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The AfCFTA

Implementation Challenges

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Implementation Challenges

African countries vary in size, level of development and diversification of economic activities. As of 2022, for instance, Comoros, Cabo Verde, Sao Tome and Principe and Seychelles had populations of less than a million while Nigeria, Ethiopia and Egypt had populations of over 100 million. Similarly, the continent includes member states with larger income disparity than in blocs such as the Association of Southeast Asian Nations (ASEAN) and the Caribbean Community (CARICOM). For example, Nigeria, South Africa and Egypt boast GDPs of over US$300 billion, while Gambia, South Sudan, Seychelles, Guinea Bissau, Comoros and Sao Tome and Principe have less than US$2 billion.

The experience elsewhere, particularly in Europe, suggests that the inclusion of member states at different levels of development tends to benefit the more advanced members, while the weaker ones fall further behind in the short to medium term. Like any other free trade agreement, therefore, the implementation of the AfCFTA does not necessarily guarantee the immediate improvement of all member states’ welfare, as it may initially come at a cost to some member states. The AfCFTA could, for example, bring additional competition to domestic markets, leading to firm closures and possibly higher unemployment rates as initial investments shift towards more competitive economies. This is particularly true for the 33 least developed countries (LDCs) that are part of the negotiations towards the AfCFTA. Thus, the agreement will bring together unequal economies with varying production capacities. Chart 6 below shows a map of African countries' income/group classifications under the AfCFTA agreement and the population size of each group as of 2023.

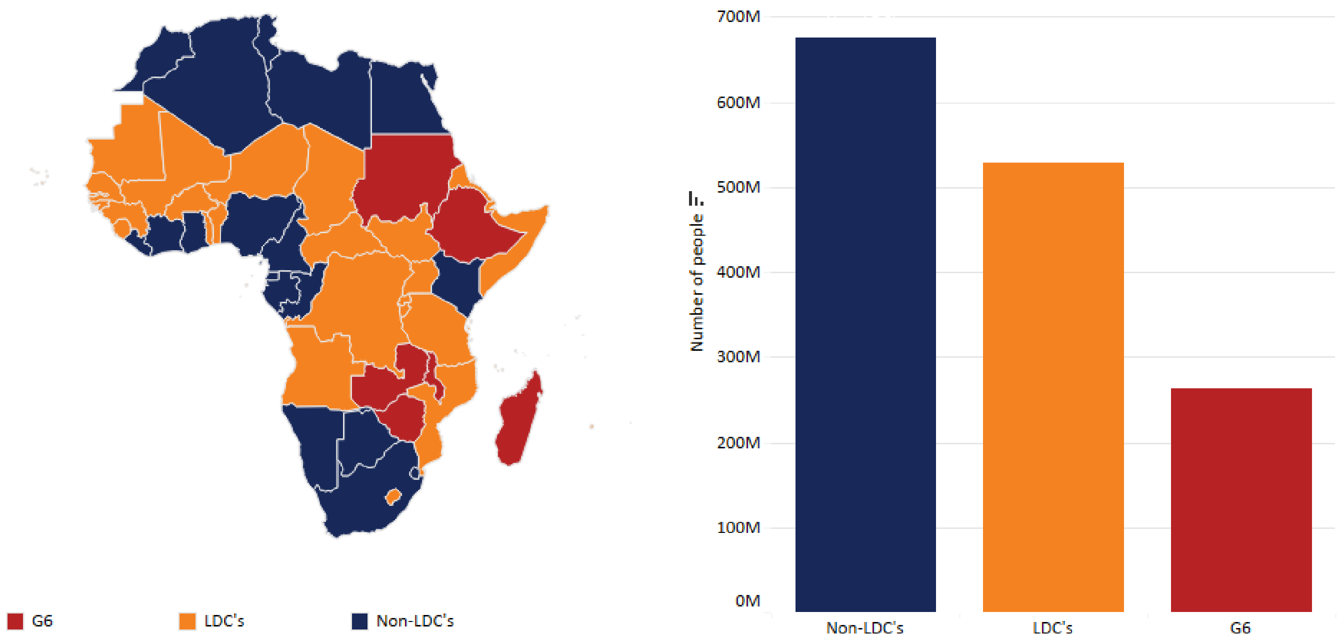
The 33 LDCs negotiating the agreement are small in scale, remote and have low productivity levels. They have weak domestic production capacities relative to firms in non-LDCs and often incur structural disadvantages related to natural endowments and geographic location. For example, 14 of the 33 LDCs are landlocked meaning they are dependent upon their neighbours for access to more distant markets. Furthermore, trade reforms in Africa’s LDCs are associated with the relatively slow implementation of regional agreements due to poor or weak institutional capacities. Thus, the AfCFTA will most likely create winners and losers across countries and sectors. These experiences make the heterogeneity of African countries a major hindrance to engagement and cooperation in implementing the AfCFTA.

