



Technical and statistical report

Evidence and potentialities of regional value chains in Sub-Saharan Africa using cumulation

A quantitative
and firm level approach



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Geneva, 2026

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Abbreviations

ACA	Administrative Cooperation Agreement
ACP	African, Caribbean and Pacific (States)
AGOA	African Growth and Opportunity Act
ANDEAN	Andean Community (CAN)
ASEAN	Association of Southeast Asian Nations
BUSA	Business Unity South Africa
CARICOM	Caribbean Community
CETA	Comprehensive Economic and Trade Agreement (EU–Canada)
CECPA	Comprehensive Economic Cooperation and Partnership Agreement (Mauritius–India)
CET	Common External Tariff (EAC)
COMESA	Common Market for Eastern and Southern Africa
DCTS	Developing Countries Trading Scheme (UK)
DFQF	Duty-Free, Quota-Free
DTI	Department of Trade and Industry (South Africa)
EAC	East African Community
EBA	Everything But Arms (EU GSP arrangement for LDCs)
ECO	Electronic Certificate of Origin (EAC initiative)
EC	European Commission
ECOWAS	Economic Community of West African States
EFTA	European Free Trade Association
EPA	Economic Partnership Agreement
EPZ	Export Processing Zone
ESA	Eastern and Southern Africa (EPA grouping)
EU	European Union
EU SADC	European Union – South African Development Community
EVFTA	EU–Vietnam Free Trade Agreement
EUR.1	Movement Certificate of Origin EUR.1
FTA	Free Trade Agreement
GPT	General Preferential Tariff (Canada)
GSP	Generalized System of Preferences
HS	Harmonized System (of tariff classification)
iEPA	interim Economic Partnership Agreement (EU–ESA)
IDF	Import Declaration Fee (Kenya)
LDC(s)	Least Developed Country(ies)
MDF	Medium-Density Fibreboard
MFN	Most-Favoured-Nation
MRA	Mauritius Revenue Authority
NAACAM	National Association of Automotive Component and Allied Manufacturers (South Africa)
OCT(s)	Overseas Countries and Territories (of the EU)



PEM	Pan-Euro-Mediterranean (Convention on Rules of Origin)
PSRO	Product-Specific Rules of Origin
PTA	Preferential Trade Agreement
REX	Registered Exporter System (EU)
RoO	Rules of Origin
RTA	Ready-to-Assemble (furniture)
SACU	Southern African Customs Union
SADC	Southern African Development Community
SARS	South African Revenue Service
SAARC	South Asian Association for Regional Cooperation
TFTA	Tripartite Free Trade Area (COMESA–EAC–SADC)
UAE	United Arab Emirates
UEMOA / WAEMU	West African Economic and Monetary Union
UK	United Kingdom
UK SADC	United Kingdom South African Development Community
UNCTAD	United Nations Conference on Trade and Development
USD	United States Dollar
WCO	World Customs Organization
WTO	World Trade Organization
ZAR	South African Rand



Executive Summary

This study examines the evidence and potential of cumulation under rules of origin (RoO) as a mechanism to strengthen regional value chains and foster industrial development in Sub-Saharan Africa. It adopts a quantitative and firm-level approach to assess whether, and how, African producers could develop value chains using cumulation provisions embedded in trade agreements such as the EU–SADC Economic Partnership Agreement (EPA), the United Kingdom’s Developing Countries Trading Scheme (DCTS), the African Growth and Opportunity Act (AGOA)¹, and the African Continental Free Trade Area (AfCFTA).

While trade preferences granted under the above-mentioned preferential trade arrangements provide extensive opportunities for cross-border value addition, actual trade flows and utilization by African firms remain very limited. This study does not pretend to be exhaustive given the limitation in time and budget. It aims at exploring the reasons for this gap adopting a combined methodology, documenting firm-level experiences and identifying policy measures to make African value chains more effective through the use of cumulation to achieve industrialization, regional integration, and export diversification.

Purpose and Approach

Cumulation could be a useful booster of African regional value chains, allowing producers in one country to treat inputs from another country as originating when exporting under a preferential trade regime. By recognizing multi-country production as eligible for tariff preferences, cumulation facilitates cross-border

specialization, investment, and industrial linkages across regional value chains.

The study, conducted by UNCTAD in collaboration with national and regional partners, combines legal, quantitative, and empirical analysis with firm-level data from Mauritius, Kenya, Mozambique, South Africa, and Ethiopia. The methodology integrates literature review, input–output analysis, enterprise surveys, field missions, and consultations with ministries, customs administrations, and business associations.

Its findings contribute to ongoing discussions in the WTO Committee on Rules of Origin (CRO) and WCO Technical Committee on Rules of Origin (TCRO) and provide policy guidance for governments and private sector actors seeking to leverage preferential trade agreements for regional development and export competitiveness.

Key Findings

1. Great Potential but sporadic use

Cumulation provisions are included in several major preferential trade agreements of which African countries are parties or beneficiaries, yet, within the scope of the present research, the use of cumulation by African firms is sporadic. At the same time, the findings of this research have identified a series of intra-regional value chains that may further develop, if adequately supported, in a more advanced form of cumulation. Most firms lack awareness of how to apply cumulation provisions or face complex administrative procedures and high compliance costs.

¹ At the time of this publication AGOA expired. The findings of this study refers to past experiences under AGOA.



In practice, cumulation remains more a legal possibility than a commercial reality.

the need for capacity building activities in the local language.

2. Country-Level Insights

- **Mauritius** – With South Africa, the most advanced case of commercial application of cumulation. Several firms have used cumulation under the iEPA and SADC regimes. Utilization, however, occurs mainly in specific or urgent circumstances. The Mauritius case study highlights the importance of strong institutional support and customs facilitation to increase the use of cumulation.
- **Kenya** – High engagement among stakeholders and firms, but logistical barriers, information gaps, and limited regional sourcing, in particular fabrics for the garment sector, restrict the actual use of cumulation.
- **Mozambique** – Institutional awareness is improving, yet private-sector knowledge and capacity remain weak. Potential value chains with South Africa have been identified.
- **South Africa** – Bilateral cumulation with the EU under the EU-SADC EPA and UK -SADC for the automotive sector demonstrates the commercial potential of cumulation. However, it took several years to activate cumulation on the SACU side, and the procedures for extended cumulation are still under discussion. The findings of the study have been hampered by confidentiality constraints, scarce cooperation, and a lack of interest or understanding by the South African business community, in spite of repeated attempts carried out under the present research.
- **Ethiopia** – Responses collected through the Chamber of Commerce reveal low familiarity with RoO in general and a lack of understanding of the cumulation possibilities. The finding of the research highlights

3. Systemic Challenges

Across all countries, common obstacles persist, limiting the use of cumulation:

- Administrative complexity and lack of understanding of Rules of origin and of cumulation.
- High freight costs and limited regional transport connectivity.
- Weak inter-agency coordination and limited trade information sharing.
- Low awareness and technical understanding of RoO among firms, especially SMEs.
- Fragmented cooperation among regional economic communities (SADC, COMESA, EAC).

4. Untapped Potential

Cumulation holds strong potential to catalyse regional value chains in sectors such as textiles and apparel, agro-processing, fisheries, and light manufacturing. This research has identified value chains that could be further strengthened and developed under AfCFTA. This presents an unprecedented opportunity for the extended use of cumulation across the continent. Self-certification and supplier declarations can reduce administrative burdens and promote transparency, rather than complex digitalization that may be costly and may not necessarily lead to trade facilitation.

Policy Messages and Recommendations

- **Simplify Cumulation Procedures**
Streamline administrative cooperation requirements and reduce documentary burdens. Clear, predictable procedures are essential for firms to apply cumulation effectively.
- **Enhance Awareness and Capacity-Building** Strengthen

training and outreach for exporters, customs officials, and business associations. Promote practical guidance materials and regional workshops on RoO and cumulation.

- **Promote Regional Sourcing and Supplier Networks**

Facilitate linkages between African producers through digital supplier directories and targeted incentives for regional input sourcing.

- **Improve Infrastructure and Logistics**

Reduce transport and connectivity costs through investment in ports, corridors, and trade facilitation systems.

- **Leverage the AfCFTA Framework**

Use the AfCFTA as a platform for a continental approach to cumulation, aligned with EPA, AGOA, and DCTS provisions. A streamlined and convergent African origin system would strengthen intra-African trade and manufacturing integration.

Conclusion

Cumulation remains an underutilized yet powerful mechanism for advancing and strengthening Africa's value chains, leading to trade and industrial transformation.

With simplified cumulation rules, stronger institutional coordination at a national level, and enhanced awareness among firms, it can evolve from a technical provision into a strategic instrument for industrial development, employment creation, and export diversification.

Turning the potential of cumulation into a practical driver of Africa's regional and global competitiveness requires further action at local, regional and plurilateral levels with major trading partners to become effective.





Introduction

Cumulation allows producers in one country to treat inputs from another country as “originating” when exporting under a preferential trade regime. By enabling value to be added across multiple countries while still qualifying for preferential tariffs, cumulation can support regional value chains, attract investment, and enhance competitiveness.

In Sub-Saharan Africa, however, the effective use of cumulation remains limited. Unlike Asia, where cumulation has played a central role in building competitive supply chains, African firms face barriers ranging from administrative requirements and information gaps to high transport costs and institutional constraints. Yet, the African Continental Free Trade Area (AfCFTA), the EU’s EPAs, AGOA, the UK EPAs with Cameroon, Côte d’Ivoire, Ghana, Kenya, and the SACUM countries, as well as the UK’s DCTS, all contain cumulation provisions that could be leveraged more effectively to support industrialization and trade diversification.

This study, conducted by UNCTAD with support from partner institutions, seeks to provide empirical evidence on whether and how African firms are using cumulation. It aims to:

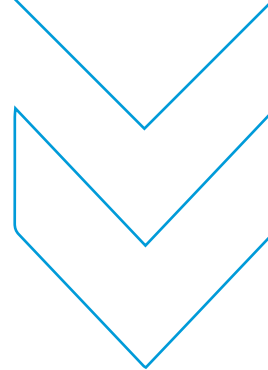
1. Document firm-level experiences and bottlenecks.
2. Identify best practices and lessons learned.
3. Provide policy recommendations for making cumulation a more effective tool for African integration and development.

The research combines literature review, input–output analysis, surveys, field missions, and stakeholder consultations. Fieldwork was conducted in Mauritius, Kenya, Mozambique, and South Africa, with additional survey work in Ethiopia. The findings contribute to ongoing policy debates in the WTO Committee on Rules of Origin (CRO) and the WCO Technical Committee on Rules of Origin (TCRO) and are intended to inform both policymakers and businesses seeking to maximize the benefits of preferential trade agreements. Given its geographical limitation and scope, the findings and recommendations under this publication should be appropriately considered

Further research, especially at field level, would permit a more complete picture of the potential for value chains and the use of cumulation.

By enabling value to be added across multiple countries while still qualifying for preferential tariffs, cumulation can support regional value chains, attract investment, and enhance competitiveness.







PART I

THE THEORY AND LAW OF CUMULATION



1. Defining Cumulation

The preferential rules of origin used in preferential trade schemes such as GSP or FTAs are based on the concept of single-country origin; that is, the origin requirements must be fully complied within the exporting preference-receiving country or partner country, and materials imported from other countries are considered as not originating and must undergo substantial transformation.

Under the schemes of certain preference-giving countries and FTAs, this rule has been liberalized to permit that a product can be manufactured and finished in a preference-receiving country or partner using non-originating materials, parts, or components imported from other countries, and this material could be considered as originating. Additionally, for some schemes and under certain FTAs, this may include not only originating materials but also working or processing operations or value added in more than one preference-receiving country, other regional partners or FTA partners, i.e. these may be added together to comply with origin requirements.

Such liberalization of the concept of single-country origin is referred to as cumulation or in some administrations, “accumulation”. To further explain the concept of cumulation, it is helpful to break it down into 1) Qualitative Aspects – They essentially describe “what” may be cumulated: materials, working or processing operations and 2) Quantitative Aspects – They indicate “who” one can cumulate with: what country(ies) or region, or Parties to an FTA.

1.1 Qualitative Aspects of Cumulation

These describe what kind of materials, processes, or inputs may be counted as originating when a product is manufactured across more than one

country. The different types of cumulation – namely full cumulation, diagonal or partial cumulation, bilateral cumulation (or donor country content), and extended cumulation – represent varying degrees of flexibility in how origin requirements may be fulfilled.

1.1.1 Full Cumulation

Under full cumulation, all working or processing carried out in more than one preference-receiving country may be added together to comply with the applicable origin requirements. For example, in the case of fabrics, where origin rules may require both spinning and weaving to take place in one preference-receiving country, full cumulation allows spinning to be carried out in one country and weaving in another, with the resulting fabric qualifying for GSP.

Similarly, a sub-assembly for a radio receiver produced in country A may be exported to country B, where it is assembled into a finished product. The value of the materials and work done in both countries may be added together under a full cumulation system to meet the required percentage for origin.

For instance, under the GSP schemes of Canada and the Eurasian Customs Union, all preference-receiving countries are regarded as a single area for determining origin. All value-added and/or manufacturing processes performed within this area may be combined to meet the origin requirements. This is referred to as full and global cumulation.

Generally speaking, full cumulation of origin allows more scattered and divided-labour operations among the beneficiary countries, since, in order to fulfil the origin criteria, the distribution of manufacturing may be carried out according to business exigencies within the members of the regional grouping. That is, working or processing may start in A,

The different types of cumulation – namely full cumulation, diagonal or partial cumulation, bilateral cumulation, and extended cumulation – represent various form of cumulation with different degrees of flexibility on how origin requirements may be fulfilled.

continue in B, and finish in B, according to a cost/benefit analysis. This perspective seems to match global value chains and the interdependence of production; whereby developed countries may be attracted to farming out low-tech or labour-intensive production processes to low-cost countries.

Economic consideration of the impact of full cumulation suggests that it allows the massive employment of low-wage, low-skill labour, which some may argue is a potentially negative factor because these workers often receive less than average wages and save less than average workers. However, despite the argument of preference-giving countries favouring long-term industrial policy through more restrictive rules of origin, labour-intensive lighter industries tend to compete most effectively with similar industries in developed countries. Thus, the argument for full cumulation is strengthened².

1.1.2 Diagonal or Partial Cumulation

Under diagonal or partial cumulation, a product can be manufactured and finished in a preference-receiving country using nonoriginating imported materials, parts, or components from other preference-receiving countries, provided that these inputs have already acquired originating status. The cumulated material is then considered as originating in the exporting country³.

Under the “partial” regional cumulation schemes of the EU and UK as well as other EFTA countries, namely Switzerland and Norway, only the materials that acquire origin in one member state of the regional association, will be counted as domestic content. Thus, only those products that already originate in other countries of the association according to the EU, UK, Switzerland, Norway GSP rules of origin, could be counted as local content when utilized for further manufacturing

or incorporated into the finished product manufactured in the final member state.

Partial cumulation does not particularly favour distributed manufacturing, as it requires inputs to have already satisfied origin criteria before further processing. It is thus less aligned with fragmented supply chains. On the other hand, partial cumulation may be able to attract more capital-intensive investments accompanied by improved technical know-how and labour skills.

The Difference between Full and Partial/Diagonal Cumulation Using a Case Study

Figure 1 illustrates the distinction between full and diagonal cumulation in a case where a rule of origin requires 40 percent value addition to be satisfied between countries A and B. Under diagonal or partial cumulation, country B may only use inputs from country A if those inputs have already acquired originating status by meeting the 40 percent value-added threshold. In contrast, under full cumulation, countries A and B are treated as a single customs territory, allowing the 20 percent value added in A to be combined with the 20 percent value added in B to meet the required 40 percent.

² See Inama, S. (2022). Rules of origin in international trade. Cambridge University Press.

³ See Regulation (EU) No 978/2012; United Kingdom (2023), Customs (Origin of Chargeable Goods: Developing Countries Trading Scheme) Regulations 2023.

Figure 1
Comparison of full vs. partial/diagonal cumulation

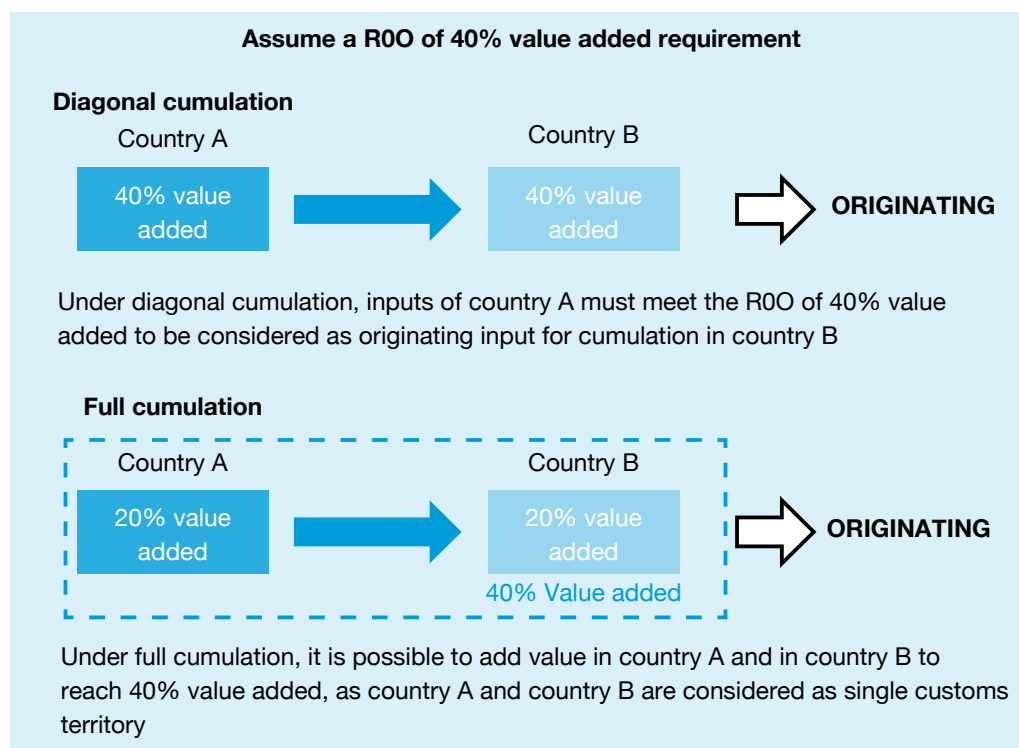


Figure 1, along with Tables 1 and 2, further depicts the difference between diagonal and full cumulation in scenarios involving working or processing requirements. These examples are applicable in the context of GSP schemes or in situations involving multiple partners within a network of free trade agreements. In the specific case shown, an EU product-specific rule of origin (PSRO) requiring double working or processing—commonly referred to as double transformation—has been applied.⁴

Under EU rules of origin for garments⁵ not knitted or crocheted (HS Chapter 62), where non-originating inputs are used, the manufacturing process must start from non-originating yarn. This entails two required processes: (1) weaving the yarn

into fabric, and (2) cutting, making, and trimming the fabric into a finished garment.⁶

Under diagonal cumulation, preference-receiving country C may source fabric from country B—another member of the same regional grouping or FTA network—and the finished product may qualify as originating. However, this is only permitted if the fabric produced in country B has already acquired originating status under the PSRO applicable to fabric in the respective GSP or FTA. Assuming the case of the EU rules of origin in most FTAs or under EU GSP, as reflected in Table 1, the fabric must either be wholly obtained or manufactured from non-originating natural fibres through both yarn spinning and fabric weaving.

⁴ See Regulation (EU) No 978/2012; Inama (2022)

⁵ This is the case of HS chapter 62 under the EU GSP rules of origin for developing countries and most EU FTAs. Different rules of origin for chapter 62 apply for LDCs and in EPAs with African countries.

⁶ See Regulation (EU) No 978/2012



Table 1
Production chain of garments in a partial/diagonal cumulation scenario

Country A outside the regional group or not FTA partner	Country B member of regional grouping of FTA partner	Country C member of regional grouping of FTA partner	Country D preference-giving country or FTA partner
Natural fibre ⇒	Natural fibres to fabrics = originating ⇒	Fabrics to apparel = originating ⇒	Donor country or FTA partner ⇒

Thus, if fabric is produced in country B from non-originating natural fibres and the garment is further cut, made, and trimmed in country C, the final apparel will be considered as originating.

Under full cumulation, the same production chain functions differently, as shown in Table

2. Countries A and B are considered a single customs territory. Therefore, working or processing carried out in country A (weaving yarn into fabric) may be cumulated with operations in country B (cut, make, and trim) to satisfy the double transformation requirement within the same origin territory.



Table 2
Production chain of garments in a partial/diagonal cumulation scenario

Country A outside the regional group or not FTA partner	Country B member of regional grouping of FTA partner	Country C member of regional grouping of FTA partner	Country D preference-giving country or FTA partner
Yarn ⇒	Yarn to fabrics ⇒	Fabrics to apparel = originating ⇒	Donor country or preference-giving country or FTA partner ⇒

In this scenario, full cumulation allows for the elimination of one production step within the regional grouping. While diagonal cumulation under the GSP would require yarn-spinning facilities within the region to transform natural fibres into yarn, full cumulation permits the direct import of yarn from a third country, which can then be processed across multiple countries to meet origin requirements.

1.2 Quantitative Aspects of Cumulation

The quantitative aspects refer to with whom cumulation is permitted. In practice, this relates to the geographical scope of cumulation allowed under different preference-giving countries'

schemes. Cumulation may be allowed on a regional, inter-regional, or global basis.

1.2.1 Bilateral or Donor Country Content

Bilateral cumulation under GSP schemes allows for the aggregation of materials and/or processing between a preference-giving country and a preference-receiving country. In such cases, inputs originating in the donor (preference-giving) country may be treated as if they originated in the beneficiary country when determining whether a product satisfies origin requirements. This arrangement is particularly useful in situations where certain essential inputs are not available locally and must be sourced from the donor country.

The quantitative aspects refer to which country or partners or region cumulation is permitted with, relating to the geographical scope of cumulation allowed under different FTAs or preference-giving countries' schemes.





This form of cumulation is present in the GSP schemes of the EU, Japan, Norway, Switzerland, and the United States. For example, Japan's GSP allows donor country content for some ASEAN members, subject to certification requirements. In the EU–SADC EPA, bilateral cumulation applies between the EU and individual SADC EPA States and includes cumulation of materials and working or processing⁷.

1.2.2 Regional

Several preference-giving countries permit cumulation only within clearly defined regional groupings. Under such schemes, preference-receiving countries within the same regional bloc may cumulate origin as long as the applicable rules are met.

Examples include the European Union, which grants partial or diagonal cumulation within groupings such as SAARC, ASEAN, ANDEAN, and Mercosur⁸. Here, the regional grouping must apply for cumulation and possess a central organization capable of ensuring administrative cooperation. In the case of Japan, regional cumulation is granted on a full cumulation basis but is limited in scope. Only some ASEAN members have been approved for such cumulation. Similarly, the United States GSP provides full cumulation among approved regional groups such as ASEAN, CARICOM, SADC, and WAEMU.

