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# Building Africa's Post-COVID Economic Resilience: What Role for the AfCFTA?

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## 1. Introduction

The global economy is facing an unprecedented start to the decade. The coronavirus pandemic has caused a dramatic collapse in world economic growth, trade and investment, falling commodity prices and a steep decline in demand for international services such as travel and tourism. This will have long-term effects on the international trading system and regional and continental trade dynamics. The pandemic has tested countries' ability to respond on multiple fronts, such as in health and the supply of essential medical and food products. For Africa, the pandemic has highlighted existing economic and social challenges and brought to light the need to build the continent's economic resilience for future crises, at the same time as testing countries' capacity to respond to global crisis situations.

Entering into force on 30 May 2019, the African Continental Free Trade Area (AfCFTA) aims to open up opportunities to increase intra-African trade and investment, build regional value chains in goods and services and enhance the capacity of African producers and traders to compete regionally and globally.

For the 19 of the Commonwealth's 54 member countries that are African and signatories of the AfCFTA, promoting its objectives and participating in a continental effort to revitalise and promote trade will be economically beneficial. It is, however, critical that the least developed countries (LDCs), landlocked developing countries (LLDCs), small states and small island developing states (SIDS) also benefit from the opportunities generated under the AfCFTA.

Despite the delay to the implementation and subsequent negotiating phases of the AfCFTA,[2] this issue of *Trade Hot Topics* discusses how current achievements and ongoing negotiations for Phase 1 (movement of goods and services) and future negotiations for Phase 2 (investment, competition policy and e-commerce) can be positioned as a

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2 The first implementation phase of the AfCFTA was scheduled for 1 July 2020; this has now been postponed to 1 January 2021 as a result of the COVID-19 pandemic. Key instruments for Phase 1 had been agreed to prior to the pandemic, with outstanding negotiations concerning market access and rules of origin and additional tariff schedules to be completed. Consequently, Phase 2 negotiations will also be delayed as a result of COVID-19.

catalyst to enhance a trade paradigm capable of withstanding shocks to the international trading system. It proposes that utilising the instruments under Phase 1 can propel structural transformation in agricultural and manufactured products, promote the enhancement of regional value chains and encourage pan-African tourism.[3] It further points to the importance of using Phase 2 negotiations as a springboard to bolster investments in physical infrastructure and digital connectivity across the continent with an objective of reducing non-tariff barriers (NTBs) and trade costs and enabling greater e-commerce.

## 2. Africa's challenges arising from COVID-19

While the challenges that have arisen as a result of the pandemic are not unique to sub-Saharan Africa (SSA), they are compounded by the continent's pre-existing economic, environmental, social and political challenges.[4] Most Commonwealth countries face deep economic recession, associated with the loss of trade and tourism, reduced remittances, subdued capital flows and cuts in government spending as a result of increased debt. For most Commonwealth African countries, the overarching concerns are sharp declines in commodity prices, disruption to global supply chains and the halt in travel and tourism.

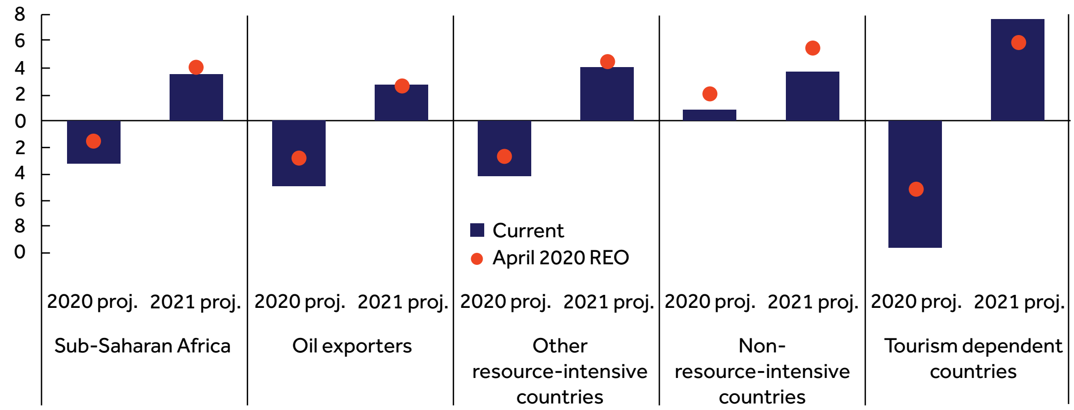
### 2.1. Recession and economic downturns

Prior to the pandemic, the SSA economy was projected to grow by 3.6 per cent in 2020, and trade was expected to continue to rise following the 2012–2016 slowdown. International projections for post-pandemic economic growth suggest a contraction of 3.2 per cent for SSA (and of real per capita gross domestic product (GDP) by 5.4 per cent) (IMF, 2020a, 2020b), with notable differences in commodity-dependent countries (e.g. Cameroon and Nigeria), tourism-dependent countries (e.g. Mauritius, Seychelles and The Gambia) and those deeply integrated in global value chains (e.g. Kenya and South Africa) (Figure 1 and Table A1). Similarly, foreign direct investment flows to Africa are forecast to fall by 25 to 40 per cent in 2020, with low commodity prices exacerbating the negative trend. For SSA, this follows the previous year's decline of 10 per cent in inflows to the region (UNCTAD, 2020a). As the pandemic continues, these trends will be heightened by further challenges arising as a direct and indirect result of the pandemic.