Like any FTA or RTA, the implementation of the AfCFTA could also be accompanied by substantial costs during the initial years, particularly for the LDCs. As tariff revenues are reduced, industrial sectors are disarranged, value chains are re-organised and employment is dislocated. These costs include revenue losses, higher income inequality and higher unemployment, particularly if trade openness is not accompanied by the required measures to enable employees to grasp new opportunities emerging elsewhere.

It is for these considerations that Eritrea has not yet signed the AfCFTA agreement. Neither are all member states committed to the free movement of labour. As of January 2023, only Rwanda, Niger, Sao Tome and Principe, and Mali had ratified the AfCFTA Protocol on the free movement of people.

Tariff concessions is a sensitive issue for some of the member states due to the fact that trade tariff revenue remains a significant source of revenue for most African economies, and will decline with AfCFTA. For instance, countries like Central Africa Republic, Chad, Comoros and DR Congo are estimated to depend on intra-continent tariff revenues for more than 5% of their government revenues. As of January 2023, therefore, only 45 African countries had submitted Provisional Schedules of Tariff Concessions (PSTCs). Several, including Djibouti, Libya, Mozambique, Somalia, the Saharawi Republic, and Sudan, are still to submit their tariff offers.

Chart 6: Map of LDCs, Non-LDCs and G6 countries, 2023

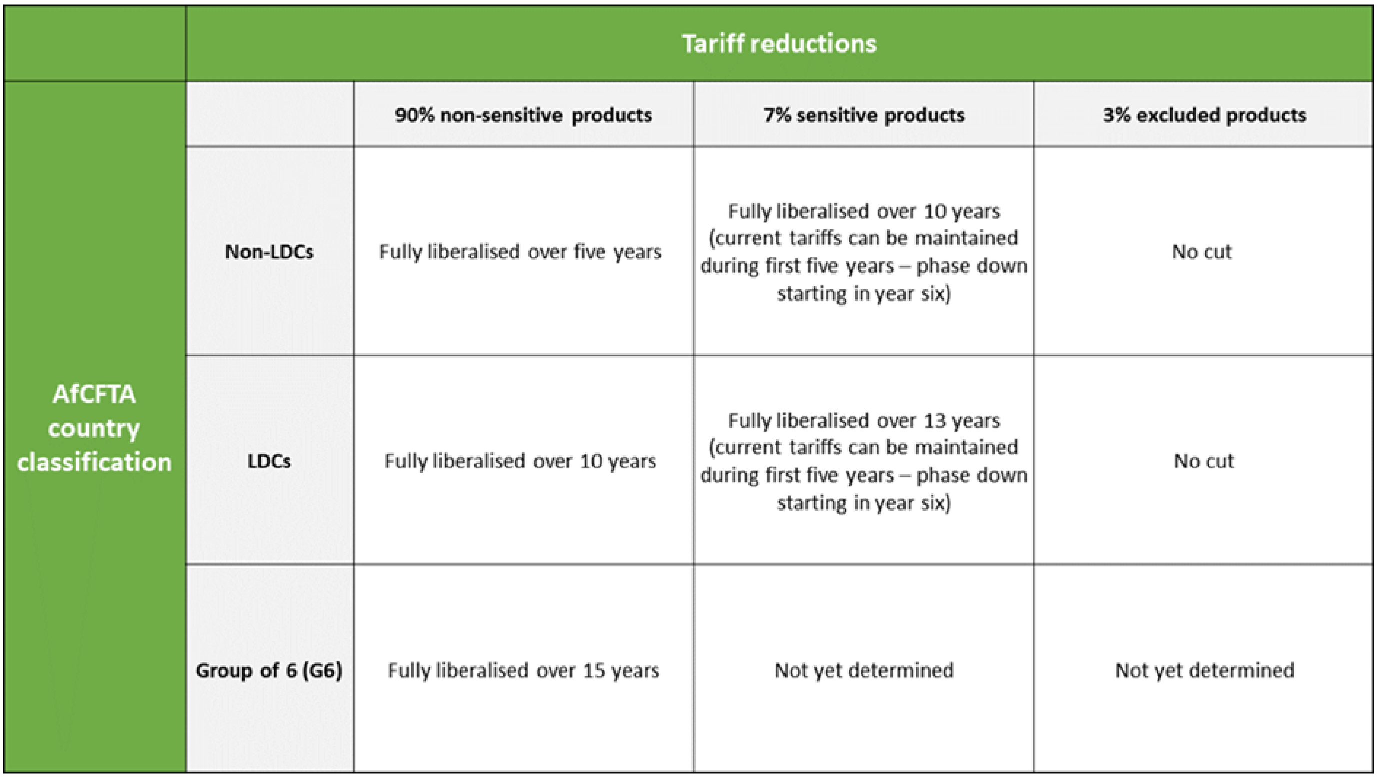


Source: IFs 8.22 initialising from UNPD WPP data

All African states face challenges of creating jobs, developing their industrial sectors and diversifying t heir production capacity. Agreeing on tariff liberalisation schedules considering such large differences will require steadfast respect for special and differential treatment by all concerned. Due to the countries' different levels of development, differential treatment for the LDCs and the non-LDCs was granted in the AfCFTA tariff negotiations, explained below.

However, the AU Secretariat should provide additional support and assistance to the LDCs beyond tariff differential timelines. This means that the AU cannot bridge the gap alone. Private equity, debt finance, and local and regional banks must all play a part. A special group of countries, the so-called Group of 6 (G6) (Ethiopia, Madagascar, Malawi, Sudan, Zambia and Zimbabwe), also argue that they face specific development challenges and require differential