1.2.3 Global

Some preference-giving countries have adopted a broader scope of cumulation, allowing for cumulation across all preference-receiving countries, regardless of regional affiliation. This is referred to as global cumulation. Under this model, all eligible countries are treated as part of a single origin territory.

Canada and the Eurasian Customs Union grant full and global cumulation to all

beneficiary countries. Under their schemes, all value-added and/or manufacturing processes performed in any preference-receiving country may be added together in order to meet origin requirements. This system treats all such countries as a single customs area for origin determination purposes. Australia and New Zealand also follow this model to a significant extent.

This model enables a high level of flexibility, allowing distributed production chains and broader integration among developing countries. Some qualifications, however, may apply for sensitive sectors such as textiles and clothing, particularly in the case of least developed countries (LDCs). Under the Canadian GSP, special rules apply to LDCs in the textiles and clothing sector. For example, in the case of yarns, they must be spun or extruded in an LDC and cannot undergo any further processing outside an LDC beneficiary. For fabrics, they must be produced in an LDC from yarns originating in any LDC, GPT country, or Canada, and must not be further processed outside these countries. For apparel, goods must be assembled in an LDC, with fabric cut in that LDC or Canada. Fabric or parts must be made in an LDC, GPT country, or Canada from eligible yarns, without further processing elsewhere. Additionally, non-originating materials must not exceed 75% of the ex-factory price.

In evaluating the effects of the different cumulative systems, one fundamental distinction must be made between cumulative systems in unilateral trade preferences and those in contractual ones. In the first case, whatever form of cumulation is granted, it aims in principle to facilitate compliance with rules of origin by expanding geographical coverage. In the second case, cumulation may be used as an argument to strengthen the potential inhibitive use of third-country materials outside the contracting parties to a FTA.

⁷ See Regulation (EU) No 978/2012; EU–SADC EPA (2016); United States Congress (2000), AGOA.

⁸ See Regulation (EU) No 978/2012; Inama (2022); United States Congress



1.2.4 Extended Cumulation

Extended cumulation refers to the possibility of cumulating with countries outside the designated regional group or FTA network, subject to certain conditions. Unlike the other forms of cumulation, extended cumulation is not automatic and typically requires a formal request by the exporting country, followed by approval from the preference-giving authority.

For instance, under the EU's revised rules, extended cumulation can be granted upon request but entails several procedural steps, as highlighted by the experience of Cambodia, which faced challenges in operationalizing the provision. Despite its potential to enhance supply chain integration, extended

cumulation remains underutilized due to administrative complexity.

1.3 Allocation of Origin under Cumulation or “Tariff Differentials”

Under the EU GSP, the rules for regional cumulation have also undergone improvement and trade liberalizing reforms in 2011⁹. Among the most important changes at that time were (1) the relaxation of the principle of allocation of origin, and (3) extended cumulation.

In Table 3, the wording of the two articles concerning the allocation of origin is compared and commented on:

⁹ Stefano Inama, 'The Reform of the EC GSP Rules of Origin: <i>Per aspera ad astra?</i>', (2011), 45, Journal of World Trade, Issue 3, pp. 577-603, <https://kluwerlawonline.com/journalarticle/Journal-of-World-Trade/45.3/TRAD2011020>



Table 3
Cumulation under old and new EU GSP regulation

Old regulation	New regulation (2011)	Comments
Cumulation under old and new EU GSP regulation		
Article 72a	Where products manufactured in a beneficiary country of Group I (ASEAN) or Group III (SAARC) using materials originating in a country belonging to the other group are to be exported to the European Union, the origin of those products shall be determined as follows:	In the case of the old regulation under paragraph (a) the value of materials calculation was carried out automatically while in the case of the new regulation under (a) the test is not carried out unless the imported materials only undergo insufficient working or processing as contained in Article 78(1) and the operations described in Annex 16 for textiles and clothing. ⁱⁱ .
1. When goods originating in a country which is a member of a regional group are worked or processed in another country of the same regional group, they shall have the origin of the country of the regional group where the last working or processing was carried out, provided that:	(a) materials originating in a country of one regional group shall be considered as materials originating in a country of the other regional group when incorporated in a product obtained there, provided that the working or processing carried out in the latter beneficiary country goes beyond the operations described in Article 78(1) and, in the case of textile products, also beyond the operations set out in Annex 16.	
(a) the value added there, as defined in paragraph 3, is greater than the highest customs value of the products used originating in any one of the other countries of the regional group, and	(b) where the condition laid down in point (a) is not fulfilled, the products shall have as country of origin the country participating in the cumulation which accounts for the highest share of the customs value of the materials used originating in other countries participating in the cumulation..	
(b) the working or processing carried out there exceeds that set out in Article 70 and, in the case of textile products, also those operations referred to at Annex 16.		



Most recently, Paragraph 4 of Article 55 of the EU customs code contains new wording for regional cumulation as follows: “Regional cumulation between beneficiary countries in the same regional group shall apply only under the condition that the working or processing carried out in the beneficiary country where the materials are further processed or incorporated goes beyond the operations described in Article 47(1) and, in the case of textile products, also beyond the operations set out in Annex 22.”

ⁱⁱ Working such as:

- fitting of buttons and/or other types of fastenings
- making of button-holes
- finishing off the ends of trouser legs and sleeves or the bottom hemming of skirts and dresses etc.
- hemming of handkerchiefs, table linen etc.
- fitting of trimmings and accessories such as pockets, labels, badges, etc.
- ironing and other preparations of garments for sale “ready-made” or any combination of such working.

Besides the case of GSP, the crucial importance of providing for a criterion to allocate origin in the context of preferential trade agreements with different tariff schedules applied among the Parties or preference receiving countries should not be underestimated.

The experience from RCEP¹⁰ may provide a valuable example of the systemic importance of providing a criterion for allocating origin in a context of a plurilateral FTA with different tariff schedules applicable among the Parties i.e. tariff differentials.

Tariff differentials have crucial implications for the administration of rules of origin and cumulation provisions during the phasing down period. In a nutshell, if a firm wishes to use the favorable cumulation provisions under RCEP, this may turn the clock back relative to existing bilateral or plurilateral FTAs, since duties may be applicable under the RCEP, while they were completely abolished under the previous FTAs.

The experience of RCEP and CP-TTP should be attentively considered by AfCFTA member states to ensure a proper administration and functioning of cumulation provisions under AfCFTA.

¹⁰ Excerpted and adapted from A Preliminary Assessment of the Regional Comprehensive Economic Partnership. Pramila Crivelli, Economist, ERCI, ADB and Stefano Inama, Chief, ALDC, UNCTAD, available at <https://www.adb.org/publications/assessment-regional-comprehensive-economic-partnership>.



2. Types and Conditions of Cumulation under the Economic Partnership Agreements with the EU

2.1 Kinds and Forms of Cumulation under EPAs with ACP Countries

The EU has signed several Economic Partnership Agreements with a number of African RECs. With the exception of ESA,¹¹ the EPA architecture of cumulation is basically structured in a similar manner. The following kinds of cumulation are provided:

- bilateral cumulation with the EU (cumulation of materials and working and processing)
- regional diagonal cumulation (cumulation of materials and working and processing) with
 - o countries of the same regional grouping
 - o other ACP countries
 - o overseas countries and territories (OCTs)
- cumulation with products that are MFN duty free at importation into the EU
- cumulation with products originating in preferential DFQF countries as follows:
 - o LDCs and developing country beneficiaries of the EBA or the EU GSP and

- o countries having entered free-trade agreements with the EU
- limitation on cumulation (cumulation is not allowed for certain categories of products).

The EU jargon on cumulation may be quite complex as it provides for the wording of “diagonal cumulation” that may be interpreted differently depending on the context where it is used. Under the EU provisions and the EU-SADC protocol on rules of origin diagonal cumulation is the possibility to cumulate with other SADC member states, ACP states, and OCTs; that is, it is a geographical dimension of cumulation.

The Guide to the Protocol on rules of origin of EU–SADC (EPA)¹² contains an illuminating example to illustrate the content of Article 4 of the EU–SADC EPA:

There are in fact three types of cumulation provided in this article:

- (a) cumulation between materials originating in two or more SADC EPA States representing a form of “regional cumulation” between the SADC EPA States themselves for the purpose of exporting their goods to the EU;
- (b) cumulation of materials originating in other ACP EPA states, OCTs or the EU,

The jargon on cumulation may be quite complex... ‘diagonal cumulation’ may be interpreted differently depending on the context where it is used.

Cumulation is not automatic... a number of procedures have to be followed and complied with.

¹¹ The ESA text is not providing a number of cumulation options with under items (c) and (d) in the list below.

¹² See European Commission, Directorate-General for Taxation and Customs Union. (2017). Guide to the Protocol on rules of origin of the Economic Partnership Agreement (EPA) between the European Union and its Member States, of the one part, and the SADC EPA States, of the other part (Document No. Taxud.b.4(2017)3253415). European Commission.

representing what is usually named “diagonal cumulation”;

- (c) cumulation of working or processing, usually referred to as “full cumulation” with materials from other SADC EPA States, ACP EPA states, OCTs or the EU.

Any combination of the three types of cumulation described above may be used in the manufacturing of a product.

It follows that the EU-SADC EPA's approach to diagonal and bilateral cumulation also incorporates full cumulation, as further discussed below. Cumulation is not automatic. In order for cumulation to effectively enter into force, a number of procedures have to be followed and complied with as further outlined below in the following section 2.2.

Bilateral cumulation extends not only to materials originating in the EU but also to working and processing carried out in the EU.

2.2 Cumulation under the EU-SADC EPA¹³

In this section the relevant texts of the EU-SADC EPAs are reviewed and commented on to better understand the cumulation provision inserted in Table 3.34.

2.2.1 Bilateral Cumulation

This form of cumulation is contained in Article 3 of the EU-SADC EPA protocol on rules of origin:

2. Without prejudice to the provisions of Article 2(2) of this Protocol, materials originating in the EU within the meaning of this Protocol shall be considered as materials originating in a SADC EPA State when incorporated into a product obtained in that SADC EPA State, provided that the working or processing carried out there goes beyond the operations referred to in Article 9(1) of this Protocol.

It is important to note that bilateral cumulation extends not only to materials

originating in the EU but also to working and processing carried out in the EU, as stated in paragraph 4 of Article 3 of the EU-SADC EPA protocol on rules of origin:

4. Without prejudice to the provisions of Article 2(2) of this Protocol, working and processing carried out in the EU shall be considered as having been carried out in a SADC EPA State, when the materials undergo in the latter subsequent working or processing going beyond the operations referred to in Article 9(1) of this Protocol.

2.2.2 Regional Diagonal Cumulation

Regional diagonal cumulation is contained in paragraph 2 of Article 4 of the EU-SADC EPA protocol on rules of origin, which provides as follows:

Without prejudice to the provisions of Article 2(2) of the Protocol, materials originating in a SADC EPA State, the EU, other ACP EPA States or in OCTs shall be considered as materials originating in the SADC EPA State where the materials are incorporated into a product obtained there, provided that the working or processing carried out there goes beyond the operations referred to in Article 9(1) of the Protocol.

Paragraph 5 of Article 4 of the EU-SADC EPA protocol on rules of origin provides a criterion for allocating origin among the different countries that have been involved in the production of a good:

when the working or processing carried out in a SADC EPA State or in the EU does not go beyond the operations referred to in Article 9(1) of the Protocol, the product obtained shall be considered as originating in a SADC EPA State or in the EU only when the value added there is greater than the value of the materials used originating in any one of the other countries or territories.

¹³ European Union & Southern African Development Community (2016), EU-SADC EPA, Protocol on Rules of Origin.

Such “diagonal cumulation” the EU–SADC EPA provides as well for full cumulation, as contained in paragraph 2 of Article 4 of the EU–SADC EPA protocol on rules of origin, which provides as follows:

Without prejudice to the provisions of the Article 2(2) of the Protocol, working or processing carried out in a SADC EPA State, the EU, other ACP EPA States or in the OCTs shall be considered as having been carried out in the SADC EPA State when the materials undergo subsequent working or processing beyond the operations referred to in Article 9(1) of the Protocol.

2.2.3 Cumulation with EU MFN Duty Free

Article 5(1) of the EU–SADC EPA provides for this kind of cumulation, which is a trade-facilitating compliance mechanism only existing in the EPAs with African countries. Such cumulation allows the consideration of non-originating components as originating if they could be imported MFN duty free into the EU as follows:

1. Without prejudice to the provisions of Article 2(2) of the Protocol, non-originating materials which at importation into the EU are free of customs duties by means of application of conventional rates of the most-favoured nation tariff in accordance with its Common Customs Tariff shall be considered as materials originating in a SADC EPA State when incorporated into a product obtained there. It shall not be necessary that such materials have undergone sufficient working or processing, provided they have undergone working or processing going beyond that referred to in Article 9(1) of the Protocol.
2. Movement certificates EUR.1 (in Box 7) or origin declarations issued by application of paragraph 1 shall bear the following entry: “Application of Article 5(1) of Protocol 1 of the EU–SADC EPA”.

3. The EU shall notify yearly to the Special Committee on Customs and Trade Facilitation referred to in Article 50 of the Agreement (“The Committee”) the list of materials to which the provisions of this Article shall apply.

2.2.4 Preferential DFQF Access Cumulation

This possibility of cumulation is twofold as it provides cumulation with GSP and EBA beneficiaries as provided below and at the same time provides, upon request, for the possibility of cumulating with FTA partners of the EU such as South Korea and Japan that could be eminently important for African countries that have an extremely limited capacity of intermediate materials.

- (i) Paragraph 1 of Article 6 of the EU–SADC EPA – Cumulation with GSP and EBA

Without prejudice to the provisions of the Article 2(2) of the Protocol, materials originating in countries and territories:

- (a) *benefiting from the ‘Special arrangement for least developed countries’ of the generalized system of preferences;*
- (b) *benefiting from duty-free quota-free access to the market of the EU under the general provisions of the generalized system of preferences;*

shall be considered as materials originating in a SADC EPA State when incorporated into a product obtained there, provided they have undergone working or processing going beyond that referred to in Article 9(1) of the Protocol.

The origin of the materials of the countries or territories concerned shall be determined according to the rules of origin applicable in the framework of the EU’s preferential arrangements with those countries and territories and in accordance with Article 30 of the Protocol.

Materials originating in a SADC EPA State, the EU, other ACP EPA States or in OCTs shall be considered as materials originating... provided that the working or processing carried out there goes beyond the operations referred to in Article 9(1).

- (ii) Paragraph 2 of Article 6 – DFQF Agreements or Arrangements (EU Free-Trade Agreements)

At the request of a SADC EPA State, materials originating in countries or territories which benefit from agreements or arrangements that provide for duty-free quota-free access to the market of the EU can be considered as materials originating on a SADC EPA State. The request shall be submitted by the SADC EPA State to the EU through the European Commission, which shall take a decision on the request in accordance with its internal procedures.

It shall not be necessary that such materials have undergone sufficient working or processing, provided they have undergone working or processing going beyond that referred to in Article 9(1) of the Protocol.

The origin of the materials of the countries or territories concerned shall be determined according to the rules of origin applicable in the framework of the EU's preferential agreements or arrangements with those countries and territories and in accordance with Article 30 of the Protocol.

comprehensive Economic Partnership Agreement between the EU and Pacific ACP States.

- (c) *originating in South Africa and which cannot be imported directly into the EU duty-free quota-free.*

In respect of paragraph 15(c) of Article 4, the EU, the South African Customs Union (SACU), and Mozambique, respectively, shall establish the list of materials concerned and shall ensure the lists are revised as necessary to ensure compliance with this paragraph.

SACU and Mozambique shall notify their respective lists and any subsequent versions thereof in track changes to the European Commission. The EU shall notify its respective list and any subsequent versions thereof in track changes to the SACU Secretariat and the Ministry of Industry and Trade of Mozambique. After notification, as provided for in this paragraph, each party shall make public each of these lists according to their own internal procedures. The Parties shall publish the lists and any subsequent amendments thereof within one (1) month of receipt of the notification. In cases where lists, or their subsequent versions, are notified after the date of entry into force of cumulation, exclusion from cumulation with the materials will become effective six (6) months after the receipt of the notification.

By way of derogation from paragraph 15(c), the EU, SACU, and Mozambique may remove any material from their respective lists.

Cumulation with the materials that were removed from the respective list will become effective upon notification and publication of the revised lists. The Parties shall publish the lists and any subsequent amendments thereof within one (1) month of receipt of the notification.

- (ii) Limitation on MFN Duty Free Cumulation

According to paragraph 4 of Article 5 of the EU-SADC protocol on rules of origin cumulation:

2.2.5 Limitations on Use of Material for Cumulation Purposes

- (i) Limitations on Diagonal Cumulation

According to paragraph 15 of Article 4 cumulation shall not apply to materials:

- (a) *of Harmonised System Headings 1604 and 1605 originating in the EPA Pacific States according to Article 6(6) of Protocol II of the Interim Partnership Agreement between the European Community, on the one part, and the Pacific States, on the other part.*
- (b) *of Harmonised System Headings 1604 and 1605 originating in the Pacific States according to any future provision of a*

Cumulation may only be applied when the SADC EPA States, other ACP EPA States and OCTs have entered into an arrangement or agreement on administrative cooperation.

shall not apply to materials:

- (a) *which at importation into the EU are subject to anti-dumping or countervailing duties when originating from the country which is subject to these anti-dumping or countervailing duties;*
- (b) *classified in subheadings of the Harmonised System which include, in the EU Common Customs Tariff, 8-digit tariff lines which are not free of customs duties by means of application of conventional rates of the EU's most-favoured nation tariff.*
- (iii) *Limitation of Cumulation with Preferential DFQF Agreements and Arrangements*

Paragraph 1 of Article 6 – GSP – cumulation shall not apply to:

- (a) *materials which at importation to the EU are subject to anti-dumping or countervailing duties when originating in a country which is subject to these anti-dumping or countervailing duties;*
- (b) *materials classified in subheadings of the Harmonised System which include, in the EU Common Customs Tariff, 8-digit tariff lines which are not free of customs duties by means of application of the GSP arrangements;*
- (c) *tuna products classified under Harmonised System Chapters 3 and 16, which are covered by Article 7 and 12 of Regulation (EU) No 978/2012 of the European Parliament and of the Council of 25 October 2012 applying a scheme of generalised tariff preferences,*

and subsequent amending and corresponding legal acts;

- (d) *materials which are covered by Articles 8, 22 and 29 of Regulation (EU) No 978/2012 of the European Parliament and of the Council of 25 October 2012 applying a scheme of generalised tariff preferences, and subsequent amending and corresponding legal acts.*

Paragraph 2 of Article 6 – DFQF access agreements or arrangements – cumulation shall not apply to products:

- (a) *falling within Harmonised System Chapters 1 to 24 and the products listed in the Annex 1 – paragraph 1. (ii) of the Agreement on Agriculture belonging to the GATT 1994 unless these materials benefit from duty-free, quota-free access to the market of the EU under an agreement, other than an EPA, between an ACP State and the EU;¹⁴*
- (b) *which at importation to the EU are subject to anti-dumping or countervailing duties when originating from the country which is subject to these anti-dumping or countervailing duties;*
- (c) *classified in subheadings of the Harmonised System which include, in the EU Common Customs Tariff, 8-digit tariff lines which are not free of customs duties by means of application of DFQF agreements or arrangements.*

As a result, the SACU States may apply the cumulation provided for in Articles 4(2) and 4(6) of Protocol 1... with effect from 1 June 2023.

¹⁴ An exception is provided in para. 3 of Article 6:
 “3. Notwithstanding paragraph 2(a), the Parties, in support of African integration, will consider the possibility whether a material, referred to in paragraph 2(a)) and originating in a non-ACP party of the African continent, can be used for the purpose of cumulation provided for in paragraph 2.
 4. Paragraph 3 can only be effected upon agreement by the Parties, including on the applicable conditions. It shall apply to materials benefitting from duty-free quota-free access to the market of the EU and provided each Party applies a free trade agreement in line with the GATT 1994 with that non-ACP party.
 5. The EU shall notify yearly to the SACU Secretariat and the Ministry of Industry and Trade of Mozambique the list of materials and countries to which paragraph 1 shall apply. The SADC EPA States shall notify the European Commission, on a yearly basis, the countries to which cumulation under paragraph 1 has been applied.”

2.2.6 Procedures for the Entry into Force of Cumulation Provisions

Each EPA concluded with African RECs provides for procedures to be complied with and put in place before the entry into force of cumulation. In most cases, this has proven to be a difficult and tedious exercise for the African RECs and ACP states since they had problems in understanding the complexities of the protocols on rules of origin attached to the EPAs and most of all, to the provisions on cumulation. Cumulation has been a permanent feature of ACP/EU relations since it was provided for in the rules of origin of the former Lomé and Cotonou partnership agreements. However, under these former arrangements, cumulation, albeit seldom used by ACP countries, was automatic as part of a single EU-ACP undertaking contained in the Lomé/Cotonou arrangements.

With the EPAs configuration, such a single undertaking was no longer present. Hence it has been necessary to insert a number of procedures and conditionalities on cumulation in each EU EPA with African regional groupings to make sure that all EPA members were ready to ensure an efficient system of administrative cooperation for the proper functioning of cumulation in case of verification and related processes.

Paragraph 9 of Article 4 of the EU-SADC EPA protocol on rules of origin provides that cumulation may only be applied when:

- (a) the SADC EPA States, other ACP EPA States and OCTs have entered into an arrangement or agreement on administrative cooperation with each other, which ensures compliance with and a correct implementation of diagonal and full cumulation article and includes a reference to the use of appropriate proofs of origin;*
- (b) the SACU Secretariat and the Ministry of Industry and Trade of*

Mozambique have provided the European Commission with the details of the arrangements or agreements on administrative cooperation entered into with the other countries or territories referred to in the diagonal and full cumulation article.

Moreover paragraphs 11 and 12 of Article 4 provide for a time horizon for such implementation:

11. Once requirements of paragraph 9 have been fulfilled and the date for the simultaneous entry into force of cumulation provided for under the diagonal and full cumulation article has been agreed upon between the EU and the SADC EPA States, each Party shall fulfil its own publication and information provided for in paragraph 14.

Paragraph 12 of Article 4 provides in fact an important caveat since in the absence of a common date of implementation as provided under paragraph 11 and after five years of having signed an agreement or arrangement of administrative cooperation, each party may unilaterally apply cumulation:

12. Notwithstanding paragraph 11, the date of the implementation of cumulation provided for under this Article with materials from a particular country or territory shall not be beyond a period of five (5) years starting from the date of the signature by a SADC EPA State or the EU of an agreement/arrangement on administrative cooperation with that particular country or territory provided for in paragraphs 9 and 10.

