



## Economic and Social Council

Distr.: General  
8 February 2018

Original: English

**Economic Commission for Africa  
Committee of Experts of the Conference of African  
Ministers of Finance, Planning and Economic Development**

Thirty-seventh meeting  
Addis Ababa, 11 and 12 May 2018

Item 6 of the provisional agenda\*

**Statutory issues**

### **Report of the tenth session of the Committee on Regional Cooperation and Integration**

#### **I. Introduction**

1. The tenth session of the Committee on Regional Cooperation and Integration was held in Addis Ababa on 1 and 2 November 2017, on the theme, “Implementation of the continental free trade area and shared gains”. The main objective of the session was to examine the efforts being made to fast track the implementation of the Action Plan for Boosting Intra-African Trade and an agreement to establish a continental free trade area). The participants also took stock of other developments taking place within the subprogramme on regional cooperation and integration in the following areas: intra-African and international trade, infrastructure, industrialization, food security and agriculture, investment and land policies.

#### **II. Attendance**

2. The tenth session was attended by the following African member States: Algeria, Angola, Benin, Burkina Faso, Burundi, Cameroon, Central African Republic, Chad, Comoros, Congo, Côte d’Ivoire, Democratic Republic of the Congo, Djibouti, Egypt, Ethiopia, Gabon, Gambia, Ghana, Guinea, Guinea-Bissau, Equatorial Guinea, Kenya, Lesotho, Libya, Madagascar, Malawi, Mali, Mauritania, Mauritius, Morocco, Mozambique, Namibia, Niger, Nigeria, Rwanda, Senegal, Seychelles, Somalia, South Africa, South Sudan, the Sudan, Swaziland, Togo, Tunisia, Uganda, United Republic of Tanzania, Zambia, Zimbabwe.

3. Also attending the session were representatives of the following institutions: Economic and Social Commission for Western Asia (ESCWA), Food and Agriculture Organization of the United Nations (FAO), United Nations Conference on Trade and Development (UNCTAD); Government of the United Republic of Tanzania (Zanzibar Planning Commission); African Union Commission; Common Market for Eastern and Southern Africa (COMESA), East African Community, West African Economic and Monetary Union (WAEMU); International Institute for Sustainable Development, Pan African

\* E/ECA/COE/37/1

Chamber of Commerce and Industry, Strathmore Tax Research Centre, and WINMORE Development Consultants.

4. The full list of participants will be circulated as an information document.

### III. Opening of the session

5. The session was opened by the outgoing Chair of the Bureau of the Committee on Regional Cooperation and Integration, the Representative of the Sudan. In his remarks, the outgoing Chair expressed his thanks to ECA for organizing the session and to the host Government for the quality of the associated arrangements and preparations. He underscored the importance of the session, whose focus was the process and the negotiations in place towards establishing a continental free trade area. The realization of the proposed free trade area, according to the outgoing Chair, would be crucial in advancing Africa's development agenda. He concluded that the discussions and outcomes of the tenth session would catalyse commitments and actions at the national, regional and continental levels.

6. In her opening remarks, Ms. Vera Songwe, Executive Secretary of the Economic Commission for Africa, welcomed participants and representatives of partner organizations. In her overview of the role of the Committee on Regional Cooperation and Integration, the Executive Secretary clarified the mandate of the Committee, which was to review the overall work of the Economic Commission for Africa (ECA). She highlighted the importance of regional integration and the promotion of intra-Africa trade as the bedrock of Africa's transformation and underscored the importance of the theme of the session: "Implementation of the continental free trade area and shared gains". The Executive Secretary stated that the theme was timely, given new developments in Africa-related trade, regional cooperation and integration — all of which represented the pillars of Africa's transformative agenda. Aspects of the work undertaken by ECA were also highlighted, including the eighth edition of the report, *Assessing Regional Integration in Africa (ARIA VIII)*, which explored the importance of establishing a continental free trade area in order to attain economic growth in Africa.

7. The Minister of Trade of the Federal Democratic Republic of Ethiopia delivered an opening statement in which he welcomed the participants to the session and to Addis Ababa and commended ECA for its work in organizing such an important meeting, whose focus was the timely theme on the ongoing negotiations to establish the continental free trade area. He pointed out that the outcome from the session would go a long way in achieving Africa's agenda of regional integration. Commenting on the current negotiations to establish the continental free trade area, the Minister commended Nigeria for the good work in chairing those negotiations. The Minister of Trade emphasized the need to consider the mutual benefits to be reaped from the continental free trade area, by taking into consideration key differences of member States in the negotiation process, including those from landlocked and less developed countries. He concluded by reiterating the strong commitment of his Government to reaching an agreement to establish the continental free trade area.

8. Following the election of the new Bureau, the incoming Chair of the Bureau, the representative of South Africa, acknowledged the good work of the outgoing Bureau. She thanked the Commission for its outstanding work, which was based on expertise and experience, and looked forward to its continuing support. She highlighted the main objectives of the present session of the Committee, which included reviewing the work undertaken by the secretariat in the biennium 2016–2017 relevant to regional integration and trade. In addition, the current session served as a platform for reviewing and deliberating on

developments in specific sectoral areas, and for making recommendations to guide the work of the subprogramme in biennium 2018–2019.

