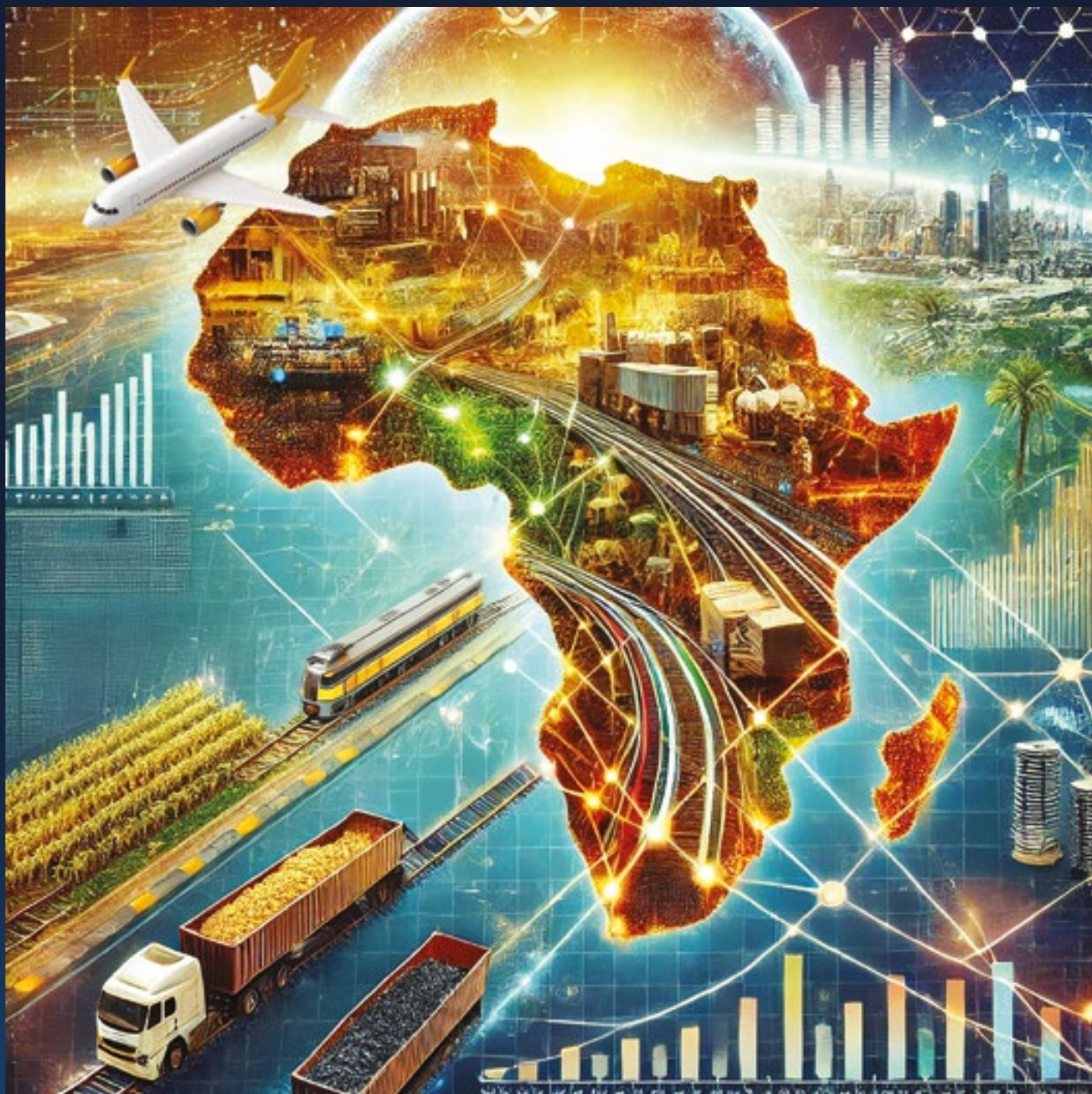


ADVANCING THE IMPLEMENTATION OF THE AFRICAN CONTINENTAL FREE TRADE AREA: PROPOSING TRANSFORMATIVE STRATEGIC ACTIONS



ECONOMIC REPORT ON AFRICA SUMMARY



United Nations
Economic Commission for Africa

2025

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FOREWORD



The *Economic Report on Africa 2025* arrives at a crucial moment in Africa's economic evolution. With the African Continental Free Trade Area (AfCFTA) gaining momentum, success will hinge on clear vision, resolute commitment, and strategic action to maximize its potential.

Our world today has been reshaped by profound economic shifts. To thrive, Africa must not merely traverse this change but harness it by using the AfCFTA as a strategic tool to fuel industrialization, structural transformation, and sustainable development.

Africa's economic terrain is characterized by both resilience and challenges. While growth has rebounded, it is yet to reach prepandemic levels and is not adequate to achieve the Sustainable Development Goals (SDGs). Furthermore, the continent faces persistent high inflation, fiscal deficits and rising debt vulnerabilities, though its debt-to-GDP ratio is estimated to decline from 67.3 per cent in 2023 to 62.1 per cent in 2025.

Despite these challenges, the continent has an unparalleled opportunity to redefine its trajectory. The AfCFTA provides a

game-changing framework to boost trade-led growth, unlock regional value chains, boost competitiveness and ensure that Africa transitions from being a supplier of raw materials to a producer of high-value goods and services. The AfCFTA is projected to increase intra-African trade by up to 45 per cent in 2045, and raise Africa's GDP by 1.2 per cent. This year's report shines a spotlight on the AfCFTA's transformative potential. It provides empirical evidence of its capacity to drive Africa's trade-led integration and highlights critical enablers such as investment in infrastructure, digitalization, climate resilience and governance reforms that are crucial for realizing the agreement's full benefits. It also charts a strategic course for policy interventions to break down trade barriers, improve efficiency and create a unified economic space conducive to business growth and innovation.

