Delhi Policy Group
Advancing India's Rise as a Leading Power

AFRICAN PULSE

SEPTEMBER 2025

Authors

Ruchira Kamboj
Arshiya Chaturvedi

Creating One African Market

Volume I, Issue 3

Delhi Policy Group
Core 5A, 1st Floor, India Habitat Centre, Lodhi Road, New Delhi- 110003
www.delhipolicygroup.org

African Pulse

Vol. I, Issue 3
September, 2025

ABOUT US

Founded in 1994, the Delhi Policy Group (DPG) is among India's oldest think tanks with its primary focus on strategic and international issues of critical national interest. DPG is a non-partisan institution and is independently funded by a non-profit Trust. Over past decades, DPG has established itself in both domestic and international circles and is widely recognised today among the top security think tanks of India and of Asia's major powers.

Since 2016, in keeping with India's increasing global profile, DPG has expanded its focus areas to include India's regional and global role and its policies in the Indo-Pacific. In a realist environment, DPG remains mindful of the need to align India's ambitions with matching strategies and capabilities, from diplomatic initiatives to security policy and military modernisation.

At a time of disruptive change in the global order, DPG aims to deliver research based, relevant, reliable and realist policy perspectives to an actively engaged public, both at home and abroad. DPG is deeply committed to the growth of India's national power and purpose, the security and prosperity of the people of India and India's contributions to the global public good. We remain firmly anchored within these foundational principles which have defined DPG since its inception.

Authors

Ambassador Ruchira Kamboj, Senior Fellow for International Security and Global Affairs, Delhi Policy Group
Arshiya Chaturvedi, Research Associate, Delhi Policy Group

The views expressed in this publication are those of the authors and should not be attributed to the Delhi Policy Group as an Institution.

Cover Images:

The African Continental Free Trade Area (AfCFTA), Logo. Source: African Union
The signing of the AfCFTA by 44 African Union (AU) Member States at the 10th Extraordinary Summit of the AU Assembly of Heads of State held in Rwanda on March 21, 2018. Source: X/@AfCFTA

Delhi Policy Group
Core 5A, 1st Floor,
India Habitat Centre,
Lodhi Road, New Delhi- 110003
www.delhipolicygroup.org

African Pulse:
AfCFTA — Unlocking Africa's Next Growth Frontier

Contents

AfCFTA — Unlocking Africa's Next Growth Frontier

by

Ambassador Ruchira Kamboj & Arshiya Chaturvedi

Executive Summary

The African Continental Free Trade Area (AfCFTA) is a flagship project under the AU's Agenda 2063 that seeks to develop the world's largest free trade region comprising 55 African Union (AU) member countries and 8 Regional Economic Communities (RECs). By consolidating Africa's combined population of 1.3 billion people and a total GDP of around US$ 3.4 trillion into a single continental market, the agreement has the potential to drive significant economic empowerment within Africa.[1] Not without reason, therefore, that President Paul Kagame[2] has called the AfCFTA 'a game changer, 'while President Cyril Ramaphosa has described it as Africa's 'most consequential undertaking'.[3] Several studies underscore AfCFTA's development-integration approach, projecting that it cannot only expand intra-African trade but also generate employment, raise household incomes, and play a transformative role in poverty alleviation

However, for these prospects to be realised, AfCFTA's full and effective implementation is necessary. Coming into force in 2019 with the mandate to commence trade by 2021, trading under AfCFTA began only in July 2022, and it was only in October 2022 that preferential trade in goods commenced between 8 African Countries under AfCFTA's Guided Trade Initiative (GTI).[4] Although intra-African trade has expanded in recent years, the agreement remains far from full implementation. This is largely due to persistent capacity gaps, including an underdeveloped industrial base, inadequate infrastructure, weak regulatory and institutional frameworks, and shortages of skilled labour. Bridging these deficits through proactive policies and targeted strategies is essential if the agreement is to

---

[1] Maliszewska, Maryla , and Michele Ruta. " The African Continental Free Trade Area: Economic and Distributional Effects," July 27, 2020. https://openknowledge.worldbank.org/server/api/core/bitstreams/ef1aa41f-60de-5bd2-a63e-75f2c3ff0f43/content.

