Development of AfCFTA Strategy and Implementation Plan - 007 MITI-NAC JU

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List of acronyms

AEC	African Economic Community
AEO	Authorized Economic Operator
AfCFTA	African Continental Free Trade Agreement
AfDB	African Development Bank
AFREXIM	African Export-Import Bank
AGIP	Azienda Generale Italiana Petroli
AMU	Arab Maghreb Union
AU	African Union
BIP	Backward Integration Policy
BIS	Business Incentive Strategy
BOT	Build-Own-Transfer
BVN	Bank Verification Number
CA	Customs Authorities
CAB	Comformity Assessment Bodies
CAGR	Cummulative Average Growth Rate
CBN	Central Bank of Nigeria
CEAO	The Politics of West African Economic Co-operation
CEMA	Customs and Excise Management Acts
CEN-SAD	Community of Sahel–Saharan States
CET	Common External Tariff
CGS	Conditional Grant Scheme
CNI	Critical National infrastructure
COMESA	Common Market for East and Southern African
CTDi	Centre for trade and development initiatives
CTG	Cotton, Textile and Garment
DFI	Development Finance Institutions
DFID	Department for International Development

DRC	The republic of Congo
DSB	Dispute Settlement Body
EAC	East African Community
ECCAS	Economic Community of Central African States
ECDPM	European Centre for Development Policy Management
ECOWAS	Economic Community of West African States
ERGP	Economic Growth and Recovery Plan
ETLS	ECOWAS Liberalization Trade Scheme
EU	European Union
EY	Ernst and Young
FAO	Food and Agriculture Organization
FDI	Foreign Direct Investment
FEC	Federal Executive Council
FIIRO	Federal Institute of Industrial Research, Oshodi
FGN	Federal Government of Nigeria
FMARD	Federal Ministry of Agriculture & Rural Development
FMCTN	Federal ministry of Culture, Tourism and National orientation
FMITI	Federal Ministry of Industry, Trade and Investment
FMOF	Federal Ministry of Finance
FPEAK	Fresh Produce Exporters Association of Kenya
FTA	Free Trade Agreement
FTZ	Free Trade Zones
FX	Foreign Exchange
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
HDI	Human Development Index

ICT	Information and Communication Technology
IDP	Inland Dry Port
IGAD	Intergovernmental Authority on Development
IMF	International Monetary Fund
ISPS	International Ship and Port Security Code
ITC	International Trade Centre
JBP	Joint Border Posts
JCTGS	Journal of Counter Terrorism and Global Security
KVL	Kirchhoff's Voltage laws
KYC	Know your customer
LEADS	Linkages with Experts and Academics in the Diaspora Scheme
LDC	Least Developed Countries
Long term	Greater than 5 years
LPA	Lagos Plan of Action
LPI	Logistic Performance Index
MAN	Manufacturers Association of Nigeria
MDA	Ministries, Departments and Agencies
Medium term	3 – 5 years
MFN	Most Favoured Nation
MDA	Ministries, Departments, and Agencies
MINE	Made-In-Nigeria
MPR	Monetary Policy Rate
MSME	Micro, Small and Medium Scale Enterprise
MT	Milli Tonnes
NABG	Nigeria Agribusiness Group
NAC	National Action Committee on the African Free Trade Agreement
NACCIMA	Nigerian Association of Chambers of Commerce, Industry, Mines, and Agriculture

NAFDAC	National Agency for Food and Drug Administration and Control
NAFEX	Nigerian Autonomous Foreign Exchange
NAIDP	National Automotive Industry Development Plan
NAQS	Nigeria Agricultural Quarantine Service
NASS	National Assembly
NBS	Nigeria Bureau of Statistics
NCR	National Collateral Registry
NCS	Nigeria Customs Service
NEPAD	New Partnership for Africa's Development
NEPC	Nigerian Export Promotion Council
NEPZA	Nigeria Export Processing Zones Authority
NER	National Net Enrolment Rate
NESP	Nigeria Economic Sustainability Plan
NEXIM	Nigerian Export-Import Bank
NFC	Nigerian Film Corporation
NFVCB	Nigerian Film and Video Censors Board
NGFCP	Nigerian Gas Flare Commercialisation Programme
NIFC	Nigerian International Financial Centre
NiNAS	Nigeria National Accreditation System
NIPC	Nigerian Investment Promotion Commission
NIRP	Nigeria Industrial Revolution Plan
NIRSAL	Nigeria Incentive-Based Risk Sharing System for Agricultural Lending
NIS	Nigerian Immigration Service
non-LDC	Non Less Developed Nations
NOTN	Nigerian Office for Trade Negotiations
NPA	Nigeria Port Authority
NPS	National Payment System

NPSB	National Payment System Bill
NQI	National Quality Infrastructure
NQP	National Quality Policy
NSC	Nigerian Shippers' Council
NSMP	National Sugar Master Plan
NTB	Non-Tariff Barrier
NTDA	Nigeria Tourism Development Authority
NTDC	Nigerian Tourism Development Corporation
NTM	Non-tariff Trade Measures
NTMP	National Tourism Masterplan
OAU	Organization of African Union
OECD	Organization for Economic Co-operation and Development
OGFZA	Oil and Gas Free Trade Zone Authority
OPM	Office of Personnel Management
OSBP	One-Stop Border Post
PAGMI	Presidential Artisanal Gold Mining Development Initiative
PAPSS	Pan-African Payment and Settlement System
PDF	Policy Development Facility
PEBEC	Presidential Enabling Business Environment Council
PIGB	Petroleum Industry Governance Bill
PPP	Public Private Partnership
Quick win	Less than a year
REC	Regional Economic Communities
ROO	Rules of Origin
Short term	1 – 2 years
SADC	Southern African Development Community
SEZ	Special economic zones
SIGI	Social Institutions and Gender Index

SME	Small and Medium Scale Enterprise
SMEDAN	Small and Medium Enterprises Development Agency of Nigeria
SMIS	Secondary Market Intervention Sales
SON	Standards Organisation of Nigeria
SPS	Sanitary and Phytosanitary Measures
SWOT	Strengths, Weaknesses, Opportunities, and Threats
SWS	Single Window System
TBT	Technical Barriers to Trade
TEU	Twenty-foot Equivalent Unit
TFA	Trade Facilitation Agreement
TFTA	Tripartite Free Trade Area
TSA	Transportation Security Administration
UNCTAD	United Nations Conference on Trade and Development
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
UNIDO	United Nations Industrial Development Organization
UNSD	United Nations Statistics Department
UNWTO	World Tourism Organization
UK	United Kingdom
VAT	Value Added Tax
VPCS	Department of Veterinary and Pest Control Services
WAEMU	West African Economic and Monetary Union
WCO	World Customs Organization
WTO	World Trade Organization
YouWin	Youth Enterprise with Innovation in Nigeria
Y-O-Y	Year on Year

About the report

This report documents the strategic plan for the implementation of the Africa Continental Free Trade Agreement (AfCFTA) by Nigeria following a diagnostic review of the prevailing trade ecosystem including the participants (traders and service providers), the regulating agencies, prevailing policies and processes as well as the level of regional integration.

Results and findings of various relevant studies have been curated into an actionable strategic plan for the development of the products and service sectors in Nigeria, an efficient trade system and process, and a seamless implementation plan with easy monitoring and evaluation framework to aid the Federal Government of Nigeria as trading commences under AfCFTA and subsequently the phase II negotiations of the agreement.

The recommendation also aims to chart a pathway for Nigeria to reap the anticipated benefits of AfCFTA, which comes largely via access to the vast African market, while mitigating the negative externalities of open trade on its local economy.

This work was commissioned by the PDF Bridge Programme for use by the Beneficiaries, in particular, the Federal Ministry of Industry, Trade and Investment as a key Policy maker on trade in Nigeria. It is expected that this report will provide current and actionable recommendations that will support the FMITI, NOTN, other Federal MDAs, States and private sector participants in successful implementation of the AfCFTA and overall drive towards a sustainable economic growth.

We do not accept or assume any liability or duty of care for any other purpose or to any other person to whom this document is shown or into whose hands it may come except where expressly agreed by our prior consent in writing.

This report was compiled by a team of experts and managed by Ernst and Young (EY). EY acknowledges the contributions of the Office of the Honourable Minister of Industry, Trade and Investment, represented by the Special Assistant on Trade and Enterprise Growth, Ms Abimbola Olufore, and the guidance and support provided by the PDF Bridge Abuja Programme Management Team and FCDO colleagues. EY also acknowledges all public and private sector stakeholders whose contributions were crucial for this report. All errors are ours, as the views in this paper belong to the authors and do not represent the views of the UK Foreign, Commonwealth and Development Office.

Executive Summary

1. Executive summary

Context setting

Among other objectives, the African Continental Free Trade Area (AfCFTA) seeks to increase trade among African countries through the gradual elimination of tariff and non-tariff barriers. Given the historically low levels of trade among African countries, the AfCFTA is expected to stimulate economic growth, create employment opportunities, attract foreign direct investments and stabilize the political economy of African countries.

The implementation of the AfCFTA is finely poised as it coincides with a global economic downturn, as countries across the world adapt to the effects of the ongoing COVID-19 pandemic. In the Nigerian context, the social and economic shocks caused by the pandemic have once again exposed the frailties of the Nigerian economy as it tilted into recession in Q3 2020[1].

Despite its status as Africa's largest economy and favorable factor endowments, Nigeria has not lived up to its enormous economic potential. Rather, the economy is characterized by low productivity, weak state capacity and an undiversified economy that is largely dependent on oil exports and its attendant volatile effects on economic stability.

This assessment is a disappointing departure from the hopeful expectations that greeted Nigeria's emergence in the early 2000's. "Africa Rising" was coined to illustrate the rapid growth of key African economies during the early 2000s, with Nigeria being at the forefront of this promise. However, Nigeria has failed to rise. Since the collapse of oil prices in 2015, Nigeria's growth prospects have stalled, bringing into sharp relief the precariousness of non-diversified export basket and overtly dependence on oil exports.

Over the years, echoes of diversification plans have been repeated, and in the wake of AfCFTA an ample opportunity is presented for Nigeria to diversify its export basket and reduce the volatile effects of the oil market on its economy, and more importantly attract investments that will drive increase in capital formation and economic growth. The expanded markets for African goods and services, unobstructed factor movements and the reallocation of resources should promote economic diversification, structural transformation, technological development and the enhancement of human capital. In addition, Nigeria's large economy and relatively superior industrial capacity in the African context, positions it to benefit immensely from the AfCFTA.

However, while these potential upsides exist, it is pertinent to develop action plans to overcome the weaknesses in the trade ecosystem while charting a roadmap for realizing the opportunities. This is particularly important as Nigeria has a history of sub-optimal returns from economic initiatives primarily due to poor institutional and policy implementation structure, a point highlighted by the limited gains from implementation of the Economic Recovery Growth Plan (ERGP) in achieving its stated economic growth targets.

Regional trade liberalization schemes, such as, the AfCFTA, carry potential threats to the Nigerian economy including reduced government income from the gradual elimination of tariffs and possible dumping activities which can stifle the growth of local producers. This informs the need for effective

[1] NBS

trade defense structures to optimally harness the opportunities and mitigate the threats embedded in the Agreement.

To this end, the Policy Development Facility Phase II (PDF) commissioned Ernst & Young (EY) to develop a strategy consisting of actionable plans with provisions for tracking, monitoring and evaluating the implementation of the AfCFTA on behalf of Federal Ministry of Industry, Trade and Investment FMITI) and the National Action Committee (NAC) on AfCFTA. The outcome of the market analysis will include:

1. A review of the trade ecosystem and process including recommendations on areas of quick wins available for Nigeria upon commencement of trading activities in January 2021.
2. Product prioritization based on the Protocol for Trade in Goods and Trade in Services including the implementation process of the existing commitment on Trade in Goods, Rules of Origin and the five service sectors.
3. Recommendation of actionable steps to position the identified products and services competitively as well to address the non-tariff barriers and trade facilitation issues
4. Capacity assessment of key trade agencies with focus on the institutions, systems and processes, human resources, technology, and infrastructure requirements.
5. Analysis of the capacity of existing safeguards and trade defense structures to effectively protect Nigerian trade participants under the AfCFTA.
6. Recommended process to effectively entrench Nigeria's interest in ECOWAS community in the AfCFTA implementation.

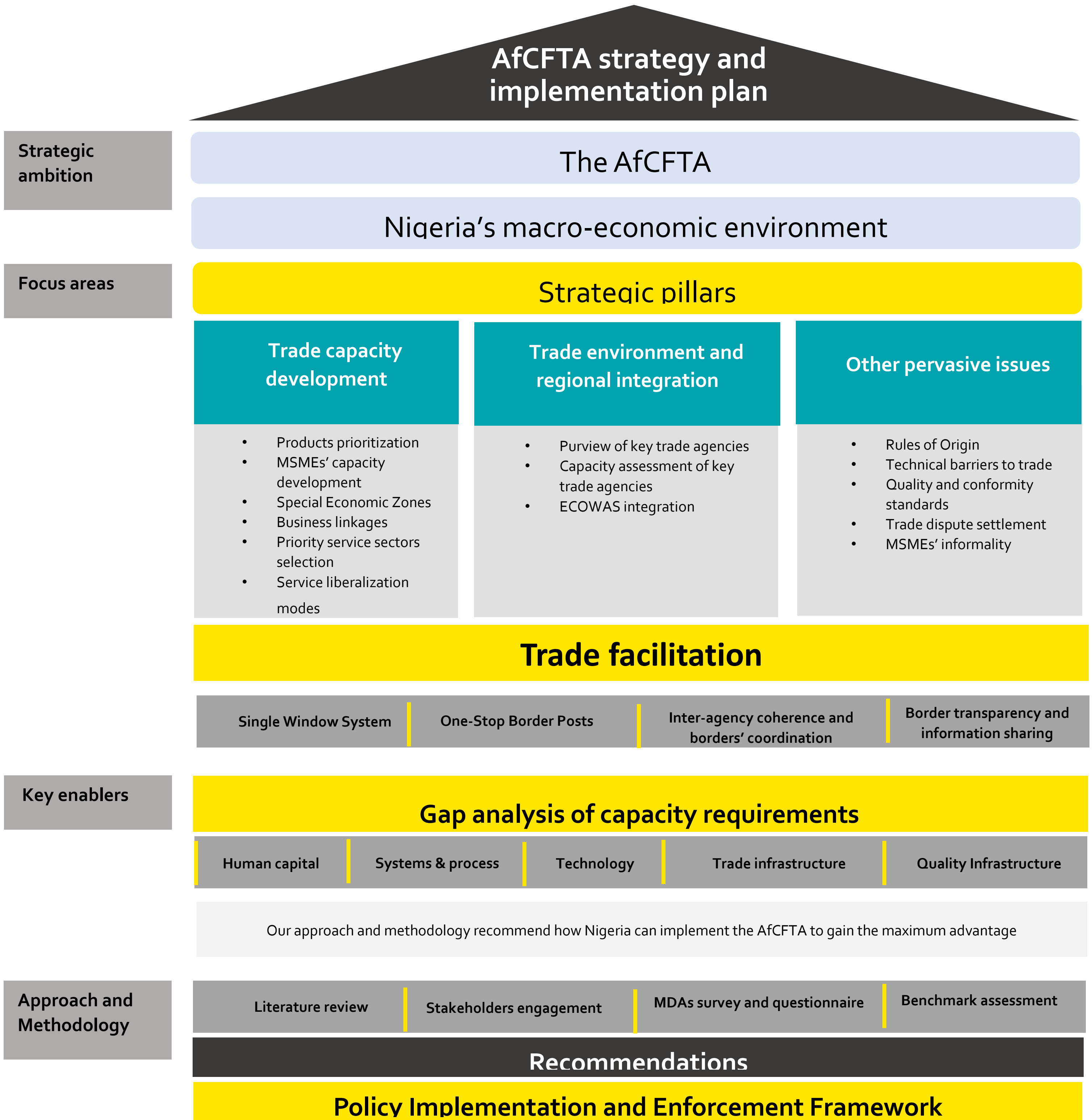
The African Continental Free Trade Area

The African Continental Free Trade Area (AfCFTA) is the largest free trade area globally in terms of participating countries. According to the world bank, AfCFTA will connect 1.3 billion people across 55 countries with a combined gross domestic product GDP of US$3.4 trillion.

The AfCFTA provides a framework that covers trade liberalisation in goods and services in Africa.

Strategic Plan

The recommended strategic approach for AfCFTA implementation is informed by the need to address those value drivers of the economy with transformative impact on trade.



Nigeria's macro-economic environment

- The performance of Nigeria's macro-economic environment measured by its GDP has depicted a downtrend due to several factors.
- The high interest rates reduce access to capital as it increases the cost of debt servicing and other sources of capital. In addition, the foreign exchange rate has continuously weakened due to the CBN's inability to meet the demand for foreign exchange as the COVID-19 pandemic has adversely affected the volume and prices of crude oil in the international market. The rising interest rate, high inflationary pressures and weakening exchange rate have contributed to the low levels of trade experienced in Nigeria.
- The commencement of AfCFTA presents an opportunity for Nigeria to capitalise on an expanded trade bloc to increase domestic output, attract critical FDI, drive competitiveness and growth, and eventually boost intra-Africa trade.
- The AfCFTA also provides an opportunity to unlock growth and increase output in Nigeria's untapped sectors such as tourism and fashion. In addition, it can lead to the transformation of other industries such as petrochemicals, creating potential for increased revenue and trade output.

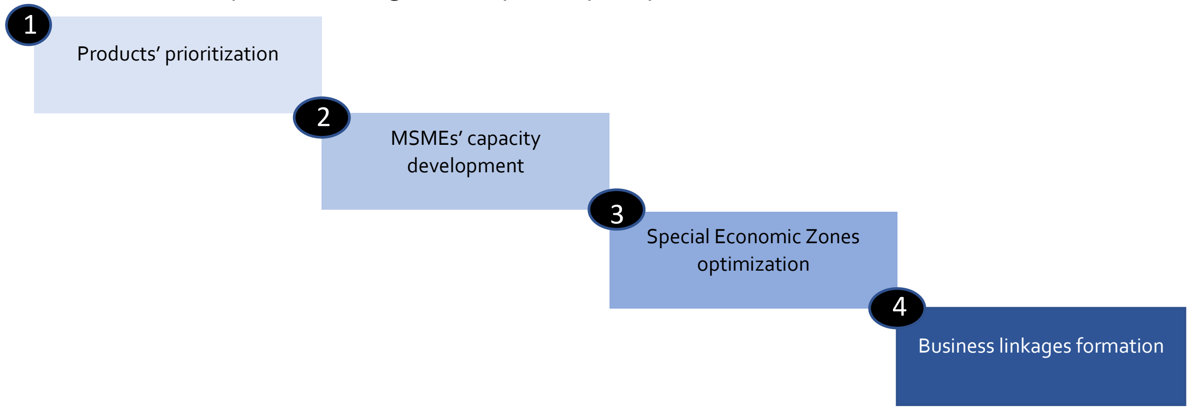
Strategic pillars

Our analysis and strategic design for the implementation of the AfCFTA has been hinged on three key thematic areas:

1) **Trade capacity development**
   This involves a diagnostic review of Nigeria's Trade in Goods and Trade in Services, assessment of the key challenges confronting operators as well as recommendations on areas of development for effective implementation of the AfCFTA. Nigeria's trade capacity has historically been limited by several factors including the following:
   - Low industrial capacity
   - Insecurity issues
   - Inadequate storage facility and poor distribution network
   - Poor quality of agricultural products
   - Low value addition to agricultural products
   - Sub-optimal performance of Free Trade Zones (FTZs)
   - Inadequate skills and funding among Micro, Small and Medium Scale Enterprise (MSMEs)

   The Federal Government of Nigeria (FGN) has instituted several policies and initiatives to tackle these issues including the Export Expansion Grant scheme, Project MINE, NIRP and ERGP; amongst others. However, these schemes are yet to fully accomplish their objectives due to a myriad of factors such as the preponderance of small-scale enterprises, poor awareness of the schemes among the private sector players, bureaucracy in accessing the initiatives as well as the frequency of policy change. In order to tackle the identified issues, we have recommended a market development approach which outlines the pathway to the desired end state as follows:

Recommended steps to build Nigeria's export capacity



Trade in Services

- Literature review findings show that services have a crucial role to play in economic growth and development particularly in Africa. The services sector has been steadily growing and has become the largest component of most African countries' economy. In 2017, service sector accounted for over 53% of Africa's GDP and in most African countries, services accounted for at least 49%. However, for many African countries, this has not necessarily translated into increase in services exports.
- There are several factors that serve as barriers to intra-African Trade in Services including: technical standards and licensing procedures, infrastructural bottlenecks, outright restrictions to trade, among others.
- The ongoing negotiations on the AfCFTA Protocol on Trade in Services (TIS) has prompted a renewed focus on the services sector as a means of export diversification. In Nigeria, a number of Government initiatives targeted at specific services sub-sectors have been launched. However, actual implementation of these policies remains a challenge.
- The key provisions on the AfCFTA TIS protocol includes Most Favoured Nation (MFN) treatment, mutual recognition, among others. Four major liberalization modes are recognized under AfCFTA including the cross-border supply, consumption abroad, commercial presence and movement of natural persons.
- Nigeria's service sector is a major contributor to GDP accounting for c.53% of GDP in 2019. Based on available data, top services exports include travel, transport and financial services with majority of service exports going to other African countries.
- The identified priority sectors that were selected based on a set of criteria include Telecommunications and ICT, Financial services, Tourism and Travel services as well as Entertainment/creative industries.
- The selected priority sub-sectors have various constraints that have hindered the growth of these sub-sectors such as lack of funding, delay in passage of bills and bureaucracies. The recommendations provided are centered around fast tracking the implementation of the existing government policies and initiatives.

2) **Trade environment and regional integration**

This strategic pillar examines the trade institutional and regulatory environment, which also involved a capacity assessment of the key trade agencies with critical responsibilities over the trade ecosystem. The assessment covered their human resources, systems, process and infrastructure requirements for an effective implementation of the AfCFTA.

The table below contains the recommendations based on the capacity assessment and gap analysis of FMITI, NACCIMA and SMEDAN:

Federal Ministry of Industry, Trade and Investment (FMITI)	**Training and Development Programmes required by Staff**: • AfCFTA prospects and challenges • Trade policy formulation and interpretation • Data analysis • Communication skills • Business writing • Foreign language skills To address other challenges and needs in the Department, respondents suggested: • Prioritizing effective leadership of the trade related MDAs to facilitate inter agency coordination • Reorientation and setting clear responsibilities for MDA staff • Development of a clear national trade policy document that ascribes coordination to FMITI and provides stronger institutional backing to it • Increased budgetary allocation arising from an improved perception of the importance of the Trade Department and its overall contribution to economic growth • Agreeing responsibilities of the Department and other trade related MDA staff to clearly to avoid duplication of responsibilities. • Prioritization of training and development required by staff in preparation for the AfCFTA implementation • Channeling of adequate financial resources towards acquiring supporting capital assets.
Nigerian Association of Chamber of Commerce Industry Mines and Agriculture (NACCIMA)	**Training and Development Programmes required by Staff:** • Interpretation and application of Rules of Origin • Trade Remedies and Safeguards • Technical application of International Trade Laws and Processes • AfCFTA Agreement, Protocols, Articles and Annexes

	To address other challenges and needs in NACCIMA, respondents suggested: • Empirical-based advocacy to promote the monitoring and review of policies • Increased efforts to improve awareness among stakeholders including organizing more stakeholders' consultations • Automation of the Agency's data gathering and analysis process • Introduction of information distribution through real time notifications. • Prioritization of training and development required by staff in preparation for the AfCFTA implementation • Adequate allocation of financial resources channeled towards critical capital expenditure required to facilitate service delivery.
The Small and Medium Enterprises Development Agency of Nigeria (SMEDAN)	**Training and development programmes required by staff:** • Export trade facilitation • Leadership and change management • Business process improvement • Strategic planning • Policy strategy (formulation, monitoring and evaluation) • Data analysis • Presentation and communication • Interpersonal skills To address other challenges and needs in SMEDAN, respondents suggested: • Prioritizing stakeholders' buy-in and building trust with them • Outsourcing data gathering processes • Developing clearly structured and mandated objectives • Organizing more stakeholder consultations • Conducting a diagnostic review of its processes with the objective of eliminating redundant or duplicative processes and seeking ways to optimize them • Prioritizing technical capacity building for staff in areas indicated as well as on the AfCFTA Agreement, Protocols, Articles and Annexes. • Channeling of capital investment towards the provision of basic office equipment, network infrastructure and other capital assets which will assist to improve the Agency's efficiency

Regional integration

In addition to the local environment (capacity assessment), we also examined existing structures of the ECOWAS such as the ECOWAS Trade Liberalization Scheme (ELTS) and the Common External Tariff (CET).

Given the role of ECOWAS in the negotiation process and in implementing the AfCFTA, particularly using its existing instruments and mechanisms, such as the Task Force on the Free Movement of Persons and Goods, it is important to institute policies/initiatives to further integrate the Regional Economic Community (REC). We recommend three key actions steps to stimulate further integration. These include:

- Development of a One-Stop Border Post
- Development of a joint customs transit guarantee scheme to ensure the required customs security and guarantee exporters as well as clearing agents throughout the transit process
- Full implementation of the current ECOWAS rule - CET

3) Other pervasive issues

There are pervasive and legacy issues that currently exist in Nigeria's trade ecosystem and need to be addressed to ensure effective implementation of the AfCFTA.
These issues include abuse of the Rules of Origin (RoO) and absence of trade remedies and defense mechanisms, informality of MSME traders and service providers, poor quality infrastructure, technical barriers to trade as well as trade dispute settlement.

- **Rules of origin:** Rules of Origin are critical to the development and implementation of the AfCFTA. Some of the key provisions of the AfCFTA on RoO include origin conferring criteria, treatment of goods produced under Special Economic Zones (SEZs)/ Arrangements, Dispute settlement mechanisms, among others. A key area of concern for Nigeria in RoO implementation is the absence of trade defense infrastructure. Based on literature reviews and lessons from other African countries, recommendations for effective implementation of RoO is summarized as follows:
    - Facilitate the passing of the Trade Defense Bill which empowers a Trade Defense department and provides a clear mandate for the unit
    - Expedite passage of the legislative bills and policy including the Customs and Excise Management Bill 2013 and the National trade policy document
    - Conduct capacity building programmes for Customs officials particularly on RoO and trade transparency.
    - Implement a whistleblowing system in conjunction with key private sector groups which facilitates the reporting of dumping activities by other stakeholders within/outside Nigeria
    - Leverage the use of technology in order to streamline processes and prevent delays in the trade process.
- **MSME Informality:** Majority of Nigerian MSMEs operate as informal businesses and are not formalized. This limits the ability of the businesses to upscale and access the required level of financial support. One of the major Government's initiatives to improve

formalization include cost reduction and simplification of the documentation process for registration as part of PEBEC ease of doing business reforms. However, lack of awareness has limited the impact of these initiatives on target MSMEs. Some specific recommendations to improve the rate of business formalization in Nigeria includes:

  - Engage CAC and SMEDAN to pool resources towards sensitization of MSMEs on the need for registration
  - Synchronize CAC registration with SMEDAN's MSMEs' database
  - Improve existing platforms such as the SMEDAN e-portal to a robust, but user-friendly online application
  - Link outgrower schemes to formalization schemes using the increased (guaranteed) product demand as incentive for registration

- **Technical barriers to trade**: Technical barriers to trade includes various measures other than tariffs that constitute an additional burden to trade participants. The AfCFTA annex on technical barriers to trade (TBTs) is based mainly on the WTO TBT Agreement and aims to ensure that the technical regulations, standards, and conformity assessment procedures adopted by State Parties do not hinder trading activities. The AfCFTA 'non-tariff barriers Annex' also includes the establishment of an online mechanism for the identification, categorization and elimination of NTBs. Analysis of data from World Integrated Trade Solution NTM database shows that pre-shipment inspection is the most prevalent non-tariff measure in Nigeria. Recommendations on eliminating this NTM includes the introduction of scanners at ports and trade entry points. Other recommendations to eliminate or reduce NTMs are as follows:
  - Review outdated legislations and develop additional necessary regulations
  - Create synergy between standard-setting bodies and domestic regulators
  - Improve access to information on TBT measures of trading partners and other countries
- **Quality Infrastructure**: In a bid to address the issues around the poor quality of Nigerian products, the FGN developed a National Quality Policy (NQP) in conjunction with UNIDO. The National Quality Policy seeks to develop the National Quality Infrastructure (NQI), ensure supply of safe quality products at competitive price, among other benefits. As at reporting date, the National Quality Policy has been approved by the Federal Executive Council (FEC) and is to be submitted for subsequent assent. Recommendations to improve Nigeria's Quality Infrastructure includes:
  - Promote accreditation of testing labs
  - Facilitate inter-agency cooperation
  - Nationwide sensitization on the importance of standards and conformity assessment.
- **Trade dispute settlement**: The AfCFTA outlines processes for dispute resolution between State Parties which involves the use of AfCFTA secretariat's Dispute Settlement Body – including panels and appellate bodies and arbitration panels. A major issue, however, is that private businesses do not have the legal status to bring cases to the Dispute Settlement Body and thus may likely face challenges in resolving potential disputes arising from cross-border trade. A key recommendation to address this issue

involves the adoption of trade dispute arbitration panels that will be accessible to MSMEs.

Trade facilitation

- The AfCFTA Annex on Trade Facilitation is largely built on WTO agreement on Trade Facilitation as the provisions and specified legal obligations are mostly based on the TFA articles with a few subtle differences. AfCFTA provides an opportunity to improve trade facilitation more widely at the borders and along transit corridors between African countries.
- Full implementation of the AfCFTA is expected to boost intra-African trade, particularly intra-regional trade in manufacturing, through the lowering of trade costs as a result of reducing non-tariff barriers and the implementation of trade facilitation measures. These measures would reduce red tape, lower compliance costs for traders, and ultimately make it easier for African businesses to integrate into global supply chains.
- AfCFTA is expected to play a major role in improving trade facilitation through the implementation of the various trade facilitation reforms embedded in the AfCFTA Agreement.
- Our review of the 2020 Trading Across Borders report by World Bank indicates that Nigeria's ranking in Trading Across Borders improved from 182 in 2019 to 179 in 2020 mainly resulting from the continuous implementation of the Executive order 001 on improving ease of doing business, NICIS2 electronic system upgrades, launch of e-payment of fees as well as the implementation of joint inspections.
- Based on the diagnostic review, some of the recommendations for implementation of the Trade Facilitation Agreement Measures in Nigeria are as follows:
    - Facilitate the development and passing of the National Trade Policy
    - Implement the SWS using a Public Private Partnership (PPP) operating model coordinated by the proposed lead agency for Nigeria's trade ecosystem
    - Establish a One-Stop Border Post (OSBP) with neighbouring countries

Strategy and Implementation Plan

Based on the three thematic areas and trade facilitation covered above, our overarching recommendation are:

1. Creating the necessary linkages between the priority products, SEZs and finance initiatives to support export capacity development
2. Linking the SEZs to Nigeria's proposed integrated intermodal system including inland port infrastructure
3. Development of an optimized trade system with focus on the Single Window System
4. Focus on education and people movement within Africa to address general and broader issues of Trade in Services
5. Improve regional cooperation and information sharing among Customs Authority
6. Develop the requisite trade defense mechanisms for effective adoption of the AfCFTA

Data processing and analysis

Data was derived through primary sources (including the use of questionnaires and interview sessions) and secondary sources. Data processing and analysis was completed in Lagos, following the successful completion of the virtual interviews and data gathering exercise. The process involved data collection, data cleaning, data processing/analysis and data interpretation (report writing and review).

Data processing was conducted using Microsoft Excel to develop charts and other visualizing tool for analysis. The results of the processed data are communicated using Microsoft Word in this report.

This report consists of the following sections:

- **Section 1** provides **an overview of the AfCFTA Agreement** including the key timelines, tenets and potentials of the Agreement and a SWOT analysis of the Nigerian trade ecosystem in relation to the implications of implementation of the AfCFTA.

- **Section 2** provides an **overview of Nigeria's macroeconomic environment**, as well as discussions on the contribution of trade to Nigeria's GDP, the monolithic nature of the trade ecosystem and the impact of trade on investment and economic growth. It also discusses the implications of the current market dynamics on Nigeria's trade ecosystem including the effect of high interest rates on access to funding as well as the effect of inflation and unstable exchange rate on trading activities.

- **Section 3** presents **a diagnostic review of Nigeria's trade ecosystem**, including the current state of trading activities as well as Nigeria's trade patterns at a global scale, with African countries and within the ECOWAS sub-region. This section further delves into Nigeria's Trade in Goods and Trade in Services and recommend products and services to be prioritized in line with the protocol for Trade in Goods and Trade in Services. In addition, this section assesses Nigeria's trade ecosystem vis-à-vis trade facilitation measures, regional integration and overall capacity assessment. Finally, the section closes out with recommendations on each key thematic area.

- **Section 4** presents **the general and pervasive issues to address in Nigeria's trade ecosystem**. These issues are cross cutting in nature and has dependencies across the key protocols of AfCFTA. These include technical barriers to trade, informality of the MSME sector, Nigeria's quality infrastructure, implementation of the Rules of Origin and trade dispute settlement.

- **Section 5** presents **our strategy and recommendations** for the implementation of the AfCFTA Agreement including supporting policies and interventions required for the achievement of the desired outcomes. This includes initiatives to improve domestic competitiveness, develop a service export capacity, develop trade defense structures and ECOWAS integration.

2. Introduction

2. Introduction to the AfCFTA Agreement

Summary of section 2 – Introduction to the AfCFTA agreement

This section highlights the rationale behind the resolution to establish a Pan-Africa Continental Free Trade Area and the overarching objective of the AfCFTA. The section also highlights the following:

- The overview and protocols of the AfCFTA
- Tangible outcomes for the AfCFTA
- Nigeria's path to ratification
- A SWOT analysis on Nigeria in relation to the AfCFTA

Key Highlights

- Regional and continental integration constitutes a significant development strategy for Africa
- The complexity of overlapping memberships and the urgent need to boost intra-African trade necessitated the adoption of the resolution to establish a Pan-Africa Continental Free Trade Area (AfCFTA) in 2012.
- The AfCFTA Agreement is progressed in phases- Phase 1 includes the establishment of the Agreement, the protocols agreed on Trade in Goods and Trade in Services and their annexures as well as the rules and procedures on the settlement of disputes. Phase 2 of the Agreement includes the protocols on Intellectual Property, Investment and Competition Policy.
- The expected tangible outcomes of the AfCFTA include increased intra-regional trade, inclusive growth and sustainable development for Africa
- Nigeria's economy can leverage the AfCFTA being the largest economy in Africa to attract investments in maximising the benefits of AfCFTA. However, customs inefficiencies set local producers at a disadvantage in terms of competitiveness with their counterparts.

Background to AfCFTA

Africa's Regional Integration

Cooperation between African nations did not begin in July 2002 with the African Union's (AU) formation. Africa countries collaboration dates back nearly 60 years to the establishment of the Organization of African Unity (OAU).

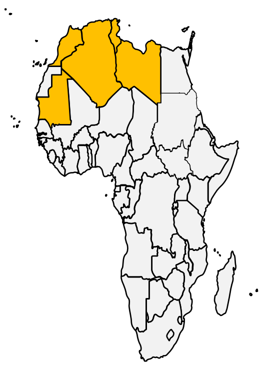
On May 25, 1963, as part of the strategic initiative to promote African states' unity and solidarity, spur economic development, and encourage international cooperation - 32 independent African countries agreed to establish the (OAU), now the AU.

Regional and continental integration constitutes a significant development strategy for Africa. The 1980 Lagos Plan of Action, the 1991 the African Economic Treaty and the 2000 Constitutive Act of the AU adopted by African countries embodied the zeal to achieve continental integration through trade, economic, social and cultural spheres.

The building blocs for African continental integration comprise the Regional Economic Communities (RECs) established based on their constituting treaties. This led to the creation and recognition of eight RECs by the AU as pillars for African Economic Community (AEC).

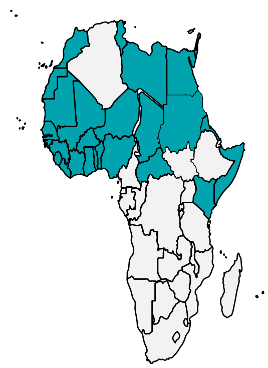
1. The Arab Maghreb Union (AMU),
2. The Economic Community of West African States (ECOWAS),
3. The Economic Community of Central African States (ECCAS),
4. The Common Market for East and Southern Africa (COMESA)
5. The Southern African Development Community (SADC),
6. The Community of Sahel-Saharan States (CEN–SAD)
7. The East African Community (EAC),
8. The Intergovernmental Authority on Development (IGAD)

Regional Economic Communities in Africa

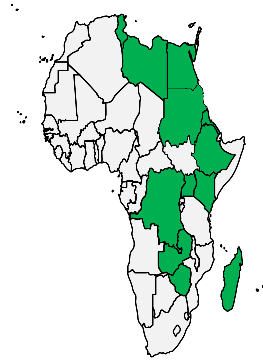


Arab Maghreb Union

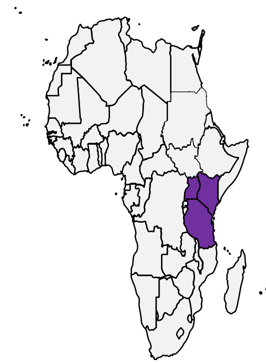
(AMU)



Community of Sahel–Saharan States (CEN-SAD)

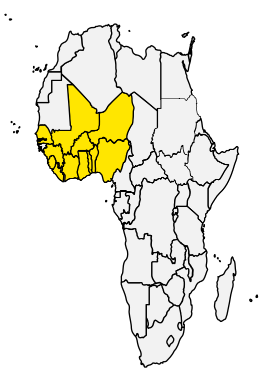


Common Market for Eastern and Southern Africa

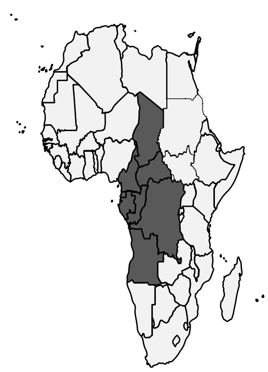


East African Community

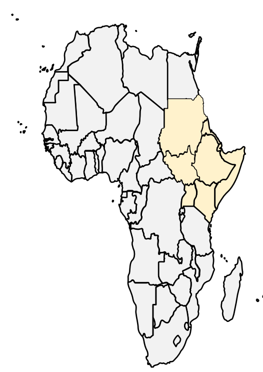
(EAC)



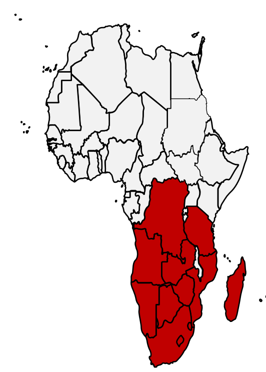
Economic Community of West African States



Economic Community of Central African States



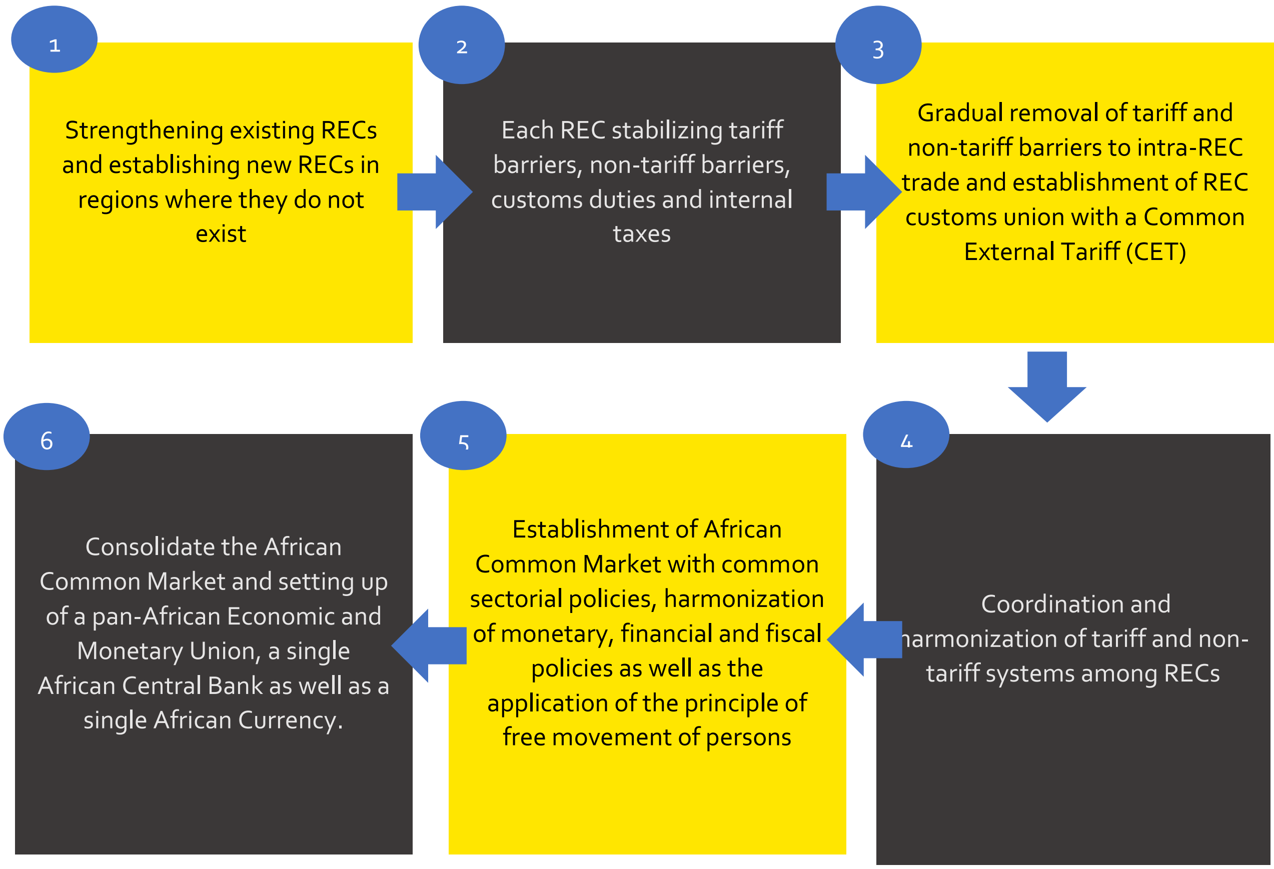
Intergovernmental Authority on Development



Southern African Development Community

A key characteristic of regional and continental integration is open trade leading to the creation of regional free trade areas and progressing towards customs unions and common markets which would then form the channel for the formation of a continental African Common Market and Economic Community.

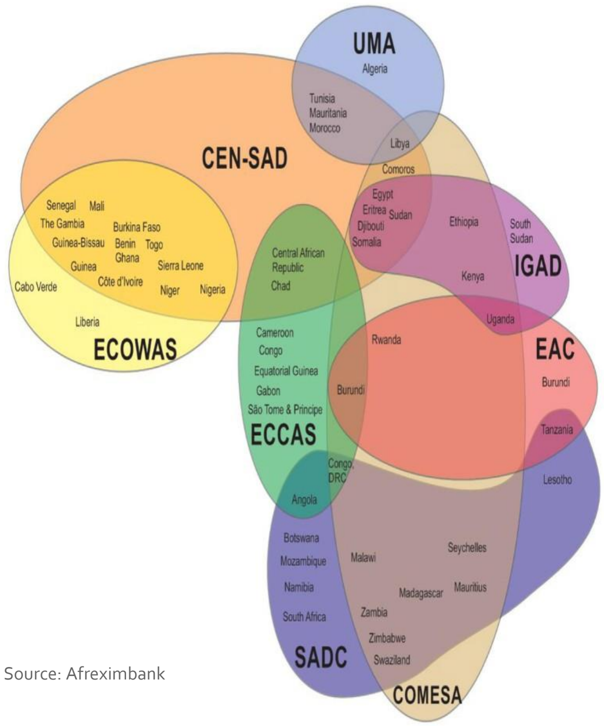
6 stages of African Integration (Abuja Treaty)



Source: African Union

Multiplicity of African Regional Economic Communities and Overlapping Memberships

The integration efforts at REC level envisaged under the Abuja treaty have shown mixed results. Some RECs such as SADC and EAC have achieved Free Trade Agreements (FTAs) and Customs Unions, resulting in increased intra-REC trade. However other RECs such as AMU and CEN-SAD countries have stalled, primarily as a result of trading more with external partners[2].



Source: Afreximbank

A further complication to African integration arose as RECs began to overlap due to multiple memberships of countries in several RECs and Customs Union.

As shown in the figure above, 89% of the 54 African countries are members of more than one REC. The Democratic Republic of Congo belongs to five RECs, while Burundi and Kenya are members of four RECs. Only six countries out of 54 countries are members of one REC alone.

This overlap made the regional integration process very complicated with member countries as they deal with multiple and often conflicting tariff regimes and non-tariff barriers as well as several Rules of Origin (RoO) requirements that can cause trade diversion.

Furthermore, the burden of financing the budget of RECs also affects the regional communities, which may lead to the collapse of these blocs as seen in the West African Economic Community (CEAO).

Thus, overlapping RECs' memberships may make it difficult for Member States to meet integration commitments and this may delay trade liberalisation.

In a bid to overcome this conundrum and rationalise the regional integration process, Ministers of Trade and Industry of SADC, EAC and COMESA initiated building a Tripartite FTA between the three RECs in 2011.

Building on the Tripartite FTA, the complexity of overlapping memberships and the challenges associated with setting African integration at the level of a Customs Union, as well as being cognizant of the urgent need to boost intra-African trade, the Assembly of the Heads of State and Government of the African Union adopted a resolution to establish a Pan-Africa Continental Free Trade Area (AfCFTA) in 2012.

[2] Vida Economics

The African Continental Free Trade Area (AfCFTA)

AfCFTA was conceived at the January 29 - 30, 2012 African Union's 18th Ordinary Session in Addis Ababa, Ethiopia in recognition that 'the promotion of intra-African trade is a fundamental factor for sustainable economic development, employment generation and effective integration of Africa into the global economy[3]. It was formally established in March 21, 2018 with the signing of the AfCFTA Agreement ("the Agreement") on the Establishment of the African Continental Free Trade Area by 44 Heads of State and Government of the 55 AU Member States.

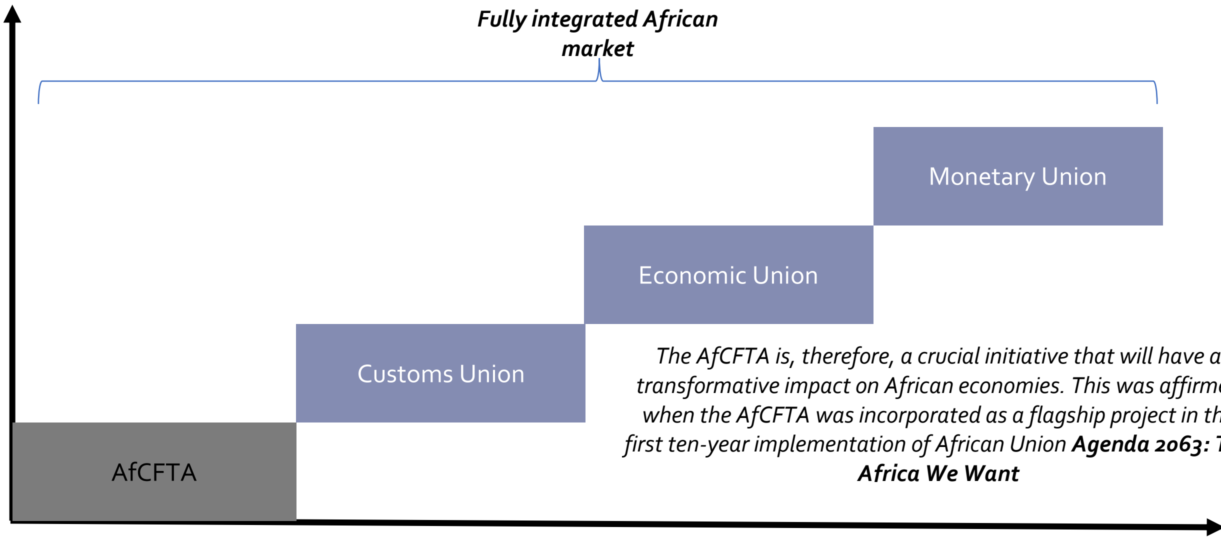
The objectives of AfCFTA include the following:

- Integrate, diversify and industrialise the economies of African countries by creating a single market for goods and services as it aims to liberalise and facilitate the movement of people, investment and business across Africa
- Lay the foundation for the establishment of Continental Customs Union
- Stimulate sustainable and inclusive socio-economic development, gender equality and structural transformation
- Enhance the competitiveness of the economies of State Parties in Africa and globally
- Resolve the challenges of multiple and overlapping memberships and expedite the regional and continental integration process

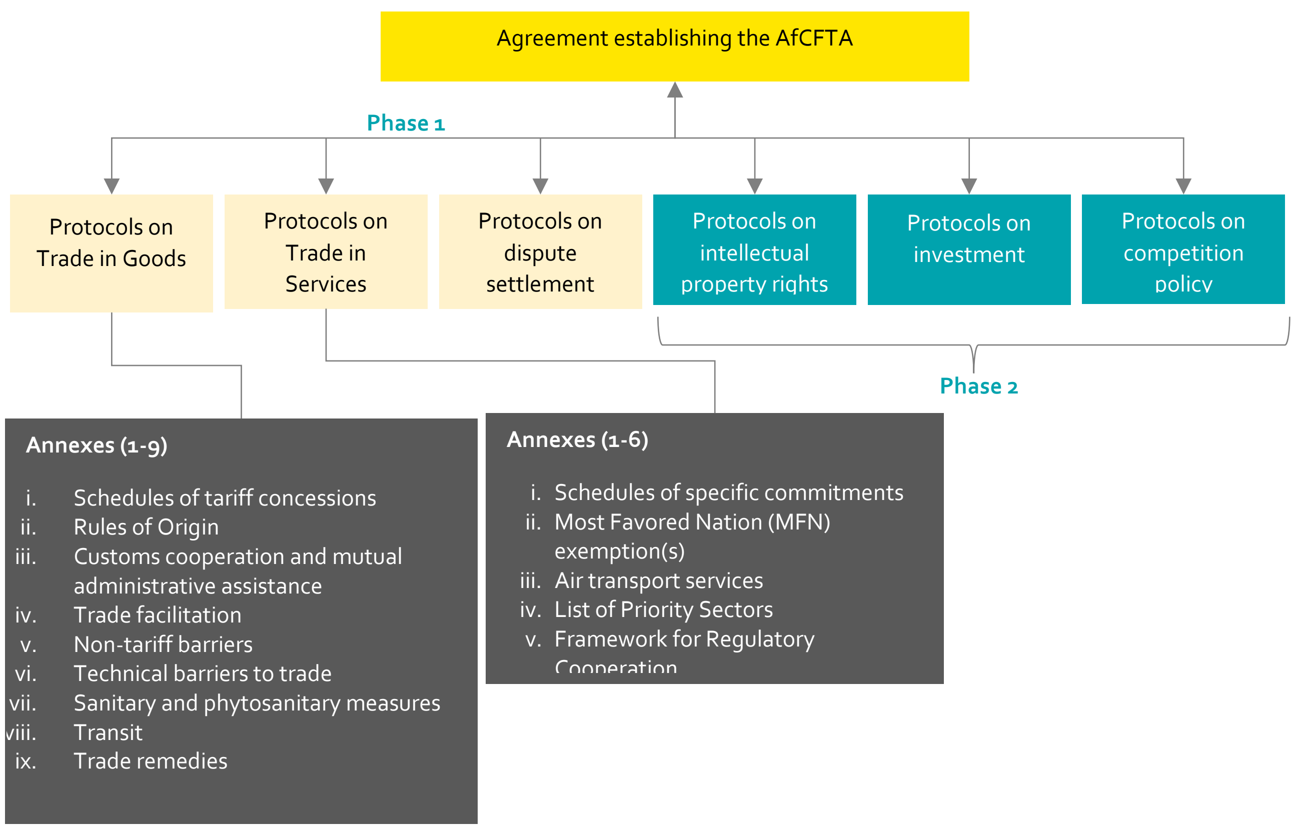
The overarching objective of the AfCFTA is to stimulate intra-African trade, it is expected that boosting intra-African trade will contribute to the development of continental supply chains, the upgrading of production towards more complex and higher value goods and services, reduction in the cost of trade, improvement in competition and productivity, promotion of structural transformation, technological development and enhancement of human capital. This will ultimately stimulate economic growth and improved incomes.

