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Item 4 of the provisional agenda\*

**Assessment of progress on regional integration in Africa**

### **Assessment of progress on regional integration in Africa**

#### **I. Introduction**

1. Regional integration has historically been a priority for the development agenda in Africa. The first experience with integration in Africa began with the Customs Union Agreement of 1910. Currently, there are a number of regional economic communities in Africa. In addition, continental programmes and initiatives have been put in place to support the African integration agenda. These include, among others, Agenda 2063 of the African Union, the New Partnership for Africa's Development (NEPAD), the Minimum Integration Programme, the Action Plan for Accelerated Industrial Development in Africa, the Action Plan for Boosting Intra-African Trade, and the Continental Agribusiness Strategy. Most recently, continental integration has reached a new milestone with the signing of the Agreement Establishing the African Continental Free Trade Area.

2. Amid rising protectionism in some parts of the world, regional integration in Africa is critical to meeting the continent's development ambitions. There is a consensus that the inclusive development goals of Africa cannot be achieved without dynamic industrial sectors and an increase in formal intra-African trade. The fragmentation of African economies, however, limits the ability of African businesses to build their competitiveness. Further integration is, therefore, required to achieve economies of scale and to boost African production and trade.

3. The Economic Commission for Africa (ECA) estimates that the African Continental Free Trade Area has the potential to boost intra-African trade by more than 52 per cent through the elimination of import duties alone. It is estimated that the benefits would double if combined with trade facilitation measures to further reduce non-tariff barriers. The majority of the benefit is focused on industrial goods, providing fertile ground for the development of regional value chains. Trade facilitation measures will also be important to ensure that the benefits are felt more widely, given the challenges often faced in accessing even regional markets. In particular, there is scope for improving conditions for informal cross-border traders, the majority of whom are women.

4. The present paper aims to provide an assessment of regional integration in Africa, beginning with an overview of the state of regional integration in

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Africa, as evaluated by the African Regional Integration Index.<sup>1</sup> Central dimensions of regional integration in Africa are also discussed herein. Finally, the paper sheds light on several key issues related to the African Continental Free Trade Area.

## II. Status of regional integration in Africa: an overview

5. The Treaty Establishing the African Economic Community (the Abuja Treaty),<sup>2</sup> which entered into force in 1994, provided a road map for the development of the African Economic Community. More than two decades after the Treaty came into force, Africa has made significant strides towards regional and continental integration. At present, the continent has eight regional economic communities that have been formally recognized by the African Union, namely, the Arab Maghreb Union (AMU), the Economic Community of West African States (ECOWAS), the East African Community (EAC), the Intergovernmental Authority on Development (IGAD), the Southern African Development Community (SADC), the Common Market for Eastern and Southern Africa (COMESA), the Economic Community of Central African States (ECCAS) and the Community of Sahelo-Saharan States (CEN-SAD).

6. The level of integration in Africa today varies highly both within and across regional economic communities, as well as across the various dimensions of integration (see tables 1–9).<sup>3</sup>

Table 1

### Status of regional economic integration, by regional economic community

| <i>Regional economic community</i> | <i>Customs union</i> | <i>Free trade area</i> | <i>Single market</i> | <i>Number of countries implementing a freedom of movement protocol</i> | <i>Economic and monetary union</i> |
|------------------------------------|----------------------|------------------------|----------------------|--|------------------------------------|
| EAC                                | ✓                    | ✓                      | ✓                    | 3 of 5   | ✗                                  |
| COMESA                             | ✗                    | ✓                      | ✗                    | Burundi and Rwanda have committed themselves to the protocol           | ✗                                  |
| ECOWAS                             | ✓                    | ✓                      | ✗                    | 15 of 15   | WAEMU (8 countries)                |
| SADC                               | ✗                    | ✓                      | ✗                    | 7 of 15  | ✗                                  |
| ECCAS                              | ✗                    | ✓                      | ✗                    | 4 of 11  | CEMAC (6 countries)                |
| CEN-SAD                            | ✗                    | ✗                      | ✗                    | Unclear  | ✗                                  |
| IGAD                               | ✗                    | ✗                      | ✗                    | No protocol  | ✗                                  |
| AMU                                | ✗                    | ✗                      | ✗                    | 3 of 5   | ✗                                  |

<sup>1</sup> The African Regional Integration Index is a joint endeavor of the African Development Bank, the African Union and the Economic Commission for Africa.

<sup>2</sup> A/46/651, annex.

<sup>3</sup> Tables 1–9 are sourced from the following publication: African Development Bank, African Union and United Nations Economic Commission for Africa (2017). *Assessing Regional Integration in Africa VIII: Bringing the Continental Free Trade Area About*.

