



AFRICAN ECONOMIC CONFERENCE 2018

DECEMBER 3-5, 2018

UNDP, ECA and AfDB¹

OVERVIEW OF THE OUTCOME FROM THE CONFERENCE

Context

1. The thirteenth African Economic Conference (AEC), with the theme of ***Regional and Continental Integration for Africa's Development*** (3-5 December) was launched in Kigali, Rwanda. Each year, this event is jointly organized by the United Nations Development Programme (UNDP), the United Nations Economic Commission for Africa (UNECA), and the African Development Bank (AfDB). This year's event was coordinated by UNDP Africa.
2. This year's AEC had the overarching objective of fostering dialogue to promote the exchange of ideas and innovative thinking, among African researchers, Africans in the Diaspora, and organizations to analyze and explore how regional and continental integration is an instrument to accelerate Africa's inclusive and sustainable development.
3. The audience comprises an international group of over 375 attendees, including government delegates from over 30 African countries (including four ministers from Rwanda and Liberia and the African Union Commissioner for Economic Affairs), three Regional Economic Commissions from Africa (COMESA, ECCAS, ECOWAS) as well as the CEOs of several pan-African institutions (including the African Capacity Building Foundation; Central Corridor Transport and Transit Facilitation Agency), authors of 32 original research papers on regional integration in Africa, representatives of 15 CSOs, 25 representatives of private sector companies, over 30 representatives from academia and think-tanks (including University of Oxford, University of Ibadan, University of Nairobi, University of South Africa, and UNU-MERIT) – with the Keynote Addresses from Prof. Paul Collier (University of Oxford), and Professor Ademola Oyejide (University of Ibadan, Nigeria), as well as many international organizations such as the EU.
4. Dialogue at the AEC is structured on four pillars: Conceptual underpinning of Africa's integration; Infrastructure and institution for Africa's integration; Leveraging private sector for Africa's integration; and Partnerships for effective integration that address impediments to Africa's regional and continental integration. The dialogue offered an opportunity to discuss how to effectively implement the African Continental Free Trade Agreement (signed by 44 African countries in March 2018 in Kigali) – the largest trade agreements in the world.
5. The event also provided an opportunity for the global launch of the 2018 Africa Sustainable Development Report, jointly prepared by the African Union, African Development Bank, the Economic

¹ Prepared under the leadership of Dr Ayodele Odusola, Chief Economist, UNDP Regional Bureau for Africa.

Commission for Africa, and UNDP on the special theme of “Towards a Transformed and Resilient Continent”.

Emerging Issues

6. Some of the emerging issues from the Conference include:
 1. **Integration is a means, not an end:** It must be people-driven – a strategy to help lift and keep people out of multi-dimensional poverty and exclusions – farmers, youth and women.
 2. **Current levels of infrastructure and connectivity** linkages hinder African integration and economic growth
 3. **Complementarity challenge:** One of the structural impediments to Africa’s trade and economic integration is that Africa “**produces what it does not consume** – and **consumes what it does not produce.**” This again borders on **lack of complementarity** between production and consumption between neighbouring countries.
 4. **Subsidiarity challenge:** Most of existing trade and investment agreements (both bilateral and multilateral, including EPA and AGOA) make the African Continental Free Trade Agreement (ACFTA) subsidiary to these agreements, which make ACFTA implementation challenging
 5. **Inadequate engagement of the African private sector** in the negotiation, discussion and design of the ACFTA – a major stakeholder responsible for trade and investment – may hinder effective regional integration.
 6. The **proliferation of multiple trade and investment barriers** across the 54-member states of African included in the ACFTA. Good news: the EAC is setting the pace on accelerating trade facilitation across member states.
 7. **Inadequate cost-benefit analysis and lack of compensation mechanism:** The inability of most countries to undertake a copious cost-benefit analysis and the absence of compensation mechanisms could weaken the implementation of strong political buy-in for regional integration.
 8. The rising trend of **illicit capital flight** on the continent is denying Africa resources required to build infrastructure and connectivity for regional integration on the continent and undermining capacity for domestic resource mobilization for inclusive growth and development.
 9. **A tool to balance the power in globalization:** Globalization can be brutal because of power asymmetries. For instance, the situation where EU, USA or China negotiating with each of most African countries – without a collective approach like ACFTA – could lead to unfavourable results for most African countries. A tool to balance power would help to address unequal negotiations.

Emerging recommendations

7. These include, but are not limited, to:

- **Advocating regional integration not as an end but a means** to lift and keep 560 million Africans living in multidimensional poverty out of poverty. In this regard, participation in – and the distribution of benefits of regional integration must include farmers, youth and women. Inclusiveness in the design, implementation and monitoring of regional integration should be people-driven.
- **Strengthening infrastructure and connectivity** within the African continent is necessary for proper integration and stronger economic growth.
- **Investing heavily on changing mindsets of Africans** that often prefer ideas, goods and services from outside Africa to “African made products” – learning to “consume what is produced” and to “produce what is consumed” in Africa.
- **Reviewing and revisiting all African trade agreements** is necessary to provide African economies with the strongest opportunities to access international and intra-continental markets. This is to ensure all existing trade agreements serve as instruments to implement Africa’s regional integration.
- **Developing mechanisms for compensating losers.** To elicit political buy in of all losers, it is important to mitigate the potential costs from regional integration by ensuring benefits regional integration is distributed fairly.
- **Harmonizing trade and investment policies and programmes** to reduce transaction costs and facilitate trade. This includes promoting strong linkages between national and regional value chains through regional development.
- **Promoting champions of regional integration at national, regional and continental levels.** Being the largest trade agreement in the world, realizing its maximum benefits will require strong and sustained dedication from member states, including establishing national, regional and continental champions. This requires *investing in communication* on the opportunities and strengths of regional integration – and how to address its risks.
- **Addressing regional public goods:** The emerging risks like conflicts and security, pandemic diseases like Ebola and HIV/AIDS, and climate change adaptation and mitigation to be treated as public goods.
- **Tacking illicit financial flows** is key to mobilizing resources required to bridge the infrastructure deficit that could help boost regional integration. Solidarity and collective efforts to prevent, stop and return illicit financial flows stockpiled outside Africa could help enhance domestic resource mobilization, reduce debt stocks and direct resources towards national and regional public goods needed to deepen regional and continental integration.

Conclusion

8. Regional integration is a game changer for Africa to overcome brutalism in globalization and maximize economies scale for production and markets. There is no magic bullet to its implementation. Lessons and experiences from RECs, including free movement of people in ECOWAS, trade facilitation in AEC, and revenues and benefits sharing in SACU provide opportunity to move faster on this journey. Regional integration has its own risks, which must be effectively managed to optimize the associated opportunities.
9. Investing in knowing the cost-benefit analysis of the African Continental Free Trade Agreement (ACFTA) to each country, developing an effective compensatory mechanism, upgrading infrastructure and connectivity, changing mindsets on preference for African goods and ideas, and addressing regional integration – along with other suggested options – were provided during the Conference.