ETTG | European Think Tanks Group

The European Think Tanks Group (ETTG) is a network of European independent think tanks working on EU international cooperation for global sustainable development
www.ettg.eu

Advancing EU-Africa cooperation in light of the African Continental Free Trade Area

September 2020

This paper is part of a special series on Africa-EU relations, produced by ETTG members DIE and ECDPM in cooperation with ACET.

By Axel Berger (DIE), Clara Brandi (DIE), Frederik Stender (DIE), Edward K Brown (ACET) Philomena Apiko (ECDPM) and Sean Woolfrey (ECDPM)

The views expressed in this paper are those of the authors.

KEY MESSAGES

- The African Continental Free Trade Area (AfCFTA) can play an important role in helping African countries diversify their productive capacities and integrate into regional and global value chains. The AfCFTA can also support Africa's COVID-19 recovery, and increase its economic resilience to future shocks.
- Successful implementation of the AfCFTA, however, is not a given. Political will and sufficient capacity are needed at various levels of government and in the private sector to turn the AfCFTA's potential into tangible development outcomes.
- With the AfCFTA, Africa has embarked on the biggest economic integration initiative, in terms of number of participating countries, since the creation of the World Trade Organization (WTO) 25 years ago. Given the AfCFTA's focus on promoting rules-based trade, supporting its implementation is in Europe's own interest.

KEY MESSAGES (CONTINUED)

- The AfCFTA creates space for the EU to move beyond the traditional development cooperation niche. The AfCFTA offers a strategic opportunity for African and European actors to meet on equal terms, to enhance political partnership based on mutual experience sharing, and to strengthen links between businesses in Africa and Europe.
- The AfCFTA, on its own, is unlikely to achieve the overarching goals set in the AfCFTA Agreement. Considerable accompanying measures, reforms and investment are also needed. The EU can support African Union (AU) member states to pursue the complementary economic reforms that will yield the biggest gains.
- These reforms are understood to include reducing the costs of logistics, improving infrastructure, streamlining non-tariff measures, improving the investment and business climate, and advancing training and education for a skilled workforce. Beyond continental free trade, EU support for AfCFTA can make an important contribution to Africa's post-pandemic economic recovery.
- Given the AfCFTA's central role in African economic development, the EU should prepare and implement its trade-related support in a way that is supportive of the national, regional and continental dynamics of economic integration. The AfCFTA should be seen as the central pillar of the AU's goal to create an African Economic Community.
- The EU's development cooperation support for the AfCFTA can only be effective if it is well coordinated and aligned to African needs and priorities. Development cooperation that does not meet these requirements risks detracting from or offsetting efforts to establish the AfCFTA and realise its Pan-African integration ambitions. Joint programming is a key tool for aligning European support to African priorities.
- One example of Africa's interest, where EU support can make a difference, is strengthening the continent's business environment and private sector. Africa's private sector plays a crucial role in translating the AfCFTA's institutional framework into practical action on the ground. Hence, special emphasis should be given to supporting the business environment and the development of productive and trading capabilities.

1. INTRODUCTION

On 30 May 2019, the Agreement Establishing the African Continental Free Trade Area (AfCFTA) entered into force for the 24 countries that had deposited their instruments of ratification. The COVID-19 pandemic, however, has led to postponement of the effective utilisation of the trading conditions provided through the AfCFTA, as initially scheduled for July 2020. Despite January 2021 now being envisaged as the new date for the AfCFTA's launch, COVID-19 continues to present logistical challenges for the ongoing AfCFTA negotiations and its implementation on the ground. Although the delay is unfortunate, the crisis could push African leaders to accelerate the reforms necessary to bring about African economic integration. This is conceivable particularly if global demand for Africa's commodities and other products remains low in the medium to long term and if global trade continues to be hampered by the pandemic-induced downturn.

