
**SPEAKING NOTES
FOR
HIS EXCELLENCY WAMKELE MENE
SECRETARY-GENERAL, AfCFTA SECRETARIAT**

CHATHAM HOUSE
MEMBERS EVENT

IN CONVERSATION WITH H.E. WAMKELE MENE, SECRETARY-
GENERAL, AFRICAN CONTINENTAL FREE TRADE AREA (AfCFTA)
SECRETARIAT, EVENT

THEME: IMPLEMENTING THE AFRICAN CONTINENTAL FREE TRADE
AREA: PRIORITIES AND PROSPECTS

LONDON, UK

29 MARCH, 2022

PROTOCOLS

Excellencies,

Distinguished Guests,

Distinguished Ladies and Gentlemen,

Good afternoon.

1. I'm delighted to join you this afternoon and to be given the opportunity to engage with you on the Implementation of the African Continental Free Trade Area (AfCFTA): Priorities and Prospects.
2. May I first thank the Institute for the invitation, and compliment you for your great work over the past 100 years helping "governments and societies build a sustainably secure, prosperous and just world", through independent analysis, trusted dialogue and influential ideas.

Ladies and Gentlemen

3. Following the adoption of the decision by the Assembly of AU Heads of State and Government in January 2012 to establish a continental free trade area, and the launch of negotiations in June 2015, the AfCFTA was established in March 2018, with 44 member states as signatories.
4. Currently, we have 54 signatories to the Agreement, indicating that all, except one of the AU member states, have signed the Agreement.

5. As of today, 29th March 2022, forty-two (42) countries have gone further to ratify the agreement and deposited their instrument of ratification with the African Union Commission and, therefore, have full rights and obligations as State parties.
6. Indications are that there will be additional ratifications in the coming months. It is our wish to have all the AU Member States become State Parties in order to have the AfCFTA operating at full capacity to yield maximum benefits.
7. In this regard, we are aware that some non-ratifications are due to procedural reasons in some countries, and we continue to engage and provide the needed support, where necessary, to the member states that are in the process of ratification to ensure that they ratify the agreement.
8. As you may know, the AfCFTA follows a “framework agreement” model, with a core agreement which serves as the umbrella for the whole AfCFTA. It defines the objectives which include a liberalized market for goods and services, enhanced movement of capital and natural persons, the promotion of industrial development as well as regional value chains, and food security.
9. The framework agreement also forms a foundation that will be built through several phases of negotiation.
10. Currently, implementation of the agreement is progressing in two phases: Phase I established the Protocols on Trade in Goods, Trade in Services, and Dispute Settlement Mechanism.
11. On 1st January 2021, based on the significant progress made in the negotiations, the Assembly of AU Heads of State

and Government authorised the launch of trading under the AfCFTA preferences, effectively marking the start of implementation of phase 1 of the agreement.

12. However, while it has become possible, since January last year, for AfCFTA State Parties whose customs procedures are ready, to trade under the Agreement's preferential terms, due to the delay in finalising negotiations on key instruments i.e., the rules of origin and tariff schedules, virtually no trading has taken place under the AfCFTA.
13. As you know, trade agreements are very complex and technical, with far-reaching obligations for countries that negotiate them. The Member States, are, therefore, understandably taking a bit of time to deliberate on the implications and the obligations that they are undertaking.
14. Significantly, however, a breakthrough has been made with the improvement in the negotiations of the rules of origin to a high threshold of 87.7% of product lines.
15. Furthermore, we are in receipt of 44 tariff offers representing 80% of AU membership, which have been technically verified, and 46 countries have submitted their Schedules of specific commitments, which have also been technically verified.
16. With these developments, we are now in a position to start commercially meaningful trading in goods and services, under the AfCFTA, across the continent.
17. We are in the process of publishing what we call the AfCFTA Tariff Book which will include rules of origin and the customs procedures that apply to products. Traders will be able to identify in the tariff book their specific products, know

what rules of origin apply to each product and associated tariffs.

18. State Parties are now also in a position to gazette these legal instruments, that is the schedules of tariff concessions, at the national level, for full-scale implementation.
19. I am sure you will agree with me that the achievements thus far are testament to the strong political will and commitment of African leaders and policy makers to continental integration. Today, the AfCFTA is the fastest instrument to be ratified in the African Union.

