

LEVERAGING AfCFTA FOR SUBNATIONALS' IGR GROWTH

Export Market Development • Youth and Women Engagement
Capacity Building • IGR Growth • Job & Wealth Creation • Enterprise Development

Nigeria,
July 2, 2022



Leveraging AfCFTA for Subnationals' IGR Growth



**Professor Martin
IKE-MUONSO**
| **Host** |



Peter NWAGBOGU
- Ex-Team Lead, Abia Economic
Advancement Team (ABEAT) charged
with IGR Growth Initiatives
- Currently, Market Intelligence
Coordinator, AfCFTA Nigeria
| **Special Guest** |

DATE:

Sat. 2nd July, 2022

TIME:

10:00am-11:30am

Join the Event via Zoom

<https://bit.ly/39N3sMf>

ID: 850 7660 1312

Passcode: 655140

Profile

Peter Nwagbogu is a Management, Research and Development Professional. He currently provides technical service as a consultant for the National Action Committee [NAC] for the Implementation of the African Continental Free Trade Area [AfCFTA] Agreement in Nigeria.

Peter is adept in sub-national government and market development, and had previously served as a consultant to the Government of Abia State, where he led the Abia Economic Advancement Team [ABEAT] in the Office of the Governor, and drove the implementation of the State's Economic Plan and Blueprint. During the same period, his team was charged with the restructuring of the Abia State Internal Revenue Services (AbIRS), as well as the development and implementation the State's Internally Generated Revenue (IGR) growth strategy. This was quite successful, as it led to the growth of the States' monthly revenue from about N500 million to N1.1 billion (2019).

Peter also served on the Anambra Economic Think-Tank [ANETT] in the office of the Governor, where he amongst many things, handled the Internally Generated Revenue [IGR] harmonization process of the State, under the Harmonized Demand Notice (HDN) Initiative, spearheaded by the then IGR Monitoring Committee (IMC) of the Government. Prior to delving into the public sector space, Peter worked in the private sector, in various capacities, at BGL Plc and Eagle 8 Consulting.



Objectives Of the Session

- ❑ Provide sufficient information on AfCFTA for informed decision making on how to take advantage of the AfCFTA
- ❑ Highlight opportunities for businesses
- ❑ Outline role of Subnational Governments and the potential for IGR growth

Awareness Level Check

1

I know AfCFTA by name only. No further details whatsoever

2

I know what AfCFTA is about on a general level but not how it will affect me or my business

3

I understand AfCFTA and the implications for me and my business but not how to take advantage of the opportunities

4

I have working knowledge of the AfCFTA and I am interested in defining a roadmap to start the journey

Contents

- About AfCFTA
 - ✓ Objectives, scope, benefits, Nigeria's edge
 - ✓ State of Play
- Opportunities & Challenges for Nigerian businesses
- Role of subnational Governments & potential for IGR growth
- Contacts
- Addendum
 - Modes of Export**
 - Operational Instruments;**
 - ✓ Liberalization Schedules, Rules of origin, African Trade Observatory
 - ✓ Pan African Payment and Settlement System, Non-Tariff Barriers Reporting Tool

~ABOUT AfCFTA~

African Continental Free Trade Area (AfCFTA) - *An overview*

AfCFTA is a free trade area where African businesses, traders, and consumers will no longer pay tariffs on a large variety of goods that they trade with other countries in the continent.

Concept

To deepen African economic integration through a single market for goods and services and promote industrial development through diversification and regional value chain development.

Objective

AfCFTA is the world's largest free trade area since the formation of the World Trade Organization. It covers a market of 1.3 billion people with a GDP of \$3.4 trillion, across all 55 member states of the African Union.

Capacity

Scope

AfCFTA covers trade in goods and services; and trade dispute resolution; investment; intellectual property rights; competition policy; and e-commerce.



Creating One African Market

"An integrated peaceful and prosperous Africa"

About AfCFTA

GENERAL OBJECTIVES (Article 3 AfCFTA Agreement)

- 01 **Create a Single Market for Goods and Services**
facilitated by **free movement of persons** to **deepen economic integration** of the continent
- 02 **Facilitate movement of Capital and Investment**
building on initiatives in State Parties or Regional Economic Communities (RECS)
- 03 **Promote and Attain Sustainable and Inclusive Socio-economic Development**
gender equality and structural transformation of the State Parties
- 04 **Enhance Competitiveness**
of the economies of State Parties within the continent and global market
- 05 **Promote Industrial Development**
through diversification and regional value chain development, agricultural development and food security
- 06 **Lay foundation for Customs Union**
for the establishment of a **continental Customs Union**

SPECIFIC OBJECTIVES (Article 4 AfCFTA Agreement)

- Progressively eliminate tariff and non-tariff barriers to trade in goods
- Progressively liberalize trade in services
- Cooperate on investment, intellectual property rights and competition policy
- Cooperate on all trade related areas
- Cooperate on customs matters and the implementation of trade facilitation matters
- Establish a mechanism for the settlement of disputes concerning their rights and obligations
- Establish and maintain an institutional framework for the implementation and administration of the AfCFTA

About AfCFTA

Expected Benefits Of AfCFTA

Poverty Alleviation

- Lift 30 million Africans out of extreme poverty
- Boost the incomes of nearly 68 million others who live on less than \$5.50 a day

Income

- Boost Africa's income by \$450 billion by 2035 (a gain of 7 percent)
- Adding \$76 billion to the income of the rest of the world

Export

- Increase Africa's exports by \$560 billion, mostly in manufacturing

Wages

- Boost wages for both skilled and unskilled workers

Women

- Spur larger wage gains for women (10.5 percent) than for men (9.9 percent)

Benefits

1. Export base diversification – reduced economic shocks
2. Preferential access to Africa's markets worth **\$504.17billion** (goods) & **\$162bn** (services) [**source: ITC (2017)**]
3. *Market expansion opportunities for Goods & Services*
4. *Boost to backward integration, local value addition*
5. *Opportunity to consolidate hub position in Services*
6. *Productivity growth through competition & specialization*

