



**International Co-operative Alliance – Africa**  
A Region of the International Co-operative Alliance

**12<sup>th</sup> African Ministerial Co-operative Conference (AMCCO)**

*“Leveraging The Co-operative Advantage For The Africa Free Trade Area.”*

**AFCFTA**

**FREE TRADE**

**2nd-6th  
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**Abuja  
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## Introduction

Co-operatives are people-centred enterprises owned and run by and for their members to fulfill their common needs. As businesses driven by values not just profit, Co-operatives share internationally agreed seven (7) principles of voluntary and open membership, democratic member control, member economic participation, autonomy and independence, education training and information, cooperation among cooperatives and concern for community and five (5) values of self-help, self-responsibility, democracy, equality, equity and solidarity and act together to build a better world through cooperation. Putting fairness and equality at the heart of the enterprise, co-operatives around the world are allowing people to work together to create sustainable enterprises that generate long-term jobs and prosperity.<sup>1</sup>

Co-operatives bring people together in a democratic and equal way. Whether the members are the customers, employees or users, Co-operatives are democratically managed by the 'one member, one vote' rule. Members share equal voting rights regardless of the amount of capital they put into the enterprise. They allow people to take control of their economic future and, because they are owned by members, the economic and social benefits of their activity stay in the communities where they are established.<sup>2</sup>

The International Co-operative Alliance (The Alliance) is the apex organisation for co-operatives worldwide, representing 309 Co-operative federations and organisations across 107 countries (ICA May 2018). The members of the Alliance are national level Co-operative federations, individual Co-operative organisations and government offices in charge of co-operatives.<sup>3</sup> International Co-operative Alliance – Africa (The Alliance Africa) is one of the four regional offices of the Alliance. It serves, unites and represents Alliance member organizations in Africa and promotes and strengthens autonomous and viable Co-operatives through-out the region. Its vision is to be the African leader in promoting a dynamic and democratic Co-operative movement; leading the process of social transformation and sustained economic growth.

In 2017, Co-operatives generated 2.1 trillion USD in annual turnover while providing the services and goods people need to thrive and prosper. Co-operatives contribute to sustainable economic growth and stable, quality employment, employing 280 million people across the globe, in other words 10% of the world's employed population.<sup>4</sup>

Between 2005 and 2010, Co-operatives outperformed publicly listed companies on market-share gains (McKinsey & Company, 2015). The lingering fallout from the financial crisis of 2008 continues to provide impetus for the growth of business models that can provide goods and services that are more people focused with concern for the environment and communities as well as generating a surplus (profit) for members.

In conditions of globalization and increased competition in the international markets, co-operative enterprises are faced with the need to connect across the national borders, in

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<sup>1</sup> <https://www.ica.coop/en/what-Co-operative-0>

<sup>2</sup> <https://www.ica.coop/en/what-Co-operative-0>

<sup>3</sup> <https://www.ica.coop/en/the-alliance/about-us>

<sup>4</sup> World Co-operative Monitor 2017.

order to achieve the objectives of its members. Due to the values and principles they embody, as well as the economies of scale they generate, Co-operatives can contribute to reducing trade costs and enhancing the ability of enterprises from developing countries to connect to value chains, both regionally and globally. Co-operatives enable access to goods and services while, at the same time, promote fairer trade at competitive prices, inclusive employment and sustainable economic development and growth.<sup>5</sup>

The past few years have been decidedly unkind to global trade. After a sharp collapse during the financial crisis and a spectacular rebound in its immediate aftermath, global trade growth has downshifted significantly over the past four years. From 2012-2015, world merchandise trade volumes grew on average by a paltry 2.4 percent per year, coming nearly a full percentage point below real world output growth which averaged around 3.3 percent over this period. The outlook improves a bit when accounting for trade in services, but even then, growth comes at a meager 3.1 percent. This is quite unusual especially when placed in historical context: from 1985 to 2007, trade volumes grew on average twice as fast as global GDP, while in the past few years they barely seem to keep pace with output growth.<sup>6</sup>

The impact of the slump to date in global trade has led to an increased focus on national and regional trade. UNCTAD (2013) stresses that a more sustainable route to improved global growth would be to enable and allow domestic expansion within countries [and economic blocs]. From the African perspective, the African Development Bank (AfDB) and the Organisation for Economic Co-operation and Development (OECD) suggest that intra-African trade is more resilient than some trade exchanges with other regions of the world. (WTO, 2017a).

Africa's intraregional trade lies well below that of other regions. In 2016, intra-African exports made up 18 percent of total exports, compared to 59 and 69 percent for intra-Asia and intra-Europe exports, respectively. The figures for imports are similar. There have been slight improvements in the past 10 years, though, as the share of African countries' exports within the continent have slightly increased. The share of imports, on the other hand, have remained stagnant, despite the increase in total import volume. Total exports stagnated and even decreased after 2011, the total volume of intra-Africa exports increased. While Africa has increased its aggregate trade volume, the share of intra-Africa trade remains stagnant.<sup>7</sup>

For Instance, between 2000 and 2011, total SADC trade nearly quadrupled from US\$353,636 million to US\$910,890, million, other than in 2009, where a sharp decline in trade of 25 per cent was a consequence of the global financial crisis (IMF, 2016). The highest share of SADC exports over this period was to the Asia Pacific market (Asia Pacific Economic Community (APEC)), followed by the European Union (EU). Trade within Africa was the lowest contributor, and of this, most was intra-SADC. There is a significant imbalance within the SADC region in terms of intra-SADC trade and trade from SADC to other trading partners, with Angola and South African dominating both types of trade, at

