AFREXIMBANK

"LEVERAGING THE AFRICA CONTINENTAL FREE TRADE AGREEMENT TO BOOST NIGERIA'S ECONOMIC DEVELOPMENT"

A LECTURE ON THE THEME DELIVERED AT THE 2019 BULLION LECTURE

Prof. BENEDICT ORAMAH
PRESIDENT
AFRICAN EXPORT – IMPORT BANK

26th March 2019

African Export-Import Bank
Banque Africaine d'Import-Export

Transforming Africa's Trade

Dr Uche Olowu, President and Chairman of Council, the Chartered Institute of Bankers of Nigeria

Mr. Ray Echebiri, Chief Executive Officer, the Center for Financial Journalism

Faculty Members of the Chartered Institute of Bankers of Nigeria

Distinguished Special Guests

Ladies and Gentlemen of the Press

Distinguished Ladies and Gentlemen

I stand here today humbled by your kind invitation, grateful for the trust you have bestowed on me and the institution I lead, and inspired by the new grounds our continent, Africa is beginning to break. The benefit of age is that it makes you an unwitting witness to events as they unfold. As I look out of the window, as I travel across Africa, I can say without any equivocation that progress is being made compared to some two decades ago.

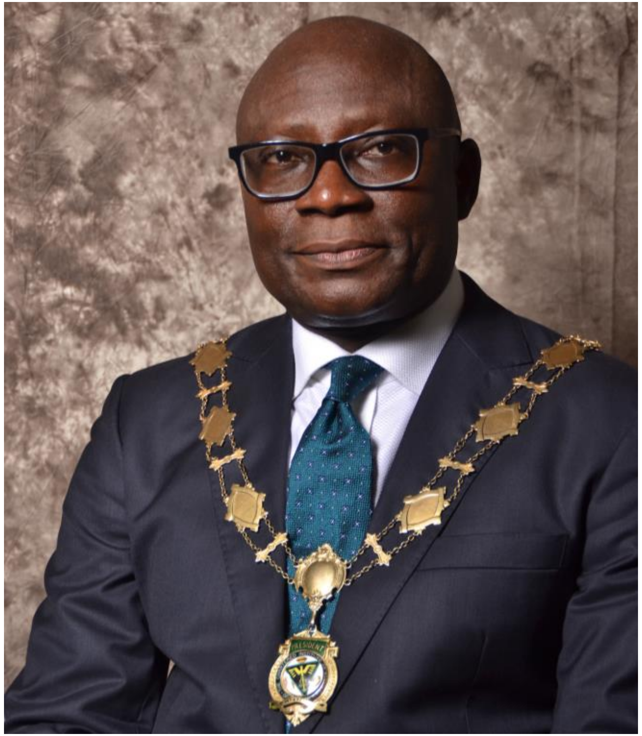
Sixty years since independence, Africa appears to be finally finding its rhythm; the “Basket Case” is now on the path to becoming the “Bread Basket” of the World. In a continent of Hunger Amidst Plenty; of scarcity amidst abundance of resources, the path to affluence will not be adorned with roses. The jouney will require vision, perseverance, an acute sense of history and a realisation that “United We Stand, Divided We Fall”

That is why I am very pleased that I have been asked to speak on the important subject of the African Continental Free Trade Agreement (AfCFTA) and how it may help propel Africa and Nigeria’s development. It is a timely discussion in a city of historical significance to Africa’s integration project.

Following the cries of Kwame Nkrumah in the 1960s for Africa to Unite, it was here in Lagos that the first concrete steps were taken some 39 years ago in April 1980 when the Lagos Plan of Action was adopted by the erstwhile Organization of African Unity. And in 1991, Nigeria once again gave impetus to the African integration project when the Abuja Treaty set out clear plans for Africa’s economic integration.

The AfCFTA, which was signed in Kigali, Rwanda on March 21, 2018, was in line with the Abuja Treaty expectations. So Distinguished Ladies and Gentlemen, the Child that was conceived in Nigeria was born in Rwanda. And with the emergence of that Child, Africa sees a renewed hope, a reinvigoration to chart a new course.

I congratulate the Chairman, Dr Olowu, and his team at CIB Nigeria as well as the executives of Centre for Financial journalism for the excellent work they are doing in sensitizing the Nigerian financial community about African Continental Free Trade Area Agreement.

