

# Module1: Understanding and Taking Advantage of AfCFTA

4th Network Meeting of AGI Energy Efficiency Network

Date: June 20<sup>th</sup> 2024



Implemented by



**Dode Seidu**  
Consultant, GIZ Trade Hub  
Chief Executive  
Africa Trade Academy  
+233209901717

[training@africatradeacademy.com](mailto:training@africatradeacademy.com)

# Outline

1

**The African Market Opportunity**

2

**The African Market Challenges**

3

**The AfCFTA Solution**

4

**Market Access Requirements**

5

**AfCFTA Business Opportunities**

6

**How to Succeed in African Markets**



# 1. The African Market Opportunity



Implemented by



# African Market Opportunity

55 different Nations

About 30.3 million  
km<sup>2</sup>

Population Size  
Over 1.4 bn people

Large Arable Land  
40% of the  
continent's land

One-Third Middle  
Class



Gross Domestic Product  
\$3.4trillion in GDP

Population Growth  
2.37%. Will reach  
1.7bn by 2030

\$50bn in annual  
Agricultural Imports

Leapfrog in  
Digitalization

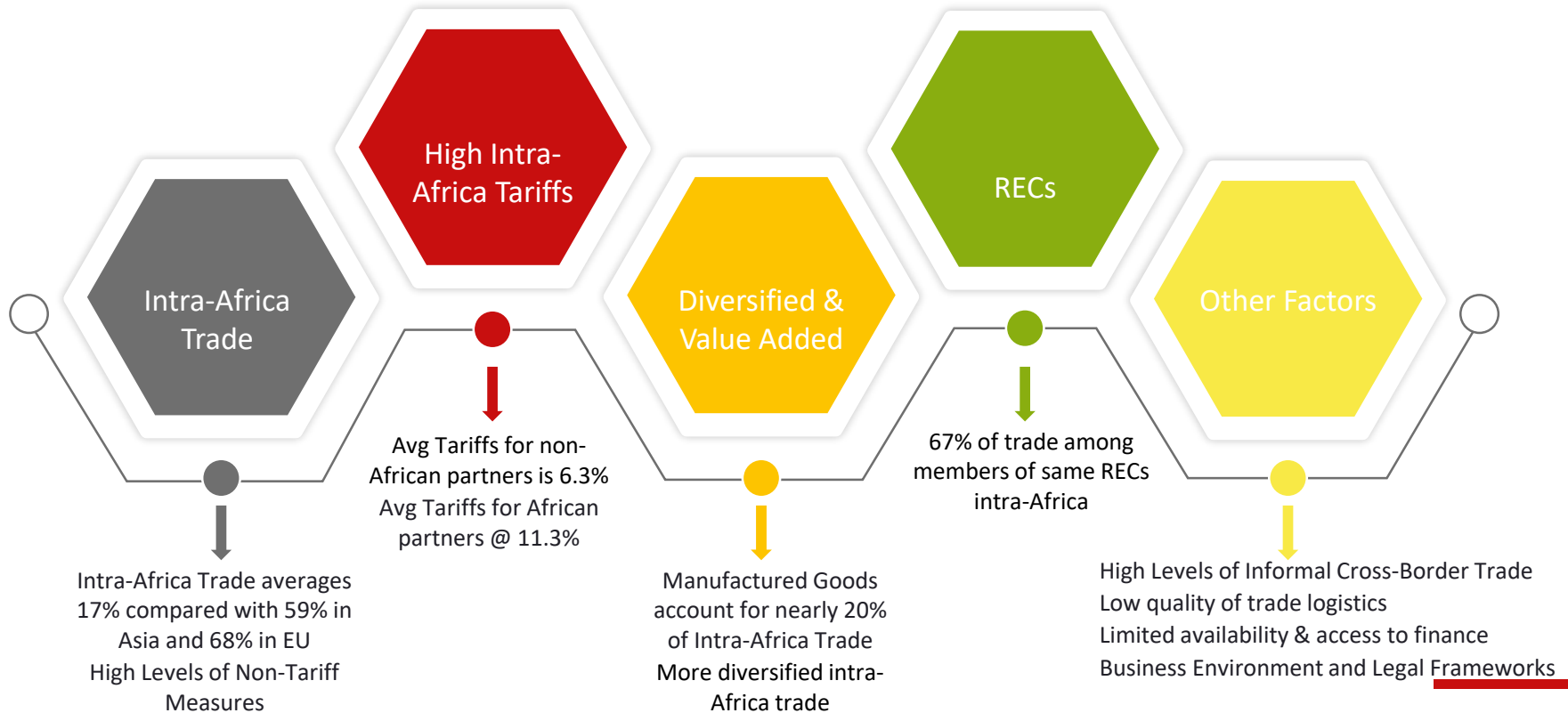
## 2. The African Market Challenges



Implemented by



# State Intra-Africa Trade



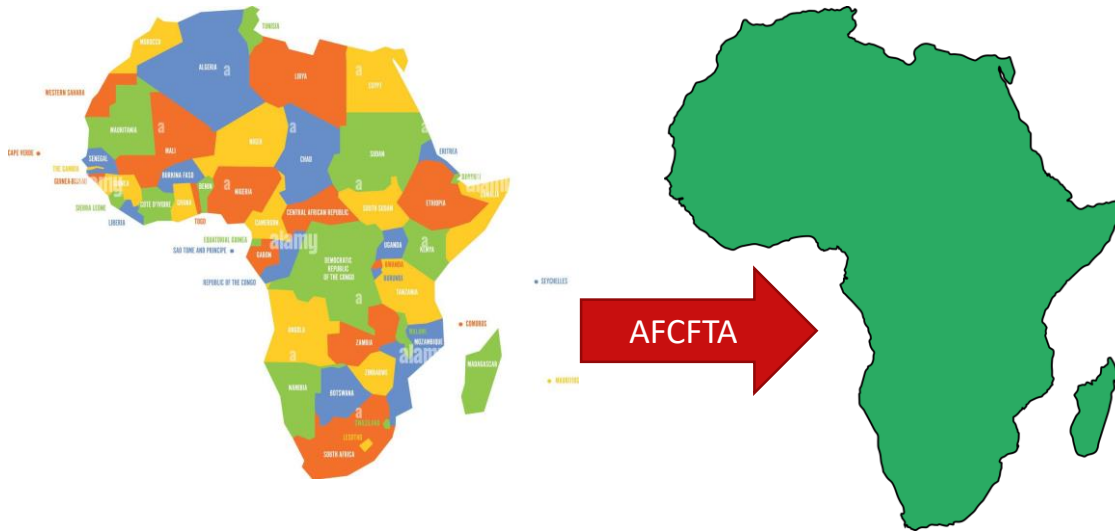
# 3. The AfCFTA Solution



Implemented by



# What is the AfCFTA?



- Create a single market for goods and services
- Reduce/eliminate intra-Africa trade tariffs
- Reduce/eliminate real and imaginary barriers to trade between and among African countries and regional blocks
- Address other barriers to trade and investment on the African continent



# Overview of AfCFTA Agreement

- AfCFTA is a **free trade area**, outlined in the African Continental Free Trade Area Agreement among 54 of the 55 African Union nations.
- It connects 1.4 billion people across 55 countries with a combined gross domestic product (GDP) valued at US\$3.4 trillion and \$6.7 trillion by 2030.
- The Agreement establishing the AfCFTA was signed on 21st March 2018 in Kigali, Rwanda.
- The AfCFTA entered into force on 30th May 2019 and the Operational Instruments governing trade under the AfCFTA regime were launched in Niamey, Niger in July 2019.
- Commercial trading under the AfCFTA commenced in January 2021
- Largest in the world in terms of participating countries since the formation of the World Trade Organization.



Creating One African Market

# Objectives of the AfCFTA

01

Progressively eliminate tariffs and non-tariff barriers to trade in goods

02

Progressively liberalize trade in services

03

Cooperate on investment, intellectual property rights and competition policy

04

Cooperate in all trade-related areas

05

Cooperate on customs matters and the implementation of trade facilitation measures

