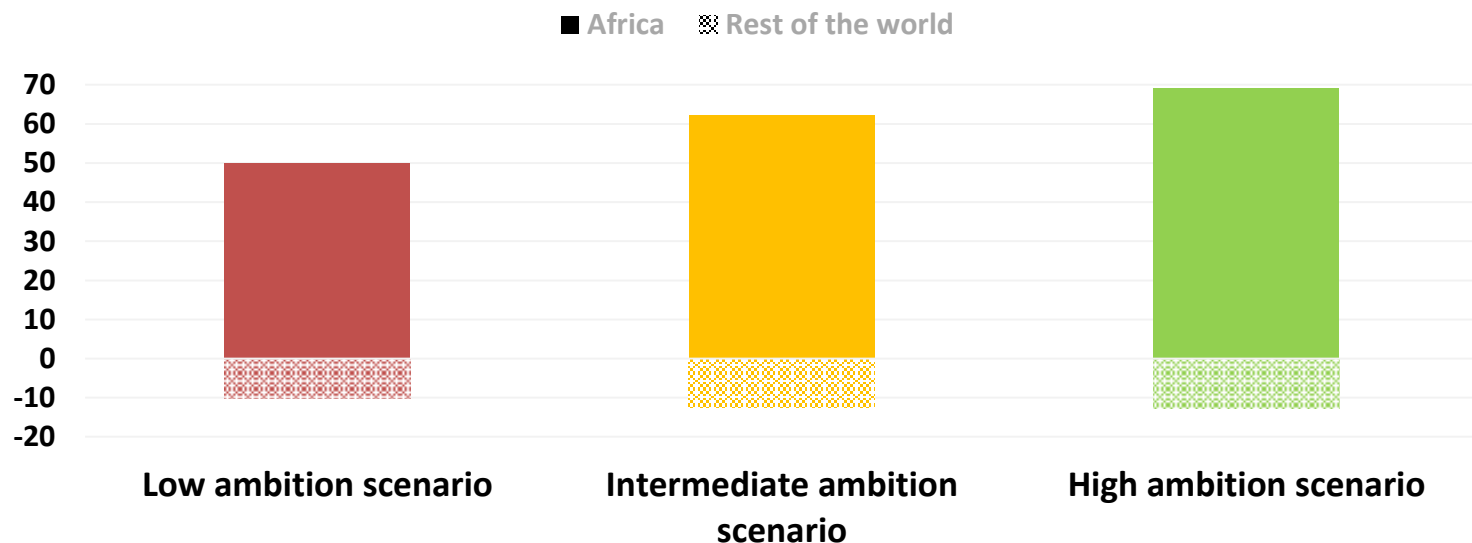
- Ghana alone to see its GDP increasing between 0.29% (or US\$ 450 millions) & 0.31% (or US\$ 510 millions)

# AfCFTA: Expected impacts - Exports

## ■ Exports of Africa would also increase (true for all countries)

- Between 1.5% (or US\$ 40 bn) and 2.2% (US\$ 56 bn), depending on the ambition of the liberalization reform
- But those global gains remain relatively modest (*owing to the fact that African countries today essentially trade with non-African partners; with AfCFTA, African countries to trade more between them and relatively less with the rest of the world*)

**Change in Africa's exports to Africa vs. to the RoW, as compared to the baseline without AfCFTA in place - 2040 - US\$ bn (various scenarios)**