[2] Nigeria AfCFTA Coordination Office. "Nigeria Recommits to Regional Trade as AfCFTA Forum Holds in Rwanda." Ngrafcfta.gov.ng. Nigeria AfCFTA Coordination Office, October 11, 2024. https://ngrafcfta.gov.ng/blog/post/nigeria-recommits-to-regional-trade-as-afcfta-forum-holds-in-rwanda.

[3] PSC Report. "Momentum Builds towards an African Continental Free Trade Area | ISS Africa." ISS Africa, July 30, 2018. https://issafrica.org/iss-today/momentum-builds-towards-an-african-continental-free-trade-area.

[4] United Nations Economic Commission for Africa (UNECA). "AfCFTA: What You Need to Know." Economic Commission for Africa, United Nations, October 2024. https://repository.uneca.org/entities/publication/f565bea5-50b2-4266-89ae-fd46c0cbe9d1.

move beyond nominal gains and realise its goal of fostering inclusive growth and prosperity across Africa.

This brief examines the AfCFTA, assessing its potential and constraints. It further considers India's dual role - both as a strategic development partner supporting capacity-building and implementation, and as a major external trade partner of the AfCFTA - suggesting that India could leverage its deep bilateral ties to scale engagement to the continental level and act as a co-developer of the African market.

Contours of AfCFTA[5]

The idea of a continental free trade area in Africa originated at the 6th Ordinary Session of the AU Conference of Ministers of Trade in Rwanda in 2010. Building on this, the 18th AU Assembly in Addis Ababa in 2012 launched intergovernmental negotiations among member states. After prolonged deliberations, the AfCFTA was adopted in March 2018, with 44 AU member states signing the agreement. In 2019, 24 AU member states ratified the AfCFTA, bringing the agreement into force. To date, 54 of the 55 AU member states have signed on, and 48 have completed ratification.

The AfCFTA is structured in phases:

Phase I (2018) – Concluded and adopted in 2018, this phase laid the foundation : liberalisation of trade in goods and services and a dispute settlement mechanism to enforce commitments.

Phase II (2020) – Launched in February 2020, the agreement moved beyond trade flows to include critical policy frameworks - investment, intellectual property rights, and competition policy - necessary for building an integrated continental market.

Phase III (2024 onward) – The most ambitious phase, addressing new and emerging frontiers: digital trade, and the inclusion of women and youth in continental commerce. Protocols are currently under negotiation.

Progress in Africa has been uneven, as trade continues within a highly fragmented landscape marked by nearly 30 regional trade agreements (RTAs) and multiple regional economic community frameworks. This has produced overlapping mandates, differing regulatory standards, and uneven enforcement. The AfCFTA aims to address this fragmentation by creating a single market for goods and services, advancing tariff liberalisation, and facilitating the movement of capital and people. Its objectives extend further: promoting industrialisation, trade diversification, policy harmonisation, digitalisation, supply chain resilience, and the integration of women

[5] Ibid.

and youth - each designed to enhance competitiveness and foster more equitable growth across the continent. Successful implementation would also lay the foundation for Africa's Continental Customs Union.

The AfCFTA is an agreement between sovereign African states, and its implementation depends on the political will and policy actions of their respective governments. All African States Parties that have ratified the agreement are under a legal obligation to undertake the necessary policy, regulatory, legislative, and institutional reforms to ensure compliance. For this purpose, many amongst them have been adopting National AfCFTA Strategies. For example, Kenya, in August 2022, launched its AfCFTA implementation strategy for 2022–2027, while Rwanda adopted a strategy for the successful implementation of the AfCFTA in 2022, with a focus on enhancing industrialisation in sectors such as agro-processing, mineral processing, and other high-value exports. These States Parties are also required to provide their tariff liberalisation schedules detailing tariff concessions as per the dictates of AfCFTA, which is the commitment to eliminate tariffs on 97% of all intra-African trade in goods over a specified timeline, with the flexibility for countries to initially exclude up to 3% of tariff lines for self-management. As of February 2024, 45 tariff liberalisation offers have been submitted and verified, of which 4 are from the RECs, along with three others that are currently under verification.

