



The AfCFTA

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Blessing Chipanda and Jakkie Cilliers

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Given the context described in the preceding sections, much hope has been placed in the AfCFTA as a vehicle to boost trade and assist in the transformation of African economies towards the production of higher-value goods and services. It is expected to increase both international exports and intra-Africa trade, unlocking greater opportunities for local and global businesses to enter into and expand throughout new markets across the continent. An annexure, lists the estimations and calculations on the potential impact of the AfCFTA from the African Development Bank, the African Export-Import Bank, the UN Conference on Trade and Development (UNCTAD) and others.

The AfCFTA scenario schematically presented in Chart 8 uses the [International Futures \(IFs\) forecasting platform](#) to model the associated impact. Modelling trade in our model presents a number of challenges. The most important is that this version of IFs uses a pooled model for trade, meaning that countries each trade with a pool that reflects the rest of the world and not directly with one another. Drawing on academic literature we rely on various proxies to emulate the impact of expanding trade in Africa, as presented in Chart 8 below.

Chart 8: The AfCFTA scenario

Logic	Intervention	Outcome	Impact
Reduction in import tariffs and non-tariff barriers (More imports of capital and intermediate goods)	Reduction in import tax multiplier by country and sector	More trade	Economic growth
Increased productivity (From imports of new and advanced inputs, and dynamic competition, hence output growth and more firms reaching export productivity cut-off 0 more exports)	Increased multifactor productivity growth by country		
Increased exports (From increased output and increased number of exporters)	Increase export multiplier by country and across all sectors		
Market intelligence and advice (Identification and information on new markets and new products)	Export shift due to promotion of exports (Manufactures) ratio		

The interventions are done at the individual country level and we calibrate the combined impact in accordance with the lower end of the modelling in the trade literature. Collectively, four interventions are used for each country, namely a reduction in import tax, an increase in multifactor productivity, an increase in exports and an export shift based on export promotion. The scenario simulates the impact of the full implementation of the AfCFTA, if imperfectly so.

The AfCFTA scenario assumes that the implementation of the AfCFTA starts earliest in 2026 and that tariffs are reduced over the subsequent agreed time periods for the Least Developed Countries (LDCs), the non-LDCs and the G6 countries, in line with current expectations. Since the time period for eliminating the tariffs under the sensitive and excluded products is not yet determined, we apply the same timeframe as for their non-sensitive products. The G6 countries are Ethiopia, Madagascar, Malawi, Sudan, Zambia, and Zimbabwe that have negotiated a longer 15-year phase-out period for tariff liberalisation compared to the standard timelines for LDCs.

The scenario is an exceptionally optimistic forecast for an agreement as complex and politically fraught as the AfCFTA. However, if leaders manage to stick to their commitments and take African citizens, businesses, labour and other stakeholders along with them, the impact will be substantial.

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About the authors

Dr Blessing Chipanda joined the African Futures and Innovation (AFI) programme in January 2023. Before joining the ISS he worked as an assistant lecturer/research assistant at the University of Pretoria, Department of Economics. He is particularly interested in tasks within the wider realm of international trade, development economics, public policy, monetary policy, and econometric modelling. Equally interested in economic and socio-economic activities that impact social welfare. Blessing has a PhD in economics from the University of Pretoria, South Africa.

Dr Jakkie Cilliers is the ISS's founder and former executive director. He currently serves as chair of the ISS Board of Trustees, head of the African Futures and Innovation (AFI) programme at the Pretoria office of the Institute, and is an extraordinary professor at the University of Pretoria. His 2017 best-seller *Fate of the Nation* addresses South Africa's futures from political, economic and social perspectives. His three most recent books, *Africa First! Igniting a Growth Revolution* (March 2020), *The Future of Africa: Challenges and Opportunities* (April 2021), and *Africa Tomorrow: Pathways to Prosperity* (June 2022) take a rigorous look at the continent as a whole.

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