While COVID-19 has affected the timing of AfCFTA implementation, this does not diminish the agreement's potential impact on economic development in Africa. Once operational, the AfCFTA will be the largest economic integration initiative, in terms of number of participating countries, since the creation of the World Trade Organization (WTO) 25 years ago. According to the International Monetary Fund, trade among members could be lifted by 15-25 per cent in the medium term if intra-African tariffs are removed as scheduled.[1] Recognising the poor record of economic integration on the African continent, the impact of the AfCFTA would be significantly increased if non-tariff barriers (NTBs) and infrastructure deficits are also addressed. The World Bank estimates that the AfCFTA's largest gains could come from reduction of NTBs, particularly trade facilitation reforms.[2] The AfCFTA has the potential to increase African countries' trade in manufactured goods and services, both of which feature more prominently in intra-African trade than in Africa's trade with the rest of the world, which is dominated by primary goods.

Paradoxically, the AfCFTA – a flagship project of the African Union (AU) "Agenda 2063" framework for Africa's socio-economic development – comes into force at a time of increasing trade protectionism in many developed and emerging countries. The pandemic has further exacerbated this trend, strengthening the case for more continent-wide cooperation among African states. Intensified continental cooperation on trade could lead to deeper integration and to development of stronger continental institutions, which could also help bolster African positions on trade in multilateral fora such as the WTO.

Taking a dynamic perspective, the trade liberalisation triggered by the AfCFTA, and accompanying measures to attract domestic and foreign direct investment, could foster regional value chains which could eventually serve as a stepping stone into global markets.[3] This points to the AfCFTA's longer term potential to address many overarching development challenges in Africa, such as poverty and underemployment. Yet, member states will confront several challenges on the road to realising these benefits. For example, public policy measures will be needed to help companies and employees adjust to AfCFTA-induced structural changes.

> "The AfCFTA is a key step towards realising an economically integrated Africa."

Recognising that the AfCFTA represents an important step towards the longstanding vision of an economically integrated Africa, the continent's external partners are taking a keen interest too and are providing substantial development cooperation support. Being a strategically and economically important partner region, Africa's large resource endowments and immense market size have attracted global players including China, the United States and the European Union (EU). For the EU, in particular, the AfCFTA provides a new entry point for support to a continental initiative for rules-based cooperation in Africa

1. IMF. 2019. Regional Economic Outlook: Sub-Saharan Africa. Recovery Amid Elevated Uncertainty. Washing-ton, D.C.
2. World Bank. 2020. The African Continental Free Trade Area. Economic and Distributional Effects. Washing-ton, D.C.
3. Draper, P., Freytag, A., Scholvin, S., and Tran, L.T. 2016. Is Factory Southern Africa Feasible? Harnessing Flying Geese to the South African Gateway. CESIFO Working Paper No. 5867.

and to reach out for allies at a time of growing scepticism towards multilateralism in other parts of the world. The EU has strongly expressed its support, with the European Commission indicating that it sees the AfCFTA as a 'step towards our long-term objective of a continent-to-continent free trade area between Africa and the EU'.[4]

Against this backdrop, the current policy brief lays out the obstacles to both AfCFTA implementation and realisation of its full economic potential. It also explores how the EU can engage in providing targeted support and how to strengthen AfCFTA-related cooperation between Africa and the EU. The analysis and recommendations draw on a review of the literature and policy documents by the German Development Institute (DIE), the African Center for Economic Transformation (ACET) and the European Centre for Development Policy Management (ECDPM), as well as two online expert seminars on 17 and 24 June 2020.[5]

