

The African Continental Free Trade Agreement (AfCFTA)

THE READINESS OF THE NIGERIAN STATE



University of Nigeria
to restore the dignity of man

Presentation by:
Olanrewaju Ajogbasile

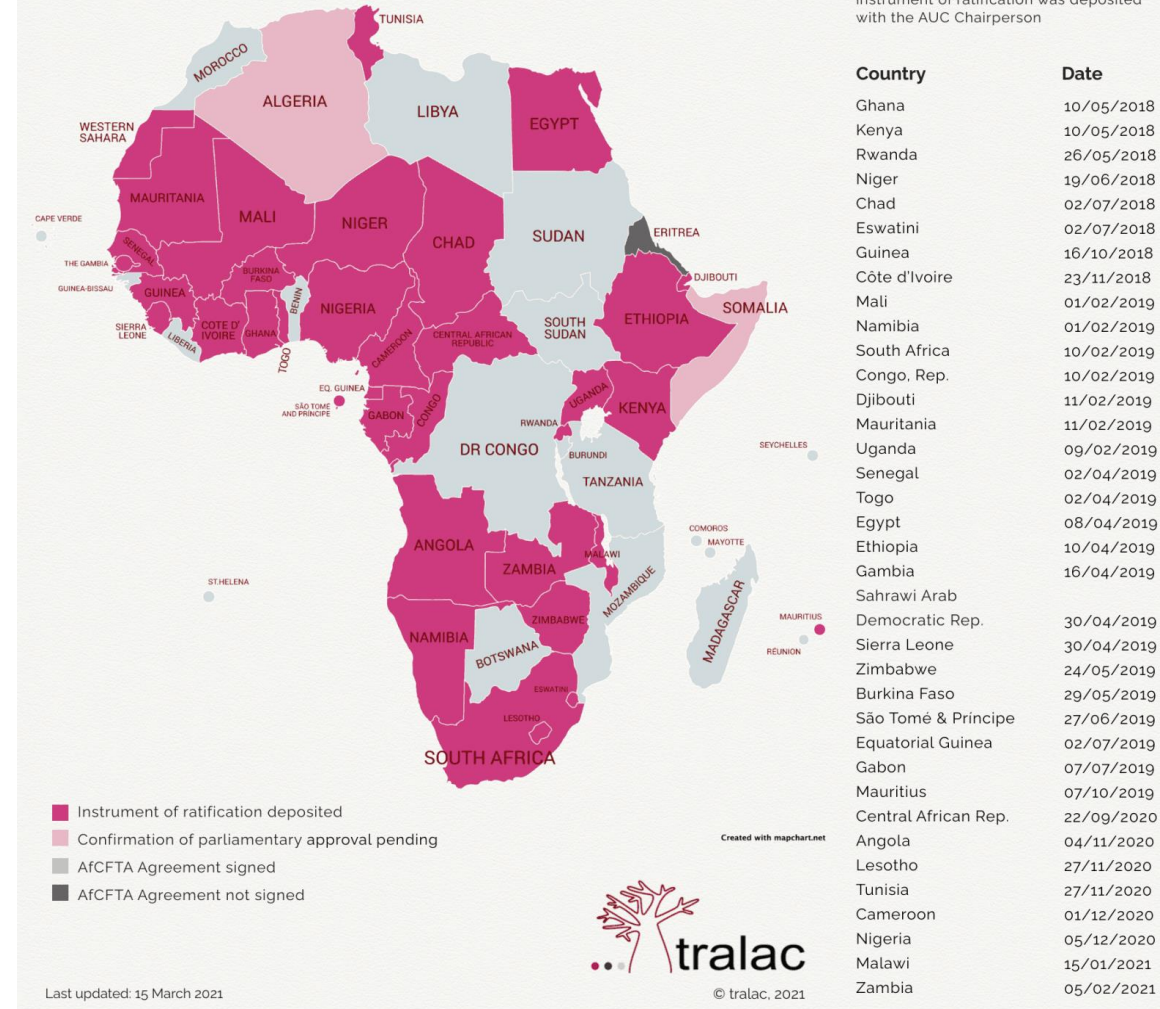


OVERVIEW OF THE AfCFTA

- ❖ AfCFTA is a free trade area founded in 2018 following an agreement signed by 44 of 55 members of the African Union in Kigali.
- ❖ Thus far, 54 member countries excluding Eritea have signed the agreement while 36 have deposited their instrument of ratification with the African Union Commission (AUC) chairperson.
- ❖ The central objective of the AfCFTA is the removal of barriers to free trade and movement of goods and services across the continent. More specifically, the agreement seeks to:

A.	Create a single market, deepening the economic integration of the continent.
B.	Establish a liberalised market through multiple rounds of negotiations.
C.	Aid the movement of capital and people, facilitating investment.
D.	Move towards the establishment of a future continental customs union.
E.	Achieve sustainable and inclusive socioeconomic development, gender equality and structural transformations within member States.
F.	Enhance competitiveness of member States within Africa and in the global market.
G.	Encourage industrial development through diversification and regional value chain development, agricultural development and food security.
H.	Resolve challenges of multiple and overlapping memberships.

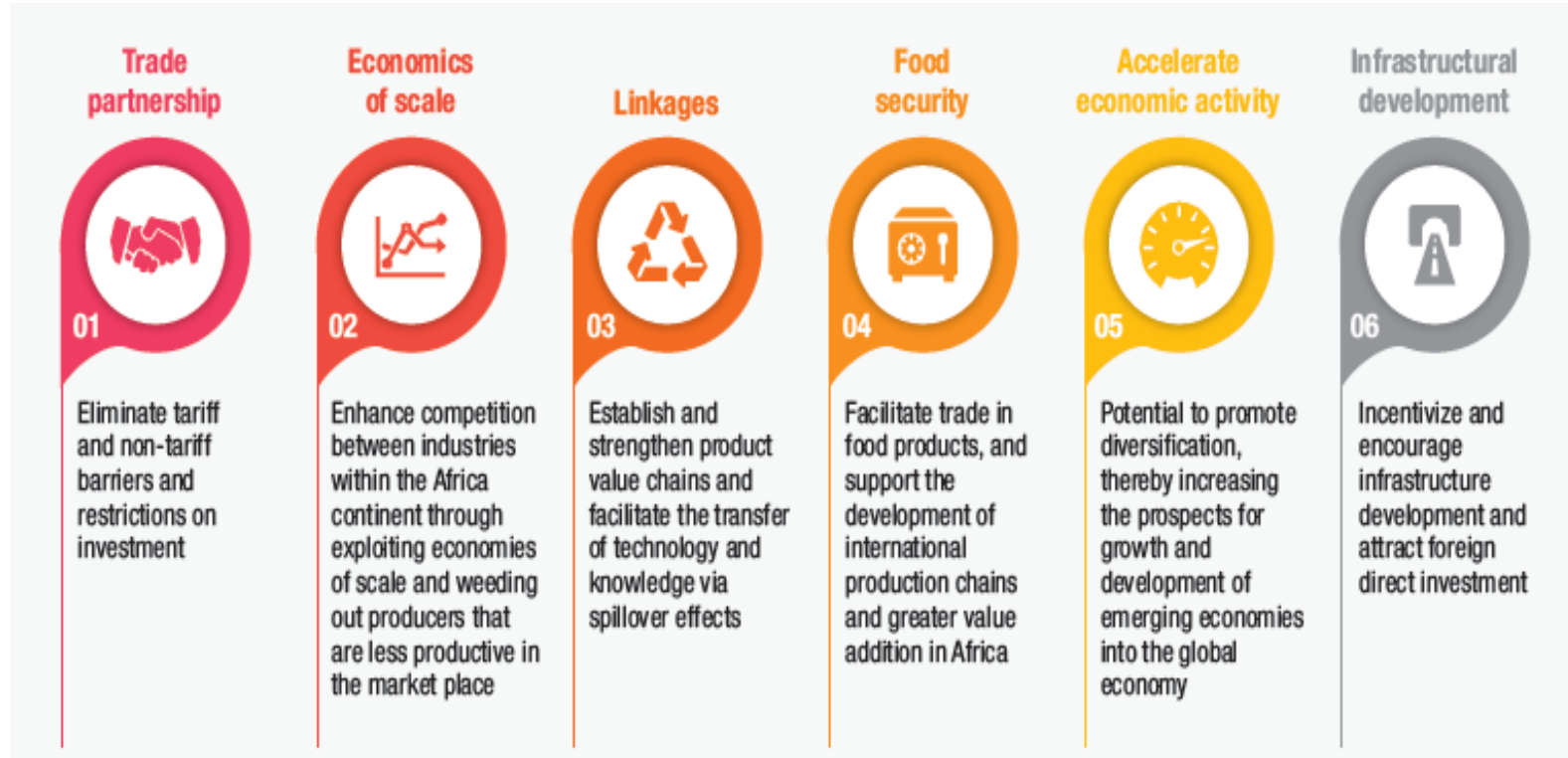
Which countries have ratified the AfCFTA Agreement?



