



Think Ahead



**JOURNEY TO AU2063 – PROFESSIONAL ACCOUNTANTS EMPOWERING
THE AFRICA CONTINENTAL FREE TRADE AREA AGREEMENT (AFCFTA)**

About PAFA

The Pan African Federation of Accountants (PAFA) is recognised by the International Federation of Accountants (IFAC) as the continental organisation for the accountancy profession in Africa. We have 56 member organisations in 45 countries and five international affiliates.

PAFA's vision is sustainable value creation to benefit the citizens of Africa. We achieve this by strengthening the influence and capacity of the accountancy profession to enhance trade, the quality of services and trust in institutions.

PAFA's strategic objectives and their economic and societal benefits are linked to the Seven Aspirations of the African Union Agenda 2063 (AU2063) and the United Nations Sustainable Development Goals (SDGs). This report is a good example of SDG 17, partnerships for the goals.

PAFA is determined to play a key role in the development and sustainability of the African continent, founded on the ideals of honesty, integrity, and good governance, and in its renaissance as exemplified in the African Union.

Find out more at
www.pafa.org.za

About ACCA

ACCA (the Association of Chartered Certified Accountants) is the global professional body for professional accountants.

We're a thriving global community of **241,000** members and **542,000** future members based in **178** countries and regions, who work across a wide range of sectors and industries. We uphold the highest professional and ethical values.

We offer everyone everywhere the opportunity to experience a rewarding career in accountancy, finance and management. Our qualifications and learning opportunities develop strategic business leaders, forward-thinking professionals with the financial, business and digital expertise essential for the creation of sustainable organisations and flourishing societies.

Since 1904, being a force for public good has been embedded in **our purpose**. In December 2020, we made commitments to the **UN Sustainable Development Goals** which we are measuring and will report on in our annual integrated report.

We believe that accountancy is a cornerstone profession of society and is vital in helping economies, organisations and individuals to grow and prosper. It does this by creating robust trusted financial and business management, combating corruption, ensuring organisations are managed ethically, driving sustainability, and providing rewarding career opportunities.

And through our cutting-edge research, we lead the profession by answering today's questions and preparing for the future. We're a not-for-profit organisation.

Find out more at
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JOURNEY TO AU2063 – **Professional Accountants empowering** **the Africa Continental Free Trade Area** **agreement (AfCFTA)**

To play the critical role of improving trade efficiency for African businesses and provide better support for a plethora of key players across ecosystems in the implementation of the AfCFTA, it has become imperative for the accountancy profession in Africa to appraise how it can have the most impact, given its current capacity.

Through this report, the Association of Chartered Certified Accountants (ACCA) and the Pan African Federation of Accountants (PAFA) seek to offer the profession through this research an opportunity to explore and evaluate the challenges and impact of operationalising the AfCFTA, with a view of the critical role accounting and finance professionals play in enabling its full implementation.

This research also reinforces the profession's remit to be a force for public good, driving sustainable socio-economic development in collaboration with other key players and in various capacities. It represents a much-needed opportunity for ACCA and PAFA to lead conversations that define and demonstrate the key role of the profession in actualising the aspirations of AU2063.

Through key insights emanating from this research, ACCA and PAFA look to advocate and support evidence-based recommendations for key players across professional, institutional, business and finance, and policy and political ecosystems.

Foreword



Alta Prinsloo
Chief Executive Officer,
PAFA

At the heart of the African Union Agenda 2063 (AU2063) is the sustained economic growth and integration and sustained of over 1.2bn people across the continent (African Union Commission n.d.). Like other continents, Africa continues to be hit by rising inflation, conflicts, and the aftermath of the COVID-19 pandemic. AU2063 remains a beacon of hope to many, and the African Continental Free Trade Area (AfCFTA) agreement is a key transformational tool for realising the goal of inclusive and sustained intra-continental trade.

Accountancy and finance professionals continue to play a central role in enabling sustainable development across the world and must play an even more prominent role in achieving Africa's trade integration ambition, including the empowerment of businesses and governments on the continent.

The accountancy profession connects several elements of Africa's economy and brings together a wide range of diverse stakeholders. It is crucial that we understand and consider the most impactful ways of performing this role and supporting AU2063. Accountancy and finance professionals in Africa must underpin the collective efforts of key players in realising the goals of AU2063.



Helen Brand OBE
Chief Executive, ACCA

PAFA's and ACCA's commitments to AU2063 and the UN SDGs have increasingly strengthened PAFA's vision of a profession that creates sustainable value for the citizens of Africa and ACCA's vision of a profession that drives positive change and helps build a better world. This report builds on our respective visions to consider how the accountancy profession in Africa can maximise its current capacities in enabling intra-continental trade, leveraging the AfCFTA.

Our partnership enables us to join forces to strengthen the profession's influence and effectiveness as a driver of socio-economic development across national, continental and global ecosystems.

Contents

Methodology	6
Executive summary	8
Key recommendations	9
Introduction	12
Background and context	12
Africa's Continental Free Trade Area agreement – an overview	12
Trade priorities for the profession in Africa	13
Assessing readiness: Accountancy and finance professionals and the AfCFTA	14
Highlighted information gaps	16
1. Intra-continental trade in Africa: The big picture	21
A deep dive into the current state of trade in Africa	21
Impact of the AfCFTA on intra-continental trade on the continent	22
AfCFTA institutional levers and operational tools	23
2. Barriers to intra-continental trade in Africa and key players	24
Ecosystem players	25
Finance and non-finance barriers to intra-African trade	26
3. The role of the profession in empowering intra-continental trade in Africa	31
Overcoming barriers and enabling key players	31
Enabling financial technology for trade	37
Conclusion	40
References	41
Acknowledgements	43
Appendix	44

Methodology

Key questions for this research included the role of the profession in driving economic growth through intra-continental trade and the barriers to be addressed in maximising the benefits of the AfCFTA agreement.

Building on existing research, this study sought to understand capacity and capability gaps that must be filled to facilitate trade across the continent.

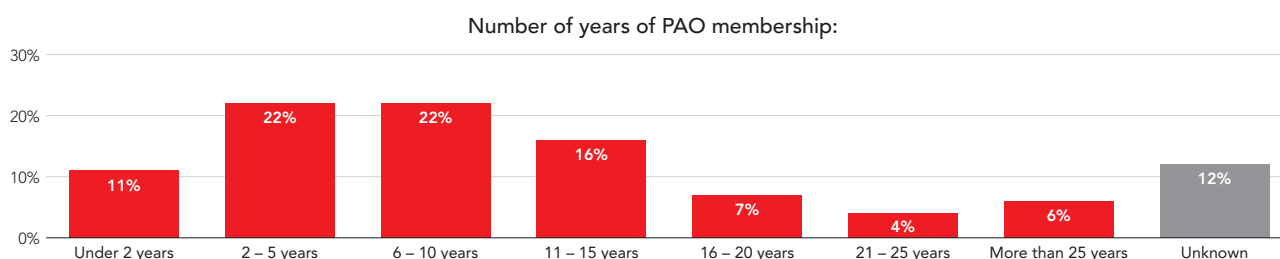
Perspectives were sought from 1,612 accountancy and finance professionals who are, between them, members of at least 22 professional accountancy organisations (PAOs) in Africa. Through an online survey, feedback was received from members of PAOs under the leadership of PAFA and the ACCA community in Africa. Respondents were either employers or employees of organisations in close to 20 industries across sectors.

Results were analysed at an overall level, with sample differences highlighted where applicable. Regional economic categorisation, as recognised by the African Union, was considered in representation, with a country-by-country analysis conducted for those with a minimum of 50 responses.

To deepen knowledge of the perspectives gathered through the survey responses, PAFA and ACCA further engaged in focus-group interviews with professionals who have expert knowledge of trade laws, taxation, audit and assurance and much more, across the continent.

DATA SUMMARY

FIGURE M1: Respondents' professional accountancy organisations and years of membership



PAOs represented by respondents:

Professional Accountancy body										
ACCA	ZICA	ICAG	ICAM	NBAA	ICAN	OCAM	BICA	CIMA	ICAEW	ICPAK
	Zambia	Ghana	Malawi	Tanzania	Nigeria	Mozambique	Botswana			Kenya
ICPAU	LIA	CITN	ICASL	ICAZ	ICSA	ICAN	SAICA	SAIPA	OECT	MIPA
Uganda	Lesotho	Nigeria	Sierra Leone	Zimbabwe	Zimbabwe	Namibia	South Africa	South Africa	Tunisia	Mauritius

FIGURE M2: The types of organisations to which respondents belong

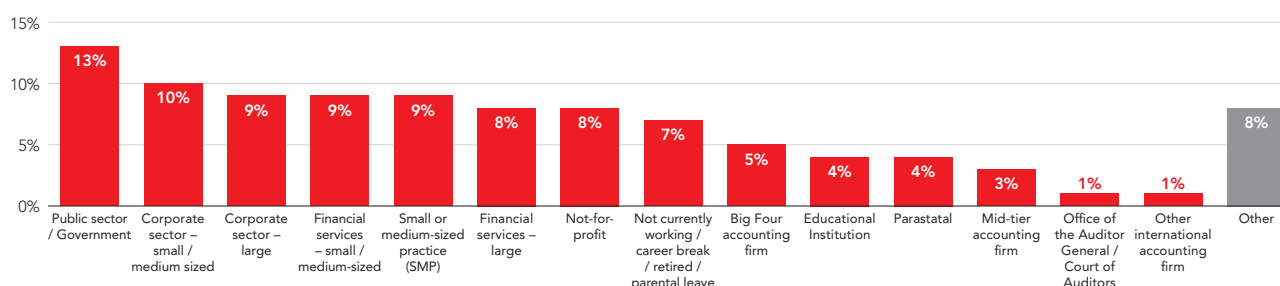
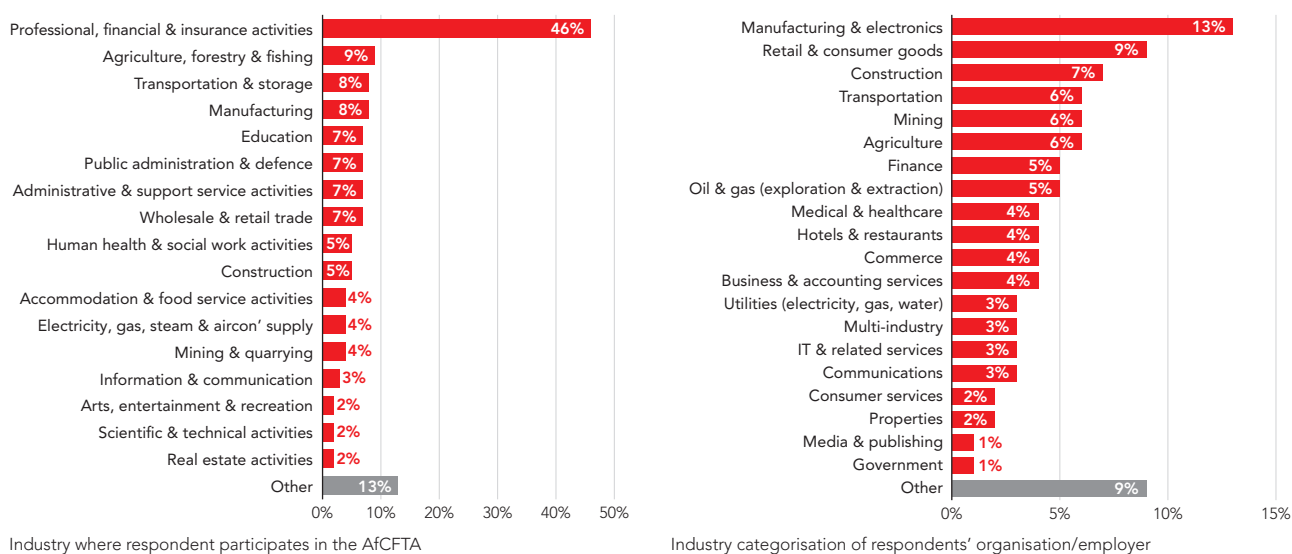
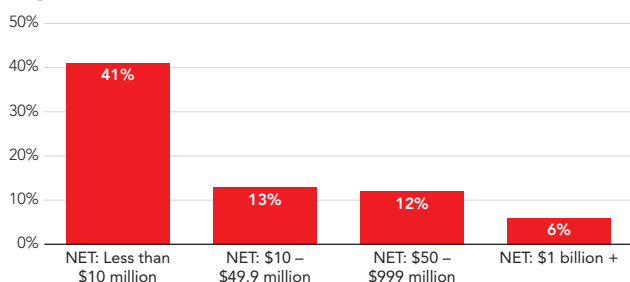
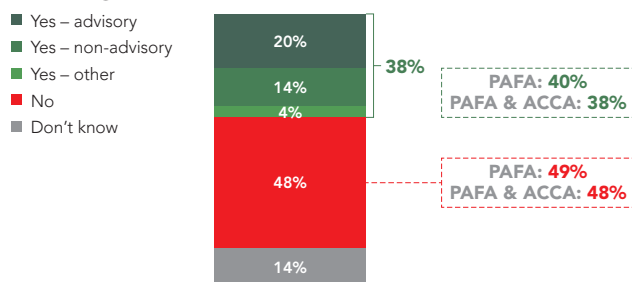
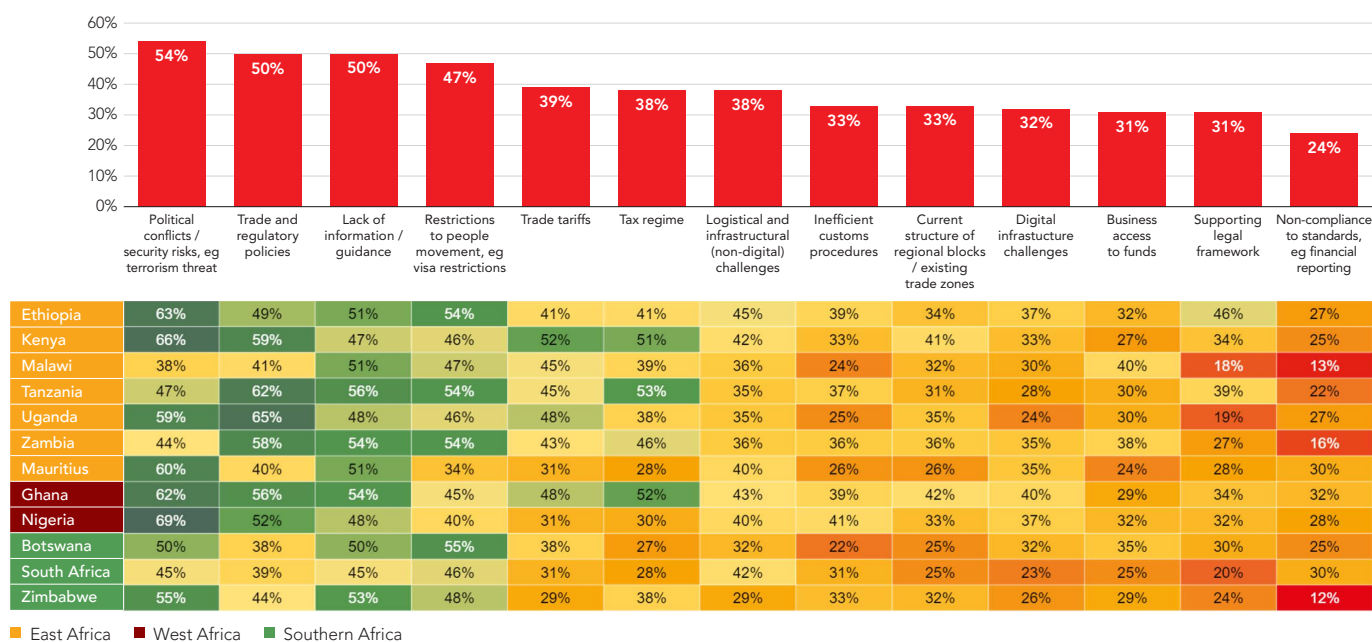


FIGURE M3: Industry representation of respondents' organisations**FIGURE M4: Business revenue of respondents' organisations****FIGURE M5: Respondents' organisations' roles in enabling cross-border facilities****FIGURE M6: Percentage responses on barriers to trade in Africa***

*Representation of responses by countries with more than 50 respondents

Executive summary

Across the world, businesses and governments are seeking better ways of ensuring a sustainable future by maximising opportunities and reducing or eliminating risks in and barriers to the use of resources and capabilities. Since the COVID-19 pandemic, economic recovery and the sustainable growth of businesses remain the core focus of nations as many reassess their economic and financial strategies for the future.