Table 2  
Regional integration ranking in COMESA<sup>4</sup>

|                                  | Overall ranking | Trade integration | Regional infrastructure | Productive integration | Free movement of persons | Financial and macroeconomic integration |
|----------------------------------|-----------------|-------------------|-------------------------|------------------------|--------------------------|---|
| Zambia                           | 1               | 1                 | 8                       | 3                      | 4                        | 12                                      |
| Uganda                           | 2               | 5                 | 15                      | 2                      | 2                        | 6                                       |
| Kenya                            | 3               | 4                 | 13                      | 6                      | 4                        | 10                                      |
| Egypt                            | 4               | 2                 | 7                       | 1                      | 18                       | 11                                      |
| Seychelles                       | 5               | 17                | 2                       | 10                     | 1                        | 1                                       |
| Mauritius                        | 6               | 11                | 14                      | 12                     | 3                        | 4                                       |
| Madagascar                       | 7               | 12                | 4                       | 4                      | 10                       | 8                                       |
| Zimbabwe                         | 8               | 7                 | 10                      | 15                     | 6                        | 9                                       |
| Rwanda                           | 9               | 9                 | 16                      | 9                      | 8                        | 5                                       |
| Democratic Republic of the Congo | 10              | 3                 | 9                       | 14                     | 14                       | 13                                      |
| Swaziland                        | 11              | 15                | 1                       | 7                      | 7                        | 19                                      |
| Comoros                          | 12              | 14                | 6                       | 17                     | 10                       | 2                                       |
| Burundi                          | 13              | 13                | 12                      | 8                      | 13                       | 14                                      |
| Malawi                           | 14              | 10                | 11                      | 11                     | 9                        | 17                                      |
| Libya                            | 15              | 6                 | 3                       | 19                     | 19                       | 7                                       |
| Djibouti                         | 16              | 19                | 17                      | 5                      | 12                       | 3                                       |
| Sudan                            | 17              | 8                 | 5                       | 18                     | 17                       | 16                                      |
| Eritrea                          | 18              | 16                | 19                      | 13                     | 15                       | 15                                      |
| Ethiopia                         | 19              | 18                | 18                      | 16                     | 16                       | 18                                      |

Table 3  
Regional integration ranking: AMU

|            | Overall ranking | Trade integration | Regional infrastructure | Productive integration | Free movement of persons | Financial and macroeconomic integration |
|------------|-----------------|-------------------|-------------------------|------------------------|--------------------------|---|
| Morocco    | 1               | 2                 | 2                       | 2                      | 4                        | 1                                       |
| Tunisia    | 2               | 1                 | 5                       | 1                      | 3                        | 2                                       |
| Algeria    | 3               | 4                 | 4                       | 4                      | 1                        | 3                                       |
| Libya      | 4               | 3                 | 1                       | 3                      | 5                        | 5                                       |
| Mauritania | 5               | 5                 | 3                       | 5                      | 2                        | 4                                       |

Table 4  
Regional integration ranking: ECCAS

|                          | Overall ranking | Trade integration | Regional infrastructure | Productive integration | Free movement of persons | Financial and macroeconomic integration |
|--------------------------|-----------------|-------------------|-------------------------|------------------------|--------------------------|---|
| Cameroon                 | 1               | 1                 | 4                       | 3                      | 4                        | 3                                       |
| Gabon                    | 2               | 3                 | 3                       | 4                      | 7                        | 1                                       |
| Congo                    | 3               | 8                 | 2                       | 5                      | 3                        | 5                                       |
| Central African Republic | 4               | 6                 | 5                       | 9                      | 2                        | 4                                       |
| Chad                     | 5               | 4                 | 11                      | 6                      | 4                        | 2                                       |

<sup>4</sup> The rankings in tables 2–9 are based on the Africa Regional Integration Index, which reflects data on the following five dimensions of regional integration: trade integration, regional infrastructure, productive integration, free movement of persons and financial and macroeconomic integration. For more information about the Index, see <https://www.integrate-africa.org/>. A new version of the Index was being produced at the time of writing.

|                                  |    |    |    |    |    |    |
|----------------------------------|----|----|----|----|----|----|
| Rwanda                           | 6  | 5  | 8  | 2  | 6  | 7  |
| Equatorial Guinea                | 7  | 7  | 7  | 10 | 7  | 6  |
| Angola                           | 8  | 2  | 1  | 11 | 11 | 11 |
| Burundi                          | 9  | 10 | 10 | 1  | 9  | 9  |
| Sao Tome and Príncipe            | 10 | 11 | 9  | 7  | 1  | 10 |
| Democratic Republic of the Congo | 11 | 9  | 6  | 8  | 9  | 8  |

Table 5  
**Regional integration ranking: SADC**

|                                  | <i>Overall ranking</i> | <i>Trade integration</i> | <i>Regional infrastructure</i> | <i>Productive integration</i> | <i>Free movement of persons</i> | <i>Financial and macroeconomic integration</i> |
|----------------------------------|------------------------|--------------------------|--------------------------------|-------------------------------|---------------------------------|--|
| South Africa                     | 1                      | 1                        | 4                              | 2                             | 6                               | 1  |
| Namibia                          | 2                      | 3                        | 1                              | 12                            | 6                               | 2  |
| Botswana                         | 3                      | 4                        | 2                              | 14                            | 8                               | 3  |
| Swaziland                        | 4                      | 5                        | 5                              | 5                             | 1                               | 8  |
| Zambia                           | 5                      | 2                        | 8                              | 3                             | 3                               | 11   |
| Zimbabwe                         | 6                      | 15                       | 7                              | 1                             | 5                               | 5  |
| Seychelles                       | 7                      | 14                       | 6                              | 9                             | 1                               | 4  |
| Mozambique                       | 8                      | 7                        | 11                             | 4                             | 11                              | 9  |
| Lesotho                          | 9                      | 6                        | 3                              | 15                            | 8                               | 7  |
| Mauritius                        | 10                     | 8                        | 14                             | 11                            | 4                               | 6  |
| United Republic of Tanzania      | 11                     | 13                       | 15                             | 6                             | 12                              | 13   |
| Madagascar                       | 12                     | 9                        | 13                             | 8                             | 13                              | 10   |
| Malawi                           | 13                     | 10                       | 12                             | 13                            | 8                               | 15   |
| Democratic Republic of the Congo | 14                     | 11                       | 9                              | 7                             | 14                              | 12   |
| Angola                           | 15                     | 12                       | 10                             | 10                            | 15                              | 14   |

