

# THE ROLE OF TRADE FACILITATION IN ACCELERATING THE AFCFTA

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# PRESENTATION OUTLINE

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- ❑ Trade Facilitation
- ❑ African Continental Free Trade Area (AFCFTA)
- ❑ Specific Objectives of the AFCFTA
- ❑ AFCFTA in Numbers
- ❑ Kenya's AfCFTA Status
- ❑ Kenya's AfCFTA Implementation Strategy
- ❑ Challenges Implementing the AfCFTA
- ❑ Relationship between Trade Facilitation and the AFCFTA
- ❑ Policy Recommendations
- ❑ Question and Answer Session

# TRADE FACILITATION

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## ❑ What is Trade Facilitation?

“the simplification, modernization and harmonization of export and import processes”

## ❑ What is the benefit of implementation of the TFA?

- a) Reduced delays and other more efficient procedures
- b) Lower transaction costs
- c) Transparency
- d) Increased country competitiveness
- e) Lower cost of living
- f) Saving of costs due to less documentation

**Example of Kenya Single Window:** estimated cost savings of 10 billion per year to Kenyan economy

- ❑ Trade Facilitation will help accelerate intra-Africa trade which is at 16% through reduction of non-tariff barriers such as: unexpected changes in regulations, re-testing of goods at destination, immigration barriers, repetitive and illegal check points, corruption, inefficient border operations, requirement for pre-shipment inspections, VAT for goods on transit, non-recognition of certificates of conformity, inconsistent customs procedures

# AFRICAN CONTINENTAL FREE TRADE AREA

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- ❑ The AfCFTA is a free trade area that is bringing together 54 African countries to create a single continent-wide market for goods and services and to promote the movement of capital and natural persons
- ❑ The Agreement Establishing the African Continental Free Trade Agreement (AfCFTA) entered into force on 30 May 2019 when 24 countries had ratified the agreement.
- ❑ The free trade area is the largest in the world in terms of number of participating countries (54 Countries) in the world since the formation of the World Trade Organization.
- ❑ The operational phase of the AfCFTA was launched by the African Union in Niamey, Niger on 7 July 2019.
- ❑ Entered force May 30<sup>th</sup> 2019
- ❑ Trading on the agreement kick off January 1, 2021 however this did not take off due to the current pandemic.
- ❑ Negotiations on some important aspects of the agreement such as rules of origin, competition, intellectual property and investment are yet to be finalized.

# SPECIFIC OBJECTIVES OF THE AFCFTA

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- ❑ **Eliminate tariffs and non-tariff barriers to trade in goods**
- ❑ Liberalise trade in services;
- ❑ Cooperate on investment, intellectual property rights and competition policy;
- ❑ Cooperate on all trade-related areas;
- ❑ **Cooperate on customs matters and the implementation of trade facilitation measures;**
- ❑ Establish a mechanism for the settlement of disputes concerning their rights and obligations; and
- ❑ Establish and maintain an institutional framework for the implementation and administration of the AfCFTA.

# AfCFTA IN NUMBERS

- ❑ 1.3 billion people across 55 African Countries
  - ❑ Combined GDP valued at US\$3.4 trillion.
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- ❑ 30 million people lifted out of extreme poverty
  - ❑ Raise the incomes of 68 million others who live on less than \$5.50 per day.
  - ❑ Trade facilitation measures that cut red tape and simplify customs procedures would drive \$292 billion of the \$450 billion in potential income gains.
  - ❑ Boost Africa's income by \$450 billion by 2035 (a gain of 7 percent) while adding \$76 billion to the income of the rest of the world.
  - ❑ Increase Africa's exports by \$560 billion, mostly in manufacturing.
  - ❑ Spur larger wage gains for women (10.5 percent) than for men (9.9 percent).
  - ❑ Boost wages for both skilled and unskilled workers—10.3 percent for unskilled workers, and 9.8 percent for skilled workers.

*Statistics from World Bank Group*

# KENYA AfCFTA STATUS

- ❑ Kenya ratified the AfCFTA on May 10, 2018
- ❑ Kenya has submitted its tariff offerings to the AfCFTA
- ❑ Kenya is participating in the negotiations
- ❑ Kenya and EAC countries are unable to implement the AfCFTA due to the non ratification of the agreement by Burundi and Tanzania
- ❑ Kenya's has developed a National Implementation Strategy with technical assistance from UNECA & TMEA
- ❑ There are potential areas of partnership for development partners in assisting Kenya to implement the agreement.

