



United Nations  
Economic Commission for Africa



# AfCFTA

## What you need to know

Frequently Asked  
Questions & Answers

Issue 1: March 2023

To order copies of *The AfCFTA – What You Need to Know: Frequently Asked Questions & Answers*, please contact:

Publications Section  
Economic Commission for Africa  
P.O. Box 3001  
Addis Ababa, Ethiopia  
Tel: +251 11 544-9900  
Fax: +251 11 551-4416  
E-mail: [ecainfo@uneca.org](mailto:ecainfo@uneca.org)  
Web: [www.uneca.org](http://www.uneca.org)

© 2023 Economic Commission for Africa  
Addis Ababa, Ethiopia

All rights reserved  
First printing March 2023

Material in this publication may be freely quoted or reprinted.  
Acknowledgement is requested, together with a copy of the publication.

The designations employed in this report and the material presented in it do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations Economic Commission for Africa or the African Union concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries.

Designed and printed in Addis Ababa, Ethiopia by the ECA Printing and Publishing Unit. ISO 14001:2015 certified. Printed on chlorine free paper.

Cover photos: <https://www.shutterstock.com>

# Contents

Introduction .....	1
1) What is the AfCFTA? What is it about, and what does it aim to achieve? .....	3
2) When was the AfCFTA created? .....	5
3) What does the AfCFTA aim to achieve?.....	7
4) What does the AfCFTA cover?.....	8
5) How does the AfCFTA work? What does its institutional structure look like? .....	10
6) Who is responsible for the implementation of the AfCFTA? .....	11
7) What is the relationship between the Abuja Treaty and the AfCFTA? .....	12
8) How many African Union Member States have signed the AfCFTA? .....	13
9) How many countries have ratified the Agreement? .....	13
10) Is there anything that Countries need to do after ratification or is ratification enough for the AfCFTA Agreement to achieve its objectives? .....	15
11) What is the scope of trade policy and regulatory reforms that countries must undertake to implement the Agreement? .....	16
12) How many State Parties have submitted tariff offers so far? .....	19
13) Can we say that the Agreement is now in operation? .....	20
14) Has trade under the agreement started?.....	20
15) Is there a plan to complete outstanding negotiations soon? .....	21
16) Why does Africa need the AfCFTA? .....	22
17) Will the Agreement do anything for African Industrialization? .....	23
18) So, can we say that the Agreement will help diversify Africa’s export markets? .....	25
19) From a broader economic perspective, what can the AfCFTA do for Africa? .....	27
20) Is it correct that the AfCFTA benefits the largest African countries at the expense of the smallest ? .....	28

21) At the sectoral level, where are the largest gains expected? .....	29
22) Will the AfCFTA benefit Africa's young people? .....	30
23) Will the AfCFTA benefit Africa's women? .....	31
24) What will the AfCFTA do for Africa's global voice? .....	31
25) What does the AfCFTA mean for climate change and the environment? .....	32
26) How does the AfCFTA benefit the African private sector? .....	33
27) What about Non-Tariff Barriers (NTBs)? Will the AfCFTA address these? .....	34
28) What else does the agreement do for Africa's cross-border traders? .....	35
29) Much of the Agreement seems to be focused on trade in goods. What about services? .....	35
30) The AfCFTA is about intra-African trade; is there space for international investors? ...	38
31) What about digitalization? Does the AfCFTA help bring Africa forward into the fourth industrial revolution? .....	38
32) What are the challenges that African governments, businesses, and consumers need to be aware of and prepare themselves for? .....	40
33) What are the internal roadblocks, if any, that stand in the way of fully implementing the Agreement? .....	41
34) What does the AfCFTA bring to the ordinary African citizen .....	44

## Introduction

Exercising its mandate to promote the economic and social development of its member States and foster intra-African integration, the United Nations Economic Commission for Africa (ECA) has been relentlessly supporting the effort to establish and operationalize the African Continental Free Trade Area (AfCFTA) since the inception of the idea in 2012. ECA's support to the AfCFTA project is led primarily by the Regional Integration and Trade Division (RITD), which works closely with all other ECA divisions, sub-regional offices (SROs) and the African Institute for Economic Development and Planning (IDEP).

The African Trade Policy Centre (ATPC) is a specialized centre of excellence within RITD that conducts cutting-edge trade policy research and analysis, offers capacity building support to member States, and promotes consensus building around key strategic ideas. Established in June 2003, the ATPC works to strengthen the human and institutional capacities of African Governments to formulate and implement sound trade policies and participate

more effectively in trade negotiations at the bilateral, regional, and multilateral levels. ATPC also works closely with key stakeholders in the field of trade policy, including the private sector, civil society, and academia, to ensure that trade policy serves the interests of the general public for sustainable and inclusive development.

Using its research and policy analysis function, ATPC has established itself as the authoritative source of original insights on Africa's trade policy options, scenarios, and likely outcomes. ATPC has assisted the AfCFTA process from its inception by making the case for it, technically supporting the negotiations, and engaging in relentless campaigns to get the agreement ratified following its adoption. Since the AfCFTA Agreement entered into force, too, the ATPC has been supporting State Parties to develop and execute inclusive national AfCFTA implementation strategies.

Now that AfCFTA has become – at least technically – part of national law and regulation in over 85% of

the AU member States, ATPC is currently focusing on how to take the AfCFTA a step closer to the ground so that the ordinary African citizen can make sense of what the free trade area is all about and exploit its opportunities. Indeed, the AfCFTA will realize its potential to the full only if Africans, and particularly the African business community, understand, own and take advantage of it. However, we also know that the African business landscape is predominantly made up of small and medium enterprises (SMEs), including women-owned businesses, who lack the capacity to invest in understanding

the opportunities created by the AfCFTA. This information asymmetry needs to be bridged over time.

In this regard, ECA is pleased to launch this information booklet, titled *AfCFTA: What You Need to Know*, which asks sometimes highly technical questions about the AfCFTA and attempts to answer them in a language that is accurate but also non-technical and accessible at the same time. The overall objective of this information booklet is to help enhance awareness about the AfCFTA among the business community and the general public.

## The Framework of the African Continental Free Trade Area (AfCFTA)

### 1) What is the AfCFTA? What is it about, and what does it aim to achieve?

The 'AfCFTA' stands for the African Continental Free Trade Area which was established in 2018 via the Af-CFTA Agreement as negotiated by Member States of the African Union (AU). To understand what the Af-CFTA is one must first understand what a Free Trade Area (FTA) is.

An FTA is an arrangement between two or more countries which seeks to create conditions for the free flow of trade amongst themselves.<sup>1</sup> In practice this means countries establishing FTAs agree not to charge import tariffs, i.e. taxes on imported goods, or other barriers from other members of the FTA bloc.

To better understand an FTA, it is useful to compare it with the related concept of a customs union. A customs union is defined as the substitution of a single customs territory for two or more customs territories

with free movement of goods across borders within the customs union and a common external trade regime towards third parties<sup>2</sup>. Put differently, a customs union is a trade arrangement in which a group of countries charge a common set of tariffs to those countries outside the union while granting free trade among themselves. Like an FTA, therefore, a customs union also aims to create conditions for the free movement of goods among the parties to the agreement that established the customs union. However, unlike an FTA, a customs union establishes a common external trade regime, which means all the parties to the customs union apply the same tariffs and related regulations on goods coming from outside the customs union. As a result, a customs union is deeper and more ambitious than an FTA.

<sup>1</sup>See GATT Art. XXIV:8(b).

<sup>2</sup> Ibid

FTAs and customs unions are collectively referred to as regional trade agreements (RTAs), or preferential trade agreements (PTAs). The AfCFTA establishes an FTA among its State Parties in the sense that each country that is a party to the AfCFTA Agreement works towards creating conditions for increasingly free flow of trade. But the AfCFTA is not a customs union yet because each of the State Parties retains the policy space to freely set their own external tariffs and other regulations vis-à-vis third countries, i.e. non-African countries as well as African countries that are not yet parties to the AfCFTA Agreement.

Note, however, that the above description focuses exclusively on trade in goods because the General Agreement on Tariffs and Trade (GATT) of 1947 that first established the multilateral trading system – and therefore first introduced these concepts – was limited in its ambition to goods. The AfCFTA is much more ambitious; it already covers goods, services, and dispute settlement, and aims to bring several new areas of regulation into its remit – including investment, intellectual property, competition policy, digital trade, and women and youth in trade. More will come on each of these below. Indeed, a key objective of the AfCFTA is to lay the foundations for a Continental customs union and a single market.



## 2) When was the AfCFTA created?

The Agreement Establishing the African Continental Free Trade Area (AfCFTA Agreement) was conceived during the 18th Ordinary Session of the Assembly of Heads of State and Government of the African Union (AU) in January 2012. The negotiations for the Continental Free Trade Area (CFTA) - as it was then called - were launched on 15 June 2015 at the Johannesburg summit of the AU Assembly.

The first meeting of the AfCFTA Negotiating Forum, composed of the Chief Trade Negotiators from the governments of the Member States, was held in February 2016. When the negotiations concluded on 21 March 2018, the AfCFTA Agreement and its three protocols - goods, services, and dispute settlement - were adopted. On the day of its adoption, 44 AU member states signed the Agreement, thus sending the most powerful political signal possible about the significance of the Agree-

ment. Barely 14 months later, by 30 May 2019, 24 States had ratified the Agreement, surpassing the minimum threshold of 22 ratifications required for it to enter into force<sup>3</sup>.

As of February 2023, 54 countries have signed the Agreement, which means they have taken a political commitment to support it, while 46 countries have ratified it, meaning they have gone a step further and taken the necessary constitutional steps at the national level to implement the Agreement as a matter of binding law on the state.