### 2.2. Sharp declines in commodity prices

As the pandemic spread, during January-April 2020 almost all commodity prices saw sharp declines (Figure 2). With 89 per cent (42 out of 47) of SSA countries commodity-dependent, 15 of which are Commonwealth members (IMF, 2020a, 2020b),[5] the losses in revenue will mean a limited ability to respond to health pressures and social demands. Commonwealth Africa is relatively more dependent on commodity exports than the rest of SSA: 76 per cent of its total merchandise exports are commodities compared with 71 per cent for SSA,

**Figure 1. Sub-Saharan Africa: Real GDP growth, 2020-2021 (%)**



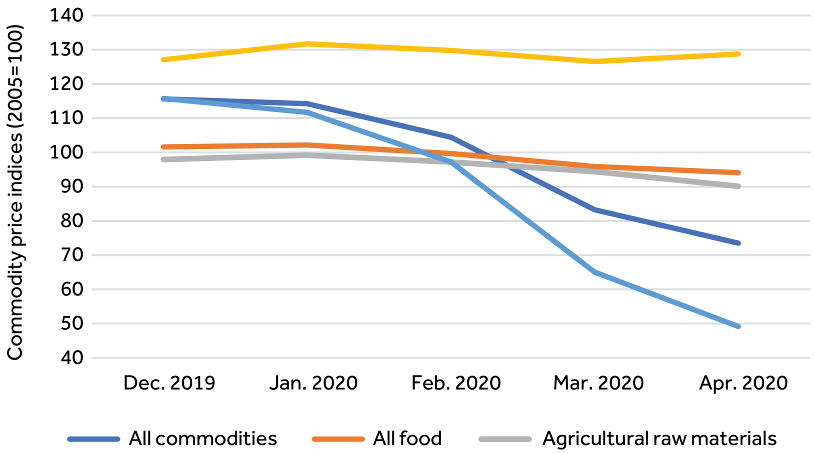

*Source*: IMF (2020b)

3 The Agreement establishing the AfCFTA was presented alongside the Protocol to the Treaty Establishing the African Economic Community Relating to the Free Movement of Persons, Right to Residence and Right to Establishment, adopted on 29 January 2018 and has been signed by 32 countries and ratified by four.

4 For a review of the challenges faced throughout the region, WEF (2019) provides a succinct overview.

5 Commodity-dependent countries: agriculture (Kenya, Malawi, Seychelles, The Gambia, Uganda), fuel (Cameroon, Nigeria), minerals, ores and metals (Botswana, Ghana, Mozambique, Namibia, Rwanda, Sierra Leone, Tanzania, Zambia).

**Figure 2. Monthly free market commodity price indices, December 2019–April 2020**




*Source*: UNCTADStat

on average. For commodity-dependent countries, the reliance on commodity exports is even higher, at an average of 85 per cent (Table 1).

For Cameroon and Nigeria, where fuels contribute over 90 per cent of exports (93 and 97 per cent, respectively), the impact of the pandemic has been most severe because of the conditions in the crude oil market. Crude oil prices have fallen by two-thirds since January 2020, and have been hit by an unprecedented combination of negative demand and positive supply shocks. Mitigation measures to stem the pandemic and a global recession coincided with the collapse of the production agreement by the Organization of the Petroleum Exporting Countries and its partners in early March. This stands in contrast with supply shocks facing many other industries, which likely face a reduction in supply as a result of mitigation measures (World Bank, 2020).

Agricultural commodity prices have been less severely affected, with a modest decline in the main food commodity prices since January 2020. This reflects a lower income elasticity of demand for agricultural commodities (compared with industrial commodities) (World Bank, 2020). For countries such as Malawi, The Gambia and Uganda, national lockdown measures may affect their dependence on agricultural exports, by limiting production and further disruptions to global supply chains.

Minerals, ores and metals have also been less affected in terms of price disruptions. So far, price declines have been driven by concerns about economic activity and investors selling to meet margin calls (World Bank, 2020).[6] For example, production disruptions resulting from mine and refinery shutdowns have included a 21-day stoppage at mines in South Africa, which produces over half of the world's platinum.[7] The deep linkages with global supply chains will further disrupt exports, as these commodities are linked to the production of manufactured products (e.g. automobiles and mobile phones), for which demand has slowed.

### 2.3. Disruptions caused by supply shocks

Further disruptions to international transport networks and border closures have caused a significant shift in the movement of goods. Sectors highly integrated in global value chains, such as manufacturing, and countries heavily reliant on food imports are predicted to be hit the hardest. Global supply chain disruptions are expected to result in export earnings losses of US$101 billion, with an estimated $65 billion for oil-producing countries and massive hits in other export sectors, such as the garment and cut flower industries (Signe and van der Ven, 2020). For example, following travel disruptions from East Africa to Europe, Kenya's exports of fresh flowers dropped nearly 80 per cent. Shipments to Western European markets, including the Germany, the Netherlands and the UK, fell from 60 to 15 tons per day.

Labour availability has also been an issue, particularly for highly labour-intensive sectors and

6 A margin call occurs when a margin account runs low on funds, usually because of a losing trade.
7 Industry estimates suggest 15 per cent of copper mines and 20 percent of zinc mines are currently either offline or operating at reduced capacity.

