

## Concept Note

Public Policy Dialogue marking CUTS International 40th Anniversary

# Building Momentum Towards AfCFTA Implementation

## Overcoming Challenges

Tuesday, August 15, 2023

### Background/Introduction

Africa has experienced great developments on the journey to the preparation and implementation of the AfCFTA, including successes and challenges. The developments cover the institutions, protocols, stakeholders, initiatives and programs instituted to ensure the realization of this African dream. As part of its trade facilitation mandate, the AfCFTA Secretariat has launched key projects and tools supporting adjustment costs, trade monitoring mechanisms, a cross-border payments system and a guided trade initiative (GTI).<sup>1</sup>

Other milestone achievements under the auspices of the Secretariat include the launch of the African Trade Observatory, the AfCFTA RoO Manual, the AfCFTA e-Tariff Book etc. Member states have also adopted the phase II protocols, namely protocols on competition, investment and intellectual property rights. Collaboration is increasing between the AfCFTA Secretariat and other continental bodies, including African Development Bank (AfDB), and African Export-Import Bank, to support the operationalization of the agreement.<sup>2</sup>

Currently, the United Bank of Africa (UBA) and the Secretariat have inked a deal to boost SME participation in intra-African trade. Through the partnership, the UBA will dedicate US\$6bn for the capacity building of qualified African small and medium-sized enterprises (SMEs) which want to participate in intra-African trade under the AfCFTA.<sup>3</sup>

The Regional Economic Communities (RECs), as 'building blocks' of the AfCFTA, have been contributing to the AfCFTA negotiations by supporting and coordinating the tariff offers submitted by member countries.<sup>4</sup>

<sup>1</sup> <https://afripoli.org/the-road-to-africas-single-market-progress-so-far-and-challenges-for-the-future>

<sup>2</sup> *Ibid*

<sup>3</sup> <https://newsaf.cgtn.com/news/2023-06-21/AfCFTA-UBA-ink-deal-to-boost-SME-participation-in-intra-African-trade-1kNBKCjIHrW/index.html>

<sup>4</sup> Supra Note 1



At the national level, a handful of countries have constituted National Implementation Committees (NICs) with the prime purpose of preparing the private sector to leverage the AfCFTA for larger markets. Presently, five countries, including Côte d'Ivoire, Ghana, Kenya, Nigeria and Rwanda, have AfCFTA NICs in place. Other countries, such as the Democratic Republic of Congo and Tunisia, have recently passed laws to establish a NIC.<sup>5</sup>

Despite the success stories, there are challenges bedeviling the implementation of the trade pact. The challenges as identified are discussed below though not exhaustive:

***Inequalities, political will and competing interests:***<sup>6</sup> Undoubtedly, the AfCFTA has enjoyed significant political will from member states at the initial stages, and the period of negotiations witnessed the stark realities of the clashes occurring between national interests and the wider pan-African agenda.

It is argued that the AfCFTA will have the widest income disparities among member states, with countries that are better positioned to dominate trade under the AfCFTA. While this domination is not negative in itself, free trade will create winners and losers. Hence, smaller countries are concerned about being dominated by the bigger countries, thus resulting in some countries dragging their feet in submitting their tariff offers for goods whilst others are finding it difficult to ratify the agreement.

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<sup>5</sup> <https://odi.org/en/publications/from-negotiations-to-implementation-building-effective-afcfta-national-implementation-committees/>

<sup>6</sup> Supra Note 1

Productive capacity and levels of industrialization are additional issues that some member countries are grappling with beyond incomes. It has been speculated that some countries, including Mauritius, Nigeria and South Africa, are overly protecting their interests. Nigeria's position has been speculated on its large population and low productive capacity hence driving it to restrict access to its consumer market.



South Africa, as a more industrialized economy on the continent, is taking positions that seek to protect the share it currently holds of intra-African trade. About 65 percent of intra-African trade takes place within the SADC, and South Africa dominates trade within the sub-region. Mauritius, it has been reported, is seeking a more liberal Rule of Origin (RoO) for textiles and apparel, which may allow it to leverage the free trade area (FTA) between the country and China to access cheaper inputs.<sup>7</sup>

**External actors and factors:**<sup>8</sup> External actors may also pose a challenge to the implementation of the trade agreement. This emanates from countries and regions that have formed or are seeking to establish FTAs with AfCFTA member countries. These include the current bilateral trade agreements between nations like Ghana and Kenya with Western countries like the UK and USA. FTA between China and Mauritius, as well as the Economic Partnership Agreements (EPAs) between the EU and some African countries, are other examples worth mentioning. These FTAs may pose challenges to the realization of the AfCFTA, as already demonstrated by some of the developments on the REC level.