In support of Africa's masterplan for transformation – the African Union Agenda 2063 – the AfCFTA was launched to increase productivity and economic growth of member states through trade liberalisation across the continent. Its successful implementation will position Africa for global competitiveness, leveraging its 1.2bn people to become the world's largest continental free trade area.

ACCA's 2022 report, *Accounting for a Better World* demonstrates how critical the evolving role of accountancy and finance professionals is for creating a better world, identifying seven priority areas for the profession (ACCA 2022). If Africa is to achieve its grand agenda for trade liberalisation, accountancy and finance professionals must improve their understanding of how to interpret these priorities in the context of AU2063.

Following the *State of the Profession in Africa* report (PAFA, PwC and ACCA 2022), the aim of this research was to develop a roadmap for accountancy and finance professionals to overcome identified gaps in and barriers to leveraging the AfCFTA for intra-continental trade.

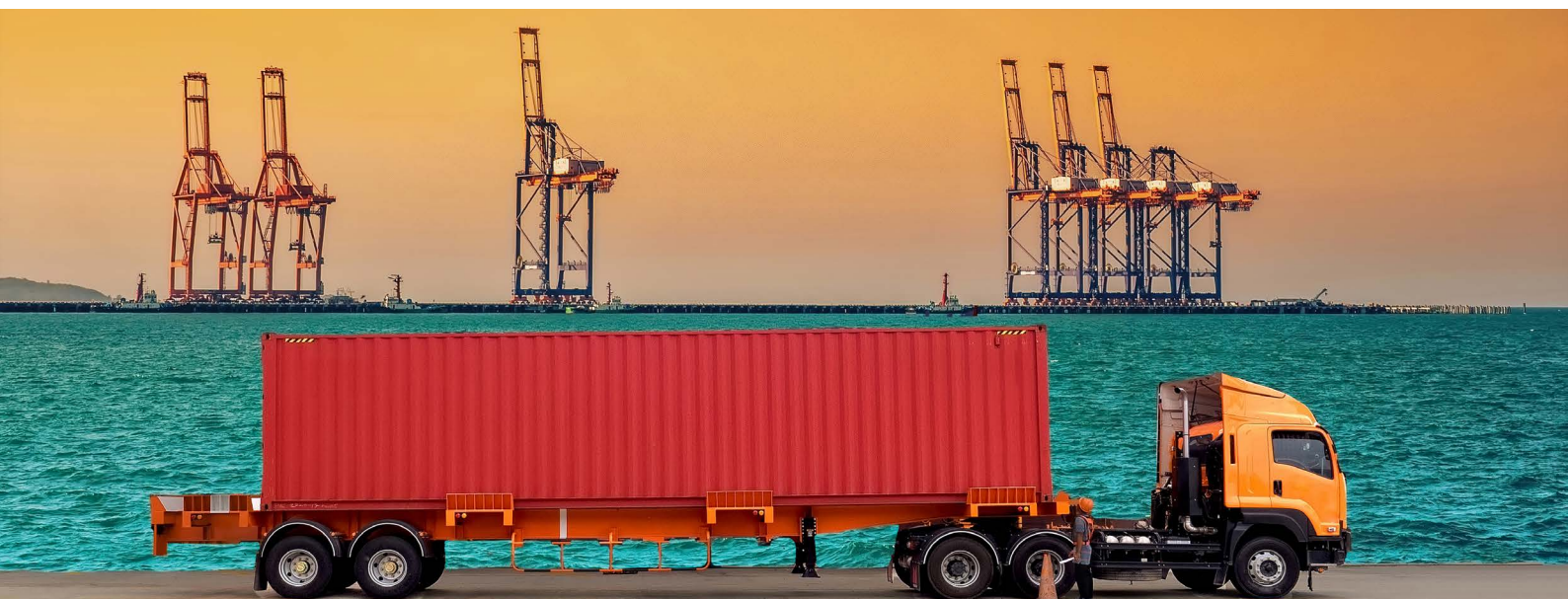
Our survey of more than 1,600 professionals across 22 PAOs revealed a concerning low level of awareness of, and participation in, the AfCFTA by accountancy

and finance professionals. This discovery led to further consultations with finance, business, and trade experts across the continent.

A deep dive into the current state of trade in Africa highlights the critical barriers to intra-continental trade and to realising the potential impact of the AfCFTA. This forms the basis of our in-depth assessment of the profession's role in overcoming identified barriers, and the competencies needed to do so.

This research uncovers interconnections between identified systems, referred to here as 'ecosystems', which are key to realising the AU2063 trade integration through the AfCFTA. Critical steps for professionals to break barriers between and build bridges across these ecosystems are then explored alongside opportunities for the profession.

The report culminates in a set of recommendations for harmonising and improving the efficiency of identified ecosystems, with the profession playing a 'super-connector' role across them. In this capacity, accountancy and finance professionals facilitate interconnected functions, enable transactions, and build trust between key players in intra-continental trade, leveraging the AfCFTA.



Key recommendations

There is a strong and urgent call for harmonisation across five identified ecosystems whose interconnectedness is key to realising the AU2063 trade integration ambition. Central to this is the need for the profession to demonstrate its super-connector ability to enable key players to answer this call in the most effective way.

The aim of this report is to capture how enhanced collaboration can break down trade barriers and improve efficiency through adoption of complementary guidelines across ecosystems so as to promote intra-continental trade. In essence, the profession has the capacity to support other key players to achieve the level of harmonisation required for the AfCFTA agreement to drive sustainable economic development in Africa.

The following critical steps (Table ES1) must be prioritised by the profession in harnessing its strengths and developing its capacity to play a much-needed role in enabling intra-continental trade, leveraging the AfCFTA.

TABLE ES1: Next steps for the profession in leveraging the AfCFTA

Ecosystem harmonisation	Key players to lead/ collaborate with & support*	Trade priorities for the profession in Africa	Critical steps for the profession to enable intra-African trade, leveraging the AfCFTA
Professional services harmonisation	Quality enablers Accountancy and finance professionals: accountants, tax professionals and assurance providers Non-finance professionals: legal practitioners, experts across fields (agriculture, energy, sustainability, etc.)	Build essential capabilities for professionals to deliver key priorities	• Harmonise accounting standards frameworks for complementarity rather than uniformity, to help bridge reporting barriers • Update the competency framework with soft skills such as cross-cultural working skills, advocacy skills and bilingual capabilities • Further develop the ability to leverage emerging technology to improve the efficiency of services • Develop identified technical skills, including integrated reporting, digital reporting, green finance and data analysis, relevant across industries and sectors • Collaborate with non-finance professional bodies to bridge knowledge gaps in non-finance elements of intra-continental trade and implementation of the AfCFTA
Institutional ecosystem harmonisation	Oversight providers National institutions: government agencies, reporting councils, standard setters, regulators, national PAOs Continental/ International institutions: African Union AfCFTA Secretariat, continental and sub-continental and global professional accountancy organisations	Facilitate efficient public-private partnerships to facilitate trade-enabling functions	• Create a forum for regulators, standard setters, chambers of commerce and the AfCFTA Secretariat to discuss regulatory standardisation, considering issues such as product standard harmonisation and demystifying rules of origin criteria for each industry • Increase engagements with key government agencies on the short-, medium-, and long-term financial impact of policies and regulations relating to intra-continental trade • Facilitate finance training for non-finance public sector officials across key government institutions to improve understanding of the financial and economic impact of inefficient use of resources and share best practices and relevant skill sets

Ecosystem harmonisation	Key players to lead/ collaborate with & support*	Trade priorities for the profession in Africa	Critical steps for the profession to enable intra-African trade, leveraging the AfCFTA
Business ecosystem harmonisation	Trade actors Indigenous stakeholders: micro, small, and medium enterprises (MSMEs), service providers (transportation, energy, labour, etc.), civil society Foreign stakeholders: international investors, multinational organisations	Empower sustainable businesses	• Inform the development of sustainable business models, harnessing the financial modelling and analytical skills of accountancy and finance professionals to enable businesses to take advantage of emerging opportunities • Advocate the adoption of relevant international standards, such as the International Financial Reporting Standard (IFRS) for small and medium-sized enterprises (SMEs) and International Sustainability Standards Board (ISSB) standards, to build trust and investor confidence, enabling businesses to access alternative sources of finance • Create business forums to bridge information gaps and share tools to enable trade actors, including chambers of commerce and accountancy and finance professionals across ecosystems, to operationalise the AfCFTA • Encourage accountancy and finance professionals to give back to society and build a better world by providing access to affordable professional business advisory services, including SME clinics, which could be digitally enabled • Advocate innovation among small and medium practitioners (SMP), such as the creation of internship opportunities for the higher education sector (both learners and educators with no practice experience) in their work with SMEs
Finance ecosystem harmonisation	Bridge builders National finance organisations: commercial and national development banks, fintech companies Multilateral finance organisations: regional development banks and other finance institutions, multilateral development partners	Enable efficient and sustainable finance for intra-continental trade	• Create a fintech forum in collaboration with the African Development Bank (AfDB) and African Export and Import Bank (Afreximbank) to facilitate dialogue with fintech start-ups and accountancy and finance professionals to develop more sustainable fintech applications, leveraging the Pan-African Payment and Settlement System (PAPSS) • Advocate and inform the development of alternative financing methods such as capital market sources of funds and green instruments, for the private and public sector, in collaboration with institutions such as the West African Monetary Institute • Serve as a super-connector, building trust between multilateral development partners, such as the International Finance Corporation (IFC) and key government agencies, to inform innovative models of public-private partnerships and encourage foreign investment with improved trust
Policy and political ecosystem harmonisation	Ratifiers State parties, political office holders, policymakers, policy advocates, legislators	Advocate trust and transparency	• Advocate and develop research insights to inform trade-friendly policies and laws at national level • National PAOs should advocate ethical and transparent delivery of public services to build public trust and reduce bureaucracy, enabling a sustainable business environment • Continental and sub-continental accountancy bodies should facilitate trade policy dialogue in collaboration with the African Union, bringing data-led financial perspectives to discussions with policymakers and relevant government institutions on the harmonisation of regulations, laws and policies

*A non-exhaustive list of key players whose roles cut across one or more ecosystems, including accountancy and finance professionals whose roles cut across all ecosystems.



THE PROFESSION HAS THE CAPACITY TO SUPPORT OTHER KEY PLAYERS TO ACHIEVE THE LEVEL OF HARMONISATION REQUIRED FOR THE AfCFTA AGREEMENT TO DRIVE SUSTAINABLE ECONOMIC DEVELOPMENT IN AFRICA.

Introduction

Background and context

In relaying the history of African trade, Harvard University's Emmanuel Akyepong tells the story of the Malian empire king, Mansa Musa, who journeyed on a pilgrimage from west Africa through north Africa to the middle east in 1424. His generosity to dignitaries was told of, as he made deposits of gold along his way: a possible precursor to currencies backed by gold. His return home may have been less glamorous but memorably enabled by the services of usurious money lenders in 1425.

The financial systems as we know them may have dramatically evolved from the one described in King Mansa's story, but as far back as 10,000BC trade across the Sahara has been identified by historians as the beginning of notable civilisations, such as the Axum Empire of farmers across present-day Ethiopia and the Nok civilisation that created iron artefacts in what is now north-central Nigeria (African Business 2021).

The survival and prosperity of African communities went on to depend heavily on the mutual benefits of intra-African trade, premised on equal opportunities, despite differences. Over the last four decades, intra-African trade has evolved significantly, centred on eight regional economic communities, including the Common Market for Eastern and Southern Africa (COMESA), the Arab Maghreb Union (UMA), the Community of Sahel-Saharan States (CEN-SAD), the East African Community (EAC), the Economic Community of Central African States (ECCAS), the Economic Community of West African States (ECOWAS), the Intergovernmental Authority on Development (IGAD), and the Southern African Development Community (SADC), in addition to the Eastern Africa Standby Force Coordination Mechanism (EASFCOM) and the North African Regional Capability (NARC) liaison offices (African Union 2022a).

The African Union has launched and adopted an agenda covering the period up to 2063, to serve as a blueprint for Africa's inclusive and sustained development, and setting out seven key aspirations (African Union Commission n.d.). These aspirations have since informed 15 flagship projects to drive integration and collaboration on pressing issues, including trade. The AfCFTA agreement is one such flagship initiative aimed at further integrating state parties through barrier-free trade across the continent. The agreement came into force on 30 May 2019, with free trading commencing on 1 January 2021, after delays due to the COVID-19 pandemic (UN 2021).

The anticipated impact of the AfCFTA includes lifting 98m Africans out of poverty by 2035, with real income gains of up to US\$450bn and more than 81% increase in intercontinental exports, among others (World Bank 2020).

Central to the realisation of the AfCFTA's ambitious aspirations are key players across various industries and ecosystems, including the accountancy profession.

Africa's Continental Free Trade Area agreement – an overview

Central to the actualisation of AU2063 is the collaboration and empowerment of African states through systems that harness their collective resources for creating and trading value across the continent. The AfCFTA is a flagship and pivotal initiative that seeks to make Africa home to the world's largest free-trade area.

Signed by 54 of the 55 African nations, with Eritrea being the exception, the agreement has a mandate to maximise the benefits of Africa's 1.2bn population and its US\$3.4 trillion combined GDP, by creating a single continental market through value chain optimisation and barrier-free trade (AU-AfCFTA 2022a).

Operationalising the agreement commenced in 2019, following the official launch of the implementation phase at the 12th extraordinary session of the African Union's assembly in Niamey, Niger Republic on 7 July 2019. Despite this, beyond ratification of the agreement by 80% of its signatories, the state parties have achieved little in driving implementation. Through its AfCFTA Secretariat, headquartered in Accra, Ghana, the African Union has been foremost in creating strategic partnerships and initiatives critical to the implementation of the agreement.

A myriad barriers plaguing implementation have been identified, which undermine both the financial and non-financial interests of key players. For state parties to the agreement, the underlying concern remains the impact of these considerations on the economic well-being of individual states. As at May 2022, 43 of the 54 signatories had deposited ratification instruments, with Tanzania, Cabo Verde, Democratic Republic of Congo, and Morocco doing so between January and April 2022 (Tralac 2022).

Trade priorities for the accountancy profession in Africa

ACCA's report, *Accounting for a Better World*, provides insight into seven fundamental aspects of the economy where the profession will gain increasing relevance globally, including the support of the private and public sectors in building sustainable businesses and resilient economies (Figure I1) (ACCA 2022).

The 'profession' refers to the overarching function of accountancy and finance professionals guided and shaped by PAOs at national, continental and global levels. This definition is consistently reflected throughout this report.