**Table 1. Relative dependence on commodity exports for Commonwealth Africa (2018)**

| Commodity | Economy | Merchandise exports (value, US$ M) | Commodity exports (value, US$ M) | Commodity exports (% of total exports) |
|---|---|---|---|---|
| Agricultural products | Malawi* | 1,046.00 | 956.61 | 91.45 |
| | The Gambia* | 101.79 | 91.63 | 90.01 |
| | Uganda* | 3,087.36 | 2,613.46 | 84.65 |
| | Kenya | 6,050.42 | 4,306.11 | 71.17 |
| | Seychelles | 568.89 | 409.20 | 71.93 |
| Fuel exports | Nigeria | 62,399.74 | 60,523.50 | 96.99 |
| | Cameroon | 3,837.72 | 3,575.26 | 93.16 |
| Minerals, ores and metals | Ghana | 14,868.09 | 14,318.88 | 96.31 |
| | Mozambique* | 5,195.58 | 4,969.82 | 95.65 |
| | Botswana | 6,573.00 | 6,141.19 | 93.43 |
| | Rwanda* | 1,125.80 | 1,015.01 | 90.16 |
| | Zambia* | 9,052.16 | 7,760.06 | 85.73 |
| | Namibia | 5,395.16 | 4,206.69 | 77.97 |
| | Sierra Leone* | 553.95 | 401.09 | 72.40 |
| | Tanzania* | 3,669.21 | 2,386.74 | 65.05 |
| Non-commodity dependent | Eswatini | 1,837.55 | 542.82 | 29.54 |
| | Lesotho* | 1,175.09 | 527.60 | 44.90 |
| | Mauritius | 2,372.43 | 869.46 | 36.65 |
| | South Africa | 93,569.80 | 53,590.27 | 57.27 |

* LDC
*Source:* UNCTAD (2019) Commodity Dependent Report and UNCTADStat
*Source:* Author's calculations using data from UNCTADStat

products. Lower production levels, decreased supply and, in addition, closures of businesses caused by the disruptions will have adverse effects with regard to unemployment, poverty and development.

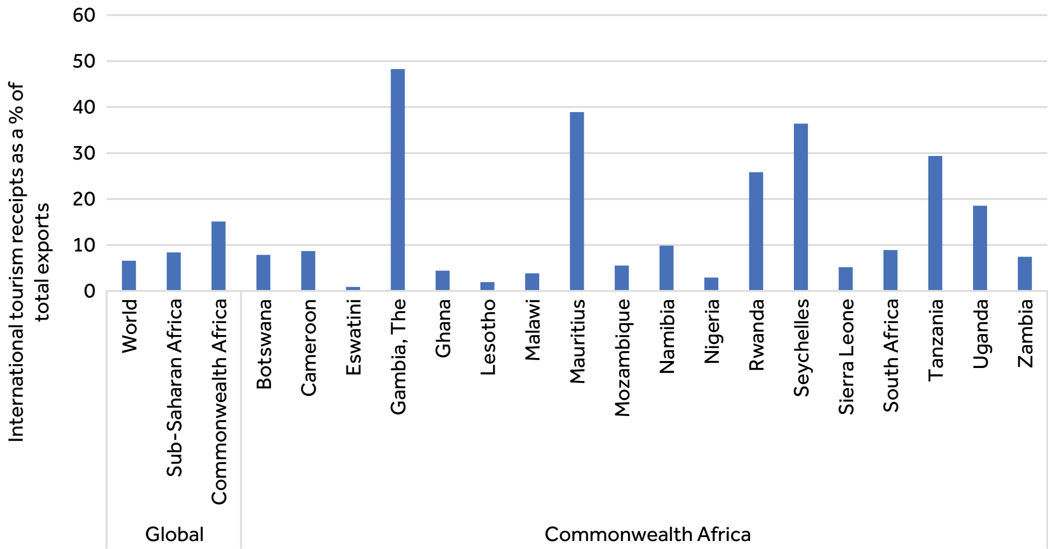
### 2.4. Sudden termination of trade in travel and tourism

One of the hardest-hit sectors has been travel and tourism. For almost all countries, foreign tourism came to a halt early in the pandemic, with airport and borders worldwide closing. The sector, which in SSA supports over 19 million jobs,[8] is critically important for economic growth and development. Prior to the pandemic, a growth of 4 per cent in global tourism was forecast, with international tourist arrivals to Africa predicted to increase by 3 to 5 per cent (UNWTO, 2020). Countries such as The Gambia, Mauritius and Seychelles, for which tourism plays a significant role in the economy (Figure 3), have suffered the most, with an average contraction of 8 per cent. While growth is predicted after lockdown measures have been lifted and confidence has been restored, the certainty of a return to pre-COVID-19 international arrivals remains questionable.

Tourism is a critical sector because it not only generates employment but also drives foreign exchange. It has important backward and forward linkages and multiplier effects across many productive sectors and activities in the tourism value chain. It enables the workers in the informal, unskilled sector to become services exporters, by engaging in activities that range from retailing craft items and offering tour guide services or community, heritage and cultural experiences to providing home lodging accommodation. However,

8 Total contribution to employment in 2019 was 19.7 million, approximately 6.4 per cent of total employment (data from the World Travel and Tourism Council Data Gateway).

**Figure 3. International tourism as a share of total exports for SSA and African Commonwealth countries (%)**




*Note*: Data unavailable for Kenya
*Source*: Author's calculations using data from World Bank WDI database

although the sector can represent a key driver of sustainable economic development, unlike in trade in goods, losses in tourism cannot be recouped over time (Kampel, 2020).

