International Trade Centre

# Unpacking the African Continental Free Trade Area

## A Glossary

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# FOREWARD

by **H.E. Wamkele Mene**

Today the AfCFTA is a reality, sending a strong signal that Africa is open for business, based on a single rule-book for trade and investment. Micro, small and medium-sized enterprises (MSMEs) which are the backbone of African economies, contributing significantly to inclusive economic growth and employment generation, have a critical role to play in the successful implementation of the AfCFTA Agreement.

It is for this particular reason that it is important to ensure that the MSMEs participate in, and benefit from the one African market. This publication developed by the AfCFTA Secretariat, in cooperation with the International Trade Centre (ITC), therefore, targets primarily the MSMEs, although it will no doubt be of equal assistance to other stakeholders, including private industry practitioners, and the research community.

It fills a void where knowledge products around the Agreement have tended not to be MSME-friendly. It also highlights “MSME-relevant” provisions in the Agreement to assist small businesses navigate the legal texts and identify provisions that are particularly critical for their operations. I am confident that this publication will provide insightful and practical information to MSMEs, and other stakeholders now and in the years to come.

As Secretariat, I reaffirm our commitment to ensuring African MSMEs, particularly women and young entrepreneurs, are competitive, resilient and able to achieve their full potential. Indeed, we will continue to promote initiatives to empower MSMEs and ensure their effective participation in the one Africa market.

Undoubtedly, with the full participation of the MSMEs in the AfCFTA, we will be able to lift many millions of Africans out of extreme poverty, improve their livelihoods and boost their incomes.

**H.E. Wamkele Mene**
**Secretary-General, AfCFTA Secretariat**

# FOREWARD

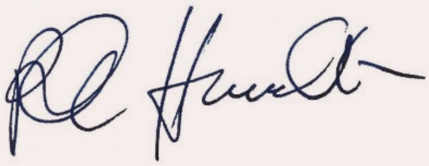
by **Pamela Coke-Hamilton**

The endorsement of the African Continental Free Trade Area (AfCFTA) by 54 African countries marks the fulfilment of a truly pan-African vision. The AfCFTA is a historical roadmap of action by African leaders leading to a more dynamic future for the continent. The AfCFTA is the beginning of a journey that holds significant promise for more connected, sustainable, and inclusive economic growth through increased intra-African trade. The challenges of the current triple-C global crises – COVID, climate and conflict – have reminded us of the benefits of trading with our neighbours, of diversifying our sources of supply and creating more value addition. With trading under the AfCFTA now underway, the opportunities created by the Agreement have become a reality for the African people. It is no longer a question of what to do or how to do it. It is a question of how to make it easier for businesses to navigate borders across the continent for the optimum benefits.

Micro, Small and Medium Enterprises (MSMEs) are at the core of trade on the African continent. At ITC, MSMEs remain the focus of our work. We are committed to seeing African MSMEs succeed and to supporting small businesses join the formal sector through our initiatives focused on women, youth, digital, and green trade. We are especially thrilled to accompany women entrepreneurs and youth to achieve their full potential as they explore the opportunities under the AfCFTA. In this spirit, I am glad that the AfCFTA Secretariat has partnered with the International Trade Centre (ITC) to stay ahead of the curve. Together, we've created a resource to make it easier for MSMEs to traverse the continent under the AfCFTA through this glossary of terms: a simple pocket guide to bring the AfCFTA to the business of Africa. It aims to address any difficulties that MSMEs may encounter in understanding the terms used in the AfCFTA Agreement while carrying out their business. The glossary is the first edition of legal and other terms that MSMEs will encounter while trading under the AfCFTA. It comprises almost 100 terms listed in alphabetical order, accompanied by easy-to-digest definitions and reference lists so that firms know exactly where to locate the terms in the Agreement.

The glossary is multilingual, providing the standardized terms in English, French, Arabic and Portuguese. The main benefit of the glossary is that it has been crafted with inputs and guidance from the African private sector, including MSMEs, women and youth entrepreneurs, and business support institutions striving to improve the African business environment. This collaborative effort is only one of a series of joint products with the AfCFTA Secretariat to ensure that the AfCFTA delivers for the African private sector. It represents a concrete step towards this goal through knowledge sharing. We are confident that a greater understanding of the rule book will create even greater confidence in the opportunities of the AfCFTA for MSMEs. The glossary is a living document and we look forward to receiving your comments and feedback for future editions. The preparation of this glossary was supported by ITCs One Trade Africa Programme with generous funding from the Government of Finland. I commend our partners and everyone involved for investing in this effort and thank everyone who has helped through their contributions.

**Pamela Coke-Hamilton**
**Executive Director, ITC**



International Trade Centre

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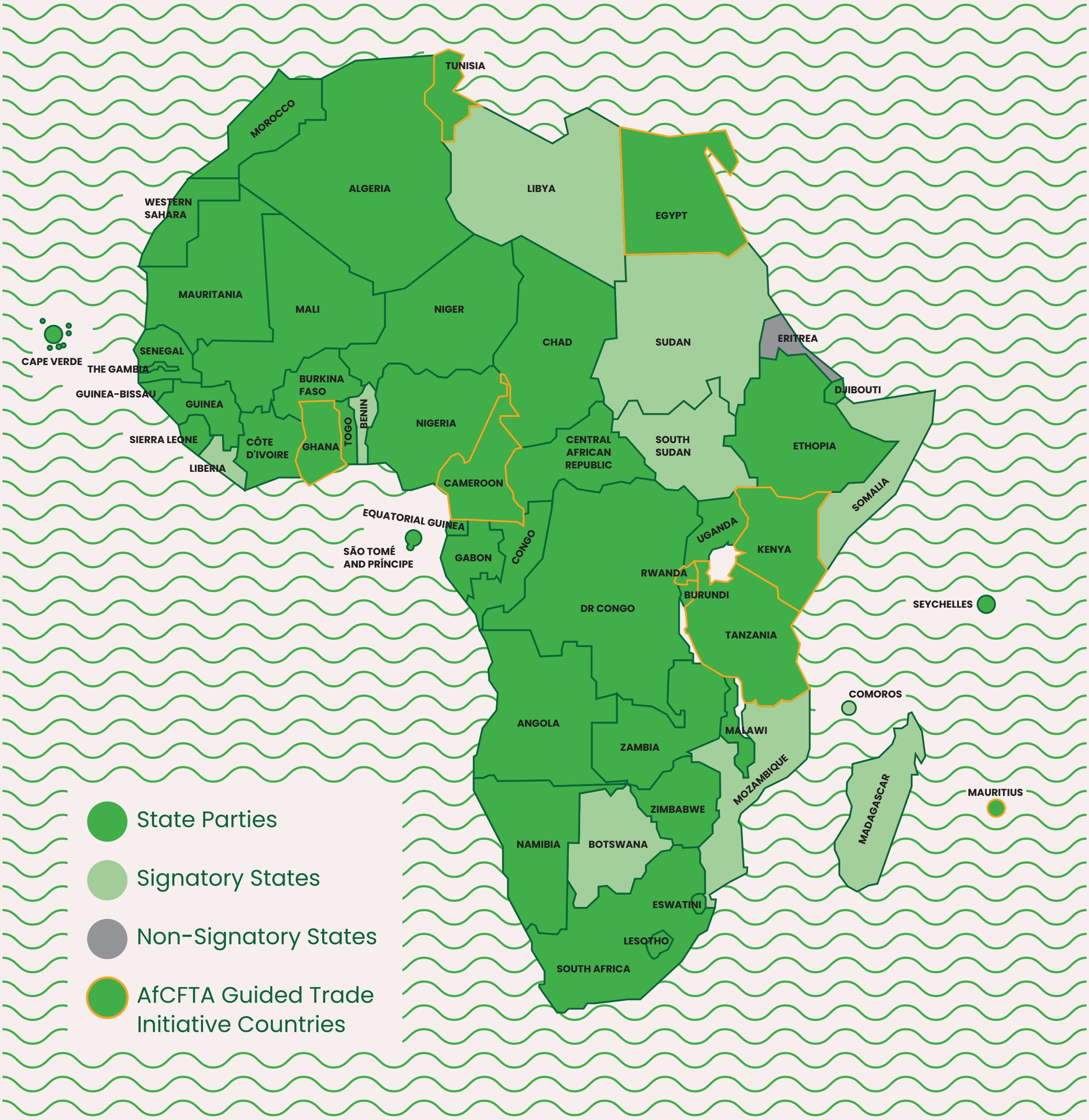
# INTRODUCTION




In January 2012, at the 18th Ordinary Session of the African Union (AU) Assembly of Heads of State and Government, held in Addis Ababa, Ethiopia, the Heads of State and Government of the African Union decided to fast-track the establishment of a continental free trade area by 2017, as well as to adopt an action plan to boost intra-Africa trade (BIAT).

Further to this AU Decision and following numerous developments and a fork in the road, the Agreement establishing the African Continental Free Trade Area (AfCFTA) was adopted and opened for signature on 21st March 2018 and entered into force on 30th May 2019.

The 12th Extraordinary Summit of the African Union which was held in Niamey on the 7th of July 2019, launched the operational phase of the African Continental Free Trade Area (AfCFTA), and called for the hasty completion of the outstanding negotiation issues.

In December 2020, the AU met again for an extraordinary session on the AfCFTA to launch the start of trading on 1st January 2021.

However, delays in submitting tariff concessions by Member States and negotiating rules of origin have pushed back the start of commercial trading under the Agreement. To address the delays, AfCFTA Secretary General, H.E. Amb. Wamkele Mene, announced the launch of a Guided Trade Initiative during the 9th AfCFTA Council of Ministers in June 2022.

The AfCFTA Guided Trade Initiative aims to support preferential trade under the AfCFTA by matching companies and products for export and import among interested AfCFTA State Parties in coordination with their AfCFTA National Implementation Committees.

At this publication's writing, eight (8) State Parties are participating in the Guided Trade Initiative, namely Cameroon, Egypt, Ghana, Kenya, Mauritius, Rwanda, Tanzania, and Tunisia (see map) As trade under the AfCFTA has finally begun, companies that undertake to trade under this new regime are required to know and abide by the AfCFTA rule book to benefit from the Agreement fully. As micro, small and medium-sized enterprises (MSMEs) are the mainstay actors of the African economy, their understanding of the AfCFTA agreement is paramount to unleashing the potential of intra-Africa trade. Yet, MSMEs often do not have the human and financial capacities to adopt high-cost legal advisory services to use trade agreements.

In this context, the International Trade Centre has partnered with the AfCFTA Secretariat to develop this glossary to "unpack" the Agreement and empower small businesses to utilise new opportunities created by the AfCFTA. This glossary will help to equip Africa's small businesses to understand better the legal, commercial and customs terms of the AfCFTA Agreement. It also identifies "MSME-relevant" provisions in the Agreement so that small businesses can navigate the legal text and identify particularly critical provisions for their operations.

These terms are taken directly from the existing AfCFTA Agreement, Protocols and Annexes.

## THE AFCFTA IN BRIEF

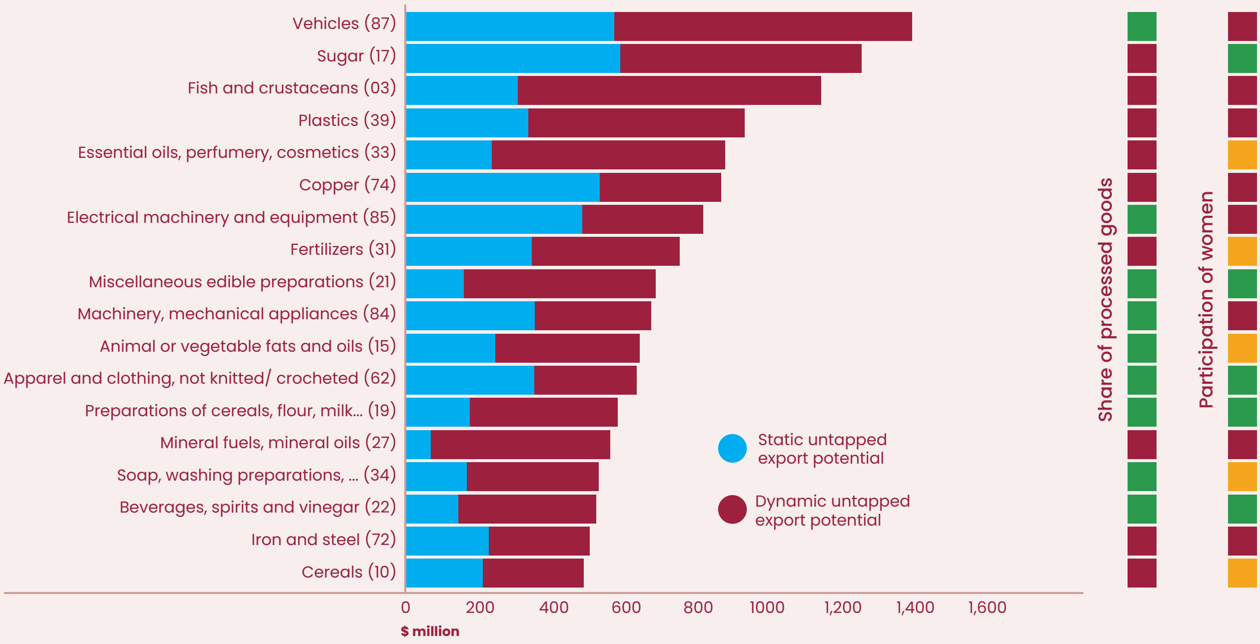
The AfCFTA seeks to give new motivation and dynamism to economic integration in Africa.
The AfCFTA is expected to:

- **Increase intra-Africa trade**, leveraging its more diversified and higher share of trade in added-value goods;
- **Stimulate investment and innovation,** thereby fostering the structural transformation of African economies;
- **Improve food security** through lower barriers and facilitated agrifood trade flows;
- **Drive economic growth**, diversify exports and streamline the sometimes-overlapping trade regimes of regional economic communities.