Ladies and Gentlemen

20. Another important milestone is that we have operationalised the Protocol on Dispute Settlement, a key pillar in the successful implementation of the Agreement. The Dispute Settlement Body (DSB) was operationalised in April last year, and the Appellate Body has also been established. This sends a signal that Africa is ready to be bound by the rules of trade law, which will boost intra-African trade and investment.
21. As Secretariat, we have also launched a private sector engagement plan in partnership with the MasterCard Foundation. This plan focuses on four initial priority sectors or value chains, namely agro-processing, automotive, pharmaceuticals, and transportation and logistics for quick wins, based on the potential for import substitution and existing production capabilities on the continent.
22. The Secretariat, in partnership with the Afreximbank, is finalising arrangements for the operationalisation of an AfCFTA Adjustment Facility. The Facility will provide a mechanism for Member States to access financial and

technical resources to implement the Agreement and mitigate the short-term disruptions and associated costs.

23. Last February, we signed a \$10 billion AfCFTA Adjustment Fund Management Agreement in Cairo, Egypt, which is to pave way for the operationalisation of the Adjustment Facility to enable countries access the funds subject to certain criteria.
24. The Afreximbank, which is the Fund Manager, has made available an amount of US\$1 billion as base capital that would leverage other international funding sources to support the adjustment facility.
25. Another important milestone is the development and commercial launch of the Pan-African Payments and Settlement System (PAPSS), one of the operational instruments of the AfCFTA, in Accra, on January 13, this year.
26. The PAPSS is a platform that will facilitate cross-border payments in local African currencies and is set to boost intra-African trade significantly by minimizing the use of hard currencies and making cross-border payments cheaper and seamless.
27. It will significantly reduce the costs of currency convertibility and save the continent an estimated \$5 billion annually, to the benefit of the numerous SMEs and young entrepreneurs across the continent.
28. Last, but not the least of the accomplishments to mention is the establishment, in partnership with the Afreximbank, of a biennial Intra-African Trade Fair (IATF).
29. The IATF provides a unique opportunity and valuable platform to African businesses to access an integrated African

market of over 1.3 billion people with a Gross Domestic Product of over US\$3.0 trillion created under the AfCFTA. It is an ideal platform for the participants to enhance their visibility both locally and internationally, offering vast opportunities for SMEs.

30. The 2nd IATF (IATF 2021), following the successful maiden edition held in Cairo, Egypt in 2018, was hosted by the Republic of South Africa in Durban, South Africa in November 2021 under the theme “Building Bridges for a Successful AfCFTA”. The Fair attracted 1161 exhibitors against the targeted 1100 exhibitors, and US\$42.1 billion worth of trade and investment deals were signed, against the target of US\$40 billion. Indeed, IATF 2021 was a tremendous success for the continent's economic integration and industrialisation process.
31. The third edition of IATF will be hosted by the Republic of Cote d'Ivoire in November 2023.

Ladies and Gentlemen

32. Let me now highlight our immediate priorities.
33. I know I am in good company when I say our immediate priorities include finalising negotiations on the rules of origin, concluding the AfCFTA phase II negotiations, activating the AfCFTA Adjustment facility, and providing a finance facility for SMEs.
34. Our priority, therefore, this year is to conclude the outstanding negotiations and protocols - phases I and II - for full and robust implementation of the Agreement.

35. With regard to the outstanding negotiations on the rules of origin, while significant progress has been made, as earlier indicated, with agreement of 87.7% of tariff lines, which, means that we have now defined for each of them what constitutes the minimum African content for a product to be traded among countries of the continent on the basis of preferences, it is critical that the outstanding 12.3% is completed as soon as practicable.
36. The main challenge to concluding the negotiations has to do with the differences in productive capacities of Member States. Thus, while some countries favour a low local content, using products with significant imported content from outside the continent, with minimal assembly on the continent, others prefer higher local content. I am confident that consensus can be reached on the outstanding items in the revised timeframe.
37. This year, we have also made the conclusion of the AfCFTA Phase II negotiations, covering protocols on Women and Youth in Trade, Investment, Competition Policy, Digital Trade, and Intellectual Property Rights (IPRs), our priority.
38. The finalisation of all these protocols, especially the phase II protocols, will greatly contribute to deepening economic integration in Africa. With these additional protocols, we are further transforming the continent by removing physical and commercial barriers that have hitherto hindered trade among our countries.
39. Another priority is to finalise work on the AfCFTA Adjustment facility, mentioned earlier, and an AfCFTA SME Financing Facility to catalyse access to finance for SME business activities. This is to ensure that the market access that the agreement creates is not taken advantage of only by the big corporations on the African continent, but that the SMEs,

