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**3RD MID-YEAR COORDINATION MEETING BETWEEN THE AFRICAN
UNION, THE REGIONAL ECONOMIC COMMUNITIES AND THE
REGIONAL MECHANISMS
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**REPORT ON THE IMPLEMENTATION OF THE AFRICAN
CONTINENTAL FREE TRADE AREA (AFCFTA)**

REPORT ON THE IMPLEMENTATION OF THE AFRICAN CONTINENTAL FREE TRADE AREA (AfCFTA) TO THE 39TH ORDINARY SESSION OF THE EXECUTIVE COUNCIL AND THE 3RD MID-YEAR COORDINATION MEETING

I. INTRODUCTION

1. The African Continental Free Trade Area (AfCFTA) was created by the Agreement Establishing the AfCFTA (the “AfCFTA Agreement”). In accordance with Article 13 of the Agreement, the AfCFTA Secretariat is mandated to handle the rules governing trade between African countries. At the core is the implementation of the Agreement Establishing the AfCFTA, negotiated, signed and ratified by the State Parties. The goal is to ensure that trade is conducted smoothly, predictably and as freely as possible across the continent.
2. This report outlines the activities within the period of December 2020 - October 2021. The Report is divided into three (3) Sections: *Section one* deals with the current status of signature and ratification of the Agreement Establishing the AfCFTA (the “Agreement”); *Section two* addresses status of outstanding negotiations; *Section three* addresses matters related to intergovernmental and private Sector Engagements; and *Section four* makes recommendations as a way forward to build and sustain the momentum for full, timely and effective implementation of the AfCFTA Agreement.

Section one: Current status of signature and ratification of the Agreement Establishing the AfCFTA

3. To date, 54 African Union Member States had signed the AfCFTA Agreement; 42 Member States ratified it, and 39 had deposited their instruments of ratification, demonstrating an unequivocal political will to achieve market integration in Africa.

Section two: Status of negotiations

i. Rules of Origin and Market access

4. On trade in goods, our countries have collectively undertaken commitments to liberalise substantially all trade by eliminating tariffs on 97 percent of tariff lines – over a specified period of time. The remaining 3 percent of the tariff lines – in fact the Exclusion List – are those products on which no reduction in tariffs would be proposed. So far, 43 countries

representing 78% of African Union membership have submitted their tariff offers. We are currently in receipt of tariff offers from 4 Customs Unions, namely the Economic and Monetary Union of Central Africa (CEMAC); the East African Community (EAC); the Economic Community of West African States (ECOWAS) plus Mauritania; and the Southern African Customs Union (SACU). Together, these 4 Customs Unions account for more than two-thirds of all the offers submitted.

5. In accordance with the mandate entrusted to it by the Council of Ministers, the AfCFTA Secretariat continues the work on technical verification of the submitted offers to ensure that they are in compliance with the modalities adopted by the 29th Ordinary Session of the Assembly of Heads of State and Government of the African Union. The AfCFTA Secretariat also continues to provide technical support and capacity building towards preparation and submission of tariff offers. On a needs basis, technical support and capacity building is provided to Member States to ensure compliance with the Negotiating Modalities of the AfCFTA. The Secretariat shall continue to follow up with State Parties and Member States to submit their tariff offers.
6. At their 7th Meeting held in Accra, Ghana on 10 October 2021, the Council of Ministers responsible for Trade approved a Ministerial Directive aimed at ensuring the implementation of the Decision of the Assembly of Heads of State and Government of the African Union on the start of preferential trade under the AfCFTA. The Ministerial Directive will allow the start of preferential trade under the AfCFTA on the basis of the 28 technically verified offers that meet the minimum threshold of 90% of the tariff lines as well as other offers which will meet the 90 % threshold at a later stage.
7. On Rules of Origin negotiations, about 87% of the tariff lines have been agreed upon. At the 7th Meeting of the Council of Ministers, Ministers of Trade endorsed the provisional application of Rules of Origin in existing trade regimes of Regional Economic Communities (RECs), pending the adoption of all outstanding issues in the Rules of Origin negotiations, in line with Article 42(3) of Annex 2 of the Protocol on Trade in Goods. In this regard, Ministers requested the AfCFTA Secretariat to develop guidelines for such application.

ii. Trade and Services

8. On Trade in Services, there have been significant advancements in the implementation of the objectives of the Protocol on Trade in Services. So far, the Secretariat has received 42 initial submitted by State and non-State Parties, covering the five priority sectors. Some State and non-State Parties, namely members of CEMAC, EAC, and ECOWAS, have all presented consolidated Offers as part of this process.

