

REMARKS AT THE WASHINGTON DC AfCFTA DIASPORA EVENT HELD ON THE 16TH DECEMBER, 2021 AT THE SWAHILI VILLAGE

- **Your Excellency Ambassador Hilder Suka-Mafudze**
- **CEO Prosper Africa**
- **Representative of the Diaspora Community**
- **Distinguished US Government Officials**
- **Invited Guests, Ladies and Gentlemen**

I would like to thank the organizers Prosper Africa for the invitation and Her Excellency Ambassador Suka-Mafudze and your team for organizing this very timely and important forum discussing opportunities for the AfCFTA among the diaspora community. I would also thank the US Government for recognizing the role the African diaspora community in the USA can play in the development of the African continent.

The Diaspora is a very important constituent to the holistic development of the continent. Besides acquisition of knowledge and skills, the diaspora remittances surpass foreign direct investments and official development aid. These are only recorded flows, however, the true total - including those through informal channels—is even larger.

Remittance flows to sub-Saharan Africa were recorded to be **USD\$48 billion** in 2019, but the true total is likely to be significantly larger. Nigeria alone received about half of total remittance flows to sub-Saharan Africa, while Ghana received **\$3.5 billion**. Through these remittances the diaspora plays a vital role in the development of their respective

countries of origin by fostering investments, tourism, trade, philanthropy, knowledge transfer and cross-border relationships.

Today, with the establishment of the African Continental Free Trade Area (AfCFTA), Africa has become a continent of huge potential more than ever. The AfCFTA is the largest free trade area in terms of the participating countries (54 Countries), since the formation of the World Trade Organisation. 39 countries have deposited their instruments of ratification with the AUC and three others have accomplished their domestic processes and only await ratification.

The AfCFTA' s expanded single continental market where businesses can freely move their goods, services and capital, is a platform where the Diaspora can play an important role in the economic development of the continent and their countries of origin. They now have increased and diversified opportunities to promote trade and foreign direct investment, create businesses and spur entrepreneurship, transferring new knowledge and skills within the AfCFTA market which is diverse and large.

Distinguished colleagues, the African continent has been blessed with most of the world's fastest growing emerging economies (**Morocco, South Africa, Angola, Egypt, Ghana, Kenya, Nigeria, Ethiopia, Sudan, Algeria**); Despite the slowdown caused by the Covid-19 global pandemic, African countries are still projected to grow.

Africa's youthful population standing at **60% under 25 years**, and **growing middle class**, is a unique selling point which can be leveraged. Indeed, the continent continues to evolve for the better.

The scope of the AfCFTA goes beyond that of traditional free trade areas which exclusively focus on trade in goods and trade in services. The AfCFTA covers other trade-related issues that are critical to foreign direct investment strategies and activities including; competition policy, intellectual property rights, investment and dispute settlement, Digital trade and women and young Africans in trade.

Status of negotiations

Rules of Origin and Market access

1. On trade in goods, our countries have collectively undertaken commitments to liberalize substantially all trade by eliminating tariffs on 97 percent of tariff lines – over a specified period of time. The remaining 3 percent of the tariff lines – in fact, the Exclusion List – are those products on which no reduction in tariffs would be proposed. So far, 43 countries representing 78% of African Union membership have submitted their tariff offers. We are currently in receipt of tariff offers from 4 Customs Unions, namely the Economic and Monetary Union of Central Africa (CEMAC); the **East African Community (EAC)**; the **Economic Community of West African States (ECOWAS)** plus **Mauritania**; and the Southern African Customs Union (SACU). Together, these 4 Customs Unions account for more than two-thirds of all the offers submitted.
2. On Rules of Origin negotiations, about 87% of the tariff lines have been agreed upon. At the 7th Meeting of the Council of Ministers, Ministers of Trade endorsed the provisional application of Rules of Origin in existing trade regimes of Regional Economic Communities (RECs), pending the adoption of all outstanding issues in the Rules of Origin negotiations, in line with Article 42(3) of Annex 2 of the

Protocol on Trade in Goods. In this regard, Ministers requested the AfCFTA Secretariat to develop guidelines for such application.

i. Trade and Services

3. On Trade in Services, there have been significant advancements in the implementation of the objectives of the Protocol on Trade in Services. So far, the Secretariat has received 42 initial submissions by State and non-State Parties, covering the five priority sectors. Some State and non-State Parties, namely members of CEMAC, EAC, and ECOWAS, have all presented consolidated Offers as part of this process.
4. To assist State and non-State Parties in revising and submitting improved offers that are compliant with both the Trade in Services Protocol and the Negotiating Guidelines, the AfCFTA Secretariat has undertaken a review of all offers submitted by State and non-State Parties. The Secretariat will continue to do so until all offers have been reviewed and verified.
5. The AfCFTA Protocol on Trade in Services aims to ease the supply of services across the continent through cross-border, commercial presence and presence of natural persons. Manufacturing firms will also benefit from service trade openness through the ease of access to more and high-quality services inputs. Member states have agreed on five priority services, that is, **financial services, communication, transport, tourism and business services**. These services sectors are inputs into all economic activities, essential to facilitate trade across borders and for competitiveness in agriculture and manufacturing.