According to joint ITC-UNCTAD work,[1] the sectors with the highest export potential growth and opportunities for small businesses are:

- **vehicles, with almost $2 billion;**
- **sugar ($463 million);**
- **soap, washing preparations; fish and crustaceans; and plastics and electrical machinery and equipment (all between $350 million and $375 million).**

[1] ITC & UNCTAD (2021) Unlocking Regional Trade Opportunities in Africa for a more Sustainable and Inclusive Future




**Source :** Authors based on ITC Export Potential Map, ITC Trade Map, World Bank Enterprise Surveys, ILO Labour force statistics.

**Note:** Share of processed goods: more than 90% - green; between 50% and 90% - yellow; below 50% - red. Women's participation: share of women-owned business above 7% - green; between 5% and 7% - yellow; below 5% - red. (For agriculture: share of women employed at least 50% of total employment - green; at least one third of total employment - yellow; below one third of total employment - red.)

The AfCFTA seeks to lower trade barriers to intra-Africa trade and promote regional trade, through:

- For trade in goods, enhanced competitiveness through reduced import duties,
- For trade in services, improved legal certainty for services suppliers accessing foreign markets.

Regarding trade in goods, the AfCFTA will gradually eliminate customs duties on 90% of the goods of State Parties' imports from Africa.

The liberalization effort will comprise of:

- **"non-sensitive**" products which are to be liberalized over 5 years to achieve full liberalization for non-LDCs, and 10 years for LDCs. This basket of products represents 90% of all State Parties' tariff lines;
- **"sensitive"** products which are to be liberalized in 10 years for non-LDCs 13 years for LDCs. This basket of products represents 7% of all State Parties' tariff lines;
- **"Excluded products"** the remaining 3% of tariff lines are excluded from the liberalization effort and are not subject to any preferential treatment.

| | | TARIFF REDUCTIONS | | |
|---|---|---|---|---|
| | | FOR NON-SENSITIVE PRODUCTS | FOR SENSITIVE PRODUCTS | FOR EXCLUDED PRODUCTS |
| Country classification | Non-least developed countries | Fully liberalized over 5 years (linear cut) | Fully liberalized over 10 years (linear cut) | No cut |
| | Least Developed countries | Fully Liberalized over 10 years (linear cut) | Fully liberalized over 13 years (linear cut) | No cut |
| | Group of six (i.e., Ethiopia, Madagascar, Malawi, Sudan, Zambia, Zimbabwe) | 85% fully liberalized over 10 years (linear cut); an additional 5% fully liberalized over 15 years (linear cut) | Fully liberalized over 13 years (linear cut) | No cut |

For trade in services, five (5) service sectors have been prioritized for the first round of liberalization negotiations: business services (including professional services), communication services, financial services, tourism and transport. Once this phase is completed, the remaining seven (7) service sectors to be negotiated are construction, distribution, education, energy, environmental, health and social services, and other services not specified elsewhere.

In addition to complying with the requirements of the AfCFTA Services Protocol and their respective commitments, States Parties have agreed to complement their commitments with joint sectoral regulatory cooperation frameworks, which aim to improve predictability for the benefit of all African service providers.

## THE RATIONALE FOR THE AFCFTA

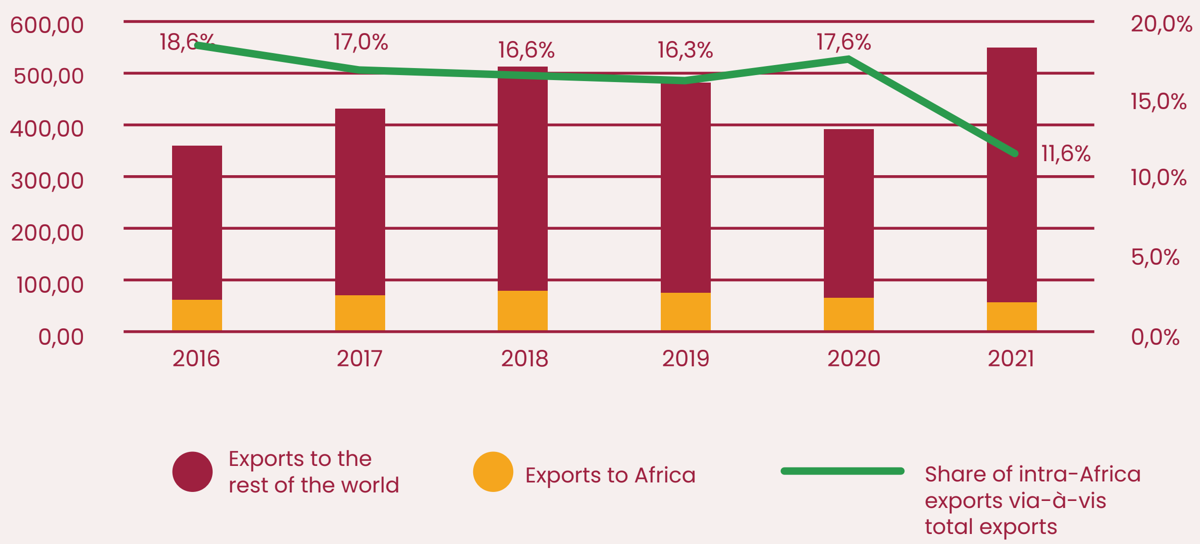
The AfCFTA seeks to facilitate regional economic integration in Africa. The pursuit and establishment of the AfCFTA is enshrined in AU Agenda 2063.

It constitutes a critical step toward the creation of an African Economic Community, as envisaged by the Organization for African Unity under the 1991 Abuja Treaty, which foresaw:

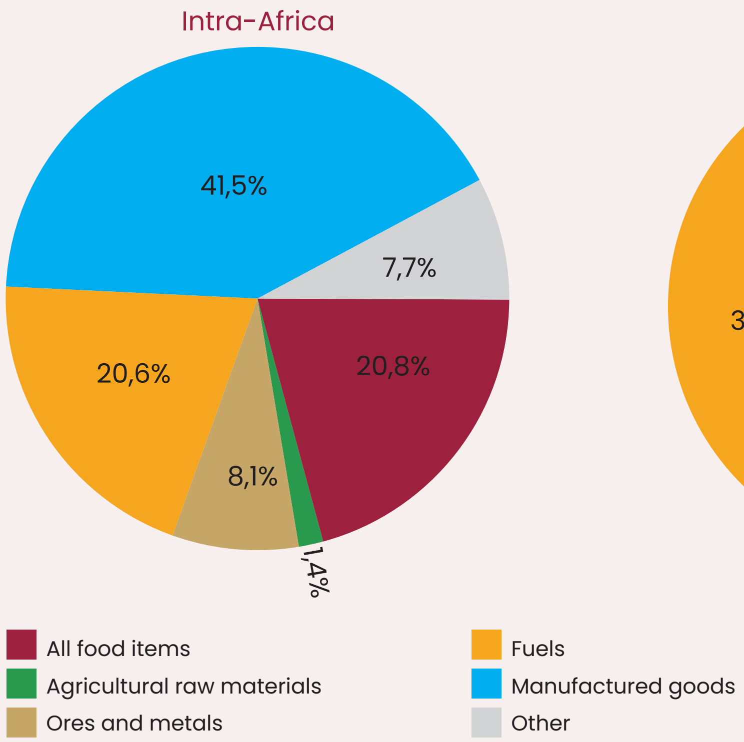
- A continental free trade area where goods and services move freely.
- The adoption of a common external tariff to create a continental customs union.
- Followed by the adoption of common policies in agriculture, transport, communications, industry, and energy, together with the free movement of people and harmonization of financial, monetary and fiscal policies to achieve a common market.
- The consolidated common market with the adoption of additional sectoral policies.

The main objective of the AfCFTA is to boost intra-Africa trade, which remains to date fairly low. Over 2019-2021, intra-Africa trade averaged 14.3% of total African trade. What may come as a surprise is that this regional trade is much more diversified and higher in value-added goods compared to trade with the rest of the world. The African market, therefore, offers significant opportunities for Africa's small businesses to grow and diversify their operations into new and more sophisticated sectors.

**Evolution of intra-Africa exports via-à-vis the rest of the world**



## TRADE COMPOSITION ( AVERAGE 2019 - 2021 )




**Source:** Calculations from UNCTADstat

These figures highlight the critical role the AfCFTA can play in promoting broad-based growth and development in Africa and supporting a shift away from the current reliance on commodity-based trade with the rest of the world. According to research, the AfCFTA implementation is projected to be a real springboard for intra-African trade, especially in the manufacturing sector. Intra-Africa export volumes could increase by 75% by 2045 compared to 2020, against only 37% if not implemented. [2]

An obstacle to trade and regional integration has been protectionism, a position where a State develops policies that hamper international trade, with the aim to protect its domestic market and consumers. The AfCFTA Agreement spells interdependence and the positive buy-in from Member States signals an era of cooperation for the prosperity of Africa and its people. Notwithstanding, the Agreement has provisions that cushions Member States, within the broader spirit of regional economic integration.

The AfCFTA Secretariat and ITC hope this tool will help you make the most of the AfCFTA Agreement!

## MSMEs & THE AfCFTA

The AfCFTA ecosystem is working hard to support information dissemination, capacity-building and making the Agreement MSME-user friendly. The AfCFTA Secretariat has developed a dedicated AfCFTA Private Sector Engagement Plan that ensures MSMEs are the central recipients of sensitization and training support on the Agreement.

Among the many examples of tools availed to MSMEs, the following may be precious resources:

- The **AfCFTA legal texts** are the go-to resource to know precisely what and how to claim when seeking to use the preferences.

[2] UNECA (2021) New assessment of the economic impacts of the agreement establishing the African continental free trade area on Africa


**For trade in goods:**

- The **AfCFTA e-tariff book** helps you identify the tariff preferences for each product and each State Party.
- The **AfCFTA list of rules of origin** to know how to prove your products meet all the requirements to enjoy the tariff preferences.
- The **AfCFTA manual on Rules of origin** help you interpret the list of rules of origin.
- The **Rules of origin Facilitator** compares the tariffs and rules of origin between different trade agreements.
- The **Export Potential Map** helps you with your market research.
- The **ITC course on How to Export under the AfCFTA** helps you get to know what the AfCFTA can offer you.
- The **non-tariff barrier reporting mechanism** helps you report and advance the solving of barriers you have faced when trading with another African country.

**For services trade:**

- The **list of countries that have submitted their list of specific commitments** helps you identify the legal commitments made by each State Party for each service sector
- *tbc*

## WOMEN & YOUTH IN TRADE

Given that the informal economy accounts for a significant 83% of all jobs in Africa and that young people and women represent the vast majority of informal cross-border traders,[3] the AfCFTA State Parties have committed to ensuring that the AfCFTA works for women and young people by agreeing to negotiate a protocol dedicated to women and youth in trade. Besides the engagement of women and youth in the informal sector, these constituents play a critical role in formal business and represent a versatile and dynamic segment.

The protocol is expected to address the ongoing specific challenges faced by women and youth in trade while providing adequate solutions to facilitate trade for these businesses and ensure better border governance. The Protocol on Women & Youth in Trade negotiations are to start in 2023 with the adoption of the Protocol by the end of the same year. The results of consultations conducted so far suggest that the MSMEs expect a substantial emphasis to be put on trade facilitation and on inclusive provisions to help them to be able to utilize the AfCFTA Agreement.