[3] AU

AfCFTA is the first stage of economic integration in Africa…



The overarching AfCFTA Agreement is progressed in phases. The Phase 1 includes the establishment of the Agreement, the protocols agreed on Trade in Goods and Trade in Services and their annexures as well as the rules and procedures on the settlement of disputes[4]. The Phase II negotiations will cover protocols on intellectual property rights, investment and competition policy.



[4] AU

Overview of AfCFTA

Key Facts about the AfCFTA Agreement

1

AfCFTA is a Free Trade Area and by Article 4 of the Agreement seeks

- ✓ Duty free trade- in-goods (*target: 90% of tariff lines* for fully liberalized goods)
- ✓ Liberalization of trade-in-services
- ✓ Free movement of natural persons (*subject to a separate protocol*)
- ✓ Industrial diversification, agricultural development, food security and regional value chain development
- ✓ Cooperation

2

AfCFTA includes a development dimension

- ✓ Specific economic arrangement (Zones)
- ✓ Protection of infant industries (over a period)

3

AfCFTA is a Free Trade Area and by Article 4 of the Agreement seeks

- ✓ General exceptions to maintain HSE, public order, supply to domestic market
- ✓ Restrictive measures to manage balance of payment
- ✓ Anti-dumping provision
- ✓ Provision of countervailing duties
- ✓ Preferential safeguards (Anti-import surge measures)
- ✓ Provision for trade remedies

The African Continental Free Trade Agreement Protocols

In order to promote and protect the objectives of the AfCFTA, State Parties are to adhere strictly to the guidelines and protocols set out by the Agreement.

<table>
<tr><th>Category</th><th>Objectives</th><th>Protocol</th></tr>
<tr><td>Trade in Goods</td><td>- Create a liberalized market for goods
- Progressively eliminate tariff and non-tariff barriers
- Improve efficiencies in custom procedures, trade facilitation and transit
- Enhance cooperation in technical barriers to trade, sanitary and phytosanitary measures
- Enable the development and promotion of regional and continental value chains across Africa.</td><td>▪ State Parties must accord Most Favoured Nation (MFN) treatment to one another
▪ State Parties may partake in preferential trade arrangements with Third Parties if it does not obstruct the AfCFTA protocols and be willing to extend such preferential arrangements to other State Parties on a reciprocal basis.
▪ State Parties must treat products from other State Parties without discrimination after such imported products have been cleared by customs.
▪ State Parties must provide flexibilities to other State Parties at different levels of economic development
▪ State Parties must progressively eliminate import duties on goods from other State Parties in accordance with their Schedules of Tariff and shall not impose new charges on products subject to liberalization. However, this is subject to some exceptions such as internal taxes, antidumping or countervailing duties and safeguard duties.
▪ State Parties must not impose quantitative restrictions on imports/exports from other State Parties.
▪ State Parties may modify their tax concessions with a written request to the Secretariat, stating relevant reasons for the request.
▪ Goods shall be eligible for preferential treatment if they are originating in any of the State Parties in accordance with the Rules of Origin
▪ State Parties must take appropriate measures for customs cooperation and mutual administrative assistance as well as trade facilitation and transit
▪ State Parties may apply antidumping, countervailing and preferential measures in accordance with relevant Trade Remedies of the Article XIX of GATT 1994, WTO Agreement and AfCFTA guidelines as well as cooperate in trade remedies
▪ State Parties may support the establishment and operation of special economic arrangements or zones</td></tr>
<tr><td>Trade in Services</td><td>- Enhance competitiveness of services and promote sustainable development
- Foster domestic and foreign investments
- Accelerate industrial development to promote the development of regional value chains
- Progressively liberalise Trade in Services
- Promote research and technological advancement</td><td>▪ State Parties may partake in preferential service arrangements with Third Parties if it does not obstruct the AfCFTA protocols and be willing to extend such preferential arrangements to other State Parties on a reciprocal basis.
▪ State Parties must publish all international and regional agreements to which they are signatories to as well as inform the secretariat of all intending service agreements with third parties prior to execution.
▪ State Parties must notify the Secretariat of changes made to its existing laws, regulations or administrative guidelines
▪ State Parties must designate the relevant enquiry points to provide other State Parties with specific information on matters relating to Trade in Services
▪ State Parties must provide consideration for progressive liberalisation of Trade in Services as well as flexibilities to other State Parties at different levels of economic development
▪ State Parties must administer their specific commitments in a reasonable, objective, transparent and impartial manner.</td></tr>
</table>

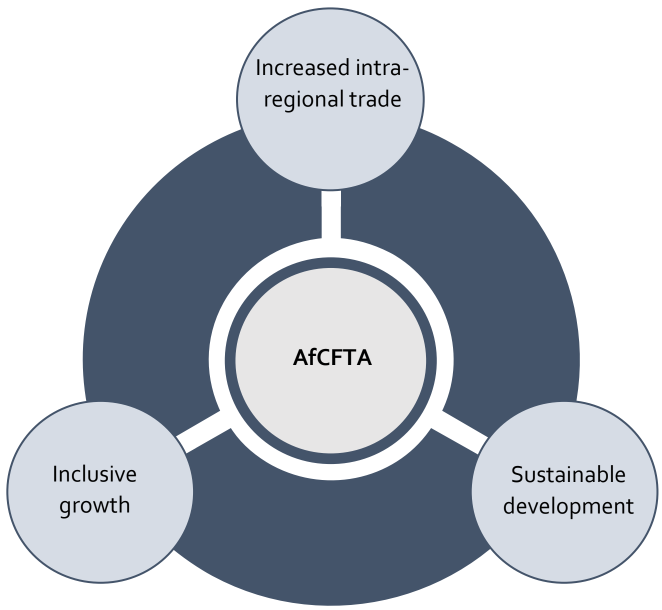
		▪ State Parties must maintain or institute judicial, arbitral or administrative tribunals or procedures as well as appropriate trade remedies for affected service suppliers.
Settlement of Disputes	- To ensure transparency, accountability and fairness in the dispute resolution process in accordance with the Agreement. - To preserve the rights and obligations of State Parties	▪ All disputes will be handled by a Dispute Settlement Body (DSB) comprising of representatives from State Parties ▪ In the first instance, disputes should be resolved through consultations between State Parties whereas unresolved issues should be referred to the DSB. ▪ State Parties must improve the effectiveness of their consultation procedures and afford adequate opportunity for consultations. ▪ Requests for consultations must be made to the DSB and State Parties must respond within the agreed timeline ▪ The DSB's verdict on disputes is final and binding on all State Parties. ▪ A Complaining Party may refer unresolved disputes to the DSB and request for the establishment of a Panel ▪ State Parties must use dispute settlement procedures in good faith and in no contentious manner.

Tangible Outcomes for the AfCFTA

1

Increased intra-regional trade

- Intra-regional trade is low in Africa, with various estimates placing the value of intra-African trade at around 13% - 17% of total trade flow compared to 70% in Europe, 60% in Asia and 46% in America. Expectation is that the adoption of the AfCFTA will increase intra-African trade to at least 25% over the next decade.
- Intra-regional trade flows are important for African industries that want to produce more complex products and move up the production value chain. According to the IMF, "intra-regional flows are relatively diversified, contain higher value-added goods than exports to the rest of the world, and include a sizable share of manufactured products (for example, motor vehicles and clothing)."
- The AfCFTA will support these goals by targeting the progressive elimination of 90% of tariffs on intra-regional trade, leading to a reduction in the cost of trade and improvement in competition and productivity. This will ultimately lead to improved incomes and economic growth.



2

Inclusive growth

- According to Food and Agriculture Organisation (FAO), women account for c.70% of informal cross-border trade in Africa. AfCFTA's liberalization of goods and services will facilitate the development and growth of these women-owned enterprises.
- With reduced tariffs, AfCFTA will make it more affordable for informal traders to operate through formal channels, with protection from harassment, robbery and confiscation of goods as is rampant with the current informal channels.
- It is also projected to provide simplified clearing procedures alongside reduced import duties for women traders.

3

Sustainable development

- As an emerging continent, AfCFTA, as a flagship project of Agenda 2063 of the African Union, is expected to help accelerate Africa's own development vision.
- The African Union Summit approved it as an urgent initiative whose immediate implementation would provide quick wins, impact socio-economic development, and enhance confidence and the commitment of Africans as the owners and drivers of Agenda 2063.
- As projected, the effect will contribute to the achievement of the United Nations 2030 Agenda, especially the Sustainable Development Goals.

Source: Vivideconomics, IMF, NBS

Nigeria's Path to Ratification

On 29th April 2019, Nigeria signed the AfCFTA Agreement - giving a boost to the pact as the erstwhile absence of Nigeria had been a significant concern for the African Union (AU). As Africa's largest economy and one of AfCFTA's original proponents, Nigeria's ratification was considered a fait accompli. However, Nigeria was the only major economic power that held its accession, making a dramatic U-turn at the time of signature due to intense domestic pressure on Nigeria's readiness and potential impact of the Agreement on its economy.

Nigerian stakeholders believed the Agreement would expose Nigeria to dumping, transshipment, and disregard for the RoO by her trading counterparts as well as limit the trading competitiveness of its local producers due to structural and institutional deficits.

For context, there is an illogicality in the ranking of Benin Republic as a top-six global importer of rice - a country with a population of about 11 million that imports more rice from Thailand (1.6 million tonnes) than the most populous country in the world and the major rice consuming nation in China (1.0 million tonnes) in 2018. The result of this is the flooding of Nigeria's market with rice smuggled via Benin Republic. According to the World Bank, Benin's economy relies heavily on the informal re-export and transit trade with Nigeria, which makes up c. 20% of its GDP.

On the domestic scene, Nigeria faces significant challenges in creating an enabling environment for businesses to thrive. Despite the commendable improvements in the World Bank Ease of Doing Business Rankings in 2019, Nigeria is placed at 131st of the 190 nations ranked, trailing peer countries such as Ghana (118th), Egypt (114th), Kenya (56th), South Africa (84th) and Rwanda (38th).

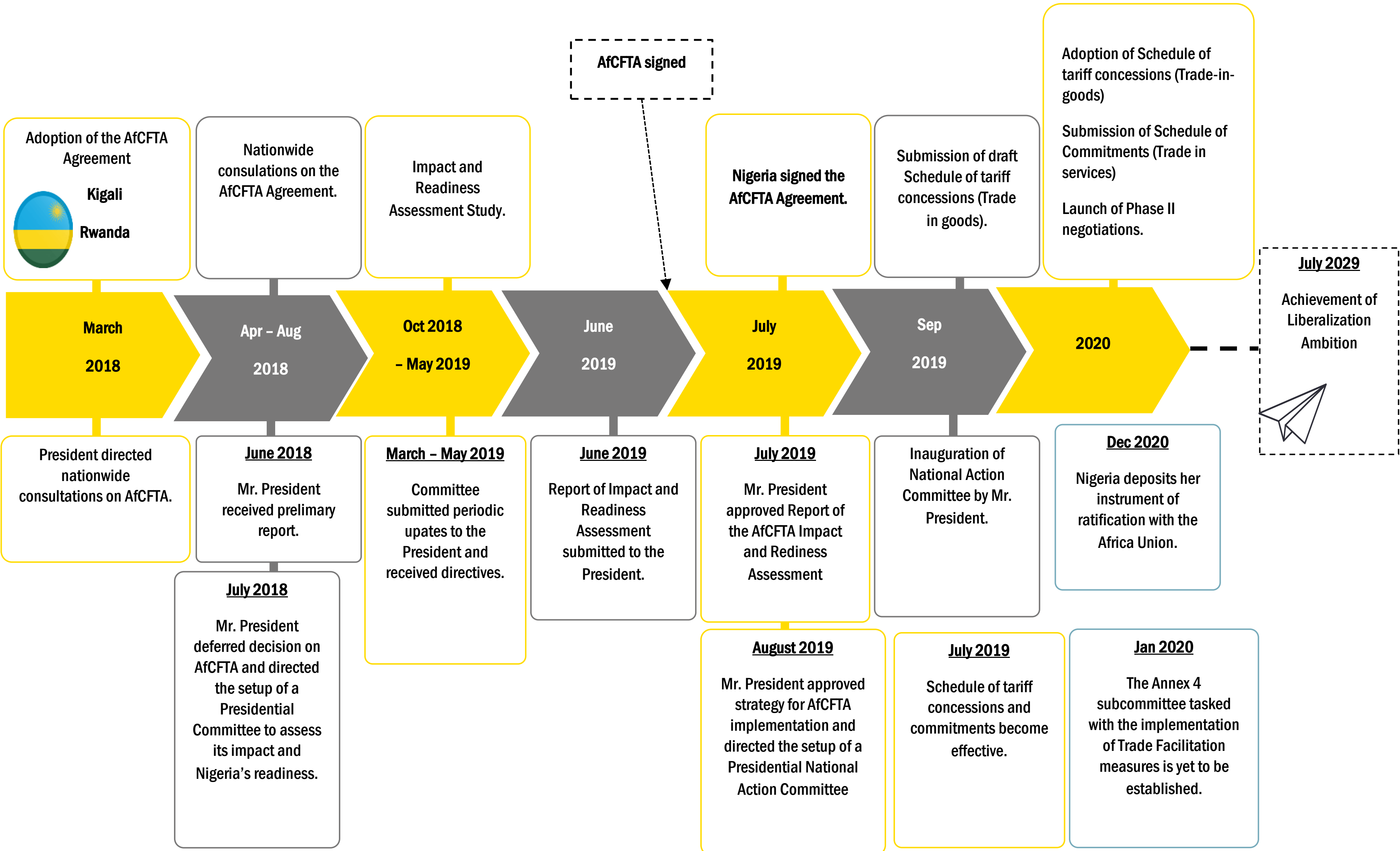
The continued difficulties in customs and ports clearance process as well as the infrastructure deficits (particularly power and transport) all cumulatively add to the cost of doing business in Nigeria and limits the competitiveness of local producers in their readiness for a Free Trade Area (FTA) such as AfCFTA.

However, the Federal Government insists that Nigeria is primed to benefit maximally from the Agreement due to her domestic market manufacturing value addition capacity which is seven times the average of the top 20 economies in Africa[5].

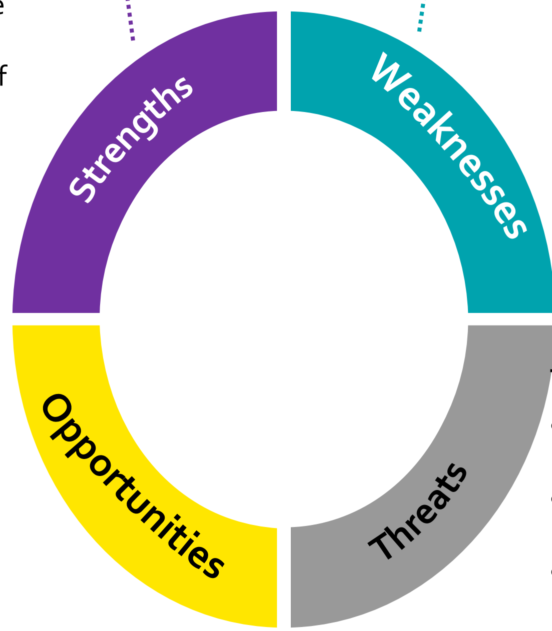
On 11th November 2020, the Federal Executive Council ("FEC" or "the Council") approved the ratification of the Agreement Establishing the AfCFTA ahead of the take-off of the Free Trade Area in January 1, 2021.

[5] NIPC, Nairametrics

Nigeria AfCFTA Ratification Timeline



SWOT Analysis



Strengths

- Nigeria's population, which is estimated to be the largest in Africa and skewed towards the youth class poses a major advantage to its productive capacity.
- Nigeria's economy can leverage being the largest economy in Africa to attract investments in maximizing the benefits of AfCFTA.
- Based on World bank Logistics Performance Index, Nigeria ranks second highest in port infrastructure amongst West Africa countries.

Weaknesses

- Inefficient processes of Customs and other trade agencies
- Low rate of implementation of the WTO TFA commitment of 40% compared with peer economics South Africa (90%), developing nations average (70%) as cited by WTO
- Congestion at the seaports and inadequate transport infrastructure is a major bane of trade flows in Nigeria.
- Nigeria ranks 28/33 African countries in the quality of port in infrastructure ranking. The dearth of supporting infrastructures such as Special Economic Zones, industrial parks, and power increases production cost,

Opportunities

- Nigeria's leadership position in ECOWAS provides an opportunity to maximize the AfCFTA adoption from a REC perspective.
- Given Nigeria's current low trade relations with other African countries, the AfCFTA Agreement will expand Nigeria's access to new markets.
- In addition to being among the top ten exporters of refined oil in Africa, the Federal Government's commitment to refurbishing and improving the refining capacity of Nigeria poses a significant opportunity to the revenue generating capacity of Nigeria.

Threats

- Nigeria's large population makes it an attractive destination for dumping.
- Large land border poses a challenge to monitoring Trade
- Inadequate trade remedies structure in Nigeria may potentially expose Nigerian producers to high risks of loss upon commencement of trading.
- Customs inefficiencies sets local producers at a disadvantage in terms of competitiveness with their counterparts.
- Reduced tariffs may significantly impact the revenue of Nigeria and impede the Federal Government's ability to incur the necessary capital expenses to develop its trade infrastructure.

3. Macro-economic overview

EY

3. Review of Nigeria's macroeconomic environment

Summary of section 3 – Review of Nigeria's macroeconomic environment

- This section presents an overview of Nigeria's macroeconomic environment, with a focus on the contributions of trade to GDP, analysis of key indices and their influences on FDIs and interest rates, an assessment of Nigeria's Human Development Index (HDI) and the expected benefits of AfCFTA to MSMEs.
- The section further analyses the impact of key economic indices such as inflation, interest rates and foreign exchange on the investment attractiveness of non-oil sectors in Nigeria and the ability of MSMEs to access long-term capital.
- In addition, it assesses Nigeria's trade disposition and historical trade levels and the opportunity AfCFTA presents for Nigeria to capitalise on an expanded trade bloc to increase domestic output, attract FDIs, drive competitiveness and growth, as well as boost intra-Africa trade.
- Finally, the section assesses the expected impact of the macroeconomic variables on MSMEs in Nigeria.

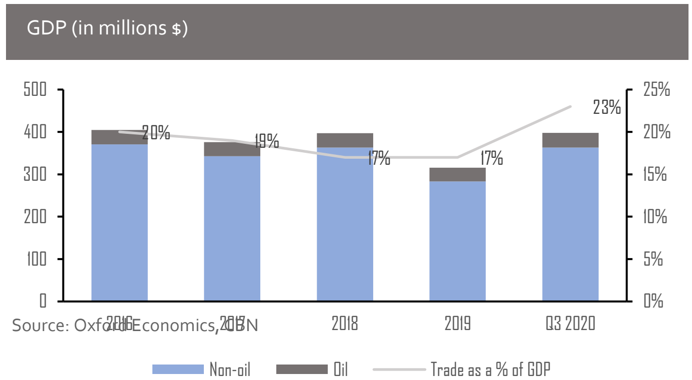
Key highlights

- Nigeria's economy has negatively been impacted by lower oil prices and associated industrial and economic disruptions caused by COVID-19 pandemic.
- Current levels of inflation, interest rates and foreign exchange limit access to capital to the non-oil sectors and is a major hinderance to growth in Nigeria's trade output.
- Commencement of the AfCFTA presents a unique opportunity for Nigeria to increase competitiveness of indigenous companies, strengthen institutional frameworks and critical infrastructure to adequately leverage the expanded economic bloc.
- AfCFTA will also allow for transformation of moribund sectors and unlock growth in Nigeria's untapped sectors.

3. Review of Nigeria's macroeconomic environment

- Nigeria's economy has experienced high levels of volatility in recent years, caused by global upheavals in the oil industry and recent disruptions to intra-Africa and international trade.

- The significant decline in oil price levels has negatively impacted national development and created a squeeze in Nigeria's main source of foreign exchange earnings. Accordingly, this has led to growth imbalances and large fiscal deficits and insufficiency of the foreign reserves to cover prolonged months of imports of goods and services.



Source: Oxford Economics, CBN

- As a result, local enterprises are forced to source FX from secondary market sources, creating arbitrary higher inflation levels; which is further exacerbated by Nigeria's import dependency for a larger share of household consumption.

- The combination of these factors has resulted in limited access to finance and weaker attractiveness of critical non-oil sectors. In addition, local funding becomes more punitive as lenders price in higher risk sentiments into the cost of lending. This negatively impacts Nigeria's trade disposition, consequently leading to lower export output and proceeds.

- As at Q3 2020, Nigeria's total trade recorded a decline of 8.85% compared to Q3 2019, as contribution of trade to GDP stood at 23% in the quarter. Nigeria's total export value was ₦2.99 billion in Q3, 2020, which was also a decline of 43.41% when compared to Q3 2019. However, total imports continue to trend higher, closing at ₦5.38 billion in Q3 2020, 38.02% higher than the values recorded in Q3 2019.

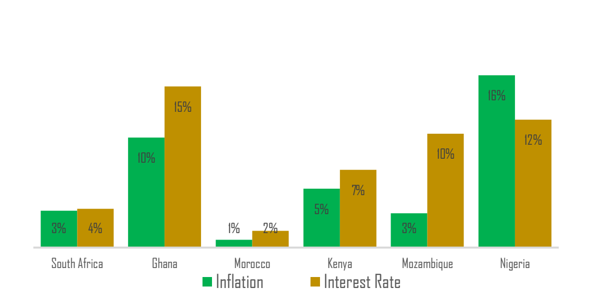
- The commencement of AfCFTA presents an opportunity for Nigeria to capitalise on an expanded trade bloc to increase domestic output, attract critical FDI, drive competitiveness and growth, and eventually boost intra-Africa trade.

Assessment of Nigeria's key macroeconomic indices

- According to the National Bureau of Statistics, Nigeria's inflation rate stood at 15.49% y-o-y in December 2020. Higher levels of inflation through the year can be attributed to significant pressures on food prices amidst the economic constraints and disruptions imposed by the COVID-19 pandemic, increase in value-added taxes (VAT), land border closures and the limited access to FX by manufacturers.

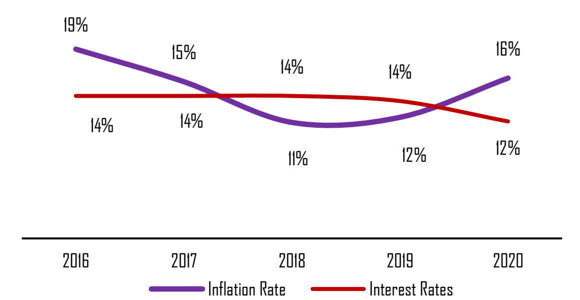
- This has resulted in negative real returns on investments in Nigeria, limiting the duration of foreign investments in Nigeria and reducing the investment attractiveness of critical sectors. Accordingly, such sectors are unable to secure patient capital to finance required expansion projects and improve their export capacity.

Inflation and interest rates in key African countries



Source: Oxford Economics, EY analysis

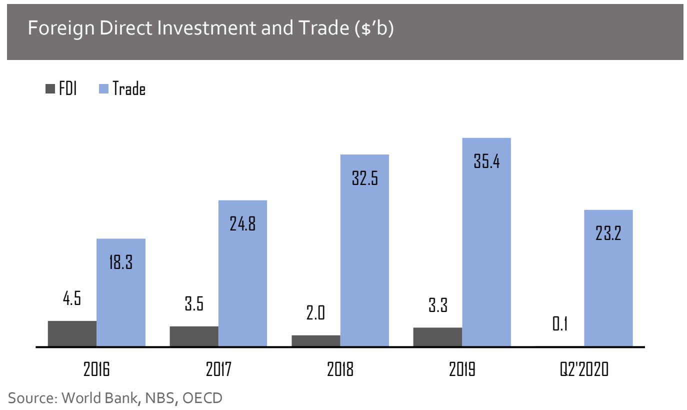
Nigeria's inflation and interest rate trend



Source: CBN, NBS, EY analysis

- Nigeria's exchange rate experienced significant volatility in 2020, driven primarily by extreme pressures on the foreign exchange market and an inability of the CBN to comfortably meet the Nigeria's foreign exchange demand. Accordingly, the CBN devalued its official exchange rate by 15% in July 2020 from ₦307.00 to ₦360.00 per US$1.00 and commenced a convergence of its various foreign exchange windows.
- However, this was unable to ease the pressure as capital flow restrictions worsened and speculative holding of the USD limited access for legitimate demands. Accordingly, the CBN further adjusted the official rate to ₦380 per US$1.00 and the Secondary Market Intervention Sales (SMIS) rate to ₦380 per US$1.00 in August 2020. The CBN also introduced policies and restrictions aimed at unifying the multiple exchange rates over time.
- As at December 2020, the Naira traded around ₦379/$, N386/$ and ₦485/$ at the interbank, I&E and parallel markets respectively, representing a devaluation of approximately 23% within the year 2020.
- A boost in Nigeria's export capacity is strongly required to ensure trade competitiveness as the AfCFTA commences. The Monetary Policy Rate (MPR) has been significantly reduced from 14% in 2016 to 11.5% as at November 2020, as part of monetary policy efforts to increase credit to the private sector. Accordingly, credit to the private sector increased by approximately ₦19.88 trillion in Q3 2020, with credit to the manufacturing and trade sectors standing at ₦3.03 trillion and ₦1.26 trillion respectively.

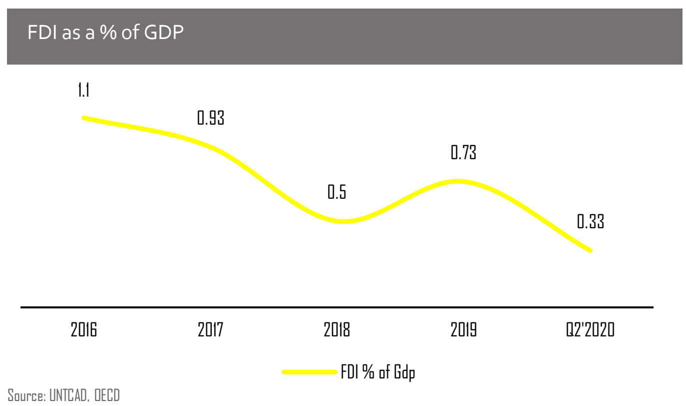
Nigeria's investment and trade environment



- According to the Organization for Economic Co-operation and Development (OECD), global FDI flows are expected to decline by over 30% in 2020 compared to 2019 before returning to pre-crisis levels by the end of 2021. It is expected that FDI flows to developing countries will experience a greater decline as the primary and manufacturing sectors which account for a larger share of FDI, have been severely impacted by the pandemic.

- As at Q2 2020, FDI flow estimates into key Africa countries stood at Egypt ($1.5 billion), South Africa ($1.02 billion), Morocco ($0.8 billion), Kenya ($1.3billion) and Ghana ($869 million). However, FDI to Nigeria declined by 30.65% to $148.59 million in Q2 2020.

- An assessment of the relationship between trade, FDI and economic growth shows a lag between trade levels and FDI, such that FDIs in a given year is used in generating products for export in subsequent years. In addition, the trend of FDI contribution to GDP can be used to assess the level of attractiveness of key sectors and the resulting impact on long-term GDP.



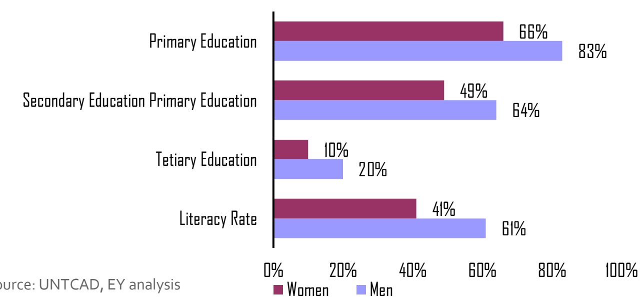
- In Nigeria, the contribution of FDI to GDP has declined over the last five years following the 2016 recession. According to World Bank estimates, FDI as a share of GDP stood at 0.33% in Q2 2020, representing a decline from 0.73% recorded in 2019. This can be attributed to a perceived lack of confidence in the Nigerian economy which will be further heightened following the 2020 recession and the continued susceptibility of the economy to the cyclicality of the global oil industry. Concerns also exist about unpredictability of government policies and the misalignment of monetary and fiscal policies.

- FDI inflows for capital projects like manufacturing plants, expansions, greenfield projects (e.g. gold mining) may lead to increased trade and can assist to support the government's diversification agenda.

Social Inclusion

- Despite recording multiple years of economic growth and expansion after Nigeria's transition to democracy in 1999, a broad range of people are still excluded from full participation in Nigeria. These categories of people include women, youth, workers in the informal economy, people living with disabilities as well as ethnic and linguistic minorities.
- Women are major contributors towards trade and development goals in most African countries through their role as urban traders, processors, entrepreneurs, owners of trade-oriented firms (particularly MSMEs), cross border traders, and delivery partners.

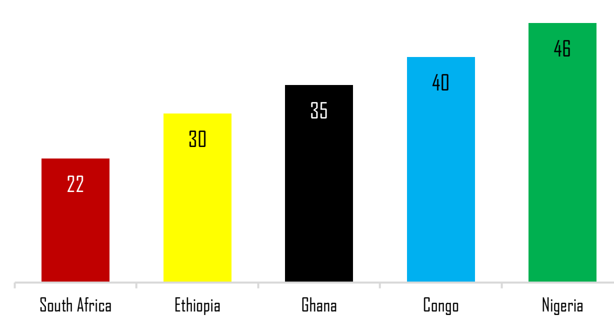
Social inclusion (% of education attainment)



Source: UNTCAD, EY analysis

- Recent studies estimate that 48% of MSMEs are owned by women and account for c.25% of GDP. However, with 90% of MSMEs operating in the micro segment characterized with high levels of informality, these women are largely excluded from government aids and policies necessary for business upscaling.
- Women owned businesses generally face greater challenges than their male counterparts, when it comes to trade. In a research undertaken by the International Trade Centre (ITC), 74% of women owned firms involved in exports reported challenges with non-tariff measures compared to 54% of male owned exporting companies.

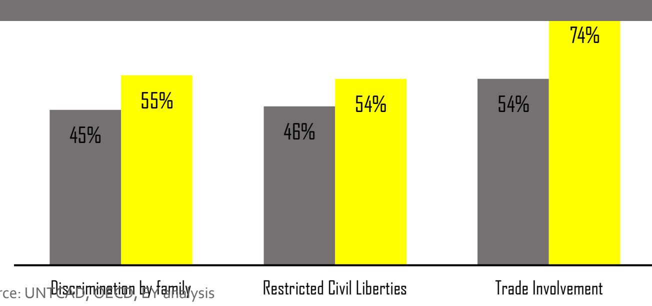
Women exclusion in key African countries (%)



Source: OECD, EY analysis

- The OECD SIGI index estimates women exclusion in Nigeria to be approximately 46, representing a relatively high inequality level in comparison to Sub-Saharan peers like Ethiopia (30%), Ghana (35%), Congo (40%) and South Africa (22%) respectively.
- The youth unemployment rate in Nigeria has continued to trend higher, from 9.62% in 1999 to c.14% in 2020. Data from the NBS estimate that up to 14 million youths are unemployed, with the highest unemployment rate amongst ages 15 – 24 years (41%), followed by 25 – 34 years (37%).
- The significant mismatch between Nigeria's population and economic growth rate, coupled with insufficient

Social inclusion (% Comparism to trade, Discrimination, Liberties)



Source: UNTCAD, OECD, EY analysis

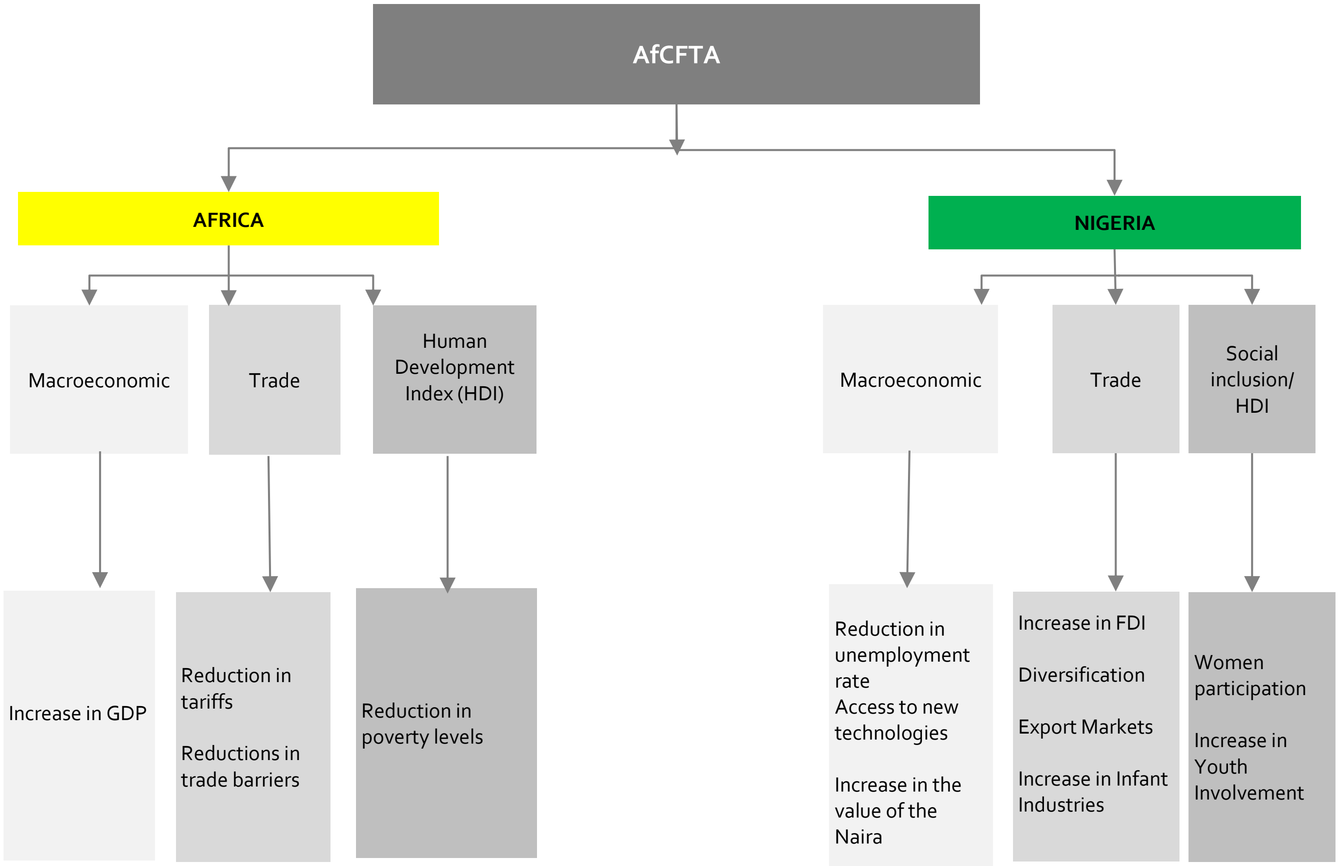
fiscal efforts in socioeconomic and infrastructure development, has limited the ability of the private sector to create new jobs. Private sector players have, however, relied on downsizing and employing contact staff, leaving a significant number of Nigeria's youth underemployed.

- Accordingly, the youth have turned to entrepreneurship as a means of creating value through innovative methods aimed at debottlenecking most of the challenges faced in key sectors of the economy. Recent studies conducted by FMITI suggest MSMEs in Nigeria account for over 90% of the total number of businesses and create up to 80% of jobs in Nigeria today[6].
- As such, if properly harnessed, Nigeria's youth have the potential to contribute towards sustainable long-term economic growth through the creation of enterprises that not only increase fiscal revenue through taxes, but also create jobs for their fellow youths.
- The leading challenges faced by MSMEs include high costs of capital, the direct and indirect impact of a poor operating environment and weak consumer demand driven by stagnated disposable income levels.
- It is therefore critical that total inclusiveness becomes as an anchor for economic policy formation, as the benefits for trade and economic development are critical for Nigeria.

[6] EY Recommendation on MSME Reclassification Report

Expected Impact of AfCFTA on Nigerians MSMEs

With the ratification of the AfCFTA, Nigerian MSMEs have access to the vast African market, which is expected to drive their competitiveness and growth, consequently boosting Nigeria's intra-Africa trade...



Pros and Cons of AfCFTA for Nigeria

	Pros	Cons
1	Lower or no tariffs and easier access to the African market and market information.	Potential for dumping as the free movement of goods may lead to crowding of products in Nigeria.
2	Reduction in unemployment rate across Africa, providing an entrance for up to 11 million youths annually into the Africa job market.	Other countries may attempt to engage in capital arbitrage which might result in dissolution and increased disputes.
3	Improvement in economic and trade governance structures which will lead to standardization of processes in Africa in alignment with global standards.	The weak enforcement of local laws regulating theft of intellectual property may limit investments into more creative ideas and researches by Nigerians.
4	The enlarged continental market created by AfCFTA is expected to attract higher FDI flows into Nigeria to support infrastructure development and increase productivity; support diversification, value addition, and structural transformation.	Increased competition may cause Nigerian SMEs to suffer loss of revenue as SMEs in other countries leverage their infrastructure to increase output.
5	AfCFTA will support the Federal Government of Nigeria's agenda of stabilizing Nigeria's socio-economic and Human Development Index as MSMEs will be strengthened, with increased participation of women and youth in economic development.	
6	The Agreement provides an opportunity to unlock growth and increase output in Nigeria's untapped sectors such as tourism and fashion. In addition, it can lead to the transformation of other industries such as petrochemicals, creating potential for increased revenue and trade output.	

4. Diagnostics of the Nigeria Trade Ecosystem

4. Diagnostics of the Nigerian Trade Ecosystem

Summary of section 4 – Diagnostics of the Nigerian Trade Ecosystem

This section describes the current state of trading activities in Nigeria highlighting Nigeria's dependence on oil for its export revenue. It also analyses Nigeria's trade patterns which depicts its high and long-term trade relations with India and China representing Nigeria's top export and import partners respectively in 2016 and 2020. Furthermore, this section analyses Nigeria's low trade relations with other African countries and its trade relations with other ECOWAS countries.
Section 4 further delves into a diagnostic review of the four key trade areas which consists of Trade in Goods, Trade in Services, Trade facilitation and Trade environment.

- Trade in Goods- This subsection focuses on the current state of Nigeria's Trade in Goods and the factors that have limited Nigeria's local production and export capacity. In addition, the subsection highlights past and present initiatives aimed to improve export capacity and the reason for their inefficiencies.
  The AfCFTA Agreement includes a protocol in respect of Trade in Goods which requires each State Party to classify its products into three categories including fully liberalized (90%), sensitive (7%) and exclusive (3%) products. This subsection concludes with recommendations to boost trading activities such as the recommendations for the product prioritization (in accordance to the AfCFTA protocol for Trade in Goods), MSME capacity development, Special Economic Zones and business linkage formations.

- Trade in Services – This subsection profiles Nigeria's Trade in Services and the barriers to intra-African Trade in Services. It also outlines the key provisions of the AfCFTA Protocol on Trade in Services; highlights the key considerations in the AfCFTA Trade in Services negotiations and also states the liberalization modes for AfCFTA's Trade in Services.
  Furthermore, the subsection analyses the current state of Nigeria's service export including contribution to GDP, top services exports and imports, top services destination.
  The subsection then explores Nigeria's services export potential which includes an overview of the identified priority sectors in which we have competitive advantage, identification of export target markets in Africa and an estimation of potential demand.
  Taking a deep dive into the priority sectors, the subsection highlights the constraints, government initiatives and implementation challenges faced by the priority sectors and provides specific recommendations for the respective services sub-sectors.
  Finally, it concludes with a summary of the framework and criteria adopted for selecting priority sectors and also provides a list of key considerations that should drive negotiations for Trade in Services. The recommended priority sectors include Telecommunications and ICT, Financial services, Tourism and Travel services as well as Entertainment/creative industries.
- Trade facilitation - This subsection discusses the obstacles to intra-African trade and AfCFTA's role in improving trade facilitation. It also highlights the trade facilitation reforms embedded in the AfCFTA Agreement.
  In addition, the subsection delves in the four categories of the AfCFTA's provision in respect to trade facilitation which includes transparency, formalities and procedures, border agency co-operation as well as Transit.

It also highlights baseline metrics adopted in several literature to track Nigeria's trade facilitation measures in comparison to other countries.
Finally, the subsection closes with the challenges and recommendations for implementation of the Trade Facilitation Agreement Measures in Nigeria.

- Trade environment: This subsection highlights the key trade regulating and enabling agencies, their respective responsibilities and their importance in the trade eco-system. The subsection also includes a capacity assessment and recommendations for select trade agencies including FMITI, NACCIMA and SMEDAN.

Key highlights

- Nigeria's economy is largely monolithic relying on the oil sector for its foreign revenue
- Amongst other factors, the preponderance of small-scale enterprises in the private sector and the informal nature of most of these businesses have hampered the success of Government initiatives aimed at improving trade
- The liberalization of tariff lines requires that Nigeria strategically categorise its products into fully liberalized (90%), sensitive (7%) and exclusive (3%). Sensitive products include the products with huge export potentials while exclusive products include Nigeria's import prohibited items.
- MSME capacity development, optimization of SEZs and formation of business linkages will aid the development of Nigeria's export capacity
- The AfCFTA is projected to increase gender inclusion in Nigeria and hence reduce the overall poverty levels
- The obstacles to intra African trade include infrastructural deficit, weak production capacities and non-tariff barriers amongst others
- To tackle the identified trade facilitation issues, we recommend increased coherence and border co-ordination, digitization of customs processes and border transparency

Overview of Nigeria's trade ecosystem

Nigeria's oil and gas wealth facilitates strong trade volumes by regional standards…

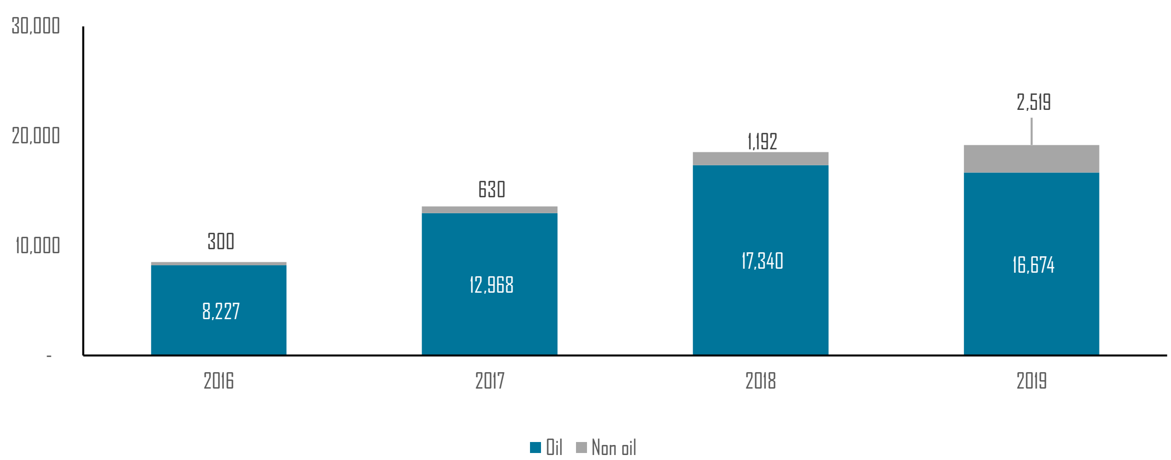
- Nigeria's total trade grew at c.16.1% CAGR from ₦19,922 billion in 2015 to ₦36,152 billion in 2019. More recently, trade grew by 10.2% in Q4 2019, compared to 6.8% in Q3 2019 and -11.3% in Q4 2018 primarily driven by imports which consistently outweighs Nigeria's exports[7].
- Nigeria's trading ecosystem is characterized by exports of primary products and importation of finished or intermediate goods. A trading disposition that has resulted historically in a low trade balance and limited economic growth. The poor trade balance is caused by low level of industrialization, poor infrastructure, weak and inchoate trade policy environment which adds additional costs to production of local goods.
- Nigeria has a high reliance on crude oil exports, which accounts for an average of 93.1% of total export over the past 4 years and a majority of government's revenue and foreign exchange earnings (90%)[8]. Accordingly, the economy is highly susceptible to cyclical shocks driven by variability in crude oil prices and its impact on key macroeconomic indicators as well as on trade flows.
- Nigeria's main trade partners are Brazil, China, India, Japan, US and the European Union. It boasts of the highest total trade volumes in the West Africa region,59th largest import economy and 53rd largest export economy in the world primarily due to trades from oil and gas related commodities, in addition to its large population base.
- Trade imports are concentrated on manufactured goods, processed oil products and manufacturing appliances. This is largely attributable to the limited industrialization which is inadequate to meet the consumption demand of Nigeria's large population.
- Nigeria's import dependence can also be attributable to the limited regional integration and low level of formal trading between Nigeria and its neighbours, which also share the same economic pathologies as Nigeria. In addition, Nigeria has a relatively inconducive business environment that stifles local production, hence contributing to the import dependence. Consequently, the Nigerian market has been a regional outlet for dumping practices for external semi-finished and finished goods, given its size as the biggest economy in the region.

The reliance on export of primary products and import of finished goods is not a problem unique to Nigeria, as this is a common theme across most African States. However, in order to yield maximum benefits from the AfCFTA, improvement of the trade ecosystem is required to drive investment to Nigeria's industrial sector and economy at large.

[7] NBS

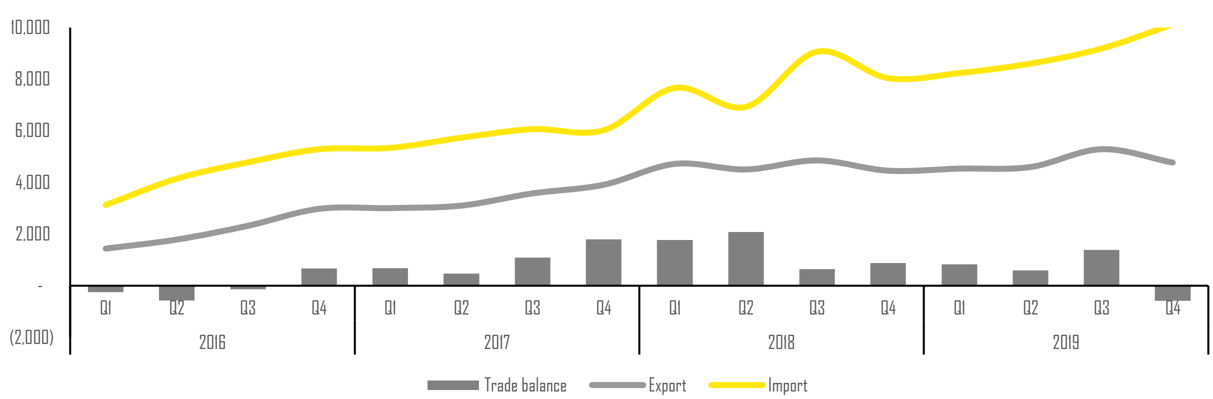
[8] UNCTAD

Nigeria's oil vs. non-oil export (₦ billion)



Source: NBS

Trade balance (₦'billion)

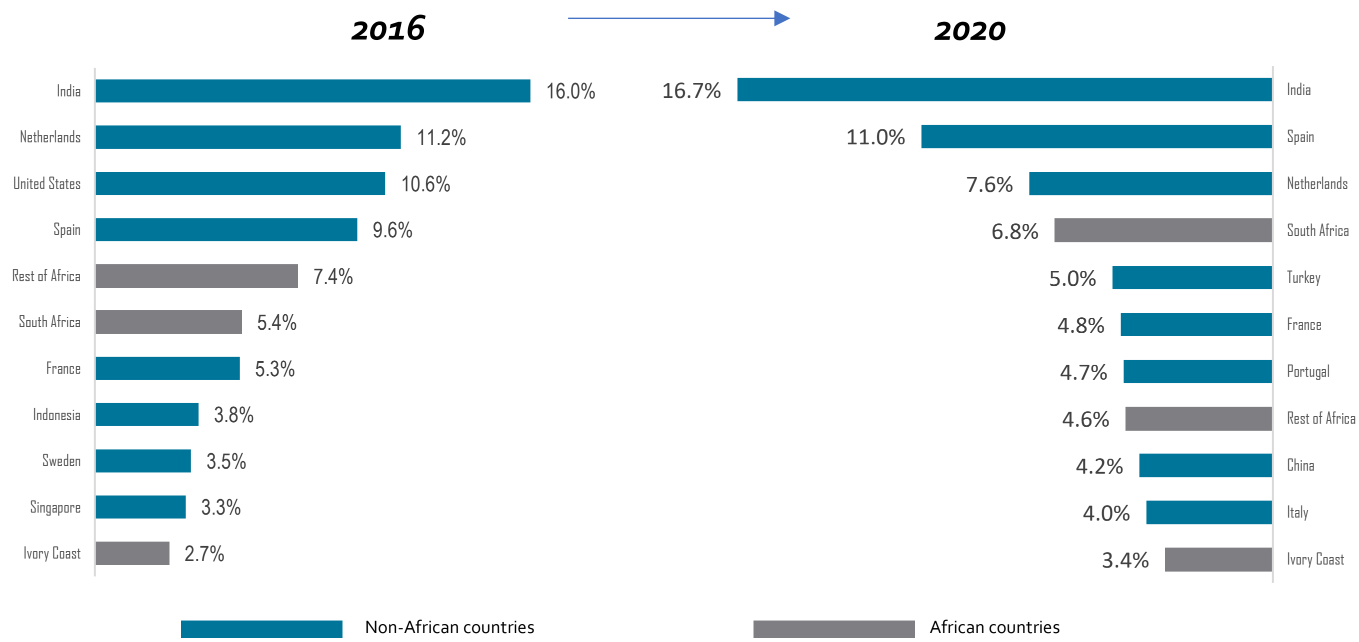


Source: NBS

Overview of trade patterns in Nigeria

- Over the last 5 years, China has consistently been among the two largest trade partners for Nigeria accounting for c.20.5% of total imports in Q4 2019, while India is the top destination for Nigerian goods accounting for c.16.0% and c.16.7% of total exports in Q4 2016 and Q3 2020 respectively.
- As highlighted below, Nigeria's trade with its neighboring countries and Africa as a continent has been low despite the relative proximity between these countries and the existence of a Regional Economic Community (REC), ECOWAS.

Top 10 Nigeria exports partners

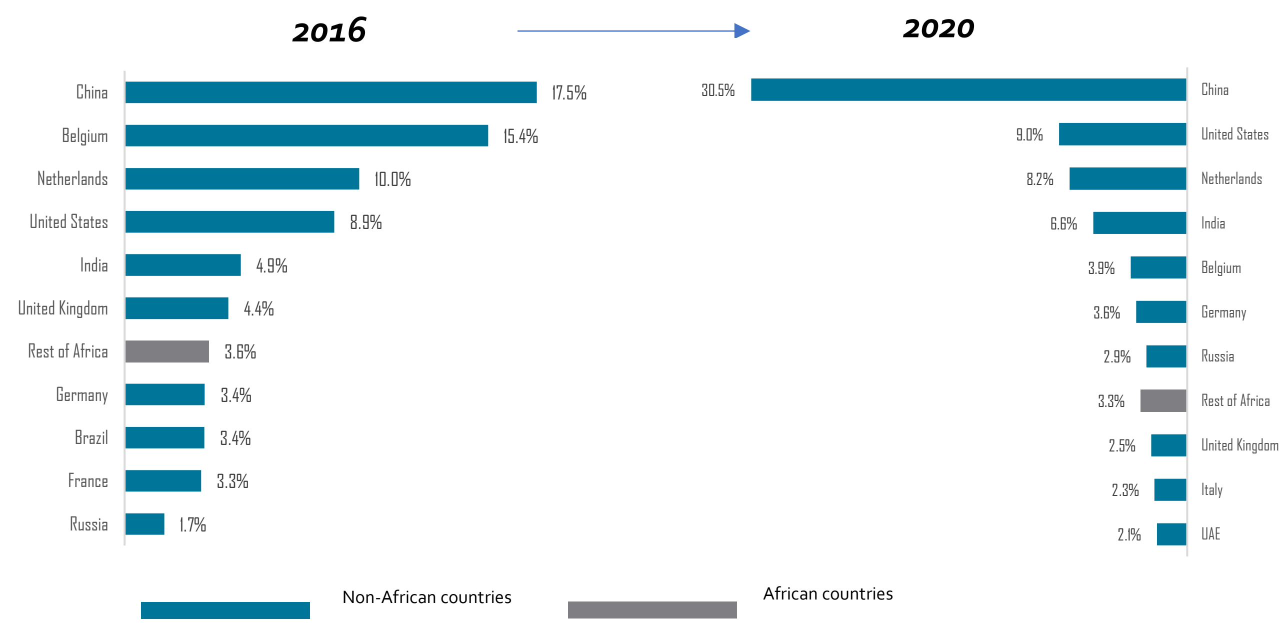


Source: NBS

This is further highlighted by the analysis of Nigeria's top trade partners. South Africa and Cote D'Ivoire are the only African countries that constitutes part of Nigeria's top export partners in Q3 2020, with the remaining African countries accounting for a minute c.4.6% of its export[9].