9. To assist State and non-State Parties in revising and submitting improved offers that are compliant with both the Trade in Services Protocol and the Negotiating Guidelines, the AfCFTA Secretariat has undertaken a review of all offers submitted by State and non-State Parties. The Secretariat will continue to do so until all offers have been reviewed and verified.

iii. Phase II negotiations

10. Negotiations on Phase II are at different stages: On 3rd May 2021, the AfCFTA Council of Ministers responsible for Trade, established the Phase II Committees to facilitate negotiations on the Protocols on Investment; Competition Policy; Intellectual Property Rights; E-Commerce; and Women and Youth in Trade.

Section three: Status of Implementation

i. Operationalization of the AfCFTA

a. Structure of the AfCFTA

11. It will be recalled that the Assembly vide Decision Assembly/AU/Dec.751(XXXIII) “DIRECTED the AfCFTA Council of Ministers and relevant Policy Organs of the AU to finalize consideration of the Draft Organizational Structure, including the appropriate functions of the appointed directors and the adequate number of the Permanent Secretariat of the AfCFTA”. Accordingly, and following the presentation of the said structure to the relevant Policy Organs, the AfCFTA structure is before you for consideration and adoption. Here, I wish to emphasise on the urgent need of the Secretariat to start recruiting its staff. At the moment, the Secretariat is functioning mainly because of the generous provision of financial and human resource of the Republic of Ghana and the secondment of staff from Member States and African international organisations. While this is commendable, it deprives the secretariat of a permanent structure to effectively deliver on its mandate.

In this regard, I wish to propose your Excellences the approval of the Phase II structure of the AfCFTA Secretariat comprising of 296 staff, under a phased 4 year recruitment process.

b. Customs operations

12. The AfCFTA Agreement under Article 4 provides for cooperation on customs matters for implementation of trade facilitation measures. Annex 3 of the AfCFTA Agreement on Customs co-operation and mutual administrative Assistance also sets out details aimed at improving the regulations of trade flows, enforcement of applicable laws within State Parties, and Mutual Administrative Assistance.

13. In recognition of the critical role of Customs in achieving the goals and objectives of the AfCFTA, the 4th Meeting of Council of Ministers approved the establishment of the AfCFTA Committee of the Director Generals of Customs. The Council of Minister also established the Sub-Committee on Customs Cooperation, Trade Facilitation, and Transit.

c. Dispute Settlement Mechanism

14. The AfCFTA Secretariat has taken additional steps to ensure that work to operationalize the Dispute Settlement Mechanism to accompany the commencement of trading under the AfCFTA begun in earnest. The Dispute Settlement Body (DSB) was specifically tasked with the surveillance of implementation of the AfCFTA under Article 20 of the *Agreement Establishing the AfCFTA* as elaborated by the Protocol on Dispute Settlement.

15. Besides establishing the Appellate Body as a standing tribunal to hear appeals from cases adjudicated by Panels, we have invited the State Parties to nominate experts to the Indicative List of Panelists. The Dispute Settlement Body is the heart of the Agreement; it sends a very strong signal to investors that Africa is committed to abide by the rules of the AfCFTA.

Recruitment of Secretariat Staff

Excellencies, I wish to recall that the Phase-1 structure of the AfCFTA Secretariat was approved in December 2020. This structure has 31 positions in it. Eleven (11) out of the thirty-one (31) positions have been filled. The filled positions among others, include three Director positions, namely: Director Trade in Goods; the Director Trade in Services and the Director of Administration and Human Resources Management. In light of the delays associated with improvements that were being made to AU's new Merit Based Recruitment System (MBRS) by the AUC and the R10 Committee, a number of senior management positions were only advertised as soon as the system was ready in May 2021. However, notwithstanding this delay, I am now pleased to report that the recruitment of the remainder of the vacant positions in the Phase-1 structure is underway, and will be completed by end the November 2021.

ii. Collaboration with Regional Economic Communities

16. The AfCFTA Agreement acknowledges the role of the Regional Economic Communities “as building blocks towards the establishment of the African Continental Free Trade Area (AfCFTA)”. It further emphasizes the need to “consolidate and build on achievements in services liberalization and regulatory harmonization at the Regional Economic Community (REC)”.

