INQUIRY INTO THE UK'S AFRICA FREE TRADE INITIATIVE

FINAL REPORT

OCTOBER 2016

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All-Party Parliamentary Group for Trade out of Poverty

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FOREWORD

Trade can be a great motor for development. Yet for both historic and geographic reasons African countries trade less with each other and with the outside world than do countries on other continents.

So the African Free Trade Initiative was important in focusing on what would be a crucial step forward to enable the continent to trade out of poverty. Five years on, this Inquiry – led by Lord Green and Ali Mufuruki and their distinguished team – is a timely review of Why AFTI is necessary, What has been achieved and How to give it renewed impetus. They spell out both principles and practical steps to boost trade both within Africa and between Africa and the UK as well as to maintain it at the forefront of the governmental agenda.

The team sensibly extended their Inquiry to consider the potential implications of Brexit – both positive and negative. They emphasise that Britain should start preparing immediately to prevent disruption of African trade with the UK and take the opportunity to make our trade policy towards Africa as pro-development as possible; incorporating the best elements of EU, US, Canadian and other practices. Hopefully this could become a model for other OECD countries to follow – the model Trade Out of Poverty has long advocated.

Ultimately, Africa's future lies in African hands which is why the leading role played by African experts, business people, politicians and academics at all stages of this Inquiry makes it so important. As African countries make progress in stimulating trade by removing barriers across the continent – be they tariffs, non-tariff barriers, administrative weaknesses or lack of infrastructure – it is important they can look to the UK and other countries who are trade partners, donors and investors to make sure our policies facilitate, complement and reinforce these developments.

We hope this report is read widely in the capitals of Africa, the departments of Whitehall and development agencies world wide.

Rt Hon Peter Lilley MP

Rt Hon Hilary Benn MP

Lord Michael Hastings of Scarisbrick, CBE

Co-Chairs, All Party Parliamentary Group for Trade Out of Poverty

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DISCLAIMER

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All Party Parliamentary Group for Trade Out of Poverty

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LIST OF ACRONYMS & ABBREVIATIONS

AEC	African Economic Community
AECF	African Enterprise Challenge Fund
AfDB	African Development Bank
AfT	Aid for Trade
AFTi	Africa Free Trade Initiative
AGOA	African Growth and Opportunity Act
AITF	Africa Infrastructure Trust Fund
APPG-TOP	All-Party Parliamentary Group Trade out of Poverty
AU	African Union
AUC	African Union Commission
BIAT	African Union Plan for Boosting intra-African Trade
CFTA	Continental Free Trade Area
COMESA	Common Market for Eastern and Southern Africa
DDA	Doha Development Agenda
DFI	Development Finance Institution
DFID	Department for International Development
DIT	Department for International Trade
EAC	East African Community
EBA	Everything But Arms
ECOWAS	Economic Community of West African States
EPA	Economic Partnership Agreement
EU	European Union
FCO	Foreign & Commonwealth Office
FTA	Free Trade Area
GSP	Generalized System of Preferences
GVC	Global Value Chain
IPPF	Infrastructure Project Preparation Facility
ICA	Infrastructure Consortium for Africa
KAM	Kenyan Association of Manufactures
ITC	International Trade Centre
LDCs	Least Developed Countries
MFN	Most Favoured Nation
NGOs	Non-governmental organisations
NTBs	Non-tariff-barriers
OSBP	One Stop Border Post
PIDG	Private Infrastructure Development Group
REC	Regional Economic Community
RIPA	Regional Infrastructure Programme for Africa
RVC	Regional Value Chains
SADC	Southern African Development Community
SCT	Single Customs Territory
SDG	Sustainable Development Goal
SSA	Sub-Saharan Africa
TAF	Trade Advocacy Fund
TFA	Trade Facilitation Agreement
TFTA	Tripartite Free Trade Area
TMEA	Trade & Markets East Africa
UNCTAD	United Nations Conference on Trade and Development
UNECA	United Nations Economic Commission for Africa
WTO	World Trade Organisation

ACKNOWLEDGEMENTS

The Inquiry Committee wishes to record our sincere thanks to all those who have taken time to meet with us, provided evidence at our public hearings and assisted us in undertaking this important Inquiry.

The Inquiry Committee also would like to record our thanks to all those who have agreed to publish their written evidence submissions on the APPG-TOP website. This has not only contributed to the transparency of this Inquiry, but also expanded the stock of knowledge and information in the public domain about trade and development in Africa in general, and with regards to AFTi in particular.

The All-Party Parliamentary Group Trade out of Poverty would like to extend its thanks to all of the Inquiry Committee members for their time and dedication to this Inquiry:

Lord Stephen Green (Co-Chair)
Mr Ali A. Mufuruki (Co-Chair)
Lord Paul Boateng
Professor Myles Wickstead
Ambassador Darlington Mwape

Executive summary

The UK coalition Government of 2010-2015 launched the Africa Free Trade Initiative (AFTi) in 2011 to help African countries to integrate into the world trade system, focusing on political, financial and technical support to boost trade between African countries, and trade of African countries with the world. To mark the fifth anniversary of AFTi the All-Party Parliamentary Group for Trade out of Poverty (APPG-TOP) appointed an Inquiry Committee of distinguished experts to review the achievements of AFTi so far, advise on whether there is a case for a successor-initiative – an "AFTi II" – and if so, what its targets should be and how it would work. The Inquiry, which was provided with secretarial support by the Saana Institute, gathered written evidence and held public hearings and other consultative events in the UK and Africa between April and July 2016.

A core element in the development strategies of African countries' is progressive regional integration, with the end-objective of establishing an African Economic Community (AEC) which would bring together the 30 various regional economic blocs and associations in Africa, as set out in the African Union (AU) Plan for Boosting intra-African Trade (BIAT). These objectives were recognised by the UK Government in the White Paper on Trade and Investment for Growth of 2011 and in the launch of AFTi by the Prime Minister in South Africa and Nigeria in July that year.

AFTi programmes have focused on cutting tariffs, harmonizing regional trade arrangements, improving both hard and soft trade infrastructure and cutting red tape through modernizing customs systems, procedures and facilities. Assistance has been provided both to individual African governments and to regional economic communities (RECs). Most progress has been achieved by UK support in East and Southern Africa, particularly in the East African Community (EAC) and through technical and policy support for negotiations for the Common Market for Eastern and Southern Africa (COMESA)-EAC-Southern African Development Community (SADC) Tripartite Free Trade Area (TFTA), whose three basic pillars are market integration, industrial development and infrastructure development. The TFTA aims to liberalise 100% of tariff lines between the parties and to set up a single mechanism to eliminate non-tariff barriers. Phase II of TFTA negotiations, planned to start in the second half of 2016, will extend among other issues to trade in services, intellectual property rights and cross-border investment. This work now has also to be seen in the context of negotiations, formally launched in June 2015, for an AU Continental Free Trade Area (CFTA).

AFTi has made significant progress in supporting better trade facilitation among African countries, including assisting the introduction of improved border and customs clearance procedures in some countries and supporting the ratification of, and notifying commitments under, the World Trade Organisation (WTO) Trade Facilitation Agreement (TFA). Recognizing that infrastructure development is a long-term process, AFTi has helped to facilitate coordination and reduce investment-related costs between governments and stakeholders across borders. It has also leveraged private sector investment funding from Development Finance Institutions (DFIs).

Despite the progress in improving trade conditions in Africa that has been achieved since 2011 by African governments, regional organizations, international institutions and bilateral programmes such as AFTi, sustained effort needs to be put into freeing up trade in Africa and boosting the competitiveness of African countries, and growth. This includes more work to reduce tariffs and non-tariff-barriers (NTBs), including effective implementation of trade agreements especially the WTO TFA, determined work to reduce and streamline border clearance procedures, and negotiation of a credible and wide-ranging CFTA.

It is also important to build up the participation of African countries and enterprises in both global and regional value chains, and to move progressively away from the current situation where African countries are overwhelmingly exporters of primary products to a

greater engagement in higher value-added products. As essential groundwork for this, Africa's massive infrastructure deficit needs to be tackled, especially in the transport and power sectors, through public sector investment and multi-sectoral partnerships with large players such as the World Bank Group and the African Development Bank (AfDB) who have already committed massive resources to infrastructure development. It is also necessary to accept that returns on infrastructure investment in Africa need to be calculated over a longer timescale. Similarly, much work is needed to improve practices and yields in agriculture across Africa; and to improve Africa's involvement in the digital economy, taking advantage of the unprecedented acceleration in mobile technology usage in African countries. Finally, in the interests of the pan-African economy determined efforts are needed to regularise the massive proportion of cross-border trade which is informal and essentially unregulated, to improve and safeguard the position of women in all aspects of trade, particularly across borders, and to create decent job opportunities for the massively increasing population of young people.

The vote in the UK's referendum on leaving the European Union (EU) has both immediate and longer-term implications for trade with African countries, which export varying quantities of different goods to various countries in the EU including Britain. Post-"Brexit", some categories of trade will be affected, although how and to what extent is as yet unclear. Where African countries are engaged in global supply chains (for example for cut flowers) involving rapid transhipment between distribution depots in the UK and other EU countries, trade could be disrupted. Macro-economic effects in Europe such as a deceleration in economic growth in the UK could affect demand.

Withdrawal from the EU may of course open up possibilities for the UK to take a more specific and targeted approach to its trade relations with Africa aligned with the Sustainable Development Goals (SDGs), to work to reduce protectionism, particularly as regards technical barriers in areas like agriculture, and to design new trade agreements that would be development-friendly and potentially more liberal. Our report discusses a number of potential models for the UK's future trade stance with developing countries in Africa, whilst recognizing that it is too soon to come to any conclusion on this issue. We do however stress the importance of the Government providing assurance to African leaders and investors at the earliest opportunity of the UK's intentions with regard to the effective continuation (or otherwise) of the current preferential trade agreements and GSP schemes immediately upon the UK's withdrawal from the EU in order to avoid an interruption in the UK's trade relations with Africa.

We conclude, on the basis of the evidence submitted to our Inquiry, that a successor to AFTi would be widely welcomed in Africa and that the UK should continue to be a champion for freeing up trade and boosting capacity and competitiveness in Africa as part of a long term strategy for prosperity and economic development. We believe that the case for this is strengthened even further by the prospect of the UK's departure from the European Union, where the potential implications for Africa must be faced positively and there is an opportunity for an even deeper partnership between the UK and Africa on trade, investment and development.

We accordingly recommend that technical, financial and political support should be provided to African countries on the basis of three "pillars", namely cutting trade costs and connecting markets; enhancing productive capacity; and using trade to drive inclusive growth in African countries. Building on the successes and lessons since 2011, a successor to AFTi should see an intensification of UK AfT engagement in East, Southern and West Africa. There should also be a concerted effort to build on existing strong delivery platforms that are performing well and can be scaled up quickly with support from the UK and other like-minded investors, such as TMEA, PIDG and AgDevCo.

In taking forward an "AFTi II", the Government should work with African partners towards a "smart regional integration" approach, and establish a leadership rôle to be carried out by an AFTi Special Envoy appointed by the Prime Minister to deliver better direction and coordination both within the Government and with external parties. Our report specifies rôles for the AFTi Special Envoy, essentially to strengthen dialogue between UK Ministers and African governments, and on the basis of standing advisory consultations, to stimulate better synergy between the programmes delivered by the UK Government and by international development partners.

Under each of the above three pillars, several detailed practical objectives are proposed, together with tentative targets and timelines for their achievement, for example completion by 2025 of Single Window clearance systems in a suggested 5 African countries, together with a suggested two regional customs inter-connectivity projects, and establishment of NTB elimination schemes in 12 countries by 2018. Our recommendations also specify actions to implement the "smart regional integration" approach including policy alignment with the African Union 's action plan for boosting intra-African trade, targeting investment on countries where realistic plans and strong political commitment are in place, and working with African institutions to improve data collection and analysis. An AFTi knowledge platform should be set up in order to share with interested parties the lessons learnt and knowledge gained from AFTi initiatives, including an annual stakeholder conference and publication of annual reports.

Finally, we also see an important role for the APPG for Trade Out of Poverty to play in continuing to make the case for a successor to AFTi with the new Government, to work with its network of partners to track the delivery of an "AFTi II" over its implementation period, and to champion the importance of the UK's work on boosting trade and integration across Africa for sustainable and inclusive development.

We accordingly recommend that technical, financial and political support should be provided to African countries on the basis of three "pillars", namely cutting trade costs and connecting markets; enhancing productive capacity; and using trade to drive inclusive growth in African countries.

1 Introduction

1.1 THE UK'S AFRICA FREE TRADE INITIATIVE

The UK coalition government launched the Africa Free Trade Initiative (AFTi) in 2011 to help African countries integrate into the world trade system, using trade as an instrument for economic growth and poverty alleviation.[1] It focused on providing political, financial and technical support to cut tariffs, reduce red tape and improve infrastructure to boost intra-African trade and Africa's global trading opportunities.

AFTi was first announced in February 2011 by the then Secretary of State for International Development, the Rt Hon Andrew Mitchell MP. The initiative gained a stronger profile when AFTi was formally launched by the Prime Minister, the Rt. Hon. David Cameron MP, during his visits to South Africa and Nigeria, in July 2011.

1.2 ABOUT THIS INQUIRY

To mark the 5th year anniversary of AFTi, the All-Party Parliamentary Group for Trade Out of Poverty decided in early 2016 that it would be timely to launch a forward-looking Inquiry into AFTi, to take stock of what has been achieved so far, what has been learned, and whether there was case for a successor initiative – "an AFTi II".

The Co-Chairs of the APPG-TOP appointed an Inquiry Committee, made up of individuals selected because of their specialist expertise and experience in the field of trade and development in Africa. All of the committee members have served in a purely voluntary capacity.

The Inquiry Committee was co-chaired by Lord Stephen Green, former UK Minister of State for Trade and Investment and former Group Chairman of HSBC; and Mr. Ali Mufuruki, Board Chair of TradeMark East Africa and founder and Chairman of Infotech Investment Group.

Other Inquiry Committee Members were Lord Paul Boateng, former British High Commissioner to South Africa; Ambassador Darlington Mwape, Senior Fellow at the International Centre for Trade and Sustainable Development (ICTSD) and former Permanent Representative of Zambia to the WTO; and Professor Myles Wickstead, Visiting Professor at Kings College London, former Head of Secretariat, Commission for Africa and former UK Ambassador to Ethiopia and the African Union.

The secretariat for the APPG-TOP, the Saana Institute, has supported the Inquiry Committee in gathering evidence, organising hearings and preparing this Report.

1.3 KEY QUESTIONS AND OBJECTIVES FOR THE INQUIRY

The APPG-TOP established the Inquiry to seek to answer the following three main questions:

- What has been achieved in AFTi since 2011 and what lessons can be learned?
- Is there a case for a successor to AFTi in the area of further facilitating trade and investment within Africa as a driver of growth and poverty reduction, and between Africa and the rest of the world, including the UK?
- What should a future AFTi look like, what targets should it seek to achieve, and through which means and partnerships should it be delivered?