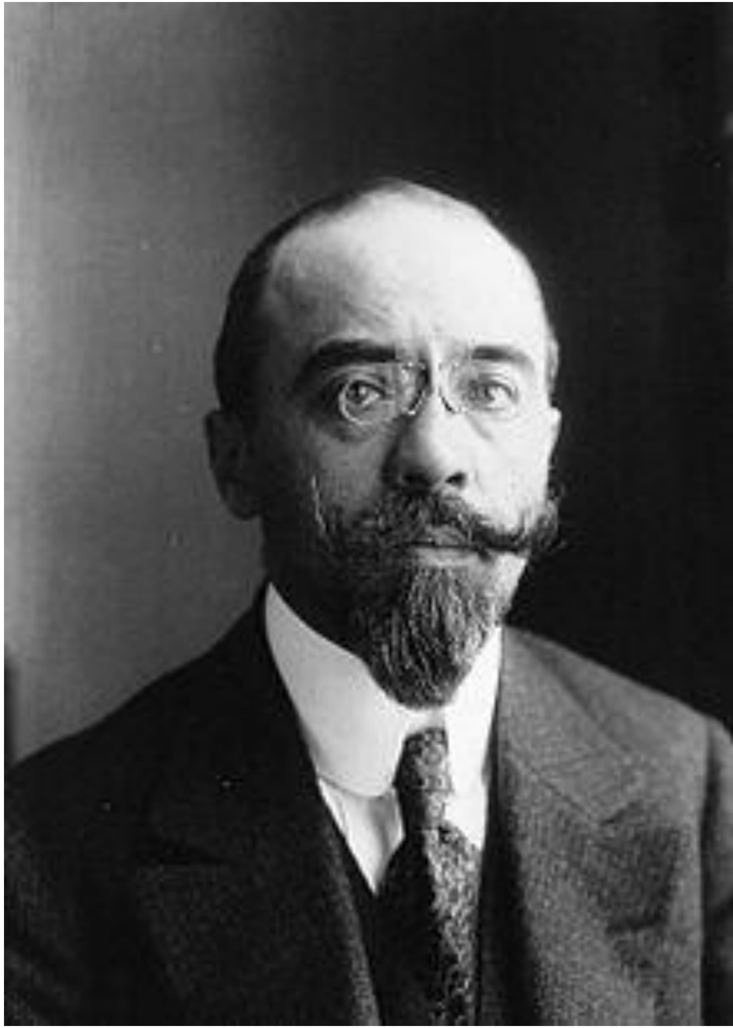


The fact that Nigeria is yet to sign the Agreement does not diminish the importance of the work this Centre and the Chartered Institute of Bankers are doing to promote awareness about the AfCFTA. This is because whether or not Nigeria joins the Treaty, it will in one way or the other be impacted given its size and geographic location in Africa. I also believe that the work this Centre is doing will facilitate ongoing consultations on this matter by the Nigerian Government.

HISTORICAL AND ECONOMIC IMPERATIVES FOR REGIONAL INTEGRATION

Distinguished Ladies and Gentlemen, the most powerful argument for regional integration is an understanding of the genesis of the fractured nature of our continent: was it by design or purely random? Why is it easier for an African entrepreneur to trade with former colonial powers than with a country just across its borders?

Ibos say that one’s relative (neighbour) is his/her God (his or her saviour) but today, Africans regard foreigners and not their neighbours as their saviours; why? To answer these questions, I would like to share with you my favourite quote by a Colonial Administrator, Mr Albert Sarraut (1872-1962) outlining the strategy of the colonial powers:



“Economically, a colonial possession means to the home country simply a privileged market whence **IT WILL DRAW THE RAW MATERIALS IT NEEDS, DUMPING ITS OWN MANUFACTURES IN RETURN**. Economic policy is reduced to rudimentary procedures of gathering crops and bartering them. Moreover, by strictly imposing on its colonial dependency the exclusive consumption of its manufactured products, **THE METROPOLIS PREVENTS ANY EFFORTS TO USE OR MANUFACTURE LOCAL RAW MATERIALS ON THE SPOT, AND ANY CONTACT WITH THE REST OF THE WORLD. THE COLONY IS FORBIDDEN TO ESTABLISH ANY INDUSTRY, TO IMPROVE ITSELF BY ECONOMIC PROGRESS, TO RISE ABOVE THE STAGE OF PRODUCING RAW MATERIALS, OR TO DO BUSINESS WITH THE NEIGHBOURING TERRITORIES** for its own enrichment across the customs barriers erected by the metropolitan power.”

