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Powering trade through AfCFTA: a People-driven wholesome Development Agenda

By eliminating barriers to trade in Africa, the African Continental Free Trade Area (AfCFTA) will lift 30 million people from extreme poverty and another 68 million people from moderate poverty. To boost intra-African trade, the continent has embarked on the gradual elimination of tariffs on 90 percent of goods, and the reduction of barriers to trade in services aimed at increasing Africa's income by \$450 billion by 2035. The successful implementation of the AfCFTA will lead to the creation of more decent jobs, improved welfare and better quality of life for all citizenry, and sustainable development. Beyond the policy transformation and reforms, the AfCFTA seeks to ensure inclusivity of women and youth, including youth in the rural areas, development of Small and Medium Enterprises (SMEs) and overall industrialization of the Continent.

As at February 2022, eight countries representing the five regions of the continent - Cameroon, Egypt, Ghana, Kenya, Mauritius, Rwanda, Tanzania and Tunisia – participated in the AfCFTA's Guided Trade Initiative, which seeks to facilitate trade among interested AfCFTA state parties that have met the minimum requirements for trade, under the Agreement. This initiative supports matchmaking businesses and products for export and import between State Parties. The products earmarked to trade under the Initiative include: ceramic tiles; batteries, tea, coffee, processed meat products, corn starch, sugar, pasta, glucose syrup, dried fruits, and sisal fibre, amongst others, in line with the AfCFTA focus on value chain development.

In the year 2023, the AfCFTA Guided Trade shall also focus on Trade in Services in the five priority areas, ie. Tourism, transport, Business Services; Communication Services; Financial Services; Transport Services, and Tourism and Travel-related Services. The ultimate objective is to ensure that AfCFTA is truly operational and the gains from the initiative are improved implementation in order to achieve increased inter-regional and intra-Africa trade that would yield economic development for the betterment of the continent at large.

The adoption by the African Union of the theme of the Year 2023 as the “**Year of AfCFTA: Acceleration of the African Continental Free Trade Area Implementation**”, is expected to generate greater political commitment and accelerate the effective implementation of the AfCFTA to fully benefit the African citizenry and achieve the Aspirations and goals of Agenda 2063. The yearlong activities will enhance the existing collaboration among the member states, the Regional Economic Communities (RECs), AU institutions, the private sector, development partners, and other stakeholders, to mobilize and implement actions that boost intra-Africa trade, particularly trade in value-added production and trade across all sectors of Africa's economy. The AfCFTA will build on the progress achieved by the eight RECs under their customs unions, free trade areas and other trading arrangements.

Unlocking the potential of the AfCFTA and promote “Made in Africa” goods and services.

Currently, forty-four (44) member states are state parties to the AfCFTA Agreement following the ratification of the instruments establishing the AfCFTA while fifty-four (54) member states have signed the Agreement. As at February 2023, forty-six (46) Provisional Schedules of Tariff Concession have since been submitted by member states including four (4) from the Customs Unions. Following the coming into force the Agreement establishing the AfCFTA in May 2019, efforts have been enhanced to accelerate the implementation and advanced usage of the existing operational tools that to facilitate the realization of commercially meaningful trading under the AfCFTA. These include, among others:

