



Terms of Reference: Inquiry into the UK's Africa Free Trade Initiative

1. INTRODUCTION

This paper sets out the context, key questions, approach, timeline and membership of the All-Party Parliamentary Group for Trade Out of Poverty (APPG-TOP) Inquiry into the UK's Africa Free Trade Initiative (AFTi), which was first announced by ministers from the coalition government in February 2011ⁱ and highlighted by the Prime Minister during visits to Nigeria and South Africa later that yearⁱⁱ.

This Inquiry comes at an important time. First, AFTi will be reaching the five-year mark in February 2016 and the Prime Minister will be making his first major visit to Africa (Kenya) in June 2016 since launching AFTi in Nigeria and South Africa in July 2011. AFTi has contributed to notable milestones in designing and implementing policies and programmes in the area of regional integration and trade facilitation in Africa, such as the scaling-up of TradeMark East Africa (TMEA) and the launch of the COMESA-EAC-SADC Tripartite Free Trade Agreement – a continent-spanning pact to reduce trade barriers signed by representatives from 26 African states in June 2015.

Second, a new UK government took office in May 2015 and is now undertaking a new policy cycle and comprehensive public spending review, including policies to enhance trade and investment between the UK and Africa. Third, parliamentarians have also demonstrated their continuing interest in this agenda, for example in the House of Lords debate which took place on 11th November 2015 on the UK government's plans to encourage more bilateral trade and investment between the UK and African countries.ⁱⁱⁱ

The rest of this document is organised as follows:

- Section 2: Background of the Inquiry, recalling the rationale and policies behind AFTi
- Section 3: Key questions and objectives
- Section 4: Membership
- Section 5: The approach to the Inquiry
- Section 6: Further readings

2. BACKGROUND

In 2011, Africa's contribution to world exports remained low at 3%.^{iv} Despite Africa's trade growth potential^v, and the associated economic benefits that the continent can gain from increased competition^{vi}, technology transfer^{vii} and economies of scale, Africa's progress in integrating into the global economy has been hindered not just by geography but also policy-induced barriers. Countries that are geographically constrained tend to be even more policy-constrained.^{viii} In particular, trade costs in Africa have been persistently high, stemming from:

- Red tape, including complex custom procedures – on average it takes 32 days to export goods in Sub-Saharan Africa (SSA), with the highest time being 54 days in the Central African Republic, and the lowest 10 days in Mauritius (2011 figures).^{ix}
- Poor infrastructure – it is estimated that only 16% of the roads are paved in SSA.^x
- High tariffs – not only are African intra-regional tariffs been amongst the highest in the world, current trade agreements between African countries have also been poorly



enforced and are overlapping. For example, Zambia has agreed both to reduce tariffs on goods from its fellow Southern African Development Community (SADC) members as well as to implement a Common Market for Eastern and Southern Africa (COMESA) common external tariff against them.^{xi}

To address barriers to trade and investment in Africa, the UK coalition government launched the Africa Free Trade initiative (AFTi) in February 2011 to help African countries integrate into the global world trade system, using trade as an instrument for economic growth and poverty alleviation.^{xii} Recognised as a priority in the UK Trade and Investment for Growth Whitepaper^{xiii}, AFTi has brought together regional trade initiatives from across the Department for International Development (DFID), the Department for Business Innovation and Skills (BIS) and the Foreign and Commonwealth Office (FCO) to provide investment, technical assistance and political support to enhance trade in Africa.

With the arrival of the fifth year of AFTi, some countries have made more progress in reducing trade barriers than others. For example, on average among Sub-Saharan African countries, the cost of exporting have decreased from US\$2695 per container in 2011 to US\$2183 per container in 2015, but on an individual country basis, the cost of exporting can still be as high as US\$6615 per container (Chad).^{xiv} Progress has also been more substantial in certain sub-regions in Africa – the East African Community rather than Central or West Africa for example.

To determine the case for a successor and follow-up initiative to AFTi in the coming years, it is important to review progress made, learn relevant lessons, and take stock of the latest developments. By engaging with stakeholders and understanding recent developments on the African trade agenda, such as the launch of negotiations for a Continental Free Trade Area at the AU Summit in July 2015 and the development of a new five-year strategic plan for TradeMark East Africa – a \$560m Aid for Trade vehicle initiated by the UK^{xv} focused on reducing trade barriers in East Africa – APPG-TOP members can contribute to building on AFTi's successes and creating greater, more sustainable impact in Africa in the future.

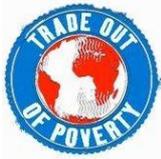
3. OBJECTIVES

This Inquiry seeks to answer the following three main questions:

- What has been achieved in AFTi since 2011 and what lessons can be learned?
- Is there a case for a successor to AFTi in the area of further facilitating trade and investment within Africa as a driver of growth and poverty reduction, and between African and the rest of the world, including the UK?
- What should a future AFTi look like, what targets should it seek to achieve, and through which means and partnerships should it be delivered?