The Colonial strategy was therefore underpinned by some basic principles:

- ✓ **Divide and rule;**
- ✓ **Dependence on commodities, no industrialization/value addition;**
- ✓ **direction of trade was structured to connect the colonies solely to their colonial masters. I was in Uganda the other day and listened to His Excellency President Museveni say that prior to Uganda's independence they only saw British cars in Uganda (Austin, Land Rovers etc.). It was only after independence that the first Peugeot and Renault (French) cars appeared in Kampala;**
- ✓ **The limited infrastructure that was developed by the colonial was designed for resource extraction and hence followed the mines-to-coast path in most colonies; and**
- ✓ **Education was biased towards humanities rather than science and technology.**

That strategy explains why powerful African Kingdoms/empires did not rise to become great modern nation states and why trade among Africans remains very low, even today. Prior to the advent of colonialism, some African Kingdoms were by the standards of the time well developed and in some cases as advanced as the countries that eventually became their colonial masters.

One evidence of this is captured in a quote from an anonymous recorder on the voyage of Pedro Alvares Cabral, a Portuguese explorer. In 1500 when their voyage arrived in Kilwa, off the coast of present day Tanzania, he was marvelled and wrote:

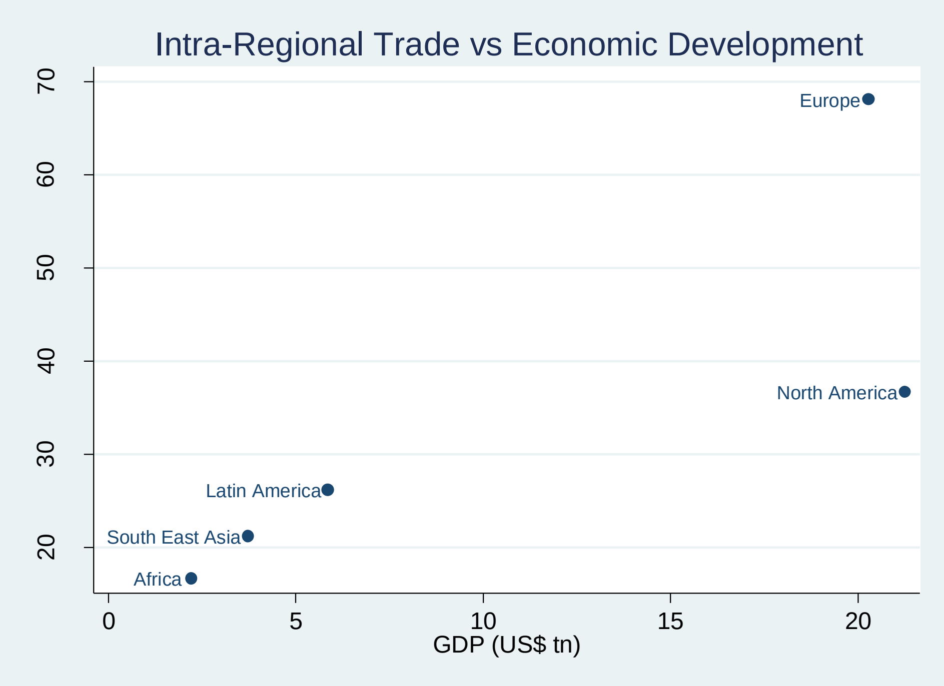
"*This island is small, near the mainland, and is a beautiful country. The houses are high like those of Spain. In this land there are rich merchants, and there is much gold and silver and amber and musks and pearls.* ***Those of the land wear clothes of fine cotton and of silk and many fine things and they are black men***"

And what of old Benin Empire? It is reported that in 1691, the Portuguese sea farer, Lourenco Pinto wrote "*Great Benin, where the king resides, is larger than Lisbon; all the streets run straight and as far as the eyes can see. The houses are large, especially that of the king, which is richly decorated and has fine columns. The city is WEALTHY and INDUSTRIOUS. It is so well governed that theft is unknown and the people live in such security that they have no doors to their houses.*"

This brief historical excursion clearly demonstrates that for Africa to develop, it must "reverse engineer" the colonial strategy. We must stop blaming others for our malaise. The history I recounted was not to lay blame on anybody, but rather to elicit insights on the strategy we must embrace to improve the lots of our people. Almost 60 years since independence, we must be matured enough to take our destiny in our hands.

This implies that Africa must break the artificial barriers that continue to tear it apart and trade more among itself. It is by doing so that it can diversify away from commodity dependence; it is by doing so that investments in infrastructure can flourish.

And even if we put history aside for a moment and analyse the questions of why integrate on the basis of comparative economic analysis, we will observe that regions that trade more among themselves are the most developed. Leading regions, such as Europe, South East Asia, North America boast intra-regional trade share of their respective total trades in excess of 25% (some are at 65%), their GDP (in current US$) is in excess of US$4 trillion. In comparison, intra-African trade share of Africa’s total trade stands at about 16% and Africa’s GDP at US$2.2 trillion.