## 3. Importance of the AfCFTA

In moving forward, the AfCFTA can play a pivotal role in how countries revitalise existing sectors disrupted by COVID-19 and potentially jumpstart new dynamic ones. While the agreement itself cannot be seen as the key solution in building continental resilience, the enthusiasm many countries showed in the lead-up to ratification demonstrates a willingness to work together when it is economically advantageous. It is also important to view the potential of the agreement within the broader lens of the African Union's Agenda 2063 and its vision of 'an integrated, prosperous and peaceful Africa, driven by its own citizens and representing a dynamic force in the international arena'.

Facilitating trade through an integrated Africa approach brings to the forefront two key points on regional integration:

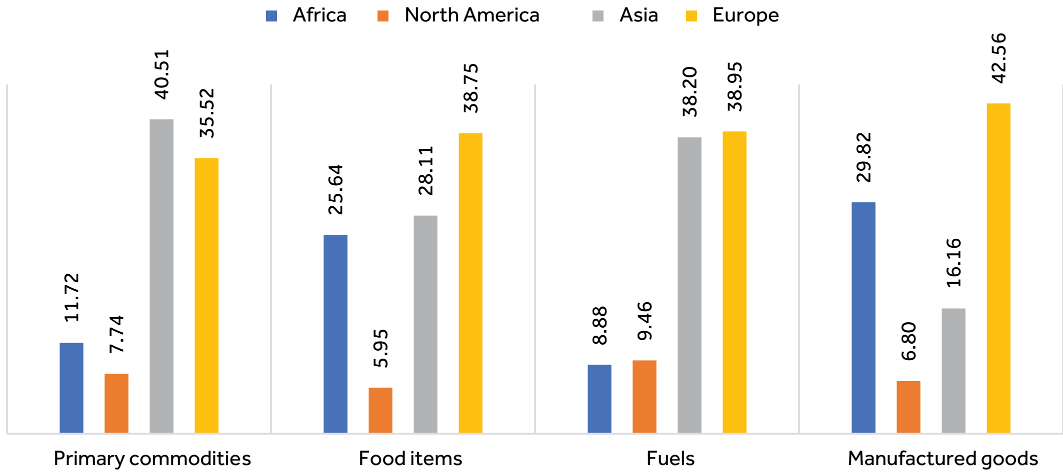
1. The benefits of regional integration can be realised only once behind-the-border measures (e.g. technical regulations), improved connectivity (e.g. physical and digital infrastructure) and structural transformation (e.g. regional value chains in goods and services) are prioritised (Vickers, 2017).
2. Regional integration means promoting trade linkages, diversifying regional markets and shrinking value chains through domestic value addition.

Overall, the current share of intra-African trade is lower than that of its trade with other regions (North America, Europe and Asia), at around 15 per cent compared with 60 and 80 per cent, for Asia and Europe, respectively, in 2018. However, the share of manufacturing goods and agriculture in intra-African trade is comparatively higher than for other sectors (Figure 4).

For manufactured goods, it is largely Southern African countries, including Botswana, Namibia, South Africa and Zambia, that have driven this. For agricultural food items, it has been driven by imports by large economies, such as Algeria, Kenya and South Africa, mainly from neighbouring countries. Importantly, a majority of intra-African trade is not only regional but also, unsurprisingly, to landlocked countries. For the other sectors – primary commodities and fuels – low intra-African trade can be attributed to lower demand as a result of a need to further process raw materials and limited refinery capabilities. For all the above-mentioned sectors, reasons why intra-continental trade is not higher are typically related to high tariffs in many sectors, the cost of trading across borders and trade facilitation challenges.

Before the disruptions caused by COVID-19, Phase 1 of the AfCFTA had been set to be implemented on 1 July 2020, with negotiations planned for conclusion by January 2021. Phase 1 of the Agreement can shift the trend to allow existing trade to grow and also create a structural

**Figure 4. African merchandise exports to the world by region, 2018 (%)**




*Source*: Author's calculations using data from UNCTADStat

environment for it to evolve. The five key instruments adopted for the operational phase of the AfCFTA (AU, n.d.), if properly implemented by members, will aid in the realisation of this. Three of these instruments, on rules of origin, tariff concessions and the elimination of NTBs, concern the behind-the-border measures that are essential to boost trade and confidence in the private sector.

1. **Rules of origin** target 'Made in Africa' products, of which there is no shortage. Many countries already produce diversified goods such as furniture, processed foods and textiles, but the caveat is that these are produced primarily for domestic consumption and are generally hindered by high production, transportation and export costs. While for lower value-added products it may be easy to determine origin, higher value-added products that have been 'substantially transformed' tend to be more difficult, given imported intermediary inputs.

   Currently, annexes establishing guidelines on rules of origin are completed, but specific rules determining whether a good originates from within the AfCFTA – and is eligible for preferential treatment – are under negotiation. Related to this, specific commitments for goods and services market access also remain under negotiation.

2. **Tariff concessions** combined with rules of origin would make it easier for those already manufacturing products to take advantage of upcoming reductions. It has been agreed that there should be 90 per cent tariff liberalisation, realised over a 10-year period with a five-year transition. An additional 7 per cent of tariff lines, for sensitive products, will have longer phase-out periods; 3 per cent of tariff lines (not to exceed 10 per cent of imports by value) may be excluded entirely.[9]

   Currently, the additional tariff schedules remain under negotiation, with ongoing discussions on the special considerations to be given to LDCs. The challenge of existing regional customs unions, such as the East African Community, negotiating in blocs further complicates the process, as the AfCFTA will need to co-exist with the regional economic communities (RECs), customs unions and regional trade arrangements.[10]

3. **The online mechanism on monitoring, reporting and elimination of NTBs** provides a pathway to solutions for what represent a great hindrance to intra-African trade. The system will monitor physical (i.e. poor infrastructure) and administrative (i.e. customs officials' behaviour) barriers. The ability of exporters to provide real-time information on on-the-ground issues may be transformational in providing targeted solutions.