The remainder of this policy brief is structured as follows. Section 2 presents a set of fundamental and COVID-related challenges to the success of the AfCFTA. Section 3 reviews existing EU-Africa ties in terms of trade and development cooperation. Section 4 presents our policy recommendations. In short, we suggest that the EU focus its trade-related support on the AfCFTA, giving priority to the needs of African partners. Joint programming of Aid for Trade (AfT) support across EU institutions and member states could help prepare especially the least-developed African countries for the structural adjustments triggered by the AfCFTA. This will allow for more equal participation across signatories and promote growing public and private acceptance. Furthermore, we suggest a focus on complementary reforms, such as reducing the costs of logistics, improving infrastructure, streamlining non-tariff measures, improving the investment and business climate, and advancing training and education for a skilled workforce. These complementary reforms, in addition to the elimination of tariff barriers, will help achieve the AfCFTA's full potential. Furthermore, strong engagement and support of Africa's private sector and business climate is recommended, as they will be essential in making the AfCFTA a success.

2. CONTEXTUALISING THE AfCFTA

Beyond finalising the ongoing negotiations, a key variable for a successful AfCFTA will be whether African states not only ratify the AfCFTA Agreement, but also fully implement and actually comply with it. Though effective implementation is recognised as a central condition for reaping AfCFTA's benefits, this will largely be determined endogenously and require political will and adoption of appropriate accompanying measures. This section identifies five fundamental structural and institutional challenges that need to be addressed for a successful AfCFTA. It then briefly discusses how the ongoing COVID-19 pandemic affects the context for the AfCFTA.

2.1 Structural and institutional challenges

Mustering institutional capacity and political will. Looking at existing economic integration schemes on the continent, Africa's track record in regional economic integration does not appear overly promising. The regional economic communities (RECs) have long grappled with implementation gaps, often blamed on a lack of capacity or political will. They have faced institutional weaknesses and a lack of expertise at the national level, as well as a lack of dedicated funds. AfCFTA implementation involves a larger number of state parties, with huge variation both within and across participants in terms of their experience in reciprocal trade arrangements, and in terms of their institutional capabilities and readiness to implement and take advantage of a relatively comprehensive trade agreement.

This suggests that it will be important to identify and address capacity constraints at the national level and to identify which supporting institutions need to be established or strengthened for effective AfCFTA implementation. The experiences of the RECs also suggest that regional integration has not always been a political priority among national elites in the signatory countries. Whether the AfCFTA can help change the domestic political calculus is an important question, as national political dynamics will determine whether the AfCFTA is effectively implemented and utilised to foster economic development across the African continent.

4. See, e.g., the mission letter of European Commission President von der Leyen to Trade Commissioner Phil Ho-gan. Available at: https://ec.europa.eu/commission/sites/beta-political/files/mission-letter-phil-hogan-2019_en.pdf.
5. Both online seminars had some 30 participants representing a broad range of stakeholders from Europe and Africa. The seminars were conducted under the Chatham House Rule. The authors produced reports of the discussions for internal use, which fed the analysis and proposals set out in this policy brief.

Complicating matters, while the AfCFTA builds on existing regional integration processes, it adds to the institutional burden on African states. Instead of rationalising the "spaghetti bowl" of overlapping trade arrangements, it will likely impose yet another layer of trade relations. To achieve the AU's goal of creating an African Economic Community, increased coherence and complementarities are needed across African states' strategies for these different levels of regional integration, as well as across AfT, capacity building and other forms of support to regional integration provided by development partners.

Bridging regional disparities. Successful AfCFTA implementation will depend on the ability of its signatories to bridge regional differences. African countries display differing degrees of economic development as well as of integration, both across the African continent and into the world economy. Their conditions for successful trade integration through the AfCFTA thus differ as well. Regional economic powerhouses, such as South Africa, Nigeria, Egypt and Kenya, could benefit more from further liberalisation than other signatory states. It is therefore particularly important that Africa's larger economies display some degree of commitment and leadership in AfCFTA implementation. At the same time, much will depend on the strength of other African countries' commitments to implementation, as well as their adoption of supporting policies to help increase the developmental impact of the agreement.

