

INTERGOVERNMENTAL AUTHORITY ON DEVELOPMENT

REGIONAL TRADE POLICY

2022-2026



PEACE, PROSPERITY AND
REGIONAL INTEGRATION





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REGIONAL INTEGRATION**

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IGAD Secretariat,
Avenue Georges Clemenceau,
P.O. Box 2653, Djibouti
Republic of Djibouti

Telephone: +253-21354050

Fax: +253-21356994

Website: <https://igad.int>



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Foreword

Half a century since the vision of African economic integration was charted out by the continent's leaders, the continent is making important progress. IGAD, as one of the eight regional building blocks of the African Economic Community (AEC), is an integral element in that process.

IGAD Member States have long realized the benefits of closer economic integration within the region by including a clear mandate on trade policy and other economic issues in the legal documents establishing IGAD. By so doing, IGAD Member States have sought economic integration, including trade integration, to bring about structural transformation, economic diversification and development in the region. This *IGAD Regional Trade Policy* is an important step towards the realization of the aspirations of the IGAD Member States by facilitating economic integration in the region.

The *IGAD Regional Trade Policy* is designed mainly as a cooperation framework that seeks to guide the IGAD Member States to promote trade integration in a more flexible policy environment. There are different justifications for this approach. First, it has been recognized that economic integration is a long process of harmonization of national trade and other policies which should be implemented gradually. Second, IGAD Member States are party to one or more regional economic agreements and there is a need to ensure that the *IGAD Regional Trade Policy* is flexible enough to accommodate the obligations of the Member States under other regional agreements. Another key development that informed the approach taken by the *IGAD Regional Trade Policy* is the signing of the African Continental Free Trade Agreement (AfCFTA) by 54 African Union member states, which marked a historic milestone for economic integration in Africa. Today, 40 African countries have ratified the AfCFTA. From the IGAD region, Djibouti, Ethiopia, Kenya and Uganda have joined the AfCFTA and Somalia is only waiting for parliamentary approval to join. This significant development in our continent requires rethinking of the approach to be pursued by a regional trade policy like ours. Accordingly, one of the key objectives of the *IGAD Regional Trade Policy* is assisting IGAD Member States in implementing their obligations under the AfCFTA as well as in negotiating the remaining issues.

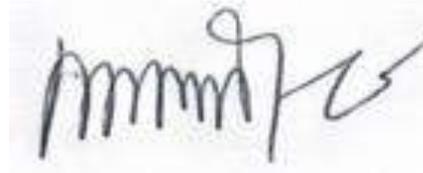
In terms of scope, the *IGAD Regional Trade Policy* goes beyond the classic issues of trade in goods and trade in services, and captures

other issues such as customs administration and trade facilitation as well as cross-border trade, which are critical in the context of intra-IGAD trade. The *IGAD Regional Trade Policy* also emphasizes sustainable development by covering cross-cutting issues such as trade and gender and trade and environment. This also ensures that the *IGAD Regional Trade Policy* is aligned with other IGAD policies and strategies.

In the end, it is the implementation of the policy that matters most for bringing tangible changes and better the lives of the people in the region. The implementation of the *IGAD Regional Trade Policy* requires a number of actions from the Member States which include the following: establishing capacity within IGAD to convene and coordinate expertise and decision making at the regional level; gradually harmonizing national policies to remove distortions that advantage or disadvantage any country; harmonizing customs procedures and formalities to ensure speedy movement of products, services and people across borders; establishing a system for mutual recognition, then gradual harmonization, of national standards; and establishing a system to monitor and enforce compliance with rules and principles agreed at IGAD level.

Regional economic integration is a long process of harmonization of national trade and other economic policies among member countries. The development of the *IGAD Regional Trade Policy* is an important first step to reinvigorate and galvanize the economic integration agenda with in the IGAD region which could contribute to economic development, reduce poverty and changes lives for the better.

20th January, 2022



Dr. Workneh Gebeyehu
IGAD Executive Secretary

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Abbreviations

AEC	African Economic Community
AfCFTA	African Continental Free Trade Area
AU	African Union
B	Billion
COMESA	Common Market of Eastern and Southern Africa
EAC	East African Community
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
GDP	Gross Domestic Product
IGAD	Intergovernmental Authority for Development
IGADD	Intergovernmental Authority on Drought and Development
MFTR	Memorandum on the Foreign Trade Regime
MNEs	Multi-National Enterprises
NTB	Non-Tariff Barrier
OAU	Organisation of African Unity
RECs	Regional Economic Communities
RoO	Rules of Origin
SADC	Southern African Development Community
TFTA	Tripartite Free Trade Area
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
USD	United States Dollar
WTO	World Trade Organisation

Introduction

The Intergovernmental Authority on Development (IGAD) is a Regional Economic Community (REC) in Eastern Africa and one of the eight building blocks of the African Economic Community (AEC) of the African Union (AU).



The Intergovernmental Authority on Development (IGAD) is a Regional Economic Community (REC) in Eastern Africa and one of the eight building blocks of the African Economic Community (AEC) of the African Union (AU). IGAD was launched during the 5th IGAD Heads of State and Government Summit held on 25 and 26 November 1996 in Djibouti, replacing the Intergovernmental Authority on Drought and Development (IGADD) founded in 1986 by Djibouti, Ethiopia, Kenya, Somalia, Sudan and Uganda. Eritrea and South Sudan joined IGAD in 1993 and 2011 as the seventh and eighth Member States respectively. The original mandate of IGADD was to mitigate the effects of the droughts and other natural disasters that inflicted famine, ecological degradation and widespread social and economic hardships to the region. However, with new emerging political and socio-economic challenges in the region, the Assembly of Heads of State and Government, meeting in Addis Ababa in April 1995, resolved to revitalize IGADD and expand the areas of cooperation among the Member States under IGAD in three priority areas: (a) agriculture and environmental protection; (b) economic cooperation, regional integration and social development; and (c) peace, security and humanitarian affairs. Regional integration as one key priority area for IGAD has the overarching objective of creating and open, unified, regional economic

space for the private sector – a single market open to competitive entry and well integrated into the global economy (IGAD Regional Strategy, 2016-2020). IGAD's agenda on regional economic integration is in line with the objectives of the ongoing effort to establish the AEC. IGAD signed the Protocol on the Relations Between the Regional Economic Communities and the African Union (AU) in 2008. The ultimate goal of establishing the AEC is to accelerate economic and social integration through the RECs, and in this sense, IGAD and the AU share same strategic objective. IGAD's agenda on economic integration can also play an important role in the realization of the other priority areas, such as peace and security in the region. The IGAD region is economically under-developed despite its huge economic potential and natural endowment potentials. The competitiveness of the region in trade has been hampered by poor physical infrastructure as well as lack of harmonized policies, which increase transaction costs. The realization of IGAD's objective related to regional integration would therefore require, among other things, the gradual harmonization of trade policies for the removal of physical and non-physical barriers. Economic cooperation and integration is key to achieving economic growth and sustainable development. IGAD's role in economic integration

entails the approximation and coordination of policies and programs among its members.

1.1 IGAD's Vision, Mission and Aims

IGAD has articulated its vision and mission as follows:¹

Vision: To be the premier Regional Economic Community for achieving peace and sustainable development in the region.

Mission: To promote regional cooperation and integration to add value to Member States' efforts in achieving peace, security and prosperity.

Aims: As stipulated in Article 7 of the Agreement Establishing IGAD (the IGAD Agreement), the aims of IGAD include:

- Promote joint development strategies and gradually harmonize macro-economic policies and programmes in the social, technological and scientific fields;
- Harmonize policies with regard to trade, customs, transport, communications, agriculture, and natural resources and environment, and promote free movement of goods, services, and people within the region;
- Create an enabling environment for foreign, cross-border and domestic trade and investment;
- Initiate and promote programmes and projects to achieve regional food security and sustainable development of natural resources and environmental protection, and encourage and assist efforts of Member States to collectively combat drought and other natural and man-made disasters and their consequences;
- Develop and improve a coordinated and complementary infrastructure, in the areas of transport, telecommunications and energy in the region;
- Promote peace and stability in the region and create mechanisms within the region for the prevention, management and resolution of inter-State and intra-State conflicts through dialogue;
- Mobilize resources for the implementation of emergency, short-term, medium-term and long-term programmes within the framework of regional cooperation;
- Facilitate, promote and strengthen cooperation in research development and application in science and technology;
- Provide capacity building and training at regional and national levels; and
- Generate and disseminate development information in the region.

1.2 The need for an IGAD Regional Trade Policy

Several reasons justify the need for an IGAD Regional Trade Policy. First, as noted earlier, regional integration is one key priority area for IGAD with the overarching objective of creating open, unified, regional economic space for the private sector. Trade is a crucial element of regional integration but currently no policy or strategy for IGAD trade integration exists. Despite the clearly articulated economic integration agenda of IGAD, in which trade integration is a key component, little has been done in this respect. IGAD is lagging behind the other RECs in terms of trade integration; for example, no free trade area among IGAD members exists.

Second, IGAD intra-regional trade is low (Section 2) and improving this state of affairs requires a clear vision. The IGAD Regional Trade Policy may help in improving intra-IGAD trade, among other things by coordinating policies and regulatory frameworks.

Third, the developments of recent years at the regional and continental levels will have important implications for IGAD's regional trade integration agenda. The entire continent is now moving towards a free trade area as a result of the coming into force of the African Continental Free Trade Area (AfCFTA). For this reason, IGAD needs to revisit its regional economic integration agenda and rationalize its directions in the face of these developments.