17. The implementation of the AfCFTA will likely influence future trade policies of the RECs. In this regard, effective collaboration between the RECs and the AfCFTA Secretariat is necessary

to ensure that the AfCFTA outcomes are consistent with regional advancements in trade integration made thus far. Various steps have been taken by the Secretariat towards strengthening this collaboration.

18. The first Coordination Meeting of the Heads of the RECs on the Implementation of the AfCFTA was convened in Accra – Ghana in a hybrid format on 20 September 2021. *With a view to enhancing the collaboration between the Secretariats of the AfCFTA and the RECs in the implementation of the AfCFTA through the adoption of an Action Plan for Collaboration, the Meeting requested to the AfCFTA Secretariat to convene a meeting to review the Draft Action Plan for Collaboration on the basis of the comments provided by RECs.*

Section four: Private Sector Engagement

19. The key to delivering impact and economic recovery in the post-pandemic world will be 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. Agenda 2063 also emphasizes the need to accelerate Public-Private Partnership (PPP) in Africa. The AfCFTA has set to achieve this goal through Value Chains Development, the operationalization of the Adjustment Facility, the Pan-African Payments and Settlements System (PAPSS), Launch of the AfCFTA Business Forum and Intra-Africa Trade Fair (IATF).

i. Value Chains Development

20. The potential for value chains development is critical to the implementation of the AfCFTA. Article 3 (g) of the AfCFTA Agreement sets the objective to “*promote industrial development through diversification and regional value chain development, agricultural development and food security*”.
21. In the implementation of the AfCFTA Agreement, and taking into account the importance of the private sector involvement, the AfCFTA is finalizing a *private sector engagement strategy* that prioritizes specific value chains with the potential to boost intra-Africa trade and promote production. These value chains should be able to promote inclusivity, Small, Micro and Medium Enterprises (SMMEs), women, and youth participation as part of our plans to confront inequality, poverty, and unemployment.

ii. The operationalization of the Adjustment Facility

22. There is no doubt that the AfCFTA will create significant general and long-term benefits across the continent and stimulate structural transformation. However, as with any major trade liberalization regime, the AfCFTA Agreement will also introduce near-term disruptions as tariff revenues by State Parties are reduced, industrial sectors are disordered, businesses and supply chains are reorganized, and employment is dislocated – often in ways that cannot be anticipated. It is estimated that funds that are required to ensure uninterrupted implementation of the AfCFTA and to eliminate the adjustment cost, will amount to \$7.7 billion over the next six to ten years.
23. In this regard, the Assembly by Decision Ext/Assembly/AU/ Decl.1(XII) of July 2019 committed to establishing an adjustment Facility (the “Facility”). As directed by the 4th Meeting of the Council of Trade Ministers of 2nd February 2021, the AfCFTA Secretariat is working with Afreximbank to establish an Interim Adjustment Facility (the “Interim Facility”). I am also pleased to report that the Afreximbank, as approved by its Board, has pledged a contribution of USD \$1 billion towards this effort.
24. The AfCFTA Adjustment Facility will address structural changes that may be required and supports State Parties to address revenue shortfalls. The Facility is expected to have three (3) components: The **Credit Fund** (debt financing); the **General Fund** (funds received from public and private individuals, and entities and offers of concessional financing and other loans); and the **Base Fund** (through the voluntary contribution of State Parties and other partners). It shall be part of the AfCFTA Secretariat in Accra, Ghana while the Afreximbank serves as the Fund Manager of the Facility. The Secretariat of the AfCFTA is currently finalizing the operationalization of the Facilities.

iii. Pan-African Payments and Settlements System (PAPSS)

25. By Decision Ext/Assembly/AU/Dec.1(XII), the 12th Extra-Ordinary Session of the Assembly of Heads of States and Governments held in July 2019, launched the Pan-African Payments and Settlements System (PAPSS). The PAPSS is a revolutionary Financial Market Infrastructure that enables payment for intra-Africa trade in national currencies, thereby reducing the foreign currency transfer costs and time for the settlement of cross-border payments. By simplifying cross-border transactions and reducing the dependency on hard currencies for these transactions, PAPSS is set to boost intra-African trade significantly and underpin the implementation of the AfCFTA.
26. The launching of the PAPSS by the Heads of States and Governments is an exemplary system of Public-Private Partnership (PPP) for the operationalization of trading under the AfCFTA. It puts in place a platform and infrastructure for the efficient conduct of cross-border

payments developed through the support of the African Export and Import Bank (Afreximbank).