After the five-year period provided above, the EU and the SADC EPA states may start applying diagonal and full cumulation provided that the requirements have been fulfilled.

In the specific case of the EU-SADC EPA, on November 11, 2018, the

EU issued a communication¹⁵ stating that the EU may cumulate with:

- selected Caribbean countries
- Central Africa Region: Republic of Cameroon
- ESA region: Madagascar; Mauritius; Seychelles; Zimbabwe
- Pacific Region: Papua New Guinea and Fiji
- West Africa Region: Ivory Coast
- OCTs.

However, until recently, cumulation was not applicable for SADC members of the EU–SADC EPAs, since although SACU countries had concluded the joint undertaking for administrative cooperation, the SACU Secretariat had not notified the EU in accordance with Article 4(9)(b):

“The SACU Secretariat and the Ministry of Industry and Trade of Mozambique have provided the European Commission with the details of the arrangements or agreements on administrative cooperation entered into with the other countries or territories referred to in this Article.”

As a result, the EU could cumulate with the above-mentioned countries while SACU could not cumulate with anyone. However, this situation has since evolved. Pursuant to paragraphs 2 and 6 of Article 4 of Protocol 1 to the EU–SADC Economic Partnership Agreement, cumulation is now operational for the SACU States.

The Secretariat of the Southern African Customs Union (SACU), acting on behalf of the SACU States (Botswana, Eswatini, Lesotho, Namibia and South Africa), has provided the European Commission with the details of the arrangements on administrative cooperation concluded with the relevant SADC EPA States and other African,

Caribbean and Pacific (ACP) EPA States, in accordance with Article 4(9) of Protocol 1.

Following this notification, the European Commission confirmed that the requirements set out in Article 4(9) of Protocol 1 have been fulfilled. As a result, the SACU States may apply the cumulation provided for in Articles 4(2) and 4(6) of Protocol 1 with the countries listed in the relevant Commission Notice, with effect from 1 June 2023.

The date of entry into force of such cumulation has been published in the C Series of the Official Journal of the European Union, in accordance with Article 4(14) of Protocol 1. Accordingly, exporters in the SACU States may incorporate materials originating in other SADC EPA States, relevant ACP EPA States, and the overseas countries and territories of the Union, subject to compliance with the applicable rules of origin and the requirement that the processing carried out in the exporting SACU State goes beyond the insufficient operations referred to in Article 9(1) of Protocol 1.

2.3 Cumulation under the UK DCTS

Within the UK's post-Brexit preference framework, the DCTS applies the most flexible cumulation rules, particularly when compared with the UK's EPA and FTA regimes. Under the previous UK GSP, LDCs benefited from zero tariffs on all products except arms and ammunition, a level of market access that has been maintained under the DCTS Comprehensive Preferences tier. The main change introduced by the DCTS lies not in tariff coverage, but in the treatment of origin: rules of origin and cumulation are

The 2025 CRO updates materially expanded the geographical scope of cumulation without altering the substantive mechanics set out in the Regulations.

¹⁵ See European Commission. (2018, November 12). Notice from the Commission pursuant to paragraph 14 of Article 4 of the Protocol 1 to the Economic Partnership Agreement between the European Union and the SADC EPA States, concerning the definition of the concept of “originating products” and methods of administrative cooperation – Cumulation between the European Union and ACP EPA States and the overseas countries and territories of the EU as provided for under paragraphs 3 and 7 of Article 4 of the Protocol 1 to the EU-SADC EPA (OJ C 407/8). Official Journal of the European Union.

broad and procedurally simpler than under the former UK system and the EU EBA, expanding the range of sourcing options available to LDC exporters.

This section reviews the provisions of The Customs (Origin of Chargeable Goods: Developing Countries Trading Scheme) Regulations 2023¹⁶ (hereinafter “the Regulations”) to clarify the scope and operation of cumulation under the UK DCTS, and highlights the amendments and expansions announced in 2025, which entered into force on 1 January 2026.

When introduced in 2023, the DCTS largely preserved the traditional structure of UK preferential rules of origin, with clearly delineated but relatively narrow cumulation possibilities. Intra-regional cumulation was confined to small regional groups listed in Schedule 3, and broader forms of cumulation were subject to case-by-case approval. The presentation made by the UK delegate at the 2025 WTO Committee on Rules of origin updates materially expanded the geographical scope of cumulation without altering the substantive mechanics set out in the Regulations, enabling DCTS countries to source more materials regionally and benefit from preferential tariff treatment. These changes aim to support job creation, economic growth, and supply chain diversification in developing countries, while smoothing the transition for LDCs graduating to higher preference tiers¹⁷.

2.3.1 Bilateral Cumulation

Bilateral cumulation allows a DCTS exporter to treat certain foreign-origin inputs as if they originated in the exporting country for the purpose of qualifying for DCTS preferences.

Bilateral cumulation is provided under Article 17(1) of the Regulation:

“An exporter may regard goods originating from the British Islands, a British overseas

territory, the European Union, Norway or Switzerland as goods originating from a qualifying DCTS country if the conditions set out in paragraph (2) are met.”

Goods in **HS Chapters 1–24** are excluded from bilateral cumulation for Norway and Switzerland:

“For the purposes of paragraph (1), bilateral cumulation does not apply to goods listed in Chapters 1 to 24 that originate from Norway or Switzerland.”

Gibraltar and the Sovereign Base Areas of Akrotiri and Dhekelia are excluded from the definition of “British overseas territory” for the purposes of bilateral cumulation.

Bilateral cumulation has remained unchanged since 2023 and continues to operate independently of the expanded regional cumulation framework introduced in 2025.

2.3.2 Intra-regional Cumulation

Intra-regional cumulation is governed by Article 18 of the Regulation:

“An exporter may regard the goods in paragraph (2) as goods originating from a qualifying DCTS country (in this regulation, ‘the cumulating DCTS country’) if the conditions set out in paragraph (3) are met.”

Eligible goods include:

- Qualifying DCTS goods originating in another DCTS country within the same regional group
- Goods originating in an FTA partner country within the same regional group, pursuant to a UK trade agreement

Expansion under the 2025 Update:

Prior to 2025, intra-regional cumulation was limited to narrowly defined groups in Africa and Asia, with Vietnam included as an FTA partner rather

These changes aim to support job creation, economic growth, and supply chain diversification in developing countries.

¹⁶ United Kingdom. (2023). The Customs (Origin of Chargeable Goods: Developing Countries Trading Scheme) Regulations 2023 (SI 2023/557). <https://www.legislation.gov.uk/ukxi/2023/557/contents/made>

¹⁷ See HM Government (2025, July), Rules of origin under the Developing Countries Trading Scheme (DCTS) are improving, GOV.UK.

than a DCTS beneficiary. The 2025 amendments expanded Schedule 3 to create larger regional cumulation groups:

- **Africa Regional Cumulation Group:** 50 countries (two-way and one-way cumulation options; EPA nuances for some countries)
- **Asia Regional Cumulation Group:** 18 countries (first-time inclusion of Central Asia, Mongolia, Timor-Leste; Vietnam as one-way FTA)

Cumulation with FTA partners remains conditional:

“The goods, when originating from an FTA partner country, would, on the declaration acceptance date, qualify for a nil rate of import duty if they were imported into the UK directly from the FTA partner.”

Article 18(4) limits intra-regional cumulation for certain goods listed in Schedule 2 to prevent more favourable treatment via cumulation than through direct export.

Processing requirements under Articles 18(3)(e)–(f) remain, requiring operations beyond minimal stages, with stricter rules for textiles. Where these conditions are not met, origin is conferred on the country contributing the largest share of material value (**Article 18(5)**).

Table 4
Qualifying DCTS Countries (Africa & Asia)

Country	Country
Afghanistan	Mauritania
Algeria	Mozambique
Angola	Mongolia
Bangladesh	Myanmar
Benin	Nepal
Bhutan	Niger
Burkina Faso	Nigeria
Burundi	Pakistan
Cambodia	Philippines
Cape Verde	Republic of Congo
Central African Republic	Rwanda
Chad	Sao Tome & Principe
Comoros	Senegal
Democratic Republic of Congo	Sierra Leone

Country	Country
Djibouti	Somalia
Ethiopia	South Sudan
Gambia	Sri Lanka
Guinea	Sudan
Guinea Bissau	Tajikistan
India	Tanzania
Indonesia	Timor Leste
Kyrgyzstan	Togo
Laos	Uganda
Lesotho	Uzbekistan
Liberia	Zambia
Madagascar	
Malawi	
Mali	

*Comoros, Lesotho, Madagascar, Mozambique are also EPA members; cumulation rules may differ slightly.

Table 5
FTA Partner Countries

Country
Botswana
Cameroon
Egypt
Eswatini
Ghana
Ivory Coast
Kenya
Mauritius
Morocco
Namibia
Seychelles
South Africa
Tunisia
Zimbabwe
Viet Nam

The 2025 expansion gives DCTS exporters more flexibility within their regions. With the countries listed in the tables above, a manufacturer can now source inputs from neighboring DCTS or FTA partner countries and still claim DCTS origin. For example, a garment producer in Bangladesh can use materials from India or Nepal without losing preferential access to the UK market. This reduces dependence on more distant suppliers, lowers costs, and makes compliance with rules of origin simpler, especially for products with complex regional supply chains.

Inter-regional cumulation... allows DCTS beneficiaries from different regional groups to cumulate materials, subject to case-by-case approval by the Secretary of State.

2.3.3 Inter-regional Cumulation

Inter-regional cumulation, as set out in Article 19 of the Regulation, allows DCTS beneficiaries from different regional groups to cumulate materials, subject to case-by-case approval by the Secretary of State. Unlike intra-regional cumulation, this mechanism remains discretionary, requiring:

- A written request by the cumulating country detailing the trade benefits;
- Review and approval by the Secretary of State, who must be satisfied that cumulation will generate net trade benefits; and
- Publication of a notice specifying the qualifying countries, goods, and effective date of cumulation.

The 2025 update did not alter the legal mechanics of inter-regional cumulation but emphasised its increased strategic relevance in light of expanded regional cumulation groups in Africa.

Countries seeking inter-regional cumulation can now leverage broader regional sourcing. For example, Ethiopia (Africa Regional Group) could request approval to use inputs from Bangladesh (Asia Regional Group) for export to the UK under DCTS preferences. This mechanism allows exporters to build more diverse supply chains and access materials that may not be available within their own region, while maintaining eligibility for preferential tariffs.

2.3.4 Extended Cumulation for LDCs

Extended cumulation for LDCs is governed by Article 21 of the Regulation. It allows LDC exporters to cumulate materials from other DCTS countries and UK Economic Partnership Agreement (EPA) partners, subject to the following conditions:

- All processing in the cumulating country must exceed minimal operations (Regulation 8(2)), with stricter requirements for textile goods;
- Inputs sourced from partner countries must qualify for duty-free and quota-free treatment if exported directly to the UK.

While these provisions were unchanged by the 2025 reforms, their commercial significance increased due to the broader regional cumulation framework, enabling LDCs to leverage a wider pool of regional partners for manufacturing and export.

2.3.5 Case-by-case Extended Cumulation

Case-by-case extended cumulation, provided under Article 20, applies primarily to non-LDC beneficiaries and goods outside HS Chapters 1–24. This mechanism requires:

- Further processing in the cumulating beneficiary country beyond minimal operations;
- Submission of evidence to the Secretary of State demonstrating trade benefits of the proposed cumulation;
- Administrative cooperation from the trade agreement (TA) country; and
- Approval and publication of a notice by the Secretary of State specifying eligible goods and effective dates.

This provision remains unchanged following the 2025 update, but broader regional groupings now increase the scope of potential applications. For exporters, this mechanism can open access to materials or supply chains that fall outside standard cumulation rules. At the same time, it requires careful planning and clear justification. Administrative delays or hurdles can affect production schedules and trade strategy, meaning that firms and countries must balance the potential gains against the additional effort needed to secure approval.

These measures ensure a predictable and smooth transition for graduating countries, preserving trade benefits and continuity for exporters.

2.3.6 Liberalisation of Rules of Origin for Garments

In 2025, the UK government liberalised rules of origin for apparel (Chapters 61 and 62) to facilitate exports and support countries transitioning from LDC status:

- Removal of the double transformation rule, previously requiring two significant stages of manufacturing in the exporting country;
- Expanded input sourcing, permitting Enhanced Preference countries to source between 47.5% and 100% of inputs from other countries for final manufacture;
- Harmonisation of rules for Enhanced and Comprehensive Preference countries, allowing broader access to preferential tariffs and reducing compliance burdens.

These reforms particularly benefit countries with growing garment sectors, mitigating

the impact of graduation on jobs and supporting women's employment.

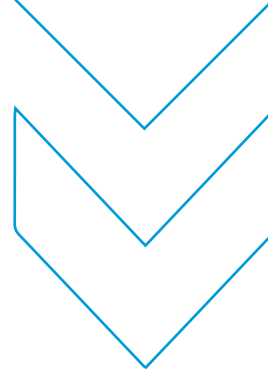
2.3.7 Graduation and Transition Rules

DCTS includes structured provisions for countries transitioning between tiers:

- Countries attaining Upper-Middle Income status (UMIC) graduate from regional cumulation groups after a three-year transition period;
- EPA countries may remain in regional groups indefinitely, regardless of income level;
- Preferential treatment is limited to duty-free, quota-free inputs under the relevant EPA, FTA, or AA agreements.

These measures ensure a predictable and smooth transition for graduating countries, preserving trade benefits and continuity for exporters.







PART 2

EVIDENCE FROM THE GROUND: AN ANALYSIS OF FIRM LEVEL EXPERIENCES WITH CUMULATION





3 Introduction and Methodology

Global Introduction

In contrast to the Asian context, there is no prima facie evidence that firms in Africa make effective use of cumulation under rules of origin. Yet cumulation remains a potentially powerful tool for regional integration and for improving access to preferential trade regimes such as the EU's Economic Partnership Agreements (EPAs), the African Growth and Opportunity Act (AGOA), and the African Continental Free Trade Area (AfCFTA). This study was therefore designed to assess whether, and how, African firms utilize cumulation provisions, to document best practices, and to identify the challenges that prevent broader uptake. The findings are intended to inform discussions in the WTO Committee on Rules of Origin (CRO), the Technical Committee on rules of origin (TCRO) at WCO as well as to provide concrete lessons for Least Developed Countries (LDCs) seeking to improve compliance and to maximize the benefits of preferential trade agreements.

Efforts were made to engage with the ECOWAS Secretariat in order to extend the study's scope to West Africa. The UNCTAD team reached out through multiple channels—including emails, phone calls, and a face-to-face meeting with the Secretariat's representative during the WCO Technical Committee on Rules of Origin session in Brussels in February 2025. Unfortunately, despite these efforts, no substantive response was received. Hence, it was not possible to advance to the stage of firm-level engagement in ECOWAS member states also due to lack of funding to undertake a field mission. This lack of feedback underscores one of the practical challenges in undertaking empirical

work on cumulation in contexts where institutional entry points remain inaccessible.

A different constraint emerged in South Africa. Institutional counterparts were responsive, and two field missions were conducted with the support of SARS and Business Unity South Africa (BUSA), alongside outreach through industry associations. However, despite repeated attempts via multiple channels, engagement stalled at the firm level. Companies declined to participate in the survey that was circulated first through SARS and later BUSA citing confidentiality concerns and skepticism regarding the use of the information that was necessary as feedback. This case illustrates that even where institutional cooperation exists, firm-level participation cannot be assumed, even though this may sound surprising, particularly in more advanced African economies.

By contrast, the WCO played an instrumental role in facilitating contact with the EAC Secretariat, which in turn enabled a successful field mission to Kenya. However, due to time and budget constraints, the study could not expand further within the EAC region beyond Kenya. This contrast highlights the importance of intermediary organizations and institutional champions in bridging gaps between research teams and national or regional stakeholders, and in ensuring the feasibility of fieldwork within limited resources.

Methodology

The study employed a mixed-methods approach combining desk research, data analysis, and firm-level evidence gathering:

- 1. Literature and prior experience:**
Existing research and policy reports were reviewed to identify potential cases of cumulation, including

Within the scope of this study there is no prima facie evidence that firms in Africa make effective use of cumulation under the different sets of preferential rules of origin.

Cumulation remains a potentially powerful tool for regional integration and for improving access to preferential trade regimes.

This lack of feedback underscores one of the practical challenges in undertaking empirical work on cumulation due to lack of response from firms

known examples such as the South African automotive industry's use of bilateral cumulation with the EU under the EU-SADC EPA¹⁸.

2. **Input-output analysis:** A framework developed by Inama¹⁹ was applied to detect sectors and value chains where cumulation was most likely to occur.
3. **Surveys and questionnaires:** Structured questionnaires were prepared and circulated in cooperation with partner governments, chambers of commerce, and national business associations.
4. **Firm interviews:** Semi-structured, face-to-face interviews were carried out during field missions to South Africa, Mozambique, and Kenya in April 2025. UNCTAD, together with the WCO and EAC Secretariat, directly contacted firms for in-depth interviews and data collection.
5. **Stakeholder engagement:** Ministries of economy and industry, customs authorities, chambers of commerce, and business associations were consulted in each country to facilitate contacts and support participation.

6. Case studies and comparative review:

Evidence was cross-checked with international practice, including the use of cumulation under AGOA, the EU-SADC and UK-SADC EPAs, as well as EU legislation on ACP countries.

7. **Triangulation:** Findings were validated through multiple channels, including questionnaires, interviews, national focal points, and feedback from regional organizations.

Despite extensive efforts, the study also encountered significant limitations. In South Africa, for example, data protection concerns prevented SARS from sharing firm-level contacts, and firms were reluctant to participate for fear that sensitive information could be misused. This illustrates one of the key obstacles to generating empirical evidence on cumulation in Africa: limited trust and restrictive information-sharing rules. Nevertheless, valuable firm-level insights were gathered in Mozambique and Kenya, while Mauritius and Ethiopia also provided useful perspectives through questionnaires and chamber of commerce engagement.

¹⁸ See European Union & Southern African Development Community (2016). Economic Partnership Agreement between the European Union and the SADC EPA States; Inama, S. (2022)

¹⁹ See Inama, S. (2022). Rules of origin in international trade. Cambridge University Press.



4 Mauritius

4.1 Results of Mauritius Survey and Consultations with Stakeholders

4.1.1 Introduction

Mauritius has been among the most proactive African, Caribbean, and Pacific (ACP) countries in implementing cumulation provisions under the EU's Economic Partnership Agreements (EPAs). An official letter was addressed to the Director of the International Trade Division of the Ministry of Foreign Affairs and Regional Integration to request assistance in facilitating contacts with local firms and stakeholders. This outreach led to a Teams meeting to explain the scope and purpose of the study, after which the questionnaire was circulated among relevant companies. A local consultant was engaged to support firms in completing the questionnaire by providing clarification and follow-up. As a result, 17 companies were contacted. Mauritius' case demonstrates how strong government facilitation and targeted support can generate meaningful firm-level participation, highlighting the country's broader reputation for leveraging trade preferences and aligning national practices with international rules of origin.

4.2 Field Investigation with Mauritian Companies

The Mauritius Revenue Authority (MRA) Customs Authority (MRA Customs) has provided a list of products from which analysis revealed that specific goods have acquired 'cumulation' status through the application of the Movement Certificate of

Origin EUR-1. An EUR-1 is an official proof of preferential origin, issued by the exporting country's customs authority, enabling goods to benefit from preferential or reduced tariff rates under a trade agreement ²⁰. However, due to the privacy of data, the names of the companies were not disclosed.

Based on the list of products provided by MRA Customs, a list of 17 companies was shortlisted and subsequently contacted to confirm whether they have exported using the cumulation provisions under the current preferential trade regimes. Out of the 17 companies, 9 of them have confirmed that they have used cumulation in the past to export to the European Union under the existing interim Economic Partnership Agreement (iEPA) and 1 company has reported that it has used the cumulation provision under SADC to export to South Africa. However, it is important to highlight that these companies are not making use of the cumulation provisions on a recurrent basis but have done it in the past and in 'exceptional' circumstances. These circumstances may relate to unavailability of raw materials from usual sourcing or to exceptional orders from customers that had to be delivered within an earlier timeframe. This has led to Mauritian operators sourcing inputs or semi-finished products from the region or from the EU itself.

The list of companies contacted to participate in the survey on cumulation can be summarised as follows (names and contact details of companies are kept confidential):

Mauritius has been among the most proactive African, Caribbean, and Pacific countries in implementing cumulation provisions under the EU's Economic Partnership Agreements.

Mauritius' case demonstrates how strong government facilitation and targeted support can generate meaningful firm-level participation.

²⁰ See European Commission (2017). Guide to the Protocol on rules of origin of the SADC EPA



Table 6:
Products Exported under Cumulation Provisions by Mauritian Companies

Out of the 17 companies, 9... have confirmed that they have used cumulation in the past to export to the European Union.

Product Exported	Market Destination	HS Code of Product Exported	Country with whom cumulation has been undertaken	HS Code of materials imported for cumulation	Trade Agreement under which Cumulation Provision Applied
Leather watch straps	EU	9113.90	France	9113.90	iEPA
Woven shirts	South Africa	6205.20	Lesotho	5208.11	SADC
Leather handbags	EU	4202.21	France	4202.21	iEPA
Canned tunas	EU	1604.14	Portugal	0302.33	iEPA
Vanilla paste	EU	0905.10	Madagascar	0905.10	iEPA
Rum	EU	2208.40	Reunion Island	2207.10	iEPA
Jewellery	EU	7113.19	France	7113.19	iEPA
Knitted jackets	EU	6103.39	Madagascar	6103.39	iEPA
Paint brushes	EU	9603.40	France	9603.50	iEPA
Ship models	EU	4420.90	Spain	4420.90	iEPA

Source: Survey conducted by UNCTAD based on field work of February findings (2025)

These companies are not making use of the cumulation provisions on a recurrent basis but have done it in the past and in 'exceptional' circumstances.

4.3 Cumulation under the Southern African Development Community (SADC)

Cumulation under SADC is possible as provided in Paragraph 4 (b) under Rule 2 of Origin Criteria of Annex 1 to the SADC Protocol on Trade which stipulates that "Raw materials or semi-finished goods originating in accordance with the provisions of this Annex in any of the Member States and undergoing working or processing either in one or more Member States shall, for the purpose of determining the origin of a finished product, be deemed to have originated in the Member State where the final processing or manufacturing takes place. 21"

Documents Requested by MRA
Customs to issue a SADC Certificate of Origin under cumulation at export:

- Electronic Registration of Exporters/Manufacturers with the MRA Customs Department - Origin Unit.
- An electronic application, together with scanned copies of supporting documents, is to be made by the Exporter or his representative via Trade Net for relay to the Customs Management System.
- The documentary evidence shall include, inter alia, export invoice, import Custom declarations of materials used, and proofs of origin at import to support cumulation.
- Upon approval, a Certificate of Origin is issued electronically and in hard copy.

