

Status of the AfCFTA Negotiations & Implementation



Status

- To date, 47 of the 54 signatories have deposited their instruments of ratification
 - 7 countries yet to ratify the Agreement: **Benin, Liberia, Libya, Madagascar, Somalia, South Sudan, and Sudan.**
 - **Eritrea** remains the only country yet to sign the AfCFTA
- The start of trading under the AfCFTA Agreement was launched on 1st January 2021.
- Since entry into force of the Agreement, focus has been on:
 - finalizing outstanding issues in Phase I negotiations
 - negotiations of the Protocols on Investment, Intellectual Property Rights, Competition Policy, Digital Trade and Women and Youth in Trade
 - Putting in place implementation tools

Trade in Goods:

- Provisional Schedules of Tariff Concessions (PSTCs) have been adopted for 47 State Parties, while two others that have been submitted are currently undergoing technical verification (to ensure compliance with the tariff liberalization modalities).

Tariff Elimination Modalities	Coverage (%)		Transition Period	
	Tariff lines	Import Value	non-LDCs	LDCs
Category A products	90		5 years	10 years
Sensitive products	7	90	10 years	13 years
Excluded products	3	10	No liberalisation	No liberalisation

- The adopted Provisional Schedules of Tariff Concessions are available in the e-Tariff Book (<https://etariff.au-afcfta.org/mapsearch>)
- Djibouti, Libya, Somalia, the Saharawi Republic and Sudan are still to submit tariff offers.

EAC Tariff Offer to the AfCFTA

- EAC published its Provisional Schedule of Tariff Concession for Category A products, representing 90.1% of total tariff lines. (consists of products that EAC will liberalize over a 10-year time frame starting 1st January 2021):
 - comprises of 5,122, of which 2,125 tariff lines (41%) are already zero-rated. The 10% band accounts for 1,136 tariff lines while the 25% band accounts for 1,844 tariff lines in the CET.
- EAC is expediting internal negotiations on the remaining tariff lines with respect to sensitive products and exclusions.

- Key principles were agreed upon at the regional level to guide in the preparation of the EAC Tariff offer to the AfCFTA, such as:
 - The interests of different Partner States;
 - Strategic key industries the region needs to promote through exports;
 - Strategic industries the region needs to protect;
 - Maintain the EAC Sensitive lists.;
 - Take into consideration the revision of the current CET ;
 - EAC offer to the Tripartite FTA (EAC-SACU Tariff offer)
- An intensive regional process has been applied in the preparation of the tariff offers to facilitate consensus on a common position for Category A products and was complimented by each EAC Partner State national consultations to reach consensus on the respective divergences.

Rules of Origin:

- The AfCFTA RoO include the 'wholly obtained' rule for agricultural and other primary products, and product-specific rules have been agreed to encourage local value addition and transformation of inputs.
- RoO for 92.3% of tariff lines have been agreed. Outstanding 7.7% are on the Automotive and Textile and Apparel sectors.
- Technical task forces and working groups that include the private sector are meeting to finalize the outstanding RoO
- AfCFTA Manual on RoO and Certificate of RoO adopted

Trade in Services:

- 22 Schedules of Specific Commitments have been adopted, covering the 5 priority sectors (Business, Communication, Financial, Tourism, and Transport Services). Currently, there are 26 offers in these five priority sectors under negotiations.
- Negotiations on Draft Regulatory Frameworks for Financial, Communication and Transport Services are underway. Stakeholder Engagements and Capacity Building for State Parties have been undertaken in these services sectors.
 - To promote regulatory predictability by guiding the implementation of national laws, regulations and policies while respecting States Parties' right to introduce new regulations.
- The EAC published a consolidated offer on Trade in Services for the AfCFTA comprising specific commitments by 5 Partner States – Burundi, Kenya, Rwanda, Tanzania and Uganda
- The EAC Provisional Schedule of Specific Commitments on Trade in Services for the AfCFTA takes into account existing frameworks for services liberalization in the EAC Partner states, and the EAC Trade in Services Strategy.

- The AfCFTA has a Protocol on Rules and Procedures on the Settlement of Disputes.
- DSB established, consisting of panels and an appellate body.
- Only AfCFTA State Parties have standing to file claims under this Protocol:
 - Since violations of obligations regarding trade in goods and in services in most instances impact private firms, it is for the national governments of the relevant countries to litigate against States adopting and implementing measures in violation of their obligations.

Conclusion of Phase II Protocols & Negotiations of Annexes

- Protocols on Investment, Intellectual Property Rights, Competition Policy, Digital Trade and Women and Youth in Trade already adopted by the AU Assembly
- Negotiations are ongoing for the Annexes to these Protocol
- **The Protocol on Investment** - Annex on the Rules and Procedures governing the Prevention, Management, and Resolution of Disputes
- **The Protocol on Digital Trade** –8 annexes on: Rules of Origin; Digital Identities; Cross-Border Digital Payments; Cross-Border Data Transfers; Legitimate and Legal Public Interest Reasons for Requesting Source Code; Online Safety and Security; Emerging and Advanced Technology; and Financial Technology
- **The Protocol on Women and Youth** - Ministerial Regulation on preferential market access for women and youth to create an enabling trading environment.
- **The Protocol on Competition Policy** – Draft regulation establishing the AfCFTA Competition Network; Draft regulation on the procedures and powers of the AfCFTA Competition Authority; Draft regulation on thresholds for mergers and acquisitions and dominant position; and Draft regulation on the composition and modalities of functioning of the AfCFTA Competition Tribunal.