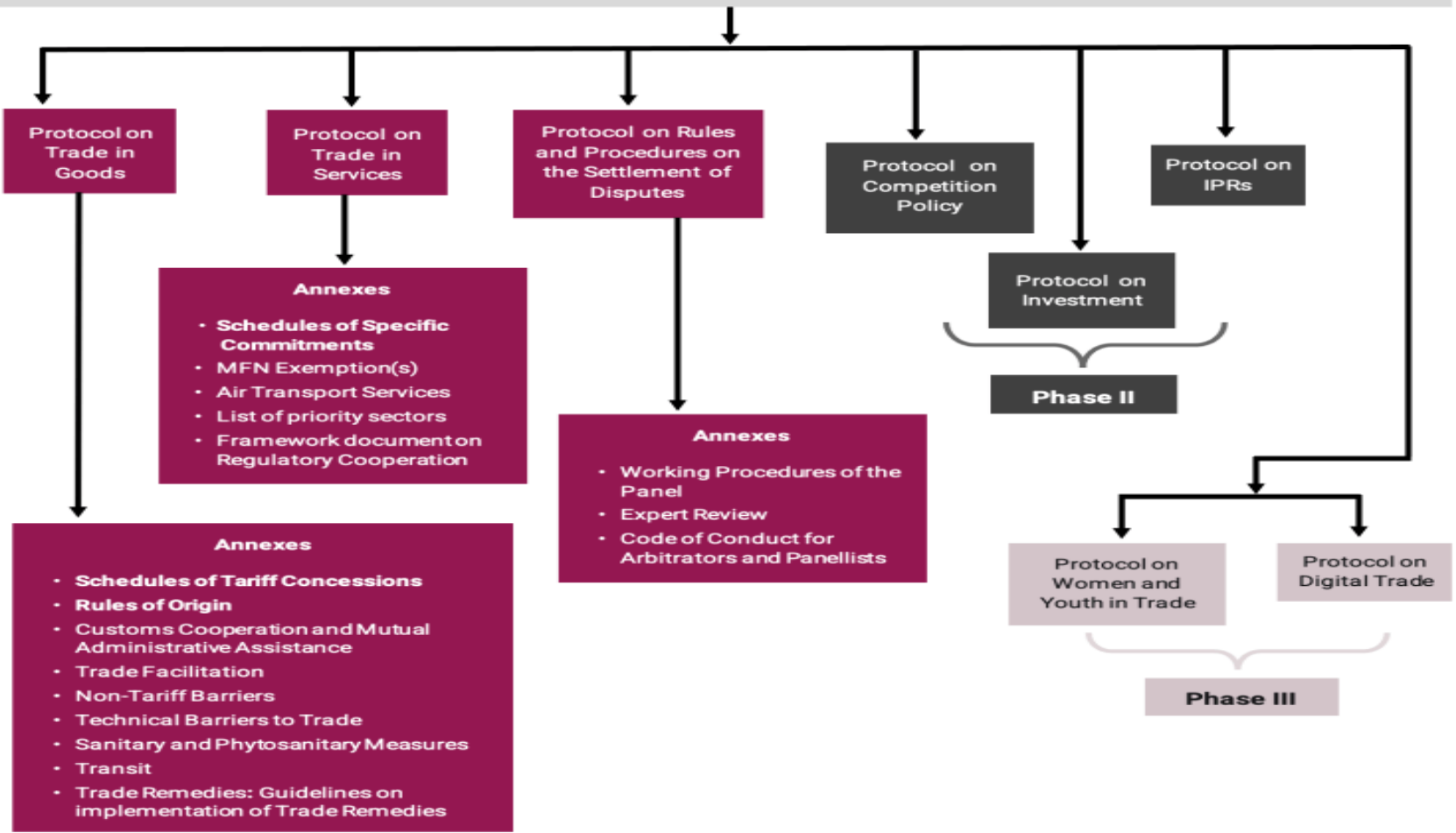
06

Establish a mechanism for the settlement of disputes concerning their rights and obligations

07

Establish and maintain an institutional framework for the implementation and administration of the AfCFTA

# Agreement Establishing the African Continental Free Trade Area (AfCFTA)



# Protocol On Trade In Goods

- a. The principal objective of this Protocol is to create a liberalized market for trade in goods.
- b. The specific objective of this Protocol is to boost intra-African trade in goods through:
  - Progressive elimination of tariffs
  - Progressive elimination of non-tariff barriers
  - Enhanced efficiency of customs procedures, trade facilitation and transit
  - Development and promotion of regional and continental value chains
  - Enhanced cooperation in the areas of technical barriers to trade and sanitary and phytosanitary measures
  - Enhanced socioeconomic development, diversification and industrialization across Africa