Threats

1. Supply side constraints & low competitiveness
 - i. *Low production capacity*
 - ii. *Poor infrastructure*
 - iii. *Low ease of doing business*
 - iv. *Capacity constraints*
2. Trade deflection due to:
 - i. *Weak institutional capacity and political will to enforce trade rules*
 - ii. *Smuggling and other illegal/predatory trade practices*
3. Government revenue loss due to
 - i. *Liberalization*
 - ii. *Illegal/predatory trade practices*
4. High adjustments costs to
 - i. *Retool, upskill and migrate impacted businesses*
 - ii. *Incentives to attract and retain investment*
 - iii. *Reform institutions*

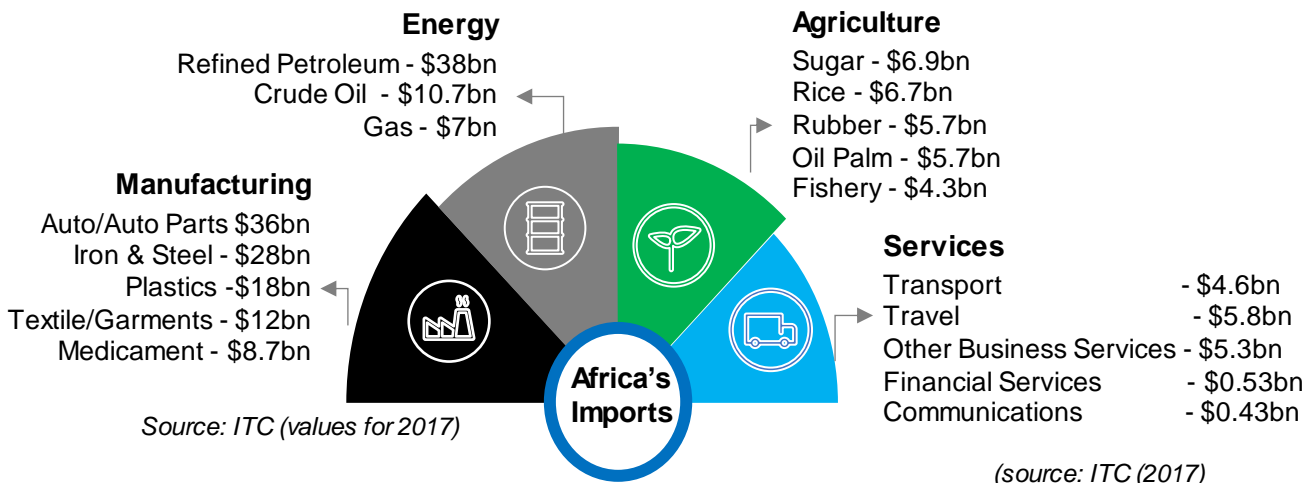
SOURCE: NAC-AfCFTA - Impact and Readiness Assessment study

AfCFTA - Strategic imperatives for Nigeria

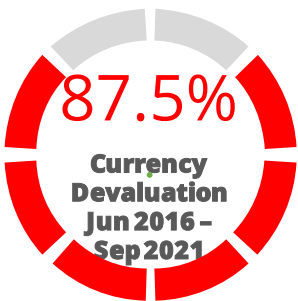


Market Access

- 1.3 Billion people
- \$3.4trn GDP
- Rules of origin - focus on African content
- Grow Africa Services hubs
- Grow productivity through specialization
- AfCFTA – a steppingstone to the global marketplace



Selected priority products and Services (Not exhaustive)



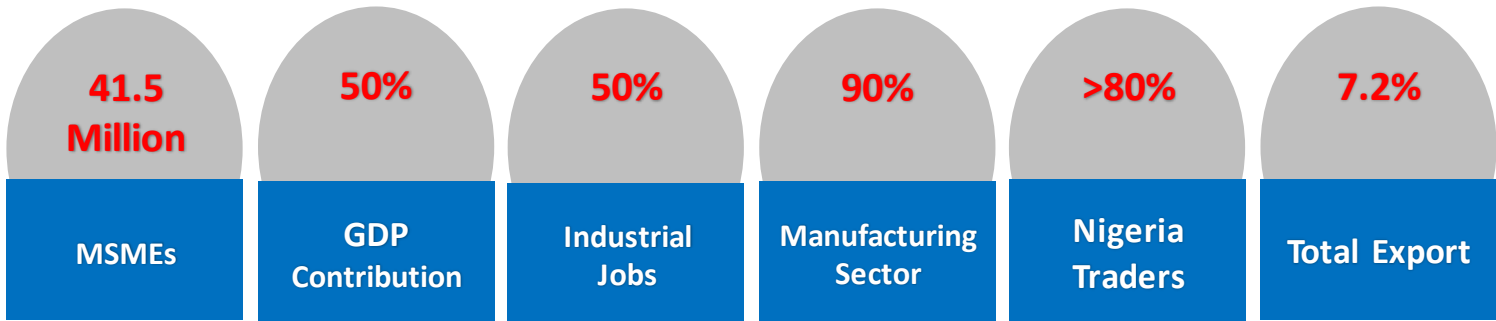
Wealth Protection

- Protect GDP/revenue
- Mitigate wealth erosion



Job Creation

- Reduce unemployment



SMEs IN NIGERIA

Nigeria's Edge

One of the most **entrepreneurial, innovative and ingenious** economies...



Arable land 34,000,000ha = **88.2%** (Morocco + Ethiopia + Egypt+ S/Africa)



Largest Economy in Africa



Global market projected to show demand growth on identified priority products and services



Large growing population – **3rd largest by 2050**



Growing middle class population



Young, energetic, tech-savvy entrepreneurial population



Optimistic mobile population



Resilient, hard-working **“can-do”** spirit



Large domestic appetite



Huge reserve of latent demand



Improving business Climate



Abundant natural Resources



Abundant economic opportunities



Generous investment incentives



Sophisticated financial markets



Existing complimentary initiatives



Thriving industrial and retail sector



Presence of global players

...scale of opportunities, quality of **talent**, scale of **ambition and aspiration** of **government**...



