

The African Continental Free Trade Area

EAC Component

Background

Despite being endowed with diverse natural resources, Africa has not been able to fully industrialize and achieve structural transformation. It is against this background that the African Continental Free Trade Area (AfCFTA) seeks to create a major economic and technological transformation at the national and regional level through furthering regional integration across the continent. It seeks to address the development challenges of Africa by progressively moving from factor-driven to an investment- and efficiency-driven growth and ultimately to high growth driven by knowledge, innovation and business sophistication.

Currently, trade among African countries accounts for about 13 percent of their total trade, a considerably lower figure than trade within other regions, including Europe and North America, which have intra-regional trade rates at over 60 percent. The United Nations Economic Commission for Africa (UNECA) estimates that the AfCFTA could increase trade between African countries by as much as US\$35 billion, an increase of more than 50 percent by 2050, from current levels. One of the commonly cited obstacles impeding intra-African trade is the lack of information on trade rules, like market access conditions for goods and services, sanitary and phyto-sanitary (SPS), technical standards authorization.

The challenge

The East African Community (EAC) shares these challenges and its trade with the rest of Africa is still low. The AfCFTA is expected to directly impact on EAC's trade relations with Africa especially with countries that are not members of EAC, SADC and COMESA. Indications from the Regional AfCFTA Implementation Strategy for the EAC, where stakeholders from the business sector were interviewed show that there is low access to relevant information on the AfCFTA and low or moderate awareness of the AfCFTA's

potential benefits as a result of limited private sector engagement in the AfCFTA process.

Our approach

There has been considerable progress in the EAC region on the AfCFTA with input from GIZ. So far, a joint offer for Trade in Goods and an initial offer for Trade in Service have been developed and submitted to the African Union Commission. Capacity building with regards to the AfCFTA has been facilitated on a request basis by national consultants. Policy briefs on the AfCFTA have been developed for four Partner States (Rwanda, Uganda, Tanzania and Kenya). The Partner States are currently in the process to finalize the outstanding negotiations and preparations for the implementation of the AfCFTA.

Project name	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 in EAC	East African Community Secretariat (EACS)
Total Programme Budget	EUR 48 million (as of 05/2022)
EAC Component Budget	Up to EUR 1 million
Overall Programme Duration	08/2020 – 08/2024

Partner structure in EAC

The political partner of the EAC component is the EAC Secretariat and within it the Department of Customs and Trade (on Phase I,



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Trade in Goods and Services), Investment (phase II issues), Gender and Competition (phase II issues). On the private sector side, the component works with the East African Business Council (EABC) in order to foster stakeholder engagement with the AfCFTA processes.

Areas of support in the EAC

GIZ continues to support the EAC in the AfCFTA process by providing both technical and financial support in the following areas:

Trade in Goods (TiG): To support trading under the AfCFTA, GIZ is supporting the EAC in producing a simplified, user-friendly and well-illustrated guide on AfCFTA trade and trade-related rules. This way, the EAC business community becomes familiar with the objectives, rules and procedures of the AfCFTA market. Support is given to EAC Partner States in the preparatory work for implementation and finalization of outstanding negotiations on trade in goods.

Trade in Services (TiS): The project supports EAC Partner States in the preparatory work for negotiations and finalization of outstanding areas on Trade in Services as well as additional commitments in Trade in Services including conducting an EAC regional study on Trade in Services for the AfCFTA.

Investment, Competition, E-Commerce: The project supports EAC Partner States in their preparatory work for negotiations on the areas of Investment, Competition and e-Commerce by a range of mechanisms such as capacity building and undertaking scoping studies.

Stakeholder engagement: GIZ partners with the EAC in its efforts to sensitize the business community and the general public in advance to ensure that key stakeholders, including SMEs, effectively participate and benefit from the AfCFTA. GIZ awareness-raising efforts on the AfCFTA are specifically targeting the civil society and the private sector and engaging with female cross-border traders and traders associations.

GIZ will also contribute to strengthening the technical and administrative capacities of the EAC Secretariat for it to more effectively play its coordination role in fostering coordinated negotiations and the realization of the AfCFTA at regional and national level.

Challenges

The primary challenge faced by the EAC in the AfCFTA implementation is to address the potential negative impact on sectors that

will be affected by tariff dismantling due to different level and priorities of Partner States.

A further challenge is presented by the different national processes, priorities, and resources of the individual Partner States. Delays in amendments of regional and national legislation to conform with the AfCFTA are to be expected.

A further challenge is the low awareness of stakeholders on the AfCFTA and its implementation status. There is a lack of knowledge among stakeholders on the benefits for ownership and maximization of opportunities under the AfCFTA.

The benefits

The tangible benefits likely to accrue to the East African business community resulting from trading under the AfCFTA with GIZ support include reduced information asymmetry and awareness of key stakeholders to fully prepare and reap benefits of the AfCFTA, access to relevant practical trade information will enable the private sector, particularly SMEs, women and youth traders to be more price competitive and fully exploit the trade opportunities under trade agreements such as the AfCFTA.

The support to private sector and civil society dialogue platforms and forums on topical AfCFTA issues will increase networks and enhance business to business match-making and joint sourcing of raw materials. AfCFTA trading rules may facilitate or constrain EAC Partner States in applying policies or regulations that are business supportive. It is therefore important that GIZ in the EAC supports private sector and civil society engagement in the AfCFTA process to enable them to be part of the process and take advantage of the benefits of the AfCFTA.

An example from the field

East African Community (EAC) Partner States negotiated AfCFTA as a bloc and are among the 54 AU Member States that have signed the Agreement. The negotiations on the AfCFTA have been comprehensive, currently Member States are developing and finalizing their tariff offers and commitments in Trade in Services under the AfCFTA.

Capacity building and consultative workshops on AfCFTA have been facilitated on a request basis to build capacity of the stakeholders on the entire AfCFTA process and their role in the negotiations and implementation of the AfCFTA, assist them in their preparation and finalization of their national positions in the EAC offers and help them to identify their offensive and defensive interests for the AfCFTA negotiations

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