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**Ministry of Finance and Economic Planning**



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## **22<sup>nd</sup> Meeting of the Intergovernmental Committee of Experts Sub-regional Office for Eastern Africa (SRO-EA)**

# **Implementing the African Continental Free Trade Area in Eastern Africa: From Vision to Action**

## **Concept Note for the Ad Hoc Expert Group Meeting: Towards Energy Security in Eastern Africa: Maximizing the Gains from the AfCFTA**

**21 – 22 November 2018**

**Kigali Convention Centre  
Rwanda**

## I. Background

East Africa is undergoing socioeconomic transformation, and the role intra-African trade plays in this process has recently received policy attention. The continental interest on free trade, lasting decades of work in numerous sub-regional building blocks, culminated in the historic Extraordinary Session of the African Union Assembly on the African Continental Free Trade Area (AfCFTA) in March 2018, in Kigali, where member States have demonstrated support for an integrated one African market. The key mission is to increase intra-African trade as a means to support continental industrialization, growth and broad-based development, as well as attract much needed investment. Intra-African trade standing at around 18% lags behind that of Latin America (35%) and Asia (45%). This historic achievement is built on the recognition of earlier initiatives, such as the Boosting Intra-Africa Trade (BIAT) initiative of the AU in 2012, where the focus was on dealing with supply side constraints to trade, such as the major infrastructure gap in Eastern Africa and beyond.

While the main focus of the AfCFTA is on market access (demand side) through alleviating tariff and trade barriers as well as reducing regulatory hurdles, associated constraints, such as infrastructure development, remain crucial. Currently, the energy infrastructure gap in Eastern Africa is notable, as evidenced by low electricity access levels, inadequate energy supplies to meet household and industrial needs, minimal regional energy trade, and low per capita energy consumption levels. To meet these challenges, driven by the objectives of SDG Goal #7 on energy, member States are accelerating efforts to expand population electricity access, deliver clean cooking solutions and pursue overall sustainable energy development. These efforts are regional supported through existing platforms, such as the regional power pools. The AfCFTA offers a new platform to expand these efforts regionally, and pursue energy development to ease the infrastructure constraint to the implementation of the AfCFTA and benefit from the continental free market platform the AfCFTA offers. For instance, one key expected result of the AfCFTA, which is the boosting of industrial output, would partly rely on the availability, affordability and security of energy supplies at a scale for industrial development.

The Africa Trade Report 2018 of AFREXIM Bank clearly states that “achieving higher growth and a trade development impact under the AfCFTA will depend on the commitment and steps taken by countries to eliminate non-tariff barriers, speed up the development and modernization of infrastructure, especially trade-enabling infrastructure, and raise the level of resources allocated to the financing of intra-African trade.” To bridge the infrastructure investment gap, an envisaged \$130 - \$170 billion per year in Africa is required. Therefore, infrastructure development and trade-enabling infrastructure at large are expected to play a major role in the operationalization of AfCFTA and in maximizing the benefits from its implementation, albeit requiring major policy attention and investment.

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Energy is a crucial input to sustainable development, as recognized by the global SDG 7 goals. It further supports and facilitates industrial development and regional integration. While the supply constraint of energy has received considerable attention in Eastern Africa, the reliability and security of available energy has often remained overlooked. The lack of secure electricity supply impacts industrial output, and undermines the pace of growth, under emergency conditions by 2-5% of GDP. Unreliable and poor quality supply of oil and gas similarly affects economic activities and impacts on key sectors, such as transportation and power generation, affecting industry and the economy at large. Dwindling biomass fuel supply throughout the Eastern Africa region undermines household energy and economic security, affecting non-energy household expenditures and aggregate demand. It is, therefore, essential that an energy security policy and management be instituted to manage energy insecurity and bring the system to greater security and affordability. It is in this context that the East African Community (EAC) had completed the development of a regional Energy Security Policy Framework to bridge the policy and strategy gap at regional level. This work relates to the development interest of reliable trade-enabling infrastructure. While this work is in the context of the EAC, the similarity of the structure of the energy sector in Eastern Africa makes it relevant to discuss it at the broader Eastern Africa level.