As such, the objectives of the Inquiry are as follows:

- Produce a brief assessment of the progress of AFTi up to the end of 2015 and match them against the goals set in 2011.
- Gather evidence and expert opinions from a range of stakeholders from Africa, the UK and international partners of what a successor of AFTi could contribute in the area of trade and investment facilitation in Africa for wealth creation, employment and poverty reduction.



All-Party Parliamentary Group on Trade Out of Poverty

- Put forward recommendations as to the scope of a successor to AFTi, its targets, and how to these could be achieved.

4. MEMBERSHIP

The Inquiry will be led by a small committee selected by the Co-Chairs of the APPG-TOP. The Committee will be co-chaired by Lord Stephen Green, former Minister of State for Trade and Investment and Group Chairman of HSBC, and Mr. Ali Mufurki, Board Chair of TradeMark East and founder and Chairman of Infotech Investment Group. There will be three or four other members of the Committee drawn from the House of Commons, the House of Lords, academia and the private sector.

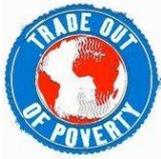
Saana Consulting, the external secretariat for the APPG-TOP, will assist the Committee in carrying out the Inquiry. Specifically, the secretariat will produce a background paper, initiate calls for evidence from stakeholders, organise hearings and assist with the production and publication of the final report. The external secretariat will also work with the Chair and members of the APPG-TOP on how best to follow-up the eventual conclusions and recommendations of the inquiry, and to maintain the visibility of these within the work of the APPG-TOP over the medium term.

5. APPROACH

5.1 Analysis and evidence

The APPG-TOP external secretariat will organise three outputs as background research, which will be provided to the Committee members before the hearings (see Section 5.2 below). The overall approach will be forward-looking, placing emphasis on learning from AFTi's implementation since 2011 and the case and potential scope for a successor to the AFTi initiative.

- Literature review:** Analysis of AFTi from publicly available government documents, and academic articles.
- Evidence from the UK government:** a submission about the progress of AFTi will be solicited from DFID. This request will be initiated by the co-chairs of the Committee via a letter to the Secretary of State for International Development.
- Evidence from independent researchers, NGOs and international organisations:** Calls for evidence via written submissions will be solicited as follows:
 - **Quantitative evidence:** Quantitative analysis of trade and investment flows, and barriers to trade, between African countries and with the rest of the world, in particular the UK and benchmarking against other major economies. Submissions will be solicited from organisations including the Centre for the Analysis of Regional Integration at the University of Sussex (CARIS), the UN Conference on Trade & Development (UNCTAD), and the UNCTAD-WTO International Trade Centre (ITC).
 - **Policy & programme analysis:** Analysis of key trade and investment policies and programmes from African governments and the UK in the previous five years. Qualitative comparative evidence and analysis will be beneficial in understanding the progress and pitfalls on trade facilitation, regional integration and Aid for Trade programmes in Africa since 2011, and how these can be built upon in the future. Submissions will be solicited from organisations including the UN Economic Commission for Africa, the World Bank, the Commonwealth Secretariat, the Fairtrade Foundation, Business Action for Africa, and



All-Party Parliamentary Group on Trade Out of Poverty

the Overseas Development Institute (ODI), a leading UK independent think-tank on international trade and development issues.

5.2 Hearings

The APPG-TOP external secretariat will organise a number of hearings to collect expert opinions from different stakeholders. Hearings will be structured in a roundtable format, allowing participants to highlight and discuss the evidence, challenges and opportunities with each other and Committee members interactively, as well as putting forward recommendations for a successor to AFTi. AFTi Inquiry Committee members will be present in each hearing to lead the discussion, supported by the APPG-TOP external secretariat.

The APPG-TOP external secretariat proposes that the Inquiry could hold two hearings on 19 April, 2016. The first hearing could focus on gathering views from policymakers from various African countries and from the UK government (i.e. from DFID, FCO and UK Trade and Investment (UKTI)). The second hearing could focus on gathering views from international organizations and business communities in the UK and Africa. The Committee may decide to adopt a different thematic focus for each of the hearings.

To take the discussions from the hearings to a more informal setting, the APPG-TOP external secretariat also proposes to organize a private dinner event after the second hearing. Members of the APPG-TOP and business leaders who were not able to attend the hearings can be invited to this dinner.

The structure of the hearings suggested above can be reviewed and modified by the Inquiry Committee members at the beginning of the Inquiry.

5.3 Report drafting and publications

The APPG-TOP external secretariat will compile responses from the hearings and support the Committee members in drafting a Final Report. After approval from the Committee and the Chair of APPG-TOP, the report will be published.

The APPG-TOP external secretariat will also discuss with the members and the Chair of the APPG-TOP a programme of follow-up actions (such as periodic publications, surveys and seminars) after the publication of the Final Report to maintain the visibility of the Inquiry.

6. FURTHER READINGS

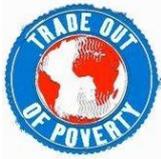
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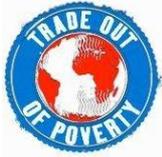
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