What do these core priorities mean for the profession in Africa when considering AU2063 and its strategy for financial and economic integration through trade?

An estimated 123,000 accountancy and finance professionals in Africa each belong to at least one professional accountancy body, according to joint research conducted by PAFA, PwC and ACCA for the *State of the Profession in Africa* report (PAFA et al. 2022). With approximately one in every 10,000 Africans being an accountancy or finance professional, the current state of the profession in Africa presents both limitations and opportunities in its capacity for contributing to sustainable development in Africa (PAFA et al. 2022).

Four thematic areas (Table I1) formed the basis for evaluating the current state of the profession, highlighting gaps that must be filled to improve its capacity to achieve its set priorities.

This report builds on these frameworks and explores critical steps needed to enable business and economic growth in Africa by overcoming identified barriers to free intra-continental trade (Table I1).

FIGURE I1: Seven core global priorities for the accountancy profession



Source: ACCA 2022

TABLE I1: Priorities for the profession and steps to take

The seven core global priorities for the profession	Evaluating the capacity of the profession to achieve key priorities	Exploring critical steps for the profession in Africa – key questions
Supporting entrepreneurial growth	Thematic area: Capacity building Shortages of skills to support business and economic growth is a major challenge for the profession in Africa	What is the role of the profession in driving business and economic growth through trade in Africa?
Building resilient economies		
Driving sustainable business	Influencing socio-economic development The profession in Africa needs to develop environmental, social and governance (ESG) acumen to contribute to building ethical and sustainable economies	What are the barriers to intra-continental trade in Africa and how can the AfCFTA be leveraged to achieve sustainable economic development?
Strengthening ethics and trust	Partnerships There is a need for strategic alliances, particularly between PAOs and higher education institutions; and to support regulatory functions and professionalise the public sector	Who are the key players in leveraging the AfCFTA and what is the role of the profession in enabling them?
Advancing standards and regulation		
Transforming the public sector		
Developing the talent of tomorrow	Future readiness of the profession The profession must act to improve future readiness, especially in areas of technology and ESG	What actions must the profession take to ensure future readiness for intra-continental trade in Africa?

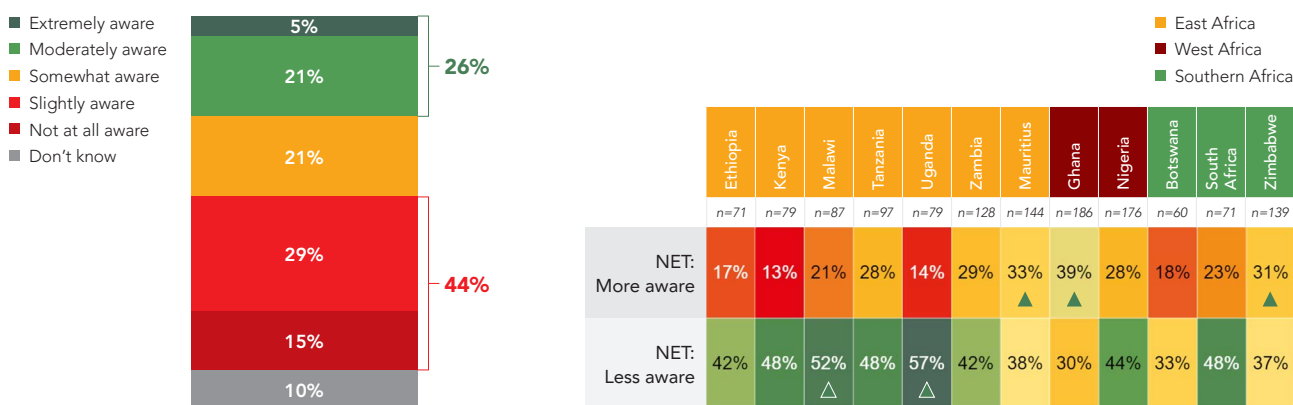
Assessing readiness: Accountancy and finance professionals and the AfCFTA

Having established how fundamental the AfCFTA is in rebuilding Africa's economy for sustained growth, it must be understood that the readiness of accountancy and finance professionals in Africa to leverage the AfCFTA is key to building resilient and sustainable businesses, public institutions and economies.

In surveying the perspectives of accountancy and finance professionals belonging to at least 22 PAOs

and the ACCA community in Africa, a clear picture of the perception, level of awareness of and participation in the AfCFTA was ascertained.

ONE IN FOUR RESPONDENTS WERE EITHER 'EXTREMELY' OR 'MODERATELY' AWARE OF AFCFTA, WITH THOSE IN MAURITIUS, GHANA AND ZIMBABWE HAVING SLIGHTLY HIGHER LEVELS OF AWARENESS THAN THOSE IN OTHER MARKETS.

FIGURE I2: Awareness of AfCFTA

Lower awareness was observed for the PAFA open link.
NET: less aware = 52%

THERE IS SIGNIFICANT ROOM FOR IMPROVEMENT IN THE LEVEL OF AWARENESS THAT PROFESSIONALS HAVE ABOUT THE AfCFTA, AS CURRENT LEVELS ARE LIMITING THEIR ABILITY TO MAXIMISE ITS POTENTIAL.

One in four respondents were either 'extremely' or 'moderately' aware of the AfCFTA, with those in Mauritius, Ghana and Zimbabwe having slightly higher levels of awareness than those in other markets (Figure I2). Participation in the AfCFTA also appeared low, with only 23% of respondents attesting to participation (Figure I3).

A notable proportion of respondents (36%) were unaware of the status of their organisations' participation in the AfCFTA, especially in Botswana and Mauritius. Conversely, professionals in Nigeria and Tanzania appeared more aware of their organisations' participation.

Despite the low level of awareness and participation, several positive views were highlighted by respondents.

- Around two-thirds of respondents said that the AfCFTA will have a positive impact on trade in Africa. A significant number of those in Tanzania, who recorded a relatively high participation in the AfCFTA (31%), said that the agreement will lead to greater mobility of accountants across Africa.
- Respondents were aligned on the need for more information at all levels, beginning with basic introductory information on the benefits, role and impact of the AfCFTA and further expanding to more detailed and country-specific information on trade and the implementation of the agreement (Figure I4).

ACCESSING INFORMATION ON AfCFTA IS REGARDED AS DIFFICULT BY 38% OF RESPONDENTS; ONLY 14% THINK IT IS EASY, WHILE THE REST ARE NEUTRAL.

FIGURE I3: Participation in AfCFTA

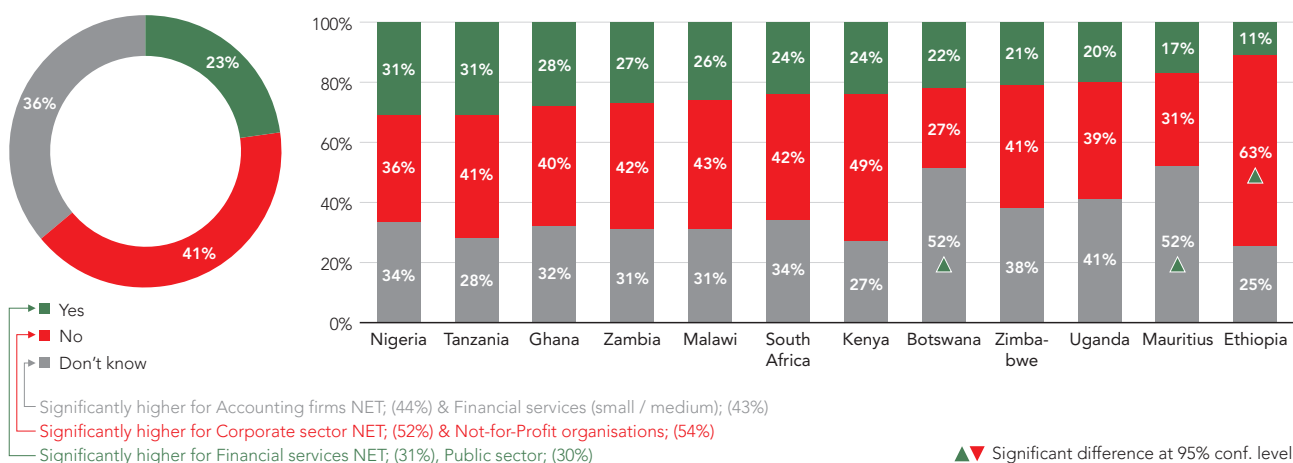
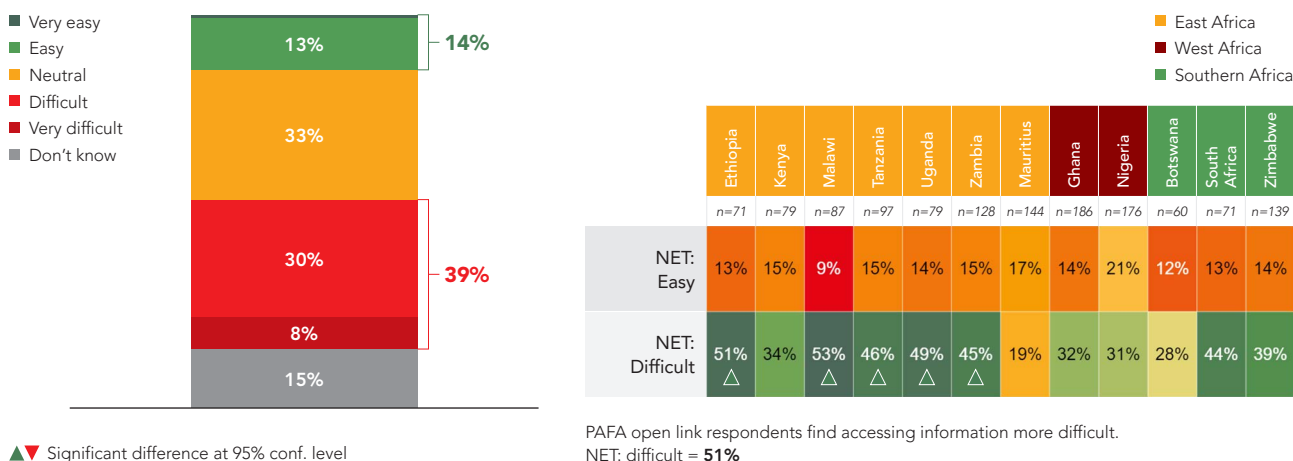


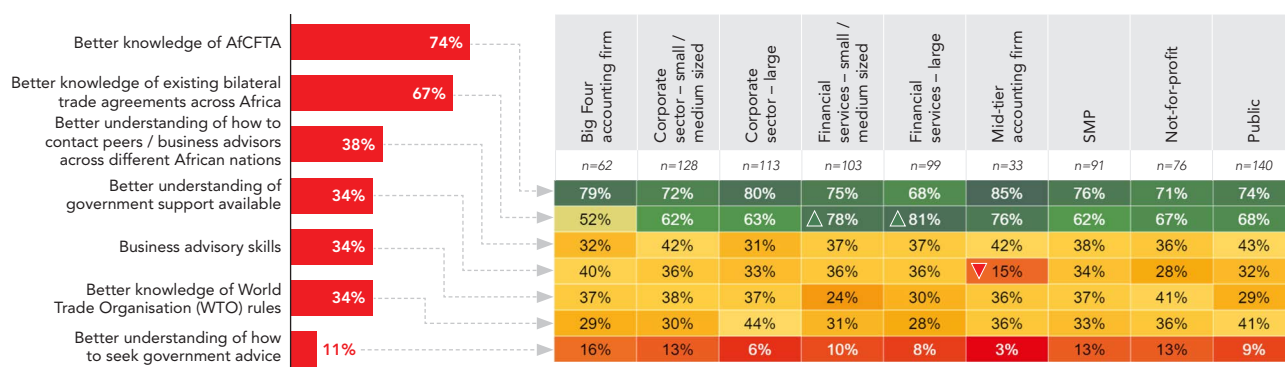
FIGURE I4: Accessing information on AfCFTA



Highlighted information gaps

MOST RESPONDENTS HOLD THE VIEW THAT BETTER KNOWLEDGE OF THE AfCFTA AND EXISTING BILATERAL AGREEMENTS COULD BENEFIT TRADE IN AFRICA. THIS VIEW IS HELD PREDOMINANTLY BY THOSE IN FINANCIAL SERVICES.

FIGURE I5: Supporting trade in Africa – views of respondents segmented by type of organisation



▲▼ Significant difference at 95% conf. level

Answers based on ranking of the most important attributes, from 1 to 3.

When asked what types of information respondents would find most beneficial for giving them a better understanding of the opportunities posed by the AfCFTA, seven categories of information gaps were identified.

Seven categories of information gaps

1 The benefits, role or impact of AfCFTA, including membership information and requirements

- What AfCFTA is, how it can benefit me and my country. Who regulates it and whether my country is part of its development.
- The role of AfCFTA, its social and economic benefit to the businessperson and ordinary citizen.
- The role that AfCFTA plays, and how it plays its role in relation to the laws and regulations.

Respondents were keen to 'connect the dots' between the AfCFTA and its direct social and economic benefits in their communities. While there may be some general awareness of the existence of the agreement, there is lack of knowledge of the operational tools and mechanisms being put in place by the African Union and other key institutions to drive implementation.

PAPSS – Operational Instrument for payments and settlement

A key area of economic and social benefit from the AfCFTA agreement would be the empowerment of SMEs for cross-border transactions, which will probably encourage more indigenous payment service providers.

Currently, a few service providers, such as Paygate in South Africa, Flutterwave and Opay in Nigeria, and Pesapal in Kenya, are striving to meet payment settlement needs through international channels. The advent of the Pan-African Payment and Settlement System (PAPSS) by the AfCFTA secretariat and Afreximbank creates a platform to enable more African fintech start-ups to attain 'unicorn' status: for example, Paystack – a Nigerian start-up acquired by America's Stripe for US\$200m in 2020.

2 Countries or governments who are participating in AfCFTA

- Countries that have adopted and implemented trade under the AfCFTA.
- List of countries which signed AfCFTA agreement and the products that are covered by this trade agreement.
- Participating countries, exemptions and minimum standard.

There is a lack of publicly available information on the AfCFTA, giving rise to a general lack of awareness among professionals of related developments.

The lack of information about countries' participation and state parties' implementation efforts was common to respondents across sectors, including those in government establishments.

AfCFTA agreement Implementation

Kenya and Mauritania are examples of countries that have developed and launched AfCFTA implementation strategies. Kenya's Ministry of Industrialisation, Trade and Enterprise Development, in collaboration with the United Nations Economic Commission for Africa (ECA), unveiled a national implementation committee in August 2022 (ECA 2020 and 2022).

In addition to launching its implementation strategy, The Ministry of Trade, Industry and Tourism of the Islamic Republic of Mauritania and the ECA Office in North Africa held a workshop in 2020 to assess the strategy critically, giving participants an opportunity to examine the financial, economic and environmental impact of the AfCFTA on the country.

3 Customs information or procedures for exports, duties, taxes

- Customs duties, movement restrictions and regulations.
- Tax implications of trade for AfCFTA members.
- Import and export guidelines, comparative analysis of the legal and regulatory instruments covering cross-border trade.

Respondents were especially interested in information on the procedural framework for cross-border trading, using the AfCFTA.

In practice, the AfCFTA operational tools are expected to be used to different extents across sectors. Nonetheless, the regulations and provisions guiding implementation must be equally accessible to all.

A particular area of interest was the taxation of freely traded goods and services.