Creating opportunities for all. AfCFTA implementers need to find ways to ensure widespread distribution of benefits and economic opportunities. In this respect, it will be important to compensate the "losers" of trade integration. Instruments are already in place to cushion the blow of reduced government revenues from tariffs. What remains largely unaddressed is support for the structural adjustment cost burdens on firms and industries to keep pace with increased competition. Furthermore, to really promote inclusive economic development, national governments need to find ways to ensure that the AfCFTA creates opportunities for informal operators, for women and, indeed, for all potentially marginalised groups.

Addressing non-tariff barriers to intra-African trade. An extensive body of research highlights the trade hampering effects of policy-induced NTBs as well as hard and soft infrastructure deficits, especially in the African context. Specific barriers include inefficient customs procedures and the absence of harmonised technical and sanitary standards and quality infrastructure. The benefits of removing cross-border impediments to trade could surpass those of trade tariff reductions. For this, effective monitoring means are needed, such as the recently launched online tool jointly developed by the United Nations Conference on Trade and Development (UNCTAD) and the AU[6], alongside significant investment in trade-related infra-structure, including ICT. Reports of corruption interfering with cross-border trade underline the reality that tariff liberalisation is only one part of the integration story.

Private sector participation. The success of the AfCFTA depends on the ability of African firms to take advantage of trade-related opportunities by producing and trading goods and services for regional markets. Yet, sub-regional trade integration arrangements in Africa have suffered from a lack of private sector involvement. The creation of the AfCFTA has the potential to draw the attention of the private sector to the African market. However, making the AfCFTA a success requires that the private sector actually utilise the opportunities that the new pan-African market brings.

"COVID-19 may make African economic integration a greater priority as a means to promote economic diversification, growth and resilience."

2.2 COVID-19 and the AfCFTA

Beyond the above challenges, the ongoing COVID-19 pandemic creates additional uncertainty for AfCFTA processes. Already, the pandemic has delayed finalisation of the phase 1 negotiations and the indicative start date for trading under the AfCFTA. It could also hinder implementation on the technical front, due to the pandemic's adverse effects on African private sector

6. UNCTAD. 2020. Online Tool to Remove Trade Barriers in Africa Goes Online. Available at: https://unctad.org/en/pages/newsdetails.aspx?OriginalVersionID=2273.

activity, not least as a result of lockdowns and shifting priorities of national actors and international donors. This could lead to diminished investment in trade-related infrastructure, as financial resources are diverted and debt levels of member states rise.

On the other hand, the AfCFTA could function as a catalyst for much needed regulatory and structural reform among members[7] and as a remedy for a struggling private sector. For example, the fallout from COVID-19 could trigger trade reforms that go beyond the mere removal of tariffs, to include services and e-commerce. The RECs have largely bypassed these up to now. In the current context, services trade liberalisation and e-commerce facilitation could find greater acceptance, because there is now a greater need. Similarly, the looming effects of a predicted global recession and the low commodity prices caused by COVID-19, at least for 2020, may make African economic integration a greater priority as a means to promote economic diversification, growth and resilience.

The pandemic has disrupted both demand and supply in global value chains. The turmoil in global commodity and intermediate markets has severely affected African exporters, while African producers in global value chains have been hit by falling demand and cut off from production inputs. The current crisis has also led to shortages of essential goods in African countries, not least food, pharmaceuticals and medical devices. It is for this reason that momentum needs to be preserved towards both unlocking manufacturing capacities and pushing forward economic diversification, as these will enable more intra-African trade. By inducing policies to limit African economies' dependence on external demand and distant suppliers, COVID-19 could accelerate the establishment of regional value chains on the continent, for example, in the pharmaceuticals industry. Here, the AfCFTA could help attract investment in African production and in regional (African) value chains.