Table 6  
**Regional integration ranking: EAC**

|                             | <i>Overall ranking</i> | <i>Trade integration</i> | <i>Regional infrastructure</i> | <i>Productive integration</i> | <i>Free movement of persons</i> | <i>Financial and macroeconomic integration</i> |
|-----------------------------|------------------------|--------------------------|--------------------------------|-------------------------------|---------------------------------|--|
| Rwanda                      | 1                      | 4                        | 1                              | 4                             | 1                               | 1  |
| Kenya                       | 2                      | 1                        | 3                              | 3                             | 1                               | 2  |
| Uganda                      | 3                      | 2                        | 5                              | 1                             | 3                               | 3  |
| Burundi                     | 4                      | 5                        | 2                              | 5                             | 3                               | 4  |
| United Republic of Tanzania | 5                      | 3                        | 4                              | 2                             | 5                               | 5  |

Table 7  
**Regional integration ranking: CEN-SAD**

|               | <i>Overall ranking</i> | <i>Trade integration</i> | <i>Regional infrastructure</i> | <i>Productive integration</i> | <i>Free movement of persons</i> | <i>Financial and macroeconomic integration</i> |
|---------------|------------------------|--------------------------|--------------------------------|-------------------------------|---------------------------------|--|
| Côte d'Ivoire | 1                      | 1                        | 12                             | 14                            | 1                               | 8  |
| Benin         | 2                      | 14                       | 16                             | 4                             | 7                               | 9  |
| Togo          | 3                      | 15                       | 4                              | 9                             | 6                               | 7  |
| Senegal       | 4                      | 4                        | 15                             | 10                            | 11                              | 3  |
| Niger         | 5                      | 10                       | 13                             | 15                            | 2                               | 1  |

|                          |    |    |    |    |    |    |
|--------------------------|----|----|----|----|----|----|
| Mali                     | 6  | 6  | 17 | 18 | 2  | 6  |
| Burkina Faso             | 7  | 11 | 8  | 20 | 5  | 2  |
| Tunisia                  | 8  | 3  | 18 | 7  | 15 | 15 |
| Ghana                    | 9  | 12 | 3  | 8  | 13 | 20 |
| Morocco                  | 10 | 17 | 1  | 3  | 18 | 11 |
| Gambia                   | 11 | 19 | 6  | 5  | 7  | 16 |
| Guinea-Bissau            | 12 | 26 | 9  | 25 | 9  | 5  |
| Nigeria                  | 13 | 8  | 11 | 22 | 10 | 23 |
| Egypt                    | 14 | 2  | 14 | 6  | 29 | 22 |
| Kenya                    | 15 | 21 | 19 | 1  | 17 | 21 |
| Central African Republic | 16 | 20 | 27 |    | 22 | 10 |
| Djibouti                 | 17 | 22 | 23 | 2  | 21 | 14 |
| Guinea                   | 18 | 18 | 7  | 19 | 2  | 27 |
| Libya                    | 19 | 13 | 2  | 21 | 27 | 18 |
| Mauritania               | 20 | 16 | 21 | 23 | 16 | 17 |
| Chad                     | 21 | 24 | 29 | 17 | 19 | 4  |
| Liberia                  | 22 | 28 | 20 | 11 | 13 | 19 |
| Comoros                  | 23 | 9  | 28 |    | 23 | 13 |
| Sierra Leone             | 24 | 23 | 24 | 13 | 12 | 26 |
| Cabo Verde               | 25 | 27 | 5  |    | 28 | 12 |
| Eritrea                  | 26 | 7  | 26 | 16 | 26 | 25 |
| Sudan                    | 27 | 5  | 10 | 24 | 25 | 28 |
| Sao Tome and Príncipe    | 28 | 29 | 25 | 12 | 24 | 24 |
| Somalia                  |    | 25 | 22 | 26 | 20 |    |

Table 8  
Regional integration ranking: ECOWAS

|               | <i>Overall ranking</i> | <i>Trade integration</i> | <i>Regional infrastructure</i> | <i>Productive integration</i> | <i>Free movement of persons</i> | <i>Financial and macroeconomic integration</i> |
|---------------|------------------------|--------------------------|--------------------------------|-------------------------------|---------------------------------|--|
| Côte d'Ivoire | 1                      | 2                        | 12                             | 7                             | 1                               | 7  |
| Togo          | 2                      | 7                        | 3                              | 2                             | 1                               | 6  |
| Senegal       | 3                      | 3                        | 13                             | 4                             | 1                               | 3  |
| Niger         | 4                      | 8                        | 8                              | 9                             | 1                               | 1  |
| Ghana         | 5                      | 4                        | 2                              | 3                             | 1                               | 12   |
| Burkina Faso  | 6                      | 9                        | 6                              | 14                            | 1                               | 2  |
| Benin         | 7                      | 11                       | 14                             | 8                             | 1                               | 8  |
| Mali          | 8                      | 6                        | 15                             | 12                            | 1                               | 5  |
| Nigeria       | 9                      | 1                        | 7                              | 10                            | 1                               | 13   |
| Guinea-Bissau | 10                     | 10                       | 9                              | 15                            | 1                               | 4  |
| Gambia        | 11                     | 14                       | 4                              | 1                             | 1                               | 10   |
| Cabo Verde    | 12                     | 12                       | 1                              | 13                            | 1                               | 9  |
| Sierra Leone  | 13                     | 5                        | 11                             | 6                             | 1                               | 14   |
| Liberia       | 14                     | 15                       | 10                             | 5                             | 1                               | 11   |
| Guinea        | 15                     | 13                       | 5                              | 11                            | 1                               | 15   |

