



Emerging issues in Customs and International Trade – What is the impact of AfCFTA

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Agenda



- Why is AfCFTA important for Africa?
- What is AfCFTA and its intended objectives?
- Which countries signed and which ones ratified the agreement?
- When will it be effective?
- Who will benefit from the Agreement?
- Simulation/Case studies - impact on imports
- Customs procedures for exports

Africa's Agenda 2063 Pillars



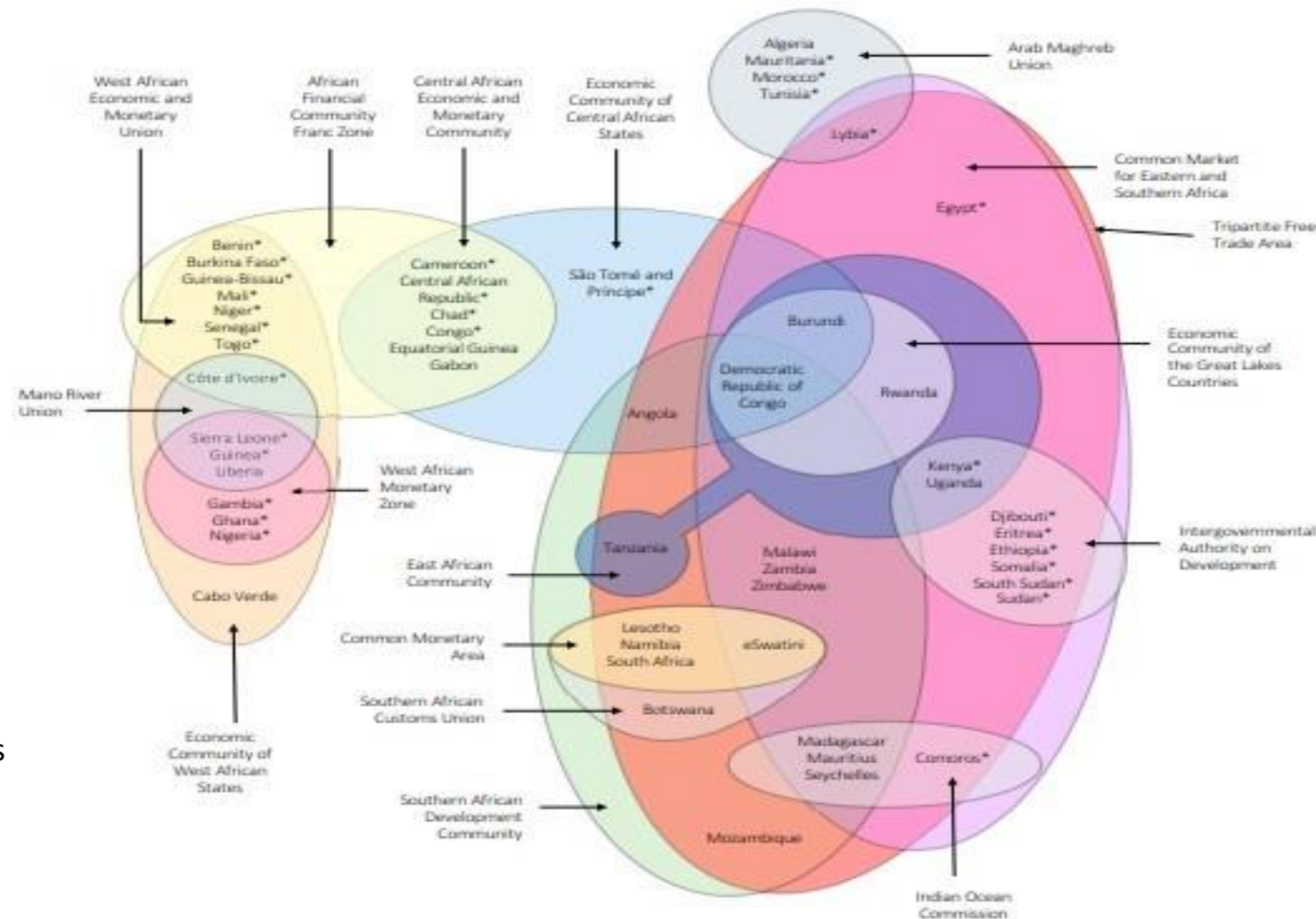
1 A prosperous Africa	2 Integrated continent	3 Governance	4 Peace and Security	5 This is Africa	6 Self-determination	7 Strategic partnerships
<ul style="list-style-type: none"> ▶ Inclusive growth; and ▶ Sustainable development 	<ul style="list-style-type: none"> ▶ Political unity based on Pan-Africanism ▶ Vision of Africa's renaissance 	<ul style="list-style-type: none"> ▶ Good governance ▶ Democratic governance ▶ Respect for human rights, justice and the rule of law 	<ul style="list-style-type: none"> ▶ Peace ▶ Security 	<ul style="list-style-type: none"> ▶ Africa with a strong cultural identity, common heritage, shared values and ethics 	<ul style="list-style-type: none"> ▶ An Africa whose development is people-driven, relying on the potential of African people, especially its women and youth, and caring for children 	<ul style="list-style-type: none"> ▶ Africa as a strong, united and influential global player and partner