The aims of the AfCFTA are clearly compatible with what IGAD seeks to achieve through trade integration. IGAD now needs to align its agenda with that of the AfCFTA – IGAD can enhance regional integration by assisting its members in the domestication and implementation of the AfCFTA. The IGAD Regional Trade Policy can serve as a regional response for alignment with the AfCFTA and IGAD has the mandate to do so under Article 7 of the IGAD Agreement.

1.3 IGAD's Mandate for a Regional Trade Policy

Several provisions of the IGAD Agreement establish economic integration as a key component of development in the region. The Preamble of the IGAD Agreement clearly recognizes that the "development of economic cooperation and integration between the countries of the region will contribute to the achievement of the purposes set forth in the Charters of both the OAU [Organisation of African Unity] and the United Nations."

- Article 7, which provides the aims and objectives of the IGAD Agreement, is even more specific by stating specific provisions on trade and economic development:
- Harmonize policies with regard to trade, customs, transport, communications, agriculture, and natural resources, and promote free movement of goods, services, and people and the establishment of residence (7(b));
- Create an enabling environment for foreign, cross-border and domestic trade and investment (7(c)); and
- Promote and realize the objectives of the Common Market for Eastern and Southern Africa (COMESA) and the African Economic Community (7)(i).
- Taken together, these provisions provide a clear mandate for IGAD to establish a regional trade policy.

As noted, IGAD is an AU-recognized REC and one of the building blocks of the AEC under the Abuja Treaty establishing the AEC. Therefore, the story about IGAD is no different from that of the other seven RECs that have been recognized as the building blocks for the AEC. IGAD's main objectives are in line with those of the other RECs and these include harmonization of policies with respect to trade.

1.4 Structure of the IGAD Regional Trade Policy

The IGAD Regional Trade Policy is based on a critical review of the region's trade performance (section 1) and international and continental developments in trade policy (section 1). It sets out a clear vision and objectives as well as a number of fundamental guiding principles, as described in section 1. The individual policy measures are explained in section 1. The Trade Policy also provides for an institutional framework (section 1).

¹ IGAD: What we do? See <https://igad.int/about-us/what-we-do>

2.0 Brief Situational Analysis

2.1 Trade Performance of IGAD Member States

2.1.1 Trade in Goods

Trade performance of IGAD Member States has been uneven in recent years.² With regard to exports (Figure 1), after reaching a high of more than USD 22 B of merchandise exports in 2014, the value dropped sharply in 2015 to USD 17.6 B and have remained flat since, even before the contraction brought about by the covid-19 pandemic in 2020. The largest exporters are Kenya, Sudan, Uganda, Ethiopia and South Sudan.

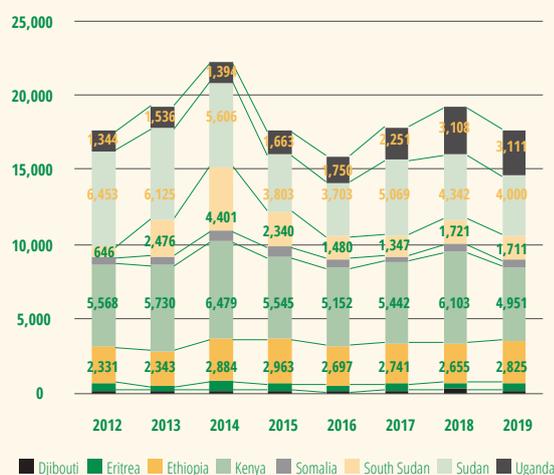
However, looking at total exports somewhat distorts the export performance due to the importance of mineral fuels exports from some IGAD Members. Therefore, Figure 1b shows the evolution of exports excluding mineral fuels. This presents a slightly more positive trend in the sense that the drop of exports after 2014 is not evident, and there is a somehow positive trend towards increasing exports since 2017 (the reported drop in 2019 is partly the result of the fact that some of IGAD Members' trading partners have not yet reported their data for 2019, and therefore reported IGAD exports for that year are still incomplete). At the same time, among the IGAD members only Uganda shows a clear and consistent trend of export growth. In terms of imports (Figure 2), these strongly increased from 2012 (and before) to 2015, from USD 37 B to USD 46 B – i.e. more than twice the value of exports – and have since remained at that level. The largest importers are Kenya, Ethiopia, Sudan, Djibouti³ and Uganda.

² Among the IGAD Member States, only four reported have reported trade data for the 2010s: Ethiopia, Kenya, Sudan, and Uganda, and of these only Kenya's data are available in UN COMTRADE for 2019. Therefore, mirror data, i.e. trade reported by IGAD Members' trading partners, have primarily been used.

³ The high value of Djibouti might however be a result of erroneous reporting by exporters, whereby Djibouti is reported as the destination although goods are actually shipped onwards to Ethiopia and other markets.

Figure 1: Goods exports of IGAD countries, 2012-2019 (USD million)

a) Total exports



Source: Calculations based on UN COMTRADE (mirror data)

Table 1: Average applied MFN import tariffs by IGAD Members (%)

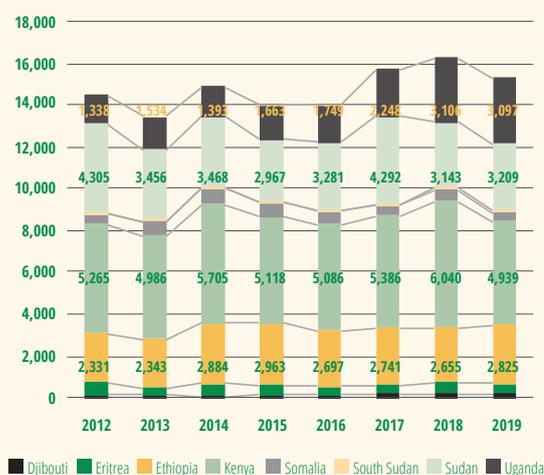
	All goods	Agricultural goods	Industrial goods			
	Simple Average	Weighted average	Simple Average	Weighted average	Simple Average	Weighted average
Djibouti	20.9	17.6	14.4	12.3	21.8	19.5
Eritrea	7.9	5.8	10.0	4.1	7.6	7.3
Ethiopia	17.4	12.2	22.1	15.3	16.6	12.9
Kenya	13.2	12.9	20.2	33.3	12.3	7.9
Somalia	..	..	..	..	..	..
South Sudan	..	..	..	..	..	..
Sudan	21.5	17.5	30.2	14.7	20.1	18.5
Uganda	12.9	12.0	21.4	22.6	11.6	10.1

Source: Calculations based on UN COMTRADE (mirror data)

By international comparison, IGAD Member States import tariffs are average when compared to other African countries but high compared to global averages. With the exception of Eritrea (for which available data are relatively old, referring to 2006), trade weighted average tariffs are 12% and higher across all products (Table 1), compared to averages of clearly below 10% for most countries outside Africa. Combined with the high imports, this means that import duties are an important source of government revenues across the region. The importance of the IGAD region in relation to global trade remains

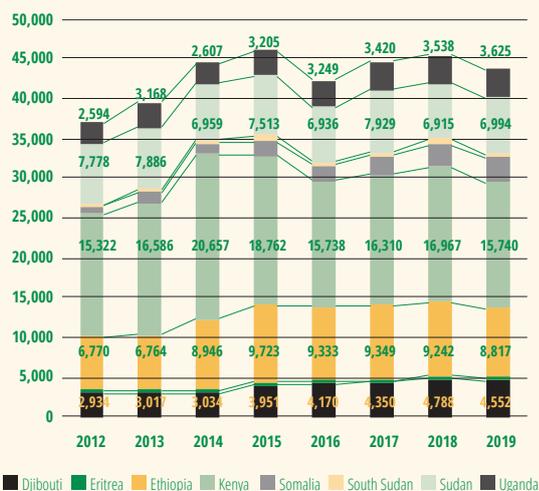
Figure 1: Goods exports of IGAD countries, 2012-2019 (USD million)

b) Total exports excluding mineral fuels (HS chapter 27)



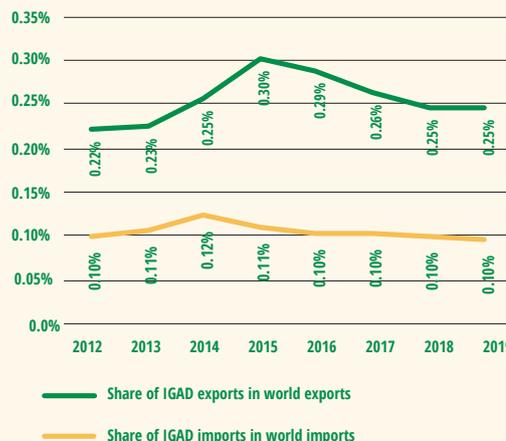
Source: Calculations based on UN COMTRADE (mirror data)

Figure 2: Goods imports of IGAD Members, 2012-2019 (USD million)



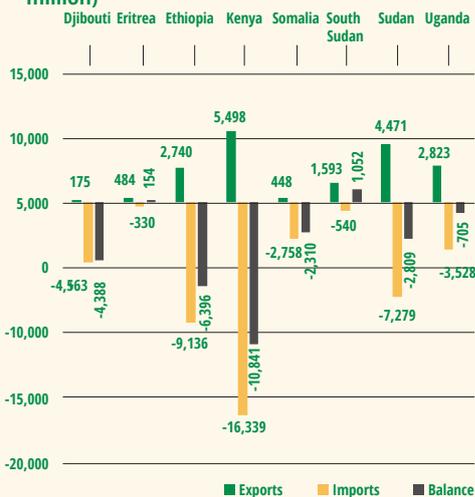
Source: Calculations based on UN COMTRADE (mirror data)