1. The conclusion of the **AfCFTA Phase One and two Protocols** which provide a legal basis to advance the operationalization of the trading. The finalisation of the AfCFTA negotiations ensure that the market access under AfCFTA was not taken advantage of only by the big corporations but for the SMEs, women, and young Africans in trade, to also grow their businesses. The recently concluded Phase Two Protocols cover protocols on Investment, Competition Policy, and Intellectual Property Rights will greatly contribute to deepening economic integration in Africa. Under the Phase One Protocol on Trade in Goods, State Parties committed to reduce tariffs on 90% of goods traded among themselves in equal annual installments until they are eliminated within 5 years for non-Least Developed Countries (LDCs) and 10 years for Least Developed Countries. For an additional 7% of ‘Sensitive’ goods, tariffs will be eliminated within 10 years for non-LDCs and 13 years for LDCs. A final 3% of ‘Excluded’ products are to retain their tariffs to allow flexibilities for State Parties with particular sensitivities, but will be subject to review every five years. Under Phase II, the finalization of the Protocol on Women and Youth in Trade and Digital Trade will be concluded in 2023.
2. The development of the **AfCFTA Guided Trade Initiative** to connect businesses and products for export and import between interested State Parties. The first AfCFTA Certificate of Origin for Rwanda was issued to Igire Coffee for coffee products destined to Ghana. Kenya also exported its first goods, Exide batteries to Ghana. The Initiative requires state parties to issue AfCFTA trading documents, including certificates of origin, importer and exporter declaration forms, and ensure that their customs laws and systems are aligned to the AfCFTA requirements.
3. The operationalisation of the **AfCFTA Adjustment Fund** aims to support both the member states and private sector to effectively participate in the new trading environment established under the AfCFTA. As with any major trade liberalisation regime, the AfCFTA Agreement will introduce near-term disruptions, as tariff revenues by State Parties are reduced, industrial sectors are disordered, businesses and supply chains are reorganised, and employment is dislocated – often in ways that cannot be anticipated. The estimated requirement for uninterrupted implementation of the AfCFTA Agreement and to eliminate the adjustment cost is at \$10 billion over the next six to ten years. The Adjustment fund will for instance, be meaningful for a country experiencing challenges with its textiles and clothing sector to access the fund for retraining of workers or for recapitalization, procuring machinery for goods, or to increase competitiveness. The Adjustment Fund consists of a Base Fund, a General Fund and a Credit Fund.

The Base Fund will consist of voluntary contributions from State Parties, grants and technical assistance funds to address tariff revenue losses as tariffs are progressively eliminated. It will also support countries to implement various provisions of the AfCFTA Agreement, its Protocols and Annexes. The General Fund will mobilise concessional funding, while the Credit Fund will mobilise commercial funding to support both the public and private sectors, enabling them to adjust and take advantage of the opportunities created by the AfCFTA.

4. The **Pan African Payment System (PAPSS)** in place is a centralised Financial Market Infrastructure enabling the efficient and secure flow of money across African borders. PAPSS works in collaboration with central banks in the continent to provide a payment and settlement service to which commercial banks, payment service providers and fintech organisations across the continent can connect as participants. The platform provides a simple, low-cost risk-controlled payment clearing and settlement system. It also serves as an avenue of expanding financial inclusion to cover the informal sector while monitoring funds transfers, thus reducing money laundering, which costs the continent several billions of dollars annually. As of June 2022, the PAPSS network consists of 8 central banks, 28 commercial banks and six switches. It will expand into the five regions of Africa before the end of 2023. All Central banks are to sign up by the end of 2024 and all commercial banks by the end of 2025. With 42 currencies on the continent, PAPSS will significantly reduce the costs of currency convertibility and save the continent an estimated \$5 billion annually.
5. The **AfCFTA Private Sector Strategy** aims at delivering impact and economic recovery in the post-pandemic world by engaging with stakeholders from across the private and public sector, and from across all corners of the continent to ensure an inclusive approach to implementing the AfCFTA. For the continent to reduce its vulnerability to external shocks and improve trade and economic performance, the AfCFTA, regional value chains are being developed, under the AfCFTA Private Sector Engagement Strategy, to offer African countries an opportunity to use regional advantages to boost competitiveness, diversify product supply, and export products with higher value-addition. The strategy focuses on four initial priority sectors or value chains, namely agroprocessing, automotive, pharmaceuticals, and transportation and logistics, based on the potential for import substitution and existing production capabilities on the continent.
6. Launching of the **AfCFTA e-Tariff Book in November 2022** further allowed for a digitalized trade facilitation that ensures tariff concession schedules are easily accessible to Trade and Customs Authorities. The Tariff book includes rules of origin and the customs procedures that apply to products which allows users to benefit from enhances knowledge and capacities in the use of tariffs, commodity classification and organisation of tariff-related work within Customs administrations and other relevant stakeholders. These tariff concessions have been offered by the customs unions and once agreed they will then be nationalised and traders will be able to trade fully.
7. Conducting the **AfCFTA Regulatory Audits on Trade in Services** that identify restrictions on market access and national treatment affecting the supply of services into the country as defined in the AfCFTA Trade in Services Protocol. The

report details descriptions that document each trade restriction and its legal reference. For example, one of the areas where this data is particularly useful is in the tourism sector. By understanding the restrictions on market access and national treatment impacting tourism services, countries can work to remove those barriers and create a more open and welcoming environment for tourists. This, in turn, can help to boost the economy through increased tourism revenue.