Unlike the operational 'behind-the-door' changes of Phase 1, the potential impact of Phase 2 negotiations, which concern investment, competition and

9 Discussions on tariff concessions also provide countries with an opportunity to liberalise tariff lines that are critical to post-COVID-19 recovery.

10 Pre-existing RECs, customs unions and regional trade arrangements have attained higher levels of integration. Article 19(2) of the AfCFTA as well as Article 8 of the Protocol on Trade in Goods requires the co-existence of these relationships under the umbrella of the Agreement.

e-commerce rules, is on building capacity, facilitating better and more efficient trade in services and, if used in conjunction with other protocols, knowledge transfer and a boost in intra-African tourism. The first round of the negotiations will include the transport, tourism and communications sectors.[11] Increased liberalisation of these sectors across Africa will render them more competitive and increase much-needed investment over the long run.

Three significant instruments were adopted and/or endorsed alongside the AfCFTA, of which two are critically important to facilitating better and more efficient trade.

1. The Action Plan on Boosting Intra-Africa Trade identifies seven priority action clusters: trade policy; trade facilitation; productive capacity; trade-related infrastructure; trade finance; trade information; and factor market integration.

2. The Protocol to the Treaty Establishing the African Economic Community Relating to the Free Movement of Persons, Right to Residence and Right to Establishment (the African Union Free Movement Protocol) focuses on the progressive realisation of the free movement of workers, permits and passes, mutual recognition of qualifications, portability of social security benefits, remittances, the movement of special vulnerable people, cross-border cooperation and coordination and harmonisation. For key sectors such as travel and tourism, which employ approximately 25 million people across the continent, this will be a game-changer.

## 4. Building resilience

### 4.1. Structural transformation: manufacturing base and regional value chains

The AfCFTA is premised on the principle that increasing levels of industrial production is necessary for African countries to move up the ladder in global value chains. As a by-product, intra-African trade will increase as countries are able to supply goods and services traditionally imported from outside the continent as well as to create a space for innovation and technological advancements through the progressive realisation of the Agreement.

The ability of African countries to produce high-quality manufactured goods should not be underestimated: several countries have continued to demonstrate their capabilities and capacities as a result of the pandemic. A number of African countries have begun producing essential medical supplies. The Kenyan government announced that the textile industry would be able to supply fabric manufacturers with the material to produce 60 million face masks and personal protective equipment (PPE). A military facility in Nigeria is producing ventilators and PPE (Onyedinegu, 2020). And in South Africa, a private sector initiative is producing ventilators and oxygen helmets, for both domestic use and export (PRNews, 2020). Additionally, a laboratory in Senegal, albeit not a Commonwealth country, developed a 10-minute COVID-19 testing kit in the first few months of the pandemic (Soto, 2020).

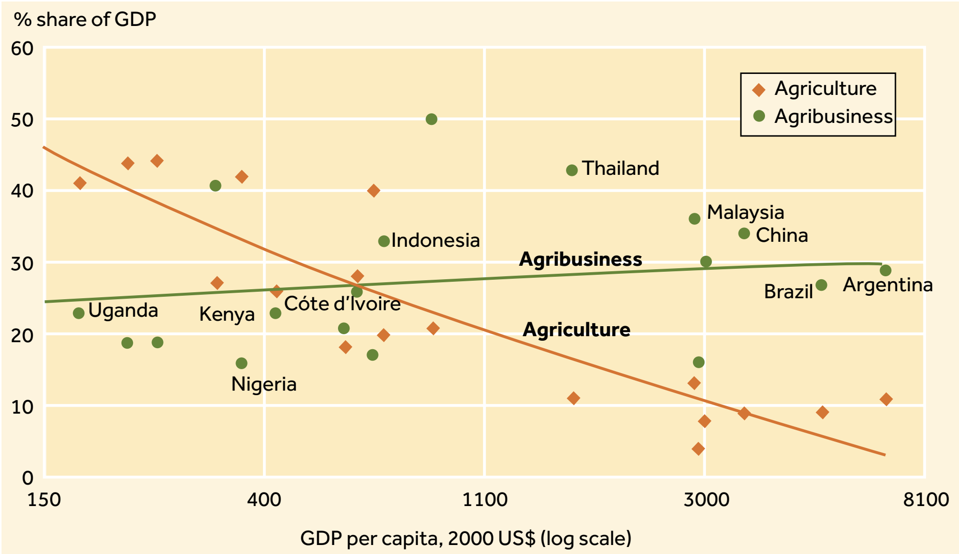
The combination of an increase in manufacturing capabilities with a reduction in tariffs and the ease of trade restrictions across the continent would promote greater reliance on sourcing final or intermediate products from across the continent. For small states, LDCs and LLDCs, this would be beneficial, as they rely on neighbouring and regional countries for a majority of their essential goods (Vickers and Ali, 2020).

