March 2022

Case study

# Trade in support of circular economy

## Opportunities between Nigeria and the EU

Institute for European Environmental Policy

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# EXECUTIVE SUMMARY

# 1. Introduction

The circular economy seeks to alter the present economic paradigm by addressing our current, ever-increasing resource extraction from the Earth's finites resources. Accordingly, resource efficiency alleviates the excessive extraction of resources, but also contributes to decarbonisation, as a considerable amount of our carbon emissions are related to how we produce and consume products. A global scale up of the circular economy will therefore not only advance global decarbonisation efforts, but also unlock greater benefits to resource efficiency.

## 1.1 Circular economy and the EU

In March 2020, the EU took a substantial step forward towards the transition to a European circular economy by adopting the new EU Circular Economy Action Plan (CEAP)[1] under the EU Green Deal. The Action Plan paves a pathway to European circularity by outlining a Sustainable Product Policy framework and plans to target key value chains with great potential for circularity including electronics and ICT, batteries and vehicles, packaging, plastics, textiles, construction and buildings, and food, water and nutrients.

Moreover, the CEAP proposes the establishment of a Global Circular Economy Alliance, a more integrated partnership with Africa and the inclusion of new circular economy objectives in its future Free Trade Agreements (FTAs), thereby acknowledging the need to scale up towards a global circular economy. Cooperation on a multilateral level is key to unlocking the benefits of scale tied to a global circular economy but, also, to mitigate unwanted consequences to sustainable development caused by a shift in trade flows caused by an altered demand from primary to secondary resources in the medium to long term.

Indeed, an inherent element of the CEAP is that the effects of its new domestic policies are undoubtably bound to spill over, affecting trade flows, and consequently, socio-economic development at a global scale. Production and consumption, materials, goods, services and data are linked through global trade. As key value chains are targeted by new sustainability standards under the CEAP, the EU must seek partnerships and lead the charge by envisaging a trade policy framework for businesses to innovate and trade with new circular markets across the world while accounting for negative effects to global sustainable development. The EU indeed has the opportunity to inspire, lead and leverage access to its market to reach for improved standardisation with its trading partners.

One example of shifting trade streams is waste exports. Prior to the publication of the CEAP, EU circular economy policies targeting domestic waste recycling partially relied on exporting waste to be recycled abroad. Although it allowed EU to

[1] https://ec.europa.eu/environment/strategy/circular-economy-action-plan_en

achieve its own recycling rate targets, once waste is shipped abroad – usually to developing countries – the EU cannot guarantee the quality of the recycling process.

Since 2017, many of EU's waste recipients closed their ports for plastic waste shipments, including China, India, Thailand, Vietnam and Malaysia. In need of a new approach to dealing with its waste, the EU's CEAP focuses on preventing waste creation in the first place and taking charge of reverse value chains. Moreover, in January 2021, the EU placed a ban on exporting hazardous and hard to recycle plastic waste to non-OECD countries in addition to tightening the rules on clean, non-hazardous waste exports to these same countries[2]. Lastly, the European Commission published on 17 November 2021 its proposal for a new regulation on waste shipments[3]. Under this new proposal, EU waste exports to non-OECD countries will be further restricted and only allowed if third countries are willing to receive certain wastes and are able to manage them sustainably.

The next main milestone in terms of EU domestic measure is with the CEAP's Sustainable Product policy initiative which is expected to be published in the 1st Quarter of 2022 by the European Commission. This new legislation is expected to cover product design, arguably the most important element of the CE transition, and to bring forward new sustainability standards for goods imported to the EU.

Other implications of the CEAP on EU trade flows are related to the introduction of new measures on production and the reduction of barriers to trade for secondary resources. The former intends to empower consumers and increase product sustainability by increasing opportunities for product repairability, reusability and durability by introducing new standards and criteria for products sold on the EU market. The latter aims to incentivise the market for secondary raw materials by pushing for better harmonisation of rules applied to waste and spent goods.

EU's FTAs as another major EU trade instrument have only limited relevance so far for the CEAP as only three draft agreements still under negotiation mention the circular economy in their Trade and Sustainable Development (TSD) Chapters, (Australia, New Zealand and Mexico). Although other agreements in force acknowledge the need for sustainable production and consumption of goods, as of yet, the concept of circular economy is far from being a regular feature in FTAs. Although the EU's 2021 Trade Policy Review4 reaffirms the need to seek commitments from its trade partners to further global efforts towards the circular economy transition – the EU must begin to deeply integrate circular economy principles in its trade policy and its implementation.

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[2] EC (Dec 2020)
[3] EC (Nov 2021)
[4] EC (Feb 2021)

## 1.2 EU – Nigeria case study: aim and approach

Ensuring the global expansion of the circular economy calls for not only a higher demand for secondary resources but also a higher supply of these resources to establish a secure global market for recycled and reusable raw materials. In turn, establishing a market for reliable secondary materials requires attention to detail regarding resources, definitions and standards. Products must also at the outset be designed with longevity and in the end, recyclability in mind. Variation in definitions, regulations and standards across geographical areas for trade in secondary resources could lead to a significant technical burden, hindering efficient material circularity and disproportionally disadvantaging MSMEs, both within the EU and between EU and third countries. Therefore, cooperation and co-creation should be favoured from the outset as policies and standards are developed.

The following case study looks into EU's trade relationship with Nigeria where increased circular economy cooperation would be particularly beneficial for both trade parties. Circular economy and trade is particularly interesting – and timely – in the EU-Nigeria context due to several reasons as outlined below.

- The CEAP specifically mentions the objective for the commission to support a global shift to a circular economy by, notably, "building a stronger partnership with Africa to maximise the benefits of the green transition and the circular economy"[5];
- The concept of circular economy has only recently gained traction in the international community, especially in its application to the African context, however many initiatives have been launched in the past years. This makes this study on the role of Circular Economy in Africa-EU with a specific focus in Nigeria timely as it aims to shed light on the vast potential that the circular economy (CE) holds for sustainable economic development in African countries.
- Nigeria is a founding member of the African Circular Economy Alliance (ACEA), a member of the Global Alliance on Circular Economy and Resource Efficiency (GACERE) and has demonstrated strong interest to foster CE principles in its policy framework.
- The EU and Africa Union (AU) held their 6th Summit on 17-18 February 2022 which concluded with the stated objective to "consolidate a renewed Partnership for solidarity, security, peace and sustainable and sustained economic development and prosperity for our citizens and for our future generations"[6]. It is worth noting that Circular Economy does not explicitly appear in the common declaration adopted at the end of the summit due

[5] EC CEAP (Ibid).
[6] EU-AU common declaration on a "Joint Vision for 2030". Link.

to other pressing matters such as the recovery from COVID-19 pandemic or EU financial commitments. Yet, the potentials for "circular economy development" and "transition to a green, circular and climate-neutral economy"[7] were recognised at the ministerial level in preparation of the summit. Therefore, there is a steady political momentum to foster Circular Economy as a long-term, transversal policy in Africa.

The case study differentiates circular economy policies in the following five categories at the national level:

- National circular economy policies, such as national CE roadmaps, including sustainable development strategies which integrate circular economy principles.
- Product policies that support circular practices relating to the design, manufacture, distribution or import of specific products and materials.
- Extended producer responsibility policies i.e. policies that place the responsibility for the environmental impacts of products throughout the product life cycle to producers and is often applied to the collection, processing and re-utilization of waste.
- Waste management and recycling policies that encourage circular practices relating to the management of waste covering generation, segregation, transfer, sorting, treatment, recovery and disposal.
- Fiscal policy including government taxes and spending policies that incentivize circular practices.

The report has been prepared by IEEP through desk research, and with the support of Nigerian stakeholders who provided local insights to the analysis on policy developments and trade flows of interest for CE in Nigeria. The EU delegation in Nigeria was also consulted.

The desk research was complemented by interviews with relevant stakeholders, (see list under section 6).

[7] https://www.consilium.europa.eu/media/52671/20211026-au-eu-fam-meeting_joint-communiqu%C3%A9.pdf

# 2. EU – NIGERIA TRADE RELATIONSHIPS

This section looks at the current trade framework which governs EU-Nigeria bilateral trade in goods and services and assesses the level of integration of circular economy-relevant initiatives and practices.

## 2.1 What is the trade framework?

### 2.1.1. The EU Generalised Scheme of Preferences

The trade relations between the European Union and Nigeria are currently governed under the Standard EU Generalised Scheme of Preferences (GSP). The Standard GSP targets developing countries that are classified by the World Bank as lower or lower-middle income countries and which do not have equal preferential access to the EU market through any other arrangement, such as an Economic Partnership Agreement (EPA).

Standard GSP beneficiary countries like Nigeria benefit from duty suspension for non-sensitive products as well as duty reductions for sensitive products across approximately 66% of all EU tariff lines. Other major EU trade partners such Kenya, Congo or Indonesia currently operate under the same scheme.

The standard GSP is part of the overall EU GSP Regulation which offers several other preferential trade schemes:

- GSP+ provides additional incentive arrangements for sustainable development and good governance. It slashes these same tariffs to 0% for vulnerable low and lower-middle income countries as under Standard GSP but only countries that implement a number of international conventions related to human rights, labour rights, protection of the environment and good governance can benefit from the scheme (see below).
- EBA (Everything But Arms) is the special EU arrangement for Least Developed Countries, providing them with duty-free, quota-free access for all products except arms and ammunition.

