

The African Continental Free Trade Area

Development for all 55 African Union Member States through a unified African market

The challenge

Although growth in Africa is forecasted at an average of 3.6% for 2019–20, with the world’s fastest growing economies being on the continent, there is still much to be done. Africa is still heavily reliant on commodity and agricultural exports while importing capital goods or food products predominantly from outside the continent. With a global trade share of less than 3%, export diversification has yet to be achieved, as many African countries still rely on rents from extractive exports, whilst falling behind on industrialization efforts. Against this backdrop, intra-african trade remains below its potential, accounting for about 17% of the total African trade volume in 2017. In contrast, in North America intracontinental trade accounts for 51% of exports, in Asia for 49%, in Latin America for 22% while among Western European countries this number reaches 69%. Although some Regional Economic Communities (RECs) have achieved improvements in trade integration through tariff reductions, the African market remains fragmented. Non-tariff barriers such as uncoordinated bureaucratic procedures, long waiting times at the border or lengthy and cumbersome export requirements raise trade costs on the continent. As a result, Africa has integrated with the rest of the world faster than with itself.

Our approach

With the Treaty of Abuja in 1991, the Member States of the Organization for African Unity (OAU) agreed on a road map for the creation of a common African market. To accelerate the implementation of the Abuja Treaty and strengthen regional integration, the African Union (AU) Trade Ministers agreed to establish an African Continental Free Trade Area (AfCFTA). The AfCFTA has since been a flagship programme of the AU and AfCFTA negotiations were launched in June 2015.

Out of overall 55 Member States of the AU 44 states signed the Agreement in March 2018 at the AU Extraordinary Summit in Kigali, Rwanda. Phase I of negotiations covers trade in goods, trade in services and dispute settlement. Phase II will cover investment, competition policy and intellectual property rights. Outstanding issues of Phase I such as tariff schedules, rules of origin and specifics on trade in services are yet to be completed. At the same time, the Kigali summit kicked off the ratification process of the AfCFTA, with an increasing number of AU Member States ratifying the Agreement in their national parliaments and depositing the instruments of ratification with the AU. 22 ratifications are necessary for the AfCFTA to come into force.

Project Name	Support to the African Continental Free Trade Area (AfCFTA)
Commissioned by	Federal Ministry for Economic Cooperation and Development (BMZ)
Lead executing agency	Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH
Partner Organisation	African Union Commission
Budget	EUR 9 Million
Duration	02/2017 – 01/2021

AfCFTA goals:

- Continental common market with free exchange of goods, services and free movement of people
- More trade in Africa through trade liberalization and harmonization of customs procedures
- Improved competitiveness of African companies through scale production and better use of resources
- Added value, diversification and employment





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GIZ supports the AU Commission (AUC), specifically AUC's Department of Trade and Industry (DTI), in BIAT and AfCFTA related activities. The project advises the AUC Trade Commissioner on strategic policy and advocacy issues by seconding a regional trade policy advisor to DTI's structures. It also supports the AfCFTA Negotiation Unit by seconding a customs cooperation and trade facilitation expert for the preparation of the negotiations. Outstanding negotiation issues of Phase I for trade in goods and trade in services are being supported by a range of mechanisms, e.g. by providing tailor made technical consultancy expertise, by organising trainings, seminars and workshops or by selectively rendering financial support.

In addition, GIZ is cooperating with a number of institutional partners on specific AfCFTA related topics. The cooperation with ITC's SheTrades Initiative aims to embed a gender sensitive approach into the negotiating process. Joint efforts with the United Nations Economic Commission for Africa (UNECA) and the Trade Law Centre (TRALAC) are aimed at raising awareness and disseminating information. Furthermore, a close cooperation with the RECs East African Community (EAC), Economic Community of West African States (ECOWAS) and the Southern African Development Community (SADC) is envisaged to ensure the continental and the regional levels are linked. The program is targeting AfCFTA related topics such as stakeholder involvement, industrialisation, Special Economic Zones, Green Economy or eCommerce. In a rapidly changing Africa, a trade agreement that reflects current socioeconomic realities is needed to provide a solid foundation for economic integration across the continent.

Impact and Outlook

Long term effects of a continental free trade agreement can only be measured after the effective implementation of the AfCFTA. DTI has already been strengthened through strategic consulting and capacity building. In the long run, pan African free trade will bring significant advantages for the continent. Through the removal of trade barriers, such as complicated handling procedures at borders, high intra regional trade costs can be reduced. Market access and the competitiveness of regional companies and products are being improved. Countries with small domestic markets can thus make better use of existing trading potentials and create new markets on the continent. Companies that are disproportionately affected by barriers to trade profit particularly from the changed trading system. In the long term, the AfCFTA agreement aims to increase intra African trade from 10.2% in 2010 to 15.5% in 2022. Overall, the agreement will also have a positive impact on poverty reduction. The resulting economic growth creates jobs and new income opportunities. Consumers benefit from lower prices as well as a higher variety of goods and services, and the general African population will be able to enjoy free movement across the continent.

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