The AfCFTA agreement does not just set trade rules, it establishes an institutional framework comprising three decision-making bodies - the Assembly of Heads of State and Government, the Council of Ministers of States Parties, and the Committee of Senior Trade Officials - supported by a Secretariat as the administrative body. The structures are functional, with the Secretariat in Ghana coordinating both negotiations and implementation. While decision-making has at times been uneven, progress has been steady, demonstrating that the framework is broadly working as intended.

AfCFTA's Transformational Potential

Many studies have suggested that the implementation of AfCFTA will significantly boost trade, drive economic growth, generate employment and transform Africa into a USD 3 trillion market. This will consequently lead to poverty reduction, broader economic inclusion, and sustainable development across Africa.[6] An IMF study has observed that without a continental free trade area, African traders face average tariffs of over 6% and non-tariff barriers of around 18% arising from regulatory differences.[7]

[6] Supra Note. 4

[7] ElGanainy, Asmaa A , Shushanik Hakobyan, Fei Liu, and et al. "Trade Integration in Africa: Unleashing the Continent's Potential in a Changing World." International Monetary Fund (IMF), May 5, 2023. https://www.imf.org/en/Publications/Departmental-Papers-Policy-Papers/Issues/2023/05/03/Trade-Integration-in-Africa-Unleashing-the-Continent-s-Potential-in-a-Changing-World-529215.

This makes intra-African trade disproportionately expensive, often more costly than trading with partners outside the continent, thereby reducing competitiveness and sustainability.

The AfCFTA, with its mandate of trade integration and market unification, seeks to lower these costs by harmonising rules and reducing barriers. Its successful implementation will make trade within Africa, and to a significant extent with external partners, cheaper and more efficient. Lower trade costs also incentivise the movement of raw materials and intermediate goods across borders as the input price reduces, which is critical for the growth of local manufacturing industries. With easier access to inputs and larger markets, African manufacturers could scale up production, which will provide the benefit of economies of scale and make them more competitive. Harmonising regulatory and institutional frameworks under the AfCFTA will reduce administrative bottlenecks and trade delays, thereby boosting efficiency and investment in Africa's manufacturing sector. According to research undertaken by the United Nations Economic Commission for Africa (UNECA), intra-African trade is projected to increase by 45% by 2045.[8] Of this increment, the sectors that are projected to experience the largest gains are: agri-food (60%), industry (48%), and services (34%).[9] This will catalyse the transition of the African economy from extraction-based to value-added processing and production.

Another World Bank study finds that the expansion of trade and production capacity in labour-intensive industries under the AfCFTA will increase labour demand and create employment opportunities for many Africans. It projects that about 30 million people will be lifted out of extreme poverty, while the incomes of a further 68 million living on less than USD 5.50 a day will rise. By 2035, the total income gain in Africa is expected to reach USD 450 billion. The labour categories expected to see the largest income gains are unskilled workers and women: incomes for unskilled workers are projected to rise by 10.3%, compared with 9.8% for skilled workers, while women's wages are expected to grow by 10.5%, compared with 9.9% for men.[10] Therefore, the agreement will not only create more job opportunities, but also help narrow both skill-based and gender wage gaps, making growth more inclusive.

AfCFTA implementation: Challenges and Responses

[8] United Nations Economic Commission for Africa (UNECA). " Advancing the Implementation of the African Continental Free Trade Area: Proposing Transformative Strategic Actions 2025 (Economic Report on Africa: Summary)." Economic Commission for Africa, United Nations, 2025. https://africarenewal.un.org/sites/default/files/documents/summary-economic-report-africa-2025-advancing-implementation-agreement-establishing-african.pdf.
[9] Supra Note 4.
[10] Supra Note 1.