# How will duties be reduced?

**Category A: 90% of tariff lines to be reduced over 5 to 10 years\***

**Category B: 7 % of tariff lines to be reduced from year 6 or 10\***

**Category C: 3% of tariff lines Exclusion List reviewed every 5 years**

\* Depends on the classification of the country as LDC and or non-LDC

**34 countries have made Tariff Offers which have been certified by the AfCFTA Secretariat as having met the minimum threshold requirement of 90% of the tariff lines and are ready to commence trading under AfCFTA for tariff lines up to 90%.**

- |                              |                        |                   |
|------------------------------|------------------------|-------------------|
| 1. DR Congo;                 | 13. Equatorial Guinea; | 25. Nigeria;      |
| 2. Egypt;                    | 14. Benin;             | 26. Senegal;      |
| 3. Madagascar;               | 15. Burkina Faso;      | 27. Sierra Leone; |
| 4. Malawi;                   | 16. Cabo Verde;        | 28. Togo;         |
| 5. Mauritius;                | 17. Côte d'Ivoire;     | 29. Mauritania;   |
| 6. Seychelles;               | 18. The Gambia;        | 30. Botswana;     |
| 7. Zambia;                   | 19. Ghana;             | 31. Eswatini;     |
| 8. Gabon;                    | 20. Guinea;            | 32. Lesotho;      |
| 9. Cameroon;                 | 21. Guinea Bissau;     | 33. Namibia;      |
| 10. Central African Republic | 22. Liberia;           | 34. South Africa  |
| 11. Chad;                    | 23. Mali;              |                   |
| 12. Republic of the Congo;   | 24. Niger;             |                   |

# 4a. Trade in Goods-Market Access Requirements



Implemented by



## Market Access Requirements

Market Access Requirements  
Trade in Goods

State Party  
Ratification

Submitted and  
Verified Tariff Offers

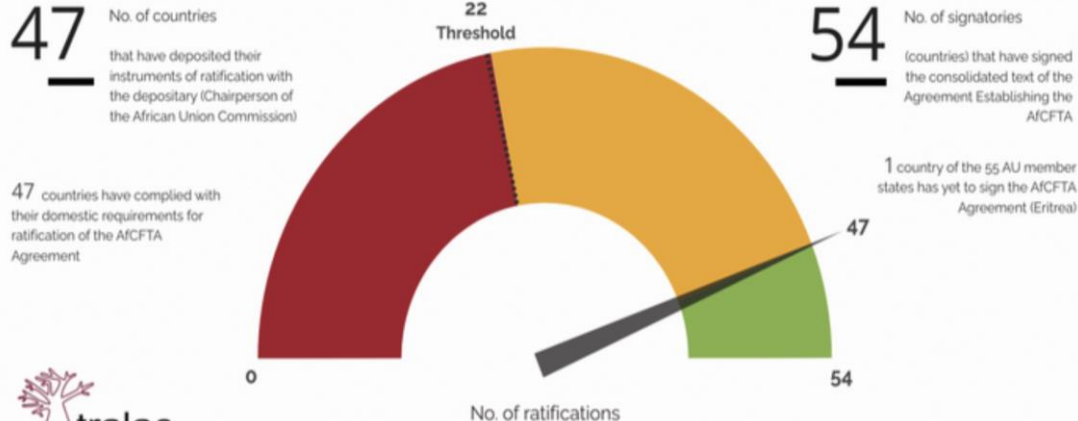
Domestics  
Processes

Rules of Origin



# Countries That Have Deposited Their Instruments Of Ratification With the AUC

## AfCFTA Ratification Barometer



© tralac, 2023

Last updated: September 2023

### Number of ratifications deposited



© tralac, 2023

# AfCFTA Ratifications to Date

1. Ghana
2. Kenya
3. Rwanda
4. Niger
5. Chad
6. Eswatini
7. Guinea
8. Côte d'Ivoire
9. Mali
10. Namibia
11. South Africa
12. Congo, Rep.
13. Djibouti
14. Mauritania
15. Uganda
16. Senegal
17. Togo
18. Egypt
19. Ethiopia
20. Gambia
21. Sahrawi Republic
22. Sierra Leone
23. Zimbabwe
24. Burkina Faso
25. São Tomé & Príncipe
26. Equatorial Guinea
27. Gabon
28. Mauritius
29. Central African Rep.
30. Angola
31. Lesotho
32. Tunisia
33. Cameroon
34. Nigeria
35. Malawi
36. Algeria
37. Zambia
38. Burundi
39. Tanzania
40. Seychelles
41. Somalia
42. Morocco
43. Democratic Republic of Congo
44. Guinea Bissau
45. Comoros
46. Botswana
47. Mozambique