Increasing ownership of economic agenda by states



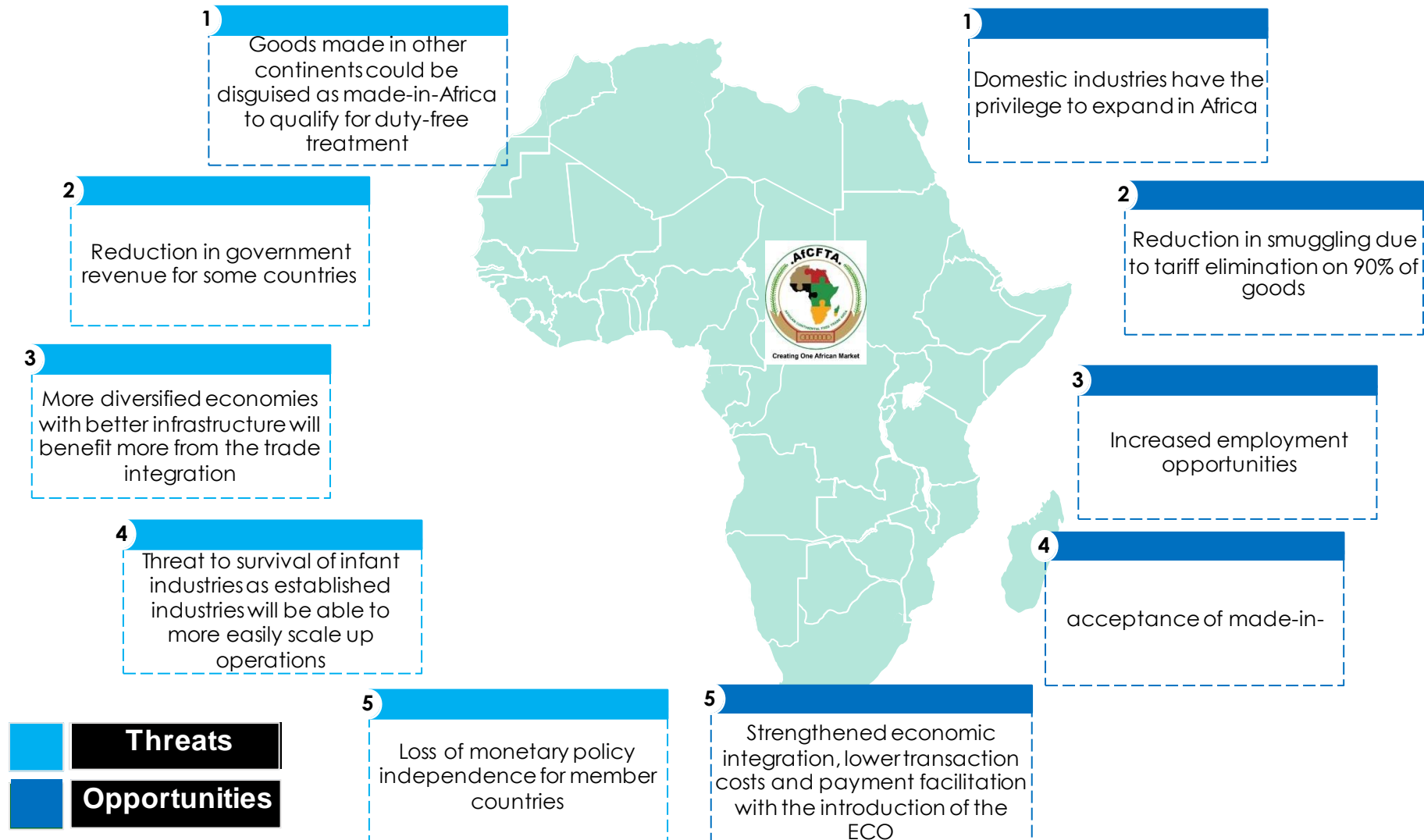
Two decades of political stability



Clear intent of FG policies to achieve diversification

...adaptability and **agility** of the **people**

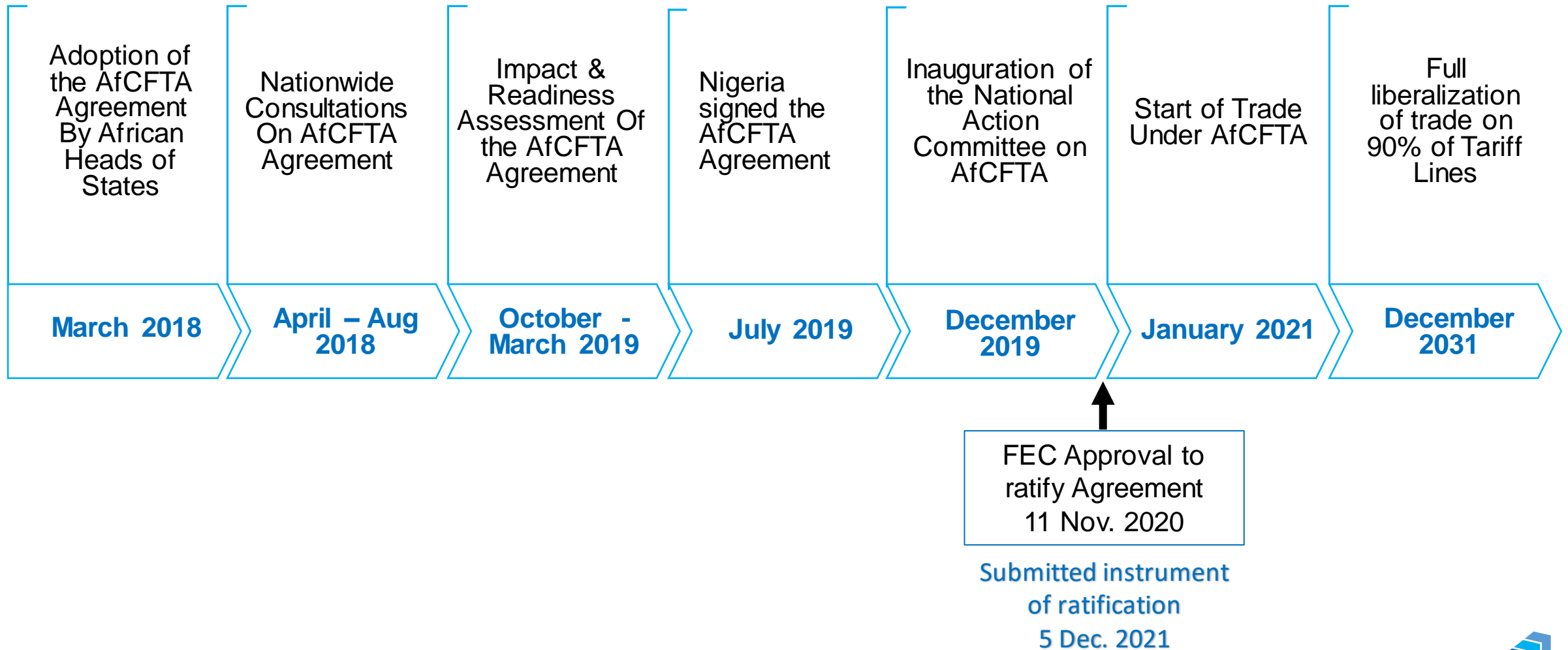
Amidst the opportunities to significantly boost intra-African trade, AfCFTA presents certain risks....