[9] NBS

Top 10 Nigeria import partners



Source: NBS

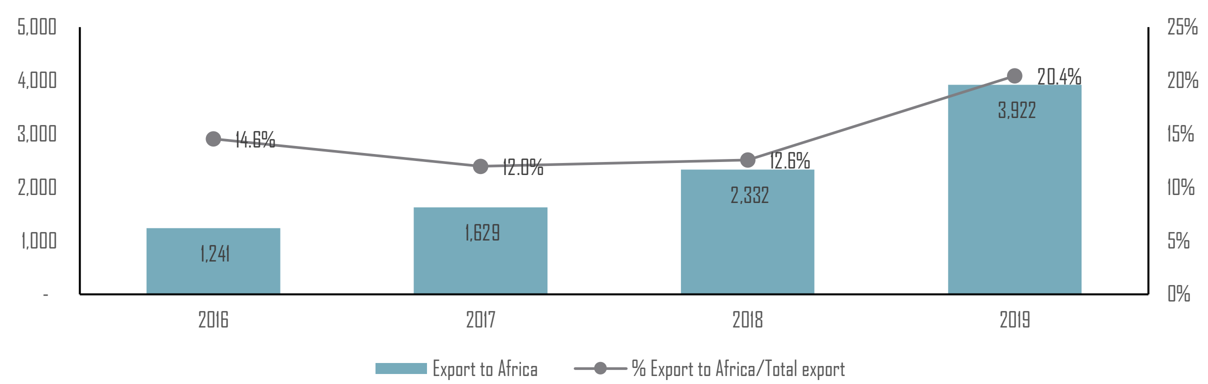
- This trend is also present in the import flows as no African country is listed among Nigeria's top import partners both in Q4 2016 and Q3 2020.
- Thus, the AfCFTA Agreement provides an opportunity for Nigeria to increase its trading activities given the wider access to the African market, which it has previously had limited trade interactions.
- Countries which have been relatively open prior to the AfCFTA Agreement implementation such as Madagascar, Malawi, Mauritius, and Rwanda are expected to benefit the least from the Agreement. On the other hand, Egypt, Morocco, South Africa, Nigeria, Kenya and Côte d'Ivoire are projected to be the largest beneficiaries in terms of export growth by 2035 with the increase in export value ranging from $48 million to $11 billion[10]. The forecast growth will stem from reduced tariffs and lower non-tariff barriers such as better infrastructural facilities at borders and trade facilitation measures.

[10] World Bank Group: The African Continental Free Trade Area – Economic and distributional effects

Nigeria's trade relations with Africa

- Trade between Nigeria and other African countries have remained relatively low accounting for less than an average of 15% in the last 4 years[11]. However, it is arguable that the figures are understated given the high level of informal/unrecorded trade within Africa.
- Consistent with Nigeria's trade patterns, crude oil has been the major export product to other African countries accounting for c. 55%[12] of the total export to African countries in Q4 2019. Closely trailing crude oil export is manufactured goods which accounts for c.43.4% of total export to African countries in the same quarter.
- The low trade relation is attributable to several factors including high tariffs imposed by neighboring countries, the existence of non-tariff barriers, poor trade facilities, insecurity and import restrictions within African countries especially on certain staple food items. Agricultural products account for less than c.1% of the total export to Africa in Q4 2019.
- Nigeria has a relatively low industrial/manufacturing capacity hence its reliance on imports for

Nigeria's trade export with Africa (₦'b)

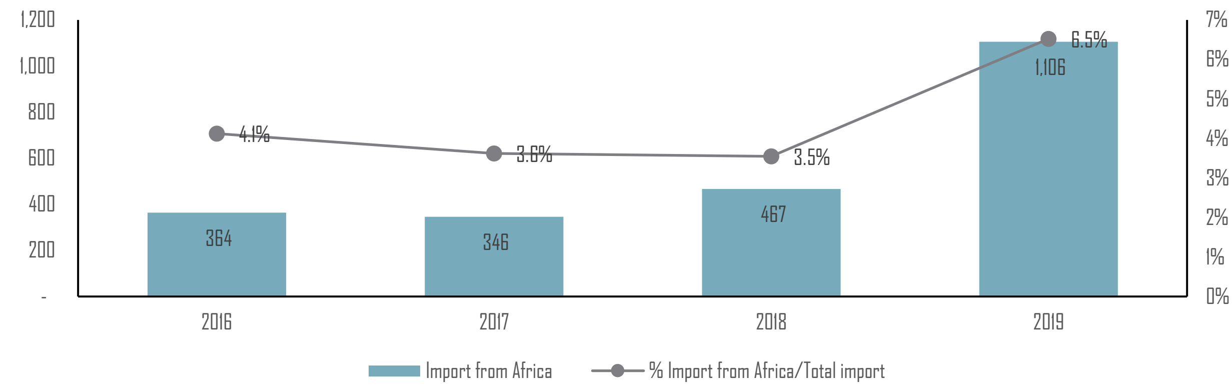


manufactured products. Nigeria majorly imports manufactured goods from other African countries as these goods account for c.45.8%[13] of its total import from countries within the continent.

- The low import from African countries is attributable to several factors including high tariff and non-tariff barriers, competition from producers in developed nations, dilapidated trade facilities and inefficient custom practices.

[11] NBS
[12] NBS
[13] NBS

Nigeria trade import with Africa (₦'b)

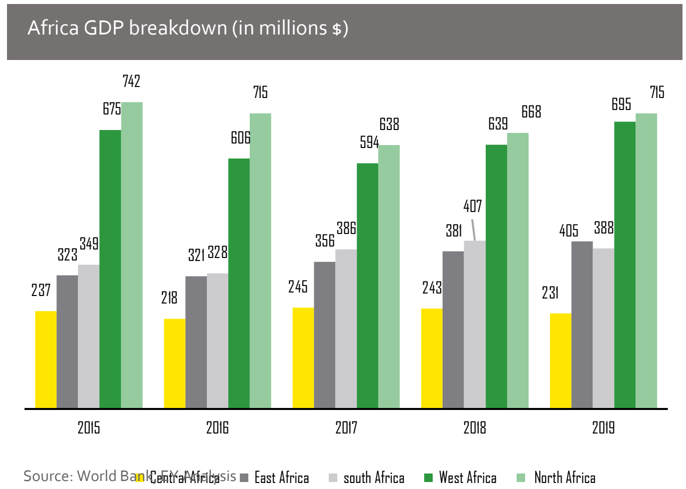


Source: NBS

The AfCFTA Agreement seeks to stimulate trade within the African continent by reducing/eliminating tariff and non-tariff barriers. The resultant market access poses an opportunity to the Nigerian economy to increase its trade relations within Africa and displace imports from non-African countries.

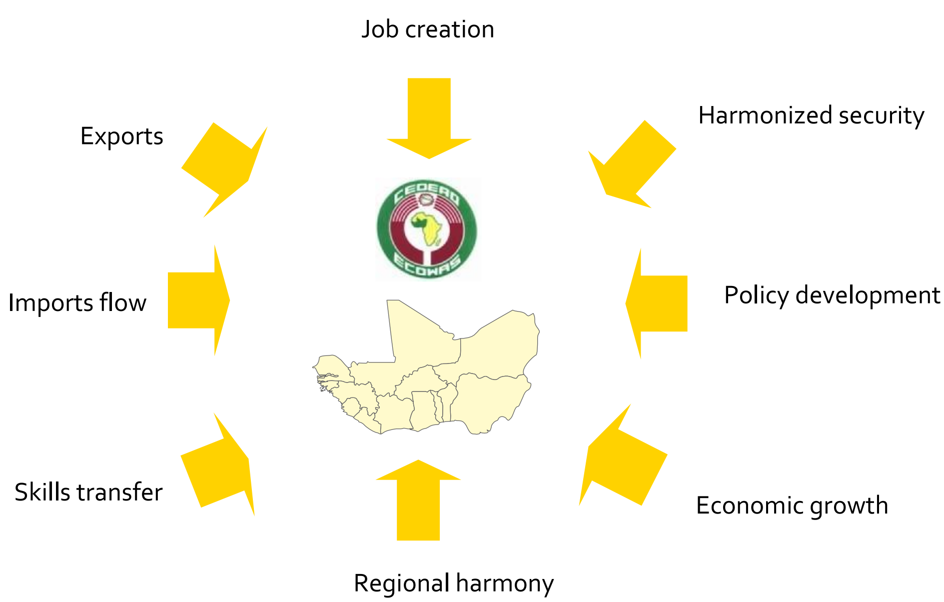
Nigeria's trade ecosystem and ECOWAS

- With an original agenda of achieving "collective self-sufficiency" for its Member States through the establishment of a single large trade bloc with a full economic and trading union, ECOWAS has grown in relevance over the years and propelled economic growth and stability amongst member countries.
- The four key pillars of ECOWAS functions today include: Peace & security, developing infrastructure, policy harmonisation (for trade facilitation) and good corporate governance
- The combined GDP of the West African countries which form ECOWAS is the second largest among regions in Africa, second only to North Africa, with its combined GDP of c.$695 billion in 2019.
- Nigeria, being the largest West African country by population size and GDP, makes it an important member of ECOWAS. However, trade with the other Member States remains poor, similar to aggregate trade flows among all the ECOWAS Member States. Specifically, export to the ECOWAS region from Nigeria, which averaged approximately 7% of its total exports between 2001 and 2006, fell to 2.3% in 2010 and is yet to return to historical growth levels.



Source: World Bank, EY Analysis

Influence of ECOWAS on Member Countries



- Nigeria's ambitions for ECOWAS are centered on deeper integration in ECOWAS, reducing barriers between and amongst ECOWAS countries, so as to link manufacturing structures, expand opportunities for service providers, which will in turn lead to accelerated economic growth and job opportunities in the ECOWAS sub-region

- With Nigeria as an instrumental and key Member State, ECOWAS, the REC has implemented several schemes to ensure the smooth integration of its 15 members among which includes the ECOWAS Trade Liberalization Scheme (ETLS) and the Common External Tariff (CET).
- The ETLS is a trade instrument created by the REC. It is administered by the ECOWAS Commission through the member states such that duty-free trade between ECOWAS countries is encouraged.
- The scheme offered unhindered market access to the 15 member countries and promotes economic relations within the sub-region. Countries covered in ECOWAS include Nigeria, Ghana, Benin, Côte d'Ivoire, Gambia, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Senegal, Sierra Leone, Togo, Burkina Faso, Cape Verde.
- The implementation of ETLS in Nigeria and across Member States was not effective due to the complexity of the RoO and the cumbersome accreditation procedure.
- Additionally, the ETLS lacked legal backing at the national level, lacked adequate awareness and other Member States refused to submit their sovereignty to any regional authority.
- Consequently, the CET was developed as an improvement on the ETLS in January 2015 in a bid to create uniformity in tariff payments between Member States and third party (Non-ECOWAS) African states.
- The CET has gained more acceptance because member countries further understood the need to liberalize trade within via the removal of unusually high tariffs and non-tariff barriers. According to the Comptroller-General of the NCS, Nigeria had implemented well over c.70% of ECOWAS' CET across its tariff lines.
- However, these improvements have not yielded the desired results as trade levels between Nigeria and ECOWAS Member States have remained relatively low.

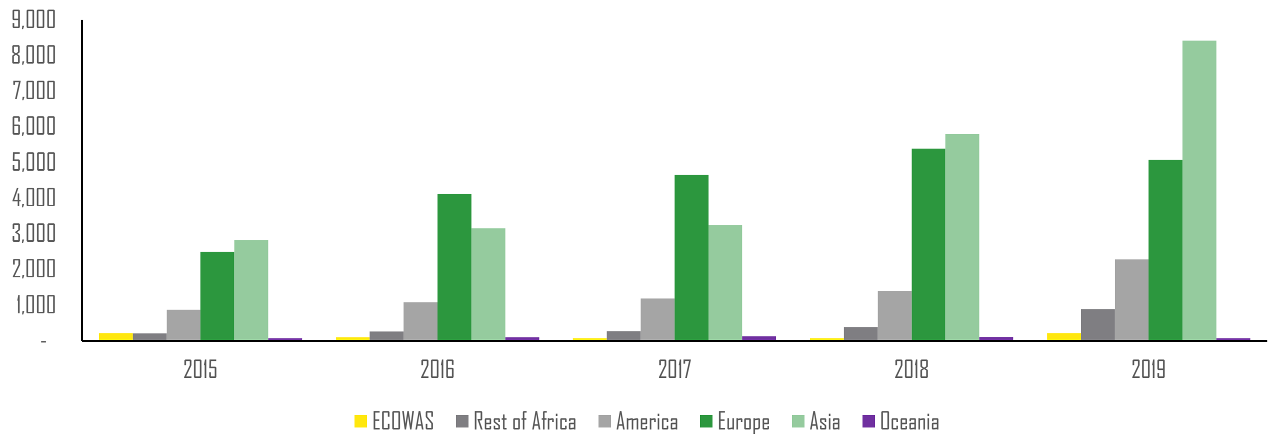
Considerable efforts have been galvanized into stimulating integration and trading activities within ECOWAS. The schemes implemented by ECOWAS includes the ETLS, CET and the EPA.

Given the increasing acceptance of the CET scheme and Nigeria's dominance in the REC, it is recommended that Nigeria adopt the Agreement through the REC.

This, amongst other benefits, increases the bargaining power of the Member States during negotiations and supports the implementation of the Agreement given the pre-existing mechanisms and structures within the REC.

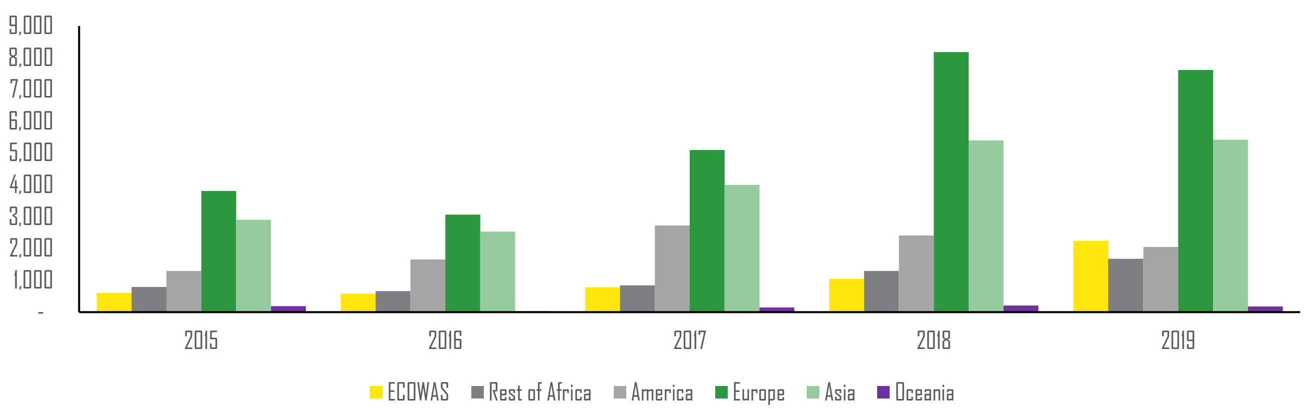
In addition, the African Union recognizes RECs as a building bloc to the implementation of the AfCFTA agreement.

Nigeria's regional import trend (₦'billion)



Source: NBS

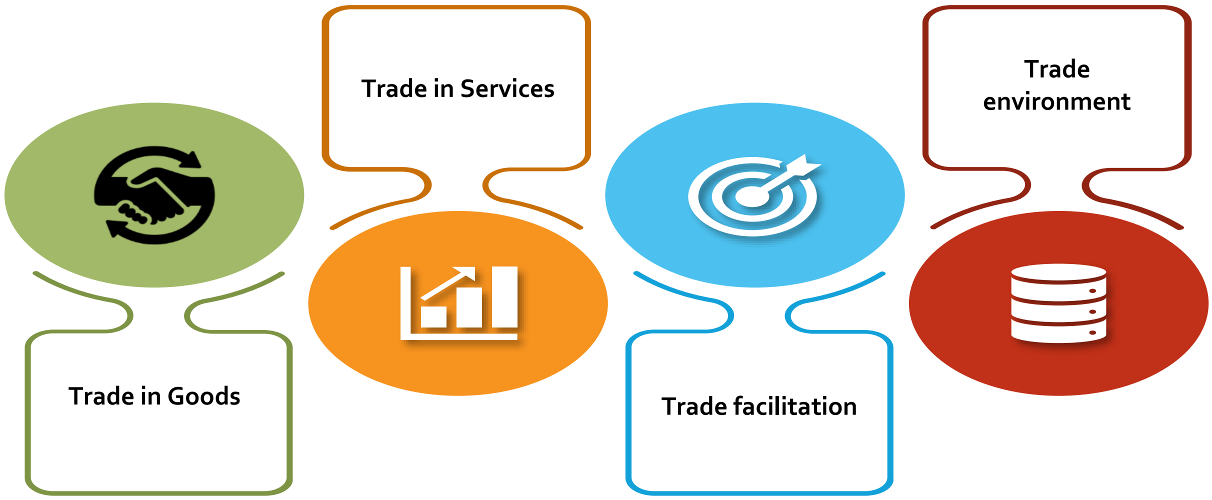
Nigeria's regional export trend (₦'billion)



Source: NBS

Nigeria's trade environment and AfCFTA

For this study, we have disaggregated the diagnostic review of Nigeria's readiness for AfCFTA implementation across four broad areas:



3.1. Trade in Goods

A. Trade in Goods

- The AfCFTA agreement seeks to stimulate integration in the African market thus encouraging intra-African trade particularly by integrating the current fragmentation that exists as a result of the numerous RECs through trade policies that encourage non-discriminatory tariff reduction and common regulatory frameworks.
- Intra-African export currently accounts for only c.12% of total African exports. This depicts the low trading relations within the continent.
- However, with the implementation of AfCFTA, intra African export is forecast to account for 21% of total African export in 2035[14]. This explains the potential of the Agreement in boosting trade within the continent.
- The forecast is hinged on three major assumptions, which are;
    - Tariffs are gradually eliminated in line with the protocol for Trade in Goods.
    - Non-tariff barriers are reduced in line with the MFN principle embedded in the AfCFTA Agreement.
    - Measures will be taken to facilitate trade such as implementing the Trade Facilitation Agreement.
- With lower tariff and non-tariff barriers, the price of imported inputs will decline hence lowering the cost and competition faced by local producers. This may positively impact export within Africa and globally.
- However, cheaper imports resulting from lower tariffs may also threaten the competitiveness of local production depending on the extent of import price reduction, switching cost and ability of producers to sustain price wars.
- The resultant drop in production vis-à-vis increase in importation may depreciate the local currency thereby discouraging further imports and stimulating export activities. Nevertheless, Nigeria's ability to stimulate export is subject to its local production capacity and the level of domestic consumption within the Country.
- Overall, the destination of African exports will rise from 15% in 2035 in the baseline scenario to over 21% in the AfCFTA scenario.

Forecast export under baseline scenario and AfCFTA

	Share of intra-AfCFTA export in total export (%)		
	Baseline		AfCFTA
	2020	2035	2035
Total, Africa	12	15	21
Senegal	36	41	50
Kenya	30	35	43
Namibia	33	32	39
Côte d'Ivoire	26	31	37
South Africa	25	30	37
Rwanda	17	26	33
Zambia	22	26	30
Malawi	21	24	29

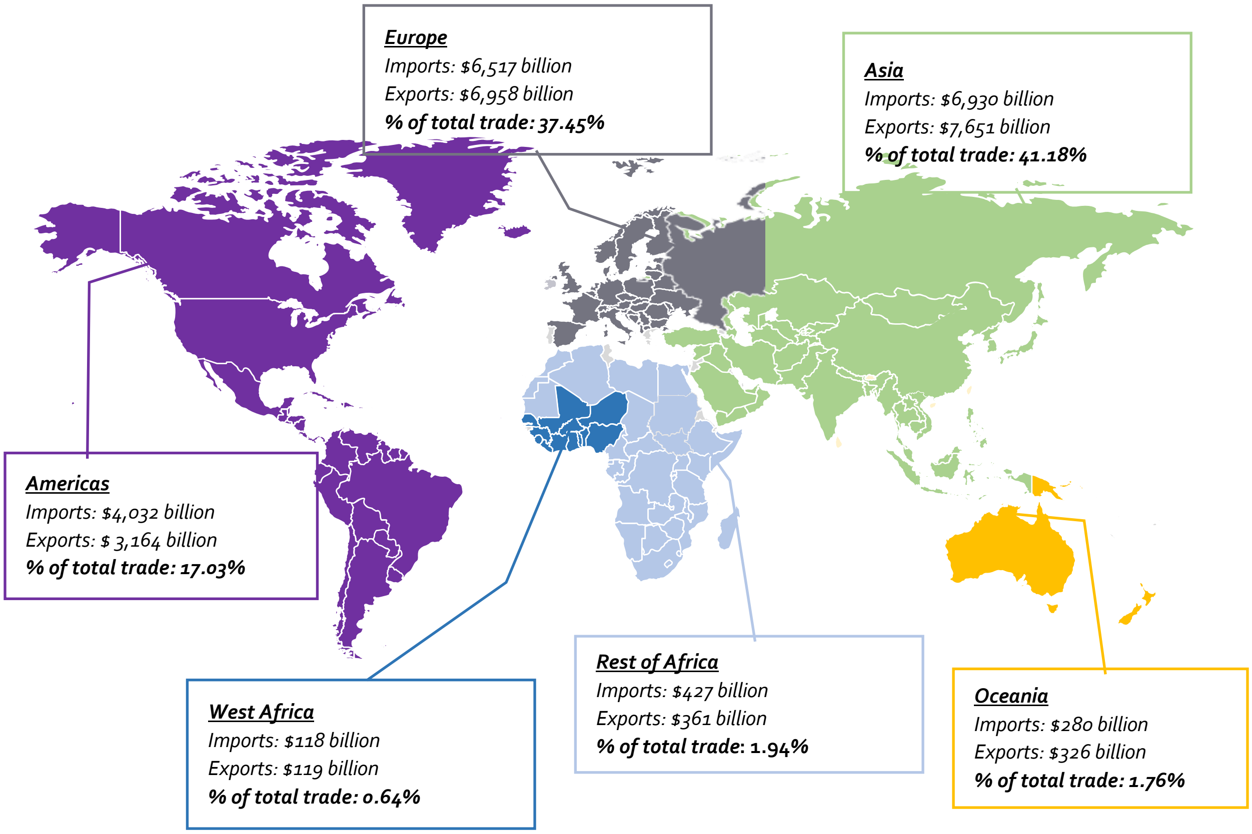
[14] World Bank Group: The African Continental Free Trade Area – Economic and distributional effects

Zimbabwe	23	26	28
Uganda	24	23	28
Tanzania	18	20	27
Mozambique	33	28	27
Morocco	7	9	26
Botswana	18	21	26
Burkina Faso	15	19	25
Egypt, Arab Rep.	8	10	22
Ethiopia	20	17	21
Mauritius	12	17	20
Cameroon	11	14	19
Tunisia	11	13	19
Ghana	9	10	16
Nigeria	**8**	**10**	**15**
Madagascar	7	9	10
Congo, Dem. Rep.	15	8	9

Source: World Bank Group: The African Continental Free Trade Area – Economic and distributional effects

Current state assessment of export in Nigeria

World trade distribution (2019)



Source: UNCTAD

- The productive capacity of a country is the maximum possible output of an economy. According to UNCTAD, productive capacity is the productive resources, entrepreneurial capabilities and production linkages which together determine the capacity of a country to produce/trade goods and services.
- Over the decades, Nigeria's trade has been dominated by oil and gas exports which accounts for over 90%[15] of Nigeria's total exports in the last 5 years. In 2017, Nigeria exported goods worth over $40 billion and crude oil and gas accounted for ~95% of this value. Of the remaining 5% of exported products, 50% were agricultural produce in their raw state. This implies that only 2% of total exports were manufactured products.

[15] AfCFTA impact and readiness assessment-Vol II

Value chain distribution of exports in Nigeria

Raw/unrefined (97%)	Semi-manufactured (1%)	Manufactured products (2%)
Crude oil (81.1%)	Urea (0.4%)	Vessels (0.5%)
Natural gas (11.7%)	Propane (0.4%)	Electrical energy (0.25%)
Other gases (1.4%)	Butane (0.3%)	Cigarettes (0.25%)
Cocoa beans (0.4%)	Tanned leather (0.13%)	Cement (0.13%)
Naphthalene (0.4%)	Cocoa butter (0.1%)	Jet fuel (0.07%)
Sesame seeds (0.3%)	Soya bean meal / flour (0.06%)	LPG (0.1%)
Cashew nuts (0.2%)	Wheat bran / sharps (0.03%)	Pasta (0.06%)
Soya beans (0.06%)	Cocoa paste (0.02%)	Tubes / Pipes (0.04%)
Unwrought aluminum (0.04%)	Charcoal (0.02%)	Aluminum cans (0.03%)
Ginger (0.02%)	Semi-finished iron / steel (0.02%)	Polythene sacks & bags (0.03%)

Source: AfCFTA impact and readiness assessment-Vol II

- India, Netherlands, Spain, France, South Africa and United States account for 57%[16] of Nigeria's total exports to the world. On the import side, the leading partners are China, Netherlands, South Korea, Belgium, USA and India make up 57.6% of Nigeria's total imports.

Factors limiting Nigeria's export capacity

1) **Low industrial capacity**: Nigeria has historically relied on the export of crude oil and other unprocessed agricultural products for its revenue. Nigeria has paid little attention to its industrial/manufacturing capacity as its export products are mainly in its raw state. This has adversely affected the trade ecosystem and subjected the performance of the economy to factors such as fluctuations in oil prices.
2) **Insecurity**: Agricultural activities have been largely hampered by the prevalence of insurgency in the Northern region with incessant cases of attacks on farmers and farm produce in the affected regions. This has largely discouraged both national and foreign investors, hence limiting the growth in the agricultural sector.
3) **Inadequate storage facilities and poor distribution network**: The plethora of traditional storage equipment usage in the agricultural sector has resulted in significant post-harvest losses. It is estimated that Nigeria loses agricultural produce worth $9bn[17] annually due to the lack of modern storage facilities. The agricultural sector also suffers from the poor distribution network both for national and international trade; hence, reducing the quality and quantity of agricultural exports in the Country.
4) **Poor quality of agricultural products**: There has been numerous cases of pest attacks, excessive use of pesticides, poor handling as well as occurrence of diseases both before and after harvest. These have adversely affected the quality of agricultural produce in Nigeria. The quality of agricultural produce has become increasingly important as the products are assessed against global food safety standards in the international market.

[16] NBS
[17] The Federal Institute of Industrial Research, Oshodi (FIIRO)

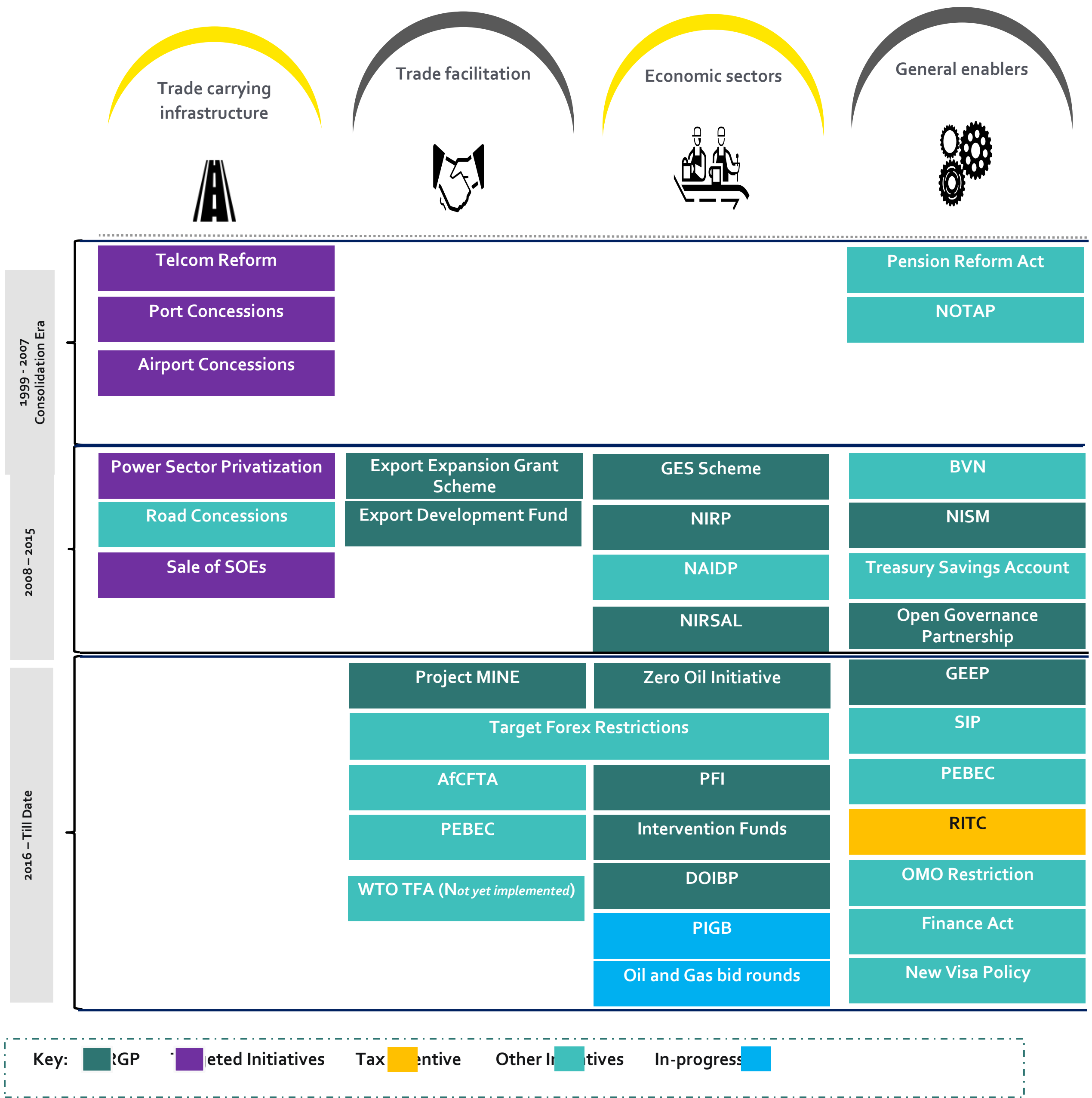
5) **Low value-addition to agricultural products**: Over the last twenty years, Nigeria's agricultural value add per capital has experienced a slow growth estimated at less than 1%[18] per annum. This has significantly reduced the revenue accrued to Nigeria in comparison to its potential. Nigeria needs to shift its focus from exporting agricultural produce in its unprocessed form to exporting processed/semi-processed produces in order to fully harness the opportunity embedded in the AfCFTA agreement.
6) **Sub-optimal performance of Free Trade Zones**: Free Trade Zones (FTZs) have been used as a tool in several parts of the world such as China to boost productivity, attract FDIs and build export capacity. Unlike its foreign counterparts, FTZs in Nigeria have operated at a sub-optimal level highlighted in its inability to widen the export/output capacity. This is due to several factors including the use of outdated traditional zone policies, inadequate managerial skills, limited access to finance, unstable government policies and dilapidated infrastructural facilities.
7) **Inadequate skills and funding among MSMEs in Nigeria**: MSMEs are the main players in the non-oil sector in Nigeria, However, these group have a significant skill and funding gap hampering the total output and yield of the sector. The low yield experienced in the sector is also caused by the inability of local producers to fund advanced production techniques as they do not have the requisite financial capacity. On the other hand, the huge financing gap is in part due to the preference of informal (unregistered) activities by these group.

[18] Food and Agriculture Organization (FAO)

Government initiatives to improve the production/export capacity in Nigeria

The Federal Government of Nigeria (FGN) initiated policies and schemes to improve production capacity, reduce reliance on oil and stimulate export activities over the past decades. These schemes include the following:

Federal Government initiatives to improve the production/export capacity in Nigeria



Reasons for the ineffectiveness of the Federal Government of Nigeria's initiatives

In addition to the afore listed initiatives, Nigeria has several other initiatives such as the Small and Medium Credit Guarantee scheme, Youth Enterprise with Innovation in Nigeria (YouWiN!) Programme, National Enterprise Development Programme, Youth Entrepreneurship Development Programme and the Youth Entrepreneurship Support programme. Despite, the plethora of initiatives, Nigeria is yet to achieve its objectives to expand its productive capacity and to diversify foreign exchange earnings to non-oil sources.

Majority of the schemes have been ineffective due to several factors including the following:

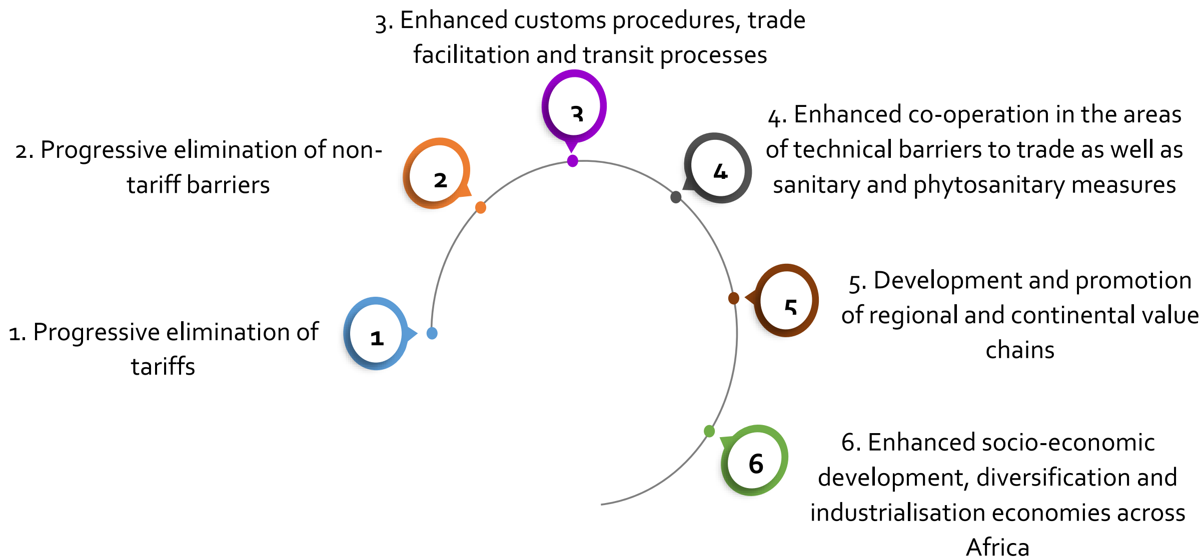
1) The preponderance of small-scale enterprises in the private sector which are majorly informal in nature. MSMEs report low level of formality as 70%[19] of all enterprises are unregistered. The high level of informality is a constraint on the anticipated outcome due to difficulty in targeting implementation with the intended recipients.
2) Poor awareness of the initiatives amongst the private sector players
3) Ineffective data gathering, monitoring and evaluation system
4) Bureaucracy in accessing the initiatives
5) Frequent policy changes due to frequent change in governmental administrations
6) Rent seeking behavior of officials/ corruption within the implementing MDAs
7) Slow and cumbersome documentation/verification process
8) Limited legal and regulatory framework for the schemes which is necessary to ensure stability in its implementation and an avenue for redress in the event of disputes.

[19] EY: Recommendation on MSME Reclassification Report

AfCFTA protocol in respect to Trade in Goods

AfCFTA's protocol for Trade in Goods is divided into ten parts which focus on the objectives, non-discriminatory policies, trade liberalization, custom co-operation, trade facilitation, products standard and regulation, complementary policies, exceptions, technical assistance, capacity building as well as co-operation and institutional provisions.

The objectives of the protocol include the following:



To achieve variable geometry, the AfCFTA agreement specifies the period and extent for the gradual liberalization of tariffs for both Least Developed Countries (LDCs) and non-LDCs as follows:

		LDCs	**Non LDCs**
Fully liberalized	% of tariff lines	90%	90%
	Period to eliminate tariff	10 years	5 years
*Sensitive products	% of tariff lines	7%	7%
	Period to eliminate tariff	13 years (can retain current tariff for 5 years)	10 years (can retain current tariff for 5 years)
*Exclusive	% of tariff lines	3%	3%

*Exclusive and sensitive products should not account for more than 10% of the total trade

Comparison between AfCFTA's Trade in Goods protocol and other multi-lateral agreements

WTO	ECOWAS	AfCFTA
The WTO agreement does not have a pre-determined percent of liberalization. Nigeria's commitment to the WTO agreement affects only 19.2% of its tariff lines. This implies that the AfCFTA agreement requires greater liberalization than that of WTO.	The ECOWAS Trade Liberalization Scheme (ETLS) covers 100% of all tariff lines for goods originating within the Member States.	AfCFTA Agreement specified the percent of goods to be completely liberalized (90%) and those to be classified as either sensitive (7%) or exclusive (3%).
The WTO agreement has more Member States (159)[20] than the ELTS or AfCFTA agreements. However, the attendant competition is capped by the limited tariff lines covered by the agreement.	ECOWAS has less member States (15)[21] than both the AfCFTA and WTO agreement.	The AfCFTA Agreement has been ratified by 36[22] State Parties This is significantly less than the WTO Member States but requires greater liberalization than the WTO agreement.

Nigeria is classified as a non-LDC and should ordinarily have five years to progressively eliminate 90% of its tariff lines and ten years on the remaining products with the exception of exclusive products. However, given the preponderance of LDCs in ECOWAS (11 LDCs vs. 4 Non-LDCs) and the flexibility to make concession offers either on a standalone or through a REC, If Nigeria's liberalisation plan were to be based on the ECOWAS CET, which treats ECOWAS as LDCs, Nigeria may have ten years to fully liberalize 90% of its tariff lines despite its individual classification as a non-LDC because most ECOWAS countries are classified as LDCs.

Nevertheless, this necessitates the strategic categorization of products/tariff lines into fully liberalized, sensitive and excluded. *An indicative product prioritization across these lines is discussed in the **"Product prioritization"** section below.*

Boosting export capacity through gender inclusion

Article 3(e) of the AfCFTA agreement states that one of objectives of the AfCFTA agreement is to promote sustainable and inclusive socio-economic development, **gender equality** and structural transformation. Women's empowerment is closely knitted to the success of international trade given the remarkable participation of the gender in trade related matters.

[20] WTO
[21] ECOWAS
[22] https://www.tralac.org/resources/infographic/13795-status-of-afcfta-ratification.html

In Nigeria, women's participation in formal trade and entrepreneurship is low. Of the 96% of business which are MSMEs, only 23% are operated by females[23]. Females within Nigeria operate businesses at an informal level due to information gap, low access to finance, skill gap and low financial literacy. These informal businesses are largely unable to meet the standard and lab testing requirement, provide the documentation required at the borders and incur the costs associated with international trade.

Given AfCFTA's recognition of the importance of the female gender in its implementation, it is paramount to initiate effective strategies to stimulate the participation of women in international trade. To salvage the gender gap, the International Trade Center (ITC) recommended a comprehensive short to medium term strategy as follows;

ITC's strategy for gender inclusion in Nigeria

- Curate a gender focus preamble
- Promote access to skill development
- Promote research and impact assessment
- Specify the benchmark for legal standards
- Search for gender specific waivers and exemptions
- Incentivize corporate social responsibility
- Closely monitor progress through committees
- Initiate a mandatory dispute settlement procedure
- Provide enforcement remedies

The informal nature of most female owned businesses necessitates the use of aggregation modes such as industrial clusters, co-operative societies and export trading companies amongst others.

These societies/clusters can serve as a medium to disseminate information about the opportunities embedded in the AfCFTA and other Government schemes targeted at female owned businesses. In addition, a formalization process can be carried out within these co-operative societies which are highly accessible to the entrepreneurs. The export trading companies also shield the female owned businesses from the high cost of individually participating in export activities as well as provides a demand-pull strategy for their production activities.

[23] AfCFTA ratification report

Although Nigeria has no formal records of the preponderance of informal businesses (which are mostly female owned), it is thought to constitute 60% of the Nigerian economy[24]. This highlights its potential to the export capacity of the nation.

The AfCFTA agreement has the potential to reduce the informal nature of most of female owned businesses as the operators may formalize their business in a bid to benefit from the reduced tariff and non-tariff barriers. However, this is subject to alleviating the tedious requirement and processes associated with exporting through the land and sea borders.

In the African context, Nigeria has comparative advantage in the informal sectors where women are dominant such as the agricultural sector. This makes it imperative to implement strategies to reduce the preponderance of informal businesses among women.

The impact of women's participation in AfCFTA on poverty levels

Women are known to be the most vulnerable individuals living below the poverty line in Nigeria. The World Bank recognizes the effectiveness of trade in alleviating poverty within developing nations given its ability to create job opportunities and increase the production capacity of nations.

Deliberately stimulating the participation of women in the AfCFTA agreement has the potential to lift the most vulnerable individuals in the society from extreme poverty. This will trickle down to children and improve the standards of living and GDP per capita of the Country.

Transactional costs of trade (including registration cost, technology, certification, tariffs and standardization) have hitherto discouraged the participation of women in international trade. Disseminating information and increasing awareness of the schemes initiated to alleviate these costs remains a major bottleneck in Nigeria's trade ecosystem. To salvage this challenge, women trade organizations can be employed as a medium to disseminate information. In addition, these organizations should be included in formulating strategies to effectively disseminate information to the grassroot participants.

The average wage of females in Africa was observed to be 23.4%[25] lower than those for males especially in air transport, agriculture and minerals industry.

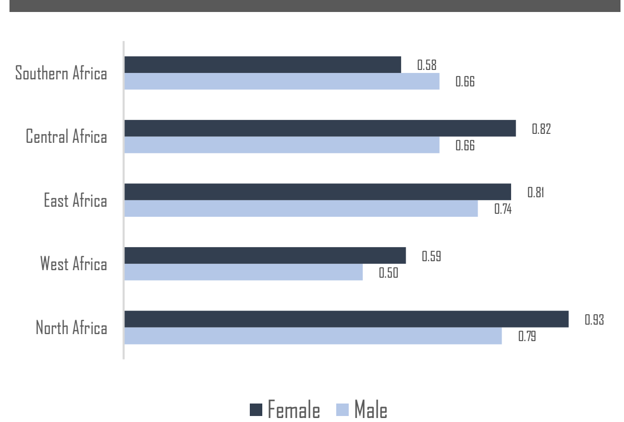
[24] AfCFTA ratification report study

[25] World Bank Group: The AfCFTA- Economic and Distributional Effects

Activity	Employment			Wage premium	
	Total	Females	Skilled	Females	Skilled
Agriculture	38.5	30.8	16.3	(38.4)	40.2
Fossil fuels	2.2	33.0	24.7	(20.6)	95.0
Minerals, NES	0.5	25.8	29.7	(44.1)	47.5
Processed foods	6.0	32.8	31.3	(40.2)	58.7
Wood and paper products	0.8	25.7	31.8	(31.7)	57.1
Textiles and wearing apparel	1.7	33.4	35.6	(27.1)	41.2
Energy-intensive manufacturing	1.8	27.0	32.0	(42.1)	32.5
Petroleum and coal products	0.1	26.3	23.4	(25.3)	88.9
Chemical, rubber, and plastic products	0.8	27.6	32.7	(39.8)	38.3
Manufactures, NES	1.8	21.3	39.5	(19.0)	30.4
Construction	3.8	13.2	39.3	(37.9)	160.7
Trade services	15.5	34.2	40.3	(26.7)	129.8
Road and rail transport services	2.0	12.5	41.2	(2.0)	69.9
Water transport services	0.2	21.6	55.1	(9.2)	28.6
Air transport services	0.3	42.0	57.5	(45.9)	40.5
Communication services	2.6	27.1	50.3	(14.2)	73.8
Other financial services	1.6	35.2	65.2	(3.3)	44.4
Insurance and real estate services	0.7	34.4	56.3	5.6	38.0
Other business services	2.9	30.3	46.1	(15.9)	75.3
Recreational services	2.3	49.7	31.0	(20.5)	42.6
Public services	13.7	40.4	64.4	(11.0)	45.7
Africa (Total)	**100.0**	**31.9**	**33.8**	**(23.4)**	**105.7**

The implementation of the AfCFTA is projected to expand the output in women intensive industries, hence bridging the gap in gender wage differentials and significantly reducing the vulnerability and poverty levels among women in the continent with the exception of Southern Africa.

Effect of AfCFTA on wages by gender



The forecast assumes that countries will initiate and implement complementary policies to encourage labour mobility and equality. Other assumptions include the following:

1. Male and female workers are imperfect substitutes
2. Easy movement of workers among sectors
3. Fixed labour force participation rate

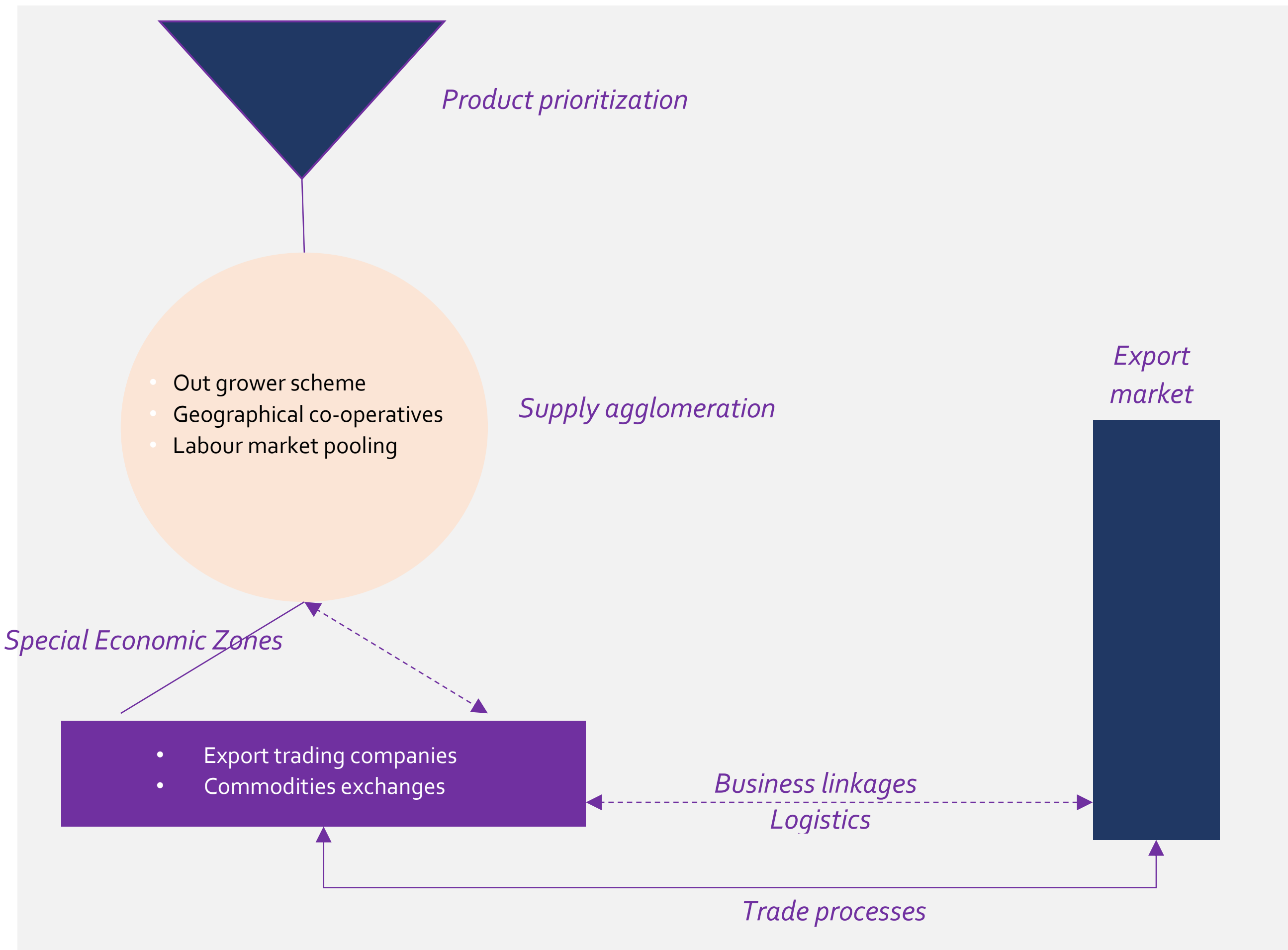
The implementation of the AfCFTA agreement is expected to increase the employment opportunities for unskilled workers and bridge the gender wage gap lingering in the continent.

Recommended action points for export capacity development

The anticipated outcomes from the plethora of policy initiatives and regulatory actions implemented with the goal of enhancing export capacity have not crystallized.

To achieve better outcomes, a market development approach should inform the actions undertaken to enhance export capacity. A market development starts with the end state in mind, defines the critical requirements and the linkages among them, and then outlines a pathway to the desired end state.

Process flow for the recommended action point on export capacity development



1. Product prioritization

Product prioritization helps Nigeria narrow down its trade objectives to products with competitive advantage relative to the regional and global markets. Given its strong dependence and relative dominance of oil products, Nigeria's attention should mainly be tilted towards the non-oil sectors where it can derive additional foreign exchange earnings.

In addition, the economic structure of most African States result in an export of primary products out of Africa and import of finished goods – as such, with respect to the AfCFTA, Nigeria should focus on products of gross value additions as it seeks to penetrate the African market and replace competition beyond the shores of Africa.

The protocol for Trade in Goods requires the AfCFTA State Parties to categorize tariff lines into three categories (exclusive, sensitive and non-sensitive/liberalized products) and specifies the period for tariff elimination on the fully liberalized and sensitive products.

The elimination of tariff lines on non-sensitive products have necessitated the need for a clear product prioritization strategy by Nigeria.

The success of Product Prioritization as a tool for driving export diversification through trade is predicated on enhancing key aspects of the Nigerian economy that would serve as a building block for increasing export capacity and ushering economic development, mostly through the "multiplier' effect. These include an optimized trade process and improved logistics network.

Products should be prioritized based on the following criteria:

- **Product development**: This metric assesses the current phase of Nigeria's production capacity – whether Nigeria is a net-importer or exporter of the product, and the existence of large-scale manufacturers as against multiple groups of small-scale manufacturers operating in the sector. A sector with large scale manufacturers and value-adders requires less investments to drive production capacity and ultimately exports.
- **Export market gap**: This metric assesses the African market size available for the products given areas of existing trade gaps. A large market gap presents a business case to develop the product further for exports.
- **Competitive advantage**: This metric assesses the level of regional competition of the identified products, specifically in the African region. The aim of this metric is to ensure Nigeria focuses on products it has relative competitive advantage over the other State Parties
- **Compliance requirements:** This metric assesses the applicable globally recognized standards and quality specifications required to export. This is important to consider as most countries tend to have their own specific quality and certificate requirements.

In addition to prioritizing products in line with the AfCFTA protocol for Trade in Goods, it is pertinent to determine the key African markets that are suitable destinations for Nigeria's value additive products.