The European Commission unveiled a proposal to reform the GSP Regulation on 22 September 2021 as the current legislation is set to expire on 31 December 2023. The most significant aspect of the new regulation is the bolstered conditionalities to access the GSP+ system and benefit from tariff preferences. The proposal updates the existing list of 27 core conventions with the inclusion (as addition or replacement) of six new international treaties, such as the Paris Agreement, to bring the total to 32 conventions to be respected or ratified by beneficiaries.

It is important to note that Nigeria has already voluntarily ratified all 27 conventions previously covered under the GSP+ regulation (15 core international conventions on human rights and labour standards, 8 on environmental protection

and 4 on good governance aspects), even though the country is a beneficiary of the Standard GSP and not obligated to ratify any of the conventions to be able to benefit from the duty reductions. Nigeria is therefore potentially ready to "upgrade" from GSP to GSP+ although additional ratifications will soon be required to comply with the updated list of conventions under the new GSP regulation proposal published by the EC in September 2021[8].

That being said, Nigeria never formally expressed its intention to apply for this upgrade, so the question remains open at this stage. However, considering Nigeria has voluntarily ratified all 27 conventions required under GSP+, it would be eligible to "upgrade" from Standard GSP to GSP+. This point is especially relevant to this case study – and will be expanded upon in section 4 – because the GSP+ provides additional incentives for circular economy-related policies.

### 2.1.2. Nigeria and the EU Economic Partnership Agreement (EPA)

The EU has been under pressure since the deadlock at the World Trade Organisation (WTO), and its incapacity to deliver on the Doha Development Agenda, to formalise its trade regime with African, Caribbean and Pacific (ACP) countries to ensure its compatibility with the multilateral trade rules.

This has materialised with the negotiations and conclusions of EPAs as specific preferential trade agreements between the EU and several ACP regions[9], such as the Economic Community of West African States (ECOWAS) which includes Nigeria along with 14 other countries. Once signed, EPAs aim to open about 80% of partner countries' market to European goods and services within a decade, while they open up the EU's markets to EPA countries fully and immediately. EPAs also aim to go further than simple tariff reductions as they encompass wider rules on services and/or investment. They also involve strengthened cooperation for development, in the form of not only traditional aid, such as technical assistance, but also blended finance and guarantee mechanisms, as well as policy dialogues, multi-stakeholder engagement and improvement of the investment climate as key pillars of the EU support. The stated aim of the EPAs is to accompany Africa's own reform and transformation processes.

However, due to their near all-encompassing nature, signature of such agreements with different ACP regions since the late 2000s was met with various degrees of scrutiny and even defiance.

The EU argues that developing countries such as Nigeria would benefit from the EPA's development priorities, paving way for sustainable development and facilitating the countries' integration into the global economy. By establishing duty free imports through trade liberalisation, the EPA would reduce costs of imports

[8] EC legislative proposal for the new EU's GSP for the period 2024-2034 . Link.
[9] The 1st EPA was signed in 2008 between the EU and Caribbean Countries (CARIFORUM).

from the EU and thus, according to that logic, eventually stimulate the structure of competitive production and improve access to EU markets.

Many ACP countries question the validity of this claim as well as the balanced nature of the agreement noting concerns on whether their economies are strong or prepared enough to expose them to excessive competition from the EU, let alone to take advantage of the newly opened European markets. Most countries, including Nigeria, fear that the opening their markets up to EU products would undermine local production and development efforts and that regional integration should be achieved first.

The ECOWAS EPA was met with scepticism notably by Nigerian business associations, manufacturers and other various stakeholders from the private sector citing the issue of EU manufacturers getting increased access to local markets to the potential disadvantage of Nigerian producers[10].

It is within that context that, in spite of the growth in trade between the two partners in the 2000s and following almost a decade of negotiations which led to an agreement in principle on the ECOWAS EPA in 2014, Nigeria eventually postponed its signing of the agreement. It remains today the last of 15 West Africa countries not to have signed the agreement, de facto preventing its formal adoption, with no indication that it intends to do so in the near future. This has prompted Ghana and Côte d'Ivoire to ratify their own "interim" (individual) EPA with the EU respectively on 3 August and 12 August 2016.

The same argument was used by Nigeria during the negotiation of the Agreement Establishing the African Continental Free Trade Area (AfCFTA) with Business associations in Nigeria arguing that they had not been adequately consulted or advised that the Agreement could adversely affect Nigerian industries and fuel unemployment[11].

Nigeria therefore seems to maintain a general cautious approach toward trade liberalisation processes. The overall trade levels remain relatively low in the country compared to other African countries, with a share of total trade in GDP at 33% in 2018, and never going over 50% in the last decade[12]. This low trade intensity points toward the presence of significant trade barriers such as restrictions on exports and imports through tariffs and duties, a few of which are listed below:

- Trade facilitation aspects: irregular use of customs guidelines (including clientelism), long procedure for clearances and high prices for berthing of vessels in Nigerian ports. This, combined with poor storage and inventory

[10] Practices And Challenges of Supply Chain Management Between EU And Nigeria: A Research on International Trade – USMAN and KÖSEOĞLU - Journal of International Trade, Logistics and Law, Vol. 5, Num. 2, 2019, 1-9.
[11] Adekoya F (June 2018), Guardian.ng. Manufacturers Association of Nigeria kicks against Nigeria's ratification of African free trade agreement.
[12] World Bank – World Development Indicators – Trade (% of GDP)

management capacities, is particularly detrimental for importers of perishable goods who suffer major losses.

- Outdated, national destination policy: it states notably that every import must be checked at the point of arrival in Nigeria, which results in massive delays and backlogs.
- Poor infrastructures (including roads, ports, railroads etc.) resulting in high transportation costs for businesses.
- Absence of basic information technology infrastructure creating a lack of clarity and comprehension of the market.

These trade barriers are enacted to support local industries but tend to affect the chain of supply in Nigeria resulting in high costs to exports and imports. Although this situation is not specific to Nigeria – sub-Saharan Africa has the highest cost to export compared with all other regions and the highest cost to import with the exceptions of Latin America and the Caribbean based on border compliance, and South Asia, based on documentary compliance[13].

This general cautiousness toward trade openness has consequences for the quantity and quality of EU trade with Nigeria and the development of Circular Economy activities in the country. We explore further in the next sections how targeted actions to remove specific supply chain obstacles and barrier might support the development of CE-related trade flows in the country.

## 2.2 What is traded?

Nigeria is one of the largest economies on the African continent and Africa's biggest oil exporter. The role of export as an essential component of international trade in the Nigerian economy has increased during the years with resource extraction remaining the most important sector of the economy, particularly the extraction of crude oil, natural gas, coal, and tin as presented in Table 1 below.

The EU, India and China are Nigeria's main trading partners, with most of Nigeria's imports originating from China (25,8% in 2020) and India being the most important destination for Nigerian export products (24,9% in 2020).

The EU ranks second in both categories (respectively 16,8% and 24,1%), thereby remaining Nigeria's most important trade partner overall with 20,7% of Nigeria total trade, ahead of China with 17,4%[14]. Trade volumes between the EU and Nigeria stand at 22.83 billion euros in 2020, with Nigeria exports valued at 13.64 billion and imports at 9.18 billion euros. Nonetheless, the partnership between the EU and Nigeria has fluctuated over the last decade as depicted in Graph 1.

[13] UNCTAD report Economic Development in Africa Report 2019: Made in Africa: Rules of origin for enhanced intra-African trade - https://unctad.org/system/files/official-document/aldcafrica2019_en.pdf

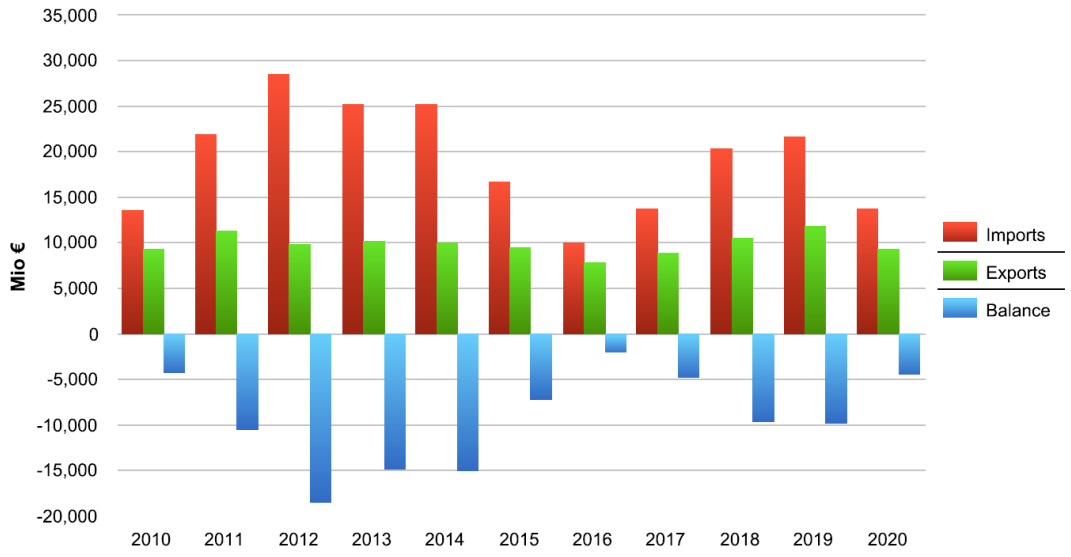
[14] https://webgate.ec.europa.eu/isdb_results/factsheets/country/details_nigeria_en.pdf