Yet, Africa's economic transformation will be realized not through isolated efforts, but through bold and coordinated action at national, regional and continental levels. African governments must prioritize trade facilitation, regulatory harmonization and industrial policies that enhance value addition. At the same time, the private sector, development partners and financial institutions must step forward as co-architects of this new economic paradigm by working to shape an ecosystem that will drive inclusive growth and sustainable development.

In this critical moment, Africa has the opportunity to redefine

its economic trajectory. If fully implemented, the AfCFTA can help reduce Africa's vulnerability to global shocks, enhance industrial competitiveness and create new market opportunities for the continent's rapidly urbanizing population.

The United Nations Economic Commission for Africa remains a steadfast ally in Africa's transformative journey. We are committed to providing the technical expertise, policy guidance, and capacity-building support necessary to translate the AfCFTA's promise into tangible economic gains.

I extend my sincere appreciation to the team of experts, policymakers, and stakeholders who contributed to this report. Their dedication ensures that this publication serves as a critical tool for decision-makers across the continent.

The future is Africa's to define.

A handwritten signature in blue ink, appearing to read 'Claver Gatete'. The signature is fluid and stylized, with a long horizontal stroke at the beginning.

Claver Gatete

Under-Secretary-General and
Executive Secretary

United Nations Economic
Commission for Africa

EXECUTIVE SUMMARY

Africa is at a pivotal point on its development path. With a young population, abundant natural resources, and growing consumer markets, it can play a key role in the global economy. However, while Africa's growth has rebounded from the Covid-19 pandemic, it is below pre-pandemic levels and insufficient to meet the SDGs. Africa is again projected to be the second fastest growing region globally, but most of its middle-income countries—which now account for more than half of African countries—are not on a trajectory to escape the middle-income trap in the medium term. At the same time the global economy and world at large are experiencing unprecedented turmoil, disruptions, and uncertainty driven both by megatrends (technology adoption, climate shocks, demographics) and deliberate policy actions by major actors.

