

# Critical Infrastructure Development is needed for AfCFTA to Succeed



The African Continental Free Trade Area (AfCFTA) promises to trigger economic and social prosperity by facilitating and advocating for the free movement of goods, services, people and capital. This comes against the backdrop of low intra-Africa trade and a reliance on external markets. Although this reliance creates opportunities for small and medium enterprises, it also exposes the continent to external risks such as supply chain disruptions.

According to the Africa Export Import Bank Africa Trade Report 2022<sup>1</sup>, the value of intra-African trade reached US\$169.73 billion in 2021, representing growth of 18.23%. However, trade between the continent and other countries globally grew by 29.54%, reaching US\$1.01 trillion in 2021. Generally, Algeria, Botswana, Cote d'Ivoire, Democratic Republic of Congo, Ghana, Mali, Namibia, Nigeria, South Africa and Zimbabwe are considered leaders in intra-Africa trade, registering high export and import volumes to and from states within the Continent.

The AfCFTA is no doubt a timely initiative. However, critical infrastructure is needed if African states are to fully utilize it and reap maximum benefits. These infrastructure elements include physical infrastructure,

quality infrastructure, technological infrastructure, and knowledge transfer and management infrastructure.

- **Physical infrastructure** are critical amenities that facilitate flow of goods across borders and support overall productivity. These amenities include transport networks, energy generation and supply, and telecommunications systems. As each African country endeavours to pursue physical infrastructure enhancement programs, the danger lies in the failure to promote connectivity with other surrounding states or towns at border posts.

Physical infrastructure connectivity in the Continent requires substantial financial commitments from member states. According to the African Development Bank (AfDB), the Continent has an annual infrastructure financing gap of US\$68 – US\$108 billion which slows down the effective implementation of the AfCFTA agreement<sup>2</sup>. In addition to support from multilateral development agencies such as AfDB and World Bank, Africa should also explore public-private partnerships and green financing to reduce the deficit and promote efficient cross border trade.



- **Quality infrastructure** are systems that certify goods and services as meeting the minimum safety and functionality levels. This is normally the mandate of national standardization bodies (NSBs) which often rely on the national quality policy (NQP) as a guiding framework<sup>3</sup>. It is important for African States to agree, develop and implement an effective continental quality policy framework that will support business communities conducting cross border trade. This policy will go a long way in preventing confiscation of goods at customs/borders, improving product safety standards in the continent, and promoting ethical and fair-trade practices which would ultimately reduce dumping, anti-competitive practices and illicit trade.
- **Technological infrastructure** supports flow of information between parties. Currently, developed nations are in the process of creating a legal environment that will support the recognition of digital transferrable trade documents such as electronic bills of lading (eBL). The purpose of this initiative is to facilitate quick processing of documents that are needed to release cargo at port stations, thereby improving efficiency and providing savings on costs such as storage charges. The African Export-Import Bank has developed the Pan African Payment and Settlement System (PAPSS) that connects the

banking ecosystem to facilitate efficient cross border payments. With the implementation of various protocols of the AfCFTA, discussions around digitizing trade processes need to take centre stage if the continent is to remain competitive compared with other global trading blocs.

- **Knowledge transfer and management infrastructure** are mechanisms that will allow African States to share data, learnings and experiences to create a solid reference point for businesses. This also includes the ease of sharing information on intellectual property rights which ultimately supports market entry strategies such as franchising. The Continent needs to invest in knowledge management frameworks to enhance its innovation and creativity capabilities and entrench a deeper entrepreneurial culture. It will also support business and market intelligence efforts which will create visibility of the opportunities available on the Continent.

These four critical infrastructure work hand-in-hand with each other and a concerted effort is needed to improve each one if Africa is to benefit from AfCFTA.

<sup>1</sup> African Export-Import Bank (2022). African Trade Report 2022: Leveraging the Power of Culture and Creative Industries for Accelerated Structural Transformation in the AfCFTA Era.

<sup>2</sup> African Development Bank (2022, 28 April). 'Adesina lays out steps for a collective global path on infrastructure financing.' <https://www.afdb.org/en/news-and-events/adesina-lays-out-steps-collective-global-path-infrastructure-financing-51271>

<sup>3</sup> UNIDO (2016). Guide for the Development of National Quality Policies

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