**Table 1. Trade between the European Union and Nigeria in 2020 - Top 5 products by HS sections**

| EU Imports | | | | EU Exports | | | |
|---|---|---|---|---|---|---|---|
| Products | | Value Mio € | % Total | Products | | Value Mio € | % Total |
| V | Mineral products (including oil) | 12,721 | 93.2 | V | Mineral products | 4,182 | 45.5 |
| IV | Foodstuffs, beverages, tobacco | 458 | 3.4 | XVI | Machinery and appliances | 1,298 | 14.1 |
| XIV | Pearls, precious metals and articles thereof | 151 | 1.1 | VI | Products of the chemical or allied industries | 1,034 | 11.3 |
| VIII | Raw hides and skins, and saddlery | 71 | 0.5 | II | Vegetable products | 510 | 5.5 |
| XVI | Machinery and appliances | 60 | 0.4 | IV | Foodstuffs, beverages, tobacco | 459 | 5.0 |

*Source: Eurostat*

**Graph 1 : EU trade with Nigeria 2010-2020**




*Source: Eurostat*

There have been two main dips in EU trade with Nigeria in the past 10 years. The first drop, over the period 2015-2016, saw a sharp decrease of EU imports from Nigeria, while EU exports remained relatively stable. This was mainly due to volatilities in international energy markets. By 2019, trade was able to recover from the energy market shock, however, EU imports from Nigeria remain below average levels compared to before the shock. This external shock demonstrated

though the extreme overdependence of the Nigerian economy on the petroleum industry which we detail below. The second dip in EU-Nigeria trade relations occurred to 2020 due to the COVID-19 crisis which affected imports and exports of both countries, an effect felt similarly on trade flows worldwide.

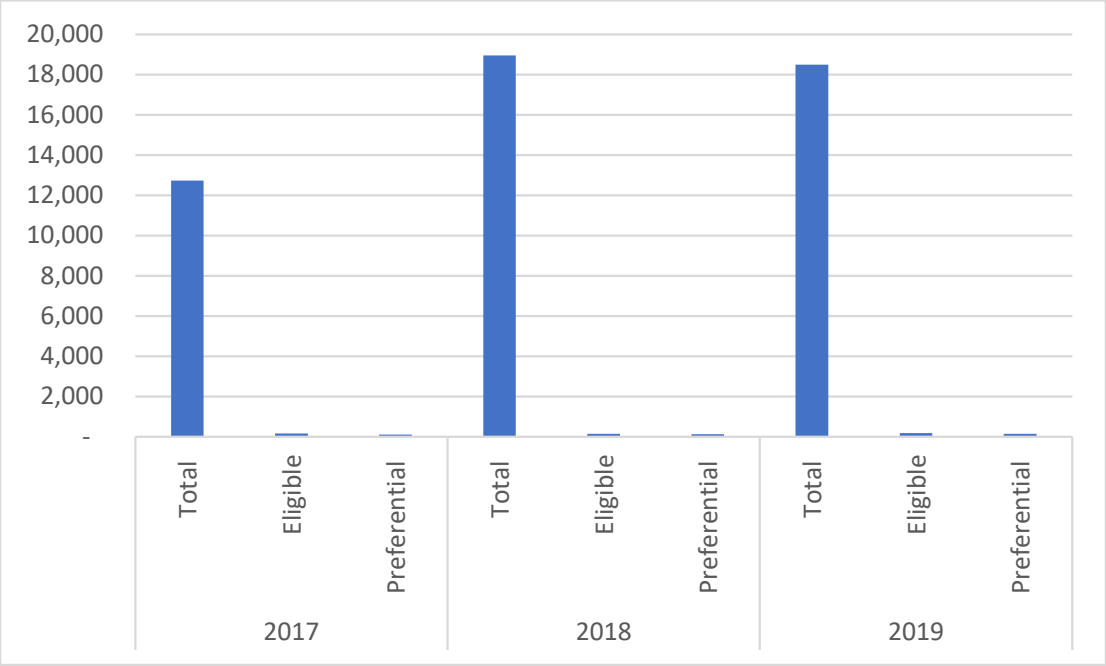
Besides its oil-dominated export structure, Nigeria imports capital goods, raw materials, and consumer goods all of which are vital elements for prosperity and economic development. Nigeria's tariffs are determined by the ECOWAS Common External Tariff (CET) which has five bands: zero duty on essential social goods, 5% duty on raw materials, 10% on intermediate goods, 20% on finished goods and 35% on "Specific Goods for Economic Development"[15]. Nigeria may of course apply additional tariffs or quotas on specific imports, but the total effective rate of each line item must not exceed 70%. The most relevant tariff line for Circular Economy is on intermediate goods and section 4.1.1 discusses how this can be used.

The vast majority of the products consumed in Nigeria apart from agri-food products are imported, from toothpicks to refined petroleum products. This maintains a huge demand for foreign exchange which eventually resulted in a depreciation of the naira through the year and an increase in the country's unemployment and underemployment numbers[16]. Perhaps most significantly, this dependence on imported products resulted in a limited manufacturing industry with the majority of the Nigerian population employed in the agricultural sector, though it only contributes about 20% to the country's GDP. This capacity gap puts Nigerian businesses at a disadvantage compared to European businesses, which is another underlying cause for the EU-Nigeria trade imbalance outlined in Graph 1, as well as the country general cautious approach toward trade liberalisation as discussed in the previous section.

Nigeria trades with the EU under the GSP, however it is important to note that oil products are non-eligible under the scheme. This means that Nigeria uses the trade preferences granted under the GSP for only a tiny fraction (about 1% or 133.9 million EUR) of its exports to the EU[17].

[15] https://ecotis.projects.ecowas.int/policy-development/common-external-tariff-cet/
[16] Proshare. 2016 "Import substitution in Nigeria: Feasibility and path towards reduced import content". Link.
[17] https://gsphub.eu/country-info/Nigeria

**Graph 2: Preference utilisation and export diversification for Nigeria's exports to the EU**




*Source: GSPhub.eu*

On the plus side, Nigeria maintained a relatively high preference utilisation rate (i.e., ratio of preferential exports to overall GSP eligible exports) of above 60% over the past decade (76% in 2019). This demonstrates on the one hand a good use of the tariff preferences in the eligible products value chains by the country[18]. On the other hand, it brings into question the capacity for diversification that the current trade system allows.

The Nigerian economy faces many challenges such as trade imbalance, exposure to volatilities in international energy markets and a lack of manufacturing capacities thus highlighting the importance of economic diversification for the country. We explore in the next section how Circular Economy could foster this diversification in different specific value chains of interest for the Nigerian economy.

# 3. CIRCULAR ECONOMY IN AFRICA AND NIGERIA

## 3.1 Circular economy trends on the African continent

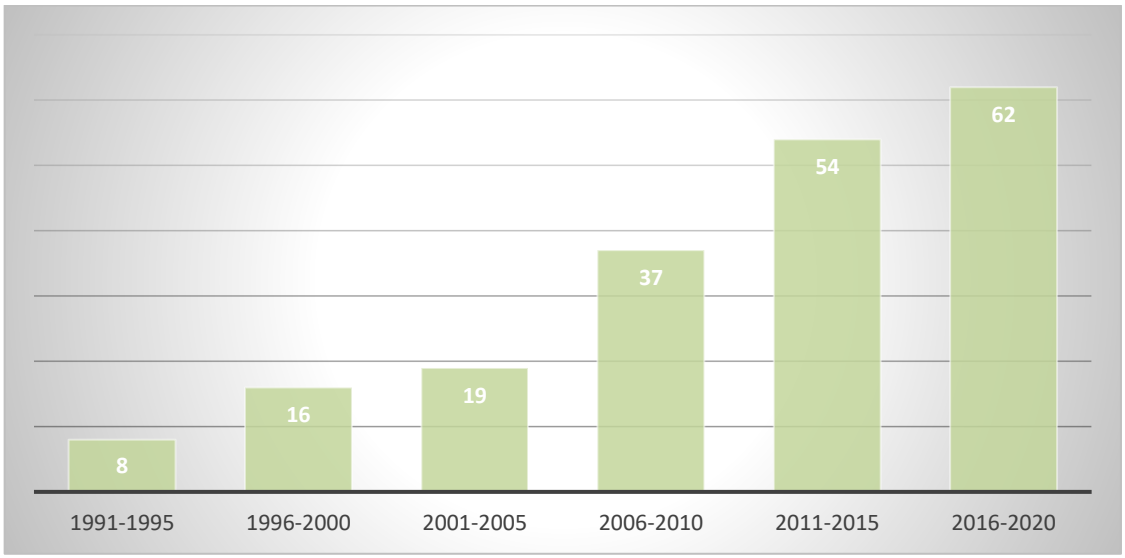
Circular Economy in Africa has received a burst of awareness since 2017 with the launch of the African Circular Economy Alliance (ACEA) during climate COP23 in Bonn. The ACEA is a government-led coalition of African nations founded by three countries Rwanda, Nigeria and South Africa with the objective to spur Africa's

[18] Ibid.

transformation to a circular economy that delivers economic growth, jobs, and positive environmental outcomes.