Table 9  
Regional integration ranking: IGAD

|             | Overall ranking | Trade integration | Regional infrastructure | Productive integration | Free movement of persons | Financial and macroeconomic integration |
|-------------|-----------------|-------------------|-------------------------|------------------------|--------------------------|---|
| Kenya       | 1               | 2                 | 2                       | 1                      | 2                        | 2                                       |
| Uganda      | 2               | 1                 | 8                       | 2                      | 1                        | 3                                       |
| Djibouti    | 3               | 5                 | 1                       | 3                      | 5                        | 1                                       |
| Ethiopia    | 4               | 6                 | 5                       | 4                      | 4                        | 5                                       |
| Eritrea     | 5               | 4                 | 7                       | 5                      | 3                        | 4                                       |
| Sudan       | 6               | 3                 | 6                       | 6                      | 8                        | 7                                       |
| South Sudan |                 |                   | 3                       |                        | 7                        | 6                                       |
| Somalia     |                 | 7                 | 4                       | 7                      | 5                        |   |

### III. Regional integration in Africa: key dimensions

#### A. Trade integration

7. Africa currently counts four functioning free trade areas among the regional economic communities that are recognized by the African Union: COMESA, EAC, ECOWAS and SADC. Intra-African trade has also been liberalized through mechanisms outside the African Union-recognized regional economic communities, including the Pan-Arab Free Trade Area, the Central African Economic and Monetary Community (CEMAC) and the Southern African Customs Union (SACU).

8. Except for a few regions, trade between African countries has slightly increased or remained stable over the years, but has been generally low in value. Intra-African exports of goods reached 18 per cent of total exports of goods in 2016, up from 9 per cent in 2000, while the corresponding shares for imports were 13 and 14 per cent, respectively (see tables 10 and 11). In comparison, in 2016, the shares of intraregional trade in Asia and the European Union were, respectively, 59 and 64 per cent for exports and 61 and 60 per cent for imports.<sup>5</sup>

9. At the subregional level, among the African Union-recognized regional economic communities, EAC and SADC remained the best performers in terms of exports of goods within their respective subregion in 2016, while SADC performed relatively well in respect of imports within its subregion. These notwithstanding, none of the subregions recorded a share of trade within their respective subregion of more than 25 per cent.

Table 10  
Intraregional and extraregional exports for Africa and selected regional economic communities (percentage)

|         | 2000         |                |                | 2016         |                |                |
|---------|--------------|----------------|----------------|--------------|----------------|----------------|
|         | Within group | Rest of Africa | Outside Africa | Within group | Rest of Africa | Outside Africa |
| AMU     | 2            | 28             | 69             | 4            | 50             | 45             |
| CEN-SAD | 7            | 25             | 68             | 9            | 42             | 49             |
| COMESA  | 5            | 56             | 39             | 10           | 49             | 40             |
| EAC     | 18           | 40             | 42             | 20           | 45             | 34             |
| ECCAS   | 1            | 54             | 46             | 2            | 64             | 35             |
| ECOWAS  | 9            | 25             | 65             | 11           | 44             | 45             |

<sup>5</sup> Based on data from UNCTADstat (accessed on 28 March 2018).

|                |    |    |    |    |    |    |
|----------------|----|----|----|----|----|----|
| IGAD           | 12 | 44 | 44 | 17 | 48 | 36 |
| SADC           | 12 | 16 | 72 | 21 | 11 | 68 |
| Africa overall | 9  | -  | 91 | 18 | -  | 82 |

Source: ECA, based on data from UNCTADstat (accessed on 28 March 2018).

Table 11  
**Intraregional and extraregional imports for Africa and selected regional economic communities (percentage)**

|                | 2000         |                |                | 2016         |                |                |
|----------------|--------------|----------------|----------------|--------------|----------------|----------------|
|                | Within group | Rest of Africa | Outside Africa | Within group | Rest of Africa | Outside Africa |
| AMU            | 3            | 36             | 60             | 3            | 42             | 55             |
| CEN-SAD        | 6            | 26             | 68             | 6            | 30             | 64             |
| COMESA         | 5            | 71             | 24             | 5            | 62             | 33             |
| EAC            | 13           | 46             | 42             | 7            | 53             | 40             |
| ECCAS          | 2            | 88             | 9              | 4            | 80             | 16             |
| ECOWAS         | 13           | 21             | 66             | 9            | 31             | 60             |
| IGAD           | 9            | 44             | 47             | 3            | 68             | 29             |
| SADC           | 20           | 7              | 73             | 22           | 11             | 67             |
| Africa overall | 14           | -              | 86             | 13           | -              | 87             |

Source: ECA, based on data from UNCTADstat (accessed on 28 March 2018).

10. Progress is being made in liberalizing trade through lower tariffs between African countries. Looking at the tariffs applied to imports within economic communities in 2017, EAC had no tariffs on intra-EAC trade; that was also the case for 80 per cent of ECOWAS countries. The average tariff applied by UMA was 5 per cent, with the figures varying from 0 per cent for Libya to as high as 13 per cent for Mauritania. The corresponding figures for the other African Union-recognized regional economic communities were as follows: 0.33 per cent for SADC; 5.07 per cent for IGAD; 3.75 per cent for ECCAS; 0.94 per cent for COMESA; and 14.16 per cent for CEN-SAD.<sup>6</sup>

11. With trade trends within regional economic communities looking promising, it will also be important to tackle the barriers between the regional economic groupings. The African Continental Free Trade Area is designed to address exactly this, by bringing the whole continent under one free trade agreement. The African Continental Free Trade Area builds on the progress made by the regional economic communities and the Tripartite Free Trade Area Agreement among COMESA, EAC and SADC.