**Other Protocols**
There are other protocols which are still at the stage of negotiations. These protocols are:

- **Intellectual Property Rights**
- **Competition Policy**
- **Investment**
- **Digital Trade**

[3] UNDP (2022) Informal Economy in Africa: Which Way Forward?

# GLOSSARY

A → Z

# A

## Abstention

The position taken by a State Party (see definition for State Party) to not participate in a decision-making process. Abstention does not mean opposition. Under the AfCFTA Agreement, unless otherwise agreed, any decision on important matters is made by consensus.

## Action plan on boosting intra-African Trade (BIAT)

In response to the relatively low level of trade within Africa, the African Union developed and adopted in 2012 the action plan for boosting intra-African trade (BIAT). The action plan aims to foster one African market and significantly increase the volume of intra-African trade.

To do this, the action plan identifies the main hindrances to the growth of intra-African trade and describes the program of activities needed to address each of these limitations. It also includes designed proposals to quicken the establishment of the continental free trade area and a mechanism to monitor and evaluate its implementation through seven clusters, namely Trade Facilitation, Trade Policy, Productive Capacities, Trade-related Infrastructure, Trade Finance, Trade Information and Factor Market integration.

See *Intra-African trade*

Find more details at:
*https://au.int/en/ti/biat/about*

***Index :***
- *Art. 10 of the Framework Agreement*

## Abuja Treaty

The Treaty establishing the African Economic Community – referred to as the Abuja Treaty – is a legal instrument adopted by the Organization of African Unity in 1991, which entered into force in 1994.

The treaty sets out a roadmap for the establishment of an economic and monetary union in Africa through a six-step progressive process of coordination, harmonization and gradual integration of the Regional Economic Communities (RECs) over thirty-four years (see the figure on the right)).

While the creation of an African continental free trade area is not one of the milestones of the Abuja Treaty, it is considered a positive step towards the creation of an Economic and Monetary Union (EMU).

See *African Union*

Find more details at:
*https://au.int/en/treaties/treaty-establishing-african-economic-community*

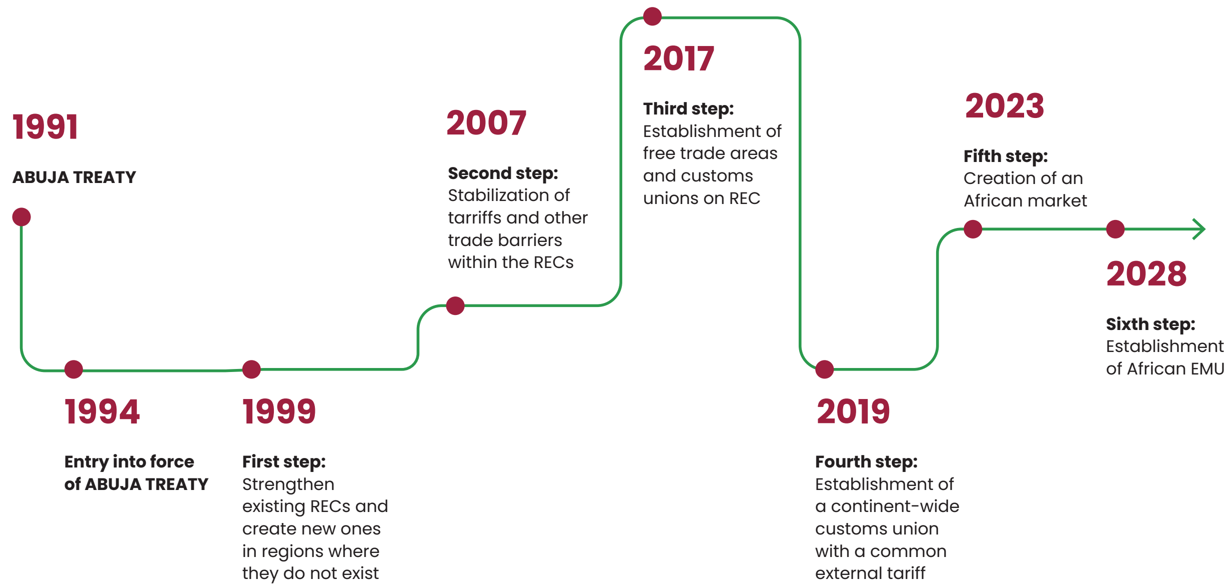
***Index :***
- *Art. 1 of the Framework Agreement*
- *Art. 18 of the Protocol on Trade in Services*

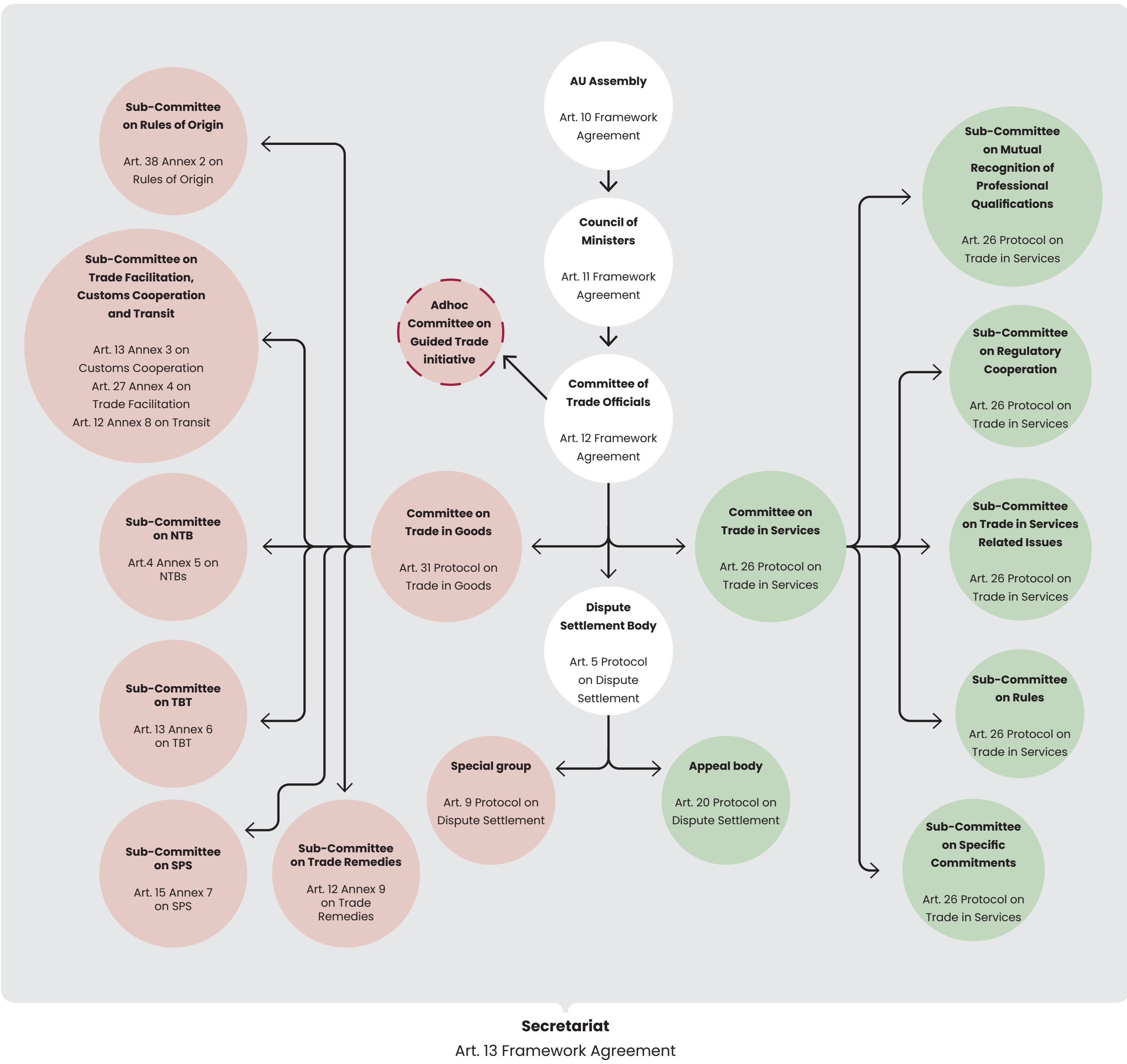
## Ad hoc / standing committees / committees / sub-committees

Institutional bodies of the AfCFTA. The committees are the continental structures established by the AfCFTA Agreement and are constituted of chosen representatives of the State Parties.

There exist so far:
- **Three standing committees;**
- **1 ad hoc committee;**
- **11 sub-committees**

## Roadmap for the establishment of an economic and monetary union in Africa



***Index :***

- *Art. 9, 12, 13, 15 and 30 of the Framework Agreement*
- *Art. 1 and 31 of the Protocol on Trade in Goods*
- *Art. 1, 14 and 40 of Annex 2 to the Protocol on Trade in Goods*
- *Art. 1, 12 and 13 of Annex 3 to the Protocol on Trade in Goods*
- *Art. 13, 27, 28 and 29 of Annex 4 to the Protocol on Trade in Goods*
- *Art. 1, 4, 5, 6, 7, 8, 9 and 10 of Annex 5 to the Protocol on Trade in Goods*
- *Para. 2.1 and 2.2 of Appendix 2 of Annex 5 to the Protocol on Trade in Goods*
- *Art. 1 and 13 of Annex 6 to the Protocol on Trade in Goods*
- *Art. 7, 11, 12 and 15 of Annex 7 to the Protocol on Trade in Goods*
- *Art. 12 and 13 of Annex 8 to the Protocol on Trade in Goods*
- *Art. 4, 5, 7, 13 and 16 of Annex 9 to the Protocol on Trade in Goods*
- *Guideline 27 of the AfCFTA Guidelines on Implementation of Trade Remedies*
- *Appendix III of t Annex 9 to the Protocol on Trade in Goods*
- *Art. 14, 18, 23, 26 of the Protocol on Trade in Services*

## African Union

The African Union (AU) is an intergovernmental organization of African states established in 2002. Composed of 55 Member States, the AU is the successor of the Organization of African Unity (OAU). The AU is guided by its vision of ***"An Integrated, Prosperous and Peaceful Africa, driven by its own citizens and representing a dynamic force in the global arena."***

The AfCFTA Secretariat is an administrative organ within the African Union based in Accra, Ghana, responsible for coordinating the implementation of the Agreement. Among other aims, the Secretariat houses experts to assist the Member States in ensuring easy progress of negotiations and that the rules set out in the Agreement are correctly applied and enforced.

African Union logo

African Union flag

***Index :***

- *Art. 1, 5, 12, 23 of the Framework Agreement*
- *Art. 11 of Annex 3 to the Protocol on Trade in Goods*
- *Art. 5, 16, 18, 23 and 26 of Annex 4 to the Protocol on Trade in Goods*
- *Art. 9 of Annex 6 to the Protocol on Trade in Goods*
- *Art. 11 of Annex 8 to the Protocol on Trade in Goods*
- *Art. 5 of the Protocol on Trade in Services*

## Agenda 2063

Agenda 2063 is the African Union's blueprint and master plan for transforming Africa into the global powerhouse of the future. It was adopted in 2013 and includes a set of initiatives aimed at achieving inclusive and sustainable socio-economic development in Africa in the next 50 years. The AfCFTA is one of the initiatives to support Agenda 2063.

***Index :***

- *Art. 3 of the Framework Agreement*

## Antidumping measures

Dumping is the sale of a product in an export market at a lower price than in the domestic market. For example, a dumping situation exists when a company sells a bottle of water for 3 dollars on its national market and sells it for 1.80 dollars on foreign markets. Dumping can be motivated by several reasons, including to conquer a new market or to eliminate a competitor, etc. Therefore, though not prohibited as such, dumping hampers fair competition. To lessen the risks of serious damages to the national economy due to dumping practices, AfCFTA State Parties can put in place "anti-dumping" measures.

To do this, a State Party can adopt exceptional measures, which in normal circumstances would be contrary to the principles of the Agreement. The anti-dumping measures will consist of imposing an additional import duty on the imported product in order to bring the price closer to "normal value" or to eliminate the damage caused to the domestic industry of the importing country. These measures are also a deterrent for the company that is dumping.