At the national level, Circular Economy is now mentioned explicitly in most national policies and strategies as almost all African countries (52/54) have at least one CE-related policy in place[19]. Graph 3 demonstrates the increased attention given to Circular Economy policies by governments in Africa over the last decades.

**Graph 3: number of Circular Economy policies enacted at the national level in Africa (1991-2020)**

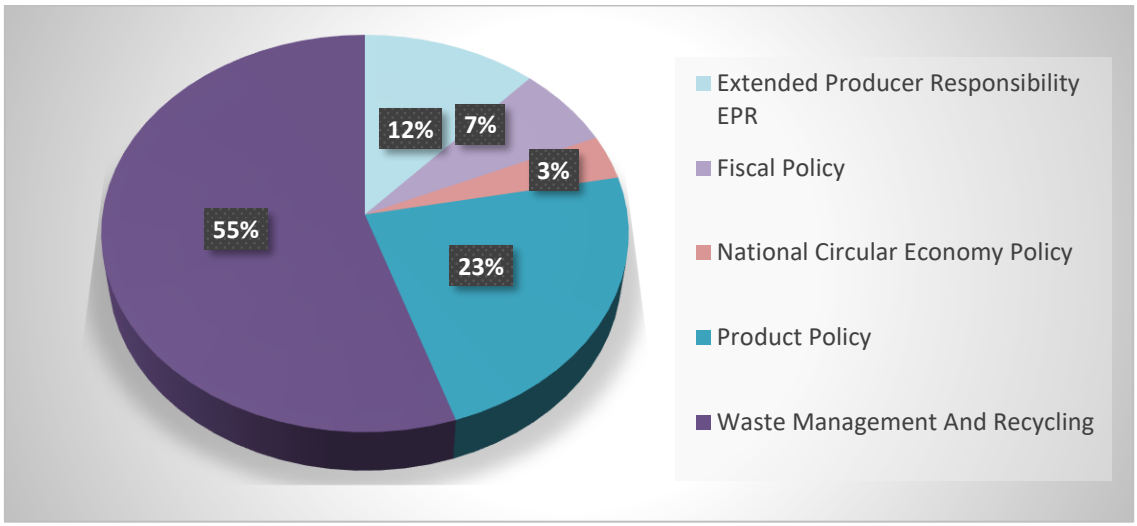



*Source:* https://circulareconomy.earth/about

These policies tend to focus essentially on individual downstream policies such as bans on single-used plastics or waste management rather than all-encompassing CE economic models (see graph 2 below). Only 7 countries – Algeria, Egypt, Gabon, Kenya, Madagascar, Rwanda and Tunisia – have a full-fledged National Circular Economy Policy[20]. Furthermore, they suffer from major challenges in terms of monitoring and implementation due, mostly, to a lack of capacity to enforce such policy initiatives. There are also strong differences in approaches among African countries on whether CE principles are applied through public policies or private sector initiatives.

[19] http://trinomics.eu/wp-content/uploads/2021/03/Continental-report-published.pdf
[20] https://circulareconomy.earth/about

**Graph 4: Categories of national Circular Economy policies in Africa in 2020**




*Source: https://circulareconomy.earth/about*

The Africa continent remains incredibly diverse, proposing a huge diversity of context and circumstances among regions and countries, including Nigeria. Nonetheless, efforts at continental, regional and national levels are geared toward developing Africa's circular economy ecosystem while capitalising on its development prospects. The CE presents a particular opportunity for Africa as it provides a framework for the development of new economic activities that are more adequate to tackle the urgent economic, environmental and social problems in the continent, such as industrialisation policies, commodity dependency and economic diversification, social inclusivity, or the growing problem of plastic waste pollution.

Furthermore, the projected high population growth for the continent combined with increasing levels of economic well-being and the projected continued development of the middle-class[21] will vastly increase the demand for natural resources. As such, the CE will not only be an economic opportunity, but a necessary strategic paradigm for sustainable economic development while decoupling economic growth from resource consumption and negative environmental impacts.

In terms of sectors, and while acknowledging again the immense diversity of contexts among African countries, we can mention two critical trends providing opportunities for participation in regional and global value chains. One is in mining and the other is in agriculture.

Current industrial trends in the global value chains are shifting the value of raw materials – upon which many African economies, including Nigerian, depend –

[21] https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/The%20Middle%20of%20the%20Pyramid_The%20Middle%20of%20the%20Pyramid.pdf

away from traditionally mined products to new minerals essential for new technologies such as lithium, cobalt or rare earths. Furthermore, the development of CE related policies around the world is likely to modify the composition and geography of cross border trade flows. Indeed, CE policies promote the substitution of primary materials inputs with secondary ones i.e. renewable or recovered materials. Over the long-term, it is therefore safe to assume that import demand for primary materials may eventually decrease, and African economies, in particular those heavily dependent on raw material extraction and export, should prepare to accompany this transition adequately.

In agriculture there is real and immediate potential for African countries to adopt circular economy principles to ensure that the need to step up production does not go hand-in-hand with increased commodity dependency and environmental degradation.

Nevertheless, we see from Graph 4 that Circular Economy in Africa is still mostly understood as waste management and recycling issues. Although these indeed carry huge challenges and opportunities for most African economies, the implementation of CE principles works best when they are integrated into all facets of today's globally connected economy and not only through the last section of the value chains. CE must be tackled as a transversal approach through national and regional holistic policies such as CE roadmaps including specific objectives, sectors, targets and timelines. We will see now how Nigeria tackles these questions and what opportunities CE could bring to the country.

## 3.2 Policy framework for EU-Africa cooperation

In terms of cooperation, Circular Economy has been a relatively new topic under discussions between the two continents, but it has gained momentum as a tool to foster sustainable development in addition to addressing the climate emergency. Both regions have taken recent steps to bring Circular Economy into the limelight and infuse its principles at various cooperation policy levels.

As previously discussed, with its publication of the European Green Deal and its Circular Economy Action Plan, the EU stated its ambition to transition its economy from the existing linear "make-use-dispose" model into a circular model respective of planetary boundaries. The CEAP includes the stated objective to "build a stronger partnership with Africa to maximise the benefits of the green transition and the circular economy". Furthermore, in its latest Trade Policy Review, the Commission claims its resolve for the next decade to "deepen engagement with the African continent and African states" while ensuring that "trade tools accompany and support a global transition towards a climate neutral economy and promote value chains that are circular, responsible and sustainable"[22].

[22] https://trade.ec.europa.eu/doclib/docs/2021/february/tradoc_159438.pdf

The technical cooperation between the EU and African states is currently informed by a Joint Communication by the Commission and the European External Action Service "*Towards a Comprehensive Strategy with Africa*"[23] published in March 2020 for strategic orientation. The communication specifically states that "a clean circular economy with sustainable and fair value chains will be key for the transition to a sustainable economic model" in Africa. The European Commission calls for enhanced cooperation on the matter, including regarding trade in raw materials, thus providing the frame for enhanced trade relations to foster Circular Economies in Africa. Further actions are now expected following the EU-AU summit which paved the way for an enhanced cooperation between the two continents over the next few years.

## 3.3 Circular Economy trends in Nigeria

Circular Economy is still a largely emerging sector in Nigeria with federal and local authorities trying to fully capture the opportunities it offers for sustainable development.

The right of Nigerians to a clean and healthy environment is enshrined in the Nigerian Constitution and the legitimacy of the government's efforts at achieving this derives from relevant sections of the Constitution. The priorities on environmental issues in Nigeria are outlined in the National Policy on Environment which was first adopted in 1989, reviewed in 1999, and then again recently in 2017.

No specific mention was made of Circular Economy in these original environmental efforts as it was approached by Nigeria, as by most developing countries, through the lens of waste management issues in a context of limited public capacities. Indeed, when faced with increasing amounts of waste and a dire lack of capacities to adequately process them, the government of Nigeria decided to place the responsibility for the post-consumer phase of certain goods on producers through Extended Producer Responsibility (EPR) Programmes.

### 3.3.1 Nigeria EPR policy

These EPR programmes outline a framework of actions for a collaborative approach between the government, businesses, and the larger society to tackle waste creation and processing. Under this approach, producers in all sectors covered are given a significant responsibility – financial and/or physical – for the treatment or disposal of products. The aim is to provide incentives to producers to be innovative throughout their products' entire lifecycles (from its conceptualisation and design phase to production and distribution lines, all the way to disposal schemes) for better reuse or recyclability. The main objective of this policy is to prevent waste at the source, and thus limit the government responsibilities

[23] https://ec.europa.eu/international-partnerships/system/files/communication-eu-africa-strategy-join-2020-4-final_en.pdf

in terms of waste treatment, while promoting sustainable product design, materials management, and public recycling.

The first major milestone achieved by Nigeria on Circular Economy was the establishment of a National Environmental Standards and Regulations Enforcement Agency (NESREA) in 2007 with the aim to work with the private sector to develop sectoral EPR programmes and monitor their implementations. The set-up of the Agency was followed by a stream of sectoral environmental regulations at the national level and covering the following products:

- Food, beverages, and tobacco sector (2009):
- Chemical, pharmaceutical, soap & detergent manufacturing (2009)
- Electrical/electronic sector (2011)
- Domestic and industrial plastic, rubber, and foam sector (2011)
- Base metal, iron & steel manufacturing/recycling industries sector (2011)
- Non-metallic minerals manufacturing industries sector (2011)
- Pulp & paper, wood & wood products sector (2013)
- Motor vehicle and miscellaneous assembly sector (2013)

The Nigerian government also enacted two policies tackling waste management and recycling with the National environmental protection regulations for the management of solid and hazardous wastes (1991), and the national environmental regulations on sanitation and wastes control (2009) to support these efforts.

