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Will COVID-19 Derail AfCFTA Start of Trading?

*Preliminary Assessment and Recommendations
by AfroChampions*



In early March 2020 AfroChampions completed its **AfCFTA Year Zero Report**: an assessment and ranking of African governments according to their level of commitment to the AfCFTA and their readiness for Start of Trade in July 2020. **The findings proved revealing**: some of the least committed countries to AfCFTA (such as countries yet to ratify the Agreement) were among the most prepared logistically to take advantage of trading. Conversely, some of the most committed countries to the AfCFTA were also the least prepared for start of trade.

And despite the great enthusiasm for AfCFTA among citizens and businesses, the AfroChampions assessment found that the continent as a whole had a commitment and readiness level that was below 50%. Just as we were about to publish the report, COVID-19 struck the continent.

Since then, a lot has changed and is changing rapidly. A continent that was looking forward to opening its borders to a new trade revolution starting July 2020, now has almost all of its borders shut in order to fight the pandemic. What will happen to the AfCFTA? Will COVID-19 worsen countries preparedness and commitment to AfCFTA? Below we highlight some of the ways the pandemic is already impacting AfCFTA and threatening the July Start of Trade. We make recommendations to salvage and keep AfCFTA on track.



How COVID-19 is impacting AfCFTA preparedness

- **The March 2020 opening and operationalization of the Accra AfCFTA Secretariat has delayed.** AfCFTA Secretary-General has been sworn in but is without the full complement of secretariat teams due to disruptions to recruitment and staffing.
- **Fast-moving AfCFTA negotiations have slowed down as negotiating teams cannot travel.** Consequently, various meetings of ministers and senior officials necessary for crucial deliberations, decision-making and approvals have stalled.
- **The highly anticipated July 2020 Start of AfCFTA Trading timeline is at risk** in light of the above.
- COVID-19 firefighting means there is significantly **reduced attention span for AfCFTA issues** among governments, policymakers and the private sector.
- **COVID-19 will likely worsen some countries commitment and preparedness to implement the AfCFTA.** We expect the AfroChampions AfCFTA country commitment and readiness rankings to be revised in the months ahead.
- **There is significant temporary reduction in the levels of intra-Africa trade as a result of border closures and lockdowns.** As borders may take long to slowly re-open, the situation will be even more devastating for informal cross-border trade, which is the source of daily livelihoods for many in Africa, particularly for women and youth.
- **COVID-19 is already destroying much of the African private sector.** AfroChampions early surveillance indicates **some of the continent's strongest companies and businesses are already in severe financial stress.** Without an industrial rescue plan COVID-19 could further de-industrialize Africa.

How to Salvage and Keep AfCFTA on Track amidst COVID-19 Disruptions

- **AfCFTA negotiations should continue via online and video-conferencing platforms.** If done right virtual negotiations could prove to be even faster and cheaper than face to face meetings for certain aspects of the negotiations process.
- **The July 2020 date for Start of AfCFTA Trading should not be postponed** even if the pandemic persists into July. If AfCFTA trading can take off in the middle of this battle – even if symbolically – will send a strong signal; it should be one of the symbolic victories for Africa in the midst of a crisis. Initial AfCFTA trade can focus on critical goods needed to fight the pandemic such as pharmaceuticals and food products. Governments should ease border crossings for these goods. **The AfCFTA can be one of Africa's main weapons to beat COVID-19.**
- **The AfCFTA Secretariat, which is temporarily operating out of Addis Ababa, should continue with its staff recruitment and operationalize a fully functional virtual office** with newly recruited teams working virtually from their homes across the continent.
- **The African Union should convene a major virtual meeting of African trade ministers to deliberate on ways to keep the AfCFTA on track.** A fully virtual mode of meetings should be activated to keep the process going.
- **African Union should request Ministers of Trade to present COVID-19-IMPACT reports** of their proposed AfCFTA plans or their already prepared BIAT
- **Each of the member states that have ratified should be made to present a COVID-19-ADJUSTED plan** to project how they plan to catch up in the post COVID-19 period.

- We urge African Union President Cyril Ramaphosa to appoint Special AfCFTA Envoys to assist the AfCFTA Secretary-General to coordinate with governments towards salvaging and keeping the process on track.
- **Africa must be proactive and united in fighting the pandemic;** no country should be left behind in the fight. Otherwise borders, travel and trade will continue to be disrupted even if most countries recover and a few do not.
- **Economic relief during the crisis is paramount and should be coordinated to include trade in goods critical to the fight against COVID-19.** If economies sink too deep, recovery will be slow, and intra-Africa trade will suffer even more. Afreximbank's US\$3 billion COVID-19 facility and AfDB's US\$10 billion facility are laudable steps. These facilities should be targeted at national-level industries and regional value chains that are critical to the fight against the pandemic such as pharmaceuticals, medical equipment, food, agriculture, household consumables, key industrial inputs and transportation.
- **Planning for Post-COVID-19 economic and trade stimulus should begin now** even as we fight the crisis so that countries will be ready for implementation once crisis eases.
- **Guidelines & Financing for a Continental Private Sector & Jobs Recovery Plan** which countries can adapt locally, should be jointly coordinated by AU, AfDB and Afreximbank in partnership with governments and African business associations.

There is a Silver lining in the COVID-19 crisis for Africa and AfCFTA

- **Potential positive effects on regional trade:** In the wake of countries' struggles to procure goods and supplies from global suppliers to fight the pandemic, COVID-19 is expected to cause a shift from global supply chains towards more regionalized and localized supply chains. Countries are expected to re-balance their over-reliance on distant suppliers in favor of more proximate suppliers. This could have some positive impact on ongoing efforts to boost African regional value chains.
- **Potential positive effects on regional and local manufacturing:** along with the potential rebalancing towards more regional value chains, COVID-19 is also expected to cause a shift from over-reliance on global manufacturing hubs towards more dispersed and diversified regional and local manufacturing. This too could be a boon for ongoing efforts to boost African industrialization.
- **Africa's opportunity to accelerate e-commerce, digital economy & the Fourth Industrial Revolution** – which without a doubt will be one of COVID-19's biggest immediate and long-term impacts. This also reinforces opportunities in clean and green "industries without smokestacks".
- **AfroChampions will soon publish a list of countries that have turned to local sources of COVID-19 related purchases.** AfroChampions will make available to the AU and the Secretariat potential local value addition and supply chain opportunities on the continent in the medical and pharmaceutical industries. AfroChampions will present these as preliminary AfCFTA-certified investment candidates for both the Trillion Dollar Private Sector Framework financing opportunities as well as any AU COVID-19 Recovery Fund that may be set up.