Trade under the AfCFTA was formally scheduled to begin in January 2021; however, actual preferential trade only commenced in October 2022 among eight African countries through the pilot programme, the AfCFTA Guided Trade Initiative (GTI). These initial participants were States Parties that had met the minimum requirements for trading under the agreement. The number has since expanded, reaching 35 States Parties from across Africa's five regions in 2023, with additional countries - including Tanzania, Cameroon, and South Africa - receiving certificates of origin in 2024 to begin trading under the GTI.[11]

For the AfCFTA to succeed in achieving its objectives, strong political will and proactive policy action from all States Parties are essential. While 54 out of 55 African countries have signed the agreement, only 48 have proceeded to ratification. This demonstrates that although African countries broadly support the initiative, its implementation remains complex and demanding given existing capacity constraints. These fundamental limitations, long documented, require serious interventions if the AfCFTA is to make a meaningful impact on Africa's trade performance and overall economic development.

While the AfCFTA's potential to streamline and make trade in Africa more cost effective is well established, it is important to assess whether African industries have the capacity to meet demand, by producing and supplying goods and services of the required quality and quantity at competitive prices. Some initiatives are already underway to enhance Africa's productive capacity. The African Union, in collaboration with UNIDO, adopted the Action Plan for the Accelerated Industrial Development of Africa (AIDA) to promote local production, value addition, development of intermediate and capital goods industries, and employment creation. Similarly, under the NEPAD framework, the AU also launched the Comprehensive Africa Agriculture Development Programme (CAADP) in 2003, a continental policy framework to transform agriculture through higher productivity, food security, and investment.[12]

Capacity gaps in critical areas such as infrastructure, technology, workforce skills, and other supply chain components also hinder trade and economic growth. Adequate hard and soft infrastructure is needed to support the trade process from production to cross-border trade, whether physical or digital. Hard infrastructure includes everything from extensive transportation networks of roads, railways, ports, and airports, an effective telecommunications system, a reliable and resilient energy sourcing and distribution set up as well as other border facilities, such as tech-enabled customs stations, warehousing, and cold chain systems. Soft infrastructure, on the

[11] Supra Note 4.
[12] Supra Note 4.

other hand, relates to the governance of the trade process through efficient financial services and institutions, robust legal and regulatory frameworks, digital platforms for standardising trade procedures and transactions, and skilled human capital capable of carrying out these various services. The AU has in effect the Programme for Infrastructure Development in Africa (PIDA), adopted in 2012, and the Boosting Intra-Africa Trade (BIAT) Action Plan (2012), designed to facilitate trade liberalisation and infrastructure development. There is also the African Peer Review Mechanism, established in 2003, which is a voluntary arrangement amongst African states to systematically assess and review State Parties' compliance with African and international governance commitments.[13] Clearly, efforts are underway to build capacity, but without stronger momentum and political push, the continent's full potential will remain unrealised.

Another complexity in the adoption of AfCFTA and trade integration in Africa is the issue of multiple currencies. There are as many as 42 different currencies across the continent, making cross-border trade a strenuous task for businesses, which must decide which currency to use for transactions and how to settle payments across multiple local currencies. Moreover, when traders rely on a third-country currency - most often the US dollar or the euro - as the intermediary legal tender, transaction costs rise significantly due to conversion fees and fluctuations in global exchange rates. A study has estimated that Africa loses up to USD 5 billion annually purely due to currency conversion costs. These higher transaction costs not only make African goods and services more expensive in regional and global markets, but also the excess money spent here could otherwise be reinvested into facilitating production, infrastructure, or other aspects related to trade. While adopting a single currency for Africa, difficult as it is, may provide the ideal solution, an interim solution has been implemented by adopting the Pan-African Payment and Settlement System (PAPSS) in January 2022[14], which allows companies to pay in local currencies rather than relying on third-country currencies. PAPSS works by connecting the real-time gross settlement systems (RTGS) of African Central Banks, netting out balances daily before settlement.