Figure 3: Share of IGAD trade in world trade, 2012-2019



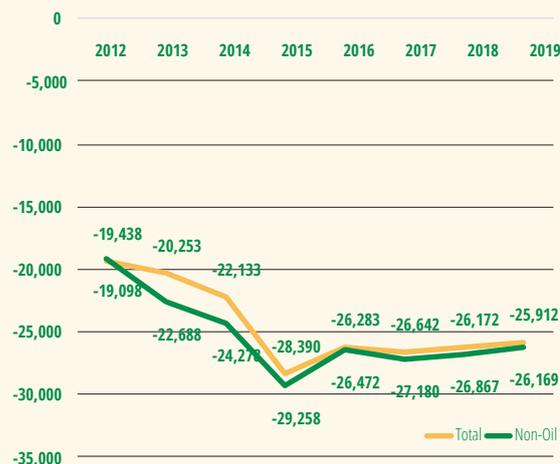
Source: Calculations based on UN COMTRADE (mirror data)

Figure 4: Merchandise trade balances of IGAD Members, averages 2017-2019 (USD million)



Source: Calculations based on UN COMTRADE (mirror data)

Figure 5: Evolution of IGAD goods trade balance, 2012-2019 (USD million)



Source: Calculations based on UN COMTRADE (mirror data)

share of IGAD imports in total world imports has consistently been higher than the export share (at a factor of 2 to 3); this is another indication of the region's persistent trade deficit. Second, the share increased substantially from 0.22% in 2012 to 0.30% in 2015 before dropping again to 0.25% in 2018 and 2019. This reflects the stagnation of imports already mentioned above.

Higher imports than exports, and hence a negative trade balance, are prevalent throughout the region. Among the eight IGAD Members, only two, Eritrea and South Sudan, on average had a goods trade surplus over the period 2017 to 2019 (Figure 4). Some IGAD Member States, including Ethiopia, Kenya and Somalia, have trade deficits that are considerably larger than exports, which means that imports are more than twice as high as exports. This indicates an economic imbalance – which is not necessarily worrying in the short term (e.g. when imports are used for rapidly expanding investments in productivity), but does raise concerns when sustained over long periods of time.

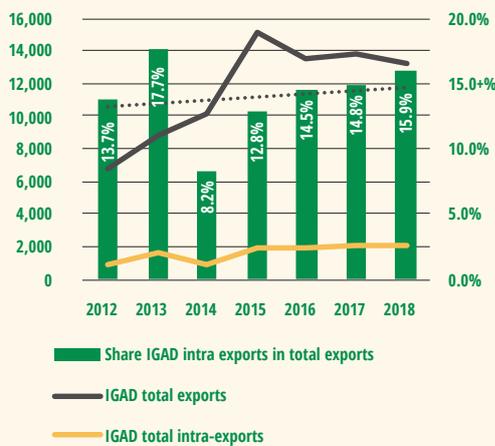
Figure 5 therefore depicts the evolution of the combined IGAD Members trade balance since 2012. This shows that the trade deficit widened rapidly until 2015, reaching USD 29 B, but then slightly narrowed in 2016 and has remained almost flat since then, at about USD 26 B. The influence of mineral fuels on the combined IGAD trade balance is limited because some IGAD Members are petroleum exporters while others are importers.

2.1.2 Intra-IGAD Trade

Of particular importance for the IGAD Regional Trade Policy is the comparative performance of trade among the IGAD Member States. This analysis is however limited by the fact that for four of the eight IGAD Members (Djibouti, Eritrea, Somalia and South Sudan) there is no trade data available for the 2010s; the overview in this section is therefore based on the reported data of the other four countries, Ethiopia, Kenya, Sudan and Uganda.

Figure 6: Evolution of intra-IGAD goods trade, 2012-2018 (USD million)

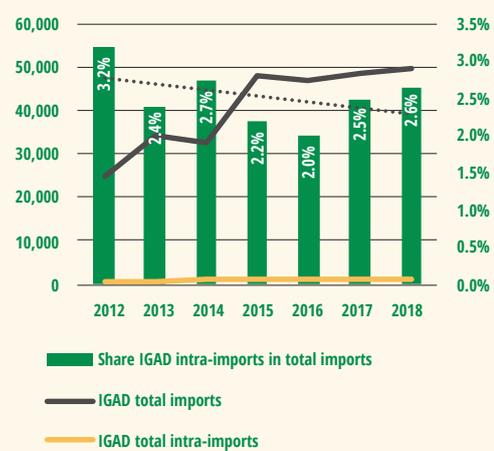
a) Exports



Source: Calculations based on UN COMTRADE (mirror data)

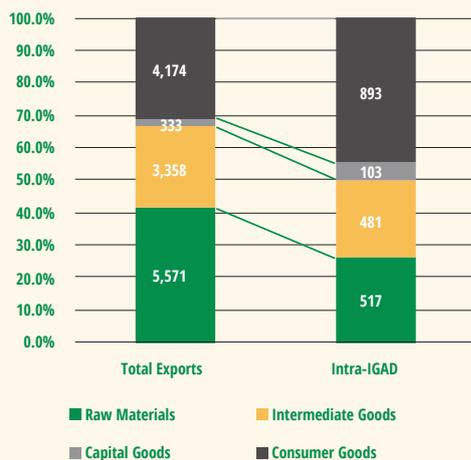
Figure 6: Evolution of intra-IGAD goods trade, 2012-2018 (USD million)

b) Imports



Source: Calculations based on UN COMTRADE (mirror data)

Figure 7: Intra-IGAD exports vs. IGAD exports to world by type of product, averages 2016-18 (USD million)



Source: Calculations based on UN COMTRADE (mirror data)

Exports and imports by the four countries both to/from the world and to the IGAD Members sharply increased from 2012 to 2015, and thereafter remained more or less constant until 2018.⁴ Exports to the world were around USD 14 B in recent years, compared to intra-IGAD exports of around USD 2 B (Figure 6a); the share of exports to fellow IGAD Members in total exports increased from 12.8% in 2015 to 15.9% in 2018. The development since 2012 shows a slight upward trend, as indicated by the dotted line. Regarding imports (Figure 6b), the importance of IGAD suppliers for the four countries is more limited: only less than 3% of total imports are sourced within the region, with the trend having been uneven during the period 2012 to 2018. In addition, compared to other regional integration arrangements in Africa, the share of intra-regional trade for IGAD is low.

Although the importance of intra-IGAD trade in the region's total trade has developed unevenly, a clear benefit of intra-regional exports

⁴ Data for 2019 are only available for Kenya and therefore are not reported here.

stems from their composition. As Figure 7 shows, the composition of exports destined for other IGAD countries is markedly different from exports to the world. In particular, the share of raw materials is much more limited (at 26% vs. 41% for the world), whereas the share of consumer products is much larger (at 45% vs. 31% for exports to the world). The share of capital goods is also larger (5% vs. 2%), although still limited.

In other words, value addition in intra-regional exports is higher, and these exports are more diversified, than IGAD Members' exports to the rest of the world. This underlines the development potential of intra-regional trade, which will need policy support including for the development of further regional value chains. The pattern also shows that much remains to be done in terms of developing supply side capacity for capital goods – as well as addressing barriers to intra-regional trade stemming from inadequate transport infrastructure and non-tariff barriers.

2.1.3 Trade in Services

Data on services trade are even less available and reliable for the region;⁵ therefore, only a brief overview can be provided.

As Figure 8 shows, both exports and imports of services by IGAD Member States stagnated during much of the period 2013 to 2018. It was only in 2018 that both exports and imports increased substantially: exports from USD 9.5 B to USD 11.8 B, and imports from USD 12.0 B to USD 14.2 B. Over the period, services imports increased at an average 7.1% per year, faster than exports, whose growth rate was 3.9%. The largest importer by some margin was Ethiopia, followed by Kenya, Uganda and Somalia. The largest exporter was Kenya, closely followed by Ethiopia and, with some distance, Uganda.

The main services export sectors are transport (the most important sector for Djibouti, Ethiopia and Kenya) and travel (the most important sector for Uganda, and second most important one for Ethiopia and Kenya); reported exports of other services are relatively limited. In line with the faster growth of services imports, the IGAD region

⁵ Data are available only for five of the eight IGAD members: Djibouti, Ethiopia, Kenya, Somalia and Uganda, and only for 2013 to 2018. In addition, as is common for most countries, no bilateral services trade data are available, only total exports and imports. As a result, no analysis regarding the relative importance of intra-IGAD trade in services can be undertaken.

2.1.4 Conclusions for the IGAD Regional Trade Policy

The trade performance of IGAD Member States in recent years has been mixed. Export growth has been limited, and the region's share in global trade has remained marginal. In addition, the region's exports to the world are heavily concentrated on primary materials. Finally, although no trade data for the region are available that would reflect the impact of the covid-19 pandemic, exports are bound to have contracted substantially in 2020, especially in the non-food sectors.

With regard to intra-regional trade, this remains limited when compared to other sub-regions across the continent, although the share of exports destined to IGAD markets has shown a slightly positive trend. In addition, the product composition of intra-IGAD trade is more diversified and more geared towards consumer products.

For the IGAD Regional Trade Policy, the following conclusions can therefore be drawn:

Expanding the volume of trade is necessary to narrow the region's trade deficit. Although this has remained stable in recent year, its magnitude is still at a level that will engender macroeconomic imbalances which threaten to jeopardise socio-economic gains made in recent years. Expanding trade to the world will require both expanding traditional exports and diversifying exports both in terms of products and exporting businesses.