Phase II Negotiations

The AfCFTA Protocol on Investment is expected to enhance investment governance and policy coordination and cooperation across the continent. The Protocol is expected to address barriers to investment entry in Africa, reduce time and costs of investment approvals, enhance transparency, improve efficiency and address fragmented investment regulatory frameworks on the continent. Investors and investment will be protected and have access to remedies when their rights are violated.

Under the Protocol on Intellectual Property Rights, (IPR) patents and licenses, among other intellectual property rights, for investors' goods and services will be protected not just in the host country but in the whole continent.

The UNCTAD World Investment Report states that foreign direct investment to Africa declined by 16% in 2020. "The continent went into its first recession in 25 years; the economic slowdown and mobility restrictions weighed heavily on investment indicators." Despite the decline, the same report projects foreign direct investment in Africa to increase in 2021 due to many reasons including the finalization of the AfCFTA Investment Protocol.

Based on the above highlighted opportunities presented by the AfCFTA, the African continent should be your choice of investment destination.

We would like to invite you to join us as we integrate our economies and fulfil the dreams of the founding fathers of the OAU/AU, and thereby assist you in expanding your businesses on the continent.

We acknowledge and recognize the very important role that the diaspora investment community play in the development of African countries. We

no longer say there is brain drain from Africa, but reverse brain-gain which, if we harness effectively and channel their efforts and resources to productive avenues, Africa will be a continent to reckon with.

i. Operationalization of the AfCFTA

a. Structure of the AfCFTA

6. It will be recalled that the Assembly vide Decision Assembly/AU/Dec.751(XXXIII) “DIRECTED the AfCFTA Council of Ministers and relevant Policy Organs of the AU to finalize consideration of the Draft Organizational Structure, including the appropriate functions of the appointed directors and the adequate number of the Permanent Secretariat of the AfCFTA”. Accordingly, and following the presentation of the said structure to the relevant Policy Organs, the AfCFTA structure is before you for consideration and adoption. Here, I wish to emphasise on the urgent need of the Secretariat to start recruiting its staff. At the moment, the Secretariat is functioning mainly because of the generous provision of financial and human resource of the Republic of Ghana and the secondment of staff from Member States and African international organisations. While this is commendable, it deprives the Secretariat of a permanent structure to effectively deliver on its mandate.

In this regard, I wish to propose your Excellencies the approval of the Phase II structure of the AfCFTA Secretariat comprising of 296 staff, under a phased 4-year recruitment process.

b. Customs operations

7. The AfCFTA Agreement under Article 4 provides for cooperation on customs matters for implementation of trade facilitation measures. Annex 3 of the AfCFTA Agreement on Customs co-operation and

mutual administrative Assistance also sets out details aimed at improving the regulations of trade flows, enforcement of applicable laws within State Parties, and Mutual Administrative Assistance.

8. In recognition of the critical role of Customs in achieving the goals and objectives of the AfCFTA, the 4th Meeting of Council of Ministers approved the establishment of the AfCFTA Committee of the Director Generals of Customs. The Council of Ministers also established the Sub-Committee on Customs Cooperation, Trade Facilitation, and Transit.

c. Dispute Settlement Mechanism

9. The AfCFTA Secretariat has taken additional steps to ensure that work to operationalize the Dispute Settlement Mechanism to accompany the commencement of trading under the AfCFTA began in earnest. The Dispute Settlement Body (DSB) was specifically tasked with the surveillance of implementation of the AfCFTA under Article 20 of the *Agreement Establishing the AfCFTA* as elaborated by the Protocol on Dispute Settlement.
10. Besides establishing the Appellate Body as a standing tribunal to hear appeals from cases adjudicated by Panels, we have invited the State Parties to nominate experts to the Indicative List of Panelists. The Dispute Settlement Body is the heart of the Agreement; it sends a very strong signal to investors that Africa is committed to abide by the rules of the AfCFTA.

Recruitment of Secretariat Staff

Excellencies, I wish to recall that the Phase-1 structure of the AfCFTA Secretariat was approved in December 2020. This structure has 31 positions. Eleven (11) out of the thirty-one (31) positions have been filled. The filled positions among others, include three Director positions, namely: Director, Trade in Goods; the Director Trade in

Services and the Director of Administration and Human Resources Management. In light of the delays associated with improvements that were being made to AU's new Merit Based Recruitment System (MBRS) by the AUC and the R10 Committee, a number of senior management positions were only advertised as soon as the system was ready in May 2021. However, notwithstanding this delay, I am now pleased to report that the recruitment of the remainder of the vacant positions in the Phase-1 structure is underway and will be completed shortly.