8. Establishing the **Automotive Fund** for any investment that seeks to pursue local content development in the automotive value chain. The funding will also be used for ensuring access to consumer finance as part of the creation of demand and associated insurance products. A comprehensive strategy has since been developed for automotive manufacturing in Africa. The strategy points to an immediate need to finalise the Rules of Origin (ROO) and the establishment of the Task Force that could fast-track the development of a major advanced automotive value chain in Africa. The finalisation of the ROO for the auto sector is essential, as it would facilitate strategies in developing regional and continental value chains. It would assist in developing national programmes and allow for greater cooperation and trade between those members who have adopted national programmes and wish to develop trade in vehicles and components under the AfCFTA.
9. The **AfCFTA Dispute settlement mechanism**, a key pillar in the successful implementation of the Agreement is active with the operationalisation of the Dispute Settlement Body (DSB) in April 2021. The Appellate Body comprises 10 Board Members. The operationalisation of the DSB signals the readiness of the AfCFTA dispute settlement infrastructure to take up any disputes that may arise in the course of trading among the State Parties.
10. The **AfCFTA SME Financing Facility** which will catalyse access to finance for SME business activities. This is to ensure that the market access is not taken advantage of only by the big corporations, but that the SMEs, women and young Africans in trade, can also have the opportunity to grow their businesses in support of trading under the AfCFTA.
11. The **AfCFTA Trade and Industrial Development Advisory Council** inaugurated as a 13- member Council to advise the AfCFTA Secretariat on trade integration and transformative industrialization as part of the implementation of the AfCFTA. The role of the Advisory Council is to focus on the AfCFTA implementation processes, negotiations and implementation; trade facilitation and connectivity; industrial development and regional value chains; and inclusivity issues.
12. The elimination of **Non-Tariff Barriers Mechanism (NTBs)**. The elimination of NTBs is critical to boosting intra-Africa trade and achieving the objectives of the AfCFTA. It will reduce the costs of trading across borders and ease cross-border movement of goods. The bulk of the AfCFTA benefits will be realised if State Parties efficiently manage and eliminate NTBs. The Protocol on Trade in Goods establishes a reporting, monitoring, and elimination mechanism where traders can file a complaint on a specific trade obstacle they have encountered during the process of moving goods and services across borders.

The wholesome development strategy interlinking drivers of trade.

The implementation of the AfCFTA Agreement is by necessity, a complex and highly collaborative undertaking, drawing on the expertise and experience of all. For the AfCFTA to be a successful and to increase the attractiveness of the African market for trade and investment, it must be complemented by similar progress of other AU Flagship projects, such as the African Integrated High Speed Network; African Commodities Strategy; Pan-African E University; the African Passport and Free Movement of People; Silencing the Guns; Implementation of the Grand Inga Dam Project; Creation of an Annual Consultative Platform for policy dialogue; Single African Air Transport Market; Pan-African Virtual University; and the Continental Financial Institutions.

The interlinkages with other critical economic sectors, the AfCFTA will similarly advance the progress in the implementation of the other sectors such as:

1. Peace and Security and Trade

Peace and security are essential preconditions for sustainable economic growth and development, including trade. A stable and secure environment is necessary for businesses to operate, for investors to make long-term commitments, and for workers to be able to produce goods and services. On the other hand, trade itself can also contribute to peace and security by promoting interdependence and fostering economic and social connections between countries. This can lead to a reduction in tensions and the likelihood of conflict.