These developments point to the need for Africa to reinforce the ongoing trend and look for its own, Africa's-grown solutions for its development challenges. The African Continental Free Trade Area (AfCFTA) Agreement, which was signed in 2018 with trading starting in 2021, is a prime example of such approach. As a flagship project of the African Union Commission, it provides an Africa-driven roadmap for sustainable and inclusive development on the continent.

Against this background, the objectives of the Economic Report on Africa 2025 (ERA 2025) on Advancing the implementation of the Agreement Establishing the African Continental Free Trade Area: Proposing Transformative Strategic Actions, are to:

1. Assess the state of AfCFTA implementation and highlight the key achievements and challenges and outline the AfCFTA's envisaged role.
2. Provide empirical evidence showing AfCFTA's potential to drive Africa's trade-led integration and become a critical pillar for its inclusive and sustainable development.
3. Identify key challenges to realizing and capitalizing on the transformative potential of the AfCFTA.
4. Propose actionable recommendations for bridging the gaps preventing successful AfCFTA implementation

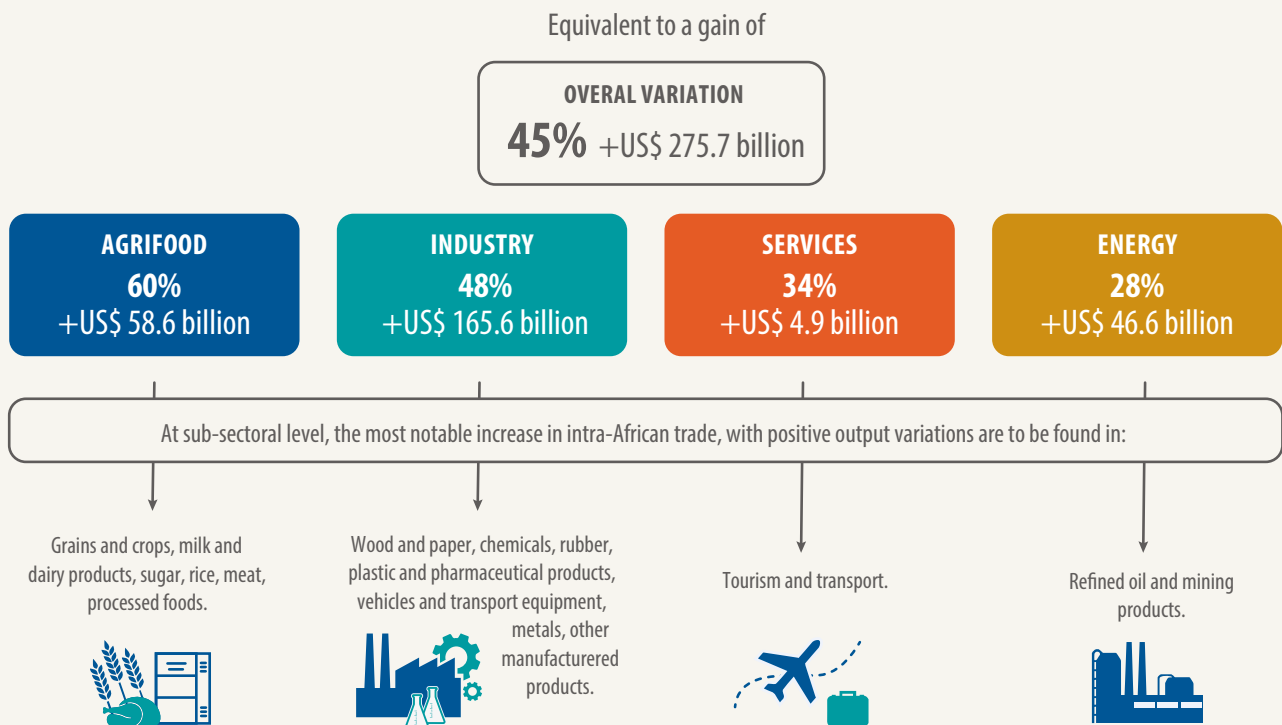
The ERA 2025 finds that the AfCFTA can play a crucial role in addressing key Africa's sustainable development challenges. Despite growing global uncertainty, Africa can benefit from the new global trade landscape, characterized by fragmentation, regionalism, and near-shoring, as it incentivizes the continent to pursue deeper regional integration. The adverse and uncertain external environment presents not only an opportunity but also an imperative for Africa to double down on its economic diversification and structural transformation efforts. This would further enhance intra-African trade and connect Africa to the global economy.