The AfCFTA's implementation is also hindered by reservations among States Parties over the short-term revenue losses from trade liberalisation. While the agreement is expected in the long run to boost trade, increase money circulation, and outweigh such losses, the immediate fiscal impact strains governments 'operational capacities. To address this concern, the AU established the AfCFTA Adjustment Fund to offset revenue shortfalls during tariff liberalisation. In coordination with Afreximbank, the

[13] Supra Note 4.
[14] Supra Note 4.

Fund has committed a corpus of US$10 billion over 5-10 years and also aims to mobilise resources to help the private sector adapt to the new trade environment.[15]

Actionable Insights: Way Forward for Africa

Since the early 2000s, Africa has launched many programmes and initiatives, yet capacity constraints have largely persisted. Today, amid major geopolitical shifts, the continent stands at a critical turning point for growth and development, which makes overcoming these constraints all the more urgent. This requires a focused and energetic strategy. For injstance, building industrial and production capacity will depend on measures such as vocational and technical training in key sectors, partnerships between industry and universities, and apprenticeship schemes with local factories. By aligning education and training with the needs of emerging industries, Africa can generate a steady flow of job-ready workers, helping to close the long-standing gap of skills mismatch.

Industrialisation also needs strong support systems: industry-specific clusters, streamlined trade and market access policies in priority sectors, and financing that is both adequate and affordable. Together, these will help African industry achieve economies of scale, encourage specialisation, and improve competitiveness. Here, partner countries like India - already a key development partner - can play an important role by sharing lessons from its SME programmes and large-scale initiatives such as Make in India.

Infrastructure is another essential pillar. Africa will need major national and regional projects, financed partly by pooling resources within the continent. Additional funding can come from development banks such as the World Bank, AfDB, and NDB, as well as sovereign bonds and private investors. Partner countries like India and the EU can add further momentum through their Trilateral Agreement on joint development projects, which combines financial, technological, and institutional resources in line with Africa's needs.

Digital Public Infrastructure (DPI) is equally critical. It can transform Africa's digital landscape, accelerate trade, and support inclusive growth. India's successful experience with DPI offers a useful model. Several African countries - including Ethiopia, Guinea, Sierra Leone, Togo, Morocco, and Angola - are already piloting parts of the India Stack. Beyond sharing systems, India can also help with training,

[15] Supra Note 4.

regulation, and digital standards, ensuring that African DPIs are secure, interoperable, and inclusive.

Finally, Africa must strengthen its governance and institutional framework. While AfCFTA will help by aligning trade policies with international standards, drawing on best practices and experiences from partner countries will further reinforce Africa's institutional capacity.

India and the AfCFTA

India has diplomatic relations with all 54 African countries and maintains a presence in nearly each one. In recent years, its footprint on the continent has expanded significantly. The essence of India's approach was clearly articulated by the Prime Minister of India in his address to the Ugandan Parliament in 2018, when he affirmed that "our development partnership will be guided by your priorities. It will be on terms that will be comfortable for you, that will liberate your potential and not constrain your future."[16] This pledge underlines that India's engagement with Africa comes without conditionalities, resting instead on mutual respect, equality, and Africa's own chosen path of progress.

India maintains a robust capacity-building and training programme with the African Union, both bilaterally and under the aegis of the India-Africa Forum Summits. The Indian Technical and Economic Cooperation (ITEC) programme is synonymous with capacity expansion, offering training, expert deputations, and project support across Africa. The Pan-African e-Network initiative[17], launched by the Government of India in partnership with the AU, has built continent-wide capacity in health, education, and e-learning through telemedicine and digital connectivity. Over and above this, India has also undertaken a wide range of development projects across Africa, guided by the needs and aspirations of African countries themselves.

Trade and investment remain another key pillar of this partnership, with India ranking as the third-largest trading partner of the African Union, with bilateral trade having reached US$100 billion in 2022-23.[18] (By comparison, China leads with a total

[16] Ministry of External Affairs . "Prime Minister's Address at Parliament of Uganda during His State Visit to Uganda." Ministry of External Affairs, The Government of India , July 25, 2018. https://www.mea.gov.in/Speeches-Statements.htm?dtl/30152/Prime+Ministers+address+at+Parliament+of+Uganda+during+his+State+Visit+to+Ugand.