As such, the objectives of the Inquiry are as follows:

- To gather evidence and expert opinions from a range of stakeholders from Africa, the UK and international partners on what a successor of AFTi could contribute in the area of trade and investment facilitation in Africa for the purpose of wealth creation, employment generation and poverty reduction.
- To put forward recommendations for the scope of a successor to AFTi, its targets, and how these could be achieved.

1.4. THE INQUIRY REPORT

The Inquiry Report and its recommendations are based on the evidence gathered by the Inquiry Committee in the form of written evidence and through a series of public hearings with a wide range of distinguished stakeholders, including international organisations, think-tanks, academia, and participants in DFID-funded programmes.

A detailed account of the Inquiry process can be found in Annex 1, along with a full list in Appendix 1A, 1B and 1C of those individuals and organisations who contributed to the Inquiry findings. In the interests of transparency, the Report and the written evidence which the Inquiry received will be published and available for download on the APPG-TOP website.

The Inquiry Committee will seek to present its Report to Government ministers from the Department for International Development (DFID), Foreign & Commonwealth Office (FCO) and the Department for International Trade. Copies will also be sent to each of the UK Prime Minister's Trade and Investment Envoys for African countries, as well as to other APPGs working on the international development agenda.

The Report will then be discussed and shared more widely in the Autumn of 2016 with stakeholders from African governments; the secretariats of RECs and the African Union; international organizations such as the World Bank, the AfDB, the United Nations Conference on Trade and Development (UNCTAD), the International Trade Centre (ITC) and the United Nations Economic Commission for Africa (UNECA); think-tanks and research organizations working on trade and development in Africa; and the wider business community in the UK and Africa.

The Inquiry gathered evidence and expert opinions from a range of stakeholders from Africa, the UK and international partners on what a successor of AFTi could contribute in the area of trade and investment facilitation in Africa.

2 The rationale for AFTi and progress so far

2.1. AFRICA'S VISION FOR TRADE AND INTEGRATION AS KEY TO DEVELOPMENT

Africa shall be a continent where the free movement of people, capital, goods and services will result in significant increases in trade and investments amongst African countries rising to unprecedented levels, and in the strengthening of Africa's place in global trade.

– Agenda 2063, African Union

Pooling economies and markets together through regional integration will provide a sufficiently wide market space to make economies of scale possible for African industries and allow Africa to play its rightful role in the global market.

– H.E. President Uhuru Kenyatta of Kenya, Launch of the CFTA Negotiations, African Union Assembly, Johannesburg, June 2015 [2]

Trade and regional integration have been a core element of African countries' development strategies since their independence.[3] Championed by the AU, the Africa-wide development agenda is based on regional integration and the formation of an AEC. These objectives were laid out in the 1980 Lagos Plan of Action for the Economic Development of Africa and the Abuja Treaty of 1991. The Africa regional integration roadmap considers RECs as the building blocks of the AEC. There are 14 regional economic blocs in Africa, and as many related associations dealing with sectoral issues such as standards or intellectual property. On average each of the 55 countries on the continent is a member of four (often overlapping) groups. Consequently, conflicting priorities and commitments of different regional blocs can be a problem, particularly where different trading arrangements clash with natural economic spaces across the continent. [4]

The Boosting Inter-African Trade initiative (BIAT), which was endorsed by the Assembly of the Heads of State and Government of the AU in January 2012, provides a framework for stimulating growth of African agriculture and manufacturing. The factors identified in the BIAT Action Plan that would allow increased intra-African trade include implementation of the CFTA, which is planned to be established in 2017. [5, 6] Success in coordinating trade policies and developing trade can be an incentive to drive political action at the continental level. [7]

2.2. THE RATIONALE FOR AFTI

The UK coalition government first announced AFTi in February 2011 as a means to achieve their vision of helping African countries to integrate into the world trading system, using trade as an instrument for economic growth and poverty alleviation. [8] The initiative sought to open up opportunities for entrepreneurs, both large and small, to access new markets and invest in expanding production and trade. [9] AFTi was promoted through country visits to Nigeria and South Africa by the former Prime Minister, the Rt. Hon. David Cameron MP [10, 11] in July 2011, and was recognised as a priority in the UK White Paper on Trade and Investment for Growth. [12] Launching AFTi in South Africa in July 2011, the Prime Minister set out the rationale for the initiative as a partnership for prosperity between Africa and the UK in an article in *The Guardian* newspaper:

Trade and enterprise have the power to change people's lives. As we are seeing now on every continent, what will lift tens of millions out of poverty in the long run is the dynamic engine of economic growth. And that means African countries buying from and selling to each other, doing business with one another and the world.

An African free trade area could increase GDP across the continent by an estimated $62 billion a year. That's $20 billion more than the world gives sub-Saharan Africa in aid. Backed by investment in people and infrastructure, sound government and effective tax systems, imagine what this would mean: businesses growing, new jobs on offer, families on the up, living standards transformed. So we need to take on the obstacles to trade and growth. Despite recent strong economic growth in Africa, today just twelve per cent of African trade is with other African nations. For much of the continent it is easier to trade with Europe or

America than it is to trade with a neighbour. Infrastructure can be poor and overstretched, red tape endemic, and trade taxes stifling.

Africa has begun to respond to this challenge. Many non-tariff barriers in East and Southern Africa have been eliminated. On the North-South Corridor linking the southern half of the continent, over 1400 kilometres of new road is being laid and prepared. Delays at Africa's first One Stop Border post at Chirundu on the Zambia – Zimbabwe border have been cut by almost two-thirds, saving truckers up to $600,000 per day. We are determined to seize on this success. South Africa has taken on championship of the North-South Corridor on behalf of the African Union. Nigeria will work with its partners in western Africa to liberalise trade with the ultimate ambition of Africa-wide free trade. From London, Britain will invest more than £160 million between now and 2015 in freeing up trade, including halving delays at ten key border crossings. We need greater commitment throughout the continent to regional transport corridors.

We need political leadership from all of Africa's leaders to achieve this. As Africa's leaders show the vision and will to get this done, so real leadership is required from the rest of the world too. Trade rules must be open and fair to all. When the G20 meets in Cannes in November, we will together be pressing the need for duty and quota free market access for the poorest countries, for sustained commitment to a global trade deal. Never before has there been a time quite like this. We are used to thinking that the problems of our world will be always with us. But the economic revolution underway has brought within reach the steps to eradicate poverty in Africa. It is now possible to imagine an Africa no longer dependent on aid, and a real source of growth for the whole world. And the road to get there lies through freeing up the wealth creating power of enterprise and trade.

This challenge falls to our generation of leaders. For too long 55 nations' borders have been allowed to hold Africa's people back. It is time to make African free trade the common purpose of the continent and the wider world. To set Africa on a path to prosperity and stability would be a wonderful legacy from our generation to the next.

– The Rt Hon David Cameron, MP, British Prime Minister, July 2011

Political engagement was fundamental to the rationale for AFTi – trade reforms could achieve sustained impact only with strong political commitment and leadership at the national and international levels. AFTi thus had two broad objectives: to build political momentum for economic integration in Africa; and to support coordination efforts between public and private investors who are committed to reduce trade barriers in Africa.

AFTi also brought together and scaled up funding for regional trade initiatives in Africa from across DFID,[13] the former Department for Business, Innovation and Skills (BIS) and the FCO to provide platforms for political support, investment and technical assistance for advancing trade and regional integration in Africa.[14] In 2011, the then Prime Minister, the Rt. Hon. David Cameron MP, explained in his article in The Guardian quoted above that through AFTi, the UK would invest more than £160 million between 2011 and 2015 in freeing-up trade in Africa, including halving the time in delays at ten key border crossings.[15]

As well as its own bilateral efforts, the UK also championed the AFTi agenda within the wider international community, receiving strong support from the USA with its own *TradeAfrica* initative. At the G8 meeting in Lough Erne in 2013, the UK used its presidency to include a specific commitment in the G8 Leaders Communiqué on support for boosting intra-African trade and advancing the continent's regional integration plans.

The G8 strongly welcomes Africa's own regional integration agenda, which would reduce barriers to trade and continue to unlock the internal potential of Africa. We support the African Union's (AU) Action Plan on Boosting Intra-African Trade (BIAT). Cutting transit times will boost African trade within the continent and with global markets. The G8 will

work with African countries and regional economic communities to meet the AU's target of doubling intra-Africa trade and reducing crossing times at key border posts by 50% by 2022.

– G8 Leaders Communiqué, Lough Erne 2013

Two years on, AFTi would also become a mechanism that aligns closely with the priorities and targets set out in the 17 Sustainable Development Goals (SDGs), adopted by global leaders in New York in September 2015.[16] Within the 2030 sustainable development agenda, trade and investment are recognized as critical to achieving inclusive and sustainable economic growth and poverty reduction in developing countries. In formulating the SDGs and their respective targets, the international community has specifically highlighted the importance of trade as a pathway for inclusive growth and sustainable development. For example, Goal 8 aims to promote "inclusive and sustainable economic growth, employment and decent work for all", specifically through *inter alia* increased Aid-for-Trade (AfT) for developing countries and Least Developed Countries (LDCs), of which 34 out of 48 (70%) are currently African states. Likewise, as part of a revitalized global partnership to deliver the SDGs, Goal 17 specifically calls for a significant expansion of exports from developing countries, including a doubling of the share of LDC exports in world trade by 2020.[17]

2.3. PROGRESS AND IMPACT TO DATE

The Inquiry has been presented with a significant body of evidence on the progress and impact of AFTi to date. Policies and programmes under AFTi have focused on cutting tariffs and harmonizing regional trade arrangements, improving both hard and soft trade infrastructure, and cutting red tape through modernizing customs systems, procedures and facilities. This has involved providing support to both individual African governments and RECs; the design of border posts and upgrading electronic customs systems; and transport infrastructure investment and analysis of major bottlenecks at ports and along road and railway corridors.[18]

2.3.1 Evolution of UK Aid for Trade in Africa since 2011

From 2011 to 2014, the UK has disbursed USD $2.57 billion in total (on average US$643 million per year) on AfT to Africa, including through programmes included within AFTi.[19] Within this overall picture, UK bilateral AfT disbursement to Africa has been on an upward trend, from USD $497 million in 2011 to USD $790 million in 2014 (see Figure 1). The diagrams opposite depict the story of UK aid for trade in Africa in graphical form.

The top three UK AfT recipients (2011-2014 average, see Figure 3) were Nigeria, South Africa and Kenya. These three countries are also important export destinations in Africa for the UK – together they amounted to around 45% of UK's exports to Africa in 2015.[20]

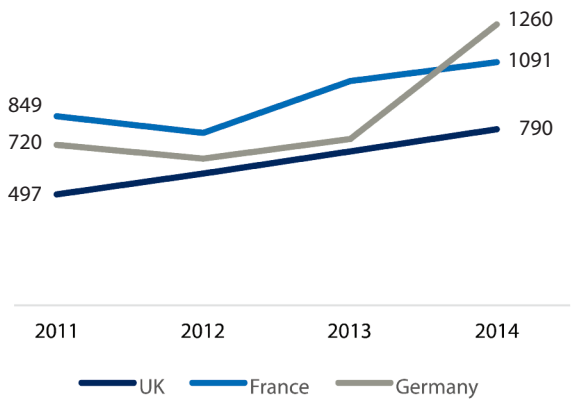
Benchmarking with other G7 economies, the UK's bilateral disbursement (and commitments) on AfT has been consistently lower than that of Germany and France (see Figure 1). The difference is most noticeable with the latest figures (2014), with the UK's AfT bilateral disbursement being 72% of France's disbursement amount and 63% of German's disbursement amount. However, compared to Germany and France, the UK consistently had the highest level of AfT disbursements to Africa through multilateral channels (i.e AfDB, IDA, IBRD) as shown in Figure 2.

2.3.2 Backbone regional UK Aid-for Trade programmes in Africa

In 2011, DFID operated or participated in three key regional AfT programmes supporting trade reforms, regional integration and trade facilitation in Africa, these forming a natural backbone for AFTi:

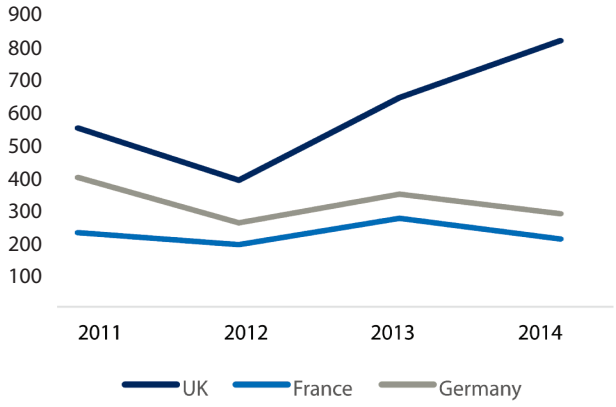
- *TradeMark Southern Africa (TMSA)*: aimed to improve Southern Africa's trade performance, upgrade the North-South transport corridor and increase the competitiveness of business in the SADC region.[21]
- *TradeMark East Africa (TMEA)*: aimed to promote rapid advances in East Africa's regional economic integration process, upgrade hard and soft trade and

Figure 1 Aid-for-Trade bilateral disbursements to African countries (USD, million)



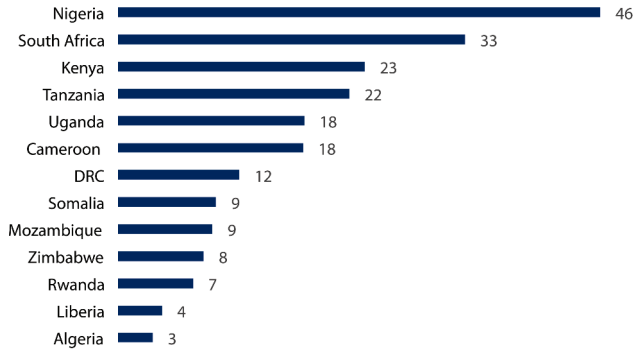
SOURCE: OECD, 2016

Figure 2 Aid-for-Trade multilateral disbursements to African countries (USD, million)



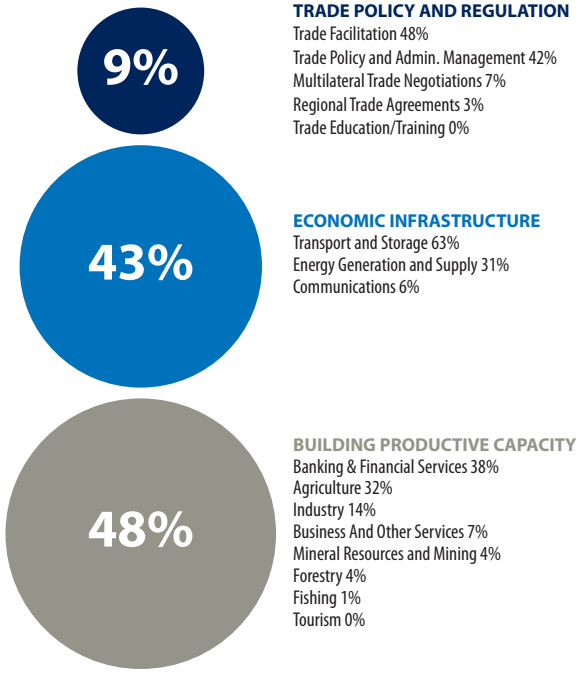
SOURCE: OECD, 2016

Figure 3 Top African recipients of bilateral UK Aid-for-Trade (2011–2014 average, USD, million)



SOURCE: OECD, 2016

Figure 4 UK Aid-for-Trade disbursement by sector and sub-categories (2011–2014 average)



SOURCE: OECD, 2016

Since 2011, regional economic integration in Africa is now seen to be pursued more systematically towards the goal of increasing intra-African trade.

transport infrastructure along the Northern and Central transport corridors, and improve the competitiveness of business in East Africa.[22]

- *Support to West African Regional Integration Programme (SWARIP)*: aimed to advance regional integration in ECOWAS and to assist in bringing West Africa into the CFTA.[23]

The Inquiry heard how projects and programmes under AFTi, such as these 3 regional programmes, have been scaled-up and have made important contributions to reducing tariff barriers to intra-African trade, as well as reducing delays at ports and frontier crossings. It is clear that the greatest progress has been made with UK support in Eastern and Southern Africa, particularly in the EAC. The Inquiry has highlighted some notable activities and projects under the three objectives of AFTi, from the evidence which has been presented to the Inquiry Committee. Many of these, such as the UK's participation in TMEA, are still on-going and delivering strong results.[24] To ensure this success continues, they will need to be expanded and sustained over the medium term as discussed later in the Report.