#### **IV. Election of the Bureau**

9. The participants elected the following countries to constitute its Bureau on the basis of rotational regional representation:

Chair:	South Africa
First Vice-Chair:	Uganda
Second Vice-Chair:	Democratic Republic of the Congo
Third Vice-Chair:	Mali
Rapporteur:	Egypt

#### **V. Adoption of the agenda and programme of work**

10. The representative of South Africa, the newly appointed Chair, presided over the session and proposed that the agenda be adopted, which was seconded by Swaziland. The Committee adopted the agenda and the programme of work without any amendments.

#### **VI. Progress in the implementation of the regional integration and trade programme**

##### **A. Surveying developments in Africa's regional integration with a view to influencing policy**

###### **1. Presentation**

11. The presentation highlighted the key results achieved by the Regional Integration and Trade Division (RITD) for the period January 2016 to June 2017.

12. In land governance, RITD provided technical support to member States and regional economic communities on policy reform and mainstreaming land governance issues in agricultural programmes. The Division also engaged in strengthening the capacity of policymakers and traditional leaders relating to the management of large-scale land-based investments. In addition to research on land policy issues, ECA also strengthened the capacities of African universities and institutions of higher learning through the establishment of a network of excellence on land governance in Africa.

13. In the area of food security and agriculture, the Division carried out research that contributed to initiatives designed to help Africa rethink agricultural and rural transformation; agricultural production systems; agribusiness and regional value chains; and developing an agriculture sector with a private sector focus. RITD also provided training on developing regional value chains, which contributed to the continental agribusiness strategy and implementation plan aimed at developing a structure and business plan for a continental apex agribusiness.

14. In regional and international trade, the Division played a significant role in developing the template agreement for the expected establishment of the continental free trade area. That template agreement was being used as the basis for negotiations. RITD undertook research and produced technical papers for

African Ministers of Trade on the continental free trade area, African Growth and Opportunity Act, Economic Partnership Agreements, trade and climate change, investment and regional trade agreements.

15. A key report, the seventh edition of *Assessing Regional Integration in Africa (ARIA VII)*, was published in line with the theme, “Innovation, competitiveness and regional integration”. ECA also launched a report on the Africa regional integration index, which provided data on the status and progress of regional integration on the continent.

16. Furthermore, the Division delivered trainings on trade and gender, trade policy modelling, and analysis. It also initiated work to develop a Monitoring and Evaluation Framework for Boosting Intra-African Trade Action Plan. In December 2016 and in collaboration with the African Union Commission, the African Development Bank and the African Export-Import Bank, the Division organized Africa Trade Week, a multi-stakeholder platform to discuss topical trade policy issues in Africa.

17. On industrial and infrastructure development, RITD provided technical assistance on developing industrial policy for member States and regional economic communities. Research was undertaken on the industrial policy landscape in Africa, developing a methodology for the localization of energy technologies to boost the continent’s manufacturing potential and on promoting infrastructure development for Africa’s industrialization. ECA also provided technical support to the African Union Commission, culminating in the launch of the single African air transport market in June 2017. RITD contributed to a better understanding of the role of bioenergy in the energy plans of African countries through a United Nations Development Account project on implementing a biofuel programme for household and transport sectors.

18. On investment, RITD carried out studies on investment policies and bilateral investment treaties, and provided policy advice on the development of industrial sectors in Namibia, in order to boost trade and foreign direct investment. The Division also conducted policy advocacy in support of the continental dialogue on investment. Two studies were prepared by the Division on the drivers that may support boosting intra-African investment, and on the linkages between double taxation treaties and bilateral investment treaties in Africa. Those studies will support and inform policy processes on the continent, such as the continental dialogue on investment.

19. The results outlined above were achieved through leveraging strategic partnerships including with Governments, organizations and agencies with the United Nations system, the African Development Bank and the African Union Commission.

## **2. Discussion**

20. During the discussion, concerns were raised about the ability of certain African countries to apply and implement effectively a possible agreement that would establish a free trade area. Similarly, small and landlocked countries in particular expressed concerns that their gains from the regional integration process in Africa would be limited. It was also observed that some other countries have managed to tune their landlocked status to their own advantage. It was noted that the eighth edition of the report, *Assessing Regional Integration in Africa (ARIA VIII)*, provided important insights into how to alleviate such concerns.

21. Also during the discussion, participants acknowledged that the infrastructure deficit and non-tariff barriers continued to be major challenges that needed to be dealt with in order for African economies to industrialize, become more competitive in the international market, and be able to export their products under specific trade agreements and arrangements. In that regard,

building and upgrading value chains would be critical. One example cited was to develop the required infrastructure and capacities for roasting and blending raw coffee beans in order to be able to export coffee under the African Growth and Opportunity Act.