- ▶ Africa shall be a continent where the free movement of people, capital, goods and services will result in significant increases in trade and investments amongst African countries rising to unprecedented levels, and in the strengthening of Africa's place in global trade.

Why the need for integration / AfCFTA

Throughout the past decades, Regional Economic Communities (RECs) have been developed to facilitate regional economic integration between members and through the wider African Econoline general, the RECs in Africa are still defined by:

- Multiple and overlapping memberships
- Diverging roadmaps to integration
- Unequal levels of economic development
- No enforcement mechanisms
- Lack of harmonization of policies - different institutional and legal systems



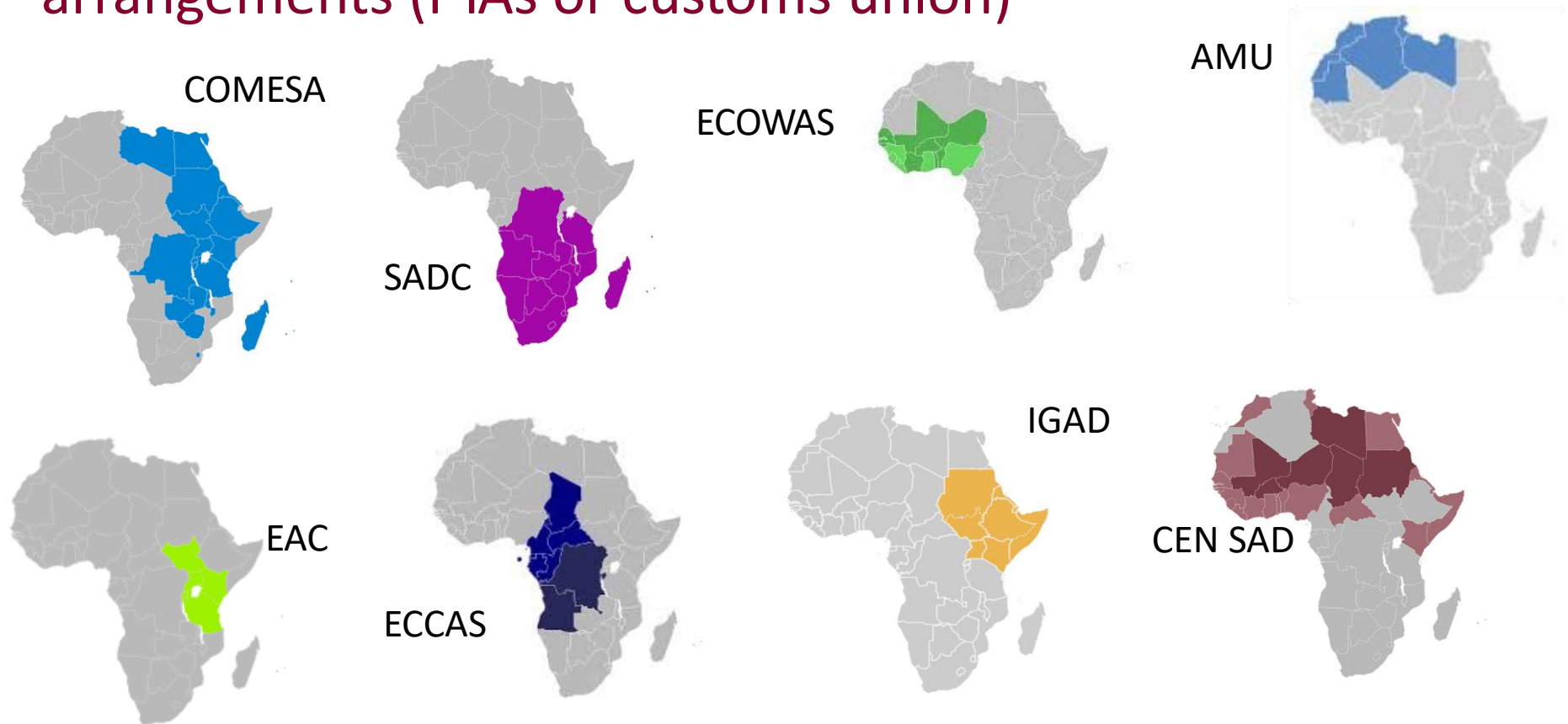
About AfCFTA



Levels of Economic integration:

- Preferential Trade Area
- Free Trade Area
- Customs Union
- Common Market
- Monetary Union
- Political Federation

RECs will continue to exist – and so will their trading arrangements (FTAs or customs union)



These 8 regional economic communities are recognized by the African Union as building blocks for the African economic Community
they are defined as the RECs in the AfCFTA Agreement

About AfCFTA



- ▶ An Africa continentwide Free Trade Area established through a consolidated agreement comprising
 - ▶ Protocol of trade in goods
 - ▶ Protocol of trade in services
 - ▶ Protocol on dispute settlement
- ▶ ACFTA has the following objectives:
- ▶ ACFTA was established under Article 2 of Part II of the African Continental Free Trade Area Agreement