One key sector for structural transformation is agriculture, which is shaped by three interrelated processes: improvements in productivity; a changing composition in production; and a changing mode of commercialisation (Divanbeigi et al., 2016). For 52 per cent of the SSA labour force employed in the sector (World Bank data), value addition and promoting agribusiness through regional agro-food value chains[12] will not only increase personal income and contribute to poverty alleviation (Christiaensen and Martin, 2018) but also have ripple effects in other sectors. Figure 5 illustrates the shift in GDP for agribusiness when compared with raw agricultural products.

It is important to note that, while a majority of countries do need to move towards increasing value addition and into agribusiness, those already in the processed product space face challenges related to high trade costs, poor infrastructure, limited

11 It is important to note that delays in concluding Phase 2 negotiations could have ripple effects on the usefulness of the AfCFTA in providing a framework for investment and e-commerce cooperation.
12 Agribusiness and agro-industry, by definition, include all post-harvest activities involved in the transformation, preservation and preparation of agricultural production for intermediary or final consumption, marketing and financing, up to the consumers and even sometimes beyond consumers up to decommissioning.

**Figure 5. The relative GDP shares of agriculture and agribusiness change as incomes rise (%)**




*Note*: Agribusiness includes the value-added for agro-related industries and for agricultural trade and distribution services.
*Source*: World Bank (2008)

use of technology in production and weak market power – particularly for small-scale farmers. While investments in manufacturing and productive capabilities are essential to promoting regional value chains, addressing national and regional fragmentations along with national and regional policy changes is key.

To encourage participation, reducing trade costs across the continent is the first step the AfCFTA is taking. Recent bilateral trade cost data show that, for a majority of African countries, it is cheaper to trade with non-African countries (such as China, India and the UK). This is especially true for trade outside of regional blocs as well as trade between SIDS, LDCs and LLDCs and other African member countries.

## 5. The fourth industrial revolution: Digitisation as opportunity and disruptor

A critical lesson from the pandemic has been the importance of digitisation and the response of businesses in using digital technologies to grow. At the global level, businesses have found success in moving online and in the use of technology (Marr, 2020). The integration of digital technologies can of course be seen as a means to increase productivity and supply. For African countries, being a part of the global revolution in technology can be framed in three ways:

1. Propositioning **e-commerce** as a driver for economic growth and development will provide a way for businesses to boost cross-border trade and increase economic growth and development (Baker, 2017; UNCTAD, 2019). Across Africa, digital trade and e-commerce are growing. Companies such as Jumia in West Africa, Kilimall in East Africa and Bidorbuy in South Africa are delivering goods at country and in some cases regional level. Unfortunately, these are not representative of the current e-commerce climate on the continent. Africa lags behind other regions, with 25 per cent of the population using the internet as compared with 86 per cent in developed countries (Table 2). A majority of existing e-commerce sales are concentrated in the larger economies, such as Kenya, Nigeria and South Africa, where internet penetration is high and the use of mobile transactions is normalised. Smaller economies such as Malawi, Mozambique and Sierra Leone, which rank in the bottom 20 on the United Nations Conference for Trade and Development (UNCTAD) B2C E-Commerce Index, are left behind. However, the potential of e-commerce is not bound by country size; it corresponds with adequate digital infrastructure and lower costs of internet usage as well as postal logistics and reliability. These can be addressed through Phase 2 negotiations taking stock of the current climate and ensuring the targets meet the challenges.

2. Investing in **digital infrastructure** as a means to improve connectivity will increase the consumer base across the continent and disrupt existing markets (i.e. logistics, manufacturing, travel and tourism). In support of Agenda 2063, the African

Table 2. Regional values for the UNCTAD B2C E-Commerce Index, 2019

| Region | Share of individuals using the internet (2018 or latest) | Share of individuals with an account (15+, 2018 or latest) | Secure internet servers (normalised 2018) | UPU postal reliability score (2018 or latest) | 2019 B2C Index value | 2018 B2C Index value |
|---|---|---|---|---|---|---|
| *Africa* | **25** | **40** | **29** | **22** | **29** | **30** |
| *East, South and Southeast Asia* | 53 | 59 | 57 | 59 | 57 | 57 |
| *Latin America and the Caribbean* | 59 | 53 | 53 | 28 | 48 | 46 |
| *Western Asia* | 75 | 58 | 49 | 52 | 59 | 57 |
| *Transition economies* | 67 | 58 | 62 | 65 | 63 | 65 |
| *Developed economies* | 86 | 93 | 87 | 82 | 87 | 86 |
| *World* | 57 | 60 | 55 | 43 | 55 | 55 |

*Source:* UNCTAD B2C

Union Commission has developed the Digital Transformation Strategy for Africa 2020–2030, which can be realised in conjunction with the AfCFTA and other ongoing initiatives. The notes that, through investment, digital literacy and the overarching creation of a single digital market by 2030, African integration will create economies of scale.

The use of digital platforms in different sectors, from health care and education to commerce and tourism, is critical to sustainable growth. For the tourism sector, digital platforms can provide a seamless service experience that can enable small business owners to expand access to markets, exchange goods and services and tap into underutilised assets and human resources. Reduced monetary and non-monetary costs of travelling (e.g. the time spent planning a trip or the psychological reticence to travel to a foreign country) and increased security, safety and confidence through the use of technology can boost trade in international tourism services. A study by the World Bank analyses how the digital economy affects the cost of travelling and finds that, as the adoption of digital tools increases, less traditional destinations may overcome the lack of information and interest from foreign travellers and reduce travelling costs, thereby attracting more visitors. Regions that have lagged behind the rest of the world in the adoption of digital technologies, such as North Africa and SSA, could spur economic activity in the travel and tourism industry by leveraging such technologies (Lopez-Cordova, 2020).