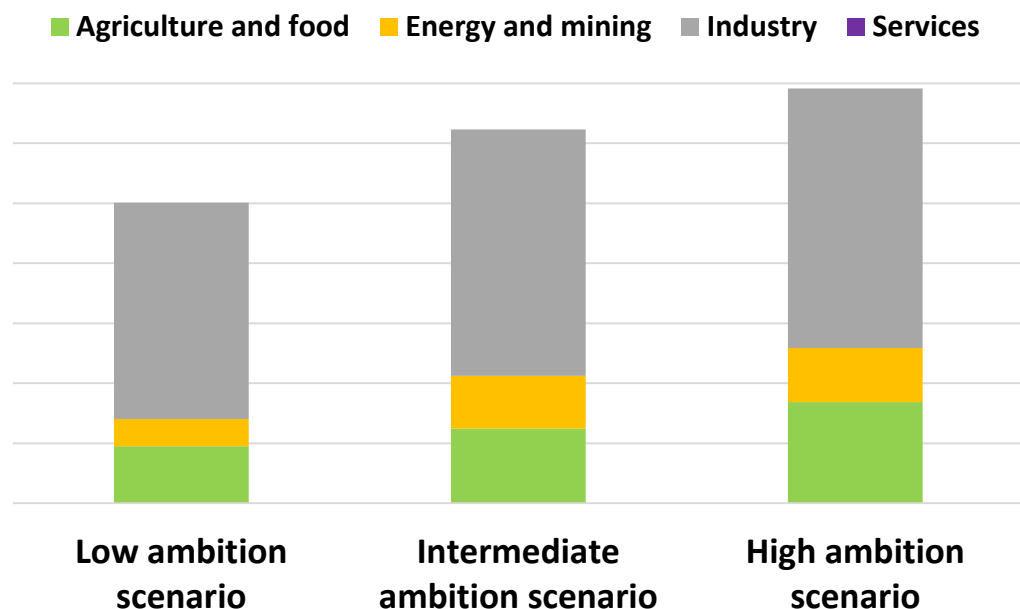
Source: ECA based on MIRAGE CGE model

- Ghana's exports to increase between 1.7% (or US\$ 867 millions) & 2.0 % (or US\$ 1 bn)

# AfCFTA: Expected impacts - IAT

- **Benefits from AfCFTA very much centered on intra-African trade (IAT)**
  - Significant gains in all main sectors ; with strong potential to promote industrialization

**Change in intra-African exports by main sectors, as compared to the baseline without AfCFTA in place - 2040 - US\$ bn (various scenarios)**



- *Largest % increases (i.e. over 25%) in intra-African exports (Africa total) for industrial sectors found in textile, wearing apparel, leather, wood and paper, vehicle and transport, electronic, as well as other manufacture*