- ▶ 54 out of 55 African States have ratified the Agreement triggering its coming to force on May 2019, 34 Countries have ratified
- ▶ 1 January 2021 Trading started/ implementation- EAC status, Burundi & TZ not yet ratified

Resolve the challenges of **multiple and overlapping memberships** and expedite the regional and continental integration processes.

Expanding intra African trade through better **harmonization and coordination** of trade liberalization and facilitation regimes and instruments across RECs and across Africa in general.



Creating a **single continental market** for goods and services, with free movement of business persons and investments, and thus pave the way for accelerating the establishment of the Continental Customs Union and the African customs union.

Enhance competitiveness at the industry and enterprise level through exploiting **opportunities for scale production**, continental market access and better reallocation of resources.

Vision: A world class Professional Accountancy Institute.

AfCFTA in numbers

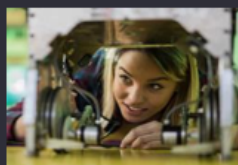


People

1.2 Billion

AfCFTA will bring together **all 55 member states**

"The eyes of the World are turned toward Africa." AU Chair and Egypt President, Abdel Fattah al-Sisi

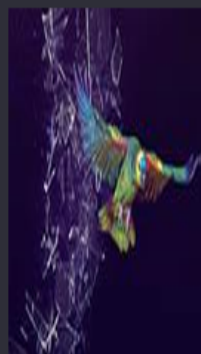


54

No of Signatories that have signed the consolidated text of the Agreement Establishing the AfCFTA



Countries



1 Country (of the 55 AU member states) has yet to sign the AfCFTA Agreement

No of Countries that have deposited their instruments of ratification with the Depository