South Africa customs modernisation

In 2021, the South African Revenue Service went through significant changes to align with its Vision 2024, a five-year strategic plan for building a smart modern revenue service, focusing on integrity and trust, to serve its national and international communities. The Service launched eight strategic initiatives that could be implemented quickly and with maximum positive impact to achieve its mission of custom service modernization.

By implementing projects such as SMART Borders and Regional IT Connectivity and by investing in eCommerce, South Africa has continued to strengthen its position as the highest contributor to intra-continental trade income in Africa.

4 Trade tariffs, agreements, standards and restrictions

- The information on trade facilities, tax incentives, customs tariffs and the facilities for using the AfCFTA route should be visible and accessible to all types and categories of business.
- Trade barriers and how to deal with them.
- Eligibility to trade, processes on how to be a part of the pan-African trade.

Another fundamental aspect of which most professionals displayed a knowledge gap is how trade tariffs will be managed and the criteria goods must meet to be considered for the concessionary tariff waivers.

The concept of *rules of origin*, which refers to the determination of the 'economic nationality' of a product to qualify for concessionary trade tariffs, is still unclear to most businesses and the professionals who support them.

The Katanka case study

Katanka Automobile is a Ghanaian-owned automotive company that designs, assembles and sells luxury cars. Vehicles are designed and assembled in Ghana with some parts imported from outside Africa. KATANKA was not aware of the opportunities available to the company through the AfCFTA, particularly those relating to the process for obtaining tariff waivers to export its vehicles to Zambia, where tariff concession schedules have been submitted and verified. The company was keen to know more about the E-tariff book and the rules of origin essential to accessing the AfCFTA Automotive Fund.

The E-tariff book is part of the AfCFTA Secretariat's digitalisation efforts to drive implementation through the facilitation of tariff concessions among trade and custom authorities of member states (AU-AfCFTA 2022b).

Another mechanism put in place by the AfCFTA Secretariat is the Non-tariff Barrier online reporting tool, which is aimed at creating a platform for reporting, monitoring and eliminating non-tariff barriers, including challenges with rules of origin (AU-AfCFTA 2022c).

5 Information around double taxation

- Information about double taxation, whether the double taxation relief will be there to facilitate smooth trade.
- How AfCFTA can help in double taxation treaties and trade barriers.
- Double Tax agreements between African countries, information and guidance on customs procedures.

Tax professionals in both the private and public sectors encounter double taxation as a challenge in assessing businesses. Many professionals opined that cross-border trading will exacerbate this, as many countries look inward to taxation for generating revenue.

While the AfCFTA seeks ways of supporting possible adjustment losses from taxation, the lack of parity in tax policies across state parties leaves room for questions about the extent of relief that can be enjoyed by moving goods beyond their current regional economic communities.

EAC Double Taxation Treaty

The East Africa Community (EAC) remains one of the strongest and possibly the most advanced of the regional economic communities in Africa. Its harmonisation efforts, which include a newly updated Common External Tariff to increase jointly recognised bands of concessionary tariffs, became effective on 1 July 2022.

Unfortunately, double taxation remains a lagging area of development in the EAC's efforts to promote intra-continental trade, as its 2010 Double Taxation treaty has remained only partly ratified for over a decade, with only Rwanda, Kenya and Uganda, out of seven partner states, submitting ratification instruments.

Adrian Njau, Trade & Policy Advisor to the East African Business Council, attributed this delay to 'a perceived risk of revenue loss and erosion of policy space' among other things (EABC 2022).

The implementation of the AfCFTA will advance prospects of integration for trade in Africa, and even more so its potential for harmonising economic communities further, if such risks of revenue losses are effectively addressed.

The delay in the harmonisation of domestic taxes is due to the perceived risk of revenue loss and erosion of policy space for EAC Partner States plus the long & bureaucratic process of harmonising.

6 Trade or investment opportunities

- Investment opportunity in neighbouring countries like Kenya and Uganda. Also market availability among EAC countries.
- The business opportunity that exists in country. The availability of qualified institution and workforce, legal framework, simplicity etc.
- Must provide information on what is happening in every country in the continent and publish every business opportunity.

Respondents from East Africa, in particular, were enthusiastic about prospects for investment and opportunities in neighbouring countries and the support framework established to enable businesses to take advantage of such opportunities.

Professionals will find information about leveraging trade and investment opportunities arising from the AfCFTA very valuable, as it would help them support organisations in meeting the criteria for obtaining support facilities.

Melvin Marsh International Limited



Kenya's largest blender, packer and distributor of flavoured teas is an agro-based company with prospects of business expansion into other East African countries.

To access credit through the African Development Bank, Melvin Marsh must qualify as a mid-sized company in Kenya, with a turnover in the range of Kshs 70m to Kshs 1bn and without being a public limited liability company. These are rather difficult criteria for a small business like Melvin Marsh to satisfy, and this is so for many others across Africa seeking to leverage the continental free trade area.

To increase intra-continental trade opportunities for businesses of all sizes and help them harness growth opportunities through collaboration, the Afreximbank, in collaboration with the African Union and AfCFTA Secretariat, launched the AfCFTA marketplace, called the Intra-African Trade Fair, in 2021. In addition to connecting businesses, the fair is dedicated to sharing information and training on how businesses can position themselves to take advantage of available support, including access to funding from various sources.

7 Updates on trends; media publications including digital, social media, newsletters, webinars

- Digital information over the internet and social networks such as Twitter and Facebook. Also information in print media, such as newspapers, informing of official statements, resolutions in parliaments. TV and radio adverts are also crucial.
- Magazine information and frequent updates on trends.

Current information essential to trade transactions, including updates on interventions and operational tools designed to support businesses, is not sufficiently visible and accessible.

The pandemic has increased reliance on digital information dissemination, hence there is a growing expectation for more social and digital media interaction to create awareness.

The Digitised AU Handbook



The African Union has for decades published a handbook on the activities of its organs and structures, highlighting initiatives and providing updates on how the Union is fulfilling its mandate.

In recent years, a lot of emphasis has been placed on the vision of African integration of trade, arts and culture through the AfCFTA agreement and other initiatives.

To improve accessibility, a digital copy is now available via a mobile application, available on IOS and the Google play store. English and French versions of the handbook are also available, both on the app and the African Union website (African Union 2022b).



1. Intra-continental trade in Africa: *The big picture*

1.1 A deep dive into the current state of trade in Africa

Trade, like every other facet of economic activity, was hit hard by the COVID-19 pandemic, further depreciating Africa's already declining commodity export profile, from its level in 2019, by 16.18% to about US\$898bn in 2020, according to the *Africa Trade Report* (Afreximbank 2022a: 71–89).

The continent's heavy reliance on foreign trade became even more apparent for oil exporting countries, including Nigeria, Africa's largest economy and oil-exporting country, leading to reductions in foreign exchange reserves and recessionary economic conditions.

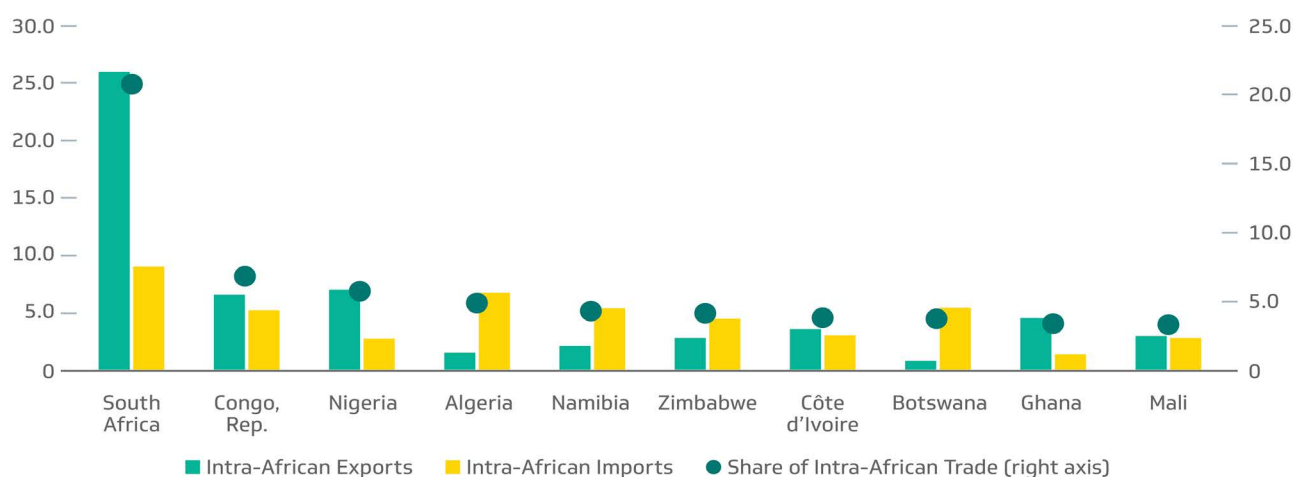
Unfortunately, while most African countries continue to depend on the exportation of unprocessed natural resources, individually dominating world markets for several of these products, the continent collectively contributes only a small share of world exports, and these are concentrated in agriculture. Africa's contribution to

global agricultural exports was a little over 4% between 2003 and 2019. Domestic factors such as poor productivity, low investment, and infrastructural deficiencies coupled with global trade barriers are factors said to undermine Africa's trade competitiveness (IFPRI 2021).

Consequently, intra-continental trade continues to experience lower engagement than foreign trade, despite positive recovery indices as global demand began to rise. In 2021, intra-African trade was recorded as having reached US\$169.73bn, following a consistent decline since 2019. Extra-Africa trade, on the other hand, saw a more significant improvement, reaching a total of US\$1.01 trillion in the same year and constituting over 80% of Africa's total trade in 2021 (Afreximbank 2022a).

South Africa has continued to top the charts as Africa's leading intra-African trading nation, with a total value of US\$34.83bn of trade within the continent in 2021, accounting for 20% of the continent's total internal trade value in that year (Figure 1.1).

FIGURE 1.1: Top ten contributors to intra-African trade, 2021, by percentage

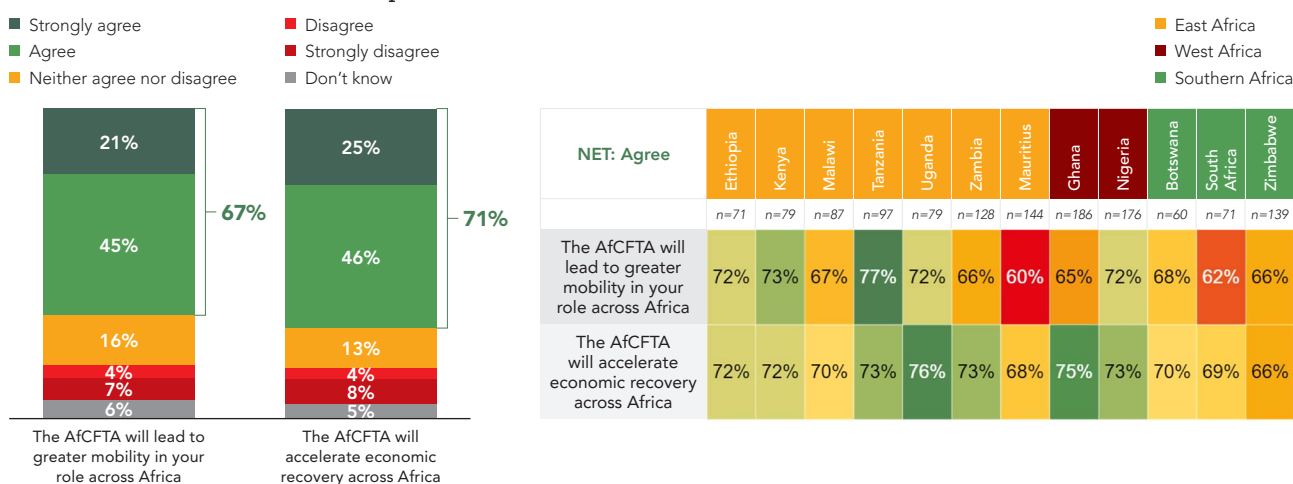


Source: Afreximbank 2022a

1.2 Impact of the AfCFTA on intra-continental trade

TWO-THIRDS OF SURVEY RESPONDENTS CONSIDER AfCFTA TO HAVE A POSITIVE IMPACT ON TRADE. THOSE IN TANZANIA, WHICH HAS HIGH PARTICIPATION IN AfCFTA (31%), ARE CLEAR THAT AfCFTA WILL LEAD TO GREATER MOBILITY.

FIGURE 1.2: Beliefs about the impact of AfCFTA



The operationalisation of the AfCFTA in 2021 was intended to create a US\$3.4 trillion borderless market across the continent, giving countries an even better opportunity for post-pandemic economic recovery. The United Nation's Conference on Trade and Development (UNCTAD) estimates that the AfCFTA could boost intra-African trade by as much as 33%, reducing Africa's trade deficit by over 50% (UNCTAD 2021).

Conversely, the experts we consulted expect several costs for adjustments across sectors in implementing the trade liberalisation prospects of the AfCFTA agreement. While some governments fear the loss of revenue from trade tariffs, they also envisage an uneven distribution of costs of enabling barrier-free cross-border trade, with the need for heavy investments in infrastructure and security, to mention but two. Larger economies, such as Nigeria and South Africa, were among the signatories to the AfCFTA, despite initial concerns about a possible negative impact of continental integration, such as unfair competition for jobs and locally manufactured goods (BBC 2019).

Costs are expected to arise for individuals and businesses for upgrading labour skills and implementing product standardisation, among others. It is also reasonable to expect increased costs for transportation and communication across borders, given the existing gaps in essential infrastructures, which will be discussed in section 2.2 (ii).

In managing the financial implications of the AfCFTA, several operational tools and institutional levers are being put in place to support key signatories to the agreement.

1.3 AfCFTA's institutional levers and operational tools

i) The AfCFTA Secretariat

Established in 2020, the AfCFTA Secretariat is situated in Ghana, West Africa, and has the objective of driving and ensuring full implementation of the agreement, through coordination of member states and collaboration with development partners in supporting its mandate.

The AfCFTA Secretariat is channelling institutional support for the implementation phase of the agreement through initiatives such as the AfCFTA Hub, a directory for services (AU-AfCFTA 2022d).

A plan is under way to establish the AfCFTA Academy to build capacity and facilitate institutional development for the AfCFTA Secretariat, ensuring staff are upskilled in fulfilling the African Union's mandate for the Secretariat (AfDB 2021).

ii) Afreximbank

Afreximbank was established under the mandate of the AfDB to serve as a multilateral trade finance institution for Africa.

Perhaps the most significant initiative run by Afreximbank in conjunction with the AfCFTA Secretariat is the PAPSS – a central platform for processing, clearing and settling intra-continental transaction payments. Before its launch in January 2021, a pilot phase of the platform was tested in the West African Monetary Zone (Afreximbank 2021).

Other functions of the bank include credit financing and insurance, as well as advisory services.

iii) AfCFTA Adjustment Fund

In July 2022, Afreximbank renewed an agreement to commit a US\$1bn fund to operationalise the AfCFTA via an adjustment fund that has dual purposes: to mitigate tariff revenue losses and provide credit and concessional funding (Afreximbank 2022b).

iv) The Automotive Fund

As a result of a collaboration between the African Association of Automotive Manufacturers (AAAM), the AfCFTA Secretariat and Afreximbank, the Automotive Fund was set up to support the strategy developed for the automotive industry in Africa, with action agreed to finalise the rules of origin for parts and establish a task force for the development of a more advanced automotive value chain.