The reasons for this outcome are obvious. Greater intra-regional trade promotes strong dynamic comparative advantage, the creation of regional and continental supply chains, the attraction of FDIs and the nurturing of nascent industries for industrial growth.

Just as the continent’s current situation did not arise by chance, improving the conditions must also be strategic. For a continent of 55 countries with different regulations, financial systems and colonial history, the quickest means to promoting regional integration is to have an arrangement that constitutes the framework for breaking the structural barriers created by the Colonial Administrators. That is why the AfCFTA is a welcome development.

THE AFRICAN CONTINENTAL FREE TRADE AREA AGREEMENT

On March 21,2018, African Leaders made history by signing the African Continental Free Trade Area Agreement (AfCFTA). On that historic day, I sat in the magnificent conference room at the Kigali Convention Centre and observed, with keen interest and hope, as leaders of our continent one after another walked to the dais to sign the documents establishing the African Continental Free Trade Area.

At the end of the day, 44 of 55 countries signed the agreement and a few others pledged support for the initiative. In summing up the euphoria that had engulfed the atmosphere prevailing in the room and across Africa, His Excellency, Mr Paul Kagame, the President of the Republic of Rwanda remarked:

> ***The Continental Free Trade Area symbolizes our progress toward the ideal of African unity, but that is not the only reason why it is so historic. This agreement is about trade in goods and services. These are the kinds of complex products that drive high-income economies. African workers adding value in Africa. Services offered by African professionals using the latest technologies. Manufactured goods that are "Made in Africa".***

Less than 20 percent of Africa's trade is internal, ... However, in the world's richest regional trading blocs, the level of internal trade is three or four times higher.

Increasing intra-African trade, however, does not mean doing less business with the rest of the world. On the contrary, as we trade more among ourselves, African firms will become bigger, more specialized, and more competitive internationally.

The foregoing just about encapsulate what the AfCFTA is all about and what it promises.

Specific Objectives include:

- ✓ progressive elimination of tariffs (removing tariffs on 90% of goods produced within the continent)
- ✓ progressive elimination of non-tariff barriers
- ✓ enhancing the efficiency of customs, trade facilitation and transit
- ✓ cooperation on technical barriers to trade and sanitary and phytosanitary
- ✓ development and promotion of regional and continental value chains
- ✓ socio-economic development, diversification and industrialization across Africa.
- ✓ enhance competitiveness of services
- ✓ promote sustainable development
- ✓ foster investment
- ✓ accelerate efforts on industrial development to promote the development of regional value chains
- ✓ progressively liberalize trade in services

To date,

- 49 out of 55 African countries have signed the Agreement;
- 20 countries have ratified the Agreement;
- Sixteen (16) countries have deposited their instruments of AfCFTA ratification with the Chairperson of the African Union Commission;
- an additional four (4) countries have received parliamentary approval for ratification;
- We expect additional 2 ratifications by April 2019 for the AfCFTA to come into force;
- Negotiations have commenced on tariff offers received from the different countries with the objective of having the agreed tariff schedules the Rules of Origin at the AU Summit in July 2019.

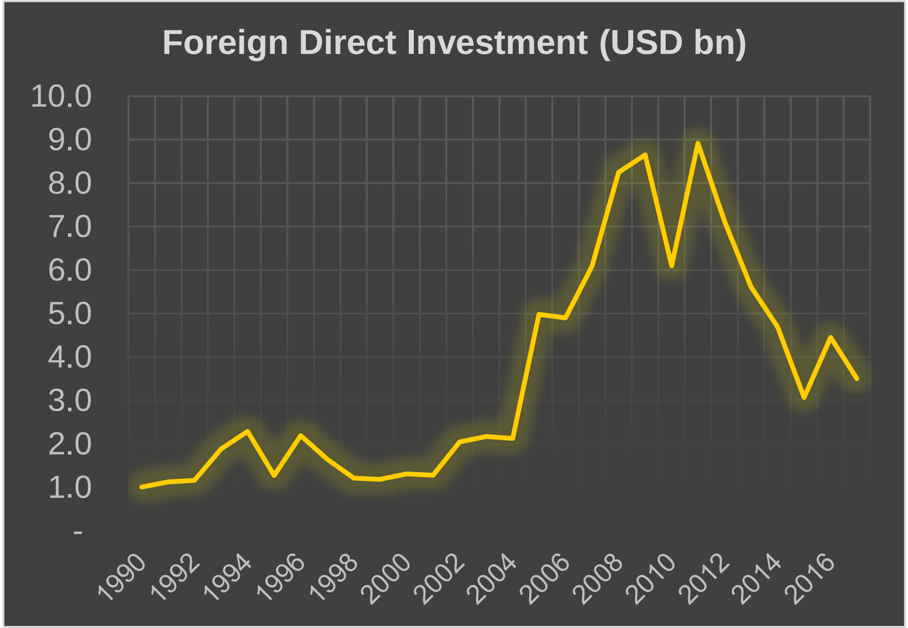
This historic move by African leaders presents several opportunities for the continent, and Nigeria for that matter.