34

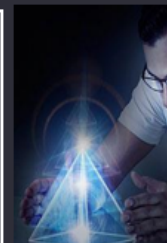


34 Countries had complied with their domestic requirements for the ratification of the AfCFTA Agreement

Economics

52.3%

Potential to **boost** intra-African trade and **double** this trade



\$3.4 Trillion

The estimated combined GDP 2022



Source: Africa Union

34 State Parties as at 1 March 2021



Non-state parties



- **Eritrea – Not a member**
- Algeria
- Morocco
- Tanzania
- DRC
- Sudan
- Libya
- Botswana
- Benin
- Mozambique
- Madagascar
- Somalia
- South Sudan
- Burundi
- Liberia
- Cape Verde
- Guinea-Bissau
- Comoros
- Seychelles

What AfCFTA seeks to achieve

The end game strategy of AfCFTA is in three main areas:



What is required by State Parties? to fulfil AfCFTA



- elimination of tariffs and non-tariff barriers
- liberalisation of trade in services
- cooperation on investment, IP rights and competition policy
- cooperation on all trade-related areas
- cooperation on all customs matters/ implementation of trade facilitation measures
- establishment of a mechanism for settlement of trade disputes
- establishment of an institutional framework for implementation and administration of the AfCFTA

Other “exciting” features of the Agreement



- Focus on SMEs- preferential trade regimes for small scale traders
- AU financial institutions – Africa Monetary Fund, Africa Investment Bank, Africa Commercial Bank (Monetary institutions)
- Gender equality –Women in cross border trade and their role in value chains and procurement - Article 3 (e) objective is to recognize importance of gender equality for development of international trade and economic cooperation.

Other “exciting” features of the Agreement



- Combatting illicit trade to level playing field by legitimate businesses
- The Trillion Dollar investment & financing Framework- initiative by the African private sector in partnership with the AU to support not only trade but also investment to ultimately transform the continent.

It sets a framework for project developers, operators, investors, financiers, multinationals, SMEs and business associations as well as governments, the AU, regional bodies, DFIs, multilateral and bilateral agencies.

Who will immediately benefit from the AfCFTA



- Residents in the State Parties that ratified the agreement
- Importers from trading State Parties
- Exporters to trading state parties
- Importers and exporters who have fulfilled customs requirements
- Importers of goods/products that were initially dutiable
- Service providers in the top 5 priority sectors?

What does elimination of internal tariffs mean?



- State Parties trading amongst each other should benefit from lower or no tariff rates when importing goods originating from the trading state parties
- **Art 8 Goods Protocol: Schedules of Tariff Concessions** - *“Each State Party shall apply preferential tariffs to imports from other state parties in accordance with its Schedule of Tariff Concessions”*
- To get preference treatment goods must fulfill Rules of Origin per the agreement if the goods are Wholly produced in the country of export, have a certain level of raw material content, changes tariff heading and Ex-works (EXW) price.

What does elimination of internal tariffs mean?

Required documents to qualify for preferential treatment

- Certificate of origin and supplier
- Producer's declaration
- Company registration/individual registration documents

In order to trade under AfCFTA preferences:

- Outstanding Negotiations must be concluded
- Results of tariff negotiations must be adopted (i.e. tariff schedules and rules of origin)
- Domestic laws & procedures in place-Update of CET tariff books & all members must ratify
- Promulgation in Government Gazette & dissemination

Modalities for trade in goods



- 90% of tariff lines liberalized over 5 years (LDCs have 10)
- 7% additional tariff lines liberalized over 10 years (LDCs have 13 years)
- 3% tariff lines may be excluded (i.e. sensitive)

What does this mean in reality?

- For EAC/Kenya 66% of the tariff lines will immediately become duty free
- 24% of the tariff lines will be gradually reduced in five years
- 10% of the tariff lines will be negotiated as sensitive goods.