Source: <https://www.tralac.org/resources/infographic/13795-status-of-afcfta-ratification.html>



IMPORTANCE OF INTRA-AFRICAN TRADE



IMF projects that with full implementation of AfCFTA, intra-African trade will rise from \$50 billion to \$70 billion by 2040, compared to an Africa without the agreement.

Source: PWC (2019) AfCFTA- Thriving in a New Africa (Part 1).

AfCFTA AND THE NIGERIAN STATE

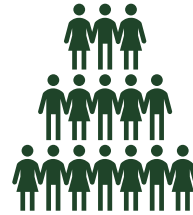


- ❖ Although Nigeria signed the AfCFTA in July 2019, the Federal Executive Council (FEC) only ratified the country's membership on the 11th of November 2020.
- ❖ While the AfCFTA Agreement came into effect on the 1st of January 2021, full implementation of the Agreement will take some time as countries would have to negotiate aspects of the Agreement to fit their bilaterally consensus position. Negotiations will cover trade, dispute settlement processes, tariffs, intellectual property rights and competition policy. E.g., Negotiating preferential policies to protect infant industries and agree on anti-benefit abuse clauses.
- ❖ Also, countries through their Regional Economic Communities (REC) need to harmonise existing rules such as the rules of origin which differ between various RECs on the continent. Rules of origin that are too restrictive can negate the preferential market access intended by the free trade agreement and prevent global supply chains from functioning.
- ❖ Nigeria and the 36 States stand to benefit immensely from the AfCFTA if positioned to be investment and trade ready. Some of the repositioning efforts required include the strengthening of our entire export value chain, eliminating the barriers to ease of doing business, pro-trade monetary and fiscal policies, infrastructure development, anti-dumping and anti-discriminatory trade policies, RoO favorable to our small industries and manufacturing players. etc.

THE NIGERIAN ECONOMY



Gross Domestic Product (GDP)
 NGN154.3 Trillion (At Market Prices)
 NGN152.3 Trillion (At Basic Prices)



Nigeria has a population of over 200 million persons, with a median age of 18.4 and an economically active population of 98%.



Inflation rate is 18.7% while food inflation is 22.95%



Unemployment is 33%



Contributes an estimated 58% of total trading volume in the ECOWAS region in the last 20 years (2001 – 2020)

✓ Starting a Business (rank)	105	Getting Credit (rank)	15	✓ Trading across Borders (rank)	179
Score of starting a business (0-100)	86.2	Score of getting credit (0-100)	85.0	Score of trading across borders (0-100)	29.2
Procedures (number)	7	Strength of legal rights index (0-12)	9	Time to export	
Time (days)	7	Depth of credit information index (0-8)	8	Documentary compliance (hours)	74
Cost (number)	26.1	Credit registry coverage (% of adults)	4.8	Border compliance (hours)	128
Paid-in min. capital (% of income per capita)	0.0	Credit bureau coverage (% of adults)	13.9	Cost to export	
				Documentary compliance (USD)	250
✓ Dealing with Construction Permits (rank)	55	Protecting Minority Investors (rank)	28	Border compliance (USD)	786
Score of dealing with construction permits (0-100)	73.6	Score of protecting minority investors (0-100)	72.0	Time to export	
Procedures (number)	15	Extent of disclosure index (0-10)	7.0	Documentary compliance (hours)	120
Time (days)	105	Extent of director liability index (0-10)	7.0	Border compliance (hours)	242
Cost (% of warehouse value)	4.0	Ease of shareholder suits index (0-10)	7.0	Cost to export	
Building quality control index (0-15)	11.8	Extent of shareholder rights index (0-6)	4.0	Documentary compliance (USD)	564
		Extent of ownership and control index (0-7)	5.0	Border compliance (USD)	1,077
✓ Getting Electricity (rank)	169	Extent of corporate transparency index (0-7)	6.0	✓ Enforcing Contracts (rank)	73
Score of getting electricity (0-100)	47.4			Score of enforcing contracts (0-100)	61.5
Procedures (number)	7	Paying Taxes (rank)	159	Time (days)	399
Time (days)	110	Score of paying taxes (0-100)	53.7	Cost (% of claim value)	38.9
Cost (% of income per capita)	296.4	Payments (number per year)	48	Quality of judicial processes index (0-18)	9.2
Reliability of supply and transparency of tariff index (0-8)	0	Time (hours per year)	343		
		Total tax and contribution rate (% of profit)	34.8	Resolving Insolvency (rank)	148
✓ Registering Property (rank)	183	Postfiling index (0-100)	47.5	Score of resolving insolvency (0-100)	30.6
Score of registering property (0-100)	29.5			Recovery rate (cents on the dollar)	27.8
Procedures (number)	12			Time (years)	2.0
Time (days)	92			Cost (% of estate)	22.0
Cost (% of property value)	11.3			Outcome (0 as piecemeal sale and 1 as going concern)	0
Quality of the land administration index (0-30)	8.0			Strength of insolvency framework index (0-16)	5.0