These sectoral legislations catered for all manufacturers and importers of products covered to subscribe to an Extended Producer Responsibility Program, or "Buy Back Scheme" (BBS). However, they also required producers to achieve these BBS objectives within a certain period of time, usually three years, for monitoring and operationalisation purposes. Although these time provisions aimed to achieve meaningful impacts, they let most producers facing an impossible task, acutely lacking the capacities to achieve such ambitious objectives.

This prompted the government of Nigeria to adopt the EPR approach as a matter of national policy in 2014 and, through the NESREA, to release guidelines for its implementation to support producers in achieving the objectives set forth in the sectoral legislations.

The Nigeria EPR policy also aims to go beyond conventional taxes (like a plastic tax) as it does not solely focus on economic costs for producers but extends to the entire lifecycle of the product. Indeed, the EPR policy places four key types of responsibility on producers:

- *Liability responsibility* pushes the cost of environmental damage that can be proven to have been caused by a product or its post-consumption form to the producer of that product.

- *Financial responsibility* requires producers to wholly or partly cover the costs for the management of their post-consumption products including collection, recycling or final disposal.
- *Physical responsibility* where the producer plays active roles in management of physical products or of the effects of the products.
- *Informative responsibility* requires the producer to promote the environmental qualities of the product.

There are six major stakeholders in the EPR process who can be covered by such responsibilities:

- Consumers, who are expected to safely dispose of their wastes through legal and appropriate means (such as collection centres).
- Producers are the main manufacturers of the product but may also include converters, franchisees, assemblers, fillers, brand owners, importers, distributors, or retailers in the supply chain of a product.
- Collectors, and/or dismantlers are assigned by producers (often lacking the capacity to do so themselves) to effectively manage the end-of-life wastes of their products means a person or company that directly receives or retrieves waste products for transmission to the recyclers.

It should be noted that in Nigeria, informal collectors could be responsible for collection of between 20-60% of generated waste, making them a key part of the EPR process[24]. Even formal collectors i.e. often larger, registered and better-structured businesses operating the official waste-disposal stations, also often rely on informal collectors for receiving or retrieving waste.

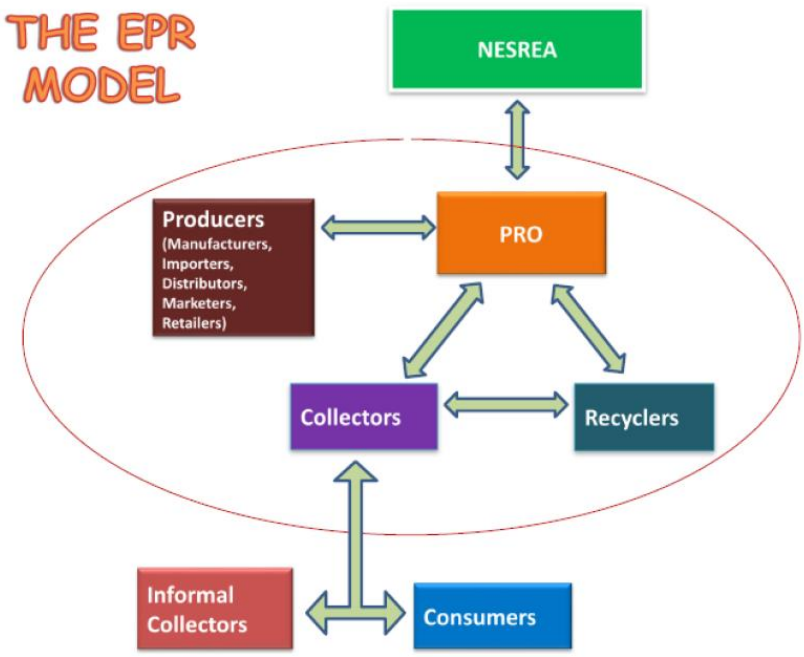
- Recyclers: reprocess wastes into raw materials that can be used to produce new products.
- Producer Responsibility Organizations (PROs): responsible for managing the entire process (including collection and securing workable arrangements with recyclers) on behalf of a group of producers of similar products.

Already in Nigeria, a number of PROs have been established. These include the "Food and Beverages Recycling Alliance (FBRA)" focusing on collection and recycling of plastic wastes; the "Recycling and Economic Development Initiative of Nigeria (REDIN)" which focuses on clean energy and; the "Alliance for Responsible Battery Recyclers (ARBR)" which focuses on recycling of hazardous battery wastes.

- Government and its Agencies: responsible for implementing and monitoring the EPR policy.

[24] Implementation of the Extended Producer Responsibility (EPR) Policy in Nigeria: Towards Sustainable Business Practice - I. A. Ajani, I. O. Kunlere - Nigerian Journal of Environment and Health 2 (2019) 44–56.

**Figure 1: EPR implementation framework in Nigeria (NESREA, 2014)**




*Source: NESREA, 2014*

### 3.3.2 Other Circular Economy policy initiatives

Several other new initiatives were recently launched by the government to go beyond EPR policies. The most visible effort of such push is the setting up of the Nigeria Circular Economy Working Group (NCEWG), a multistakeholder platform aiming at supporting inclusive green growth of the Nigerian economy through curating CE best practices within and outside the country.

The NCEWG serves as a locally driven platform where experts from government, private sector, the academia, and non-state actor voluntarily meet to share ideas, experiences, and coordinate activities to break the silo and take advantage of economy of scale to inform circular Economy policies and bankable projects both at the national and sub-national level.

The NCEWG is currently coordinated by the African Development Bank and the Government of Nigeria represented by the Federal Ministry of Environment and its activities include:

- Design of a Nigeria Circular Economy Programme (NCEP) beyond waste management (2021-2030).
- Design of a Nigeria Circular Economy Road Map (NCERM) as a CE framework to drive Nigeria's path to sustainable and inclusive green growth by 2030 (medium-term) and 2050 (long-term).

- Policy dialogue to integrate natural capital and circular economy as green growth strategies.
- Provide evidence for policy and project design and implementation.

The group was set up in 2020 but its activities have been slowed down by the COVID pandemic. It is nevertheless a step in the right direction.

Circular Economy in also making its way in Nigeria cooperation policies, including with the EU. EU-Nigeria cooperation is in the framework of National Indicative Programmes (NIP) which outline the priorities to be supported and programmes funded under the Multiannual Financial Framework of the EU for a seven years period. It is worth noting that Circular Economy does not appear a single time in the EU-Nigeria NIP for 2014-2020[25] while the term is mentioned 24 times in the NIP 2021-2027[26], including under the 1st priority area listed, on Green and Digital Economy, thus demonstrating the increased interest for Circular Economy approaches and principles in recent years globally. These promises at the programming level must now be operationalised through concrete activities and projects in Nigeria over the next years[27].

# 4. TRADE IN SUPPORT OF CIRCULAR ECONOMY

## 4.1 Trade and CE in specific value chains under the current GSP

Although Nigeria is still at an early stage in the development of a structured national policy framework on Circular Economy, and even more so on how it could relate to its trade policy, some sectors can be considered as "low hanging fruits" and ready to step up to accompany the CE transition in the country. We focus here on a set of 3 sectors with maximum ratio leverage / impact for Nigeria's sustainable development. These sub-sectors were identified due to their high contribution to national GDP, employment levels and/or environmental challenges as well as for their concrete and realistic opportunities in trade and circular economy principles.

### 4.1.1 Agriculture: food production, losses and waste.

All interviews conducted as part of this study pointed toward the agriculture and food production sector as the single greatest opportunity for Nigeria to leverage Circular Economy principles to foster national sustainable development. The adoption and implementation of CE principles in the agricultural sector would support the decoupling of the economy from oil dependence, and could act as a driver to promote food security and increase productivity. It is also a crucial vector

[25] https://ec.europa.eu/international-partnerships/system/files/nip-nigeria-20140619_en.pdf
[26] https://ec.europa.eu/international-partnerships/system/files/mip-2021-c2021-9273-nigeria-annex_en.pdf
[27] An interview with the EU Delegation in Nigeria confirmed that a cooperation programme dedicated to fostering CE processes in the country is planned, however little details are available at the time of this study.

to strengthen the income security of small-scale farmers, an essential piece for sustainable development in the country.

The agriculture sector in Nigeria accounts for 24% of GDP and remains a major source of income as it accounts for about 35% of employment in Nigeria[28]. Most of the production is consumed locally and very little is exported, while the very low level of food processing and food recycling capacities generate huge amounts of agri-waste.

The development of circular approaches linked to specific new trade practices in the agriculture sector would therefore be key to address some of these challenges. There are still significant levels of small-scale farming practices in Nigeria and many of these smallholder farmers do not have access to expensive agricultural machines and equipment. The technologies and infrastructures for such conversions exist though but at very low scale and not widespread.