- **it creates the environment for the continent to chart a new development path. According to His Excellency, President Yoweri Museveni of Uganda, the Bible said: "…. *Lead us not into temptation; and deliver us from all evil"…… "When we are weak", he added, "we tempt others and lead them to commit evil against us*". In other words, we are stronger in Unity.**

- **The AfCFTA presents opportunities for the continent to begin the development of national, sub-regional and continental supply chains, e.g. in automotive industry.**

- **the AfCFTA offers opportunity for African countries to begin to create and nurture infant industries.**
- **the AfCFTA creates opportunity for African economies, including Nigeria, to take over from China as the World's manufacturing hub. China exports 45 billion US dollars of light manufactures into Africa. Nigeria and other African countries can expect to fill that void if they take advantage of the tariff and non-tariff reductions in the AfCFTA**

- **Nigeria stands a great chance of enlarging FDI inflows through the AfCFTA. As the largest economy and the most populous in Africa, it presents an attractive domestic market base for foreign investors interested in manufacturing for exports to the rest of Africa. Today, FDI inflows to Nigeria amounts to about US$3 billion, 90 percent of which goes to the oil sector. This can change positively with the AfCFTA.**



POTENTIAL IMPACT OF THE AFCFTA ON NIGERIA

It is understandable that Nigeria has not yet made a decision regarding signing the AfCFTA, because entering into such an agreement must not be taken lightly. It is important to carry everyone on board. Broad consultation is most critical for the success of the AfCFTA at national and continental levels.

While there are various interest groups, including labour, whose concerns need to be understood and accommodated, a survey of the business community by the Nigerian Government shows the following:

- 69% of Nigerian businesses believe AfCFTA would be advantageous to the country. The top three advantages identified were better business environment, promotion of local business and business growth and expansion.
- Overall, 78% of firms believe that AfCFTA will make a positive impact on local businesses;
- 56% of the polled respondents believe the country does not have the infrastructure necessary to reap those benefits and gains. However, there is an understanding among business leaders that the country should not wait until the infrastructure gap is fully closed before participating in the AfCFTA.

Expected Impact on Businesses:

- **65% of businesses expect AfCFTA to help them overcome their top challenges, namely:**
    - ***improvement in the ease of doing business across borders that they expect to accompany the trade agreement;***
    - ***expected improvement in infrastructure; and***
    - ***enlargement of markets for Nigerian producers.***

- **Among exporting companies, 84% expect AfCFTA to increase their volume of exports; the enthusiasm is shared by 91% of small companies and 100% of agriculture and trade businesses.**

The expected impact on the economy is also revealing:

- **Growth in exports;**
- **Increased revenue, which will offset any losses arising from AfCFTA-linked tariff reduction;**
- **Boost economic growth with estimates suggesting 0.6% above annual growth rates.**
- **Increase employment, estimated to average 3.3 million per annum per annum;**
- **Promote diversification of the economy away from oil and other commodities into manufacturing.**

OVERCOMING THE CONSTRAINTS TO LEVERAGING THE BENEFITS OF THE AFCFA AND THE ROLE OF AFREXIMBANK

Nigeria will need to overcome a number of constraints and concerns in order to be able to reap the benefits the AfCFTA offers. The good news is that as we shall see hereunder these constraints need not be deal-breakers. I highlight the major concerns and the remedies hereunder:

1. ***CURRENT MACROECONOMIC POLICIES MAY NEED TO BE TWEAKED TOWARDS SUPPORTING INCREASED REGIONAL TRADE.*** An environment of low tariffs, and significant reduction in non-tariff barriers envisaged under the AfCFTA, will require maintaining the Real Exchange Rate of the Naira at an appropriate level. This will mean appropriate management of the nominal exchange rate of the Naira, implementation of policies that promote improved productivity, appropriate monetary policies and so on.