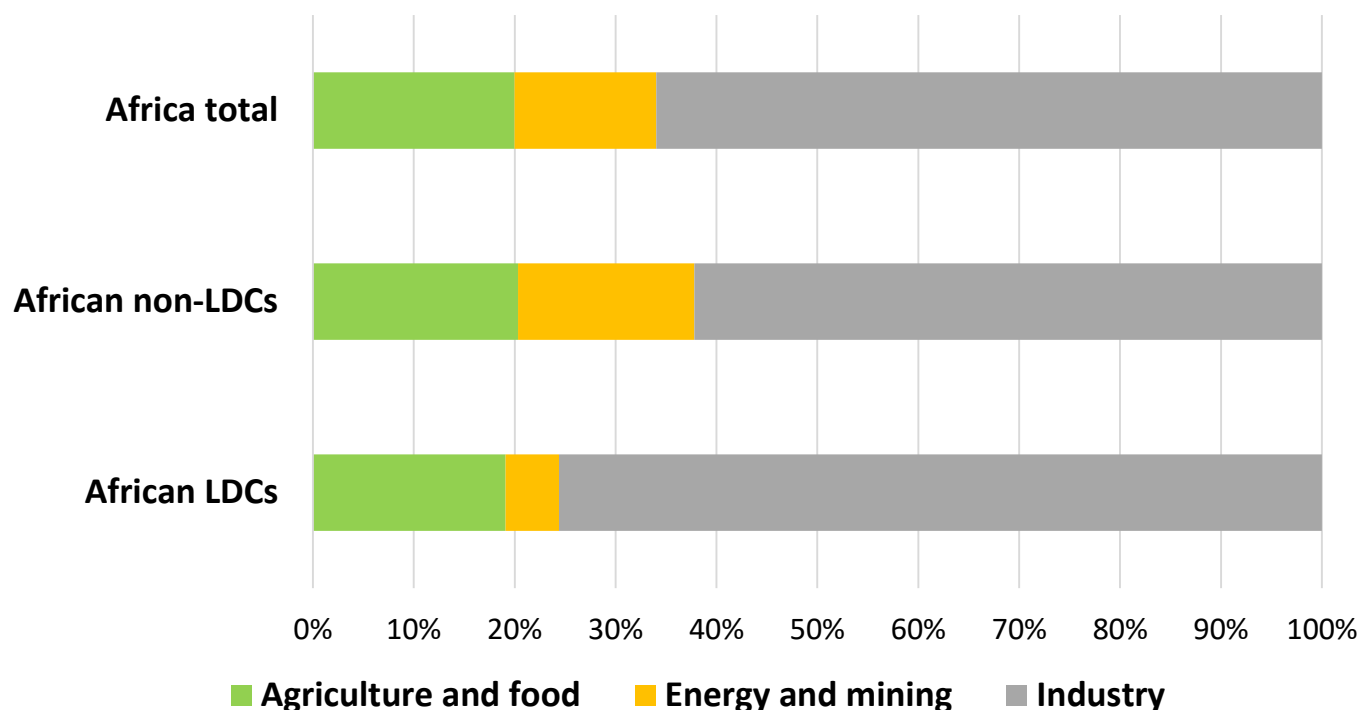
Source: ECA based on MIRAGE CGE model

- **Ghana's exports to other African countries to increase between 6.6% (or US\$ 862 millions) & 8.1% (or US\$ 1.1 bn); with largest increase in agriculture and food (particularly meat products, rice, cereals, oilseeds and plant-based fibers) but still strong increase in a number of industrial products (e.g. wearing apparel, wood and paper, vehicle and transport equipment)**

# AfCFTA: Expected impacts - IAT

- **Benefits from AfCFTA very much centered on intra-African trade (IAT)**
  - LDCs getting largest increase of intra-African exports in industrial products (i.e. more than 3/4 of total gains for LDCs vs. less than 2/3 of total gains for non-LDCs)

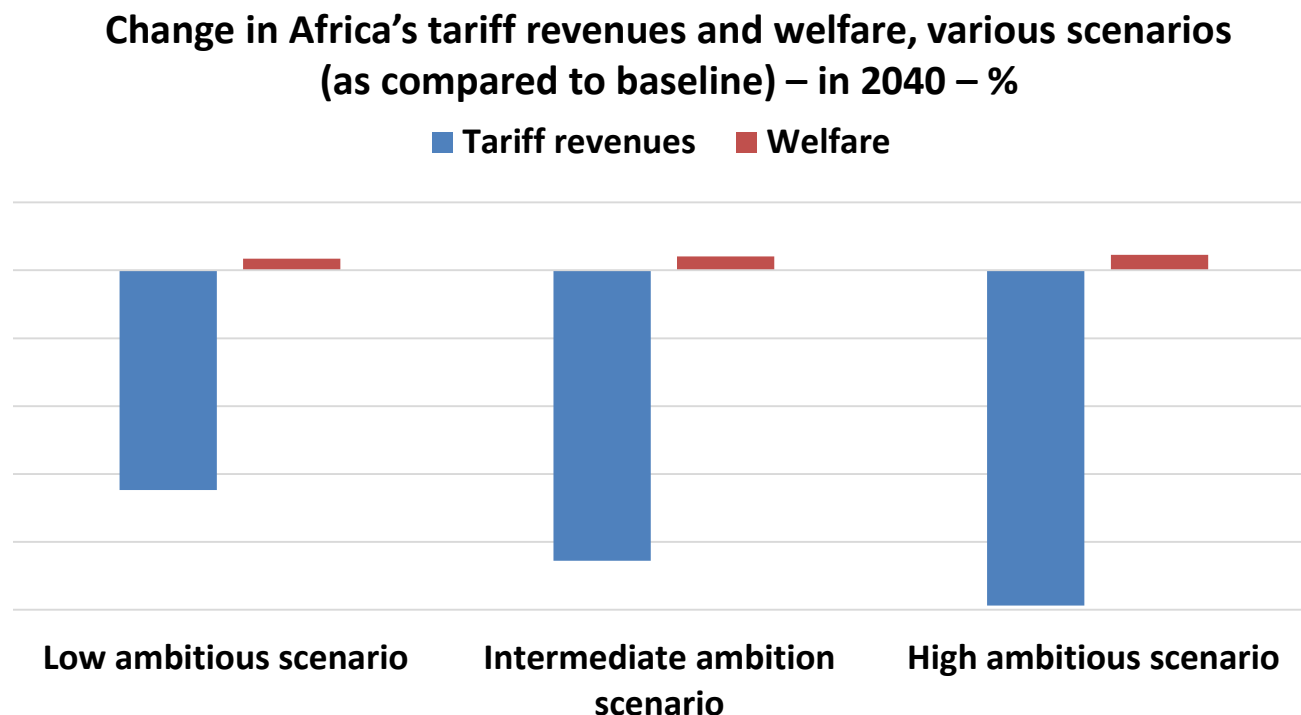
**Proportion of total gains in Africa's (non-LDCs vs. LDCs) exports to Africa, by main sectors, under intermediate ambition scenario (as compared to baseline) – in 2040**