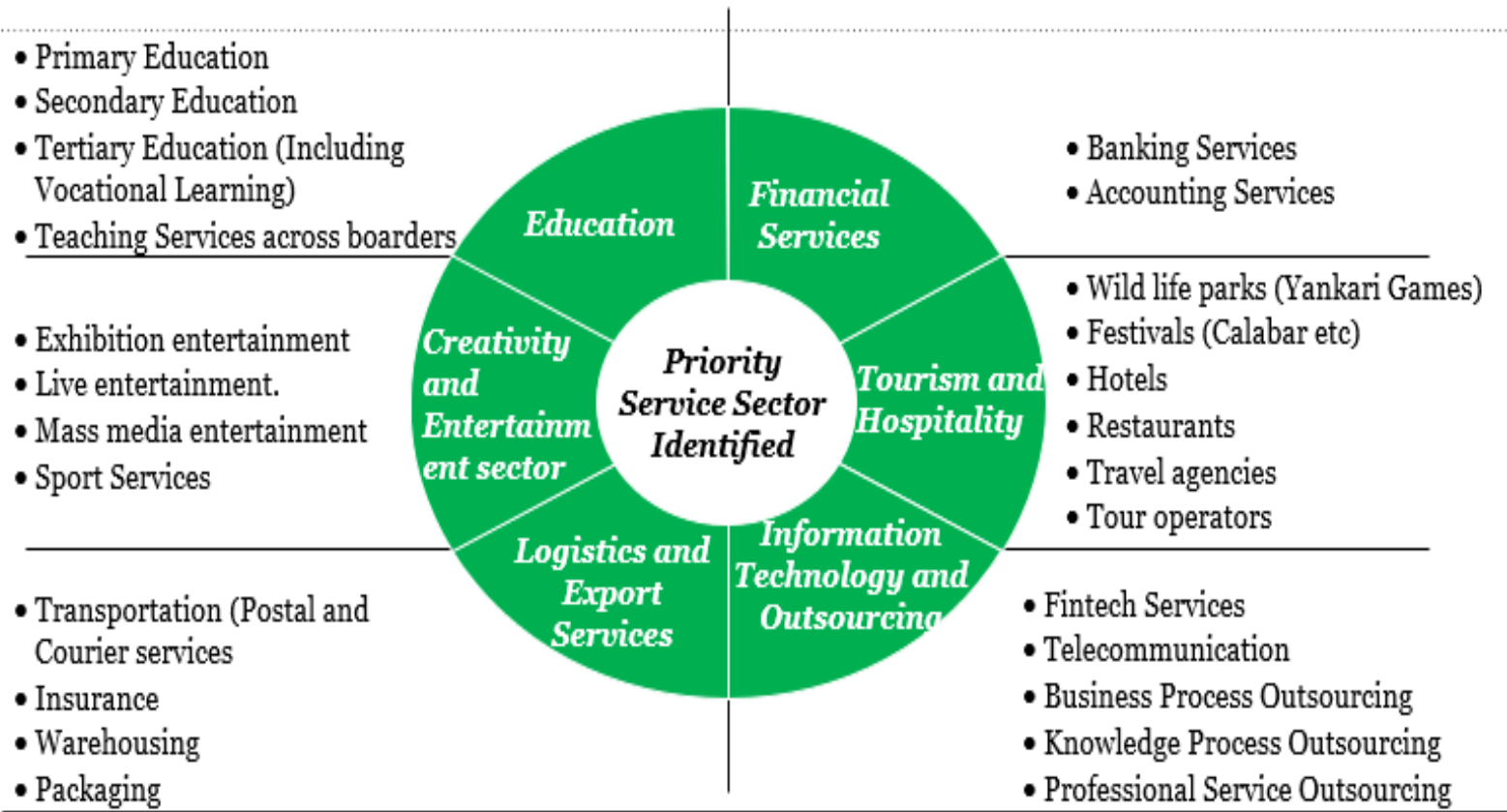
*Nigeria was ranked 146 in 2019 Doing Business ranking.

2018 subnational ease of doing business ranks FCT, Lagos, Enugu, Ogun, Kaduna, Katsina, Kano Rivers Jigawa and Nasarawa as the top performing States across the 4 indicators of Starting a Business, Dealing with Construction Permit, Registering Property and Enforcing Contract.

Products	Sub Products	Top African importers
Cocoa	Cocoa beans, Cocoa butter, Cocoa Powder	South Africa, Egypt, Algeria, Morocco, Tunisia
Rubber	Primary rubber	South Africa, Egypt, Morocco, Algeria, Nigeria
Cashew Nuts	Shelled nuts, unshelled nuts	South Africa, Algeria, Egypt, Mauritius, Tunisia
Ginger	Fresh, grounded ginger	Morocco, Egypt, South Africa, Algeria, Botswana
Flowers	Cut roses	Libya, South Africa, Namibia, Mauritius, Angola
Sesame	Sesame seeds, sesame oil	Egypt, Tunisia, Algeria, Morocco, Kenya
Fishery	Shrimps, prawn, crab	Nigeria, Egypt, Côte d'Ivoire, Cameroon, Mauritius
Cement		Ghana, Cameroon, Côte d'Ivoire, Mali, Burkina Faso
Plastics	Polyethylene, tubes, pipes, sacks & bags	Egypt, South Africa, Algeria, Morocco, Nigeria
Lead	Unwrought lead, lead plates & sheets	South Africa, Egypt, DR Congo, Tunisia, Botswana
Zinc	Zinc ore, Zinc powder	South Africa, Egypt, Morocco, Kenya, Nigeria
Tin	Alloys, tin ores	South Africa, Tunisia, Egypt, Ghana, Algeria
Petrochemicals	Urea	South Africa, Zambia, Ethiopia, Malawi, Cameroon
Leather	Tanned goat and sheep leather	South Africa, Tunisia, Morocco, Egypt, Angola
Aluminum	Unwrought aluminium, alloys, branded cans	South Africa, Mozambique, Algeria, Morocco, Egypt
Gas	Natural gas, butane, propane	Egypt, Morocco, Tunisia, South Africa, Côte d'Ivoire
Crude Oil		South Africa, Egypt, Côte d'Ivoire, Senegal, Cameroon

Nigerian products with existing export capacity and the potential Markets within the AfCFTA

Source: International Trade Centre

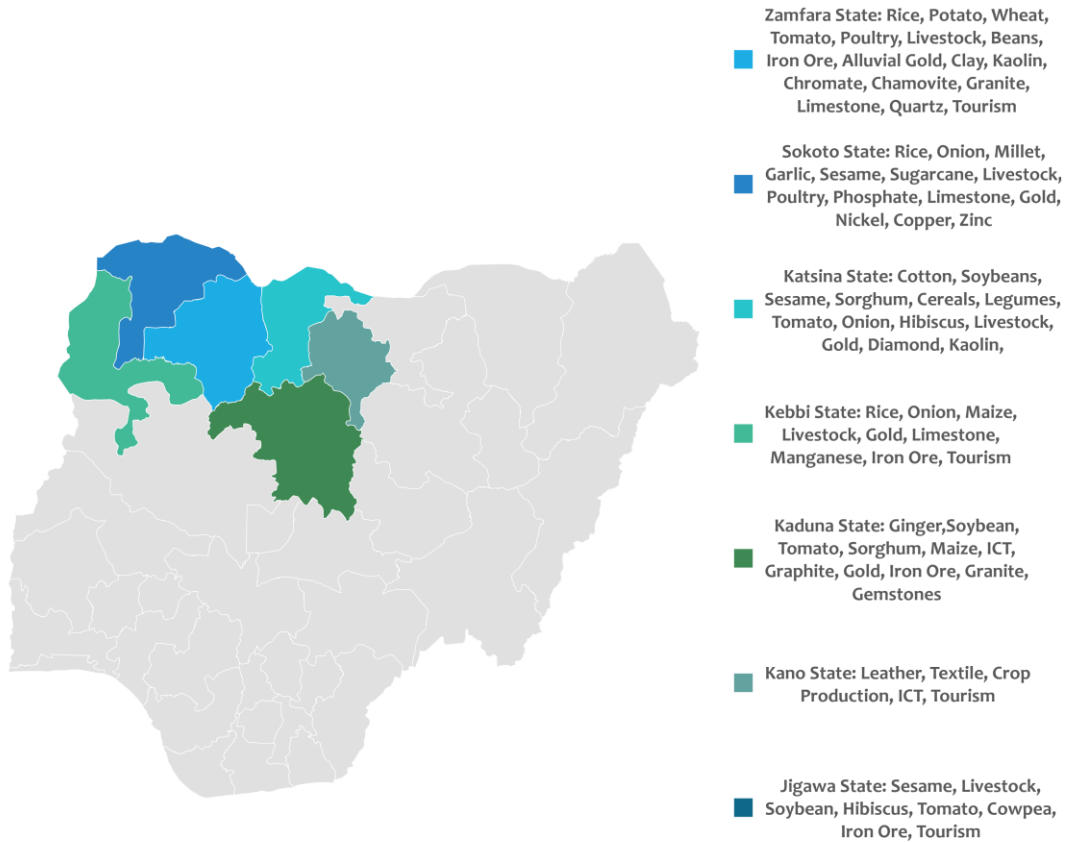


Nigerian services with existing export capacity and the potential Markets within the AfCFTA