EU exports to Nigeria of machinery and appliances (HS section XVI) amounts to 1.3 billion EUR or 14.1% in 2020, it represents the second EU export sector to Nigeria after mineral products (45%)[29]. This is consistent with data on SITC sections where "Machinery and transport equipment" (section 7) represent 1.6 billion EUR or 17.5% of EU exports to Nigeria. This is partly due to the low tariff lines for import in this sector. As previously discussed, Nigeria's tariffs for imports are determined by the ECOWAS CET which foresees a tariff of 10% on intermediate goods (such as machineries). The Nigerian government may apply additional charges (e.g., levies, excise, and VAT) on the imports however that is not the case for the type of machineries under HS section XVI. The way is therefore relatively open for these types of equipment.

To facilitate trade in environmental goods and services for CE, this existing flow and its stakeholders could be steered toward CE relevant equipment such as machineries designed for conversion of unavoidable Agri-waste (harvest, food etc.) into energy elements such as biomass or fertilisers. This could also be coupled with machinery or technology transfer upstream of the value chain to support improved harvesting and better handling of harvested products for minimisation of food losses and food waste.

Other concrete examples could include:

1. a cooperative, solar-powered, cold room, for 24/7 off-grid storage and preservation of perishable foods. This would significantly extend the shelf life of perishable food hence supporting smallholder farmers to sell their entire harvest and significantly increase their income while giving more access to nutritious food for rural populations.

[28] Nigeria country profile by the world bank. Link.
[29] EC DG trade - EU trade with Nigeria. Link.

2. Organic waste recycler into fertiliser to close the nutrient loops. This would increase the availability of affordable locally produced organic fertilisers to increase yields and empower small farmers as Nigeria suffers from low crops issues mostly due to low soil quality and low fertiliser use[30].

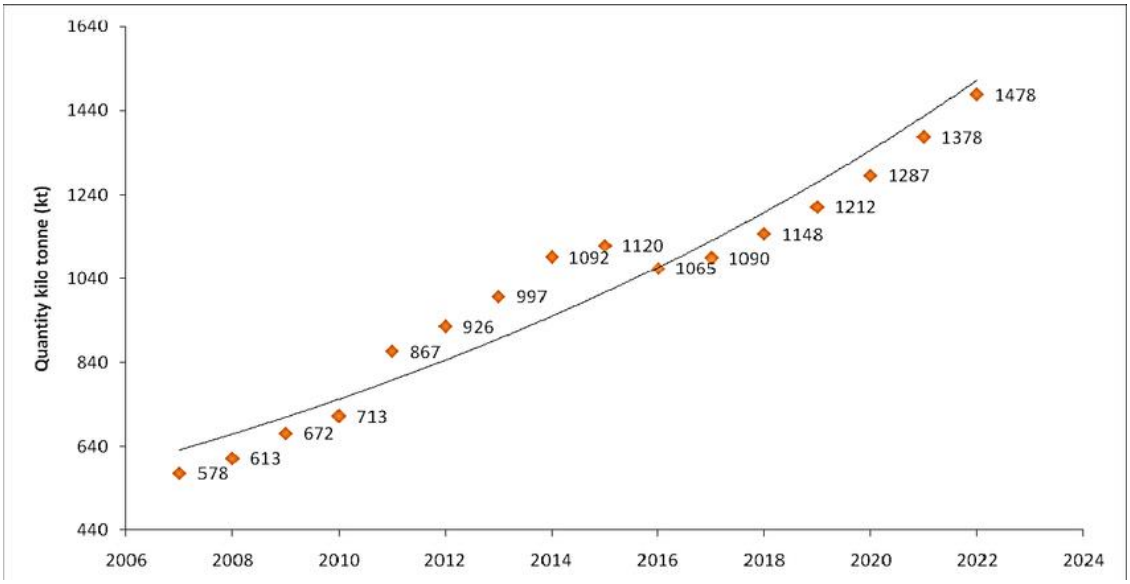
This increased use of new equipment and technologies would also attract educated labour back to rural areas to participate in agricultural businesses that result in decent incomes for them and their communities[31]. These are realistic, achievable objectives under the current trade regime between Nigeria and the EU.

### 4.1.2 Plastics including plastic packaging:

Plastics provide a major opportunity to foster circular economy policies and practices through trade in Nigeria. The country is the second largest plastic importer in Africa with over 70% of its total consumption imported[32], mainly from the US, South Korea, India and China, and accounts for 17% of the total consumption of plastic on the continent[33]. The remaining 30% of plastic consumption is produced locally with detrimental environmental effects due to the absence of quality standards for production.

Eventually, over the years, the demand for plastics in Nigeria has grown steadily in the past decades and is expected to continue to do so in the future as shown in Figure 2.

**Figure 2: Plastic consumption in Nigeria (2019)**




Source: *AMECJ (2019) - Wirnkora , Eberea, Ngozib – The importance of microplastics pollution studies in water and soil of Nigeria ecosystems. Link.*

[30] FAO – Nigeria country brief. Link.
[31] T. BERTELSMANN-SCOTT - The Circular Economy: Including Africa in Europe's Circle. Link.
[32] Nigeria National policy on plastic waste management (2020). Link.
[33] Plastic atlas, facts and figures about the world of synthetic polymers (2020); Nigeria edition – Heinrich Böll Stiftung. Link.

The federal government is aware of the major challenges posed by this upward trend and has developed a plastic waste management policy intended to provide a comprehensive framework for sustainable plastic waste management in Nigeria. The Policy was approved and adopted for implementation by the Federal Executive Council on 21st October 2020. The policy aims to "develop legislative instruments, standards, trade measures, models and systems that shall support plastic waste management taking cognisance of the lifecycle in an environmentally sustainable and socially safe manner in the country while boosting economic growth by year 2025"[34].

The country also joined the Global Plastic Action Partnership (GPAP)[35] in 2021 and is in the process of establishing the GPAP's National Plastic Action Partnership (NPAP) model – a locally-led, locally-driven multistakeholder platform to specifically focus on generating local insights and baseline data on plastic waste flow and management as well as developing an action roadmap and financing strategy to foster a circular economy for plastics. This roadmap should cover the entire plastic value chain from upstream (reduction of plastic usage, plastic product design etc.) to downstream (plastic waste collection, recycling rate, waste disposal processes etc.) for a holistic, integrated, approach.

Several CE related initiatives are also being developed by the private sector to avoid plastic waste dumping, essentially through a focus on designing plastics materials for end-of-life from major packaging companies such as Coca-Cola, Nestlé or Guinness. Large multinational chemical players such as BASF have also initiated a Waste-to-Chemicals (W2C) pilot in Nigeria, which focuses on chemical recycling of plastic waste. The aim is to trigger new local value chains for sustainable growth and development in this area[36].

Beyond these efforts to close the loop locally, there are also opportunities to support the transition of the sector toward a sustainable industry through trade policy actions. The total amount of plastics imported in Nigeria over the period 1996–2014 was 17,620,000 tons, out of which over 80% under primary form (14.2 Mt), and the remaining 20% as plastic products (3.4 Mt)[37]. This shows that plastic products present in Nigeria generally come from imported primary plastics in Nigeria rather than being imported directly.

Plastic-related trade policy therefore would play a crucial role to upgrade Nigeria's capacities to tackle the issue of the increased plastic consumption in the

[34] Ibid.

[35] https://globalplasticaction.org/

[36] For further details on ongoing, plastic-related, CE initiatives in Nigeria, see Trinomics "Circular Economy in Africa-EU cooperation – Nigeria country report" (2020). Link.

[37] J.O. Babayemi, M. B. Ogundiran, R. Weber & O. Osibanjo - Initial Inventory of Plastics Imports in Nigeria as a Basis for More Sustainable Management Policies - Journal of Health and Pollution (2018). Link.

country, and in particular the issue of plastic waste. We outline some trade policy measures that could support such objective:

1. Definition and monitoring: Nigeria could (i) define guidelines and restrictions on the type and composition of imported plastics to regulate the type of plastics that enter the country or their recyclability; this increased transparency effort would allow for exact data collection and facilitate the use of trade incentives to favor sustainable plastic products and services as we see below; (ii) upgrade the border posts' operations to keep hazardous and hard-to-recycle plastic waste out of the country. This can be done in accordance with international trade expectations, including the plastic waste amendments to the Basel Convention[38].
2. Facilitate imports of relevant goods: Nigeria could (i) identify the types of goods it requires to advance both the upstream and downstream elements of its plastic waste management strategy; (ii) set its Common External Tariff on these in the context of the ECOWAS CET; (iii) determine which products and/or technologies should see their tariffs reduced; and (iv) examine whether additional subcategories are required to remove tariffs on the identified goods.

Nigeria's average plastic waste generation is difficult to measure due to a lack of reliable data, however, it is safe to assume that plastic consumption keeps rising and that a small minority of the plastic waste generated is recycled. Globally, as of 2015, the amount of plastic waste generated was 6300 Mt, and of this, 9% was recycled, 12% incinerated, and 79% accumulated in landfills[39]. Considering the risks this volume presents to global and local environments and human health, there is the need for sustainable management of this important waste and resource category, although plastic is not the only concern when it comes to waste management in Nigeria.