# KENYA'S AfCFTA NATIONAL IMPLEMENTATION STRATEGY

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- ❑ Enhancing production, value addition and productive capacity for domestic and export markets under AfCFTA context
- ❑ Facilitating trade of goods and services within the AfCFTA and eliminating Non-Tariffs barriers
- ❑ Building strong institutional and regulatory framework and a conducive investment environment to support effective implementation of the AfCFTA Agreement
- ❑ Supporting the integration of MSMEs into regional value chains through production linkages and awareness creation
- ❑ Increasing awareness around the AfCFTA for all stakeholders
- ❑ Facilitating inclusiveness (women, youth, persons with disabilities) in exploiting existing and potential opportunities
- ❑ Facilitating sustainable development
- ❑ Developing a comprehensive and efficient common national approach to continental integration



# CHALLENGES IN IMPLEMENTING THE AfCFTA

- ❑ Non Tariff Barriers

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- ❑ Lack of value addition

- ❑ Colonial Mentality

- ❑ Lack of unity between African countries

- ❑ Political instability

- ❑ Leadership challenges

# RELATIONSHIP BETWEEN THE TF & AfCFTA

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- ❑ TF is critical for enhancing Africa's competitiveness.
- ❑ TF is vital for the realisation of the African Continental Free Trade Area's (AfCFTA) ambitious objective of increasing intra-African trade flows.
- ❑ UNECA projects that with enhanced TF, the AfCFTA would increase intra-African trade by 21.9% of total trade of Africa by 2022.
- ❑ UNCTAD estimates that if improvement in TF is realised within the AfCFTA, US\$85 billion would be added to intra-African trade; and this would represent a 128.4% increase by 2022.
- ❑ However, Africa is still lagging in Trade Facilitation-Only 29 Countries have ratified the TFA
- ❑ Bureaucratic delays and red tape, corruption and inefficiencies at borders are common in Africa.
- ❑ These issues increase the costs and time of doing business across the continent thereby inhibiting intra and inter-regional trade.
- ❑ The African Development Bank has recently reported that trade costs are falling everywhere but more slowly for Africa.
- ❑ Several TF initiatives have already been adopted in Africa. (Single Windows, Information Portals, Customs Corporations etc
- ❑ However they have not gone far enough to eliminate non-tariff and other barriers to trade on the continent.
- ❑ More is still required with regards to governance.
- ❑ Improvement in TF governance would significantly boost intra-African trade and reduce trade costs and time within Africa.
- ❑ Technology is needed to enhance efficiency at the borders and do away with outdated systematic and cumbersome international trade procedures

# TRADE FACILITATION PROVISIONS IN THE AfCFTA

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- ❑ TF has been dealt with in the Agreement establishing the AfCFTA. The Protocol on Trade in Goods of the AfCFTA Agreement contains two annexes dedicated to TF: Annex 3 on Customs Co-operation and Mutual Administrative Assistance; and Annex 4 on Trade Facilitation.
- ❑ Annex 3 covers state parties' cooperation in all areas of customs administration. Annex 4 deals with the simplification and harmonisation of international trade procedures and logistics to expedite importation, exportation and transit processes. Annex 4 thus aims to expedite the movement, clearance and release of goods including goods in transit across borders within state parties.
- ❑ The private sector operators (i.e. importers, exporters, service providers) are amongst the most significant beneficiaries from improved TF. The private sector should be able to access effective remedies when affected by non-tariff barriers of a state party.
- ❑ Disputes between the state parties arising out of or relating to the interpretation or application of any provision of the Annexes 3 and 4 will be resolved in accordance with the AfCFTA Protocol on Rules and Procedures on the Settlement of Disputes.

# POLICY RECOMMENDATIONS

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- ❑ African Countries to ratify and implement the WTO Trade Facilitation Agreement
- ❑ Adherence with NTB and related provisions of the AFCFTA
- ❑ Putting in place mechanisms for recording and resolution of NTB's
- ❑ Private Sector involvement/engagement
- ❑ Mutual recognition Agreements
- ❑ African Standards for African Trade
- ❑ Joint/Harmonized Infrastructure investments (Ports, Roads, Rail, borders)
- ❑ Political Goodwill/Commitment from the top
- ❑ National Implementation Strategies for the AFCFTA to contain Trade Facilitation Provisions
- ❑ Measuring trade facilitation reform improvements through tool such as World Bank ease of Doing Business Index
- ❑ National awareness and unity of purpose in government institutions and private sector
- ❑ Publishing/Availing information on how export/import: documentation and simplification
- ❑ Capacity building/Skilling on trade facilitation and trade policy
- ❑ Special Differentiation/treatment of least developed countries and assistance to implement trade facilitation reforms
- ❑ Use of technology to automate logistics processes (Smart Ports, Smart Borders, Passports, Single Windows, Online NTB Reporting mechanisms, E-commerce platforms)
- ❑ State parties' customs authorities/agencies should be capacitated and coordinated/Border Cooperation
- ❑ Reduction of interventions on cargo at Ports and Borders by governments/Risk Management

# QUESTION AND ANSWER SESSION

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THE END/THANK YOU

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