2. Trade Facilitation and Infrastructure.

Trade facilitation measures address major challenges such as increased trade costs arising from Non Tarriff Barriers; inadequate, inefficient transportation and weak logistics infrastructure; cumbersome regulatory procedures; lengthy customs processes; and incoherent documentation, thereby placing Africa's private sector at a competitively disadvantaged position. Africa must then accelerate work on improving the supply-side constraints such as the lack of good transport and logistic infrastructure, information and communications technology (ICT), and energy infrastructure by aggressively implementing the African Union's Programme for Infrastructure Development in Africa (PIDA) to ensure a successful and sustainable industrialisation agenda and thus a successful AfCFTA.

3. Harmonisation of standards and regulations.

Effective collaboration is also required for harmonized standards and regulations. This is to be achieved through standards development, mutual recognition, harmonisation that fosters increased rate of diversification, industrialisation and transformation of Africa's economy and boosts the continent's ability to supply its import needs from its own resources. It is also aimed to integrate systems so as to benefit from an increasingly connected global marketplace. This will include promotion, identification of the African Standardisation priorities activities through development, harmonization implementation of standards for identified priority products; promotion and coordinate technical competence of the African Quality Infrastructure bodies and related legislations to enhance the competitiveness of products of African origin and African Small and midsize enterprises (SMEs) to facilitate the intra-Africa Trade.

4. Trade and Climate Resilient Development.

There is need to mainstream climate change issues, including land degradation, into the AfCFTA implementation by advancing climate resilient development through several pathways including, renewable energy and transformative green industrialization; agriculture, food and nutrition security and climate change adaptation; strengthening development finance institutions; engaging in multilateral forums and; contributing to a compact on a global green new deal that advances Africa's interests on climate resilient development. Policy innovations to unlock climate finance for resilient Food Systems in Africa are critical. The African Risk Capacity (ARC), a Specialized Agency of the African Union, plays a key role in capacitating African governments to better plan, prepare and respond to effects of extreme weather events and natural disasters and build a more resilient Africa that is adaptable to climate change towards building resilience in Africa which was positive ripple effects on the Agricultural sector and economic growth by unlocking critical climate and DRR finance.

5. Enhanced Education systems

The importance of skills development, employability and opportunity driven entrepreneurship in helping Africa realize its continental trade objectives cannot be overemphasized. Although Africa continues to experience a youth bulge, there is a mismatch between existing education and training and the skills needs of enterprises. Critically important is the need to foster not only the skills needed by enterprises today but also the skills of the future. To strengthen African businesses' competitiveness in the context of the AfCFTA, the priority is to invest in human capital to equip Africans with the skills needed to engage in skill-intensive manufacturing industries. The improvement of Education system, innovation and technology in supporting the AfCFTA market and to encourage startups towards job creation is important.

6. Enhanced Health Security.

Over 90% of the global public health emergency events reported annually are from Africa. The continent has the lowest health workforce to population ratio in the world while carrying majority of the disease burden. In addition, 90% of vaccines, therapeutics and diagnostics are imported to Africa making the continent dependent on the rest of the world, even during crucial pandemic periods. The COVID-19 Pandemic and the preceding 2014 Ebola Disease Outbreak have demonstrated that trade within Member States of the African Union and between Africa and the rest of the world can be significantly affected by public health emergencies. Without careful consideration of health security in the continent the realization of AfCFTA will not be attained. This requires establishing and maintaining the trade and health nexus in the continent. The operationalization of Africa Centres for Disease Control and Prevention (Africa CDC) and the Africa Medicines Authority (AMA) are considered as golden opportunities to mainstream health into AfCFTA.

The AfCFTA is a gamechanger for the African continent and year 2023 presents yet another opportunity to strengthen partnerships, mobilise resources, undertake outreach activities and promote the utilization of the AfCFTA by economic operators through unceasing engagement that will sustain the high momentum around the AfCFTA. Beyond the continent, the Theme of the Year 2023 is expected to strengthen the role of the African Diaspora, People of African Descent and create a meaningful link between the implementation of the AfCFTA and the Decade of African Roots and

Diaspora (2021-2032) by driving initiatives aimed at bringing together, projects, events and other initiatives to strengthen the role of these group in advancing the economic integration of the AfCFTA.

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