

Programme Support to the African Continental Free Trade Area (AfCFTA): Ethiopia Component

Context and challenge

Ethiopia is one of the largest economies and the second most populous country in Africa. Despite the significant economic growth the country has exhibited for around two decades, the growth of private sector and job creation remain limited. As growth was mainly influenced by the public sector investment through significant mobilization of external resources, the contribution of productivity was limited. The country's trade to GDP ratio has also been declining since 2011 and registered 29% in 2019 (World Bank data) due to the growth bias towards investment.

The country primarily trades with partners outside the African continent and its trade within Africa is negligible, both in terms of variety and volume. In 2017, export and import to/from Africa was 19% and 6% of Ethiopia's total export and import value respectively (ITC Trade Map). While an increase in the value of imports from Africa is observed in recent years, exports have remained the same.

Ethiopia has followed a conservative approach in opening its market to the global economy and, thus, has little experience in negotiating and implementing regional and multilateral trade agreements. Ethiopia is going through WTO accession process and

currently applying limited openness instruments with few neighboring countries (like the Sudan) and Regional Economic Communities (RECs) in Africa (like COMESA).

As a result, joining AfCFTA is a challenge for the country, particularly in doing the necessary preparation for the ongoing negotiation and in implementing commitments under AfCFTA. Hence, strengthening the institutional and regulatory frameworks in Ethiopia is critical to ensure active involvement of the country in the AfCFTA market.

Our approach

The AfCFTA is one of the AU's flagship projects for the implementation of its EUR 18.5 million Agenda 2063. The agreement was signed by 54 of the 55 African states and came into force in May 2019. As of June 2021, 37 countries have officially ratified the AfCFTA (the so called "State Parties"), including Ethiopia. The 1st of January 2021 marked the start of trading under the AfCFTA agreement for the State Parties.

The German Federal Government is providing support to this continental development initiative through GIZ. The programme aims to address the challenges around institutional and legal frameworks in supporting the negotiation and implementation of the AfCFTA. In response to the heterogeneity of the AfCFTA State Parties in terms of size, income level and openness to other economies, and the complex nature of the AfCFTA negotiations and implementation, the programme works at the continental, regional and national level. Ethiopia is one of the countries that is supported at the national level.

Objective

The programme aims to strengthen the framework conditions at continental, regional and country level to realize the AfCFTA. For

Project name	African Continental Free Trade Area (AfCFTA)
Commissioned by	Federal Ministry for Economic Cooperation and Development (BMZ)
Lead executing agency	Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH
Partner Organisation in Ethiopia	Ministry of Trade and Industry (MoTI), Ethiopian Chamber of Commerce and Sectoral Associations (ECCSA) and Center for Accelerated Women's Economic Empowerment (CAWEE)
Total Programme Budget	EUR 18.5 million
Component Budget	EUR 1 million
Duration	08/2020 – 01/2023





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that the GIZ AfCFTA programme is focusing its support on the following key areas:

- I) Strengthening institutions for strategic steering and coordination at continental, regional and national level
- II) Facilitating negotiations on Trade in Services (TiS) liberalization
- III) Creating capacity to implement commitments under Trade in Goods (TiG) and facilitating negotiations
- IV) Supporting preparation for phase two negotiation, specifically on Investment, Competition Policy and digital trade
- V) Promoting sustainability approaches for social, ecological and participatory trade negotiation and implementation of the AfCFTA

Areas of GIZ Support under the Ethiopia Component

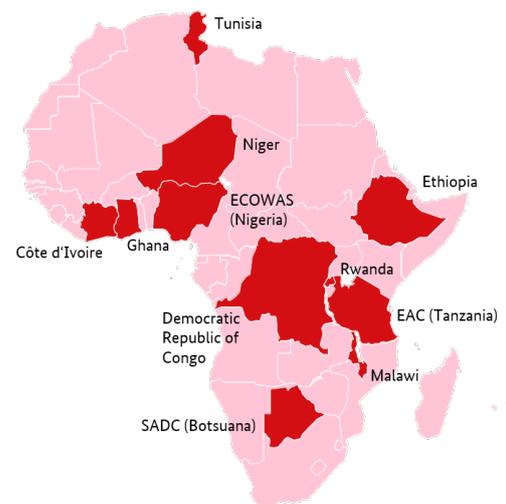
Ethiopia ratified AfCFTA in March 2019 and it is an encouraging step for the country towards realizing the benefits of integrations with the global economy. Increased integration with the AfCFTA market can be used as a means for job creation, to enhance the competitiveness of local industries and to attract value adding and hightech foreign investments.

The main partner for the Programme Support to AfCFTA (Ethiopia Component) is the Ministry of Trade and Industry (MoTI). GIZ works closely with the Ministry to deliver results on the four areas of intervention identified above. On the crosscutting issues related to private sector and civil society involvement, GIZ engages with Ethiopian Chamber of Commerce and Sectoral Association (ECCSA), and Center for Accelerated Women's Economic Empowerment (CAWEE).

The key activities under the Ethiopia components are:

- Facilitating evidence-based policy making through preparation of a national strategy and position paper; conducting impact and gap assessments; and doing sectoral competitiveness analyses
- Providing technical support to facilitate the preparation of negotiation documents and implementation of trade related aspects of IPR in the context of AfCFTA.

- Developing a website for the AfCFTA with a knowledge management plan
- Providing Training of Trainers (ToT) to the private sector and civil society on the AfCFTA negotiation topics
- Supporting SMEs and women business owners to attend Intra-Africa Trade Fair



Results

With its support the project is aiming for the following outcomes until January 2023:

- Strengthened AfCFTA steering structure for facilitated negotiation process
- Enhanced framework conditions for implementation of commitments under Trade in Goods (TiG) and Trade in Service (TiS)
- Clear position reached on the second phase of the negotiation topics and necessary preparation undertaken on implementation of trade related aspects of IPR in the context of AfCFTA
- Improved private sector and civil society involvement in the AfCFTA negotiation and implementation process

In collaboration with the Government of Ethiopia (GoE), the programme, at impact level, intends to realize sustainable development in Ethiopia by actively trading in the AfCFTA market through the principle of economic integration.

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