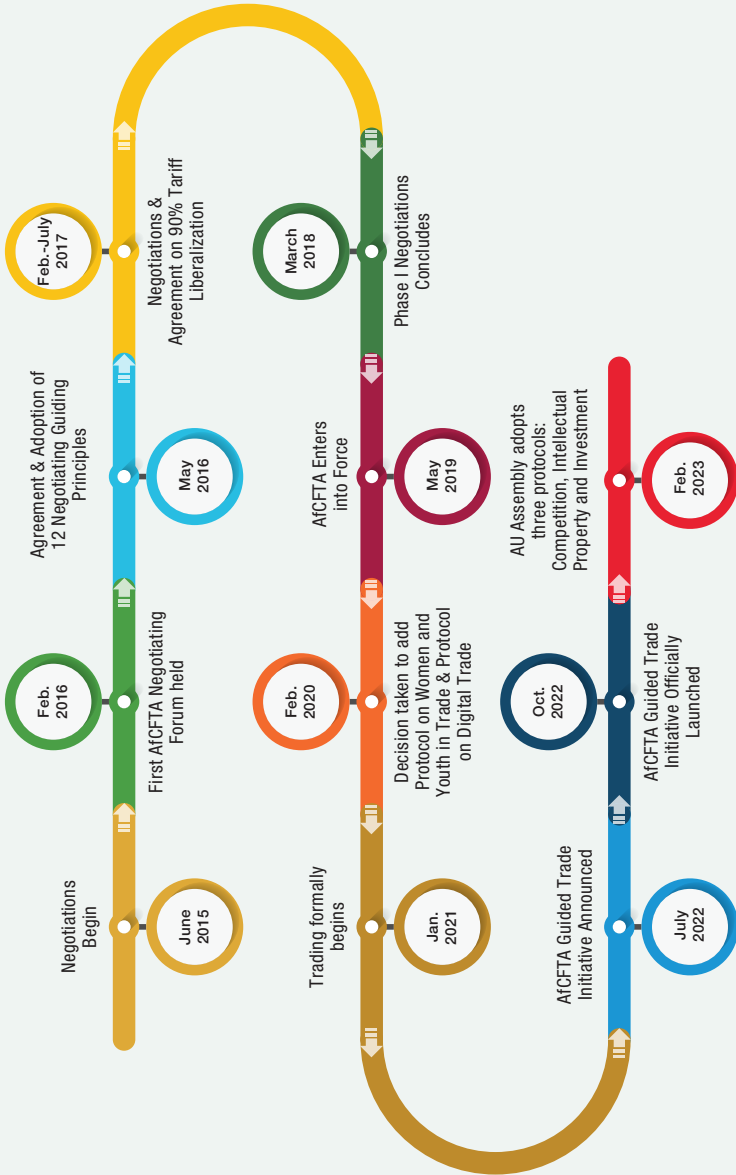
Trading under the AfCFTA formally commenced on 1 January 2021; however, it is important to note that until July 2022 no meaningful trade had taken place. In July 2022 a program titled the 'AfCFTA-Guided Trade Initiative' was announced and trade officially began in October 2022 as a pilot amongst 8 participating countries<sup>4</sup>.

---

<sup>3</sup> Article 23 of the Agreement specifies that the Agreement would enter into force 30 days after the deposit of the 22nd instrument of ratification. On 30 April 2019 the Democratic Republic of Congo deposited its instrument of ratification making it the 22nd country to deposit and entering the 30 day period. Over the course of the 22 day period Sierra Leone and Zimbabwe also deposited their instruments of ratification thus making 24 countries by the date of entry into force.

<sup>4</sup> Cameroon, Egypt, Ghana, Kenya, Mauritius, Rwanda, Tanzania and Tunisia

## Timeline & Milestones of the AfCFTA



### 3) What does the AfCFTA aim to achieve?

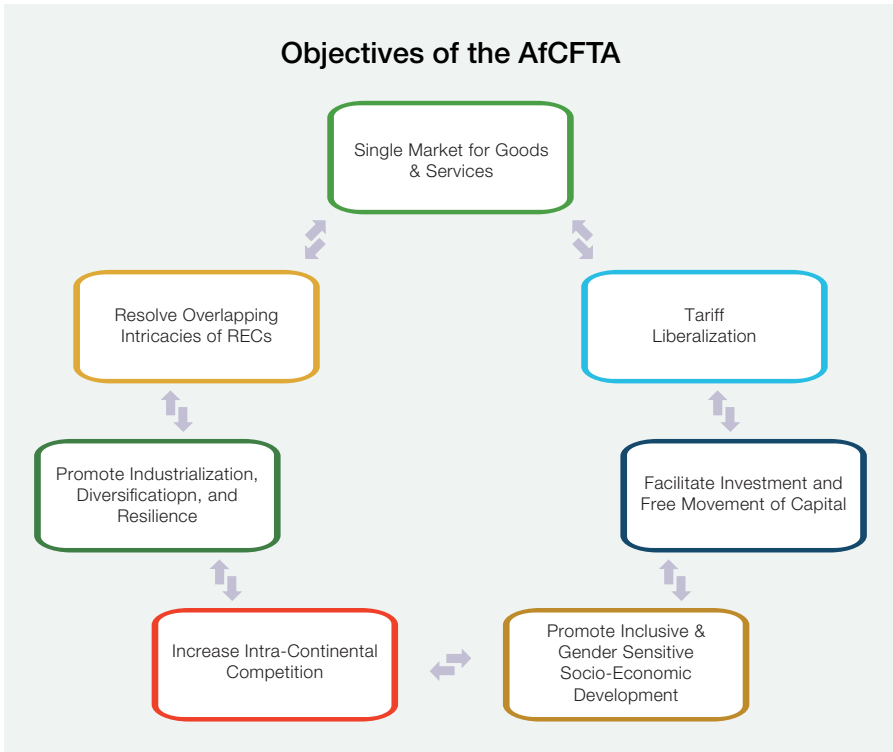
The overarching goal of the AfCFTA is to establish an integrated African market that enables the free flow of goods and services across Africa's internal borders. The Agreement also seeks to boost Africa's trading position in global markets<sup>5</sup>. Broadly speaking the AfCFTA seeks to accomplish eight strategic objectives<sup>6</sup>:

- a) To create a single market for goods and services
- b) To liberalize tariffs in goods and services markets
- c) To support the movement of capital and persons whilst facilitating investments that build on State Parties and REC initiatives
- d) To lay the foundation for a Continental Customs Union
- e) To promote sustainable and inclusive socio-economic development considering gender equality and structural transformation
- f) To increase competitiveness of State Parties both intra-continentially and globally
- g) To promote industrialization and diversification, regional value chain development, agricultural development, and food security, and
- h) To resolve the challenges of multiple and overlapping memberships of countries in regional economic communities (RECs) and expedite the regional and continental integration processes.

---

<sup>5</sup> <https://au-afcfta.org/purpose-the-afcfta/>

<sup>6</sup> [https://au.int/sites/default/files/treaties/36437-treaty-consolidated\\_text\\_on\\_cfta\\_-\\_en.pdf](https://au.int/sites/default/files/treaties/36437-treaty-consolidated_text_on_cfta_-_en.pdf)



#### 4) What does the AfCFTA cover?

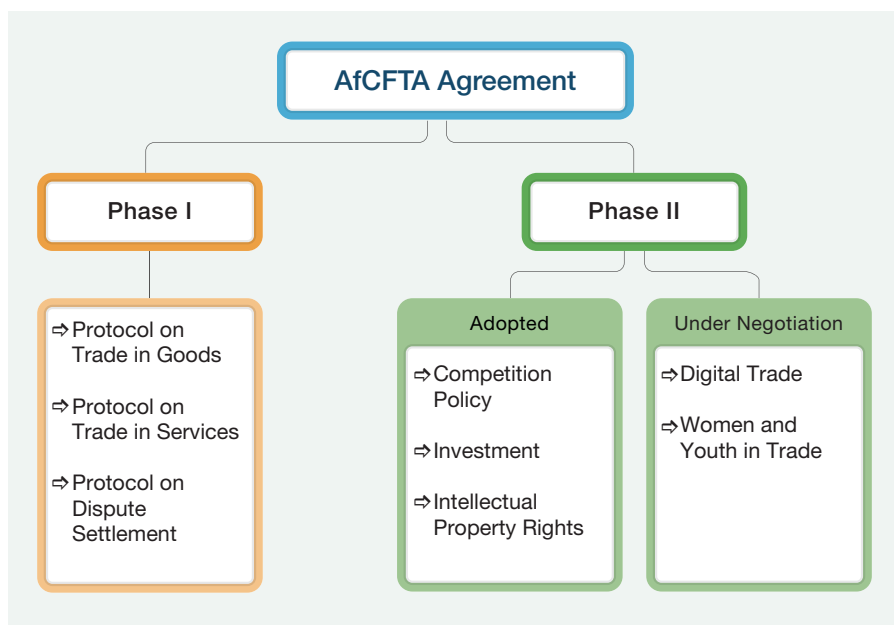
The Agreement Establishing the AfCFTA is a package of legal instruments constituting a framework agreement and several protocols; each protocol may have its own respective annexes and appendices. The negotiations to establish the AfCFTA have been conducted in two phases. Phase I of the process started in 2015 and concluded with the adoption of the AfCFTA Agreement

and three protocols – on trade in goods, on trade in services, and dispute settlement in March 2018.

However, negotiations are still continuing on a number of technical instruments, such as the annex on rules of origin (RoO), national schedules of tariff concessions on goods, and national schedules of specific commitments on services, that are

essential to complete and operationalize the Phase I instruments in full. Phase II of the negotiations, which are underway today, aim to produce protocols in five different but related areas – investment, competition policy, intellectual property rights, digital trade or ecommerce, and women and youth in trade.