There is currently limited research on key African countries as previous researches have focused on the global market. We recommend further study to:

- Carry out an in-depth demand assessment of Nigeria's key products in other African markets
- Recommend the key African markets that Nigeria should plan to prioritize for value additivity in preparation for the AfCFTA implementation.

Products' prioritization – independent assessment

In determining the products' categorization, we have considered the NEPC's Zero-oil plan and other oil products including crude oil and refined oil.

The NEPC identified 22 products across multiple sectors which Nigeria should focus on to grow total exports. These products were selected based on the ease of production and Nigeria's comparative advantage. The products were further segmented into two categories – Category A and B – based on the target export value.

A	
Product	Target Export Value ($b)
Petrochemicals	7.5
Soya	5
Sugar	3
Cotton	2
Fertilizer	2
Cocoa	2
Gold	2
Palm Oil	1.8
Rice	1.3
Rubber	1.3
Leather	1
Total	**28.8**

B	
Product	Target Export Value ($b)
Cement & Clinkers	0.5
Cashew	0.5
Sesame	0.5
Tomato	0.25
Banana & Plantain	0.25
Oranges	0.25
Cassava	0.25
Spices	0.25
Ginger	0.1
Shea Butter	0.1
Cowpea	0.1
Total	**3.05**

Source: NEPC's Zero-oil plan (2016)

Independent assessment of product

Metric	Description	Scoring system		Weight
Product Development	This metric assesses the current phase of Nigeria's production capacity – whether the Country is a net-importer or exporter of the product, and the existence of large-scale manufacturers as against multiple groups of small-scale manufacturers operating in the sector. A sector with large scale manufacturers and value-adders require less investments to drive production capacity and ultimately exports.	Net-Exporter	30	0.2
		Net-Importer with identifiable presence of large-scale manufacturers	20	
		Net-Importer without identifiable presence of large-scale manufacturers	10	
		Net-Importer with no presence of manufacturers (Zero export bill)	-	
Export Market Gap	This metric assesses the African market size available for the products given areas of existing trade gaps. A large market gap presents a business case to develop the product further for exports.	>$5b	30	0.3
		Between $3b - $5b	20	
		Between $1b - $3b	10	
		<$1b	-	
Competitive Advantage	This metric assesses the level of regional competition of the identified products, specifically in the African region. The aim of this metric is to ensure Nigeria focuses on products it has relative competitive advantage over the other AfCFTA State Parties	Top exporter in Africa	30	0.3
		Top 5 exporter in Africa	20	
		Top 10 exporter in Africa	10	
		>Top 10 exporter in Africa	-	
Compliance Requirements	This metric assesses the applicable globally recognized standards and quality specifications required to export. This is important to consider as most countries tend to have their own specific quality and certificate requirements.	1 globally accepted standard framework	30	0.2
		2 - 3 required standards framework	20	
		4 – 5 required standards framework	10	
		>5 required standards framework	-	

Source: EY

Scoring and recommendation criteria

Range of Score	Category	Legend
10 and above	**Sensitive**	
0 – 9	**Non-sensitive/liberalized**	

Data sources

- All trade data relates to 2018 and was sourced from OEC

The product categories

1) **Exclusive products**: This refers to products that are exempted from the tariff liberalization mandate of the AfCFTA Agreement.
2) **Sensitive products**: LDCs and non-LDCs have 13 years and 10 years respectively to fully eliminate tariffs on products categorized as sensitive. The AfCFTA State Parties can retain its current tariffs for 5 years before gradually eliminating the tariffs.
3) **Non-sensitive/liberalized products**: LDCs and non-LDCs have ten years and five years respectively to eliminate tariffs on 90% of all tariff lines. However, based on consultations with stakeholders, Nigeria may have ten years to fully liberalize despite its classification as a non-LDC.

Product score sheet

S/N	Product	Product Development			Export Market Gap			Competitive Advantage			Compliance Requirements			Total (a+b+c+d)	Nigeria's export	*AfCFTA Threshold	**CBN import forex prohibition list	Cumulative	Ranking
		Score	Weight	WS (a)	Score	Weight	WS (b)	Score	Weight	WS (c)	Score	Weight	WS (d)						
1	Rubber	10	0.2	2	30	0.3	9	20	0.3	6	20	0.2	4	21	0.3%	✓	✓	0.3%	Exclusive
2	Ginger	30	0.2	6	0	0.3	0	30	0.3	9	30	0.2	6	21	0.1%	✓	×	0.4%	Sensitive
3	Refined petroleum oil	20	0.2	4	30	0.3	9	10	0.3	3	20	0.2	4	20	1.6%	✓	✓	2.0%	Exclusive
4	Rice	20	0.2	4	30	0.3	9	10	0.3	3	20	0.2	4	20	0.0%	✓	✓	2.0%	Exclusive
5	Butane	30	0.2	6	10	0.3	3	20	0.3	6	20	0.2	4	19	0.4%	✓	×	2.3%	Sensitive
6	Sesame	30	0.2	6	0	0.3	0	30	0.3	9	20	0.2	4	19	0.4%	✓	×	2.8%	Sensitive
7	Cocoa Beans	30	0.2	6	0	0.3	0	20	0.3	6	30	0.2	6	18	1.0%	✓	×	3.8%	Sensitive
8	Cocoa Butter	30	0.2	6	0	0.3	0	20	0.3	6	30	0.2	6	18	0.1%	✓	×	3.9%	Sensitive
9	Palm-oil	20	0.2	4	20	0.3	6	10	0.3	3	20	0.2	4	17	0.0%	✓	✓	4.0%	Exclusive
10	Soya	30	0.2	6	0	0.3	0	20	0.3	6	20	0.2	4	16	0.0%	✓	×	4.0%	Sensitive
11	Propane	30	0.2	6	0	0.3	0	20	0.3	6	20	0.2	4	16	0.7%	✓	×	4.7%	Sensitive
12	Sugar	20	0.2	4	20	0.3	6	0	0.3	0	30	0.2	6	16	0.0%	✓	×	4.7%	Sensitive
13	Cashew	30	0.2	6	0	0.3	0	20	0.3	6	20	0.2	4	16	0.4%	✓	×	5.1%	Sensitive
14	Spices	30	0.2	6	0	0.3	0	30	0.3	9	0	0.2	0	15	0.1%	✓	×	5.2%	Sensitive
15	Fertilizer	30	0.2	6	0	0.3	0	20	0.3	6	10	0.2	2	14	0.4%	✓	×	5.6%	Exclusive
16	Leather	30	0.2	6	0	0.3	0	20	0.3	6	0	0.2	0	12	0.4%	✓	×	5.9%	Sensitive
17	Cement & Clinkers	30	0.2	6	10	0.3	3	10	0.3	3	0	0.2	0	12	0.1%	✓	✓	6.0%	Sensitive
18	Gold	30	0.2	6	0	0.3	0	0	0.3	0	20	0.2	4	10	1.0%	✓	×	7.0%	Sensitive
19	Crude oil	30	0.2	6	0	0.3	0	30	0.3	9	30	0.2	6	21	75.3%	×		82.3%	Non-sensitive
20	Cotton	10	0.2	2	10	0.3	3	0	0.3	0	20	0.2	4	9	0.0%	✓		82.3%	Non-sensitive
21	Cassava	0	0.2	0	0	0.3	0	10	0.3	3	20	0.2	4	7	0.00%	✓		82.3%	Non-sensitive
22	Tomatoes	0	0.2	0	0	0.3	0	0	0.3	0	20	0.2	4	4	0.00%	✓		82.3%	Non-sensitive
23	Banana & Plantain	0	0.2	0	0	0.3	0	0	0.3	0	20	0.2	4	4	0.00%	✓		82.3%	Non-sensitive
24	Orange	0	0.2	0	0	0.3	0	0	0.3	0	20	0.2	4	4	0.00%	✓		82.3%	Non-sensitive

Historically, Nigeria has focused on the trade of oil products and paid minimal attention to the non-oil sector. This is evidenced in the low contribution of non-oil products to export revenue in Nigeria. In line with the urgent need to diversify the trade ecosystem and develop the neglected non-oil sector, we recommend that products with huge revenue potentials (measured by the product development capacity, existing market gap, potential competitive advantage and the minimal compliance requirement) be classified as "sensitive". This will provide Nigeria with sufficient time to focus its resources into developing its local production capacity to a level comparable to other developed/developing nations.

*AfCFTA threshold – The AfCFTA agreement stipulates that products contributing greater than 10% to a Member States' total export should be liberalized. In line with this threshold, we have classified crude oil as a non-sensitive/liberalized product.
**CBN does not provide foreign exchange to importers of 41 listed products. The CBN cited the need to build local capacity as the reason for exempting the products from foreign exchange access. This is similar to the essence of the product prioritization exercise. As a result, we recommend that all items within CBN's import foreign exchange prohibited list that meet the "sensitive" criteria be classified as exclusive.

* ✓ **Below the minimum threshold** × **Above the minimum threshold** **✓ **Items not valid for foreign exchange** × **Items for valid for foreign exchange**

Exclusive products

We have categorized Rubber, Rice, Palm Oil, Refined Oil and Fertilizer as Exclusive products. These products have the potential to become competitive in the medium to long term. Thus, these products need protection from competitive pressure to enable Nigeria to develop its competitive advantage in them. This will prevent the other Top Exporter State Parties from stiffing the potentials of these Nigerian producers. Furthermore, these Exclusive Products may be liberalized in the future when their potential has been fully developed.

The list of products of Exclusive products

Rubber

Basis for selection

- Large export market gap (c.US$23.07bn)
- High competitive potential

Palm Oil

Basis for selection

- Creates an opportunity to leverage the existing palm oil extracting factories to scale-up production and ultimately exports

Refined Petroleum Oil

Basis for selection

- Large export market gap (c.US$40.7bn)
- Presence of identifiable large-scale producers
- Ongoing investment in Nigeria's refining capacity

Rice

Basis for selection

- Government's efforts to increase the local rice production capacity
- Relatively large export market gap (c.US$6.26bn)

Fertilizer

Basis for selection

- To achieve self-sufficiency to drive the growth of the agricultural sector
- For security reasons as the major component, ammonia can be used to make explosives

Key African markets

It is pertinent to identify the key African markets for the products categorized as exclusive and sensitive. Identifying these markets will enable Nigeria channel its strategic initiatives towards capturing a substantial share in these markets.

In line with this, we have identified the top five importers of the select products in Africa as follows:

Top importers of products categorized as sensitive and exclusive

Product	Category	Top importers excluding Nigeria				
		1st	2nd	3rd	4th	5th
Rubber	Exclusive	Egypt	South Africa	Morocco	Algeria	Tunisia
Ginger	Sensitive	Morocco	Egypt	South Africa	Algeria	Kenya
Refined oil	Exclusive	Togo	South Africa	Morocco	Egypt	Kenya
Rice	Exclusive	Benin	Cote D'Ivoire	South Africa	Senegal	Ghana
Butane	Sensitive	Egypt	Morocco	Cote D'Ivoire	Kenya	Togo
Sesame	Sensitive	Mozambique	South Africa	Egypt	Morocco	Mauritius
Cocoa Beans	Sensitive	Tunisia	Ghana	South Africa	Algeria	Egypt
Cocoa Butter	Sensitive	Egypt	South Africa	Algeria	Morocco	Togo
Palm-oil	Exclusive	Egypt	Kenya	Benin	Djibouti	South Africa
Soya	Sensitive	Egypt	Tunisia	Morocco	Algeria	Zimbabwe
Propane	Sensitive	Morocco	Egypt	Algeria	South Africa	Zimbabwe
Sugar	Sensitive	Algeria	Sudan	Egypt	Morocco	Somalia
Cashew	Sensitive	Ghana	South Africa	Egypt	Togo	Morocco
Spices	Sensitive	Morocco	South Africa	Egypt	Zambia	Algeria
Fertilizer	Exclusive	South Africa	Zambia	Morocco	Zimbabwe	Kenya
Leather	Sensitive	South Africa	Morocco	Tunisia	Egypt	Ghana
Cement & Clinkers	Sensitive	Ghana	Mali	Cote d'Ivoire	Kenya	Burkina Faso
Gold	Sensitive	South Africa	Uganda	Egypt	Kenya	Ethiopia

Source: OEC, 2018

The cumulative top ten importers of the proposed sensitive and exclusive products include Egypt, South Africa, Morocco, Algeria, Kenya, Ghana, Togo, Tunisia, Cote D'Ivoire and Zimbabwe. We recommend the following to increase Nigeria's production of the identified products and their export to the key African markets.

In addition, we have identified the top exporters of products categorized as sensitive and exclusive

Top exporters of products categorized as sensitive and exclusive

Product	Category	Top exporters excluding Nigeria				
		1st	2nd	3rd	4th	5th
Rubber	Exclusive	Cote d'Ivoire	Liberia	Ghana	Cameroon	Guinea
Ginger	Sensitive	Tanzania	South Africa	Burkina Faso	Madagascar	Cote d'Ivoire
Refined oil	Exclusive	Algeria	Egypt	Togo	Cote d'Ivoire	Libya
Rice	Exclusive	Senegal	Tanzania	Uganda	Mauritius	Mozambique
Butane	Sensitive	Algeria	Libya	Angola	South Africa	Equatorial Guinea
Sesame	Sensitive	Sudan	Ethiopia	Burkina Faso	Niger	Togo
Cocoa Beans	Sensitive	Cote d'Ivoire	Ghana	Cameroon	Uganda	Sierra Leone
Cocoa Butter	Sensitive	Cote d'Ivoire	Ghana	Cameroon	Algeria	Egypt
Palm-oil	Exclusive	Cote d'Ivoire	Ghana	Kenya	Uganda	Mauritius
Soya	Sensitive	Ethiopia	Togo	South Africa	Malawi	Benin
Propane	Sensitive	Algeria	Angola	Egypt	Libya	Equatorial Guinea
Sugar	Sensitive	South Africa	Egypt	Mauritius	Morocco	Zambia
Cashew	Sensitive	Cote d'Ivoire	Ghana	Burkina Faso	Benin	Guinea-Bissau
Spices	Sensitive	South Africa	Kenya	Egypt	Morocco	Ethiopia
Fertilizer	Exclusive	Morocco	Egypt	Algeria	South Africa	Tunisia
Leather	Sensitive	South Africa	Tunisia	Morocco	Egypt	Ethiopia
Cement & Clinkers	Sensitive	Egypt	Senegal	Togo	Zambia	Morocco
Gold	Sensitive	South Africa	Ghana	Burkina Faso	Guinea	Mali

Source: OEC, 2018

The cumulative top ten exporters of the proposed sensitive and exclusive products include Cote D'Ivoire, Ghana, Egypt, South Africa, Burkina Faso, Algeria, Cameroon, Morocco, Ethiopia and Togo. These countries are potential threats to Nigeria in developing the local capacity of the items in the exclusive list.

Recommendations for key African markets and product prioritization

Policy thrust	**Stakeholders**	**Action points**	**Timeframe**
Key African markets and product prioritization	NAC, NEPC, FMITI, CBN, NACCIMA, MAN and SMEDAN	• Further research work should be carried out on each market to identify the standards and quality requirements as well as develop a market penetration strategy for Nigeria • The schedule of concession for the key African markets identified should be reviewed to ensure that proposed trade incentives under AfCFTA exists for the products. • Forge formal trade linkages with the key markets. • Channel key finance initiatives (such as the Export Expansion Grant, the Anchor Borrowers' Programme) and other out- grower schemes towards the identified priority products.	Short term

2. MSME capacity development

MSMEs are crucial to the economic growth of emerging countries such as Nigeria. They play a pivotal role in driving socio-economic growth. MSMEs in Nigeria are the largest employers of labour and hence an effective tool for fostering entrepreneurial innovation and local capital formation. However, initiatives targeted at this sector have been ineffective due to its informal nature and preponderance of small-sized low scale enterprises. These characteristics have largely constrained growth and driven the high mortality rate experienced in the sector.

Factors impeding growth and participation of MSMEs in export activities

- **High exportation cost:** The high cost of export discourages MSMEs from engaging in export activities hence limiting Nigeria's export capacity. These costs include tariffs, formal and informal clearing costs and transport costs from the point of production to the borders.
- **Low access to the target export market:** The MSME sectors is mainly comprised of sole proprietors (96%[26] of MSMEs) which operate at a small and informal level. Given the small-scale status of most MSMEs, each player's output may be small in comparison to the volume requirement of the importers hence limiting their individual participation in export activities. This necessitates aggregation models such as out-grower schemes and trade co-operative to fully harness the benefit of MSMEs and stimulate growth within the sector.
- **Information dissemination:** Given the informal nature of MSMEs, particularly micro and small enterprises, disseminating information on the schemes to promote their involvement in exports/increase their production capacity has posed a major challenge to the success of such schemes.
- **Quality standard issues:** The limited number of accredited testing laboratories, high certification and compliance costs and duplicate standard and quality regulators have contributed to discouraging the participation of MSMEs in export activities hence limiting their capacity and the export capacity of the Country as a whole.
- **High cost of doing business:** The high cost of doing business in Nigeria has led to the high mortality rates in MSME businesses. These costs include power and transportation, amongst others. High and rising inflation in Nigeria, which was estimated at c.13.71% as at September 2020, also depicts the high cost involved in sourcing materials and capital goods required to carry out business activities within the country.
- **Limited access to finance:** Given the risk involved in lending to MSMEs and the lack of sufficient collateral, financial institutions charge high interest rates on MSME loans. This further increases the cost of doing business and the risk of failure.

To build the capacity of MSMEs, we recommend the following action points:

Recommendations for MSME capacity development

[26] AfCFTA ratification report study

Policy thrust	Stakeholders	Action points	Timeframe
MSME capacity development	SMEDAN, CBN, FMITI, NEPC, NACCIMA, MAN, NABG and other private stakeholders	• Develop out grower schemes through effective partnerships with organized private sector groups – MAN, NABG, NACCIMA etc. • Include minimum quota for large exporters benefiting from Government incentives to incorporate MSMEs and women owned businesses in their operations. • Direct support to existing industrial clusters using public procurement opportunities to boost local capacity. • Improve information dissemination channels using ICT. This should include export market information, quality and standards information. • Development of export trading companies and maxi aggregators.	Short term

Product prioritization	MSME capacity development	Special Economic Zones	Business linkages

3. Special economic zones/ Industrial parks

An SEZ is an area within a nation subject to different and less stringent economic regulations such as reduced taxes or tariffs. SEZs have proven to be an effective mechanism in expanding the productive capacity, export activity and foreign direct investments in countries.

SEZs are also employed as tools to achieve sector specific goals. To fully harness the opportunities in the AfCFTA, Nigeria needs to increase its production capacity especially in the products classified as sensitive and exclusive and forge linkages to the key destination markets. In addition to building sector specific production capacity, SEZs can be employed as a platform to drive aggregation models and increase the scale of production to the requirement of international trade.

According to African Development Bank (AfDB), there are several benefits of SEZs to economies including the following:

- **Attracts Foreign Direct Investments**: SEZs typically attract foreign direct investments given the less stringent requirement and regulations. The incentives in SEZs include lower taxes, tightened security, access to serviced land for production activities, guaranteed repatriation of capital and access to foreign exchange. An appropriate case study is Ghana as FDIs through SEZs represented 48%[27] of the gross FDIs between 2000 and 2008.
- **Establishing Public Private Partnership (PPP) arrangements:** Several countries have leased out the management of their SEZs to private sector participants in a bid to harness the expertise of the private sector to stimulate manufacturing activities and increase productivity. SEZs,

[27] AFDB: SEZs in fragile situations

therefore affords the private sector, which is typically characterized by its efficiency, the opportunity to contribute to the economic well-being of a nation.

- **Facilitate the growth of SMEs:** Countries use SEZs as a tool to increase the capacity of smaller private entities by incentivizing their direct participation or by creating assessible and easy procurement opportunities in the SEZs. For instance, Kenya initiated an incubator programme to assist SMEs make direct export or business linkages with firms within the SEZs. This model of direct linkages between the SEZs and SMEs has been long established in Mauritius.
- **Implementing sector specific initiatives:** The Government can use SEZs to drive growth in specific sectors they consider sensitive to the performance of the overall economy. Sector focused SEZs permit the Government to address sector-specific economic, political and social sensitivities which is essential in building resilience in the economy.
- **Economic diversification:** Fragile economies are characterized by their reliance on specific natural resources. SEZs can be used as a tool to diversify the economy from its reliance on natural resources or raw materials to processed materials or services.
- **Attracts multi-national organization's support:** SEZs are increasingly becoming attractive to countries, private companies and multi-lateral institutions. Multi-lateral organizations such as Development Finance Institutions (DFIs) tend to support the creation/development of SEZs through loans or other forms of financial assistance; hence stimulating growth within the economy.

Overview of SEZs in Nigeria

There are currently 42 licensed SEZs/Industrial Parks in Nigeria, with 22 of them active while 20 are inactive.

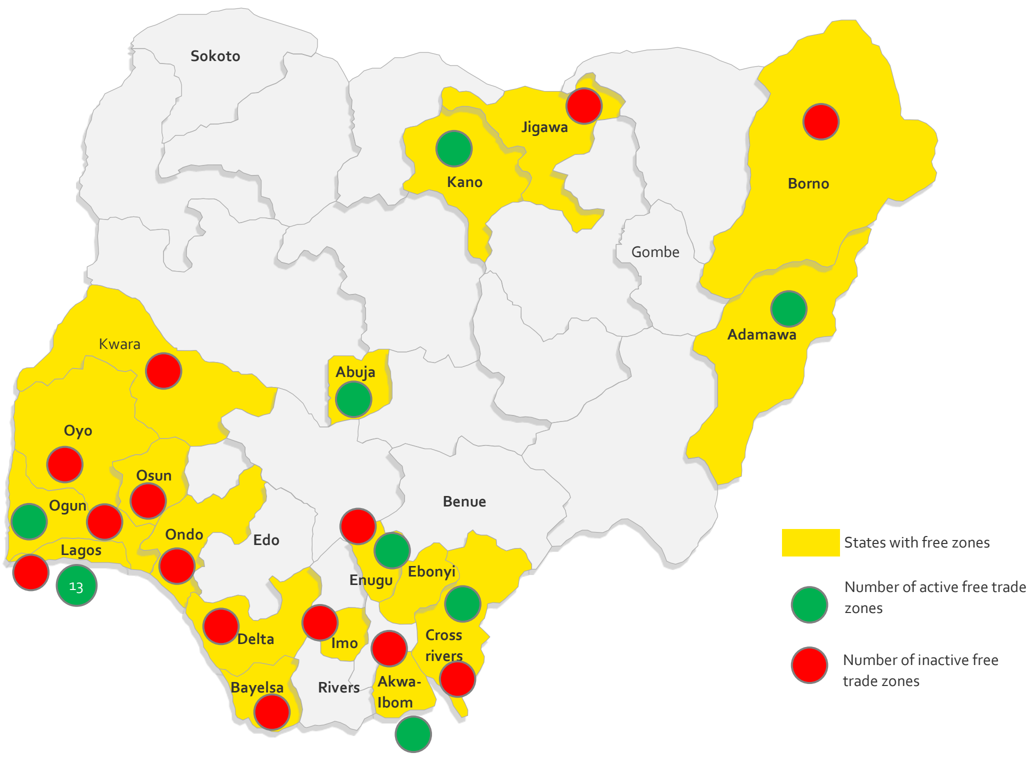
The FGN formed two bodies; NEPZA and OGFZA to oversee the operations of SEZs in the Country.

- NEPZA is saddled with the responsibility to oversee and regulate the activities of entities operating within all general-purpose SEZs
- Oil and Gas Free Trade Zone Authority (OGFZA) is tasked to oversee activities within specialized SEZs such as the Oil and Gas Free Trade Zone located at Onne port, Rivers State.

It is widely perceived that SEZs in Nigeria have not achieved their objectives compared to their international peers where records of improved manufacturing output, increased exports, boosts in FDIs and high job creation have been reported.
The reasons for the general inefficiencies of Nigerian SEZs have been attributed to several factors including

- Insufficient funding
- Inadequate infrastructure
- Limited technical expertise
- Low market awareness and investor engagement.

Footprints of Special Economic Zones in Nigeria



Given that SEZs carry massive potentials for export capacity development, the following targeted action points are recommended:

Recommendations for SEZ optimization

Policy thrust	Stakeholders	Action points	Timeframe
SEZ optimization	NIPC, NEPC, NEPZA and FMITI	• Conduct diagnostic study to identify and review under-performing SEZs within Nigeria • Carry out an in-depth analysis of the issues faced within the SEZs and only locations with strong business case should be considered. • Designate SEZs or industrial clusters (existing or new) in geographies exhibiting strong export potential (e.g. along a trade corridor or integrated multi-modal logistics network) as Critical National infrastructure (CNI). The CNI designation should carry enhanced fiscal incentives and benefits. • Employ appropriate Public Private Partnership (PPP) models to refurbish and manage the SEZs with optimal risk allocation between public and private sector participants.	Medium term (3-5 years)

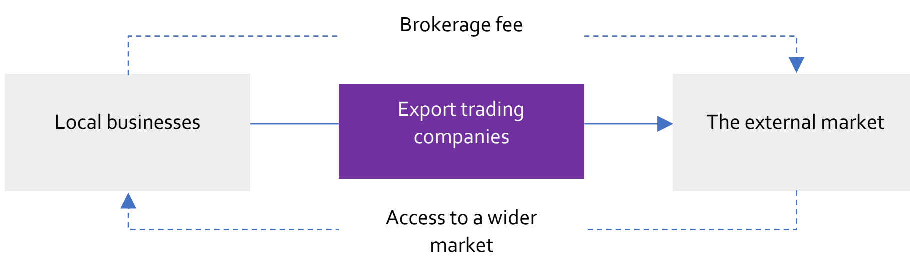
Policy thrust	Stakeholders	Action points	Timeframe
		• Designate CNI SEZs as points of origin and destination to facilitate trade and customs processes. • Harmonise various efforts at the Federal and State levels aimed at boosting export capacity such as initiatives on agro-processing zones being championed by the FMARD in collaboration of AfDB; the One State One Product (OSOP) programme of the NEPC, the One Local Government One Product programme (OLOP) of SMEDAN, etc. • Provide additional incentives for specific sectors with comparative advantages as identified by the sensitive and exclusive list and link development to SEZ for export capacity objectives. • Forge business linkages between the SEZ, export trading companies and the destination market to facilitate export activities.	

4. Structured business linkage arrangements for key markets - Business and market linkages

Business and market linkages is a model that facilitates trade between local business and external markets through export trading companies or between larger and smaller companies which are interconnected in their value chain through anchor-supplier alliances such as out-grower schemes in the agriculture sector.

An export trading company, which can be a not-for-profit organization such as co-operative societies or profit-making organizations, acts as a broker between the local enterprises and the external market hence facilitating trading/export activities. For instance, PhytoTrade Africa is a regional trade association in the Southern part of Africa that links its members (majorly the poor rural community involved in extracting natural products) with trading partners across borders. This helps in building the production capacity of the small-scale entities/individuals and, consequently, the whole economy. Export trading companies also aggregates MSMEs production to meet the scale requirement of international trade.

Operating model for export trading companies



Recommendations for business linkage formations

Policy thrust	Stakeholders	Action points	Timeframe
Business linkage formations	SMEDAN, CBN, NEPC, FMITI and private stakeholders	• Establish export trading companies from cooperative societies/industrial clusters or trade associations saddled with the responsibility to link local businesses with potential trading partners. • The export trading companies will be required to facilitate trainings on minimum quality/standard requirements at the identified key African markets to avoid bottlenecks at the point of trade. • Forge formal trade linkages with the key identified African markets. • Building systems to enable cross border business linkages, such as KYC platforms, Payment Settlement Systems (e.g. Afriexim MANSA). • Strengthen the Anchor borrowers' scheme, PAGMI and other business linkage initiatives.	Short term

3.2. Trade in Services

B. Trade in Services

General Overview

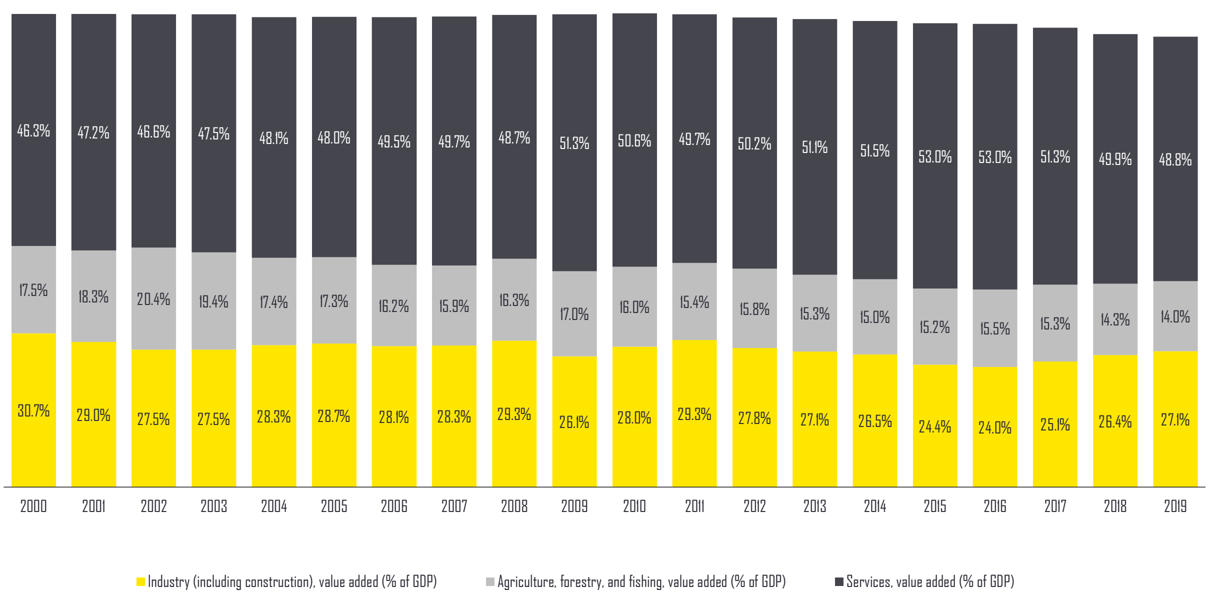
Services have largely been overlooked in discussions about international trade and trade policy, particularly as Trade in Goods is a more relatable concept, with container ships transporting goods across countries being the standard image of international trade. Services, in contrast, are largely intangible and frequently erroneously regarded as non-tradeable. In addition, services are an extremely heterogeneous concept, ranging from hairdressers and hotels to teachers, accountants or telecommunication providers[28].

Services have a crucial role to play in economic growth and development particularly in Africa. Over the last few years, the service sector has been steadily growing and has become the largest component of most African countries' economy. In 2017, service sector accounted for over 53% of Africa's GDP and in most African countries, services accounted for at least 49%.[29]

According to the World Development Indicators database of the World Bank, the share of both agriculture and industry in the GDP of sub-Saharan Africa has declined between 2000 and 2019 (from 17.5% to 14.0% and from 30.7% to 27.1% respectively, whereas the service sector's contribution to GDP has increased from 46.3% to 48.8%.

With Africa's middle class growing rapidly, the importance of the services sector is expected to continue increasing, leading both to enhanced services sector exports and increasing wealth[30].

Services contribution to GDP in Sub-Saharan Africa



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[28] AfCFTA and Trade in Services for development: Xaver Keller July, 2019

[29] UNCTAD, 2019

[30] Treatment of trade services in Africa

Given that services are often not sufficiently included in official statistics because of higher levels of informality as compared to manufacturing, the significance of the service sector for African economic development could potentially be understated.

As such, it is difficult to quantify the potential impact of services trade to Africa's growth and development in light of AfCFTA. However, literature suggests that liberalization of Trade in Services leads to improvement in several areas. The key findings on this subject are summarized below:

- Formal and informal services create an opportunity for growth and poverty reduction in Africa
- Trade in Services tends to result in growth in employment as well as gender equity; although information gaps make this particularly difficult to quantify in practice, one-third of African employment is in the service sector[31]
- Services are critical inputs into the production of goods and other services; thus they are an important factor of productivity and competitiveness. For instance, transport services affect the costs of shipping goods and the movement of workers and services providers within and between countries, while retail and wholesale distribution services are a vital link between producers and consumers.[32]
- Services offer promising opportunities of export diversification in many African countries. Nigeria and Ghana have much scope to diversify into the service sector in contrast to countries such as Rwanda and Tanzania, where services exports far exceeded the countries' non-mineral goods exports[33].

Barriers to intra-African Trade in Services

Overall, African countries have high barriers to Trade in Services. According to the Assessing Regional Integration in Africa VII publication, Africa's policies governing Trade in Services are not seen to be particularly favourable compared with policies in the rest of the world. Ethiopia, Zimbabwe, Egypt, and Congo (DR), appear as Africa's most restrictive countries to Trade in Services according to the Service Trade Restrictions Database. Identified impediments to increased intra-African Trade in Services include:

- Infrastructural bottlenecks, such as in transport and communication services
- Outright restrictions to trade, both in terms of market access and national treatment
- Sub-optimal domestic regulations
- Technical standards and licensing procedures: For example, in certain professional services, the licensing and standard setting have been used to restrict entry in the industry especially at the global level
- Poor regulatory governance

Against this background, the AfCFTA is expected to improve the situation by creating a single market for both Trade in goods and services. Some of the expected improvements have already been seen with the creation of a Pan-African passport. The achievement of a continental single market for services requires

[31] UNSD, 2019
[32] Bernard Hoekman and Ben Shepherd 2015, European University Institute: Services Productivity, Trade Policy, and Manufacturing Exports
[33] From Hair Stylists and Teachers to Accountants and Doctors: The Unexplored Potential of Trade In Services in Africa

the negotiations on Trade in Services that will be carried out within the context of the AfCFTA negotiations are focused on the reduction and eventual elimination of any trade restrictive elements. Regulatory reforms need to be undertaken to ensure that the services market can compete effectively, such as by establishing independent and accountable regulators, and achieving mutual recognition agreements whenever possible, especially in professional services, as well as others[34].

Treatment of services in African RECs – ECOWAS perspective

All current RECs recognised by the African Union, contain some form of services agreement, ranging from co-operation in some sectors to comprehensive trade liberalisation. The co-operation agreements tend to focus on harmonisation of regulations, technical standards and development issues in specific sectors, whereas the comprehensive trade liberalisation agreements (mostly modelled on GATS) focus on trade rules in terms of market access and national treatment covering all services sectors, and sector specific liberalisation commitments, as inscribed in the schedules of specific commitments.
Members of ECOWAS agreed on the free movement of persons and the right of establishment in 1976, which has evolved to allow up to 90 days visa free movement for ECOWAS nationals and residents. In parallel, harmonisation of regulations in telecommunications and transport was achieved. The sub-regional West African Economic and Monetary Union (WAEMU/UEMOA), comprising eight members of ECOWAS, has agreed to further liberalise Trade in Services in the context of a common market.

Source: Treatment of trade services in Africa

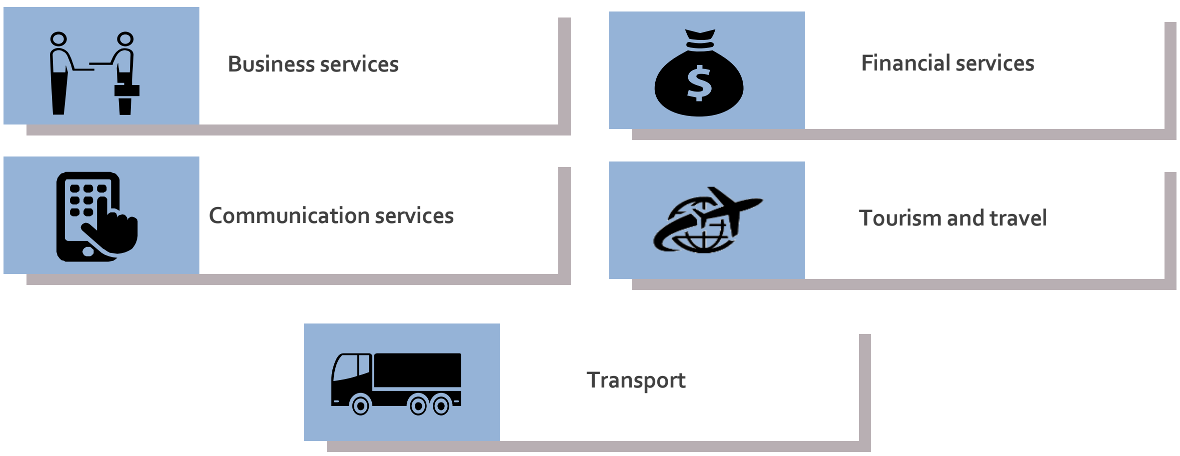
[34] Treatment of trade services in Africa

Trade in Services within AfCFTA

To harness the huge potential of their service sectors, AU Member States decided to progressively liberalize services through the AfCFTA. The Agreement establishing the AfCFTA, which entered into force on January 1, 2021 following the necessary number of 22 ratifications, contains a specific Protocol on Trade in Services[35].

The Protocol sets out principles for enhanced continental market access and services sector liberalization. However, services trade liberalisation will only occur in practice when State Parties schedule specific commitments on specific sectors. Under Article 22 of the Protocol, each State Party must provide a schedule of specific commitments. The first phase of negotiations focuses on five priority sectors while negotiations of the remaining seven sectors will hold subsequently.

Top five priority sectors



The roadmap for the finalization of the AfCFTA negotiations provides for the adoption of the Schedules of Commitments in January 2022. However, given that no schedules have been submitted by any of the State Parties, it appears that the 2022 deadline will be for the first round of negotiations, which will only cover the five priority sectors.

Summary of the key provisions of the AfCFTA Protocol on Trade in Services

Key considerations	Details
Most Favoured Nation (MFN) treatment	• The AfCFTA applies the Most Favoured Nation (MFN) principle which stipulates that each State Party shall, upon entry into force, accord immediately and unconditionally to services and service suppliers of any other State Party treatment no less favourable than that it accords to like services and service suppliers of any Third Party. (A

[35] Trade in services negotiations under the AfCFTA

	Third party in this case is any country that is not party to the AfCFTA Agreement)[36]. • In contrast with traditional MFN clauses, the application of the MFN clause is not unconditional or automatic. AfCFTA State Parties can only receive MFN rates on a reciprocal basis. This prevents "free riding," i.e., when a State Party with a relatively closed economy gains additional market access without having to make concessions in return[37].
Mutual recognition	• According to Article 10 of the AfCFTA Protocol on Trade in Services, a State Party may recognize the education or experience obtained, requirements met, or licenses or certifications granted in another State Party, so long as this is not recognized in a manner that would constitute a means of discrimination between State Parties.[38] • Mutual recognition of professional qualifications is an important consideration for those involved in the supply of professional services • Nigeria should engage in the negotiations of mutual recognition agreements with target services export countries for professional services such as accounting, engineering, legal, medical services, amongst others in order to facilitate services export.
Annexes to the Protocol	• Schedules of Specific Commitments – This is still in negotiation phase and no draft of the schedule has been submitted as of reporting date. • MFN Exemption(s) – These would stipulate areas where a State Party wishes to maintain a preferential agreement with one or more State Parties, e.g. in the area of bilateral transport agreements • Air Transport Services –The Preamble to the Protocol refers to the commitment by the AU Assembly to establish a Single African Air Transport Market through the implementation of the Yamoussoukro Decision to boost intra-African trade and fast-track the AfCFTA[39]. The Yamoussoukro Decision calls for the full liberalization of intra-African air transport services in terms of access, capacity, frequency and tariffs • List of Priority Sectors • A framework document on Regulatory Cooperation

[36] AfCFTA Agreement, Protocol on Services, Article 4
[37] Africa Growth Initiative: Keys to success for the AfCFTA negotiations, Landry Signé and Colette van der Ven (May 2019)
[38] Intracen: A business guide to the African Continental Free Trade Area Agreement
[39] AfCFTA Agreement, Protocol on Services

Key considerations in the AfCFTA Trade in Services negotiations

Key considerations	Details
Negotiations approach	• The State Parties follow a mixed approach in their negotiations, combining: A. Scheduling of service commitments as under GATS B. Regulatory cooperation • Negotiations will be undertaken on a request-offer basis. Each State Party will make an initial offer to all other State Parties and State Parties can also make requests to a single State Party or to a group of State Parties • In accordance with the guiding principles of reciprocity, State Parties may negotiate bilaterally or under the auspices of a Regional Economic Community (REC)
A. Schedule of Service commitments	• According to the Guidelines for Development of Specific Commitments and Regulatory Cooperation Framework for Trade in Services, the services scheduling will follow a GATS Plus based positive listing approach, which means that State Parties must explicitly list any sectors to be liberalised and within these sectors limitations must be noted. • GATS Plus approach means current WTO members must offer more access in their AfCFTA schedule to State Parties than they currently offer to other WTO countries. • For each sector that is listed, the State Party is expected to state separate commitments for market access, national treatment as well as additional commitments across each mode of supply (see table below). Horizontal commitments cutting across all sectors can also be included.
B. Regulatory co-operation	• The Protocol on Services requires members to engage in regulatory cooperation and develop sectoral disciplines, based on best practice in the RECs with the aim of creating an environment more conducive to trade and more importantly, liberalization • Members are expected to adopt regulatory frameworks prior to the finalisation of services negotiations. The level of regulatory co-operation realized would determine the degree of liberalisation that each State Party would commit to.

	• Key activities include: • Regulatory assessment and situational analysis • Technical discussions in sectoral working groups • Framework document on Regulatory Cooperation
Entry into force	• According to Article 28 of the Protocol, upon adoption by the Assembly, any schedules or other annexes will form an integral part of the Protocol. Liberalisation will however need to be legislated domestically.
Monitoring and evaluation	• The Council of Ministers will establish a Committee on Trade in Services which will make annual reports on implementation, monitoring and evaluation.

Mode of supply

Classification of mode of supply of services help to categorize trade barriers affecting market access (the ability of services and service suppliers to enter the market) and national treatment (the treatment of foreign services and service suppliers compared with domestic services and service suppliers). The four modes of supply are defined in the table below.

Modes of supply of services[40]

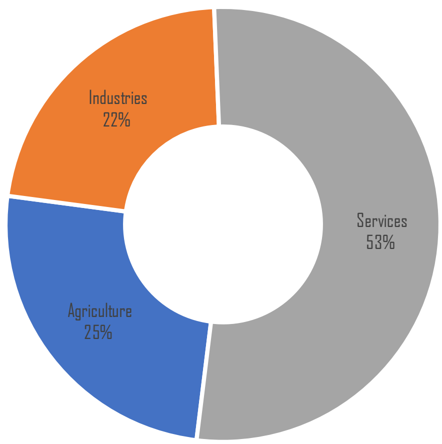
Mode of supply	AfCFTA Definition
Mode 1: Cross-border supply	From the territory of one State Party into the territory of any other State Party without the physical movement of the service supplier or the consumer
Mode 2: Consumption abroad	In the territory of one State Party to the service consumer of any other State Party through the movement of the consumer to the country of residence of the supplier
Mode 3: Commercial presence	By a service supplier of one State Party, through commercial presence in the territory of any other State Party i.e. Bank in Country A setting up a branch, subsidiary or joint venture in Country B.
Mode 4: Movement of natural persons	By a service supplier of one State Party, through presence of natural persons of a State Party in the territory of any other State Party.

[40] A business guide to the African Continental Free Trade Area Agreement, International Trade Centre

Current state assessment of Nigeria's services sector

The services sector has been a major component of Nigeria's economic growth in recent years representing almost half of the nation's GDP. The contribution of Nigeria's services sector to gross domestic product (GDP) has grown at a faster rate than the agriculture and manufacturing sectors in recent years. In 2019, the sector contributed about 53% of GDP while agriculture and industry jointly accounted for 47% of GDP[41]. The top contributory services activities are trade (16%), information and communication (12%); real estate (6%); professional, scientific and technical services (4%), and financial and insurance (3%).

Services contribution to GDP (2019)



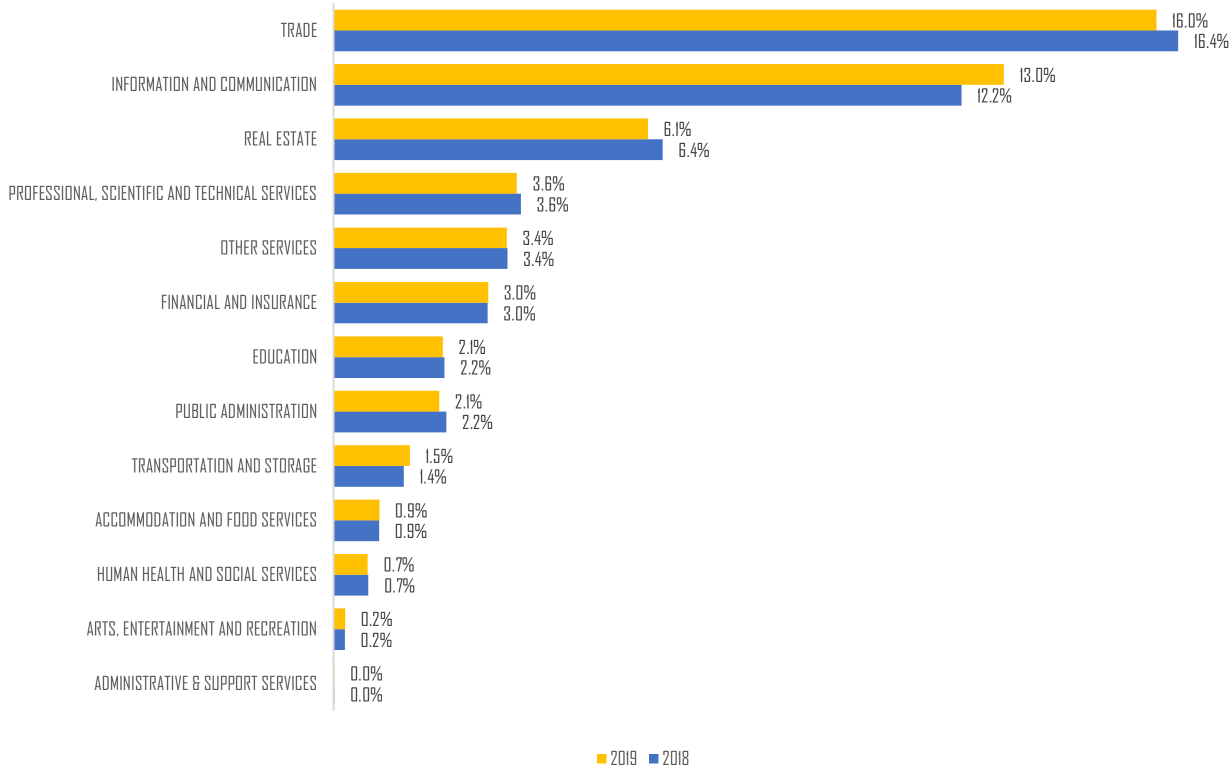
Source: NBS

Services sub-sector overview

- **Trade (wholesale and retail services)** is the second largest sectoral contributor to Nigeria's GDP, accounting for 16.01% of Nigeria's GDP in 2019 with an estimated output of ₦11.43 trillion.
- The **information and communication sub-sector** contributed 13.04% in 2019 and grew by 11.08% y-o-y in 2019, which is indicative of the potential for growth of this subsector.
- The **Nigerian financial and insurance industry** has steadily evolved into a more diversified, stronger and more reliable industry equipped to stimulate and support economic growth and sustainable industrial development. The industry contributed c.3.01% to Nigeria's GDP in 2019.
- Other sub-sectors with relatively significant contribution include; real estate (6.1%) and professional services (3.6%)

[41] NBS

Services sub-sector contribution to GDP (2018-2019)



Source: NBS

Structure and characteristics of services exports by Nigeria

Nigeria's global Trade in Services in 2019 was US$43.7bn, however this is largely driven by its US$38.7bn import services, leaving a huge deficit of US$33.8bn in its Trade in Services[42].

Although services providers are relatively unaffected by key limitations to goods trading such as customs delay, ports infrastructure deficits, etc.; this segment of international trade faces a unique set of limitations, such as travel visa, work permits, limits to working hours, amongst others.

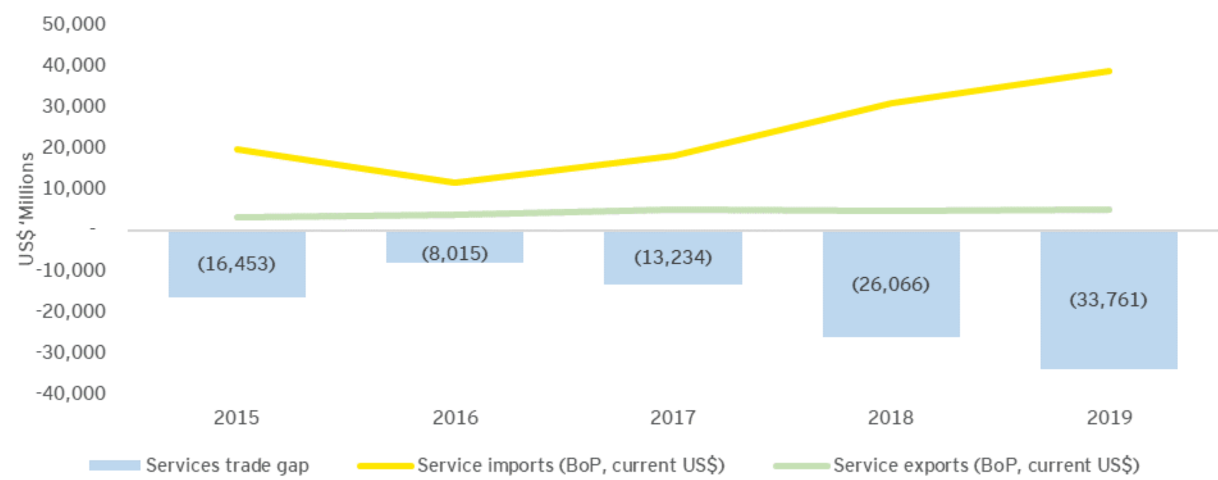
Travel services include a country's citizens' expenditure for business and personal travel on short term trips abroad (<1 year) including travels abroad for education, health and leisure. Travel services imports amounted to $13.5bn and exports amount to $1.5bn[43]. This suggests that improving the quality of Nigeria's health and education institutions may improve Nigeria's trade balance in terms of Trade in Services.

Recently, digital technologies have proven to be the key driver of inclusivity in services trade in Nigeria, by significantly cutting costs and lowering barriers to entry. This is particularly true for Nigerian MSMEs that offer virtual services such as programming, digital solution, financial services and consulting.

[42] World Bank Development Indicators (2019)
[43] International Trade Centre (2019)

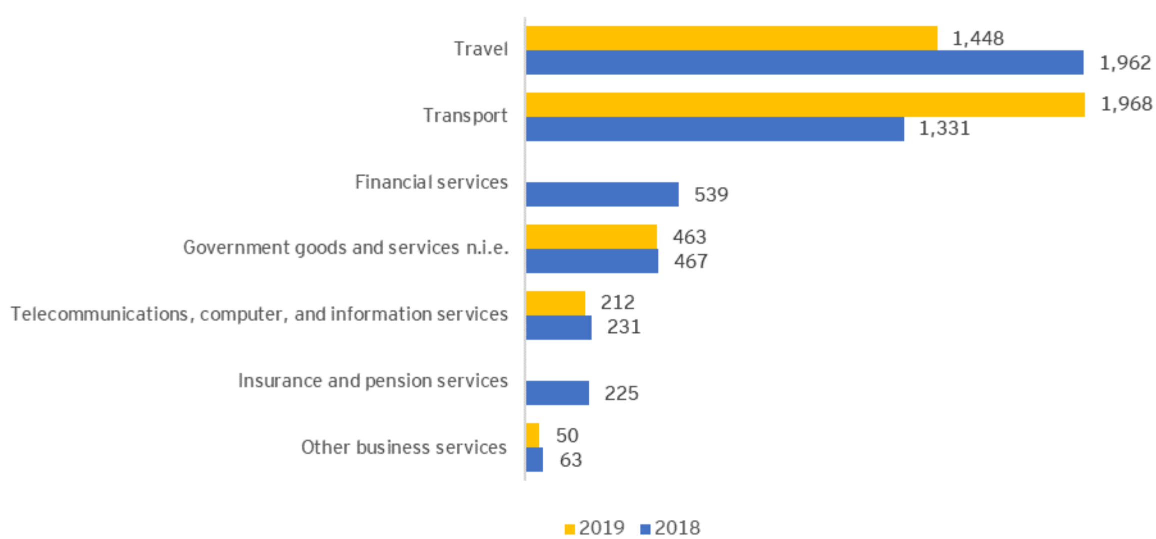
Between 2015 and 2019, services trade was largely on an upward trend. However, services trade declined in 2016 primarily driven by Nigeria's economic recession and Naira devaluation which meant that foreign service providers were significantly more expensive than the prior years.