However, such measures are legal only if it is ascertained that:

i. Dumping is occurring, and
ii. The domestic industry producing the dumped product in the importing country is suffering serious harm, and

*See **Trade remedies***

***Index :***

- *Art. 1, 6, 16 and 19 of the Protocol on Trade in Goods*
- *Art. 1, 2 and 6 of Annex 9 to the Protocol on Trade in Goods*
- *AfCFTA Guidelines on Implementation of Trade Remedies*

# B

## Balance of Payments (BOP)

A national statistical statement showing a country's economic transactions with the rest of the world over a stated period. It includes import and export transactions, service payments, financial flows, and international cooperation aid. A balance of payment deficit means that a country imports more than it exports. A balance of payment surplus means that the country exports more than it import. Overtime, balance of payment difficulties can lead to economic problems such as loss of competitiveness, unsustainable foreign debt and foreign exchange issues among others.

For this reason, the AfCFTA Agreement provides for temporary measures to allow the State Parties to protect their external financial position.

***Index :***

- *Art. 27 of the Protocol on Trade in Goods*
- *Art. 14 of the Protocol on Trade in Services*


[4] See definition of non-originating material under section "N"

# C

## Change of tariff classification

Change in tariff classification (CTC) is one of the two ways by which a product can be said to have been significantly transformed or changed and therefore qualify to be traded under preferential terms.

The CTC rule requires non-originating materials to have undergone a change in tariff classification on a determined level to obtain originating status. That is, the materials will have to be significantly processed so that the tariff classification (code) of the final good will now differ from the respective codes of the initial materials[4] from which it is obtained. The product will then be deemed as tradable under preferential terms.

Find more details at:
*Rules of origin facilitator's Glossaryhttps://findrulesoforigin.org/en/glossary?id=XnrwCRAAAB4AbaPG*

See *Harmonized System and Origin*

***Index :***
- *Art. 7 of Annex 2 to the Protocol on Trade in Goods*

## Chapter

It is part of the hierarchical structure for product classification under the Harmonized System. It is defined by a 2-digit number code which varies per the product.

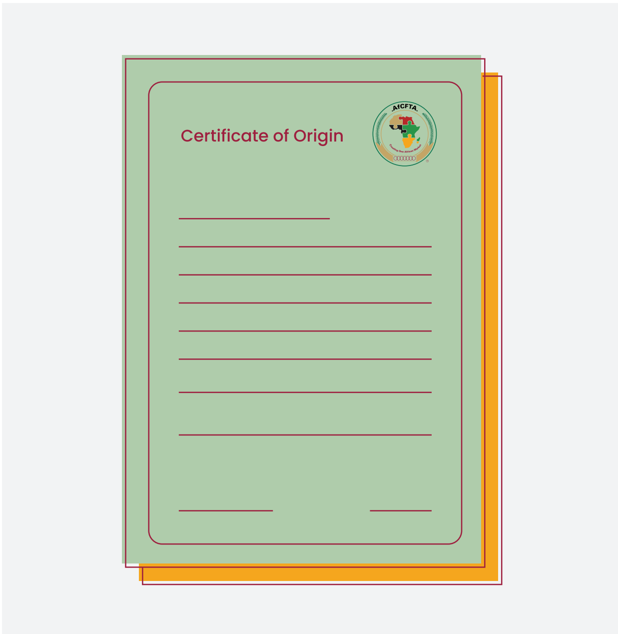
For example, Chapter for Cereals is 10

See *Harmonized System*

## Certificate of origin

The Certificate of origin is the documentary proof of origin issued by a Designated Competent Authority, confirming that a particular product complies with the origin criteria applying to preferential trade under the Protocol on Trade in Goods and in accordance with the rules of origin. It is an international trade/export document certifying the origin of the goods to be exported. Specific to the AfCFTA, the certificate of origin informs on what tariffs are to be applied when trading under the Agreement.

See *Proof of origin*




## Compensatory adjustments

Relief mechanisms made available to a State Party for drawbacks experienced as a result of modifications due to AfCFTA commitments. Compensatory adjustments reduce the damage resulting from the removal of duty for some goods under the AfCFTA (which reduces the cost of goods) or specific commitments in the case of services

***Index :***
- *Art. 10 of the Protocol on Trade in Goods*
- *Art. 10 of the Protocol on Trade in Services*

[4] See definition of non-originating material under section "N"

## Competition policy

From an economic point of view, competition refers to the situation in which several economic agents seek to do business in the same market. For example, if a firm in Mozambique and a firm in Rwanda both produce cosmetics and wish to sell them in the AfCFTA market to the same segment groups, these firms can be considered to be in competition.

Fair and balanced competition in a market preserves entrepreneurship and ensures the best prices for consumers. For competition to be balanced, it may be necessary to establish some rules to guide the behaviour of operators. For this reason, competition policies are there to eliminate or restrict anti-competitive behaviors which are usually not beneficial to consumers. The AfCFTA Competition Policy Protocol helps to ensure that this competition is fair and balanced.

For example, competition policies will prevent competitors from entering into an agreement to maximize their profits and block the entry of other or new competitors in their market.

See *Protocol*

***Index :***
- *Art. 4, 6, 7, 8 and 24 of the Framework Agreement*
- *AfCFTA Guidelines on Implementation of Trade Remedies*
- *Art. 2, 11,12 and 20 of the Protocol on Trade in Services*

## Competitiveness

Competitiveness is the ability of an economy or a company to perform at par with similar foreign offerings in a given market. A company is competitive if it offers greater value, achieves more sales or retains more customers than its competitors due to the balanced price of its products/services and/or their quality.

For example, when MSMEs improve on elements such as product development or packaging, they become more competitive.

***Index :***
- *Art. 3 of the Framework Agreement*
- *Art. 3 of the Protocol on Trade in Services*

## Consensus

A method of decision-making which consists of adopting a decision if no State Party present at the meeting formally objects to the decision. It differs from unanimity as it does not require the formal endorsement of the decision by all participants.

Under the AfCFTA all State Parties must agree on the text of an AfCFTA Protocol and its Annexes before it can be adopted.

***Index :***
- *Art. 5, 11, 15, 16 and 30 of the Framework Agreement*
- *Art. 6 of Annex 7 to the Protocol on Trade in Goods*
- *Art. 1, 5, 19, 22 and 25 of the Protocol on Rules and Procedures on the Settlement of Disputes*

## Continental Customs Union

An economic space that makes trade between its members easier. When goods move between these members, there are no customs duties or charges imposed, but when goods from the rest of the world enter this economic space, a common tariff is charged by the members.

A Continental Customs Union is a Customs Union at the continental level. At the continental level, the Abuja Treaty provides for a Continental Customs Union by adopting a common external tariff once tariff liberalization has been achieved. Common external tariff means that there is the application of the same customs duties, import quotas and preferences by all the countries in the union.

The AfCFTA is considered a building block towards the establishment of a Continental Customs Union.

***Index*** **:**
- *Art. 1 and 3 of the Framework Agreement*

## Countervailing Duties

Tariffs levied on imported goods to balance subsidies offered to producers of the goods from the exporting country.

They are meant to level the playing field between domestic producers of a product and foreign producers of the same product. The foreign producers can afford to sell it at a lower price because of the subsidy they receive from their government.

For example, a country may decide to impose 10% duty on cereals to be imported because their domestic cereal industry is being hurt as a result of subsided prices of cereals for producers of the exporting country.

See *Trade Remedies*

***Index*** **:**
- *Art. 1, 6, 16 and 19 of the Protocol on Trade in Goods*
- *Art. 2, 6 and 7 of Annex 9 to the Protocol on Trade in Goods*
- *AfCFTA Guidelines on Implementation of Trade Remedies*

## Customs authority

Administrative authority responsible for administering Customs Laws in a State Party. For example, the Gambia Revenue Authority (GRA) is responsible for the management and administration of Customs, the administration of taxes and duties on imports, the application of Customs controls and other connected matters.

***Index*** **:**
- *Art. 11, 18, 19, 20, 22, 26, 28, 29, 31, 32, 37, 38 and 43 of the Annex 2 to the Protocol on Trade in Goods*
- *Annex 3 to the Protocol on Trade in Goods*
- *Art. 1 and 21 of Annex 4 to the Protocol on Trade in Goods*
- *Art. 1, 5, 8, 9 and 10 of Annex 8 to the Protocol on Trade in Goods*
- *Schedule 1 of the Annex 8 to the Protocol on Trade in Goods*

## Customs procedures

Measures applied by the customs authority of a Party to goods and to the means of transport that are subject to its customs laws and regulations. To receive clearance for goods imported into a country, traders might be required to present a bill of lading, commercial invoice exit note, duly completed Form 'M' entry declaration, packing list, single goods declaration and a product certificate.

***Index*** **:**
- *Art. 3 of the Protocol on Trade in Goods*
- *Annex 3 to the Protocol on Trade in Goods*
- *Art. 1 and 21 of Annex 4 to the Protocol on Trade in Goods*
- *Art. 1 of Annex 8 to the Protocol on Trade in Goods*

## Customs transit

Procedure by which goods can be transported between two customs points in one customs territory or from one customs territory to another without a requirement to pay tariffs or taxes at each point. A good originating from Togo can pass through Benin on the way to the final export destination Guinea, without a requirement to pay tariffs in Benin.

***Index*** **:**
- *Art. 1 of Annex 8 to the Protocol on Trade in Goods*

# D

## Declaration of origin

It is a statement to be inserted in commercial documentation to self-certify the origin, stating the goods comply with the origin requirements. It is a trade facilitative measure that can be used by exporters who are trusted or authorized by the Competent Authority to self-certify the origin.

Traders wishing to benefit from preferential market access under the AfCFTA must present a declaration of origin.

See *Proof of origin*

## Differential treatment

In conformity with the objective of the AfCFTA to ensure comprehensive and mutually beneficial trade in goods, State Parties offer flexibilities to other State Parties which are at different levels of economic development or that have individual specificities as recognized by other State Parties.

These flexibilities include, among others, special consideration and an additional transition period in the implementation of this Agreement, on a case-by-case basis.

Differential treatment is included in most trade agreements, including WTO agreements, to provide special rights for developing countries.

***Index :***

- *Art. 5 of the Framework Agreement*
- *Art. 30 of the Protocol on Trade in Goods*
- *Art. 7 of the Protocol on Trade in Goods*

## Digital trade

Digital commerce refers to the commercial transactions of goods and services made possible by digital technology. These transactions can be delivered digitally or physically. For example, if a consumer in Mozambique orders a piece of clothing from a website in Mali, he or she is engaging in digital commerce. The delivery will be physical.

If a consumer wishes to purchase a Non-Fungible Token (NFT), he is also engaging in digital commerce. The delivery will be digital.

## Dispute settlement mechanism

A dispute settlement mechanism is a structured process with the objective to resolve disagreements that may arise between/among parties involved in a commercial, legal or societal relationship. Under the AfCFTA, the dispute settlement mechanism addresses disagreements between State Parties in relation to the implementation of rights and obligations arising from the AfCFTA Agreement. Private entities cannot be parties to a dispute as they are not State Parties. However, they can petition the appropriate institutions in their government to launch an action if their rights have been affected.

Find more details at :
*https://au-afcfta.org/trade-areas/dispute-settlement-mechanism/*

***Index :***

- *Art. 1 and 21 of the Framework Agreement*
- *Art. 29 of the Protocol on Trade in Goods*
- *Art. 43 of Annex 2 to the Protocol on Trade in Goods*
- *Art. 15 of Annex 5 to the Protocol on Trade in Goods*
- *Art. 16 of Annex 7 to the Protocol on Trade in Goods*
- *Art. 16 of Annex 8 to the Protocol on Trade in Goods*
- *Art. 10 of Annex 9 to the Protocol on Trade in Goods*
- *Art. 25 of the Protocol on Trade in Services*
- *Protocol on Rules and Procedures on the Settlement of Disputes*

## Duties / charge

A form of taxation levied on certain goods, services, or other transactions.

For example, a 5% import duty on raw materials imported into Kenya from Tunisia would require a Tunisian exporter to pay this specific percentage of the value of the raw material it is exporting to the Kenyan customs authority.

See *Tariff*

***Index :***

- *Art. 6, 7 and 9 of the Protocol on Trade in Goods*
- *Art. 13 of Annex 2 to the Protocol on Trade in Goods*
- *Art. 1 of Annex 3 and 12 to the Protocol on Trade in Goods*
- *Art. 4, 6, 8, 9, 13, 14 and 21 of Annex 4 to the Protocol on Trade in Goods*
- *Art. 2, 8, 9, 10 of Annex 8 to the Protocol on Trade in Goods*
- *Art. 13 of Annex 9, 19 and 23 to the Protocol on Trade in Goods*
- *AfCFTA Guidelines on Implementation of Trade Remedies*
- *Art. 25 of the Protocol on Trade in Services*
- *Protocol on Rules and Procedures on the Settlement of Disputes*

# E

## Equivalent effect

Measures having an equal effect to another type of measure in value, measure, force, or significance.