²¹ See European Union & Southern African Development Community (2016). Economic Partnership Agreement between the European Union and the SADC EPA States.



- The importer or importing authorities may verify the authenticity of the Certificate by accessing a dedicated website.

It is to be noted that under SADC, Member States are currently considering including provisions on 'Supplier's Declaration' in Annex 1 to the Protocol on Trade so as to facilitate the cumulation process within and among Member States.

Consultation with Mauritian firms has revealed that the provision for cumulation under SADC has been used only once in the past, where a Mauritian company imported fabrics from Lesotho to manufacture Woven Shirts (HS 6205.2000) for exports to South Africa under duty-free treatment. The current rules of origin for Shirts under SADC is a double transformation stage, that is, the exporter needs to import the yarn from third countries, knit the yarn into fabrics and then make up the finished shirts. While the working or processing rules to confer originating status to garments are relatively rigid under the SADC Protocol on Trade, as compared to iEPA, COMESA and AGOA (single transformation), Mauritian operators have not been making optimum uses of the cumulation provision under SADC. The reason being that ex-works prices for fabrics or semi-finished fabrics manufactured in the SADC region are relatively high when compared to imports of fabrics from China or India. Mauritian companies involved in the manufacture of garments, particularly those equipped with spinning and knitting facilities, prefer to import cotton from western/eastern African countries to manufacture the finished product in Mauritius.

Moreover, the lack of materials of core interest has compelled Mauritian manufacturers to source materials such as woven fabrics, polyester, viscose, and polyamide fabrics from third countries,

as the textile technology is yet to be developed regionally in order to boost intra-African trade aided by cumulation.

4.4 Cumulation under the Interim Economic Partnership Agreement (iEPA)

Field investigations with local companies in Mauritius have revealed that firms exporting to the European Union under the iEPA rarely make use of the cumulation provision in the iEPA. Cumulation under the iEPA is supported by Articles 3, 4 and 5 in the General Provisions to Protocol 1 of the iEPA²². These are described as follows:

Article 3 (1) : Cumulation in the Community:
"Without prejudice to the provisions of Article 2(1), products shall be considered as originating in the Community if they are obtained there, incorporating materials originating in an ESA State, in the other ACP States or in the OCT, provided that the working or processing carried out in the Community goes beyond the operations referred to in Article 8. It shall not be necessary for such materials to have undergone sufficient working or processing."

Article 4 (1) Cumulation in the ESA States:
"Cumulation in the ESA States: Without prejudice to the provisions of Article 2(2), products shall be considered as originating in an ESA State if they are obtained there, incorporating materials originating in the Community, in the other ACP States, in the OCTs or in the other ESA States, provided that the working or processing carried out in that ESA State goes beyond the operations referred to in Article 8. It shall not be necessary for such materials to have undergone sufficient working or processing."

Article 5(1) Cumulation with Neighbouring Developing Countries: *"At the request of the ESA States and following the*

Raw materials or semi-finished goods... undergoing working or processing either in one or more Member States shall... be deemed to have originated in the Member State where the final processing or manufacturing takes place.

²² See European Community & African, Caribbean and Pacific States (2000). Partnership Agreement (Cotonou Agreement); European Union & Southern African Development Community (2016). Economic Partnership Agreement between the EU and SADC EPA States.

Mauritian operators have not been making optimum use of the cumulation provision under SADC. Ex-works prices for fabrics... manufactured in the SADC region are relatively high when compared to imports... from China or India.

provisions of Article 41, materials originating in a neighbouring developing country, other than an ACP State, belonging to a coherent geographical entity, a listing of which is at Annex VIII, can be considered as materials originating in an ESA State when incorporated into a product obtained there. It shall not be necessary that such materials have undergone sufficient working or processing."

Although on a rare basis, Mauritian firms have been applying Articles 3 and 4 of the iEPA to cumulate and export to the EU.

Articles 3 and 4 have been applied under the following circumstances as per the survey responses:

- Some companies have used Article 3 to import semi-finished products from the EU to manufacture their finished products for re-export to the EU, these include, inter-alia, leather straps, leather handbags, jewellery and paint brushes imported from France, ship models imported from Spain and chilled fish caught by Portuguese vessels in the Indian Ocean region.
- One Mauritian company has used cumulation with the OCTs of the Netherlands under Article 3 of the iEPA for imports of materials from the OCT region to import chilled fish to manufacture canned fish for export to the EU.
- One Mauritian company has used cumulation with Reunion Island under Article 3 of the iEPA for imports of materials from OCTs for the manufacture of rum for preferential exports to the EU.
- One Mauritian company has made use of Article 4 for imports of vanilla beans from Madagascar to manufacture vanilla paste

and vanilla sticks in Mauritius for subsequent exports to the EU.

- And one Mauritian company has also made use of Article 4 for imports of originating semi-finished jackets from Madagascar to complete the production in Mauritius for exports to the EU under the iEPA.

The procedures for exports to the EU using the cumulation provision in the iEPA are as follows:

1. Electronic registration of Exporters/ Manufacturers with the MRA Customs Department - Origin Unit.
2. An electronic application, together with scanned copies of supporting documents, is to be made by the Exporter or his representative via Trade Net for relay to the Customs Management System.
3. The documentary evidence shall include, inter alia, export invoice, import Custom declarations of materials used, proofs of origin, or supplier's declaration at import to support cumulation.
4. Upon approval a Certificate of Origin is issued electronically and in hard copy.
5. The importer or importing authorities may verify the authenticity of the Certificate by accessing a dedicated website.

It is important to highlight that in order for MRA Customs to endorse the cumulation provisions under the iEPA, Customs Authorities of both parties (cumulating and exporting country) need to have signed an 'Administrative Cooperation Agreement' which further needs to be notified to the European Commission prior to the issuance of the Movement Certificate of Origin EUR-1. This condition is a prerequisite for MRA Customs to approve cumulation for Mauritian operators.

Cumulation under the Complete EPA:

Negotiations are currently being undertaken between the European Commission and the Eastern and Southern African (ESA) countries comprising Mauritius, Seychelles, Madagascar, Comoros and Zimbabwe to sign a complete Economic Partnership Agreement which will include chapters on, inter alia, trade in goods, trade in services, investment liberalisation and digital trade, Intellectual Property Rights, trade and sustainable development, and a chapter on economic cooperation, amongst others.

Under the current interim EPA, the cumulation facility is available on a bilateral basis between ESA and the EU and vice versa, as well as on a diagonal basis between ESA and the ACP States, where Mauritius can further process originating goods and materials obtained in the ACP without fully meeting the Rules of Origin itself.

The complete EPA goes significantly further than this. While retaining the basic bilateral cumulation, the agreement amends the diagonal cumulation facility with the ACP and introduces what is often referred to as an 'extended' cumulation facility.

>> Diagonal cumulation is between the ESA EPA States, the EU, and the ACP EPA States as well as the EU's twenty-five Overseas Countries and Territories (OCTs). Unlike the interim EPA, this cumulation only includes those ACP countries that have concluded an EPA with the EU, and there is explicit reference to ACP EPA States.

>> Two forms of extended cumulation have been introduced in the new agreement under negotiation (this follows a trend set earlier in the EU's overhauled Generalised System of Preferences, albeit in a far more restrained format).

- Cumulation with respect to materials originating in countries benefiting from duty and quota free access to the EU (i.e. GSP/EBA arrangements)
- Cumulation with respect to materials that are subject to MFN duty free treatment in the EU

The negotiations between the European Commission and the ESA States are ongoing and have yet to be finalised.

Mauritian firms exporting to the European Union under the iEPA rarely make use of the cumulation provision in the iEPA.

Articles 3 and 4 have been applied... to import semi-finished products from the EU to manufacture... finished products for re-export to the EU.

4.5 Cumulation under the African Continental Free Trade Area (AfCFTA) Agreement

Cumulation of Origin under the AfCFTA is provided in Article 8 of Annex 2 to the AfCFTA Protocol on Trade²³. Article 8(2) provides cumulation among State Parties by allowing Producers in the State Parties to use Raw Materials or semi-finished Goods originating in any State Party and undergoing

working or processing in another State Party, and the Product shall be deemed to have originated in the State Party where the final processing or manufacturing takes place.

Article 8(2) provides cumulation among State Parties by allowing Producers to carry out working or processing in any of the State Parties, and any such working or processing shall be considered as having been carried out in the State Parties when the Materials undergo further working or processing in a State Party.

²³ See African Union (2018). Protocol on Trade in Goods to the AfCFTA Agreement

Producers... may use raw materials or semi-finished goods originating in any State Party... and the product shall be deemed to have originated in the State Party where the final processing or manufacturing takes place.

As of February 2025, only one consignment has been shipped under an AfCFTA Certificate of Origin in which a Mauritian operator exported plastic labels to Ghana by complying with the rules of origin under Annex IV to the Protocol on Trade on Product-Specific Rules. As of now, the cumulation provision under the AfCFTA has not been invoked by Mauritian exporters due to ongoing negotiations on rules of origin and market access.

There is a broad consensus that the AfCFTA will provide a wider opportunity for cumulation on the continent should the challenges related to logistics, infrastructure and market access limitations be resolved.

4.6 Cumulation under other Trade Agreements (COMESA, AGOA and Bilateral Agreements)

Mauritius' plethora of trade agreements grants preferential market access to nearly 75% of the world population. These agreements include the EU-ESA iEPA, UK-ESA EPA, AGOA with the United States, SADC, COMESA, the Mauritius-China FTA, the Comprehensive Economic Cooperation and Partnership Agreement (CECPA) with India, the PTA with Pakistan, the FTA with Turkey and the AfCFTA Agreement.

Except for a few exceptions, the rules of origin that have been negotiated for export under duty free treatment under all these trade agreements are relatively flexible, meaning that the use of cumulation has not been a priority for Mauritian operators. In addition, the extensive diversification of the Mauritian manufacturing base makes it difficult to import raw materials and semi-finished products from the African region for cumulation. Mauritian operators have reported that prices of inputs from the African or EU region are relatively high for cumulation on a recurrent basis. In addition, local firms are of the view

that the lack of trade information on the African market plays a detrimental role for using cumulation and delays the process for deepening regional integration.

The lack of training and information awareness on rules of origin, particularly on cumulation provisions, may also be a root cause of why Mauritian firms are not fully availing of the export opportunities.

4.7 Issues Raised by Mauritian Firms on Cumulation:

Following the survey and field investigations with Mauritian companies, a number of issues have been raised on the use of the cumulation provisions in Mauritius' trade agreements. These can be briefly summarised as follows:

4.7.1 Number of Countries and Products included in Cumulation

The limited number of countries included in some provisions on cumulation has been outlined as being too restrained and does not provide enough alternatives for imports of semi-finished raw materials for cumulation in Mauritius.

In addition, in Annex XIII to Protocol 1 of the interim EPA, a list of products which Mauritius cannot cumulate with South Africa is set down. This further restricts the range of materials available for cumulation by Mauritian operators for products which can be cumulated in the region and exported to the EU. Annex XIII to Protocol 1 of the iEPA is viewed by Mauritian operators as a deterrent for regional integration and South-South trade.

4.7.2 Freight Costs and Connectivity with the African Region

The lack of both maritime and air connectivity between Mauritius and the African continent has been enumerated

As of February 2025, only one consignment has been shipped under an AfCFTA Certificate of Origin.

as an obstacle to promote regional value chains and to engage in cumulation. High freight costs associated with the lack of connectivity have been discouraging operators to import semi-finished raw materials from the African continent for subsequent cumulation in Mauritius.

4.7.3 Unavailability of Trade Information

Availability and access to trade information is paramount to promote regionalism. Unfortunately, Mauritian operators have highlighted that the lack of trade information on the African continent such as customs duties, sanitary and phytosanitary requirements, import and export permits, and export taxes are not readily available, which renders predictability difficult for exporters and manufacturers. Moreover, the lack of traceability for materials coming from the African continent has also been enumerated as a barrier to trade.

4.7.4 Trade and Sustainable Development Issues in the African Region

Operators have also highlighted that customers' requirements in their main markets, particularly in Europe and Asia, have evolved over the years. Nowadays, consumers are more prone to consuming products that have been manufactured or cultivated in a sustainable environment. Even buyers of garments products are now requesting that shirts and t-shirts be produced from cotton that has been cultivated in a sustainable environment. While Mauritian operators are trying to adapt to this new trend, sourcing of materials that are originating in a sustainable environment for cumulation purposes is still difficult.

4.7.5 Administrative Issues under the iEPA

While the provision for cumulation under the iEPA has been the one mostly invoked over the years, the procedures involved prior to cumulation are quite complex and are viewed as an administrative hurdle.

Under the iEPA, cumulation between two countries for subsequent export to the EU is only possible when the Customs Authorities of the two countries involved in the cumulation process have signed an 'Administrative Cooperation Agreement' (ACA). The signature of the ACA is quite lengthy and may take a number of years to complete before being published in the journal of the EU.

The Official Journal of the European Union Reference C407/4 published on 12th November 2018 states that *"For cumulation to operate, an ESA State shall fulfill the following requirements:*

- *conclude an agreement on administrative cooperation with the countries and territories concerned; and*
- *notify the Union, through the European Commission, with details of such agreements on administrative cooperation."*

After consultation with MRA Customs, it has been noted that as of February 2025, Mauritius has concluded ACAs with 13 countries and as such cumulation for export to the EU is possible only with those countries. The list of the countries is published in the Official Journal of the EU is as follows:

Table 7
Countries with whom cumulation is allowed under the iEPA

African Region	Other Region
Botswana	Other Countries and Territories (OCTs) of the Netherlands
Cameroon	
Guinea	
Kenya	
Lesotho	
Madagascar	
Mozambique	
Namibia	
Seychelles	
South Africa	
Eswatini	
Zimbabwe	

Source: Official Journal of the EU (2018)

The lack of training and information awareness on rules of origin, particularly on cumulation provisions, may also be a root cause.

High freight costs... have been discouraging operators to import semi-finished raw materials from the African continent.

4.7.6 Rigid Requirements for the Inward Processing Scheme

Inward processing allows imported raw materials or semi-manufactured goods to be processed for re-export by manufacturers without a requirement that the manufacturers pay customs duties and VAT on the goods being imported and used in the manufacturing process.

Inward processing procedure is designed to give businesses the possibility to process goods imported from outside into Mauritius for re-exports. The inward processing procedure can also be used for goods which only need to undergo standard forms of handling intended to preserve them, improve their appearance or marketable quality, or prepare them for distribution or resale. The Inward Processing Scheme is thus a trade facilitation tool for operators wishing to engage in cumulation.

The MRA Customs Statement of Practice Ref CUS/SP/1/17 lays down the requirements for a manufacturer to be eligible for the Inward Processing Scheme and states that a “registered importer under the Inward Processing Scheme shall be relieved from the payment of duty, excise duty and taxes on importation of goods, provided that a security to the satisfaction of the Director General is furnished to cover the duty, excise duty and taxes. The security shall be in the form of a general security bond with one sufficient surety.”

Mauritian operators have admitted that it is difficult to register with MRA Customs to benefit from the Inward Processing Scheme and thus enter into cumulation activities as the security bond requested by MRA Customs is difficult to comply with.

4.8 Recommendations

Based on the findings of the UNCTAD Survey conducted with Mauritian companies and following consultations undertaken, a few recommendations

can be proposed to encourage local firms in Mauritius to use the cumulation provisions in the trade agreements.

4.8.1 Allow for Full or Partial cumulation in New Trade Agreements

Full cumulation allows it to be applied between any number of countries to goods not originating in the FTA member country and processed in the FTA territory. Full cumulation allows cumulating origin-counting processing added across the FTA territory even when the initial input is not originating. Full cumulation is the most flexible type of cumulation. Under full cumulation, the origin of a product is determined based on the value added or processing that occurs within any of the participating countries.

By allowing full cumulation in new trade agreements, particularly in the new Economic Partnership Agreement which is currently under negotiation between the EU and the ESA States, materials or processing from any of the countries involved in the production process such as Bangladesh and Pakistan be considered when determining the origin of the final product. In other words, the product will be treated as if it originated entirely from any of the participating countries.

Other options for Mauritius may include introducing partial cumulation while new trade agreements are negotiated. This could allow cumulation with countries that have already signed a Free Trade Agreement with the counterpart, or with countries benefiting from the Generalised System of Preferences (GSP) or the Everything But Arms (EBA) Scheme.

4.8.2 Sensitisation and Capacity Building on Rules of Origin and Cumulation

While notable efforts have been made by MRA Customs, the Economic Development Board, The Ministry of Foreign Affairs and International Trade, and other stakeholders

Full cumulation is the most flexible type of cumulation.

There is still a need for more sensitisation, awareness campaigns and information sharing on rules of origin and the use of cumulation.

to provide capacity building and training to Mauritian operators, there is still a need for more sensitisation, awareness campaigns, and information sharing on rules of origin and the use of cumulation. There is a general consensus among the authorities that Mauritian operators are not fully aware of the export opportunities that exist under the provisions on cumulations in Mauritius' trade agreements.

4.8.3 Provide more Flexible Requirements for Inward Processing Scheme

By removing the obligation to submit a Security Bond to MRA Customs, there

will definitely be more manufacturers and exporters that would be willing to register under the Inward Processing Scheme. Flexible requirements under the Inward Processing Scheme will encourage manufacturers and exporters to avail themselves of the provisions on cumulation in Mauritius' trade agreements.

Flexible requirements under the Inward Processing Scheme will encourage manufacturers and exporters to avail themselves of the provisions on cumulation.





5 Kenya

5.1 Findings of Field Mission and Consultations with Kenya Stakeholders

5.1.1 Kenya Custom and Association of Manufacturers

The East African Community Customs Union (Rules of Origin) Rules and Regional Trade Agreements

Kenya Revenue Authority (KRA) and Kenya Association of Manufacturers (KAM) observed that The East African Community Customs Union (Rules of Origin) Rules, initially adopted in 2015, was due for review in 2020. However, key challenges related

to cumulation remain unresolved. It was recommended that the EU-SADC Protocol be amended or renegotiated to reflect industrial realities and improve its usability for local manufacturers. The Tripartite Free Trade Area (TFTA), although signed, remains non-operational due to the absence of necessary enabling regulations. Two critical annexes of AfCFTA —on automotive and textiles— are still under negotiation. The East African Community (EAC) Free Trade Agreement is approximately 70% implemented but continues to face administrative and technical obstacles. Table 8 below shows the AfCFTA tariff liberalization schedules as many stakeholders expressed hope that AfCFTA could help in addressing the present shortcomings in establishing and strengthening African value chains making use of cumulation.

Key challenges related to cumulation remain unresolved.

Table 8:
AfCFTA Tariff Liberalisation Categories

Category	Description	Coverage	Liberalisation Timeline
Category A	Tariff lines to be liberalised	≥90% of total tariff lines	Within 5 years (non-LDCs), 10 years (LDCs)
Category B	Sensitive products	≤7% of tariff lines	Within 10 years (non-LDCs), 13 years (LDCs)
Category C	Excluded products	≤3% of tariff lines (not more than 10% of import value)	Permanently excluded

Trade Agreements with EU and UK and Methodologies to Issue Certificates of Origin

Kenya is a party to the EU-Kenya Economic Partnership Agreement²⁴ (EU-Kenya EPA), which was negotiated on the basis of the earlier East African Community–European Union Economic Partnership Agreement

(EAC–EU EPA) framework²⁵. The EU-Kenya Economic Partnership Agreement was signed in Nairobi on December 18, 2023, and entered into force on July 1, 2024. This agreement provides preferential

The continued use of manual certification – relying on stamps and signatures – under the EAC rules of origin protocol hampers efficiency.

²⁴ See European Union. (2024). *Economic Partnership Agreement between the European Union and the Republic of Kenya*. Official Journal of the European Union, L 1648.

²⁵ See European Commission. (2024). The EU–Kenya Economic Partnership Agreement explained. European Commission. https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/east-african-community-eac/eu-kenya-agreement/agreement-explained_en

The presence of multiple overlapping trade agreements has further complicated the trading environment, creating what stakeholders referred to as a ‘spaghetti bowl’ of obligations.

market access for Kenyan exports to the EU, supporting trade, investment, and economic development. In parallel, Kenya is also a party to the United Kingdom–Kenya Economic Partnership Agreement²⁶ (UK–Kenya EPA), a bilateral free trade agreement concluded in the context of the United Kingdom’s withdrawal from the European Union to preserve preferential market access; this agreement has been under implementation since 2021.

Exporters have experienced challenges related to documentation and authentication under both arrangements. To address these issues, Kenya is working toward automating its rules of origin certification process, especially under the REX system. However, adoption remains limited, with only 100 to 200 exporters registered. While Uganda has already implemented an electronic certification system, Kenya continues to rely on paper-based certificates. Efforts to transition to digital formats are underway, but concerns persist regarding infrastructure limitations and implementation costs.

Cumulation Practices and Product Flows

According to Kenya Customs and Kenya Association of Manufacturers (KAM), Kenya has applied cumulation in exports of a variety of products, including cooking oil to Uganda, Rwanda, and Ethiopia; chemical inputs such as disodium carbonate; pharmaceuticals; flat iron boards; and textiles and garments, often made with fabrics imported from Europe or the United States. KAM reported that several Kenyan firms, particularly in the garments, food processing, and chemical sectors, already use cumulation. Despite this statement, KAM was unable to identify the specific firms using cumulation. KAM indicated that challenges remain regarding limited awareness, inconsistent rule application, and difficulties in sourcing compliant inputs.

Kenya is working toward automating its rules of origin certification process... however, adoption remains limited, with only 100 to 200 exporters registered.

Implementation Challenges

Kenya faces several implementation-related constraints. The continued use of manual certification—relying on stamps and signatures—under the EAC Rules of Origin Protocol hampers efficiency. Differences in product classification and HS codes across Member States complicate data harmonization. Exporters often lack sufficient knowledge of cumulation eligibility and rules of origin requirements. Additionally, high infrastructure and technology costs limit the widespread adoption of electronic certificates of origin. The presence of multiple overlapping trade agreements has further complicated the trading environment, creating what stakeholders referred to as a “spaghetti bowl” of obligations. Kenya is part of a broader initiative by the EAC Secretariat to establish a region-wide electronic Certificate of Origin (ECO) system, though progress has been uneven across member countries.

Recommendations and Observations

To address the identified issues, stakeholders recommended finalizing and implementing the pending AfCFTA annexes to activate cumulation provisions. Efforts should be made to harmonize product classifications and customs procedures across EAC members to ensure consistency. Increasing registration under the REX system and raising awareness about rules of origin documentation were also emphasized. It was felt that a broader shift toward electronic certification is necessary to improve procedural efficiency. Promoting intra-African value chains through more flexible origin rules was also seen as essential. Lastly, aligning industrial policy with regional sourcing incentives—rather than relying on protectionist measures—was recommended to support broader trade facilitation goals.