Source: Sector Reports, World Trade Organisation, Commonwealth Report

COMPETITIVE ADVANTAGES AND INVESTMENT OPPORTUNITIES – STATES’ DISTRIBUTION

States’ Areas of Competitiveness - North West Geopolitical Zone



States’ Areas of Competitiveness - North East Geopolitical Zone

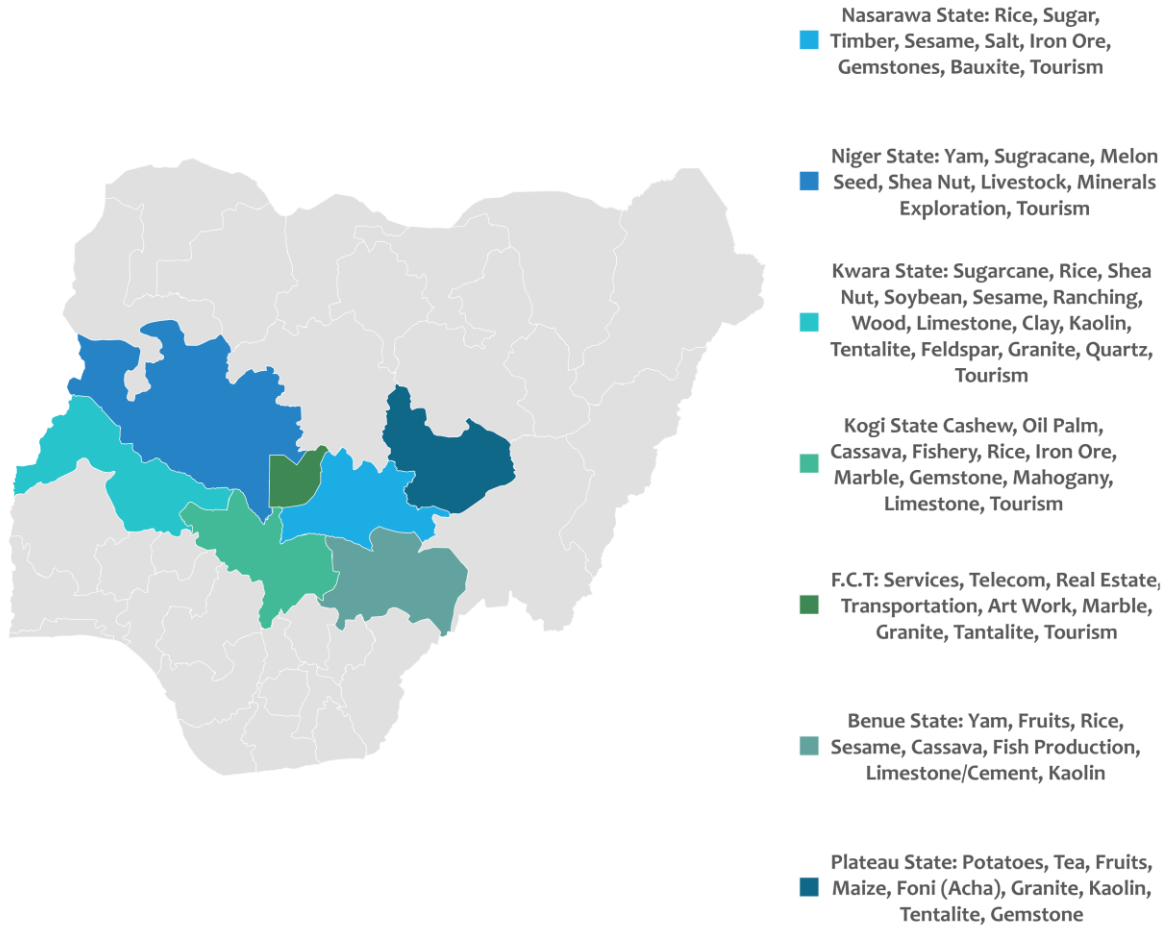


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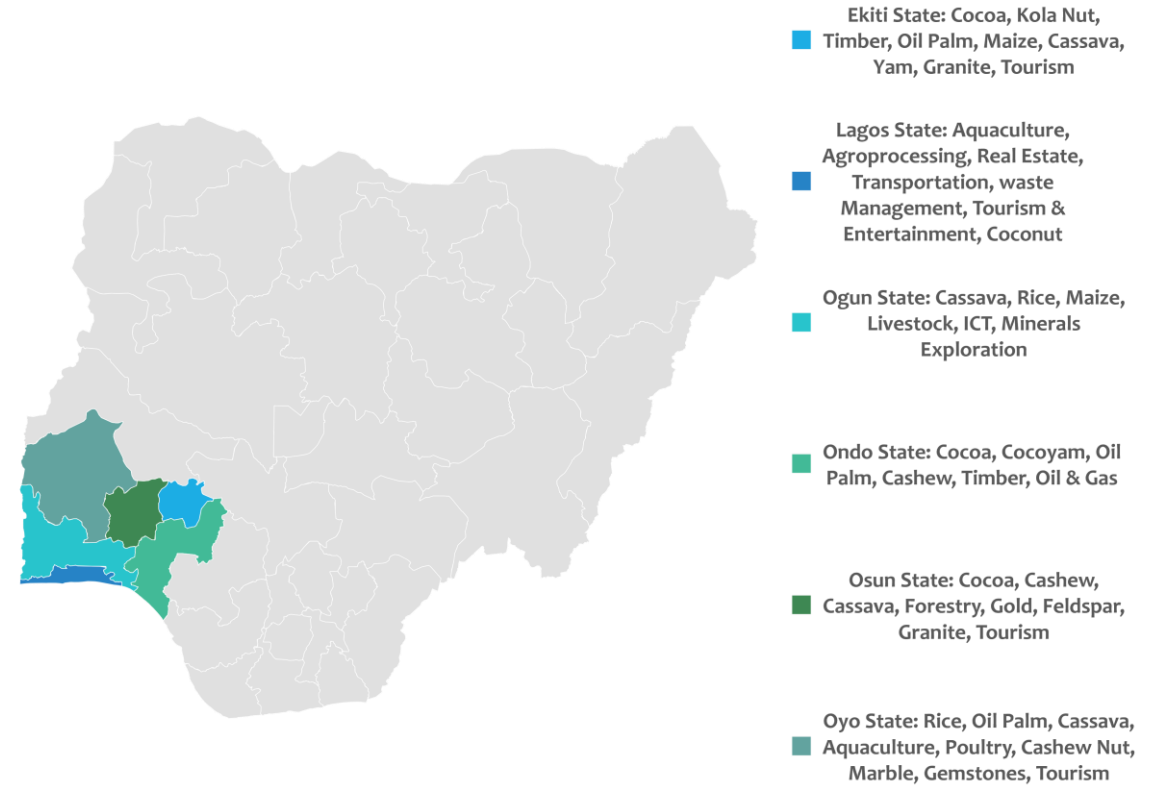
COMPETITIVE ADVANTAGES AND INVESTMENT OPPORTUNITIES – STATES’ DISTRIBUTION