22. In regard to investment issues, it was noted that data collection on intra-African investments remained a challenge for African countries. There was a need to collect and compile data on intra-African investments, including, in particular, on foreign direct investment originating from and heading to African countries. Also stressed was the need to identify key financial challenges faced by the continent and the importance of investments in infrastructure aimed at unlocking the regional trade potential.

23. The discussion focused on the critical need to review infrastructure bottlenecks in Africa and how best to tackle them. It was noted that the Programme for Infrastructure Development in Africa (NEPAD) had developed programmes and projects to build infrastructure and promote industrial development. In that regard, a key issue was to ensure that the infrastructure projects of the Programme for Infrastructure Development in Africa (PIDA) would contribute to industrial development. It was also noted that, at the Dakar Financing Summit (held on 14 and 15 June 2014), for example, proposals for 16 projects were introduced and that ECA was working with the New Partnership for Africa's Development (NEPAD) to find alternative ways to fund those projects, such as through pension funds and other financing sources.

24. It was emphasized that there was a need to set up regional value chains, which could promote industrialization and which would include raw materials from Africa. However, it was pointed out that the cost of transportation of inputs was impeding the competitiveness of African economies. Also, the opportunities provided by ongoing trade corridor projects needed to be reviewed, with the objective of making them competitive. The discussion turned to strategic and integrated planning, which was identified as necessary for effectively addressing development issues in Africa.

### **3. Recommendations**

25. The following recommendations were made:

- (a) Member States and regional economic communities are encouraged to adopt sound monitoring and evaluation frameworks to ensure the effective implementation of regional integration commitments;
- (b) ECA, the African Union Commission and the African Development Bank should increase technical assistance in generating and collecting data on trade and regional integration.

#### **Recommendations for ECA**

26. The following recommendations were made:

- (a) ECA, in collaboration with its partners, to collect and compile data on Intra-African investments;
- (b) Undertake a review study to identify financial challenges faced by African countries, such as those related to infrastructure and industrial projects;
- (c) Undertake a study on promoting regional value chains for specific strategic commodities, with a view to examine key obstacles;
- (d) ECA, in collaboration with its partners, to undertake a continental study on regional integration issues, including the continental free

trade area, with particular attention to the landlocked countries and small island developing States in Africa.

## **B. Progress on land policy formulation and implementation in Africa**

### **1. Presentation**

27. The secretariat provided background on the Land Policy Initiative, noting that it was established in 2006 as a platform to build consensus on an African agenda on land. The Initiative had contributed to efforts to integrate key land governance concerns into the 2030 Agenda for Sustainable Development and Agenda 2063, and served as a key platform for implementing the first Ten-Year Implementation Plan for Agenda 2063. Other key decisions relevant to land policy were the African Union Declaration on Land Issues and Challenges in Africa (2009), the Nairobi Action Plan on Large Scale Land-Based Investments (2011) and the Malabo Declaration for Agriculture Growth in Africa (2014). In addition, there were recommendations of the African Union Specialized Technical Committee on Agriculture, Rural Development, Water and Environment (2015; 2017) and recommendations of the Committee on Regional Cooperation and Integration (2015).

28. Notable evidence of progress in the implementation of those decisions and recommendations over the past two years included: the official launch of the African Land Policy Centre to coordinate implementation of the African Union Agenda on Land; the roll-out of a 12-country pilot projects to collect data on land governance data and track progress related to land policy reforms; and the establishment of the Network of Excellence on Land Governance in Africa to improve training and research.

29. The presentation then focused on the findings of a recent study on Land, Ethnicity and Conflict in Africa, noting that the majority of conflicts that hampered Africa's development were rooted in land governance issues exacerbated by politicization of ethnicity. The Secretariat gave a synopsis of the Guidelines for the Development of Curricula on Land Governance in Africa, and concluded with the following six recommendations to support the continued implementation of the ECA Committee on Regional Cooperation and Integration and the African Union Specialized Technical Committee decisions:

- (a) ECA with the African Union Commission and the African Development Bank should institutionalize the African Land Policy Centre in a manner that ensures financial stability, operational efficiency and strong ownership;
- (b) ECA and the African Land Policy Centre should support member States, including universities, to review and develop programmes on land governance based on the *Guidelines for the Development of Curricula on Land Governance in Africa*, recently endorsed by the African Union Specialized Technical Committee on Agriculture, Rural Development, Water and Environment;
- (c) ECA and the African Land Policy Centre should develop guidelines to mitigate land and ethnic-based conflicts for use by member States and others when reviewing policies and strengthening institutions in accordance with the recent African Union Specialized Technical Committee decision;
- (d) ECA and the African Land Policy Centre should scale up efforts to support regional economic communities to institutionalize land

governance programmes to ensure sustainability in line with the recent African Union Specialized Technical Committee decision;

- (e) ECA and the African Land Policy Centre should provide technical assistance to member States in implementing the decisions of the Committee on Regional Cooperation and Integration and the Specialized Technical Committee, to review land policies and programmes to facilitate the achievement of the 30 per cent target for women's land rights by 2025;
- (f) ECA and the African Land Policy Centre should collaborate with member States to scale up the programme to integrate land into agriculture (national agriculture investment plans and regional agriculture investment plans) and other sectors in accordance with the African Union Specialized Technical Committee decision.