The ERA 2025 shows that the AfCFTA can help address continent's key challenges like energy gaps and food insecurity by fostering cross-border trade in energy products and encouraging African countries to adopt renewable energy technologies. This, in turn, can spur industrialization, technology adoption, and agro-processing as well as move Africa up in global value chains (GVCs). Implementing climate policies could boost Africa's renewable energy usage by 5–12 per cent by 2045. The AfCFTA can also tackle food insecurity by enhancing food market integration and boosting intra-African food trade, helping reduce the impact of climatic events on production and prices. The AfCFTA could also

leverage Africa's digital and demographic trends, supporting its readiness for digital trade and participation in e-commerce.

Driven by industrialization and diversification, a successful AfCFTA could thus significantly boost Africa's trade and drive transformational change. It could shift Africa from primary commodity exports to higher-value industrial products, while raising intra-African trade by almost half. The agreement also positions Africa to strengthen trade ties with rapidly growing emerging markets like China, India, and Turkey, strengthening its resilience against global shocks. As the world's largest free trade area, successful implementation over the medium term could also contribute to global trade and growth, enhancing Africa's competitiveness and its position as a global growth pole. If accompanied by supportive policies fostering trade and investment, the AfCFTA can build livelihoods and social cohesion, thus contributing to the integrated, peaceful, and prosperous Africa envisaged in the Agenda 2063: The Africa We Want.

Change in intra-African trade (exports) in 2045 with full implementation of the AfCFTA agreement compared with no implementation, globally and by main sectors



In sum, successful AfCFTA implementation could boost Africa's trade, inclusive growth, and sustainable development. However, full AfCFTA implementation requires strategic investment, well-designed policies, and synchronized reforms at national, subregional, and continental levels.

KEY MESSAGES

- The AfCFTA is a pivotal opportunity for Africa to boost intra-African trade, diversify economies, and enhance industrialization. It has the potential to increase intra-African trade by 45 per cent in 2045, with significant gains in manufacturing, agro-processing, and services.
- The AfCFTA is expected to raise Africa's GDP by 1.2 per cent and welfare by 0.9 per cent in 2045. However, high inflation, fiscal deficits, and debt vulnerabilities remain significant barriers to growth. Africa's debt-to-GDP ratio is projected to decline from 67.3 per cent in 2023 to 62.1 per cent in 2025, but debt servicing costs remain prohibitively high, crowding out development outlays.
- Africa is disproportionately affected by climate change, with annual economic losses at \$7 to \$15 billion, and projected to rise to \$50 billion a year by 2030. The AfCFTA can support climate-resilient development through green industrialization and renewable energy investments.
- To support the AfCFTA, Africa will need an investment of \$120.83 billion in transport equipment by 2030, while also streamlining regulations to enhance market access and foster innovation. Trade facilitation measures, such as harmonizing customs procedures and reducing non-tariff barriers, are critical for maximizing the benefits of AfCFTA.
- Digitalization is key to Africa's transformation, with digital trade accounting for 25 per cent of global trade in 2020. However, Africa lags in internet connectivity, with only 37 per cent of the population connected. Investments in digital infrastructure, such as data centres and internet exchange points, are essential.
- Rapid urbanization presents both opportunities and challenges. By 2050, 60 per cent of Africa's population will live in urban areas, contributing significantly to GDP but also straining infrastructure and services.
- The AfCFTA offers opportunities for women's economic empowerment, particularly in manufacturing and trade-intensive sectors. However, women face major barriers, including limited access to finance, education, and digital skills. Strategic actions—such as promoting science, technology, engineering, and math education for women, enhancing access to finance, and addressing gender-specific challenges in cross-border trade—are needed to ensure inclusive growth.