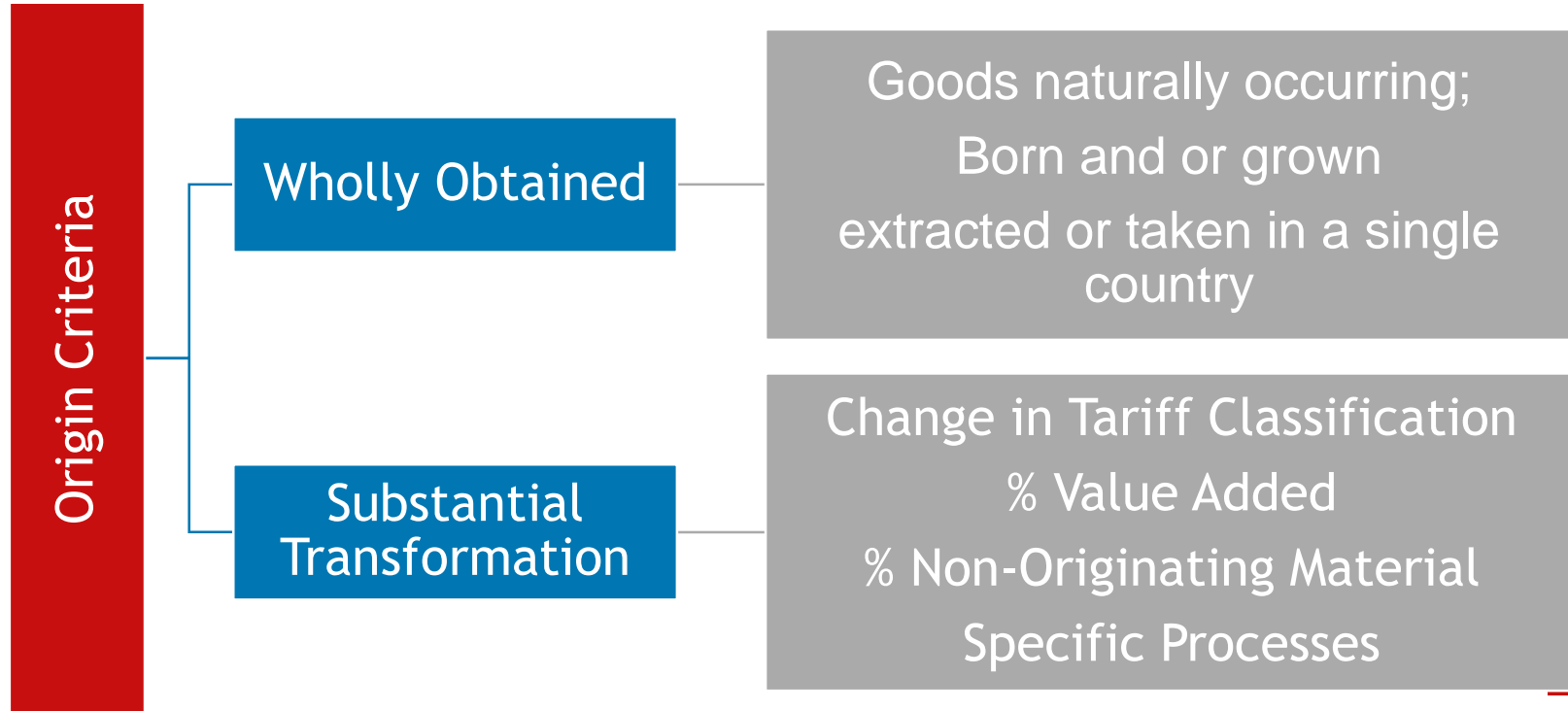


# Rules Of Origin

Rules of Origin are the set of criteria and requirements for determining the geographic and economic origins/nationality of a product which qualifies the product for the tariff applicable and treatment at the border



# Origin Criteria



# Origin Criteria

AfCFTA Rules of Origin are Product Specific based on Appendix IV  
99.3% Rules of Origin Agreement

Cummulation: raw, finished and semi-finished raw materials can be sourced from AfCFTA State Parties

Certain operations are non-qualifying for ROO: e.g. simple labelling, packaging, bagging, canning etc