In terms of electricity, while Eastern Africa has articulated ambitious energy access targets, energy security in the electricity sub-sector, demonstrated by generation-, transmission- and distribution-related reliability concerns, and affordability continue to underpin the energy security picture in the region. With the emergence of regional options, such as power trading potential, development potential of energy resources within the region and development of infrastructure have also engendered complex energy security challenges and management opportunities in the region. The Energy Security Policy Framework offers regional guidance related to their energy security implications and management.

In the area of bio-energy, biomass remains a dominant energy source in the region. Due to over reliance on the resource (about 90% of the EAC population and comparable for Eastern Africa), there is rapid deforestation. This has serious energy security implications, and regional policy guidance on their effective management in member States is crucial to avert the deepening energy insecurity. In the oil and gas sub-sector, the region relies on imported fuels. This has exposed member States to risk exposure emanating from international market volatility, transportation corridor security, domestic energy security management gaps and infrastructure. These have impacted on the continual availability and affordability of imported fossil fuels. Limited refining infrastructure, large share of GDP required to import petroleum products (reaching over 10% of GDP, though currently mitigated by global market conditions), limited domestic strategic reserve capacity and operation are also noticeable challenges. The discovery of oil and gas resources in the region has also brought the importance of an energy security into the fore.

These complex set of energy security challenges, in the context of intra-African trade requiring production and trade within a trade-enabling developed infrastructure context, require policy attention and greater awareness on the requirements of such infrastructure development. On the basis of the EAC Energy Security Policy Framework, this expert group meeting seeks to broaden awareness about energy security policy in Eastern Africa, the key challenges, policy options and broaden the discussion towards recommendations for possible country actions going forward.

## II. Objectives of the AEGM

On the basis of the above discussed issues, challenges and policy framework, the main objective of the expert group meeting is to raise awareness about the EAC Energy Security Policy Framework as a regional reference for addressing energy security challenges in Eastern Africa, in line with the Sustainable Development Goal #7 on sustainable and affordable energy for all and the aspirations of the AfCFTA. Specifically, the following issues will be discussed:

- i. What are the impacts of energy insecurity on socioeconomic development in Eastern Africa?
- ii. How can the EAC Energy Security Policy Framework help mitigate energy insecurity in the region?
- iii. How can member States move towards designing and implementing national energy security strategies?

## III. Expected Outcomes

The expert group meeting on energy security policy is aimed to lead to the followed expected outcomes:

- i. Greater awareness about the EAC Energy Security Policy Framework and its key instruments and recommendations;
- ii. Shared country and regional experiences on energy security challenges and actions being taken in Eastern Africa;
- iii. Recommendations on the way forward towards country action in mainstreaming the regional policy framework into country policies and strategies, further recognizing the context of AfCFTA and its implications to regional energy development.

## IV. Provisional Programme

### Wednesday November 21<sup>st</sup> 2018

Opening of the session and remark by Mr. Robert Nyamvumba, the Manager of the Division of Energy, Ministry of Infrastructure, Rwanda

#### Presentations:

- Mr. Elsam Byempaka, East African Community
- Mr. Yohannes Hailu, ECA
- Mr. Dieudonne Ishimwe, Rwanda Inspiration Backup Ltd
- Presentation from member States

### Thursday November 22<sup>nd</sup> 2018

#### Presentations:

- Mr. Yohannes Hailu, ECA
- Mr. Daher Elmi, IGAD
- Mr. Michael Ahimbisibwe, EACREEE
- Presentation from member States
- Inputs from invited institutions

## V. Participation

The expert group meeting will be attended by delegates of Eastern Africa member States, representatives of Regional Economic Communities (EAC and IGAD), and representatives of Inter-Governmental Organizations, invited experts and other energy sector stakeholders. Participation of the private sector, civil society, media, and other relevant stakeholders will be sought. For further information and clarification, please contact Mr. Yohannes Hailu, [hailu15@un.org](mailto:hailu15@un.org)

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