## 2. Discussion

30. The importance of land in Africa's socioeconomic transformation was emphasized. The multifaceted dimensions of the issue, and the significance of land policy with regard to regional integration were explored. Member States and regional institutions were called on to apply an integrated approach in addressing land-related challenges. In that regard, the need to take note of the interlinkages of land, water and climate change in developing strategies and programmes was underscored.

31. The discussions then focused on the need to secure land rights across the various tenure regimes in Africa. It was noted that secure land rights were a prerequisite for the investment and the management of natural resources to make them sustainable. The need to ensure equitable access to land for women and smallholder producers was also emphasized. Member States were called upon to implement the African Union decision to allocate 30 per cent of a country's documented land rights to women by 2025. Attention then was drawn to the need to ensure that smallholder producers, the primary agricultural producers in Africa, had a pathway for growth, through increased allocation of land, along with the provision of other supportive inputs and services.

## 3. Recommendations

32. The following recommendations were made:

- (a) ECA and the African Land Policy Centre are called on to support member States to advance regional integration by promoting harmonization and the convergence of land policies in relevant protocols and programmes of the regional economic communities and by integrating land policies in Regional Agricultural Investment Plans and National Agricultural Investment Plans;
- (b) ECA is called on to build its institutional capacity in support of land governance by institutionalizing the recently launched African Land Policy Centre in a manner that ensures financial stability, operational efficiency and strong ownership in accordance with the 2015 decision of the Committee on Regional Cooperation and Integration;
- (c) In line with a recent African Union decision, ECA and the African Land Policy Centre is called upon to rely on the recommendations of a recent study on land, ethnicity and conflict to develop guidelines for member States to use to mitigate land-based and ethnic-based conflicts.

## **C. Status of food security in Africa**

### **1. Presentation**

33. The secretariat observed that Africa, despite its immense wealth of natural resources, was the world's most food-insecure continent. Around 230 million people, or one out of every five, were chronically food insecure. Africa made up approximately 16 per cent of the world's population, and yet as many as one-third (29 per cent) of those affected by hunger worldwide were African. African countries had, in general, made notable progress in enhancing food security, but still needed to work rigorously towards ensuring food and nutrition security, and improving livelihoods. Indeed, African countries must ensure political stability, building effective institutions, reinforced by supporting policies, macroeconomic as well as "pro-poor" policies, culminating in a comprehensive approach that addresses food security through a multisectoral orientation and within the broader scope of rural and agricultural transformation, and regional integration. In the short term, African countries should consider programmes that deliver quick results, in particular, measures that improve access to food through social programmes.

### **2. Discussion**

34. Liberalizing trade in Africa, along with strategic planning and sound governance, were recognized as actions that would substantially influence food security in Africa. However, to liberalize trade in agricultural commodities and products, the movement of goods should be facilitated. That would not only entail an improved inter-State infrastructure and transportation, but also harmonized standards and the easing of non-tariff barriers.

35. Furthermore, to effectively harness the potential benefits of regional integration, the bottlenecks that hinder agricultural productivity must be addressed. That would entail taking into consideration the specific needs of small-scale farmers, which, as a group, contribute significantly to agricultural production in Africa.

36. Owing to constraints on time and resources, and given the gravity of the situation in regard to food insecurity in Africa, out-of-the-box solutions were urgently needed at all levels of agricultural value chains, from production to processing and consumption. One solution would be to revive an interest in and an appetite for indigenous food by making it more available and accessible. Evidence showed that most indigenous crops were well adapted to the African climate and environment conditions and fertilization requirements. To accomplish that, strategies were required that increased the appeal of indigenous food to young people.

37. Levelling the playing field was required in order to bring about positive outcomes for freeing trade within Africa. That would ensure that all member States would benefit equally from the establishment of the continental free trade area. It was imperative, in that regard, to develop programmes that could provide direct technical assistance to advance productive capacity in African countries where it was most needed.

38. Adding value to agricultural commodities was essential in order to diversify the continent's export base away from extractive-based commodities, and improve welfare in rural areas, which, in turn, would reduce food insecurity and poverty.



### 3. Recommendations

39. The following recommendations were made:

- (a) As boosting agricultural production is required to improve food security in Africa, member States are encouraged to empower small-scale farmers by making them more commercially oriented through the adoption of farming models that fit with the specificities of small-scale production in Africa;
- (b) To tackle food insecurity, member States are encouraged to adopt a holistic approach carrying out strategic planning and joint programming at the national and sectoral level in order to create synergies and complementarity, and to synchronize the planning and monitoring of agricultural programmes;
- (c) Member States are encouraged to promote regional agricultural value chains through the following actions: improve transboundary infrastructure and transportation, harmonize standards, and enhance the productive capacity of agriculture and agribusiness, including agro-industry;
- (d) Member States are encouraged to integrate national food reserves into regional food reserves in order to better adapt to the adverse effects of climate change and to cover food shortages in African countries.