<sup>5</sup>[https://www.wto.org/english/tratop\\_e/devel\\_e/a4t\\_e/global\\_review15prog\\_e/progsiodevents21.pdf](https://www.wto.org/english/tratop_e/devel_e/a4t_e/global_review15prog_e/progsiodevents21.pdf)

<sup>6</sup>[http://orangecountycitd.com/wp-content/uploads/2018/04/2017-International-Trade-Forecast\\_PDF.pdf](http://orangecountycitd.com/wp-content/uploads/2018/04/2017-International-Trade-Forecast_PDF.pdf)

<sup>7</sup><https://www.brookings.edu/blog/africa-in-focus/2018/03/29/figures-of-the-week-africas-intra-and-extra-regional-trade/>

approximately 75 per cent of the total. South African exports are far broader and higher value added in range, as Angolan exports are largely oil related.<sup>8</sup>

The principles that anchor Co-operatives place them in a unique position to offer members and their communities an opportunity to benefit from international trade. The benefits of integrating Co-operatives into global (and regional) markets include increasing the Co-operative share of the economy, raising awareness of the Co-operative model and providing a livelihood for Co-operative members. From a market perspective, fair trade principles have increasingly become an important purchasing choice for many primary and secondary consumers in the developed economies, and by assisting Co-operatives to earn accreditation through, for example, Fairtrade or the Rainforest Alliance, this market can become more accessible.

Key trade enabling factors under the control of government and agencies are linked to agreements, regulations and trade costs. Additional enabling or disabling factors for trade are availability and efficiency of logistics infrastructure; access to finance, and access to knowhow. In agriculture specifically, access to inputs such as fertilizer and seed are critical elements for improved productivity

### **African Continent Free Trade Area (AfCFTA)**

In 2012, the African Heads of State and Governments resolved to establish of the African Continent Free Trade Area (AfCFTA), a treaty to create a single continental market for goods and services in member nations of the African Union, with free movement of business persons and investments using a single currency. The AfCFTA is also expected to enhance competitiveness at the industry and enterprise level through exploitation of opportunities for scale production, continental market access and better reallocation of resources. The establishment of the CFTA and the implementation of the Action Plan on Boosting Intra-African Trade (BIAT) provide a comprehensive framework to pursue a developmental regionalism strategy. The former is conceived as a time bound project, whereas BIAT is continuous with concrete targets to double intra-African trade flows from January 2012 and January 2022.<sup>9</sup>

Consultations and negotiations for establishing the treaty commenced in June 2015 during the 26th Ordinary Session of the AU Assembly Heads of State and Government in Johannesburg, South Africa. The year 2017 was adopted as the deadline the treaty would become operational. But, consensus was not reached among many member nations who requested for more time to continue consultations on the potential impacts on their economies. But, after several years, the draft agreement was finally signed on March 21, 2018 during the 18th Extraordinary Session of the Assembly of AU Heads of State and Governments in Kigali, Rwanda. 44 of the 55 African countries signed the treaty. The treaty aims at taking advantage of 1.2 billion population of the continent with a combined Gross Domestic Product of more than \$2 trillion to create a single continental market for goods and service.

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<sup>8</sup> Unpublished Report on rapid assessment of Co-operative competitiveness potential for export and import in selected SADC countries

<sup>9</sup> <https://au.int/en/ti/cfta/about>

### **The objectives of the AfCFTA include:**

- Create a single continental market for goods and services, with free movement of business persons and investments, and thus pave the way for accelerating the establishment of the Continental Customs Union and the African customs union.
- Expand intra African trade through better harmonization and coordination of trade liberalization and facilitation regimes and instruments across RECs and across Africa in general.
- Resolve the challenges of multiple and overlapping memberships and expedite the regional and continental integration processes.
- Enhance competitiveness at the industry and enterprise level through exploiting opportunities for scale production, continental market access and better reallocation of resources.

The above objectives are intrinsically at the heart of the Co-operative movement, as co-operatives aim to provide goods and services when they are needed, they eliminate unnecessary profits of middlemen in commerce to foster integration, protect the rights of weaker members as well as producers and consumers and promote mutual understanding among the populace at large. Through this, the Co-operatives make the case for their distinctive value-based economic business model, providing individuals and communities with an instrument of self-help and influence over their development.

During the Ministerial Conference Technical Committee Meeting (MCTC) held in Maputo, Mozambique from 28<sup>th</sup>-31<sup>st</sup> May 2018, Co-operative leaders/managers and government officials represented in the meeting agreed and formulated an agenda for the 12<sup>th</sup> African Ministerial Co-operative Conference with the theme, 'Leveraging the Co-operative Advantage for the Africa Free Trade Area.' In this preparatory meeting of the African Ministerial Co-operative Conference, participants from 21 African countries, saw the need to foster the critical role that Co-operatives play in advancing the Agenda 2063 of the AU: the Africa we want and its comparative advantage for the AfCFTA.

More specifically, the objectives of this conference will be:

- To bring governments and Co-operative movement leaders in a forum to take stock of the achievements made on the resolution 11<sup>th</sup> Ministerial Conference which was held in Gaborone Botswana and,
- To deliberate on how best we can leverage the Co-operative enterprise model for the African Continent Free Trade Area agreement recently signed by African governments.

The outcome of this meeting will be to receive commitment from the government officials and ministers present, to continue promoting the Co-operative business model to foster socio-economic growth on the continent. In addition, they are expected to encourage intra-trade among African countries through Co-operatives hence, increased national trade by strengthening national Co-operative value chains for country improved job creation, increased incomes and social mobility for individuals; improved fiscus, access to expanded and new markets and greater economies of scale.

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