²⁶ See United Kingdom. (2020). *Economic Partnership Agreement between the United Kingdom of Great Britain and Northern Ireland, of the one part, and the Republic of Kenya, a Member of the East African Community, of the other part* (Misc. Series No. 9).

5.2 Findings from Factory Visits and Interviews

5.2.1 PG Bison Kenya

Business Profile and Sourcing Practices

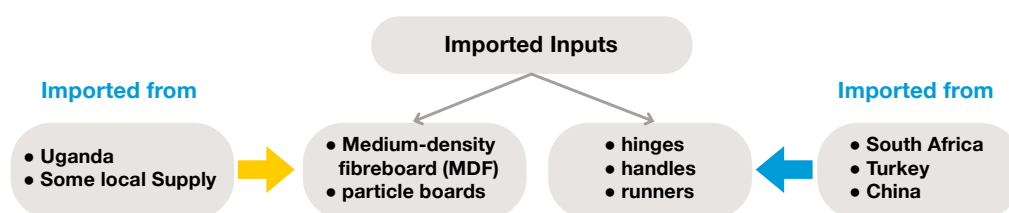
PG Bison Kenya is a prominent manufacturer of ready-to-assemble

(RTA) furniture, including wardrobes, bedroom sets, and office furnishings.

Operating primarily for the domestic market, the firm distributes through channel partners rather than directly to end consumers. It is a joint venture with PG Bison South Africa, Africa's largest producer of wood-based panels.

This policy has paradoxically made it cheaper to import finished furniture from countries like China than to manufacture locally.

Figure 2:
Key Imported Inputs by PG BISON



The company relies on several key imported inputs as shown in the figure above: medium-density fibreboard (MDF) and particle boards, mostly sourced from Uganda, though some supply is local. Hardware components such as hinges, handles, and runners are imported from South Africa, Turkey, and China.

South African panels or MDF are generally preferred due to their consistency in quality and thickness, an important requirement for precision in modular furniture manufacturing. Locally produced boards often show thickness variations (ranging between 17.6mm and 18.4mm), while PG Bison requires a uniform 18.4mm, making local inputs suboptimal.

Tariff Disparities and Local Policy Constraints

The tariff regime in Kenya poses significant challenges to domestic manufacturers like PG Bison. While the EAC Common External Tariff ET recommends a 25% duty on intermediate goods such as particle boards, Kenya applies a 35% duty to protect local production. This policy has paradoxically made it cheaper

to import finished furniture from countries like China than to manufacture locally.

Following requests and concerns raised by industry stakeholders, the government increased the duty on finished furniture imports from 25% to 45%, but the input cost imbalance remains unresolved. Other EAC members provide, in spite of the EAC CET, duty remission on such inputs in neighbouring EAC Member states, with Uganda charging 10% post-remission, Rwanda and Tanzania at 0%, and Burundi at 10%, placing Kenyan firms at a significant disadvantage. PG Bison noted that under these circumstances, issues related to cumulation are of limited relevance until the broader tariff environment is addressed.

Export Challenges and Duty Drawback Limitations

Although the firm has invested in semi-automated machinery to support export-oriented growth, export incentives and duty drawback mechanisms remain ineffective. PG Bison currently sells 99% of its output within Kenya. It imports components from South Africa and exports to Uganda, but the current duty drawback system only benefits traders of unprocessed

Kenya applies a 35% duty to protect local production... but the input cost imbalance remains unresolved.

Altogether, logistics can account for nearly half of a product's total value.

goods—not manufacturers. This policy design has discouraged the company from scaling to exports. While relocation to an Export Processing Zone (EPZ) is under consideration, this option only becomes viable if the firm can guarantee that at least 80% of its production will be exported, which is currently uncertain. With approximately 40% of production capacity underutilized, PG Bison has proposed that the government extend duty drawbacks to exports destined for the EU, but feedback from authorities has been negative.

Logistics and Cost Barriers

Logistics costs are a major factor in the furniture value chain. Furniture is inherently expensive to transport due to its

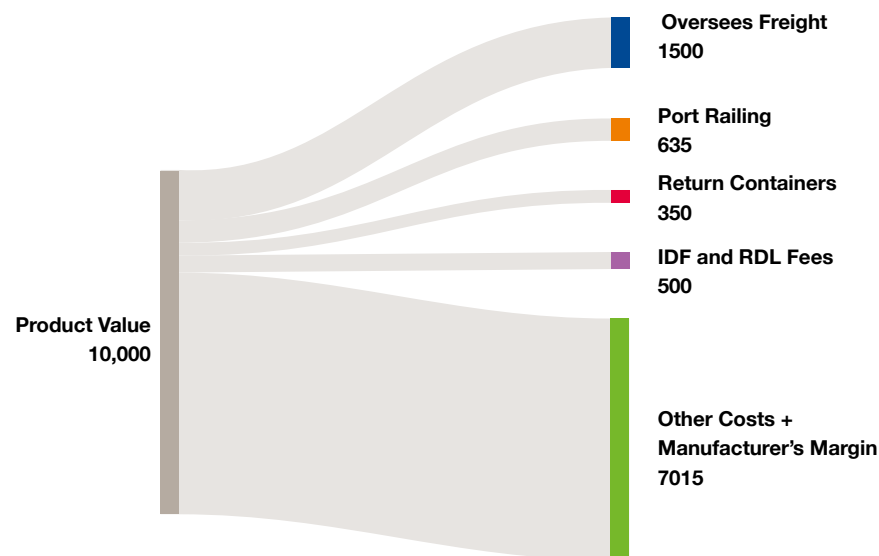
volume. For example, a small USD 5,000 shipment of hinges from China may incur around USD 2,000 in freight charges, representing 40% of the shipment's value. A larger USD 10,000 shipment of another component from South Africa may face the same USD 2,000 freight cost, reducing the percentage to 20%, but it still represents a significant expense. Inland transport from Mombasa to Nairobi adds nearly the same cost as the international leg. Altogether, logistics can account for nearly half of a product's total value, showing how transport costs heavily shape competitiveness across the value chain.

The specific breakdown of costs is shown in the figure below.



Figure 3:

Breakdown of Logistics Costs on a US\$10,000 Export Shipment



Specific costs include USD 635 for port railing, USD 350 for returning empty containers, USD 1,500 for overseas shipment, and additional fees such as import declaration fees (IDF) and railway development levy fees (RDL), which together make export costs prohibitive. This logistics burden severely restricts export potential, even in the presence of favourable tariff schemes.

Regional and Global Trade Opportunities

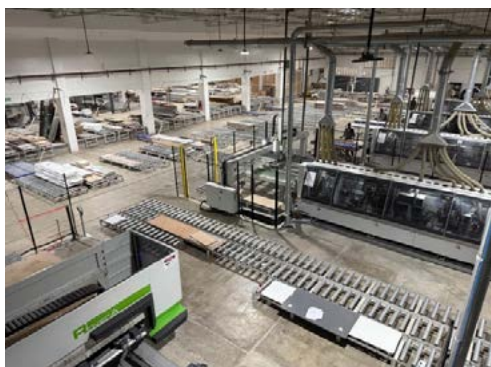
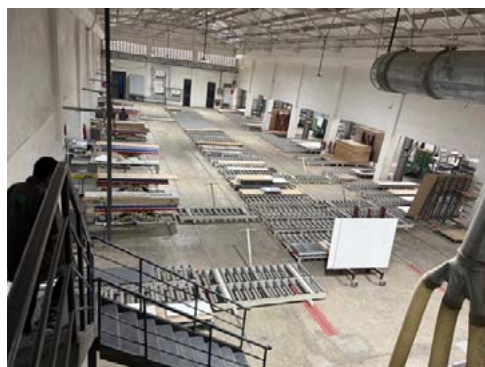
AfCFTA offers some long-term hope. Under Category B, duties on relevant goods are set to reduce from 25% to 0% by 2033, providing a pathway to more competitive regional trade. At present, PG Bison imports MDF (HS 4411.12) at a 12.5% duty, which is still in the process of liberalization under AfCFTA.

PG Bison noted that... issues related to cumulation are of limited relevance until the broader tariff environment is addressed.



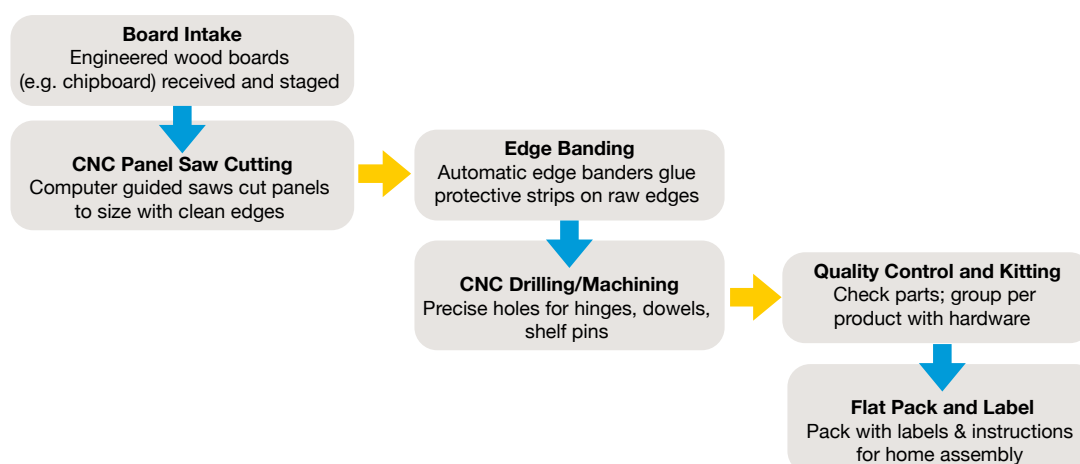
The company has expressed interest in accessing markets such as the UAE, Europe, and the United States under the AGOA framework. However, without active support in the form of duty remission, logistical cost reductions, and export

incentives, such expansions remain infeasible. The firm emphasized that only through domestic policy reforms can Kenya fully capitalize on regional and international trade agreements.



PG Bison's factory in Kenya producing ready-to-assemble furniture for domestic and export markets

Figure 4: PG BISON's Furniture Production Process



5.2.2 Alpharama Leather Company

Business Profile and Production Process

Alpharama Leather Company is a Kenyan tannery engaged in the processing of raw hides into wet blue, crust, and finished leather. The raw materials—bovine, sheep, and crocodile hides and skin (HS 4101–4103)—are sourced locally and from neighbouring countries, such as Tanzania and Rwanda. The production process

covers the full spectrum of leather treatment from dehairing and chemical tanning to dyeing, grading, and finishing. Depending on the stage of processing, the output is classified as tanned or crust hides (HS 4104–4106) or as finished leather (HS 4107–4109). The factory does not produce end-use consumer items such as shoes or bags but supplies processed leather to both domestic and international manufacturers.

The processing is divided into three key stages as shown in the figure below.

Kenya imposes tariffs as high as 50% on certain imported chemicals... while allowing finished leather to enter the country at just 10% duty.

Figure 5:
Leather Processing Stages

The firm faces serious sourcing constraints due to widespread illegal export of Kenyan raw hides – estimated at 70–75% - to West Africa.

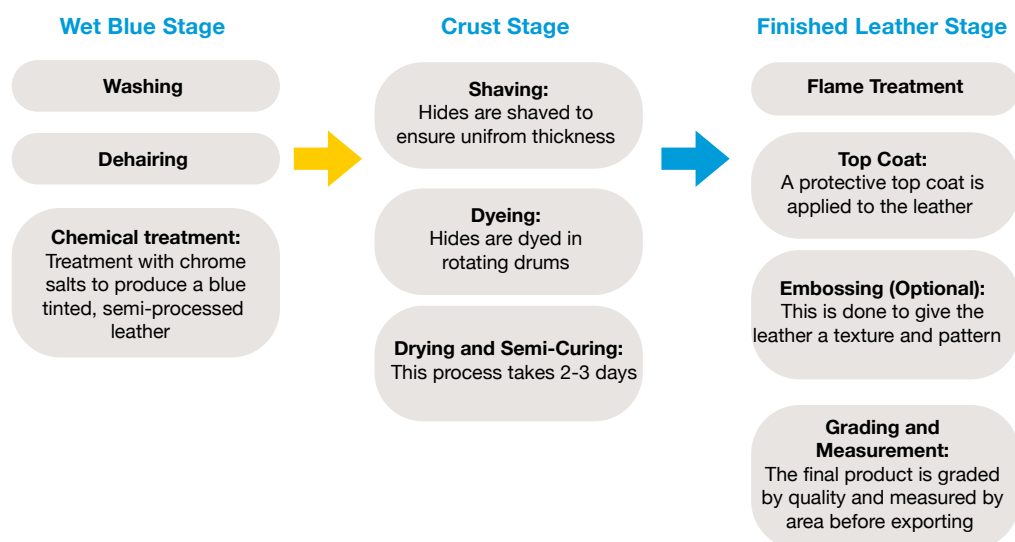


Table 9:
HS Codes for Alpharama Leather by Processing Stage and Animal Type

Stage of processing	Bovine (cow)	Sheep	Crocodile/other
Raw hides/skins	HS 4101	HS 4102	HS 4103
Tanned/crust	HS 4104	HS 4105	HS 4106
Finished leather	HS 4107–4109 (all animals, depending on finish)		



Wet Blue Stage



Crust Stage



Finished Leather Stage

Export Destinations and Local Market Position

Alpharama exports almost exclusively to markets in Europe and Asia. The firm currently does not export to the United States or UAE due to the absence of favourable trade agreements (in spite of AGOA). In Asia, its primary customer is China, though exports also reach India, Pakistan, Bangladesh, Thailand, Indonesia, and the Philippines. Domestically, the company supplies nearly 90% of Kenya's shoe manufacturers, underscoring its key role in the national leather value chain.

Sourcing and Trade Barriers

The firm faces serious sourcing constraints due to widespread illegal export of Kenyan raw hides—estimated at 70–75%—to West Africa, primarily Nigeria and Ghana. This has made it necessary for Alpharama to procure hides from regional neighbours. Additionally, the firm is unable to source inputs such as chemicals from Asia, the EU, or the US due to cost barriers and a lack of tax rebates or duty drawback incentives for exporters. Paradoxically, Kenya imposes tariffs as high as 50% on certain imported chemicals used in leather processing, while allowing finished leather to enter the country at just 10% duty. This asymmetry has eroded domestic firms' competitiveness in their home market.

The firm also highlighted broader regional trade policy issues. Despite the absence of a tanning industry within the EAC, duties

are still applied on imported chemical inputs critical to leather production. Compounding these issues are additional levies, such as the Railway Development Levy and Import Declaration Fees, which together add about 5% to the cost of imports.

Regional Cumulation and Policy Dialogue

During the consultation, the concept of cumulation under various trade frameworks—such as EAC, EFTA, and the EU—was discussed. Alpharama expressed interest in how regional value chain integration might provide more flexibility in sourcing and manufacturing. However, it emphasized that until tariff and sourcing challenges are resolved, the potential benefits of cumulation remain difficult to fully leverage.

Environmental and Sustainability Efforts

Despite structural trade and policy challenges, Alpharama has initiated sustainability programs aimed at improving its environmental footprint. These include investment in local water treatment facilities and a broader ecological project involving sustainable grazing practices to rehabilitate degraded land areas around their sourcing zones.

5.2.3 Kenya Sweet Ltd.

Business Profile and Rules of Origin

Kenya Sweet Ltd. operates in the sugar-based confectionery sector, producing goods under HS 1701 (cane or beet sugar) and HS 1704 (sugar confectionery). Despite being located within the EAC and COMESA regions, the company faces structural limitations when attempting to leverage regional trade value chains.

A reported notion in Kenya is that, under EAC rules of origin, sugar (HS 1701) does not benefit from cumulation even when inputs are sourced from EAC member states such as Uganda or Tanzania. However, the latest revision of EAC rules of origin

Until tariff and sourcing challenges are resolved, the potential benefits of cumulation remain difficult to fully leverage.

Additional levies... add about 5% to the cost of imports.

In the context of intra-EAC trade, the EAC authorities currently enforces its own interpretation of cumulation provisions that is not supported by any legal text.

The rules of origin requirements are different for heading 1701... limiting recognition of substantial transformation.

of 2015²⁷, which is modelled on the draft EAC-EPA, does not contain any provision that would exclude sugar of heading 1701 from the scope of cumulation.

The perception of exclusion from cumulation under EAC rules of origin may derive from double requirements a) stringent product

specific rules for sugar and confectionery as laid down below in EAC list rules:

and b) that, although not identified in a legal text, a common notion in the EAC is that sugar imported under a remission scheme could not be considered as an originating EAC good.

²⁷ See EAC Secretariat. (2015). *East African Community Customs Union (Rules of Origin) Rules, 2015*. East African Community.

Table 10:
Product-Specific Rules of Origin for EAC Chapter 17 (Sugar Products)

HS Heading No	Description of the Products	Origin Criteria (Working or processing carried out on non-originating materials that confers originating status)
17.01	Cane or beet sugar and chemically pure sucrose, in solid form	Manufacture in which the materials of Chapter 17 used are wholly produced
17.02	Other sugars, including chemically pure lactose, maltose, glucose and fructose, in solid form; sugar syrups not containing added flavouring or colouring matter; artificial honey, whether or not mixed with natural honey; caramel	Manufacture from materials of any Heading, except that of the product in which the weight of the materials of Heading 11.01 to 11.08, 17.01 and 17.03 does not exceed 30% of the weight of the final product
17.03	Molasses resulting from the extraction or refining of sugar	Manufacture in which the materials of Chapter 17 used are wholly produced
17.04	Sugar confectionery (including white chocolate), not containing cocoa	Manufacture from materials of any Heading, except that of the product

The 'prohibition' to use overlap membership creates a legal deadlock, preventing the firm from benefiting from regional integration under COMESA for EAC intraregional trade.

In contrast, COMESA was reported to offer more flexible options for cumulation, including criteria based on value addition or material content ²⁸. Again, it was reported that, as EAC is a customs union, firms are required to apply EAC rules exclusively for intra-regional trade, rendering the more favourable COMESA rules inapplicable. However, such perception of non-applicability of COMESA rules of origin for EAC intraregional trade is not validated by any legal text. Again, the firm reported that the "prohibition" to use overlap membership creates a legal deadlock, preventing the

firm from benefiting from regional integration under COMESA for EAC intraregional trade.

Cumulation in the Confectionery Sector

The firm sources sugar and glucose primarily from outside Africa, mostly from Saudi Arabia, China, Turkey and the EU due to local supply limitations and regulatory constraints. The firm was aware that products classified under HS 1704 (sugar confectionery (including white chocolate, not containing cocoa) may qualify under EAC rules of origin since there is difference in tariff classification. In

²⁸ See Common Market for Eastern and Southern Africa (COMESA). (1994). Protocol on Rules of Origin.

fact, the EAC PSRO for HS 1704 defines the rule as “manufacture from materials of any heading, except that of the product”.

However, when determining origin status, the process largely depends on manufacturers’ accurate declarations regarding cost structures and input materials. The firm indicated that multiple forms of documentation and verification—ranging from accounting records and market data to past financials and customer data—are used to confirm compliance with rules of origin. Yet, once again these complaints are not supported by the EAC legal texts on rules of origin for sugar confectionery, which require a simple change of tariff heading.

The rules of origin requirements are different for heading 1701, since working or processing sugar like refining and icing sugar does not entail a change of tariff classification despite processing, limiting recognition of substantial transformation.

Trade and Non-Tariff Barriers

Kenya Sweet Ltd. also faces various non-tariff and macroeconomic barriers in attempting to access markets to other African countries. In Malawi, for example, foreign exchange shortages and domestic currency controls have constrained demand for imports from Kenya and Zambia. In addition to such macroeconomic constraints, internal duties such as excise taxes and regulatory inconsistencies across Member States further restrict the ability of firms to expand their market reach within the region.

Recommendations and Policy Gaps

Kenya Sweet Ltd. emphasized the need for targeted reforms to unlock the potential

of the sugar-based confectionery industry within regional trade arrangements.

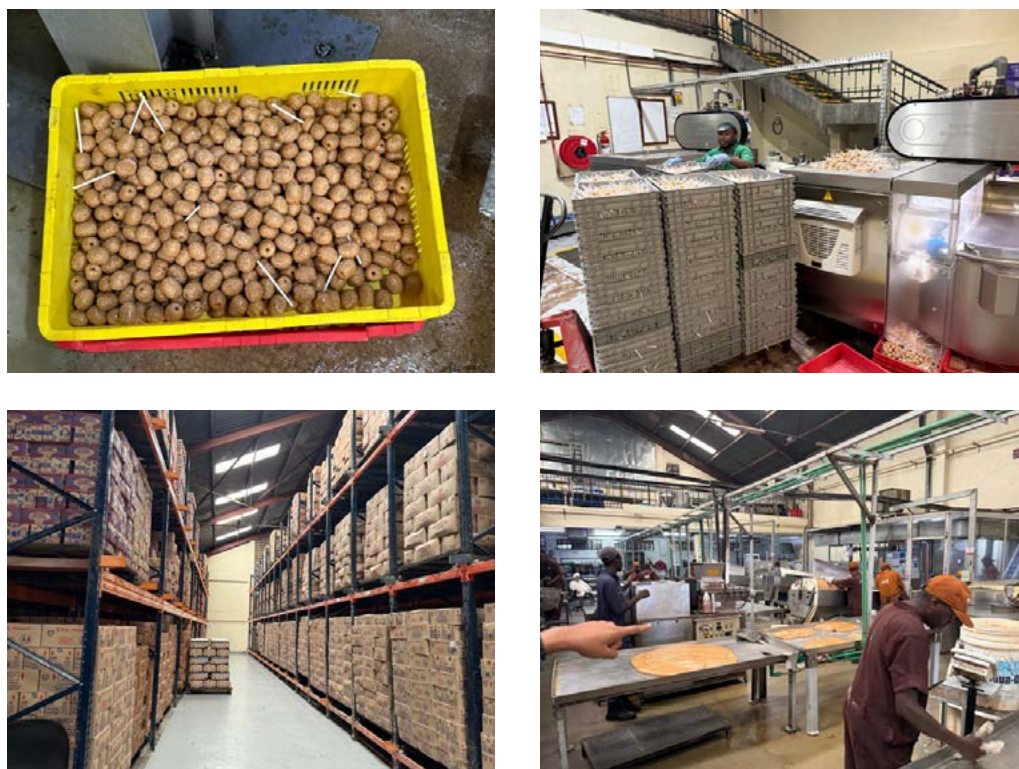
Key recommendations include:

- a. Imparting clarity to EAC rules of origin for HS chapter 17, the cumulation provisions, and related EAC regulation concerning remission of duties, as well as convergence on product-specific origin rules across overlapping blocs such as COMESA and EAC.
- b. Creating flexible allowances for specific product categories like confectionery. In the context of intra-EAC trade, the EAC authorities currently enforce their own interpretation of cumulation provisions that is not legally supported by any legal text and prohibits firms from two EAC/COMESA member countries from cumulating under COMESA rules. Imparting clarity and eliminating this restriction, which does not appear justified or corroborated by any EAC or COMESA legal text would significantly improve firms’ sourcing flexibility and regional supply chain integration.
- c. The company also called for the introduction of clearer administrative guidance on calculating input thresholds and for expanded access to duty drawback and customs facilitation schemes.