## B. Infrastructure integration

12. Infrastructure remains vital for inclusive and broad-based development when addressing issues around the fragmentation of African economies. Without well-functioning and well-maintained national and cross-border infrastructure assets, Africa will not fully harness the benefits of economic integration. The continent has continued to suffer from severe infrastructure deficits both in terms of access and quality. Despite some progress, access to reliable and affordable energy, which is vital for basic needs and businesses, is

<sup>6</sup> Based on figures from the Market Access Map of the International Trade Centre. Available from <http://www.macmap.org/>.

grossly inadequate. In 2016, nearly half the population of Africa had no access to electricity, compared with 66 per cent in 2000.<sup>7</sup>

13. In Africa, there is still limited availability of the information and communications technologies (ICTs) that are required for the development of digital economies, which can trigger technological progress and innovation on the continent. According to the 2017 ICT Development Index,<sup>8</sup> only 6 African countries were among the top 100 best performers. Those included Mauritius (72<sup>nd</sup>), Seychelles, (90<sup>th</sup>) South Africa (92<sup>nd</sup>), Cabo Verde (93<sup>rd</sup>), Tunisia (99<sup>th</sup>) and Morocco (100<sup>th</sup>).

14. In terms of transport, road density is very low and consists mostly of roads that are unpaved and hardly passable during adverse weather (e.g., the rainy season). Railway networks in most parts of the continent consists mostly of single lines, penetrating inland from seaports with very limited interconnectivity, except in a few countries such as Morocco, South Africa and Tunisia. Other types of transport infrastructure, such as waterways, are equally inadequate, despite the huge water resource potential of the continent.

15. Several infrastructure development programmes and action plans, such as the Programme for Infrastructure Development in Africa, the Sub-Saharan Africa Transport Policy Programme, the Trans-African Highways Programme and the Africa Renewable Energy Initiative, provide concerted approaches to infrastructure development across the continent while addressing regional integration issues. However, financial resources are still an impediment to infrastructure development in Africa. An estimated \$93 billion will be needed per year for infrastructure building in Africa. Even more will be needed if the funds required to ensure the resilience of infrastructure assets are taken into account. The infrastructure projects alone under the priority action plan of the Programme for Infrastructure Development in Africa will require a total investment of \$68 billion up to 2020 in the energy, transport, ICT and transboundary water sectors.

16. Overall commitments to infrastructure development in Africa over the period 2012–2016 averaged \$75 billion annually (see figure I). The structure of infrastructure investment varies by country and by infrastructure asset. A common feature, however, is very low private sector participation. Private sector investment in Africa over the period 2012–2016 was below 10 per cent of total investment. Currently, most infrastructure projects that involve the maintenance, expansion and development of facilities, in particular transportation assets such as roads and railways, are funded through the public sector, along with support from development partners. Considering the constraints on public funding, it is critical that private sector investment in infrastructure be increased.

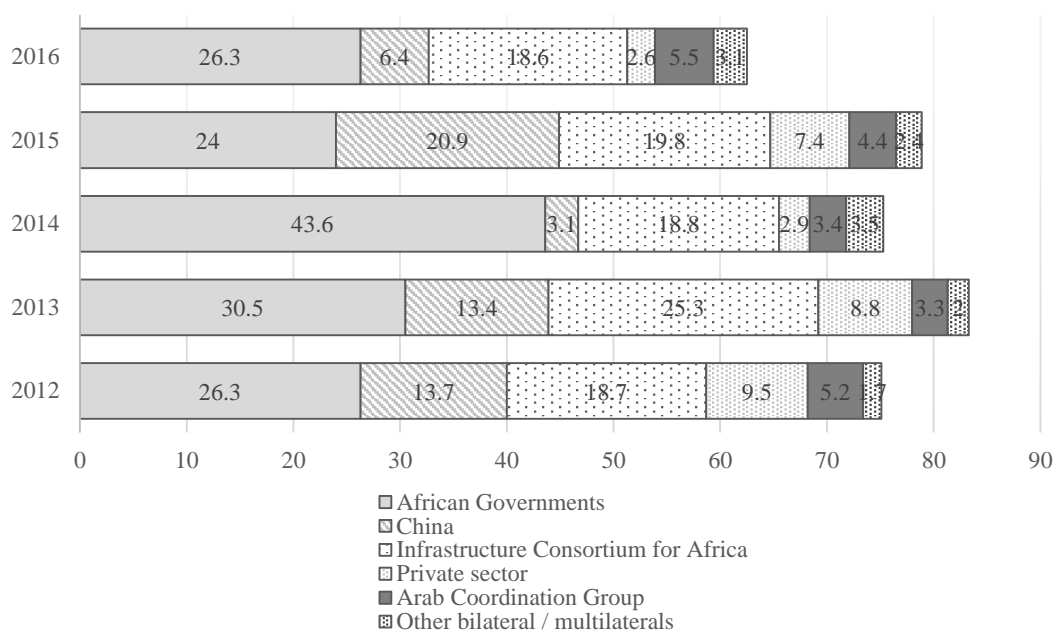
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<sup>7</sup> International Energy Agency (2017). Energy access outlook 2017: from poverty to prosperity. Available from [https://www.iea.org/publications/freepublications/publication/WEO2017SpecialReport\\_EnergyAccessOutlook.pdf](https://www.iea.org/publications/freepublications/publication/WEO2017SpecialReport_EnergyAccessOutlook.pdf).

<sup>8</sup> Produced by the International Telecommunications Union, the ICT Development Index takes into consideration the dimensions of access, use and skills in the digital sector.



Figure I  
**Infrastructure commitments in Africa, by source, 2012-2016**  
 (billions of United States dollars)



Source: Infrastructure Consortium for Africa (2017).