women and young Africans in trade, can also have the opportunity to grow their businesses in support of trading under the AfCFTA.

Ladies and Gentlemen

40. As I conclude, let me turn to the prospects of the AfCFTA.

41. The political will and the level of cooperation in Africa regarding our continental integration has been phenomenal.

42. As we transition from the Covid-19 pandemic to a new normal marked by renewed efforts at continental integration, our ambition is to work together to strengthen our regional cooperation and integration including through digitalization. This will enhance intra-African trade; build resilience to future crises; and ensure the continent emerges more connected, and more inclusive.

43. And there are very good reasons to be optimistic about the prospects of the continent and the building of resilience post-Covid-19.

44. The continent's youthful and innovative population, its growing middle class, its value addition to the abundant natural resources and its improving governance systems should give us reason to be confident about the future of the continent.

45. The success of our continental integration will ultimately depend on the equitable distribution of the gains, ensuring that no group, sector or country feels marginalised or excluded from the benefits of Africa's continental integration, will help to address the root causes of conflicts, give hope to

our citizenry and set us on the road towards prosperity, seizing this century as ours.

46. Given the progress thus far in the implementation of the Agreement, and the ongoing supporting initiatives and reforms, coupled with the renewed strong political will and commitment, the prospects of the AfCFTA are great.
47. To conclude, it is important to remind ourselves that while implementation is underway, the continental integration project is the mission of a generation.
48. As I have said on different occasions, no trade agreement is ever concluded and implemented at the same time and the AfCFTA will not be any different from other trade agreements around the world.

Thank you.

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PART TWO
THEMATIC AREAS

- **How are Phase II negotiations progressing and what are the main challenges in developing new protocols?**

1. AfCFTA Phase II negotiations, covering protocols on Women and Youth in Trade, Investment, Competition Policy, Digital Trade, and Intellectual Property Rights (IPRs), are currently at various stages of progress.
2. The conclusion of these protocols, will further strengthen the investment and business environment in Africa and enhance the attractiveness of Africa to investors.
3. With regard to Investment, a Committee has been established and ToRs have been adopted by the Council of Ministers. We intend to organise three regional stakeholder consultations across the continent to inform all the stakeholders including the private sector, government and civil society among others, and to seek their views on the content for the planned protocol on Investment.
4. With respect to Intellectual Property rights, we have established a Committee whose TORs have been adopted by the Council of Ministers. As Secretariat, we are working on a questionnaire to assess the capacity needs of State and non-State parties.
5. Similarly, with the protocol on digital trade, the Committee has been established and we intend to organise stakeholder consultations to brainstorm and seek views on the content for the protocol.
6. Finally, preparations are underway for two Women and Youth in Trade Conferences, where the voices of both groups can

be heard and taken into account, in the development of a reliable Protocol on Women and Youth.

- **How is the relationship between the AfCFTA and regional economic communities (RECs) evolving?**

7. The AfCFTA Agreement explicitly recognises the RECs as building blocks for the AfCFTA, and thus, will continue to play a central role in the implementation of the AfCFTA. It is expected that while the AfCFTA provides the overarching framework for trade between African states, RECs' institutions, instruments and mechanisms will continue to be leveraged to aid implementation of the AfCFTA to ensure harmonisation of regional customs practises within the continent.
8. Any liberalisation of trade under the AfCFTA (over and above that within the RECs) will initially occur between African countries and regions that do not as yet have FTAs, for example between the East African Community (EAC) and the Economic Community of West African States (ECOWAS).
9. The annex to the report on the AfCFTA for the African Union Summit on 10/11 February 2019 described the next steps; the number of intra-African economic communities may in fact initially increase until the AfCFTA has been implemented.
10. There are outstanding issues with the RECs, for example, the fact that the degree of integration differs within the individual RECs, and the challenge of overlapping membership where Most African states belong to multiple free trade areas, which may have different tariffs, rules of origin and standards.
11. With political will and commitment, I am confident that we can advance our market opening towards the AfCFTA.