Under the AfCFTA, the concept of equivalent effect applies to taxes having an effect equivalent to a tariff.

***Index :***

- *Art. 6 of the Protocol on Trade in Goods*

## Ex-Work Price

The price of a product once it is finished / once it leaves the production factory to be put on the market.

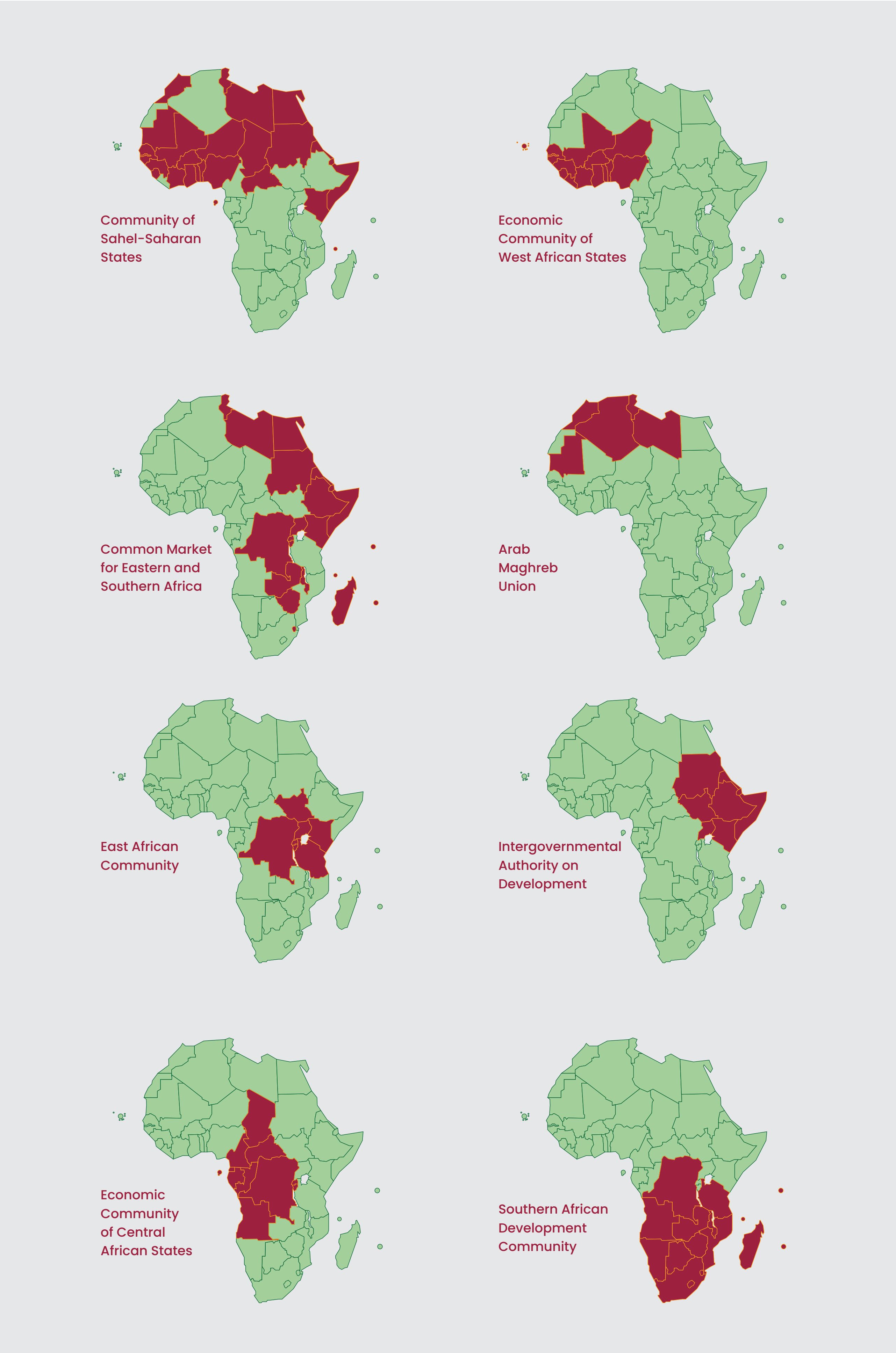
It includes the value of all materials used and all other costs related to its production.
It does not include any internal taxes, which are or can be, refunded when the resulting product is exported.

For example, the price paid for a Toyota to a South African car manufacturer that undertakes the final assembly. This price includes the value of all materials used, labour costs and profit minus any internal taxes returned when the car is exported.

See *Origin and Value of Non-originating materials/components*

***Index :***

- *Art. 1 and 16 of Annex 2 to the Protocol on Trade in Goods*


Community of Sahel-Saharan States
Economic Community of West African States
Common Market for Eastern and Southern Africa
Arab Maghreb Union
East African Community
Intergovernmental Authority on Development
Economic Community of Central African States
Southern African Development Community

# F

## Free movement of persons

The right of nationals of a Member State to enter, establish themselves and reside in another Member State in accordance with the laws of the host Member State and to exit the host Member State in accordance with the laws and procedures for exiting that Member State.

The AU has a Free Movement of Persons Protocol. A complementary measure, it is expected the maximize the benefits of the AfCFTA if fully adopted and implemented.

Find more details at:
*https://au.int/en/treaties/protocol-treaty-establishing-african-economic-community-relating-free-movement-persons*

## Free trade area

An economic space where the tariffs amongst the participating countries have been substantially eliminated on a preferential basis. The AfCFTA is an African free trade area established between the State Parties of the AfCFTA Agreement. Most Regional Economic Communities (RECs) also have their own free trade areas.

See *Preferences*

# H

## Harmonized system (HS)

A multipurpose international goods classification developed under the World Customs Organization (WCO). It aims to categorize the products that are traded on the international market. The classification is organized in sections, chapters, headings and subheadings. To export, you will need to know the HS Code (identification code) of your specific product. It is a six-digit code.

*Example of classification under the Harmonized system:*

| | |
|---|---|
| **Section 1** | Live animals, animal products |
| **Chapter 1** | Live animals |
| **Heading (0101)** | Live horses, asses, mules and hinnies |
| **Subheading 0101.21** | Pure-bred breeding animals |

The harmonized system is accessible with this link:
*https://www.wcotradetools.org/index.php/en/harmonized-system/2022/en*

***Index :***
- *Art. 12, 16 of Annex 2 to the Protocol on Trade in Goods*
- *Appendix I of Annex 2 to the Protocol on Trade in Goods*
- *Art. 3 of Annex 3 to the Protocol on Trade in Goods*

## Heading

Refers to the four-digit code used in the classification nomenclature which makes up the Harmonized System. The Heading for live sheep and goats is: 0104

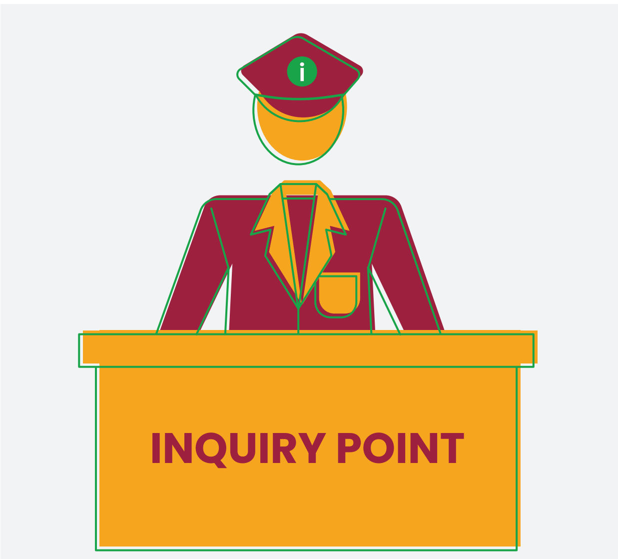
See *Harmonized System*

# I

## Infant industry
A domestic industry, typically of small-scale, in early stages of development, and which usually does not have the capacity to compete. The AfCFTA Agreement provides for the temporary protection of infant industries so that they have time to prepare for freer intra-African trade by becoming more productive and then expanding production. This way, these new sectors will be shielded from the competition and given time to mature until they are ready to face the continental competition.

***Index :***
- *Art. 23 to the Protocol on Trade in Goods*

## Inquiry point
This refers to a person, an office or a focal point specifically designated to answer the questions of economic operators on a specific topic. Those inquiry points are nominated in given line institutions to facilitate trade. For instance, inquiry points on technical barriers to trade can provide support on a related technical barrier to trade issues.




## Intellectual property
An intangible asset resulting from creativity. It includes, for example, ownership rights which protect the creations of the mind, such as literary works, artistic works, drawings and music. Intellectual property is protected in law by, for example, patents, copyright and trademarks, which enable people to earn recognition or financial benefit from what they invent or create. For example, If Mr. Abiola invents a revolutionary electric bulb and obtains a patent for this invention, Company LumiereAlways, which is a world-leading electric bulb producer, will not be able to use his invention and market it without his authorization. Failing to do so exposes LumiereAlways to serious legal and financial risks for infringement of Mr. Abiola's intellectual property rights.

See *Protocol*

***Index :***
- *Art. 4, 6, 7, 8 and 24 of the Framework Agreement*

## Intermediate good
Items that are transformed by enterprises and are thereafter acquired by other enterprises to be further transformed into new products. For example, a copper kitchenware manufacturer needs copper cathode (sheets) to turn them into cooking pots and frying pans. The copper cathodes are the intermediate good, made from the raw materials (copper ores).

## Intra-African trade
International trade (import or export) that takes place between African countries. The AfCFTA, by setting up its free trade area, aims to make intra-African trade easier, and to increase intra-African trade. See *BIAT*

***Index :***
- *Art. 3 of the Framework Agreement*
- *Art. 9, 11 of Annex 5 to the Protocol on Trade in Goods*
- *Art. 13 of Annex 6 to the Protocol on Trade in Goods*
- *Art. 6 and 15 of Annex 7 to the Protocol on Trade in Goods*

## Instrument

A binding document that sets the rights and obligations of the parties thereto. For example, the Agreement establishing the AfCFTA is a legal instrument, which has the force of law and gives rights and obligations to the States who have ratified it.

***Index :***

- *Art. 1, 8, 12, 22, 24 and 25 of the Framework Agreement*
- *Art. 5, 9 of Annex 3 to the Protocol on Trade in Goods*
- *Art. 26 of Annex 4 to the Protocol on Trade in Goods*
- *Art. 4 of Annex 6 to the Protocol on Trade in Goods*
- *Art. 1 of Annex 7 to the Protocol on Trade in Goods*

## Investment

Immediate expense that allows investor to increase their wealth over time.

For example, an investor hears about a revolutionary company that develops electric planes. The investor decides to give part of his money to this company so that the company has the necessary funds to acquire the staff and equipment needed to deliver its products and services. If the idea works as the investor expects, the investor will receive a return on his investment in a few years, and which will in turn increase his wealth. The AfCFTA Agreement provides for an Investment Protocol to guide and balance the rights and obligations of the State Parties and the investors to ensure sustainable wealth creation under the AfCFTA.

See *Protocol*

***Index :***

- *Art. 1, 8, 12, 22, 24 and 25 of the Framework Agreement*
- *AfCFTA Guideline 18, 33, 34 on Implementation of Trade Remedies*
- *Art. 3 and 19 of the Protocol on Trade in Services*

# J

## Juridical person

Is a company or enterprise incorporated under the laws of a country with a distinct legal personality to pursue the objectives and interests of one or several physical/natural persons.

For example Mrs. Kareem is the manager of a transport company - AfCFTAMove. He is a natural person and a human being endowed with a legal personality (i.e. with the capacity to exercise rights and to act in justice). AfCFTAMove is a legal person. If employees of AfCFTAMove deliver a service for which the company is not paid, AfCFTAMove will be able to act in justice against the company's client who has not paid, without necessarily requiring Mrs. Kareem to engage.

***Index :***

- *Art. 1 and 24 of the Protocol on Trade in Services*

# L

## Liberalization

Trade liberalization refers to the opening/easing of trade through the reduction or elimination of tariff and non-tariff barriers to trade.

Liberalization of trade in goods and services has a relatively simple objective: to remove legal, regulatory and administrative barriers to trade.

The objective of the AfCFTA is to reduce tariffs to smoothen trade in goods, and to consolidate and reduce the limitations to international services trade.