2.3.3 Reducing tariff/non-tariff barriers and harmonizing regional trade agreements

The main channel through which AFTi has supported African countries and RECs in reducing tariff barriers and harmonizing regional trade arrangements, was by supporting the negotiations for the establishment of the COMESA-EAC-SADC TFTA. As previously indicated, AFTi was a direct response to African states' and regional partners' efforts to implement the Abuja Treaty,[25] which included enhancing coordination, harmonisation and integration of activities of existing and future RECs in Africa with the aim of eventually establishing the AEC.[26]

Under AFTi, the UK placed special emphasis on providing technical assistance for policy initiatives and programmes of the TFTA which supported and co-ordinated the negotiations.[27] Preparatory work to support the TFTA negotiations was provided initially through TMSA until its closure in 2014, and then continued through the DFID Trade Advocacy Fund (TAF).[28] As examples, through TMSA and TAF, the UK provided funding for long-term technical advisers on the TFTA based in the EAC, SADC and COMESA Secretariats and for several rounds of TFTA negotiating meetings. The EAC countries were also provided with advisory assistance and training to participate in the TFTA negotiations as a bloc taking full account of their specific interests.[29]

Since 2011, regional economic integration in Africa is now seen to be pursued more systematically towards the goal of increasing intra-African trade.[30] In contrast to trade with the rest of the world, intra-African export values increased by almost 10% between 2011 and 2015. UNECA measures the current state of regional integration in RECs and individual countries, by constructing the Africa Regional Integration Index. This comprises indices of regional infrastructure, trade integration, productive integration, free movement of people and financial and macroeconomic integration. Out of the eight RECs studied, the EAC has been the top performer on the overall score of regional integration.[31] Looking at the sub-component of trade integration, which has been a regional integration priority across all African RECs, the leader has also been the EAC. At country level, Kenya and Côte d'Ivoire have been the top performers in their respective RECs. Kenya has been the top performer in COMESA, EAC and IGAD, while Côte d'Ivoire is top in CEN-SAD and ECOWAS.[32]

A significant step towards harmonising the three largest RECs was taken when the COMESA-EAC-SADC TFTA was launched on 10th June 2015 during the Third Tripartite Summit held in Sharm el Sheikh, Egypt. The TFTA involves 26 member states, with a combined GDP of US$1.2 trillion in 2013 (latest data).[33]

The TFTA proposal is founded on three pillars: market integration, industrial development and infrastructure development.[34] Despite delays due partly to lack of

financial support,[35] most of the negotiations under Phase I, which included the removal of tariff and NTBs and implementation of trade facilitation measures, have been concluded. Amongst other features, the TFTA aims to liberalise 100% of tariff lines and to construct a single mechanism to eliminate non-tariff barriers. Negotiations for Phase II, which covers trade in services, cooperation in trade and development, competition policy, intellectual property rights and cross border investments, will begin second half of 2016.[36] The deal will come into force once ratification by two-thirds of the 26 member states is achieved. Currently, 16 out of 26 countries have signed the agreement,[37, 38] whist other Tripartite countries indicated they are ready to sign, upon the completion of the outstanding areas of the negotiations (tariff lines, rules of origin and trade remedies).[39] No member country has ratified the TFTA yet. Once the minimum ratification is achieved, the TFTA will come into force and the member states can start trading under the TFTA arrangements.[40]

Another important milestone reached since 2011 has been the formal launch of negotiations for the AU CFTA at the AU Summit in Johannesburg in June 2015. The CFTA seeks to address supply-side constraints, infrastructural bottlenecks, trade facilitation, improved trade information networks, and trade finance. Secondary factors include addressing inconvertibility of currencies, promoting the free movement of people, and enhanced trade in services.[41, 42] Eventual success will depend on a range of factors including the scope, design and objectives of the Agreement. A clear precedent is the complexity of the current negotiations for the Tripartite FTA, particularly as regards to tariffs and rules of origin.[43] Completion of the CFTA by 2017 is an ambitious target[44] but if successfully negotiated it could bring existing regional agreements within a single structure.[45] UNECA calculates that the CFTA could increase intra-African trade by $35 billion per year, or 52% above the baseline, by 2022. Imports from outside the continent would decrease by $10 billion per year, and agricultural and industrial exports would increase by $4 billion (7%) and $21 billion (5%) above the baseline, respectively.[46]

2.3.4 Cutting red tape and facilitating trade more efficiently

Through AFTi, the UK committed to assist in the reduction of delays at border crossings through streamlining trade bureaucracy. There has been significant progress in this area since 2011.

Perhaps the most notable progress in this area was the new WTO TFA, which the UK, working within the EU, has actively championed. The UK has provided considerable and sustained technical assistance to African countries (through DFID's support to the TMSA, TMEA and TAF programmes) during the conduct of the negotiations, in particular to assess their own capacity building needs. Agreed at the 9th WTO Ministerial Conference in Bali in December 2013, the TFA aims to address the NTBs mentioned above, in particular streamlining the flow of trade across borders through reforms such as simplifying customs procedures. It was the first multilateral trade agreement concluded under WTO auspices since the establishment of the WTO itself in 1995. A successful implementation of the Agreement has the potential to reduce total trade costs for low-income countries by more than 14%.[47]

As of August 2016, 12 African countries have already ratified the Agreement, namely Mauritius (March 2015), Botswana (June 2015), Niger (August 2015), Togo (October 2015), Côte d'Ivoire (December 2015), Kenya (December 2015), Zambia (December 2015), Lesotho (January 2016), Mali (January 2016), Seychelles (January 2016), Madagascar (June 2016) and Senegal (August 2016).[48] Further African countries have begun the process of early stage implementation, through notifying their commitments under the three different categories prescribed in the TFA framework, and ratifications continue to be deposited at the WTO in Geneva. In 2014, DFID provided £15 million to assist developing countries (not only in Africa) to ratify and

Digital technology has also played a crucial role in improving the efficiency and transparency of border procedures.

implement the TFA,[49] but considerably more investment will be needed on upgrading trade facilitation systems in African countries to realise the TFA's full benefits.

One Stop Border Posts (OSBP) have also proved effective in reducing delays and transport costs at borders allowing traders to stop at one border post only, instead of two. For example, within three months of its opening, the new OSBP at Taveta-Holili, funded and supported by TMEA, has reduced crossing times for trucks by 24%.[50] Implemented with TMEA's support, OSBPs have also been completed in East Africa at Mutukula, Kobero, and Mirama Hills, leading to reduction in border-crossing times and improvement in the efficiency for the movement of goods along both the Northern and Central Corridors.[51]

Digital technology has also played a crucial role in improving the efficiency and transparency of border procedures. For example, an Electronic Single Window set up by TMEA in Rwanda reduced the average time taken to clear imported goods through customs from over 11 days, to 1 day 11 hours in 2014, and from 2 days 19 hours to 1 day 10 hours for exports.[52] The Electronic Single Window links the authorities involved in the processing and clearance of cargoes. The EAC Single Customs Territory (SCT), supported by TMEA, has helped to improve the efficiency of the Northern Corridor by reducing cargo transit times from Mombasa Port in Kenya to Kampala in Uganda from 18 days in 2012 to 6-8 days in 2016.[53] The SCT permits clearance of all goods at the port of arrival regardless of their ultimate destination across the EAC Customs Union.[54]

2.3.5 Improving infrastructure to increase trade and competitiveness

There is an extensive body of evidence concerning Africa's lack of appropriate infrastructure for trade in sectors such as transport, power and telecommunications. Investment needs here are enormous and infrastructure development is never a quick-fix, rather requiring sustained efforts over the long term to move from the planning stage to design, financing and delivery. In parts of Africa, the lack of adequate, connected trade infrastructure is a major factor holding back productive investment by the private sector and increasing the costs of doing business and trading across borders.

To contribute to meeting the response to this challenge, we learned that DFID's Regional Infrastructure Programme for Africa (RIPA) was a key component of the UK's AFTi. Recognising that some of the required infrastructure investment in Sub-Saharan Africa is regionally cross-border in nature, RIPA seeks to fill the investment gap which stems from the extra costs, complexities and risks associated with coordination between governments and stakeholders in two or more countries. By working with multilateral organisations, national governments and RECs, DFID is investing in three multi-donor facilities, namely the Infrastructure Project Preparation Facility (IPPF), the EU Africa Infrastructure Trust Fund (ITF), and the Infrastructure Consortium for Africa (ICA). Overall project preparation efforts, which RIPA contributes to, helped secure an estimated $1.5 billion of implementation funding in 2013.[55]

As part of Kenya's export-led development strategy, TMEA has funded and overseen the modernisation and upgrading of Mombasa's port. The project has so far succeeded in reducing import time of goods from 11 days to 6.5 days, and exports from 11 days to 6.8 days, as well as securing further funding to enable the port to handle larger cargo vessels.[56] In Tanzania's Dar es Salaam port, TMEA's modernisation project has reduced the average dwell time for imports from 11.3 days in 2013 to 7 days in 2015, significantly reducing the cost of trade. The project has also halved vessel turnaround time in the period 2012–2015, from 4 to 2 days respectively.[57]

Under AFTi, DFID has also sought to leverage private sector investment through funding for DFIs to improve transport and power sector infrastructure in Africa. A principal vehicle in this area has been the Private

Infrastructure Development Group (PIDG), which has successfully delivered public-private infrastructure financing solutions in 27 African countries. As an example, an investment by InfraCo Africa, a PIDG Facility, has helped transform Kalangala District in Bugala Island, previously one of Uganda's poorest districts. Transport has been a key factor in the success of the Kalangala project, delivering two modern ferries and upgrading the 66km main road in addition to distributing clean water to 19 villages and developing 1.6MW of hybrid solar-diesel power. The project has facilitated business growth and trade as well as transforming the health of islanders.[58] In another example, GuarantCo, PIDG's local currency guarantees facility, has recently provided a liquidity guarantee to the Focus Investment Group providing Zambian road contractors with the liquidity they need to complete vital contracts. The guarantee will cover interest payments to investors in the securitisation programme. The project is an innovative capital markets transaction in Africa and certainly for Zambia. Better road infrastructure will increase the country's connectivity and accessibility, cut transport costs and times and reduce poverty by creating jobs for Zambians.[59]

2.3.6 Building productive capacity for trade in Africa

The Inquiry has heard evidence from a range of sources stressing the importance of building greater productive capacity for trade in Africa. Whilst this is a huge, long-term endeavour, we have taken note of a number of programmes in this area which the UK has supported since 2011 which seem to us to have particular relevance and merit, and where the UK has played a significant role.

As one part of its DFIs strategy, the UK government works through CDC to help build trade capacity by improving infrastructure in Africa and providing finance for the private sector, in particular SMEs. CDC provides funding to projects in sectors where the greatest impact for job creation can be delivered, focusing on areas in which the private sector is weak, such as manufacturing, agribusiness, infrastructure, financial institutions, construction, health and education.

In 2014, CDC partnered with a logistics firm, Grindrod, to improve transport infrastructure seeking to reduce the costs of doing business, boost regional trade and advance job creation. Their infrastructure projects include shipping terminals, roads, and railways increasing cross-border trade and creating jobs through the construction of these projects. CDC's USD17 million investment earmarks funds for port development in Mozambique, South Africa and a freight railway connecting Angolia and Zambia. The Mozambique port aims to create 43,000 jobs and increase the volumes at the port by 5 million tons by 2015.[60]

CDC has also helped build capacity for trade through expanding trade finance, with designated funds accounting for nearly a quarter of new commitments in 2015. In collaboration with Standard Chartered Bank, CDC has facilitated transactions of US$24m with HFC Bank in Ghana, which helps fuel companies trade into Mali and Burkina Faso.[61] Following the Ebola crisis in Sierra Leone, Standard Chartered and CDC agreed to the financing of up to $50 million for businesses to help address the poor economic growth outlook which the outbreak fostered.[62] Furthermore, in 2015, a combined £37.3 million was put into West African Funds to support SMEs to enhance the private sector in that region.[63]

Another promising intiative aimed at working with the agriculture private sector in Africa which the UK has funded since 2011 is AgDevCo. AgDevCo is a social impact investor which funds agribusiness projects in Africa, with the objective of reducing poverty and improving food security. Currently they operate 44 investments in Ghana, Malawi, Mozambique, Tanzania, Uganda and Zambia. As an example, in September 2016, AgDevCo invested $1.5 million into a Malawian company to advance technologies in local peanut factories. The project aims to increase incomes for 18,000 smallholder farmers in Malawi by advancing their reach into regional and export markets.[64]

AgDevCo invests across the agricultural value chain, including supplying farmers with production inputs, enhancing food security, improving practices and systems, as well as storage, marketing and distribution. In Tanzania, 383 smallholder farmers were engaged in AgDevCo funded projects and on average increased annual income per household by $135 (as of July 2014).[65]

Staying in the agricultural sector, the UK has also supported the *Grow Africa* initiative. Jointly founded in 2011 by the AU/NEPAD and the World Economic Forum, *Grow Africa* aims to facilitate more private sector investment in agriculture and enhance the productivity of investment commitments through public-private partnerships. *Grow Africa* currently consists of over 200 companies and works in 12 countries (Benin, Burkina Faso, Cote d'Ivoire, Ethiopia, Ghana, Kenya, Malawi, Mozambique, Nigeria, Rwanda, Senegal and Tanzania). Private companies participating in the *Grow Africa* partnership have reported investments totaling more than $684 million in 2014. Through these investments, private companies created 21,366 jobs and reached over 8.2 million smallholder farmers in 2014. Smallholder farmers were predominantly reached through input products and services, financial or data services and through training.[66]

Turning to support for African SMEs to begin exporting, expand their trading operations, or fuse into global/regional value chains, since 2011 the UK has scaled up its funding for the International Trade Centre (ITC) with a number of programmes focused on Africain particular. The ITC's "Building African Capacity for Trade" programme (PACT II) seeks to strengthen the capacity of regional and national institutions in Africa by providing technical assistance to enhance export competitiveness, market access, and increase export revenues for SMEs, in particular women owned businesses.[67] ITC's "Transparency in Trade Programme" aims to assist SMEs to target their products more effectively, as well as helping SMEs to diversify and add value to their products. As of 2016, 294 small traders from Côte d'Ivoire, Rwanda, Senegal, Sierra Leone, Tanzania (and Bangladesh) have enhanced their skills in market analysis and sustainability standards.[68]

Private companies participating in the *Grow Africa* partnership have reported investments totaling more than $684 million in 2014.