Nigeria services trade ($' million)



Source: IMF

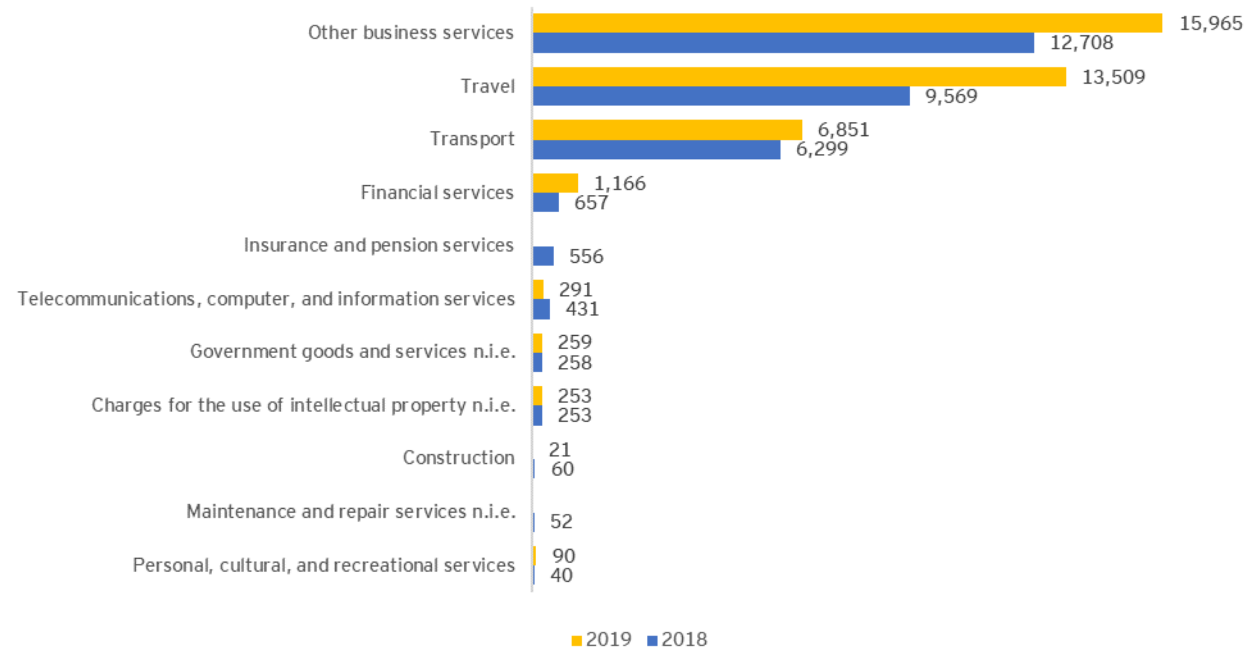
Nigeria's top services exports ($' million)



Source: International Trade Centre

*Financial, Insurance and pension services data for 2019 are not available

Nigeria's top services imports ($' million)



Source: International Trade Centre

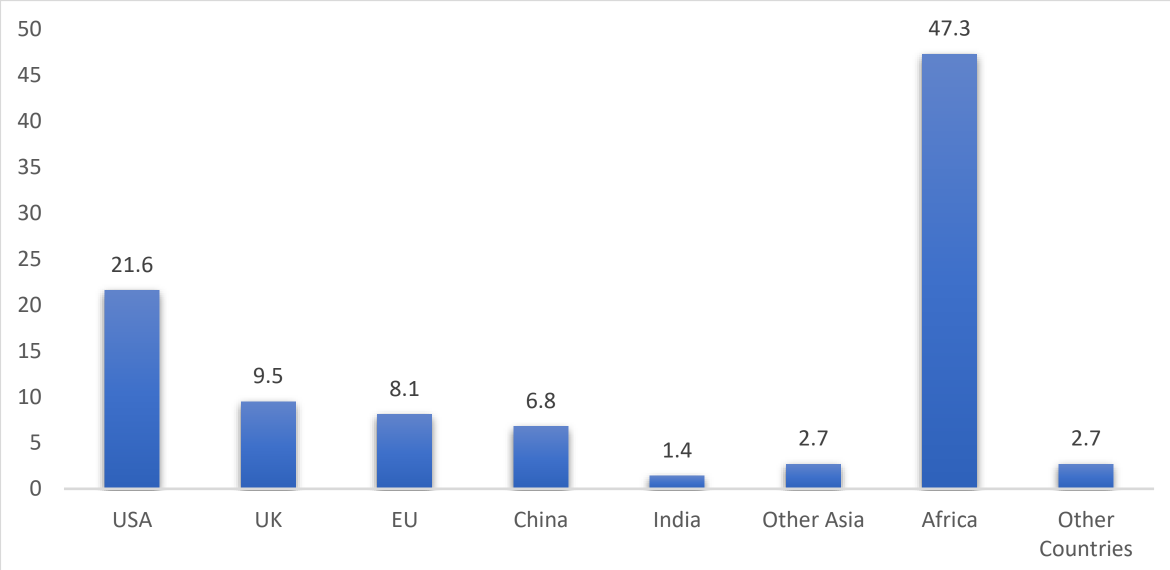
Services exports destinations

Market survey data shows that majority of Nigeria's services exports trade are carried out with other African countries (47% of firms export their services to African countries)[44]. This volume is in part attributable to the no-visa arrangement or the visa on arrival policies of most of these African countries particularly within ECOWAS region that has helped to facilitate bilateral services trade.

With 21.6%, the United States of America (USA) is second in terms of export destination by Nigerian services exporters driven primarily by digital service provision and professional services like accounting and business consulting[43].

[44] Centre for trade and development initiatives (CTDi): Analysis of Potentials of Nigeria's Services Sector for Economic Diversification, Employment and Foreign Trade

Nigeria's top services export destinations



Centre for trade and development initiatives (CTDi) Survey data (2020)

Nigeria's services export potential

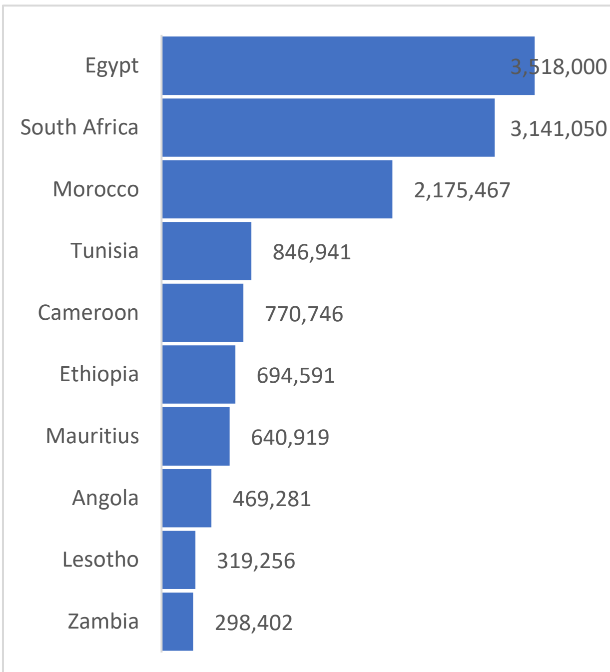
A summary of the key findings from a study conducted by the Centre for trade and development initiatives (CTDi)[42] is presented below:

- Nigeria has a good potential for services exports as shown by the upward dynamic export of total financial, telecommunication and travel (tourism) services.
- Most services exports are made through cross border supply (Mode 1) and intra-corporate transferee (Mode 4) export
- Consumption abroad (basically tourism) mode of export constitutes a low proportion of services exports
- The ERGP policy specifies four priority services sub-sectors for Nigeria including: information communication and technology (ICT), financial services, tourism and creative industries. There is a need for the FGN to come up with a revised plan for developing the services sector with specific action steps and detailed roles of relevant agencies in implementation. This is of utmost priority given that Nigeria is yet to achieve the stated objectives for these target sectors even though the timeframe for implementation of the ERGP (2017-2020) has been exceeded.

Nigeria's services export target market identification and potential demand

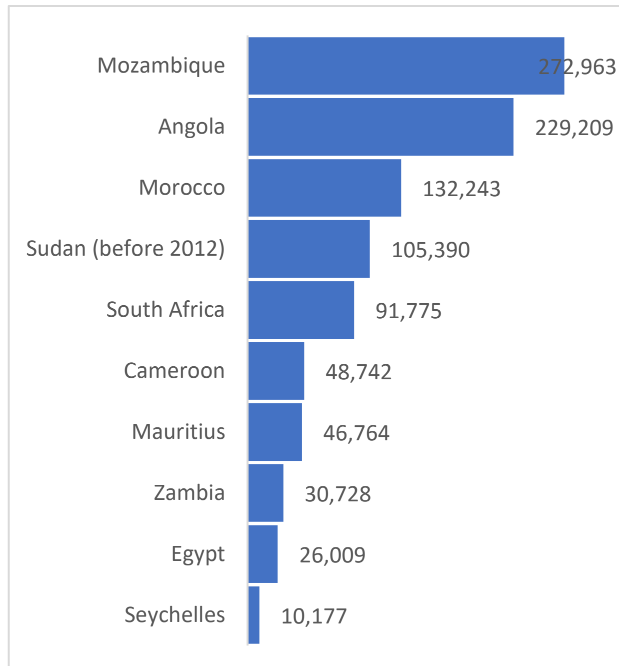
- To estimate the level of demand for services within Africa, we have considered top importers of our identified priority services in Africa as shown in the charts below. These countries represent a large potential market for services export for Nigeria in addition to the traditional trading partners in the ECOWAS region.

Travel ($'000)



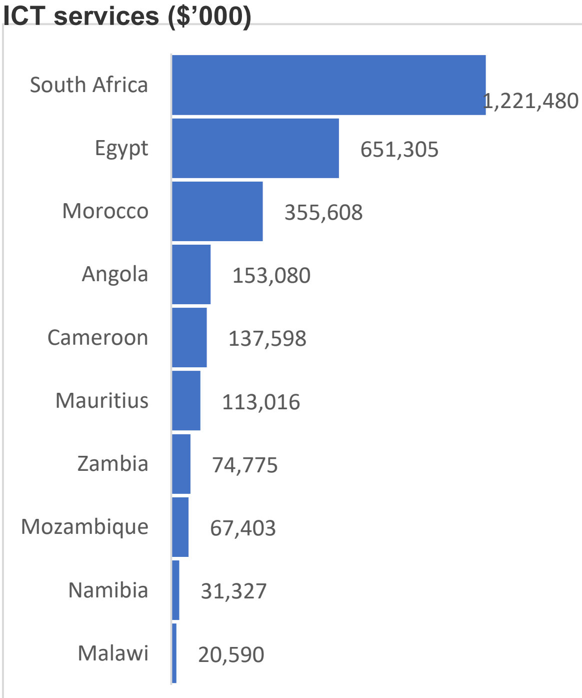
Source: International Trade Center

Financial services ($'000)



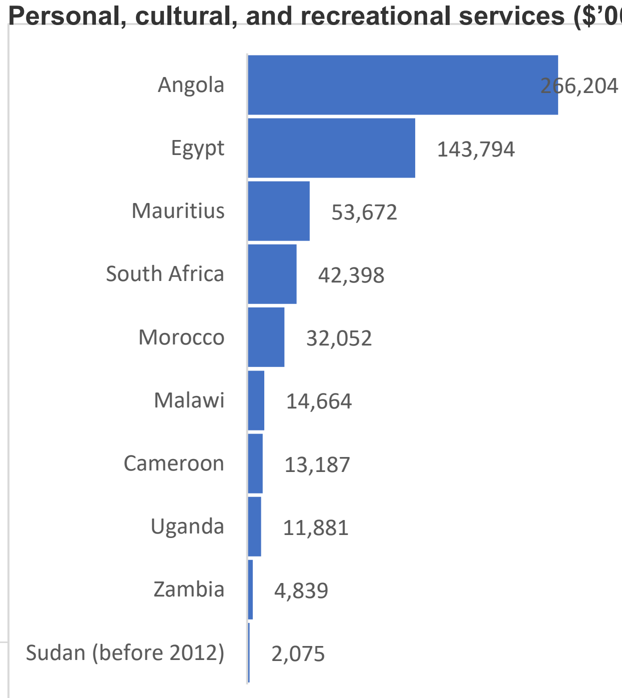
Source: International Trade Center

ICT services ($'000)



Source: International Trade Center

Personal, cultural, and recreational services ($'000)



Source: International Trade Center

Strategic recommendations for the identified priority sectors

A summary of the major constraints to services export categories as outlined in the EGRP, FGN's proposed policies and our specific recommendations are presented below. The specific recommendations have been adopted from benchmark African Countries' Trade in Services export strategy including Kenya, Côte d'Ivoire, Kenya, Mauritius, and Senegal.

A. Telecommunications and information and communication technology (ICT)

The ICT sector is one of the fastest growing sectors in Nigeria with y-o-y growth of 11.08% in 2019. The ICT sector is, however, plagued with numerous constraints including:

- The absence of legal and regulatory frameworks
- Weak PPP frameworks that discourage private-sector participation
- Weak institutional frameworks that prevent synergy among existing ICT-based infrastructure
- Poor ICT infrastructure

One of the government's key policy objective to boost ICT service exports is the promotion and facilitation of local production of ICT hard and software in order to reduce import dependence and generate foreign exchange by exporting to the regional and continental markets.

Strategies to expand ICT services export

Key considerations	Implementing agencies	Efforts to address them	Recommended action steps	Timeframe

Development of a national ICT exports strategy building on the framework of existing policies	FMITI, Federal Ministry of Communications and Digital Economy, NCC, NITDA and private sector stakeholders' organizations	• Nigeria recently launched the National Broadband Policy which aims to drive the digital economy and achieve 90% broadband penetration by 2025.
		• However, interactions with stakeholders revealed the following;
		  ○ FMITI or its sister agencies were not consulted in its development
		  ○ The broadband policy did not consider existing trade agreements such as WTO and AfCFTA in its design
			• Expedite digital television switchover for crystallization of the digital dividends
			• Increase last mile connectivity to unserved, underserved and rural areas by expediting the issuance of licensing
			• There is need to review the National Broadband Policy and other ICT sector related policies to ensure that it aligns with export promotion strategies and will not negatively impact on the competitiveness of ICT services export.
			• Establish a Presidential committee to drive the implementation of the Broadband policy and incorporation of exports strategy in the implementation.
			• Deadlines for policy development and reviews should be clearly stated and effected to avoid unnecessary delays in policy formulation.
			• Federal executive reading processes need to be streamlined to align with the need and urgency of each policy.
			• Conduct market assessment study to identify the ICT services exports in high demand and potential export markets.
				Short term

Intellectual property rights	NASS, Federal Ministry of Communications and Digital Economy, NITDA	• Nigeria is a signatory to the Trade Related Aspects of Intellectual Property Rights (TRIPS Agreement). • The Intellectual Property Integrity Policy intended to implement WTO obligations under the TRIPS agreement has been pending in the Nigerian National Assembly for several years. • The Bill for the establishment of the Nigerian Intellectual Property Commission (NIPCOM) is also pending in the National Assembly.	• FGN needs to expedite the passage of the legislation establishing Intellectual Property Integrity Policy prior to the start of third phase of negotiations in AfCFTA which will cover intellectual property. • FGN also needs to review the NIPCOM Bill to leverage several TRIPS agreement measures and ensure that IP rights are protected and enforced.	**Short term**
Lack of required funding for policy implementation	Federal Ministry of Communications and Digital Economy, NITDA	• MDAs usually find it difficult to secure financial resources for the implementation of new policies unless it is passed as a bill.	• FGN needs to increase available funding and improve monitoring of policy implementation.	**Medium term**
Lack of inter-agency co-ordination	Federal Ministry of Communications and Digital Economy, NITDA, NCC	• The various policies that have been formulated require collaboration between several agencies, some of which may have overlapping responsibilities. For instance, NITDA has been mandated to be in charge of the FGN's root Certificate Authority. However, that role is currently being played by NMIC.	• As part of policy implementation plan, there is need to constitute an inter-agency coordinating body in addition to the implementation committee to address issues around inter-agency co-ordination.	**Medium term**
Human resource capacity development	FMITI, Federal Ministry of Communications and Digital Economy, NCC, NITDA and private sector stakeholders' organizations	• One of the pillars of the national digital economy policy and strategy is digital literacy and skills which aims to create a pool of Nigerians with digital skills with globally recognized certifications. • This policy is currently yet to be implemented.	• Validate and launch the national digital economy policy and strategy while incorporating input from key stakeholders. • FGN should collaborate with State Governments in the set-up of knowledge zones to foster development of knowledge-based economy. The various funding models that can be adopted for the knowledge zones include PPP arrangements and private sector funding.	**Medium term**

B. Financial Services

Financial service is also one of Nigeria's top service exports and a key driver of economic growth in Nigeria. Financial services as defined by WTO GAT[45] include all insurance and insurance-related services, and all banking and other financial services. Nigerian banks are strategically positioned to offer large scale financial services given their already established geographical footprints across Africa, however, there is still potential to capture the high number of the unbanked population within the ECOWAS region and the rest of Africa. There are immense opportunities to expand Nigeria's financial service coverage across Africa through the use of FinTech and mobile money solutions.

The AfCFTA provides a framework to facilitate intra-regional trade of financial services through the harmonization of regulatory frameworks, rules and standards for the financial sector in order to enhance export of financial services.

Identified constraints limiting financial services export include:

- Lack of harmonization of banking supervision standards and requirements across jurisdictions
- Underdeveloped ICT infrastructure and inadequate ICT skills in target destination countries
- Deficiencies in physical infrastructure, electricity supply and communications

[45] https://www.wto.org/english/docs_e/legal_e/26-gats.pdf

Strategies to expand financial services export

Key considerations	Implementing agencies	Efforts to address them	Recommended action steps	Timeframe

Develop a Nigerian International Financial Centre (NIFC)	CBN/ (FSS2020), NASS	• Key steps that have been taken include the Nigerian International Financial Centre Bill. The Bill aims to establish world-class financial zone that would act as a catalyst for economic growth in Africa.
		• The NIFC includes several incentives for stakeholders:
		  ○ Internationally competitive tax rate on income and profits
		  ○ Centralized approach to business registration
		  ○ 100% foreign ownership of businesses
		• The NIFC bill has been passed by the 7th senate and is due for presidential assent.
			• The FGN should expedite the passage of the Nigerian International Financial Centre Bill
			• CBN should enter into strategic partnerships with stakeholders including international banks and other global financial institutions to fast track the development of the NIFC.
			• CBN should engage experienced advisors to design an actionable implementation plan for the operation of the NIFC.
				Medium term

Enhance current payments system	CBN (Banking and Payment System), NDIC, Deposit Money Banks (DMBs), National Identity Management Commission (NIMC), the Federal Ministry of Justice	• Nigeria does not have a National Payment System (NPS) Act. Thus, all the oversight and supervisory roles of the National Payment System are domiciled within the CBN which currently lacks the requisite legal backing. • Two bills have been proposed including the National Payment System Bill (NPSB) 2017 and the Payment System Management Bill (PSMB) 2017 which differ in the governance approach. The NPSB recommends the creation of an association of payment system participants as regulators of the members while the PSMB recommends that the CBN should be the sole authority for management, regulation and oversight of the Payment System with support from other agencies.	• DBN or NEXIM should work towards launching cross border payment settlement system leveraging on the Pan-African Payment and Settlement System (PAPSS) which is currently operated and managed by AFREXIM. • NEXIM should improve access to its existing export credit insurance and export credit guarantee facilities in order to protect exporters and lending banks against the risks of non-payment for goods and services exported on credit terms. • Engagement with industry stakeholders including NCC, NIBSS, Interswitch and other	**Medium term**

			current NPS participants and service providers to ensure interoperability of payment platforms both in Nigeria and for cross-border trade. • The CBN should advocate for the adoption of PSMB bill given that it was developed in conjunction with payment service providers and other stakeholders and is in line with global industry best practices	
Financial services integration	CBN, NOTN	• Nigeria currently ranks 14th out of 15 ECOWAS States for macroeconomic integration. This poor ranking is mainly due to poor exchangeability of the naira in the region. • Government's efforts to promote further financial integration includes establishment and participation in the West Africa Capital Markets Integration Council (WACMIC) which aims to integrate capital markets.	• Nigeria should advocate for the harmonization of prudential banking regulations in AfCFTA negotiations, building on the framework of ECOWAS. • CBN should develop strategies to improve currency convertibility including the adoption of a unified exchange rate system.	**Medium term**
Financial services export promotion	CBN, NEPC, Nigeria's foreign embassies	• To address Nigeria's poor branding and lack of visibility in the global marketplace, the FSS 2020 strategy was launched which outlines broad objectives for improving financial services exports and expertise.	• Government should equip all embassies and consular offices in foreign countries for investment promotion through trainings, gathering trade intelligence, developing local promotional strategies and networking with potential investors and/or partners. • FGN should develop a detailed service export policy for financial services	**Medium term**

Trade data limitation	NBS, CBN	• The quality of services trade data in Nigeria is largely inadequate and sub-optimal. While some international organisations have services trade databases, specific data on mode of supply are not available. • Availability of detailed services trade data would improve government's policy decision-making and trade negotiations.	• There is need for capacity building for NBS on the collection and dissemination of trade in services data. • NBS should develop a computer database for collecting services trade data. Another strategy is to link tax returns to service data collection. • Strategies that have been adopted by other countries includes mandatory recording of international service transactions on a computer database. For example, Brazil uses 'Siscoserv'.	**Medium term**

C. Tourism and Travel Services

Nigeria's tourism industry offers great potential for medium-term growth, building on its rich and diverse ecosystem, traditional & cultural heritage, historical cities as well as arts and crafts. Business tourism, especially in Lagos and Abuja, also presents a big opportunity. Tourism could increase revenues, create jobs and wealth, and boost foreign reserves. At present, however, the sector struggles with the low level of global awareness of Nigeria's tourists' attraction centers, under-developed infrastructure, security challenges, lack of attractive options for vacationing and insufficient investment.

Opportunities for tourism export in Nigeria include:

- **Beach tourism**: Nigeria has a lot of beaches particularly in Lagos and other coastal regions. This presents an opportunity for exports if they are properly managed and enhanced.
- **Health and wellness:** Nigeria has several hot springs and lakes e.g. Ikogosi warm springs, that could serve as wellness centers if given requisite investments.
- **Safari Tourism:** The Yankari Game reserve in Bauchi for instance could serve as a Safari tourist attraction if well developed and promoted.
- **Medical tourism:** Investment in Nigeria's health sector is required in order to upgrade existing medical facilities to world class standards. Capital investment in Nigeria's health sector would also help reduce capital flight lost to medical tourism. Medical tourism in Nigeria is currently estimated at between US$1.0-1.5b[46] annually with an average of around 30 000 patients travelling abroad annually for healthcare services (Pre COVID 19). India is the most popular outbound medical tourism destination, accounting for 57% of medical travel. Other top medical tourism destinations include USA, UK and South Africa. Other African countries also presents a potential export markets for Nigeria. Ability to serve these markets is largely dependent on improvement of available medical facilities and development of new facilities.

[46] Sovereign Investment Authority of Nigeria

Strategies to expand Tourism and Travel services export

Key considerations	Implementing agencies	Efforts to address them	Recommended action steps	Timeframe
Awareness on incentives available to industry players	NTDC, Presidential Council on Tourism, Federal ministry of Culture, Tourism and National orientation (FMCTN)	• Government has designed a number of tourism investment incentives including tax exemption for up to three years, land at concessionary rate and work permit to foreigners with specialized skills in order to attract private sector investment. However, these incentives have not been fully utilized due to lack of awareness.	• Increased awareness through sensitization workshops and other awareness campaigns	**Quick win**
Branding and marketing strategy	NTDC, Presidential Council on Tourism, Federal ministry of Culture, Tourism and National orientation (FMCTN), Federation of Tourism Associations of Nigeria (FTAN), Private sector operators	• NTDC launched "Tour Nigeria" which is a tourism brand with the aim of promoting Nigeria as a destination for tourism, hospitality, arts and entertainment in Africa. Sub-optimal marketing and media coverage has limited the ability of the program to meet its goals and objectives.	• NTDC should develop a public relations strategy and a brand promotion plan to address issues around poor image and insecurity challenges • NTDC should consider the utilization of social media and other digital platforms for tourism campaigns.	**Quick win**
Implementation on the National Tourism Masterplan (NTMP)	NTDC, Presidential Council on Tourism, Federal ministry of Culture, Tourism and National orientation (FMCTN),	• The National Tourism Masterplan was developed in 2006 in conjunction with the United Nations World Tourism Organisation (UNWTO). However, challenges including lack of adequate budgetary provision, poor inter-agency co-ordination between Federal ministry of Culture, Tourism and National orientation and NTDC amongst others has stalled its implementation. • FMCTN recently partnered with the UNWTO to assist in the implementation of the National tourism masterplan after several years of inactivity.	• Considering that the NTMP was designed 15 years ago, there is need to conduct a diagnostic review of the NTMP which should include an analysis of the implementation challenges • FGN should explore the options of PPPs in order to fund identified Tourism projects with potential for commercial viability • There is need to constitute an inter-agency coordinating body in addition to the implementation committee to address issues around inter-agency co-ordination.	**Medium term**

			• Conduct periodic discussion forums with key stakeholder groups including private sector operators and FTAN.	
Enactment of the Nigeria Tourism Development Authority (NTDA) Bill 2017	NTDC, Presidential Council on Tourism, Federal ministry of Culture, Tourism and National orientation	• The NTDA bill which was passed by the senate in 2017 provides a framework upon which Nigeria can exploit its Tourism potentials. • The bill was however rejected by the president citing contradiction with Nigeria's 1999 constitution and the negative impact of proposed tourism fee levy charged to outbound and inbound travelers on the already underdeveloped tourism business.	• NTDC should commence a detailed review and redesign of the NTDA bill through stakeholder workshops and consultations. This is to ensure that upon resubmission, the bill addresses the president's concerns and is reflective of the views of NTDC and other key stakeholder groups.	**Medium term**
Collaboration between the Federal government and State Tourism Organisations and Boards	State Governments, State tourism boards.	• Most tourism assets in Nigeria are under the purview of State Governments. Majority of these assets are currently underdeveloped. • Also, there is general inactivity of state tourism boards and councils to implement the National Tourism Masterplan. This is partly due to inefficiencies and lack of capacity of these state agencies to develop tourism within their respective states	• FGN should collaborate with State Governments to develop key tourism assets. • Each State should develop its tourism masterplan tailored towards the tourism resources available in the State. For instance, the Lagos Tourism Masterplan which was developed in 2018 provides a good framework and can be replicated across other States in Nigeria. • In addition, State Governments should ensure that the masterplan focuses more on development of the tourism sector as against another IGR tool in which case taxes would stifle development potential	**Medium term**

			• Capacity building for tourism state officials and the State tourism boards	
Develop tourism product offerings	NTDC, Presidential Council on Tourism, Federal ministry of Culture, Tourism and National orientation (FMCTN), National Parks Commission, State governments	• As part of the implementation of the NTMP, a couple of flagship tourism projects were identified in the six tourism clusters as priority activities. However, these projects are yet to commence.	• FGN and State governments should conduct feasibility studies on key tourism sites in order to develop robust product offerings to attract high value tourists. • Diversify the range of tourism attractions to include cultural tourism which has been identified as one of Nigeria's competitive advantage. • Conduct market assessment needs study to identify the tourism product offerings in high demand	**Medium term**
Infrastructure development	Federal ministry of Culture, Tourism and National orientation (FMCTN)	• The ongoing infrastructural projects including the Lagos-Ibadan rail among others is expected to significantly boost the tourism sector in Nigeria	• Facilitate the development of tourism enabling infrastructure through a public–private development model • Facilitate the construction and repairs of inter and intra State roads leading to tourist sites as most sites are located in the hinterlands.	**Long term**
Data limitation challenge	NTDC, NIS (Department of Immigration), NBS	• In a bid to address the issues around lack of accurate statistics on arrivals and receipts of payments from the tourism sector, FMCTN recently partnered with UNWTO to strengthen the National Tourism Statistical System and develop a Tourism Satellite Account for Nigeria. However, UNWTO is still seeking funding from donor agencies for these projects.	• NTDC should also seek capacity building and funding support from private sector and other alternative sources. • There is need for synergies between the different implementing agencies to ensure information sharing and data analysis.	**Medium term**

D. Entertainment/creative industries

Nigeria's creative industries – film, music, broadcasting and publishing – have big potential to create jobs and generate foreign exchange earnings. Nigeria has one of the fastest-growing entertainment industries and 'Nollywood' movies are known around the world.

However, for the sector to reach its full potential some challenges need to be addressed. These include the low level of technology input, the weak intellectual and property rights regime, lack of access to financing as well as high rate of informal employment.

Strategies to expand entertainment services export

Key considerations	Implementing agencies	Efforts to address them	Recommended action steps	Timeline
Strengthen Intellectual property rights	Nigerian Film Corporation (NFC), Nigerian Copyright Commission (NCC), Nigerian Film and Video Censors Board (NFVCB) and the National Broadcasting Commission, Federal Ministry of information and culture, NASS, NITDA	• The National Film and Videos Censors Board, NFVCB in collaboration with NCC and the Nigeria Police set up a joint task force to clamp down on movie pirates. While this initiative has recorded some success, there's more work left to be done	• Formalise distribution channels through licensing of industry operators • Engage in anti-piracy and social awareness campaigns • Enforce existing legal instruments for the protection of IP rights	**Short term**

Entertainment services infrastructure	Federal Ministry of Information and Culture, NITDA, CBN, Private sector players	• The CBN launched the implementation of the N22 billion Creative industry development scheme with the aim of creating jobs in the movie, music and fashion sectors
		• The scheme involves the development of a 40-acre Creative Industry park in Lagos as well as plans to develop additional parks across the country. However, the initiative is yet to be implemented.
			• CBN should incentivize the growth of key value drivers by providing access to cheaper financing, guarantees etc.
			• Key value drivers for the sector include;
			  ○ Internet access
			  ○ Digitalisation
			  ○ Structured finance
			  ○ Distribution channels
			• FGN should also support the industry in terms of creating more funds in addition to already existing funds including the ₦1bn BOI Nollyfund.
			• PPPs may be used to develop key entertainment infrastructures including:
			  ○ State of the art studios
			  ○ Film and media village including training institutes and schools
				Medium term

Branding and marketing strategy	Nigerian Film Corporation (NFC), Nigerian Copyright Commission, Nigerian Film and Video Censors	• Although Nigeria already participates in some international and regional film festivals, the level of participation and engagement can be improved.	• Development and promotion of the Nollywood brand by organizing African film festivals in major cities across the world	**Short term**

	Board (NFVCB) and the National Broadcasting Commission, Federal Ministry of Information and Culture		• Engage relevant associations including Directors Guild of Nigeria, Screen Writers Guild of Nigeria as well as key stakeholders to develop a global marketing strategy for the Nollywood brand • Develop extensive international distribution channels by partnering with and incentivizing digital platforms including Netflix and YouTube to focus on Nigeria. • Develop an entertainment services export strategy.	
Data limitation challenge	NBS, NFC and Federal Ministry of information and culture	• Lack of data on entertainment services exports has limited FGN's capacity to formulate appropriate strategies	• Capacity building initiatives for NBS and other relevant agencies to ensure improvement in data collection on revenue and employment data in the entertainment services sector. • There is need for synergies between the different implementing agencies to ensure information sharing and data analysis.	**Short term**

Mainstreaming gender and social inclusion in services trade

Trade liberalization of services has the potential to augment employment and income opportunities for women. Available evidence shows that Trade in Services—mainly through modes 1 and 4 —can provide gender-specific benefits through the increased participation of women in exports of services such as back-office processing and call centers and the increased mobility of women to provide services such as education, health, or professional services abroad[47].

Market survey findings in Nigeria however reveals a largely male dominated services sector as males owned above 85% of the services exporting firms selected for the study, while about 11% were owned by females[48]. The main challenges facing women owned business include access to financial resources, burden of household related domestic and financial responsibilities, lack of access to professional networks and market information as well as gender biases.

This indicates a need to design and implement trade and macro policies that promotes increased participation and integration of more women and youths into the services sectors of the economy.

[47] World Bank - Women and Trade in Africa: Realizing the potential

[48] Centre for trade and development initiatives (CTDi): Analysis of Potentials of Nigeria's Services Sector for Economic Diversification, Employment and Foreign Trade

Key considerations for Nigeria in the AfCFTA negotiations for Trade in Services

	Pre-negotiations	***Actual negotiations***	***Ratification and implementation***
Key Activities	• Comprehensive review of Nigeria's areas of strength in services • Regulatory assessment and situational analysis • Technical discussions in sectoral working groups • Framework document on Regulatory Cooperation	• Submission of Schedule of Service Commitments	• Adoption of schedules and annexes as part of the protocol

Key considerations

- **Selection of negotiating parties -** Decision to negotiate as individual Member States or as customs unions (ECOWAS)
- **Identification of priority sub sectors within AfCFTA's five priority sectors**
- **Development of regulatory framework** - Include capacity assessment for key agencies involved in implementation
- **Establish timeframe for implementation**
- **Design monitoring and evaluation framework for tracking performance and impact of services exports**

Summary of findings

Important questions that should drive negotiations includes:

- What areas do we have competitive advantages, vis-a-vis major African countries?
- Is there sufficient demand for the service in Africa?
- What is its potential contribution to GDP?
- How can we export certain services to neighbouring countries that need them?
- To what degree should we open our economy to trade-in-services?
- What commitments should we expect from other African countries during the negotiation process?

In selecting service priority sectors, we have considered a number of key factors including;

- **Alignment with current government policy**: The ERGP policy specifies four priority services sub-sectors for Nigeria including: telecommunications and information and communication technology (ICT), financial services, tourism and creative industries. We expect that government's focus on these sectors will drive access to more funding and government support. In addition, these sectors have been identified to be relevant from a national and regional perspective in achieving broader objectives of economic growth and thus have a greater potential to be more competitive and export ready relative to other sectors.
- **Large demand/export potential:** Nigeria's top ten services exports currently include travel and tourism, financial services and telecommunications and information and communication technology (ICT). In addition, these services constitute top services imports for some of African countries including Mozambique, Cameroon and Tunisia. This indicates there is high demand of these services in the regional and continental markets and thus there is opportunity to expand services export capacity to meet this demand.
- **Employment creation potential**: Nigeria has one of the highest levels of unemployment in the world. According to NBS, Nigeria's unemployment rate was 27.1% in Q2 2020. Thus, in selecting our priority sectors, we focused on sectors that have the capacity to absorb a large proportion of the labour force. For instance, given the huge demand for ICT services both in Africa and globally, the ICT sector can create significant job opportunities. This is however dependent on the ability to upskill the labour force to meet global standards.
- **Strong domestic industry with relatively well-established players:** This is also a key factor in determining the priority sectors. Nigeria's financial services sector for example, has a large number of big players with established geographical presence across the continent and thus is in a strategic position to grow its volume and value of service export.

The identified sectors' potential to increase export and employment is expected to trickle down to **increased GDP, reduced reliance on the non-oil sector and strengthened Naira**.

Preliminary identification of priority sectors

Financial services	Telecommunications and information and communication technology (ICT)	Travel and tourism services	Entertainment services

3.3. Trade Facilitation

C. Trade facilitation in Nigeria

A case for Trade facilitation in Africa

Historically, bilateral and regional trade in Africa has been limited by trade routes designed for exporting out of Africa, rather than optimised for intra-African trade. The major obstacles to intra-African trade includes:

- **Infrastructure and structural deficits** such as inadequate transport services, as well as inefficient institutional and transit regimes. In many landlocked African countries, economic centers are located hundreds of kilometers away from the closest seaport in neighbouring countries. Policy makers in all Member States —particularly in transit countries— share a critical responsibility to help to overcome geographical constraints or the lack of economies of scale due to small transportation volumes. However, the experience is that many countries retain policies that favor closed, small, and inefficient services markets, and that a renewed focus on the efficiency of transport and logistics services is long overdue[49].
- **Weak productive capacities** and lack of economic diversification which limits the range of intermediate and final goods that can be traded and potentially inhibits the development of regional value chains. The manufacturing sector in Africa remains largely underdeveloped as conversion of primary commodities into industrially processed finished products within regional value chains has not been fully implemented. The development of regional value chains through technological advancements will help to increase local production as well as trade in goods produced in Africa.
- **Non-tariff barriers** can act as a significant hindrance to international and regional trade and offset expected gains from tariff reductions to firms. Non-tariff barriers are cost-increasing obstacles to trade and should be removed to enhance trade and integration. Trade facilitation reforms have been shown to result in reduction in trade transaction costs. Broadly defined, trade facilitation reforms include policies to reduce trade transaction costs that result from customs administrations, documentary requirements and border procedures, as well as policies for creating an enabling environment for trade that include behind-the-border policy reforms, improvements in transport infrastructure (roads, rails, ports, airports, etc.) and reduced bureaucracy and corruption (United Nations Economic Commission for Africa et al., 2017).

The journey to the Trade Facilitation Agreement (TFA) - 2013 WTO Bali Ministerial Conference

The AfCFTA Annex on Trade Facilitation is largely built on WTO Agreement on Trade Facilitation as the provisions and specified legal obligations are mostly based on the TFA articles with a few subtle differences.

The Trade Facilitation Agreement (TFA) was formalized in 2013 and entered into force in February 2017, when two-thirds of WTO Members including Nigeria ratified the agreement.

[49] World Bank. The African Continental Free Trade Area: Economic and Distributional Effects

The TFA provides measures for expediting the movement and release of goods by expanding some of the provisions of the General Agreement on Tariffs and Trade (GATT) with regard to publication of the regulations, fees, and formalities imposed on trade.

The TFA also builds on the World Customs Organization's (WCO) International Convention on the Simplification and Harmonization of Customs Procedures (Revised Kyoto Convention) by including enforcement and appeal measures. Additionally, the TFA reinforces some of the commitments made under the WTO Agreement on the Application of Sanitary and Phytosanitary Measures (SPS Agreement) and the WTO Agreement on Technical Barriers to Trade (TBT Agreement) regarding transparency, documentation requirements, and goods in transit.

The TFA contains 36 trade facilitation measures organized under 12 articles that focus on expediting the movement of goods at the borders.

AfCFTA's role in improving trade facilitation

By bringing greater attention and policy oversight to trade within Africa, AfCFTA provides an opportunity to improve trade facilitation more widely at the borders and along transit corridors between African countries. The TFA provides the framework and access to knowledge to boost the movement, release and clearance of goods, whereas AfCFTA provides the political momentum and additional commitment mechanism to support broad implementation of trade facilitation measures. In certain aspects such as local transit, AfCFTA commitments could go beyond the TFA commitments, nevertheless, the TFA could provide stronger mechanisms for the implementation of AfCFTA. The benefits of trade facilitation measures will increase as neighboring countries implement them, and the trade costs along borders will decrease.

Full implementation of AfCFTA is expected to boost intra-African trade, particularly intra-regional trade in manufacturing, through the lowering of trade costs as a result of reducing non-tariff barriers and implementation of trade facilitation measures. These measures would reduce red tape, lower compliance costs for traders, and ultimately make it easier for African businesses to integrate into global supply chains.

Source: World Bank. The African Continental Free Trade Area: Economic and Distributional Effects. Washington, DC: World Bank. doi:10.1596/978-1-4648-1559-1. License: Creative Commons Attribution CC BY 3.0 IGO

AfCFTA Agreement trade facilitation reforms

AfCFTA Provisions	Core Reforms
Annex 1: Schedules of tariff concessions	• Specifies schedules for the progressive elimination of tariffs on goods for each State Party
Annex 2: Rules of Origin	• Clarifies the rules to be satisfied by businesses in order to qualify for the preferential treatment, as specified in Annex 1
Annex 3: Customs Cooperation and Mutual Administrative Assistance	• Articles 3 and 4 - Adopt harmonized customs tariff and statistical nomenclatures as well as non-discriminatory, transparent and uniform customs valuation systems and practices • Article 5 - Simplify and use harmonized customs procedures • Article 6 - Use automated customs processing systems • Articles 9 and 12 - Exchange of customs related information • Article 8 - Identify contact points for investigating customs offenses through which to cooperate over the prevention, investigation and suppression of customs offenses
Annex 4: Trade Facilitation	• Article 4 - Transparency, including publication of trade compliance procedures, duties, ROO, contact information and other relevant laws • Article 5 - Establish and maintain country enquiry points for trade facilitation • Articles 6, 7 and 9 - Provide pre-arrival processing and advance rulings on imports, and release of goods prior to the final determination of duties if such a determination is not done prior to arrival • Article 8 - Provide for electronic payment of duties, fees and charges • Article 10 and 11 - Adopt risk management systems to focus customs checks on high-risk consignments, avoid arbitrary discrimination and conduct post-clearance audits • Article 12 – Establish and publish average release times for customs • Article 13 - Use "Authorised Operator regimes" to ease customs compliance

	• Article 14 and 15 - Provide for expedited shipments regimes, especially for air cargo and perishable goods • Article 16, 17, 18 and 20 - Use international standards, ICT and uniform documentation as well as endeavour to establish and maintain a single window
Annex 5: Non-Tariff Barriers	• Article 3 - Use of a common categorization system for potential non-tariff barriers to improve transparency • Articles 4, 5, 6, 7, 8, 9, 10 and 14 - Establishes national monitoring committees and country focal persons for identifying, resolving and monitoring non-tariff barriers in coordination with a continental committee on NTBs and REC NTB monitoring mechanisms • Articles 12 and 13 - Creates a mechanism for identifying, reporting, resolving and monitoring non-tariff barriers as well as preparation of time bound elimination matrix
Annex 6: Technical Barriers to Trade	• Articles 6, 7, 8, 9 and 10 - Cooperate in the field of standardization, development and implementation of technical regulations, conformity assessment, accreditation and metrology • Article 11 - Ensure transparency and predictability through the notification of technical regulations and conformity assessment procedures
Annex 7: Sanitary and Phytosanitary Measures	• Article 5 – Assess the level of risk to determine the appropriate level of sanitary and phytosanitary (SPS) protections • Article 6 - Base SPS measures on regional conditions, including pest- or disease-free areas and areas of low pest or disease prevalence • Article 7 - SPS measures of exporting State parties to be judged as equivalent to those of the importing State party after demonstration of appropriate risk assessment measures • Article 8 - Cooperate to develop and harmonize SPS measures based on international standards, guidelines and recommendations • Article 11- Comply with transparency obligations in the application of SPS measures and the designate national focal point to fulfil notification obligations

Annex 8: Transit	• Articles 4, 5, 6 and 9 - Provide for the licensing of transit carriers with approved AfCFTA transit documentation and procedures
Trade in services	• Article 10 - Encourages the mutual recognition of standards or criteria for the authorization, licensing or certification of services suppliers

Source: ECA analysis of the Agreement Establishing the AfCFTA[50]

To properly capture the provisions that are most important to advancing trade facilitation specifically, we have classified these provisions into four themes.

Themes	**Transparency**	**Formalities and procedures**	**Border agency cooperation**	**Transit**
TFA Articles	1. Publication and availability of information	6. Disciplines on fees and charges imposed on or in connection with importation and exportation	8. Border agency coordination	11. Freedom of transit
	2. Prior publication and consultation	7. Release and clearance of goods	12. Customs cooperation	
	3. Advance rulings	8. Border agency coordination		
	4. Appeal or review procedures	9. Movement of goods under customs control intended for import		
	5. Other measures to enhance impartiality, non-discrimination and transparency	10. Formalities connected with importation and exportation and transit		

[50] Assessing regional integration in Africa | ARIA IX

Transparency

Articles 1–5 of the TFA provide for crucial steps in promoting transparency. Implementation of the provisions in these articles – particularly Articles 1 and 2 – is expected to yield benefits in terms of administrative efficiency.

Global standards in trade and transport can help to transfer good practices and technologies to developing countries. This directly contributes to development, as it enhances electronic governance, improves information technology connectivity and streamlines processes to save time and financial costs[51]. The difficulty associated with obtaining accurate and reliable information about import, export or transit requirements is a significant source of delay and costs. Confusion about requirements also leads to additional delays and costs in clearance when documents must be corrected and possibly penalties assessed. This is a particular concern of SMEs, who often do not have the economies of scale and required resource to garner, analyze and comprehend the requirements of export markets, where they typically do not have a presence, particularly if requirements are available only in the form of legal acts or other technical documents and in a foreign language. A UNESCAP study found increased transparency and predictability tend to increase the probability of exporting by SMEs as well as export propensity because the costs and risks of doing business are lowered. It also concluded that improvements in policy predictability by one unit generates a 66% increase in the probability of SMEs participating in export activities (Li and Wilson, 2009)[3] .

To improve transparency, the TFA requires Member countries to publish certain specified trade information in an easily accessible manner. They are also required to publish on the internet the required forms and documents, as well as a practical description of import, export, transit and appeal procedures (in a WTO language, whenever practicable). In addition, they must establish enquiry points that traders and other governments may contact to obtain information and forms. To increase the predictability and certainty of costs, Member countries are required to provide binding rulings on the application of laws and procedures to a particular shipment of goods prior to their importation (advance rulings)[52].

Nigeria's trade environment & transparency

A key factor for transparency is the availability of measurable data and required trade information. In Nigeria, information dissemination remains a key problem – particularly as related trade agencies keep operating in silos in the absence of a coordinating agency/authority. Consequently, this has led to duplicity of efforts and less than desired results as in the case of two agencies operating two trade portals - FMITI operates a trade portal (trade.gov.ng) with features similar to Nigeria Custom Service's (NCS) trade hub portal (nigeriatradehub.gov.ng).
Other efforts to improve transparency in the ecosystem include the commissioning of a Time Release Study, by the World Customs Organisation (WCO) and NCS in 2018 in a bid to identify

[51] *TRADE FACILITATION AND DEVELOPMENT Driving trade competitiveness, border agency effectiveness and strengthened governance – UNCTAD – Transport and Trade Facilitation Series No. 7*

[52] OECD/World Trade Organization (2015), "Implementing the Trade Facilitation Agreement", in Aid for Trade at a Glance 2015: Reducing Trade Costs for Inclusive, Sustainable Growth, World Trade Organization, Geneva/ OECD Publishing, Paris

key bottlenecks in the trade process in Nigeria. The Time Release Study was stalled by internal bureaucracy within the NCS and was subsequently abandoned.
The National Task Force Committee on Trade Facilitation was initially created as an ad hoc committee to proffer solutions to the congestion at Apapa port in Lagos prior the signing of the WTO Trade Facilitation Agreement. The National Task Force Committee on Trade Facilitation was renamed to National Trade Facilitation Committee (NTFC) in line with Article 23.2 of the WTO Trade Facilitation Agreement. The NTFC under the guidance of UNCTAD developed the National Trade Facilitation Roadmap in 2017 with implementation over a five-year period (2018-2022). However, bureaucratic issues, lack of political will, inadequate funding, among others has stalled the achievement of these objectives of the National Trade Facilitation Roadmap.
Furthermore, the AfCFTA Annex on Non-Tariff Barriers mandates that State Parties should establish National Monitoring Committees and National Focal Points on NTBs. All countries in the EAC region have already established National Monitoring Committees (NMCs) on Non-Tariff Barriers to Trade in order to enhance the free movement of goods and services and reduce import and export time across the region. Currently, Nigeria is yet to establish its own NMC, some suggestions are to include the functions of the NMC as part of the already established NTFC similar to what has been adopted in other African countries. For instance, Rwanda merged its former National Trade Policy Forum and the NMC on elimination of NTBs to form its NTFC.

Formalities and procedures

Similarly, mandatory provisions in Articles 6–10 of the TFA, focusing on customs procedures and documentation, should lead to a shift from physical controls at border crossings, entailing delays and interference in the movement of goods, to fully automated processes, resulting in higher levels of security and smoother flows of commerce.[53]

Inefficiency also results from redundant, indiscriminate or unwarranted border formalities and documentation requirements. These inefficiencies may persist where the government is not aware of their negative impacts on trade or the availability of more efficient and effective solutions that aligns with government regulatory objectives. Within the Nigerian context, efforts to optimize trade related processes within the MDAs has been met with some form of resistance mainly resulting from potential elimination of levies and illegal fees.

The TFA requires governments to review their import, export and transit formalities and documentation requirements to ensure that such requirements are adopted or applied with a view to rapid release and clearance of goods, to reduce the cost and time of compliance as well as to determine that there is no other reasonable alternative that would be less trade restrictive. Moreover, given that the persons directly affected by regulation are often the best source of information about impacts and alternatives, the TFA requires governments to provide interested parties with opportunities to comment on a proposed new or amended laws and regulations as well as hold regular consultation with their stakeholders.

[53] *TRADE FACILITATION AND DEVELOPMENT - Driving trade competitiveness, border agency effectiveness and strengthened governance – UNCTAD – Transport and Trade Facilitation Series No. 7*

To improve fairness in decision-making by border authorities, the TFA also requires WTO Member countries to provide rights of appeal against adverse customs decisions and imposes disciplines on the assessment of penalties by customs, requiring that the amount of any such penalties be commensurate with the level of the offense.[54]

Government initiatives to improve formalities and procedures

Initiatives to improve formalities include:

a. **Establishment of Single Window System and relevant infrastructure**
   There have been silo efforts at implementing a single window system in Nigeria including:
   - NCS maintaining the NICIS II works as the SWS despite multiple agencies excluded from the platform
   - Reported refusal of some agencies in adopting the NICIS II claiming that they were not consulted in its development

   The $300 million e-customs project which was recently approved by the President is expected to herald the transition from manual processes for trade in Nigeria leading to digitally connected cargo clearance processes at all key land, sea and air border crossing points. However, the scope of the project is unclear as to what it covers. Nevertheless, we recommend the inclusion of the single window system and electronic scanners for containers in the e-customs project if it is not already included. This will ensure compliance with the WTO TFA articles and enable Nigeria to maximise the benefits of AfCFTA. In addition, it will help in reducing the time and cost of trading in Nigeria.
b. **Advocate for the approval of Customs and Excise Management Act**
   In May 2017, The Senate passed the Repeal and Re-enactment Bill, 2017 of the Nigeria Customs Service Management Act with the aim of updating the Customs and Exercise Management Act (CEMA) of 1958 in line with global best practices. However, the law is yet to be passed by the National Assembly due to lack of political will, among other factors.

[54] *AID FOR TRADE AT A GLANCE 2015: REDUCING TRADE COSTS FOR INCLUSIVE, SUSTAINABLE GROWTH - © OECD, WTO 2015*

Border agency cooperation

Border agency cooperation strengthens the capacities of institutions and fosters inter-institutional cooperation, while freeing up public resources that may be allocated to strengthening regulatory and public planning functions[55].

Most of the technical measures of the TFA are those intended to streamline and modernise the processing of goods by customs and other border authorities. These measures will require implementation of new techniques and processes such as the following:

- The use of risk management to focus customs controls on high-risk goods
- Pre-arrival processing to allow importers to declare and possibly clear goods before they arrive
- Procedures to allow the release of goods from customs before payment of duties and taxes
- The use of electronic forms for payments and documents in clearance
- The use of clearance simplifications for authorised (i.e. low risk and highly reliable) traders and express consignment operators.

There are also important provisions to promote greater co-ordination among the different border authorities (the lack of which is itself a common source of delay), including customs co-operation and implementation of a single window to permit traders to submit documents required by all border authorities at a single point[56].

Government initiatives to improve border agency cooperation

Initiatives to improve border agency cooperation include:

a. **Develop Joint Border Posts**
   There has been some Joint Border Posts (JBPs) across various stages of planning or implementation. Some examples are:
   - JBP at Mfum/Ekok still in design stage
   - JBP at Sèmê Kraké-Plage (Benin-Nigeria) currently operational

Transit

Finally, the TFA contains extensive provisions to respond to many of the costs and delays that importers and exporters face when their goods are moved through transit countries, such as excessive data and documentation requirements, internal checkpoints and mandatory use of convoys, delays in terminating transit operations and returning transit guarantees, poor transit infrastructure and lack of regional co-operation[7].