17. There are several infrastructure development projects, planned or under way at either the regional and national level, that will support the continent's integration. Examples include the North-South Corridor Programme in Eastern and Southern Africa; the Abidjan-Lagos Highway Development Programme in West Africa; the Walvis Bay Corridor in Southern Africa; the navigation line project linking Lake Victoria and the Mediterranean Sea through the Nile River; and the Africa Clean Energy Corridor, which is expected to facilitate cross-border trade in green and renewable energy in a network extending from South Africa, to Egypt. Other projects include a West African rail network connecting Benin, Burkina Faso, Côte d'Ivoire, Ghana, the Niger, Nigeria and Togo; the Grand Ethiopian Renaissance Dam; the Mombasa-Kigali Railway Project; the Grand Inga Dam, in the Democratic Republic of the Congo; and the Bagamoyo Port, in the United Republic of Tanzania.

18. A key recent achievement with regard to air transport is the Single African Air Transport Market, launched in January 2018. The initiative is expected to improve the efficiency of continental air transport and contribute to the growth of the continent's global share of the aviation industry. At the time of writing, 25 African countries had acceded to the initiative. Other African countries have been urged to join the initiative, the effective implementation of which is critical to achieving the expected outcomes.

### C. Financial integration and intra-African investment

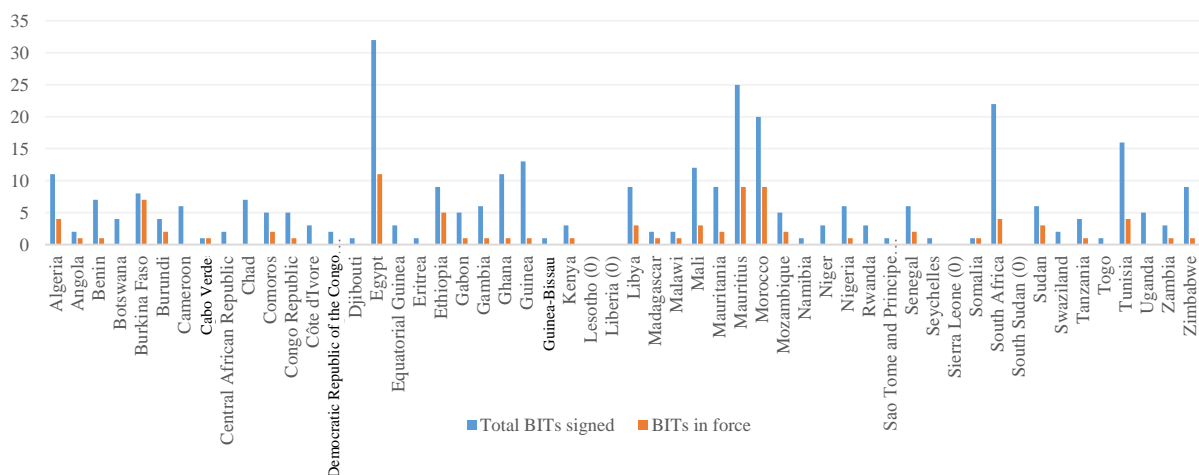
19. Efforts are being made to promote intra-African investment. Among those efforts at the continental level is the drafting of the Pan-African Investment Code, which is aimed at harmonizing investment regulation in States members of the African Union.<sup>9</sup> The overarching objective of the Code

<sup>9</sup> In October 2017, the Specialized Technical Committee on Finance, Monetary Affairs, Economic Planning and Integration of the African Union adopted the draft Pan-African Investment Code presented by the African Union Commission as a non-binding guiding instrument on investment policy. The Committee also requested the Commission to submit the draft Code for consideration to other specialized technical committees, including that on trade, industry and minerals.

is to promote an investment environment that is conducive to long-term sustainable development, while striking a balance between the rights and obligations of the member States and investors. The Code is a powerful guiding instrument that should be aligned with the chapter on investment under the Agreement Establishing the African Continental Free Trade Area,<sup>10</sup> with a view to greater coherence in the regulation of investment at the continental level.

20. The majority of African countries have signed bilateral treaties in an effort to boost intra-African investment (figure II). Recent data indicates that 50 African countries have signed at least one bilateral treaty with another African country. The countries that lead in signing intra-African bilateral treaties include Egypt, Mauritius, South Africa, Morocco and Tunisia, which have signed 32, 25, 22, 20 and 16 such treaties, respectively. However, the majority of those bilateral treaties have not yet entered into force.

Figure II  
Intra-African bilateral investment treaties, by country



Source: ECA, based on data from UNCTAD Investment Policy Hub (<http://investmentpolicyhub.unctad.org/>).

21. The data available on intra-African outward direct investment positions in 2016 (see table 12) indicate that Mauritius and South Africa lead in investment activity on the continent. The large volume of investment for Mauritius relative to the size of its economy suggests that a substantial amount of foreign investment in African economies may be routed through the country to take advantage of its network of tax and investment treaties with other African countries (as discussed in the previous paragraph), along with its favourable tax regime and its status as an offshore financial hub.

<sup>10</sup> Negotiations on investment, intellectual property and competition policy under the Agreement Establishing the African Continental Free Trade Area are expected to begin in 2018.