Modalities for trade in goods- Illustration using EAC CET, 2017

CURRENT STATE (SACU/SADC IMPORT INTO KENYA/EAC) – Passenger Automobiles (87031000), perfumes & toilet waters (33042000),	1 ST YEAR TRADE LIBERALISATION	FULL FORCE – AFTER 5 YEARS
<ul style="list-style-type: none"> • Import duty – 25% • Excise duty- 10% /30% • VAT – 16% • IDF/RDL – 3.5%, 2% • Work permit fees • No rules of origin • No free trade in services • Non -Tariff Barriers 	<ul style="list-style-type: none"> • Import duty- 20% reducing by 5% every year • Excise duty- 10% /30 % • VAT – 16% • IDF/RDL – 3.5%, 2% • Work permit fees • AfCFTA Rules of origin • Trade in services • Reduced Non-Tariff Barriers 	<ul style="list-style-type: none"> • Import duty – 0% • Excise duty-10%/30% • VAT – 16% • IDF/RDL – 3.5%, 2% • Work permit fees • AfCFTA Rules of origin • Trade in services • No Non -Tariff Barriers • Mutual Cooperation

Modalities for trade in goods- Illustration using EAC CET, 2017

CURRENT STATE (SACU/SADC IMPORT INTO KENYA/EAC) – Polishes/creams (34051000), Petroleum Jelly (CH27) -SI	1 ST YEAR TRADE LIBERALISATION	FULL FORCE – AFTER 5 YEARS
<ul style="list-style-type: none"> • Import duty – 25% • Excise duty- 0 • VAT – 16% • IDF/RDL – 3.5%, 2% • Work permit fees • No rules of origin • No free trade in services 	<ul style="list-style-type: none"> • Import duty- 25% • Excise duty- 0 • VAT – 16% • IDF/RDL – 3.5%, 2% • Work permit fees • Rules of origin • Trade in services 	<ul style="list-style-type: none"> • Import duty – 25% • Excise duty-0 • VAT – 16% • IDF/RDL – 3.5%, 2% • Work permit fees • Rules of origin • Trade in services • No Non -Tariff Barriers

Modalities for trade in goods- Illustration using EAC CET, 2017

CURRENT STATE (SACU/SADC IMPORT INTO KENYA/EAC) – Petroleum Bitumen (27132000), Melamine resins (39092000)	1 ST YEAR TRADE LIBERALISATION – FREE IMMEDIATELY	FULL FORCE – AFTER 5 YEARS
<ul style="list-style-type: none"> • Import duty – 10% • Excise duty- 0 • VAT – 16% • IDF/RDL – 3.5%, 2% • Work permit fees • No rules of origin • No free trade in services 	<ul style="list-style-type: none"> • Import duty- 0% • Excise duty- 0 • VAT – 16% • IDF/RDL – 3.5%, 2% • Work permit fees • Rules of origin • Trade in services 	<ul style="list-style-type: none"> • Import duty – 0% • Excise duty-0 • VAT – 16% • IDF/RDL – 3.5%, 2% • Work permit fees • Rules of origin • Trade in services • No Non -Tariff Barriers

Modalities for trade in services



5 priority services sectors agreed for negotiation:

- Financial Services,
- Tourism,
- Transport Services,
- Communication Services
- Professional services

Modalities for Export of goods- Customs Procedures



- Application as an exporter
- Physical verification of premises and application
- Registration of exporters who qualify under the set Rules of Origin criteria, updating the database of registered exporters.
- Purchase and issuance of the Certificates of Origin (COO).
- Authentication of the COOs at the time of export.