AfCFTA: STATE OF PLAY

Nigeria's AfCFTA Mission

Timelines



The journey so far.....

2019 - 2020	2020 - 2021	2021 - 2031
Phase I Setup Committee	Phase II Plan Implementation	Phase III Implementation
<ol style="list-style-type: none"> 1. Setup Steering Body 2. Setup Sub-Committee 3. Setup Workstreams 4. Setup Secretariat 	<ol style="list-style-type: none"> 1. Plan & Ratify Agreement 2. Develop National AfCFTA Strategy 3. Plan start of AfCFTA trade <i>(conclude Phase I negotiations, define arrangements for trade remedies, Competent Authority, RoO Compliance)</i> 4. Conduct nationwide sensitization 5. Establish Subnational AfCFTA Programme 6. Establish Champion programme 7. Plan coordination, Monitoring and evaluation 	<ol style="list-style-type: none"> 1. Implement AfCFTA trade program 2. Implement readiness programme (7 Pillars) <ol style="list-style-type: none"> i. Vibrant Industry cluster in every State ii. Highly Productive Workforce iii. Grow domestic demand iv. Business Environment v. Infrastructure vi. Secure access to AfCFTA markets vii. Establish an efficient AfCFTA trading arrangement 3. Commence AfCFTA Exporters and Products Registrations 4. Negotiate MRAs, Customs Co-operation Agreements

The journey so far.....

AfCFTA Architecture

Adopted

Significant
Progress

Early Stage

Protocols

Phase 1

Trade in Goods

Trade in Services

Rules and Procedures on
the settlement of disputes

Phase 2

Competition Policy

Investment

Intellectual Property

Digital Economy

Women and Youth in
Trade

Annexes

- Schedule of Tariff Concessions
- Rules of Origin

- Customs Cooperation and Mutual Administrative Assistance
- Trade Facilitation
- Transit Trade and Transit Facilitation
- Technical Barriers to Trade
- Sanitary and Phytosanitary Measures
- Non-Tariff Barriers
- Trade Remedies

Annexes

- Schedules of Specific Commitments
- MFN Exemption
- Annex on Air Transport

Agreement
establishing
AfCFTA

Additional Details

- **Schedules of Tariff Concessions - Trade in Goods**
 - ✓ Elimination of tariffs on 90% of products over 10 years
 - ✓ Sensitive List 7% (tariff elimination over 13 years)
 - ✓ Exclusive list – 3% (No action –retained to protect Infant industries and strategic sectors)
- **Schedule of Specific Commitments for Trade in Services – WTO+**
- **Product Specific Rules Of Origin To Grow African Content**
- **Harmonized Of Policies, Regulations & Standards**
- **Operational Agreements** (Cooperation, Mutual Recognition, Administrative Assistance)

AfCFTA Implementation - Key challenges

Production & productivity issues

- Capacity and skill dearth
- Circa 50% capacity utilization
- Low agricultural yield
- High post harvest losses
- Significant dependence on imports for inputs and components
- Intense competition from cheaper imports
- High non-operating costs
- Slow implementation of incentives and local offtake arrangements
- Poor access to foreign markets (quality, country brand, economic cooperation).
- Data deficiency
- Low adaptation to technology and best practices

Infrastructure constraints

- Lack of access to uninterrupted power
- Obsolete and inadequate infrastructure
- Poor safety and hazard concerns
- High cost vs. value of international certifications
- Low stock of transport infrastructure (roads, rail, water)
- Inefficient logistics operations (port congestion)
- Low inter-connectivity of transport modes from poor planning
- Low access to modern logistics infrastructure (fleet, warehouse, packing equipment, etc.)
- Slow completion of projects

Insecurity

- Insurgency, kidnapping, farmers/ herdsman clashes are limiting access to farms and travel options; and from pirates on waters

Predatory trade practices

- Smuggling through manned and unmanned borders
- Unchecked dumping and illegal subsidies
- Illegal trans-shipments
- Abuse of rules of origin
- Non-enforcement of AfCFTA rules by regional partners.
- Intellectual property infringement