States’ Areas of Competitiveness - North Central Geopolitical Zone



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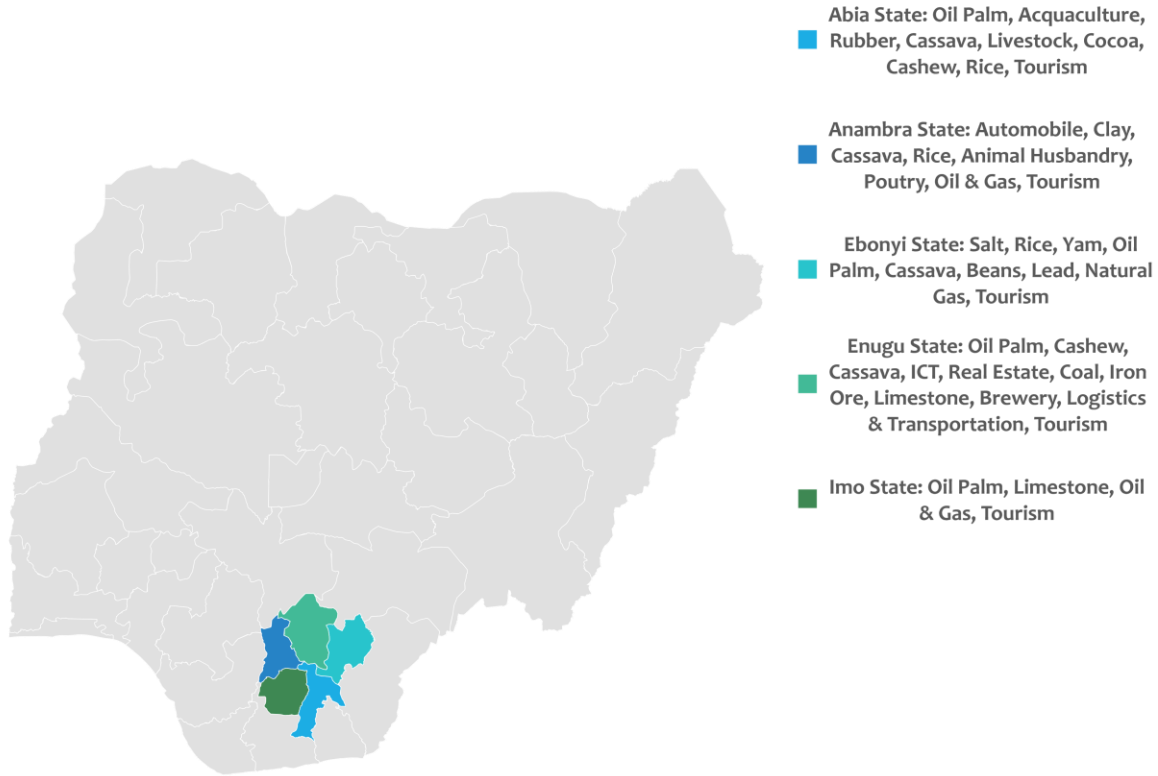
States’ Areas of Competitiveness - South West Geopolitical Zone



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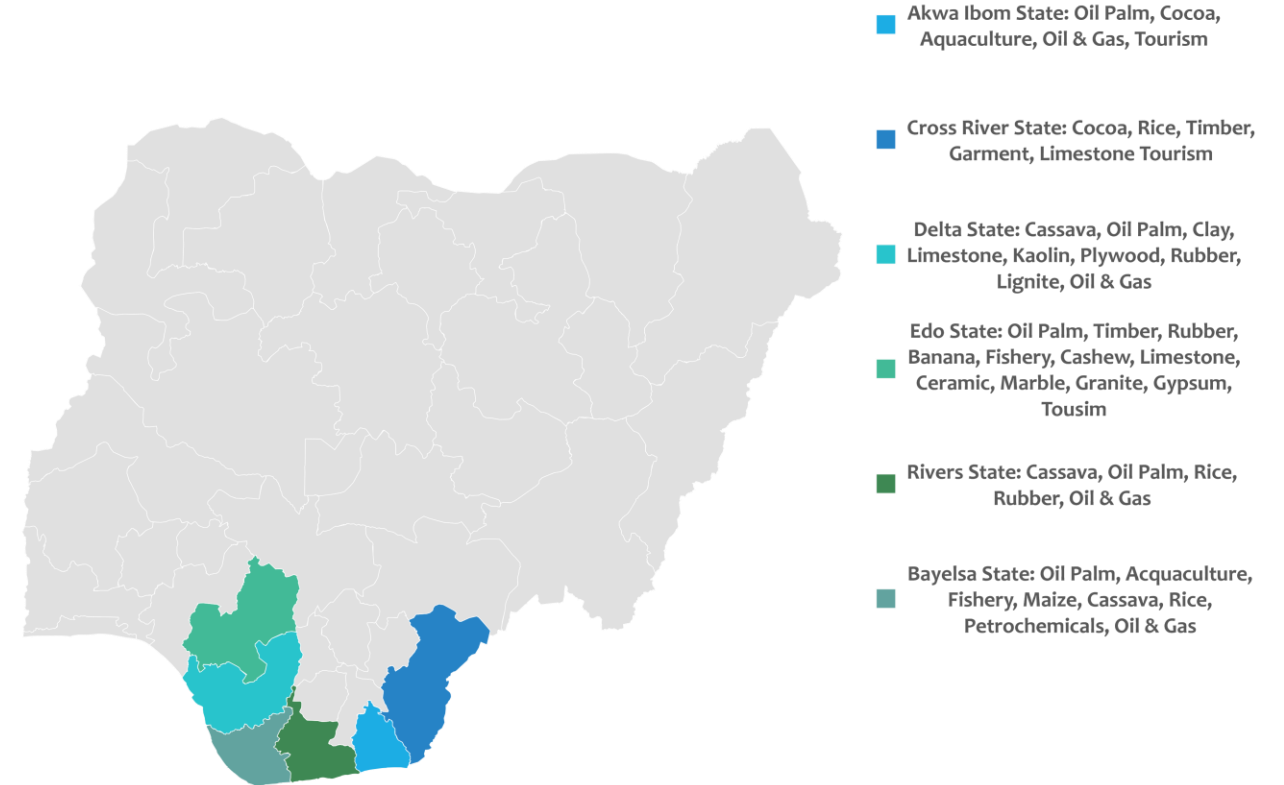
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States’ Areas of Competitiveness - South East Geopolitical Zone



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States’ Areas of Competitiveness - South South Geopolitical Zone



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We have Huge Export Potential