2. AT THE SECTORAL LEVEL, THERE WILL BE A NEED TO INTRODUCE POLICIES THAT ENCOURAGE FDI FLOWS TO SECTORS THAT HAVE THE HIGHEST POTENTIAL FOR REGIONAL TRADE, NAMELY LIGHT MANUFACTURING AND AGRICULTURE –

The Government needs to investigate why most FDIs that come into Nigeria flow to the Oil and Gas sector and do something to expand the recipient sectors. The interventions could include introducing more friendly investment policies that will reduce investment risks; strengthening the Investment Promotion Agency so that it is able to provide useful information to investors; and strengthening Nigerian Export Promotion Council (NEPC) so that it can contribute effectively to reducing the cost of exporting to near markets.

3. SOME COMPLAIN THAT GOVERNMENT OFFICIALS NEGOTIATE INTERNATIONAL TRADE TREATIES AND MAKE TRADE AND INVESTMENT POLICIES WITHOUT CONSULTING THOSE (THE PRIVATE SECTOR) WHOM THOSE TREATIES AND POLICIES ARE SUPPOSED TO SERVE.

Because this concern is Africa-wide and explains why there is usually limited support for trade policies negotiated by African Governments, compared to other regions, Afreximbank and the African Union (AU) have launched the Pan-African Trade and Investment Policy Committee (PAFTRAC) to serve as a platform for engaging the African private sector in trade policy formulation and trade negotiations.

4. **SOME NIGERIAN MANUFACTURERS WORRY THAT THE AFCFTA WILL CREATE AN OPPORTUNITY FOR CERTAIN GOODS PRODUCED OUTSIDE OF AFRICA TO ENTER THE NIGERIAN MARKET FROM SMALLER AFRICAN COUNTRIES. While this is a valid concern, it does not present an insurmountable problem for various reasons, particularly because: stringent rule of origin is an important component of the AfCFTA and is currently under negotiation; the AfCFTA is expected to have a strong dispute settlement mechanism that will allow any grievances to be settled; and Nigerian companies must also realize that to compete effectively in Africa, they must be ready to compete globally. This will involve retooling their factories to convert them from import substitution to export promotion.**

iii. SOME BUSINESSES ARE CONCERNED THAT THEY LACK THE APPROPRIATE FINANCING TO BE ABLE TO COMPETE EFFECTIVELY IN THE REGIONAL MARKETS. DOMESTIC NOMINAL INTEREST RATES ARE COMPARATIVELY HIGHER IN NIGERIA THAN IN A NUMBER OF REGIONAL MARKETS.

Country/Zone	Nominal interest Rate (Prime) 2019	Real Interest Rate (Prime) 2019
Nigeria	14	5.82
Ghana	17	5.86
Kenya	9	4.63
South Africa	6.75	2.05
Egypt	15.75	3.55

ACCESS TO COMPETITIVELY PRICED TRADE AND PROJECT FINANCINGS IS ALSO LIMITED, CONSTRAINING THE ABILITY OF NIGERIAN ENTITIES TO MANUFACTURE FOR EXPORTS AND TO TRADE REGIONALLY.

Since financing is a critical success factor in exporting and trading generally, it is important that the Nigerian Government develops a comprehensive solution to make Nigeria's participation in intra-regional trade beneficial. *In this regard,*

- **NEXIM should be better capitalized to a level that can make it a serious ECA.**
- **NEXIM should be equipped to develop an arrangement for offering risk-bearing facilities to enable it support exports to riskier regional markets.**
- **the CBN should develop arrangements to offer reasonably priced Naira-based export credit lines to NEXIM for on-lending to exporters.**
- **Government should provide counter guarantee to NEXIM and Bank of Industry to enable them offer medium term financing for retooling factories and creating export production capacities.**

Afreximbank on its own offers a broad range of financial support for Intra-African trade under its Intra-African Trade Initiative. For instance:

- **It signed a framework Agreement with NEXIM and Nigerian Export promotion Council in an amount of US$1 billion to create the Nigeria-Africa Trade and Investment Promotion Programme (NATIPP) to support Nigeria's trade with other African economies.**
- **Afreximbank has committed to disbursing an amount of US$25 billion on a revolving basis in support of Intra-African Trade between 2017 – 2021. To date, over US$14 billion have been disbursed. Some of these funds have benefitted Nigerian entities;**
- **In 2018, Afreximbank launched the Fund for Export Development in Africa (FEDA) designed to provide equity and quasi equity capital in support of entities involved in intra-African trade and investments.**

iv. ***ANOTHER CONSTRAINT IDENTIFIED IS THAT TODAY, UP TO 50%*** **OF INTRA-AFRICAN TRADE IS CONDUCTED INFORMALLY. SOME HAVE ARGUED THAT UNLESS THESE ARE FORMALIZED, GOVERNMENT POLICIES TO BOOST NIGERIA-AFRICA TRADE THROUGH THE AFCFTA WOULD BE BLUNTED.**