Regulatory constraints

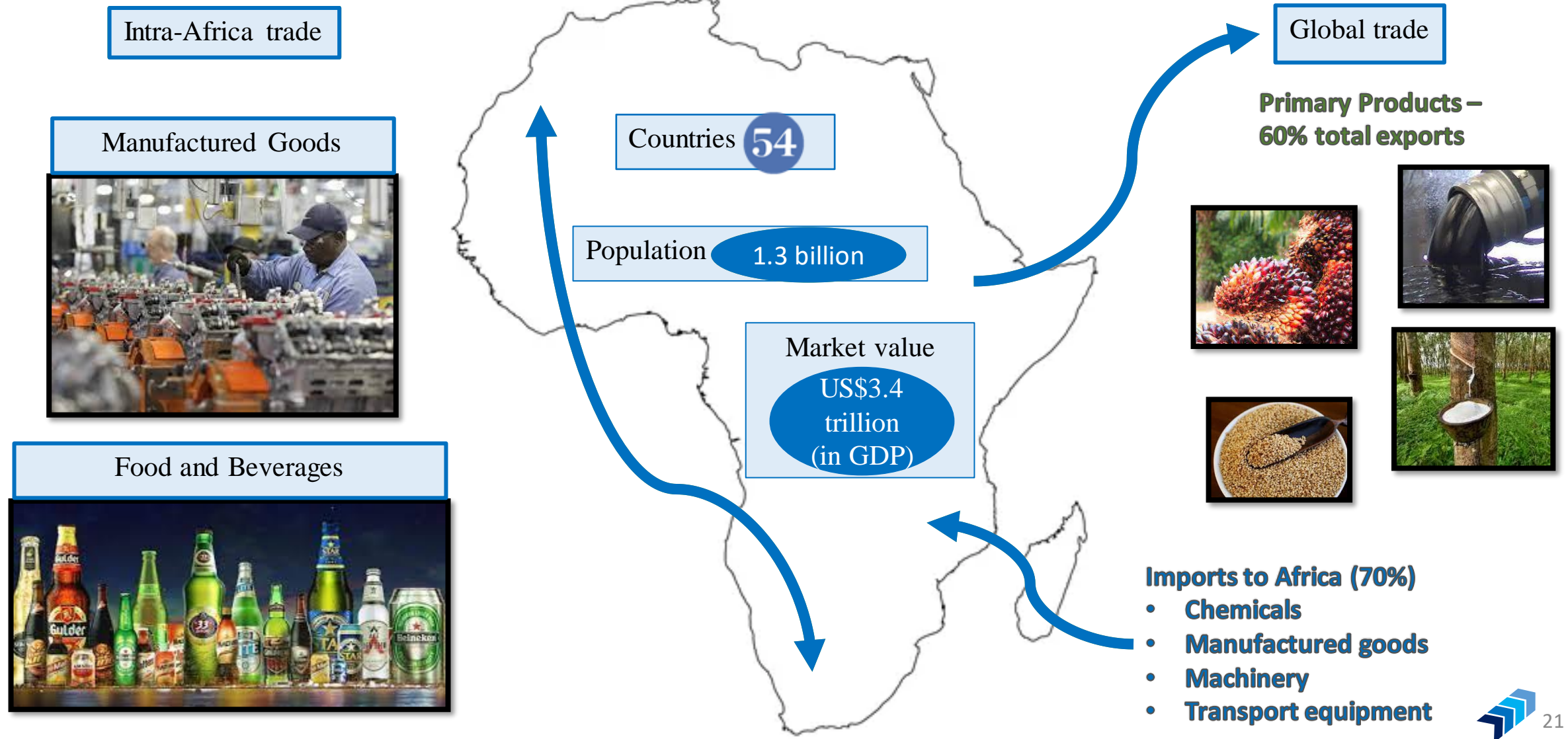
- Significant number of laws and regulations require update
- Change in government
- Overlapping mandate of MDAs with low institutional cooperation
- Cost of doing business (permits, bureaucracy, multiple taxation)
- Lingering disputes
- Fiscal uncertainty/ weak macroeconomic environment
- Plethora of laws with weak enforcement
- Misalignment of other bilateral trade agreements and the AfCFTA provisions

Funding constraints









- Dwindling government revenue
- Businesses experience difficulties in accessing incentives and intervention financing (EEG Grants, CTG fund, etc.)



Opportunities for Nigerian Businesses & Potential Markets



Some Opportunities for Nigerian Businesses - Products & Services

PRODUCTS	
	Oil Palm
	Cocoa
	Plastics
	Sugar
	Rice
	Textiles/ Garments (Incl. Cotton)
	Iron & Steel
	Automobiles and Auto-parts

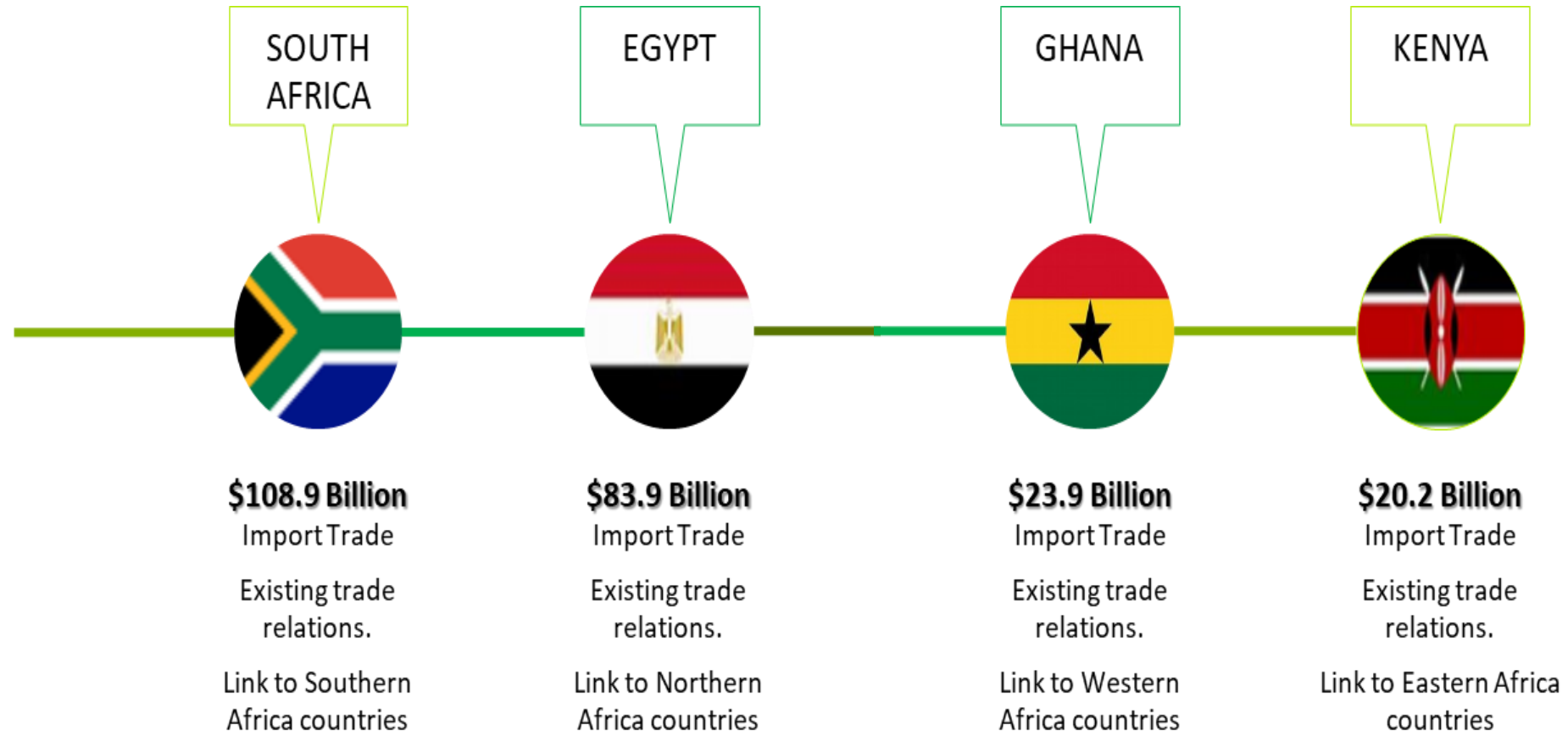
There are 11 priority products and several potential products & services for exports