KEY POLICY RECOMMENDATIONS

The primary purpose of the Economic Report on Africa 2025 is to accelerate implementation of the agreement establishing the AfCFTA. Accordingly, the report's key recommendations are:

- Governments should prioritize the full implementation of the AfCFTA, including reducing tariffs, eliminating non-tariff barriers, and harmonizing trade policies. This requires strengthening national AfCFTA implementation committees and enhancing private sector engagement.
- Develop robust regional value chains in key sectors such as agro-processing, automotive, pharmaceuticals, and renewable energy. This requires targeted industrial policies, investment in productive capacity, and support for small and medium enterprises (SMEs).
- Integrate climate policies into AfCFTA implementation, including carbon pricing and investments in renewable energy. Africa's transition to renewables, in the AfCFTA context and leaving aside specific climate policies, could require a cumulative \$22.4 billion in investments between 2025 and 2040, with a focus on solar and wind power.
- Streamline customs procedures and adopt digital technologies, such as blockchain and electronic data processing, to reduce trade costs and improve efficiency. Investing in digital infrastructure will include broadband networks, data centres, and internet exchange points to support digital trade and innovation.
- Implement gender-sensitive policies under the AfCFTA, such as promoting women's access to finance, education, and digital skills. This includes addressing barriers to women's participation in cross-border trade and supporting women-led SMEs.
- Harmonize trade policies and regulations across regional economic communities (RECs) to reduce fragmentation and enhance coherence in AfCFTA implementation. Promoting the free movement of people, goods, and capital across borders will be supported by initiatives like the Single African Air Transport Market and the Pan-African Payment and Settlement System.
- Invest in sustainable urban development, including affordable housing, clean water, and sanitation, to manage the challenges of rapid urbanization. Promoting job creation in urban areas, particularly in the services and informal sectors, will harness the demographic dividend and reduce youth unemployment.

Despite its rebound from the Covid-19 pandemic, Africa's growth remains below its pre-pandemic levels and insufficient to meet the SDGs. Unprecedented geopolitical tensions, high debt levels, the rise of nationalism, and climate challenges are creating great uncertainty about the future trajectory of the global economy. These uncertainties provide an opportunity for the African continent to renew its commitment to regional integration and hasten implementation of the African Continental Free Trade Area (AfCFTA). The adverse and uncertain external environment provides a unique opportunity for Africa to focus on policies of industrialization and economic diversification and on fostering its own structural transformation trajectory.

Implementation of the AfCFTA is expected to boost Africa's trade and strategically reposition the continent in the global trade arena. It can drive intra-African trade, along with the continent's industrialization, development of regional value chains and diversification. It can also be instrumental in improving people's lives by helping to address major societal challenges, to reduce African dependence on primary commodities, as it can transform African economies by diversifying their exports and its sources of growth. In addition, it will create an opportunity for African economies to increase growth, create jobs, broaden economic inclusion and lift millions out of extreme poverty.

The 2025 edition of the Economic Report on Africa assesses the state of AfCFTA implementation and highlights the key achievements and challenges to realizing its transformative potential. It also provides empirical evidence revealing the AfCFTA's potential to drive Africa's trade-led integration while becoming a critical pillar for Africa's inclusive and sustainable development, while highlighting Africa's key priorities and providing actionable recommendations for bridging the gaps that could derail successful implementation of the AfCFTA.