[55] TRADE FACILITATION AND DEVELOPMENT - Driving trade competitiveness, border agency effectiveness and strengthened governance – UNCTAD – Transport and Trade Facilitation Series No. 7
[56] *AID FOR TRADE AT A GLANCE 2015: REDUCING TRADE COSTS FOR INCLUSIVE, SUSTAINABLE GROWTH - © OECD, WTO 2015*

Government initiatives to improve transit

Initiatives to improve transit include:

a. **Provision of Trade related Infrastructure**
The recent completion of 156km Lagos to Ibadan section of the 2,700km Lagos–Kano rail standard gauge line is one of the key government initiatives to improve trade processes.

Trade Facilitation as the key to reducing the cost of non-tariff barriers

Simplification and harmonization of trade processes play a key role in the elimination of non-tariff barriers, reducing the cost of cross-border activities and helping countries reap the benefits of international trade. Non-tariff barriers have significant impact on Small and Medium-Sized Enterprises (SMEs). The limited resources of these organizations mean they are more vulnerable than larger businesses to the added costs and administrative burdens that arise from non-tariff barriers.

The AfCFTA Trade in Goods Annex 5 on non-tariff barriers establishes a reporting, monitoring and elimination mechanism so that private sector operators and State Parties can file complaints on specific trade obstacles and the other State Parties can aim at eliminating them. The Annex foresees the establishment of national focal points, national monitoring committees, a non-tariff barriers sub-committee and an AUC /AfCFTA non-tariff barriers coordination unit.

The Annex defines eight categories of NTBs:

a. Government participation in trade and restrictive practices tolerated by governments
b. Customs administrative entry procedures
c. Technical barriers to trade
d. Sanitary and phytosanitary measures
e. Specific limitations
f. Charges on imports
g. Clearing and forwarding
h. Procedural problems and transport

Literature review shows that technical barriers, as well as sanitary and phytosanitary barriers are the two most prevalent non-tariff measures in Africa. Large infrastructure gaps and significant trade-related transaction costs also serve as barriers to trade in Africa.

The effective implementation of non-tariff barriers reporting, monitoring and elimination mechanisms in RECs could have a major impact for intra-regional trade. It could be a determining factor in the success of AfCFTA, because without the reduction of non-tariff barriers, the impact of tariff reductions is likely to be marginal.

Source: The African Continental Free Trade Agreement: Welfare Gains Estimates from a General Equilibrium Model Lisandro Abrego, Maria Alejandra Amado, Tunc Gursoy, Garth P. Nicholls, and Hector Perez-Saiz
Assessing Regional Integration in Africa | Aria Ix

Baseline metrics for tracking Trade Facilitation Measures

Overview of selected Trade facilitation Indicators[57]

TF Indicator	Description and Methodology	Advantages	Limitations	Methodology
World Bank 'Doing Business' Trading across borders	The trading across borders indicator is one of the 11 different areas included in the Doing Business project. The trading across borders indicator measures the time and cost associated with the logistical process of exporting and importing goods.	• Comparability across countries and over time since 2015. • Extensive country coverage • Surveys are subjected to numerous rounds of verification • Doing Business study tracks and records reforms in the area of trade such as improvement of trade infrastructure or major changes in documentary procedure	• Collected data refer only to businesses in the economy's largest city. For large economies the data is available for the two biggest cities • Variations in costs depending on trade partners are not considered. • Time and cost for domestic transport are not considered when ranking economies on the ease of trading across borders.	• Data is gathered through questionnaires and validated through teleconference calls or on-site visits in all economies. • Survey is conducted annually
OECD Trade Facilitation Indicators	The OECD Trade Facilitation Indicators (TFIs) cover the full spectrum of customs and other regulatory trade procedures at the border included in the WTO TFA.	• Precisely targeted for monitoring and benchmarking country performance on implementation of specific trade facilitation measures • Can be used for assessing the impact of specific trade facilitation measures on trade flows, trade costs, resource allocation and welfare. • Based on factual information, not perception	• Trade and transport infrastructure or trade-related services are not covered. • Because of the level of detail, data on some of the variables are not available for every country in the database.	• The data on the OECD TFIs are gathered through a questionnaire replied by the relevant administrations including Custom Authorities and by carriers with worldwide presence, and cross-checked against publicly available sources • Data is gathered biennially

[57] Indicators for Trade Facilitation: A Handbook

World Bank Logistic Performance Index (LPI)	The Logistics Performance Index (LPI), launched in 2007, is an interactive benchmarking tool created to help countries identify the challenges and opportunities they face in their performance on trade logistics and what they can do to improve their performance.	• Possible to receive feedback from trading partners. • It is both a qualitative and quantitative assessment of a country by logistics professionals • Easy to identify improvements along the supply chain.	• The experience of international freight forwarders might not represent the broader logistics environment in poor countries, which often rely on traditional operators.	• The LPI is based on a worldwide survey of in-country logistics professionals, providing feedback on the logistics friendliness of the countries in which they operate and those with which they trade. • Data is gathered biennially

Nigeria's Trade Facilitation Performance

A. World Bank 'Doing Business' Trading across borders

According to the 2020 Trading Across Borders report by World Bank, Nigeria's ranking in Trading Across Borders improved from 182 in 2019 to 179 in 2020 mainly due to reduction in time needed to export and import. This improvement was realized by implementing joint inspections, upgrading NICIS2 electronic system and by launching e-payment of fees.[58] The implementation of the Executive order 001 on improving ease of doing business also contributed to achieving the improvement in ranking.

Border compliance in Nigeria takes 128 hours for exports formalities and 242 hours for imports formalities, much higher than the Sub-Saharan Africa average of 97.1 hours and 126.2 hours, respectively[59]. In comparison with peer countries in Sub-Saharan Africa, total costs to comply with border and documentary requirements for export in Nigeria is US$1,036 while the costs for Togo and Ghana are US$188 and US$645 respectively. In the same way, cost to comply with border and documentary requirements for import in Nigeria is US$1,641 while the costs for Togo and Ghana are US$864 and US$1,027 respectively.

Overall, Nigeria ranks highest among other West African countries in terms of the time and amount of money it costs to export or import goods.

Indicator	Nigeria	Ghana	Togo	Kenya	South Africa	Egypt	Sub-Saharan Africa
Time to export: Border compliance (hours)	128	108	67	16	92	48	97.1
Cost to export: Border compliance (USD)	786	490	163	143	1257	258	603.1
Time to export: Documentary compliance (hours)	74	89	11	19	68	88	71.9
Cost to export: Documentary compliance (USD)	250	155	25	191	55	100	172.5
Time to import: Border compliance (hours)	242	80	168	194	87	240	126.2
Cost to import: Border compliance (USD)	1077	553	612	833	676	554	690.6
Time to import: Documentary compliance (hours)	120	36	180	60	36	265	96.1
Cost to import: Documentary compliance (USD)	564	474	252	115	73	1000	287.2
Trading across borders ranking	179	158	131	117	145	171	

Source: World Bank 'Doing Business' Trading across borders report (2020)

[58] World Bank 'Doing Business' Trading across borders report 2020
[59] Oxford Policy Management: AfCFTA ratification study

B. OECD Trade Facilitation Indicators

OECD has developed the following indicators to assess trade facilitation policies, areas for action and impact of reforms as shown in the table below[60]

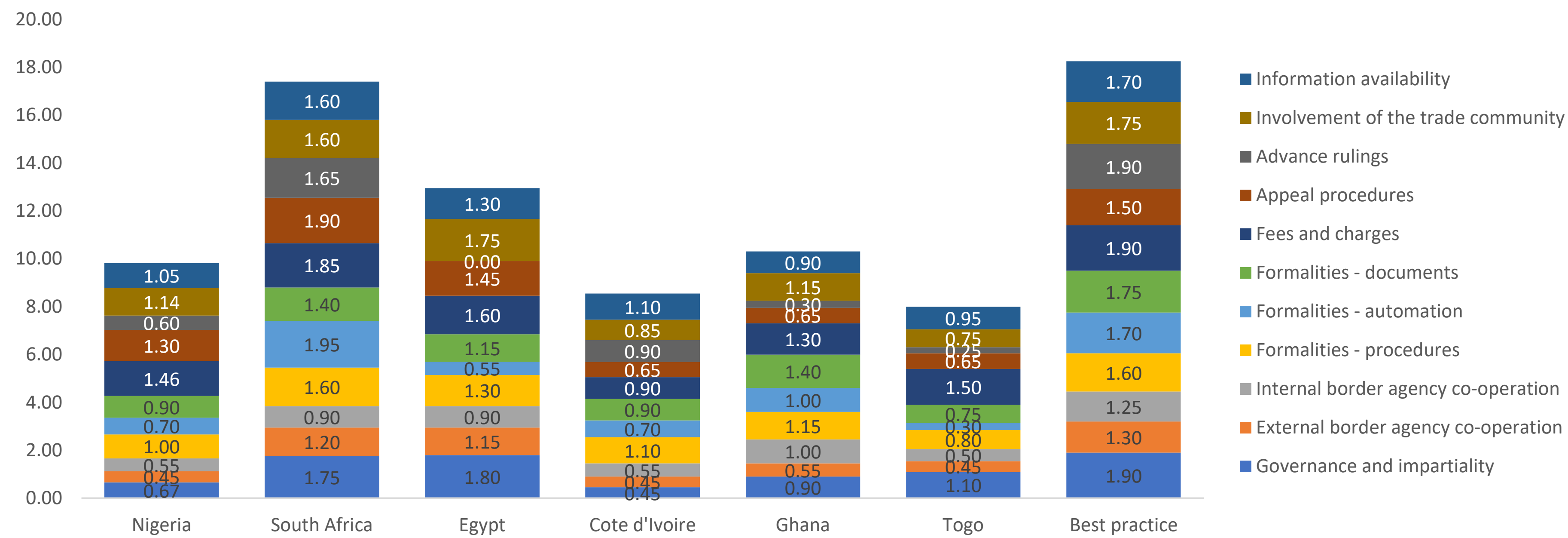
OECD Indicators	Details
Information availability	• Publication of trade information, including on internet and enquiry points
Involvement of the trade community	• Consultation with traders
Advance rulings	• Prior statements by the administration to requesting traders concerning the classification, origin, valuation method, etc., applied to specific goods at the time of importation; the rules and process applied to such statements.
Appeal procedures	• The possibility and modalities to appeal administrative decisions by border agencies
Fees and charges	• Discipline on the fees and charges imposed on imports and exports.
Formalities-Documents	• Simplification of trade documents; harmonisation in accordance with international standards and acceptance of copies.
Formalities-Automation	• Electronic exchange of data; automated border procedures and use of risk management
Formalities-Procedures	• Streamlining of border controls; single submission points for all required documentation (single windows); post-clearance audit and authorised economic operators
Internal co-operation	• Co-operation between various border agencies// of the country and control delegation to customs authorities
External co-operation	• Co-operation with neighboring and third countries
Governance and impartiality	• Customs structures and functions; accountability and ethics policy

[60] OECD trade facilitation indicators

According to the OECD Trade facilitation indicators, Nigeria matches or exceeds the average performance of most West African countries in the areas of involvement of trade community, streamlining of procedures as well as external/internal border agency cooperation with the exception of Ghana which outperforms in the area of internal border agency cooperation resulting from better inter-agency co-ordination mechanisms.

In comparison with South Africa and Egypt however, Nigeria scores low on most of the Trade Facilitation indicators including procedures relating to information availability, involvement of the trade community, advance rulings, formalities (documentation, automation and procedures), internal border agency cooperation, external border agency cooperation, and governance. This is attributable to the failure of Nigeria to meet its commitments on the Trade Facilitation Agreement. For example, the obligation under the Trade Facilitation Agreement on information availability can be fulfilled by the availability of an online trade portal but the existing portal (trade.gov.ng) does not achieve the purpose of ensuring timely notification, as it lacks up-to-date information[61].

OECD Trade Facilitation Indicators 2018 – Nigeria vs. Selected Peer Countries



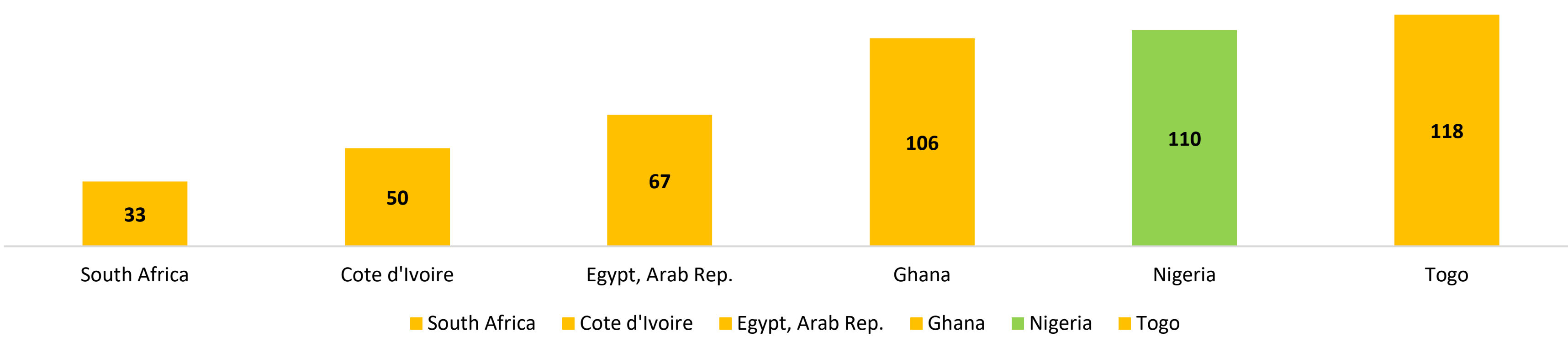
[61] Oxford Policy Management: AfCFTA Ratification Study

C. World Bank Logistic Performance Index

World Bank Logistics Performance Index (LPI) evaluates performance of countries' trade logistics on six key dimensions:

S/N	LPI Index dimensions
A.	Efficiency of the clearance process (i.e. speed, simplicity and predictability of formalities) by border control agencies, including Customs
B.	Quality of trade and transport related infrastructure (e.g. ports, railroads, roads, information technology)
C.	Ease of arranging competitively priced shipments
D.	Competence and quality of logistics services (e.g. transport operators, customs brokers)
E.	Ability to track and trace consignments
F.	Timeliness of shipments in reaching destination within the scheduled or expected delivery time

Nigeria's ranking based on overall LPI index was 110 in 2018 compared to 90 in 2016 reflecting the declining efficiency in its logistics sector.[62]



62 LPI Index 2018

Nigeria received the highest score among selected peer countries in West Africa (excluding Cote d'Ivoire) for ports infrastructure. However, Nigeria performed poorly in terms of customs due to inefficiencies in customs clearance procedures. South Africa and Cote d'Ivoire are top performers in Africa with both countries receiving high scores across the LPI index dimensions including customs, infrastructure, international shipments, and logistics competence.

LPI Index 2018 - Nigeria vs. selected peer countries

Country	LPI Score	Customs	Infrastructure	International shipments	Logistics competence	Tracking & tracing	Timeliness
South Africa	3.38	3.17	3.19	3.51	3.19	3.41	3.74
Cote d'Ivoire	3.08	2.78	2.89	3.21	3.23	3.14	3.23
Egypt	2.82	2.6	2.82	2.79	2.82	2.72	3.19
Ghana	2.57	2.45	2.44	2.53	2.51	2.57	2.87
Nigeria	2.53	1.97	2.56	2.52	2.4	2.68	3.07
Togo	2.45	2.31	2.23	2.52	2.25	2.45	2.88

Source: LPI Index (2018)

Identified Challenges and recommendations for implementation of the Trade Facilitation Agreement Measures in Nigeria

Area	Problem addressed	Action steps	Stakeholders	Timeline
Inter-agency coherence and border coordination	Lack of co-operation and coordination between government border authorities, complicated by overlapping roles and responsibilities of several agencies has hindered the implementation of the TFA measures in Nigeria. Duplicated checks at exit and entry points due to the presence of multiple agencies.	Facilitate the development and passing of the National Trade Policy. The Trade Policy would clearly streamline the roles of these trade agencies and detail areas of collaboration. The policy should also clearly mandate a lead agency charged with coordination of the trade ecosystem. Adopt digital systems to reduce level of human interference in trade process.	NCS, NPA, SON, NAFDAC, NAQS, CBN, FMITI and NEPC	Short term
Digitization of customs process	Lack of a Single Window System (SWS). Reducing trade turnaround time at the ports and promoting collaboration among partner agencies, thereby increasing port efficiency. Replacing existing paper-formats/manual customs procedures with electronic procedures to ensure a more efficient and modern customs environment.	Implement the SWS using a PPP operating model coordinated by the proposed lead agency for Nigeria's trade ecosystem* Tracking and periodic evaluation of the e-customs project. Capacity training (particularly ICT usage) for border officials for successful adoption of the SWS and the paperless customs process. Capacity training on digital trade tools for MSMEs to ensure that adoption of the paperless customs is not for by only the large firms. Adoption of scanning process and other digital investment such as electronic cargo	NCS, NEPC, FMITI, SMEDAN, SON and NAFDAC	Medium term

		tracking and trade information portals in the trade ecosystem.		
Port congestion and location imbalance	Concentration of Nigeria's trade at the Apapa and Tincan ports in Lagos. Lack of effective truck call-up system at the Lagos ports, leading to severe congestion and increased cost of trade. Under-utilization of the four other seaports located across the country due to lack of capacity and deficiencies in port and port access road infrastructure.	Implement an automated truck call-up system using a PPP operating model Facilitate the development of multi-modal transport system across key trade corridors Facilitate the development of inland dry ports to serve hinterlands and facilitate goods movement from Lagos ports. Conduct diagnostic reviews on the eastern ports to analyze key areas of bottlenecks and actionable solutions e.g. the Calabar port has been inactive due to its shallow channel and the bad state of the Calabar-Itu-Ikot Ekpene-Aba and Calabar-Ikom-Ogoja-Katsina Ala roads. Allocate required financial resources for optimization of the seaports e.g. FGN's commitment to dredging of the Calabar Port channel and the supporting road infrastructure - Calabar-Ugep-Ikom-Ogoja; Calabar-Itu-Ikot Ekpene and Sapele-	FMOT and NPA, NSC	Medium term

		Ewu is expected to improve utilization of the port.		
Border transparency and information sharing	Lack of clarity in trade-related documentations, appropriate tariff applications as well as inefficient import, export and transit procedures are some of the limiting factors to TFA Implementation in Nigeria. Intelligence sharing amongst cross-border agency as part of commitment to tackle transshipment and dumping practices.	Capacity training on tariff classifications (using appropriate HS-codes) for MSME and trade agencies. Leverage ICT tools to sensitize MSMEs on required documentation and tariff rates for international trade. Implement structures for annual Time Release Study (TRS) including end-to-end data collection model along the trade ecosystem Establish a One-Stop Border Post (OSBP) with neighbouring countries to facilitate intelligence sharing and optimized trade process.	NCS and NEPC	Medium term

**Detailed consideration of SWS implementation challenges and proposed solution included in section*

3.4. Trade environment

D. Trade environment

Key Trade regulating and enabling agencies

Trade Agency	Importance	Main responsibilities	Nature of activity			
			Oversight	Inspection/ licensing	Regulation	Other*
Federal Ministry of Industry, Trade and Investment (FMITI)	High	Formulate and implement policies and programs to attract investment, boost industrialisation, increase trade and export.	√			
Nigeria Port Authority (NPA)	High	Develop, own and maintain operations of the seaports and port facilities.	√	√		√
Nigerian Customs Services (NCS)	High	Revenue generation (import/excise duties & other taxes).		√		√
Nigeria Export Promotion Council (NEPC)	High	Interfacing with international trade agencies on cooperation and capacity building.	√	√		
CBN	High	Formulate and implement monetary and exchange rate policies.	√			√
Standards Organisation of Nigeria (SON)	High	Certification of industrial products that meet required standards.		√	√	
National Agency for Food and Drug Administration and Control (NAFDAC)	High	Lead port operation and control the channels through which regulated products are imported and exported. Inspection of export goods to ensure compliance with grades and standard of quality.		√	√	
Nigeria Agricultural Quarantine Service (NAQS)	High	Prevent the introduction, establishment and spread of animal and zoonotic diseases. Ensures agricultural exports meet international standards.		√	√	
Nigeria National Accreditation Service (NiNAS)	High	To accredit Conformity Assessment Bodies (CABs) in accordance		√	√	

		with the relevant series of standards and guides.				
National Office of Trade Negotiation	High	To align domestic trade policy priorities to changing global realities.			√	
Nigerian Shippers' Council (NSC)	Medium	Agent for economic development through interventions in cost moderation and cargo transport issues.	√		√	
Department of Veterinary and Pest Control Services (VPCS)	Medium	Ensure and coordinate the registration of poultry and livestock farms in line with zoo sanitary requirements.		√	√	

Oversight Function: Providing supervisory and monitoring services
Inspection/licensing Function: Providing a formal evaluation activity and license issuance upon successful evaluation completion
Regulatory Function: Implementing and enforcing legislature
Others: Financing, payment processes, trade process facilitation

Capacity assessment of select trade agencies

Introduction

This organizational capacity assessment aimed to determine the current capacity and competence of select Ministries, Departments and Agencies (MDAs) to measure their readiness for the AfCFTA implementation and identify gaps and areas for capacity building. The major areas assessed were;

- Systems and processes
- Human resources
- Technology
- Infrastructure

This assessment provides the opportunity for the MDAs to obtain applicable information and feedback on their operations, strengths, challenges and possible areas of improvement. The MDAs are expected to draw on this assessment to effectively respond to challenges, make adequate adjustments and undergo the necessary capacity building in preparation for the implementation of AfCFTA. This report also provides recommendations on the capacity development areas necessary to fill the identified operating and performance gaps in order to ensure adequate preparation for the AfCFTA.

Objectives of the assessment

- Assess the level of preparedness of the MDAs to fulfill their roles and responsibilities with regards to trade policy management and identify any potentials, weaknesses and constraints.
- Assess the capacity of the Department of Trade and other trade related agencies to effectively manage trade policy reforms and identify main challenges in formulating policies on trade, regional integration and creation of an enabling business environment.
- Assess the level of technical skills and competence of the respective personnel of the MDAs and identify training and development needs, especially in relation to the AfCFTA.
- Assess the human, technology and infrastructural resources available at the MDAs and determine their sufficiency in preparation for the AfCFTA.
- Recommend ways to leverage existing capacities and practical solutions to improve capacities in preparation for the AfCFTA implementation in Nigeria.

Assessment methodology

This capacity assessment was carried out through the use of questionnaires and interviews conducted with the senior and middle level staff across the departments at the various MDAs.

The consultations sought information on strengths and weaknesses of the MDAs and factors that affect the delivery of their roles as regards trade policy formulation and implementation. It also sought respondents' views on several statements related to various success factors of their organizations. Respondents were asked to evaluate the statements as they relate to the MDA on a scale, ranging from "Agree" to "Disagree". The factors evaluated were systems and processes, human resources, technology, infrastructure and culture.

Review of 2014 capacity assessment (GIZ)

Institution	In 2014, GIZ conducted a capacity assessment for the Department of Trade, FMITI. The respondents highlighted the main challenges in formulating policies to be inadequate funding, lack of streamlined government policies and biased legislative processes. Others highlighted insecurity challenges, as well as other key issues such as infrastructural problems, inconsistent data, lack of coordination due to language barriers, lack of streamlined roles of the Department in the handling of trade issues, and the lack of sensitization programmes. Suggested solutions taken to address these issues include the provision of adequate support from development partners to improve capacity building, investment in energy, national orientation programmes, currency unification and the provision of infrastructure.
Systems and Processes	The Department's overall systems and processes were rated fairly. Respondents indicated that systems and processes were streamlined with clearly structured division of labor practices. The Department's structure for division of work was easy to understand and responsibilities were distributed logically. The number of grade levels was ideal, and relationship was well managed and not left to chance. However, core work, support processes and documentation, including filing and retrieval of documents were rated as needing improvement.
Human Resources	**Staff distribution** The overall quality and competency of staff was seen to be moderate with some respondents indicating the need for more staff **Knowledge, Skills and Competences Required** Respondents said they required a broad range of knowledge, skills and competences to perform their functions efficiently. The respondents argued that the long list of skills and competences which they presented were in short supply. A few other discreet respondents listed the following knowledge gap and competencies they considered to be in short supply; • Agreement drafting • Knowledge of WTO rules • Trade facilitation, trade negotiations, agreement & promotion • Policy analysis, • Trade dispute settlement • ECOWAS protocols • Trade law & economics

	- Data collection & processing - Data analysis & presentation - Analytical computing and ICT skills - effective communication and report writing skills. **Learning and development programmes required by staff** Respondents provided a non-exhaustive list of training programmes that were required to enhance their job performance. They include the following - Trade policy course, programme on WTO/trade issues, trade negotiations, analytical techniques, communication and report writing skills, trade (facilitation, promotion and investments, disputes, resolution and compliance) - Language skills (French language, speech writing, minutes and note taking)
Infrastructure	**Facilities in the department** The main facilities and tools required to effectively carry out their duties included air conditioners, laptops and power supply. The respondents indicated that the following items required to function efficiently and effectively were in short supply; - Computers - Modern trade information management system - Data Banks - Internet facilities - Equipment (Printers, Photocopying machines, Air conditioners) - Infrastructure (Power supply, Office furniture, Transportation) - Tariff modelling tools - Trade data stimulation - Books on economics and international law

Detailed capacity assessment and recommendations

Federal Ministry of Industry, Trade and Investment

FMITI's core duty is to formulate policies that will create wealth and employment, reduce poverty and ensure enhanced service delivery in a manner that will stimulate the growth of the domestic economy through industrialization, trade and investment. The Department of Trade is statutorily responsible for promoting domestic and international trade as well as creating an enabling environment for foreign direct investments. The Department has an important role, not only in stimulating trade and investments but in ensuring that trade barriers are reduced to the barest minimum. It is responsible for evaluating existing trade policies, proposing amendment to trade policies, monitoring and evaluating the implementation of trade policies. It has the responsibility for identification of trade partners and stakeholders, providing trade information to them, receiving feedback and promoting public-private dialogue as well as dialogue among various stakeholders and member nations with whom it seeks to enter into a trade agreement.

General functions of the FMITI

- Initiation, formulation and implementation of trade and investment policies of government
- Coordination of the preparatory processes and arrangements towards Nigeria's effective participation at World Expositions
- Initiation, coordination and organization of Nigeria's trade missions abroad
- Assisting in identifying, articulating and aggregating Nigeria's trade and economic interest with a view to establish her position in trade related international organizations to which Nigeria belongs
- Initiation of policies and programmes that would enhance distributive trade and fair competition in Nigeria
- Initiation of policies and programmes towards the provision of a conducive business environment for Nigeria
- Initiation of policies and programmes towards the effective utilization of the structures and facilities at Lagos, Kaduna and Enugu International Trade Fair Complexes
- Initiation of policies and programmes towards effective monitoring, regulating and supervision of designated Non-Financial Institutions in Nigeria
- Liaison with NACCIMA and other Organized Private Sector (OPS) organizations towards effective staging of domestic trade fairs and hosing of International Trade Fairs in the country

Capacity assessment and recommendations for FMITI

Institutional capacity	This section provides analysis of FMITI's overall performance and its ability to carry out its general functions of formulating policies on trade, regional integration and creating an enabling business environment. According to respondents, the major challenges experienced by the Department include lack of coordination between the Department and other trade related MDAs, lack of statistical data, lack of funding and corruption as well as inefficiency of government officials
	Recommendation: *To address these challenges, respondents suggested;* • *Prioritizing effective leadership of the trade related MDAs to facilitate inter agency coordination* • *Reorientation and setting clear responsibilities for MDA staff* • *A clear National trade policy document that ascribes coordination to FMITI and provides stronger institutional backing to it* • *Increased budgetary allocation arising from an improved perception of the importance of the Trade Department and its overall contribution to economic growth*
Systems and Processes	The systems and processes of FMITI is rated well by respondents. The Department's core work and support processes are clearly defined, and responsibilities clearly allocated. Tasks and responsibilities are also distributed logically. The organization of work, its results and key decisions are appropriately documented. However, challenges relating to the Department's systems and processes include duplication of responsibilities with other trade agencies without clear authority for co-ordination. In addition, there is a general inability to ensure the monitoring and evaluation of action plans of trade policies.
	Recommendation: *Respondents suggested agreeing responsibilities of the Department and other trade related MDA staff clearly to avoid duplication of responsibilities.* *Also, the development of a trade policy document which clearly identifies a coordinating agency and provides it with the required institutional backing.*
Human Resources	This section assessed staff adequacy in the Department in terms of quantity and technical competence to ensure its optimum performance and readiness for the AfCFTA implementation. Overall, the staff count, practical experience and competence were considered inadequate. However, there was need for more practical experience and skills to improve competence on the job.

	The respondents were satisfied with the management and leadership style of the Department. However, a few respondents indicated that feedback from staff and other stakeholders is not obtained by Management at regular intervals. **Knowledge, Skills and Competences Required** Respondents indicated the need for a broad range of knowledge, skills and competences to perform their functions efficiently. Some respondents also indicated that the skills and competences highlighted below were in short supply: • Data analysis • Communication skills • Business writing • Foreign language skills **Learning and development programmes required by staff** Respondents provided a list of training programmes they required to enhance their job performance. They include programmes focused on the following: • AfCFTA prospects and challenges • Trade policy formulation and interpretation
	Recommendation: *Training and development required by staff should be prioritized in preparation for the AfCFTA implementation*
Infrastructure	**Facilities in the department** Respondents indicated the main facilities and tools that they required to effectively carry out their duties. The items mostly included office equipment (laptops, printers, scanners etc.), network infrastructure and capital infrastructure (alternative power supply such as solar power).
	Recommendation: *Adequate financial resources should be channeled toward acquiring supporting capital assets.*
Culture and collaboration	The focus here was on the views of the staff on basic values in the Department, existence of clear rules to guide action, work climate, exercise of power and cooperation among the workforce. The respondents opined that there was commitment to basic values and there were clear rules to guide conduct. The work climate, exercise of power and cooperation between the various levels of staff and divisions were also rated highly.

Nigerian Association of Chamber of Commerce Industry Mines and Agriculture

NACCIMA is a foundation member of the Federation of the West African Chambers of Commerce which provides the common platform for economic operators in the West African sub-region. The principal objective of the Association is ensuring the creation of a conducive atmosphere for the pursuit of commerce, industry and all other forms of economic activities of interest to the private sector.

General functions of NACCIMA

- Ensuring the creation of a conducive atmosphere for the pursuit of commerce, industry and all other forms of economic activities of interest to the private sector.
- The promotion, protection and development of all matters affecting business.
- Contribution of ideas for the overall economic stability of Nigeria.
- Encouragement and promotion of Nigeria's private sector.
- Provision of a network for national and international business contacts and opportunities

Capacity assessment and recommendations for NACCIMA

Institutional capacity	According to respondents, the major challenges experienced by the Agency include the following; • Lack of data on the existing policies • Poor consultative processes to obtain stakeholders' views during policy formulation • Regional politics as well as corruption and rent-seeking behaviors among public and private sector stakeholders
	Recommendation: *To address these challenges, respondents suggested focusing on;* • *Empirical-based advocacy to promote the monitoring and review of policies* • *Increase efforts to improve awareness among stakeholders including organizing more stakeholders' consultations*
Systems and Processes	The systems and processes of NACCIMA is rated fairly well by respondents. The agency's core work and support processes are clearly defined, and responsibilities clearly allocated. Tasks and responsibilities are also distributed logically. However, structures and processes are burdensome to stakeholders. The organization of work, its results and key decisions are not appropriately documented. Other challenges relating to the Agency's systems and processes include lack of resources, manual processing and apathy to target beneficiaries.

	Recommendation: *Respondents suggested automating the Agency's data gathering and analysis process as well as introduction of information distribution through real time notifications.*
Human Resources	It is pertinent to adequately staff the agency in terms of quantity and quality to ensure its optimum performance and readiness for the AfCFTA implementation. We sought the views of staff on the adequacy of staff in terms of number, quality as well as competence to carry out their functions. Overall, the existing staff were considered to be adequate in number. However, there was need for more practical experience and skills to improve competence on the job. With regards to the Agency's management, the respondents were satisfied with the style of management and leadership. **Knowledge, Skills and Competences Required** Respondents indicated a need for a broad range of knowledge, skills and competences to perform their functions efficiently. Some respondents also indicated that these knowledge, skills and competences gap highlighted below: • Technical application of International Trade Laws and Processes • AfCFTA Agreement, Protocols, Articles and Annexes **Learning and Development Programmes Required by Staff** Respondents provided a list of training programmes they required to enhance their job performance. These include the following: • Interpretation and application of Rules of Origin • Trade Remedies and Safeguards • Trade dispute settlement procedures • Global International Commerce Terms (Incoterms) training • Certified Trade Finance Professional (CTFP)
	Recommendation: *Training and development required by staff should be prioritized in preparation for the AfCFTA implementation*
Infrastructure	**Facilities in the department** Respondents indicated the main facilities and tools that they required to effectively carry out their duties. The items mostly included office equipment such as laptops, printers and network infrastructure to support the changing work ecosystem as highlighted by the current COVID 19 pandemic.

	Recommendation: *Adequate allocation of financial resources should be channeled towards critical capital expenditure required to facilitate service delivery.*
Culture and collaboration	The focus here was on the views of the staff on basic values in the Agency, the existence of clear rules to guide action, work climate, exercise of power and cooperation among the workforce. The respondents opined that there was commitment to basic values and there were clear rules to guide conduct. The work climate, exercise of power and cooperation between the various levels of staff and divisions were also rated highly.

The Small and Medium Enterprises Development Agency of Nigeria

The Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) was established by the SMEDAN Act of 2003 to promote the development of the MSME sector of the Nigeria Economy. The Agency positions itself as a one-stop shop for MSMEs' development. The Agency's mission is to facilitate the access of micro, small and medium entrepreneurs as well as investors to all resources required for their development.

Capacity assessment and recommendations for SMEDAN

Institutional capacity	According to respondents, the major challenges experienced by the Agency in carrying out its mandate include; • Inaccurate MSMEs' database due to the lack of a central national MSME database • Ambiguity of timelines with respect to the Agency's projects • Difficulty in getting support from promoters • Corrupt practices promoting deficit in the awareness of policy development and changes • Inefficient port processes that stifles implementation of trade policies
	Recommendation: *To address these challenges, respondents suggested;* • *Prioritizing stakeholders' buy-in and building trust with them* • *Outsourcing data gathering processes* • *Developing clearly structured and mandated objectives* • *Organizing more stakeholder consultations*
Systems and Processes	The systems and processes of SMEDAN were rated fairly well by respondents. The Agency's core responsibility and support processes are clearly defined and allocated. Tasks and responsibilities were distributed logically. However, structures and processes are burdensome to stakeholders and key documents are not filed systematically and cannot be readily accessed by the relevant individuals. Other challenges relating to the Agency's systems and processes include; • Inadequate funding • Poor work attitude • Lack of pre-determined timelines • Premature termination or reversal of initiated projects

	Recommendation: *The agency should conduct a diagnostic review of its processes with the objective of eliminating redundant or duplicative processes and seek ways to optimize them. Furthermore, there is need to invest in automating processes to improve efficiency.*
Human Resources	This section assessed staff adequacy in the Agency in terms of quantity and technical competence to ensure optimum performance and readiness for the AfCFTA implementation. Overall, the existing staff count, practical experience and on-the job skill were considered to be inadequate by respondents. With regards to the Agency's Management, the respondents were satisfied with the style of management and leadership. However, a recurring issue was the lack of effective feedback from stakeholders and lack of incentives for positive behavior. **Knowledge, Skills and Competences Required** Respondents indicated a need for a broad range of knowledge, skills and competences to perform their functions efficiently. Some respondents also indicated that these skills and competences highlighted below were in short supply: • Policy strategy (formulation, monitoring and evaluation) • Data analysis • Presentation and communication • Interpersonal skills **Learning and Development Programmes Required by Staff** Respondents provided a list of training programmes they required to enhance their job performance. They include the following: • Export trade facilitation • Leadership and change management • Business process improvement • Strategic planning
	Recommendation: *Technical capacity building for staff in areas indicated as well as on the AfCFTA Agreement, Protocols, Articles and Annexes should be prioritized.*
Infrastructure	**Facilities in the department** Respondents indicated that the main facilities and tools required to effectively carry out their duties include office equipment (laptops, printers, etc.), capital equipments (staff bus for field visit and other business development activities) and IT infrastructure (optimized information management system).

	However, respondents opined that available infrastructure and facilities were inadequate and relatively outdated, posing challenges to effective performance. ***Recommendation:*** *Capital investment should be channeled towards the provision of basic office equipment, network infrastructure and other capital assets which will assist to improve the Agency's efficiency*
Culture and collaboration	The focus here was on the views of the staff on basic values in the agency, existence of clear rules to guide action, work climate, exercise of power and cooperation among the workforce. The respondents indicated that there was commitment to basic values and there were clear rules to guide staff conduct. However, despite indicating that the overall work culture was fair, respondents noted that the work climate, exercise of power and cooperation between the various levels of staff and divisions may sometimes be disjointed and incoherent. The overall score on culture was fair.

5. General and pervasive issues to address

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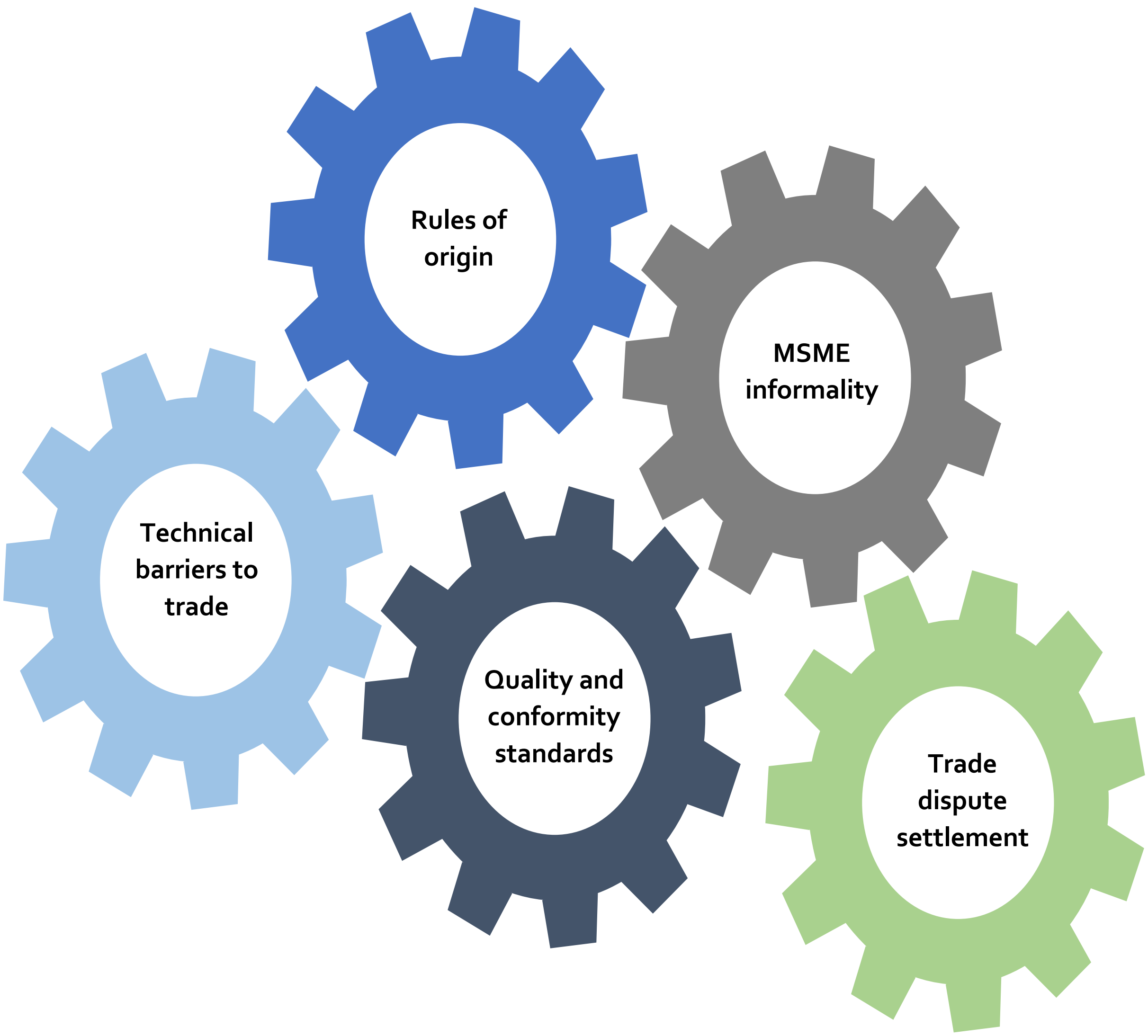
Summary of section 5 – General and pervasive issues to address

Beyond the issues directly impacting the ability of Nigeria's trade in goods and services, other pervasive and legacy issues exist that must be addressed for effective implementation of the AfCFTA in Nigeria.

Due to their ambiguity and relative complexities, these issues directly impact the efforts and initiatives aimed at improving the existing trade ecosystem and they, to a large degree, determine the yield and impact of these recommended strategies.

These pervasive issues include:



A. **Rules of origin:** This sub-section presents a summary of the key provisions of the AfCFTA Annex on Rules of Origin and highlights the importance of RoO to the success of AfCFTA. The sub-section also presents an outline of the differences between AfCFTA and ECOWAS Rules of Origin. In addition, the sub-section presents a discussion on the current status of Nigeria's trade defense infrastructure citing the lack of it and provides key recommendations for effective implementation of RoO. Finally, the sub-section concludes with a discussion on the role of technology in the implementation of Rules of Origin.
B. **MSME Informality:** This sub-section spells out a number of contextual issues around MSME informality that need to be adequately addressed in order to enhance the chances of success of AfCFTA. The sub-section also highlights lessons learnt from formalization schemes across other African countries. Finally, the sub-section concludes with a summary of recommendations to improve the rate of business formalization in Nigeria.
C. **Technical barriers to trade**: This sub-section presents a summary of the key provisions of the AfCFTA Annex on TBT and discusses the recently implemented AfCFTA non-tariff barriers online mechanism. The sub-section also discusses Nigeria's most imposed non-tariff measures based on findings from World Integrated Trade Solution NTM database. Finally, the sub-section concludes with a summary of key issues in Nigeria's regulatory frameworks for technical barriers to trade and initial recommendations.
D. **Quality Infrastructure:** This sub-section reviews the key objectives of the Nigerian National Quality Policy Plan and Action. The sub-section also discusses the role of private sector in the development of quality infrastructure. Finally, the sub-section concludes with a summary of recommendations on how to improve Nigeria's quality infrastructure.
E. **Trade dispute settlement:** This sub-section discusses the dispute settlement mechanisms under AfCFTA and WTO TFA highlighting the challenges experienced in practice. The sub-section also reviews the processes adopted by South Africa and then proposes recommendations for Nigeria. Lastly, the sub-section concludes with a summary of recommendations and action steps to improve the dispute settlement process in Nigeria.

Key highlights

- Dumping and unfair trade practices has been highlighted as one of the main issues facing Nigeria in implementing the AfCFTA. Some of the recommendations to address this issue includes establishment of a Trade Defense department, fast track the implementation of the National Trade Policy, develop a whistleblowing system among others.
- In addition, the low level of formality of MSMEs in Nigeria's trade ecosystem is another issue that limits their ability to upscale and access funding. Recommendations to improve the rate of business formalization in Nigeria include nationwide sensitization, leverage technology to speed up the process of registration and utilization of incentives such as linking outgrower schemes to formalization schemes, among others.
- Some of the key issues in Nigeria's regulatory frameworks for technical barriers to trade include complex multi-agency regulatory mandates, need for the alignment of national and international standards, among others. Recommendations to address these issues include consolidation of multiple regulators where possible, alignment of domestic standards with global standards as well as collaboration with the private sector, among others.

- Poor quality and lack of conformity assessment with prescribed production standards has been identified as a major limitation to the market competitiveness of Nigerian products. The major recommendations include fast tracking the implementation of the National Quality Policy, streamlining and benchmarking the Nigerian Standards to general and specific international export markets as well as promote accreditation of testing labs.
- The implementation of AfCFTA is expected to result in increased intra-African trade thus creating the need for trade dispute settlement mechanism. Some of the proposed solutions include the use of arbitration panels to deliberate on trade remedy and dispute cases and development of a KYC platform alongside key stakeholders such as NACCIMA, MAN and MSME groups.

A. Rules of Origin (RoO)

RoO relates to criteria needed to determine the country of origin of goods in order to establish which products are eligible to receive preferential tariffs. According to UNCTAD, "RoO are like a passport for a product to enter a free trade area and circulate without being imposed a duty"[63].

The RoO typically define the class of goods, method of assessing origination, conditions under which goods will not be considered for preferential tariff treatment (insufficient processing and insufficient operations), method needed for claiming preferential status (through the presentation of a Certificate of Origin or Origin Declaration), the options available to the importing economy to withdraw preferences if it suspects, or has established, that goods entering its territory were falsely claimed to have originated within the Agreement.

Rules of Origin and intra-African trade

The core of the AfCFTA is to provide State Parties with preferential access, relative to Third parties, to the markets of other State Parties and, in so doing, support regional trade in intermediate and final goods. To ensure that the tariff preferences derived from the AfCFTA benefit only goods made in State Parties, the RoO specify the criteria and conditions for a product to be considered "made in" a State Party.

RoO are designed for two main purposes:

1. To ensure that preferential access accrue only to originating products from State Parties and to avoid tariff circumvention and trans-shipment by Third parties
2. Implement provisions of the protocol of Trade in Goods to ensure that there are transparent, clear and predictable criteria for determining eligibility for preferential

RoO is fundamental to preferential trade liberalization and is critical to the development of the AfCFTA. There can be no economic benefits accruing to State Parties unless the RoO are properly defined and credibly enforced.

The effectiveness of RoO in delivering economic benefits to State Parties under AfCFTA depends on a range of factors such as cost competitiveness in sourcing inputs among other State Parties compared with sourcing from Third Parties i.e. if costs of locally sourced materials are high, then manufacturers would prefer to source materials from a Third Party treatment and pay applicable tariffs rather than enjoy the benefits of AfCFTA.

Summary of the key provisions of the AfCFTA Annex on Rules of Origin[64]

Key considerations	Details
Article 2- Purpose	• The purpose of this Annex is to implement provisions of the Protocol on Trade in Goods concerning RoO and to ensure that there are

[63] Made in Africa – Rules of Origin for Enhanced Intra-African Trade, UNCTAD 2019
[64] AfCFTA Treaty

	transparent, clear and predictable criteria for determining eligibility for preferential treatment in the AfCFTA.

Articles 4, 5 and 6 - Origin conferring criteria	• A product will be considered as originating from a State Party if it falls within these two broad categories:
	  • Wholly obtained; meaning entirely produced, such as natural, mineral, animal and plant products.
	  • Undergone substantial transformation in the State Party; meaning sufficiently worked or processed according to any one of the following criteria
	    • Value added
	    • Non-originating material content
	    • Change in tariff heading
	    • Specific processes

Article 7- Working or processes not conferring origin	• There are some operations that are insufficient to confer originating status, such as preservation, assembly, cleaning, etc. • Thus, simple operations that neither require special skills or machines nor change the product's essential characteristics or properties are specifically excluded from preferential treatment.
Article 9 - Goods produced under Special Economic Zones (SEZs)/ Arrangements	• Products produced in SEZs should be treated as originating goods provided that they satisfy the necessary originating criteria including transformational criteria.

Article 17- Proof of origin	• Originating products should benefit from preferential treatment at the submission of either of the following:
	  • Certificate of Origin, whether in hard or electronic copy
	  • Origin Declaration, given by the exporter for products exceeding $5,000; in an invoice, a delivery note, or any other commercial document, which describes the products concerned in detail to enable them to be identified.

Article 20, 21, 32,35 and 36, Obligations of designated Competent Authorities	• **Granting of Approved Exporter Status**: The designated Competent Authorities is responsible for granting and withdrawing the status of Approved Exporter to any exporter that frequently exports goods and has a track record of compliance with the provisions of AfCFTA's RoO.

	The Approved Exporter can make Origin Declaration regardless of the value of the products. • **Issuance of origin declaration**: The Competent Authorities also approve origin declaration by approved categories of exporters. • **Issuance of Certificate of Origin**: The designated Competent Authorities must issue a Certificate of Origin upon application by an exporter and submission of all appropriate documents proving the origin of the products, among other requirements before exportation or issue it retrospectively upon application by exporters. • **Verification of proof of origin**: The Customs Authority should carry out random or risk-based verification of proof of origin through inspection of the exporter's accounts, checking the description of products to avoid possibility of fraudulent additions, among others. • **Preservation of records**: The designated Competent Authorities should maintain records of Certificate of Origin both received and issued for at least five years. • **Mutual Assistance**: Custom Authorities should assist each other in verifying the authenticity of the Certificate of Origin and verifying the stated information • **Financial considerations**: The Custom Authorities shall bear the cost of operation and administration of the verification process. The Custom Authorities can charge fees for import or export inspections which shall not exceed the recovery of the costs reasonably incurred in the conduct of the inspection.
Article 40- Dispute settlement mechanisms	• Disputes arising from the interpretation and application of the RoO shall be settled in accordance with the Protocol on Rules and Procedures on the Settlement of Disputes.
Article 8- Cumulation of origin within the AfCFTA	• State Parties to the Agreement are regarded as a single territory. • As such, raw materials or semi-finished goods originating in any of the State Parties and undergoing work or processing in another State Party are deemed to have originated in the State Party where the final processing or manufacturing takes place. • So, for example, materials originating from Ghana, Niger, and Chad but processed into a product in Nigeria are deemed to have all originated in Nigeria for the purpose of determining the origin of the final product.

Precise Rules of Origin being negotiated	• Value addition thresholds subdivided into general and product-specific criteria • From stakeholder engagement, we noted that the value addition criterion has been agreed to be 35% flat across all products.

Source: AfCFTA Treaty

Divergence between AfCFTA and ECOWAS Rules of Origin

Nigeria has taken the regional approach in its negotiations of AfCFTA RoO, with the aim of leveraging the collective power and influence of ECOWAS. ECOWAS is negotiating based on its own RoO principles as stated in the ETLS scheme; however, some of the differences between ECOWAS RoO and the AfCFTA RoO has led to disagreements between Nigeria and ECOWAS. Treatment of goods in SEZs is an example of one of such issues.
The major differences between AfCFTA RoO and ECOWAS RoO are highlighted below:

- **Treatment of goods produced in free trade zones or under special economic regimes:** The ECOWAS Protocol expressly disqualifies goods produced in free trade zones or under special economic regimes from being treated as originating goods while AfCFTA currently allows this subject to REC negotiations.
- **Acceptable proof of origin**: Although, both systems recognise the use of Certificate of Origin, only the AfCFTA recognises the use of electronic certificates of origin, and the practice of making an origin declaration by certain categories of exporters as a substitute for a certificate of origin.
- **Principle of de minis:** In contrast to ECOWAS, AfCFTA allows a consignment below a certain threshold ($5000) to be exported without a Certificate of Origin.
- **Additional obligations on Custom Authorities (CA):** AfCFTA specifies obligations for the exporting country to verify the claims made by the exporter upon which the Certificate of Origin is issued. Additional obligations include authenticating the certificate and verifying compliance by the exporting country when requested to do so by the importing country. These additional obligations serve as better safeguards against abuse.
- **Dispute settlement mechanism**: The AfCFTA system is a stronger legal regime providing settlement options through a dispute settlement body and alternatively through arbitration process while the ECOWAS system follows a more political approach. The weak mechanism for dispute settlement under the ECOWAS protocol was a major contributing factor to the lack of adherence to the RoO by ECOWAS Member States.

Source: Oxford Policy Management's AfCFTA *Ratification study.*

Trade Defense Structures – Nigeria's current status

Nigeria has no trade defense infrastructure. Hence, Nigeria has never initiated any anti-dumping measure, safeguarding or countervailing measure. This constitutes a great risk for Nigeria relative to other nations including South Africa and Egypt that have strong trade defense mechanisms in place, as AfCFTA could potentially further expose Nigeria to more transshipment and smuggling of goods from Third Party countries such as the prevalence of rice smuggling from Benin.