Afreximbank will soon launch an ETC strategy which would help it to promote and support ETCs in Africa, help Governments to draft regulations, Afreximbank will also provide financing, including equity financing in support of their activities.

v. IT IS RECOGNIZED THAT CROSS-BORDER INVESTMENTS PROMOTE TRADE. COUNTRIES WITH COMPANIES INVESTING OUTSIDE THEIR TERRITORIES ARE ALSO HIGH EXPORT PERFORMERS, e.g., CHINA, THE USA, EUROPE, SOUTH KOREA, ETC. THOSE INVESTMENTS CREATE SUPPLY CHAINS BACK TO THE HOME COUNTRY OF THE INVESTORS. AS INTRA-AFRICA TRADE GROWS, INTRA-AFRICAN INVESTMENTS IS ALSO RISING.

NIGERIAN FIRMS ARE INVESTING ACROSS BORDERS BUT ONLY TO A LIMITED EXTENT. LACK OF APPROPRIATE FINANCING, INCLUDING INVESTMENT GUARANTEES HAVE BEEN BLAMED. SOME ALSO SAY NIGERIAN EMBASSIES ARE NOT PROPERLY RESOURCED TO SUPPORT NIGERIAN INVESTORS INVESTING ACROSS BORDERS.

Our view is that the financing challenges for cross border investment can be ameliorated if the AFC and NSIA are encouraged and resourced to support such investments by Nigerians.

Because access to appropriate financing is a critical success factor in intra-regional investment, Afreximbank is implementing a number of programmes and facilities to support these, namely:

- **Intra-African Investment Financial Facility**
- **Intra-African Investment Guarantee Facility**
- **A programme by which I travel with African businesses when invited by the leadership to various African Countries. In those trips, I encourage the leaders to offer investment opportunities to the African businesses I travel with.**

vi. INADEQUATE INFRASTRUCTURE IS ANOTHER IMPORTANT CONSTRAINT MANY COMPANIES FACE. DOMESTICALLY, INFRASTRUCTURE LEVELS ARE POOR, MAKING EXPORT COMPETITIVENESS HARD. DUE TO COLONIAL HISTORY THAT BALKANIZED THE CONTINENT, REGIONAL CONNECTIVITY BY ROAD, SEA, RAIL AND EVEN AIR IS INADEQUATE

What should be done about these?

Domestically, it is all agreed that the size of investments to bring infrastructure to acceptable standards is quite beyond current resources. Africa-wide estimates indicate investments in aggregate of over US$1 trillion over 10 years, an amount that may be in excess of the combined budget of all African economies at current prices over the same period.

In the light of the foregoing, it is important that:

- **The private sector be encouraged to invest in trade enabling infrastructure. But the private sector can only do so if they see opportunity for returns. It is the AfCFTA that can contribute in making Africa look like a market which can then attract these investors.**

- **Until policy regimes and infrastructure improve, the use of Industrial Parks and Export Processing Zones which can provide the needed efficient infrastructure within a limited area presents a good alternative. That is why Afreximbank is investing in IPs and EPZs across Africa. Investments have been implemented or are under implementation in Gabon, Cote d'Ivoire, Nigeria, and Togo.**

In Nigeria, working with the Federal Government, Afreximbank is investing in Nigeria Special Economic Zone Company (NSEZCO) which will own various EPZs across Nigeria. Projects under way or planned are located in Lagos, Aba, Kano etc. These projects are expected to cost close to US$1 billion.

- **To deal with the constraints arising form lack of adequate quality infrastructure that presents technical barriers to trade, Afreximbank is developing Quality Assurance Centers (Testing, Inspection and Certification Centres) across Africa to support non-traditional exports. One such project is under way in Ogun State, Nigeria. This project is estimated to cost about US$25 million.**
- **Afreximbank is also working actively with the AU and African Regional Standards Organizations to hamonize standards**

- **In addition, to reverse the exodus of capital in search of quality health care outside Africa, the Bank is developing a Center of Excellence in Tertiary Health Care in Abuja, Nigeria. It is expected that this will, not only reverse the current trend of foreign exchange outflows, but will begin to drive medical tourism flows into Nigeria and improve overall quality of health care services in Nigeria. The estimated cost of the project is about 300 million US dollars.**

vii. SOME AFRICAN GOVERNMENTS ALSO WORRY ABOUT TARIFF REVENUES THAT THEY MAY LOSE FROM PARTICIPATING IN THE AFCFTA. THERE IS SOME WORRY ABOUT THIS IN NIGERIA ALSO. Our answer to this worry is that it may be over-blown. Most of the countries belong to sub-regional economic communities where some tariff reductions have been achieved, e.g. COMESA, ECOWAS.