## D. Developing and promoting strategic agricultural commodity value chains for food security and sustainable development

### 1. Presentation

40. The Secretariat explained that the development and promotion of agricultural value chains and agro-industrial clusters provided an appropriate avenue, through building incentives and linkages, to enhance investment in the agricultural sector. The point was made that investing in agriculture was an effective means of addressing hunger and malnutrition and other challenges, including poverty, water and energy use, climate change, and unsustainable production and consumption, thus contributing to the achievement of a number of Goals enshrined in the 2030 Agenda for Sustainable Development. It was further underscored that developing and promoting value chains and industrial clusters provided an appropriate platform enabled investment. To harness the full potential of regional agricultural value chains in Africa, however, would require the development of a sound political and regulatory framework, and the development of a conducive business environment, in addition to the establishment of an inter-State transportation and road network.

### 2. Discussion

41. During the discussion, it was noted that African agriculture relies on rudimentary techniques, which result in extremely low productivity, further exacerbating poverty and hunger in the continent, especially in rural areas. Furthermore, it was noted that the transfer of technologies was essential to the promotion of agricultural value chains. In that regard, the importance of research was highlighted as being a critical element in improving agricultural productivity. The mechanization of agriculture was also noted as being crucial in making technological progress in the sector in Africa.

42. It was stressed in the course of the discussion that there was a need to revitalize agriculture in Africa. Furthermore, it was pointed out that industrialization in Africa should start with the mechanization of agriculture.

According to participants who contributed to the discussion, the importance of industrialization in Africa could not be overemphasized; they made particular reference to the availability of and access to energy, both of which were cited as prerequisites to industrialization. Specifically, the mechanization of agriculture in Africa should aim to use clean energy.

43. On another but related point, it was noted that the establishment of a continental free trade area could contribute towards boosting agricultural output by enhancing market access and depth through encouraging the use of more specialized knowledge and technology adoption and transfer.

### **3. Recommendations**

44. The following recommendations were made:

- (a) Member States are encouraged to increase public expenditure on efforts to promote agricultural transformation, including in research and development and in developing regional agricultural value chains;
- (b) Members States are encouraged to promote the mechanization of agriculture;
- (c) Member States are encouraged to strengthen the capacity of small-scale farmholders in applying advanced farming techniques;
- (d) Pan-African institutions are called upon to accelerate the establishment of a continental coordination platform that aims at unifying and pooling limited resources and efforts towards the promotion of agribusiness and agro-industry development in Africa, exploiting the many agro-ecological zones.

## **E. Inclusive infrastructure development: the key to promoting Africa's industrialization**

### **1. Presentation**

45. The point was stressed by the secretariat that industrialization was critical for African economies to achieve structural transformation, where resources were shifting from lower to higher productivity, and to value added activities. It was explained that such an approach would ultimately result in sustained growth, job creation and poverty reduction. It was pointed out that numerous opportunities existed for African economies to scale up industrial activities, including large resource endowments, increasing domestic demand, and expanding regional markets driven by trade agreements. If African economies were to tap into those opportunities while promoting value added activities, an inclusive infrastructure development would remain a necessary enabler. Promoting industrialization and infrastructure development was sine qua non to achieving some of the Sustainable Development Goals of the 2030 Agenda and the aspirations of Agenda 2063.

46. Furthermore, the secretariat indicated that the industrialization of African economies was required in order to find ways that helped the continent address infrastructure bottlenecks. It was noted that such changes would require effective planning and strong coherence through shared strategic plans and policies, similar to the coordination that existed between national and regional infrastructure development programmes. The establishment of special economic zones, under certain conditions, were effective in circumventing the persistent and significant infrastructure constraints on the continent. Ongoing success stories across the continent existed in Egypt, Ethiopia, Kenya and South Africa.

## 2. Discussion

47. It was pointed out that there was consensus that infrastructure deficits were limiting the full benefits of industrialization for the continent, though countries were moving very slowly towards addressing such deficits. Energy was cited as the most critical infrastructure asset that was posing a serious impediment to the industrialization trajectory in Africa. Emphasis needed to be placed on clean energy production patterns that would ensure that industrial processes were sustainable.

48. Industrialization also needed to be looked at in the context of a full value chain approach, starting with the production of inputs (e.g. fertilizers), and including products and services. The successful implementation of a continental free trade area would require massive industrialization at the continental level. Another issue that needed to be addressed was the mismatch between most African education systems and the needs of industry.

49. It was observed that poor governance impacted negatively on infrastructure development on the continent, as the main focus tended to be on building, with less focus on the maintenance of current infrastructure assets.

## 3. Recommendations

50. The following recommendations were made:

- (a) Member States are recommended to improve the governance of the infrastructure sector, taking into consideration issues of repair and maintenance of the existing assets;
- (b) Member States are urged to scale up their efforts in addressing energy deficits and to tap into the vast renewable energy potential of the continent;
- (c) Member States are encouraged to promote the development of Special Economic Zones and Industrial Zones to scale up value added activities;
- (d) Member States are encouraged to allocate priority to the development of quality infrastructure to reduce logistical costs and enhance inter-connectivity.