Source: ECA based on MIRAGE CGE model

# AfCFTA: Expected impacts – Tariff revenues & Welfare

- **Despite the decrease in tariff revenues (ranging between -6.5% and -9.9% for Africa as a whole, depending on the ambition of the liberalization), the welfare of Africa would slightly increase**
  - Largely thanks to the significant expansion in intra-African trade



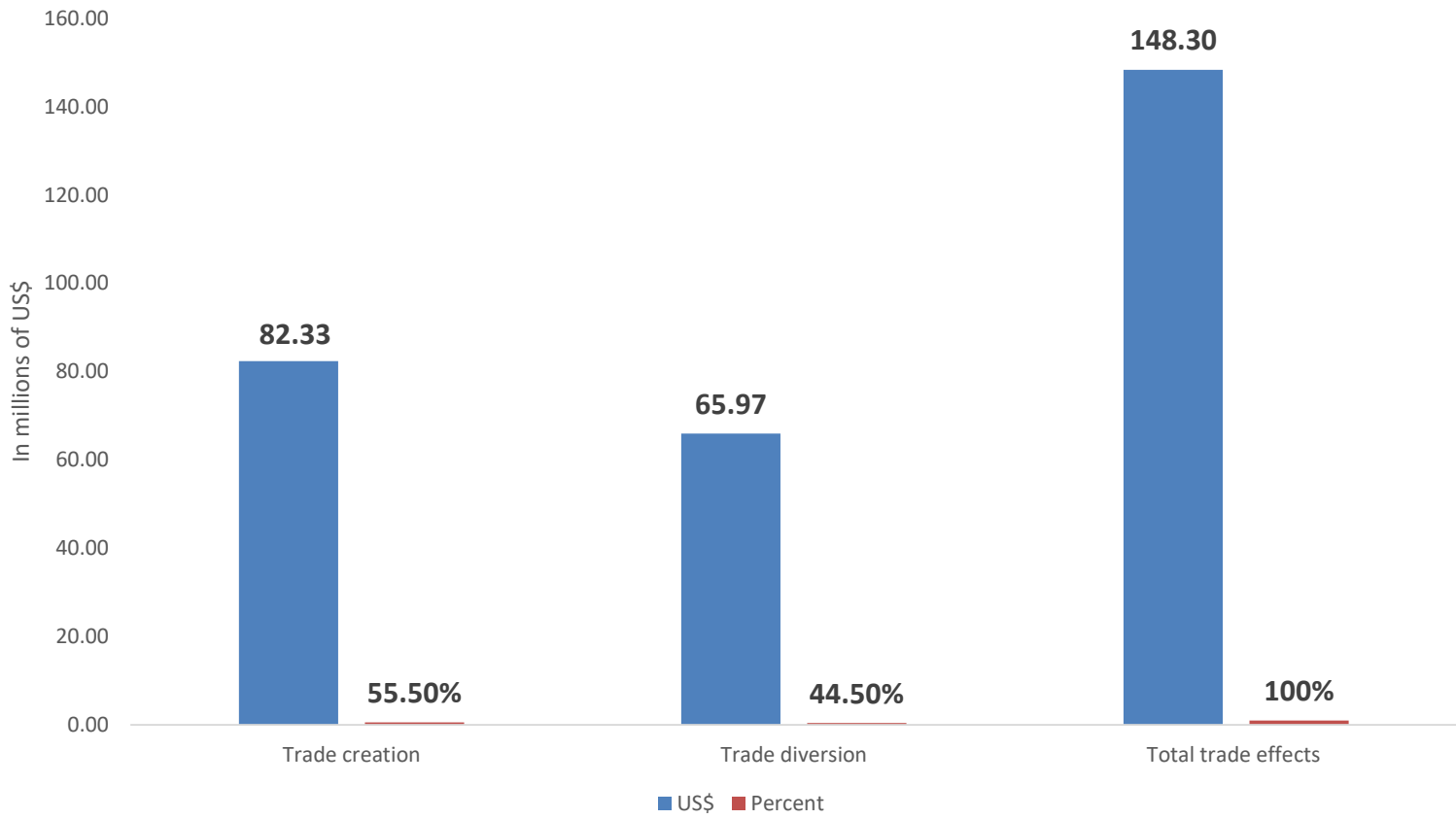
Source: ECA based on MIRAGE CGE model

- **Ghana's tariff revenues to decrease between 7.1% & 8.4%, while welfare to increase between 0.3% & 0.4%**