treatment. As a result, while the LDCs have 10 years to fully liberalise 90% of the non-sensitive products, and the non-LDCs have five years, the G6 has secured a 15-year phase-out period. The LDCs have 13 years to eliminate tariffs on sensitive products and may retain the status quo, starting liberalisation in year six, whereas the non-LDCs have the tariffs in 10 years and also maintain the status quo, starting liberalisation in year six. Both the LDCs and the non-LDCs may exclude 3% of tariff lines, but the excluded products may not account for more than 10% of their total trade value (see Chart 7).

Chart 7: Schedule of liberalisation for the tariff on goods



	Tariff reductions			
AfCFTA country classification		90% non-sensitive products	7% sensitive products	3% excluded products
	Non-LDCs	Fully liberalised over five years	Fully liberalised over 10 years (current tariffs can be maintained during first five years – phase down starting in year six)	No cut
	LDCs	Fully liberalised over 10 years	Fully liberalised over 13 years (current tariffs can be maintained during first five years – phase down starting in year six)	No cut
	Group of 6 (G6)	Fully liberalised over 15 years	Not yet determined	Not yet determined

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About the authors

Dr Blessing Chipanda joined the African Futures and Innovation (AFI) programme in January 2023. Before joining the ISS he worked as an assistant lecturer/ research assistant at the University of Pretoria, Department of Economics. He is particularly interested in tasks within the wider realm of international trade, development economics, public policy, monetary policy, and econometric modelling. Equally interested in economic and socio-economic activities that impact social welfare. Blessing has a PhD in economics from the University of Pretoria, South Africa.

Dr Jakkie Cilliers is the ISS's founder and former executive director. He currently serves as chair of the ISS Board of Trustees and head of the African Futures and Innovation (AFI) programme at the Pretoria office of the Institute. His 2017 best-seller Fate of the Nation addresses South Africa's futures from political, economic and social perspectives. His three most recent books, Africa First! Igniting a Growth Revolution (March 2020), The Future of Africa: Challenges and Opportunities (April 2021), and Africa Tomorrow: Pathways to Prosperity (June 2022) take a rigorous look at the continent as a whole.

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