The draft protocols on the first three areas were adopted by the AU Assembly at its meeting in Addis Ababa, Ethiopia, on 19-20 February 2023, while the negotiations on the remaining two areas are expected to be concluded within 2023. Once completed, the AfCFTA will cover most facets of trade policy and will certainly be the most comprehensive economic agreement Africa has established.



## 5) How does the AfCFTA work? What does its institutional structure look like?

Article 9 of the AfCFTA Agreement lays down an elaborate institutional framework to operationalize the AfCFTA. The framework consists of four pillars<sup>7</sup>:

- a) The Assembly of Heads of State and Government;
- b) The Council of Ministers;
- c) The Committee of Senior Trade Officials; and
- d) The Secretariat

- **The Assembly** is the highest decision-making body at the African Union (AU) that provides oversight and guidance on the AfCFTA. The Assembly has the authority to adopt interpretations of the agreement that are binding on State Parties. (Article 10)
- The Council of Ministers is designed as a high-level body consisting of Trade and other Ministers officially designated by State Parties. The Council of Ministers reports to the Assembly through the Executive

Council. The Council of Ministers is ultimately responsible for the operationalization of the Agreement and has powers, amongst others, to establish standing committees for implementing protocols, to supervise the work of such committees, to receive and consider reports on the activities of the Secretariat, to issue regulations and directives within the limits set by the Agreement, and to make recommendations to the Assembly for adoption. (Article 11)

- **The Committee of Senior Trade Officials** is tasked with implementing decisions made by the Council of Ministers. Members of the Committee are designated by State Parties and are responsible for developing programmes and action plans for implementation of the Agreement. The Committee also monitors progress, authorizes investigations into any issues arising in relation to

<sup>7</sup> [https://au.int/sites/default/files/treaties/36437-treaty-consolidated\\_text\\_on\\_cfta\\_-\\_en.pdf](https://au.int/sites/default/files/treaties/36437-treaty-consolidated_text_on_cfta_-_en.pdf)

implementation of the Agreement, and directs the Secretariat to undertake specific tasks. In addition to State Parties, regional economic communities (RECs) are also represented in the Committee in an advisory capacity. The Committee meets at least twice a year and submits its reports, findings, and recommendations to the Council of Ministers. (Article 12)

- The Secretariat is a functionally autonomous body within the AU system with an independent legal personality. Based in Accra, Ghana, the AfCFTA Secretariat is “the administrative organ mandated to coordinate the implementation of the AfCFTA”.

Its responsibilities include the convening of meetings, monitoring and evaluating implementation of the Agreement, and other duties as assigned to it<sup>8</sup>. (Article 13)

- Thematic committees: In addition to the above, each of the protocols has its own bodies created by the protocols themselves, such as the Dispute Settlement Body (DSB), or established by the Council of Ministers, such as the Committee on Trade in Goods and the Committee on Trade in Services. In all cases, the primary responsibility of these bodies is to facilitate the operation of the relevant protocols and further their objectives.

## 6) Who is responsible for the implementation of the AfCFTA?

The AfCFTA is a Continental trade arrangement with a strong institutional framework. As such, at the continental level, the AfCFTA Secretariat plays a critical role in its

capacity as the one institution mandated to coordinate implementation of the AfCFTA. Yet, at its core, the Agreement is one amongst sovereign states. The ultimate respon-

---

<sup>8</sup> <https://au-afcfta.org/secretariat/>

sibility for the Agreement's implementation therefore lies with each individual State Party to the Agreement. To implement the Agreement as per its letter and spirit, State Parties need to have the requisite political will and technical capacity.

One way in which State Parties are trying to ensure effective implementation of the Agreement is through National AfCFTA Implementation Strategies in which they

identify strategic areas of national interest within the framework of the AfCFTA and specify relevant interventions necessary to benefit from the Agreement.<sup>9</sup>

Finally, implementation of the AfCFTA will not mean anything until the private sector – manufacturers and farmers, bankers and telecoms operators, importers and exporters, etc. – understand, appreciate, embrace and champion it.

## 7) What is the relationship between the Abuja Treaty and the AfCFTA?

The Abuja Treaty, formally known as the Treaty Establishing the African Economic Community, was adopted on 3 June 1991 in Abuja, Nigeria<sup>10</sup>. The treaty was established in order to:

“Promote economic, social and cultural development and the integration of African economies in order to increase economic self-reliance

and promote an endogenous and self-sustained development”<sup>11</sup>.

In this regard, the Abuja Treaty and the AfCFTA have similar aims and, in fact, the AfCFTA is an important tool designed to achieve the integration vision articulated in the Abuja Treaty. The development of the RECs and subsequent bilateral agreements have all been steps to-

<sup>9</sup> <https://trade4devnews.enhancedif.org/en/op-ed/implementing-afcfta-2021>

<sup>10</sup> [https://au.int/sites/default/files/treaties/37636-treaty-0016\\_-\\_treaty\\_establishing\\_the\\_african\\_economic\\_community\\_e.pdf](https://au.int/sites/default/files/treaties/37636-treaty-0016_-_treaty_establishing_the_african_economic_community_e.pdf)

<sup>11</sup> [https://au.int/sites/default/files/treaties/37636-treaty-0016\\_-\\_treaty\\_establishing\\_the\\_african\\_economic\\_community\\_e.pdf](https://au.int/sites/default/files/treaties/37636-treaty-0016_-_treaty_establishing_the_african_economic_community_e.pdf)



wards African integration. The AfCFTA seeks to build upon this mo-

mentum and help Africa realize the vision contained in the Abuja Treaty.

## AfCFTA State of Play (February 2023)

### 8) How many African Union Member States have signed the AfCFTA?

As of February 2023, 54 of the 55 AU Member States have signed the

Agreement. Eritrea is the only exception, so far.

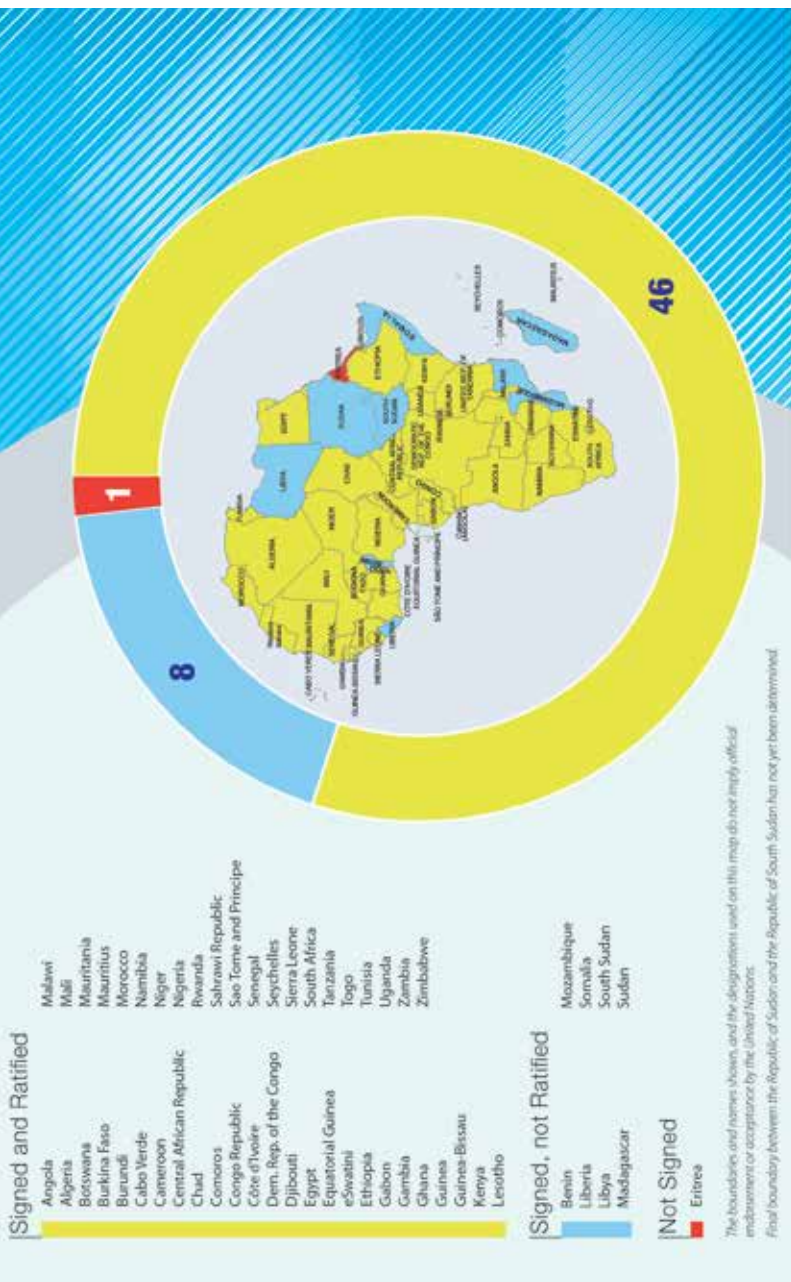
### 9) How many countries have ratified the Agreement?

As of February 2023, 46 countries, or about 85% of the signatories of the Agreement, have ratified it. These 46 countries represent 94% of Africa's GDP, 88% of its population and 94% of its total trade<sup>12</sup>. The importance of this cannot be overstated as the speed of this ratification process is unprecedented for an agreement of this nature in African

history. When it entered into force on 30 May 2019 the Agreement became legally binding and now, for the 46 countries that have ratified, the rules and obligations contained in the AfCFTA Agreement are binding and supersede any established national laws and practices that are inconsistent with the provisions of the AfCFTA Agreement.