3 Looking ahead: the case for a successor to AFTi

The slow progress towards market integration has limited the capacity of Africa to take full advantage of rapidly growing international markets.

– H.E. Ms Fatima Haram Acyl, African Union Commissioner for Trade and Industry [69]

As we have described in Section 2, we have been presented with compelling evidence – from a wide range of sources – that significant progress has been achieved since 2011 towards the goals of AFTi: by African governments and their regional organisations, by the activities of international institutions like the World Bank, the AfDB and ITC, and by the scaling-up of the UK's support through its own bilateral AfT programmes, often acting in concert with other development partners as in the case of TMEA and PIDG. However, unlocking trade in Africa and boosting the capacity of countries on the continent to trade more with each other and with global markets is a long-term process. It will require sustained efforts, both by African governments and their RECs, and from development partners like the UK.

During our hearings and consultations, we heard a strong and consistent message from stakeholders that a successor to AFTi would be warmly welcomed on the continent, and that the UK should continue to be a champion for unlocking the benefits of trade and boosting capacity and competitiveness in Africa as part of a long term strategy for prosperity and sustainable economic development. We consider that a successor to AFTi would also be very well aligned with the vision of the African Union and the framework of the SDGs, to which the UK has signed up. Indeed, in the post 2015 context, we see a real imperative for a successor to AFTi to include practical measures and targeted investments to unlock the benefits of trade for all in Africa, including the continent's poorest women and men.

Specifically, we see a strong case for a successor to AFTi to address three sets, or clusters, of priorities concerning trade and regional integration and we discuss each of these clusters in turn below. Building on the successes and lessons since 2011, we believe it is important that a successor to AFTi should see an intensification of UK AfT engagement in East, Southern and West Africa. There should also be a concerted effort to build on existing strong delivery platforms that are performing well and can be scaled up quickly with support from the UK and other like-minded investors, such as TMEA, PIDG and AgDevCo.

Finally, we conclude that the case for a successor to AFTi is strengthened even further by the prospect of the UK's departure from the EU in the next 2-3 years, and the Government's commitment to forging a progressive new global role for the UK. The potential implications of Brexit for Africa must be faced positively and there is now a real opportunity for a more integrated partnership between the UK and Africa on trade, investment and development which must not be missed, notwithstanding other claims on the time of UK policymakers as they navigate Brexit. We return to the risks and opportunities arising from Brexit in Section 4.

3.1 HIGH COSTS OF DOING BUSINESS CONTINUE TO HOLD BACK AFRICA'S TRADE

Africa's trade continues to be hindered by the high costs of trading and doing business in Africa. Both tariff and NTBs in African countries are some of the highest in the world, even when compared to other developing countries,[70] affecting not only Africa's volume of trade, but also the diversity of goods traded. Production of manufactured goods is particularly sensitive to trade costs. The evidence shows that industries located in countries with lower trade costs capture higher shares in manufactured goods exports.[71] As such, the cost of trade has implications not only for the volume and value of trade, but also for the economic and productivity growth in Africa.

3.1.1 Lowering remaining tariff barriers

Although tariffs have been reduced since 2011 in terms of both rates bound in the WTO (Most Favoured Nation weighted average – see Figure 5) and actual applied rates

(Effectively Applied Tariffs – see Figure 6), Sub Saharan Africa's tariffs remain significantly higher compared to the world average, and to those of other regions, including East Asia and the Pacific.

We believe that both the TFTA and the CFTA have the potential to bring down tariffs significantly across a wide range of manufactured and agriculture goods traded within Africa. Support will be needed to ensure that the TFTA is properly concluded and implemented. Ensuring a credible CFTA can be designed to build on the wide range of existing economic integration instruments in Africa (not just the sub-regional FTAs) is also essential. It is important to make sure that CFTA is not just an add-on to existing complex regimes for trade in goods, but rather enlarges markets and is a driver of broader-based reductions in trade costs and increases in trade capacity development in agriculture, manufacturing and services and infrastructure.[72]

Figure 5 Most favoured nation weighted average tariffs

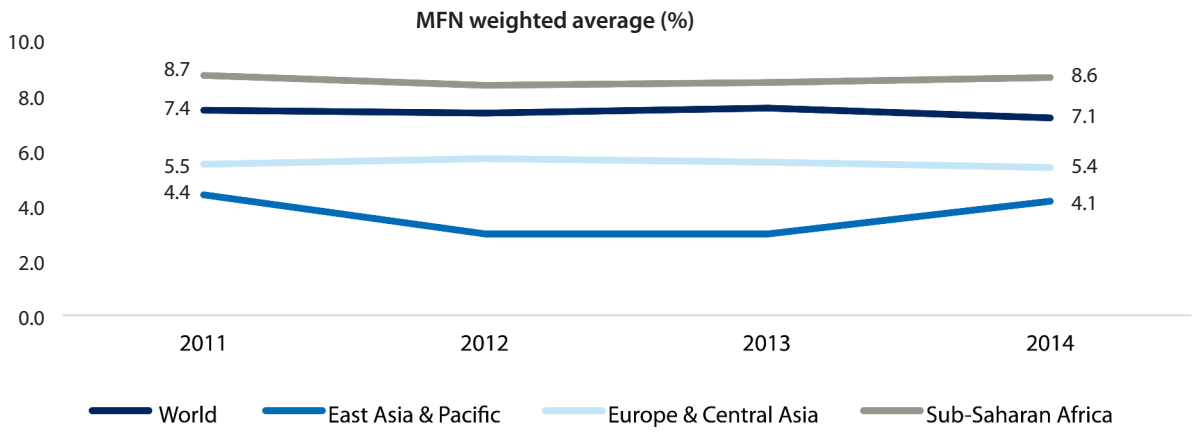
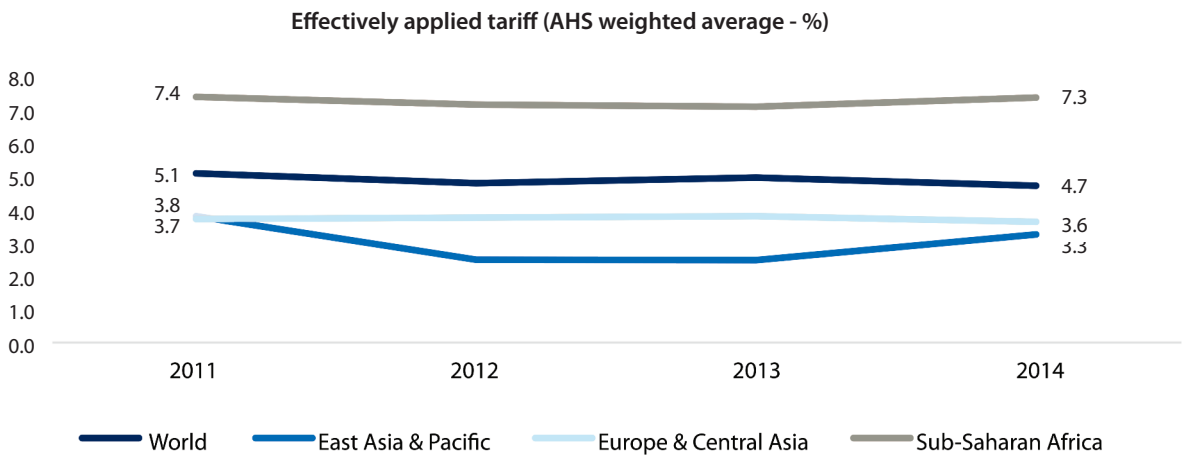


Figure 6 Effectively applied tariffs



3.1.2 Eliminating Non-Tariff barriers

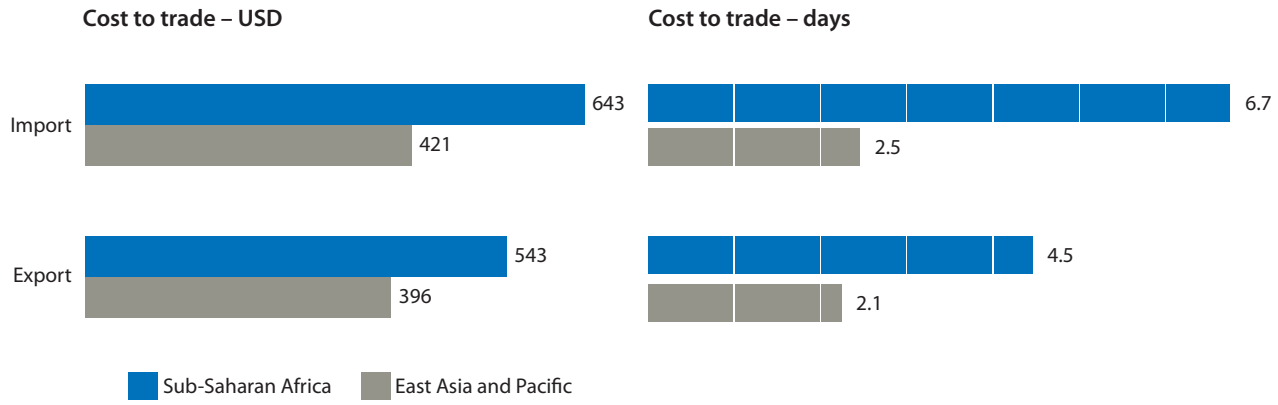
Reducing tariffs is vital, but no longer sufficient by itself to boost Africa's trade.[73] Due to high NTBs, which include delays at borders, lengthy and cumbersome trade procedures and complex regulations, it is still more difficult to trade across borders in Sub Saharan Africa than other regions such as East Asia and Pacific (See Figure 7).[74] Costs arising from importing are particularly high.

These NTBs not only increase the costs of trading and doing business, they limit the range of goods which can be traded (i.e. perishable goods will be spoilt if delays are too long). Traders may wish to choose a more cost-effective route (or region) in which to do business, affecting Africa's trade and investment as a whole. High NTBs also have important implications for Africa's progress in building its productive capacity. For example, in the financial sector the high risk and costs associated with transporting products across borders contribute to high borrowing costs and difficulty in accessing credit, especially for smaller firms or traders.[75] The level of efficiency of the ports and border crossings of a country are constantly monitored by financial institutions (e.g. commercial banks) and such information feeds into the analyses undertaken for credit approval and risk ratings.

To illustrate this, in Southern Africa, licenses and other requirements mean that a truck serving supermarkets located across a border may need to carry up to 1600 documents. One Southern African supermarket chain has reported that the cost of delays at a border was $500 per day, and it had to spend $20,000 per week on import permits required to distribute meat, milk, and plant-based goods to its stores in one export market country alone.[76]

NTBs also extend beyond border-related barriers. Wider issues include capacities of traders to comply with standards (sanitary and phytosanitary issues and possible technical barriers to trade arising from them).[77] Lack of transparency as to what documents are required, as well as changes to rules and introduction of new rules, pose problems for many traders, in particular small-scale traders[78] Training and access to information are vital to help exporters to meet international standards, as also are moves to harmonise and simplify regulations between countries.[79] In addition to training, stronger institutional frameworks are needed to address technical issues effectively.[80] Women traders are particularly at risk from these constraints, including the harassment and abuse at borders, and poor access to inputs e.g logistics, market information, skills, production inputs (see Section 3.3).

Figure 7 Costs and time for border compliance for exports/imports



SOURCE: DATA FROM WORLD BANK (2016)

There is perhaps the greatest immediate potential for Africa to add value to its exports through concentrating more on intra-regional trade and taking advantage of Regional Value Chains (RVCs).

We believe that the WTO TFA is a vital multilateral framework for African countries to tackle NTBs and streamline trade procedures on the continent. The potential to reduce total trade costs by more than 14% for low-income countries means the political momentum to realise this opportunity needs to be sustained. With limited capacity, some African countries, in particular LDCs, will require both political and technical support to ratify and implement the TFA.[81] This is an area where the UK is well placed to provide additional practical, financial and diplomatic support.

3.2 WEAK CAPACITY FOR TRADE CONSTRAINS GROWTH, INCOMES AND JOB CREATION

Three-quarters of potential growth in manufacturing output would come from meeting intra-African demand and substituting imports of manufactured goods.

– Lions On The Move II, McKinsey Global Institute [82]

The value of goods and services exports from Sub Saharan Africa has fallen from US$507bn in 2011 to US$467bn in 2014.[83] This downturn can be almost entirely explained by the sharp fall in global commodity prices since mid-2014, especially affecting less diversified oil exporters, such as Angola, Nigeria and the Republic of Congo.[84] This provides an urgent case for African countries to restructure and diversify production and export trade away from commodities to higher value-added products, as well as enhancing productive capacity.[85]

Africa's trade structure is highly polarized and despite its high participation in Global Value Chains (GVC),[86, 87] the overwhelming majority of Africa's exports to the world are natural resources and raw materials. In 2014, fuel accounted for 54% of Africa's total exports, metals and minerals made up 14% and agricultural commodities formed 13%. Due to its low productivity and limited industrial base, Africa depends heavily on imports for its manufactured goods – 64% of imports are manufactured goods, while manufactures account for only 19% of the continent's exports. Restructuring the trade base and climbing up the GVCs are vital for African countries not only to achieve macroeconomic stability (through reduced vulnerability to external shocks), but also to create more good jobs for the continent's fast growing workforce.[88] Some sectors have higher employment potential than others: for example, the agricultural exports sector has been shown to have significant employment potential, especially in horticulture and floriculture. However, minerals sectors have typically not generated high levels of local employment.[89]

There is perhaps the greatest immediate potential for Africa to add value to its exports through concentrating more on intra-regional trade and taking advantage of Regional Value Chains (RVCs). While African exports to destinations outside the continent are dominated by extractive industries, intra-African trade is more diversified – in fact, over 40% of intra-African exports are manufactured goods. However, intra-regional links remain weak[90] and, the share of Africa's total trade which is accounted for by internal trade is equivalent to only 14% of its exports to the world, which is low compared to the rest of the world.[91]

It is important for development partners and investors to provide assistance in areas of trade which can be developed as engines of growth and job creation.[92] Through our Inquiry, we have identified four key thematic areas which need to be addressed in order to add value to Africa's trade content as well as to increase its productive capacity and ability to trade more both regionally and with global markets.