Qualifying products must be certified by a Designated Competent Authority



Creating One African Market

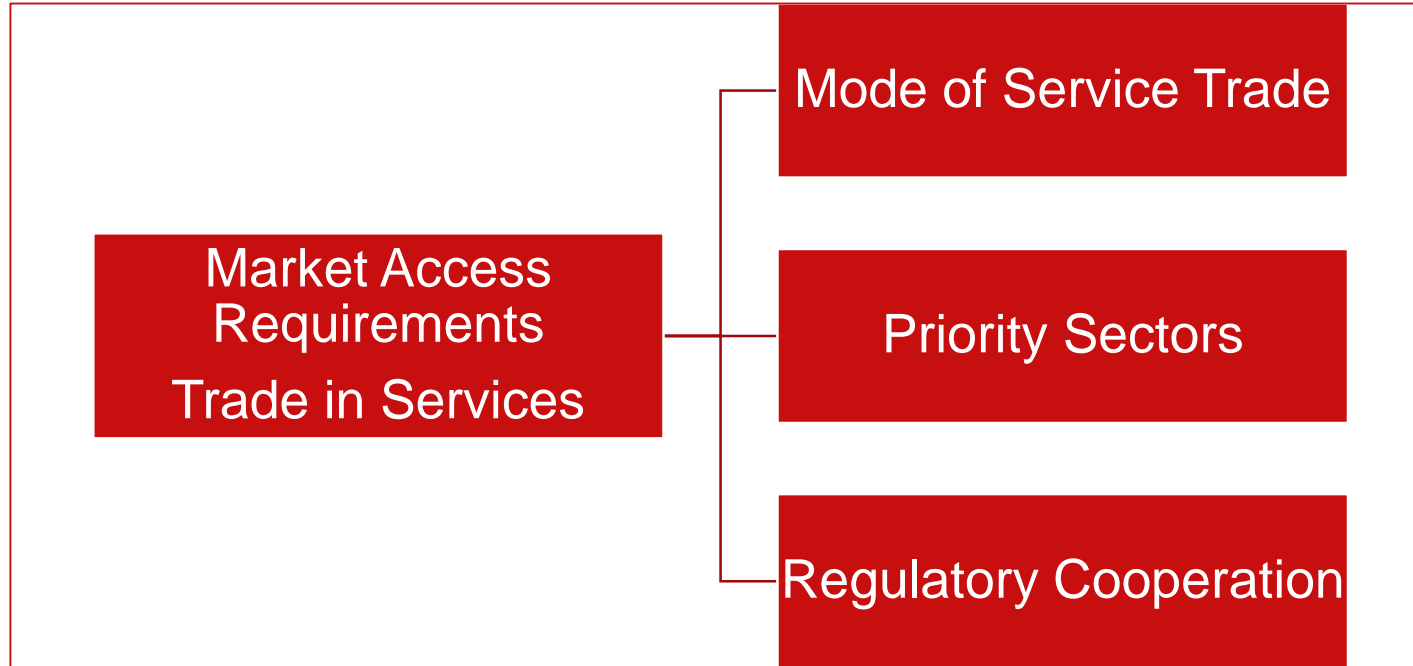
# 4b. Trade in Services-Market Access Requirements