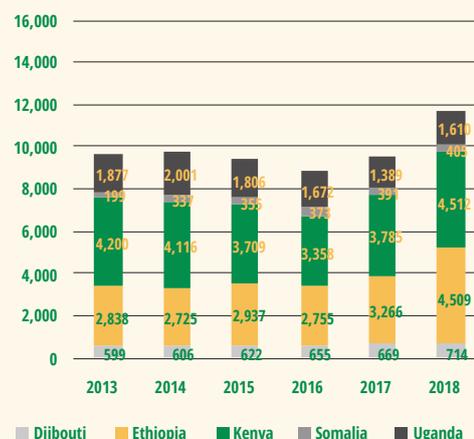
Coordinated support for businesses to cope with the negative consequences of the covid-19 pandemic is urgent. The role for the IGAD Regional Trade Policy will be to ensure that measures taken across IGAD Members are not contradictory. In particular, IGAD has a role to play in the area of logistics and trade facilitation and ensuring the unimpeded flow of goods and services across the region's borders.

Intra-regional trade, particularly of value added products, should be further supported to allow learning effects and productivity, and enable IGAD producers to enhance competitiveness and start exporting to wider markets in the longer term. The IGAD Regional Trade Policy will therefore provide a mechanism for expanding intra-regional exports of both consumer goods and capital goods. For this, the development of regional value chains needs to be encouraged.

Finally, an improvement of trade statistics – in particular for Djibouti, Eritrea, Somalia and South Sudan, and for all IGAD Member States with regard to trade in services – is needed to have better data informing the formulation of specific trade policy measures.

Figure 8: Evolution of IGAD services trade, 2013-2018 (USD million)

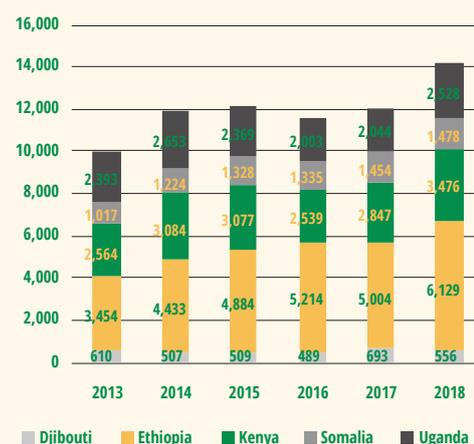
a) Exports



Source: Calculations based on UN COMTRADE (mirror data)

Figure 8: Evolution of IGAD services trade, 2013-2018 (USD million)

b) Imports



Source: Calculations based on UN COMTRADE (mirror data)

has seen an increasing/widening services trade deficit (Figure 9b), which sharply increased from USD 0.3 B in 2013 to USD 2.7 B in 2015 and 2016, before recovering somewhat to USD 2.4 B in 2018. At the same time, IGAD Member States are quite heterogeneous (Figure 9a): whereas Djibouti and more so Kenya had sizeable services trade surpluses (in the period 2016 to 2018), Ethiopia, Somalia and Uganda had services trade deficits – although these tend to be relatively small when compared to the deficits in goods trade.

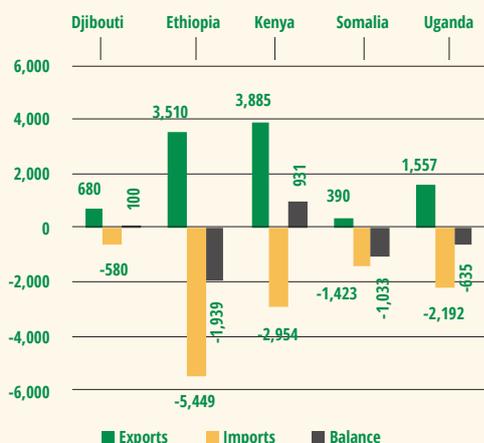
2.2 IGAD and Other Trade Integration Arrangements

2.2.1 Status of Membership of IGAD Members to WTO and RECs

The IGAD Member States are heterogeneous with respect to their level of trade integration (Table 2 provides a brief summary). Although most are also members of COMESA, not all of the COMESA members are

Figure 9: IGAD services trade balance (USD million)

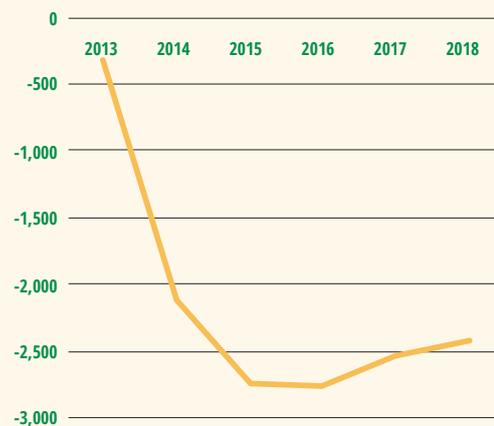
a) Services trade and balances by IGAD member, averages 2016-2018



Source: Calculations based on UN COMTRADE (mirror data)

Figure 9: IGAD services trade balance (USD million)

b) Evolution of IGAD services trade balance, 2013-2018



Source: Calculations based on UN COMTRADE (mirror data)

full parties to the COMESA FTA. Three IGAD Member States (Kenya, South Sudan and Uganda) are members of the East African Community (EAC), implying more limited policy space for autonomous trade policy formulation. With regard to continental trade integration, IGAD Member States are at various stages of participation: five have ratified the African Continental Free Trade Area (AfCFTA) Agreement, three have signed but not yet ratified it, and Eritrea has so far not signed the Agreement. Multilaterally, only three of the eight countries are members of the WTO, although four additional ones are at various stages of the accession process.

In addition, in 2019 five IGAD Member States (Djibouti, Eritrea, Ethiopia, Kenya and Somalia⁶) decided to develop a coordinated approach for addressing regional problems and founded the Horn of Africa Initiative (HoAI). Among the Initiative's four thematic pillars, two – "improving regional infrastructure connectivity" and "promoting trade and economic integration" – are immediately relevant for the IGAD Regional Trade Policy.

2.2.2 Related IGAD Strategies and Policies

IGAD already has a number of trade related strategies and initiatives in place. These include the following ones:

- The 2010 IGAD Minimum Integration Plan had envisaged the development, and set out the framework for, a road map towards an IGAD FTA. However, this has in the meantime been superseded by the AfCFTA. On the other hand, other objectives set out in the Minimum Integration Plan, such as the move towards more aligned trade policies, remain valid.
- The 2016 IGAD Regional Strategy⁷ also addresses trade, industry and tourism development in the region, focusing on "developing and harmonizing the policies, procedures and standards necessary to foster an increase in trade among the Member States" (p. 41), and in addition comprises an infrastructure development program. Following on the Regional Strategy, a number of more specific initiatives, such as a regional tourism master plan and an infrastructure master plan have been developed.

⁶ Sudan has also applied to join the Initiative.
⁷ Available at <https://igad.int/documents/8-igad-rs-framework-final-v11>

Table 2: Overview of IGAD Members' membership in regional integration agreements and WTO

Country	WTO	AfCFTA	Sub-regional RECs
Djibouti	Since 1995	Ratified 2019	COMESA
Eritrea	No	No	COMESA
Ethiopia	Accession process started 2003	Ratified 2019	COMESA
Kenya	Since 1995	Ratified 2018	COMESA, EAC
Somalia	Accession process started 2015	Ratified 2020 (not yet deposited)	COMESA
South Sudan	Accession process started 2017	Signed	EAC
Sudan	Accession process started 1994	Signed	COMESA
Uganda	Since 1995	Ratified 2018	COMESA, EAC

- The IGAD Policy Framework on the nexus between Informal Cross-Border Trade (ICBT) & Cross-Border Security Governance (CBSG), adopted at the Meeting of Ministers in-charge of trade in Mombasa on 21 June 2018.⁸ The Policy Framework has five main objectives, i.e. to ensure a coherent understanding of ICBT contributions to livelihoods and economic well-being of borderland communities; to enhance greater ICBT-CBSG policy convergence and harmonization in IGAD Member States; to strengthen border security systems and support trade facilitation at border crossing points (BCPs); to promote the participation of borderland communities in policy consultations; and to ensure the availability of and access to consistent, timely and reliable data and analysis on cross-border economic exchanges and ICBT.

⁸ The Policy Framework is available at https://resilience.igad.int/wp-content/uploads/2020/06/Conflict-ICBT-CBSG-Policy-Framework_5_04.11.18-for-printing.pdf; and the Communiqué of the Minister's Meeting at <https://igad.int/divisions/peace-and-security/1872-trade-ministers-adopt-igad-policy-framework-on-informal-cross-border-trade-aimed-at-boosting-cross-border-security-governance>

2.2.3 Conclusions for the IGAD Regional Trade Policy

Drawing from the existing trade integration situation, for the IGAD Regional Trade Policy the following conclusions can be drawn:

Given the existence of various trade integration arrangements in which IGAD Member States participate to varying degrees, and in particular considering the ongoing dynamics of the AfCFTA, the IGAD Regional Trade Policy will play a subsidiary role with regard to trade liberalisation. A more important role might be to ensure that market access preferences which the IGAD Members States are offering in the context of regional or subregional trade agreements actually contribute to more and better trade by businesses in IGAD Members. Ways of doing this include trade facilitation, the harmonisation or reduction of administrative rules

and procedures, or the creation of regional initiatives to establish link between businesses.

With respect to multilateral trade, a more coordinated approach by IGAD Members to WTO accession facilitated by the IGAD Regional Trade Policy might speed up the accession process. In the longer term, coordination of IGAD Members' interests in the WTO would constitute another important aspect of the trade policy.

With most of the HoAI projects in the two trade-related pillars aimed at enhancing the physical infrastructure, the IGAD Regional Trade Policy will complement this with actions to facilitate the necessary regulatory changes across the region. Considering that IGAD already has several trade related strategies and programs in place, the IGAD Regional Trade Policy will complement but not duplicate the work undertaken under the existing strategies and programs.