<sup>12</sup> Data from UNCTADStat, Accessed September 2022. Note: Total Trade defined as the sum of exports and imports to/from Africa at the individual country level

## Status of AfCFTA Ratification by AU Member States (February 2023)



## 10) Is there anything that Countries need to do after ratification or is ratification enough for the AfCFTA Agreement to achieve its objectives?

For the AfCFTA to realize its objectives, ratification is only the first step. Once they have ratified the Agreement, State Parties need to take several additional steps, both individually as well as collectively.

Individually, once they have ratified the Agreement, State Parties need to translate the rules and obligations specified by the Agreement into domestic laws, regulations, institutions, and administrative practices. These efforts are critical to ensure domestic law does not conflict with the commitments contained in the AfCFTA Agreement. This is a complex undertaking that takes time, resources, and perseverance. In many cases, new institutions may have to be established, new practices introduced, capacities created, approaches adopted and, in some cases, political resistance overcome.

### Steps Necessary to Implement the AfCFTA Agreement (not linear, not exhaustive)



At the continental level, each State Party also needs to submit detailed schedules of tariff concessions on the importation of goods and similar schedules of specific commitments on services. These schedules for the reduction and elimination of trade

barriers must be validated at continental level and applied by national customs authorities and other regulatory agencies. Only then can we say the AfCFTA is in fact being implemented to make trading across African borders easier.

## **11) What is the scope of trade policy and regulatory reforms that countries must undertake to implement the Agreement?**

In implementing the AfCFTA Agreement, different African countries start from different positions depending on the kind of policies and regulations they had prior to the entry into force of the Agreement. For example, most AfCFTA State Parties are already members of the WTO, which means they are likely to have put in place trade policies, regulations, and institutions that aim to create a conducive trade environment that reflect WTO law. In these countries, most of the AfCFTA-inspired changes are only incremental in nature; they are not innovations. Likewise, virtually all AfCFTA State Parties participate in one or more RECs within Africa, which are meant to serve as building

blocks for the AfCFTA itself. As a result, the AfCFTA-inspired reforms build on existing regional and global frameworks, which should make the process of AfCFTA implementation at the national level relatively easier to manage.

Yet, the level of trade liberalization envisaged in the AfCFTA is quite ambitious. For example, AfCFTA State Parties have agreed to eliminate tariffs on 97% of tariff lines over an agreed period of time while they allowed themselves the freedom to exclude a maximum of 3 percent of total tariff lines from liberalization. Of the 97% of products whose tariffs are slated for reduction and elimination, there are two categories:

1. For the first 90% of products, tariffs will be eliminated over five years in the more advanced African countries (the developing countries) and over ten years for the less advanced countries (the least-developed countries or LDCs).
2. The remaining 7% of tariff lines, designated as sensitive, will still be reduced and eliminated, but over a longer timeframe: the developing African countries would do this over 10 years, while the LDCs are given 13 years<sup>13</sup>. In all cases, the reductions take place in equal annual instalments.

As an example, a product falling within the 90% category that, upon importation to a developing African country, attracted a duty of 25 percent in 2020 would only be subject to a 20% duty in 2021, 15 % in 2022, and so on until the tariff becomes zero in 2025. This process would take 10 years for LDCs. What this means, in practice, is that 13 years from the date of entry into force of the AfCFTA

Agreement – i.e. by 2033, trade in 97% of all goods originating in Africa should be traded across borders free of any customs duties or other charges having equivalent effect.

It is also important to note that the Agreement has built in safeguards to make sure tariff liberalization happens in a broad-based manner through what is called a ‘double qualification component’. Through this qualification each State Party must ensure that the 90% of tariff lines it reduces and eliminates over the implementation period represents at least 90% of its imports from the rest of Africa. To provide a simple example, if a country’s total imports from Africa consisted of 10 items but the proportion, by value, of those items was heavily skewed to just one, comprising, say, 30% of that country’s overall imports from within Africa over a previous representative period, the double qualification component would bar that country from including that particular item in its sensitive or excluded list. In practice the double qualifica-

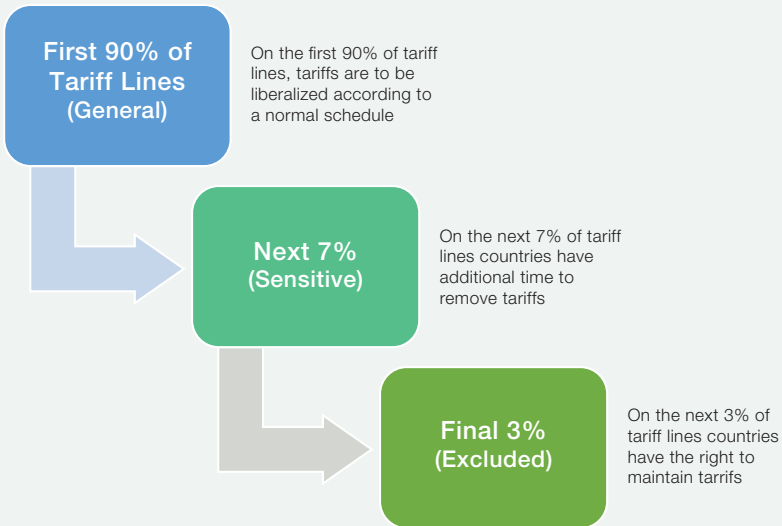
---

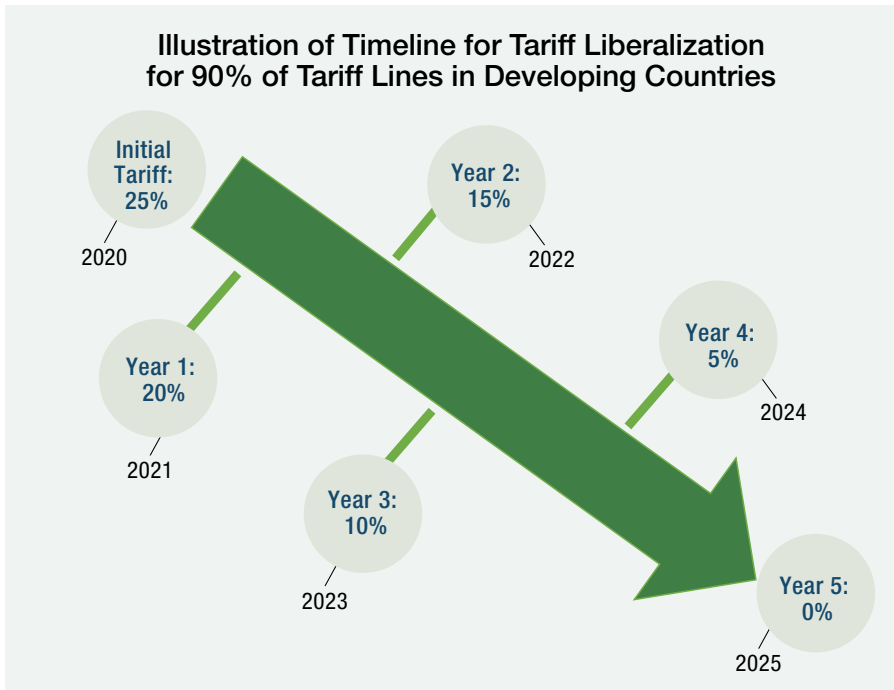
<sup>13</sup> LDCs have the option to start liberalizing sensitive products 5 years after the start of trading under the Agreement, i.e. until 1 January 2026. However, the end date for tariff liberalization would remain the same.

tion standard ensures that the decision to eliminate tariffs on 97% of tariff lines does not end up impacting adversely on the small amount

of goods coming into that country from the rest of Africa and reduces the risk of future protective barriers being imposed.

### Illustration of Tariff Liberalization Schedules for Developing Countries





## 12) How many State Parties have submitted tariff offers so far?

As of January 2023, 46 Member States have submitted their tariff offers (including 4 from Customs Unions) while 36 have been technically verified. By technical verification we mean the process by which the draft schedules, prepared and submitted by individual State Parties, are checked by the Secretariat for technical accuracy and compli-

ance with the tariff reduction formulae described above, after which they are presented before the Council of Ministers for adoption. Only then can the national schedules of concessions become legally binding instruments and included as Annex 1 to the AfCFTA Protocol on Trade in Goods for that particular State Party.

The approach adopted for services-liberalization started with the identification of a minimum of five priority sectors for negotiations – transport, communication, finance, tourism and business services. Plans are already in place to bring into negotiations the services

sectors that have not been chosen as priorities in the first phase. On that basis, as of January 2023, all Member States, except three, have submitted their services liberalization offers for technical verification by the Secretariat.

### **13) Can we say that the Agreement is now in operation?**

Yes, the ‘operational phase’ of the AfCFTA was launched by an Extraordinary AU Summit in Niamey, Niger, on 7 July 2019 and 1 January 2021 was set as the date for ‘start of

trading’ under the AfCFTA Agreement. Therefore, the Agreement is operational for those Member States that have ratified it.

### **14) Has trade under the agreement started?**

As noted above, while the operational phase of the Agreement was launched as early as July 2019, three years later, in July 2022, the SG of the AfCFTA Secretariat stated that “trading under the AfCFTA preferences has not taken place”.<sup>14</sup> There are several factors behind that, the Covid-19 pandemic being one. Also, several additional instruments,

including agreed rules of origin and the schedules of concessions and commitments, needed to be in place for actual trade to start. The negotiations on these instruments are in their final stages. Indeed, as indicated above, in October 2022, the AfCFTA Council of Ministers launched the AfCFTA Guided Trade Initiative, a pilot project involving eight select-

<sup>14</sup> See Statement by the AfCFTA Secretariat Secretary-General to the Ninth (9th) Meeting of the Council of Ministers (CoM) of the African Continental Free Trade Area (AfCFTA), 26 July 2022, AfCFTA/COM/9/REPORT/DRAFT, paras. 54 ff.



ed countries – Cameroon, Egypt, Ghana, Kenya, Mauritius, Rwanda, Tanzania, and Tunisia – which seeks to facilitate commercially meaningful

trade among State Parties that have met the minimum requirements for trading under the Agreement.

