

Ghana leads in the quest for AfCFTA benefits

Overview

The African Continental Free Trade Area (AfCFTA) is a free trade area encompassing most of Africa. It was established in 2018 by the African Continental Free Trade Agreement, which has 43 parties and another 11 signatories, making it the largest free-trade area by a number of member states, after the World Trade Organization, and the largest in population and geographic size, spanning 1.3 billion people across the world's second-largest continent.

The Agreement establishes a single market for goods and services across 54 countries, allows for the free movement of business travelers and investments, and creates a unified customs union to streamline trade on the continent.

According to UNCTAD, Intra-African exports were 16.6% of total exports in 2017, compared with 68.1% in Europe, 59.4% in Asia, 55% in America, and 7% in Oceania. Intra-African trade, defined as the average of intra-African exports and imports, was around 2% during the period 2015–17.

Trade across the African continent has long been limited as governments have often erected trade barriers to defend their markets from regional competition, making it more expensive for countries to trade with near neighbors than countries much further afield. This also affected the amount of trade within Africa as seen in the stats above, bringing about the need for AfCFTA. The aim is to enable the free flow of goods and services across the continent and boost the trading position of Africa in the global market.

Benefits of AfCFTA

The AfCFTA promises broader and deeper economic integration and would attract investment, boost trade, provide better jobs, reduce poverty, and increase shared prosperity in Africa.

Africa could see foreign direct investment (FDI) increase by between 111 percent and 159 percent under the AfCFTA. Inflows of FDI attracted by the AfCFTA would bring jobs and expertise, build local capacity, and forge connections that can help African companies join regional and global value chains.

If AfCFTA's goals are fully realized, 50 million people could escape extreme poverty by 2035, and real income could rise by 9 percent. Under deep integration, Africa's exports to the rest of the world would go up by 32 percent by 2035, and intra-African exports would grow by 109 percent, led by manufactured goods.

Ghana and AfCFTA

Ghana was part of the first country to ratify the AfCFTA agreement, depositing their ratification on 10 May 2018. To further express their support and commitment to AfCFTA the parliament of Ghana approved the establishment of the AfCFTA secretariat in its capital, Accra.

The African Continental Free Trade Area (AfCFTA), aims to liberalise not just trade in goods, but also in services, and to facilitate intra-Africa investment. It will also create the necessary frameworks and capacity to enable and facilitate intra-Africa trade in services by addressing the challenges that inhibit such trade. The AfCFTA is also anticipated to be a “game-changer” in enhancing intra-Africa trade.

AfCFTA has a positive impact on cross-border payments such that, since 15% of trade is carried out within African countries, AfCFTA will increase the number of trades within African countries, thereby also increasing the need for cross-border payments.

The official trading under the free trade area began on October 7, 2022, after nearly 22 months of preparatory works including putting institutional structures at the secretariat in Accra, Ghana.

The first such trans-border trading was a shipment by Kasapreko Company Limited and Ghandour Cosmetics Limited on January 1, 2021. The six other countries involved in the trading are; Cameroon, Kenya, Egypt, Mauritius, Rwanda and Tanzania. Products traded included ceramics, palm oil, car batteries and coffee.

It put into motion a huge ambition to create the largest free trade area in the world measured by the number of countries participating. The pact connects 1.3 billion people across 55 countries with a combined gross domestic product (GDP) valued at US\$3.4 trillion.

To take advantage of the initiative, the Government of Ghana (GoG) has put in place an institutional framework to help maximise gains from the AfCFTA. It included the establishment of the AfCFTA inter-ministerial committee, national steering committee, and technical working groups on all the seven clusters for boosting intra-Africa trade.

Additionally, it has also designed the AfCFTA Policy framework and action plan as well as the National Export Development Strategy (NEDS) meant to help revitalise the country's export development efforts with a strong focus on Africa's over 1.2 billion consumer market.

The action plan sought to provide the needed guidelines for mainstreaming the implementation of the agreement through value-addition to exports, developing capacity to effectively compete with imports and expansion of opportunities for job creation. These are indications that the government had established the key national institutional structures to oversee the implementation of the AfCFTA initiative locally.