Currently, Nigeria adopts the Harmonized System code (HS-code) and value-added percentage test for determining the origin of products under the tenet of ECOWAS CET. This involves using globally accepted HS codes grouped by the degree of processing (the farther into the HS heading, the more processing that product has undertaken) and destination details filled by the Nigerian importer in the required Certificate of Origin respectively.

For HS-codes, unless the RoO specify otherwise, any change in the level of classification of the product at the heading level should be sufficient to confer origin on that product in the country where that change last occurred.

However, the value-added approach is generally regarded as a simpler concept but is more difficult to implement. This is due to the heavy demands on data and calculations made by value-added rules and the level of reliance placed on the producer/exporter in the calculation of the component cost.

Value-added rules lack predictability because changes in factors outside the control of a firm such as exchange rates, transport cost, etc. can impact calculation and lead to different determination of origin.

However, despite its limitations, the value-added approach remains the most cost-effective model of verification compared to the other methods such as the specified process test, which aims to define a production or sourcing process which confers originating status and requires Customs Authorities to conduct technical test on such products.

A summary of the key recommendations for effective implementation is provided below:

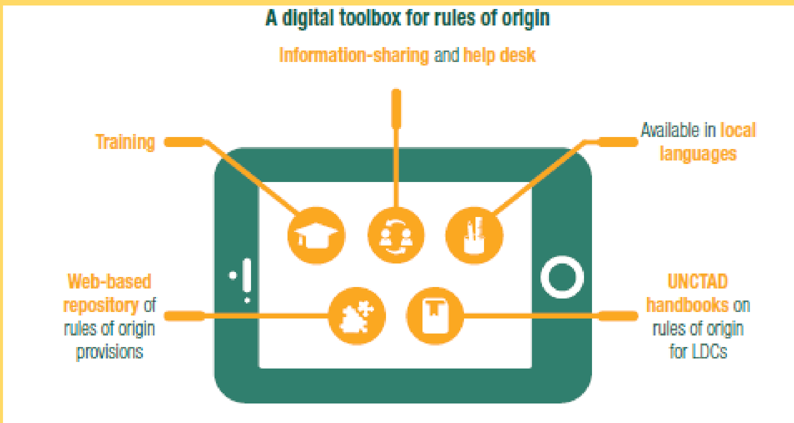
Recommendation	Stakeholders	Action steps	Timeline
Establish the Trade Defense department	➢ FGN, FMITI, NOTN, NEPC, SMEDAN NACCIMA, MAN, NABG	➢ Facilitate the passing of the Trade Defense Bill which empowers a Trade Defense department and provides a clear mandate for the unit ➢ Host periodic (e.g.) quarterly stakeholder meetings in each geopolitical zone, highlighting importance of adhering to the RoO and other anti-dumping procedures of the AfCFTA. Participants should include MDAs, Trade Associations, Chambers of commerce, MSMEs, etc. ➢ Official communication on final determination on alleged	➢ Quick win

		dumping to the public {Monthly or quarterly gazette.	
Trade policy	➢ FGN, NCS and FMITI	➢ Expedite passage of the legislative bills and policy including the Customs and Excise Management Bill 2013 and the National trade policy document ➢ Conduct capacity building programme for Customs officials particularly on RoO and trade transparency.	➢ Short term
Whistleblowing system	➢ *Trade Defense department, NCS, NEPC, NACCIMA, MAN, NABG	➢ Implement a whistleblowing system with MAN, NABG, NACCIMA and other private sector groups which facilitates the reporting of dumping activities by other stakeholders within/outside Nigeria ➢ Establish an investigative procedure for the Trade Defense department which includes an official notice to the exporter/importer and opportunity for appropriate response to be garnered.	➢ Short term
Other safeguards	➢ NCS	➢ 10% additional tariff penalty on products which do not meet required RoO quotas upon further investigation following an accusation of dumping practice. ➢ Impose import quota and temporary restrictions on individual importers /exporters with multiple cases of dumping practice. Such quotas & restrictions should be made public.	➢ Short term

The role of technology in implementation of Rules of Origin

The increasingly rapid diffusion of information and communications technology innovations in Africa makes implementation and awareness raising easier. Therefore, increased emphasis should be placed on using modern technology, including online training programmes, information-sharing tools and help desks. In addition to these, FGN should consider providing an online RoO toolbox in local languages.

Research is ongoing as to the use of blockchain application to facilitate trade by digitizing Certificates of Origin. A major advantage of blockchain is added level of transparency that it provides which reduces the risk of false declarations to obtain lower tariffs.



Source: Made in Africa

B. MSME Informality

- MSMEs in Nigeria generally report low level of formality and this serves as the genesis of their inability to upscale and share in the benefits of the economy. Due to their informality, a wide group of MSMEs are disenfranchised from most policies of the organised private sector and initiatives of the government aimed at their development.
- The dominance of informal operators within the MSME ecosystem is not a problem unique to Nigeria, or even the African continent. Globally, due to several reasons including business size, lack of awareness and tax evasion, many MSMEs opt to remain unregistered. According to the FAO, informal MSMEs account for 70% of employment and about 30-40% of international cross border trade in Sub-Saharan Africa.
- As expected, the government typically disapproves of informal activity as it results in revenue losses, and the difficulty of regulating such activities can often lead to negative effects on overall economic growth as a huge portion of economic participants are segregated from government policies and initiatives. Nevertheless, the integration of the informal business operators either through formal or semi-formal schemes is crucial for Nigeria to maximize economic benefits from this sector.
- Over the past few years, Nigeria has employed semblances of Colombia's "Formalization Law" (Law 1429 of 2010) by seeking to enhance the transition of the informal to formal sector through cost reduction and simplification of the documentation process for registration. These initiatives, led by PEBEC, have seen Nigeria rise 39 places on World Bank's Ease of doing business ranking between 2016 and 2020.
- Efforts of the FGN aimed at integrating the group into formal economy such as the subsidized cost window seems to have slightly improved the sector over the last two years; however, this has also been scuppered by the general lack of awareness of the process by MSMEs (39% of unregistered MSMEs indicated limited knowledge of the process as the major reason they have remained informal[65]).
- The general lack of awareness of these initiatives such as the subsidized registration costs, and the simplified registration process have resulted in MSME's using consultants for business registration which ultimately increases the cost burden and negates the overall purpose of these initiatives.
- Awareness on the need for formalization is the major strategy employed by the South African Development Community (SADC), as it consistently deploys sensitization tools for its Member countries and their constituents on the advantages of formalizing their business and the process of formalization
- In other formalization schemes across Africa, the COMESA (comprising members of EAC and SADC) has implemented a Simplified Trade Regime (STR) which acknowledges the presence and importance of informal traders in the region. The STR accommodates continuance of such trade within a threshold of $1,000 on a duty-free basis across the region without key registration documentation, thereby facilitating the income of these traders by eliminating the lengthy customs procedure and compliance requirements. This initiative provides:
    1. Incentives for a small trader to register, in a bid to expand over and above its current $1,000 threshold

[65] EY – Export Diversification Study 2020

2. Adequate data capturing of the contribution of informal traders to the region's total trade {in particular, Uganda seeks to use this data to formulate policy framework to guide informal trade activities where quality control and value addition issues take precedence to enable the traders earn more revenue}

Lastly another initiative deployed in East-Africa was a semi-formalization scheme which creates a link between large enterprises and small-scale farmers in form of an aggregation network. Through the aggregation network, large enterprises provide small-scale farmers with market information, off-take agreements and value-chain finance/inputs in exchange for the small-scale farmers' production volume. Through this network, the farmer is directly integrated into a formal economy despite being an informal entity on its own. This relationship on one hand, helps the larger firms secure their supply chain, monitor required standards of production and quality of seeds, while the small informal farmer receives access to market information including standards and quality conformity support, potential access to finance and secured production offtake.

This out grower scheme recommended for export capacity development can also be used to stimulate formalization in Nigeria; given similar relationships currently exist in the Nigerian economy with Tiger Foods, Dangote and Olam; which are large enterprises in some form of partnership with small scale producers across several value chains such as sugar, ginger, tomato, etc.

We recommend the following to improve the rate of business formalization in Nigeria:

Recommendation	Stakeholders	Action steps	Timeline
Nationwide sensitization	➢ SMEDAN, CAC	➢ Engage CAC and SMEDAN to pool resources towards sensitization of MSMEs on the need for registration ➢ Contract a media consulting firm to develop an inclusive public media advertising strategy. ➢ Host periodic such as quarterly stakeholders' meetings in each geopolitical zone; highlighting need of business registration and opportunities available to the registered business. Participants should include MDAs, Trade Associations, Unions, MSMEs, etc. ➢ Include subsidized cost strategy in sensitization materials ➢ Synchronize registration with SMEDAN's MSME database	➢ Short term
Leverage technology tools	➢ SMEDAN, CAC	➢ Engage CAC and SMEDAN on a joint effort to update the SMEDAN e-portal to a robust, but user-friendly online application. ➢ The e-portal should be enhanced to be a "one-stop	➢ Short term

		shop" that captures information that meets the basic requirements for business registrations and qualification for public procurement and government intervention funds. ➢ Engage a consultant to develop a "mobile App" version of the e-Portal. ➢ Include the SMEDAN e-portal and the mobile app in the sensitization materials	
Other demand-incentive pull	➢ NEPC, BPP, CBN, NACCIMA, NABG, and other organized private sector groups	➢ Linking outgrower schemes to formalization schemes using the increased (guaranteed) product demand as incentive for registration. ➢ Target the outgrower schemes with government procurement opportunities as well as other international market opportunities from trade missions	➢ Short term

C. Technical barriers to trade

Exporting enterprises often incur additional costs as they adapt their production to the changing legal requirements of the recipient country. Such requirements can thus create technical barriers to trade and discrepancies between product rules adopted by different countries. These involve numerous aspects such as weight, size, packaging, ingredients, mandatory labeling, shelf-life conditions, testing and certification procedures.

The Technical Barriers to Trade (TBT) Agreement aims to ensure that technical regulations, standards, and conformity assessment procedures are non-discriminatory and do not create unnecessary obstacles to trade.

Summary of the key provisions of the AfCFTA Annex on TBT[66]

Annex 6 on technical barriers to trade (TBTs) adopts the WTO definition, incorporating standardization, technical regulations, conformity assessment procedures, accreditation, and metrology (Article 2(2)), and confirms that the WTO TBT Agreement forms the basis for the Annex (Article 3(1)), meaning that AfCFTA State Parties that are non-WTO Members have adopted the WTO TBT Agreement by reference.

Other considerations include:

- Articles 4–12 which enjoins State Parties to adhere and implement WTO and other relevant international standards where they exist, and African cooperative mechanisms in order to pursue development of standards where none exist, with a view to establishing such at the multilateral level.
- Article 13 establishes the Sub-Committee for TBT, reporting to the Committee on Trade in Goods, the purpose of which is to oversee implementation of the Annex as well as to promote cooperation amongst the State Parties on matters pertaining to TBT, whether at AfCFTA or multilateral levels.

AfCFTA support programme to eliminate non-tariff barriers

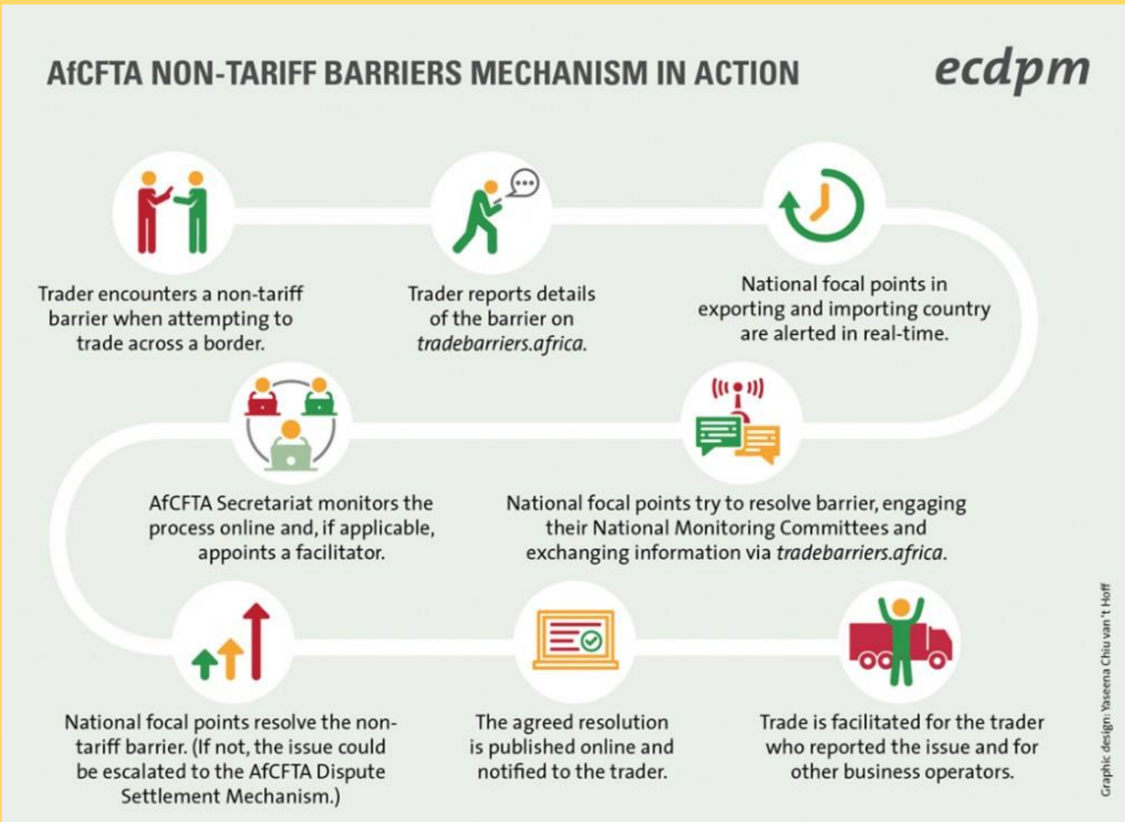
Non-tariff barriers are restrictive regulations and procedures, other than tariffs, that add to the difficulty and cost of importing or exporting products. Non-tariff barriers in Africa are high and prevalent, representing a critical obstacle to trade. Non-tariff barriers can be classified in three broad categories:

(i) Non-tariff trade measures (NTMs)
(ii) Infrastructure gaps
(iii) Other trade-related transactions costs

African nations recognize the significance of non-tariff barriers and have adopted an Annex to the AfCFTA Agreement specifically dedicated to eliminating non-tariff barriers. The 'non-tariff barriers Annex' mandates the establishment of a mechanism for the identification, categorization and elimination of NTBs.

66 AfCFTA Business guide

The African Union has collaborated with UNCTAD to develop and implement an online mechanism (https://tradebarriers.africa/) for reporting, monitoring and eliminating trade barriers. The private sector can directly report trade obstacles on the portal. The NTB complaints are directly sent to formally nominated government officials (National Focal Points) who monitor and eliminate the barriers. National Focal Points were trained on the use of the system and implementation is ongoing. The NTB online mechanism implements the AfCFTA Protocol on Trade in Goods Annex on Non-Tariff Barriers. The online mechanism was launched by African Heads of State at the Extraordinary Summit of the African Union on 7 July 2019 in Niamey, Niger.



Source: https://unctad.org/project/afcfta-support-programme-eliminate-non-tariff-barriers-increase-regulatory-transparency-and

Nigeria's most imposed non-tariff measures

Measure	NTM Coverage Ratio	NTM Frequency Ratio	NTM affected product - Count
Pre-shipment inspection	83.68	74.49	3402
Labelling requirements	20.62	18.13	828
Authorization requirement for TBT reasons	19.23	19.49	890
Registration requirement for importers for TBT reasons	17.69	14.32	654
Restricted use of certain substances in foods and feeds and their contact materials	11.2	10.2	466
Registration requirements for importers	9.67	10.18	465
Tolerance limits for residues of or contamination by certain (non-microbiological) substances	9.67	10.18	465
Special Authorization requirement for SPS reasons	9.63	9.98	456
Product registration requirement	9.36	9.94	454

Source: World Integrated Trade Solution NTM database

- Findings from World Integrated Trade Solution NTM database shows that pre-shipment inspection constitutes a huge burden on both importers and exporters with an NTM Coverage Ratio of 83.68. This burden can be eased by the introduction of scanners at ports and trade entry points as opposed to the manual system currently in use. The launch of the E-customs project by the FGN is expected to help streamline the trade process and make it less burdensome for traders.
- Labelling requirements are also one of the most frequently occurring TBT measures with an issue count of 828. Compliance with labelling requirements particularly in Nigeria is made even more difficult due to obstacles including time constraints, information/transparency issues, high costs related to compliance, among others.
- Authorization requirement for TBT reasons relates to the requirement that importers should receive authorization, permit or approval from a relevant government agency for non-economic, non-SPS reasons. For example, imports of drugs must be authorized by NAFDAC in Nigeria. Implementation of the National Quality Policy would help to streamline such approval processes and would help to reduce the burden of this NTM on trade participants.

Key issues in Nigeria's regulatory frameworks for technical barriers to trade and initial recommendations

Key issues	Stakeholders	Details	Recommendations	Timeline
Lack of legislative framework and technical regulations	FGN, FMITI, SON, NAFDAC	Nigeria lacks technical regulations in some sectors (mostly non-oil sectors) to protect consumers and provide safeguards to domestic industries against imports.	• Review outdated legislations and develop additional necessary regulations • Increase supporting infrastructure for standards development	• Short term
Complex multi-agency regulatory mandates	FGN, FMITI, SON, NAFDAC, NCS	Nigeria's regulatory framework is complex due to the large number of regulatory bodies under various ministries. The multi-agency regulatory framework coupled with overlapping functions and responsibilities leads to a convoluted trade environment and a situation where there is duplication of document submission.	• Create synergy between standard-setting bodies and domestic regulators • Bolster coordination between Federal and State and Government institutions • Consolidate multiple regulators where applicable	• Medium term
Alignment of national and international standards	SON, NAFDAC, NCS, NACCIMA	Nigeria is yet to fully integrate its domestic standards with global standards which causes issues in exportation of goods.	• Align national standards with global standards through collaboration	• Medium term
Enforcement of standards	NCS, FGN, SON, NAFDAC, FMITI, SMEDAN	Several factors negatively impact the effective enforcement of regulations in Nigeria, including a weak enforcement infrastructure at both State and Federal levels, inadequate testing agencies, shortage of inspectors, lack of skilled personnel, non-uniformity of enforcement, and non-availability of information.	• Increase supporting infrastructure for standards development • Provide technical regulations on trade portals • Strengthen national accreditation bodies through capacity development • Establish a joint task force to address procedural and registration-related hurdles	• Medium term

Lack of Information	FMITI, NCS, NACCIMA	The availability of information on regulations and procedures of other countries is critical not only for exports, but also for imports; as well as for identifying strategic changes needed in the national, regional, and global regulatory environments.	• Improve access to information on TBT measures of trading partners and other countries	• Medium term

D. Quality Infrastructure

The National Quality Infrastructure is taken as the totality of the institutional framework (public or private) that requires an establishment and implementation of standardization, metrology (scientific, industrial and legal), accreditation and conformity assessment services (inspection, testing as well as product and system certification) necessary to provide acceptable evidence that products and services meet defined requirements, be it demanded by authorities (technical regulation) or the market place (contractually or inferred).

Review of the Nigerian National Quality Policy Plan and Action[67]

Background

- A major limitation to the market competitiveness of Nigerian products is the poor quality and lack of conformity assessment with prescribed production standards. This specific problem is multi-faceted as it is the combination of issues including:
    - Lack of inter-agency collaboration
    - Limited quality infrastructure which is evident by the limited number of testing laboratories
    - Information gap between regulating agencies and traders
    - Inadequate capacity of MSMEs to comply with prescribed standards, due to attendant cost implications.
- The quality of Made-in-Nigeria goods has been a recurrent challenge in Nigeria's drive towards industrialization and also poses a serious threat to the health and safety of its consumers. This triggered the urgent need for a comprehensive Quality Policy and the establishment of a strong and effective regulatory mechanism using accredited laboratories, certification bodies and inspection agencies to control the use of sub-standard products and services in the Nigerian market. Other effects of the sub-optimal quality infrastructure include:
    - Loss of export markets/ trade partners due to dissatisfaction with products from Nigeria
    - Reduced competitiveness of Nigeria's export goods in intra-African and global trade value chains
    - Supply of sub-standard and unsafe products including construction materials and equipment used in factories to Nigerian consumers
    - Large number of export rejections
- In light of this, the FGN sought to develop a National Quality Policy (NQP) of Nigeria which aims at the strengthening/ development of the National Quality Infrastructure (NQI) in order to achieve accelerated economic growth, increase in exports, ensure supply of safe quality products at competitive prices and contribute towards the protection of the environment.
- The National Quality Policy (developed by the standards agencies with the support of UNIDO) seeks to review the roles of all existing trade standards agencies in Nigeria in a bid to eliminate duplication of roles and inspections. The policy also seeks to improve the organized private sector participation in the standards and compliance requirement of trade products by assessing their capacities to create and support conformity assessment bodies (CABs).
- The NQP led to the establishment of the Nigeria National Accreditation Service (NiNAS). NiNAS has been set up to provide nationwide accreditation services for conformity assessment bodies in the private and public sectors.

[67] National Quality Policy Plan and Action

- Other objectives of the policy include:
  - To provide a framework for the establishment of conformity assessment service providers in both the public and private domain, that are, in addition, technically competent
  - To give clear mandates and elaborate a proper division of work regarding the administration of technical regulation measures
  - To provide a national quality promotion strategy that builds on the national quality infrastructure and assists Nigeria's enterprises in becoming globally competitive
  - To support MSMEs to conform to national standards and comply with technical regulations thus enhancing economic growth

Role of private sector in the development of quality infrastructure

- Experiences from other countries have shown that partnerships between government agencies responsible for food safety, animal and plant health and/or trade and the private sector have helped improve capacity to manage sanitary and phytosanitary (SPS) risks.
- Examples of SPS-infrastructure related Public-Private Partnerships that have been implemented in African countries include[68].
  - Provision of laboratory testing services in Uganda which was coordinated by Department of Fisheries and a private laboratory, Chemiphar Laboratory. This project helped to re-open access of fish and fishery products to the EU market.
  - Upgrading sesame production to international standards in Burkina Faso, which was coordinated by GIZ, Maxigrana Ltd. And local sesame producers. This resulted in exports of 45,000 tonnes of sesame seeds (worth 25 million Euros) by Burkina Faso making it the third largest sesame exporter in Africa.
- The adoption and implementation of the Nigerian National Quality Policy Plan is expected to lead to the deployment of Global Good Agricultural Practice (Global GAP) compliance to improve agricultural output quality and productivity[69].
- From review of case studies from other countries, development of GAP schemes has been shown to be either government-led or private sector-led initiatives. The Kenya GAP programme for example was an initiative by stakeholders from the private sector, developed by the Fresh Produce Exporters Association of Kenya (FPEAK) and launched in 1996 and subsequently endorsed by the government[70].
- Given the various constraints in Nigeria's quality infrastructure, Nigeria should consider exploring PPP options to optimize the implementation of SPS measures and develop required quality infrastructure such as testing laboratories.

[68] Standards and Trade Development Facility - Public-Private Partnerships to enhance SPS capacity: What can we learn from this collaborative approach?
[69] Oxford Policy Management: AfCFTA ratification study
[70] National benchmarking against GLOBALGAP; Case studies of Good Agricultural Practices in Kenya, Malaysia, Mexico and Chile. Olga van der Valk and Joop van der Roest (RIKILT)

Recommendations

As at the date of this report, the National Quality Policy has been approved by the Federal Executive Council (FEC) and is to be submitted for subsequent assent which is the next chain of event as Nigeria seeks to pass the policy into law.

Recommendation	Stakeholders	Action steps	Timeline
Streamlining and benchmarking the Nigerian Standards to general and specific international export markets Nationwide sensitization	➢ FGN ➢ Standards Organisation of Nigeria (SON) ➢ NAFDAC ➢ NAQS ➢ NiNAS ➢ FMARD ➢ Other private labs	➢ Prioritise in the adoption and operationalisation of the National Quality Policy ➢ Identify benchmarkable standards using existing relationships with Global Good Agricultural Practice (Global GAP), International Standards Organisation (ISO), British Standards Institute (BSI) etc. ➢ Develop strategic partnership with identified standards organisations ➢ Engage extensive stakeholders' consultation through a joint public-private sector standards committee on the development of local standards benchmarked to identified international standard of choice (e.g. Nigeria GAP) ➢ Conduct extensive sensitization on standards and conformity assessment process for MSMEs and other relevant stakeholders to drive adoption	➢ Short term
Promote accreditation of testing labs	➢ NiNAS and organized private sector bodies	➢ Absorb NiNAS as an agency of the Federal government to ensure sustainability given NiNAS is currently funded by donor agencies ➢ Facilitate adequate budgeting for the agency in order to drive increased private sector investment in quality infrastructure ➢ Employ the use of industrial clusters and export aggregation centers as demand pull for development of centers of excellence for testing labs ➢ Collaborate with AFREXIM and other private sector players to support the development of internationally accredited	➢ Short – Medium term

		African Quality Assurance Centres (AQACs) in Nigeria.	
Facilitate inter-agency cooperation	➢ SON, NAFDAC, NAQS, FMARD	➢ Adoption of the NQP for clear and streamlined roles and activities ➢ Inter-agency collaboration of capacity building programmes for MSMEs ➢ Adoption of digital tools for increased information sharing among agencies to eliminate issues of duplicated testing	➢ Short term

E. Trade dispute settlement

For dispute settlement under AfCFTA, the Agreement proposes a dispute settlement mechanism with jurisdiction to settle disputes arising between State Parties. It shall be administered in accordance with the Protocol on Rules and Procedures on the settlement of disputes in a similar model to the WTO agreement.

This involves the use of AfCFTA secretariat's Dispute Settlement Body – including panels and appellate bodies. However, the Agreement also allows Member States settle trade disputes through arbitration.

However, like the WTO TFA, private businesses do not have the legal status to bring cases to the Dispute Settlement Body, they must request their national authority to initiate proceedings, and there is no certainty that such requests will be successful. This is highlighted by the fact that only 136 of 369 of WTO trade dispute cases reached a successful conclusion over a 13-year period with cases spanning between 12-15 months[71] and also the fact that Nigeria has never recorded a dispute under WTO.

The arbitration route has over time proven to be the cost-effective and faster route for dispute settlement in a liberalized trade environment as it might be better to explore first the alternative solutions available under domestic laws as against the AfCFTA procedures.

As part of its trade remedies mechanisms, South Africa adopts a quasi-judicial process, involving government agencies, private sector and the judiciary which was set up to deliberate on trade remedy and dispute cases.

As part of its trade defense mechanism, Nigeria can deploy a detailed know-your-client (KYC) process which assists traders under the AfCFTA experience a more efficient transaction process and limits the number of trade disputes. A similar KYC process is currently being used by AFREXIM Bank – the MANSA platform used to support trader within the Continent in conducting due diligence checks on potential trade partners through the maintenance of a detailed information bank on these traders.

Recommendation	Stakeholders	Action steps	Timeline
Establishment of a Trade Defense department	➢ FGN ➢ FMITI ➢ NASS	➢ The representative of the Trade defense department should be included in all trade dispute arbitration tribunal ➢ The trade defense department should ensure that agreements from the tribunal are duly enforced and upheld	➢ Medium term
Other dispute limiting processes	➢ NACCIMA ➢ MAN ➢ SMEDAN ➢ FGN ➢ FMITI	➢ Facilitate the development of a comprehensive KYC platform alongside key stakeholders such as NACCIMA, MAN and MSME groups ➢ Facilitate adequate information sharing across public and private sector channels by leveraging cost-effective ICT tools and platforms.	➢ Medium term

[71] https://www.wto.org/english/thewto_e/whatis_e/tif_e/disp1_e.htm

6. Strategy and Recommendations

6. Strategy and Implementation plan

Summary of section 6 – Review of Strategy and Implementation plan

This section presents an overview of various strategies and implementation plans, with a focus on four thematic areas including: improving domestic competitiveness; service export development plans; inclusion of the ECOWAS integration strategy as well as trade remedies and dispute settlement tactics.

- **Improving domestic competitiveness:** This subsection presents a diagnostics of Nigeria's competitive environment; with key focus on three strategic areas for improving domestic competitiveness including product prioritization, logistics and trade enabling systems.
  The subsection also suggests numerous strategies to improve the Nigeria's domestic production with regards to relevant schemes, market study and enumeration of specific governmental agencies which could be tasked to drive the various policies and initiatives. The subsection concludes with recommendations on how to implement and set up the Single Window System.
- **Service export development:** This subsection presents insights on strategies to create an enabling environment for services export with focus on knowledge economy and people logistics. The subsection also provides specific recommendations on how Nigeria can enhance its performance across these areas with resultant improvement in services export competitiveness.
- **ECOWAS integration:** This subsection discusses strategic initiatives that ECOWAS can implement to improve the level of integration based on lessons learnt from other successful RECs. The section also provides recommendations and action steps for consideration which includes one stop border posts and guarantee schemes.
- **Trade remedies and dispute settlement:** This subsection also explains how trade remedy & dispute resolution tactics could aid in protecting local producers against dumping and unfair trade practices; it dives further into the streamlined recommendations on the various mechanisms to protect against dumping including the establishment of a trade defense structure in Nigeria among others.

Introduction

Given the multi-faceted and somewhat systemic challenges faced by the Nigerian trade ecosystem, and ongoing initiatives of the FGN aimed at tackling some of these problems, we have adopted a four-way approach towards formulating our strategy recommendations with a focus on:

1. Improving domestic competitiveness
2. Service export development
3. ECOWAS integration
4. Trade remedies and dispute settlement

We have also highlighted some cross-cutting initiatives across the four categories as they benefit more than one of the focal groups.

Improving domestic competitiveness

This relates to strategies aimed at improving in trade processes and procedures as well optimisation of existing "trade-carrying" and "trade-supporting" infrastructure. These would help alleviate the cost burden on local producers and improve their competitiveness

Service export development

This involves strategic development of key service sectors in order to adequately position Nigeria for AfCFTA Trade in Services. This would involve curating policies and channeling investment to key service enablers – education/innovation.

ECOWAS integration

This relates to strategic initiatives that the West Africa REC can implement given success in other RECs, as well as other trade facilitation structures that can be deployed to benefit the region and Nigeria

Trade remedies and dispute settlement

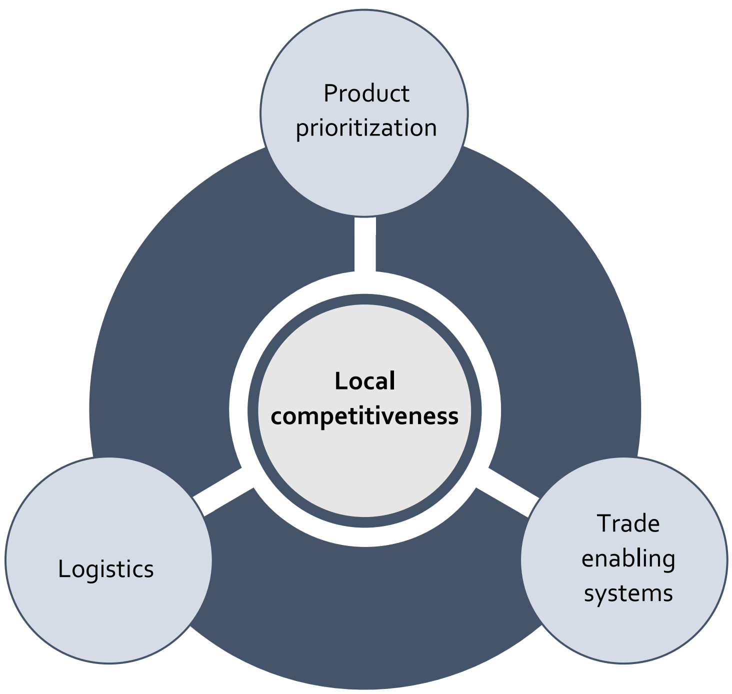
Strategic recommendations for effective and cost-efficient trade remedies and dispute settlement process for Nigerian traders under the tenet of AfCFTA and ECOWAS

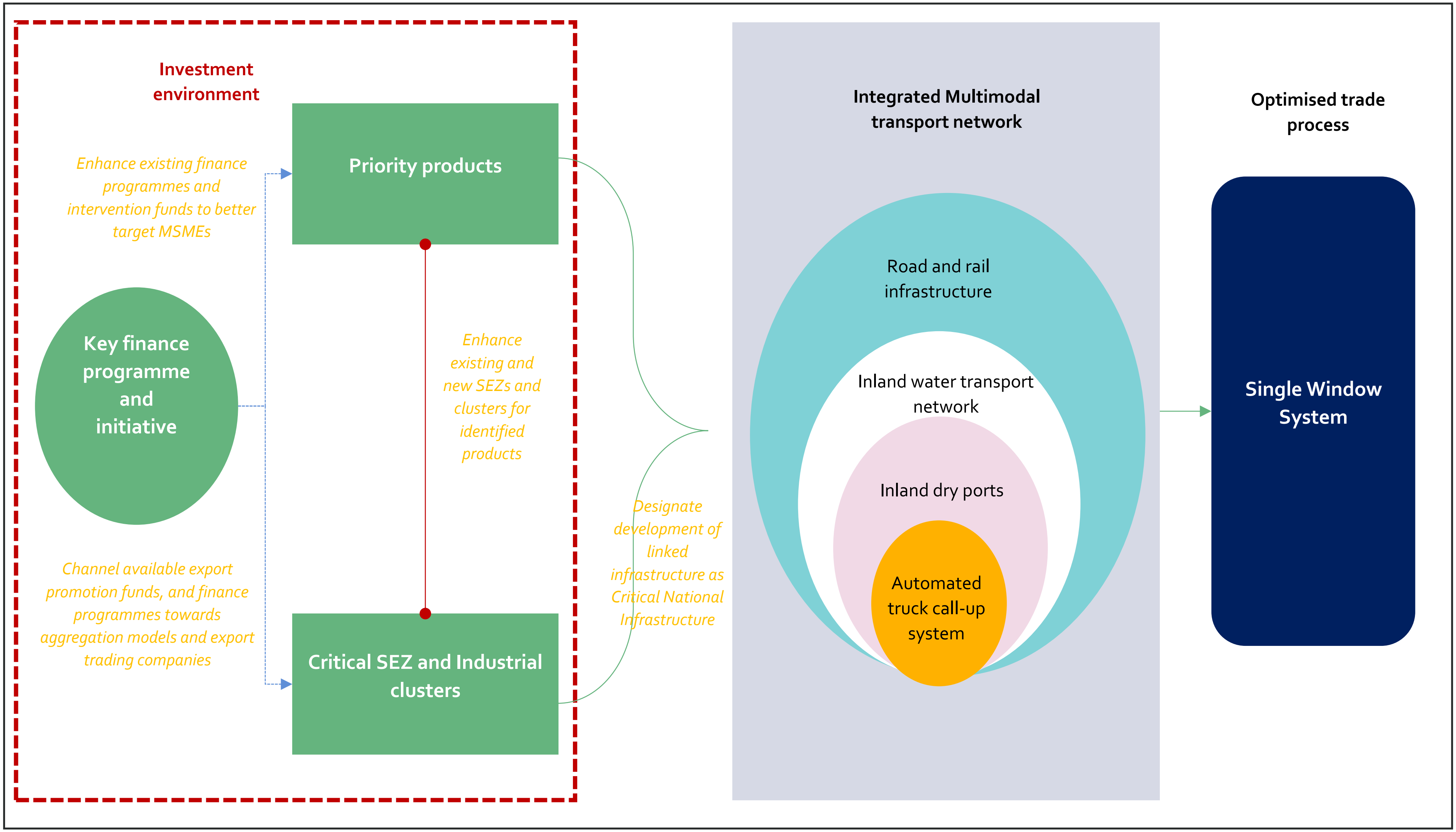
7.1 Improving domestic competitiveness

Over the years, Nigeria has adopted several trade protectionist policies and strategies, including the CBN's foreign exchange exclusion list, as part of its efforts to protect the local manufacturing sector and stimulate local production. However, these strategies have also had a somewhat regressive effect on economic growth with local production of a protected commodity leading to uncompetitive cost to consumers, resulting in overall erosion of living standards and reduced commodity demand.

With trade liberalization across Africa as one of the major objectives of AfCFTA and as the AU seeks increased cooperation and development within the continent, Nigeria must seek to deploy strategies to boost local production and retain the competitiveness of these production relative to other producing states in Africa.

As such we have classified these strategic areas for improving local competitiveness into three as shown below:




Investment environment
Enhance existing finance programmes and intervention funds to better target MSMEs
Priority products
Key finance programme and initiative
Enhance existing and new SEZs and clusters for identified products
Channel available export promotion funds, and finance programmes towards aggregation models and export trading companies
Critical SEZ and Industrial clusters
Designate development of linked infrastructure as Critical National Infrastructure
Integrated Multimodal transport network
Road and rail infrastructure
Inland water transport network
Inland dry ports
Automated truck call-up system
Optimised trade process
Single Window System

A. Product prioritization

Product prioritization helps Nigeria narrow down its trade objectives to products of competitive advantage relative to regional and global market. Given its strong dependence and relative dominance of oil products, Nigeria's attention should mainly be tilted towards the non-oil sectors where it can derive additional foreign exchange earnings.

In addition, the economic structure of most African states result in an export of primary products out of Africa and import of finished goods – as such with respect to the AfCFTA, Nigeria should seek to focus on products of gross value additions as it seeks to penetrate the African market and replace competition beyond the shores of Africa.

As highlighted in Section 5 above, the elimination of tariff lines on non-sensitive products have also necessitated the need for a clear product prioritization strategy by Nigeria. Based on our indicative assessment of several non-oil sector initiatives (particularly NEPC's Zero-oil Plan) and engagement with relevant stakeholders, we have selected the following product categorization for the implementation of the Agreement.

Product class	Products	Tariff recommendation
Exclusive list	Rubber, Refined Petroleum Oil, Rice, Palm oil and Fertilizer	30%
Sensitive products	Rubber, Ginger, Refined oil, Rice, Butane, Sesame, Cocoa Beans, Cocoa Butter, Palm-oil, Soyabeans, Propane, Sugar, Cashew, Spices, Fertilizer, Leather, Cement & Clinkers and Gold	• Intermediate products: 10% • Final products: 20%
Non-sensitive products	Other products not listed as sensitive or exclusive	0%

We have also recommended that key finance initiatives such as the Export Expansion Grant, the Anchor Borrowers' Programme and other outgrower schemes be channeled towards these priority products in order to bridge existing financing needs and support local production in attaining international standards required for competitive exports.

Product prioritization helps facilitate the development of Special Economic Zones (SEZs) as it provides direct and clear path for these SEZs. These market incentives are expected to spur local producers to invest in production process and quality compliance requirements

The success of Product Prioritization as a tool for driving export diversification through trade is predicated on enhancing key aspects of the Nigeria economy that would serve as a building block for increasing export capacity and ushering economic development, mostly through the "multiplier' effect.

Implementation of product prioritization initiatives

Recommendation	Action steps
Market study on identified products	➢ The NEPC should conduct a detailed market analysis of identified products for sensitive and exclusive list to garner adequate details on key market dynamics, quality & standards requirements and key competitive landscape in importing countries ➢ Engage SMEDAN, MAN and NACCIMA to analyze existing capacity of local producers of these products in Nigeria including key challenges and areas of development ➢ Engage large producers, aggregators and exporters of products on challenges particularly factors limiting value-addition on primary products ➢ The NEPC should also engage NEPZA and NIPC on existing capacity of SEZ to focus on these identified products ➢ Finally, the FMOT should be engaged to analyze opportunities to develop trade-supporting transport infrastructure (road and rail) across key trade corridors for these products. **Timeframe: 3 - 6 months**
Enhancing outgrower schemes	➢ Following the identification of the key products, the NEPC and CBN should engage large producers and exporters of these products on the development of outgrower schemes for these products. ➢ Set up farm services centers to support the attached geo clusters for critical crops ➢ Conduct feasibility studies on the impact of outgrower schemes for each product identified ➢ Engage SMEDAN to conduct capacity buildings and trainings for MSMEs particularly on the advantages (and pitfalls) of outgrower schemes. These trainings would ensure MSMEs are equipped to prevent predatory practices by large company such as land grabbing and unfair pricing. ➢ Develop and allocate required funding instruments to support the outgrower schemes leveraging similar structure of the Anchor Borrower Scheme and PAGMI. In addition, the process adopted in the PAGMI program should be simulated for other industries to mitigate market exposures. ➢ Partner with other Development Financial Institutions (DFIs) such as AFREXIM, AfDB, IMF, FAO etc. for sustainability of finance access. **Timeframe: 1-2 years**
SEZs and export trading companies	➢ The NEPZA should conduct diagnostic study to identify and review under-performing SEZs within Nigeria to better understand and analyse issues faced within the SEZs limiting their potential output ➢ Designate SEZs or industrial clusters (existing or new) in geographies exhibiting strong export potential (e.g. along a trade corridor, integrated multi-modal logistics network) as critical national infrastructure (CNI).

- Employ appropriate Public Private Partnership (PPP) models to refurbish and manage the high-potential SEZs with optimal risk allocation between public and private sector participants.
- Link these SEZs to key production areas of the priority products to further facilitate and incentivize the outgrower schemes developed
- Provide additional incentives for specific sectors with comparative advantages as identified by the sensitive and exclusive list and link development to SEZ for export capacity objectives.
- Establish export trading companies from cooperative societies/industrial clusters or trade associations saddled with the responsibility to link local businesses with potential trading partners.
- Forge business linkages between the SEZ, and export trading companies and the destination market to facilitate export activities.

Timeframe: 3-5 years

B. Logistics

Capital investments for the logistics and transportation sector is key to unlocking trade potential in Nigeria. In order to drive efficiency, multimodal form of transportation, automated truck call-up system and trailer parks and inland dry ports are required to reduce existing bottlenecks at the ports and ensure faster clearance times at reduced cost.

Country	Cost to Export / Compliance $ (2018)	
	Documentation	Border
Nigeria	250	785
Benin	80	354
Ghana	155	490
Togo	25	163
South Africa	55	1,257

Source: World Bank (2018)

There is need for increased capital investments in trade carrying infrastructure (ports, road, rail) given Nigeria's trade is conducted via a limited number of transit points due to congestion at the Lagos ports seaports and paucity of formal land borders, as well as under-utilization of existing transport infrastructure, as such significant volume of goods (particularly exports) are lost annually due to various bottlenecks at ports (including the sub-optimal truck call-up system currently in place) in Nigeria.

Integrated multimodal transport system

An integrated multimodal transport would meet Nigeria's growing demand for port infrastructure and faster goods clearance to support increasing population, economic growth and required development of industrial hubs.

The huge cost implications of congestion and operational inefficiency at the Lagos ports presents a rationale for the development of multimodal transports, to alleviate these challenges for shippers, particularly those in the primary catchment areas of the priority products.

Multimodal transportation system would make the movement of cargo more efficient and faster utilizing other channels such as rail and water and relieving pressure on the overstretched road infrastructure of Nigeria. Adopting this mode would reduce clearance times and increase trade flows as costs that arise due to inefficiencies would reduce or be eliminated

The recent development of standard gauge rail lines Lagos-Abuja, Kaduna-FCT and ongoing development to link Ibadan & Lagos to Kano is crucial to relieving existing pressure on Nigeria's limited road infrastructure and is expected to result in significant cost reduction for producer and exporters.

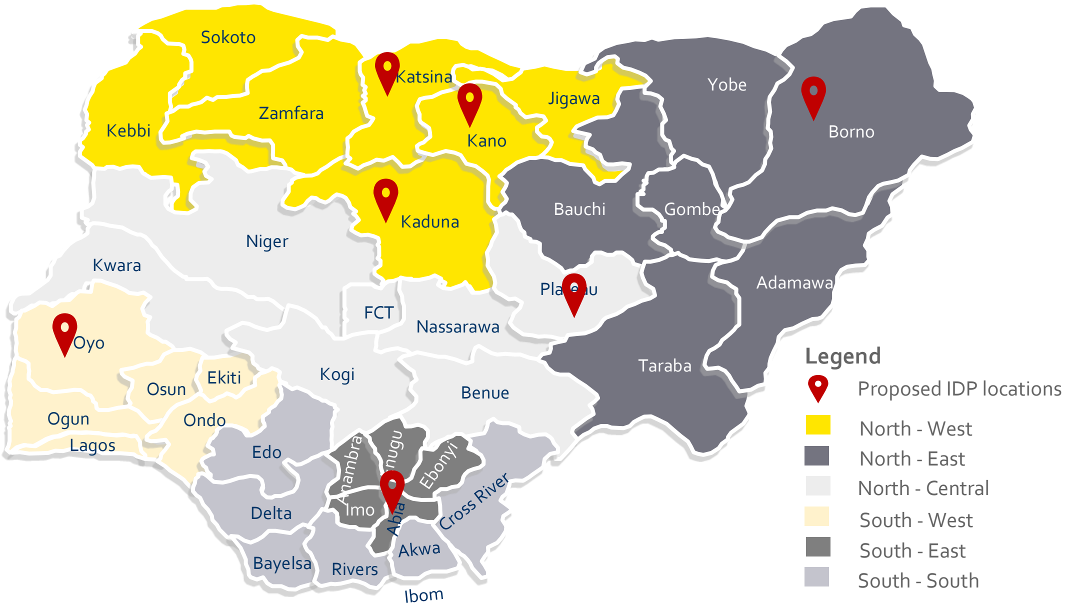
The recent Highway Development Management Initiative is also expected to improve the quality of Nigeria's road networks in the medium to long term. The initiative, currently in pilot phase, adopts a capital market approach to finance sustainability through the issue of sukuk bond and other capital instruments.

We recommend that a trade corridor approach to logistics be undertaken to ensure that new infrastructure readily facilitates increased production capacity across SEZ and industrial clusters as well as connects production to processing zones and inland dry ports for storage and processing.

Other elements of the integrated multi-modal transport system required for developing the overall export capacity includes:

1. **Inland dry ports:** With projected growth in trade volumes due to trade agreements and Government initiatives, it is imperative that due to the increased demand for more ports services, the development of IDPs should be accelerated in Nigeria, in order to ensure export items from the other States can be shipped through IDPs to Lagos ports before it is transferred overseas.
   As such the FGN (through the NSC) identified 7 areas across the country for the development of an IDP. These 7 areas are to be developed by private sector partners in a Build, Own, Operate and Transfer BOOT model.
   IDPs coupled with multi-modal transport system will enhance significant cost benefits, high operational efficiency, improve supply chain distribution as well as minimize risks and/or hazards to port users in comparison to the use of Lagos ports.
   Current delays in the development of the standard gauge lines across Nigeria has slowed the development of these IDPs, however the Kaduna IDP (KIDP) officially commenced operations in 2019 and negotiations are in advanced stage for the development of the Ibadan IDP.

Inland Dry ports



S/N	Location	Concessionaire	Capacity (TEUs)	Status
1	Erunmu (Oyo State)	Catamaran Logistic Ltd.	50,000	Non-operational
2	Ntigha (Abia State)	Eastgate Inland Container Terminal Ltd.	50,000	Non-operational
3	Zawachiki (Kano State)	Dala Inland Dry Port Ltd.	20,000	Non-operational
4	Heipang (Plateau State)	Duncan Maritime Services	20,000	Non-operational
5	Funtua (Katsina State)	Equatorial Marine Oil & Gas	10,000	Non-operational
6	Jauri (Borno State)	Migfo Nigeria Ltd.	10,000	Non-operational
7	Kaduna IDP (Kaduna State)	Inland Container Nig. Ltd.	5,000	Operational

B. Automated Truck call-up system: An Automated Truck Call-up system is an electronic platform that notifies truckers of the proximity of their cargoes to the ports. This would assist to reduce or even eliminate congestion at ports as only required trucks would be present around and inside the general port complex.

With access to ports being one of the major reasons for increased cost of trade in Nigeria, the automation of the truck call-up system at ports would assist to reduce the delays experienced and the chronic congestion at the ports' environs.

The NPA recently commissioned the commencement of an automated truck call-up system "Eto" in January 2021 in a PPP arrangement. The "Eto" system is expected to manage the scheduling, movement, parking of trucks and container logistics in Nigerian Ports with a compliance deadline set for 27th February 2021.

The truck call-up system is expected to inject much needed transparency into the ports' operation following years of reported sharp practices at the ports thereby restoring public faith in respective MDAs and boosting trade volumes in general.

The automated call-up system would also help facilitate the implementation a risk-based goods clearance system - a system ensures that ports access is given to priority goods of perishable nature, which could potentially be rejected or totally lost in the event of delay.

Implementation of key logistics and trade-carrying infrastructure initiatives

Recommendation	Action steps
Multimodal transport system	➢ Given that recent investments in road and rail infrastructure is driven by Nigeria Integrated Infrastructure Master Plan (NIIMP) developed in 2014, there should be a review of the plan to ensure linkage with key trade corridors and identified SEZs and IDPs of significant potential. ➢ Existing linkages should be classified as Critical National Infrastructure (CNI) and given priority for budgetary allocations ➢ Establish required PPP models to drive continued development of the required rail networks and road infrastructure across the Nation. ➢ The Ministry of Transport should also seek to develop strategic inland-water transportation as an alternative transport model for movement of hinterland goods. **Timeframe: 3 - 5 years**
Inland dry ports	➢ Review existing concession agreements with private companies for development of the six undeveloped Inland Dry Ports. ➢ Engagement of these private parties to understand key challenges deterring development as detailed in concession agreement. ➢ Link transport sector reforms to key IDP locations for ease of access and efficient transportation.

	➢ Facilitate development of these IDPs by engaging state governments and other stakeholders on required collaboration. **Timeframe: 3-5 years**
Automated Truck Call-Up system	➢ Implement and operationalize automated truck call-up system by February 2021. ➢ Create sensitization and awareness tools and ads to ensure required stakeholders are aware prior to implantation date ➢ Facilitate stakeholders' training and process and use of the call-up system ➢ Create linkage between automated truck call-up system and goods clearance process by developing a risk-based clearance process which ensures that time-sensitive goods are given priority. **Timeframe: < 1 year**

C. Optimised trade process

Streamlining goods clearance processes and procedures is required to improve the business environment in Nigeria. There is an urgent need to create a balance between revenue maximization and trade facilitation for trade regulators (particularly customs authority), as well as strengthen inter-agency coordination to foster a better trade environment in Nigeria.

There is a consensus, among the leading private and public sector stakeholders involved in international trade, on the importance of digital systems to facilitate trade. MSMEs and MDAs are keen on having automated systems – which they believe will improve efficiency and expedite the trade process by reducing physical interactions, as well the duplications involved in trade transactions

Adopting digital solutions for existing manual processes would assist in reducing goods clearance time, as well as the attendant costs. Digital solutions such as the SWS and automated truck call-up systems will bring the much-needed transparency to the Nigeria's customs operations.

The $300 million e-customs project is expected to herald the transition from manual processes for trade in Nigeria leading to digitally connected cargo clearance processes at all key land, sea and air border crossing points, – through use of a central single window system and electronic scanners for containers. This will significantly reduce the time and cost of trading in Nigeria.

We have highlighted the Single Window System as the centrepiece of a digitally enabled trade facilitation system which would improve the overall efficiency of customs and trade processes in Nigeria.

Single Window System

The development and implementation of the Single Window System is one of the key commitments of the WTO Trade Facilitation Agreement and the AfCFTA. As stated above, although there is a general agreement on the need for SWS, the dynamics of the implementation, however, remain a constraint. This is due to:

- **Lack of interagency coherence**: Due to the lack of a coordinating agency with adequate institutional authority to synchronise trade agencies, there have been silo efforts at implementing a single window system in Nigeria. Examples include:
    - NCS maintaining the NICIS II works as the SWS despite multiple agencies excluded from the platform;
    - FMITI operating a trade portal (trade.gov.ng) with features similar to NCS's trade hub portal (nigeriatradehub.gov.ng),
    - Reported refusal of some agencies in adopting the NICIS II as they were not consulted in its development.
- **Infrastructure deficit**: Feedback from thesurvey of stakeholders have indicated that due to different investment levels by the Federal government in the various trade agencies, some agencies do not have the required IT infrastructure to adopt a central SWS effectively.