3.2.1 Closing Africa's infrastructure gap

Annual infrastructure investment [in Africa] needs to double to $150bn in the period to 2025

– McKinsey Global Institute [93]

Soft and hard infrastructure is essential for Africa to climb up value chains and to boost the volume[94] and value of trade within the continent and with the rest of

the world.[95, 96] Physical infrastructure, enforceable regulations and well-functioning backbone services, such as energy, transport, communications and finance, are fundamental to developing sectors that can produce high-value export goods,[97] to facilitate participation in GVCs, and to strengthen RVCs.[98] Improvements in regional infrastructures in particular have proved to encourage trade and enhance productivity. Research presented to the Inquiry by ODI found that regional infrastructure for trade facilitation help firms in African countries to connect to modern value chains; encourages economic activities across the border, including those of small traders; and enhances productivity of firms.[99]

In 2014, US$74.5 billion was committed to infrastructure development in Africa, with the most funding going to the transport sector (US$34.3 billion: 46%) and energy (US$22.4 billion: 30%).[100] Yet despite much progress and investment in infrastructure, there remains a significant infrastructure gap in Africa.[101] It is estimated that investment in essential infrastructure in Arica during the next decade (new investments in addition to finance for the operation and maintenance of existing infrastructure) amounting to US$150 billion per year are needed to meet the demand.[102, 103]

The largest infrastructure deficit in Africa is found in the power sector.[104] Unreliable, insufficient or costly power supply has been repeatedly cited by businesses from both the UK and African countries as the main obstacle to trade and business expansion on the continent.[105] The power sector currently requires an extra US$55 billion per year until 2030 to close the gap and to meet demand – Africa is currently producing only a third of the power it needs.[106]

Even within the sector which received the most investment, deficits in transport infrastructure, such as ports, railways and roads, hinder movement of goods and people within the continent. With a surface area of 30.2 million km^2, Africa has only 89,390 km of rail, or 2.96 km per 1,000km^2, compared with 60 km per 1,000km^2 in Europe. Regional disparities are also enormous: Southern Africa has railway network of 38,513 km compared to Central Africa which has just 2,536 km.[107] In addition to hard physical transport infrastructure, Africa also needs much greater investment in complementary operational facilities – such as warehousing, cargo handling equipment, dry-ports, and fresh produce terminals – which play an essential role in increasing the efficiency of modern trade and commerce.

These large infrastructure gaps cannot be financed by the public sector alone – multi-sectoral partnerships are essential to meet the demands, including working with existing players. Two of the largest players in 2014 were the World Bank Group, who invested US$6.48bn into Africa's infrastructure that year, and the AfDB, who invested US$3.55bn.[108] Recently, AfDB has launched the 'New Deal on Energy for Africa' to 'get rid of Africa's energy poverty by 2025' by increasing on-grid and off-grid generation, as well as increasing access to clean cooking energy for households.[109] In the private sector, investors often look for a five-year return, but the time horizon for infrastructure projects in Africa is much longer.[110] As such, organisations, such as PIDG (see section 2.3) with its emphasis on patient and pioneer capital facilities, will continue to be instrumental in using public funds to attract significant sums of private capital for infrastructure development in Africa.[111]

It is also vital to complement the development of hard infrastructure with modernising soft infrastructure, policy frameworks and services in order to address regulatory barriers (which can have impacts equivalent to NTBs).[112] Regulation of infrastructure services (mentioned above), such as competition policies, is essential to ensure firms' access to competitively priced inputs into their production and trade of goods and services, such as power supply, transport and logistics. These factors directly determine Africa's competitiveness in the global economy and its ability to diversify its trade.

Capacity for compliance with international standards remains limited in many African countries. Yet, acquiring the appropriate technology, knowledge and skills to meet these regulations is essential in order to enhance competitiveness of African producers and exporters, especially those who export into international markets, enabling them to comply with requirements and also meet final consumers' concerns over environmental, health and labour conditions. For example, Namibian beef producers have successfully exported to the EU since the government developed the capacity throughout its beef supply chain to meet EU standards.[113]

Problems over transparency and legal uncertainty continue to impede businesses and investments in African countries to a greater degree than elsewhere. Yet there are cases where this is changing. For example, Polytol Paints, a small Mauritian company was able to win a case against the Government of Mauritius in the COMESA Court of Justice for not complying with its tariff commitments.

As up to 80% of global trade is supported by financing or credit insurance,[114] developing the financial services industry is vital for Africa to accelerate trade and productivity growth. Currently there is a US$120 billion unmet demand for trade finance in Africa,[115] with SMEs facing the largest hurdles in accessing affordable trade finance.[116] This is also crucial for women traders, who face significant constraints in their capacity to trade due to the lack of access to credit and vital production inputs (see section 3.3).

3.2.2 Increasing yields, stemming losses and capturing more value from agriculture

Today, Africa spends $35 billion on importing food. This is projected to grow to $110 billion by 2025. Africa is importing what it should be producing, creating poverty within Africa and exporting jobs outside of Africa.

– Akinwumi Adesina, President, AfDB[117]

The gap between employment and income has remained consistently wide in the agricultural sector in Africa. Agriculture contributed to 61% of employment in Africa in 2014, but only 25% of continental GDP. Low productivity is one of the key factors contributing to this – an average yield for cassava and maize being only 9.4mt/hectare and 2.0mt/hectare respectively in 2013, compared to the best practice of 25.4mt/hectare and 19.2mt/hectare respectively. As a result, 80% of Africa's consumption of processed foods is imported. There is a crucial need to invest in more productive farming and, more importantly, add value to agricultural produce through upgrading of food processing, especially by initiating small-scale value chains.[118] Increasing productivity in the agricultural sector will also have positive implications for food security and job creation.

In addition to low levels of productivity in terms of yields, primary producers in Africa of crops like coffee or spices are typically able to receive only a small proportion of end-market revenue, because downstream processors can move intellectual-property-based operations around much more easily than physical production capacity can be shifted. Studies presented to the Inquiry by LightYears IP and funded by DFID show that for 13 distinctive African products, there is limited or no farm gate price incentive for quality, because export prices are mostly set at or close to commodity prices.[119]

Due to limited price incentives, many of Africa's best products are systematically constrained by commodity price structures, even despite the fact that if these products were better positioned, they could be sold outside the global commodity markets. Vertical integration is common in business, but it is rarely driven from the African end. The cost of improving positioning can be a fraction of the potential returns.[120] Internationally there is renewed interest in brand-based consumption, so potentially there are good export market opportunities for African companies who set out to produce high-end products.[121]

Light Years IP provided examples to the Inquiry where they have succeeded in capturing greater value for

In some parts of Africa, the volume of informal cross-border trade (ICBT) … is estimated to be much larger than official cross-border trade.

African primary producers by using new business models. For instance, they have been working with shea butter producers in northern Uganda and South Sudan. These producers were paid by cosmetics companies and food companies in the range between US$2-4/kg, and much revenue is lost in the course of transport to the nearest port (e.g. Mombasa). Having identified the potential for increasing the value of shea butter, Light Years IP repositioned the shea butter producers as the largest owners of a new brand of cosmetics based on the superior qualities of the highly distinctive Nilotica shea. The business strategy positions the control of the foreign supply chain with a UK-based import/distribution company acting for the 700 Women's Owned Nilotica Shea (WONS) Cooperative members in Uganda and a similar number in South Sudan. The WONS business has captured enough value to pay $50/kg to the producers. Light Years IP believes that this is a business model that can be replicated for other African products in export markets.[122]

3.2.3 Improving Africa's participation in the Digital Economy

Technology is creating opportunities for African businesses to leapfrog ahead in sectors such as financial services, and retail and wholesale, and open up new markets.

– McKinsey Global Institute[123]

Africa has witnessed unprecedented acceleration in mobile technology usage, with 700 million subscribers in 2016, eight times higher than in 2000. However, it remains the region with the lowest levels of e-commerce.[124] There is thus a significant potential for the digital economy to allow the African economy to leapfrog in its evolution of trade structure.

The technological advancements of feature phones are also progressing and internet usage is primarily through mobile devices. In July 2014, Internet.org launched an application which made available a range of basic websites, that are easier to access and view from feature phones.[125] Smartphones sales have become an increasing phenomenon. In Kenya, Safaricom now sell more smartphones than feature phones[126] A recent study has found 90% of Nigerians who own a smartphone have used it to shop online. Subsequently, this has spurred Amazon, the global online shopping leader, to start shipping directly to Nigeria. Additionally, the same study shows a positive effect of e-commerce on intra-African trade, with more than one-third of Nigerians having purchased goods from other African countries.[127] South Africa is the main source, with 30% of Nigerian cross-border shoppers buying from that country compared to Kenya with 2%, Egypt with 1%, and the rest of the continent with 3%.[128]

However, barriers to e-commerce are present, such as insufficient legal frameworks, weak transport and logistics mechanisms and limited purchasing power. However, as greater focus is placed on the digital economy in Africa, an increasing number of players are becoming involved, enhancing the appeal of this market to other large companies as they gradually breakdown the constraints to trade in e-commerce.[129]

3.3 GREATER EFFORTS ARE REQUIRED TO ENSURE TRADE BENEFITS ALL OF AFRICA

Sustainable, inclusive development has become a significant objective in trade policy.[130] It is a promising sign that both African governments and development partners are committed to deliver the SDGs. For trade to be an effective tool to help achieve the SDGs by 2030, it is vital to ensure that trade policies are pro-poor and that policies and programmes are coherent across all government departments and agencies.[131]

3.3.1 Tackling barriers to Informal cross-border trade and women's participation in trade

In some parts of Africa, the volume of informal cross-border trade (ICBT), though not systematically recorded, is estimated to be much larger than official cross-border trade. At the Mwami – Mchinji border between Malawi and Zambia, COMESA estimates that US$2.9 million per

month is traded informally, compared to the $1.6 million per month of formal trade. In Rwanda, the UK parliamentarians participating in the joint APPG-TOP & APPG-AgDev Fieldtrip in April 2016 (see Annex 1) were informed by the Ministry of Trade that 20,000 to 30,000 people are estimated to cross the Gyseni-Goma border between Rwanda and the DRC each day.[132]

Informal cross-border trade plays an essential rôle in maintaining livelihoods of many low-income households in Africa through creating self-employment opportunities, informal employment and mitigating food insecurity. Informal traders interviewed in one study in Southern Africa reported that they employed from 1 to 8 people (in their home country or in the country of destination).[133] In Rwanda, more than 80% of ICBT takes place in the Western Province, where nearly 50% of the population is considered to live in poverty.[134]

ICBT is also a highly gender-related phenomenon. It is estimated that 60-80% of informal cross-border trade in sub-Saharan Africa is undertaken by women.[135] In the SADC region, women constitute about 70% of the informal cross border traders. In the Western and Central parts of Africa, women constitute nearly 60% of informal traders. In Rwanda, 65% of ICBT is carried out by women. During the joint APPG-TOP and APPG-AgDev field visit to Rwanda, UK parliamentarians were informed by the local organization *Pro-Femmes Twese Hamwe* that 74% of informal cross-border traders are women, who described how the income generated can improve life chances for their children, such as enabling them to attend school.[136]

Barriers at borders affect these small-scale traders disproportionately, as their profits are limited and thus each delay and fee is costly.[137] During the joint APPG-TOP and APPG-AgDev field visit, Francois Kanimba, the Rwandan Minister for Trade and his Permanent Secretary, Emmanuel Hategeka, discussed with the UK Parliamentary delegation the barriers at borders faced by small-scale and women traders. Harassment, bribery and violence by officials are frequent. For example, in Goma, 'officials' will often demand on-the-spot payments from traders, and as the DRC is not a member of the East African Community, there are no protocols in place to curb this behaviour. The Ministry of Trade's approach has been to support the organisations representing women traders, who can voice grievances to customs officials and feed into the policymaking process.

In their evidence to the Inquiry and during the joint APPG-TOP and APPG-AgDev fieldtrip in Rwanda, TMEA also pointed out that in addition to the barriers faced by small-scale traders, women traders face sexual harassment at borders, where there is often a lack of facilities to meet their needs, such as for childcare. Generally, across Africa, women traders do not have the network to voice their concerns and have to work with limited access to credit, assets and vital inputs. Despite being large in numbers, women traders are marginalised from the opportunities offered by trade, and usually deal in lower-value goods than their male counterparts.[138]

3.3.2 Creating decent jobs for Africa's young population

Africa has a young population and a growing labor force – a highly valuable asset in an aging world.

– McKinsey Global Institute[139]

With youth unemployment rates between 2-3 times higher than adult rates in Africa's middle income countries (MICs),[140] job creation for the young is a priority for many African countries,[141] and this goal is being actively championed by the African Union.[142] The current trade structure, and particularly Africa's dependence on trade in commodities, affects countries' ability to create decent stable jobs and increase the productivity of the workforce.[143] But there is real employment potential in Africa from expanding exports in the agricultural and manufacturing sectors (see Section 3.2.2).[144] For agriculture, it is estimated that there are 400-600 million plantation workers worldwide,

many of them in Africa. Looking at one sector, the Kenyan Flower Council estimates that 500,000 people are dependent on the Kenyan floriculture industry, including 90,000 direct employees.[145] However, even in high employment sectors, wages tend to be below the amount required to sustain a decent living, and producers of these primary products face high levels of uncertainty.

For example, in Côte D'Ivoire, the source of much of the UK's cocoa, World Bank / IFC figures suggest that 65% of cocoa farming households (usually smallholder farmers) experience a two-month hunger period between harvests, with an average income well below the poverty benchmark. In Malawi's tea growing regions, rates of stunting (from malnutrition) can be as high as 50%.[146] It is essential for producers to receive a fair price, and for workers to be paid at least a minimum wage. Organisations such as the Fairtrade Foundation and Light Years IP have developed innovative models for capturing more value for those producers in Africa at the bottom of the value chain.

There is also a strong case for intensive support for SMEs. Some 70% of employment opportunities that currently arise are in SMEs, which also account for 80% of Africa's trade.[147] Setting regulations in such a way that they are enforceable, and providing capacity building assistance are important for increasing the competitiveness of SMEs, as well as affordable access to backbone services (such as finance) and services related to testing and certification for export market standards.[148]

With youth unemployment rates between 2-3 times higher than adult rates in Africa's middle income countries (MICs), job creation for the young is a priority for many African countries , and this goal is being actively championed by the African Union.