In addition, in 2019 five IGAD Member States (Djibouti, Eritrea, Ethiopia, Kenya and Somalia) decided to develop a coordinated approach for addressing regional problems and founded the Horn of Africa Initiative (HoAI).



3.0 International and continental Trade Policy developments

Most IGAD Member States give preferential access to one another because of their membership in COMESA, EAC and bilateral preferential agreements:



All IGAD Members are members of COMESA. However their level of commitment is different. Djibouti, Kenya, Sudan and Uganda are members of the COMESA FTA. Eritrea has reduced their tariffs by 80 percent as a commitment for joining the FTA, while Ethiopia provides a tariff preference of 10 percent to COMESA FTA members. Although no country has officially declared its full implementation, the COMESA Customs Union was launched in August 2009.

In addition to the COMESA FTA (and, if fully implemented, customs union), Kenya and Uganda are also members of the EAC, which already constitutes a customs union. Legally, it is not possible to be part of two customs unions (unless the two customs unions had completely identical tariffs and customs rules, thereby making them de facto a single custom territory).

Bilaterally, Ethiopia and Sudan concluded a Preferential Trade Agreement which allows both countries to export their products on duty free quota free status based on the COMESA rules of origin (RoO). Djibouti and Ethiopia also entered in to an agreement for favourable treatment of investments, and Djibouti is enjoying de facto FTA access to the Ethiopian market.

This brief review shows that all countries except Somalia are members

of at least three regional groupings out of the five established in the region. Among the IGAD States, Djibouti, Sudan and Kenya are already trading duty free under their membership of COMESA-FTA. Eritrea and Uganda have substantially reduced their tariffs (80%) to COMESA member states. Kenya and Uganda trade with zero tariffs under the EAC, Ethiopia and Sudan are also enjoying zero tariffs under their bilateral treaty. Djibouti also is enjoying zero tariffs in Ethiopian market as a result of a bilateral agreement.

However, the African economic integration agenda has now entered a new phase with the establishment of the AfCFTA, which allows for the free flow of goods and services across the continent.

3.1 AfCFTA

The 18th Ordinary Session of the Assembly of Heads of States and Government of the African Union which was held in January 2012 in Addis Ababa, Ethiopia, under the theme “Boosting Intra-African Trade” took important decisions aimed at enhancing trade integration in Africa. The Assembly, through a Decision (Assembly/AU/Dec.394 (XVIII)) and a Declaration (Assembly/AU/Decl.1 (XVIII)) endorsed an Action Plan for Boosting Intra-African Trade and agreed on a roadmap

for the establishment of the AfCFTA to be operationalized by an indicative date of 2017.

At their Extra-Ordinary Session on 21st March, 2018, the Assembly of Heads of State and Government of the African Union convened in Kigali, Rwanda to sign the Agreement establishing the AfCFTA. The main outcomes from the Summit included the adoption of the AfCFTA, with 44 out of the 55 AU Member States signing the Agreement establishing the AfCFTA.

In Phase 1 the Agreement calls for:

- progressive elimination of tariffs, with member states having agreed to remove 90 percent of their tariffs on goods over a period of between 5 and 15 years, depending on whether a country is classified as developing or LDC;
- progressive elimination of non-tariff barriers to industrial goods and barriers facing agricultural trade, including those related to sanitary and phytosanitary standards;
- trade facilitation, including customs procedures and protocols for transit; and
- progressive liberalization of trade in services.
- In a second phase, the AfCFTA would be deepened to cover the following areas with the objective of setting the stage for an eventual Africa-wide customs union. Measures to be adopted include:
 - freer movement of investment;
 - disciplines on competition; and
 - protection for intellectual property.

As of 15 March 2021, 36 AU Member States had ratified the AfCFTA Agreement and have deposited their instruments of ratification with the AUC; and out of the 55 AU Member States, 54 have now signed it (all except Eritrea). The AfCFTA has entered into force on 30th May 2019 and trading under the AfCFTA Agreement has started in January 2021.

With the coming into force of the AfCFTA, Africa has taken a significant step towards continental integration. The main objectives of the AfCFTA are to create a single continental market for goods and services, with free movement of business persons and investments. It is also expected to expand intra-African trade through better harmonization and coordination of trade liberalisation and facilitation and instruments across the RECs and across Africa in general. The AfCFTA will bring together member states of the African Union covering a market of more than 1.2 billion people and a combined GDP of more than US\$3.4 trillion. In terms of numbers of participating countries, the AfCFTA will be the world's largest free trade area since the formation of the WTO.

The aspirations of the AfCFTA go beyond a free trade area and aims to lay the ground for the establishment of a Continental Customs Union and contribute to the movement of capital and natural persons. This is expected to provide a unified and coherent internal and external trade policy landscape in Africa.

However, the AfCFTA is a work in progress and additional measures are needed to fully operationalize it. These include schedules of concessions for trade in goods, rules of origin and schedules of specific commitments for trade in services. The phase II negotiations on investment, competition policy and intellectual property rights are yet to be concluded.

Ratification of the AfCFTA is just the beginning of a long road towards effective implementation. Effective implementation requires, among other things, incorporating AfCFTA obligations into the laws and

regulations of each State party. It is in this context that the IGAD Regional Trade Policy can be instrumental.

3.1.1 African RECs and AfCFTA

The AfCFTA negotiating guiding principles prescribe that the REC FTAs are the building blocks of the AfCFTA, and require the “preservation of the *acquis*” so that the negotiations “build on and improve the *acquis* of the existing REC FTAs” and not reverse what had been agreed previously.

Article 19 of the AfCFTA Agreement governs the relationship between the AfCFTA and Africa's pre-existing FTAs. It provides that “State Parties that are members of other regional economic communities, regional trading arrangements and custom unions, which have attained among themselves higher levels of regional integration than under this Agreement, shall maintain such higher levels among themselves”.

According to this Article, when incompatibilities or inconsistencies arise between the AfCFTA and other intra-African trade instruments, the AfCFTA is to prevail. However, RECs that have achieved “among themselves higher levels of regional integration” will continue to exist. This ensures the preservation of the *acquis*. Thus, Article 19 allows the RECs with deeper integration to coexist within the AfCFTA system. The AfCFTA does not therefore, in the short term, consolidate the REC FTAs. The AfCFTA does not fully consolidate Africa's fragmented markets into a single regime, but instead leaves a web of better connected but distinct trade regimes. Nevertheless, by liberalizing trade between these regimes, the AfCFTA functions as an intermediate step towards their later consolidation.

3.1.2 The Tripartite Free Trade Area (EAC-COMESA-SADC) and AfCFTA

The Tripartite Free Trade Area (TFTA) is a planned free trade area aimed at the integration of members of three African regional economic communities namely COMESA, EAC and SADC. TFTA negotiations were launched in 2011 and culminated in the 2015 signing of the TFTA Agreement on trade in goods. Although the TFTA consolidates trade liberalization across the COMESA, EAC and SADC RECs, much of that trade has already been liberalized by the multiple and overlapping membership of countries across the three RECs.

Implementation of the TFTA would commence only once a threshold of 14 ratifications is achieved. This is not yet the case: So far 10 countries have ratified it with four more needed to attain the ratification threshold.⁹ A recent meeting of the Ministers from the TFTA region set June 2021 as the new deadline for the ratification of the Agreement.¹⁰ In addition, several operative elements of the Agreement are still being negotiated. Negotiations on the Tripartite rules of origin are advanced. A number of instruments are ready for use, including the Tripartite non-tariff barrier mechanism, guidelines on implementation of trade remedies, export and import declaration forms and an agreement on the movement of business persons.

Once (and if) in force, the TFTA will qualify as one of the *regional trading arrangements* covered by Article 19 of the AfCFTA Agreement. It will, in theory, be able to exist alongside the AfCFTA and should promote its aims. Whether the TFTA will live an active life of its own will depend on the unique trade liberalization profile which its Members will be able to agree. That process has not yet been completed.

9 Botswana, Burundi, Egypt, Eswatini, Kenya, Namibia, Rwanda, Uganda, South Africa and Zambia.

10 <https://www.comesa.int/new-deadline-set-for-ratification-of-tripartite-free-trade-area/>

3.1.3 IGAD and AfCFTA – Conclusions for the IGAD Regional Trade Policy

As IGAD is not currently in a more advanced state of trade integration than AfCFTA, the IGAD Regional Trade Policy does not cover liberalization of trade in goods among the IGAD members over and above what IGAD Members have agreed to in the context of the AfCFTA. Instead, IGAD's efforts under this trade policy will be directed towards helping its Members implement the AfCFTA.

It is also important to understand the implications for those IGAD Members that have achieved a higher degree of integration than FTA, such as the EAC Partner States Kenya and Uganda. As stated above Article 19 of the AfCFTA agreement guides the relationship between the AfCFTA and Africa's pre-existing FTAs by providing for the resolution of incompatibilities or inconsistencies between the AfCFTA and other intra-African trade instruments. RECs with deeper integration such as the EAC and COMESA-CU will coexist within the AfCFTA system.

3.2 WTO

3.2.1 Participation of IGAD Members in the WTO

The IGAD is a region where half of the membership is still outside the WTO. Djibouti, Kenya and Uganda are original members of the WTO while Ethiopia, Somalia, South Sudan and Sudan are at varying stages in their negotiations to accede to the WTO. Eritrea is not currently a member or acceding country to the WTO.