3. CHALLENGES AND OPPORTUNITIES OF THE AfCFTA FOR EU-AFRICA COOPERATION

3.1 The role of existing trade policy arrangements

Formal trade relations between the EU and AU members span a variety of different trade arrangements, which also reveal substantial differences in depth, scope and commitment. While the EU has signed a number of free trade agreements (FTAs) with the North African countries, trade and economic cooperation with sub-Saharan countries is governed by seven regional or bilateral economic partnership agreements (EPAs). These latter imply maintenance of full access to EU markets and require gradual tariff liberalisation by African counterparts.

Despite the emphasis placed on strengthening the EU's relationships with its African trade partners, the EPAs have been recurrently promoted as a building block for the AfCFTA.[8] A number of arguments support this view. Most prominently, while the EPAs foresee gradual removal of some 80 per cent of the tariffs imposed on EU exports to Africa, "regional preference" clauses ensure that tariff concessions applied to these imports from the EU are duplicated among signatories to the same EPA. With time, this built-in mechanism has the potential to eliminate existing intra-African tariffs, as well as to successively integrate fellow EPA countries through regional value chains.[9]

In addition to the FTAs with North African countries and the EPAs, Africa-EU trade relations feature preferential trade regimes, such as the EU's Generalised Scheme of Preferences (GSP), the GSP+ and the Everything But Arms (EBA) scheme. EBA preferences guarantee duty-free and quota-free access to EU markets, while the GSP stipulates removal of duties on two thirds of tariff lines.[10]

7. FAO and African Union. 2020. Intra-African Trade, the African Continental Free Trade Area (AfCFTA) and the COVID-19 Pandemic. Available at: http://www.fao.org/3/ca8633en/ca8633en.pdf.
8. European Commission. 2020a. Putting Partnership into Practice: EU Trade and Investment with African, Carib-bean, and Pacific States. 2020 Edition. Luxembourg: Publication Office of the European Union.
9. Santos, L. 2019. Economic Partnership Agreements as a Central Pillar of a Comprehensive Africa-Europe Alliance. In (eds.): Bilal, S., Hoekman, B. 2019. Perspectives on the Soft Power of EU Trade Policy. London: CEPR Press.
10. European Commission. 2020b. Generalised System of Preferences. Available at: https://ec.europa.eu/trade/policy/countries-and-regions/development/generalised-scheme-of-preferences/.

3.2 The role of current EU support for trade and trade-related infrastructure

Following the WTO's Aid for Trade initiative in 2005, the EU adopted its own AfT strategy in 2007 and has since provided AfT to developing countries for more than a decade. This has marked an evolution of more than half a century of EU trade-related assistance to Africa. Consistent with the substantial and ongoing needs with regard to better integration into the global trading system, Africa has buttressed its position as the main recipient of collective EU and EU member state AfT. It received 40 per cent of total EU and EU member state AfT in 2017, outranking Asia (22 per cent), Latin America (9 per cent) and Eastern Europe (9 per cent). Considering AfT from EU institutions only, Africa's share was even larger, at 58 per cent of the total AfT disbursed.[11] A recent review of EU development cooperation with sub-Saharan Africa concluded that the EU has made important contributions in strengthening partners' trade policy environments, in international trade standard-setting, in building capacity of public institutions, and in trade development, though the picture is more mixed in terms of the sustainability of these results.[12]

EU AfT supports regional integration processes in Central, East, Southern and West Africa. However, the EU itself recognises the need for further 'improvement of EU AfT interventions in support of regional integration'.[13] The AfCFTA offers a focal point for such improvement. Already, the EU has provided substantial political, technical and financial support for the AfCFTA's establishment. Its largest financial contribution came from the Pan-African Programme under the EU Development Cooperation Instrument. In 2018 the EU brought this support under the umbrella of its Africa-Europe Alliance for Sustainable Investment and Jobs. Out of the total financial resources allocated to the AfCFTA, worth €62.5 million, the AU Commission received a €12 million financial package during the AfCFTA phase 1 negotiations, and was promised support for the phase 2 negotiations and for ratification and implementation processes in 2020. Two other initiatives earmarked for support are the establishment (jointly with the International Trade Centre) of an African trade observatory to track intra-Africa trade, and the harmonisation of tariff nomenclature and goods classifications based on World Customs Organization standards to facilitate cross-border trade, especially across existing RECs.[14]