Certifications of origin

Towards that, the government had assisted 30 Ghanaian firms to secure certifications of origin that will enable them to start trading under the single market initiative. The certified firms were assisted through the (Ghana) National AfCFTA Coordination Office, which serves as the liaison between Ghana and the AfCFTA Secretariat.

The firms are part of the 230 potential exporters identified to be guided through AfCFTA processes, procedures and protocols as they develop their products to be exported.

A certificate of origin is a document which attests that a product listed has met certain criteria to be considered as originating in a particular country. It is issued by the Customs Division of the Ghana Revenue Authority and the Ghana National Chamber of Commerce and Industry (GNCCI).

Ongoing trade

The National Coordinator at the (Ghana) National AfCFTA Coordination Office, Dr Fareed Kwasi Arthur, said two out of the 30 firms had been exporting under AfCFTA since October 2021.

The two — Benso Oil Palm Plantation Limited and KEDA Ghana Ceramics Company Limited — exported palm oil products to Kenya and ceramics to Cameroon, respectively. The pact connects about 1.2 billion people across 55 countries with a combined gross domestic product (GDP) valued at US\$3.4 trillion.

It has the potential to lift 100 million out of poverty, 30 million people from extreme poverty, and 70 million people from moderate poverty but achieving its full potential will depend on putting in place significant policy reforms and trade facilitation measures.

Policy intermediation

As host country for the AfCFTA secretariat, Ghana has been uniquely positioned to become the commercial capital of Africa should momentum that had been built is advanced. Ghana must therefore be determined to make the most of the agreement by leveraging on the trade and investment opportunities that the AfCFTA presents.

Programmes such as 10-point industrial transformation agenda, SME development initiative, strategic anchor industries, one district, one factory (1D1F) initiative and establishment of industrial parks across the country could help facilitate the transformation of the economy and enable Ghana to optimise its benefits from AfCFTA when well structured.

Way forward

All regulatory agencies and trade institutions under the trade value chain such as the Ghana Export Promotion Authority (GEPA), Ghana Standards Authority (GSA), Ghana Shipper' Authority (GSA) and Association of Ghana Industries (AGI) have a great responsibility in preparing the country to maximise gains from the agreement.

In the words of the immediate past Minister of Trade and Industry, Alan Kyerematen, “For Ghana to benefit from the initiative, there was the urgent need to create awareness among regulatory authorities, including the Customs Division of the Ghana Revenue Authority (GRA), economic operators, producers and exporters, as well as the logistical sector”.

The country needs a collective approach to inject a renewed and fresh hope into trade and industrialisation as these two key areas were necessary preconditions for strong recovery. With advanced infrastructure connectivity, the AfCFTA initiative had great economic, trade as well as social advantages for Africa and its countries such as Ghana.

The World Bank is projecting that the African Continental Free Trade Area (AfCFTA) agreement will create the largest free trade area in the world measured by the number of countries participating.

Role of CSOs

The African Union Commission in partnership with the United Nations Economic Commission for Africa (ECA) and the Coalition for Dialogue on Africa, organized the first-ever Civil Society Forum in 2019 under the theme: “Enhancing Civil Society Engagement in the AfCFTA to Broaden Inclusiveness” on the margins of the African Union Extraordinary Summit on the African Continental Free Trade Area (AfCFTA)

The Minister of Trade and Private Sector Promotion of Niger, Mr. Secko Seydou, at the Forum implored civil society organizations to assert their role as a platform for citizen voices under the AfCFTA. Such a role, he stated, “requires CSOs to learn to work together and play complementary political roles, such as acting as gatekeepers, advocates, mobilizers, educators, researchers and policy analysts.” The Honorable Minister concluded his remarks by emphasizing the crucial role of CSOs in “advancing our ideals and supporting our work at national, regional and continental levels.”

The AUC’s Deputy Chairperson, Mr Kwesi Quartey, who commended the Department of Trade and Industry for the initiative at the Forum noted that if successfully implemented, “the AfCFTA could generate a combined consumer and business spending of USD 6.7 trillion by 2030, accelerate industrial development, expand economic diversification, and facilitate quality job creation for Africa’s women and youth.”