Implemented by



# Market Access Requirements



# Trade in Services

## Mode 1

Cross-border Supply

## Mode 2

Consumption Abroad

**4 Modes of Services  
Trade/Supply**

## Mode 3

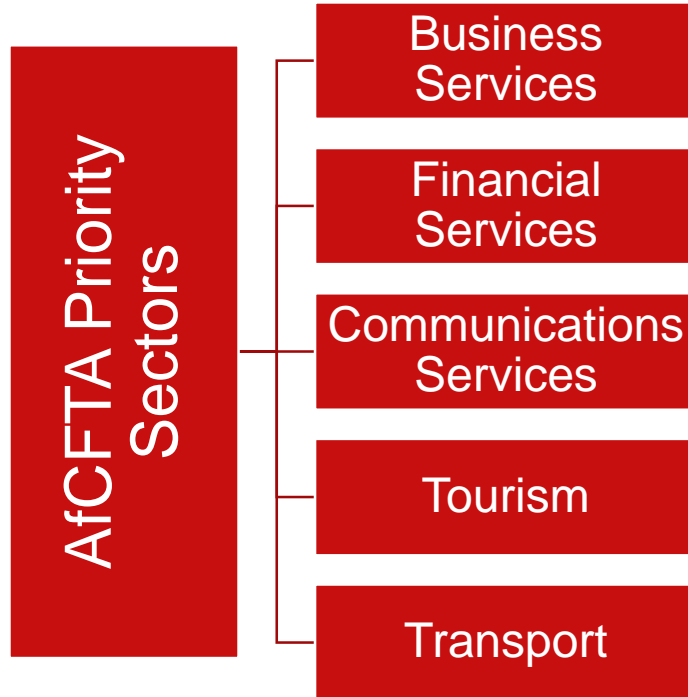
Movement of Natural Persons

## Mode 4

Commercial Presence



# Services Liberalization-Five Priority Sectors



- Each State Party will make a positive indication of sectors and sub-sectors liberalized under each mode of supply
- A sector or sub-sector not listed implies it is not liberalized-'open for investment'

# AfCFTA Implications for Businesses

Reductions in Tariffs to Zero: Tariffs on intra-Africa trade will gradually reduce to zero over 5 to 10 years from start of official trade.

Reduction/Elimination of Non-Tariff Barriers: progressive removal of unjustifiable non-tariff measures through elimination, harmonization and mutual recognition agreements

Market Access: A large market of 54/55 African countries with a population of 1.3bn people and combined GDP of USD3.4 trn

Participation in Regional and Continental Value Chains: The creation of regional value chains in which inputs are sourced from different African countries to add value before exporting

Employees of businesses will have free movement within AfCFTA .

Investment protection under the Protocol on Investment.

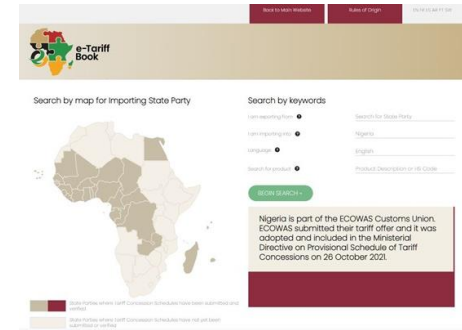
Free movement of capital (transfer of funds).

A dispute settlement mechanism provides a rule-based avenue for the resolution of any disputes that may arise between State Parties in the application of the agreement;

# Operational Instruments of the AfCFTA

## AfCFTA E-Tariff Book/Rules of Origin

- A trade information portal to address hindrances to trade in Africa due to lack of information about opportunities, trade statistics as well as information about exporters and importers in countries. <https://au-afcfta.org/etariff/>



## Non-Tariff Barrier Reporting Mechanism

- The AfCFTA Non-Tariff Barriers online reporting, monitoring and eliminating mechanism is a facility developed to enhance trade through removal of non-tariff barriers to trade (NTBs). <https://www.tradebarriers.africa/>



# Operational Instruments of the AfCFTA

## The Pan-African Payments and Settlements System (PAPSS):

- ⑩ To facilitate payments on time and in full, by ensuring that payments are made in local currency and at the end of the year there'll be net settlements in foreign exchange. With the certainty of payments, there will be confidence in the system.



## African Trade Observatory:

- A trade information portal to address hindrances to trade in Africa due to lack of information about opportunities, trade statistics as well as information about exporters and importers in countries. <https://ato.africa/en>



# Potential Challenges of the AfCFTA

- Possible non-compliance among member states where regional trade agreements are not favourable to the political and business elites and also due to ineffectiveness of compliance mechanisms
- Vast economic disparity (currency, language etc.) that exists among African countries
- Poor physical infrastructure (roads, rail, port facilities as well as telecommunications infrastructure) and digital connectivity
- Less political attention and traction has been given to the component of free movement of people across borders which is essential for creating a more supportive business environment for the AfCFTA to thrive.
- The reduction in trade barriers stemming from the AfCFTA could affect tax revenues for member countries. There is the potential for trade diversion owing to lower tariffs



## Guided Trade Initiative (GTI)

The AfCFTA Guided Trade Initiative (GTI) was implemented with the objectives to:

- test the operational, institutional, legal and trade policy environment under the AfCFTA;
- allow commercially meaningful trading under the AfCFTA; and
- send a positive message to African economic operators about the AfCFTA.

Eight AfCFTA members participated in the in the GTI:

- i. Cameroon,
- ii. Egypt,
- iii. Ghana,
- iv. Kenya,
- v. Mauritius,
- vi. Rwanda,
- vii. Tanzania and
- viii. Tunisia.