- **What is the role of the AfCFTA in shaping Africa's external trading relationships?**

12. The implementation of the AfCFTA presents an opportunity for an evolution in Africa's relationships with its major external partners, and we are committed that the agreement will serve as a catalyst to boost relationships with outside stakeholders.

13. By overcoming market fragmentation, the agreement will provide opportunities for larger trade deals to emerge with other regions.

14. We have also stepped-up engagements with the continent's trading partners such as the EU, China and the U.S., making room for partnerships and inputs as the AfCFTA takes shape. We are open to foreign investors and partners to offer their input as well.

- **What are the main policy priorities for the AfCFTA to support climate resilience and inclusive growth across African countries?**

15. The Secretariat is working with partners to ensure that climate change, and green transition are incorporated in negotiations and the implementation of the AfCFTA.

16. The AfCFTA provides the continent with an opportunity to tackle climate change. Indeed, opportunities abound to

produce environment-friendly goods and services liberalization, harmonize and strengthen environmental standards, incentivize and facilitate the diffusion of green technologies as well as promote and facilitate green investment, under the AfCFTA.

17. In this regard, the African Trade Policy Centre (ATPC), a unit of the Economic Commission for Africa (ECA), is preparing the first ever Strategic Environmental Assessment (SEA) of the AfCFTA to guide how environmental considerations can be effectively incorporated into the Agreement.

18. The SEA will identify how to include environmental considerations into the implementation of the Agreement and into the negotiations of the outstanding Phase II Agreement now underway. The institutional capacities needed at continental, regional and national levels to address environmental issues will be determined under the assessment. In all, the SEA will allow us to make informed decisions on how to utilise the AfCFTA as a tool for boosting investments in green intra-African value chains.

19. It is perhaps worth noting that while Africa contributes the least amount to the global greenhouse gas emissions, the effects of climate change will impact Africa especially, hard. The impact on Africa from higher temperatures, drought, irregular rainfall etc., coupled with a general poor ability and limited possibilities to adapt to climate change means that livelihoods will be at risk. It is, therefore, crucial that we increase our focus on climate change and green transition in order to achieve sustainable development.

20. Last year's global climate negotiations (COP26) resulted in some gains, for example around financing for adaptation and curbing deforestation. Also significant was the \$8.5 billion deal announced to support a just transition in South Africa. Yet

commitments to curb greenhouse gas emissions remain insufficient, as do financing commitments to help developing countries to adapt to climate change.

21. This year, Egypt will host COP27, promoted as the 'Africa COP'. As a continent, we have to push for concrete action and more ambitious commitments around climate finance. Africa will need financing to support adaptation, as well as technology transfer and other forms of support.
22. While we are aware of the need for climate action, it is important that such action also supports our development and industrialisation ambitions. That will require skills and capacity development, green jobs and investments.
23. On the issue of inclusive growth, we are mindful that the AfCFTA will benefit all countries, irrespective of size or endowment of resources.
24. And there is room for all countries to benefit. For example, while the relatively more industrialised countries are well placed to take advantage of the opportunities for manufactured goods, the less-industrialised ones can benefit from tapping into regional value chains. Regional value chains involving larger industries sourcing their supplies from smaller industries across borders, can be a game changer.
25. The AfCFTA makes the formation of regional value chains easier by reducing trade costs and facilitating investment.
26. It is in this regard, we have, in collaboration with partners, launched an AfCFTA private sector engagement plan focusing on developing and strengthening regional value chains to offer all member states an opportunity to use regional advantages to boost competitiveness, diversify

product supply, and export products with higher value added.

27. This initiative focuses on four initial priority sectors or value chains, namely agro-processing, automotive, pharmaceuticals, and transportation and logistics, based on the potential for import substitution and existing production capabilities on the continent.