A classic example occurred when the UK recently rejected the application for the increase in import tax charges within the East African Community (EAC) with the position that it goes against the provisions of the EPA. This is a critical issue that needs to be carefully monitored since a greater part of African trade is with partners outside Africa. Importantly, this can complicate the implementation of the AfCFTA as member countries are left in a state of dilemma comparing the immediate benefit they can obtain from the FTAs *vis-a-vis* the long-term benefit of the AfCFTA.

<sup>7</sup> *Ibid*

<sup>8</sup> *Ibid*



***Sustainability of AfCFTA implementation support:***<sup>9</sup> Implementation of the AfCFTA agreements comes with a huge financial cost, including resources to hire skilled labor to manage the implementation process. This serves as one of the biggest challenges to the implementation of the agreements as, so far, existing support to convene forums and workshops for negotiations and to conduct different activities related to trade facilitation has come from external actors.

Practically, the guided traded initiative has unveiled certain challenges bordering the implementation of the agreement. Notably, businesses in Cameroon expressed their intent to import under the GTI but were met with two main issues. The challenges include the non-eligibility of the exporting country and the non-liberalization of products at this stage by the Economic and Monetary Community of Central African States (CEMAC).<sup>10</sup>

For example, Granular Urea *HS Code 31021000* (fertilizer) could not be imported to Cameroon under the GTI because Nigeria has not completed domestic processes and made available the AfCFTA tariff book at the border and an AfCFTA Certificate of Origin. Additionally, plasters *HS Code 25.20.20.90* could not be imported from Tunisia, which is a State Party in the GTI. Since CEMAC's tariff offers in the e-tariff book published by the AfCFTA Secretariat indicate a phase-out period of 13 years but with the start of effective tariff dismantling from the 6<sup>th</sup> year, which is 2026. The applicable MFN rate is 10 percent, and under the agreed modalities of tariff liberalization, it is expected that CEMAC should apply a 0.77 percent tariff reduction each year to achieve zero tariffs by 2033.<sup>11</sup>

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<sup>9</sup> *Ibid*

<sup>10</sup> <https://www.tralac.org/documents/events/tralac/4847-tralac-annual-conference-2023-what-have-we-learned-from-the-afcfta-guided-trade-i-initiative/file.html>

<sup>11</sup> *Ibid*

## The Objective of the Anniversary Fireside Chat

With 2023 declared as the Year of “Accelerated AfCFTA Implementation” by the African Union, implementation related issues around the AfCFTA should be put in focus. It is against this backdrop that CUTS International, as part of its 40<sup>th</sup> Anniversary celebration seeks to organize a public policy dialogue on “**Building Momentum Towards AfCFTA Implementation: Overcoming the Challenges**”



<b>Date</b>	Tuesday, August 15, 2023
<b>Time</b>	1 pm to 3 pm
<b>Venue</b>	Alisa Hotel, North Ridge, Accra
<b>Guest Speaker</b>	Hon. Wamkele Mene, AfCFTA Secretary General

For more enquiries regarding this event, please email Shadrack ([sny@cuts.org](mailto:sny@cuts.org)) or call 0558045500.

### **\*\*About CUTS International\*\***

CUTS International Accra ([www.cuts-accra.org](http://www.cuts-accra.org)) is an independent non-profit economic policy research, advocacy and capacity-building think tank. It is part of CUTS International and, since its establishment in 1983, has implemented projects in more than 35 countries. In this process, it has expanded its presence through local offices across South Asia, Southeast Asia (in India and Vietnam), Sub-Saharan Africa (in Kenya, Zambia and Ghana), Europe (in Switzerland) and the United States of America (in Washington DC).<sup>12</sup>

Since 1983, it has been using evidence-based research to evidence to inform public policy for inclusive growth. This year marks the 40<sup>th</sup> Anniversary of CUTS International and the 10<sup>th</sup> Anniversary of CUTS Accra (West Africa Regional Office).

<sup>12</sup> [www.cuts-international.org](http://www.cuts-international.org)