These measures, if implemented, could help align trade policy with broader continental goals of enhancing regional value chains and intra-African trade.

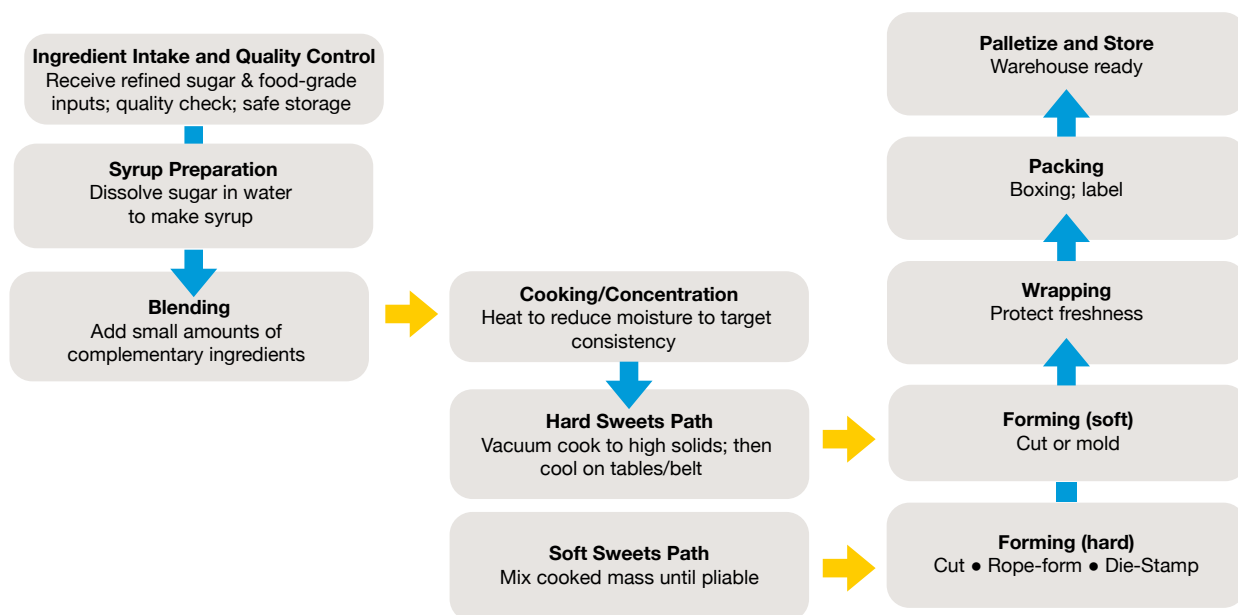
These measures... could help align trade policy with broader continental goals of enhancing regional value chains and intra-African trade.

Evidence and potentialities of regional value chains in Sub-Saharan Africa using cumulation
A quantitative and firm level approach



Processing and packaging operations at Kenya Sweet Company, showing confectionery production and storage

Figure 6:
Kenya Sweet's Confectionery Processing



5.2.4 Shangcheng Kenya Apparel EPZ

Business Profile and Trade Preferences under AGOA

Shangcheng Kenya Apparel EPZ is a large-scale garment production facility located in Kenya, employing between 1,600 and 3,200 workers. The firm was established approximately two years ago and is part of a wider corporate structure with its parent company Shangshang based in China. It also operates a sister facility in Ethiopia, which has partially scaled down due to the loss of AGOA benefits. The Kenyan unit benefits significantly from the African Growth and Opportunity Act (AGOA), exporting around 95 to 100 percent of its production to the United States, with minimal volumes reaching Europe, Canada, Mexico, or Australia.

The firm's current preferential trade access hinges on AGOA, which allows for duty-free and quota-free exports to the U.S. However, AGOA is set to expire in September 2025, and its possible non-renewal raises serious concerns. If expired without replacement or alternative bilateral arrangements, the firm could face import duties as high as 45 percent (35 percent MFN + 10 percent tariff) when exporting to the U.S., significantly reducing competitiveness.

Kenya's current advantage over Asian competitors such as Vietnam and Bangladesh rests largely on tariff reductions, which lower the relative cost of its exports. However, this margin is fragile: the removal of AGOA preferences or reciprocal arrangements would eliminate Kenya's tariff advantage and expose its producers to more intense price-based competition. While Europe is being considered as a potential secondary market, uncertain demand conditions limit its viability as a reliable alternative.

Sourcing and Regional Value Chains

The firm sources most of its fabric from China, primarily due to cost, quality, and

lead-time efficiencies. Despite the regional trade frameworks and goals of fostering intra-African supply chains, regional sourcing remains impractical. Efforts to source from local or regional producers such as A to Z Textile Mills in Tanzania²⁹ were abandoned because the fabrics failed to meet international buyer standards, such as those of PVH (Phillips-Van Heusen). Moreover, synthetic fibre dominates the African textile manufacturing landscape—accounting for over 95 percent of production—because of the higher U.S. tariffs on synthetic fibres (28 percent) compared to natural fibres (11 percent). Ironically, synthetic-fibre garments from Kenya enjoy greater tariff exemptions under AGOA, making them a preferred choice, even though it misaligns with the broader aim of promoting natural fibre production within Africa.

Domestic sourcing in Kenya is considered essential for short turnaround orders, especially for U.S. buyers with tight timelines. The production cycle typically involves receiving inputs within 2–3 days, manufacturing over one week, and shipping in the subsequent week. However, Kenya lacks sufficient capacity in producing internationally compliant fabrics and accessories, forcing continued dependence on Asian imports.

Costs and Competitiveness

Kenya's labour costs range from 100 to 200 USD per worker per month, considerably higher than competitor countries such as Ethiopia (60 USD), Bangladesh (below 100 USD), and Sri Lanka (112–150 USD). This cost disadvantage is exacerbated by the lower perceived quality of Kenyan-made garments compared to products from Sri Lanka and India. As a result, brands such as Victoria's Secret tend to remain loyal to Asian producers, even when faced with higher tariffs. Moreover, Kenya faces rising energy and logistics costs, prompting many large fabric mills to begin investing in Egypt, where electricity costs are lower and infrastructure is more advanced.

AGOA is set to expire in September 2025, and its possible non-renewal raises serious concerns.

If AGOA expired without replacement... the firm could face import duties as high as 45 percent... when exporting to the U.S.

²⁹ See AtoZ Group Limited. <https://atoz.co.tz/>

Figure 7:
Kenya Labour Costs Comparison

The firm exports around 95 to 100 percent of its production to the United States.



The firm now sources 100% of its fabric and inputs from China.

The firm noted that AGOA is not only valuable for the duty-free access it provides but also because it enables access to a high-demand market. Unlike African regional markets, where demand for garments is low and logistics pose a challenge, the U.S. market presents scale and consistency. Without AGOA, exporting to the U.S. may no longer be commercially viable, particularly when labour and production costs in Kenya remain relatively high.

Market Diversification and Regional Challenges

Beyond the U.S.—which accounts for 95–100% of Kenya's garment exports—penetration into other export markets has remained minimal. In the past two years, there have been only one or two shipments to Europe, Canada, or Australia. EU buyers continue to favour sourcing from Asia and Egypt due to their higher competitiveness and established supplier networks. Efforts to access regional markets, particularly in West Africa, have also faced significant

barriers. These markets are perceived as less viable due to limited demand and logistical constraints. Moreover, regional sourcing—essential for eligibility under certain trade regimes—has proved to be challenging. As mentioned above a previously viable supplier, A-Z Tanzania, located within the agro-economic zone of Tanzania and known for supplying cotton-based fabrics (over 95% cotton), no longer meets PVH (Phillips-Van Heusen) standards, a requirement of one of the firm key buyers. Since then, the firm discontinued sourcing from A-Z Tanzania, and it now sources 100% of its fabric and inputs from China.

In East Africa, the firm indicates that local sourcing within Kenya is critical but difficult. Their production cycle demands tight turnaround times—2 to 3 days for acquiring fabric and accessories, followed by 1 week for manufacturing and shipment the next week. Meeting such lead times requires proximity and reliability in the supply chain, which the local textile ecosystem struggles to deliver. Furthermore,

structural limitations such as unreliable electricity and water infrastructure severely constrain local fabric production. Without targeted investment in infrastructure and a concerted push to improve fabric quality and compliance, Kenya will continue to face a competitive disadvantage compared to better-equipped sourcing destinations.

Recommendations and Policy Priorities

Key recommendations include:

- a. Renewing AGOA or establishing bilateral trade deals with the U.S. to preserve its core market.
- b. Improving local production capacity through public and private investment in fabric mills, infrastructure, and labour productivity. The firm specifically noted that high water and electricity costs in Kenya have made investment in domestic textile mills less attractive compared to countries like Egypt, where such infrastructure is more reliable and cost-effective. Should Kenya develop a more robust and affordable water and power infrastructure, fabric mills would become significantly more profitable, thereby enhancing local value addition and improving competitiveness across the garment value chain.
- c. Building a stable and compliant regional supply chain is considered essential if Kenya is to pivot toward diversified export markets.
- d. Policy support should focus on enabling competitive lead times, upgrading product quality, and reducing operational costs to sustain Kenya's presence in global textile value chains.

5.3 Results of the Kenya Survey Analysis on sourcing and cumulation

Following the face-to-face interviews with firms, a questionnaire was shared to gather further details over the use of cumulation and sourcing strategy. The Kenya firm survey provides a structured view of the reasons why cumulation is not widely used to major destination markets, mainly due to limited sourcing choices at national and regional levels. The following sections summarize the provisions on cumulation under each agreement and highlight the potential for Kenyan exporters.

Cumulation under the Common Market for Eastern and Southern Africa (COMESA)

Cumulation under COMESA is possible as provided in Paragraph 3 under Rule 2 of Origin Criteria of the COMESA Protocol on Rule of Origin which stipulates that *"Raw materials or semi-finished goods originating in accordance with the provisions of this Protocol in any of the member States and undergoing working or processing either in one or two or in more States shall, for the purpose of determining the origin of a finished product, be deemed to have originated in the member State where the final processing or manufacturing takes place."*

Cumulation under the EU-Kenya Economic Partnership Arrangement (EU-Kenya EPA)

The EU-Kenya EPA which went into force on July 1, 2024³⁰ does not explicitly provide protocols concerning rules of origin nor cumulation opportunities because Paragraph 2 of Article 9 of the Agreement states that: *"The EPA Council established under Article 104 (hereinafter referred to as "the EPA Council") shall, by decision, adopt a protocol*

The Kenya firm survey provides a structured view of the reasons why cumulation is not widely used... mainly due to limited sourcing choices at national and regional levels.

This arrangement means that exporters in Kenya could effectively cumulate with other ACP countries.

³⁰ See European Union. (2024). *Economic Partnership Agreement between the European Union and the Republic of Kenya*. Official Journal of the European Union, L 1648.

There is broad consensus that the AfCFTA will provide a wider opportunity for cumulation on the continent should the challenges related to logistics, infrastructure and market access limitations be resolved.

governing the rules of origin at the latest five (5) years after the date of entry into force of this Agreement. Paragraph 1 of this Article shall cease to apply from the moment that such protocol becomes applicable.”

However, in the joint statement attached to the Agreement, EU and Kenya indicate that “*Until such protocol on rules of origin is adopted by the Parties, and pursuant to Article 9(1) of this Agreement, each Party shall apply the rules of origin included in Regulation (EU) 2016/1076 of the European Parliament and of the Council (Market Access Regulation)*¹ as the applicable law of the importing Party.”

This arrangement means that exporters in Kenya could effectively cumulate with other ACP countries as per the regulation in EU 2016/1076³¹

Cumulation under the African Continental Free Trade Area (AfCFTA) Agreement

Cumulation of Origin the AfCFTA is provided in Article 8 of Annex 2 to the AfCFTA Protocol on Trade. Article 8(2) provides cumulation among State Parties by allowing Producers in the State Parties to use Raw

Materials or semi-finished Goods originating in any State Party and undergoing working or processing in another State Party, and the Product shall be deemed to have originated in the State Party where the final processing or manufacturing takes place.

Article 8(2) provides cumulation among State Parties by allowing Producers to carry out working or processing in any of the State Parties, and that any working or processing shall be considered as having been carried out in the State Parties when the Materials undergo further working or processing in a State Party.

There is broad consensus that the AfCFTA will provide a wider opportunity for cumulation on the continent should the challenges related to logistics, infrastructure and market access limitations be resolved.

Summary of Cumulation by Market and Agreement

The table below presents a summary of the survey, interviews and discussions with Kenyan firms on cumulation and sourcing approaches, and the applicable preferential trade regimes. This list is by no means exhaustive or conclusive.

³¹ See European Parliament & Council of the European Union. (2016). *Regulation (EU) 2016/1076 of the European Parliament and of the Council of 8 June 2016 applying the arrangements for products originating in certain states which are part of the African, Caribbean and Pacific (ACP) Group of States provided for in agreements establishing, or leading to the establishment of, economic partnership agreements* (OJ L 185, 8.7.2016). <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32016R1076>

Table 11:
Summary of Cumulation and Sourcing Approaches by Kenyan Firms by Market and Trade Agreement

Product Exported	Market Destination	HS Code of Product Exported	Country with whom Sourcing/ cumulation has been undertaken	HS Code of materials imported for cumulation/ sourcing	Trade Agreement under which Cumulation Provision may or has been applied
Sugar & Baking product	EAC/COMESA	1701.99.90	Mauritius	1701.99.10 1108.12.00	COMESA
Leather	EU, China, India	4104.19 4104.49 4113	Rwanda	4101.90.00 4103.90.00 4102.10.00	EU-Kenya EPA, EAC
Wooden furniture	Uganda	9403.30 9403.40 9403.50	South Africa, China, Austria, Germany, Türkiye	4401.10 4411 8302 3920	AfCFTA

There is a general consensus... that Kenyan operators are not fully aware of the export opportunities that exist under the provisions on cumulations in Kenya's trade agreements.

Recommendations arising from the survey and interviews

a. Allow for Full or Partial cumulation in New Trade Agreements:

Full cumulation allows cumulation to be applied between any number of countries to goods not originating in the FTA member country and processed in the FTA territory. Full cumulation allows cumulating origin-counting processing added across the FTA territory even when the initial input is non-originating. Full cumulation is the most flexible type of cumulation. Under full cumulation, the origin of a product is determined based on the value added or processing that occurs within any of the participating countries.

By allowing full cumulation in new trade agreements, particularly in the new rules of origin protocols which is under negotiation between

the EU and Kenya, more firms would be able to benefit from the cumulation opportunities.

b. Sensitisation and Capacity Building on Rules of Origin and Cumulation:

While notable efforts have been made by Kenyan Customs, The Ministry of Foreign Affairs, and other stakeholders to provide capacity building and training to Kenyan operators, there is still a need for more sensitisation, awareness campaigns, and information sharing on rules of origin and the use of cumulation. There is a general consensus among the authorities that Kenyan operators are not fully aware of the export opportunities that exist under the provisions on cumulations in Kenya's trade agreements.



6 Mozambique

6.1 Findings of the field mission to Mozambique Stakeholders

In Mozambique, the Ministry of Economy and Finance acted as the focal point for the study and facilitated meetings with key stakeholders, including the Chamber of Commerce, the National Trade Facilitation Committee, the Customs Authority, and local manufacturers. During the field mission, the UNCTAD team also met and interviewed the Director of Industry, whose ministry is responsible for issuing certificates of origin under Mozambique's preferential rules of origin regime. This latter engagement with the Ministry of Industry provided crucial institutional insight into how cumulation is administered in practice and how firms interact with the competent authority. In addition, two manufacturing companies were interviewed and subsequently completed the questionnaires, offering valuable details on their production processes and the obstacles they face in sourcing strategy and whether they are making use of cumulation provisions. Mozambique's experience highlights the importance of direct collaboration with both firms and issuing authorities to understand the full chain of factors influencing the uptake of cumulation.

6.1.1 Mozambique Chamber of Commerce

Export Landscape and Sectoral Insights

The Mozambique Chamber of Commerce (CCM) provided an overview of the country's evolving export profile, with key destinations and products. It noted growing Chinese investment driving coffee exports to Europe and China, and emphasized opportunities

for greater regional integration, particularly in textiles and garments through trade with South Africa. However, the Chamber of Commerce was unable to supply valuable examples of cumulation or sourcing within the region. Below are the main highlights of the emerging issues from the conversation held with the Chamber of Commerce.

Challenges to Export Growth

- a. **Lack of accessible and affordable certification:** One of the principal challenges identified was the lack of accessible and affordable certification services within Mozambique. Many exporters are unable to obtain the necessary quality certifications, particularly for high-potential organic products. As a result, Mozambican firms often rely on South African certification services and re-export their goods through South Africa, where products are relabelled as South African. While not directly a rule of origin issue, the reliance on external certification reflects a broader structural barrier: the high cost of importing certification experts makes compliance prohibitively expensive for most SMEs, thereby limiting their ability to fully utilize preferential market access.
- b. **Customs administration:** Reports highlighted widespread corruption, including artificial inflation of the declared value of goods to raise duties and the expectation of unofficial payments to accelerate processing. Despite the introduction of an electronic single-window system, many firms reported ongoing complications, delays, and a lack of transparency.

In some cases, businesses were forced to abandon shipments because duties exceeded the value of the goods. Broader logistical and infrastructural constraints further undermined Mozambique's export competitiveness.

Mozambique's experience highlights the importance of direct collaboration with both firms and issuing authorities to understand the full chain of factors influencing the uptake of cumulation.

The effective operationalisation of cumulation continues to face administrative and procedural constraints.

The high cost of relying on certification experts abroad makes compliance prohibitively expensive for most SMEs.

- c. **Limited awareness of cumulation provisions among local firms:** This is particularly prevalent amongst MSMEs. Although some sectors are theoretically well-positioned to benefit from cumulation, such as textiles, cosmetics, seafood processing, and coconut oil production, practical knowledge and implementation remain low.

Opportunities for Value Addition and Policy Recommendations

Despite the challenges, CCM identified multiple areas where cumulation or a value chain approach could enhance Mozambique's trade performance. The cotton and textile sector, for example, currently focuses on raw cotton exports but holds potential for fabric production using regionally sourced inputs. Similar opportunities exist in the cosmetics industry, where local plant materials could be combined with inputs from neighbouring countries. The seafood sector also remains under-leveraged, with most products still exported in raw form.

However, these observations were presented as indicative and exploratory. CCM did not provide firm-level examples, quantified estimates, or confirmed investment plans to substantiate the feasibility or timeline of such opportunities.

To address these constraints, the Chamber recommended improving access to certification services for SMEs and promoting regional value chains through better utilization of cumulation. Mozambique could benefit from sourcing intermediate goods such as fabric or packaging from South Africa and processing them locally for preferential access to export markets. Digitization and transparency in customs procedures, technical

assistance, and capacity-building around trade agreements were also prioritized as necessary steps to enable effective utilization of cumulation provisions.

6.1.2 Mozambique Customs Authority

Understanding of Cumulation and Implementation Gaps

Mozambique's legal framework provides for the application of cumulation, in particular under Article 4 of Protocol 1 to the SADC-EU Economic Partnership Agreement (EPA), which governs the definition of originating products and methods of administrative cooperation ³².

However, representatives of the Mozambique Customs Authority indicated that, at the national level, the effective operationalisation of cumulation continues to face administrative and procedural constraints. While the relevant agreements and regional administrative cooperation arrangements required under Article 4(9) of Protocol 1 have been concluded at the SADC-EPA level, domestic implementation steps remain incomplete ³³.

Customs authorities noted that, although the administration has the technical capacity to apply cumulation in principle, the practical use of cumulation by exporters is contingent on the finalisation of internal procedures led by the Ministry of Economy and the issuance of clear national guidance on the application of cumulation under the EPA.

Barriers to Utilization and Industrial Limitations

The discussion revealed that cumulation provisions remain underutilized, largely due to limited industrial activity and low awareness among exporters. Many businesses continue to export raw materials without exploring opportunities for regional

Mozambican firms often rely on South African certification services and re-export their goods through South Africa.

³² See European Union & Southern African Development Community. (2016). Economic Partnership Agreement between the European Union and its Member States, of the one part, and the SADC EPA States, of the other part (EU-SADC EPA), Protocol 1, Article 4.

³³ See European Commission. (2017). Guide to the Protocol on rules of origin of the EU-SADC EPA

value addition or sourcing inputs from neighbouring countries. Despite available technical expertise and trained personnel, the uptake remains minimal, hindered by the absence of a broader industrial vision.

A case was cited involving banana exports, where modest investments could enable firms to transition from raw exports to processed goods, qualifying for preferential treatment and improving returns. This underscores the broader need for industrial upgrading to unlock the potential of trade agreements.

The Customs Authority expressed a strong willingness to support ongoing reforms aimed at enhancing Mozambique's trade performance. There was consensus on the need for a long-term industrialization strategy to fully benefit from cumulation and regional integration. The meeting concluded with agreement to share additional data and remain engaged through follow-up consultations, including virtual discussions with private sector stakeholders

Firm-Level Experience and Compliance Challenges

FESCO Engineering Services was identified as one of the few firms effectively using cumulation. By importing fly ash from South Africa and exporting the finished products (Cement and Concrete Products, Lumber and Other Construction Materials, Non-metallic Mineral Products, and others); regionally, the company provides a working example of how such provisions can be applied.

However, compliance challenges persist. Some traders incorrectly use documentation from the Chamber of Commerce rather than official origin certificates. There have also been instances of tariff classification manipulation to gain preferential access. Such practices increase the risk of non-compliance and loss of preferential treatment.

Recommendations for Improved Adoption

Several measures were proposed to improve adoption of cumulation practices:

- a. Wider public education campaigns with, targeted training for exporters.
- b. Stronger coordination among the Ministry of Industry, Ministry of Economy, and Customs Authority to simplify administrative procedures.
- c. Strategic investments in cement production and light manufacturing to help local industries qualify for regional value chains and take advantage of preferential terms.
- d. Continued technical support from development partners like UNCTAD was welcomed, particularly to guide implementation and build awareness of trade facilitation procedures.