# M

## Manufactured product

Good that is produced mainly by the application of labour and capital to raw materials and intermediate inputs. As such, manufactured goods are the opposite of raw goods but include intermediate goods as well as final goods.

Manufactured products in Africa such as chocolates can be traded under the AfCFTA.

## Market

A commercial place of buying and selling; that is, the exchange of goods or services by two or more parties. It can be physical or virtual. The AfCFTA creates new African market opportunities for MSMEs. For example, a Ugandan business can export more freely and at a lower cost to the Nigerian market. A market is most often referred to in relation to its type: for instance, we can have the goods or services markets, the labour market or the capital market, among others

***Index :***

- *Art. 3 of the Framework Agreement*
- *Art. 3 of the Protocol on Trade in Goods*
- *Art. 4 of the Annex 2 to Protocol on Trade in Goods*
- *AfCFTA Guideline 17, 18, 19, 34 and 35 on Implementation of Trade Remedies*
- *Art. 1, 2, 3, 7 and 11 of the Protocol on Trade in Services*

## Market access

Market access refers to the ability of a good or service to enter the market of another country without any preferential agreement. The product or service will be subject to certain requirements, such as tariffs or non-tariff measures, which the exporting company must comply with to be allowed to penetrate the market in importing country. Market access conditions can include tariffs or technical regulations for some goods. They can include the application of national professional qualification requirements for services.

Example: for a company from Nigeria to export goods to country Egypt, the company from Nigeria will have to comply with some requirements of Egypt before goods can enter and be sold on Egyptian market.

*Index :*

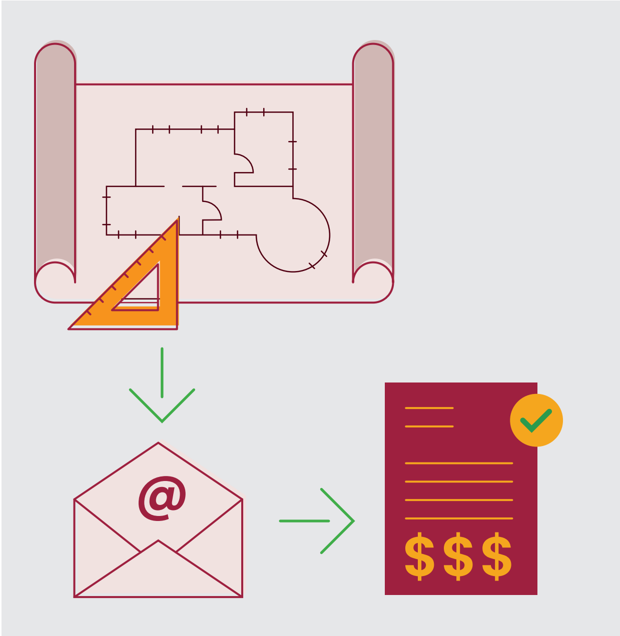
- *Art. 5 of Annex 7 to Protocol on Trade in Goods*
- *AfCFTA Guideline 17, 18, 19, 34 and 35 on Implementation of Trade Remedies*
- *Art. 3, 18, 19, 22 and 27 of the Protocol on Trade in Services*

## Mode of supply

International service transactions imply a service provider and the service consumer are originally from different countries. For the service to be delivered and consumed, the AfCFTA Agreement envisages four (4) possibilities of delivery of the service:

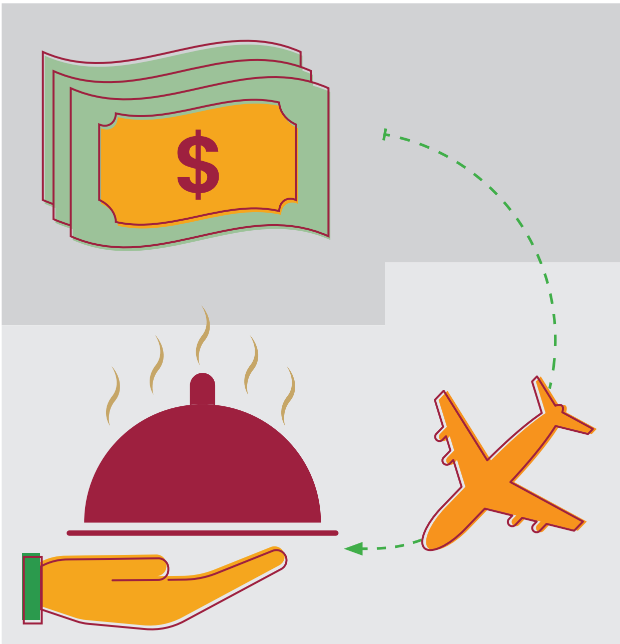
**Mode 1 (Cross-border supply):**
A service provider in one country sells a service to a customer in another country without either of them moving.

For example, a Ghanaian company wants to build new offices in Accra. To do so, the company calls upon the services of a famous Cameroonian architect, who sends his architectural plans by email, directly from his office in Yaoundé. No one has moved, no commercial presence has been established on the consumer's territory. The service delivered by the Cameroonian architect falls under mode 1 of service supply.



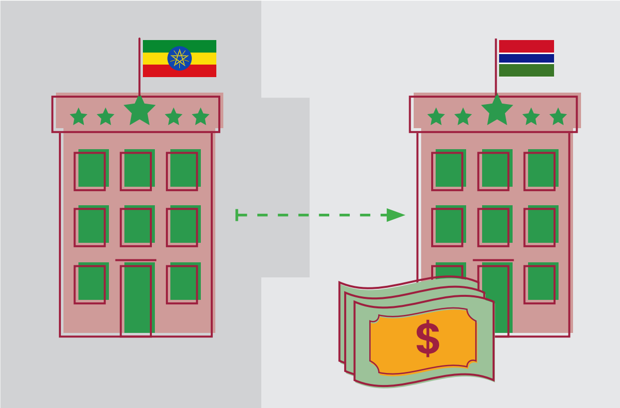

**Mode 2 (Consumption abroad):**
The consumer consumes a service after travelling to the supplier's country.

For example, an Angolan tourist travels to Burkina Faso and is served in a restaurant in Ouagadougou.



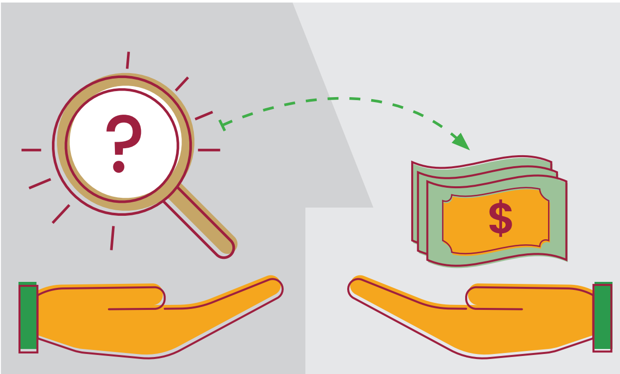

**Mode 3 (Commercial presence):**
The service supplier sets up a subsidiary or a branch in the importing country

For example, a large Ethiopian hotel group opens a hotel in The Gambia. The Gambian nationals who rent a room in this hotel consume a service exported from Ethiopia through mode 3 delivery.



**Mode 4 (Temporary movement of natural persons):**
An individual foreign service provider moves temporarily to the consumer's country to deliver their service.

For example, a consultant from Ugandan travels to Pretoria to conduct an impact study as part of the contract he signed with another South African firm



*Index :*
- *Art. 19 of the Protocol on Trade in Services*

## Most favoured nation (MFN) treatment

Non-discrimination measure which holds that a State Party must treat all its trading partners equally. Simply put, it means equal treatment for all trading partners. If an advantage is given to any partner, it must be extended to all others also.

There are some exemptions to this principle, but they are strictly guided by the AfCFTA Agreement.

See *Non-discrimination*

*Index :*
- *Art. 5, 19 of the Framework Agreement*
- *Art. 4 of the Protocol on Trade in Goods*
- *AfCFTA Guideline 13 on Implementation of Trade Remedies*
- *Art. 4 and 28 of the Protocol on Trade in Services*

## MSMEs

This acronym stands for "Micro, Small and Medium-Sized Enterprises". These enterprises, situated under the umbrella of the private sector, are very central to Africa's economy, generating wealth and creating jobs. MSMEs account for over 80 percent of African enterprises and are principal beneficiaries of the AfCFTA.

## Mutual recognition

The concept of "mutual recognition" refers to the situation in which States Parties recognize each other's policies or laws and regulations as equivalent. It can apply to a wide range of topics, such as standards or professional qualifications, for instance. Mutual recognition can take the form of a "mutual recognition agreement" under which several States Parties recognize some of their standards or policies as equivalent. For example, Mauritania and Malawi have adopted a mutual recognition agreement for professional qualification. A lawyer from Mauritania who wishes to establish a practice in Malawi may have his credentials recognized as equivalent to those required to exercise a legal practice and thereby sell their services in a regulated market in Malawi.

*Index :*
- *Art. 13 of Annex 4 to the Protocol on Trade in Goods*
- *Art. 4, 8, 9 and 10 of the Annex 6 to the Protocol on Trade in Goods*
- *Art. 27 of the Protocol on Trade in Goods*

# N

## National treatment

Principle by which a State Party commits not to grant more favorable treatment to its domestic products, services or service suppliers than to similar products or services of another State Party.

This is to ensure equal treatment between foreign and domestic products and services, and to fight against the protectionist behavior of certain States. However, it should be noted that the principle of national treatment only applies to goods and services that have already entered the importing market.

For example, entrepreneurs from South Africa can sell goods in Liberia and have products compete on the same level as Liberian products.

See *Non-discrimination*

> ***Index :***
> - *Art. 5 of the Framework Agreement*
> - *Art. 4 of the Protocol on Trade in Goods*
> - *Art. 15, 20 and 22 of the Protocol on Trade in Services*

## Non-discrimination

This is one of the foundational principles of the AfCFTA, as well as of the WTO. The principle of non-discrimination stipulates that a State Party shall not discriminate:

- Between "like" products, services or service suppliers from different trading partners. This means treating all State Parties not less favourably than the best-treated one. This is referred to as the "most favoured nation" (MFN) principle; and
- Between domestic and foreign "like" products, services or service suppliers. This means treating foreign goods, services, or service suppliers not less favourably than home products, services, or service suppliers (giving them "national treatment").

The MFN treatment refers to the prohibition of countries to discriminate against their trading partners. Therefore, if any special favour – such as lower customs duty rate – is offered for one country, the favour must be extended to all other parties to the Agreement. The national treatment requires countries to treat imported and locally produced goods and services equally once on the market.

See *Most favored nation (MFN) treatment and National Treatment*

> ***Index :***
> - *Art. 4 of Annex 3 to the Protocol on Trade in Goods*

## Non-originating material content

Goods and materials that do not satisfy the originating criteria under the AfCFTA rules of origin are deemed non-originating, whether they are imported or from an unascertained origin – even if locally. The non-originating material content, therefore, refers to the share of material entering into a manufacturing process which is either not outright originating or which cannot be certified as originating. This includes materials whose origin is unknown or impossible to determine or which have not undergone a sufficient transformation on the territory of a State Party. The notion of non-originating material content often comes into play when calculating the ratio against local content material and work. Where this rule applies, the exact ratio and eventual specific limitations to the principle are explicitly mentioned in the rules of origin. Those can be found under Appendix IV to Annex 2 of the Protocol on Trade in Goods

See *Origin*

> ***Index :***
> - *Art. 7 of Annex 2 to the Protocol on Trade in Goods*

## Non-tariff barrier

A non-tariff measure that creates undue trade frictions because it is more restrictive than necessary. Where operators face a cross-border challenge they consider to be a non-tariff barrier, they can report it using the NTB reporting mechanism, which is one of four operational instruments of the AfCFTA. Ref Section on MSMEs & the AfCFTA

See *Non-tariff measure*

Find more details at:
*https://www.tradebarriers.africa/*

***Index :***
- *Art. 1, 4 to the Framework Agreement*
- *Art. 1, 2, 11 to the Protocol on Trade in Goods*
- *Annex 5 to the Protocol on Trade in Goods*

## Non-tariff measure

Governmental measures, other than tariffs or tariff quotas affecting international trade. These measures are either technical – like technical regulations, standards, certifications, sanitary (relating to health of humans and animals) and phytosanitary (of or relating to the health of plants) measures, etc. – or "non-technical" – such as quantitative restrictions, price support measures, etc. These measures seek to pursue a legitimate public policy objective and should not be more restrictive than necessary. If these measures are more restrictive than necessary to meet a legitimate interest, then these non-tariff measures become non-tariff barriers, as they become an obstacle to the smooth functioning of international trade.