### 4.1.3 Waste and in particular E-waste

Following the stream of import bans initiated by China in 2019, non-OECD, developing countries, like Nigeria have been more and more on the receiving end from developed economies exporting their waste while lacking the capacities to adequately process them. It is now estimated that Nigeria receives 71,000 tons of used consumer goods every year, including 60,000 tons of used electronics and electrical equipment as Nigeria now ranks among the world's leading destinations for electronic waste [40].

[38] http://www.basel.int/Implementation/Plasticwaste/Amendments/Overview/tabid/8426/Default.aspx
[39] J.O. Babayemi, M. B. Ogundiran, R. Weber & O. Osibanjo – Ibid.
[40] UNEP 2019 - Dark skies, bright future: overcoming Nigeria's e-waste epidemic. Link.

In parallel, Nigeria has been undergoing rapid ICT transformation in recent years, attempting to facilitate access to ICT for its population by importing new, second-hand or used computers, mobile phones, and TV sets from developed countries. In 2017, Nigeria generated 290,000 tons of electronic waste, a 170% increase from 2009[41].

That being said, the total e-waste generated in Africa in 2019 is still limited to 3 kg per capita per year, by far the last compared to other world regions (as an example, Northern Americans consume 21kg of e-waste per capita per year, and Europe 16kg). However, when looking at the growth per capita over the 2015-2019 period then Africa becomes the 3rd region in the world with an 8.7% growth rate (behind Asia with 19% growth and Latin America and the Caribbean with 13%)[42], thereby highlighting even more the importance to tackle this issue now before it becomes yet another strain for policy makers and the population.

Nigeria's waste sector mostly comprises of informal waste-picking and recycling industries, consisting of scavengers/waste pickers, intermediaries, artisans, and small-scale enterprises engaged in products recovering, re-manufacturing and reuse. A key priority for CE in Nigeria is therefore to formalise to a degree the waste management sector, and to support the development of a structured "closed loop" approach for waste management solution in the country. Application of circular models to waste management such as the recovery and processing of secondary materials can unlock economic opportunities in Nigeria by simultaneously reduce the increasing pressures on the environment and ensure the recovery of otherwise lost economic value.

The EU can and should play a significant role supporting this trend through an improved monitoring of its waste exports to developing countries i.e. to control the quality of its legal waste exports and banning illegal ones[43]. The EU launched a number of initiatives in that regard recently, with a ban on plastic waste export to non-OECD countries (including Nigeria), except for clean plastic waste sent for recycling, in December 2020[44] and a new proposal on waste shipment and waste trafficking to tackle the export of illegal waste outside the EU in November 2021[45]. The proper implementation of both policies will have a crucial impact on the flow of waste from the EU to Nigeria and the capacity for the latter to adequately manage them.

Secondary raw materials recovered from waste have the potential to become a valuable resource for Nigeria, but only when supplied by waste streams of an appropriate quality and supported by capacity to process the recyclable material.

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[41] Ibid.
[42] https://circulareconomy.earth/about
[43] E-waste Country Assessment Nigeria by the Secretariat of the Basel Convention – 2012. Link.
[44] EC (2020). Link.
[45] EC (2021). Link.

Additional measures for an improved control of used and end-of-life product exports from Europe to Africa are therefore necessary.

## 4.2 The next step: GSP+, ECOWAS EPA or AfCFTA?

As we saw in the previous section, Nigeria is already making relatively good use of the trade flexibilities that are offered under its current GSP trade regime with the EU. The bulk of the exports that are not covered by this system are non-eligible and therefore there is very little incentive for Nigeria to diversify its export structure under the current trade regime.

An obvious first step to support further the deployment of CE policies in Nigeria through trade would be to upgrade to the GSP+ scheme which has been demonstrated as instrumental in supporting developing countries to pursue sustainable development processes. The scheme notably requires beneficiary countries to ratify 27 international conventions on human rights, labour rights, good governance and the environment. Furthermore, the European Commission unveiled in September 2021 its proposal to reform the GSP Regulation as the current legislation is set to expire on 31 December 2023. The new system will incorporate the Paris Agreement as a mandatory convention to ratify by the beneficiary, in addition to current conventions such as the Convention on Biological Diversity (CBD) or the Stockholm Convention on persistent Organic Pollutants.

The EC proposes also to remove the economic vulnerability criteria – i.e. the threshold a country must reach to be eligible – to facilitate accession to GSP+. This additional flexibility could be used by Nigeria to "upgrade" from GSP to GSP+. Such a move would steer Nigeria toward more sustainable trade practices, through the implementation of the international conventions newly ratified. That being said, there would be limited specific incentives toward circular economy per se as the list of eligible products are essentially the same than under the current GSP.

Another, option would be for Nigeria to ratify the EU-ECOWAS Economic Partnership Agreement, thus unlocking its entry into force. To assess the effect of such a new trade regime, it is useful to look at a neighbouring country, Ghana, which signed a specific (interim) EPA with the EU in December 2016. The EU-Ghana iEPA does not include specific provisions on CE but caters for future, deeper, market access negotiations as opening the IEPA markets will be both asymmetrical and gradual, based on a tariff removal timetable spanning ten years[46]. This could be the occasion to identify and differentiate specific CE-related value chains as part of this process.

[46] AETS-DEU (Hg.) (2019): Implementation of the interim EPA in Ivory Coast and in Ghana: impact study on regional integration in West Africa. Link.

Considering the increasing relevance of CE in the relations between the EU and West African Countries, it seems safe to assume that further market access commitments under EPA negotiations would cover more and more CE related goods and services. However, Nigeria did not give any indication that it intended to ratify the ECOWAS EPA at this stage.

Another trade agreement that could prove to have an influence for CE development in Nigeria is the African Continental Free Trade Area (AfCFTA). While trade under the AfCFTA officially commenced on 1 January 2021, the negotiations, which have been divided in three different phases, are far from complete. State Parties concluded the negotiations of the Protocols on Trade in Goods, Trade in Services, and the Protocol on the Settlement of Disputes, and their accompanying annexes but negotiations on tariff schedules, rules of origin, and services schedules are ongoing.

Moreover, pertaining to environmental considerations, the AfCFTA does not contain a dedicated chapter for environmental provisions[47]. However, environmental considerations are taken up into the provisions on exceptions i.e. the capacity to adopt trade restrictive measures "necessary to protect human, animal or plant life or health".

Further efforts will therefore be needed by State parties in the ongoing negotiations if the AfCFTA is to be an agreement that delivers for the environment, either in chapters still not agreed upon, or within the market access provisions in chapters concluded. Provisions to facilitate trade in environmental goods and services; reduce or restrict trade in environmentally harmful products; commitments under multilateral environmental agreements (MEAs) are all leads to foster sustainable development and circular economy in African countries trade relations.

# 5. CONCLUSIONS AND RECOMMENDATIONS

We have identified a number of pragmatic recommendations to foster Circular Economy principles and processes in Nigeria. These can be regrouped in the following sectors:

*CE national policy framework:*

Fostering circular economy principles and processes in Nigeria will start by strengthening the national policy framework as it is currently largely limited to sectoral EPR Programmes. The work of the Nigeria Circular Economy Working Group (NCEWG), and notably the adoption of the Nigeria Circular Economy Programme (NCEP) and Nigeria Circular Economy Road Map (NCERM), will be instrumental to drive Nigeria's path to sustainable and inclusive green growth in the

[47] Landry Signe and Colette van der Ven (2019), "Keys to Success for the AfCFTA negotiations". Link.

medium and long-term including help to underpin a clear vision for trade related needs and opportunities.

*Initiatives at the multilateral level:*

Nigeria could explore participating in the ongoing initiatives at the multilateral level such as the ongoing discussion at UNEA for the global plastic treaty. Heads of State, Ministers of environment and other representatives from 175 nations endorsed a historic resolution at the UN Environment Assembly (UNEA-5) on 2nd March in Nairobi to End Plastic Pollution and forge an international legally binding agreement by 2024[48]. Developing countries in general, and Nigeria in particular, should have a essential role to play in these negotiations to ensure that the result is balanced for the interest of global south economies that are most impacted by plastic pollution.

Other multilateral initiatives include the plurilateral discussions at the World Trade Organization (WTO), such as the informal dialogue on plastics pollution and trade or the Trade and environmental sustainability structured discussions (TESSD). Several statements were published on 14 December 2021 to kick start official discussions on these 2 aspects[49]. While these are not (yet) official plurilateral negotiations, there is a clear momentum.

The TESSD in particular seek to eventually revitalise the negotiations on Environmental Goods and Services which are essentially frozen since 2016 at the WTO. This would have major implications for Circular Economy of course and the EU is following up these discussions closely. Nigeria, as most of African countries, is not part of TESSD discussions but could consider how it would benefit by joining the effort.

*Trade regime with the EU*

The current Generalised Scheme of Preferences (GSP) governing EU and Nigeria trade relations is not offering many options to support CE in the country and more broadly the diversification of the economy. A first step could be for Nigeria to take advantage of the facilitated access to GSP+ and ratify the relevant international conventions thus incentivising its economic system toward more sustainable practices.

In the medium term though, the most impactful trade measure would be for Nigeria to ratify the EU-ECOWAS Economic Partnership Agreement, thus unlocking its entry into force. This would be accompanied by renewed negotiations on market access, tariff measures and Non-Tariff Barriers (NTBs), as well as provisions on trade in services or intellectual property rights, all of which could become vessels

[48] UNEA - Draft resolution End plastic pollution: Towards an international legally binding instrument. Link.
[49] WTO - New initiatives to put environment at heart of trade discussion. Link.

to support the access of CE-related goods and services in the country. Current negotiations through the AfCFTA could also be used in the same way.

