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How ready is Ghana for the AfCFTA?

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More than four years after the operational launch of the African Continental Free Trade Area (AfCFTA), Ghana is participating in the Guided Trade Initiative (GTI), a pilot trading programme of the AfCFTA Secretariat launched in October 2022 to test the operational instruments of the AfCFTA. Cameroon, Egypt, Kenya, Mauritius, Rwanda, Tanzania, and Tunisia are also trading certain goods under the GTI. To participate in the GTI, countries must have ratified the AfCFTA Agreement, submitted a modality-compliant tariff offer, and have the necessary customs procedures in place to allow traders to trade under the rules of the AfCFTA. As the host country of the AfCFTA Secretariat, Ghana has played a key role in promoting the importance of the GTI to other member states. There have also been discussions on the expansion of the GTI for trade in goods and commencement of a GTI for trade in services. However, before moving forward there is the need to review trade-related measures of participating countries to determine whether other member states are truly prepared for the full implementation of the AfCFTA. The success of the GTI is crucial as participating countries have been given the opportunity to showcase the operationality of the AfCFTA and to demonstrate to the global community that the AfCFTA can play a role in a new, prosperous, and integrated Africa.

Status of the Guided Trade Initiative

Trading under the GTI commenced with about 96 products on the transaction list. These items aligned with the AfCFTA's objective of value chain development and included batteries, coffee, sugar, pasta, tea, dried fruits, ceramic tiles, and processed meat products. In contributing to the agenda, Ghana has reportedly assisted 30 companies to obtain Certificates of Origin to export goods from the country under the initiative, however it appears that only a few of those companies are actively trading under the GTI. Additionally, the majority of these transactions are imports with comparatively fewer exports from Ghana heading to other GTI countries. Goods imported into Ghana under the GTI so far include shipments of tea and batteries arriving from Kenya, coffee beans from Rwanda, meat products and cement from Egypt, as well as tea and dried fruits from Cameroon. Earlier this year, the National AfCFTA Coordination Office (NCO) indicated that two Ghanaian companies have been exporting palm oil products to Kenya and ceramics to Cameroon under the pilot trading programme. This figure is expected to have increased in recent months. Although trade between Ghana and the remaining GTI countries may not have reached very high levels, there is evidence that the initiative has succeeded in increasing economic activities between countries in Sub-Saharan Africa, particularly trade activities between Ghana and Kenya. Other local companies such as Kasapreko Company Limited, a popular local manufacturer of alcoholic and non-alcoholic beverages, have taken advantage of the AfCFTA and trade facilitation by the government of Ghana and related governments, to export their products to other African countries in anticipation of the full implementation of the AfCFTA.

Ghana's AfCFTA Strategy

The Government of Ghana has adopted the National AfCFTA Policy Framework and Action Plan (Framework) and issued Guidelines for Local Authorities to create a supportive business environment which integrates its local economy into the regional or continental markets and boosts its trade performance. The Framework focuses on seven key areas, i.e. the Development of an AfCFTA National Trade Policy, Trade Facilitation, Enhancing Productive Capacity, Trade-Related Infrastructure, Trade Finance and Development, Trade Information, and Factor Market Integration. Progress of the country's efforts so far are measured in these thematic areas.

In line with the government's decision to facilitate trade and raise awareness of the AfCFTA, customs officers were taken through various training programmes in preparation for the implementation of the AfCFTA Agreement. The overall goal is to build on preferential trade that Ghana enjoys under the Economic Community of West African States (ECOWAS) to take advantage of the new trade preferences of the AfCFTA. Once the AfCFTA is fully operational, all Ghana's bilateral trade on the continent will take place under preferences – either the ECOWAS Trade Liberalisation Scheme (ETLS) or the AfCFTA. Although commendable, these trainings must be monitored to ensure that the benefits trickle down to the officials stationed at the border posts who carry out these policies daily. The Noepe-Akanu one-stop border post where Ghanaian and Togolese customs officials work hand-in-hand is a good example of how integrated border management can be used to simplify the process for traders. As an ECOWAS member, Ghana has taken the step to update its tariff book to reflect the liberalisation of 90% of its tariff lines, and the list of sensitive and excluded goods. This is very important information for Ghana's importers and for exporters from other AfCFTA State Parties. The smooth operation of all the above are key for effective border management.