4 Implications of Brexit for UK-Africa trade relations

Successfully leaving the European Union will require a more outward looking Britain than ever before, deepening our international partnerships to secure our place in the world by supporting economic prosperity, stability and security overseas. We will continue to tackle the great challenges of our time: poverty, disease and the cause of mass migration, while helping to create millions of jobs in countries across the developing world – our trading partners of the future.

– Priti Patel, Secretary of State for International Development

On the 23rd June 2016, the UK voted in a national referendum to leave the EU. Since then, a number of concerns have been raised regarding the immediate and longer-term implications of "Brexit" for the UK-Africa trade and development relationship. At the same time, there is potential for significant new opportunities related to trade, investment and development to be unlocked in terms of the UK's relationship with Africa when it leaves the EU. During our Inquiry, following the result of the referendum we decided to hold a second hearing and call for written evidence on the implications of Brexit (see Annex 1). In the remainder of this Section, we set our analysis of the risks and opportunities from the evidence we have received and reviewed.

On the day the UK leaves the EU, the worst-case scenario would be that the existing trade arrangements with African countries – in which the UK currently participates as an EU Member State – would cease to apply effectively and no alternative arrangements would have been put in place. This scenario can and must be avoided at all costs. With African countries, the EU trade arrangements in question will include the EU's non-reciprocal GSP scheme (including the Everything But Arms scheme of duty free-quota free imports for LDCs); the reciprocal Economic Partnership Agreement (EPA) which the EU signed with five SADC countries (Botswana, Lesotho, Mozambique, Namibia, South Africa and Swaziland) in June 2016; and potentially the EPAs which the EU has negotiated with the EAC and ECOWAS but which are still yet to be signed. Alternative arrangements will need to be put in place by the UK Government in the period leading up to the UK's formal departure from the EU so that exports from African countries to the UK will not face less preferential treatment than they currently enjoy under these arrangements. In the longer term, following Brexit, there will also be opportunities for the UK to restructure its relationship with Africa more cohesively on trade, investment and development.

4.1. RISKS FOR UK-AFRICA TRADE AND DEVELOPMENT RELATIONS FROM BREXIT

The EU is Africa's largest trading partner, and the UK is one of the largest single importers of African goods in the EU, accounting for 10% of total Africa's exports to the EU (and a considerably larger share of certain exports as we discuss below).[149] In addition, the UK is responsible for 37% of investment stock in South Africa and is the largest source of foreign direct investment in Nigeria.[150] Given these facts, clearly there are potential risks for exporters and investors from African countries to be impacted materially by the UK's withdrawal from the EU through a number of channels. We discuss each of these in turn.

First, if alternative and no-less favourable trading arrangements with Africa are not put in place by the UK Government at the point of the UK's departure from the EU, the effect would be that African exports to the UK would *de facto* face new tariff and trade restrictions. Non-LDC African countries which are not covered by the Everything But Arms scheme and are not (yet) members of a signed EPA with the EU (like Kenya, Nigeria, Ghana and Cote D'Ivoire) face particular risks here as new bespoke arrangements would need to be put in place for their exports to the UK. Our assessment is that the potential impacts here would be more significant for some African countries and sectors than others based upon their trading profiles. Some countries which would be most affected due to the value of their exports into the UK include South Africa, Nigeria, Angola, Kenya, Ghana and Côte d'Ivoire.[151] The UK accounts for 67% of beef, 41% of tea and spices, 31% of wine, and 22% of the continent's fruit exports to the EU,[152] but consumer

sensitivities to price variations in these products vary, as do the demand effects of such variations.[153] For example, demand for tea is less sensitive to price of the products and to income of consumers than is demand for products such as flowers, garments, toys and bicycles.[154] Depending upon the import regime (tariffs and other measures affecting market access) which the UK decides to put in place after it leaves the EU, it appears that African countries such as Kenya, which export price-sensitive goods to the UK, will be the ones who are most affected.[155]

Second, major African exporters to the UK may also be affected in the face of a weaker pound.[156] A weaker pound reduces the competitiveness of Africa's exports, such as Kenyan's horticulture exports, against UK domestic production.[157] Profits will also shrink for African exporters whose expenditure is in US dollars but their income in sterling.[158] The prospect of a deceleration in economic growth in the UK and of prolonged uncertainty regarding future trading arrangements between the UK and the EU could hold back trade and investment growth between the UK and African partners. Reduced growth in sales of African producers into the UK, and reduced levels of investment into such business, could have a significant impact on households, farmers and workers in parts of the continent.[159]

Finally, there are the potential knock-on effects from the disruption of smooth tradeflows between the UK and the EU market for African exporters following Brexit. During our Inquiry, the Kenyan Association of Manufactures (KAM) reported concerns from its members that some products, such as fruit and vegetables, which are currently exported into the Dutch market before being re-exported into British supermarkets, would be severely affected. This would also apply to other products which are shipped to the UK and then re-exported to the rest of the EU. Similarly, the Fairtrade Foundation told our Inquiry that many of the companies which they work with in the UK have manufacturing bases for intermediate processing in other European countries, or export finished products to the EU market.[160] Due to the existence and operation of the Single Market, trade operations between the UK and other EU Member States are currently smooth and at minimal cost, but this might change depending on the terms of UK withdrawal and what future UK-EU trading relationships can be negotiated.[161]

4.2. OPPORTUNITIES FOR UK-AFRICA TRADE AND DEVELOPMENT RELATIONS FROM BREXIT

In the short term, as we have noted above, the priority for the UK Government should be to avoid undermining the current market access terms for African exports to the UK upon leaving the EU. Leaving aside the question of links between the UK and EU markets for African exporters, this is relatively straightforward and can be done by implementing measures to essentially novate or roll-over the same terms as (i) the EU GSP scheme and (ii) EPAs in place with African countries at the time of Brexit. In the latter case, the roll-over procedure will need to agreed mutually by the UK and its African partners. In the case of EPAs, a further potential option could be for the terms of Brexit under the Article 50 negotiations to contain a protocol to enable continued effective operation of the EPAs amongst all the parties even with the UK no longer an EU member state, at least for a transitional period. The Inquiry was informed that there is reverse precedent here, when in 2004 an acceding Member State was allowed to become a party to some EU trade agreements with third countries through a specific protocol before it had completed its accession to the EU.[162]

In the medium term, however, Brexit should open up the possibility for new or strengthened trade relations between the UK and African countries, such as the Commonwealth African countries, which may provide better trade and investment potential with the UK due to geographic, political or historical reasons. A recent study by the Commonwealth Secretariat has highlighted the advantages of intra-Commonwealth trade. Such trade advantages include reducing barriers by use of a common language, having the common law as their legal basis, and having similar institutions.[163]

Moving to a system of reciprocal trade preferences with African countries, the UK could negotiate its own new free trade agreements with groups of African countries.

Over the medium term, as the UK develops an independent trade policy for life outside the EU, it will have the opportunity to better integrate its trade, investment and development policy frameworks towards Africa and to make these more progressive than is now the case – for example through providing market access for African countries which would be more generous than the EU's current trade arrangements (both the GSP and EPAs) currently provide. The EU's Common Agricultural Policy, which protects farmers in the EU by providing subsidies, has been criticised as making it difficult for agricultural producers in developing countries to compete with European producers.[164, 165] This is an important issue for many African countries, as agriculture remains a significant sector in terms of trade and employment, and a sector through which African economies can potentially climb up the value chain. Trade barriers faced by African countries could also be reduced by relaxing current EU rules of origin and technical regulations, such as standards which protect some Mediterranean products in the EU market: African countries are adversely affected here as these often concern the products in which they have comparative advantage, such as tropical fruits and vegetables and meat products.[166]

In addition to taking the best from the current EU-Africa trading arrangements, there is also an excellent opportunity over the medium term for the UK to adopt best practices from other countries such as the US, Japan and Canada to set a high standard for a development-orientated trade agreement with Africa. In particular, the US' African Growth and Opportunity Act (AGOA) provides a comprehensive and structured package of trade preferences, trade and investment promotion efforts, the prospect of potential future FTAs with countries or regions, and a comprehensive package of AfT for African countries and regions. In broad terms, there are two main options here which the UK Government can consider over the medium term for its future trading relationship with Africa: reciprocal arrangements and non-reciprocal arrangements.

For non-reciprocal trade preferences, the UK could follow the US example and introduce its own "AGOA-type" GSP scheme for African countries, which can be more development-orientated and potentially more liberal than that of the EU GSP for LDCs and developing countries. External negotiations will not be required – most OECD countries offer GSP schemes and in all cases they are autonomous.[167, 168] The UK could, for example, extend the Everything But Arms scheme to all Sub Saharan African countries and design rules of origin which are more liberal in nature to improve take up by African exporters.[169] Although a new UK "AGOA-type" GSP regime for African countries would in theory need to comply with WTO rules (for example non-reciprocal trade preferences for services exports would be limited to African LDCs[170]), other OECD states such as the US, Norway and Australia, have offered superior market access to selected groups of developing countries and have not been challenged in the WTO.[171]

Moving to a system of reciprocal trade preferences with African countries, the UK could negotiate its own new free trade agreements with groups of African countries, which could seek to improve upon the EU's EPAs and aim to be more supportive of continental regional integration in Africa. If a credible African Continental FTA was in place, the UK could potentially seek to conclude a single Africa-wide reciprocal trade agreement. During our Inquiry, UNECA suggested to us that some areas that the new UK-Africa two-way trade agreement(s) could improve upon could be addressing climate change objectives (such as facilitating green technology transfer), removing or reducing unfair subsidies which harm African producers, and building partnerships to expand trade in services within key sectors and across the different modes of supply. However, the option of negotiating new reciprocal UK trading arrangements from scratch with Africa would likely be complex and take years to operationalize, so we conclude that a range of alternatives will need to be considered by UK policymakers for the foreseeable future.

5 Conclusions and recommendations

During our Inquiry, we have heard a strong and consistent message from stakeholders that a successor to AFTi would be warmly welcomed on the continent, and that the UK should continue to be a champion for freeing up trade and boosting capacity and competitiveness in Africa as part of a long term strategy for prosperity and economic development. We believe that the case for this is strengthened even further by the prospect of the UK's departure from the European Union, where the potential implications for Africa must be faced positively and there is an opportunity for an even deeper partnership between the UK and Africa on trade, investment and development.

In our judgment, a successor to AFTi should address three priority issues concerning trade and regional integration. We recommend that the UK Government significantly scale up its technical, financial and political support to help African countries in (I) cutting trade costs and connecting markets, (II) enhancing productive capacity, and (III) using trade to drive inclusive growth in all African countries. Building on the successes and lessons from since 2011, a successor to AFTi should see an intensification of UK AfT engagement in East, Southern and West Africa. There should also be a concerted effort to build on existing strong delivery platforms that are performing well and can be scaled up quickly with support from the UK and other like-minded investors, such as TMEA, PIDG and AgDevCo.

To sustain and magnify the impact of efforts under these three pillars, we further recommend that the UK Government should adopt a 'smart regional integration' approach and establish a leadership rôle (an AFTi Special Envoy, appointed by the Prime Minister) within the UK Government to deliver better direction and coordination both between departments within the government and with external parties such as African governments, regional economic communities, the private sector and development partners like the AfDB and the World Bank.

In the sub-sections below, we suggest specific objectives, proposals and timelines for a successor to AFTi under each of the three main pillars. Our proposals call for a significant scaling up of investment by the UK in AfT for Africa. But they also call for strong political leadership and close partnerships between the UK and Africa. Our proposals are intended for consideration and further elaboration by the UK Government, and particularly the concerned departments of International Development, International Trade and the Foreign and Commonwealth Office, who we expect will wish to consider them within the ongoing discussions in the UK concerning Brexit and its implications for Africa.

Finally, we also see an important role for the APPG for Trade Out of Poverty to play in continuing to make the case for a successor to AFTi with the new Government, to work with its network of partners to track the delivery of an "AFTi II" over its implementation period, and to champion the importance of the UK's work on boosting trade and integration for sustainable, inclusive development in Africa.

5.1 LEADERSHIP

To ensure that there is proper coordination between actions implemented across UK government departments and across UK-funded programmes related to trade, infrastructure development and inclusive economic growth, we recommend the UK government appoint an AFTi Special Envoy, working closely with relevant Ministers and reporting to the Prime Minister. The proposed rôles for the AFTi Special Envoy are as follows:

- Work directly with the Ministers of relevant UK Departments to develop, progress and monitor the portfolio of AFTi initiatives. This should include an Annual Report, which will be publically available, setting out the latest strategy, targets and results.
- Strengthen diplomacy and dialogue between UK Ministers and Ministers from African governments and leaders of African regional economic blocs, including on new trading arrangements post Brexit.
- Stimulate a better level of synergy, particularly along transport corridors and geo-spatial growth hubs,

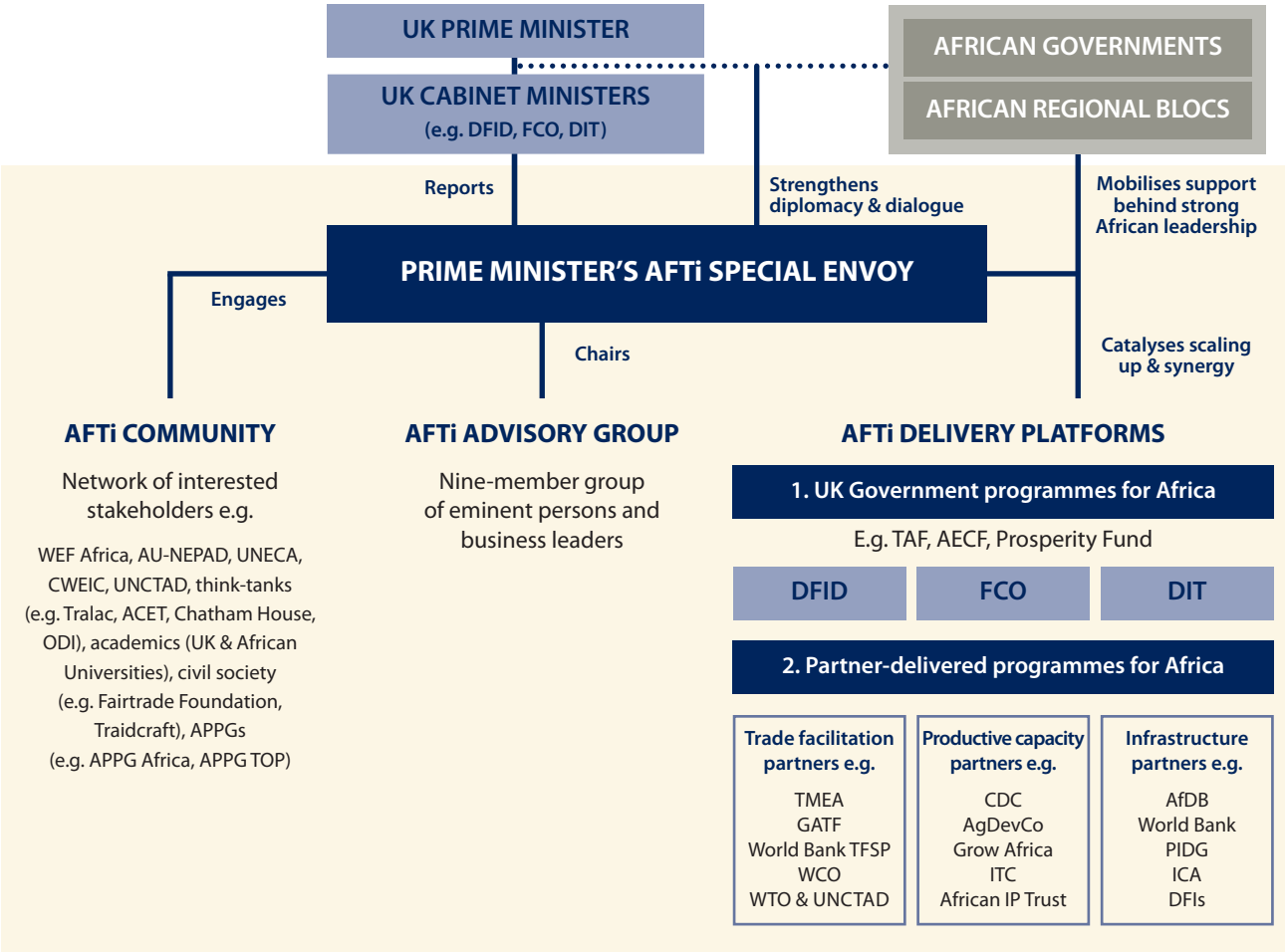
between Africa AfT programmes which are delivered by the UK government (e.g. TAF via DFID) or funded by the UK (eg TMEA and PIDG), and by other development partners (e.g. the Word Bank and AfDB).