Afreximbank has committed a US\$1bn fund to support the above initiatives, as well as providing access to consumer financing to create demand and associated insurance products for locally manufactured automobiles in Africa (AU-AfCFTA 2022e).

v) The AU Constitutive Act

The act represents African leaders' commitment to the priorities of the African Union: promoting Pan-Africanism, peace, unity and cooperation among countries for the good of all Africans.

The act provides for the creation of three financial organs, including an African Central Bank, an African Investment Bank and the African Monetary Fund – all critical to the future of financial and economic interactions underpinning intra-African trade (African Union 2000).



2. Barriers to intra-continental trade in Africa and key players

In evaluating the key barriers to intra-African trade, accountancy and finance professionals can appreciate the interdependencies of key players and the role of the profession in supporting them to enable and accelerate progress.

For this study, all direct and indirect parties to the AfCFTA whose actions and decisions would affect the implementation process are considered key players. A strong interplay of the key players was evident in our interactions with African experts and professionals during this research. While the list of key players mentioned in this report is not exhaustive, the roles they play in breaking barriers and accelerating trade through the AfCFTA helps

to categorise them into groups according to ecosystem, the interactions of which feed into each other and the larger trade system (Figure 2.1).

As these ecosystems overlap, we find connectors whose functions fuel the interdependencies and interplay of key players in driving trade integration and sustainability on the continent.

FIGURE 2.1: The African trade system



2.1 Ecosystem players

i) Business ecosystem

The business ecosystem comprises the interactions of **trade actors**, who are at the performance end of the AfCFTA agreement, and all other systemic tools and services provided by all other ecosystems to make intra-continental trade happen on a day-to-day basis.

Key players include, but are not limited to, MSMEs (micro, small and medium-sized entities), chambers of commerce, non-professional service providers (such as transportation and haulage service providers), trade associations, as well as the civil society members who patronise these services as end-users.

Accountancy and finance professionals often connect this ecosystem with other ecosystems such as the professional service ecosystem where they serve within SMPs, supporting the readiness and financial sustainability of businesses in trade.

ii) Finance ecosystem

The finance ecosystem comprises the interactions of transaction facilitators, using money as a tool. These participants may be regulated, enabled and used by bodies in other ecosystems. The finance ecosystem is a critical **bridge builder** across other ecosystems.

Key players include banks and other commercial financial institutions that serve as intermediaries between the private and public sectors, connecting them with the institutional ecosystem. The scope of their function may be national or continental, bringing regional development partners into this category.

As expected, accountancy and finance professionals operate within this ecosystem, applying their competencies and skills in advising, facilitating, accounting for and reporting daily on financial transactions. Professionals also connect with the business ecosystem through their role in fintech start-ups, informing trade payment facilities for businesses through technology.

iii) The professional service ecosystem

Accountancy and finance professionals are key players in their fields, with their distinct expertise and strict codes of ethics. They are **quality enablers**, actioning guidelines for ethical and standard-compliant trade interactions.

Key players in this ecosystem include legal professionals, assurance and insurance providers, and sustainability specialists.

Accountancy and finance professionals in this ecosystem are bound by a code of ethics in providing their services wherever they work and with whoever they deal. They play many roles, from financial accountants to audit and assurance professionals to tax professionals and several more. We also find them serving as connectors with other ecosystems, for instance tax professionals in government agencies responsible for trade taxes and duties, which fall into the institutional ecosystem.

iv) Institutional ecosystem

This ecosystem largely consists of organised institutions with the power to regulate players in all the other ecosystems. These institutions are **oversight providers** whose functions may be national, continental or international, providing oversight at a national, continental or global level.

Government agencies and institutions, professional bodies, and continental and sub-continental bodies, as well as standard setters, are all examples of key players in this ecosystem.

PAOs with oversight over professionals are relevant in all other ecosystems, in addition to playing the connector role of advising policymakers and governments on the financial impact of trade policies at various levels, using their professional insights.

v) The policy and political ecosystem

This is the fifth, and equally critical, ecosystem for trade comprises players who function as **ratifiers** of instruments used by every other ecosystem. From empowering institutions to authorising policies and standards that define business and financial transactions, ratifiers shape the nature of trade from country to country.

Key players include political leaders, legislators and, increasingly, independent policy advocates.

Accountancy and finance professionals play a major connecting role through national financial standard-setting bodies where guidelines for transactions are crystalised as standards and passed into law by legislators.

Accountancy and finance professionals will increasingly play multiple roles in empowering trade as they enable connections across all ecosystems. As a super-connector, the profession supports and connects several key players to realise a shared goal. Once barriers to trade across the ecosystems have been assessed effectively, these roles become even more crucial in breaking through them.



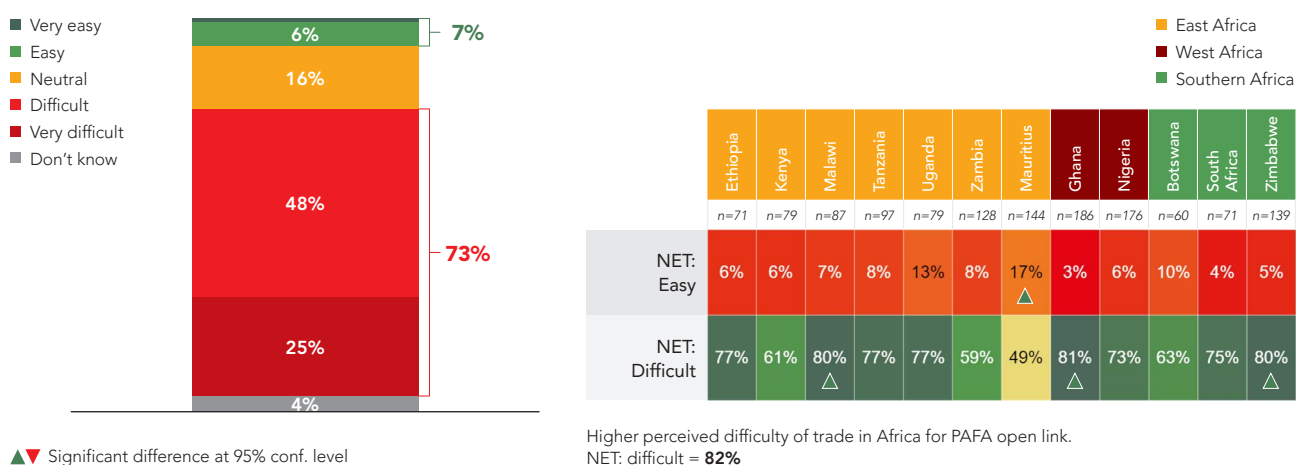
2.2 Finance and non-finance barriers to intra-African trade

Trading in Africa is perceived as difficult, with only a few countries seen as overcoming major barriers to trade (Figure 2.2). The experts we consulted broadly classify these barriers into two categories: financial and non-financial, both equally challenging in militating against trade, according to stakeholders. It is important to note

that, in the long run, non-financial barriers may very well disrupt the financial behaviour and/or transactions of key players across ecosystems.

Accountancy and finance professionals can explore ways in which stakeholders can be supported in breaking down or reducing the impact of barriers to trade among African businesses (Table 2.1), empowering a sustainable system of intra-African trade.

FIGURE 2.2: Perceived difficulties of trading across Africa



73% OF RESPONDENTS AGREED THAT IT IS DIFFICULT TO CONDUCT TRADE IN AFRICA. RESULTS ARE CONSISTENT ACROSS MARKETS, THE EXCEPTION BEING MAURITIUS, WHERE RESPONDENTS FIND TRADING IN AFRICA SLIGHTLY LESS CHALLENGING THAN THE OTHERS, BUT STILL HIGHLIGHT ISSUES.

TABLE 2.1: Financial and non-financial barriers to intra-African trade

Financial barriers	Non-financial barriers
i) Payment system limitations	vii) AfCFTA information gap
ii) Poor infrastructure	viii) Skills gap among accountancy and finance professionals
iii) Access to finance	ix) Bureaucracy within governments
iv) Variation in laws, standards and policies	x) Political instability
v) Prospects of revenue losses	xi) Variation in product standards
vi) Double taxation	xii) Culture and language differences

i) Payment system limitation

Currently, intra-African payments are routed through international payment settlement systems outside Africa. The experts we consulted bemoan the lag time on payment settlement, which slows down trade processes and causes variations in the value of transactions for stakeholders.

‘In recent times, when there is worldwide inflation, it is particularly common across Africa to discover that the value of transactions changes between point A and point B’. **Audrey Naa Dei Kotey**, managing partner, AudreyGrey Corporate Attorneys, Ghana

There is also the issue of a poorly banked population across Africa, with limitations of digital capacity curtailing financial inclusion. In Nigeria, Africa’s most populous nation, 45% of the total population is banked, which is high compared with Nigeria’s peers, yet it remains home to the highest population of financially excluded adults – at 36% of the adult population – on the continent (Business Day 2021).

The launch of the PAPSS brings much hope for the future of payment settlements that are denominated in African currencies, leading to cheaper transaction costs. Even so, the involvement of regulators such as central banks may pose challenges of political influence and interference through monetary policies.

ii) Poor infrastructure

While a lot of effort and investment from sources within and beyond Africa have gone into closing the infrastructure gaps across African countries, there remains a huge gap in the intra-continental linkages needed to facilitate movement of goods. This includes railway systems, accessible seaports and connected road and air transport channels.

The insufficient, and sometimes absence of, storage infrastructure across borders was highlighted as a significant source of loss for traders of perishable goods such as milk and fruit.

Governments of many African countries are struggling to fund these infrastructure projects, even with the support of development partners such as the AfDB. Accountancy and finance professionals believe they can do more to help governments take advantage of alternative sources of funding and private sector partnerships.

‘Supporting the government with figures can help to prove what can be achieved by bringing down some of these barriers’. **Okey Umeano CFA, FCCA**, Chief Economist, Securities & Exchange Commission, Nigeria

As the digital economy continues to grow and more businesses are relying on the internet to function, poor internet infrastructure is also becoming a major challenge. Closing this gap will require a partnership between the private and public sectors in many economies.

iii) Access to finance

The experts we consulted agree that with better access to finance, economic development would accelerate, with more businesses trading and/or manufacturing goods locally. For manufacturers and businesses looking to expand beyond national borders within Africa, a lot more support is required.

A major impediment to this is poor access to funding for MSMEs. Our experts acknowledged the role accountancy and finance professionals can play in supporting MSMEs to attract the needed funding.

With revenues of several countries dwindling owing to multiple factors, including inflation and the extended impact of the COVID-19 pandemic, respondents also raised access to debt financing as a challenge for the governments of many African nations. Increasing debt servicing costs and the poor debt profiles of some governments have put them at a disadvantage in accessing foreign debt, leading to some budget deficits.

iv) Variation in laws, standards, and policies

The experts we consulted have highlighted several differences in reporting standards, which have a range of impacts including those on businesses that must report on cross-border operations.

It is common for neighbouring African countries to require different financial reporting standards, with some using IFRS and others the standards issued by OHADA (Organisation pour harmonisation en Afrique du Droit des Affaires).

This was also highlighted as a challenge in the accountancy service industry, as professionals may be unable to provide their services across borders where the countries concerned have different financial reporting standards.

v) Prospects of revenue losses

In many African countries, a pivotal concern about signing and ratifying the AfCFTA was the possibility of revenue loss, which could affect several stakeholders. This created concerns about the unequal financial impact of implementing the AfCFTA across countries of diverse financial strengths.

In 2020, Nigeria became the 34th member state to submit ratification documents after delays in signing the agreement in 2019 (Tralac 2022). This was reportedly owing to concerns about the possible negative impact on local manufacturers and small businesses, in addition to prospects of tariff losses by the government (BBC 2019).

Another dimension to this conversation is the financial impact of the AfCFTA agreement on Nigerian manufacturers and service organisations, including multinationals, with foreign investments or shared ownership structures. There are concerns about the impact of intra-continental trade policies on local manufacturing in dynamic business environments and the possibility of repatriation of funds by foreign investors who set up local subsidiaries.

vi) Double taxation

The experts we consulted warn of the challenge of double taxation for so many businesses, both within nations and across borders. Double taxation arises when multiple government agencies or jurisdictions levy taxes on the same income source or business activity (Figure 2.3).

Poor communication among related government agencies and the struggle for internally generated revenues are perceived as contributing to the proliferation of taxes.

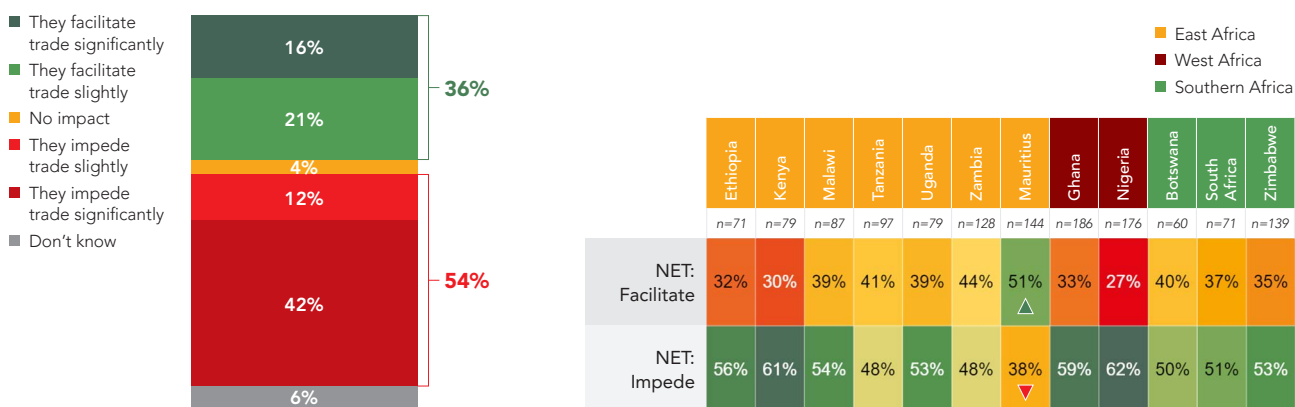
vii) AfCFTA Information gap

As noted earlier, a significant gap in accountancy and finance professionals' knowledge of the AfCFTA was made evident by respondents to the survey. The experts we consulted corroborated the survey finding and extended it to MSMEs and the public service, which are all active players in implementing the trade agreement.

These experts argued that there has been insufficient public education about AfCFTA developments, especially the operational tools and how various stakeholders could engage with them. At national level, it was opined that relevant national agencies, as well as chambers of commerce, have a part to play in channelling information to business owners and the public at large.

OVER HALF OF THE SURVEY RESPONDENTS CLAIMED THAT DOUBLE TAXATION IMPEDES TRADE. MAURITIUS IS THE ONLY MARKET IN WHICH RESPONDENTS HOLD AN OPPOSING VIEW, WHERE DOUBLE TAXATION FACILITATES TRADE. THIS IS PROBABLY OWING TO MAURITIUS' DOUBLE TAXATION AGREEMENTS WITH COUNTRIES WITH WHICH IT SEEKS TO FOSTER BETTER TRADE RELATIONS.

FIGURE 2.3: The impact of double taxation on trade



▲ ▼ Significant difference at 95% conf. level

Double taxation perceived to facilitate trade:

PAFA open link, NET facilitate = ▲ 46%, PAFA accountancy bodies: NET Facilitate = ▲ 43%

Double taxation perceived to impede trade:

Organisation type; Large Financial Services and Not-for-Profit: NET Impede = ▲ 64%

viii) The skills gaps among accountancy and finance professionals

In line with the findings of the *State of the Profession in Africa* report (PAFA et al. 2022), respondents agreed that among accountancy and finance professionals there are various gaps in the skill sets necessary to drive economic development through their functions across the various sectors of the economy.