Table 12  
**Intra-African outward direct investment positions, 2016**  
*(millions of United States dollars)*

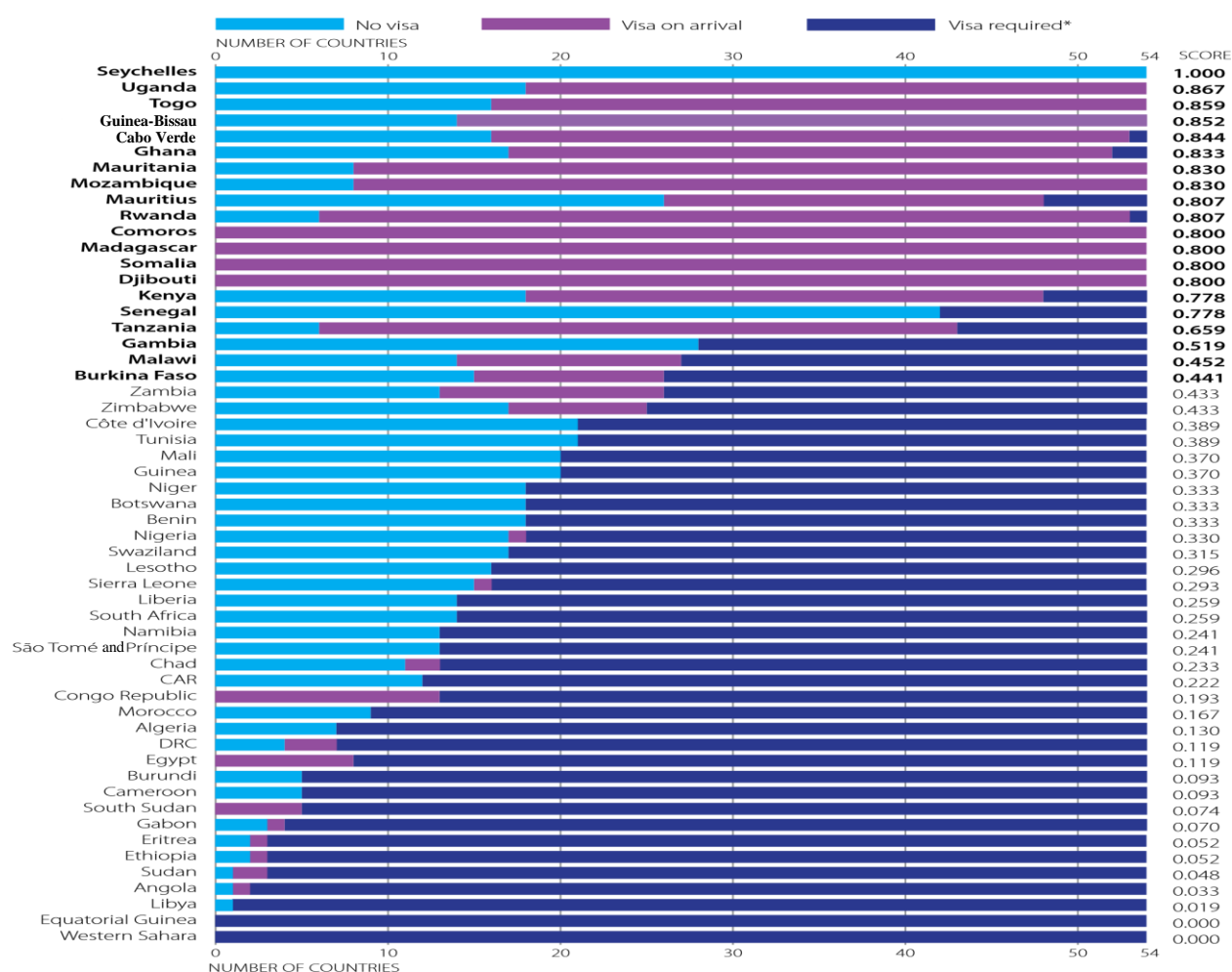
|               |        |
|---------------|--------|
| Benin         | 76     |
| Botswana      | 959    |
| Burkina Faso  | 268    |
| Côte d'Ivoire | 146    |
| Guinea-Bissau | 0      |
| Mali          | 92     |
| Mauritius     | 26,281 |
| Morocco       | 1,760  |
| South Africa  | 23,873 |
| Togo          | 3,366  |
| Zambia        | 799    |

*Source:* ECA calculations, based on data of the International Monetary Fund.

#### **D. Free movement of persons and the right of establishment**

22. The free movement of people in Africa varies across countries and regions. In terms of visa openness, among the top 20 countries in Africa in 2016, 40 per cent were in East Africa, 35 per cent in West Africa, 20 per cent in Southern Africa and 5 per cent in North Africa. None were in Central Africa (see figure II). In the same year, only 10 African countries offered liberal access (i.e., either did not require a visa or allowed it to be obtained upon arrival), which indicates that most countries on the continent still have restrictive visa policies. If the mobility of Africans is to become a reality, improving visa regimes in more African countries is the way forward. The signing by 30 countries of the Protocol to the Treaty Establishing the African Economic Community on Free Movement of Persons, Right of Residence and Right of Establishment, adopted by the Executive Council of the African Union at its Eighteenth Extraordinary Session, held in March 2018, is a good step forward, but its implementation remains critical.

Figure III  
**Visa openness in Africa, 2016**  
 (scale from 0 (lowest) to 1 (highest))

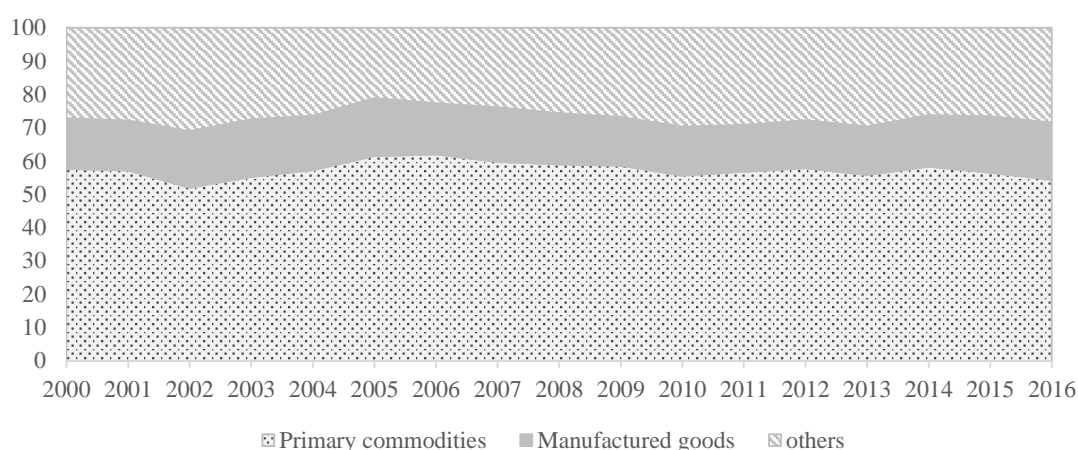


Source: African Development Bank. Africa visa openness report (2017).

