

Trading while caring for people and planet

Ratifications are moving ahead, if slowly, on the newly signed African Continental Free Trade Agreement (AfCFTA) - the world's largest free trade agreement (with the most member countries since the founding of the World Trade Organization).

By Richards Munang and Robert Mgenji ^{22 Oct 2018}



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The African Union and its member countries hope that, among other benefits, a free trade area will improve Africa's economy.

For the 49 African leaders who have signed AfCFTA's framework agreement (by end of July), a free trade area offers hope for improving socioeconomic conditions on the continent. Africa's current economic indicators are not exactly stellar – low economic productivity, estimated to be 2000% lower than that of developed regions, is compounded by a lack of value addition to commodities in which the region holds a comparative advantage.

For example, because of low-value addition, Africa earns a mere 10% of the total value of its agro-value chains. In the cocoa value chain (Africa produces 70% of the world's cocoa), only a dismal \$2 billion out of the more than \$100 billion in chocolate revenues annually returns to the continent.

Similarly, up to 90% of income from coffee goes to rich consuming countries, according to the Economic Commission for Africa (ECA). And the domino effect of job loss worsens the situation.

Low productivity exacerbates unemployment. About 12 million African youths join the labour market every year to compete for just three million new jobs. A huge population of jobless youth is a ticking time bomb, warns Alexander Chikwanda, Zambia's former finance minister, alluding to its potential to fuel unrest and political violence.

With few prospects for economic security, many young Africans have been risking their lives crossing a dangerous Mediterranean Sea in search of better opportunities overseas. Many have died on the way, some are detained, and recent reports claim others are sold in modern-day slave markets.

Still, the huge and obvious problem is climate change, which is projected to shrink average income in the poorest 40% of countries (most of them in Africa) by a whopping 75% by 2030, according to a 2015 study

by the University of California, Berkeley, USA. The study focused on the relationship between temperature and economic activities in countries, and found that climate change will exacerbate global inequality, which will be harmful to particularly poor countries.

Africa's 'machete'

“The path does not close for a man with a machete,” says an African proverb, suggesting the AfCFTA could be the machete that catalyzes Africa's economy. If all 55 countries join, the free trade area will consolidate market of 1.2 billion people with a combined GDP of \$2.5 trillion, according to ECA. The US business publication *Bloomberg* estimates the combined GDP at over \$3 trillion.

A free trade area could boost intra-Africa trade to 52%. That percentage could rise to 70% by 2022, a figure higher than trade within the European Union, currently at 65%. The AfCFTA also includes a protocol for the free movement of people that will consolidate labour opportunities across the continent and put a brake on brain drain. Currently about 33% of Africa's skilled workforce is seeking greener pastures overseas.

At a glance, AfCFTA looks likely to create unprecedented demand that will drive local manufacturing and industrialisation, particularly in the agricultural sector. An industrialised agricultural sector could become Africa's strategic growth engine and a tool to rapidly expand its middle class, currently estimated at 300 million.

Africa could rake in \$150 billion annually of value-added agro-produce, expand its economy, create thousands of jobs for the youth, mitigate carbon emissions and enhance its ecosystems' resilience to climate change, states the New Partnership for Africa's Development, the implementing arm of the African Union.

Overall consumer spending amounted to \$1.4 trillion in 2015, according to McKinsey & Company, a global management consulting firm, and business-to-business spending, including in agriculture and its ancillary sectors, would be \$3.5 trillion by 2025.

In a 2013 World Bank report titled *Growing Africa: Unlocking the Potential of Agribusiness*, the bank projects Africa's agribusiness could be worth \$1 trillion by 2030 if it expands Africans' access to capital, electricity, better technology and irrigated land to grow high-value nutritious foods.

But how do CFTA and its market opportunities ensure food-secure homes and increase economic productivity, wealth and the income of the ordinary citizen? How does it address climate vulnerabilities?



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Compliance standards

To achieve AfCFTA's goal of opening market opportunities, Africa needs to adopt compliance standards, experts say. Africa's disproportionate vulnerability to climate change underscores the need to ensure that the process of producing, marketing and supplying products meets certain standards and that it does not damage the ecosystems.

A compliance standard could ensure, for example, that attiéké, processed cassava from Côte d'Ivoire, is marketed to Kenyan shoppers as pure, natural and grown without GMOs, chemicals or pesticides. A compliance standard could also ensure that ecosystems are not damaged during production and that processing and marketing create no harmful emissions.

At the 16th African Ministerial Conference on the Environment (AMCEN) in Libreville, Gabon, in June 2017 African ministers and policy makers called for increased investment in innovative environmental solutions and urged countries to adopt compliance standards on economic activities in environmental, energy and health sectors.

In response, the UN Environment, through its Ecosystems Based Adaptation for Food Security Assembly (EBAFOSA) policy implementation framework, established and adopted by AMCEN, is providing technical assistance to countries adopting its compliance standards.

The EBAFOSA compliance standards are adapted from the International Organization for Standardization body that promotes worldwide proprietary, industrial and commercial standards to ensure that certified products are exported to other countries.

Evaluation criteria

Under EBAFOSA's compliance standards, experts evaluate agro-products along the entire supply chain – from on-farm production, processing and distribution to marketing – based on three criteria.

The first is 'climate and environment compliance', a measure of the extent to which production relies on nature-based approaches that enhance ecosystems. The goal is to protect and enhance ecosystems. 'Climate and environment compliance' also involves powering processing with clean energy and using ICT enabled marketing and supply chain activities to reduce high carbon emissions.

The second criterion is "health compliance," meaning nature-based approaches are used in production. The third criterion is 'quality and safety compliance' along the production process and value chain.

Several African countries, including Benin, Cameroon, Democratic Republic of the Congo, the Gambia, Ghana, Uganda and Zambia, are at various stages of adopting the EBAFOSA compliance standards, which will be a step toward creating an open market for healthy, high-quality and environmentally friendly agro-produce across the continent.

As Africa moves toward full ratification of AfCFTA, the EBAFOSA-promoted compliance standards represent a key item in the agreement's implementation toolbox. Socioeconomic transformation need not come at the expense of people or planet.

Article courtesy of [Africa Renewal](#).

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