

MCC : Regional Economic Integration and Private Sector Investment in Africa, a presentation of the Continental Free Trade Area (CFTA) by Dr. Donald Kaberuka

June 24, 2021

Podcast "on development" season 1 episode 2

COMPTE RENDU

- **Need to deepen and expand Africa's own domestic market**

The idea of a CFTA is to generalize learnt lessons to all the continent and expand the marketplace so that investors so that an investor wanting to set up a manufactory, knows that he will get access to the internal market

- Mission: reduce poverty through economic growth
- Overcome poverty through trade and capital markets
- Africa is still operating at the lowest level of the value chain
- Challenge: how to move up the growth of value chains

- **The decision to launch the African continental free trade area (CFTA):**

- It will facilitate trade, investments, jobs
- Fear that intra-African trade is less than 12%
- Trade has grown up very quickly in some parts of the continent (e.g. Eastern region) to about 26% => improved infrastructures and policies harmonization
- Some regions are going further than an FTA thinking about monetary unions
- There are 2 parts of Africa: The North and central African region where internal trade is taking very long, bringing down the African average

- **The CFTA will ease space, skills and access to capital**

- Once ratified, the African CFTA will be the largest in the world in terms of participating countries (55) representing 1.3 Bn people according to the World Bank and combined GDP of \$3.4 tn
- World bank estimates that increased trade and connectivity through the CFTA has the potential to lift 30 million Africans out of extreme poverty and increase income for about 68 million others living on less that \$ 5.5 a day
- World bank estimates that this gain will not be limited to the wealthiest countries of the continent, but projections indicate that poverty would be reduced across the continent with biggest gains in countries with currently high poverty rates => impact on trade, jobs, livelihood and poverty reduction
- To deliver on the promises of the CFTA, what needs to happen and what are the accompanying measures that are important
- Tariffs are no longer the main problem and have come down steadily across parts of the continent

- Straightforward things to do:
 - Decrease cost of flying for African airlines across countries decreases opportunity cost
 - There are provisions in the CFTA to reform payment systems and housing using their own currencies
- **The African Development Bank was funding a project in West Africa to try to get countries that are under the CFTA to have a kind of payment system among themselves =>** development and investment banks should fund projects of digitalization of payments
- Make it easier for African business travelers to acquire African union passport => potential to be a huge boost to the CFTA, connects CFTA to the citizens immediately
- A couple of years ago, MCC received the authority to work on concurrent regional compacts to be able to leverage the opportunities of regional connectivity and regional trade
- 75% of MCC's portfolio is in Africa