### Recommendation for ECA

51. The following recommendation for ECA was made:

Undertake a study on the linkages between industrialization and a continental free trade area, as the latter would not be successful without the former.

## F. Sharing best practices: boosting intra-African investment

### 1. Presentation

52. The secretariat presented the main objectives and key findings of a study that had been undertaken by ECA, “Drivers for boosting intra-African investment flows towards Africa’s transformation, which built on and was a follow-up to an earlier ECA study on investment policies and bilateral investment treaties in Africa. The main objectives of the current study were to analyse the drivers of boosting intra-African investment flows and to provide a solid theoretical and empirical framework aimed at strengthened investment policies in order to boost intra-African investment. In addition, the study also explored the progress made in negotiating the continental free trade area and linked the benefits of such a trade area with the promotion of intra-African investments. Some continental initiatives that had been undertaken by

Governments and some pan-African institutions in promoting investment regulations were also highlighted. The initiatives included: (a) work on establishing the trade area – which was instrumental in creating a single continental market for goods and services; (b) the efforts of regional economic communities in the development of investment regulations; (c) ECA study on bilateral investment treaties and double taxation treaties, which have been an integral part of the work of policymakers to counter the perception of risk and promote foreign direct investment (FDI); and (d) a pan-African investment code aimed at harmonizing existing investment regulations.

53. Some of the key trends on FDI flows in Africa were also highlighted. A key message on such trends is that the continent remains one of the world's fastest-growing economic regions. That fact provides incentives for foreign companies to consider Africa as a potential destination for their investment. Factors contributing to the increasing growth in investment include: improved government policies, improved macroeconomic conditions, and reforms on investments. Reference was made to some studies which, among other things, reveal that global investment flows have increased rapidly, from approximately \$200 billion at the beginning of the 1990s to \$1.75 trillion in 2016. The results from the study reveal that geographical distribution of FDI in Africa in 2016 remains heterogeneous. A breakdown was provided of investment levels in each of the five regions of the continent. Drivers of intra-African investment were highlighted, focusing on both continental and regional levels. In his summary, the secretariat highlighted key conclusions and policy recommendations, and urged African member States to take crucial steps towards implementation.

## **2. Discussion**

54. It was pointed out that the establishment of a continental free trade area would significantly boost intra-African trade. It was very important to ensure, however, that once the trade area was established, African countries would undertake not to participate in discriminatory practices. In addition, any international agreements and protocols, including trade facilitation and customs agreements, must be localized in order for the continent to reap the greatest benefits from such an area. Deeper regional integration in Africa was also called for, based on the view that it was a critical factor in supporting intraregional trade and investment. The importance of investment for Africa's development, as a source of both finance and productive assets, was also stressed. It was noted that the establishment of a continental free trade area would serve as an effective tool in dealing with the numerous challenges and bottlenecks associated with efforts to boost intra-African investment. One of the highlighted challenges was the high cost of production, a key contributing factor to the low productivity levels. In that regard, it was noted that the establishment of such a trade area would present an opportunity to reduce the cost of factors, underpinned by the free movement of people, goods, services and capital. In addition, it was observed that harnessing internal savings would improve intra-African investment.

55. Regarding investment challenges, it was pointed out that tapping the potential of intra-African trade and investment depended on the capacity of African countries to do the following: increase the pace of production and industrialization; mobilize domestic resources in order to boost intra-African investment; accommodate trade facilitation; and reduce the costs of doing business. In that regard, the point was made that the promotion of intra-African investment could be done through mobilizing internal savings by strengthening the financial system; Moreover, it was noted that establishment of a continental free trade area could also be complemented by reforms to the business climate to promote intra-African investment. Another point that was emphasized was the need to consider the risk perception relating to Africa in developing a risk framework.

56. It was observed that productive capacity in Africa was impeded primarily by high production costs. It was noted that large-scale industrialization could harness the potential benefits from the continental free trade area. It was also noted that it was an opportune time to consider the impact of business tourism on intra-African investment and particularly within the region of Eastern Africa. To do that, reliable data would be required on bilateral investment disaggregated by country and sector and on trade in value added. It was observed that such data would enable ECA to perform more detailed and in-depth analyses of the investment determinants. In that regard, it was noted that service-driven foreign direct investment had taken precedence because the data, especially the announced greenfield investment, masked its growth. To attain more balanced growth, investments across the economic sectors must be more evenly distributed. In that regard, it was noted that reliable data on investment by sectors could help to ensure that. Furthermore, it was noted that African countries faced difficulties in producing data on investment owing to the lack of required statistical expertise and vocational trainings.

57. It was observed that many investors were reluctant to invest in Africa because of the perception of elevated risk. In that regard, it was suggested that harmonization of rules and regulatory investment frameworks within and across African regions, and the establishment of the continental free trade area, could help to mitigate that concern. In addition to the suggestion of a negative perception, it was pointed out that a lack of political stability and policy predictability were also factors that affected adversely investment flows to Africa.