*Sector-specific trade policy measures:*

Under the current GSP regime, EU and Nigeria have the possibility to identify specific barriers to trade in CE relevant sectors and cooperation to overcome these barriers (differences in definitions and standards, capacity barriers, transparency and information flow etc.) will be key. The following identified sectors could be approached in such a way.

- **Agriculture**: existing trade flow from the EU to Nigeria could be steered toward CE relevant equipment such as machineries designed for conversion of agri-waste into energy elements. This could be coupled with machinery or technology transfer upstream of the value chain to support improved harvesting and better handling of harvested products for minimisation of food losses and food waste.

- **Plastics** with efforts on identification, definition and monitoring (coupled to upgraded border posts' operations); facilitation of imports of relevant goods and services through differentiated Common External Tariff; and active participation to relevant multilateral initiatives.

- **Waste & e-waste** with an improved monitoring of the legal EU waste exports to Nigeria and a proper ban on illegal ones to facilitate the development of a structured "closed loop" approach for waste management solution in the country.

*New business models for circular economy*:

New business models, often service-intensive and data-driven, such as sharing platforms and product as a services systems, are a priority under the CEAP. These can be traded across borders, and could be facilitated and supported in Nigeria under the GSP system or perhaps future FTA agreement. Consequently, exploring interest and identifying concrete opportunities linked to such service-focused business models between trade partners will be key importance for the uptake of circular economy.

*Technical cooperation and raising awareness*:

Circular Economy is listed under the first priority on Green and Digital Economy in the new EU-Nigeria National Indicative Programme for 2021-2027. The EU and Nigeria must now make good to this programming agreement and design projects and actions that tackle resource efficiency and sustainable production and consumption in productive (non-oil) sectors. These programmes should be designed and implemented in close coordination with the Nigeria Circular Economy

Working Group (NCEWG) and aligned to the Nigeria Circular Economy Programme (NCEP) and the Nigeria Circular Economy Road Map (NCERM) which should be published in the coming months.

Technical cooperation could include workshops for businesses on circular economy new business models, sharing of a Sitra toolbox for the creation of national circular economy roadmaps etc, which have a trade dimension/relevance. The EU cooperation policy could also provide capacity building to Nigerian border officials on the implementation of the Basel Convention Prior Informed Consent (PIC) and support the inclusion of Nigerian actors in supply chain traceability and transparency pilots and projects procedure. This would improve Nigeria's capacity to adequately monitor and control its trade in plastic waste. It will also be important to build capacity of Nigerian officers responsible for the national waste management policy in general as well as small and medium recycling companies to upgrade the receiving end of waste flows in the country.

These cooperation efforts should be supplemented by large awareness raising actions so that all relevant stakeholders can improve their understanding of the existing and future opportunities provided by Circular Economy value chains in the country, from a consumption to a waste management perspective.

*Product standards and design for circular economy:*

As we saw before, CE principles and processes are not yet developed enough in Nigeria for the strengthening of EU standards to become a major barrier to trade in the short to medium term. That being said, ensuring the sustainability of product – and production – standards and design remain a key pillar of the EU Circular Economy Action Plan (CEAP) with the scope of the Ecodesign Directive (2016) extended through the Sustainable Product Initiative to be published by the European Commission in March 2022. These standards are linked to the durability, reparability, recyclability and remanufacturing for products.

As outlined in the introduction, the difference or ambiguity of standards, classifications and definitions between trade partner countries is one of the key barriers for circular economy globally. Therefore, in order to avoid the future EU regulatory framework of circularity standards to become an obstacle for global circular economy, there is a need to establish early dialogue between the EU and trade partners to identify willingness to match the future standards, including any barriers to doing so. This will include exploring the role of possible international standards (ISO) and mutual recognition schemes while also addressing the needs for information of products' components and material content being exchanged between trade partners (e.g. foreseen EU product passports). Dialogue with the European standard-setting bodies CEN/CENELEC to support the work would be useful.

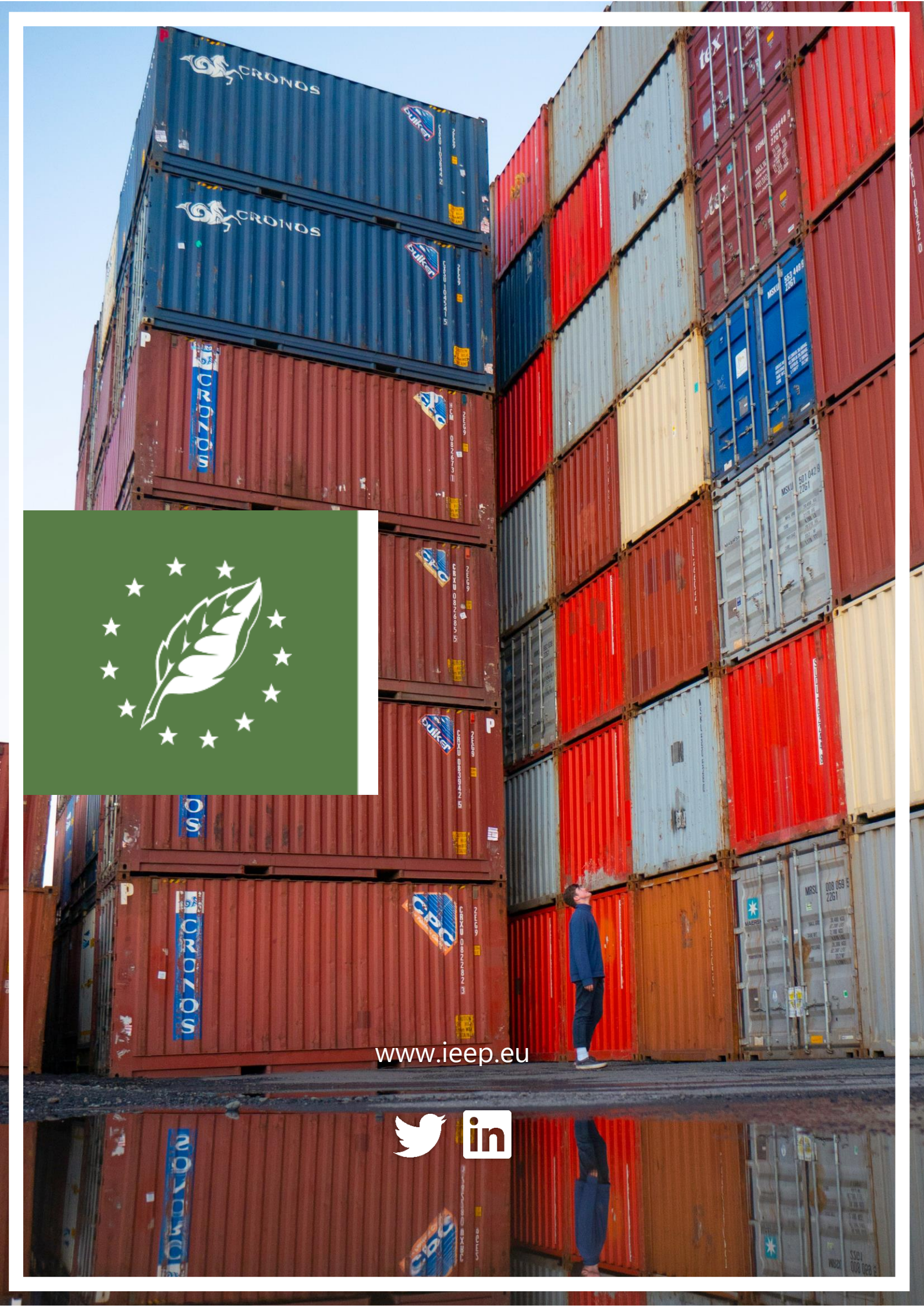
*Synergies between multiple policy objectives:*

In the context of the above, it is important to explore opportunities to create maximum synergies for simultaneously delivering both circular, low-carbon and conservation policy through trade, in particular through cooperation on circular, low-carbon and biodiversity-friendly product(ion) standards. At the moment the discussion on product standards is very much focused on circularity only, however the recently published EU initiative on deforestation-free only products entering the EU market in the future as well as the implementation of carbon border adjustment mechanism call for further work needed to establish best synergies between circularity and low-carbon standards, going beyond simply concluding that circular products are by default less carbon intensive.

# 6. ANNEX I: KEY STAKEHOLDERS

We provide the transcripts of interviews conducted with experts and stakeholders to support the development of this case study. The following interviews were conducted in that context:

- Dr. Innocent ONAH: African Development Bank – Member of the Nigerian Circular Economy Working Group.
- Dr. Adedolapo FASAWE (MB ChB, MPH): General Manager and Chief Executive Officer of Lagos State Environmental Protection Agency (LASEPA).
- Clem UGORJI: Founder & Lead Adviser, Circularium Africa Advisory; consultant to Global Plastic Action Partnership (Nigeria and Ghana).
- Godfrey OGBEMUDIA: Project Officer on Energy and Circular Economy; Delegation of the European Union to the Federal Republic of Nigeria & ECOWAS.
- Natalie BEINISCH: Executive Director, Circular Economy Innovation Partnership in Africa, based in Lagos.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