Trade Data and Final Observations

It was noted that Mozambique's exports to the EU dropped sharply in 2023, partly due to reduced aluminium shipments. Utilization rates of schemes like EBA and EPA remain inconsistent, often due to documentation issues or lack of familiarity with correct procedures. The country continues to run a trade imbalance with SADC, importing more from South Africa than it exports.

6.2 Findings from Factory Visits and Interviews

6.2.1 Company X³⁴

Business Profile and Operations

Company X is a diversified multinational conglomerate operating across more than sixteen countries, with a strong presence in construction, cement, and renewable energy sectors. Internationally, the company has led several landmark infrastructure projects, including the Istanbul Airport,

While the relevant agreements... have been concluded at the SADC-EPA level, domestic implementation steps remain incomplete.

The uptake remains minimal, hindered by the absence of a broader industrial vision.

³⁴ The company name is not disclosed, as the firm did not provide consent for its publication.

Mozambique has yet to implement the necessary governmental procedures to operationalize these cumulation provisions.

Dakar Airport, Cairo Terminal, and is presently engaged in the construction of the Barcelona Stadium and Kuwait Airport. In Mozambique, Company X is one of the largest cement producers and ranks among the top taxpayers. While its operations in Mozambique are relatively smaller in comparison to its global footprint, the company holds a significant position in the local market.

Export, Import, and Trade Patterns

In Mozambique, only about two percent of Company X's cement (HS 2523) production is exported, primarily to other SADC countries such as South Africa and Eswatini. This export share is expected to decline due to limited commercial viability.

Exports are maintained primarily for brand visibility and long-term strategic presence, rather than for immediate profitability. In 2023, Company X imported around 60,000 tons of fly ash (HS 2621.10) and approximately seven million plastic cement bags (HS 3923) from South Africa. Despite strong domestic demand, the company sustains this limited export operation as part of its long-term regional positioning strategy.

Regional Integration and Cumulation Potential

Company X has engaged with ongoing efforts to strengthen regional value chains in Sub-Saharan Africa. Mozambique is a party to the SADC-EU Economic Partnership Agreement, which theoretically enables cumulation provisions under certain conditions ³⁵. One example discussed was the use of South African fly ash (HS 2621.10) in Mozambique's cement (HS 2523) production for duty-free exports to the EU. However, Mozambique has yet to implement the necessary governmental procedures to operationalize these cumulation provisions, limiting the firm's ability to benefit from them in practice.

Trade and Operational Challenges

Company X identified several macroeconomic and regulatory challenges impacting its operations in Mozambique:

- a. **A severe foreign exchange shortage:** Especially in dollars, euros, and South African rands, remains one of the most pressing issues. Even established firms face difficulties in securing modest amounts of foreign currency, and recent Central Bank policies have exacerbated the problem by mandating that 50 percent of export earnings be converted into local currency. This is compounded by a fixed exchange rate regime that has remained unchanged for nearly four years, despite broader economic shifts. The country's credit profile has also deteriorated, with a downgrade to selective default status by rating agencies.
- b. **Competition from Asian manufacturers:** Competition from China, Pakistan, and Vietnam was cited as another key issue. These manufacturers are reportedly selling cement at extremely low prices, which Mozambican producers view as dumping. In response, the government has imposed a 20 percent "super tax" on cement imports to protect local industry. However, there are growing concerns about future competition from within the continent under AfCFTA, which could challenge the efficacy of existing protections.
- c. **Customs and trade facilitation processes:** These were described as highly bureaucratic and vulnerable to corruption. Delays are common, and firms often face pressure to make unofficial payments. According to Company X, well-connected companies typically

³⁵ See European Union & Southern African Development Community. (2016). EU-SADC EPA, Protocol 1.

receive preferential treatment, while others face repeated administrative bottlenecks.

- d. **High transport costs:** These further constrain Company X's regional competitiveness. For example, although coal is mined in Tete province, it is not transported to Maputo due to logistical inefficiencies. Energy and labour costs also remain elevated. Although labour is often perceived as low-cost, compliance with minimum wage laws makes actual costs substantially higher than expected.

Domestic Market Conditions

Company X reported that the Mozambican construction market has slowed, largely due to the macroeconomic effects of the Russia-Ukraine conflict. Many construction firms have postponed or cancelled planned investments. The current market climate is considerably less dynamic than in the previous year, which has added to the company's operational challenges.

Regional Trade Frameworks and Outlook

The firm expressed scepticism about the benefits of regional integration under SADC and AfCFTA for Mozambique's industrial development. Despite being a member of SADC, Mozambique continues to import basic consumer goods such as bread from other SADC countries.

Company X viewed this trade imbalance—particularly in relation to South Africa—as detrimental to the local industry. The company recalled that SADC was originally conceived as a counterweight to South Africa's regional dominance, but its present configuration has not delivered balanced outcomes. Similar doubts were raised regarding AfCFTA. Although Mozambique has ratified the agreement, there are concerns about its practical implementation and the competitiveness of Mozambican firms in a liberalized continental market dominated by more industrialized economies.

Policy Recommendations

Key recommendations include:

- Increasing awareness and training around cumulation rules and EPA-related benefits.
- Improving Mozambique's infrastructure and reducing logistical bottlenecks to enhance industrial productivity.
- The firm also called for greater transparency and efficiency in customs procedures, along with efforts to combat corruption.
- Stabilizing the foreign exchange environment was identified as critical to business continuity.
- Finally, Company X encouraged the government to clarify and streamline the national implementation of the EPA in order to enable local firms to take full advantage of cumulation provisions.

Stakeholder Engagement

To deepen the understanding of Mozambique's industrial and trade landscape, Company X recommended engagement with key individuals such as Simone Santi, President of EuroCham and a strong local content advocate; Honorato Boane, General Manager at Beluluane Industrial Park; Jaime Comiche, an experienced figure in industrial policy; and Fernando Oliveira, Chairman of Compal and a consultant to the International Finance Corporation. Unfortunately, due to budget and time constraints, it was not possible to carry out such consultations.

6.2.2 Fesco Engineering Company

Business Profile and Use of Cumulation

FESCO Engineering Company is a cement manufacturing enterprise operating in Mozambique. There are a number of ways in which a cement manufacturing enterprise could function:

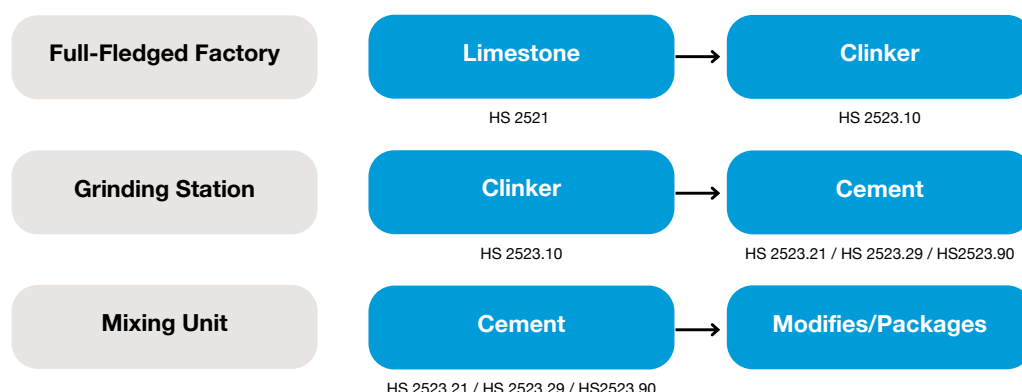
Stabilizing the foreign exchange environment was identified as critical to business continuity.

The fly ash imported from South Africa costs between US\$3.4 to US\$4.4, yet by the time it reaches Mozambique, the cost increases to approximately US\$42 per ton, primarily due to transport costs.



Figure 8:
Value Chain manufacturing stages of Cement

The absence of viable rail transport exacerbates this issue.



The firm also highlighted the widespread presence of the informal market, estimating that 80% of the domestic cement market operates without paying taxes.

FESCO primarily functions as a grinding station rather than conducting the full cement production process from limestone to clinker and then cement. FESCO purchases clinker and grinds it into cement, occasionally mixing and packaging as well. This model enables them to maintain a leaner production structure while engaging in both local supply and cross-border trade.

A key feature of FESCO's operations is its practical application of a value chain that does not need cumulation provisions under the EU- SADC EPA or SADC trade protocol. In fact, the firm imports fly ash (classified under HS 2621.10) from South Africa and uses it as an input in the cement production process of heading 2523. As the product-specific rules of origin under SADC trade protocol and EU-SADC EPA require a change of tariff heading, the cement manufactured by FESCO complies with the product-specific rules of origin of EU_SADC and SADC trade protocol ³⁶. Hence, there is no need to use cumulation. The finished product is then exported within the SADC region, making FESCO a clear example of a regional value chain that can support industrial activity and promote intra-regional trade.

Export Profile and Currency Constraints

FESCO's primary export destination is South Africa. However, recent exchange rate fluctuations, especially the weakening of the South African rand, have disrupted exports. Local logistics and market conditions often make it cheaper to import materials from abroad than from other parts of Mozambique due to inadequate infrastructure. These currency risks, combined with broader macroeconomic volatility, pose a significant challenge to long-term export planning and pricing stability.

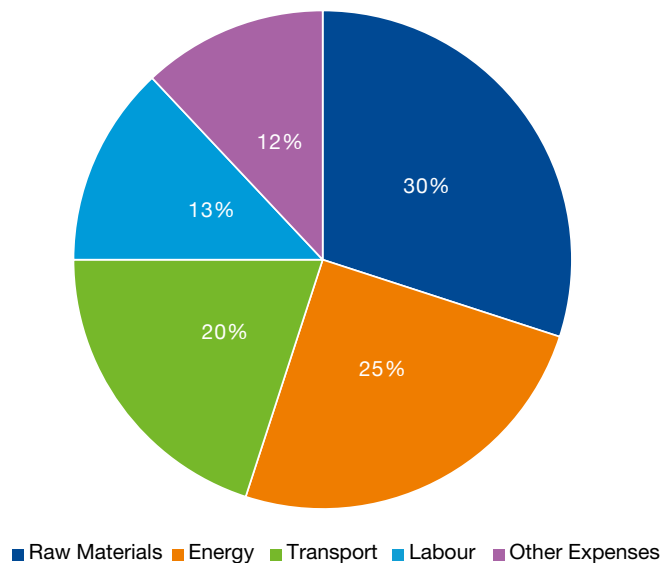
Production and Cost Structure

As a grinding station, FESCO's production model allows it to operate without the need for upstream limestone processing. However, the firm still incurs high production costs, especially in energy and transport. Energy represents the second or third largest component of total production expenses. Labor costs account for around 13% of total costs, which is notably higher than the global industry benchmark of 5–6%. The firm emphasized the importance of skilled technical labour, noting a shortage of locally available experts with the required competencies.

³⁶ See East African Community Secretariat. (2015). East African Community Customs Union (Rules of Origin) Rules, 2015; and European Union & Southern African Development Community. (2016). EU-SADC EPA, Protocol 1.



Figure 9:
FESCO's Cost Structure



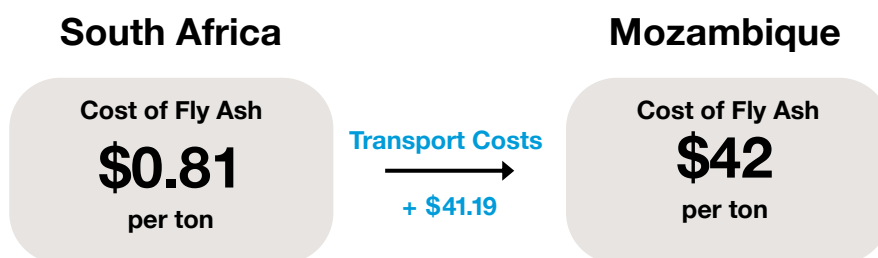
The urgent need for infrastructure development, particularly in rail transport, [is] to bring down logistics costs and unlock regional trade potential.

Transport and Logistics Constraints

One of the most critical challenges for FESCO is transportation. The cost of materials such as fly ash is relatively low in South Africa, ranging from US\$3.4 (55 ZAR) to US\$4.4 (70 ZAR) per ton. However,

by the time it reaches Mozambique, the cost increases to approximately US\$42 per ton, primarily due to transport costs. The typical 600-kilometer truck journey consumes around 80 litres of diesel per 100 kilometres, translating into a round-trip fuel cost of roughly US\$1,440.

Figure 10:
The Impact of Transport Costs on Fly Ash Pricing



The absence of viable rail transport exacerbates this issue. Although rail would significantly reduce costs, the lack of wagons and deteriorating rail infrastructure in Mozambique makes this option

unavailable. These transport challenges are not limited to fly ash; similar cost escalations apply to other inputs and raw materials, severely limiting FESCO's competitiveness.

Market Challenges and Informality

Mozambique's domestic market for cement presents additional complexities:

- a. FESCO reported that there is only one major local supplier of cement raw materials, limiting competition and increasing dependence.
- b. Importantly, logistics inefficiencies make it cheaper in some instances to import materials by sea from distant countries like China or Pakistan than to source them from other regions within Mozambique.
- c. The firm also highlighted the widespread presence of the informal market, estimating that 80% of the cement market operates without paying taxes. Although there is a 20% protective tariff on cement imports, the prevalence of informality undermines fair competition and complicates formal market expansion.

- d. Customs-related expenses remain high, further discouraging formal trade activity.

Recommendations and Support Required

Key recommendations include:

- a. The urgent need for infrastructure development, particularly in rail transport, to bring down logistics costs and unlock regional trade potential. The current overreliance on trucks for inland transportation is economically unsustainable and environmentally detrimental.
- b. FESCO advocated for more robust institutional support mechanisms that amplify the voice of industry players in national policymaking.

Despite the structural challenges, the firm acknowledged the constructive role played by manufacturing associations in Mozambique. These associations, if adequately empowered, can act as effective intermediaries between private industry and government authorities.





7 South Africa

7.1 South Africa Stakeholders

As outlined in section 4.8.3, South Africa presents the most trading opportunities for advancing the case of cumulation use in Africa, particularly in the automotive sector under the EU–SADC EPA. Previous experience has shown that bilateral cumulation with the EU is widely applied, and the possibility of extended cumulation—for example in the case of lithium-ion batteries sourced from South Korea—was quoted in interviews with the automotive industry as an important opportunity. However, firm-level evidence remains difficult to obtain. Despite two field missions, extensive coordination with SARS and Business Unity South Africa, and outreach through industry associations such as SAPMA, no South African companies ultimately completed the survey. Firms expressed concern over data confidentiality and scepticism about how the information would be used. This case underscores both the potential and

the challenges of documenting cumulation in more advanced economies within Africa.

South Africa: Insights and Challenges

In the South African context, the input/output analysis, seen below, highlights the potential for cumulation, yet documenting its actual use has been challenging due to confidentiality and limited institutional coordination. Awareness of cumulation remains concentrated in large export sectors, while SMEs participate only marginally. Administrative delays and misunderstandings have further slowed implementation of SACU–EU EPA provisions, which took nearly seven years to become operational in South Africa, only taking effect in 2023. As a result, South Africa’s utilization rate of the EU trade agreement stands at 86%, below countries like Cambodia, a LDC, at 93%. Strengthening dialogue among BUSA, SARS, and UNCTAD could help build evidence, improve awareness, and enhance capacity to make better use of cumulation provisions.

South Africa presents the most trading opportunities for advancing the case of cumulation use in Africa, particularly in the automotive sector under the EU–SADC EPA.



Bilateral cumulation with the EU is widely applied, and the possibility of extended cumulation... was quoted... as an important opportunity.

Administrative delays and misunderstandings have further slowed implementation of cumulation under the EU-SADC EPA... which took nearly seven years to become operational in SACU.

Table 12:

Input/Output Matrix of Major Exports from SA to Main Markets (2023)

E x p o r t s				M a i n I n p u t s													
Basic Product (HS6)		Total Exports to WLD		Principal Export Destinations (with their respective ISO3 codes and shares in total exports of the product)			Product		Total Imports from WLD		Principal Suppliers (with their respective ISO3 codes and shares in total imports of the product)						
HS6 Code	HS6 Description	Value (\$ 000)	Share in HS Chapter (%)	Nbr. of Exp. Destinations	1st Destin.	2nd Destin.	3rd Destin.	HS Definition	Value (\$ 000)	Share in Total	Nbr. of Suppliers	1st Supplier	2nd Supplier	3rd Supplier			
					ISO3 Code	Exp Share (%)	ISO3 Code					Exp. Share (%)	ISO3 Code	Imp. Share (%)	ISO3 Code	Imp. Share (%)	ISO3 Code
870421	Transport Vehicles	3	32,3	100	EUN	58,2	GBR	18,1	NAM	3,4	8408.20, 8512.20, 8512.30 etc. - engines, electrical parts and bodies	EUN	40,2	CHN	16,9	USA	10,8
870323	Vehicles (spark-ignition engines)	2	26,7	53	EUN	41,3	USA	29,2	JPN	6,9	8407.34, 8512.20, 8512.30 etc. - engines, electrical parts and bodies	EUN	40,4	CHN	17,5	USA	10,4
842139	Gas-purifying machinery	2	31,5	86	EUN	62,3	USA	16	GBR	5,4	4812.00, 5911.90 and 8421.99 - filters, textile parts	EUN	46,5	CHN	20,5	USA	9,2
381512	Catalysts	435	32,6	16	EUN	43	USA	24,8	GBR	17,6	2843.90, 7110.11, 7110.21 - platinum powder form	USA	83,6	EUN	12,9	GBR	1,5
847490	Mineral processing machines	360	5,5	103	ZAR	15,9	ZWE	8,1	ZMB	7,7	7207.11 through 7207.20 etc. various iron or non-alloy steel parts	EUN	44,1	CHN	39,2	IDN	5,6
843149	Ores processing machines	280	4,2	93	ZMB	17,6	ZAR	15,9	NAM	13,4	7207.11 through 7207.20 etc. various iron or non-alloy steel parts	EUN	44,1	CHN	39,2	IDN	5,6

Evidence and potentialities of regional value chains in Sub-Saharan Africa using cumulation
A quantitative and firm level approach

E x p o r t s

M a i n I n p u t s

Basic Product (HS6)	Total Exports to WLD	Nbr. of Exp. Destinations	Principal Export Destinations (with their respective ISO3 codes and shares in total exports of the product)				Product	Total Imports from WLD	Nbr. of Suppliers	Principal Suppliers (with their respective ISO3 codes and shares in total imports of the product)									
Pumps; parts	190	2,9	100	ZAR	19,1	ZMB	12,9	NAM	7,4	7207.11 through 7207.20 etc. - iron or non-alloy steel parts and semi-products	589	0,7	39	EUN	44,1	CHN	39,2	IDN	5,6
Sugars; cane sugar	190	45,7	26	EUN	52	MYS	18,9	USA	11,4	1702,9	37	2,8	35	SWZ	72,8	CHN	12,7	EUN	7,5
Washing and cleaning preparations	186	34,2	94	MOZ	30,4	ZWE	16,8	BWA	14,4	3402.11 through 3402.19 - surface-active agents	102	0,3	39	EUN	33,2	USA	13	CHN	10,9
Jewellery; of precious metal	183	0,7	42	USA	89,3	ARE	4,9	GBR	3,4	7108.13 through 7111.00	476	13,4	16	NAM	88,4	BWA	9,3	CHE	1,4
Food preparations	161	29,4	94	ZWE	15,2	MOZ	14	BWA	12	0405.10, 0405.90, 0409.00 etc. - sugar, ingredients	144	7	76	EUN	25,4	CHN	21	SWZ	13,2
Sauces and preparations	146	26,8	86	ZWE	16,3	BWA	15,4	NAM	9,3	0904.11 through 0910.99	90	4,4	71	IND	34,2	VNM	17,9	CHN	14,4
Undenatured ethyl alcohol	129	9	50	EUN	20,8	USA	14	SGP	10	1107.10, 1107.20 - malt 1703.10, 1703.90 - molasse 2901.21 - ethylene 2901.29 - acetylene	96	4,1	34	EUN	80,2	AUS	5,5	MOZ	2,7

The input/output analysis... identifies possible value chains and the potential for cumulation, yet documenting it was not possible at a firm level due to confidentiality and limited institutional coordination.

Awareness of cumulation remains concentrated in large export sectors, i.e automotive, while SMEs participate only marginally.

There is no option but to adapt to the EU's zero-emission standards by 2035 if the industry is to stay relevant.

South Africa automotive manufacturers need preferential access to the EU or the UK, or demand for South African vehicles may be severely impacted.

Table 12 above was shared and used during meetings with SARS, BUSA, and the Department of Trade and Industry (DTI) to present evidence of sourcing patterns and the potential use of cumulation by South African firms. Beyond the evidence on subheading 870421 (transport vehicles) and subheading 870323 (vehicles)—mainly exported to the EU, the UK, and the United States and using inputs such as engines, electrical parts, and bodies from the EU, the United States, and China—the table also highlights sourcing patterns and cumulation potential in other sectors.

Subheading 381512 (catalysts), 847490 (mineral processing machines), and 843149 (ore-processing machines) show significant export volumes to the EU and regional markets, with inputs sourced from the EU, the United States, and China, where a form of bilateral cumulation may take place.

Subheading 340290 (washing and cleaning preparations) shows considerable subregional exports to Mozambique, Zimbabwe, and Botswana, with inputs from the EU, the United States, and China, again offering potential to explore sourcing strategies and cumulation possibilities with South African firms.

Heading 711319 (jewelry) clearly shows that precious stones originating in Namibia are used in the manufacture of jewelry exported to the EU, the United States, and the United Arab Emirates.

Finally, in the agro-processing sector, subheading 210690 (food preparations) and subheading 210390 (sauces and preparations) are exported to neighbouring countries such as Zimbabwe, Mozambique, and Namibia, using ingredients imported from the EU, India, Vietnam, and China.

The input-output table and other examples had previously been shared and used by UNCTAD to prepare for the field mission and to illustrate, to institutions and

stakeholders, sectors showing scope for regional sourcing or cumulation. The next step was to identify, with the support of South African institutions and the private sector, firms that are actively involved, and to conduct firm visits and interviews, as was done in Kenya. Unfortunately, apart from the specific case of Ford mentioned below, it was not possible to carry out such visits due to confidentiality constraints in the case of SARS, lack of time and/or convening power in the case of DTI, and limited interest shown by the manufacturers' association convened by BUSA.

At the end of the meeting held at BUSA, a work programme was agreed for the circulation of a questionnaire and the organization of a training on cumulation. However, a lack of adequate follow-up, despite several contact attempts, prevented the implementation of the work program.

These findings are somewhat matching the results of the EU-SADC EPA evaluation finalized in September 2024 where it was reported that: "Despite training and support provided by the EU, the concept of cumulation still remains poorly understood among many stakeholders in the SADC EPA States, including among the trading community³⁷". It may be added from the lessons learned in this research and field study in South Africa that before carrying out any additional training and technical assistance in South Africa on cumulation and rules of origin as a whole, it is crucial to obtain firm engagement from the private sector and Government institutions to ensure adequate participation, genuine commitment and significant value for money returns from such technical assistance and expertise delivered at no cost.