EU support for the AfCFTA is also channelled through two other pillars: AfT projects for Africa and the External Investment Plan for Africa and the EU Neighbourhood. The latter is expected to leverage private and public investment from within and outside of Africa to provide an engine for trade through jobs creation and improved production capabilities on the continent. Regarding the former, country- and region-specific AfT initiatives address a number of bottlenecks in African economic integration. Individual EU states, such as Germany, France and Denmark, provide targeted support for the AfCFTA through their bilateral development cooperation programmes, in addition to being key providers of AfT. Other key bilateral donors supporting the AfCFTA are the United States, the United Kingdom and Canada.

Both intra-Africa trade and the development of regional value chains – meant as a stepping stone to further integration into global value chains – continue to be severely hampered by NTBs. The effects of these can offset the benefits gained by tariff reductions. Indeed, both the World Bank's Logistic Performance Index and the Ease of Doing Business Index reveal Africa's particular problem with behind-the-border customs procedures which prolong the time it takes to import and export. Recognising this, the EU has supported trade facilitation in various countries and regions in Africa, such as Cameroon and West Africa.[15]

While the AfCFTA has the potential to help eliminate existing tariffs, it is well known that the absence of intra-African trade is largely due to the continent's lack of productive capacity and its insufficient physical infrastructure, both

11. European Commission. 2019. EU Aid for Trade: Progress Report 2019. Review of Progress on the Implemen-tation of the Updated Aid for Trade Strategy of 2017. Luxembourg: Publication Office of the European Union.
12. Jones, A., Keijzer, N., Friesen, I., and Veron, P. 2020. EU Development Cooperation with Sub-Saharan Africa 2013-2018: Policies, Funding, Results. Study Commissioned by the Policy and Operations Evaluation Depart-ment of the Ministry of Foreign Affairs of the Netherlands. Available at: https://ecdpm.org/wp-content/uploads/ECDPM-DIE_EU_development_cooperation_with_Sub-Saharan_Africa_202005.pdf.
13. European Commission. 2019: 25.
14. The Africa-EU Partnership. 2019. Africa-Europe Alliance: EU Support to the African Continental Free Trade Area. Available at: https://www.africa-eu-partnership.org/en/stay-informed/news/africa-europe-alliance-eu-support-african-continental-free-trade-area.
15. European Commission. 2019.

> One implicit challenge for AfCFTA success is ensuring a fair distribution of benefits.

within and across countries.[16] To address these barriers, between 2007 and 2019 the EU-Africa Infrastructure Trust Fund (EU-AITF) supported investments in water, energy, transport and ICT, blending long-term loans from participating financiers with grant resources from both the EU Commission and EU member states. This included resources for construction and maintenance of road networks on the continent.[17]

While physical transportation costs remain high, the COVID-19 pandemic and global rise of e-commerce could accelerate Africa's structural transformation towards services and the trend towards digitalisation of the economy. This could provide a gateway for integration between African neighbours and into the global trading system.[18] Reaping the full benefits of digitalisation, however, requires that returns to innovation and investment be guaranteed through the protection of intellectual property rights.[19] Current EU AfT addresses gaps in both physical and digital infrastructure in several African countries. In addition, in May 2019 the EU launched a four-year cooperation programme on intellectual property rights in Africa.[20]

Notwithstanding the EU's considerable engagement on AfT in Africa, there is a high degree of concentration within a handful of recipients. Morocco, Kenya, Ethiopia, Egypt, Tanzania and Tunisia absorb half of the EU's AfT support. There are many underlying reasons for this, likely including the challenges involved in managing large AfT inflows to many recipient countries. By contrast, support for least-developed countries, particularly in view of the infrastructure challenges they face, has hardly been ramped up for a decade.[21]