### 3. Recommendations

58. The following recommendations were made:

- (a) Member States are encouraged to give effect to regional and international investment instruments and agreements and to those within the proposed framework for the establishment of the continental free trade area;
- (b) Member States are encouraged to improve the quality of and access to education through targeting specific training and vocational programmes to improve labour skills and scale up the expertise of their labour force;
- (c) Member States are encouraged to improve the quality of and access to education, based on the view that a more educated workforce would increase investment potential, boost intra-African investment flows and promote associated innovation, technology and knowledge transfers;
- (d) Member States are called upon to improve the business climate, which is essential to attracting investments;
- (e) Member States are urged to observe the principle of non-discrimination especially in relation to incentives for investors, given that favouring intra-African investors in a discriminatory manner would have a negative impact on sources of investment from outside Africa.

#### Recommendations for ECA

59. The following recommendations for ECA were made:

- (a) Establish a database on intra-African investment and foreign direct investment by sector;
- (b) Undertake an assessment study on the nexus between a continental free trade area and existing trade and investment agreements;

- (c) Undertake a continental study with a focus on trade in value added, to help uncover the centrality of the services in the regional value chains and in Africa's transformation agenda.

## **VII. General discussion on the theme of the tenth session, "Implementation of the continental free trade area and shared gains"**

### **1. Panel discussion**

60. The discussion began with the panellists giving their views on the theme of the tenth session of the Committee. Notably, all concurred with the view that African countries should support the establishment of the continental free trade area.

61. The first panellist highlighted the important role of trade as an engine for development and economic growth and noted that the contribution of intra-Africa trade to Africa's total trade is minimal. He further pointed out that Africa needed to tackle its supply-side constraints in order to be able to scale up the continent's productive base. Another limitation noted was that African markets remained too small and fragmented to attract investments. Moreover, he observed that establishing the continental free trade area would help in mitigating some of those constraints by creating a wide market comprised of more than 1.2 billion consumers, which would make the continent more attractive for investment and enable a more efficient pooling of resources. That, in turn, according to the panellist, would enhance structural transformation and foster the development of regional value chains. The establishment of the continent-wide free trade area could potentially boost intra-African trade up to 50 per cent of total trade in Africa and could raise the continent's share of global trade from 3 to 6 per cent. He concluded by providing an update on the status of the negotiations to establish the continental free trade area, by stating that it was in the first phase, which was expected to be concluded by the end of 2017.

62. The second panellist indicated that shared gains from the establishment of the continental free trade area were dependent on the utilization of provisions of the agreement to establish it by the private sector. She noted that building on the experience of the Tripartite Free Trade Area was essential and the agreement to establish the continental free trade area needed to be more comprehensive, in particular with regard to the rules of origin provisions. She also highlighted that rules of origin provisions should be flexible and easy to comply with in order to support efforts to develop and link them with value chains, and urged member States to involve the private sector throughout the process to establish the continental free trade area. Lastly, she stressed the need for the continental free trade area, once established, to accompany the implementation of the Boosting Intra-African Trade Action Plan.

63. The third panellist focused on issues relating to technical barriers to trade and sanitary and phyto-sanitary measures. He emphasized that much could be learned from the successes of the East African Community in developing the East African Community Protocol on Standardization, Quality Assurance, Metrology and Testing. He cited the challenges faced by other regions in implementing the protocol and called upon member States to give priority to the standards, which would be key in boosting trade and development. He also underscored the importance of sanitary and phyto-sanitary measures and conformity assessment, and called upon member States to abide by international and national standards.

64. The fourth panellist highlighted the importance of ensuring that the establishment of the continental free trade area would result in win-win

outcomes for African countries and the people of Africa, in particular the most vulnerable. She shared a number of proposals, which included, most importantly, that the interests of vulnerable people and countries should be safeguarded in the final text of the agreement to establish the free trade area and not simply left until the implementation phase. She recommended that the implementation of the agreement to establish the trade area and the position of Africa in the multilateral trading system should be guided by the aspirations that underpin the process to establish it, namely, structural transformation, industrialization and regional integration. She concluded by underscoring the importance of monitoring and evaluation in the implementation of such initiatives, which could be guided by lessons learned from the implementation of similar initiatives, such as the East African Community-European Union Economic Partnership Agreement.

65. The final panellist observed that the private sector was hardly visible in the development of ideas, negotiations and implementation relating to trade agreements even though it was influenced by the relevant policy decisions. He also noted that one of the weaknesses of private sector actors was that they often failed to come together, as they tended to be fragmented into different interest groups. In addition, he pointed out that the private sector, which ultimately would implement policy decisions, needed to receive more support, in particular from Governments and developing partners, to help it to gain a better understanding of the reforms. In the context of the continental free trade area, according to the final panellist, the debate on tariffs was not the number one priority for the private sector; questions pertaining to productive capacity and trade facilitation, especially customs and standards issues, were the most pressing concern.