ii. Collaboration with Regional Economic Communities

11. The AfCFTA Agreement acknowledges the role of the Regional Economic Communities “as building blocks towards the establishment of the African Continental Free Trade Area (AfCFTA)”. It further emphasizes the need to “consolidate and build on achievements in services liberalization and regulatory harmonization at the Regional Economic Community (REC)”.
12. The implementation of the AfCFTA will likely influence future trade policies of the RECs. In this regard, effective collaboration between the RECs and the AfCFTA Secretariat is necessary to ensure that the AfCFTA outcomes are consistent with regional advancements in trade integration made thus far. Various steps have been taken by the Secretariat towards strengthening this collaboration.
13. The first Coordination Meeting of the Heads of the RECs on the Implementation of the AfCFTA was convened in Accra – Ghana in a hybrid format on 20 September 2021. ***With a view to enhancing the collaboration between the Secretariats of the AfCFTA and the RECs in the implementation of the AfCFTA, through the adoption of an Action Plan for Collaboration, the Coordination Meeting requested the AfCFTA Secretariat to convene a meeting to review the Draft Action Plan for Collaboration on the basis of the comments provided by RECs.***

Section four: Private Sector Engagement

14. The key to delivering impact and economic recovery in the post-pandemic world will be engaging with stakeholders from across the private and public sector, and from across all corners of the continent to ensure an inclusive approach to implementing the AfCFTA. Agenda 2063 also emphasizes the need to accelerate Public-Private Partnership (PPP) in Africa. The AfCFTA has set to achieve this goal through Value Chains Development, the operationalization of the Adjustment Facility, the Pan-African Payments and Settlements System (PAPSS), Launch of the AfCFTA Business Forum and Intra-Africa Trade Fair (IATF).

i. Value Chains Development

15. The potential for value chains development is critical to the implementation of the AfCFTA. Article 3 (g) of the AfCFTA Agreement sets the objective to “***promote industrial development through diversification and regional value chain development, agricultural development and food security***”.

16. In the implementation of the AfCFTA Agreement, and taking into account the importance of private sector involvement, the AfCFTA has finalised a ***private sector engagement strategy*** that prioritizes specific value chains with the potential to boost intra-Africa trade and promote production. These value chains should be able to promote inclusivity, Small, Micro and Medium Enterprises (SMMEs), women, and youth participation as part of our plans to confront inequality, poverty, and unemployment.

ii. The operationalization of the Adjustment Facility

There is no doubt that the AfCFTA will create significant general and long-term benefits across the continent and stimulate structural transformation. However, as with any major trade liberalization regime, the AfCFTA Agreement will also introduce near-term disruptions as tariff revenues by State Parties are reduced, industrial sectors are disrupted, businesses and supply chains are reorganized, and employment is dislocated – often in ways that cannot be anticipated. It is estimated that funds that are required to ensure uninterrupted implementation of the AfCFTA and to eliminate the adjustment cost, will amount to \$7.7 billion over the next six to ten years.

In this regard, the Assembly by Decision Ext/Assembly/AU/Decl.1(XII) of July 2019 committed to establishing an adjustment Facility (the “Facility”). As directed by the 4th Meeting of the Council of Trade Ministers of 2nd February 2021, the AfCFTA Secretariat is working with Afreximbank to establish an Interim Adjustment Facility (the “Interim Facility”). I am also pleased to report that the Afreximbank, as approved by its Board, has pledged a contribution of USD \$1 billion towards this effort.

The AfCFTA Adjustment Facility will address structural changes that may be required and support State Parties to address revenue shortfalls. The Facility is expected to have three (3) components: The **Credit Fund** (debt financing); the **General Fund** (funds received from public and private individuals, and entities and offers of concessional financing and other loans); and the **Base Fund** (through the voluntary contribution of State Parties and other partners). It shall be part of the AfCFTA Secretariat in Accra, Ghana while the Afreximbank serves as the Fund Manager of the Facility. The Secretariat of the AfCFTA is currently finalizing the operationalization of the Facilities.

iii. Pan-African Payments and Settlements System (PAPSS)

By Decision Ext/Assembly/AU/Dec.1(XII), the 12th Extra-Ordinary Session of the Assembly of Heads of State and Government held in July 2019, launched the Pan-African Payments and Settlements System (PAPSS). The PAPSS is a revolutionary Financial Market Infrastructure that enables payment for intra-Africa trade in national currencies, thereby reducing the foreign currency transfer costs and time for the settlement of cross-border payments. By simplifying cross-border transactions and reducing the dependency on hard currencies for these transactions, PAPSS is set to boost intra-African trade significantly and underpin the implementation of the AfCFTA.

The launching of the PAPSS by the Heads of State and Government is an exemplary system of Public-Private Partnership (PPP) for the operationalization of trading under the AfCFTA. It puts in place a platform and infrastructure for the efficient conduct of cross-border payments developed through the support of the African Export and Import Bank (Afreximbank).

The pilot for PAPSS is focused on the West African Monetary Zone (WAMZ) and as directed by the Council of Ministers, the AfCFTA Secretariat is working with the Afreximbank and African Central Bank Governors to develop a regulatory framework on cross-border payments to support the operationalization of the PAPSS.

Excellency, Ladies and Gentlemen, allow me once again to express my appreciation for inviting me to this very important event. I call upon the diaspora community to invest in the AfCFTA process in order to achieve our collective objective of developing the continent.