STYLISTED TRADE FACTS

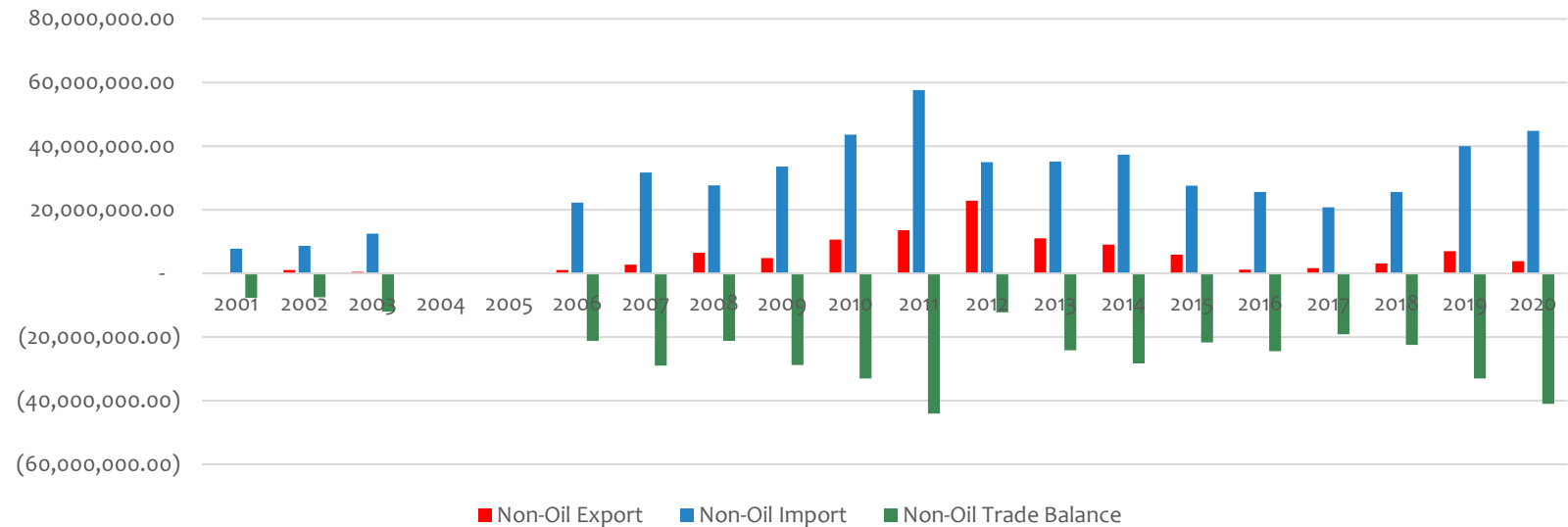


Nigeria has a positive trade balance with the World when trade in oil/minerals are included in the trade value, but a negative trade balance in non-oil trade in the last 20 years.

Nigeria Trade, Inclusive of Oil (2001 - 2020) - (Thousand USD)



Nigeria Non-Oil Trade (2001 - 2020) - (Thousand USD)



Source: International Trade Centre' Trade Map and UN Comtrade Database

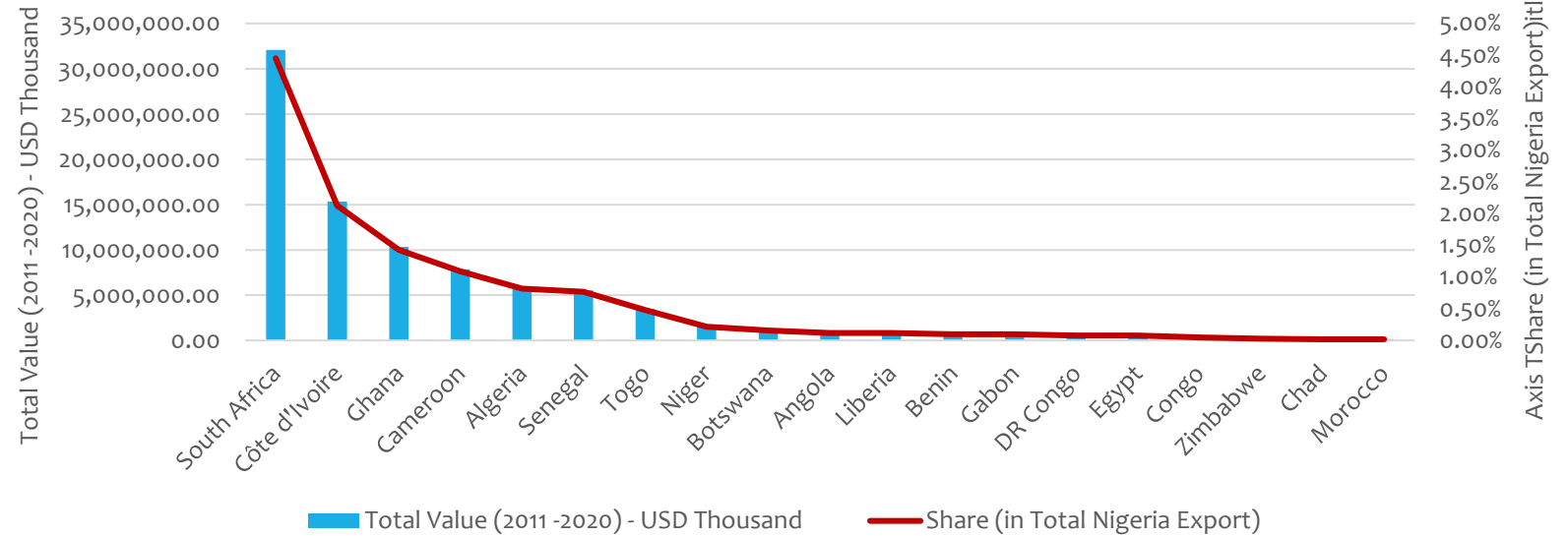
STYLISTED TRADE FACTS



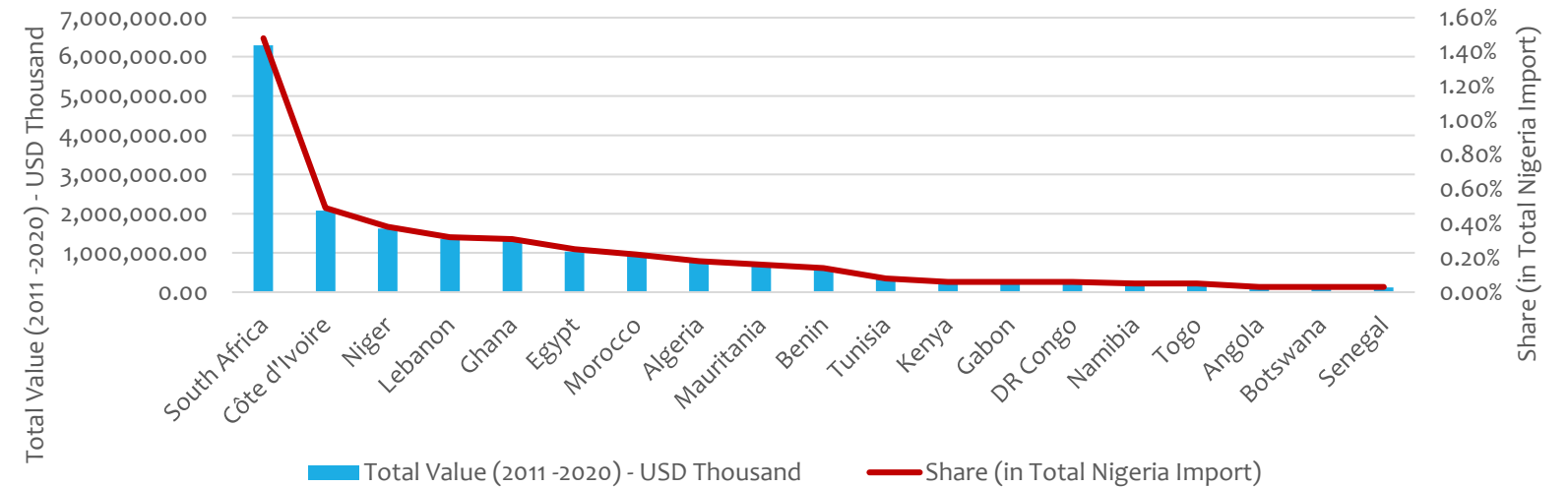
❖ South Africa, Côte d'Ivoire, Ghana, and Cameroon are the top African countries Nigeria exports to, having a share of 73% of major exports to African countries in the last 10 years and 75% in the last 5 years with South Africa being the major African destination.

