



INTERNAL MEMO

To: Nigeria Governors' Forum
From: Director General
Date: February 26, 2020
Subject: **Re:** African Continental Free Trade Area (ACFTA)

Your Excellency will recall that negotiations regarding the establishment of the African Continental Free Trade Area (AFCFTA) have begun with member countries and stakeholders providing input.

The AFCFTA is aimed at integrating Africa's markets in line with the objectives and principles enunciated in the Abuja Treaty during the Twenty-Fifth Ordinary Session of the Assembly of Heads of State and Government of the African Union held in Johannesburg, South Africa from 14-15 June 2015. The objectives include:

- Deepening market integration
- Boosting Intra-africa trade
- Promoting regional and continental value chain; and
- Fostering economic transformation of the continent through industrialization.

As a member of the National Action Committee (NAC), the NGF Secretariat has prepared a briefing note detailing key perspectives on the impact and potentials of the agreement on States.

Please find attached the briefing note and request for further information from the Senior Special Assistant to the President on Public Sector Matters (OCOS)/secretary, AFCTA National Action Committee. The SSA can be reached on +2347061968323 or via email on ngafcftasecretariat@gmail.com.

Director General

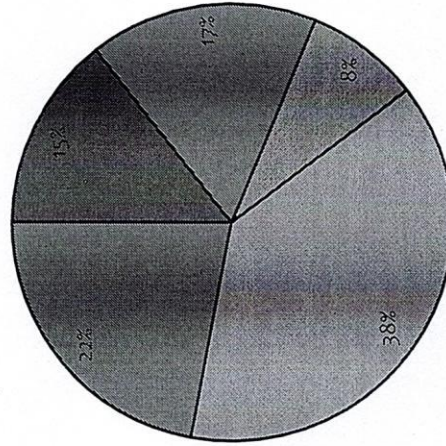
African Continental Free Trade Area (AfCFTA)

A short perspective for sub-national governments

Stylized facts on Intra-Africa Merchandise Exports

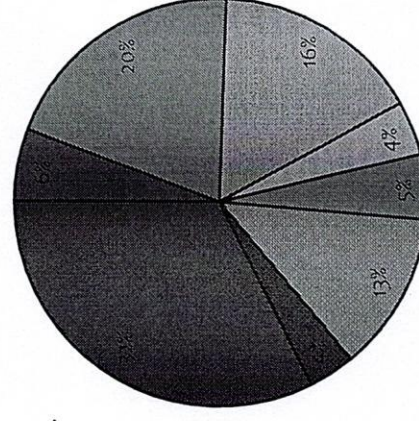
- The Countries of Southern Africa maintain the largest share (38% valued at US\$30 billion) of merchandise exports within Africa, compared to Western Africa (22% at US\$17 billion).
- At the level of regional economic communities, the Southern African Development Community (SADC) accounts for 32% of intra-Africa merchandise exports compared to 13% from ECOWAS.

Intra-Africa merchandise exports in 2018 (by region)



■ Northern Africa ■ Eastern Africa ■ Middle Africa ■ Southern Africa ■ Western Africa

Intra-Africa merchandise exports in 2018 (by regional economic community)