The WTO accession process is technically and politically complex and often takes more than a decade to complete. The current stage of WTO accession negotiations of the four IGAD Members can be summarized as follows:

Since 2003, **Ethiopia** has been negotiating its accession to the WTO. After a long impasse following its 3rd Working Party meeting in 2012, the accession process has recently been reactivated and the 4th Working Party meeting was held on 30 January, 2020. The Government of Ethiopia (has shown increased interest to pursue the negotiations

in earnest and complete the accession as quickly as possible. Indeed, as can be gathered from high-level policy speeches by Government officials, accession to WTO has now become a priority multilateral trade agenda for Ethiopia. The accession negotiations have entered a critical stage with the submission to the WTO of the revised goods offer and the initial services offer. The negotiations are expected to be completed within 2 years.

Somalia submitted a request to accede to the WTO on 7 November 2016 and the Working Party charged with the task to guide its accession process was established on 7 December 2016. The country has not yet submitted its Memorandum on the Foreign Trade Regime (MFTR) to the Secretariat which will kickstart the negotiations. The country is still in an early stage of the WTO accession process.

South Sudan applied to join the WTO in December 2017 and the Working Party in charge of the accession was established in same month. Following the Submission of the MFTR in December 2018, South Sudan's first Working Party meeting was held in March 2019. The country still is at an early stage in the negotiations.

Sudan's process to accede to the WTO started already in 1994, but negotiations were stalled for a number of years until being reactivated recently. At the latest Accession Working Party meeting in March 2021, the Government reaffirmed its strong commitment to conclude the accession process by 2023.

3.2.2 Conclusions for the IGAD Regional Trade Policy

Considering the complex and highly technical nature of WTO accession process, and the fact that half of the IGAD Members are currently engaged in the negotiations, the IGAD Regional Trade Policy will provide a framework for coordination of approaches in the accession negotiations as well as mutual learning, and provide assistance to Member States in successfully advancing in the accession negotiations. Once a significant number of IGAD members have acceded to the WTO, the IGAD Regional Trade Policy will provide a platform for coordinating negotiation positions of IGAD Members in the WTO.

4.0 Vision, Objectives, Scope and Principles of the IGAD Regional Trade Policy



4.1 Vision

The vision of the IGAD Regional Trade Policy is foster market-driven, development-oriented, and sustainable trade in the IGAD region capable of catalysing expanded economic growth, reducing poverty, ensuring food security and attaining improved living standards in the region.

4.2 Objectives

The overarching objective of the IGAD Regional Trade Policy is to promote sustainable growth and development of the IGAD Member States by raising the standard of living of their people through closer economic integration.

Within the ambit of the above overarching objective the specific objectives of the IGAD Regional Trade Policy are to:

1. Create an open and unified regional economic space that will boost intra-IGAD trade by creating the necessary enabling environment and removing obstacles to trade for goods and services;
2. Create coherence among the national trade policies of the IGAD Member States;¹¹
3. Help IGAD Member States implement their obligations arising

¹¹ For the preparation of the IGAD Regional Trade Policy, national trade and trade related policies and measures have been surveyed to avoid duplication and ensure coherence. See the summary table in the Annex.

- from regional trade agreements, in particular the AfCFTA; and
4. Promote the creation of an enabling environment for foreign and domestic investment.

4.3 Scope

Recognising the expanded scope of trade and the pervasiveness on trade matters in economic life, the IGAD Regional Trade Policy goes beyond trade in goods and also addresses trade in services, trade facilitation, and cross-cutting issues including trade and environment and trade and gender.

4.4 Guiding Principles

The IGAD Regional Trade Policy will be guided by the following principles:

- Equality and inter-dependence of the Member States;
- Solidarity and collective self-reliance among the Member States;
- Inter-State co-operation, harmonisation of policies and integration of programmes among the Member States;
- Variable geometry: member states at different levels of development move at different speeds depending on their priorities;
- Gender sensitivity and equity.

5.0 IGAD Regional Trade Policy Measures



5.1 Policy on Trade in Goods

5.1.1 Tariffs

Context

As explained earlier, IGAD Member States in the past provided preferential access to one another through a complex web of agreements comprising COMESA, the EAC and bilateral preferential agreements. The AfCFTA has changed the situation significantly. AfCFTA Member States have agreed to eliminate tariffs on 97% of intra-African trade. This creates an environment where the reduction of tariffs in the IGAD region through a separate IGAD FTA is no longer required. In response to this, the IGAD Regional Trade Policy will support IGAD Members in implementing the trade liberalization to which IGAD Members have agreed under the AfCFTA in a way that maximises the benefits of that liberalization for the IGAD region while limiting the consequences for government revenues that might be caused by the reduction of relatively high tariffs.

Areas of intervention

IGAD will assist its Member States to:

- Implement their obligations arising from the AfCFTA Agreement related to tariffs;

- Carefully identify their sensitive and exclusion lists;
- Prepare their goods schedules;
- Exchange information in relation to the AfCFTA negotiations;
- Implement tariff reduction commitments, including identifying alternative sources of government revenue; and
- Create awareness among regulatory agencies, the business community and other stakeholders about the AfCFTA.

5.1.2 Non Tariff Measures

Context

Whilst tariffs have been significantly reduced or even eliminated through multilateral, regional and bilateral trade negotiations among countries and regions, including in IGAD region, non-tariff barriers (NTBs) can act as important constraints on trade and limit the gains from increased market access through tariff reductions. As traditional barriers to trade such as tariffs decline through successive efforts there are concerns that NTBs may subsequently increase. The presence of NTBs can undermine the gains from trade liberalization for new entrants and constrain diversification efforts, across products as well as markets. The challenges of NTBs have already been recognized in the different regional agreements involving IGAD Members, such as COMESA or the EAC, and different measures have been addressed

to mitigate their negative impacts.

The ambition of the AfCFTA to create one African market will require, among other things, eliminating NTBs which can significantly add to the difficulty and cost of importing and exporting products. UNCTAD estimates that NTBs are at least three times more restrictive than customs duties and suggests that African countries can gain USD 20 B in GDP growth by removing NTBs at the continental level.

The AfCFTA has also recognized the challenges associated with NTBs and included an Annex to the AfCFTA Agreement on NTBs which has established a mechanism for the identification, categorization and elimination of NTBs.

Areas of intervention

IGAD's role with respect to the removal of NTBs will generally be to assist its Member States to implement the AfCFTA Protocol on Trade in Goods Annex on Non-Tariff Barriers.

More specifically, as part of the IGAD Regional Trade Policy, IGAD will help its Members to:

- Develop an online mechanism for reporting, monitoring and eliminating trade barriers;
- Establish National Focal Points who monitor and eliminate the barriers when they do not exist (see Annex);
- Encourage cooperation in information exchange among themselves; and
- Co-operate in the detection and investigation of dumping and subsidy practices and in imposing agreed measures to curb such practices.

5.2 Customs Administration and Trade Facilitation

Context

Trade facilitation entails the simplification, modernization and harmonization of import and export procedures. Trade facilitation is critical for enhancing the competitiveness of the IGAD region. Bureaucratic delays and red tape, corruption and inefficiencies at borders are common in Africa in general and the IGAD region in particular. These issues increase the costs and time of doing business across the region, thereby inhibiting intra- and inter-regional trade. Improvements in trade facilitation governance will significantly boost intra-IGAD and intra-African trade and reduce trade costs and time within Africa. Technology is needed to enhance efficiency at the borders and do away with outdated systematic and cumbersome international trade procedures.

Trade facilitation is vital for the realization of the AfCFTA ambitious objective of increasing intra-African trade flows. TF has been dealt with in the Agreement establishing the AfCFTA. The Protocol on Trade in Goods of the AfCFTA Agreement contains two annexes dedicated to trade facilitation: Annex 3 on Customs Co-operation and Mutual Administrative Assistance; and Annex 4 on Trade Facilitation.

Annex 3 covers State Parties' cooperation in all areas of customs administration. Annex 4 deals with the simplification and harmonization of international trade procedures and logistics to expedite importation, exportation and transit processes. Annex 4 thus aims to expedite the movement, clearance and release of goods including goods in transit across borders of the State Parties.

Annexes 3 and 4 provide for the establishment of a Sub-Committee on Trade Facilitation, Customs Co-operation and Transit, and require

State Parties to establish and maintain National Trade Facilitation Committees to facilitate both domestic coordination and implementation of the provisions of this Annex. These Committees could be necessary in the effective implementation, compliance and enforcement of trade facilitation obligations but are not endowed with such power. Access to trade facilitation related information is important. State Parties must implement trade facilitation awareness strategies for the private sector. State Parties' customs authorities/agencies should be capacitated and coordinated.

Areas of intervention

The IGAD Regional Trade Policy will focus on the implementation of the AfCFTA Protocol on Trade in Goods in general and Annex 3 on Customs Co-operation and Mutual Administrative Assistance; and Annex 4 on Trade Facilitation. More specifically, IGAD will help IGAD Members implement their obligations related to customs cooperation and trade facilitation by focusing on:

- Simplification and harmonization of procedures for obtaining trade documents to ensure that they are uniform for all IGAD Member States;
- Establishment of *Electronic Single Windows* to facilitate clearance processes for import, export, and transit of goods;
- Electronic customs management system for customs control and clearance, to maximize operational efficiencies and improve service delivery;
- Establishment of a regional electronic cargo tracking system;
- Development of harmonized regulations on cross-border freight transport;
- Sharing of official trade statistics to enhance transparency, quality of data, and planning;
- Promoting the establishment of One-Stop Border posts at borders between IGAD Members;
- Identify measures to strengthen both customs administration procedures and institutional capacity building for cross-border trade facilitation among the IGAD Member States;
- Prevention, investigation and suppression of customs offences; and
- Training facilities and programs for customs officials on e.g. harmonized transport regulations, special economic zones, small scale cross border trade.