One implicit challenge for the success of the AfCFTA is to ensure fair distribution of benefits and compensate between- and within-country "losers" from integration. In this respect, the Afreximbank announced a US $1 billion adjustment facility to cushion the blow of reduced government revenues from tariffs.[22] What is sorely missing, however, are financial resources to cope with the likely structural adjustment costs imposed on African firms and industries to keep pace with the desired increase in competition. Here, important lessons can be drawn from the Regional Integration Support Mechanism (RISM) embedded in the COMESA Adjustment Facility (CAF) programme, under which the EU provides technical support and financial resources to address short-term transition costs at the national level due to regional integration.[23] A blueprint can also be found in the European Globalisation Adjustment Fund, which provides support to those losing their jobs as a result of major structural changes in world trade patterns due to globalisation.[24] The European Regional Development Fund (ERDF) provides lessons in coping with structural imbalances between integrating countries.[25] Spreading the logics of these initiatives to the African context could increase acceptance of continental integration among those adversely affected in the course of AfCFTA implementation.

16. African Union Development Agency (AUDA-NEPAD). 2020. Conditions for Success in the Implementation of the African Continental Free Trade Agreement. Midrand.
17. European Investment Bank. 2019. EU-Africa Infrastructure Trust Fund Annual Report 2018. Luxembourg. DOI: https://doi.org/10.2867/590341.
18. African Union-European Union Summit 2017. 29-30 November 2017, Abidjan, Côte d'Ivoire. Final Declara-tion. Investing in Youth for Accelerated Inclusive Growth and Sustainable Development. Available at: https://www.consilium.europa.eu/media/31991/33454-pr-final_declaration_au_eu_summit.pdf.
19. Songwe, V. 2020. A Continental Strategy for Economic Diversification Through the AfCFTA and Intellectual Property Rights. Foresight Africa 2020 Report. Brookings Institution. Washington, D.C. Available at: https://www.brookings.edu/research/a-continental-strategy-for-economic-diversification-through-the-afcfta-and-intellectual-property-rights/.
20. European Commission. 2020c. Report on the Protection and Enforcement of Intellectual Property Rights in Third Countries. Available at: https://trade.ec.europa.eu/doclib/docs/2020/january/tradoc_158561.pdf.
21. Timmis, H. and Mitchell, I. 2019. Reforming EU Trade Policy to Accelerate Economic Transformation in Africa. Center for Global Development. Washington, D.C. Available at: https://www.cgdev.org/sites/default/files/EU-Roadmap-Trade.pdf.
22. See announcement of July 2019. Available at: https://www.afreximbank.com/afreximbank-announces-1-billion-adjustment-facility-other-afcfta-support-measures-as-african-leaders-meet/.
23. A detailed programme description is available at: https://comaid.comesa.int/regional-integration-support-mechanism-rism/.
24. See https://ec.europa.eu/social/main.jsp?catId=326.
25. See https://ec.europa.eu/regional_policy/en/funding/erdf/.

4. THE WAY FORWARD AND KEY RECOMMENDATIONS

This policy brief has explored the challenges facing successful implementation of the AfCFTA and the unfolding of its full benefits, particularly in light of the economic consequences of the COVID-19 pandemic. Reviewing existing EU-Africa ties in trade and development cooperation, we identify four key areas in which the EU can provide targeted support and strengthen AfCFTA-related cooperation between Africa and the EU.