3. Using digital technologies for **trade facilitation** and the ease of cross-border transactions can help solve existing challenges related to high trade costs and NTBs. In addition to countries implementing the World Trade Organization Trade Facilitation Agreement, Phase 1 of the AfCFTA introduces two key elements - an online mechanism for monitoring, reporting and elimination of NTBs and the digital Pan-African payment and Settlement System – that aim to change the operation of intra-African trade by enabling countries to benefit from gains realised from a cashless society as well as to document where systems remain problematic. Research by Massi et al. (2020) shows that economies that are more cash-intensive tend to grow slowly and miss out on significant financial benefits. Conversely, economies that switch to digital are more successful; the switch can boost annual GDP by as much as 3 percentage points. This is because it carries benefits related to security, lower transaction costs and lower chances for bribery and corruption. For many African countries, other challenges that will need to be addressed include limited access to digital payment products, inadequate digital infrastructure, cultural and habitual attachment to cash and well as inherent security and privacy concerns (Visa and Roubini ThoughtLab, 2017).

## 6. Conclusion

Despite delays caused by COVID-19 to the implementation of Phase 1 of the AfCFTA and subsequent Phase 2 negotiations, there remains a commitment to continue the processes as member states continue negotiations through the use of online platforms and technologies. Phase 1 negotiations on specific commitments on goods and services market access, rules of origin and additional tariff schedules need to be prioritised and fast-tracked to ensure their usefulness in Africa's post-COVID-19 recovery and resilience.

It is beyond doubt that the challenges facing African countries during the pandemic have exacerbated the old ones and have also presented a microscopic lens for looking into the effectiveness of policies of the past and of the present. To leverage Africa's potential, challenges relating to the lack of manufacturing and productive capacities, sharp digital divides across the continent, limited innovation in technology and economic dependency on extra-continental trade in goods and services need to be addressed. The solutions for Africa can be insular, through mechanisms and tools provided for by the AfCFTA.

The way forward will importantly need to cater for the economic diversity across the continent as well as the role of the private sector, by recognising that each individual country will be starting on a different playing field. While the Agreement has made provisions for groups such as LDCs in the timeframe given for tariff liberalisation, special provisions must also be given when it comes to investments, knowledge transfer and the like for LDCs, LLDCs and SIDS. The significance of inputs from the private sector as well as incentives given to encourage participation will be fundamental to the success of the AfCFTA. While policies are made and implemented by policy-makers and their bureaucratic arms, daily transactions and technical use will be driven solely by large commercial businesses, small and medium-size enterprises and cross-border traders.

Overall, the AfCFTA should not be seen as an end in itself but as a means to an inclusive, prosperous and economically resilient Africa.

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Table A1. Real GDP and real GDP per capita growth, pre- and mid-COVID-19 (%)