SERVICES	OPPORTUNITIES
 Communications & Digital Economy	<ul style="list-style-type: none"> e-Commerce Software Development Hub Digital Financial Services Broadband and Telecommunication
 Financial Services	<ul style="list-style-type: none"> Traditional Digital Banking and insurance e-Payment Systems e-Lending Solutions Integrated Mobile Banking Solutions
 Transportation Services	<ul style="list-style-type: none"> Sea Rail Air Pipeline Digitized Systems Logistics Hub
 Business Services	<ul style="list-style-type: none"> Legal and Advisory Services Representation Services Notarial Services
 Travel & Tourism Services	<ul style="list-style-type: none"> Historic and monumental sites



Top 4 export target markets (products & services)

(based on existing trade relationship, strategic regional penetration plan and robust country import base)



Challenges faced by Nigerian Businesses and How They Can Play Under The AfCFTA

Challenges Faced by Nigeria Businesses

VALUE CHAIN ACTIVITY	CHALLENGES
Operations	<ul style="list-style-type: none"> • Infrastructure deficit, low level of mechanisation and poor irrigation systems • Poor transportation system, unreliable electricity supply, inadequate facilities and equipment, bureaucratic bottlenecks with accessing land and securing land titles, insufficient funding, high cost of doing business
Logistics	<ul style="list-style-type: none"> • High cost of transportation, poor road network and port administration
Marketing & Sales	<ul style="list-style-type: none"> • Capacity and export related challenges
Firm Infrastructure	<ul style="list-style-type: none"> • Access to finance, policies and regulation uncertainties, fluctuating exchange, interest, and inflation rates, insecurity, poor packaging and quality
Technology Development	<ul style="list-style-type: none"> • High investment cost, lack of access to research & development
Human Resource Management	<ul style="list-style-type: none"> • Unskilled and uneducated work force

How Nigerian Businesses can play under the AfCFTA

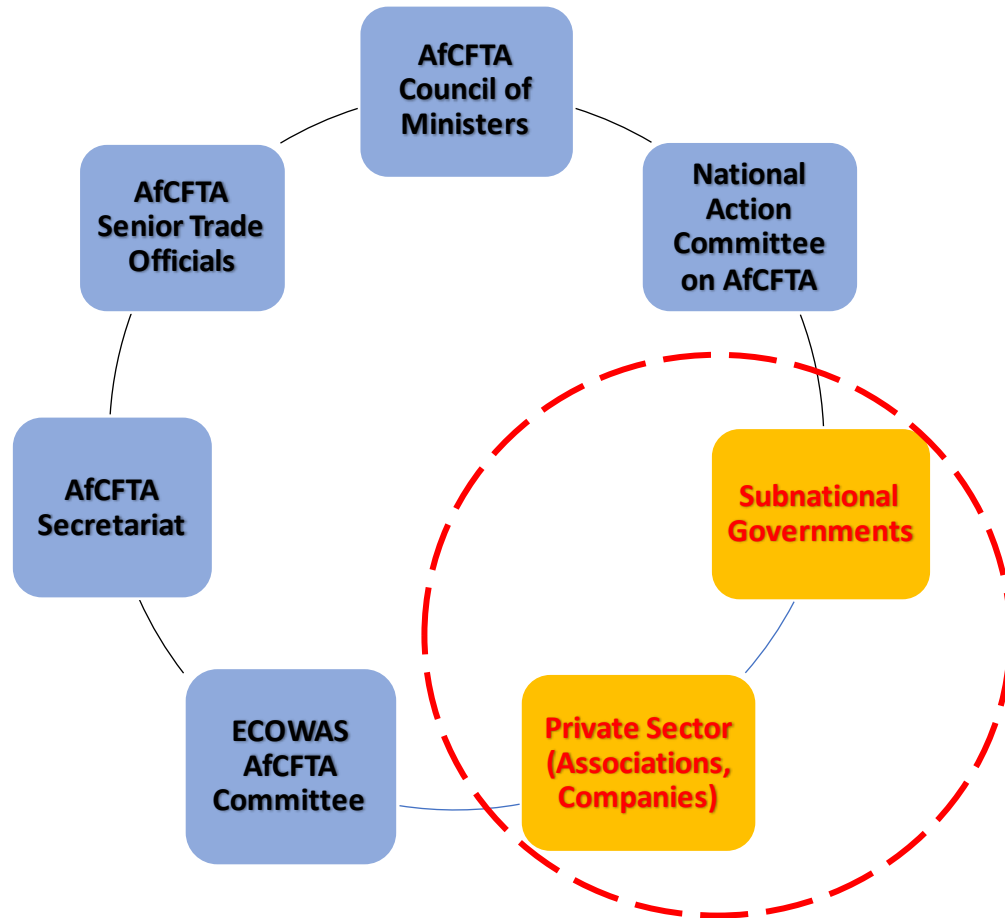
- Comply with the 'Rules of Origin' and 'Standard Requirements' across various products, services and markets
- Develop and leverage product/service value chain for greater value
- Collaborate to gain maximum value
- Structure the business(es) to enable access to funding and attract investments
- Prioritise information and data-driven decision-making
- Look deep into what Africa needs and provide it (Research)

What Nigerian Businesses need to take advantage of the AfCFTA

- Access to Market Intelligence Information
- Access to Finance
- Export Trade Capacity Building
- Capacity for Value Added Production
- Storage, Warehousing, and Aggregation
- Transportation and Logistics
- Sustainable Agricultural Practices
- Enabling Business Environment
- Quality Produce
- Policies and Regulations
- Contracting and Agreements
- Export Promotion
- Improved Seedlings and Agronomic Practices

Roles and Benefits to Government

AfCFTA Implementation Ecosystem



States can Leverage the AfCFTA to:

- Create jobs (direct and indirect)
- **Grow Internally Generated Revenue (IGR)**
- Improve food security
- Reduce their dependence on import
- Improve their GDP
- Position as production hub(s) for Africa
- Attract Investments
- Improve Security
- Build Sustainable Infrastructure
- Transform to Mega Cities
- Put their State on the global map as an investor and tourist destination

Every investment by Subnational Governments in the implementation of the AfCFTA is a means to an end. They therefore need to setup and operationalize supporting structures for the implementation of the AfCFTA

■ Critical touch points/value offerings by the State such as the development of:

- ✓ Export Processing Zones
- ✓ Common Facility Centres
- ✓ Domestic Export Warehouses
- ✓ Export Trade Houses
- ✓ Export Exhibitions and Trade Fairs (Local and Domestic)
- ✓ Human Capacity Development Centres
- ✓ Production Hubs
- ✓ Market Linkages/Match making events
- ✓ Production Incentivisation
- ✓ Facilitation of production financing Etc.

can and should serve as 'toll gates' to onboarding businesses, and individuals unto the tax net and invariably lead to increased IGR collection, across the various cash points, such as; Produce Tax, PAYE, VAT, and other taxes and levies.