Many argued that PAOs could help bridge this gap by encouraging broader continuous professional development activities such that, while maintaining their specialisation, professionals would be able to develop in areas of increasing relevance.

Attention must also be paid to curriculum development, where it is believed the AfCFTA can be embedded among other region-specific priorities through the professional qualification examinations.

The responsibility for this skills gap, however, extended beyond the PAOs, as insufficient or non-existent practical experience in higher education systems was noted as a source of both poor-quality educators and graduates.

ix) Bureaucracy within governments

Bureaucratic bottlenecks were highlighted as a major barrier to businesses and to the work of accountancy and finance professionals. Ease of doing business on the continent needs to be improved.

Where government institutions serve as gatekeepers instead of public service providers, bureaucracy thrives alongside a proliferation of laws and regulations that may be counterproductive to trade in the long run.

For instance, a cumbersome tax return filing system can reduce both business efficiency and the quality of service rendered by accountancy and finance professionals.

Several other related problems were highlighted, including that excessive bureaucracy leads to corruption and civil servants lack current information and/or knowledge about managing evolving business needs. The bans on digital currency trading activities across many African countries were attributed to the latter.

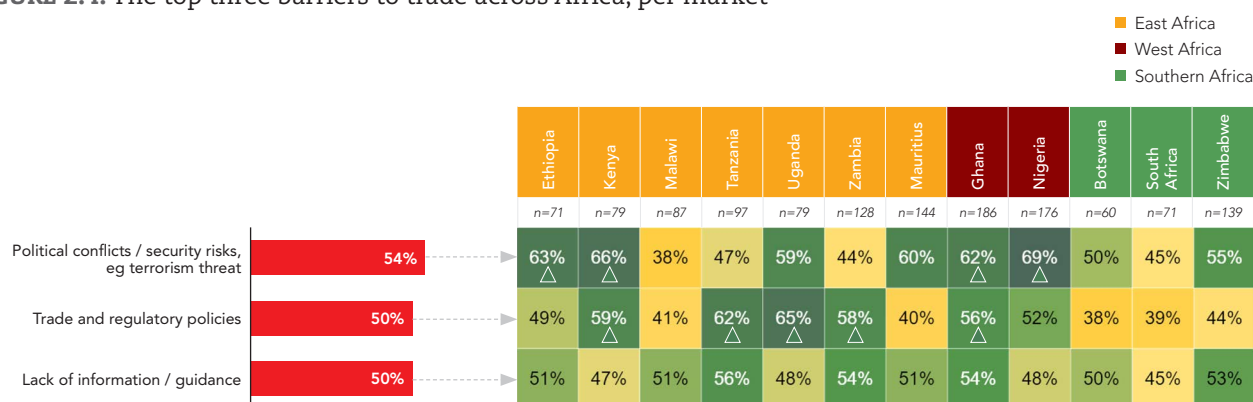
x) Political instability

A common menace identified across the continent was the impact of elections and politics on businesses and trade in general. From disrupting societal peace to the pressure put on foreign exchange by funding of electioneering activities, political instability was flagged as a major barrier to intra-continental trade.

Political conflicts and inappropriate policies, were among the trade barriers most cited by respondents to the survey (Figure 2.4).

POLITICAL CONFLICT AS A TRADE BARRIER WAS CONSIDERED A CHALLENGE, ESPECIALLY IN ETHIOPIA, KENYA, GHANA, AND NIGERIA, WHILE TRADE POLICIES AFFECTED KENYA, TANZANIA, UGANDA, ZAMBIA, AND GHANA SIGNIFICANTLY MORE THAN OTHER MARKETS.

FIGURE 2.4: The top three barriers to trade across Africa, per market



▲ ▼ Significant difference at 95% conf. level

xi) Variation in product standards

Disparity in product standardisation was highlighted as a major barrier to trade. With various African countries maintaining different standards for similar goods, businesses involved in cross-border trading could pass quality control and clearance at one border but be refused entry at another because of not meeting local standards for product or packaging.

Trade laws play a significant role, so do national standards organisations and regulators, including customs and immigration officials. This is also closely linked to information gaps in government agencies, as a lack of shared information and inconsistency in interpretation of laws between related agencies sometimes also impede trade.

xii) Cultural differences

Interestingly, feedback on the culture barrier was enormous and consistent from almost all accountancy and finance professionals engaged during this study, citing various aspects to the challenge.

Firstly, it is believed that Africans lack trust in doing business with one another and would rather trade with business counterparts outside the continent. This barrier also influences work between professionals in different organisations. Similarly, there is a general appetite for foreign goods rather than locally manufactured ones, following years of mostly foreign trade.

Apart from the cultural implications, another damaging impact is the pressure this puts on the value of local currencies. With more demand for goods produced outside Africa comes the increased need for foreign exchange, where foreign currencies are often stronger than local ones. This is known to reduce the value of a local currency, particularly where there is a negative balance of trade.

‘A lot needs to be done in terms of changing people’s views of things made here in Africa. It is a big cultural barrier when we think that everything made outside Africa is better than the ones made in Africa. Traders then just want to make profit, importing more of what people would buy from them’.

Okey Umeano CFA, FCCA, Chief Economist, Securities & Exchange Commission, Nigeria

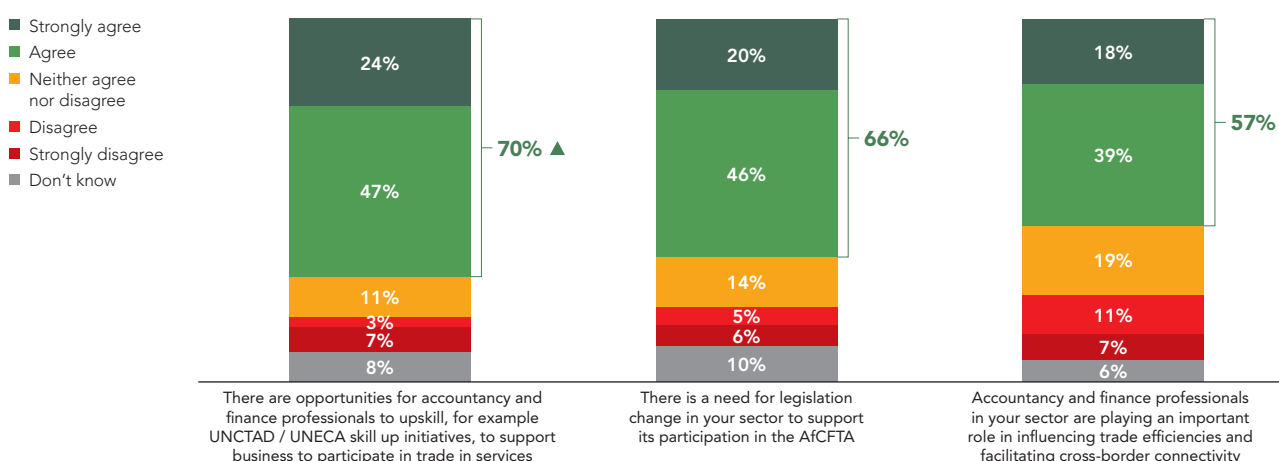
The final issue is language. Although an inherent barrier, language poses cultural barriers to trade, particularly between Anglophone and Francophone Africa. These cultural barriers have led to the fragmentation of existing regional communities of trade. While regional economic communities have played salient roles in building intra-African trade and are responsible for about 15% of total trade value in Africa, individual communities are too small and partially isolated to make the kind of impact the AfCFTA is intended to achieve.



3. The **role** of the **accountancy profession** in **empowering** intra-continental trade in **Africa**

The survey revealed that almost 60% of our accountancy and finance professional respondents acknowledged the role of professionals in influencing trade outcomes (Figure 3.1). Professionals would need to see themselves as individual drivers of financial and economic value creation through trade to overcome barriers to intra-continental trade.

FIGURE 3.1: Perceptions of the role of the accountancy profession in promoting trade



OVER HALF OF THE RESPONDENTS AGREED THAT PROFESSIONALS PLAY A KEY ROLE IN FACILITATING TRADE, WITH MOST ALSO AGREEING ON THE NEED FOR OPPORTUNITIES TO UPSKILL IN SUPPORTING TRADE BETTER.

3.1 Overcoming barriers and enabling key players

The profession's unique super-connector role across ecosystems is clearly vital to the proliferation of trade among state parties to the AfCFTA. With this role comes the opportunity and indeed responsibility for accountancy and finance professionals in Africa to take the lead in enabling other key players to improve the related systems.

While responsibility for identified barriers cuts across these multilateral ecosystems, several of the experts we consulted agreed on key next steps to eliminate barriers and improve ecosystem efficiency, thereby empowering trade.

Major trade barriers in the business ecosystem:

-  AfCFTA information gap
-  Access to finance
-  Double taxation
-  Prospect of revenue loss
-  Culture and language differences

i) Bridging information gaps for businesses

PAOs have an opportunity to close knowledge gaps about the AfCFTA through collaboration with continental bodies, such as PAFA, the AfCFTA Secretariat, trade associations and chambers of commerce at the national level.

PAFA–AfCFTA Secretariat’s collaboration

Supporting the implementation of the AfCFTA and enhancing the mobility of accountancy services is a key area of strategic focus for PAFA. In 2022, PAFA held a knowledge-sharing webinar to facilitate interaction between its member organisations and the AfCFTA Secretariat. Representatives from the PAFA and AfCFTA Secretariats also met to discuss the role PAFA can play in supporting PAOs and their members in their contribution to implementing the AfCFTA.

By creating information channels and forums for dialogue in the business ecosystem, PAOs will be able to highlight the financial impact of operational tools and new developments related to the AfCFTA agreement, bridging the knowledge gaps of both finance and non-finance professionals who are key to the trade dynamics across the continent.

While industry-specific dialogue is advantageous for assessing and addressing the economic benefits and concerns of the AfCFTA, dialogue that cuts across sectors and industries must be facilitated with AfCFTA key stakeholders, including policymakers.

The profession, in its super-connector role, is well suited to facilitating such dynamic business dialogues, contributing financial insights and business model considerations, addressing divergent interests and concerns of key stakeholders, including potential revenue losses.

ii) Improve access to finance

Africa’s trade finance gap in 2021 was estimated at US\$82bn in a survey jointly conducted by Afreximbank and the AfDB (Orji 2021). Accountancy and finance professionals will increasingly determine and support the willingness and ability of business owners to access funding at various stages of the business life cycle.

As investors’ interest in assessing sustainable business models evolves, so will reporting dynamics change, creating an opportunity for accountancy and finance professionals to be among those advisers most trusted by businesses seeking to access funding, whether for start-ups or trade expansion across the continent.

Embedded in the trusted adviser role is a professional’s ability to build investors’ trust in financial statements, business governance and, inherently, risk management.

‘Accountancy and finance professionals must also support policymakers in developing policies and frameworks that enable businesses to raise funds from more sources and attract financing from investors within the African continent’.

Audrey Naa Dei Kotey, managing partner,
AudreyGrey Corporate Attorneys, Ghana

A key example of an area where accountancy and finance professionals’ advice to governments and policymakers can make a tremendous difference is in double taxation. Professional service providers and tax experts can highlight the negative impact of tax proliferation, leading to multiple taxes on a single business income or trade activity. This underscores the need for the profession to have a stronger voice in society, advocating better policies that enable, rather than impede, trade.

iii) Closing diversity gaps

In leveraging the AfCFTA, more businesses will explore trade with others from diverse cultures and languages. While this may pose diversity challenges in the form of cultural and language barriers, accountancy and finance professionals are able to help businesses build trust and transparency in accounting for and reporting on trade transactions.

PAFA multicultural outlook

PAFA provides an excellent pan-African multicultural platform to facilitate such dialogue. It comprises member organisations from English-, French-, and Portuguese-speaking countries in Africa. Its strategy for 2022–2024 provides for the establishment of several mechanisms to facilitate multi-stakeholder dialogue.

The profession represents a unified business language and can help bridge diversity gaps in trade through promoting the adoption of harmonised standards for facilitating financial interactions, allowing for specific local laws in areas such as taxation.

Major trade barriers in finance ecosystems:

-  Payment system limitations
-  Poor infrastructure

iv) Supporting payment system integration

‘There is a perception that under the AfCFTA countries are free to regulate to the extent they are not contradicting the objectives of the Africa Union’s continental free trade area agenda. Regulators need to consider the regulations they have in place.

Are they working? Are they contradictory?

If anything is contradictory, can it be reviewed?

This is a contribution the profession can make’.

Corazon Ongoro, Senior Manager, Tax Services, PwC Kenya

National financial regulators may be influenced by political leaders, becoming gatekeepers rather than collaborators with the AfCFTA Secretariat. Accountancy and finance professionals serving on boards can advocate policy interventions and regulations that complement the PAPSS initiative, driving integration and ease of doing business within Africa.

There is an opportunity for PAOs, under the leadership of PAFA, to support Afreximbank in convening standard setters, regulators, and chief financial officers (CFOs) across industries to holistically explore and integrate the needs of each key stakeholder group in the harmonisation of payment systems.

v) Addressing revenue leakages

With dwindling revenue generation, governments must reconsider systems and processes to avoid waste in government spending, including inefficient policies and provisions as well as corruption.

Accountancy and finance professionals who work in regulatory institutions can advocate and model best practices by upholding their ethical and professional standards in providing efficient public service.

While the AfCFTA Secretariat and regional finance institutions collaborate on ways of reducing tariff losses, technology provides professionals with the opportunity to improve the efficiency of government agencies, including that of the immigration and customs services, to improve revenue collection and ease of doing business.

ACCA’s report, *Rethinking Public Financial Management* provides further insight on how the public sector can leverage automation in various aspects of public financial management (PFM), including procurement, oversight functions by supreme audit institutions and, inherently, taxation. Technology provides the vehicle for government to reduce waste and efficiently block revenue leakages through shared information and big data management (ACCA 2021b).



vi) Alternative sourcing of finance

For governments to provide the much-needed connectivity that businesses need for transporting/transmitting, storing and exchanging value in the form of goods and services, the infrastructure deficit recorded by many African countries must be addressed. Consequently, given dwindling revenues, the capacity of many governments to fund the required level of infrastructure must now be supported.

Businesses also suffer severely from poor access to capital from institutional channels, particularly in the start-up and expansionary phases of trading. This is even more necessary for facilitating cross-border business and stimulating growth in exports.

Accountancy and finance professionals can support both governments and small businesses in securing alternative sources of funding. For instance, the West African Monetary Institute (WAMI) supports governments with project financing for economic development through innovative initiatives in the capital markets (WAMI 2021).

Small businesses will also need to rely on the expertise of accountancy and finance professionals for securing sustainable finance from ‘green’ investors who require various disclosures and regulation-compliance levels.

Major trade barriers in the professional service ecosystem:

- ✗ Skills gaps among accountancy and finance professionals
- ✗ An AfCFTA information gap
- ✗ Variation in laws, standards and policies
- ✗ Culture and language barriers



vii) Closing the skills gaps among accountancy and finance professionals

Through syllabus upgrades and continuous professional development requirements, PAOs can increase the skills of accountancy and finance professionals working in numerous industries, thereby having a positive impact on their roles across ecosystems.

Development partners at the continental and global levels are well suited to collaboration with PAFA on initiatives such as the curation of harmonised content to help train relevant accountancy and finance professionals who are empowered to facilitate the AU2063 agenda, including the AfCFTA.

Respondents agreed that there is a correlation between the skills of accountancy and finance professionals and the quality of funding they can support businesses to attract, underscoring the need for more investment in upskilling professionals.