❖ Nigeria imports more from South Africa, Cote d'Ivoire, Lebanon and Ghana in the last 10 years, with a share of 50% of the major import from African countries (66% in the last 5 years)

Top African Destinations for Nigeria Exports (2011 – 2020)



Top African Sources for Nigeria Imports (2011 – 2020)





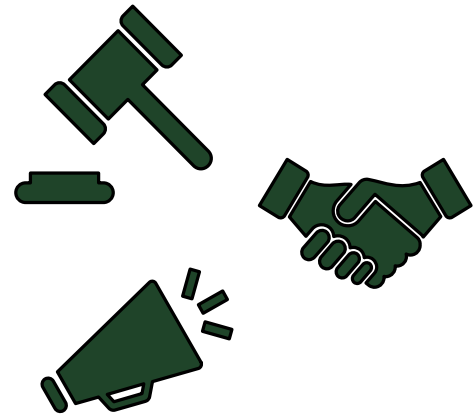
States that stand to benefit from the AfCFTA are those with active participation in the global/Africa value chain

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.

GOVERNMENT POLICIES/PROGRAMMES TO SUPPORT COUNTRY TRADE READINESS

- ❖ Finance Act 2020.
- ❖ Petroleum Industry Bill.
- ❖ Strategic Revenue Growth Initiatives (SRGI 1.0 and 2.0) - data and technology driven tax administration leveraging mileage from previous projects like Voluntary Assets and Income Declaration Scheme (VAIDS) and Voluntary Offshore Asset Regularisation Scheme (VOARS) - all data harmonized by Project Light House under the FMFBNP.
- ❖ Nigeria Investment Certification Programme for States and the setting up of State investment promotion agencies.
- ❖ Economic Sustainability Plan – Agriculture, mass housing and SME support schemes.
- ❖ FX control –Limiting access to the IEX window for Import of goods and services locally available.
- ❖ National Digital Economy Policy and Strategy (2020 – 2030) – broadband penetration, digital skills & literacy, etc.
- ❖ National Gas Expansion Programme (NGEP) – Promote domestic use and export of LPG and CNG.
- ❖ Presidential Enabling Business Environment Council (PEBEC)- Ease of doing business.
- ❖ Regional Security Networks and Civilian Joint Task Force to support police and military efforts to restore law and order across the country.
- ❖ NGF-NESG Economic Roundtable (NNER) – devoted to delivering strategic partnerships between the State governments and the private sector to drive investment, economic growth, productivity and a shared economic reform agenda.



EXAMPLES OF GOVERNMENT PROJECTS TO SUPPORT TRADE READINESS



Abuja – Kaduna Rail line



Lagos- Kano standard Gauge Rail line



LASWA Jetty Terminal



Lekki Free Trade Zone



Imota Rice mill



Second Niger Bridge



Fashion Cluster Shared Facility
for MSMEs, the Eko Fashion
Hub 1



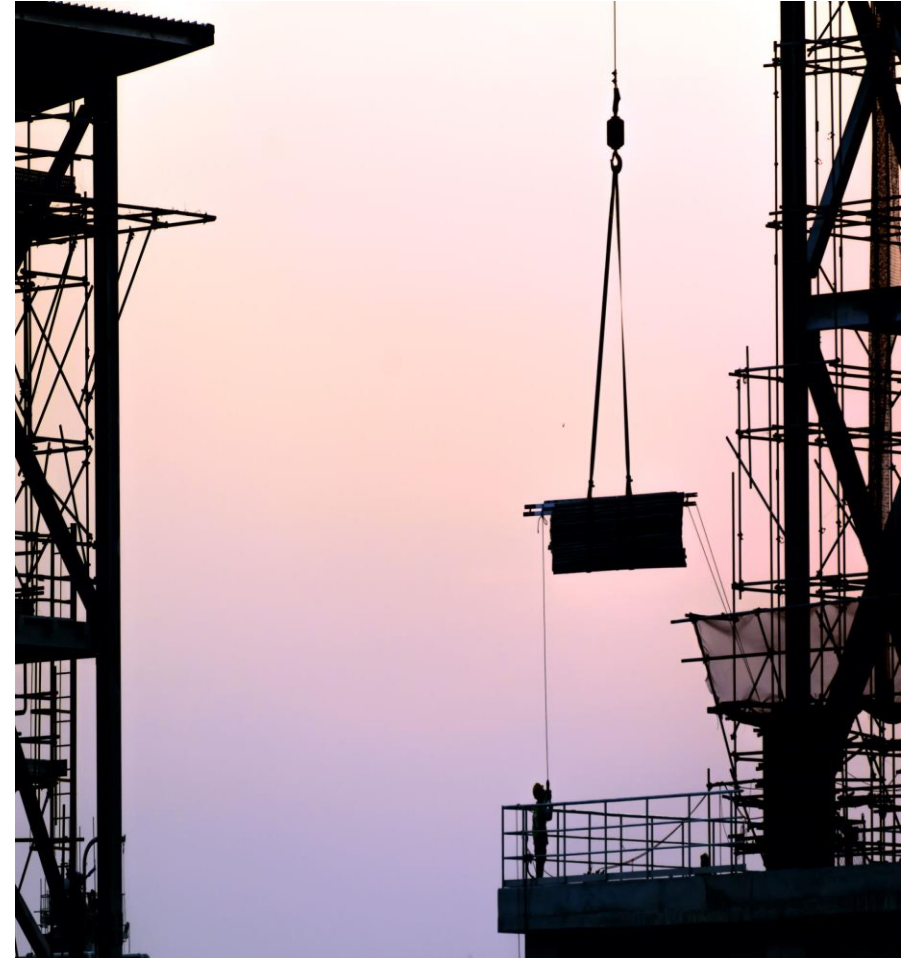
200,000-capacity Yam Storage Facility
at the Zaki Biam International Yam
Market in Benue State