5.3 Policy on Trade in Services

Context

The services sector has emerged as a growing segment in, and driving force of, regional economies, contributing a growing share to GDP, trade and employment: In 2017, over 53 percent of Africa's GDP came from services, and in most African countries services accounted for at least 49 percent. Some 16 percent of Africa's GDP came from wholesale, retail trade, restaurants and hotels, while 9 percent came from transport, communications and storage services.¹² What is more, many services have emerged as promising tradable services for IGAD Member States, particularly with the development of telecommunications and ICT services. In this context, it is to be noted that Africa's imports of commercial services grew in real terms from USD 140 B in 2016 to USD 150 B in 2017, indicating a substantial potential market for African suppliers if the continent

¹² World Investment Report 2018: Investment and New Industrial Policies. Geneva: UNCTAD.

can reduce barriers.¹³

To harness the benefits of services with the appropriate regulation, services liberalization either unilaterally or as part of trade agreements will (a) increase efficiency of the domestic service sector in IGAD countries, leading to greater competitiveness of agricultural and manufacturing sectors in both domestic market and international markets; (b) enhance trade in services in which Ethiopia has comparative advantage; (c) increase competition among providers of services leading to higher quality and lower domestic prices for consumers; (d) encourage more FDI as an efficient service sector is a major attraction for MNEs to locate their investments; and (e) benefit better from global production sharing or value chain.

Regulation is an important element of the opening up of services sectors. While regulation should essentially aim at facilitating the realization of the benefits from the service sector, it should also aim at other economic and social objectives such as equitable access, consumer protection, macroeconomic stability, and enhancing competition (preventing or stopping anti-competitive conduct).

As regards, continental services negotiations, AfCFTA's Protocol on Trade in Services seeks to create a single liberalized market for trade in services through two channels: a framework for the progressive liberalization of service sectors and a framework of common disciplines. To do so, the protocol provides for detailed commitments by countries in each service sector and for each mode of service delivery. Beyond these commitments, countries have also agreed to complement their commitments in all sectors with common sectoral regulatory cooperation frameworks.

The Protocol on Trade in Services to the AfCFTA Agreement entered into force on 30 May 2019, together with the other AfCFTA Agreements. However, the Protocol only provides a framework for services liberalization and it will be some time before any actual services trade can occur under this Agreement. While the Protocol sets out principles for enhanced continental market access and services sector liberalisation, services trade liberalisation will only occur in practice when individual countries (State Parties) schedule specific commitments on specific sectors. Under Article 22 of the Protocol, each State Party must provide a schedule of specific commitments. At the July 2018 Summit the Assembly of the African Union adopted five priority sectors on which initial commitments should be made: business services, communication services, financial services, tourism and travel, and transport services. Similarly, at the February 2019 Summit, the Assembly adopted the Guidelines for Development of Specific Commitments and Regulatory Cooperation Framework for Trade in Services and the new Roadmap for Finalization of the AfCFTA negotiations. The Roadmap provides for the adoption of Schedules of Commitments in January 2022. To meet this deadline, Member States were expected to submit initial offers and requests in May and June 2019, with negotiations taking place from October to December 2019, and again between May and June 2020. Negotiations were expected to be finalized between December 2020 and February 2021. Although in the earlier plan, Schedules of Specific Commitments on Trade in Services for the 5 priority sectors were to be submitted to the February 2020 Assembly it seems that the 2022 deadline is now for the first round of negotiations, which will only cover the 5 priority sectors. According to the Guidelines and Modalities, the services scheduling will take a positive listing approach. This means that each State Party lists each sector that they are committing under the AfCFTA. For each

¹³ Ibid.

sector or subsector, State Parties list any derogations from market access for foreign providers (Article 19 of the Protocol) and national treatment (Article 20) – for each individual mode of supply.

There are also repeated references to preserving the right for Member States to introduce new regulations on services, in so far as the regulations do not impair any rights or obligations under the Protocol. The regulatory cooperation component of the AfCFTA Agreement is an important complement to the services schedule and will also potentially have more impact on increasing trade in services across the continent. According to the text of the Protocol on Services, members will engage in regulatory cooperation and develop sectoral disciplines, based on best practice in the RECs.

Areas of intervention

The IGAD Regional Trade Policy will focus on the implementation of the AfCFTA Protocol on Trade in Services in the IGAD region. More specifically, IGAD will help IGAD Members implement their obligations under the AfCFTA Protocol on Trade in Services by focusing on:

- Preparation of the schedules of specific commitments;
- Preparation of regulatory cooperation frameworks;
- Capacity building for services regulators; and
- Studies on implications of liberalization of specific services sectors, in particular the financial and communications sub-sectors that are critical for regional integration.

5.4 Cooperation in Trade Promotion

Context

Cooperation in trade promotion can play an important role in the IGAD region by making available key market information for traders more efficiently. Individual traders, and even individual IGAD countries, lack the resources to collect, analyse and disseminate market information for their exporters/importers. Accordingly, IGAD can take measures to promote trade within the IGAD region.

Areas of intervention

As part of the IGAD Regional Trade Policy, IGAD will engage in activities to:

- Develop and disseminate market intelligence and trade information with a view to providing the widest possible knowledge-base of intra-IGAD Market trade opportunities and encourage the development of exports and markets;
- Support the undertaking of supply and demand surveys, multi-country contact promotion events in order to further identify and exploit the potential of the region; and
- Encourage the improvement and harmonization of services relating to trade such as export financing, quality control and standardization, packaging and specification aspects, warehousing and storage operations, and others that will increase the flow of goods within the IGAD region.

5.5 Cooperation in Investment Promotion and Protection

Context

Investment promotion and protection is another area where IGAD Members need to work together to increase the flow of private sector investment into the region for development. The AfCFTA has recognised the link between trade and investment and included an

investment protocol to be concluded at the phase II negotiations.

Areas of intervention

In order to encourage and facilitate private investment flows into the region, IGAD will engage in:

- Assisting the Member States in implementing the AfCFTA Protocol on Investment;
- Promoting fair and equitable treatment to private investors;
- Adopting a program for the promotion of cross-border investment, including through the preparation of concepts and pilots of Regional Economic Zones (REZ);
- Create and maintain a predictable, transparent and secure investment climate in the Member States; and
- Build the capacity of IGAD Members' investment promotion agencies.

5.6 Cooperation in Trade Negotiations

Context

IGAD countries can achieve more in international trade negotiations if they speak with one voice and act collectively to promote their common interests and positions both at the regional, continental and the global arena. With a single voice, the IGAD region can negotiate trade deals better than Member States individually. A divided voice by IGAD Members would risk domination by larger actors.

Areas of intervention

Engage in a regional, continental and multilateral trade negotiations as a coherent group;

- Regular coordination meetings on trade negotiation topics in order to define priorities and negotiation strategies;
- Mutual support and exchange of information on WTO accession negotiations.

5.7 Cross-cutting Measures

Across all measures implemented as part of the IGAD Regional Trade Policy, three dimensions of cross-cutting themes will receive particular attention: First, the links between trade, gender and social inclusion; second, the contribution of trade in the post covid-19 recovery efforts of IGAD countries; and third, the impact of trade on the environment.

5.7.1 Trade, gender and social inclusion

All IGAD Members subscribe to the need for trade to bring about benefits to the population in an inclusive way. The IGAD Regional Trade Policy recognises and addresses the challenges faced by women, youth, and disadvantaged population groups in general as they engage in trade in the region. These challenges range from a lack of financing options to non-tariff barriers to trade, the lack of access to alternative economic opportunities due to operation in the informal sector, and the lack of capacity to grow businesses, among others. These challenges will be addressed by the IGAD Regional Trade Policy through, among others, the following measures:

- Identification and unlocking of the potential of trade that favours the poor, women, youth, and refugees and migrants, e.g. by focusing trade or investment promotion actions on sectors where the poor are concentrated as producers or workers;
- Supporting interventions that are likely to lead to sustained changes in the underlying international trade system rules, institutional arrangements and supporting functions;

- Prioritising measures that benefit micro-, small or medium sized enterprises, including those in the informal sector, e.g. by devising measures aimed at facilitating small-scale cross-border trade between IGAD Members, including through the development of an IGAD Simplified Trade Regime (STR);
- Providing awareness raising, capacity building and training for disadvantaged population groups on trade and simplified rules that allow them to increasingly engage in international trade; and
- Providing support for the generation of more granular trade statistics, including the disaggregation by gender and age of traders, to enhance the evidentiary basis for the design of further policy measures to ensure socially inclusive and gender-equitable trade.

5.7.2 Contributing to Post covid-19 Recovery

Like any country in the world, the IGAD region has been severely impacted by the covid-19 pandemic. Different sectors of national economies were shut down, including hotels, restaurants, non-essential retail trade, tourism, and significant shares of manufacturing. Trade in 2020 has contracted, and the recovery path as yet remains unclear. In this situation, any policy has to contribute whatever is possible to a full and swift recovery from the damages that covid-19 has inflicted on the region.

In response, the IGAD Regional Trade Policy will prioritise those measures that will have a direct impact on helping trade by the IGAD Members to recover swiftly from the covid-19 depression. This will be achieved e.g. by:

- Favours sectoral measures on those sectors particularly affected by covid-19;
- Facilitating trade among IGAD Members by adopting regional agreements and the mutual recognition of certificates and other documents, for goods and for truck drivers. A regional approach to trade facilitation can aim at a regional customs transit system with real-time sharing of customs information, digital tracking systems, cargo tracking systems, as well as the operational performance and management of corridors; and
- Developing regional regulations on cross-border freight transport.

A recent paper on the "Impact of Covid-19 on Trade and Trade Facilitation along the Ethiopia-Djibouti Corridor" has identified a number of measures which will be considered for implementation as part of the IGAD Regional Trade Policy.