## 15) Is there a plan to complete outstanding negotiations soon?

Yes. In February 2022 the Assembly put forth a directive endorsing the start of trading under Provisional Schedules of Tariff Concessions pending the conclusion of all outstanding issues on tariff schedules. This was further emphasized in June 2022 by the Council of Ministers. Additionally, the Assembly directed the AfCFTA Secretariat to continue facilitating negotiations.

Regarding services, the Assembly took note of the establishment of five sub-committees on Specific Commitments, Regulatory Frameworks, Professional Qualifications, Services-related Issues, and Services Rules. It initially set a goal to complete negotiations on the five priority sectors identified previously (financial, communication, transport, professional services, and tourism) by the end of

June 2022<sup>15</sup>. While these deadlines have been missed, the political commitment to get the job done expeditiously is unmistakable.

Phase II negotiations are also progressing. For quite some time, specialized Committees on investment, on intellectual property rights, on competition, on digital trade, and on women and youth in trade have been working hard to complete the AfCFTA package. The draft protocols on the first three were adopted by an extraordinary meeting of the AfCFTA Council of Ministers that was held from 27 to 28 October 2022 in Libreville, Gabon. At its 36th ordinary session held in Addis Ababa, Ethiopia, from 18-19 February 2023, the AU Assembly adopted these three protocols and opened them for ratification by member states.

<sup>15</sup> [https://au.int/sites/default/files/decisions/41583-Assembly\\_AU\\_Dec\\_813-838\\_XXXV\\_E.pdf](https://au.int/sites/default/files/decisions/41583-Assembly_AU_Dec_813-838_XXXV_E.pdf)

## Why do we need the AfCFTA? How can Africa benefit?

### 16) Why does Africa need the AfCFTA?

There are several reasons why the AfCFTA is good for Africa. The AfCFTA promises to replace over 50 small and fragmented markets in Africa with a single Continental market of over 1.4 billion people representing about one-sixth of the global population<sup>16</sup>. When consolidated, the African market is approximately the same size as India's. However, unlike India which operates as a single market, Africa has been divided into more than 50 unique markets, almost all of which are individually too small to support investment on the scale necessary for Africa to industrialize.

To present this in quantitative terms, as of 2021, 17 African countries had an average GDP of less than \$10 billion<sup>17</sup>. In addition, African traders face average tariffs of 6.9% when they trade across Africa's 107 unique land borders. Substantial non-tariff barriers, resulting from regulatory differences, such as divergent sanitary, phytosanitary, and technical standards, raise costs even higher by an estimated 14.3 per cent.<sup>18</sup> Intra-African trade is simply too costly. The power of the AfCFTA thus lies with its ability to integrate and consolidate Africa into a single USD 2.4 trillion market and thereby eliminate many of the barriers to trade present across the Continent.

<sup>16</sup> Data from UNCTAD Stat, Accessed September 2022

<sup>17</sup> Ibid.

<sup>18</sup> Average tariffs faced by exporters within regions calculated with reference group weighted average tariffs based on 2013 MAcMap-hs6. For cost estimates of non-tariff barriers see, Cadot, O., A. Asprilla, J. Gourdon, C. Knebel and R. Peters. 2015. "Deep Regional Integration and Non-tariff Measures: A Methodology for Data Analysis." Policy Issues in International Trade and Commodities Study Series 69, UNCTAD (United Nations Conference on Trade and Development), Geneva.

## 17) Will the Agreement do anything for African Industrialization?

Today, Africa's external exports, as compared to its internal trade, are overwhelmingly concentrated in raw materials with little to no value addition. For example, in 2021, Africa exported a total of USD 559 billion worth of goods, of which primary commodities comprised USD 431.5 billion, or 77% of Africa's total exports. To provide a slightly deeper look, mineral fuels in particular accounted for approximately 34% (USD \$191.5 billion) of Africa's global merchandise exports with a large proportion of these exports (USD \$180 billion) being in raw petroleum or natural gas products. In addition, another 12% (USD 69.3 billion) of Africa's exports to the world were in raw materials like Rubber, Oil Seeds, Pulp and Textile Fibers<sup>19</sup>.

Africa's export composition leaves it exposed to several threats:

a) Primary commodities are notorious for their price volatility on international markets, which

inevitably translates into unpredictability in foreign currency revenues and leaves African countries incapable of planning their long-term development with any degree of certainty.

- b) Commodity dependence tends to worsen terms of trade over the long run.
- c) Commodity exports "entail huge forgone income through lack of value addition and the export of jobs to countries that can add value"<sup>20</sup>.
- d) Evidence suggests that no country has been transformed by exporting raw materials. Industrialization is the tried-and-tested route for sustainable transformation.
- e) Industrialization transfers skills and technology, creates jobs and injects hope and dynamism into society, whereas concentrating on extractive industries does not.

<sup>19</sup> Data from UNCTADStat, accessed September 2022

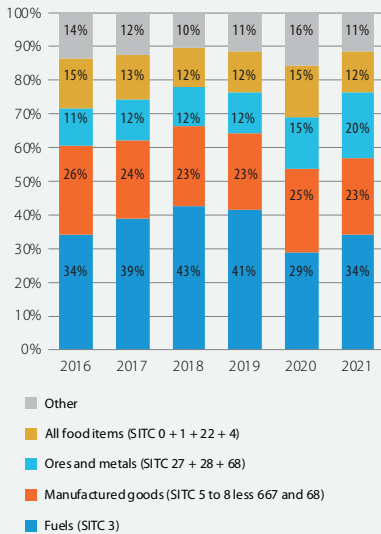
<sup>20</sup> ERA 2013, pp. 8-9 [https://archive.uneca.org/sites/default/files/PublicationFiles/unera\\_report\\_eng\\_final\\_web.pdf](https://archive.uneca.org/sites/default/files/PublicationFiles/unera_report_eng_final_web.pdf)

## Why do we need the AfCFTA? How can Africa benefit?

By lowering barriers to trade and incentivizing investment across the Continent, the AfCFTA creates a conducive environment for African industrialization. Thus, when we talk

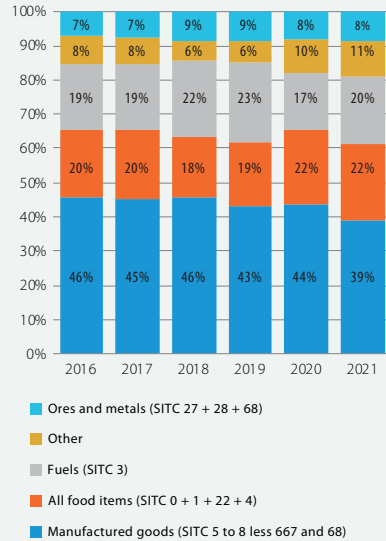
about the AfCFTA as transformational for Africa, we are not wallowing in hyperbole; we are describing the underlying thinking and the true potential of the AfCFTA project.

**Figure 1: Composition of African External Exports, 2016-2021**



Source: UNCTADStat Database

**Figure 2: Composition of Intra-African Exports, 2016-2021**



## **18) So, can we say that the Agreement will help diversify Africa’s export markets?**

Yes. As shown earlier, Africa is overly reliant on the export of primary commodities. Between 2019 and 2021, primary commodities accounted for approximately 76% of Africa’s global goods exports, on average. At the national level the situation is even more stark. For example, primary commodities accounted for over 80 percent of total exports for 37 African countries individually. In ten of these countries this ratio was 97 percent or higher<sup>21</sup>.

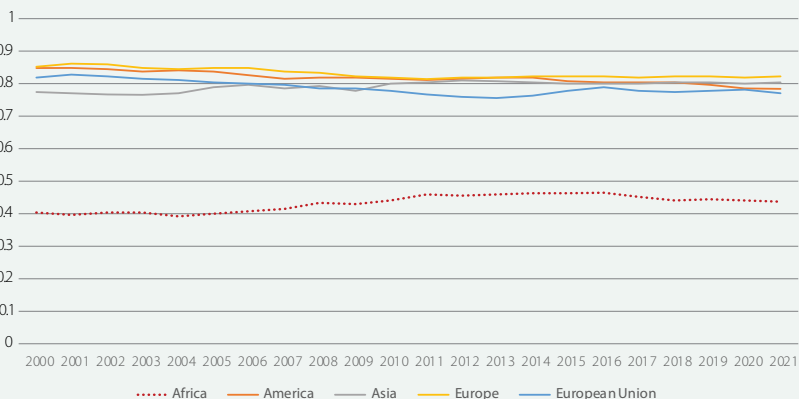
However, the makeup of intra-African trade is more balanced. In 2021, for example, mineral fuels account-

ed for only 21.5% of intra-African exports and other crude minerals accounted for only 6%. Combined, manufactured goods and machinery and transport equipment comprised 25% of intra-African exports. Intra-African exports were mainly driven by the production of goods higher along value chains like road vehicles and transport equipment, for example<sup>22</sup>. Therefore, the AfCFTA promises to help Africa pivot away from extractives and secure sustainable and inclusive development, leading to more stable foreign exchange revenues and increasing the variety of goods in African markets.