AfCFTA GUIDED TRADE INITIATIVE

- Launched in 2022, to prepare State Parties for trade under the AfCFTA.
- Objectives:
 - test the operational, institutional, legal and trade policy environment under the AfCFTA
 - allow commercially meaningful trading under the AfCFTA
 - send a positive message to African economic operators about the AfCFTA.
- 38 State Parties participating:
 - **East Africa:** Kenya, Uganda, United Republic of Tanzania and Rwanda
 - **Central Africa:** Cameroon, Burundi, Gabon, Equatorial Guinea, Central African Republic, Democratic Republic of Congo, Republic of Congo and Chad
 - **North Africa:** Algeria, Egypt, Morocco and Tunisia
 - **Southern Africa:** South Africa, Angola, Botswana, Eswatini, Lesotho, Malawi, Namibia and Zimbabwe.
 - **West Africa:** Côte d'Ivoire, Ghana, Nigeria, Senegal, Sierra Leone and Togo; and
 - **Island states:** Cape Verde, Comoros, Mauritius, Madagascar and Seychelles.
- A GTI for trade in services is being discussed.

Insights from the GTI:

- The confirmation that the AfCFTA legal framework is effective, as evidenced by the recorded trades under the GTI.
- The active participation of the private sector is crucial; therefore, sustained business-to-business networking within and among AfCFTA State Parties is necessary to consolidate trade gains.
- There is a need for creative, African-tailored solutions to trade finance, logistics, and transportation challenges.
- The scope of products traded under the GTI has expanded from agricultural products recorded during the initial launch to now include manufactured products such as chemicals, electronics, batteries, and ceramic tiles, demonstrating the continent's potential to drive industrialization.

- Regulatory bodies, including standards bodies, customs authorities, and other trade facilitation agencies, need to cooperate and coordinate their activities to minimize cross-border delays.
- Trade aggregators are needed to integrate MSMEs into continental value chains. So far, four trading companies have been established in Ghana, Egypt, Rwanda, and Kenya. The Secretariat continues to engage other State Parties to establish AfCFTA Trading Companies to perform trade aggregation functions and increase the participation of MSMEs in AfCFTA trading.

- 25 State Parties and 1 REC have adopted Strategies for implementation of the AfCFTA strategies
- 12 countries and RECs are currently in the process of drafting their strategies.
- State Parties are in the process of creating AfCFTA National Implementation Committees

OTHER TOOLS AND INITIATIVES:

- **AfCFTA Online Mechanism for Reporting Monitoring and Elimination of NTBs:**
Available at: <https://tradebarriers.Africa>. 2024 – 2026 NTBs Work Programme adopted
- **African Trade Observatory: Trade information portal** Available at: <https://ato.africa/en/>
- **PAPSS** - for enabling payment transactions and settlements using local currencies.
- **Adjustment Fund** – to help mitigate the impact of tariff reductions
- **AfCFTA Single Bond Guarantee Scheme** – under development to enable goods transit through multiple Countries. Will require development of a regulatory framework for the scheme; a technology platform and Cargo tracking systems.
- **Intra-African Trade Fair and AfCFTA Business Forums (upcoming: Biashara Afrika – 9 – 11 Oct. 2024, Kigali, Rwanda)**

- In June 2024, the AfCFTA Council of Ministers approved the establishment of the AfCFTA Implementation Review Mechanism (AFIRM), the Ministerial Directive on the AFIRM and the establishment of an ad-hoc committee to work on the AFIRM to report to the STOs
- **Overall Policy Goal:** To assess State Parties' compliance with their AfCFTA commitments.
- **Aim of the AFIRM:** AFIRM aims to establish structures, processes, and procedures for tracking, assessing, and sharing the progress and outcomes of AfCFTA implementation.
- **Secondary objectives:** Increased awareness of the provisions of the AfCFTA Agreement by State Parties, private operators, and other stakeholders; Increased transparency of the implementation of AfCFTA provisions; sharing experiences, identifying challenges, proposing solutions, and enhancing the application of AfCFTA provisions, including through implementing domestic legislation.
- **Main outcome:** Accelerated State Parties' compliance with AfCFTA commitments.
- **Main outputs of AFIRM:** State Parties' self-assessment reports, Secretariat compliance assessment reports, Annual Secretary General's Compliance Assessment Report (CAR), follow-up action plans and Dedicated Sessions of the STO.

REVISION OF THE AfCFTA AGREEMENT

- Article 28 of the AfCFTA – State Parties may review the Agreement after 5 years.
- AfCFTA Agreement entered into force on 30 May 2019. The AfCFTA celebrated its 5th anniversary on 30 May 2024.
- The AU Assembly of Feb 2024 recalled Art. 28 of the AfCFTA on monitoring and review of the AfCFTA and directed the AfCFTA Secretariat to take necessary measures for the start of the review of the Agreement.