# Ghana: Potential trade creation and trade diversion effects

- **Estimates from WITS-SMART estimate Trade creation of \$82.33 million**
- **Trade Diversion of \$65.97**
- **Welfare gain of \$8.597**



Source: Ibrahim el al 2020 Estimates from WITS-SMART

# AfCFTA: Expected impacts – Conclusion

- **It must be clearly noted that ECA's assessment of AfCFTA modalities on goods is not meant to provide a comprehensive economic assessment of the AfCFTA reforms** (as it does not consider liberalization of trade in services, removal of non-tariff barriers, free movement of people, etc.)
- **Substantial additional gains expected beyond liberalization of trade in goods** (e.g. trade facilitation could more than double trade gains from removal of tariffs under AfCFTA; see *Mevel & Karingi, 2013*)
- **Still, AfCFTA has strong potential to promote Africa's much needed industrialization** (especially if intermediates are liberalized early in the process)
  - For gains to be maximized, exclusion lists should be kept to a minimum (any excluded lists will somewhat limit benefits)
  - Smaller economies should certainly not fear the AfCFTA reforms (LDCs being those expected to get the largest increase in intra-African exports of industrial products)
- **But expected benefits will only materialize if the AfCFTA reforms are effectively implemented:**
  - Strong emphasis must be placed on education and skills development in Africa (to ensure that the adequate workforce is available, especially in industrial sectors);
  - Role of private sector to harness trade for Africa's development must not be overlooked: **it is the private sector that trades, innovates and generates most jobs.**

# AfCFTA: Recommendations

- **Need for integration to global economy a central objective for Africa, including Ghana. Why?**
  - **Will generate necessary resources for social priorities**
  - **Small size of national and even sub-regional markets make international trade indispensable.**
- **While indispensable, openness not sufficient. There is need for:**
  - **Stronger supply-side capacities; lower trade “costs”; and improved connectivity to markets.**
  - **“Internal barriers” such as poor infrastructure, inefficient customs, unreliable supply chains; high energy costs that impede competitiveness also need to be removed.**
- **Strengthen Africa’s infrastructure network to support international trade**
- **Improve the efficiency of transport services**
- **Remove illegal roadblocks**
- **Speed up customs and border crossing procedures**
- **Promote the use of new technology**

## AfCFTA: Recommendations II

- **The implementation of the AfCFTA initiative must be an inclusive process that involves not only governments and RECs but also other stakeholders such as the private sector, civil society, media, parliamentarians and development partners.**
- **As part of the AfCFTA mobilization programme, a network of journalists and academics should be established and operationalized at the national, regional and continental levels; and workshops should be organized for the purpose of building the capacity of journalists and communicating the AfCFTA agenda widely.**
- **A programme of information exchange and sharing should be developed to underpin the implementation of the AfCFTA initiative.**