- Chair a group of experts and business leaders in order to understand the needs of the private sector so that they can be fed into AFTi initiatives.
- Engage the AFTi community, which includes international organisations (e.g. UNECA, CWEIC, WEF), think-tanks (e.g. tralac, ACET, ODI), academics (UK and African universities), non-profit organisations (e.g Fairtrade Foundation, Traidcraft) and relevant All-Party Parliamentary Groups.

5.2 PROPOSED OBJECTIVES AND ACTIONS OF AFTI II

We propose the following objectives and actions for an AFTi II under the three pillars. As noted above, our proposals are intended for consideration and further elaboration by the UK Government, and particularly the concerned departments of International Development, International Trade and the Foreign and Commonwealth Office.

Figure 8 The role of the AFTi Special Envoy



PILLAR I: Cutting Trade Costs And Connecting Markets	
Objectives	Actions
Objective I:I *Provide political and technical support to ratify and implement the WTO Trade Facilitation Agreement.*	• Engage actively with the AU and all African WTO members who have not done so to ratify the TFA and notify their categorisation commitments as soon as possible. • Commit a further £100m in support for African countries and RECs to implement the TFA. For example, Zambia has recently ratified TFA and has submitted its categorization commitments. Resources will be needed to assist Zambia in implementing its identified priority areas.[172] • Work with other development partners to ensure that each African WTO member has a funded TFA implementation plan in place by 2019.
Objective I:II *Work with partners to increase efficiency of border management & key transport corridors.*	• Build 10 One Stop Border Posts and modernize 4 gateway ports on key corridors in East, West and Southern Africa by 2022. • Complete Single Window systems in 5 countries and 2 regional customs inter-connectivity projects by 2022. Single Window is an electronic platform which links trade-related government bodies with private sector groups involved in trade. • Work with partners to create an online Corridor Performance Tracker by 2020 as part of NEPAD's MoveAfrica initiative. It will be important to monitor continuously the improvements of corridors. MoveAfrica, is an initiative which aims to address the transformation of the cross-border transport and logistics sector in Africa by driving down transport costs and increasing logistics efficiency. It could be an appropriate platform to create and maintain this Tracker.
Objective I:III *Support regional efforts and connect with the private sector to eliminate non-tariff barriers.*	• Support regional cooperation to harmonize standards and simplify trade processes and procedures. Ratification of the TFTA and conclusion of the CFTA negotiations will be important to harmonise standards and procedures between the trading blocs. • Support streamlining of transport regulations, especially those that apply across borders. • Support business groups like EABC and Borderless West Africa to monitor NTBs and lobby for their removal. • Establish support for NTB elimination schemes in 12 countries by 2018. Successful programmes in the EAC can be expanded to other countries – under its time-bound elimination programme, the EAC has removed 78 NTBs as of December 2014, reducing remaining NTBs to an average of only 4.2 per EAC country, however four new NTBs were reported.[173]

PILLAR II: Enhancing productive capacity	
Objectives	**Actions**
Objective II:I *Encourage partners and investors to advance priority regional infrastructure solutions.*	• Work with Board Members of the World Bank, AfDB, and DFIs to encourage regional infrastructure lending. For example, AfDB provided loans and grants for the Multinational Nacala Road Corridor Development Project.[174] • Establish an £150m Infrastructure for African Trade Facility to support early-stage preparation and packaging of bankable priority projects by 2019. • Expand public-private infrastructure financing partnerships through PIDG and other facilities. For example, InfracCo Africa, a PIDG Facility, has successfully mobilized investment into infrastructure projects in some of the poorest or most fragile states by reducing the risks and costs associated with early stage development.
Objective II:II *Support reforms and initiatives to open up economic backbone services markets in Africa.*	• Champion a streamlined Intra-African business visa scheme by 2020. Even within the East African Community, the five Member States have different policies and procedures for acquiring work permits. Though Kenya and Rwanda have abolished fees for work permits, the process is still lengthy and can take up to six months.[175, 176] • Continue to support African countries in global/regional trade in services negotiations, via Phase 2 of the UK Trade Advocacy Fund from 2017. Phase 1 of the UK Trade Advocacy Fund has been instrumental in providing legal advice and support to countries into negotiating the TFTA agreements. Further support will be needed for negotiations on the CFTA agreements, as well as the remaining issues arising on the TFTA agreements. • Support pro-competitive regulatory reforms in the finance, transport, energy & telecoms services in at least 12 African countries by 2025.
Objective II:III *Catalyse partnerships to help create & keep value in manufacturing & agri-business industries.*	• Mobilize $10bn of new private sector investment into agribusiness and trade through partnerships like GrowAfrica & AgDevCo by 2022. • Earmark £250m for investments by CDC & Business Challenge Funds in Africa by 2022 for upgrading storage, cold chain & logistics to reduce post-harvest losses and capture more potential from regional agricultural trade.[177] • Help to convene coalitions of governments, development partners, DFIs and private investors for upgrading trade infrastructure & logistics in at least 8 job-intensive export growth hubs in East, West & Southern Africa by 2022.

PILLAR III: Using trade to drive inclusive growth in all African countries	
Objectives	**Actions**
Objective III:I *Support innovative strategies and business models which capture value for poor producers.*	• Develop/advocate a strategy for Africa of moving from raw commodities to premium brands for Africa. • Support new business models for 5 African primary producers through partners like the Africa IP Trust by 2020. For example, Light Years IP works with African primary export businesses, such as Nilotica shea producers, and cooperatives to reposition their place in the value chain such that they can secure their own retail brands. • Support market-based schemes which enable payment of better prices to small producers (e.g. Fairtrade initiatives). For example, Fairtrade Foundation works with cooperatives to increase the bargaining power of local businesses and farmers in regional and in GVC.
Objective III:II *Support capacity building and partnerships to empower African SMEs.*	• Support African governments in streamlining SME business registration and trade licensing/support services, to meet SME needs. • Provide export training and tools to link SMEs with global and regional value chains via a new UK-backed Africa Trade Impact Investment Fund. • Work with commercial banks and DFIs to improve SME access to trade finance. This includes providing more accessible information about the documentation required for loans and other transactions.
Objective III:III *Commit to and deliver interventions to tackle barriers for small scale cross-border trade and empower women in trade*	• Facilitate small-scale trade by supporting schemes (such as COMESA's Simplified Trade Regime) and facilities at 15 borders by 2022. Complex procedures affect small-traders the most. To mainstream small-scale trade, simplified and transparent procedures and documentation requirements are vital. • Commit £50m in women's economic empowerment initiatives linked to trade such as ITC SheTrades & UN Women Empowerment Principles by 2020. ITC SheTrades provides buyers across the globe a unique platform to connect with women-owned enterprises. UN Women Empowerment Principles are tailored for businesses, using 7 Principles to assess company policies and programmes.[178] • Deliver interventions to address barriers faced by women traders (e.g. sexual harassment) at 15 OSBPs by 2022. This encourages women traders to cross borders at official points and encourages more trade.

5.3 A SMART APPROACH TO SUPPORTING REGIONAL INTEGRATION IN AFRICA

De-fragmenting Africa's small markets is key to attracting more business investment and boosting intra-African trade in agriculture, manufactures and services. But advancing regional integration across Africa is a complex endeavour, and there are multiple entry points for supporting these processes on the continent. To achieve the objectives and actions proposed under the three pillars set out in Section 5.2 above, we recommend that the UK Government takes a 'Smart Regional Integration' approach by aligning with African plans and supporting African champions; developing stronger data sets; and sharing knowledge for the purpose of better policy making. This approach can help to increase the effectiveness and magnify the impact of AFTi's direct interventions and programmes considerably.

5.3.1 Align with African plans & support African champions

- Design and implement AFTi interventions in alignment with the AU Action Plan for Boosting Infra-African Trade, but keeping sight of the need for better implementation at the national level.
- Target AFTi investments at the national level to African countries where there are realistic plans and strong political commitment, so that returns will be highest.
- Strengthen the capacity of Regional Economic Communities to deliver results and measurable gains in freeing up trade in Africa.

5.3.2 Develop stronger data sets and share knowledge for better policy making

- Work with African institutions like UNECA to develop more suitable metrics to measure African trade and regional integration and put these into use by countries, RECs and development partners.
- Invest in a new Better African Trade Data coalition to improve understanding and modeling of the impacts of trade on different groups, including the rural and urban poor, and to allow better policy design, sequencing and programming.
- Set up an AFTi knowledge platform, with an annual stakeholder conference and published annual reports, so as to share lessons learnt and knowledge gained from AFTi initiatives and from those of different partners from government, the private sector and civil society.

5.4 MAKING BREXIT A SUCCESS FOR UK-AFRICA TRADE AND INVESTMENT

To reduce short-term uncertainty, during the years when the UK remains a member of the EU, we recommend that the UK Government should inform Africa's leaders and business community clearly of its intentions with regard to maintaining Africa's present access to the UK market under the EU-EPAs and GSP schemes. An effective trading arrangement, even a transitional one, needs to be in place from the day when the UK leaves the EU, such that African partners will not face a sudden hike in trade costs. Current procedures of transshipment between the EU and the UK will also need to be carefully considered so as to reduce disruption in global value chains.

Large emerging markets, such as China, India and Brazil, are likely to be in the UK's priority list for bilateral trade negotiations, but some products of these countries are in direct competition with LDCs.[179] Therefore, we further recommend that the UK Government is careful to ensure these negotiations will not marginalize poor people in Africa, e.g. trade preferences given to Brazilian sugar cane imports to the UK do not undermine sales of farmers in smaller and poorer African countries such as Malawi and Swaziland.[180]

In the medium term, we further recommend that the UK Government draw up more development-friendly, more

liberal trade agreements with African partners by learning from the trade preference arrangements with Africa of the EU and other OECD countries. In undertaking this exercise as part of developing a new UK external trade policy, the Government should consider the merits of both reciprocal and non-reciprocal preferential trading arrangements with Africa. Whatever type of future UK-Africa trading arrangements are established, the imperative of boosting African trade, on the continent and with global markets, to achieve sustainable development goals will need to be mainstreamed in these new deals. This includes Aid-for-Trade programmes such as those proposed under an AFTi II to help African partners reduce trade costs, improve infrastructure, strengthen productive capacities, and ensure that the benefits from trade can be enjoyed by the many and not just the few.

To reduce short-term uncertainty, during the years when the UK remains a member of the EU, we recommend that the UK Government should inform Africa's leaders and business community clearly of its intentions with regard to maintaining Africa's present access to the UK market under the EU-EPAs and GSP schemes.

Annex 1: The Inquiry process

In order to meet the twin objectives of the Inquiry, the Inquiry has consulted with a range of stakeholders from both the UK, African countries and international institutions through several different means: written evidence submissions, oral evidence in public hearings, expert roundtable meetings, a business leaders dinner, as well as a breakfast roundtable meeting at the British High Commissioner's residence in Lusaka, Zambia. In addition, Lord Paul Boateng attended the World Economic Forum's Africa Meeting in Kigali in May 2016.

The findings, analysis and recommendations in our Report are based on the evidence provided to us through these channels.

Written evidence submissions

The Inquiry issued a public call for written evidence in March 2016. In order to stimulate submission of evidence from a broad range of stakeholders, the Committee provided the following questions as guidance, with the aim of encouraging participants to submit evidence against specific questions that would best reflect their own areas of expertise.

- How can trade policies and trade facilitation systems in Africa be designed to further the goals of wealth creation, employment and poverty reduction, taking into account the growing importance of the digital economy in world trade?
- What are the key opportunities and challenges for boosting trade in Africa, and with the rest of the world, in specific sectors such as agriculture, manufacturing and services? What factors would allow African exports in these sectors to be more competitive and capture more value?
- How can we ensure that trade development in Africa is pro-poor and equitable for women and men? Are special measures and types of investments needed for the informal sector, for SMEs, and for promoting women's participation in trade in African countries?
- What is the role for development partners like the UK in boosting trade and investment in Africa, both through aid-for-trade initiatives and through promoting two-way trade and investment with African countries? What approaches have worked well in this area so far and what more could be done? Building on AFTi, could the UK take a more ambitious and longer term approach in the future?

The Inquiry received 17 submissions of written evidence from organisations and individuals from academia, international organisations, think-tanks as well as DFID-funded programmes.

Please see Appendix 1B for the full list of individuals and organisations who submitted written evidence. All of the written evidence submissions can be downloaded from the APPG-TOP website.

Public hearings

The Inquiry hearings were held on the 19th April 2016 in the House of Commons in Westminster, London and were open to the Public. During the hearings, the participants presented their evidence, after which the Inquiry Committee Members discussed the evidence further.

In the high-level hearing, evidence was provided by Rt Hon Andrew Mitchell MP, former Secretary of State for International Development, who first announced AFTi in 2011, and Mr. Jean Louis Billon, Minister of Commerce from Côte d'Ivoire. Evidence was also provided by leaders from international organisations, including Dr. Patrick Gomes, Secretary General of the African, Caribbean and Pacific Group; Mr. Taffere Tesfachew, Director of Africa Division of UNCTAD; Mr. David Luke, Director of Africa Trade Policy Centre in UNECA; and Ms. Dorothy Tembo, Deputy Executive Director at the UNCTAD-WTO International Trade Centre (ITC) in Geneva. A specially pre-recorded video presentation was provided by Ms Anabel Gonzalez, Head of the Trade & Competitiveness Global Practice at the World Bank.