CRITICAL STEPS:

- **Setup a State office/Committee for Domestication of the AfCFTA Agreement**
- **Development of State Strategy for Domestication of the AfCFTA Agreement**, this includes but is not limited to the engagement of critical stakeholders, drafting of strategy document, socialization of plan, agreement on framework and target setting
- **Domestication of the AfCFTA across the following enablers:**
 - ✓ Infrastructure development (hard and soft)
 - ✓ Policy, regulations and laws development
 - ✓ Trade facilitation and
 - ✓ Export capacity development
- **Handshake with implementing MDAs at the Federal Level**
- **Familiarization with Development Partners** for critical support to the State and its local business operators
- **Engagement of the Business Community**; Communication of opportunities and enabling of skill development through state facilitated or enabled programs
- **Incentivizing the Business Community**

~CONTACTS~

Some Critical Stakeholders

Nigerian Export Promotion Council (NEPC)

Export House; Plot 424 Aguiyi Ironsi Street
Maitama, Abuja

Federal Ministry of Industry, Trade & Investment (FMITI)

Old Federal Secretariat,
Garki Area 1 , Abuja

Nigeria Export Import Bank (NEXIM)

Plot 975 Cadastral Zone AO
Central Business District
P.M.B. 276, Garki, Abuja

Nigeria Customs Service (NCS)

NCS Headquarters
Abidjan Street
Zone 3, Abuja

Bank of Industry (BoI)

BOI House
Plot 256, Zone A O
Off Herbert Macaulay Way
Behind Unity Bank
Central Business District, Abuja

Small & Medium Enterprise Development Agency (SMEDAN)

No 35 Port Harcourt Crescent
Off Gimbiya Street, Area 11
Garki, Abuja

National Association of Small and Medium Enterprise (NASME)

Room 307 & 308, Block D
Federal Ministry Of Industry, Trade and Investment
Old Federal Secretariat
Area 1, Garki, Abuja

Coordinating the Implementation of AfCFTA in Nigeria is the **National Action Committee on AfCFTA (NAC-AfCFTA)** otherwise referred to as **AfCFTA Nigeria** – 3rd & 12th Floor, Bank of Industry (BoI) Building, CBD, Abuja.
www.ngrafcta.gov.ng; miu@ngrafcta.gov.ng; SOCIAL MEDIA: @afcftang

Contact

Peter is reachable via;

- e-Mail
- Phone
- LinkedIn

NWAGBOGU@OUTLOOK.COM
+234 803 409 7822
[linkedin.com/in/peternwagbogu](https://www.linkedin.com/in/peternwagbogu)

~ADDENDUM~

MODES OF EXPORT

Mode 1: Cross-border supply

- This covers services flows from the territory of one member into the territory of another member (e.g.. banking or architectural services transmitted via telecommunications or mail)

Mode 2: Consumption abroad

- This refers to situations where a service consumer (e.g.. tourist or patient) moves into another member's territory to obtain a service

Mode 3: Commercial presence

- This implies that a service supplier of one member establishes a territorial presence, including through ownership or lease of premises, in another member's territory to provide a service (e.g.. domestic subsidiaries of foreign insurance companies or hotel chains)

Mode 4: Presence of natural persons

- Consists of persons of one member entering the territory of another member to supply a service (e.g.. Accountants, Doctors or Teachers).

Harmonised System

All products and some services are classified globally by Harmonised System Codes

