

## **African Continental Free Trade Area (AfCFTA)**

The African Continental Free Trade Area (AfCFTA) is a free trade area founded in 2018, with trade commencing as of 1 January 2021. It was created by the African Continental Free Trade Agreement among 54 of the 55 African Union nations. The free-trade area is the largest in the world in terms of the number of participating countries since the formation of the World Trade Organization. Accra, Ghana serves as the Secretariat of AfCFTA and was commissioned and handed over to the AU by the President of Ghana Nana Akufo-Addo on August 17, 2020 in Accra.

### **Information on Nigeria's Involvement**

The Federal Executive Council (FEC) initially approved the signing of the AfCFTA Agreement on March 14 2021, following the conclusion of negotiations for Stage 1 of the Agreement. However, this approval was suspended due to the need to critically evaluate the Agreement, with respect to Nigeria's national interest and determine the implications for the economy. Following this evaluation, the Federal Government approved the ratification of the Agreement on November 4, 2020, and deposited the instrument of ratification on December 15, 2020, becoming the 34th State Party to ratify the treaty.

## **The benefits of AfCFTA to the Nigerian economy include:**

- Larger market access, free movement of labor, goods, services and capital.
- The AfCFTA Agreement will motivate Nigerian SMEs to expand their businesses to other African countries.
- Foster business growth and increase profit as well as contribute substantially to the development of the manufacturing sector.
- Increase in job opportunities and the demand for labor, thus reducing unemployment.
- Create an opportunity for Nigerian professionals to seek employment in other African countries.
- Overall, the AfCFTA Agreement is projected to create over 13 million stable jobs.
- Increase export of commodities (particularly agricultural and other non-oil commodities), manufactured products as well as services.
- Increase GDP and contribute significantly to external reserves accretion.
- A likely influx of FDI into the country.
- On one hand, manufacturers are likely to set up their plants and hubs in Nigeria to take advantage of the large market.
- On the other hand, the opening of the economy to foreign companies will increase the number of companies listed on the Nigerian Stock Exchange,
- This will boost the performance of the capital market and attract foreign and domestic investors.

## **Constitution of the National Action Committee on AfCFTA**

A Presidential National Action Committee on AfCFTA (NAC-AfCFTA) was constituted and inaugurated on November 19, 2019 to proffer viable strategies for the implementation of AfCFTA. The committee consists of Government Ministries, Departments and Agencies (MDAs), the organized private sector, academics, and representatives of the civil society. Members include:

- Federal Ministry of Industry Trade and Investment;
- Ministry of Finance, Budget and National Planning;
- Nigeria Export Promotion Council;
- Nigeria Investment Promotion Commission;
- Standard Organization of Nigeria;
- Corporate Affairs Commission;
- The CBN is represented on the committee by two (2) staff of the Monetary Policy Department (MPD), nominated by the Director MPD, namely, Ladi. R. Bala-Keffi (Deputy Director) and Kalu, O. Oji (Assistant Director).

The committee's mandate is coordinating all AfCFTA readiness interventions, monitoring the implementation of the Agreement as well as working towards its ratification. Consequently, the NAC-AFCFTA set up 14 Workstreams to drive the implementation of the Agreement and engage stakeholders across all sectors of the economy.

**These Workstreams are broadly categorized into:**

- In Goods (Manufacturing, Agriculture, Oil & Gas, and Mining & Other Extractives).
- Trade in Services (Communications and Digital Services, Financial Services and Investment Mobilization, Travel, Tourism and Creative Industries, and Transport and Business Services)
- Trade Enablement (Non-Tariff Barriers Elimination, Power Services, Border Rules of Origin, Trade Facilitation, and Policies Regulation and Laws)
- Export Market Development Workstream (cuts across both Trade in Goods and Trade in Services).

Since inception, the Committee has conducted several seminars, workshops and stakeholder engagements.

## **Central Bank of Nigeria's Involvement in the AfCFTA Implementation**

The Central Bank of Nigeria is a vital stakeholder in the AfCFTA Agreement; therefore, the Bank has been involved in the AfCFTA Agreement right from inception.

• CBN is currently an active member of four Workstreams of the NAC-AfCFTA and participates in all workshops and seminars organized by the Committee. A brief overview of the Workstreams is given below.

### **Export-Market Development Workstream**

The Export Market Development Workstream is a platform for policy makers and exporters to deliberate on issues pertaining to the export market and proffer solutions to the challenges faced by exporters.

