

POLICY POINTER

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Addressing the Shortcomings of the AfCFTA Competition Policy

The African Continental Free Trade Area (AfCFTA) competition policy is a significant step toward fostering economic integration and creating a unified market across Africa. It holds the potential to break down trade barriers, promote fair competition, and unlock new opportunities for businesses. However, the policy in its current form risks falling short of addressing the deeper structural, economic, and social challenges facing the continent. Without a more inclusive and comprehensive approach, the policy could inadvertently exacerbate existing inequalities, marginalize vulnerable industries, and limit the long-term benefits of the AfCFTA.



Key Shortcomings

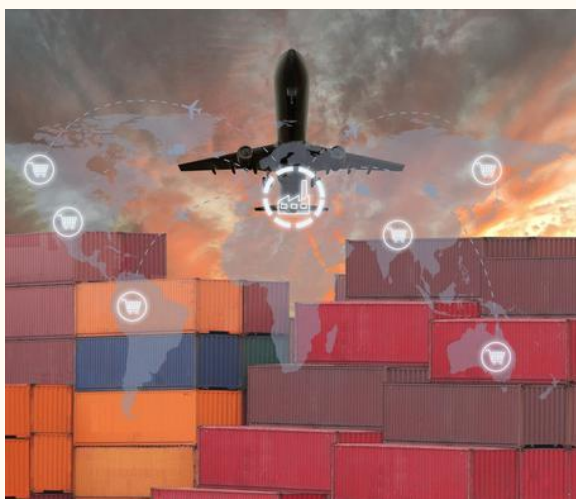
One of the major shortcomings of the competition policy is its insufficient consideration of the structural inequalities that exist between large corporations and smaller enterprises, particularly micro, small, and medium-sized enterprises (MSMEs). Larger businesses, with better access to capital, technology, and markets, are likely to dominate the AfCFTA landscape, crowding out smaller competitors. MSMEs, which form the backbone of many African economies, may struggle to survive in this new competitive environment without tailored support. This would deepen the economic divide, leaving MSMEs unable to fully capitalize on the opportunities created by the AfCFTA.

Moreover, the competition policy lacks a clear focus on inclusive growth. Women-led, youth-led, and rural enterprises—segments that already face barriers to market entry and access to finance—are particularly at risk of being excluded from the benefits of the AfCFTA. The policy does not provide enough safeguards to ensure that these marginalized groups are integrated into the new trade landscape, which could result in widening regional and social inequalities.



Additionally, the policy fails to offer adequate protection to vulnerable industries such as agriculture and small-scale manufacturing. These sectors, which are vital to local economies in many African countries, could be overwhelmed by larger, more competitive firms, leading to job losses and economic instability in regions that rely heavily on these industries. Another critical shortcoming is the limited access to dispute resolution mechanisms for MSMEs. Smaller businesses often lack the resources to navigate complex legal frameworks, leaving them vulnerable to anti-competitive practices by larger firms.

The current policy framework does not provide sufficient mechanisms for MSMEs to seek redress when faced with unfair practices, which discourages competition and undermines market fairness. Finally, the policy's failure to address the informal sector is a significant oversight. The informal economy accounts for a large portion of economic activity in many African countries, yet it remains largely excluded from the formal AfCFTA framework. Without strategies to integrate informal businesses into the formal market, a significant share of the continent's economic potential will remain untapped.



Proposed Solutions

To address these challenges, more radical solutions are needed. First, the AfCFTA competition policy must introduce a series of structural reforms aimed specifically at leveling the playing field for MSMEs. This could include the creation of an African MSME Development Fund, supported by the AfCFTA Secretariat and member states, to provide direct financial support, technical assistance, and market access programs for small businesses.

This fund should prioritize businesses in disadvantaged regions and sectors, ensuring that they are not left behind in the race for growth. Additionally, member states should adopt a more interventionist approach, introducing temporary market protections for vulnerable sectors such as agriculture and small-scale manufacturing. These industries should be given time to adjust to the competitive pressures of the AfCFTA, with targeted subsidies and investment programs designed to enhance productivity and resilience.

To promote inclusive growth, the AfCFTA competition policy should mandate the inclusion of women-led, youth-led, and rural enterprises in all trade and market access initiatives. This could be achieved through binding quotas that require large corporations to source a certain percentage of their inputs from businesses owned by these groups. Further, a continental-wide program could be established to train and empower women and youth entrepreneurs, equipping them with the skills, resources, and networks needed to thrive in the AfCFTA market. This approach would ensure that economic opportunities are distributed more equitably, helping to reduce social and regional disparities.



A more aggressive approach to dispute resolution is also necessary. The AfCFTA competition policy should establish a dedicated MSME dispute resolution body, offering a streamlined and accessible platform for small businesses to report anti-competitive practices. This body could operate with a fast-track process, offering affordable legal assistance and mediation services to ensure that MSMEs can compete on fair terms. Additionally, penalties for anti-competitive behavior by large corporations should be significantly increased, with a portion of the fines directed to the MSME Development Fund to further support smaller businesses.



Finally, the AfCFTA must take bold steps to formalize and integrate the informal economy. This could involve a comprehensive program of tax incentives, simplified business registration processes, and the introduction of digital platforms that make it easier for informal businesses to transition into the formal market. Governments, in partnership with the AfCFTA Secretariat, could also establish innovation hubs and cooperatives to help informal businesses grow and connect to formal value chains. These measures would not only increase the inclusivity of the AfCFTA but also unlock significant economic potential that is currently lying dormant in the informal sector.

In conclusion, while the AfCFTA competition policy marks a critical milestone in Africa's journey towards economic integration, it needs to be strengthened to address the continent's deeper structural and social challenges. By adopting more radical and inclusive solutions—ranging from direct support for MSMEs and marginalized groups to sectoral protections and informal economy integration—the AfCFTA can truly become a driver of sustainable and equitable growth. This will ensure that the benefits of Africa's unified market are shared widely, fostering a prosperous and resilient future for all.

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