

AFCFTA AND BLOCKCHAIN: BOOSTING TRANSPARENCY OF TRADE

AfCFTA and Blockchain: Boosting Transparency of Trade

The AfCFTA is arguably one of the most ambitious trade agreements ever made and is designed to reshape the economic landscape in Africa by boosting intracontinental trade¹. For it to reach its full potential, several critical challenges must be addressed, particularly in raising the level of transparency, trust, and efficiency in trading processes.

¹ <https://au.int/en/treaties/agreement-establishing-african-continental-free-trade-area>

In this edition, we explore how blockchain can revolutionize trade under AfCFTA by enhancing transparency, reducing fraud, and facilitating seamless operations.

What is Blockchain, and Why Does It Matter for AfCFTA?

Blockchain is a secure, transparent, and decentralized digital ledger with the added ability to record transactions irrevocably². This makes it a very efficient tool for trade. In essence, with AfCFTA in place, blockchain can:

- a) **Build Trust:** Provide the same truth to all stakeholders in a trade.
- b) **Increase Transparency:** Track goods from origin to destination in real time.
- c) **Cut Costs:** Automate customs clearances and payment settlements.

Key Applications of Blockchain in AfCFTA

1. Trade Documentation

One of the biggest barriers to trade in Africa is the ineffective and paper-based system of managing trade documents. Blockchain digitizes and secures trade documents such as:

- a) Bills of lading
- b) Certificates of origin
- c) Customs declarations.

This reduces errors, delays, and fraud.³

2. Customs and Border Management

Blockchain allows for the sharing of data among customs agencies across member states, ensuring:

- a) Faster clearance of goods.
- b) Reduced corruption at borders.
- c) Harmonized trade standards under AfCFTA protocols.

3. Supply Chain Transparency

Blockchain can help businesses and consumers trace products through the supply chain, resulting in⁴:

- a) Authenticity of goods.
- b) Compliance with regulations.
- c) Prevention of counterfeit goods entering markets.

² <https://www.investopedia.com/terms/b/blockchain.asp>

³ <https://thepalladiumgroup.com/news/Four-Ways-Blockchain-Can-Boost-Trade-in-Africa>

⁴ <https://www.aelix.com/the-role-of-cryptocurrency-and-blockchain-technology-in-fostering-growth-and-promoting-trade-within-the-afcfta/>

4. Smart Contracts

Smart contracts are self-executing agreements on the blockchain. For AfCFTA, they can automate:

- a) Payment processes when trade terms are met.
- b) Enforcement of trade agreements between parties.

Case Studies: Blockchain in Action

Kenya's Maersk Partnership

Maersk's blockchain-based platform, TradeLens, has facilitated transparent shipment processes in Kenya, reducing paperwork and accelerating port operations⁵.

Ghana's Cocoa Traceability

Blockchain is applied to track the supply chain of cocoa, ensuring that farmers are paid fair prices and consumers receive ethically sourced products⁶.



⁵ <https://www.trademarkafrica.com/news/traders-want-kenya-railways-to-lower-cargo-charges-2/>

⁶ <https://cocobod.gh/news/cocoa-farmers-embrace-ghana-cocoa-traceability-system-gcts>

Challenges to Adoption

Despite its potential, blockchain faces several challenges in its wide implementation across AfCFTA⁷, including:

- a) **Digital Infrastructure Gaps:** Most regions lack the connectivity required for blockchain systems.
- b) **High Initial Costs:** Deploying blockchain technology can be expensive.
- c) **Capacity Building:** Training stakeholders to use blockchain effectively is essential.

Addressing these challenges will require collaboration between governments, private sector players, and international partners.

Conclusion

While blockchain is not a cure-all solution, its integration into AfCFTA's framework can significantly enhance the agreement's effectiveness. By fostering trust, transparency, and efficiency, blockchain can transform trade across Africa and unlock the continent's vast economic potential.

To realize these benefits, innovation and investment in digital infrastructure will be critical to capturing these benefits.



⁷ <https://www.nortonrosefulbright.com/en/knowledge/publications/1e4b1964/blockchains-and-the-free-trade-agreement--a-potential-boon-for-logistics-companies>



Seplat completes \$1.28bn purchase of Mobil Nigeria

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