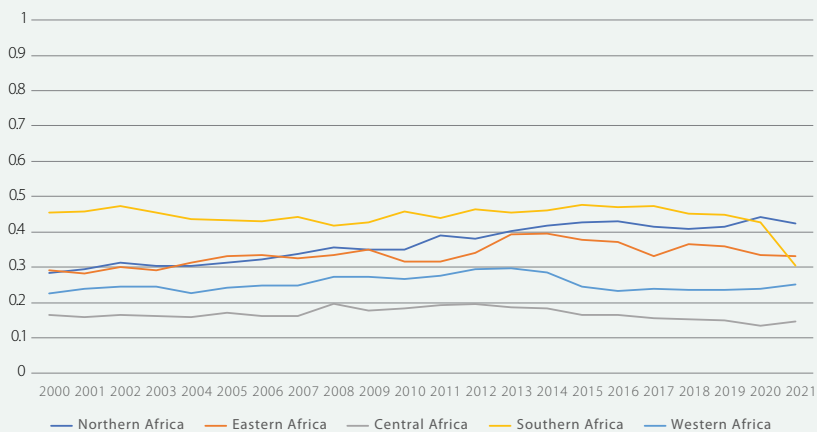
<sup>21</sup> Data from UNCTADStat, Accessed September 2022

<sup>22</sup> Data from UNCTADStat, Accessed September 2022

### Evolution in the level of Export Diversification Across World Regions



### Evolution in the Level of Export Diversification across African Regions



**Note:** Scores closer to 1 indicate higher levels of diversification whereby scores closer to 0 indicate lower levels of diversification

**Source:** UNCTADstat Database

## 19) From a broader economic perspective, what can the AfCFTA do for Africa?



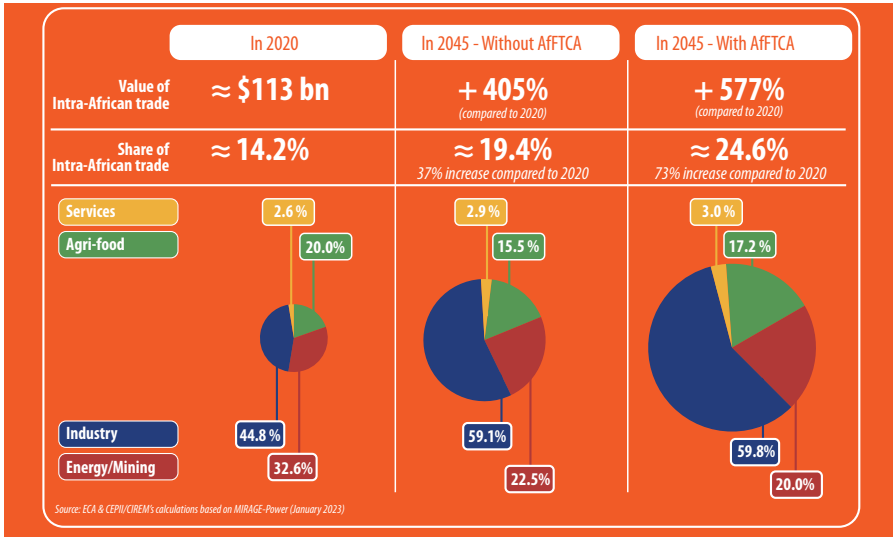
The AfCFTA is expected to be a game-changer for Africa. ECA has forecast the potential benefits the Agreement can bring to Africa in 2045 versus the situation without the agreement. Overall, ECA estimates that the Agreement will increase African GDP, trade, output and welfare while also having positive impacts on poverty and inequality.

While the Agreement is expected to benefit Africa generally, since it is an Agreement focused mainly on intra-African trade the impacts here

are expected to be the greatest. As discussed, compared to Africa's global exports, which are highly concentrated in extractives its internal trade is much more balanced, which gives the Continent a platform to promote the kind of industry that will help build resilience from external shocks. ECA further estimates that intra-African trade in agri-food, services, and industry trade are expected to increase by 49.1, 37.9, and 35.7 percent, respectively in 2045 as compared to the situation without the Agreement<sup>23</sup>.

---

<sup>23</sup> United Nations. Economic Commission for Africa; United Nations. Economic Commission for Africa (2021-07). New assessment of the economic impacts of the agreement establishing the African continental free trade area on Africa: Policy Brief. Addis Ababa :. © UN. ECA., <https://hdl.handle.net/10855/46750>



## 20) Is it correct that the AfCFTA benefits the largest African countries at the expense of the smallest ?

No, it is not. Differences in national economies will portend differences in gains from the Agreement. At the national level Africa has a high level of income disparity and every economy is different. Diversified economies such as Ethiopia, Rwanda, and Côte d'Ivoire may see earlier benefits from tariff liberalization. Over the longer-term, industrialization may benefit countries like South Africa and Kenya more. Others that

are more resource dependent like Chad, the Republic of Congo, and Zambia may see fewer gains without harnessing industrialization<sup>24</sup>. So, while there is heterogeneity between countries, the AfCFTA holds something for every country. ECA estimates that with full liberalization of tariffs, by 2040, exports to Africa will be 23% higher for non-LDCs, and 21% for LDCs, nearly identical<sup>25</sup>. The key is for AfCFTA

<sup>24</sup><https://www.atlanticcouncil.org/blogs/africasource/who-are-the-winners-and-losers-of-africa-s-new-free-trade-agreement/>

<sup>25</sup>[https://archive.uneca.org/sites/default/files/PublicationFiles/brief\\_assessment\\_of\\_afcfta\\_modali-](https://archive.uneca.org/sites/default/files/PublicationFiles/brief_assessment_of_afcfta_modali-)



State Parties to develop implementation strategies that focus on their respective comparative advantages for sustainable development.

## **21) At the sectoral level, where are the largest gains expected?**

As mentioned earlier, by sector the largest gains are expected in the agri-food, industry, and services sectors. ECA estimates the following products in these sub-sectors will see the largest benefits<sup>26</sup>:

- a) In agri-food: Cereals and crops, milk and dairy products, sugar, and processed foods
- b) In industry: Wood and paper, chemicals, rubber, plastic, pharmaceutical products, vehicles

and transport equipment, metals

- c) In services: Tourism and Transport

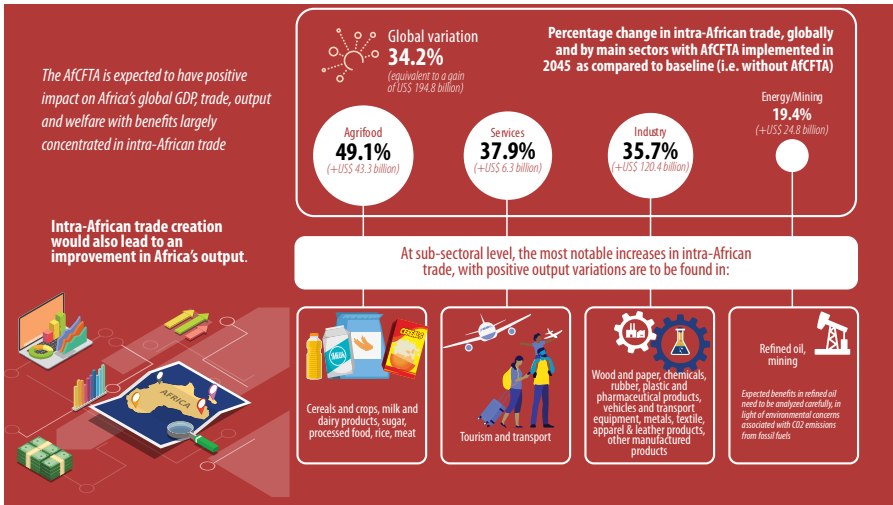
These sectoral gains are critical to securing Africa's long-term prosperity. Even without the agreement, the IMF projects that by 2025 six of the top 10 fastest growing economies globally are expected to be in Africa. The AfCFTA serves as a platform to accelerate Africa's progress.

---

ties\_eng\_nov18.pdf

<sup>26</sup> [https://uneca.org/sites/default/files/keymessageanddocuments/en\\_afcfta-infographics-11.pdf](https://uneca.org/sites/default/files/keymessageanddocuments/en_afcfta-infographics-11.pdf)

## Why do we need the AfCFTA? How can Africa benefit?



## 22) Will the AfCFTA benefit Africa's young people?

The Agreement Establishing the AfCFTA promotes inclusiveness and broad-based socio-economic development. Africa being the youngest continent in the world, with 251 million young people, the AfCFTA aims to address key barriers that affect the youth, such as unemployment, overrepresentation in the informal sectors, age discrimination, and lacking in access to finance. The AfCFTA will help mitigate these challenges through, among other means:

1. Reducing costs of trade with reduced tariffs and non-tariff barriers incentivizing formalization; and
2. Boosting trade, value addition, and economic growth in sectors where the youth are highly represented, such as in small-scale agriculture, and the creative and digital sectors.

The inclusion of a dedicated AfCFTA Protocol on Women and Youth in Trade is intended to pursue these objectives and strengthen the position of the African youth in intra-Africa trade.

## **23) Will the AfCFTA benefit Africa's women?**

Yes, it will. To mention just two examples, women are estimated to account for around 70 per cent of informal cross-border traders in Africa. Women also represent 58 per cent of all Micro, Small, and Medium Enterprises (MSMEs) in Africa. When engaged in such activity, women are particularly vulnerable to harassment, violence, confiscation of goods and even imprisonment. Additionally, research has shown that many women-led firms, especially MSMEs are less profitable than those owned by men. By

reducing tariffs and other barriers to cross-border trade, the AfCFTA reduces the perceived incentives of informality, thereby encouraging informal traders to operate through formal channels that offer more protection. Overall, the contribution of the AfCFTA to gender equality and women economic empowerment is expected to be significant. Once again the decision to negotiate a standalone AfCFTA Protocol on Women and Youth in Trade, a first in history, is indicative of the determination to achieve this goal.