## Guided Trade Initiative (GTI)

96 products were traded under GTI including:

- ceramic tiles,
- tea,
- coffee,
- processed meat products,
- corn starch,
- sugar,
- pasta,
- glucose syrup,
- dried fruits, and
- sisal fibre,
- amongst others

In 2023, the AfCFTA Secretariat expanded the scope of the GTI, both in terms of countries and products.

It is expected that in 2024, an additional 24 African countries will be covered by the GTI and start preferential trade under the AfCFTA

South Africa and Tunisia are the latest countries qualified to trade under the GTI since they have implemented Provisional Schedules of Tariff Concessions..



# 5. AfCFTA Business Opportunities



Implemented by





# AfCFTA Business Opportunities

## Manufacturing (Made in Africa)

- By 2035 intra-Africa trade in manufactured goods is expected to increase by 110%
- Automotive: The industry in Africa is expected to grow to more than \$42 billion by 2027.8
- Pharmaceuticals: only 3% of demand is met by intra-African trade, leading to more resilient health supply chains

## Agriculture and Agro-Processing

- Africa spent \$64.5 billion on imported foods in 2017; this figure will exceed \$110 billion by 2025 all things being equal
- Agricultural trade will represent 49% for intra-African trade by 2035
- Intra-African trade in agriculture is expected to increase by 574% by 2030, if tariffs are eliminated under the AfCFTA-WEF

## Services

- Services sectors on average the sector accounts for 55% of real GDP growth in African nations and serves as an important and growing source of employment
- Service sector accounts for just 22% of African trade.
- Transport and logistics: The AfCFTA is projected to increase intra-African trade demand by 28%, with demand for almost 2 million trucks, 100,000 rail wagons, 250 aircraft and more than 100 vessels by 2030-WEF

## Creatives

- Performing arts – live music, theatre, dance, opera, circus, puppetry, etc.
- Traditional cultural expressions – festivals and celebrations
- Design – interior, graphic, fashion, jewelry and toys
- Movie and Film Industry
- New media – software, video games, digitalized creative content
- Creative services – architectural, advertising, creative R & D,

# 6. How To Succeed in African Markets



Implemented by



# How To Succeed In African Markets

## Pick the right entry strategy

The industry you choose to have your presence in will determine your entry strategy.



## Use of informal markets & build partnerships

Understand Africa's informality and utilize it to your advantage  
Build partnerships with the locals;  
align with key influencers;

## Understand the consumer base

Young population, dynamic, low income, but high propensity to spend



## Manage Risks

African Markets are dynamic and fast changing, keep an eye on the market

# Entry Strategies Into African Markets

## Indirect Exporting

Home-country firm relies on a sales agent/trading company to complete the export transaction

1

## Direct Exporting

The home-country firm takes on the export transaction itself

2

## Licensing

The home-country firm licenses a foreign firm to allow it to use its country firm's production process in the foreign country

3

## Franchising

Same as licensing but exerts more control over production & marketing to ensure consistency

4

5

## Subcontracting

The home-country firm contracts with a foreign firm to produce a product to certain specifications

6

## Joint Venture (JV)

The home-country firm establishes a separate firm in the foreign country that is jointly owned by a foreign-country firm

7

## Mergers & Acquisitions

The home-country firm buys part (merger) or all (acquisition) of the shares of an already existing production facility in the foreign country

8

## Greenfield Investment

The home-country firm establishes a brand-new production facility in the foreign country that it fully owns

# 7. How To Practically Trade /Export Under AFCFTA



Implemented by



# How To Practically Trade/Export Under AFCFTA

Have a registered business ●

Have an exportable product ●

Registered with National  
Regulatory Authorities ●

Conducted Market Research  
in Destination Markets ●

Have a buyer/buyers and  
contracts. ●



**Creating One African Market**

● Identify transport and logistic options to deliver your product to the buyer.

● Have knowledge of tariff and non-tariff barriers to your product

● Obtain certificate of origin

● Include certificate of origin and other documentation for export

● Ask your buyer to utilize Pan-African Payments and Settlement System to pay

# Thank You

Merci

Shukran

Enkosi (Xosa)

Asante (Swahili)

Edupe (Yoruba)

Na Gode (Hausa)

Āmeseginalahu (Amharic)

Medaase (Twi)

## Questions?

Dode Seidu. Dean & Chief Executive, +233209901717  
training@africatradeacademy.com