| | CW | LDC | SS | Real GDP growth | | | | Real GDP per capita growth | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | 2019 | 2020 (pre-COVID-19)* | 2020 (COVID-19)* | 2021* | 2019 | 2020 (COVID-19)* | 2021* |
| **Angola** | | ✓ | | −0.9 | 1.2 | −4 | 3.2 | −3.8 | −6.8 | 0.5 |
| **Benin** | | ✓ | | 6.9 | 6.7 | 2.2 | 6 | 3.9 | −0.6 | 3.1 |
| **Botswana** | ✓ | | ✓ | 3.0 | 4.3 | −9.6 | 8.6 | 1.1 | −11.2 | 6.7 |
| **Burkina Faso** | | ✓ | | 5.7 | 6.0 | 0.9 | 4.7 | 2.7 | −1.9 | 1.7 |
| **Burundi** | | ✓ | | 1.8 | 0.5 | −5.5 | 4.2 | −1.2 | −8.3 | 1.2 |
| **Cabo Verde** | | | ✓ | 5.7 | 5.0 | −5.5 | 5 | 4.4 | −6.7 | 3.8 |
| **Cameroon** | ✓ | | | 3.7 | 4.2 | −3.5 | 3.3 | 1.2 | −5.9 | 0.8 |
| **Central African Republic** | | ✓ | | 3.0 | 5.0 | −1 | 3 | 1.3 | −2.7 | 1.1 |
| **Chad** | | ✓ | | 3.0 | 5.4 | −0.8 | 6.2 | −0.1 | −3.7 | 3.1 |
| **Comoros** | | ✓ | ✓ | 1.9 | 4.2 | −6 | 2.7 | −0.8 | −8.5 | 0.0 |
| **Congo, Dem. Rep. of** | | ✓ | | 4.4 | 3.9 | −2.2 | 3.5 | 1.3 | −5.1 | 0.5 |
| **Congo, Rep. of** | | | | −0.6 | 2.8 | −8.6 | −1.1 | −3.0 | −10.8 | −3.5 |
| **Côte d'Ivoire** | | | | 6.9 | 7.3 | 1.8 | 6.2 | 4.2 | −0.8 | 3.5 |
| **Equatorial Guinea** | | | ✓ | −6.1 | 5.0 | −8.1 | 2.5 | −9.3 | −11.2 | −0.7 |
| **Eritrea** | | ✓ | | 3.8 | 3.9 | −0.6 | 5.7 | 2.5 | −2.0 | 4.1 |
| **Eswatini** | ✓ | | ✓ | 1.1 | 0.5 | −3.5 | 1.4 | 0.2 | −4.5 | 0.3 |
| **Ethiopia** | | ✓ | | 9.0 | 7.2 | 1.9 | 0 | 6.2 | 0.3 | −1.6 |
| **Gabon** | | | ✓ | 3.8 | 3.4 | −0.9 | 2.1 | 2.4 | −2.2 | 0.8 |
| **Gambia, The** | ✓ | ✓ | ✓ | 6.2 | 6.4 | −1.5 | 7 | 3.1 | −4.4 | 3.9 |
| **Ghana** | ✓ | | | 6.1 | 5.6 | 1.5 | 5.9 | 4.0 | −0.5 | 4.2 |
| **Guinea** | | ✓ | | 5.6 | 6.0 | 1.4 | 6.6 | 3.1 | −1.0 | 4.0 |
| **Guinea-Bissau** | | ✓ | ✓ | 4.5 | 4.9 | −1.9 | 4 | 2.3 | −4.0 | 1.8 |
| **Kenya** | ✓ | | | 5.4 | 6.0 | −0.3 | 4 | 2.9 | −2.5 | 1.7 |
| **Lesotho** | ✓ | ✓ | ✓ | 0.9 | −0.2 | −4.5 | 3.5 | 0.3 | −5.2 | 2.3 |
| **Liberia** | | ✓ | | −2.5 | 1.6 | −2.5 | 4 | −4.9 | −4.9 | 1.5 |
| **Madagascar** | | ✓ | | 4.8 | 5.3 | −1 | 4.2 | 2.1 | −3.5 | 1.6 |
| **Malawi** | ✓ | ✓ | | 4.5 | 5.1 | 1 | 2.5 | 1.6 | −1.8 | −0.4 |
| **Mali** | | ✓ | | 5.1 | 5.0 | 0 | 5.5 | 2 | −2.9 | 2.4 |
| **Mauritius** | ✓ | | ✓ | 3.5 | 3.8 | −12.2 | 8.9 | 3.4 | −12.2 | 8.9 |
| **Mozambique** | ✓ | ✓ | | 2.2 | 6.0 | 1.4 | 4.2 | −0.5 | −1.3 | 1.5 |
| **Namibia** | ✓ | | ✓ | −1.1 | 1.6 | −6 | 3.6 | −3.0 | −7.8 | 1.6 |
| **Niger** | | ✓ | | 5.5 | 6.1 | 0.5 | 6.9 | 1.6 | −3.2 | 3.0 |
| **Nigeria** | ✓ | | | 2.2 | 2.5 | −5.4 | 2.6 | −0.4 | −7.8 | 0.1 |
| **Rwanda** | ✓ | ✓ | | 9.4 | 8.1 | 2 | 6.3 | 6.8 | −0.1 | 3.9 |
| **São Tomé and Príncipe** | | ✓ | ✓ | 1.3 | 3.5 | −6.5 | 3 | −0.6 | −8.6 | 0.7 |

Table A1. Real GDP and real GDP per capita growth, pre- and mid-COVID-19 (%) (*Continued*)

| | CW | LDC | SS | Real GDP growth | | | | Real GDP per capita growth | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | 2019 | 2020 (pre-COVID-19)* | 2020 (COVID-19)* | 2021* | 2019 | 2020 (COVID-19)* | 2021* |
| **Senegal** | | ✓ | | 5.3 | 6.8 | 1.3 | 4 | 2.4 | –1.5 | 1.1 |
| **Seychelles** | ✓ | | ✓ | 3.9 | 3.3 | –13.8 | 4.2 | 2.9 | –14.5 | 3.3 |
| **Sierra Leone** | ✓ | ✓ | | 5.1 | 4.7 | –3.1 | 2.7 | 2.9 | –5.1 | 0.6 |
| **South Africa** | ✓ | | | 0.2 | 1.1 | –8 | 3.5 | –1.3 | –9.4 | 1.9 |
| **South Sudan** | | ✓ | | 11.3 | 8.2 | 4.7 | –1 | 7.9 | 1.6 | –4.0 |
| **Tanzania** | ✓ | ✓ | | 6.3 | 5.7 | 1.9 | 3.6 | 3.2 | –1.0 | 0.6 |
| **Togo** | | ✓ | | 5.3 | 5.3 | 1 | 4 | 2.7 | –1.5 | 1.4 |
| **Uganda** | ✓ | ✓ | | 4.5 | 6.2 | 1.8 | 2.6 | 1.9 | –1.6 | –0.4 |
| **Zambia** | ✓ | ✓ | | 1.5 | 1.7 | –5.1 | 0.6 | –1.5 | –7.9 | –2.4 |
| **Zimbabwe** | | | | –6.5 | 2.7 | –10.4 | 4.2 | –8.2 | –12.1 | 2.1 |
| **Sub-Saharan Africa** | | | | | | –3.2 | 3.4 | 0.7 | | **1.1** |
| **Median** | | | | | | –1.5 | 4 | 1.9 | | 1.5 |
| **Commonwealth SSA**** | | | | **3.9** | | **–3.5** | **4.2** | **2.5** | **–5.5** | **2.1** |

*Note:* * IMF projections; ** Commonwealth Secretariat calculations
*CW = Commonwealth*
*LDC = Least developed country*
*SS = Small state*
*Source:* IMF (2020a, 2020b)

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