## **24) What will the AfCFTA do for Africa's global voice?**

The world sees Africa as scores of small and fragmented units with little to no voice and engages with it as such. This fragmentation limits Africa's ability to play a meaningful role in making the rules that govern global economic relations. Only by forging a common position on important matters of common interest can Africa become strong enough at the negotiating table to write its interests into the global rules of engagement. Using the language of the

AU Agenda 2063, Africa can achieve more only if it can "speak with one voice and act collectively to promote our common interests and positions in the international arena". Indeed, only in this manner can Africa ensure the unity and solidarity necessary to withstand the continued external interference in its affairs. With a single voice, Africa can negotiate better trade deals than what each of the 55 AU member States have been able to achieve individually.

By serving as a tool to integrate Africa's small and fragmented economies into a large single market, the AfCFTA will provide the platform for Africa to negotiate trading arrangements with external partners on terms that are more favorable to it than has been the case hitherto. Recently, the United States, the European Union, Japan, China, India, and several other economies have

indicated their desire to strengthen trade relations with Africa. The negotiations that are likely to follow these engagements must be handled from a position of strength. Speaking with one voice will help make the African voice louder, bolder, and stronger on the global stage. The AfCFTA provides the platform for this to happen.

## **25) What does the AfCFTA mean for climate change and the environment?**

The International Panel on Climate Change (IPCC) put it well when it said:

“Africa has contributed among the least to greenhouse gas emissions, yet key development sectors have already experienced widespread loss and damage attributable to anthropogenic climate change, including biodiversity loss, water shortages, reduced food production, loss of lives and reduced economic growth” (IPCC, 2022)

In other words, Africa contributed the least to causing climate change

but suffers the most from it. While increased trade under the AfCFTA is expected to support the Continent's industrialization and broad-based development, more trade may also raise concerns about its impact on the climate. For example, increased economic activity often translates into increased demand for transportation of goods, which in turn requires additional investment in trucking and transport infrastructure, like roads and bridges. This would also mean increased movement of people across borders. It is thus natural that questions about the impact of the AfCFTA on climate change are being raised.

The fact that Africa has hardly contributed to climate change does not mean Africa should ignore this existential challenge. In this context, the AfCFTA can be a tool for reducing emissions as it can potentially increase the availability and affordability of environmental goods, services, and technologies. At the

same time, neither should Africa's efforts to bring about development through the AfCFTA be undermined by climate change considerations. Climate justice demands that the principle of common but differentiated responsibilities is operationalized to the letter and spirit.

## The AfCFTA and African Businesses

### **26) How does the AfCFTA benefit the African private sector?**

The AfCFTA is essentially about creating a conducive working environment for the African private sector by reducing barriers to trade, harmonizing national policies and regulations across the Continent, and by reducing transaction costs more generally. For example, as indicated earlier, the AfCFTA will

eliminate tariffs on 97 percent of goods traded between State Parties to the Agreement over a period of 13 years. When that happens, the African business sector will reap the benefits in the form of not only a larger market to export to but also cost savings and associated competitive advantages in that market.

## 27) What about Non-Tariff Barriers (NTBs)? Will the AfCFTA address these?

NTBs, i.e. all barriers to trade that take a form other than tariffs or customs duties, pose a major challenge to cross-border trade on the Continent. Some examples of NTBs are discretionary import licensing procedures, technical and health-related standards, and quantitative restrictions which can include outright bans against the importation of products from particular countries. Tackling these pervasive and damaging instruments is therefore paramount to a successful trading arrangement. And the principle in the AfCFTA Agreement is very clear: they are prohibited.

But, in practice, we need to do a lot more than make a blanket statement such as this. The principal tool with which the AfCFTA address-

es NTBs is through the Continental Non-Tariff Barrier Mechanism (the NTB Mechanism), available at <https://tradebarriers.africa/home>. The NTB Mechanism enables businesses and traders to submit their NTB-related complaints, which will then be forwarded to nominated focal points in the countries against which the complaints are lodged for follow up and necessary intervention. The tool is currently operational, but widespread use of the tool has yet to materialize since meaningful trade under the AfCFTA is only just starting. As of January 2023, only a handful of claims, six to be exact, have been registered. It is expected that as preferential trade flows under the terms of the AfCFTA increase, so will usage of the tool.

## **28) What else does the agreement do for Africa’s cross-border traders?**

Overall, the AfCFTA should be recognized as a bundle of binding and reciprocal commitments exchanged amongst State Parties whose primary objective is to reduce tariffs, harmonize regulatory standards, and create a conducive regulatory environment for cross-border trade in Africa. The AfCFTA is, first and foremost, a critical instrument for businesses because it aims to facilitate production and trade within Africa. The Agreement is about making Africa an attractive place for businesspeople to invest in and creating an environment that is conducive both to themselves and to

all Africans collectively. It contains multiple commitments on customs cooperation and mutual administrative assistance, trade facilitation, technical barriers to trade, sanitary and phytosanitary standards, transit trade, and so on. Working ‘behind the scenes’, these commitments will reduce, if not eliminate, unnecessary barriers to trade. In this sense, the AfCFTA is a powerful tool for Africa’s private sector. That is why the private sector must invest itself in the AfCFTA, understand it, own it, champion it, and hold governments accountable to its promises and commitments.

## **29) Much of the Agreement seems to be focused on trade in goods. What about services?**

Services are becoming an increasingly important part of the African economy. As of 2020, services accounted for approximately 53% of Africa’s GDP<sup>27</sup> and, in 2021, 63.6% of Africa’s GDP growth was attributed to the services sector<sup>28</sup>. As

services become more important in Africa’s economy so do opportunities to trade in them. Trade in services covers a wide range of economic activities. Services trade can happen without many of us noticing it, such as when we make interna-

<sup>27</sup> Data from UNCTADStat, Accessed September 2022

<sup>28</sup> <https://www.afdb.org/en/documents/african-economic-outlook-2022>

tional telephone calls or transfer money to a bank account in another country. Trade in services also includes things like medical treatment one receives abroad or studying or teaching in another country. Although they can initially sound abstract, the sweeping scope of services trade makes it apparent that they are impossible to ignore even if we may not be always aware that we are engaging in them.

Just as the AfCFTA attempts to facilitate cross-border trade in goods, it also aims to facilitate trade in services amongst African countries. The Agreement has a protocol dedicated entirely to services. Services are formally classified into 12 sec-

tors for trade purposes: business and professional services, communication, construction and related services, distribution, education, energy, environmental, financial, health and social, tourism, transport, and those not included elsewhere<sup>29</sup>. For now, AfCFTA State Parties have identified five services sectors for immediate liberalization: business or professional services, communication services, financial services, tourism & travel services, and transport services. On each of these sectors, AfCFTA State Parties are now finalizing their schedules of specific commitments, potentially launching a services version of the equivalent of the AfCFTA-Guided Trade Initiative in the near future.

---

<sup>29</sup> [https://www.wto.org/english/tratop\\_e/serv\\_e/serv\\_sectors\\_e.htm](https://www.wto.org/english/tratop_e/serv_e/serv_sectors_e.htm)





### **30) The AfCFTA is about intra-African trade; is there space for international investors?**

Yes. While the trade case for the AfCFTA is compelling, the case for investment is equally so. The AfCFTA promises to integrate over 50 small and fragmented markets into one single market of 1.4 billion people and a combined GDP of USD 2.4 trillion<sup>30</sup>. The AfCFTA then provides any investor, African or otherwise, with the economies of scale necessary to justify investments of any size. It does this by giving investors the certainty that once a product is produced in Africa, it will meet the AfCFTA rules of origin requirements and benefit from free circu-

lation across the continent without impediments.

When the AfCFTA is in full force Africa's historical experiences with under-investment must change. Today, despite being home to almost 17 percent of the global population, Africa accounts for just 3.9 percent of world investment stock (2020)<sup>31</sup>. The AfCFTA makes Africa ripe for international and intra-African investment and provides an opening for investors to engage with it in ways never before possible.

### **31) What about digitalization? Does the AfCFTA help bring Africa forward into the fourth industrial revolution?**

Yes. In February 2020 an official decision was made to include e-commerce in a third phase of negotiations, to be known as the Protocol on Digital Trade. This pro-

ocol was subsequently moved into the current Phase II negotiations<sup>32</sup>. Negotiations towards this protocol are widely expected to be concluded in 2023.

<sup>30</sup> Data from World Bank Databank, Accessed September 2022

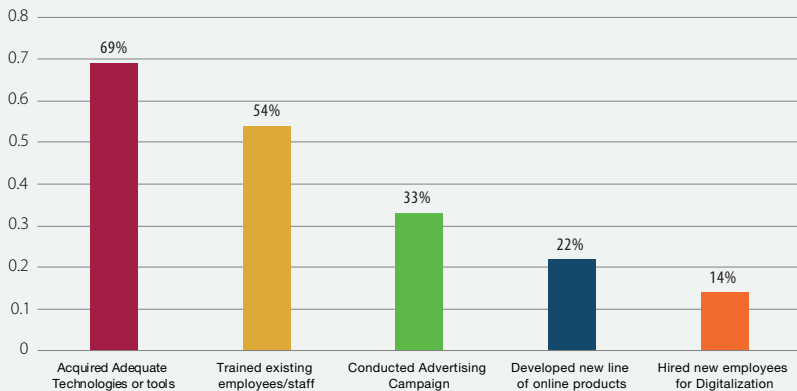
<sup>31</sup> UNSD 2019, available at [unstats.un.org/](https://unstats.un.org/), and UNCTADStat, available at [unctadstat.unctad.org](https://unctadstat.unctad.org)

<sup>32</sup> <https://centurionlg.com/2022/01/26/the-e-commerce-protocol-of-the-afcfta-possible-considerations/>

E-commerce is seen as a valuable platform that can help Africa take advantage of the fourth industrial revolution, which is bringing a fundamental change in the way we live, work, and relate to one another. The Fourth Industrial Revolution is enabled by extraordinary technological advances commensurate with the first, second and third industrial revolutions.<sup>33</sup> Digitalization also proved to be a key lifeline for many businesses, including Micro, Small, and Medium Enterprises (MSMEs), many

of which are owned by Women, during the Covid pandemic. In fact, ECA research revealed that during the pandemic nearly 65% of African businesses took at least one step toward advancing their digital activities. To adapt to the pandemic firms cited acquiring new digital technologies and tools, training staff on digital platforms, advertising digitally, and developing new products more applicable for online sales. ECA also found African firms were able to reach new customers and stay connected with

**Figure 3.6: Digitalization Efforts by African Firms Since Covid-19, %**



Source: ECA & IEC (2021). Reactions and Outlook to COVID-19 in Southern Africa. IEC: Mauritius & ECA: Addis Ababa. April 2021

<sup>33</sup> <https://www.weforum.org/focus/fourth-industrial-revolution>

existing ones when in-person interaction was limited<sup>34</sup>.