See *Non-tariff barrier*

# O

## Origin

It is the economic nationality of a good and serves as a basis for tariff reduction or tariff-free Under the AfCFTA, it determines, upon satisfaction of a set of rules – referred to as the Rules of origin – whether the goods are eligible for a tariff preference. The list of criteria which goods must comply with to enjoy preferential treatment is listed under Appendix IV to Annex 2 of the Protocol on Trade in Goods.

It is important to understand that the country of origin differs from the country of export because goods may have only passed through or undergone minimal operations in that country of export. In this context, it is not sufficient to know the country of export of a good to identify its origin. There are two types of rules of origin: those called preferential and those called non-preferential. The AfCFTA rules of origin are preferential rules of origin and provide the sets of requirements for a product to benefit from the AfCFTA advantages.

For example, Ghanaian plastics, such as tubes and pipes and hoses, may be imported into Chad duty-free under the AfCFTA instead of the normal 30% MFN duty, provided that the goods have undergone a change in tariff heading or that the non-originating material content does not exceed 60% of the ex-works price of the final product.

***Index :***
- *Art. 12 to the Protocol on Trade in Goods*
- *Annex 2 to the Protocol on Trade in Goods*
- *AfCFTA Guideline 17, 20, 30 on Implementation of Trade Remedies*

# P

## Preferences

Special advantages extended by the importing State Parties to exports from another State Party.

For example, Sao Tome & Principe usually implements restrictions to foreign hotel services under 30 rooms on an MFN basis. However, under the AfCFTA Agreement, Sao Tome & Principe has fully liberalized the hotel services for hotel service providers from other State Parties. The treatment is, therefore, more liberal and constitutes a preference towards State Parties against non-State Parties.

***Index :***
- *Art. 19 of the Framework Agreement*
- *Art. 1 and 4 to the Protocol on Trade in Goods*
- *Art. 38 of Annex 2 to the Protocol on Trade in Goods*
- *Art. 4 to the Protocol on Trade in Services*

## Preferential trade arrangement

Any trade arrangement by which a country or customs territory grants preferences to another country or customs territory, whether on a reciprocal basis or a unilateral basis. The AfCFTA is an example of a Preferential Trade Agreement.

***Index :***
- *Art. 1 and 4 to the Protocol on Trade in Goods*

## Preservation of the acquis

Acquis is a French term meaning "that which has been agreed". This means that the AfCFTA will build on what has already been agreed upon by the RECs recognized by the African Union. For example, the tariff preferential rates agreed under the RECs free trade areas will be preserved as part of the AfCFTA negotiations.

***Index :***
- *Art. 5 of the Framework Agreement*
- *Art. 18 to the Protocol on Trade in Services*

## Proof of origin

A document certifying the origin of a good. It specifies where the goods were made and how they acquired the origin under the AfCFTA Agreement, among other elements.

Under the AfCFTA, the proofs of origin are the Certificate of origin and the Declaration of Origin.

The Certificate of origin is the documentary proof of origin issued by a Designated Competent Authority, confirming that a particular product complies with the origin criteria applying to preferential trade under the Protocol on Trade in Goods and in accordance with the rules of origin. The Declaration of origin is a statement to be inserted in the commercial documentation to self-certify the origin, stating the goods comply with the origin requirements. It is a trade facilitative measure that can be used by exporters who are trusted or authorized by the Competent Authority to self-certify the origin.

***Index :***
- *Art. 1, 11, 19, 20, 29, 30, 31, 33 and 38 of the Annex 2 to the Protocol on Trade in Goods*

## Protocol

An AfCFTA protocol is a legal instrument binding on AfCFTA State Parties and is a subsidiary instrument to the Framework Agreement. The AfCFTA includes Protocols on Trade in Goods, Trade in Services, Competition Policy, Intellectual Property Rights, Digital Trade and Women and Youth.

See *Instrument*

***Index :***

- *Art. 1, 8, 16, 21, 22, 24 of the Framework Agreement*
- *Protocol on Trade in Goods*
- *Protocol on Trade in Services*
- *Protocol on Rules and Procedures on the Settlement of Disputes*

**SIGNED PROTOCOL**

*AfCFTA State Parties as of April 2023*

# Q

## Quota

A quota is a non-tariff measure aimed at establishing a limitation in volume or value on the import or export of goods or services. For instance, the AfCFTA Protocol on Services provides for a general prohibition of limitations on the number of service suppliers in the form of numerical quotas unless the contrary has been specified in a State Party's schedule of specific commitments.

For example: Cameroon might place a restriction on Botswana so that Botswana cannot import more than 10 tonnes of sugar.

***Index :***

- *Art. 4 of Annex 4 to the Protocol on Trade in Goods*
- *Appendix 1 to the Annex 4 to the Protocol on Trade in Goods*
- *AfCFTA Guideline 13 on Implementation of Trade Remedies*
- *Art. 19 of the Protocol on Trade in Services*

# R

## Ratification

Ratification is an official international act by which a State expresses its consent to be bound by a treaty and to perform its commitments under it.

In the context of an international treaty, ratification very often takes place after the signing of the treaty. While signature is only an expression of the will of a State, it does not imply any legal obligation. At the time of publishing, 44 of the 54 African countries to have signed the AfCFTA Agreement had also ratified the Agreement.

***Index :***
- *Art. 23, 24 and 25 of the Framework Agreement*

## Raw material

A substance in its fresh state, or, after collection, having undergone a first transformation at the place of sourcing/harvest to make it suitable for international trade. It can be transformed into finished materials or used as an energy source. Steel is an example of a raw material that can be traded in Africa and has potential for further transformation.

***Index :***
- *Art. 1 and 10 of Annex 2 to the Protocol on Trade in Goods*
- *AfCFTA Guideline 7 on Implementation of Trade Remedies*

## Reciprocity

Reciprocity implies that the AfCFTA special advantages are applicable if the importing State Party has made some liberalization commitments towards the exporting State Party and the exporting State Party has also committed grant preferences to the importing State.

For example, Rwanda and Botswana both relax travel restrictions between their countries.

See *Preferential trade arrangement*

***Index :***
- *Art. 5 of the Framework Agreement*

## Regional Economic communities (RECs)

In the context of the AfCFTA Agreement, the term "RECs" refers to the eight RECs that are recognized by the African Union:
- the Arab Maghreb Union (AMU);
- the Common Market for Eastern and Southern Africa (COMESA);
- the Community of Sahel-Saharan States (CEN-SAD);
- the East African Community (EAC);
- the Economic Community of Central African States (ECCAS);
- the Economic Community of West African States (ECOWAS);
- the Intergovernmental Authority on Development (IGAD) and
- the Southern African Development Community (SADC).

***Index :***
- *Art. 3, 5, 13 and 14 of the Framework Agreement*
- *Art. 1 and 28 of the Protocol on Trade in Goods*
- *Art. 6, 9 and 14 of Annex 5 to the Protocol on Trade in Goods*
- *AfCFTA Guideline 5 on Implementation of Trade Remedies*
- *Art. 18 and 27 of the Protocol on Trade in Services*

AMU logo

COMESA logo

CEN-SAD logo

EAC logo

ECCAS logo

ECOWAS logo

IGAD logo

SADC logo

## Rules of origin (RoO)

Set of criteria that determine the origin of a product.

Under the AfCFTA, a product shall be considered as originating from a State Party if it has:

(a) been wholly obtained in that State Party within the meaning of Article 5 of Annex 2

(b) undergone substantial transformation in that State Party within the meaning of Article 6 of Annex 2

See *Origin*

# S

## Sanitary and phytosanitary (SPS) measures

Measures which are applied to protect human, animal or plant life or health from risks arising from the introduction, establishment and spread of pests and diseases. The measures also protect from risks arising from additives, toxins and contaminants in food and feed.

Within the AfCFTA context, countries will endeavour to ensure that trade is safe and as such enforce SPS measures. Being SPS compliant is therefore critical for business.

***Index :***
- *Art. 1 and 28 of the Protocol on Trade in Good*
- *Appendix 1 to the Annex 5 to the Protocol on Trade in Goods*
- *Art. 11 of Annex 6 to the Protocol on Trade in Goods*
- *Annex 7 to the Protocol on Trade in Goods*

## Semi-finished goods

Manufactured materials not intended for final use. They serve as input for the production of other goods. They are also referred to as intermediate goods. Semi-finished goods have lower added value than the final product. We cannot use them directly. They must be processed to become finished goods.

For example, aluminum alloy for making cars is a semi-finished good.

***Index :***
- *Art. 10 of Annex 2 to the Protocol on Trade in Goods*

## Simple transformation

A manufacturing process which is deemed too low in value addition to consider the processed goods as originating from a State Party. If a good is considered to have been transformed through a "simple transformation", it does not qualify for the preferential terms of the AfCFTA. In these cases, a list of processes is provided for under the Rules of origin. If a good is made through a simple transformation, it cannot be considered as originating from a State Party, even if it otherwise meets the specified rule under Appendix IV to Annex 2 of the Protocol on Trade in Goods.

See *State Party*

***Index :***
- *Art. 9 of Annex 2 to the Protocol on Trade in Goods*

## Special economic arrangements/ zones

Special Economic Zones (SEZs) are clearly defined geographical areas within which governments facilitate industrial activity through infrastructure support, fiscal incentives and a regulatory regime that is distinct from that prevailing in the rest of the economy.

Example: Djibouti may create a designated region where companies operating within that zone pay lower taxes.

***Index :***
- *Art. 22 to the Protocol on Trade in Goods*
- *Art. 1 and 11 of Annex 2 to the Protocol on Trade in Goods*

## Schedule of specific commitments

Document which lists all the liberalization commitments made by a State Party under the Protocol on Trade in Services. It specifies all the commitments made on a mode-by-mode, sector-by-sector basis.

For a given service, a State Party's schedule of specific commitments may, for instance, be to eliminate existing market access limitations on a service, and not to adopt new ones. In such a case, the commitment will read "none". On the contrary, the specific commitment may indicate that the State Party will not commit to anything; the schedule will then read "unbound".

It is important to note that for a single sector or sub-sector, the commitments will be expressed for each mode of supply, in terms of market access limitations and in terms of national treatment limitations. There may also be additional commitments made. Therefore, specific commitments in a given sector or sub-sector will have at least eight (8) commitments.

In addition, those specific commitments should also be read in conjunction with the horizontal commitments, which are specified at the beginning of the schedule of specific commitments, and which apply throughout the sectors.

***Index :***
- *Art. 1, 20, 21 and 22 to the Protocol on Trade in Services*

## Specific process

A method of determining the origin of a good through the description of a series of distinct manufacturing operations. For instance, to acquire an originating status, a shirt needs to be cut and trimmed from fabric. This description is a specific process.

See *Origin*

***Index :***
- *Art. 7 of Annex 2 to the Protocol on Trade in Goods*

## State Party

A State Party to the AfCFTA Agreement is an AU Member State that has ratified or acceded to the AfCFTA Agreement. There are currently 44 State Parties to the AfCFTA Agreement across the 5 African sub-regions.

***Index :***
- *Throughout all instruments*

## Subheading

It refers to the six-digit code used in the classification nomenclature which makes up the Harmonized System. For example, Chapter 10: cereals; heading 10.06: rice; subheading 1006.40: broken rice

See *Harmonized System*

## Subsidiary bodies

Sub-groups established by existing committees for the effective discharge of functions. The committee can be focused on specific thematic areas.

See *Committee*

## Subsidy

A direct or indirect relief/incentive given usually by government/central administration to support the economic activity of State Party's enterprise through offsetting or lowering costs. Example: A reduction in fertilizer prices by government agency for cocoa farmers in Guinea. In certain cases, subsidies may be actionable under the AfCFTA if they cause significant damage to the domestic industry of another AfCFTA State Party.

See *State Party*

***Index :***
- *Art. 1, 7 of the Protocol on Trade in Goods*
- *Appendix 1 to Annex 5 to the Protocol on Trade in Goods*
- *AfCFTA Guidelines on Implementation of Trade Remedies*
- *Art. 6 and 7 of Annex 9 to the Protocol on Trade in Goods*
- *Art. 17 of the Protocol on Trade in Services*

## Substantial transformation

This means that a good has undergone significant change/process. A good made using imported inputs acquires originating status if it is considered to have been substantially transformed.

There are three (3) ways goods can be deemed to have been substantially transformed:
- Change of tariff classification
- Specific process
- Value added or value of non-originating materials.