'We need strong institutional support in Africa, deliberately targeting financial training areas so that those who invest in Africa will find very skilled manpower'. **Erastus Omolo**, Managing Partner, Crowe Erastus & Co, Kenya

PAFA – World Bank collaboration on PAO Development

PAFA established the donor-funded PAO Development Programme to give effect to its mission of strengthening the capacity of the accountancy profession in Africa. Under this programme, PAFA is receiving funding from the World Bank to roll out an Accounting Technician Qualification in three countries in Africa. The objective is to strengthen foundational accountancy skills in the private and public sectors. Projects funded by Gavi, The Vaccine Alliance and by the Global Fund through IFAC, will build the institutional capacity of the PAOs in Burkina Faso and Ghana, enabling quality services by quality accountancy and financial professionals in these countries.



There is room for more curriculum harmonisation, in a way that helps PAOs to embrace differences while bridging gaps in trade-relevant skills that pertain in many countries. PAFA plays an important role in driving collaboration with PAOs to close predominant skills gaps and encourage the adoption of best practices and standards that, consequently, will improve trade.

PAFA-SAICA Workshop Series

Following the revision of the International Standard on Auditing (ISA) 220 and the International Standards on Quality Management (ISQM) 1 & 2, which come into effect in December 2022, PAFA, in collaboration with The South African Institute of Chartered Accountants (SAICA), launched the Quality Management Workshop Series. These monthly engagements provide a platform for audit professionals to share practical insights to the adoption and implementation of these standards, which are essential to driving enhanced audit quality through the consistent application of the standards across the continent (SAICA 2022).



viii) Understanding professional linkages

In bridging the AfCFTA information gap for accountancy and finance professionals, PAOs can collaborate with the non-finance professions that are key to trade, such as the legal profession, in developing a dynamic understanding of linkages brought about by trade. For instance, the legal profession can provide accountancy and finance professionals with a legal perspective on the AfCFTA, which is a legal document.

Accountancy and finance professionals must understand policies and regulations that affect trade to be able to help key players across ecosystems understand their impact on financial statements and financial decisions.

PAOs were further engaged in PAFA's survey as part of the collaboration towards this research, which helped assess the level of AfCFTA awareness, and the perception and participation of finance and accountancy professionals in the agreement through their various organisations across industries (PAFA 2022a).

Furthermore, accountancy and finance professionals must understand the AfCFTA from a holistic perspective.

'Accountancy and finance professionals need to understand the AfCFTA, not only from a financial point of view, or an accounting standards point of view, but from a legal and regulatory point of view, so that they know what exactly went into formulation of the policy. Then they can help the companies/regulators to implement it holistically'.

Audrey Naa Dei Kotey, managing partner, AudreyGrey Corporate Attorneys, Ghana).

Similarly, accountancy and finance professionals who work in non-finance fields, such as law, engineering and the social sectors, have a key responsibility for supporting non-finance professionals and civil society at large to understand the financial implications of sector-specific policies that affect trade. This responsibility extends to those working in regulatory environments, as they must help governments understand the financial impact of bureaucratic bottlenecks and regulatory policies on revenue generation in the short, medium, and long term.

ix) Integration of professional communities

The African Union can play a central role in bridging cultural differences and language barriers among various professional communities across Africa through increased sector-specific engagements. In harmonising communities along the lines of strengths and expertise across borders, weaknesses and barriers can be minimised.

'Irrespective of differences, the emphasis should always be on how we can connect and make organisations successful in multicultural environments'. **Richard Hakizimana**, Technical Advisor to the Chairperson on Finance, Budget and Audits, African Union Commission

The leadership of continental and sub-continental bodies and PAOs across sectors should harness lessons learned from integration efforts of regional economic communities (REC), such as those of the EAC and the Accelerated

Programme for Economic Integration (APEI), to foster development of cross-cultural soft skills and exposure to the pan-African experiences of their member communities.

In 2022, the PAFA Accountancy Learning & Development Advisory Group engaged with representatives from PAOs that are party to mutual recognition agreements (MRAs) under the EAC and APEI, to learn from their experiences and consider the implications for MRAs under the AfCFTA agreement.



x) Harmonisation of laws, standards and policies

Where standards adopted across key trading economies vary, national standard setters should make determined efforts at harmonisation to eliminate duplication and differences that are counterproductive to trade integration.

PAOs that are members of IFAC must, among other things, demonstrate best endeavours to influence the development of international standards for private and public sector financial and non-financial reporting, auditing and assurance, professional ethics and independence, and accountancy education; promote the national adoption of the international standards; and support their implementation. In this way, IFAC drives harmonisation of standards through its membership. PAFA endorses this approach and aims to build the institutional capacity of PAOs in Africa to enable them to become IFAC member organisations.

PAFA-FIDEF collaboration on IFAC membership

In 2022, PAFA – in collaboration with FIDEF (Fédération Internationale des Experts Comptables et Commissaires aux Comptes Francophones) and IFAC – launched a masterclass for PAO leadership from French-speaking countries in Africa to assist them on their journey to IFAC membership. At the core of this initiative is the development of a robust and well-functioning accountancy profession capable of leveraging international standards and best practices to enhance various aspects of economic development on the continent.



At the continental level, institutions such as the African Union, PAFA, and continent-wide associations, such as the African Forum of Independent Accounting and Auditing Regulators (AFIAAR), can facilitate forums for standard setters to review standards that negate the ratification agreements of member states. The goal is to eliminate contradictions and foster complementarity to enable consolidation of multinational financial statements.

This would also apply to product standard setters across countries, as negotiations among key parties must be done with an understanding of the financial opportunities or losses that variations bring to trade arrangements.

In addition, the development, adoption, and implementation of the international standards are a key area of strategic focus for PAFA. Through its technical advisory groups and multi-stakeholder forums, PAFA aims to amplify the voice of Africa in international standard setting and assist PAOs in promoting the adoption and supporting the implementation of the standards.

The AfCFTA's objective of creating a single market for goods and services to facilitate free movement of persons and investments can be accelerated by the implementations of international standards. The standards bring transparency by enhancing international comparability and quality of financial information. They also strengthen accountability by reducing the information gap between providers of capital and the people to whom they have entrusted their money as well as contributing to economic efficiency by helping investors to identify opportunities and risks across borders, thus improving capital allocation.

Tax regimes vary from country to country and efforts to harmonise at sub-continental level, such as in the EAC, have remained challenging. Accountancy and finance professionals can support integration of trade by promoting complementarity and the collective benefit for state parties.

Disincentivising activities that can hamper a positive balance of trade, such as the substantial importation of goods despite the availability of standard local alternatives, will over time lead businesses and communities to look for ways of complying with harmonised product standards that emphasise quality. This could be in areas as simple as basic product packaging in small businesses and waste disposal techniques in larger corporations.

Furthermore, accountancy and finance professionals can play a key role in the implementation of the international standards and – through financial modelling, they can support the development of innovative and sustainable business models that both comply with harmonised standards and best practices and help businesses thrive economically.

Major trade barriers in the institutional ecosystem:



- ✗ Poor, or lack of infrastructure
- ✗ Variation in laws, standards, and policies
- ✗ Bureaucracy within governments
- ✗ Culture and language barriers

xi) Innovative public-private partnerships

Access to finance is a barrier in both the private and public sectors.

Africa's infrastructure gap is exacerbated by the budget deficits arising from insufficient government revenues and limited foreign direct investment. With foreign debts being subjected to incremental servicing costs exacerbated by soaring inflation rates, governments must explore more innovative partnerships with the private sector to generate funding for sustainable infrastructure projects.

Accountancy and finance professionals have an opportunity to play a more strategic role in developing sustainable partnerships for the private and public sectors to co-fund infrastructure projects with socio-economic benefits. Green finance is an emerging area that enables funding of vital trade-facilitating aspects of the economy, including energy, agriculture and transportation, through instruments such as green loans and bonds.

xii) Mutual recognition of professional qualifications

Respondents identified mutual recognition and cross-border opportunities for accountancy and finance professionals as a way of bridging both the skills and experience gaps of professionals and thereby supporting cross-border services provision, which is a component of trade.

'Mutual recognition of professional qualifications should be developed further by PAOs through a signed memorandum of understanding. This way, PAOs can work together in ironing out the current causes of differences in their professional qualifications, aiding the free flow of accountancy and financial services within Africa'. **Dr Benson Okundi**, Head of Government and Public Sector Services, PwC, Kenya

xiii) Upskilling the public sector

The need to bridge information and skills gaps is not limited to accountancy and finance professionals in the private sector; it is even greater in the public sector.

Officials across levels of government must upskill in various emerging areas of knowledge relevant to their work. PAOs can play a critical role in strengthening accountancy and finance capacity in governments, as well as in supporting non-financial government agencies with finance knowledge. They should embed not only the fundamentals of finance but also emerging trends and best practices in finance, relevant to the functions of each key government agency. This can facilitate the efficient provision of trade-enabling services and inform more inclusive and sustainable policies that can improve trade.

African Professionalisation Initiative

PAFA, AFROSAI-E (African Organisation of English-speaking Supreme Audit Institutions), CREFIAP (Regional Support to French/Portuguese Supreme Audit Institutions), and ESAAG (East and Southern African Association of Accountants-General) have established the African Professionalisation Initiative (API) to increase the capacity of accountancy and finance professionals to support good governance, transparency, and accountability in the public sector. This initiative is critical to the realisation of the AfCFTA, as it aims to improve public financial management in the public sector through affordable access to quality learning resources for and enhanced mobility of accountancy and finance professionals in the public sector (PAFA 2022c).

ACCA Career Navigator

In 2021, ACCA launched an interactive digital tool to help accountancy and finance professionals progress their careers across sectors, developing competencies needed for future relevance and current job opportunities – the ACCA Career Navigator (ACCA 2021a).



The Career Navigator has analysed more than 120 private and public sector global finance roles, outlining the skills and experience required, so users can plot their career path, right from junior levels to chief executive roles.

Where there are training needs, the tool links users to a learning and development platform with relevant courses (ACCA 2021a).

xiv) Developing a multilingual educational system

Regulators of educational institutions should encourage multilingualism in the curriculum of higher education institutions, covering African Union-recognised languages.

In doing so they will reduce or eliminate language barriers impeding trade over time, including professional service provision between Anglophone and Francophone Africa.

The AfCFTA Secretariat is in a good position to run campaigns encouraging more people in Africa to learn and speak more than one language.

Major trade barriers in the policy and political ecosystem:

-  Bureaucracy within governments
-  Political instability

xv) Data-led policies and advocacy

Continental and sub-continental bodies and PAOs must increase advocacy engagements with governments and policymakers, seeking to influence legislation in favour of financial policies that facilitate cross-border trade.

While many PAOs shy away from lobbying, research insights remain a strong policy lever when advocating policies that foster integration across ecosystems and support trade.

The short-, medium- and long-term financial implications of government policies and political actions must be understood better. The profession must strengthen its opposition to bureaucratic and political bottlenecks through a stronger use of data and insights to inform best practices and reforms in public service.

‘Professional advisory services can also be in terms of research because we have the benefit of the membership network, working in different sectors and across value chains, able to incorporate important insights into decision-making processes’. **Hillary Onami**, Director, Public Policy and Research, Institute of Certified Public Accountants of Kenya (ICPAK), Kenya

xvi) Backing ratification with action

The experts we consulted argued that law makers must make a concerted effort to localise elements of the AfCFTA agreement through local legislation to operationalise implementation.

The AfCFTA is a legal document representing an agreement on terms and conditions necessary to create barrier-free trade on the continent. These terms and conditions can be operationalised by people and organisations only when they are incorporated in national economic policies and guidelines.

Accountancy and finance professionals can play a more visible role in determining the economic impact of these policies and guidelines and helping organisations implement them in line with the trade integration agenda.

‘Accountancy and finance professionals often back away from being stakeholders, from making their voice heard and affecting the implementation of policies within their countries’. **Audrey Naa Dei Kotey**, managing partner, AudreyGrey Corporate Attorneys, Ghana

3.2 Enabling financial technology for trade

As technology continues to shape the financial services industry, the competencies and skills needed by accountancy and finance professionals to support business transactions are also evolving.

Technology not only presents an opportunity for professionals to empower trade integration within Africa, leveraging the AfCFTA, but also expands the horizon for career growth and development, by enabling professional services to be supplied across national borders.

In leveraging fintech opportunities to enable intra-continental trade and support key players across ecosystems, this research captures four areas of increasing relevance in Africa, where professionals must build more competency.

i) Digital taxation

Governments of many African countries are concerned about their lack of control or low level of oversight over the digital economy. Furthermore, they are struggling to increase internally generated revenue and the digital economy has been the least easy to tax.

With the proliferation of trades in cryptocurrencies, 23 out of 54 African countries placed either an implicit or absolute ban on digital currency trading as of 2021, with a few countries, such as Kenya, seeking to guide it instead (Business Compiler 2022). Besides the inability to monitor illegal transactions effectively, the absence of ways of levying taxes on online transactions influences policies that clamp down on digital currencies.

In October 2021, Nigeria became the first African country to launch an official digital currency, the ‘e-Naira’. It hopes to foster economic growth by enabling digital remittances while allowing effective monitoring and taxation (eNaira, 2022).

The concept of using tax for public good is gaining ground in Africa, creating opportunities for the profession to do more than just interpret tax laws. There is an opportunity for tax professionals to support governments in finding solutions to taxation challenges in the digital economy.



ACCA's report, *Tax as a Force for Good*, provides vital recommendations for governments to rethink the design of tax systems from a holistic perspective, using tax as a tool for driving a future-ready and inclusive economy, not just as a source of funding for budgets (ACCA 2018).

ii) Data analytics

By using analytical tools such as Microsoft PowerBI, accountancy and finance professionals have more opportunity to inform policies through data analysis and interpretation.

Financial data analysis is likely to play an increasingly important role in business model development and strategic decision making as well as the development of sustainable policies across the continent.

Conversely, data security has been identified as the biggest challenge for professionals, not just in Africa but globally (Gargiulo 2022). Accountancy and finance professionals can do more to minimise security breaches and data protection by contributing to the controls that organisations must put in place.

iii) Green finance

As green financing continues to take centre stage globally, with accountancy and finance professionals supporting the private and public sectors in sourcing and channelling funds for sustainable development projects, fintech start-ups could play a huge role in the development of innovative financial initiatives such as green bonds and insurance.

Fintech organisations will require the services of accountancy and finance professionals to contribute to several aspects of tech-enabled developments. Innovations from digitised monitoring of green financial products, such as green bonds, to the development of tokenised financial instruments, blockchain technology and artificial intelligence are expected to shape green finance (Sandor 2022).

Closely related are the developments in sustainability disclosure standards. The new IFRS S1 (general requirements for disclosure of sustainability-related financial information of businesses) and IFRS S2 (climate-related disclosures), though voluntary, should improve access to financing for SMEs and sustainable development projects when released by the ISSB and adopted and implemented in Africa.

ISSB engagement and comment letters



As a representative of the profession in Africa, PAFA is an active contributor to international consultations. The comment letters submitted by PAFA on IFRS S1: general requirements for disclosure of sustainability-related financial information can be found [here](#) (PAFA 2022d) and for IFRS S2: climate related disclosures can be found [here](#) (PAFA 2022e).

PAFA has established various technical advisory groups to help in strengthening Africa's voice in international standard setting and – ultimately – to support the adoption and implementation of the international standards in Africa.