First, given the political visibility and importance of the AfCFTA for the economic development of the continent, the EU should organise most of its trade-related support to Africa, at national, regional and continental levels, as "AfCFTA support". The AfCFTA needs to be seen as the central pillar of the AU's goal to create an African Economic Community. Support for the AfCFTA is especially important given the current circumstances, as COVID-19 has highlighted Africa's dependence on imports for essential goods such as food, pharmaceuticals and medical devices. At the same time, African exporters have been hard hit by price slumps in global commodity markets and disruptions in global value chains. The AfCFTA can play an important role in coping with these secondary effects of the pandemic, by providing a conducive policy environment for establishment of regional value chains driven by enhanced African production capabilities. Reducing intra-African trade costs will open opportunities for post-pandemic economic recovery and improve Africa's economic resilience to future external shocks. Here, the EU should fast-track support for rapid implementation of the AfCFTA. In this respect, external support for the AfCFTA should be seen as an investment in Africa's post-pandemic economic recovery.

Second, to achieve the overarching goals of the AfCFTA Agreement, the EU should support African countries to implement additional economic reforms alongside the trade liberalisation foreseen in the AfCFTA. Research demonstrates that the benefits of reducing NTBs and implementing trade facilitation measures far outweigh those of tariff reduction. EU support should therefore focus on building institutional capacity at multiple levels, reducing the costs of logistics, improving trade-related infrastructures, streamlining non-tariff measures, improving the investment and business climate, building productive capacities and regional value chains, and advancing training and education for a skilled workforce. The significant benefit these broader reforms would bring points to the high potential of EU support for the AfCFTA phase 2 and 3 negotiations, which focus on services, investment, intellectual property rights, competition and e-commerce. Furthermore, the EU can align European investment initiatives in Africa with the AfCFTA, to take advantage of the economic opportunities it offers. Support for the AfCFTA needs to be a key element in the G20 Compact with Africa and the European Exter¬nal Investment Plan (under the Africa-Europe Alliance). Moreover, the EU should support EU companies so that they can take advantage of an integrated African market, including through partnerships and joint ventures with African companies and governments (in the context of public-private partnerships).

Third, for EU support to the AfCFTA to be most effective, the EU and its individual member states need to ensure that their financial and technical assistance responds to African needs and priorities at all levels, from national to sub-regional, regional and continental. Given the limited administrative capacities to translate AfCFTA's potentials into concrete policy reforms, and thus to effectively implement the AfCFTA and enact supporting policies across the participating countries, external support needs to be aligned to African countries' individual needs. In this respect, it is essential that the EU's approach to AfCFTA support be well coordinated and aligned to the needs and priorities of the AU and its member states. The EU and EU member states need to practice policy coherence with regard to the AfCFTA. Coherence can be achieved not only across the EU and its member states, but also across the different issue areas, such as AfT and trade capacity building, trade facilitation, investment promotion, private sector development, agricultural and rural development, and infrastructure development. The EU could facilitate African leadership and African guidance of development cooperation via joint programming, which is a key element of its "Working Better Together" agenda. EU development cooperation needs to encompass both financial and technical assistance for the AfCFTA. To this end, and in view of the ongoing preparations for the EU's development cooperation engagement during the next budget period (2021-2027), the EU should aim to include an ambitious and operational joint declaration as part of the key outcomes of the next AU-EU Summit.

Fourth, Africa's private sector plays a crucial role in translating the AfCFTA's institutional framework into practical action on the ground. It is therefore important to support the productive capacity of African countries and private sector engagement and development, both nationally and regionally, so that private actors can attract investment and take advantage of new AfCFTA opportunities. Here, special emphasis should be given to supporting productive and trading capabilities through provision of appropriate energy, transport and digital infrastructures. Donors and external partners, such as the EU, should engage in dialogue directly with Africa's private sector about its specific needs, instead of deferring to governmental and institutional contact levels. In particular, external partners could stimulate Africa's business environment by supporting initiatives to reduce the costs of doing business. ■

This paper is part of a special series on Africa-EU relations during the German EU Presidency, produced by ETTG members DIE and ECDPM in cooperation with the African Center for Economic Transformation (ACET), a non-profit Accra-based think tank. This paper was published with financial support from the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ).

ETTG | European Think Tanks Group