27. The pilot for PAPSS is focused on the West African Monetary Zone (WAMZ) and as directed by the Council of Ministers, the AfCFTA Secretariat is working with the Afreximbank and African Central Bank Governors to develop a regulatory framework on cross-border payments to support the operationalization of the PAPSS.

iv. Launch of the AfCFTA Business Investment Forum

28. Consolidating Africa into one trade area provided great opportunities for entrepreneurs, businesses, and consumers across the continent, unlocking trade and manufacturing potentials, enhancing industrialization in Africa. The implementation of the AfCFTA Agreement and the start of commercial engagements for meaningful trading under the AfCFTA only comes to life with the involvement of the businesses Sector.
29. In leading such engagements, the maiden AfCFTA - Business Investment Forum was launched on 3 August 2021 by H.E. João Manuel Gonçalves Lourenço, President of the Republic of Angola. The aim of the Forum is to further expand bilateral business relations through the promotion of two-way investment and mutually complementary partnerships in the relations between the two countries, whilst the Secretariat provides a meaningful platform for engagement. AfCFTA will continue to provide a platform for business to government engagements through the Bilateral Business- Investment Forums. We will seek opportunities to support respective governments' engagements with the private sector.

v. Intra-Africa Trade Fair (IATF)

30. Last but not least, the 2nd IATF (IATF 2021) will be hosted by the Republic of South Africa in Durban, South Africa from 15 to 21 November 2021 under the theme “*Bridging Bridges for a Successful AfCFTA*”. This bi-annual trade show is convened by the African Union, the AfCFTA Secretariat, the African Export-Import Bank (Afreximbank), and the government of the host country, otherwise referred to as the IATF Advisory Council.
31. The overall aim of the IATF is to boost intra-African trade by filling existing trade and market information gaps that negatively affect the level of trade within the continent. The IATF is a platform that allows key trade stakeholders and players to share information and best practices on trade, investment, and markets; provides a unique opportunity for government, selected buyers, investors, entrepreneurs, and product manufacturers to discuss relevant trade-related policy issues and opportunities; and offers exhibitors an opportunity to showcase their goods and services and conclude deals.

Section four: Challenges and Recommendations

32. In light of the above developments, the Council of Ministers Responsible for Trade that was held on 10 October 2021, in Accra, Ghana, recommended the convening of an Extraordinary Session of the Assembly of Heads of States & Government of the AU, on the AfCFTA before end of this year. The proposed Extraordinary Session of the Assembly of Heads of States & Government is important as it will ensure that decisions that are taken allow trading documents to be validated by the Heads of States.
33. ***The proposed Extra-Ordinary Session on the AfCFTA would consider the following agenda items:***
- a. Report of the Leader and Champion of the AfCFTA;***
 - b. Report on progress being made in the operationilisation of the AfCFTA Secretariat;***
 - c. Progress Report on the Pan-African Payments and Settlement System (PAPSS);***
 - d. Operationalization of the AfCFTA Adjustment Fund;***
 - e. Adoption of relevant instruments for the start of trading (Rules of Origin and Schedules of Tariff Concessions); and***
 - f. Adoption of the Phase II Organizational Structure of the AfCFTA.***
34. As I conclude, I would like to emphasise that the COVID-19 pandemic continues to ravage economies around the world, and our continent is no exception. To accelerate recovery, many developed countries have introduced large stimulus packages in order to re-inject growth in their economies. Very few African countries have the fiscal or monetary policy space to provide such significant stimulus packages.
35. Meanwhile, there are ways in which we can accelerate Africa’s economic recovery – and may be build a stronger, more robust, more competitive post-COVID environment for business, growth and job creation. To achieve this, the implementation of the AfCFTA Agreement is essential. Boosting intra-Africa trade will contribute to Africa’s economic recovery, Africa needs to trade with Africa in order to increase our competitiveness in terms of global trade.

I thank you.

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