From the UK Government's perspective, the Inquiry received evidence from Mr. Paul Walters, Deputy Director, Joint DFID-BIS-FCO Trade Policy Unit and Mr. Harry Hagan, Senior Economic Advisor, Africa Division, DFID. Leaders of DFID-funded programmes also provided evidence, including Mr. Frank Matsaert, TradeMark East Africa and Mr. Brian Count, Chairman of InfraCo Africa, a facility of Private Infrastructure Development Group (PIDG).

In the expert hearing, recent research findings on trade and regional integration in Africa were provided by representatives from the World Bank (Dr. Paul Brenton), the Overseas Development Institute (Dr. Maximiliano Mendez-Parra), tralac (Dr. Trudi Hartzenberg), the University of Sussex (Dr. Jim Rollo) and the Commonwealth Secretariat (Dr. Jodie Keane). Challenges and opportunities for trading, investing and doing business in Africa were explained and highlighted by representatives from the Commonwealth Enterprise & Investment Council (Mr. Oliver Everett), the World Economic Forum's Grow Africa initiative (Mr. Ian Randall) and Light Years IP/Africa IP Trust (Mr. Ron Layton).

The full list of hearing participants is in Appendix 1A.

Roundtable consultations

In addition to the hearings, the Inquiry consulted with trade experts from the African Union (Mr. Babajide Sodipo), the East African Community Secretariat (Mr. Geoffrey Osoro) as well as International Lawyers and Economists Against Poverty (Mr. David Primack) on 7th March 2016. The discussions covered progress, opportunities and challenges of the African Continental Free Trade Area; the latest status of the COMESA-EAC-SADC Tripartite Free Trade Area; the EU Economic Partnership Agreements in Africa; the status of sub-regional economic integration in Africa; as well as ratification and implementation of the WTO Trade Facilitation Agreement.

We also held a roundtable consultation on 3rd May 2016 with experts from a number of non-governmental organisations working in the field of ,trade and development in Africa, namely the Fairtrade Foundation (Mr. Michael Gidney), Traidcraft (Ms. Liz May) and AFFORD (Ms. Stella Opoku-Owusu). During the roundtable, the experts discussed the role of trade in helping to achieve the SDGs, the role of African diaspora in expanding investment into Africa, gender-aspects of trade and the role of informal cross-border traders.

Working Dinner with UK & African business leaders

In collaboration with Commonwealth Enterprise & Investment Council, the APPG-TOP organised a working dinner for the Inquiry Committee at the House of Commons on 19th April, 2016 attended by UK and African business leaders from across sectors. During the dinner, the guests discussed the opportunities, risks, barriers and potential solutions to expanding trade and investment in and among African countries.

Please see the full guest list for the business leaders dinner in Appendix 1C.

Breakfast Meeting at the British High Commissioner's Residence in Lusaka, Zambia

Taking the opportunity of the gathering of leaders from public and private sectors across the African continent during the week of African Development Bank Annual Meetings in Lusaka, Zambia, on 26th May 2016, the British High Commissioner to Zambia, Mr. Fergus Cochrane-Dyet, hosted a Breakfast Meeting in his residence for us.

During the Breakfast Meeting, the Inquiry received evidence from African business leaders of multinational companies, namely Mr. Andrew Okai, Chief Executive Officer of Standard Chartered Bank Zambia; and Ms. Rebecca Katowa, Managing Director of Zambia Sugar Plc.; and Mr. Alex Katon, Executive Director of Infraco Africa and Ms. Moono Mupotola, Director of NEPAD, Regional Integration and Trade at the African Development Bank provided a development partners perspective. Mrs. Lillian Bwalya, Director of the Ministry

of Commerce, Trade & Industry of Zambia also provided insights into Zambia's progress, priorities and next steps.

Rwanda fieldtrip

In collaboration with All-Party Parliamentary Group on Agriculture & Food for Development (APPG AgDev) from 2nd to 7th April 2016, the TOP-APPG secretariat organised a trip for 3 MPs to travel to Rwanda to undertake a field study looking the role women smallholder farmers can play in tackling poverty, with a particular focus on the role of cross-border trade.

During the trip, Lord Cameron of Dillington, Martyn Day MP, Kerry McCarthy MP and a representative from the Secretariat met with Rwanda's Ministry of Agriculture, the Rwanda Parliamentary Agriculture Committee, DFID's country office, the World Food Programme, TradeMark East Africa, Hand in Hand International and CARE Rwanda. The delegation also travelled to the Rwanda-Congo border to meet with women ICBT to gather evidence on the constraints they face to trade, including the lack of formal legal status, opaque policies, physical insecurity and abuse, customs and trade barriers, as well as lack of access to inputs (e.g. logistics, market information, skills, production inputs). The Secretariat produced a Report providing recommendations to regional and national stakeholders based on the findings from the trip.[181]

Extension of the Inquiry to take evidence on the implications for Africa from Brexit

In July 2016, with agreement from the APPG-TOP, the Committee decided to extend the scope and timetable of the Inquiry in order to take evidence on the implications for Africa from Brexit. This followed the UK's EU referendum on 23rd June 2016, on whether the UK should leave or remain in the EU. With 72% turnout, the 'leave' vote won by 52% to 48% (see Section 5 for more details).

An additional hearing was held in Parliament on Tuesday 12th July from 10:30 am to 12:30 am to take oral evidence on the implications from Brexit for Africa and UK-Africa trade relations in particular. The hearing was chaired by Lord Stephen Green and Lord Paul Boateng. The hearing participants were: Dr. David Luke, Director of Africa Trade Policy Centre at UNECA; Mr. Bimal Kantaria, Board Director of Kenya Association of Manufacturers; Dr. Mohammad Razzaque, Adviser & Head of International Trade Policy at the Commonwealth Secretariat; Mr. Michael Johnson, former trade negotiator for the UK Government; Ms. Ana Gallo-Alvarez, Managing Director of GlobeChange Strategies and former Senior Director, Dechert LLP; Professor Jim Rollo, Emeritus Professor at University of Sussex; and Dr. Christopher Stevens, Senior Research Associate at Overseas Development Institute.

The Inquiry's Call for Written Evidence was also extended to 31st July 2016 in order to allow for submissions covering the implications for Africa from Brexit. Again, the Committee provided the following specific questions with the aim of guiding and encouraging participants to submit evidence which best reflected their own area of expertise:

- Trade policies: How would the existing trade arrangements (both non-reciprocal trade preference arrangements and reciprocal trade preference arrangements such as the Economic Partnership Agreements) between the UK and African countries look immediately after Brexit? What steps would need to be taken by the UK Government to ensure Africa's exports to the UK were not interrupted upon the UK's withdrawal from the EU? What are the potential risks and opportunities for UK-Africa trade relations arising from Brexit?
- Aid-for-trade: Should the UK's aid-for-trade programmes evolve to reflect the new trading relationships between the UK and African countries post-Brexit? Does Brexit potentially open up new channels through which the UK can use trade and investment as a vehicle to reduce poverty in Africa?
- Inclusive trade: Are there specific potential implication from Brexit for small-scale traders and

farmers in Africa? If so, are there ways for the UK Government to ensure that post-Brexit trade policies would be pro-poor and equitable for men and women in Africa?

In total, following the extension of the Call for Evidence, the Inquiry received 9 additional written submissions covering the above questions and issues related to the potential implications from Brexit for Africa.

Please see Appendix 1B for the full list of individuals and organisations who submitted written evidence. All of the written evidence submissions can be downloaded from the APPG-TOP website.

APPENDIX 1A LIST OF HEARING PARTICIPANTS

1ST HEARING: 19TH APRIL 2016

Morning session

Name	*Affiliation*
Rt Hon Andrew Mitchell MP	Former Secretary of State for International Development
Mr. Jean-Louis Billon	Minister, Ministry of Commerce, Côte d'Ivoire
Dr. Patrick Gomes	Secretary General of the African, Caribbean and Pacific Group
Mr. Taffere Tesfachew	Director, Division for Africa, LDCs and Special Programmes, UNCTAD
Dr. David Luke	Director of Africa Trade Policy Centre, UNECA
Mr. Paul Walters	Deputy Director, Joint DFID-BIS-FCO Trade Policy Unit
Mr. Harry Hagan	Senior Economic Advisor, Africa Division, DFID
Ms Dorothy Tembo	Deputy Executive Director, UNCTAD-WTO International Trade Centre
Mr. Frank Matsaert	CEO, TradeMark East Africa
Mr. Brian Count	Chairman, InfraCo Africa

Afternoon session

Name	*Affiliation*
Dr. Paul Brenton	Trade Practice Leader in the Africa Region, World Bank
Dr. Maximiliano Mendez-Parra	Research Fellow, Overseas Development Institute
Ms. Trudi Hartzenberg	Executive Director, tralalc (Trade Law Centre)
Prof. Jim Rollo	Emeritus Professor, University of Sussex
Mr. Oliver Everett	CEO, Commonwealth Enterprise & Investment Council
Mr. Ian Randall	Chairman, Wasafiri Consulting; Advisor, Grow Africa
Mr. Ron Layton	CEO, Light Years IP
Dr. Jodie Keane	Economic Advisor, Trade Division, Commonwealth Secretariat

2ND HEARING: 12TH JULY 2016

Name	*Affiliation*
Dr. David Luke	Coordinator, African Trade Policy Centre, UNECA
Mr. Bimal Kantaria	Board Director at Kenya Association of Manufacturers, & Chairman, Agro Processing Caucus Kenyan Association of Manufacturers
Dr. Mohammed Razzaque	Head, International Trade & Regional Cooperation Section, Commonwealth Secretariat
Mr. Michael Johnson	Former trade negotiator for the UK government
Ms. Ana Gallo-Alvarez	Managing Director, GlobeChange Strategies
Prof. Jim Rollo	Emeritus Professor, University of Sussex
Dr. Christopher Stevens	Senior Research Associate, Overseas Development Institute

APPENDIX 1B LIST OF ORGANISATIONS & INDIVIDUALS SUBMITTING WRITTEN EVIDENCE

African Centre for Economic Transformation (ACET)
Ana Gallo Alvarez
Chris Stevens
Commonwealth Secretariat
Centre for Research on Economic Development & International Trade, University of Nottingham (Salamat Ali, Chris Milner, Oliver Morrisey)
Emily Jones (Associate Professor, Blavatnik School of Government, University of Oxford)
Fairtrade Foundation
George Wokorach
International Trade Centre (ITC)
Light Years IP and African IP Trust
Matthew Cadbury (University of Hertfordshire)
Michael Johnson
Organization for Economic Cooperation and Development (OECD)
Overseas Development Institute (ODI)
Private Infrastructure Development Group (PIDG)
Robert Otim
Samuel Olara
Trade Justice Movement
Trade and Markets East Africa (TMEA)
Traidcraft
Tralalc (Trade Law Centre)
United Nations Economic Commission for Africa (UNECA)
World Bank (Anabel Gonzalez, Paul Brenton)

APPENDIX 1C ATTENDEES FOR UK-AFRICA BUSINESS LEADERS DINNER

Name	*Affiliation*
Rt Hon Peter Lilley MP	Co-Chair, All-Party Parliamentary Group for Trade Out of Poverty
Mr. Ali Mufuruki	Co-Chair, AFTi Inquiry Committee
Mr. Tom Pengelly	Director, Secretariat, APPG-TOP;
Prof. Myles Wickstead	Member, AFTi Inquiry Committee
Ambassador Darlington Mwape	Member, AFTi Inquiry Committee
Lord Marland of Odstock	Chairman, Commonwealth Enterprise & Investment Council
Mr. Babatunde Soyoye	Co-founder, Helios Investment Partners LLP
Ms. Monica Atwal	Managing Partner, Clarkslegal LLP
Mr. Celvyn Jones	Business Manager, Vodafone Global Enterprise
Mr. Michael Sergeant	Finance Director, EleQtra
Mr. William Asiko	Chief Executive Officer, Investment Climate Facility for Africa
Mr. Shanker Singham	Director of Economic Policy and Prosperity, The Legatum Institute
Mr. Chris Isaac	Director, Business Development, AgDevCo
Ms. Ann Cormack	Director International, Rolls-Royce
Mr. Frank Matsaert	CEO, TradeMark East Africa
Justin Highstead	Executive Director of Africa Programmes, Gatsby Foundation
Mr. Brian Count	Chair, InfraCo Africa
Mr. Alex Childs	General Counsel, InfraCo Africa
Ms. Mary Woodgate	UK Lead, Accenture Development Partnerships
Mr. Angus Kirk	Partner, MDY Legal
Mr. Ron Layton	CEO, Light Years IP
Ms Nana Guar	Senior Consultant, Corporate Citizenship
Ms Kerry McCarthy MP	Shadow Secretary of State for Environment, Food & Rural Affairs
Mr. Glenn Turner	Chief Legal and Commercial Officer, Gem Diamonds

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INQUIRY INTO THE UK'S AFRICA FREE TRADE INITIATIVE

'Trade can be a great motor for development. Yet for both historic and geographic reasons African countries trade less with each other and with the outside world than do countries on other continents.'

– From the Foreword by the Co-Chairs, All Party Parliamentary Group for Trade Out of Poverty

The United Kingdom's Africa Free Trade Initiative (AFTi) was launched in 2011 to help African countries to integrate into the world trade system. To mark the fifth anniversary of the scheme, the All-Party Parliamentary Group for Trade Out of Poverty appointed an Inquiry Committee of distinguished experts to review the achievements of AFTi so far and advise on whether there is a case for a successor-initiative.

The Inquiry's report finds that AFTi programmes, which have focused on cutting tariffs, harmonizing regional trade arrangements, improving both hard and soft trade infrastructure and cutting red tape through modernizing customs systems and procedures, have had a significant effect in improving trading conditions particularly in Eastern and Southern Africa. AFTi has helped to facilitate co-ordination and reduce investment-related costs between governments and stakeholders across borders. It has also leveraged private sector investment into infrastructure and productive sectors through funding from Development Finance Institutions such as the Commonwealth Development Corporation. AFTi has supported negotiations for the Tripartite Free Trade Area between COMESA, SADC and the EAC, and wider negotiations are now under way under the auspices of the African Union for creation of a Continental Free Trade Area. Much remains to be done, however, particularly in removing trade barriers between 30 different regional groupings and associations in Africa.

The Inquiry found unanimous support among consultees for continuation of this work under a successor to AFTi. Much more work and help is needed, for example to close the infrastructure gap in Africa, particularly in the transport and energy sectors. Building on the successes and lessons since 2011, a successor to AFTi should see an intensification of UK Aid for Trade in East, Southern and West Africa. There should also be a concerted effort to build on existing strong delivery platforms that are performing well and can be scaled up quickly with support from the UK and other like-minded investors, such as TMEA, PIDG and AgDevCo. To provide stronger and cohesive leadership, an AFTi Special Envoy should be appointed by the Prime Minister.

All-Party Parliamentary Group for Trade out of Poverty