See *Origin*

***Index :***
- *Art. 5 of Annex 2 to the Protocol on Trade in Goods*
- *Appendix I of Annex 2 to the Protocol on Trade in Goods*

## Sufficiently worked or processed

Refers to the further processing of non-originating goods/materials.

For example, non-originating raw material such as sugar, flour and butter undergo manufacturing into packaged cookies in an AfCFTA State Party.

See *Substantial transformation and Non-Originating Material Content*

# T

## Tariff
A tax or duty on imports. It works by tariff line: a customs duty is applied to a specific product that is coded according to the HS nomenclature. To this end, when negotiating an international trade agreement, States make tariff concessions: lower their tariffs for each of the products in the nomenclature. To do this, they submit a tariff schedule, either for immediate or progressive liberalization, including the old and new tariffs applicable to each product.

For example, the tariff imposed by a given country on a given good can be 10% of the total value of a product.

***Index :***
- *Art. 4 of the Framework Agreement*
- *Art. 2, 3, 6 and 7 to the Protocol on Trade in Goods*
- *Annex 3 to the Protocol on Trade in Goods*

See *Harmonized System*

## Tariff concessions
Commitments of a State Party to another State Party by granting a tariff reduction or a tariff elimination as a preference under the AfCFTA Agreement.

Tariff concessions involve the elimination of customs duties on the import of goods. This reduces the final cost of the imported goods and promotes trade between the State Parties that grant each other preferences.

***Index :***
- *Art. 1, 2, 6, 7 and 10 to the Protocol on Trade in Goods*

## Trade facilitation
Trade facilitation includes all measures aimed to smoothen and enable international trade. In this regard, it has mainly to do with technology or alignment of processes to ease understanding and the exchanges between international traders. The AfCFTA Trade Facilitation Annex will help to support the smooth movement of goods across borders with simplified customs procedures.

***Index :***
- *Art. 4 of the Framework Agreement*
- *Art. 2, 3, 14 and 10 to the Protocol on Trade in Goods*
- *Art. 1, 5, 11 and 13 of Annex 3 to the Protocol on Trade in Goods*
- *Annex 4 to the Protocol on Trade in Goods*
- *Art. 4, 12 and 13 of Annex 6 to the Protocol on Trade in Goods*

## Trade remedies
Measures that seek to improve trade. The AfCFTA Agreement identifies three main types of import controls as trade remedies:

- **Antidumping measures.**

The most-commonly used are antidumping measures to respond to unfairly low prices.

- **Countervailing duties.**

Countervailing duties respond to subsidies by national authorities that unfairly enable their companies to export at a lower price.

- **Safeguard measures.**

These measures do not counteract an unfair practice, but allow countries to suspend import surges temporarily in order to grant local industries time to adjust to increased foreign competition on national markets.

Annex 9 of the Protocol on Trade in Goods of the Agreement establishing the African Continental Free Trade Area (AfCFTA) deals with several types of trade remedies: Anti-dumping, Countervailing and Safeguard Measures (Article 2), Global Safeguard Measures (Article 3), Preferential Safeguard Measures (Article 4), as provided for in Articles –17 - 19 of the Protocol on Trade in Goods, this Annex and the AfCFTA Guidelines in accordance with relevant WTO Agreements.

See *Anti-dumping measures, Countervailing duties and Safeguard*

***Index :***

- *Art. 2, 16, 17, 18 and 19 of the Protocol on Trade in Goods*
- *Annex 9 to the Protocol on Trade in Goods*

## Transit

Transit refers to the inland transport of goods under customs control that is not cleared by customs. International transit may involve border crossing. Customs transit is a customs procedure used to move goods:

- between two points of a customs territory, via another customs territory; or
- between two or more different customs territories.

For example, consignment that has left Tunisia, and passing through (transits) Cameroon on the way to Lesotho.

***Index :***

- *Art. 2, 3, 15 and 30 of the Protocol on Trade in Goods*
- *Art. 18, 26 and 32 of Annex 2 to the Protocol on Trade in Goods*
- *Art. 5 and 13 of Annex 3 to the Protocol on Trade in Goods*
- *Art. 1, 2, 4, 13, 16, 17, 18, 19, 20, 21, 25 of Annex 4 to the Protocol on Trade in Goods*
- *Art. 13 of Annex 7 to the Protocol on Trade in Goods*
- *Annex 8 to the Protocol on Trade in Goods*

## Transparency

The principle whereby public and political decision-makers in international trade (States, regional organizations and other committees and institutions) have a duty to declare their intentions.

For example, Article 16 paragraph 1 of the Agreement establishing the African Continental Free Trade Area (AfCFTA) states: "Each State Party shall promptly publish or make publicly available through accessible mediums (3) its laws, regulations, procedures and administrative rulings of general application as well as any other commitments under an international agreement relating to any trade matter covered by this Agreement."

International traders can also be submitted to this principle of transparency. To follow the same example, Article 25 of the Protocol on Trade in Goods states: "1. In order to ensure the transparency of the activities of State Trading Enterprises (STE), State Parties shall notify such enterprises to the Secretariat for transmission to other State Parties. / 2. For the purpose of this Article, STE refers to governmental, non-governmental enterprises, including Marketing boards, which have been granted exclusive or special rights or privileges, including statutory or constitutional powers,[...]"

***Index :***

- *Art. 5 of the Framework Agreement*
- *Art. 24 of the Protocol on Trade in Goods*
- *Art. 4 of Annex 3 to the Protocol on Trade in Goods*
- *Art. 3 of Annex 4 to the Protocol on Trade in Goods*
- *Art. 10 and 13 of Annex 5 to the Protocol on Trade in Goods*
- *Art. 4 and 11 of Annex 6 to the Protocol on Trade in Goods*
- *Art. 4 and 11 of Annex 7 to the Protocol on Trade in Goods*
- *Art. 9 of Annex 9 to the Protocol on Trade in Goods*
- *Art. 5 of the Protocol on Trade in Services*
- *Annex 1 to the Protocol on Rules and Procedures for the Settlement of Disputes*

# V

*Index :*
- *Art. 3 of the Framework Agreement*
- *Art. 4 of Annex 2 to the Protocol on Trade in Goods*
- *Art. 3 of the Protocol on Trade in Services*

## Value added

The value added of a product is the difference between the final price and the inputs, production costs and other expenses related to its production. It therefore expresses both the profit made by the company on this product but also the share of value added by each of the inputs. For example, finished furniture from wood; difference between cost of finished furniture and inputs such as wood, nails, labour, machinery

*Index :*
- *Art. 1 of Annex 2 to the Protocol on Trade in Goods*
- *Appendix 1 of the Annex 2 to the Protocol on Trade in Goods*

## Value chain

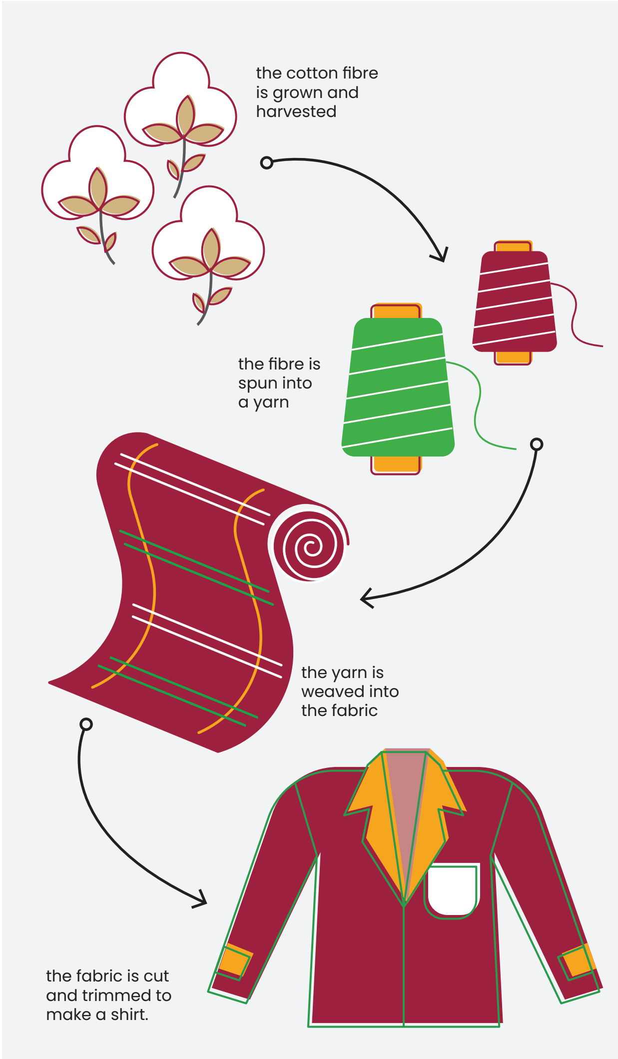
A set of interconnected steps or activities undertaken to produce a finished product/service from a raw material. These interconnected steps also include a progressive value creation for the product/service.

For example, before being put on sale, a shirt will have undergone several transformations that will allow it to obtain its final shape. The value chain of the manufacturing of a cotton shirt could be listed as follows:

- the cotton fibre is grown and harvested
- the fibre is spun into a yarn
- the yarn is weaved into the fabric
- the fabric is cut and trimmed to make a shirt.

Here is an example of a value chain. Each of these steps may not take place in the same place, or even in the same countries.

See *Value added*




## Variable geometry

Variable geometry gives States the flexibility to choose the pace of their integration process. It also gives States a choice on whether or not to accept different agreements used in implementing the statutory treaty.

For example, LDCs have more years to gradually eliminate tariffs under the AfCFTA.

See *Differential Treatment*

*Index :*
- *Art. 5 of the Framework Agreement*

# W

## Wholly obtained

This is one of the main criteria for determining the origin of a product. It requires that the product be entirely made in a single country. These products are generally raw materials or products derived from natural resources.

For example, fish caught from the waters of a coastal State Party, oil drilled from the shores of a State Party, or chicken eggs harvested locally.

See *Origin/Rules of origin*

> ***Index :***
> - *Art. 5, 6 and 7 of Annex 2 to the Protocol on Trade in Goods*
> - *Appendix I to Annex 2 to the Protocol on Trade in Goods*

## WTO agreements

The World Trade Organization is an international organization based on a corpus of texts signed by its Members and forms the legal basis of international trade law. Its foundational instrument, the Marrakesh Agreement, contains several instruments that guide international trade.

WORLD TRADE ORGANIZATION

World Trade Organization logo

*Kindly see below :*

### ANNEX 1

**ANNEX 1A: Multilateral Agreements on Trade in Goods**

- General Agreement on Tariffs and Trade 1994
- Agreement on Agriculture
- Agreement on the Application of Sanitary and Phytosanitary Measures
- Agreement on Textiles and Clothing
- Agreement on Technical Barriers to Trade
- Agreement on Trade-Related Investment Measures
- Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade 1994
- Agreement on Implementation of Article VII of the General Agreement on Tariffs and Trade 1994
- Agreement on Preshipment Inspection
- Agreement on Rules of Origin
- Agreement on Import Licensing Procedures
- Agreement on Subsidies and Countervailing Measures
- Agreement on Safeguards

**ANNEX 1B: General Agreement on Trade in Services and Annexes**

**ANNEX 1C: Agreement on Trade-Related Aspects of Intellectual Property Rights**

### ANNEX 2: Understanding on Rules and Procedures Governing the Settlement of Disputes

### ANNEX 3: Trade Policy Review Mechanism

### ANNEX 4: Plurilateral Trade Agreements

- Agreement on Trade in Civil Aircraft
- Agreement on Government Procurement
- International Dairy Agreement
- International Bovine Meat Agreement
  44 out of the 55 member states of the African Union are members of the WTO. The AfCFTA is aligned to the WTO Agreement

> ***Index :***
> - *Art. 1, 8 and 16 of the Protocol on Trade in Goods*
> - *Art. 3 of Annex 5 to the Protocol on Trade in Goods*
> - *Art. 2 and 7 of Annex 9 to the Protocol on Trade in Goods*

# REFERENCES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**AfCFTA Framework Agreement**
https://au-afcfta.org/wp-content/uploads/2022/06/AfCFTA-Agreement-Legally-scrubbed-signed-16-May-2018.pdf

**BIAT – Boosting Intra-African Trade**
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**Harmonized System**
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ITC & UNCTAD (2021) Unlocking Regional Trade Opportunities in Africa for a more Sustainable and Inclusive Future

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Protocol on Trade in Goods, its nine (9) Annexes and ten (10) Appendices

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**Treaty Establishing the African Economic Community**
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UNECA (2021) New assessment of the economic impacts of the agreement establishing the African continental free trade area on Africa

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