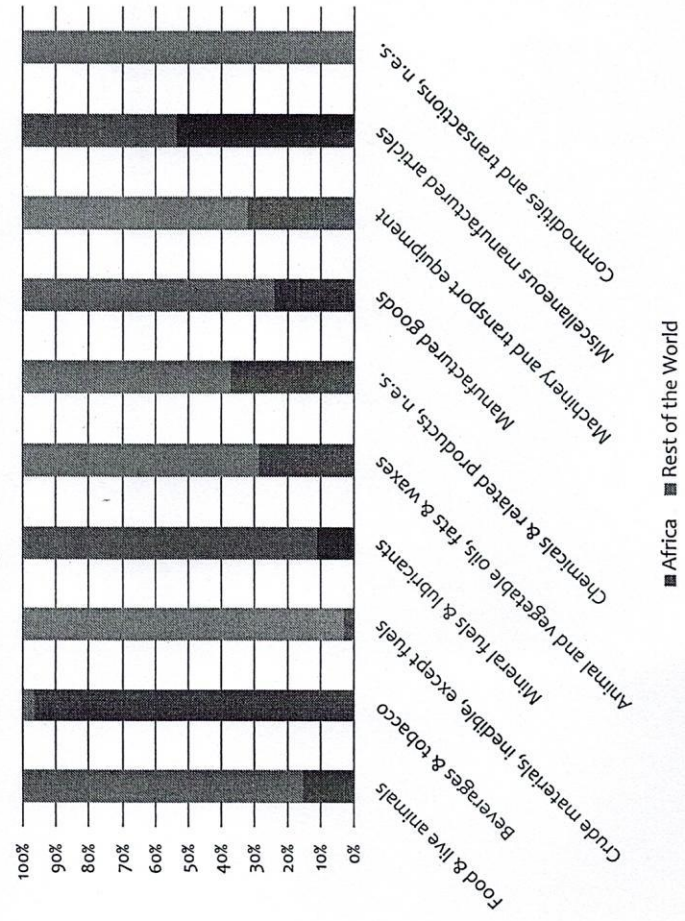


■ AMU ■ CEN-SAD ■ COMESA ■ EAC ■ ECCAS ■ ECOWAS ■ IGAD ■ SADC

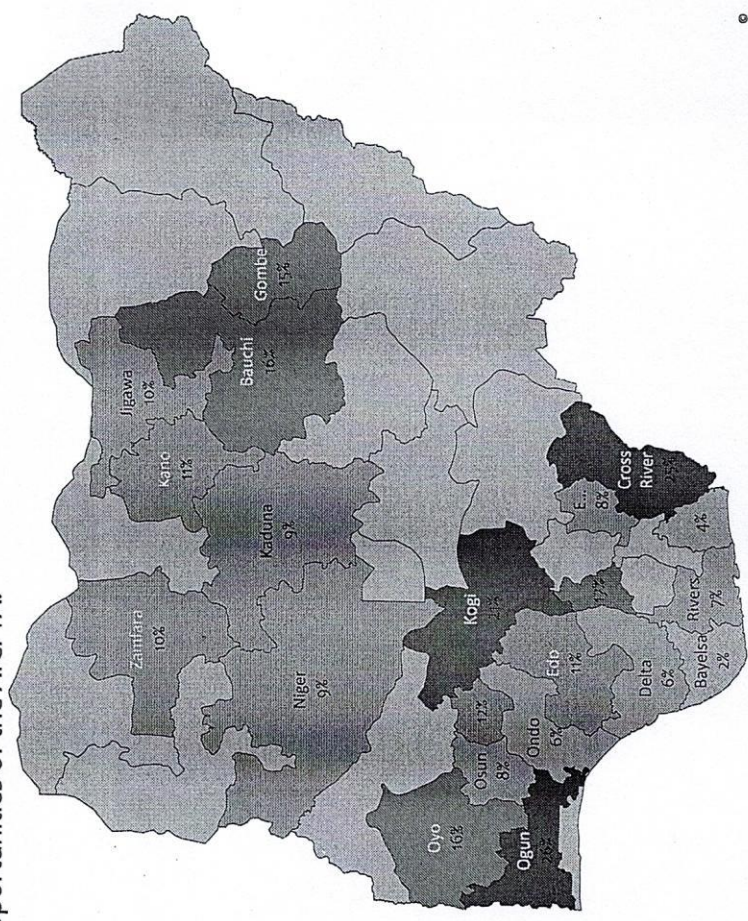
Stylized facts on Nigeria's merchandise exports

- Except for beverages and tobacco and miscellaneous manufactured goods, majority of Nigeria's merchandise exports are made to countries outside Africa.

Composition of Nigeria's merchandise exports in 2018



- Ogun, Cross River and Kogi are among States with the highest manufacturing value added* in the country. *measured as share of GDP as at 2017
- Nigeria's manufacturing hubs need to grow significantly to maximize the opportunities of the AfCFTA.



States that stand to benefit from the AFCFTA are those with active participation in the global/Africa value chain

Key factors that will position States to benefit from the agreement:

- High industrial capacity
- High agricultural production
- High resource endowment, including renewable energy
- Stable policy environment, including a fair tax regime and reliable budgets/development plans
- High-level of transparency and public disclosure of information
- Availability of infrastructure including energy, roads and rail.
- Access to ports

Short to medium term measures to maximize the potentials of the AfCFTA

The success of governments will depend on many prompt decisions:

- Develop a long-term industrial plan which will include in the short term, the development of industrial/agricultural processing zones
- Regionalizing infrastructure investments will help reduce infrastructure financing gaps, eliminate operational challenges associated with operating in multiple jurisdictions and attract power pools
- Harmonize policies, laws and regulatory procedures to attract large-scale capital
- Inter-state trade facilitation should be strengthened to support export promotion
- Broad-based AfCFTA implementation will be strengthened through an effective engagement between the AfCFTA National Action Committee and State Ministries of Trade and Industry (or Investment Promotion Agencies) who are expected to maximize the opportunities of the agreement

Other considerations:

- To prevent distortions and discrimination in trade and investment, tax rights under the agreement must be mutually beneficial, including cross-jurisdiction income or profit flows such as withholding taxes on payments to non-residents.
- Technical assistance, capacity building and cooperation are essential given that State governments are at different levels of capacity and development.
- Dumping and the use of subsidies are rising unfair trade practices that require strong monitoring and enforcement mechanisms.