Nonetheless, Afreximbank is working with the AU to put in place an AfCFTA Adjustment Facility to provide financing that will support countries to adjust to the shock of abrupt tariff revenue reduction.

AFREXIMBANK

viii. There are also other problems that constrain Nigeria-Africa trade caused by the balkanization of the continent. These include:

a. Multiple currencies: In this regard, the continent has 41 currencies. The multiplicity of currencies increases transaction costs and risks as trades are conducted in third currencies, usually USD or EUROS. The use of these third currencies also diverts trade away from the Intra-African direction.

b. Trade information in support of intra-regional trade and investments is virtually non-existent. It is no wonder that many countries import what other neighboring African Countries export. A recent study on the regional value chains for leather and leather products jointly commissioned by Afreximbank, UNCTAD and the Commonwealth Secretariat made some interesting revelations.

To cite a few examples:

i. **South Africa imports leather, further prepared after tanning, from India at a price which is double the price at which Ethiopia exports the input to the world.**
ii. **Mauritius and Nigeria globally import leather products from Italy and Belgium at a much higher costs as compared to what South Africa and Botswana globally exports.**
iii. **Kenya imports raw hides from New Zealand while Burundi exports the same to the world at a much lower price.**

To us, lack of information is perhaps the biggest constraint to intra-African trade as we consider infrastructure deficit a generalized constraint, that is something that affects all Africa trade.

c. **Given the fragmented nature of African economies, understanding trade and investment regulations across the 55 countries can be cumbersome, expensive and time consuming.**
d. **The fragmented nature of the economies and the small size of many makes the cost of compliance checks on businesses/firms prohibitive from a cost-benefit perspective.**

In response to all these, Afreximbank is developing a Trade and Investment Gateway for Africa.

The Bank is creating a digital ecosystem that will eliminate major bottlenecks to trade and financial flows within the continent. We estimate that when completed, the platforms could triple the share of intra-African trade in Africa’s total trade and formalise significant proportions of the over US$60 billion annual informal cross border trade in Africa. The ecosystem will include: A Pan-African Payment and Settlement Platform, A Customer Due Diligence Repository Platform also known as MANSA Platform, a Trade Information Portal, a Regulatory Platform, an Interstate Transit Guarantee Platform and an Afreximbank credit application platform.

The Pan-African Payment and Settlement Platform **is being developed to facilitate intra-African trade payments and settlement in African currencies. The Platform, which is expected to be launched during the second quarter of 2019, will reduce the use of foreign currencies in settling intra-African trade thereby potentially boosting intra-African trade by at least 40 percent.**

The Bank in 2018 launched, and hosted the maiden edition of the Intra-African Trade Fair, which is expected **to facilitate networking, information exchange and cross border trade. The fair aims to create a true pan African trade platform for effective interaction among African entrepreneurs. In line with expectation, the inaugural Trade Fair held in Cairo in December 2018 attracted over 7000 participants, over 1000 exhibitors and trade deals worth more than US$32 billion.**

AFREXIMBANK

CLOSING REMARKS

The AfCFTA presents enormous opportunities for Africa to transform the structure of its economy but this cannot be realised without the participation of all economies, particularly large trading economies as Nigeria. The issues surrounding trade treaties can be complex. Benefits can sometimes come slowly and episodic disappointments are likely. That is why we believe that the Nigerian Government acted wisely in broadening the consultations with all interested parties. It is that kind of consultation that will strengthen the Government's hands to negotiate tariff and other concessions when it eventually makes the decision to join.

If the decision is that Nigeria should join the AfCFTA, consultations must be rapidly concluded so that the country joins the trading bloc at inception to participate fully in the consultations on a number of key parameters. Adjustments in domestic policies and incentive structure should be made to boost domestic production capacities to take advantage of the large continental market.

Afreximbank, while contributing to the creation of capacity for cross border trade in several countries, is equally willing to provide additional support to countries that require financial and technical support in creating a strong economic foundation for the adoption of the AfCFTA.

AFREXIMBANK

Let me once again thank the organizers of this event for giving me the opportunity to share our thoughts on this important topic, which will certainly define the future of Africa.

It is our hope that working together, we will continue to deepen understanding/insight among policy makers and businesses on the opportunities and potential challenges that the AfCFTA will present.

AFREXIMBANK

Thank you for your kind attention