

# Programme Support to the African Continental Free Trade Area (AfCFTA)

## Ethiopia Component

### Background and context

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, 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 to productivity was limited. The country's trade to GDP ratio has also been declining since 2011 and registered 29% in 2019 (World Bank) 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. Besides being a member of one Regional Economic Community (COMESA) and a Free Trade Agreement with Sudan, Ethiopia is not a party to any other bilateral, regional, or multilateral trade agreements. Hence, the country's decision to be one of the earlier signatories to the AfCFTA Agreement is a watershed moment in Ethiopia's international trade relations. Ethiopia is also accelerating the WTO accession process resuming negotiations after eight years of inactivity.

55 African states and came into force in May 2019. As of April 2022, 42 countries have officially ratified the AfCFTA (the so called "State Parties"), including Ethiopia.

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 levels. Ethiopia is one of the countries that is supported at the national level.

Project name	Programme Support to the 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 Regional Integration (MoTRI), Ethiopian Chamber of Commerce and Sectoral Associations (ECCSA) and Center for Accelerated Women's Economic Empowerment (CAWEE)
Total Programme Budget	EUR 48 million (as of 05/2022)
Ethiopia Component Budget	EUR 1 million
Overall Programme Duration	08/2021 – 08-2024

### Our approach

The AfCFTA is one of the AU's flagship projects for the implementation of its Agenda 2063. The agreement was signed by 54 of the



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## Objective

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

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



Strengthening institutions for strategic steering and coordination at continental, regional and national level



Facilitating negotiations on Trade in Services (TIS) liberalization



Creating capacity to implement commitments under Trade in Goods (TiG) and facilitating negotiations



Supporting preparation for phase two negotiation, specifically on Investment, Competition Policy and Digital Trade



Promoting sustainability approaches for social, ecological and participatory trade negotiation and implementation of the AfCFTA

## Partner structure in Ethiopia

The main partner for the Ethiopia Component of AfCFTA Support Programme is the Ministry of Trade and Regional Integration (MoTRI). GIZ works closely with the Ministry to deliver results on the five 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). GIZ is also looking to expand and diversify its programme partners by including academic institutions like Addis Ababa University and other governmental bodies like the Customs Commission that are instrumental in implementing the AfCFTA.

## 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 integration 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 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 analysis.
- 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.
- Building capacity of the private sector and civil societies on the AfCFTA negotiation topics and implementation.
- Supporting SMEs and women business owners to explore potential market opportunities.

## Challenges

The main challenges faced for implementation of the AfCFTA in Ethiopia are:

- The AfCFTA is the first major free trade area that Ethiopia has become a party of, presenting a challenge in technical preparation for the negotiations and implementation.
- Limited skills and human resource with specialization and experience on international trade.
- Restrictions related to Covid-19.
- Political unrest in the country affected the momentum of economic reform facilitating the implementation of the AfCFTA.
- The private sector in Ethiopia still building its capacity to compete in a continental market.

## Results

With its support the project is aiming for the following outcomes:

- 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).
- Supported the Ethiopian government in preparation of negotiating positions for the second phase of negotiations in the context of the AfCFTA.
- Improved private sector and civil society involvement in the AfCFTA negotiation and implementation process.

In collaboration with the Government of Ethiopia, the programme, intends to realize sustainable development in Ethiopia through the promotion of regional economic integration.

Published by

Deutsche Gesellschaft für  
Internationale Zusammenarbeit (GIZ) GmbH

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As at

April 2022

Photo credits

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GIZ is responsible for the content of this publication.

On behalf of

Federal Ministry for Economic  
Cooperation and Development (BMZ)

In cooperation with