EXAMPLE

18

HS2 - (Chapter/category) Cocoa and cocoa preparations

1806

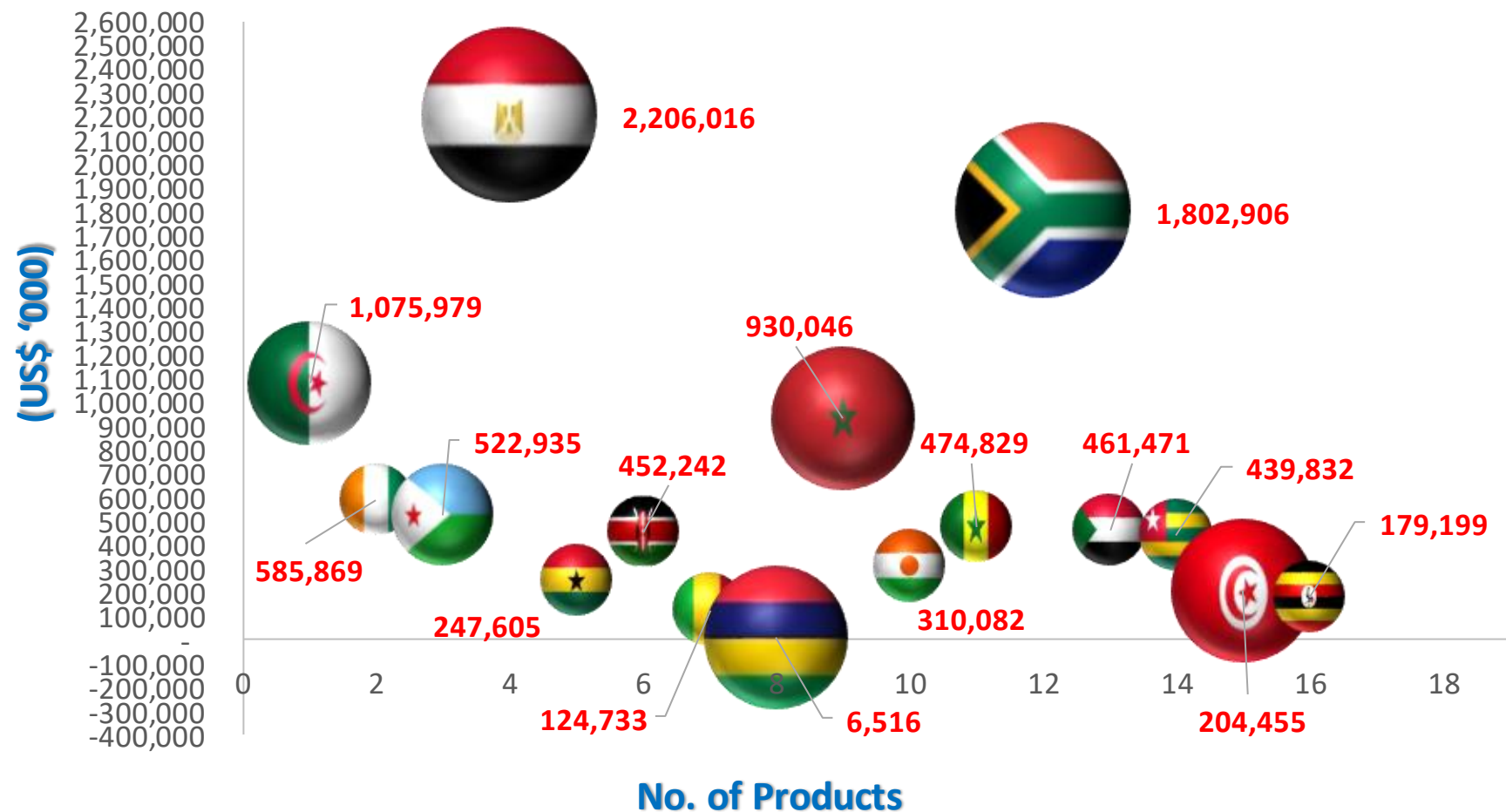
HS4 - (Subcategory) Chocolate and other food preparations containing cocoa

180610

HS6 - Cocoa powder, sweetened

Top Export Destinations - Products

Export Destination by Number of products relevant to country and market value



Country	Total Market Size for priority products (USD\$ '000)	% of Priority Products in Country	No. of Priority Products in Country
Egypt	2,206,016	85.71	6
South Africa	1,802,906	85.71	6
Algeria	1,075,979	42.86	3
Morocco	930,046	57.14	4
Cote d'Ivoire	585,869	14.29	1
Djibouti	522,935	28.57	2
Senegal	474,829	14.29	1
Sudan	461,471	14.29	1
Kenya	452,242	14.29	1
Togo	439,832	14.29	1
Niger	310,082	14.29	1
Ghana	247,605	14.29	1
Tunisia	204,455	57.14	4
Uganda	179,199	14.29	1
Mali	124,733	14.29	1
Mauritius	6,516	57.14	4
TOTAL	10,024,715		

ADDENDUM: OPERATIONAL INSTRUMENTS

Rules of Origin

Wholly Obtained Criterion

- Trade in goods considered wholly obtained includes:
- Actual source of a product; if live animal, where the animal was born and reared;
- Country of extraction
- Place of manufacture
- Products obtained from water bodies

Substantial/sufficient transformation criterion

- There are 4 major criteria:
- Change of Tariff Classification criterion
- Change in Tariff Sub-Heading criterion
- Value of Non- Originating Material
- Manufacture or Processing operations (technical requirement) criterion.

Definition

- Rules of Origin (RO) are the means by which we determine where goods originate, i.e. not where they have been shipped from, but where they are deemed to have been produced or manufactured
- Rules of origin is the criteria needed to determine the national source of a product. Their importance is derived from the fact that duties and restrictions in several cases depend upon the source of imports.

Rules of Origin

Rules of Origin

- Rules of Origin (RO) are the means by which we determine where goods originate, i.e. not where they have been shipped from, but where they are deemed to have been produced or manufactured
- AfCFTA will operate based on product specific rules of origin
- Designated Competent Authority:** Nigeria Customs Service

African Trade Observatory

- Repository of trade information
- Allows comparison of trade and market access information across countries, products or markets.
- Monitor state of intra-African integration over time and track advanced trade indicators
- Custodian: International Trade Centre
- <https://ato.africa/en/>

Pan African Payment & Settlement System

- Enables instant payment across African borders in local currency
- PAPSS supports three core processes: instant payment, pre-funding and net settlement
- Custodian:** AfreximBank
- [How it works - Make instant and secure cross-border payments in local currencies across Africa \(paps.com\)](https://paps.com)

Non Tariff Barrier Reporting Tool

- Non-Tariff Barriers online reporting, monitoring and eliminating mechanism is a facility developed to enhance trade through removal of non-tariff barriers to trade (NTBs).
- <https://tradebarriers.africa/about>

Category 1



Live animals born and raised within member states

Category 2



Vegetable products harvested within member states

Category 3



Mineral product extracted from the ground, sub-soil of sea bed of member states

Category 4



Products of sea fishing and other products taken from the sea by its vessels

Category 5



Used articles collected there fit only for the recovery of raw materials

Category 6



Waste and scraps resulting from manufacturing operations conducted there

Change of Tariff Heading Criterion (CTH)

Wood in the rough 44.03
Cut in Country A



Wood sawn & planed 44.07
In county R



Made to furniture tables 94.03 in
country Y



Imported into country Z

Change of Tariff Classification Criterion

Good is considered substantially transformed when it is classified in heading or subheading (depending on the exact rule) different from all non originating materials used.

Example:

2523.10 = Cement clinkers (Raw material) CHT

2523.29 = Portland, (Dangote, BUA Elephant etc) cement

Case Study

Diamond
71.02

Gold
71.08



Jewelry 71.13

MANUFACTURING OR PROCESSING OPERATIONS

Regardless a change in classification, a good is considered substantially transformed when the good has undergone specified manufacturing or processing operations.

Example: (basic rule)

Water 22.01

Malt 11.07

production

Hops 2.10

Sugar syrup 17.02

**All ingredients change heading
no restriction on their origin
beer originates in country of**

Beer 22.03

"What is imagined, intently desired and enthusiastically acted upon, will inevitably come to pass"

- THOMAS EDISON

Peter NWAGBOGU III



**The IGR
Initiative**