In July 2022, ACCA – through the Africa Advocacy initiative – hosted 160+ SMEs at a roundtable in Nigeria in collaboration with the Federal Reporting Council of Nigeria, Fate Foundation, Growing Business Foundation, Afrikairos and Toronet to review the IFRS S1 and S2 exposure drafts and put forward a statement of response. The live polls administered by Toronet, a blockchain infrastructure company, revealed that 82.6% of SMEs were somewhat to very willing to tokenise some aspects of their business to unlock funding.

A copy of the comment letter can be found on the International Sustainability Standards Board website [here](#) (Pelaez 2022).

iv) Digital reporting

The experts we consulted argued that technology will enable the accountancy profession in Africa to respond to the increasing interest in transparency and integrated reporting. Digital reporting is expected to help businesses report easily on financial and ESG-impact reporting.

While XBRL Taxonomy is still relatively new on the continent, the international financial reporting standards taxonomies, coupled with current work on sustainability disclosure taxonomies, are expected to draw more attention to digital reporting in Africa, with countries such as South Africa taking the lead.

Digital reporting in South Africa



South Africa's Companies and Intellectual Property Commission (CIPC) launched the use of XBRL in 2018 to enable regulatory financial reporting in the country. The goal was to improve ease of doing business in South Africa and reduce the regulatory burden for businesses by allowing them to file financial reports digitally, and enabling data sharing with other regulators (South African Government 2018).



Conclusion

AU2063 maps out the strategic direction for Africa's transformation through economic and financial integration, with trade playing a crucial role. Through this research, we have been able to ascertain the top priorities of accountancy and finance professionals for enabling trade in Africa. Below is a summary of our key findings from this study.

1. AU2063 provides an opportunity for accountancy and finance professionals in Africa to demonstrate their priorities for building a better world through trade integration in Africa.
2. As intra-continental trade is a key vehicle for achieving sustainable economic development in Africa, the AfCFTA presents a major opportunity for the accountancy and finance profession to play a super-connector role, driving collaboration, inclusiveness and improved efficiency.
3. Sustainable intra-continental trade requires the integration and effectiveness of several interconnected ecosystems, where accountancy and finance professionals will increasingly play critical roles.
4. The barriers to intra-continental trade across identified ecosystems must be understood, as must the identity of the key players to be supported, collaborated with, and led by accountancy and finance profession, in maximising the benefits of the AfCFTA agreement.
5. To support key players effectively, accountancy and finance professionals must be more aware of the impact of the AfCFTA agreement, on MSMEs, the public sector, standard setters, non-finance professionals, and policymakers, across the continent.
6. To enable accountancy and finance professionals play a multifaceted role, they must develop both the technical and soft skills they will need to break through both finance and non-finance barriers to trade that exist across ecosystems.
7. Enhancing the profession's role in trade actualisation will require an increased proficiency in technology to enable accountancy and finance professionals to take advantage of emerging opportunities in Africa.
8. The profession must increase its advocacy for and dialogue about the development of sustainable and feasible trade and finance policies at national level to improve country-by-country operationalisation of the AfCFTA.



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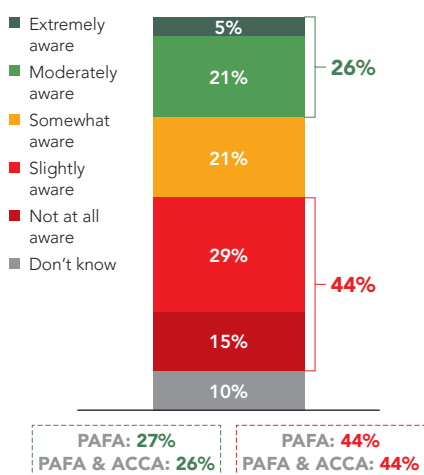
Technical Advisor to the Chairperson on Finance,
Budget and Audits
African Union Commission

Appendix

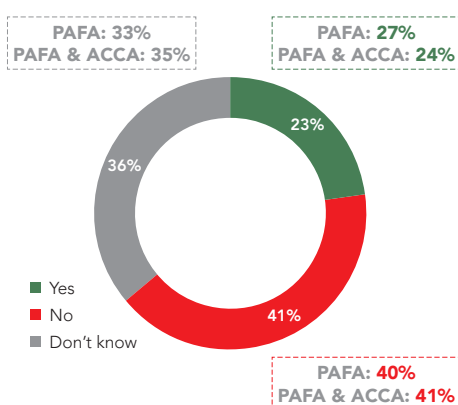
1. Summary of views across professional accountancy bodies

Similar responses are highlighted by PAFA members relative to the total in terms of awareness, participation and information needs regarding AfCFTA.

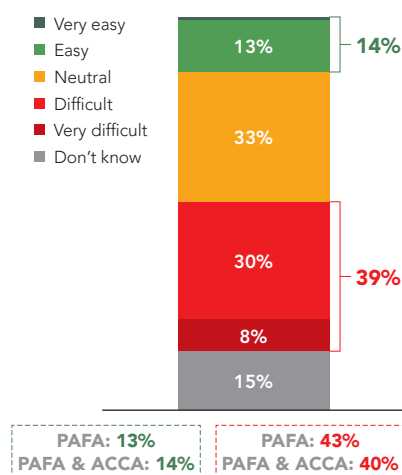
Awareness of AfCFTA



Participation in AfCFTA

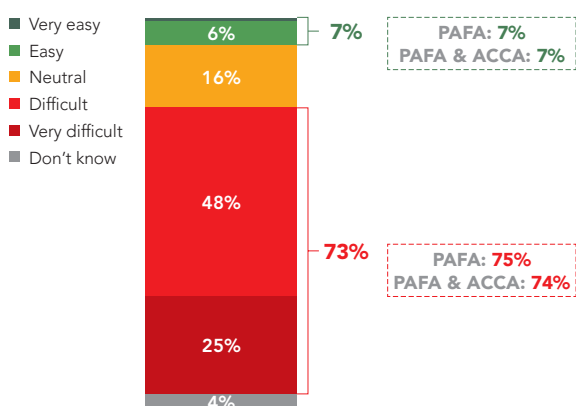


Accessing information on AfCFTA

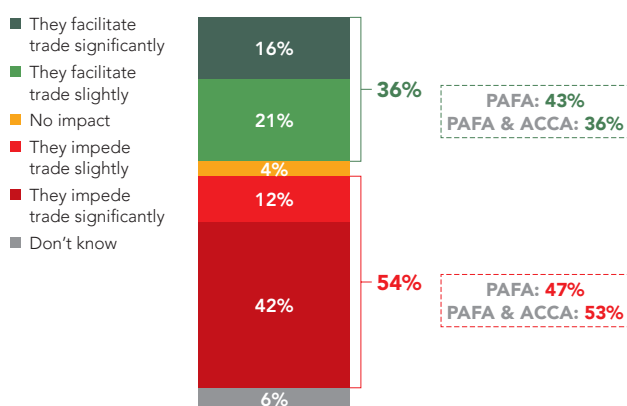


Trade is perceived to be generally difficult. When it comes to double taxation, PAFA accountancy bodies perceive it as facilitating trade significantly more.

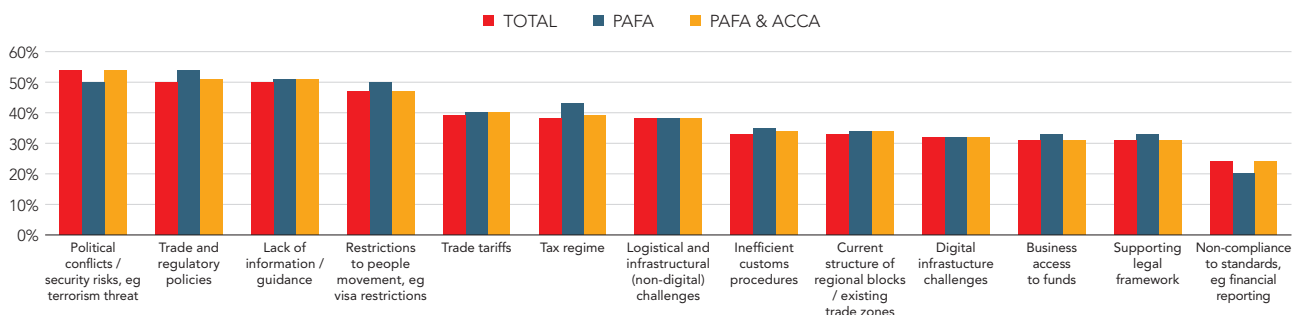
Perceived difficulty of trade in Africa



Impact of double taxation

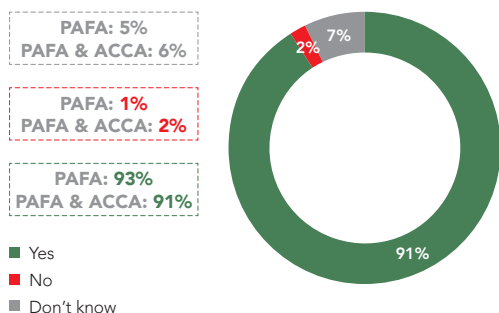


The main barriers to trade are similar for PAFA members compared to the total.

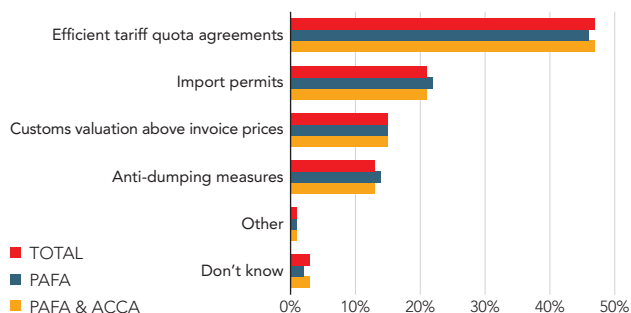


PAFA members are aligned with the total sample in attitudes towards simplification of procedures, and in agreement that changes on tariff agreements will have a positive impact on trade.

Simplification of procedures in policy

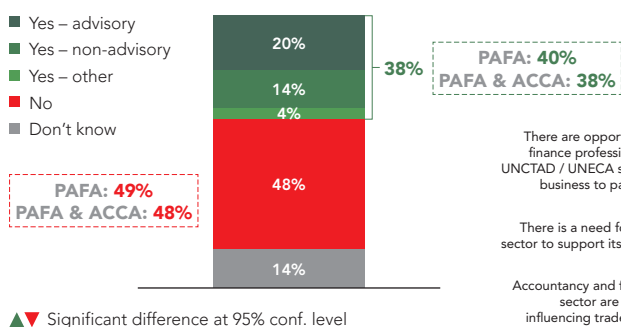


Increasing trade across Africa – policy changes

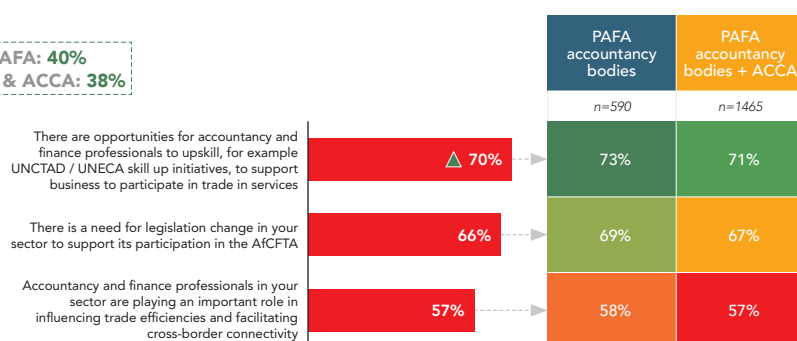


Most PAFA members are not involved in enabling cross-border facilities, but do believe there are opportunities for the profession to upskill.

Role in enabling cross-border facilities

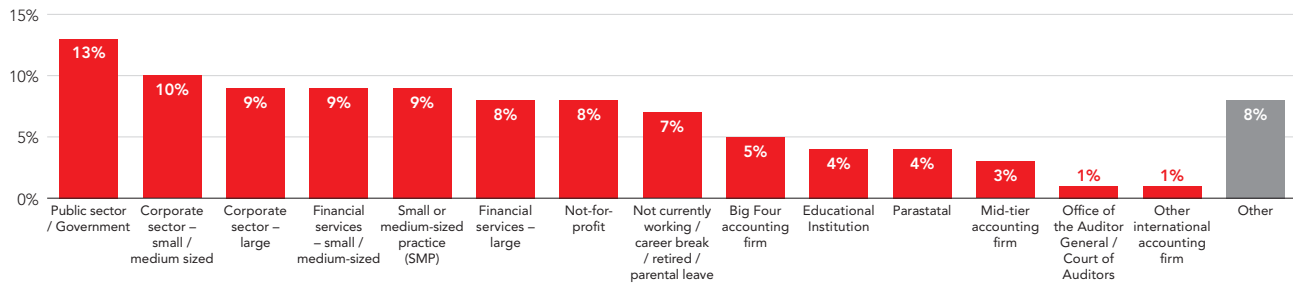


Perceptions of the role of accountancy bodies on trade



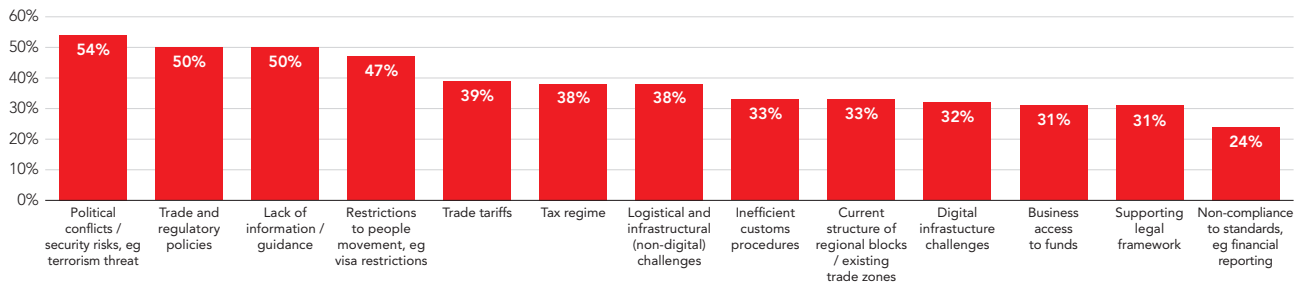
2. Additional profile of respondents

Participant profile: Type of organisation



3. Trade barriers by country

Barriers to trading in Africa



Ethiopia	63%	49%	51%	54%	41%	41%	45%	39%	34%	37%	32%	46%	27%
Kenya	66%	59%	47%	46%	52%	51%	42%	33%	41%	33%	27%	34%	25%
Malawi	38%	41%	51%	47%	45%	39%	36%	24%	32%	30%	40%	18%	13%
Tanzania	47%	62%	56%	54%	45%	53%	35%	37%	31%	28%	30%	39%	22%
Uganda	59%	65%	48%	46%	48%	38%	35%	25%	35%	24%	30%	19%	27%
Zambia	44%	58%	54%	54%	43%	46%	36%	36%	36%	35%	38%	27%	16%
Mauritius	60%	40%	51%	34%	31%	28%	40%	26%	26%	35%	24%	28%	30%
Ghana	62%	56%	54%	45%	48%	52%	43%	39%	42%	40%	29%	34%	32%
Nigeria	69%	52%	48%	40%	31%	30%	40%	41%	33%	37%	32%	32%	28%
Botswana	50%	38%	50%	55%	38%	27%	32%	22%	25%	32%	35%	30%	25%
South Africa	45%	39%	45%	46%	31%	28%	42%	31%	25%	23%	25%	20%	30%
Zimbabwe	55%	44%	53%	48%	29%	38%	29%	33%	32%	26%	29%	24%	12%

East Africa West Africa Southern Africa

*Representation of responses by countries with more than 50 respondents