[17] Ministry of External Affairs . "Pan African e-Network Project (PAENP)" Ministry of External Affairs, The Government of India , January, 2013.

[18] Ministry of Commerce & Industry. "India and Africa Are Natural Partners with Historical and Cultural Ties: Union Commerce and Industry Minister Shri Piyush Goyal." Press Information Bureau, India, 2022. https://www.pib.gov.in/PressReleaseIframePage.aspx?PRID=1932726.

trade volume of US$ 282 billion[19] in 2023, followed by the EU with total imports to Africa in 2023 at US$ 182.4 billion[20]). This underscores India's strategic role in Africa's trade landscape. There is, however, scope to diversify and deepen, especially when viewed through a comparative lens.

And India's engagement with the AfCFTA offers just that: an opportunity to move beyond bilateral trade settings and align with a continent-wide framework that reduces tariff and non-tariff barriers. As AfCFTA is essentially an agreement among African nations, India's participation would necessarily be as an external partner, ideally through a structured cooperation framework. This approach would mirror how the US, through its MOU with the AfCFTA Secretariat, and the EU, via technical assistance and investment programs, are engaging with the continental market. Importantly, such a step would be consistent with the Government of India's stated policy that Africa's priorities will shape India's partnership. Anchoring India's trade cooperation in the AfCFTA would not only reinforce this principle, but also diversify Africa's external partnerships, strengthen India's presence in African markets, and fortify the broader project of South-South cooperation. As one example, India could link its UPI to PAPSS, enabling low-cost cross-border payments. Or, export its open-source DPI stack as public goods aligned with the AfCFTC Digital Trade Protocol. This has already begun as a pilot with some African countries, and can be further expanded.

Conclusion

In the current geopolitical landscape, Africa's vast mineral wealth, long a magnet for external powers, is now intersecting with its own continental ambitions. The African Union's Agenda 2063, with its vision of an African Renaissance, Africa's membership of the G20, and South Africa's current G20 presidency together signal a continent determined to play a greater role in shaping its own destiny, and claim a more central place in global governance. This convergence of resources and agency gives Africa an unprecedented opportunity to translate its strategic position into sustainable growth, industrialisation, and broad socio-economic transformation. Realising this, however, demands the adoption and implementation of sound, forward-looking policies.

In this context, one critical policy instrument that can translate Africa's aspirations into reality is the AfCFTA. By advancing regional integration in trade and investment and streamlining these processes at the continental level, the AfCFTA has the potential to

[19] Munyati, Chido. "Understanding Evolving China-Africa Economic Relations." World Economic Forum, June 25, 2024. https://www.weforum.org/stories/2024/06/why-strong-regional-value-chains-will-be-vital-to-the-next-chapter-of-china-and-africas-economic-relationship/.

[20] Sasu, Doris Dokua . "Topic: EU-Africa Trade." Statista, December 9, 2024. https://www.statista.com/topics/12969/eu-africa-trade/#topicOverview.

make African trade more efficient, cost-effective, and globally competitive. In turn, this can drive industrial development and promote inclusive socio-economic growth. Yet implementation faces obstacles: persistent capacity constraints, limited infrastructure, fragmented regulatory regimes, and multiple currency issues. Overcoming these challenges will require Africa to pool its resources more strategically by investing in regional infrastructure, consolidating industrial value chains, and developing mechanisms for financial and regulatory coordination. Equally vital will be proactive engagement with international partners and institutions that can reinforce Africa's continental ambitions and accelerate the promise of AfCFTA.

As a key development partner of Africa, India is well placed to take advantage of this opening. By offering standards support, green technology partnerships, and DPI integration, India can move from being Africa's enabling partner to being a co-architect of its continental market. In a multipolar world, that opportunity is not just development cooperation, it is strategic positioning for the future.

***

Delhi Policy Group
Core 5A, 1st Floor,
India Habitat Centre, Lodhi Road
New Delhi - 110003
India

www.delhipolicygroup.org