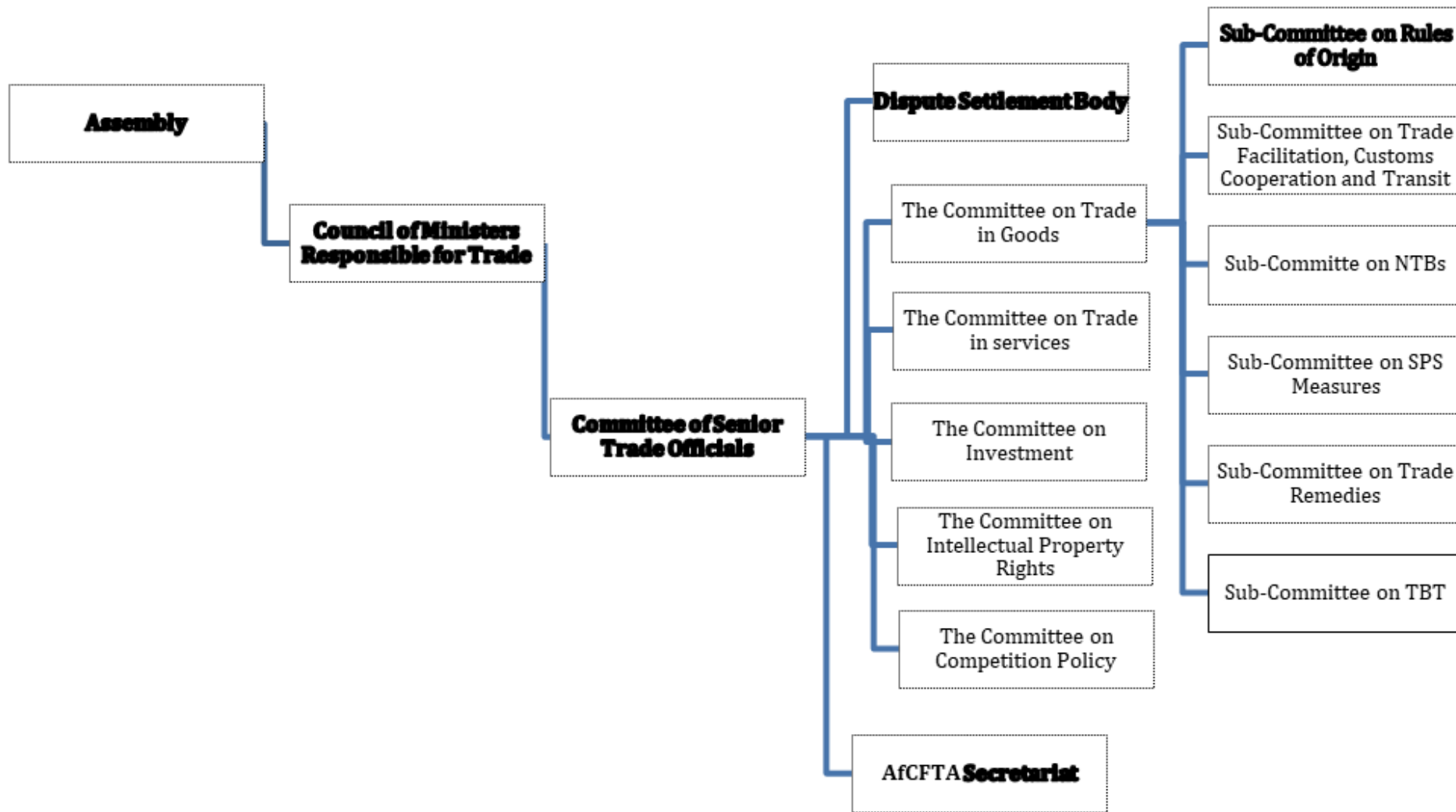
## AfCFTA: Recommendations III

To support the implementation of the AfCFTA there is a need for sound macroeconomic framework.

- The framework that must be anchored around three pillars: (i) monetary policy; (ii) financial stability; and (iii) fiscal policy.
- It is important that the framework is developed with a strong commitment by African governments to long-term stability, transparency and sustainability, whilst providing flexibility to respond to unforeseen events.
- The framework needs to be robust and flexible to address Africa's developmental challenges.
- In order to prevent coordination failures and time inconsistencies it is of cardinal importance that strong inter-linkages between the pillars of the framework are developed in a sound manner so that solutions to economic challenges are found.
- For the smooth functioning and implementation of a macroeconomic framework reliable data on key economic indicators will be needed.

- **Next steps beyond signings and ratifications; tentative timeline:**
  - Member States to submit their:
    - Tariff schedules for trade in goods (i.e. lists of 90% non-sensitive product lines; sensitive/excluded products);
    - Commitments on trade in services (5 priority sectors to be liberalized: transport, communications, financial services, tourism, and business services).
  - Finalization of Rules of origin (RoO; essentially for sugar, textile and wearing apparel, edible oils);
  - AfCFTA Secretariat has been established in Accra (Ghana), and is operational;
  - Trading to start in January 2021;
  - 2<sup>nd</sup> Phase of negotiations (on investment, intellectual property rights and competition policy issues) also to start.

## Architecture for implementation of AfCFTA



- **Continued support to AfCFTA processes/negotiations (including analytical work);**
- **Sensitization events (national/regional Forums);**
- **National AfCFTA implantation strategies;**
- **AfCFTA Country Business Index for private sector.**





# THANK YOU!

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