Anambra State International
Airport

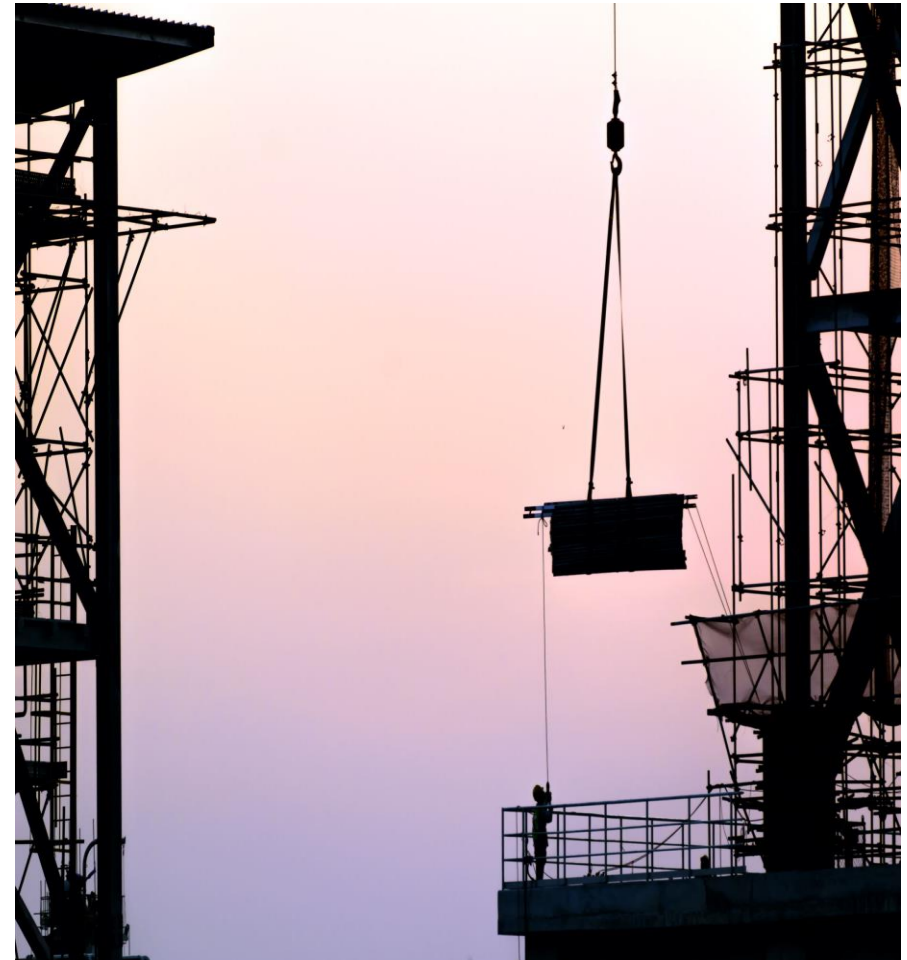
SHORT TO MEDIUM TERM MEASURES/CONSIDERATIONS

- ❖ Currently, primary commodities dominate Nigerian industrial output and the inter-industry linkages are very weak. Also, the manufacturing sector depends largely on import for its raw materials. Both production arrangements are making Nigerian industries far less competitive. **It is important that Nigeria develops policies to encourage structural transformation and value chain optimization including the development of industrial and agricultural processing zones.**
- ❖ Producing highly competitive products in the foreign market also requires strengthening government regulations and internal quality control of products produced in the country. **This regulatory efforts should be supported by aggressive investment and export promotion.**
- ❖ **Improve the ease of doing business nationally and sub-nationally by harmonising policies, laws and regulatory procedures to attract large-scale investment.** These enabling policies will go a long way in advancing our competitive advantage and potentials in the agricultural, service, culture & tourism and entertainment sector e.g., pro-trade monetary and fiscal policies for Nigerian market and businesses to thrive, Improved security, etc.



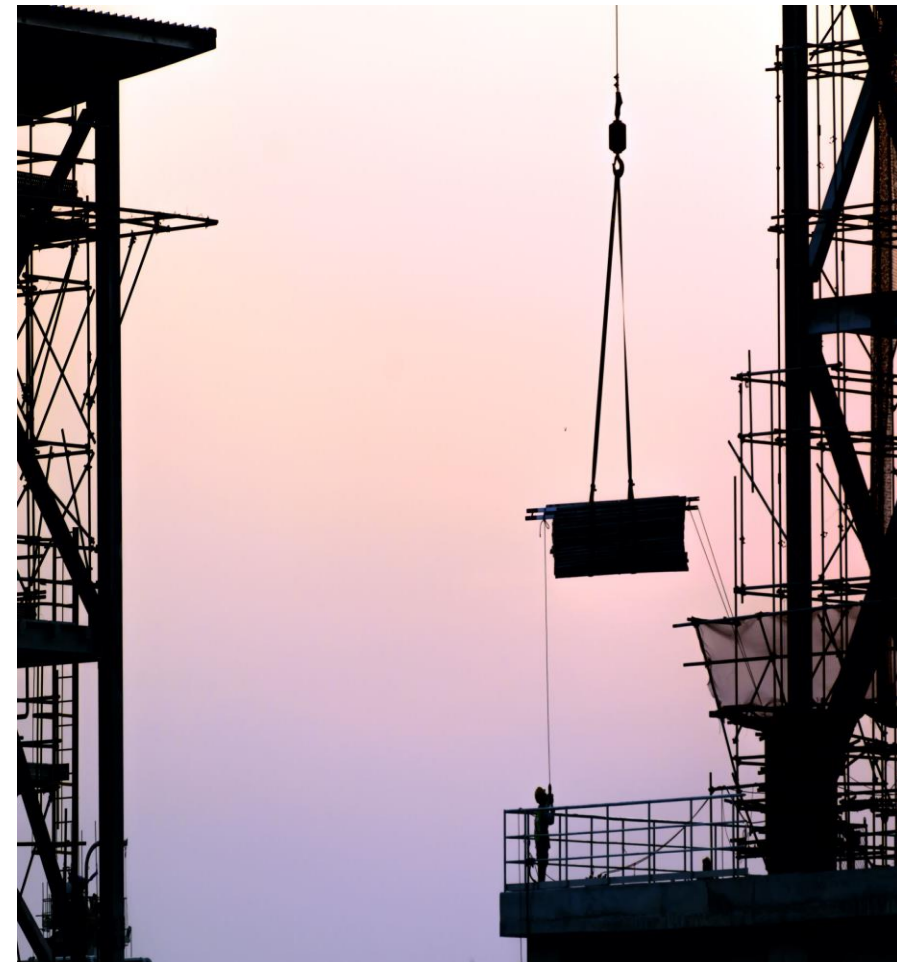
SHORT TO MEDIUM TERM MEASURES/CONSIDERATIONS

- ❖ Ramp up skill acquisition and export sensitisation programmes, especially for Micro, Small and Medium Enterprises (MSMEs) to improve their readiness for the regional competitive market to emerge from the AfCFTA.
- ❖ Regionalizing infrastructure investments will help reduce infrastructure financing gaps, eliminate some of the operational challenges associated with operating in multiple jurisdictions and attract power pools. Infrastructure investments could also be realized through the concession of major infrastructural projects (electricity, roads, bridges, airports, seaports, tourism sites etc.) to the private sector (e.g., LCC, Icon Hotel Group, etc.). However, this will have to be complemented by strong institutional reforms to regulate the operations of the private sector.
- ❖ States should leverage their competitive advantages in factor endowment to support value addition and export readiness.



SHORT TO MEDIUM TERM MEASURES/CONSIDERATIONS

- ❖ To prevent distortions and discrimination in trade and investment, **tax rights under the AfCFTA must be mutually beneficial, including cross-jurisdiction income or profit flows such as withholding taxes on payments to non-residents.**
- ❖ Dumping and the use of subsidies (exemptions, waivers, reduced tariffs, etc.) are raising unfair trade practices that require strong monitoring and enforcement mechanisms. Implementation of the AfCFTA is also expected to trigger a surge in imports across sectors of the Nigerian economy. **To protect the economy from the dumping of inferior and substandard products, the Rules of Origin (RoO) needs to be well strengthened and tightened.** The country may wish to uptake a 5-year transition period to negotiate and adjust to the best-fit RoO requirement. The country should also negotiate an effective dispute resolution mechanism that allows for sanctioning of erring parties within the AfCFTA.



THANK YOU



The time to act is now, let us get ahead of the conversations, negotiations, and position Nigeria right for the AfCFTA.



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