## **2. General discussion**

66. It was acknowledged that the establishment of the continental free trade area could be an important tool for addressing the continent's challenges associated with socioeconomic development, unemployment, food security and poverty. At the same time, member States noted that the continental free trade area in itself, once established, would not be enough to ensure a transformational change and inclusive gains, but it would provide a comprehensive platform to address the issues and challenges at stake. It was pointed out that, in order for the free trade area to bring the intended benefits, there would be necessary to implement supporting policies, strategies and measures aimed at, among other actions, building productive capacities, improving trade facilitation, increasing investment and closing infrastructure gaps. In that respect, member States also highlighted the need for special and differentiated treatment when implementing the continental free trade area modalities. In addition, it was noted that compensation mechanisms would need to be put in place to ensure that potential losses owing to the reforms relevant to liberalization, such as loss in revenue from tariff reductions, could be offset and benefits from the establishment of the continental free trade area could be better shared among member States. Furthermore, the point was emphasized that there was a need for wide consultation with all stakeholders on the negotiations, implementation, and monitoring and evaluation of the agreement to establish the continental free trade area, including with relevant line ministries, women, young people, the private sector and civil society.

67. Particular emphasis was placed on the key role of the private sector in the process to establish the continental free trade area. During the deliberations, a communication strategy was discussed, which would play a vital role in advocating a free trade area and enhance understanding of the agreement by the private and public sectors. Moreover, structures were called for to support a more unified voice for the African private sector. It also indicated that the implementation of the agreement to establish the continental free trade area

must be accompanied by a solid monitoring and evaluation framework to ensure its effectiveness and accountability to stakeholders at national, regional and continental levels. In that regard, it was stated that ECA and the African Union Commission could play a role in that regard, including at the subregional level. It was also discussed that regional economic communities and ministries in charge of economic integration could assume their roles at the regional and national levels, respectively.

68. In addition, it was noted that trading relations with external partners must also be considered in the implementation of the agreement to establish the continental free trade area. It was pointed out that, in particular, the implications on a continental free trade area of external commitments, such as the Economic Partnership Agreements, must be understood. Member States should make use of the Aid for Trade to finance reforms relevant to an agreement relating to a free trade area. It was also emphasized that it was important to ensure that the establishment of such a free trade area would strengthen the position of Africa vis-à-vis its external partners and would not create new vulnerabilities. Any study that looked at the interactions between trade agreements (including the Economic Partnership Agreements) and the continental free trade area should be made widely available. In view of the fact that youth unemployment had remained high, the point was stressed that there was a need for African countries to develop curricula better suited to the priorities of the continent and to the needs of the labour market. Moreover, the point was made that offering decent jobs should be a high priority in implementing the 2030 Agenda and Agenda 2063.

### **3. Recommendations**

69. The following recommendations were made:

- (a) ECA, in collaboration with the African Union Commission, should take a leading role in monitoring the implementation of the various components of the agreement to establish the continental free trade area;
- (b) Member States are encouraged to enhance the implementation of the Boosting Intra-African Trade Action Plan and African Union Commission and partners should carry out the tracking of progress made in that regard and provide technical assistance for the implementation;
- (c) Member States are encouraged to involve the private sector in the process to establish the continental free trade area to ensure that the design of the agreement addresses their priorities and concerns;
- (d) ECA and the African Union Commission should also enhance their support to the private sector in taking advantage of the continental free trade area and other trade agreements and arrangements. Specifically, more work should be focused on standardization;
- (e) ECA and the African Union Commission are encouraged to collaborate in the organization of annual review meetings for members of the private sector from African Union member States to enable them to take stock of the progress in implementing the agreement to establish the continental free trade area and give recommendations to speed up the process;
- (f) Member States are urged to put in place policies that recognize and enhance the role of FDI (including intra-African investments) as a vehicle for expanding intra-African trade and strengthening the productive capacity of their economies;



- (g) Member States are encouraged to raise the awareness of their respective constituencies of the continental free trade area, in order to inform and better prepare them to harness the potential benefits of such a trade area;
- (h) The chief negotiators are urged to be faithful to the continental free trade area negotiations principles that were originally agreed at the launch of the negotiation process.

#### **Recommendation for ECA**

70. The following recommendation for ECA was made:

Undertake a study aimed at profiling the private sector in Africa to enable the development of a structure that helps the private sector reap the benefits that would come with the establishment of the continental free trade area.

### **VIII. Review of the 2016–2017 work programme of the Regional Integration and Trade Division and priorities for the biennium 2018-2019**

71. The review of the work programme for 2016–2017 and priorities for 2018–2019 were adopted without amendments. However, in implementing its programme of work for the biennium 2018-2019, the secretariat undertakes to:

- (a) Reach out to member States and regional economic communities and improve communications, including through producing popular versions of key publications;
- (b) Develop case studies showcasing best practices in member States, subregional or continental organizations.

### **IX. Consideration and adoption of the report of the tenth session**

72. The Committee adopted the report with some amendments and requested the secretariat to forward the final report to the participants.

### **X. Closing of the session**

73. Following the customary exchange of courtesies, the session was declared closed at 9.05 p.m. on Thursday, 2 November 2017.

---