To further streamline the process for Ghanaian entrepreneurs interested in trading under the AfCFTA, the application process for the issuance of a Certificate of Origin will be automated to prevent delays. Full automation has, however, not begun. Businesses may therefore be required to submit a manual form during the transition period. A single window platform was also established to allow traders to submit all documentation on a common platform to be accessed by various government agencies, resulting in less cumbersome administrative procedures, ultimately facilitating trade. Another step the government has taken is the establishment of the NCO, an institution which communicates with the AfCFTA Secretariat and provides relevant trade-related information which may not ordinarily be available to businesses.

The National Export Development Strategy (NEDS) is Ghana's strategy to diversify exports by focusing on the exportation of non-traditional products to other countries. These non-traditional products are expected to increase the production of goods further along the value chain and include the following:

- Processed cocoa
- Cashew Nuts
- Motor vehicles
- Articles of Plastics
- Pharmaceuticals
- Machines and machine components
- Textiles

NEDS was initiated after the AfCFTA came into force and shares a common goal of value chain development. Since its creation, the government has gone to great lengths to convince key investors to position Ghana as a manufacturing and industrial hub for large multinational businesses. Well-known automobile companies such as Nissan, Peugeot, Volkswagen, Toyota, Suzuki and Sinotruck have already established vehicle-assembling plants in the country, positioning Ghana as a prime destination for investors in the automobile industry.

Financial institutions and organisations within the country have also developed several funding packages to stimulate production by domestic businesses, particularly small and medium-sized enterprises (SMEs), in the mission to boost Ghana's exports to the rest of Africa. In addition, the Bank of Ghana and several commercial banks are participating in the Pan-African Payment and Settlement System (PAPSS) to support cross-border payments on the continent. Participating banks include the Ghana Commercial Bank (GCB), Ecobank, Cal Bank and Guaranty Trust Bank, among others. Many commercial banks in the country have also signed onto the MANSA 'due diligence' platform; a database of African companies and financial institutions which allows potential investors to conduct due diligence checks on African businesses. This is expected to reduce the perceived risks of doing business in Africa. These initiatives are a step in the right direction under Ghana's trade finance and development agenda.

However, questions arise when we look at the laws developed to protect local industries from being pushed out of business by global corporations with the financial power to do so. Many have asked how they will affect the free trade which the AfCFTA seeks to promote. The restrictions on the types of businesses that foreigners can conduct, and the US$1 million minimum capital requirement required of foreign entities looking to engage in trade, are serious non-tariff barriers. Such restrictive laws are also prevalent in African countries. Another key aspect of Ghana's AfCFTA trade policy objectives is the development of a Competition Policy. Recent discussions suggest that the Competition Bill will be passed and the relevant investment law amended, following the adoption of the Competition and Investment Protocols. This is to align the domestic laws with the AfCFTA. The Competition Protocol has been adopted and now wait for the Competition Bill to be passed by Ghana's parliament. Delays in passing the Competition Bill, however, as well as the other aforementioned factors, may work against the initiative to attract foreign direct investments. We also cannot ignore that Ghana, like many African countries, has not yet ratified the AU Protocol on the Free Movement of Persons amidst security concerns. Such issues must be addressed as the movement of goods and people go hand-in-hand.

Private Sector Perspective on Government's Efforts So Far

Many SMEs are still unaware of the various initiatives carried out by government and supporting institutions, whilst larger enterprises appear to have benefited much more from the government's sensitisation programmes. The situation is even more dire for women- and youth-owned businesses, many of which do not know how to better position themselves to leverage the potential of the AfCFTA. The priority products identified by the NEDS must not forget the contributions of the smaller entities in the private sector who are essential to the value chain. The right partnerships must be struck up with these stakeholders through an open-door policy.

Ghana must also address the issue of loss of skills resulting from the constant relocation of young, skilled professionals outside the country. While participating in the GTI may give Ghana a head start, it is essential that the lessons of the GTI are embraced to better prepare it for the full implementation of the AfCFTA.

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