5.7.3 Towards Environmentally Sustainable Trade

The IGAD region faces a number of environmental challenges and high vulnerability to drought and other natural disasters. At the same time, it is affected more than average by global climate change. As a result, the IGAD Regional Trade Policy will prioritise actions which minimise any potential negative impacts on the region's environmental conditions, as well as global warming. Measures in this respect relate to, among others:

- Trade facilitation measures that aim at streamlining transport, avoiding delays leading to higher fuel use and emissions;
- Use of innovative solutions to foster more efficient use of resources for trade and transport;
- Facilitating multi-modal transport hubs to ensure that goods can be traded using the most environmentally friendly means of transportation.

6.0 The Institutional Framework of the IGAD Regional Trade Policy



6.1 Relation with other RECs

Just like elsewhere on the continent, different IGAD Member States are pursuing various different and overlapping regional initiatives. IGAD-wide policy initiatives could be affected by policies and laws adopted by IGAD Member States within the umbrella of other regional trade agreements to which different groupings of IGAD Member States belong. It is therefore important to clarify the relations between the IGAD Regional Trade Policy and trade integration frameworks provided by other RECs, notably COMESA and the EAC.

6.1.1 IGAD and COMESA

The aims and objectives of the IGAD Treaty provide that its members shall “promote and realize the objectives of the Common Market for Eastern and Southern Africa (COMESA) and the African Economic Community”.

Conversely, Article 56.3 of the Treaty Establishing COMESA clearly states that members of COMESA are free to enter into any preferential arrangement or can be part of other FTAs provided that the preferences and concession given to the third party be extended to the COMESA Member State which wishes to benefit from the preferences on a reciprocal basis.

COMESA is the principal forum in the region for trade matters.

However, the fact that nearly all IGAD Member States are also COMESA members means that, in principle, IGAD Member States can work within COMESA and also go beyond the rest of the COMESA membership towards closer collaboration in some specific policy the seven IGAD countries can decide to integrate faster and deeper than the rest of the COMESA membership and still remain part of COMESA at the same time.

In a memorandum of understanding signed between IGAD and COMESA in June 1998, the parties agreed to harmonize their programmes and, most importantly, not to duplicate efforts or jeopardize each other’s programmes and activities.

The IGAD Regional Trade Policy clearly is in line with these provisions as it recognizes the fundamental role of the AfCFTA for trade liberalization also of the IGAD Members, and supports that process through activities in the IGAD region that complement those undertaken at the wider COMESA and African levels.

6.1.2 IGAD and EAC

IGAD’s relations with the EAC are different from those with COMESA. The EAC is a customs union, pursuing closer economic integration among its members, which include Kenya and Uganda from IGAD and Tanzania, Burundi and Rwanda from outside IGAD.

Article 8(4) of the EAC Treaty prescribes that “Community organs, institutions and laws shall take precedence over similar national ones on matters pertaining to the implementation of this Treaty.” The stipulation that EAC law prevails over national laws seems to suggest that Kenya and Uganda are unable to undertake any trade-related binding commitments under the auspices of IGAD without involving the EAC as a bloc.

The MoU signed between IGAD and the EAC in 2006 contains several articles about cooperation, consultations, and information sharing. The IGAD Regional Trade Policy is aligned with these as well as the EAC Treaty, as it does not contain measures affecting (let alone contradicting) the provisions of the EAC Treaty.

6.2 Institutional Implementation Framework of the IGAD Regional Trade Policy

The different activities envisaged under the IGAD Regional Trade Policy can be accommodated within the existing structures of IGAD without the need for establishing an additional institution. Under Article 10 of the IGAD Agreement, the Council of Ministers is the highest decision-making organ below the Assembly. The Council of Ministers is tasked with several functions including the following:

Make recommendations to the Assembly on matters of policy aimed at the efficient functioning and development of the Authority;

- Review the operations of the Authority and guide its work in accordance with the Agreement;
- Oversee the functioning of the Secretariat;
- Promote, monitor, coordinate and harmonize initiatives for realizing the Authority's objectives; and
- Receive and review reports from subsidiary organs and make recommendations to the Assembly.

The Council of Ministers is also empowered to establish ministerial committees to deal with specific issues. The terms of reference for such committees are to be agreed upon by Member States in consultation with the Secretariat.

To further the implementation of the IGAD Regional Trade Policy, the following institutional framework will be put in place:

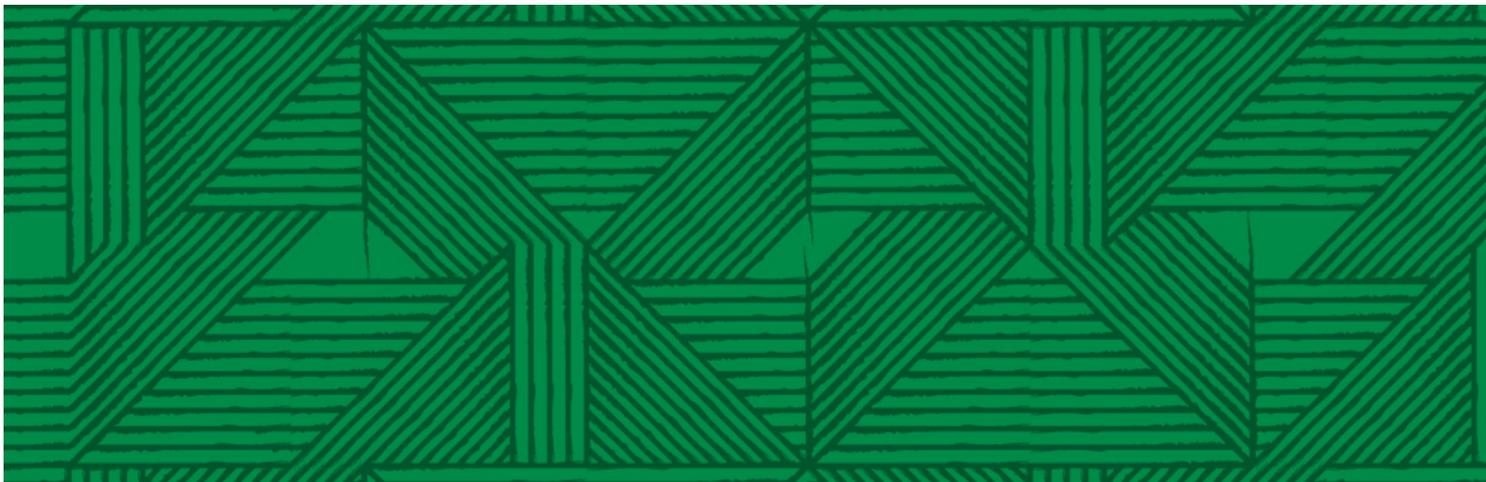
- An IGAD Ministerial Committee on Trade Policy will be established;
- The terms of reference of the Committee will be prepared and approved by the Assembly; and
- The Secretariat will be strengthened with a team of trade policy experts to implement and monitor the IGAD Regional Trade Policy.

Annex: Existing Trade and Related Policies and Measures of IGAD Members

Policy	Djibouti	Eritrea	Ethiopia	Kenya	Somalia	South Sudan	Sudan	Uganda	Remark
Trade Policy									
Existence of national trade policy	National Trade Development Strategy (SNDC, 2010)	None	In process of being developed	National Trade Policy (2017)	Trade Policy of Somalia (2021)	None	No (National Trade Facilitation Roadmap 2017-2021)	No. National Trade Policy (2007) Now, trade policy addressed as part of National Development Plans (2020/21-2024/25), Import Substitution Action Plan (2020/21-2024/25) etc.	
WTO	Member	Non-member	Accession ongoing	Member	Accession ongoing	Accession ongoing	Accession ongoing	Member	
ACFTA	Ratified	Non-Signatory	Ratified	Ratified	Signed	Signed	Signed	Ratified	
Participation in other regional trade agreements	CEN-SAD and COMESA	CEN-SAD and COMESA (but not yet participating in the COMESA FTA)	COMESA (but not yet participating in the COMESA FTA)	EAC, COMESA and CEN-SAD	COMESA and CEN-SAD	COMESA and EAC	COMESA	COMESA and EAC	
NTBs									
National Monitoring Committees	Yes	Information unavailable	None	Yes (EAC)	None	Yes (EAC)	None	Yes (EAC)	
Online reporting and monitoring platform	None	None	None	Yes (EAC)	None	Yes (EAC)	None	Yes (EAC)	
Trade facilitation									
National trade facilitation committee	Yes	Information unavailable	None	Yes (EAC)	Yes	Yes (EAC)	Yes	Yes (EAC)	
OSBP policy	No	No	No	Yes (EAC)	No	Yes (EAC)	No	Yes (EAC)	
OSBPs	Galafi	None	Moyale and Galafi	Moyale, Malaba and Busia	None	Elegu/Nimule	None	Elegu/Nimule, Malaba and Busia	
Electronic single window system(s)	None	None	Yes	Yes	None	Info not available	None	Yes	Not coordinated with each other
Trade info portals	None	Info not available	None	Yes	Yes	None	None	Yes	
Authorized Economic Operator (AEO) scheme	Yes	None	Yes	Yes	None	Yes	Yes	Yes	Not coordinated with each other; EAC has regional AEO program
Electronic cargo tracking system (ECTS)	Yes	None	Yes	Yes	None	Yes	Yes	Yes	EAC has regional cargo ECTS







PEACE, PROSPERITY AND
REGIONAL INTEGRATION

IGAD Secretariat

Avenue Georges Clemenceau,
P.O. Box 2653, Djibouti
Republic of Djibouti

Telephone: +253-21354050

Fax: +253-21356994

Website: <https://igad.int>