Challenges envisaged by Government

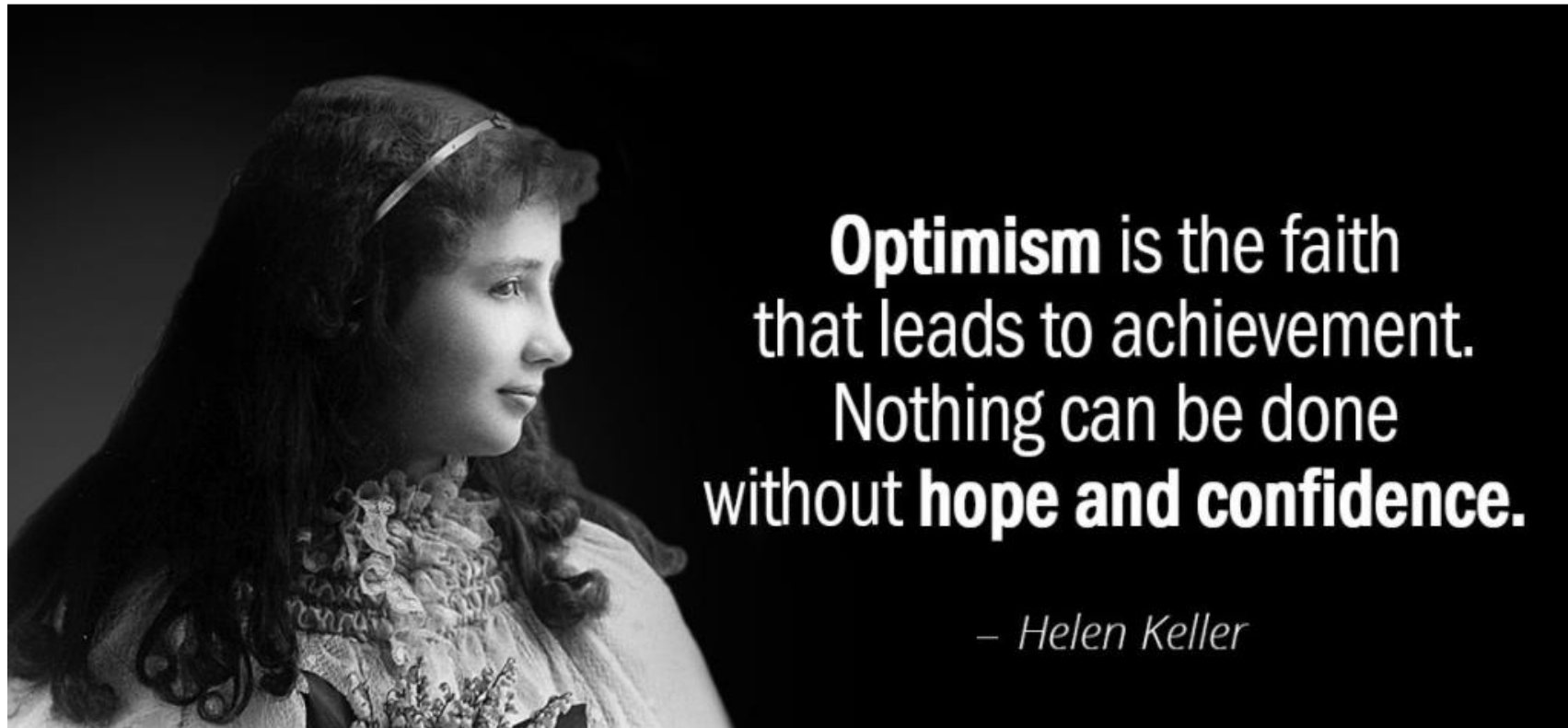


- Rules of Origin (ROO) are the core of FTA negotiations and with their complexity in nature Customs officials must understand the requirements in order to determine the origin criteria applicable in goods traded under the AfCFTA.
- Expertise in Harmonised System, Customs Valuation and ROO is required in Origin Certification under preferential treatment in the AfCFTA.
- Verification of Origin to ensure that goods originating from 3rd Party Countries don't benefit from Preferential treatment. Use of Risk analysis system to determine Origin fraud.
- Liberalization of 90% of tariff lines will affect customs revenues

Conclusion



- Final Implementation of AfCFTA -the acid test
- This will be a Member-driven process
- Governance integration & Reforms must follow - harmonization of regulatory regimes
- Trade facilitation matters for trade in goods
- Ensure rules-based and transparent trade (for private sector to follow)
- Integrating unequal economies- Africa has 33 of the world's 47 LDCs



QUESTIONS?