Setting up the SWS…

The SWS can be coordinated by several agencies within the trade ecosystem and should be developed through an extensive public-private dialogue to ensure adoption is seamless and efficient. Given their respective mandates along the trade value chain, the five best-placed agencies for coordinating the SWS in Nigeria are

- FMITI: Primary ministry responsible for trade and industrial development in Nigeria
- NEPC: Agency charged with the development of Nigeria's export capacity
- NCS: Treasury and enforcement agency for trade-related tax
- CBN: Foreign exchange management and economic development
- NPA: Trade facilitating agency through effective port management.

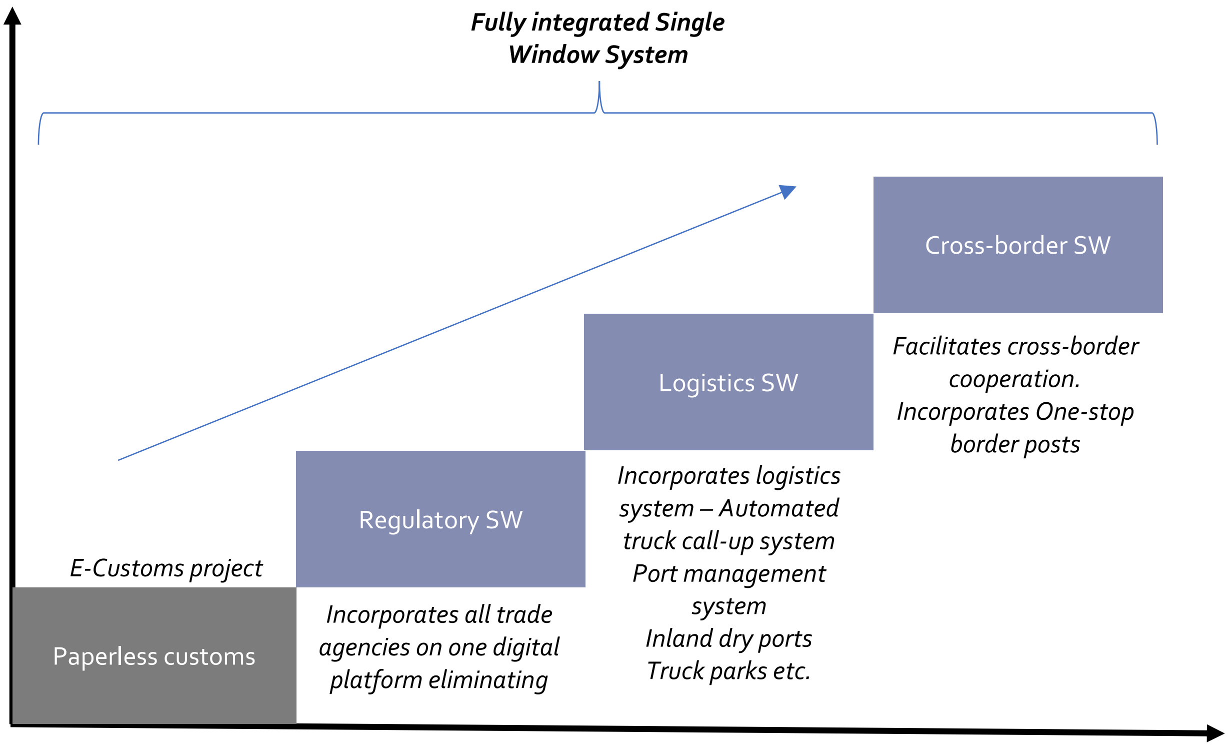
Analysis of key responsibilities of trade agencies

	FMITI	NEPC	NCS	CBN	NPA
Existing interface with key exporters and manufacturers	√	√	√	√	√
Imports regulation	√	x	√	√	√
Revenue generation and proceeds management	X	x	√	√	√
Foreign exchange management	X	x	x	√	x
Economic development mandate	√	√	x	√	x
Experience coordinating multiple agencies	√	x	x	√	x
Political autonomy	X	x	x	√	x

Based on the above, we believe that the development of the SWS should be undertaken as follows:

1. A Presidential Order mandating the development of the SWS and assigning a Presidential committee (including key stakeholders such as CBN governor, FMOF, FMITI, NCS and representatives of organised private sector groups) to oversee the delivery of this order. The Presidential Order ensures:
    a. Trade facilitation commitments made by the FGN is treated as a strategic priority to economic growth and sustenance, similar to the previous priority projects such as the TSA and BVN.
    b. Eliminates the silo operating system existing with several agencies with regards to coordination of the SWS.
    c. Serves as an important step towards the facilitation of interagency co-operation.

2. The presidential committee then seeks to appoint a private sector operator of the SWS in a viable Build-Own-Transfer (BOT) model. This builds on existing PPP arrangements being deployed in the implementation of the E-customs project – which is the first stage of a fully optimized SWS as shown in the diagram below.



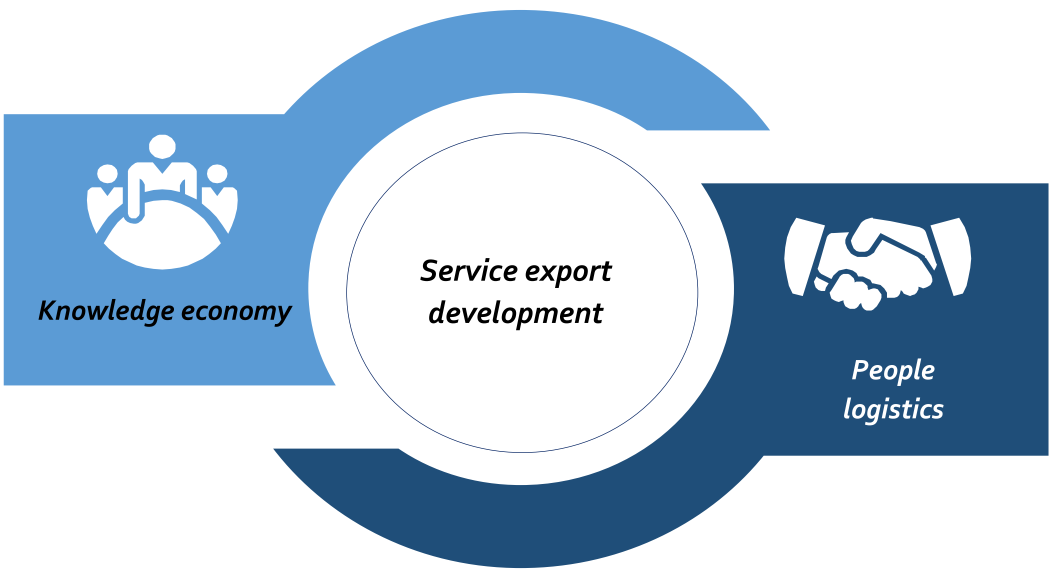
7.2 Service export development

By composition, the Nigerian economy is primarily driven by its services sector with the sector accounting for c.53% of total GDP (more than the Agriculture and Industrial sector combined).[72] However, this sector's value generation, like other sectors, has not translated to positive trade-in-services over the years with a net-import bill of $33.7 billion as indicated above *(see the section on Trade-in-services)*.

With AfCFTA, Nigeria can build its trade-in-services capacity across the five key sector areas highlighted by the agreement and ensure that its service sector is not dominated by other African citizens.

We have considered that the starting point in growing Nigeria's services exports is to create an enabling environment to ensure that Nigeria's services are competitive in African and global markets.

Creating an enabling environment encompasses several areas including infrastructure, government policy and incentives, addressing supply-side constraints, among others identified for each sector as detailed in section 5. In this section, we recognize two cross-cutting areas required to ensure quick optimization and long-term sustainability of Nigeria's service export capacity and have provided recommendations as follows:



[72] NBS

A. Knowledge economy

Nigeria's literacy rate is currently estimated at 75% - a 900-basis point increase from a 10-year prior rate of 66%, however, this is below sub-Saharan average literacy rate of 76% and significantly behind peer countries, South Africa (95%), Ghana (92%) and Kenya (88%)[73].

Exacerbating the knowledge gap, the Country currently has the highest number of out-of-school children in the world with over 10 million children despite having the largest economy on the continent, posing a huge threat to the sustainability of Nigeria's economy.

In response to this budding problem, The Education for Change Ministerial strategic plan (MSP) was developed to increase the National Net Enrolment Rate (NER) to ensure that all out-of-school (OOSC) children be enrolled in basic education schools over the next four years.

The MSP sets out three strategic outcomes: improving access, enhancing quality, and strengthening sectoral systems by prioritising the twin challenges of out of school children and mass literacy.

Also, the Linkages with Experts and Academics in the Diaspora Scheme (LEADS) was established by the National Universities Commission, in 2007 to support the Federal Government efforts to transform the education sector.

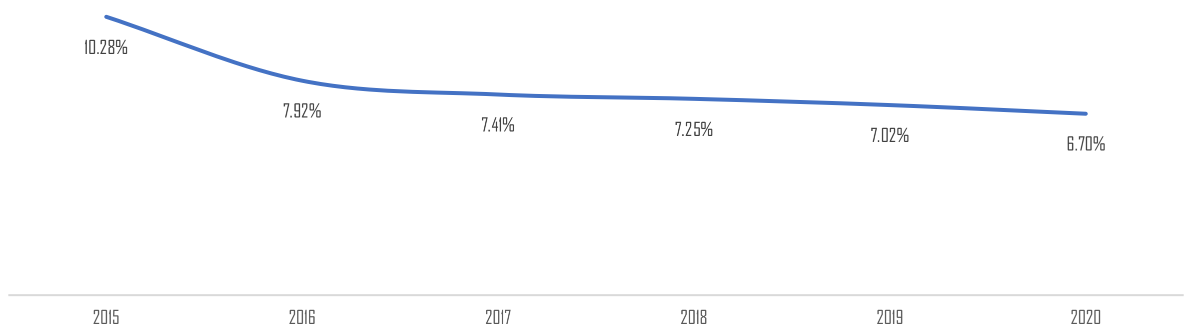
The major aims of the LEADS are:

- To attract experts and academics of Nigerian descent in the Diaspora on a short term basis to contribute to the enhancement of education in the Nigerian University System.
- To create appropriate engagement-positions and job satisfaction for Nigerian academics and experts, so that they are not poached by other climes or wasted internally.
- To encourage healthy staff movements, interaction, and collaboration across and between Nigerian Universities and other sectors of education and National development, among other benefits, encourage experts in industry to participate in teaching and research in Nigerian Universities.

The results of these two programmes have been few and far between primarily because the required political will and financial backing for implementation have not been in tandem with the government's proposed plans. Over the last five years, the share of education sector allocation to total government budget has consistently declined to hit a record low of 6.7% in 2020.

[73] UNESCO

Nigeria's Education sector budget allocation



With the proposed liberalization of the African economy, there is a need for increased investment in Nigeria's education sector and overall knowledge economy. We recommend the development of a detailed roadmap for improvement with the sector including a collaboration with state government - given that some states have commenced education sector reforms, e.g. Ekiti State recently commenced the process of developing Ekiti knowledge zone which will focus on Teaching, Research, Skills Development, Creative Arts, Strengthening Tertiary Institutions and Educational Entrepreneurship with the state.

A strategic focus on improving the state of education in Nigeria would help facilitate the development of some (arguably all) service sectors ranging from capacity training for traders to facilitating collaboration of digital (ICT) players, to boosting capacity of professional services providers.

Implementation plan

Recommendation	Action steps
Prioritizing education	➢ Develop an education sector improvement roadmap following a diagnostic review of the education sector in Nigeria. This would include analyzing possible self-sustenance revenue model for some existing public universities to reduce the recurrent cost burden on government ➢ Synchronize and integrate initiatives of State Governments in the education sector as part of the improvement roadmap. This should also include other stakeholders, such as social impact DFIs. ➢ Adequately allocate financial resources towards investment in the education sector (minimum 10% allocation) **Timeframe: 1 - 3 years**

Developing knowledge zones across key states/geopolitical zones	➢ Conduct pre-feasibility and feasibility studies in selected States to confirm existing business case for proposed knowledge zone ➢ Based on the finding of the feasibility study, identify the proposed type of knowledge zone per State/region – general, multi-sectoral, sector-specific ➢ Identify and recommend potential investors, operators and/or anchor tenants for the knowledge zones ➢ Develop a detailed financial model to serve as an investment decision tool in assessing the viability of the project ➢ Development of stakeholders' communication and engagement plan including stakeholders' assessment and mapping ➢ Identify and describe likely project risks, probability of occurrence and impact assessment **Timeframe: 3-5 years**

B. People logistics

The Agenda 2063's flagship project - The African Passport and Free Movement of People aims to remove restrictions on Africans ability to travel, work and live within their own continent. The initiative along with the AfCFTA aims at transforming Africa's laws, which remain generally restrictive on the movement of people despite political commitments to bring down borders with the view to promoting the issuance of visas by the Member States to enhance free movement of all African citizens in all African countries.

Currently, the Nigerian citizen can only travel across 15 African countries on a visa-free basis (majorly within ECOWAS states) similar to the Kenyan passport but lower than the Ghanaian passport (25 Countries)

	Nigeria	Ghana	Kenya	South Africa
Visa-free countries	Benin	Benin	Benin	Angola
	Burkina Faso	Burkina Faso	Botswana	Benin
	Ghana	Cape Verde	Burundi	Botswana
	Cote d'Ivoire	Cote d'Ivoire	Eswatini	Eswatini
	Chad	Djibouti	Ethiopia	Gabon
	Gambia	Eswatini	Gambia	Lesotho
	Guinea	Gambia	Ghana	Malawi
	Guinea-Bissau	Guinea	Malawi	Mauritius
	Liberia	Guinea-Bissau	Mauritius	Mozambique
	Mali	Kenya	Namibia	Namibia
	Mauritius	Liberia	Rwanda	Tanzania
	Niger	Madagascar	Senegal	Togo
	Senegal	Mali	Uganda	Zambia
	Sierra Leone	Mauritius	Zambia	Zimbabwe
	Togo	Niger	Zimbabwe	
		Nigeria		
		Rwanda		
		Senegal		
		Sierra Leone		
		South Africa		
		Tanzania		
		Swaziland		
		Togo		
		Zimbabwe		
		Uganda		

These restrictions limit the potential of services export and market access for Nigerian companies across Africa. Considering the liberalization scheme of the AfCFTA, Nigeria adopted a visa-on-arrival policy for holders of the All-African passport

However, a similar policy is yet to be adopted by other African countries with multiple reports of AU passport holders requiring a visa in other countries[74], as such we recommend that Nigeria, as part of its trade-in-services negotiations:

Recommendation	Action steps
AU passport transition strategy	➢ The NOTN should engage FIRS in order to analyze key destinations of export service. [Given the paucity of data, a good proxy for key destinations can be obtained from revenue details of formal service providers] ➢ The NOTN should engage the required authorities of major service export markets (outside the ECOWAS) to develop a bilateral people movement agreement, thereby reducing related visa-cost and facilitating service exports. ➢ This bilateral agreement would further enhance readiness for implementation of AfCFTA trade in services following conclusion on negotiations as it provides a buffer for the transition and adoption period of the AU passport **Timeframe: 1 - 3 years**
Reciprocal liberalization policy	➢ Given Nigeria's early adoption of the liberalization policy for people movement using the AU passport, the NOTN should increasingly push for reciprocal adoption as negotiations commence ➢ Emphasis should be placed on key service export locations identified for bilateral agreements and free people movement policies. **Timeframe: 1 - 3 years**

[74] https://www.theafricareport.com/11814/dangote-revels-in-his-au-passport-good-for-him-but-what-about-us/

7.3 ECOWAS Integration

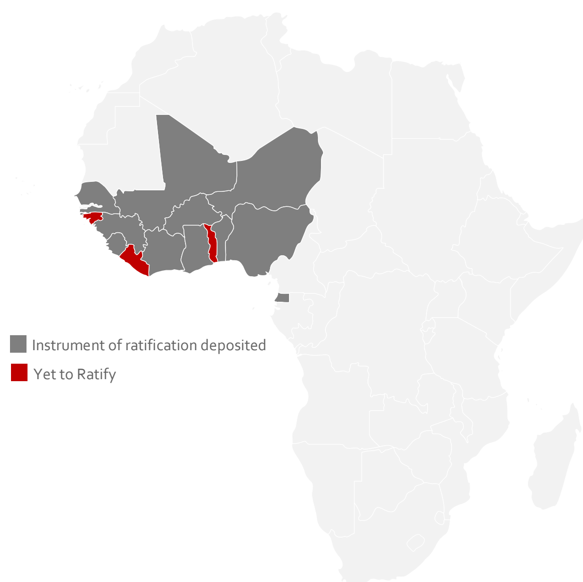
As at the date of this report, only 3 ECOWAS Member States (Togo, Liberia and Guinea Bissau) are yet to ratify the AfCFTA agreement.

While the countries that are yet to deposit their instruments of ratification are Liberia and Guinea Bissau.

Though the AfCFTA was negotiated by individual member countries, membership to the bloc played a key role in developing the AfCFTA, as the ECOWAS CET provided the basis for the ECOWAS Member States' tariff negotiations under the AfCFTA.

Furthermore, the ECOWAS Commission supported its Member States during the negotiations and was instrumental in coordinating negotiating positions. With this, Member States were able to leverage a range of technical and capacity building activities to create a common position for the region on external trade matters.

Ratification of AfCFTA in ECOWAS member countries



Source: EY Analysis

ECOWAS is also expected to play an important role in implementing the AfCFTA, particularly using its existing instruments and mechanisms, such as the Task Force on the Free Movement of Persons and Goods. In addition, current initiatives in connection with infrastructure investments and customs reforms will be critical in ensuring the free movement of goods within AfCFTA.

Therefore, while AfCFTA provides the overarching framework for trade between African states, regional organisations such as ECOWAS will provide most of the key structures and institutions to support intra-African trade. They will also remain relevant in their roles beyond trade and economic integration, including governance, security, mobility, health and human capital development and other themes.

As such, given existing structures such as the ETLS and CET which guide free movement of people and Nigeria's strong position in West Africa, the REC would benefit from the development of a One-Stop Border Post as part of its integration strategy for AfCFTA adoption.

The One-Stop Border Post (OSBP) would be a facilitating upgrade from the Two-Stop Border Post model characterised by multi-layers of paperwork, lengthy clearance transactions, and duplication of exit/entry procedures that cause delays and increase the cost of doing business.

The major reason for establishing OSBPs along transport corridors is to expedite the movement of goods and people, and to reduce transport costs across national boundaries through increased cooperation and information sharing between agencies from both jurisdictions.

Considering the Chirundu OSBP improvements in facilitating trade within the East and Southern African regions, designing an OSBP in Nigeria would improve border crossing speed and efficiency. As such reducing barriers to trade and improving business competitiveness with Nigeria's neighbouring countries.

The efficiency of an OSBP is enhanced by redesigning and improving physical infrastructure, procedures and processes, including making the provision to assist small scale traders and gender-sensitive procedures in order to facilitate expeditious movement, release and clearance.

The OSBP also eliminates some of the incentives of illegal trade, by reducing the cost of formal trading and multiple contacts with border officials.

In addition to the OSBP, REC adoption could also help foster collaboration within the region, including the provision of detailed market information on all major export products and customers within the economic regions.

This can be done leveraging ICT channels (e.g. NEPC and other applicable agencies' website) for the dissemination of key market information - export market, required standards and process within Africa

Increased collaboration between organized private sector within the neighbouring countries could also help act as an initial filtering agent for trade and development opportunities to ensure that best targets are prioritized

Recommendation	Action steps
One-Stop Border Post	➢ Conduct a diagnostic review of required trade document across the entry and exit sides of the existing two-stop borders ➢ Evaluate and assess areas of similarities as well as diversions which could be harmonized for synergy ➢ Conduct capacity training programmes for a joint-border task force ➢ Identify key capital infrastructure requirements for effective OSBP at each border post ➢ Assess key risk and possible mitigants for implementation ➢ Conduct stakeholder consultations across both borders end and commence sensitization programme on the new customs union **Timeframe: 3-5 years**
Development of a Joint Customs Transit Guarantee Scheme	➢ The JCTGS is a guarantee document that is used throughout the transit process as proof of a valid guarantee/bond and an undertaking to comply with customs obligations within each transit country ➢ The JCTGS would ensure the required customs security and guarantee is granted to exporters and clearing agents throughout the transit process of goods across countries. ➢ The JCTGS can be developed in an electronic form (mobile app) to ensure access to real-time information on the transit process and bond balance

Timeframe: 1-3 years

Implementation of the current ECOWAS rules - CET	➢ Conduct a diagnostic assessment of the implementation status of the ECOWAS CET (currently estimated by the Comptroller-general of NCS at 70%) to identify factors limiting the full implementation. ➢ Analyze the exogenous factors limiting the implementation of the CET such as infrastructure deficit in the importing country, limited expertise of the importing country's customs agents in determining ROO etc. ➢ Align key trade facilitation recommendations required to support the implementation of the CET **Time frame: 1-3 years**

7.4 Trade defence mechanism and dispute settlement

Trade liberalization agreements such as AfCFTA is expected to open international trade (in context within Africa) to freer competition and eliminate protectionist measures previously adopted by individual countries. However, with recent free trade agreements, there has been an increasing need for subtle defence mechanisms and national measures blocking market access on the grounds of unfair pricing by exporters even in a liberalized environment.

These trade defence mechanisms are exceptions to the principles of free trade agreements such as the AfCFTA. In Africa, only four countries – Egypt, Morocco, South Africa, and Tunisia – currently have functional trade defence mechanisms and have employed such measures to defend their domestic producers.

The most used mechanism is antidumping measures to counteract unfairly low prices. The WTO Agreement on Antidumping deems that goods are "dumped" when companies export them at prices lower than those at which they sell in their home market.

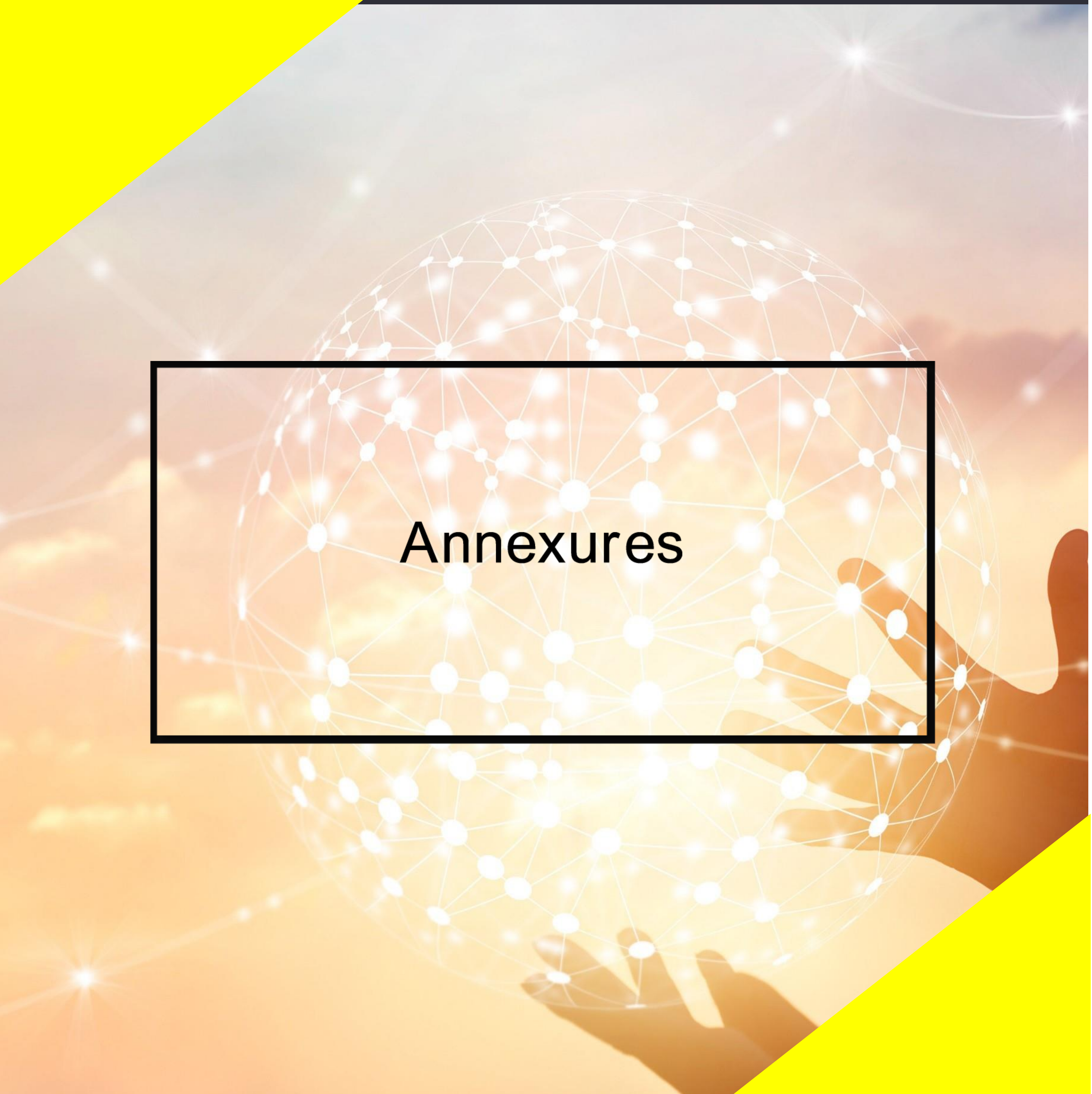
In itself, the practice of dumping is not illegal; it becomes illegal as soon as it results in injury to local businesses in the importing country. Due to Nigeria's population size and relative preference of its masses for cheaper products due to earning power, Nigeria has historically been attractive for dumping practices. This is further complicated by existing hurdles to trade and businesses in Nigeria which makes transshipment from neighbouring countries a cheaper and profitable option.

Although Nigeria does not have effective trade defence structure in place currently and has historically resorted to protectionist policies such as foreign exchange restriction and border closures, we believe that the implementation of the AfCFTA provides sufficient reason to establish trade defence structure in Nigeria.

We recommend the following structure for protection against dumping:

Recommendation	Action steps
Establish the Trade Defense department	➢ Facilitate the passing of the Trade Defense Bill which empowers a Trade Defense department and provides a clear mandate for the unit ➢ Host periodic such as quarterly stakeholders' meetings in each geopolitical zone, highlighting the importance of adhering to the RoO and other anti-dumping procedures of the AfCFTA. Participants should include MDAs, Trade Associations, Chambers of commerce, MSMEs, etc. **Timeframe: <1 year**
Anti-Dumping procedures	➢ Conduct capacity building programme for Customs officials, particularly on RoO and trade transparency. ➢ Implement a whistleblowing system with MAN, NABG, NACCIMA and other private sector groups which facilitates the reporting of dumping activities by other stakeholders within/outside Nigeria ➢ Establish an investigative procedure for the Trade Defense department which includes an official notice to the exporter/importer and opportunity for appropriate response to be garnered.

	➢ Official communication on final determination on alleged dumping to the public {Monthly or quarterly gazette. **Timeframe 1-2 years**
Dispute arbitration tribunals	➢ The representative of the Trade defense department should be included in all trade dispute arbitration tribunal ➢ The trade defense department should ensure that agreements from the tribunal are duly enforced and upheld **Timeframe: 1-2 years**
Other dispute limiting processes	➢ Facilitate the development of a comprehensive KYC platform alongside key stakeholders such as NACCIMA, MAN and MSME groups ➢ Facilitate adequate information sharing across public and private sector channels by leveraging cost-effective ICT tools and platforms **Timeframe: 1-2 years**
Other safeguards	➢ Impose appropriate tariff (plus additional 10% penalty) on products which do not meet required RoO quotas upon further investigation following an accusation of dumping practice. ➢ Impose import quota and temporary restrictions on individual importers/exporters with multiple cases of dumping practice. Such quotas & restrictions should be made public. **Timeframe: 3-5 years**



Annexures

7. Annexures

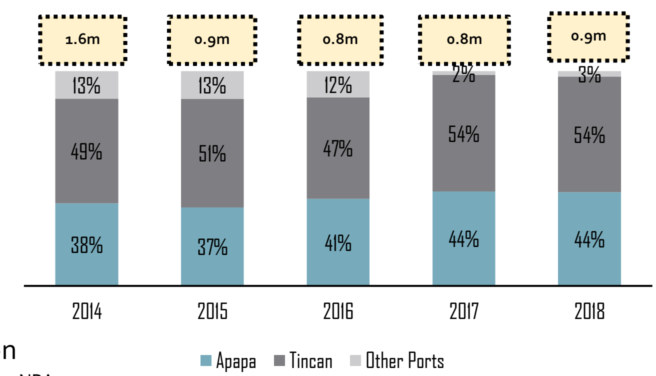
Annex 1: Trade logistics and Infrastructure

The port system in Nigeria

Foreign trade in Nigeria is forecast to grow at 7.6% CAGR over the next 10 years driven by the implementation of the AfCFTA, revitalization of the country's local production and government's determined policy to reduce the import of refined fuel products and agricultural commodities

Trade in Nigeria is carried out through the Airports, Seaports or Land borders. The seaport is most frequently used channel in Nigeria accounting for 99% of all export and 94% of import as at March 2019. Airports are less frequently used for trade because of the weight limitation and high relative cost. Notwithstanding the cost of air freight, it is used to transport a significant portion of high-value low-volume goods such as pharmaceuticals, mobile phones etc.

Nigeria's total container throughput (TEU $'m)



Source: NPA

Nigeria's port activity has fluctuated in recent times due to the impact of currency depreciation on the purchasing power of consumers.

Most recently, on December 31, 2020, the Central Bank of Nigeria adjusted the Naira exchange rate at the investors' and exporters' (I&E, or NAFEX) window from NGN394 to NGN410. This resulted in a 12% reduction in purchasing power over the last 12 months for Nigerian manufacturers.

Global Ship Traffic (2017)

The six main seaports in Nigeria namely Tin Can, Apapa port, Onne port, Calabar port, Delta port and Rivers port have a combined handling capacity of 71.5 million tons in throughput.

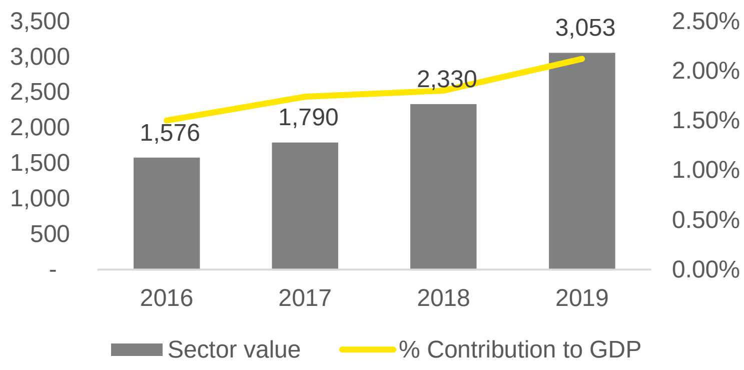
Most cargoes are transported to the hinterlands through road transport which accounts for 92.8%[75] of the total transported cargoes. This is attributable to the poor railways system in Nigeria and the absence of an inland waterway network.

The road networks are also in a dilapidated state evidenced in the challenging supply chain dynamics, long delivery times, higher costs and low throughput.

[75] The Nigerian Port Authority

In addition, administrative policies such as cumbersome clearing process, unclear charges as well as poor port access infrastructure have resulted in congestion at the ports.

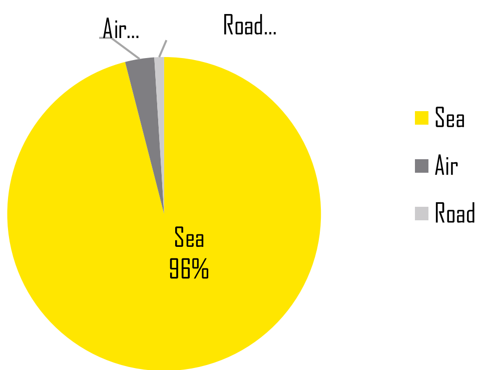
Transport and logistics sector contribution



Key drivers of the transport and logistics sector

- Population growth
- Expansion in external trade
- Increasing demand for consumer goods and growing manufacturing sector
- Infrastructure investments by both public and private sectors

Trade by mode of transportation



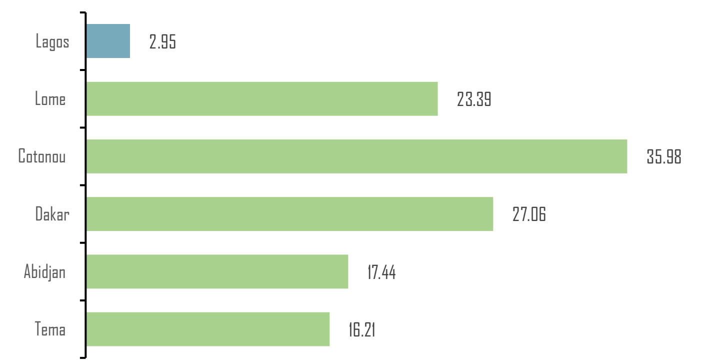
Apart from being expensive, trucking from seaports is also the cause of the congestion at the seaports.

The use of rail rather than trucks to transport containers from maritime facilities could help ease container backlogs and reduce congestion on Nigerian roads

The Lagos Port

Despite the congestion at the Apapa area, the ports in Lagos have contributed c.88% and c.48% of total container and general cargo throughput in Nigeria whilst also accounting for c.59% of all ship traffic in the country.

Container traffic per GDP (TEU per million $)



Source: World Bank

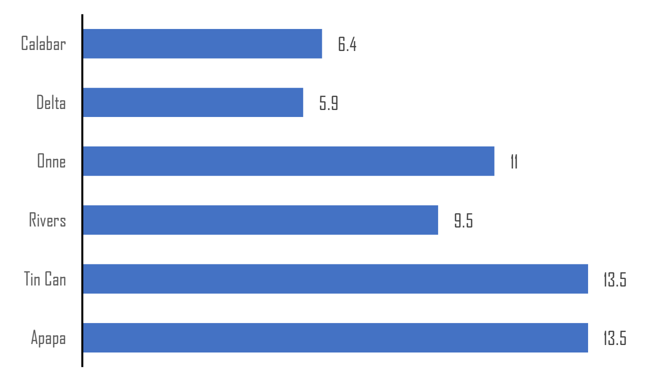
Lagos port terminal operates as a storage facility rather than a transit facility as the terminal's storage facility is reported to be operating at full capacity.

However, the recently developed rail line from Lagos to Ibadan, and ongoing development from Ibadan to Kano and other parts of the Country has the potential to decongest the ports and boost intermodal freight movement within the country through regular container block trains. This is expected to reduce transportation costs by about 50% and drive more trade activities.

Transshipment has also been cited as one of the causes of the container traffic witnessed in the Lagos port which increased from 328,000 TEU in 2016 to 375,000 TEU in 2018.

The above factors have had a deleterious effect on cargo logistics. Nigeria's container traffic per GDP is significantly low in comparison to other West African countries. This is partly attributable to the congestion at the Lagos ports and high shipping cost as volumes of trade have been lost to neighboring countries like Togo and Benin Republic.

Access Channel Depth



Compared to the Lagos port, other ports have recorded low levels of trade as a result of their shallow access channel. In addition to the low access channel depth, insecurity in Delta and Rivers and high tariff in Onne have adversely impacted on their volume of trade.

As part of its plans to decongest existing ports in Lagos and improve shipping activities to and from the Country, the NPA plans to develop two deep sea ports in Lagos – within the Western corridor costing c. $2.6 billion.

However, the development of these port within close proximity to each other might again turn out to be counterproductive, further highlighting the need for an operational Ports Masterplan in Nigeria.

The Eastern Ports

The three eastern ports are the Warri, Onne and the Calabar port. Onne port, which is about 6.00 - 11.50 meters, is the deepest, followed by Calabar 6.2 meters and Warri 5.9 meters.

However, none of these ports is deep enough to accommodate larger ocean-going vessels required to service a regional maritime hub. Studies also indicate that large vessels do not call at the Eastern ports due to limited cargo traffic, poor facilities, lack of maintenance dredging and inadequate commitment to measures that will ensure security, specifically the International Ship and Port Security Code (ISPS).

Low activities are also recorded in volatile areas of Delta and Rivers ports due to their prevalent security issues.

In November 2019, The Federal Government budgeted $1.6 billion to develop two ports in the Bonny area of Rivers state and Pessu area of Delta state. This is also aimed at decongesting the Lagos ports.

Time and Costs for imports and exports

Port tariffs and costs are stipulated by the NPA and uniform across all ports. However, a number of indirect costs are not published. Transportation of containers within Nigeria is estimated to be equivalent to the cost of transportation to (and from) other countries.

Trucking cost per container from Apapa port to Ibadan is estimated as $1,100 while Apapa port to Kano is estimated at $3,000[76]. This is an inhibiting factor to trading activities within and across the Countries' borders.

Port Tariffs and Costs for Export/Imports

Cargo Type	Import Cost ($)	Export Cost ($)
1x20ft FCL General Cargoes Delivered to 100km point	$80 FCL	$ 47 FCL
1 Tone LCL Cargo Delivered to 100kmpoint	$2.50	$ 1.7 LCL
I general cargo (conventional) delivered to 100 km point	$2.5 per ton	$ 1.66 per ton

Source: Crown Agent

[76] Crown Agent

Time and Costs for imports and exports

	Export	Import
Border compliance (hours)	135	264
Documentary compliance (hours)	119	144

	Export	Import
Border compliance ($)	786	1,077
Documentary compliance ($)	259	564

Source: World Bank

High haulage cost is caused by several factors including the port congestion and the poor condition of the roads to the hinterland.

Agency fees, which are negotiable ranges from 0.1% - 0.5% depending on the CIF (Cost Insurance and Freight) and CIP (Carriage and Insurance Paid) value of the goods and the negotiating skills of both parties.

Road haulage fee to and from within a 100km radius of the ports is cheaper in the Eastern ports at ₦400,000 compared to about ₦600,000 for same distance in the Lagos ports. This is due to higher demand and hence traffic at the Lagos port.

In addition to these costs, there are several informal (unreceipted) fees charged in other to facilitate documents processing. It is estimated to be about ₦180,000 per 20ft Full Container Load ("FCL") and 1 tonne bulk cargoes.

The average clearance release time in the port ranges from 5-16 days. This is relatively high in comparison to the ports at Morocco and South Africa which have one day release time. The short release time in Morocco and South Africa could be attributed to subscription into single window clearing system, adoption of an integrated transport system and relocation of agencies outside the port arena.

S/N	Port	Terminal Handling Cost*	Agency Costs	Road Haulage to 100KM from ports	Customs Entry and Clearance*	Informal Fees	Avg. Clearance Release Time	Means of Evacuation from the Ports
1	Warri	₦880 & ₦600	0.1 - 0.5%	₦400,000	25% - 70%	₦180,000	5 Days	Road
2	Onne	₦880 & ₦600	0.1 - 0.5%	₦400,000	25% - 70%	₦180,000	5 Days	Road
3	Calabar (NG)	₦880 & ₦600	0.1 - 0.5%	₦400,000	25% - 70%	₦180,000	5 Days	Road
4	Lagos (Apapa and Tin)	₦880 & ₦600	0.1 - 0.5%	₦600,000	25% - 70%	₦180,000	16days	Rail, Road and Water

** % of the cost of consignment*
Source: NPA, PDF II, Crown Agent

Government Initiatives aimed at decongesting the seaport

Overtime Cargoes: The NPA ordered that overtime cargoes be reauctioned to buttress the fact that ports are supposed to be used for transit and not as a storage facility. Auctioned cargoes not evacuated within a stipulated period of time will be reauctioned. By this, NPA aims to reduce the number of dormant cargoes at the ports

Rent free and Demurrage free period: The Director of the NPA announced an increase in rent free and demurrage free period given the attendant costs caused by the gridlock at Lagos port complex and Tincan Island ports. This is aimed at reducing the cost borne by importers due to the gridlock.

Export Incentives: NEPC seeks to increase the contribution of non-oil export to Nigeria's GDP by facilitating exports to promote sustainable economic development. In line with NEPC's goals, several dormant export incentives such as Export Development Fund, Export Expansion Grant and Export Adjustment Scheme Fund were revived after the global oil crash.

The Made in Nigeria initiative seeks to increase patronage of locally manufactured products in order to boost Nigeria's economy through a reduction in import dependency. It aims at diversifying the trade ecosystem through import substitution. It also seeks to increase competition among local manufacturers encouraging lower costs and improved quality.

Sweeper Vessels: The NPA has announced the deployment of sweeper vessels to evacuate the backlog of empty containers clogging the Country. This would further decongest the trailer parks and mitigate traffic on the roads leading to and from the ports. Onne port will be used to house the sweeper vessels.

Transportation Schemes: Several schemes have been initiated by the Nigerian government to improve transport to and from the port and hinterlands, reduce port related accidents and damages as well as reduce the occurrence of theft. These schemes include the reconstruction of the port roads, the provision of a trailer parks and holding bays with e-call up system and the enhancement of cargo evacuation using rail transport and inland waterways with barges.

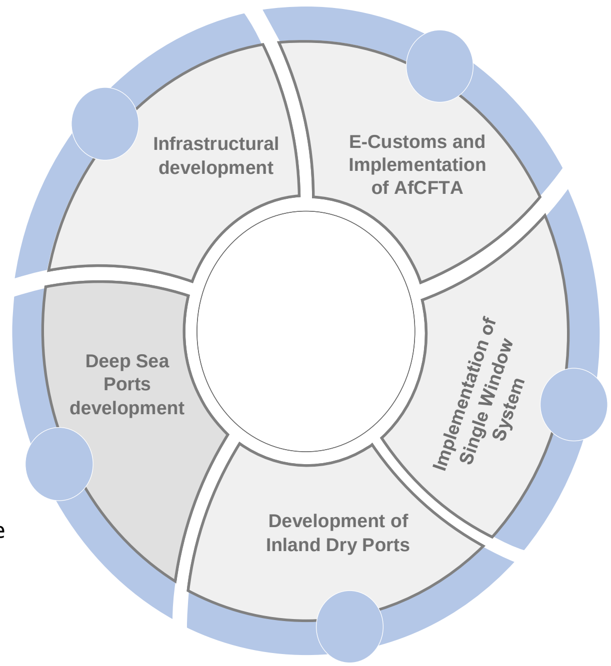
Outlook of the ports and land borders in Nigeria

Infrastructural development

The NPA recently embarked on capital investments in port infrastructure. This includes the two tugboats (MT Musawa and MT Ikoro-Ekiti) inaugurated in 2020 to berth larger container vessels at the port. Also, the government has issued a public tender for the procurement of an automated truck call up system to reduce trucks congestion and to replace the present manual system, which has not proved to be a success on the port access roads.

Deep Sea Ports development

The development of deep seaports, which is currently underway, has the potential to significantly reduce the level of diversion from ports in Nigeria which has historically resulted in loss of revenue for the Country. The deep seaports are expected to reverse this trend and ensure Nigeria is the maritime hub of Sub Saharan Africa. The Lekki deep seaport should begin operation in 2022



Development of Inland Dry Ports

The proposed development of an inland dry port in Ibadan and Kano has the potential to decongest the ports of Apapa and Tincan which currently handle c.88% of total container throughput in Nigeria.

E-Customs and Implementation of AfCFTA

As evidenced in Kenya, E-customs assists to reduce turnaround time and cost for goods clearance.
The implementation of the AfCFTA agreement has the potential of reducing NTB (including the time and cost to trade) in Nigeria through coordinated effort by the National Action Committee on AfCFTA.
The Agreement also has the capacity to increase FDI flows into the country due to the open market and the proposed attractiveness of the African market to foreign investors.

Implementation of Single Window System

Several factors have impeded the implementation of SWS in Nigeria. These include the varying levels of automation of the ports' agencies and the lack of inter-agency collaboration, particularly between the NCS and NPA. However, the National Trade Facilitation Committee (NTFC) aims to integrate all port agencies into a single window by the end of 2022 [6].
The implementation of the SWS would augment trade flows in Nigeria by reducing trade turnaround time at the ports and promote collaboration among partner agencies, thereby increasing port efficiency.

Annex 2: Federal Government initiatives to improve the production/export capacity in Nigeria

Initiatives	Comments
Economic Recovery and Growth Plan (ERGP)	The ERGP is a medium-term developmental initiative aimed at restoring growth while leveraging on the vast population size and skill. The ERGP initiative was launched in 2017 after Nigeria emerged from the recession in 2016. The goals of the ERGP include sustained inclusive growth to consolidate national cohesion, a structural economic transformation, improving efficiency in both public and private sector, increasing national productivity, achieving sustainable diversification, economic growth and welfare for the citizens by ensuring food and energy security. Agriculture, manufacturing, services, solid minerals, construction and real estate, oil & gas are the target sectors for the ERGP initiative. However, Nigeria failed to achieve the overall growth projections for the economy highlighted by the recession experienced in 2020. The FGN is currently developing a successor scheme to the ERGP which expired in 2020. This successor plan, referred to as the Medium-Term National Development Plan (2012-2025) has several thematic areas including agriculture, rural development, trade, business environment, manufacturing, industrialization, employment and gender amongst others. These key thematic areas are complementary to the objectives of the AfCFTA agreement. Although complementary, the successor agreement has not strategically incorporated the tenets on the AfCFTA agreement due to factors such as the delayed ratification of the AfCFTA agreement by Nigeria.
Nigeria Industrial Revolution Plan (NIRP)	The National Industrial Revolution Plan (NIRP) was introduced by the FGN in 2014 as a five-year plan. The NIRP aims at building industrial capacity in sectors that Nigeria is considered to have comparative advantage such as the agro-allied, metals and solid minerals related, oil & gas related, construction, light manufacturing and services. Specific numerical targets of the plan include increasing the manufacturing sector's contribution to GDP to 10.6% in 2020 and its share of employment to 8%. The manufacturing sector contributed 11.6%[77] to GDP in 2019. The FGN also approved the building of six industrial parks in 2019 located in Lagos, Benin, Gombe, Sokoto, Ebonyi, Kwara and Benue state in a bid to further drive industrialization in Nigeria. However, this scheme did not achieve its objective to building the manufacturing sector as foreign revenue is still derived majorly from the export of raw materials as opposed to processed goods.
Backward Integration Policy (BIP) for the cement sector	The FGN adopted the BIP initiative in 2002 in order to boost the production capacity of the cement industry to meet local demand as well as to generate revenue from export. Only importers building cement factories in Nigeria were issued a cement import license and given other incentives such as VAT and customs waiver on cement production equipment.

[77] NBS

	The policy was largely successful as the cement production capacity increased from less than 3mmtpa[78] in 2013 to 45mmtpa in 2017. In addition, the FGN has earned foreign exchange from its export as Nigeria is currently a net exporter of cement.
Sugar Development Council – National Sugar Master Plan (NSMP)	Nigeria currently has three major sugar refineries with combined installed capacity of 3mMTPA. Dangote Sugar Refinery Plc, BUA Sugar Refinery Limited and Golden Sugar Company Ltd produce refined sugar for industrial and home consumption. The National Sugar Master Plan seeks to reverse Nigeria's dependence on imports for sugar by increasing the capacity of local manufacturers. The FGN seeks to establish 28 sugar factories of varying capacities with 250,000 hectares of land dedicated to sugarcane cultivation, over the next decade. To stimulate the private sector's participation and to drive the realization of the set goal, the FGN has adopted several policies including fiscal incentives, mandatory import substitution regime through the Backward Integration Programme (BIP) and funding for research & development as well as essential infrastructure. The Plan also aims to increase local production to 1.79 million metric tons by 2023. However, current projection estimates local production at 0.5 million tons by 2023[79].
Leather policy	Nigeria's leather policy seeks to reverse the trend of solely exporting raw or semi-finished leather products to exporting processed leather or textiles. The policy is expected to result in the creation of tanneries and small-scale factories for leather processing.
Cotton, Textile and Garment (CTG) sector	The FGN, through FMITI launched the National Cotton, Textile and Garment Enterprise Policy in 2015 to increase the production capacity in the textile industry. The policy targeted a $2b savings through import substitution; and an increase in employment opportunities by 2017. However, the policy failed to meet its target. The failure of the policy is attributable to intense competition from importers and low patronage of locally made goods. In 2019, the CBN banned sale of foreign exchange to textile importers in a bid to stifle the competition. However, this policy may not be effective in stifling competition as importers may seek alternative sources for their foreign exchange needs.
Ministry of Petroleum Resources – 7 Big Wins	The 7 Big Wins has seven cardinal points aimed at creating a stable environment to attract investments to the oil and gas industry in Nigeria. The 7 cardinal points ("wins") include the following: 1) Develop policies to salvage the existing challenges in the sector as well as dividing the current Petroleum Industry Act into three bills focusing on governance of the industry, fiscal policies and legal issues 2) Create an enabling environment for business and investment to accelerate upstream, midstream and downstream activities 3) Develop gas infrastructure and initiate gas focused projects in a bid to transition the economy from an oil dependent economy to a gas-based economy 4) Increase the utilization capacity of the existing refineries 5) Ensure security in the Niger Delta region which houses most of the oil wells in Nigeria 6) Imbibe the culture of transparency and efficiency in the sector

[78] AfCFTA impact and readiness assessment-Vol II
[79] National Sugar Development Council

	7) Increase Nigeria's visibility in the global oil market through stakeholders' management and international coordination The FGN has taken several steps to implement the 7 Big Wins as follows: 1) Nigeria Oil Policy and Nigeria Gas Policy has been approved 2) The Petroleum Industry Governance Bill (PIGB) has been passed by the National Assembly (NASS), although awaiting presidential ascent. The three residual bills (Petroleum Industry Fiscal Reform Bill, Petroleum Host Community Bill and Petroleum Industry Administration Bill) are currently undergoing legislative review. 3) Nigerian Gas Flare Commercialisation Programme (NGFCP) has commenced 4) Financiers for the refurbishing of the three Government owned refineries (Port Harcourt, Warri and Kaduna refinery) have been identified and negotiations on the appropriate financing model is underway. 5) AGIP and Dangote are establishing refineries with 150,000 and 650,000bpd capacity respectively 6) Ten modular refinery projects are at advanced stages of development. 7) Niger Delta Development Compact which is aimed at monitoring developmental projects in the Niger Delta region has been formulated although awaiting approval from FEC. This scheme aimed at increasing the oil produced to 2.5mbpd by 2020 and expanding gas production in Nigeria. However, the average oil production in 2019 and the first half of 2020 stood at 2.0mbpd[80] and 1.9mbpd respectively. The decline in 2020 is attributable to the impact of COVID-19 pandemic on the oil sector.
Made-In-Nigeria (MINE project)	The MINE project is a presidential initiative aimed at developing the Special Economic Zones in Nigeria in a bid to stimulate manufacturing activities. MINE identified 12 new and existing Special Economic Zones (SEZs) across Nigeria to build/upgrade to a level comparable to its international peers as well as to create an environment for export-oriented operations in Nigeria. These SEZs includes Abuja, Akwa Ibom, Anambra, Bauchi, Benue, Edo, Enugu, Katsina-Funtua, Gombe, Kwara, Rivers, Bayelsa, Taraba.
National Collateral Registry (NCR)	National Collateral Registry (NCR) seeks to increase MSMEs access to credit by leveraging on their mobile assets as collateral for loans in their various banks. The registry is an initiative by the Central Bank of Nigeria, supported by IFC to provide funding to MSMEs.
Small and Medium Enterprises Equity Investment Scheme	This scheme aims at promoting SMEs in order to stimulate rapid industrialisation, sustainable economic development, poverty alleviation and employment generation. The scheme commenced in 2001 and was introduced as a voluntary initiative of Bankers Committee to address the funding needs of SMEs in Nigeria. The scheme requires banks in Nigeria to set aside a tenth of the profit for equity investment and promotion of SMEs. The investment can either be in form of equity or loans at single digit interest rates. The scheme has achieved minimal result due to the several lingering challenges facing SMEs including high logistic costs and infrastructure deficit.
Export Expansion Grant	The EEG sought to expand export activities, increase the competitiveness of Nigeria's non-oil export and penetrate foreign markets.

[80] CBN

	Based on the KVL field survey, several factors impeded the participation of exporters including the cumbersome/slow documentation and bank process, corruption among the officials and inability to access pending payments. However, the scheme has recorded some level of success as it increased the competitiveness of its beneficiary's export products through cost reduction, increased access to new and traditional markets as well as increased the revenue base of the exporters and the Country at large.