The case of automotive industry³⁸

Most recently, the South African automotive industry has pivoted into the production

³⁷ See European Commission. (2024). Ex-post evaluation of the EU-SADC Economic Partnership Agreement: Final report (Vol. 1). Publications Office of the European Union. <https://doi.org/10.2781/7895625>

³⁸ This section draws from consultations with SA Ford Corporation.

of electric vehicles in accordance with global automotive strategies that outline electrification plans to transition from the production of internal combustion engine vehicles (“ICE”) to plug-in hybrid electric vehicles (“PHEVs”) and battery electric vehicles (“BEVs”). The transition is driven by the rapid electrification changes taking place globally, particularly in the European Union (“EU”) and the United Kingdom (“UK”), where strict emissions regulations on the sale and production of ICE vehicles have been introduced. Accordingly, the perception of the South African automotive industry is that there is no option but to adapt to the EU’s zero-emission standards by 2035 if the industry is to stay relevant and maintain trade relations with the EU and the UK.

South Africa, and Africa at large, have identified critical minerals for battery manufacturing in EV production and/or in Battery Energy Storage Systems (“BESS”) for the Just Energy Transition, which underpins the agency and rapid green industrialization underway. Neither South Africa nor the African continent have, at present, the local battery manufacturing capacity, skills, and capital yet that are critical to ensuring a seamless transition into the EV sector. The automotive industry in South Africa needs to seek alternative means to obtain the battery raw materials and parts needed for EVs to meet global demand and thus needs to look beyond South African and African borders.

According to this view, while the South African government pursues local battery manufacturing investment strategies to develop a battery value chain in the country, the South African automotive industry sources indicate that, at present, critical interim support from the DTI and the South African government is needed to maintain preferential access to the EU and UK markets, of which compliance with rules of origin (RoO) requirements is a crucial component.

According to automotive industry sources, South Africa automotive manufacturers need preferential access to the EU or the UK, or demand for South African vehicles

may be severely impacted, resulting in lower production volumes, which would have an indirect impact on local component suppliers’ volumes and employment across the entire automotive supply chain.

In order to compete effectively, stakeholders in the automotive industry considered the current rules of origin for vehicle production as detrimental to the transition to EVs, as reflected in the *Ex-post evaluation of the EU–SADC Economic Partnership Agreement* (September 2024) (hereinafter “the evaluation”).

The automotive industry suggested a time-bound reduction of the domestic value-addition requirement from 60% to 40%, according to the findings of the evaluation, which were reiterated in discussions carried out in March 2025.

The evaluation also found that wire harnesses produced in Botswana and used by South African car manufacturers (as well as some very limited sales of leather seats from Lesotho) were used by the South African automotive industry. This fact should have provided evidence for value chains and scope for cumulation within SACU and triggered immediate action by responsible institutions. Even if it still unclear how long and how significant was the scope for such a value chain and cumulation, it appears evident that it has not been considered sufficient by responsible authorities in South Africa to speed up the procedure for activating SACU cumulation in spite of such evidence.

In any case, as these inputs are now covered by diagonal cumulation following its activation in June 2023, they are no longer counted as non-originating products. This may alleviate, albeit not fully resolve, the difficulties in complying with the existing 60% requirement (In reality a 40 % maximum value of non-originating materials) under EU-SADC EPAs.

What is most surprising in the overall findings emerging from the discussions held with stakeholders and government officials is the persistent lack of understanding, or

Neither South Africa nor the African continent have, at present, the local battery manufacturing capacity, skills, and capital yet.

The automotive industry requested the assistance of the Department of Trade and Industry... to lobby for a cumulation application.

Companies import components such as engines and aluminium parts from the EU and export finished vehicles back to the EU.

misconceptions, related to cumulation, and the limited cooperation between government and the private sector. As mentioned, it took seven years for SACU to activate diagonal cumulation, while Mozambique's procedures, although advancing, remain incomplete. Reportedly, the automotive industry requested the assistance of the Department of Trade and Industry (DTI) to lobby for a cumulation application under Protocol I, Article 6 (Cumulation with materials originating in countries benefiting from duty-free, quota-free access to the EU) of the SADC-EU EPAs and SACUM-UK Economic Partnership Agreements (EPAs).

To sum up, additional exchange of confidential materials showed that there are persistent delays regarding the correct procedures and path to follow, which should be based on the extended cumulation provisions of the EU-SADC EPA to allow the use of batteries originating in South Korea, namely paragraph 2 of Article 6 of the Protocol on rules of origin of the EU-SADC EPA and SACUM-UK Economic Partnership Agreements (EPAs).

Concerns raised by the National Association of Automobile Manufacturers of South Africa (NAAMSA)

According to NAAMSA EU as well as UK trade agreements must combine several key elements to ensure that they successfully allow for free trade in goods. These are: zero tariffs and rules of origin that reflect the realities of manufacturing structures. Currently, there is extremely limited battery manufacturing capacity in the European Union, especially for battery cells and raw materials, and vehicles are mainly being fitted with imported batteries. If a battery cannot obtain European origin, then it is effectively impossible for the vehicle to be eligible for tariff preferences if the rules of origin are based on recent precedent (i.e. those rules that have been agreed in EU FTAs).

An exception to the rules of origin referred to above must be made for trade in batteries for electrified vehicles. Given the

lack of battery manufacturing capacity in the 27 EU Member States (EU27) and the UK, and the high value of the battery in the overall cost of a completely built-up electric vehicle, it would be impossible to comply with such restrictive rules of origin. As developing and deploying battery technologies is a fundamental challenge for the automotive industry and a cornerstone of Europe's ambitious agenda to address climate change, the rules of an FTA must not limit manufacturers' ability to bring this technology to markets. Much more liberal rules of origin need to be applied in the trade agreement and maintained, at least in the medium term.

7.1.1 Business Unity South Africa (BUSA)

Business Profile and Sectoral Engagement

Business Unity South Africa (BUSA), representing around 90% of the South African private sector, hosted a stakeholder engagement on cumulation in collaboration with UNCTAD on 8 April 2025. The meeting brought together representatives from key sectors including automotive, chemicals, textiles, and public institutions such as the South African Revenue Service (SARS).

In South Africa, the automotive industry has been the most prominent user of cumulation provisions, particularly under the EU-SADC Economic Partnership Agreement (EPA). Companies import components such as engines and aluminium parts from the EU and export finished vehicles back to the EU, relying on bilateral cumulation provisions. Discussions also touched upon extended cumulation opportunities, including lithium-ion batteries sourced from South Korea. In one case, the South African automotive industry requested extended cumulation for lithium batteries sourced from South Korea. Although Botswana has lithium reserves, the absence of domestic battery production restricts regional value chain development. The National Association of Automotive Component and Allied

The Lesotho-South Africa denim value chain was noted as a successful precedent.

Manufacturers (NAACAM) expressed interest in deepening engagement on this issue.

In textiles, historical examples were cited where South African firms sourced denim fabric from Lesotho for exports, demonstrating regional value chain integration. The AGOA provision for third-country fabric was highlighted as a key enabling factor in this context³⁹. While current usage of cumulation in this sector appears limited, the Lesotho–South Africa denim value chain was noted as a successful precedent.

Representatives from the chemical and pharmaceutical sectors acknowledged that cumulation is not presently used in their industries, though there is potential for uptake, particularly in pharmaceuticals.

In addition, the UNCTAD team held a Zoomcast with SAPMA in June 2025, intended to be shared with the relevant business associations. However, no responses have yet been received from the companies.

Challenges and Administrative Barriers

Stakeholders noted that cumulation remains under-discussed in domestic trade dialogues, with awareness concentrated in a few export-intensive sectors. This is due to a number of reasons:

- a. Administrative hurdles were frequently cited, including complex paperwork and limited technical support, which constrain firms—particularly SMEs—from utilizing cumulation provisions. There was consensus that more focus has been placed on negotiating FTAs rather than supporting their operational use.
- b. South Africa's utilization rate of the EU trade agreement currently stands at 86%, lower than benchmarks in countries like Cambodia, where usage exceeds 93%.

Proposed Actions and Institutional Support

Participants agreed on several next steps. BUSA will assist in identifying firms across different sectors that are currently using, or could potentially benefit from, cumulation. UNCTAD will distribute a simplified questionnaire for firms to complete, with the option for further interviews. BUSA also committed to hosting a follow-up workshop, in coordination with UNCTAD and SARS, to enhance understanding of cumulation across industry segments.

SARS expressed willingness to support the initiative by facilitating data-sharing (subject to company consent) and contributing to the capacity-building sessions. UNCTAD plans to share the final findings of the study with all stakeholders towards the end of 2025.

There was a broad agreement that cumulation holds untapped potential for South African industries, but increased awareness, improved coordination, and administrative streamlining are essential for realizing its full value.

Cumulation holds untapped potential for South African industries.

Cumulation remains under-discussed in domestic trade dialogues.

Administrative hurdles... constrain firms – particularly SMEs – from utilizing cumulation provisions.

³⁹ See United States Congress. (2000). African Growth and Opportunity Act; U.S. Customs and Border Protection. (n.d.). AGOA guidance.



8 Ethiopia

8.1 Ethiopia Survey Analysis

In the case of Ethiopia, the participating firms span agrifood processing, commodity trading, and light manufacturing, reflecting core pillars of the country's export profile and its gradual move up value chains. Maheder Foods, GENA Trading PLC, SANQA Business Group PLC, Darosoyam Trading PLC, Crescendo Trading PLC, and MTC collectively represent raw and processed agricultural flows (coffee and botanicals, spices, pulses, and assorted consumer goods) while Ker Ezhi Ethiopia Leather Goods anchors a premium leather segment with growing international reach. Together, these firms range from small and scaling SMEs to more established enterprises and engage markets across Africa, Europe, the United States, India, and the Gulf, illustrating diversification beyond traditional

commodities and Ethiopia's integration into regional and global trade networks.

In Ethiopia, collaboration with local firms was secured through established contacts with the Ethiopian Chamber of Commerce. A detailed presentation of the study was delivered via a Teams meeting, followed by the translation of the questionnaire into Amharic to ensure accessibility for local firms. The survey was then circulated to businesses via the Chamber of Commerce. Although no field mission was conducted in Ethiopia, this approach illustrates how localized adaptation—translation, contextual explanation, and regional office engagement—can help overcome information barriers. Ethiopia's participation broadens the geographical scope of the study and reflects the potential for engagement even in the absence of direct in-country missions.

Company Profiles

These firms range from small and scaling SMEs to more established enterprises and engage markets across Africa, Europe, the United States, India, and the Gulf.

Table 13:
Profile of Respondent Ethiopian Exporting Companies

Company Name	Number of Employees	Sector of Operation	Main Export Markets
Darosoyam trading PLC	25	Raw/processed agricultural products	US, India
Crescendo Trading PLC	1	Packaging and stationary	UAE
MTC	45	Raw/processed agricultural products	EU, Africa
Maheder Foods	35	Processed agricultural products	US
GENA TRADING PLC	19	Raw agricultural products	EU, India
SANQA BUSINESS GROUP PLC	5	Processed agricultural products (herbs/spices)	India, UAE
KER EZHI Ethiopia Leather Goods	200+	Leather industry	US, Africa

Together, these firms... illustrate the potential for diversification beyond traditional commodities and Ethiopia's integration into regional and global trade networks.

Use of Cumulation

Out of the 7, only 1 company—Maheder Foods—confirmed the use of regional ingredients and potential use of cumulation.

A survey was conducted among a list of different Ethiopian exporting companies to assess their awareness and/or use of cumulation provisions under current preferential trade regimes. 7 firms responded to the questionnaire. However, out of the 7, only 1 company—Maheder Foods—confirmed the use of cumulation. Maheder Foods also expressed interest in improving cumulation by introducing more lenient provisions for the allocation of origin among partners involved.

Barriers to the Use of Cumulation

The survey responses highlight several key barriers for Ethiopian companies that prevent them from using cumulation:

- a. The most significant barrier is the lack of awareness or understanding of what cumulation really entails. 4 of the 7 companies noted a lack of awareness or understanding—indicating an important information gap. Because of this, targeted awareness campaigns as well

as clearer guidance, especially for small and medium-sized enterprises, are needed.

- b. Moreover, in terms of perceived difficulty, most companies do not label cumulation as inherently difficult. For example, SANQA Business Group PLC interestingly explained that its non-use of cumulation is related to its recent establishment, thus suggesting that a company's stage of development may influence its ability to use cumulation provisions.
- c. Overall, lack of awareness, understanding and experience appear to greatly deter Ethiopian exporters from a wider use of cumulation. Therefore, addressing these barriers will be essential to ensure companies are better equipped to take advantage of trade preferences and increase their uptake of cumulation opportunities.

Maheder Foods... expressed interest in improving cumulation by introducing more lenient provisions for the allocation of origin.

Table 14:
Company-Specific Reasons and Perceptions Regarding Cumulation

Company Name	Reasons for Not Using Cumulation	Perception of Difficulty
Darosoyam trading PLC	Lack of awareness	No
Crescendo Trading PLC	Lack of awareness	No
MTC	Lack of awareness	Yes
GENA TRADING PLC	Lack of awareness	Uncertain
SANQA BUSINESS GROUP PLC	Recently established company	No
KER EZHI Ethiopia Leather Goods	N/A	N/A

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The most significant barrier is the lack of awareness or understanding of what cumulation really entails.

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Four of the seven companies noted a lack of awareness or understanding—indicating an important information gap.

A company's stage of development may influence its ability to use cumulation provisions.

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Annex I: Questionnaires

Mauritius

Company name	No. of Employees	Respondent's Role	SME Status	Sector	Export Markets	Using Cumulation?	Cumulation Regime	Finished Products (HS Code)	Inputs Used (HS Code)	Input Source Countries	Cumulation Partners	Inputs from Partners	Processing from Partners	Suggested Improvements	Reason Not Using Cumulation	Cumulation Too Difficult?	Usefulness of AICFTA Cumulation (score)
-	80	Manager	Yes	Garments products;	EU;	Yes	EU-EPA;	620520	yam and fabrics	shirts	-	520512	spinning	Add more countries, self-certification, simplify origin rules	-	-	10
Filao ltd	300	Manager	No	Leather manufacturer;	EU;	Yes	EU-EPA;	91139000	Import of watch strap parts	Leather watch straps cut Camille Fournet SA	-	Leather 91139000	Assembly, varnishing, sewing, QC	No improvement needed	-	-	3
Hemisphere Sud Ltd	50	Operation Officer	Yes	Leather Handbags;	EU;	Yes	EU-EPA;	420221	semi-finished leather handbags	France	-	420221	Sewing, polishing, zips	Add more countries	-	-	10
PRINCES TUNA MAURITIUS	3800	Sales Manager	No	Fishery products;	EU;	No	-	-	-	-	-	-	-	-	Not aware	-	5
BOURBON VANILLA LTD	48	Manager	Yes	Processed agricultural products;	EU; US;	No	-	-	-	-	-	-	-	-	NOT REQUIRED FOR THE MOMENT	-	-
Grays International Ltd	150	Manager	No	-	EU;	Yes	EU-EPA;	220840	220710	Reunion Island	N/A	Alcohol input for beverages and HS 220710	fermentation and distillation	Add more countries	-	-	8
Aremo Ltd	150	Secretary	No	Manufacturing of Jewellery;	US; EU; Asia; EU;	No	-	-	-	-	-	-	-	-	Not aware	-	8
IVY LEATHERS LTD	75	Operation Officer	Yes	Garments products ;	Canada; UK; US; Australia & New Zealand;	No	-	-	-	-	-	-	-	We wish India, Bangladesh, Pakistan were included	-	-	10
Island Brush Co. Ltd	250	Director	No	Paint Brushes;	EU;	Yes	EU-EPA;	9603.40	Bristles assembled, trimmed, nailed	France	Raphael	9603.50	Manufacture of Bristles	Add more countries	-	-	3
Historic Marine Ltd	80	Managing Director	Yes	Ship Models;	EU;	Yes	EU-EPA;	442090	Wood, Plastic and Foam	Spain	N/A	semi-finished ship models	Polishing, mounting	More countries, self-certify, admin cooperation	-	-	2

Evidence and potentialities of regional value chains in Sub-Saharan Africa using cumulation
A quantitative and firm level approach

Ethiopia

Company Name	No. of Employees	Role	SME Status	Sector	Export Markets	Using Cumulation	Cumulation Regime	Products Using Cumulation	Inputs Used	Input Source Country	Cumulation Partners	Inputs from Partners	Processing from Partners	Suggested Improvements	Reason Not Using Cumulation	Cumulation Too Difficult?
Darosyam Trading PLC	25	Manager	Yes	Raw & processed agricultural products	US, India	No	-	-	-	-	-	-	-	Add more countries; simplify documentation	Not aware	I didn't
Crescendo Trading PLC	1	Manager	Yes	Packaging and Stationery	UAE	No	-	-	-	-	-	-	-	-	Not aware	I don't think
MTC	45	Sales Manager	Yes	Raw & processed agricultural products	EU, Africa	No	-	-	-	-	-	-	-	-	Not aware	Yes
Maheder Foods	35	Manager	Yes	Processed agricultural products	US	Yes	AfCFTA, COMESA	Spice powders	Bird Eye Chili	Ethiopia	Maheder Foods	NA	NA	Lenient origin rules among partners	Partner country not cooperating	Network
GENA Trading PLC	19	Manager	Yes	Raw agricultural products	EU, India	No	-	-	-	-	-	-	-	-	Not aware	I don't know
SANQA Business Group PLC (FIVE)	5	Manager	No	Processed agricultural products	India, UAE	No	-	Dried herbs, turmeric	Rosemary, thyme	Ethiopia	Not disclosed	No	No	Exploring future cumulation	Not interested in sharing firm name	I I don't think it is difficult to try and test whether the regional market is working well as we do business in Asia and middle eat countries too.
KER EZHI Ethiopia Leather Goods Co.	Over 200	Manager	SME with >200	Leather industry	Africa (branch in US)	No	-	-	-	China, Dubai, Japan	N/A	N/A	N/A	No experience using cumulation	We don't use cumulation as export yet	N/A

Evidence and potentialities of regional value chains in Sub-Saharan Africa using cumulation
A quantitative and firm level approach

Kenya

Company Name	No. of Employees	Role	SME Status	Industrial Sector	Export Markets	Using Cumulation	Cumulation Regime	Products Using Cumulation	Inputs Used	Input Source Country	Cumulation Partners	Suggested Improvements	Reason Not Using Cumulation	Why Difficult to Use	Usefulness of Self-Certification
BEDI INVESTMENTS LIMITED	800	Manager	No	Fabrics products; Garments products	US; EU	No		Icing Sugar and Caster Sugar	White Refined Sugar Tariff 1701.99.10 and Corn Starch Tariff 1108.12.00	Mauritius under COMESA regime	N/A	More lenient origin allocation among partners	3RD COUNTRY FABRIC;	AUTHENTICITY OF THE AVAILABLE DATA	Extremely useful
KENYA SWEETS LTD	250	Manager	No	Manufacturing of confectionery	EAC, COMESA	Yes	COMESA	Baking Products. Tariff 1701.99.90					Partner country not cooperating		
ALPHARAMA LIMITED	602	Manager	No	Tanning industry	EU; China; India	Yes	EU-Kenya EPA; EAC	Wet blue, crust & finished leather	Wet salted raw hides/skins - 4101.90.00, 4103.90.00, 4102.10.00, assorted chemicals	Rwanda	IMPU MAHIU LIMITED, VISION BUSINESS COMPANY, MWOGO TRADING LTD, NGOZI NZURI LTD	More lenient origin allocation among partners		Not aware	
SHANGCHENG KENYA APPAREL EPZ LIMITED	2900	Manager	No	Garments products	US	Yes	AGOA	Boys' knit polo shirt - 6105.20; Ladies knit pullover - 6110.30		China	F & T APPAREL LLC - Mondetta USA	More lenient origin allocation among partners			Useful
PG Bison Ltd	260	Managing Director	No	Furniture Manufacturer	Uganda	Yes	AfCFTA	Wooden furniture (940330, 940340, 940350)	Particleboard (44101100), MDF (4411), Furniture fittings (8302), PVC edging & laminates (3920)	South Africa, China, Austria, Germany, Turkey	N/A	Currently not enjoying cumulation benefits as products fall under category B of AfCFTA (liberalising in 2026)	Cumulating; benefits to start in 2026		Extremely useful

Evidence and potentialities of regional value chains in Sub-Saharan Africa using cumulation
A quantitative and firm level approach

Mozambique

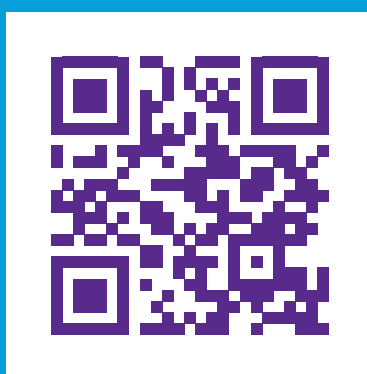
Company Name	No. of Employees	Role	SME Status	Industrial Sector	Export Markets	Using Cumulation	Cumulation Regime	Products Using Cumulation	Inputs Used	Input Source Country	Cumulation Partners	Suggested Improvements	Reason Not Using Cumulation	Why Difficult to Use	Usefulness of Self-Certification
Company X Cimentos SA	104	Director	No	Cement industry	Swaziland	No						Not aware	We are not using it because we are not aware of it	Not aware	
Fesco-Future Engineering Services	202	Secretaria Administrativa	No	Products from the chemical industry	South Africa, Mozambique	No						Too difficult to use	We can't export frequently	Not aware	

Annex II: Note on Table Format

The full text of the questionnaire items was too lengthy to be included in the column headings of the tables. However, for clarity and reference, the complete questions from the original questionnaire are provided below.

1. Company name (optional)
2. Number of employees
3. Role of the person filling in the questionnaire
4. Is your company a Small/Medium enterprise not more than 100 employees?
5. Industrial sector in which the Company operates
6. Main Export Markets
7. Are you making use of cumulation?
8. If you responded positively, under what trade arrangements are you using cumulation?
9. What is your finished product for export for which you use cumulation?
10. What Inputs/Products (in HS code if possible) are used in the production of the finished products for exports in question 9 above?
11. From what countries are you importing the inputs/materials used for cumulation under question 10?
12. What are the names of your cumulation partners, i.e. firms, if possible?
13. If you are using cumulation kindly let us know that how would you like to improve it.
14. If you are not using cumulation kindly let us know why you are not using it.
15. If you think cumulation is too difficult to use, could you please explain why?
16. To what extent has the introduction of self-certification for exports to the EU under REX been useful and facilitated trade?





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