### **Non-Tariff Barrier Elimination Workstream**

Non-Tariff Barriers (NTBs) Elimination Workstream deals with all NTBs that restrict or increase the cost of importation and/or exportation of goods and services.

## **Manufacturing Workstream**

The Manufacturing Workstream has the mandate of ensuring that Nigeria's domestic manufacturers have the requirements to participate in the AfCFTA Agreement. The CBN has been involved in enhancing the growth of the manufacturing sector through such initiatives as the Anchor Borrowers Programme, Accelerated Agricultural Development Scheme, Commercial Agriculture Credit Scheme, and Agricultural Credit Guarantee Scheme Fund, among others. • The Bank has financed the large-scale production and processing of cassava, rice, maize, sesame seed and livestock among others and the expansion of these activities to the level of exports. o A notable success story is Psaltry International Ltd, which started as a small-scale cassava farmer, but has expanded to the level of producing and processing for export. Psaltry has now built the first cassava-based sorbitol factory in Africa and the second in the world.

## **AfCFTA Financial Services and Investment Mobilization Workstream**

The Financial Services and Investment Mobilization Workstream was created as a forum for financial sector players to discuss issues relating to the implementation of the Agreement. The Governor of the Central Bank of Nigeria was designated as the Champion of the sector, and the Head of the Financial Services and Investment Mobilization Workstream, with the role of positioning the sector to gain a substantial share of the continental market. On December 16 and 17 2020,

the Workstream organized a general stakeholder sensitization workshop themed: "Leveraging on Nigeria's Financial Sector to Maximize the Gains of AfCFTA". The workshop featured presentations from various organizations and highlighted their readiness for the Agreement and challenges, as well as recommendations to further improve the sector. • The workshop was anchored by the CBN, and the facilitators included Access Bank Plc, FMDQ, NSE, NIPC, UBA Plc, Stanbic IBTC, NAICOM, Ministry of Finance, KPMG, Funds and Electronic Transfer Solutions (FETS) Ltd, and the Bankers Committee.

### **CBN Internal Implementation Committee on AfCFTA.**

The Deputy Governor, Economic Policy, Dr. Kingsley Obiora approved the formation of an internal Committee on AfCFTA to spearhead the Bank's involvement. Consequently, the Director, Monetary Policy Department (MPD), Dr. Hassan Mahmud constituted the Committee with representatives drawn from relevant Departments of the Bank. The CBN Implementation Committee has a broad objective of ensuring that the Bank's stakeholders are well equipped to participate competitively in the continental market. • Thus, the Committee liaises with the NAC-AfCFTA, and stakeholders of the Bank, including Deposit Money Banks (DMBs), Payments System Service Providers, Other Financial Institutions and recipients of the CBN Development Finance Interventions on issues pertaining to the roles of specific financial institutions in the Agreement.

### **Banking Sector Readiness for AfCFTA**

The Banking subsector was identified as one of the foremost subsectors in Nigeria, with the potential to benefit greatly from the AfCFTA Agreement.

- This is expected, considering that prior to the commencement of the Agreement; Nigerian banks were already rated among the largest in Africa in terms of asset size, capital base, and market shares.
- Close to 50 percent of Nigerian banks are licensed to operate internationally, with a minimum capital base of N100billion and branches in over 17 African countries (see Table 1 below).

Table 1: Nigerian Banks with Subsidiaries in Foreign Countries as at March 2021



## **Capital Market Readiness for AfCFTA**

The Nigeria capital market has also attained a considerable level of development. Currently, there are about 168 companies listed on the Nigeria Stock Exchange, out of which 33 percent are financial institutions.

- The capital market remained resilient amid the Coronavirus Pandemic, with relatively stable Market Capitalization and All-Share Index.
- Data from Bloomberg shows that in 2020, the market recorded 50% returns, which was the highest globally in 2020.

Table 2: Market Capitalization of African Stock Markets as at March 2021

## **Payment System Readiness for AfCFTA**

In the last 10 years, the Nigerian payment systems have experienced significant growth, especially with the development of a sound regulatory and supervisory framework, robust payment infrastructure, and the exponential rise in the number of FinTechs operating in the country to over 200.

- The Bank is currently working with the West African Monetary Zone to develop a pan-African payment system platform that will enhance T+1 transfers of monetary value across WAMZ countries and reduce processing time for transactions.

- The Bank, therefore, plans to continue in these efforts, to ensure that Nigeria is advantageously positioned to reap substantial benefits from the AfCFTA.

Thursday, 28 December, 2023 6:17 PM