Ongoing negotiations strive to design a protocol that takes into consideration the importance of digitalization in the 21st century and is in line with other continental initiatives such as the AU digital Transformation Strategy for Africa which seeks to build a Digital Single Market in Africa by 2030<sup>35</sup>.

ization in the 21st century and is in line with other continental initiatives such as the AU digital Transformation Strategy for Africa which seeks to build a Digital Single Market in Africa by 2030<sup>35</sup>.

## Challenges with implementing the AfCFTA

### **32) What are the challenges that African governments, businesses, and consumers need to be aware of and prepare themselves for?**

The greatest threat to the AfCFTA is incomplete or inadequate implementation. Like every initiative and inter-governmental agreement, the AfCFTA will make a difference in the lives of African citizens only to the extent its promises and commitments are implemented. Governments have shown leadership by conceiving and initiating the AfCFTA process and by bringing it to its current stage, which should be recognized and applauded. But this is not enough; implementation is critical. The AfCFTA is a development instrument for Africa, but it can deliver

on its developmental promises only if and to the extent it is implemented.

The burden of implementation lies primarily with the governments of the State Parties, but African citizens and businesses also have a significant role to play. Both need to support their governments and, from time to time, hold them accountable for the promises they solemnly made in the Continental treaties they signed and the national legislations they adopted. Good pressure is good politics, and good politics is good economics.

<sup>34</sup>[https://www.uneca.org/sites/default/files/uploaded-documents/ATPC/reactions-and-outlook-to-covid-19/COVID-19\\_Africa-Impact-Survey\\_March2021\\_Final\\_English\\_Release\\_22042021.pdf](https://www.uneca.org/sites/default/files/uploaded-documents/ATPC/reactions-and-outlook-to-covid-19/COVID-19_Africa-Impact-Survey_March2021_Final_English_Release_22042021.pdf)

<sup>35</sup> <https://au.int/sites/default/files/documents/38507-doc-dts-english.pdf>

Equally serious threats to the AfCFTA may also come from outside Africa. Agreements governing trade relations between individual African countries and/or subregions with non-African trading partners – such

as the economic partnership agreements (EPAs) with the European Union (EU) – have the potential to make AfCFTA implementation unduly political and costly.

### **33) What are the internal roadblocks, if any, that stand in the way of fully implementing the Agreement?**

As reiterated, implementation is critical; nothing happens without it. But, even with the best of efforts to implement the Agreement, there are still other hurdles that will face any government, business or person in this field:

a) Supply Capacity: Before talking about trade, Africa needs to have the products and services to trade. That means production capacity. That further means capacity to produce agricultural and industrial products of the right quality and quantity at competitive prices. It also means having the capacity to produce and provide the range and quality of services consumers need at competitive prices. Trade therefore presupposes investment in building Africa's productive

capacity, which translates into investment in industrialization, in education, in research and development, and associated endeavors. That is why the AU has come up with an Action Plan for the accelerated industrial development of Africa (AIDA) and another on an Agribusiness and Agro-business Development Initiative (3ADI).

b) Hard Infrastructure: Both production and trade across borders, physically or electronically, require the right type and quality of infrastructure and logistics, hard and soft. Economic development is an infrastructure-heavy business. Without roads and trucks, railway lines and rolling stock, seaports and seafaring vessels, airports and

aircrafts, no product can move from one country to another in meaningful quantities. Likewise, without digital connectivity networks in place, none of the enormous promise of digital trade can be realized. That is why the AU's Boosting Intra-Africa Trade (BIAT) initiative of 2012 recognized that, for trade liberalization to work, it needed to be supported by a dedicated Programme for Infrastructural Development in Africa (PIDA) that had been launched in 2010 with a view to bringing together various regional and continental infrastructures under the leadership of the African Development Bank.

- c) Governance and soft infrastructure: Equally important, none of these initiatives would exist or function in the absence of institutions in the sense of organizations guided by a set of rules and norms of good governance, rule of law, accountability, and access to fair, speedy, and impartial justice. That is why, back in 2003, the AU created the African Peer Review Mechanism (APRM) as the Continent's governance self-

assessment device. There are also several initiatives and institutions that form part of the African Governance Architecture (AGA) that complement the APRM.

- d) Trade finance: Many good and potentially viable business ideas and startups remain unrealized for lack of finance. Cross-border trade is inherently more risky than domestic trade. In cross-border trade, the parties reside in different jurisdictions, are subject to different laws, transact in different currencies, speak different languages, practice different cultural traditions, etc., all of which translate into added risks and transaction costs. Trade finance instruments come in to manage such risks and, in doing so, to expedite business across borders. Trade finance is at its infancy in Africa and governments would do well to prioritize the development of such facilities. We need more of it at continental, regional, national, and local levels. The commitment contained in the BIAT initiative to "accelerate the establishment of the African Investment Bank" was a step in the right direction, but it has yet

to be implemented. Afreximbank is undertaking a lot of promising initiatives in this area; it must be supported. Afreximbank has several programs like structured trade finance, a note purchase program, and asset-backed lending that can provide a critical support function for countries engaging in trade. Increasing engagement with these institutions can help build confidence and de-risk cross-border African trade.

- e) Trade facilitation: Whatever the commitments undertaken at Continental level to liberalize and expedite cross-border trade, the practice on the ground in many countries remains challenging and at odds with those commitments. Yet again, that was why the BIAT initiative dedicated a section to trade facilitation urging AU member states to take measures at the “highest levels of Government ... in order to facilitate the removal of illegal roadblocks, check points and illegal fees and other rent seeking practices along trade and transit corridors and border crossings.” Likewise, that is also why the AfCFTA Agreement has a separate instrument, Annex 4, dedicated to Trade Facilitation.
- f) Trade information: The business community in Africa lacks adequate information on trade and market opportunities in fellow African countries and markets. Market surveys are rarely conducted; information about customs regulations and procedures are often inaccessible, and the cost of doing business between African countries is disproportionately high as a result. Africa must address this critical gap. The intra-Africa trade fair that is being organized on a biannual basis is a good initiative, but it is far from enough.
- g) Currency convertibility: Nearly each of the small and fragmented markets in Africa today is served by its own national currency, making up a total of some 42 different currencies on the Continent. To transact business between two countries that have different currencies, the use of a third country’s legal tender, often the Euro or the USD, becomes necessary. The moment transactions between two trad-

ers sitting on either side of an African border are subjected to a third currency as an intermediary, transaction cost shoots up. Africa is estimated to lose up to USD 5 billion every year on currency conversion alone. The final solution for this can come only from a monetary union, which is further down the road on the African integration journey. In the interim, Africa has launched the Pan-African Payment and

Settlement System (PAPSS), “a cross-border, financial market infrastructure enabling payment transactions across Africa”. Utilizing cutting-edge technology connecting African banks, payment service providers and other financial market intermediaries, PAPSS enables instant and secure payments between African countries while trading under the AfCFTA.<sup>36</sup>

### 34) What does the AfCFTA bring to the ordinary African citizen

The AfCFTA brings significant benefits to the African citizen in several ways.

To begin with, the AfCFTA is expected to reduce poverty across Africa. While the magnitude of poverty reductions depends on each country’s existing socio-economic situation, modelling work carried out by ECA predicts that all countries will see improvements to welfare and living standards. For example, ECA estimates that, by 2045, with full Af-

CFTA implementation, the number of people living under extreme poverty (less than USD 1.9/day/person) will be reduced by over 19% in Cote d’Ivoire, 11.5% in Tanzania and 3.2% in Ethiopia as compared to the situation without the AfCFTA.

But, in addition to the benefits of the Agreement at a high level, there are several specific pathways through which African citizens can benefit from the AfCFTA.

---

<sup>36</sup><https://papss.com>



First, African citizens benefit in their role as businesspersons. As discussed earlier in response to Question #26 on the role of the AfCFTA for the African private sector, the AfCFTA is essentially about progressively creating a large single market in which African businesses can produce and trade freely. To the extent the AfCFTA benefits African businesses, the African citizen benefits in his or her capacity as the owner or operator of these businesses.

Second, in their role as workers African citizens will also benefit from the AfCFTA. Research shows that a business environment that supports entrepreneurship creates more jobs, especially through the ability of businesses to bring innovation and investment, while more open economies create bet-

ter paying jobs than those that are more closed off.

Finally, African citizens benefit from the AfCFTA in their role as consumers since, in the end, every one of us is a consumer. When the AfCFTA forces national markets to open themselves to competition from other countries, more products and services will compete for consumers. Competition is always good for consumers because it creates more choice, brings better products and services to the market, and tends to make these products and services available at lower prices.

In summary, the AfCFTA is good for business, but it is also good for the ordinary citizen in her capacity as a consumer, worker, and entrepreneur.

# Timeline & Milestones of the AfCFTA