## E. Productive integration

23. The integration of Africa into regional and continental value chains is limited by over-reliance on trade in primary commodities, with a limited share in manufactured goods (see figure IV). During the period 2000–2016, intra-African exports accounted, on average, for 57 per cent of primary commodity exports. The corresponding share for manufactured goods was only 16 per cent. These figures reflect the limited capacity of African countries to develop regional value chains by adding and retaining value locally or regionally. The situation has been underpinned by several factors, including gaps in infrastructure facilities that are key to boosting industrial activities; lack of capacity (financial and human) to support industrial projects; barriers to trade; and the fragmentation of African economies, which makes it difficult for manufacturers to benefit from economies of scale.

Figure IV  
**Intra-African exports by group of products (percentage)**



Source: ECA, based on data from UNCTADstat.

24. Boosting productive integration among African economies requires scaling up industrial activities across the continent. Examples of sectors with the potential for value chain development include the cotton-to-textile sector in West, East and Southern Africa; cocoa-to-chocolate products in West and Central Africa; coffee and its by-products in East and Southern Africa; and olives and their by-products in North Africa. Such development would require addressing the constraints faced by the manufacturing sector while removing barriers to trade and promoting investment. Doing so calls for the effective implementation of continental initiatives, including the African Continental Free Trade Area, the Action Plan for Accelerated Industrial Development in Africa and other regional or national industrial strategies in an integrated and coordinated manner.

## IV. African Continental Free Trade Area and the African development agenda

### A. Progress made in respect of the African Continental Free Trade Area

25. The economic integration of Africa reached a new milestone on 21 March 2018 in Kigali, when 44 States members of the African Union signed the Agreement Establishing the African Continental Free Trade Area. In total, 50 countries signed either the Agreement itself or the Kigali Declaration, which was indicative of the commitment of the signatories to join the African Continental Free Trade Area upon the finalization of national legal requirements. The signing of the Agreement marks significant progress towards realizing the vision for African regional integration, as set out in the Abuja Treaty, which envisages the eventual establishment of a pan-African economic community.

26. The signing of the Agreement was the culmination of the negotiations launched in June 2015 in Johannesburg, South Africa. In early March 2018, the negotiations forum was convened for a tenth time to finalize outstanding matters and conclude legal vetting in preparation for the signature of the Agreement. During negotiations forum, participants also agreed on a transition and implementation work programme to finalize offers for goods and services and to prepare product-specific rules of origin, as part of the built-in agenda.

27. Following the recommendation of the Executive Council at its eighteenth extraordinary session, held on 19 March 2018, the Assembly of the

African Union, at its tenth extraordinary session, held on 21 March 2018, adopted the Agreement Establishing the African Continental Free Trade Area, the Protocol on Trade in Goods, the Protocol on Trade in Services and the Protocol on Rules and Procedures on the Settlement of Disputes. The Agreement will enter into force upon ratification by 22 States members of the African Union.

28. The outstanding issues in the first phase of negotiations include the annexes to the adopted protocols and the schedules on goods and services. The annexes to the Protocol on Trade in Goods, the annexes to the Protocol on the Rules and Procedures on the Settlement of Disputes, and the List of Priority Sectors on Trade in Services are expected to be adopted by the Assembly in July 2018. The Schedules of Tariff Concessions and the Schedules of Specific Commitments on Trade in Services are expected to be concluded and adopted during the Assembly session to be held in January 2019.

29. The second phase of the negotiations is expected to begin in late 2018. That phase will focus on provisions for investment, competition and intellectual property rights. A facilitative environment for e-commerce is also being mooted as a possible additional topic for the second phase. The negotiations are expected to be completed by January 2020.

## **B. African Continental Free Trade Area and inclusive development**

30. It is expected that many benefits will come out of the African Continental Free Trade Area and that they will affect all countries involved. Those benefits include wider and more affordable access to inputs and intermediate goods and larger markets for products, which will allow for the development of economies of scale. Consumers will also benefit from access to a more affordable and wider range of products. At the policy level, the Free Trade Area will address the multiple and overlapping trade agreements in Africa, facilitate trade in agricultural goods (thereby improving food security) and stimulate competitive practices and innovation.

31. At the same time, owing to the diversity of African countries and their economic configurations, it is expected that they will be affected differently by the African Continental Free Trade Area. For example, the more industrialized countries will be better placed to take advantage of the opportunities created by the Free Trade Area given the scale and capacity of the manufacturing sector in those countries. Those countries will also be attractive destinations for investment, which will be enhanced by the wider African market. The less industrialized countries can also benefit through the creation of regional value chains, which will be encouraged by reduced transaction costs. They are likely, however, to require additional support in respect of implementation.

32. Although agriculture accounts for 32 per cent of African GDP and employs 65 per cent of the continent's workforce, Africa is a net importer of food. Increasing intra-African trade and investment in food products has the potential not only to provide employment and opportunities for value addition, but also to address the continent's food security concerns. Countries that are more industrialized but also have a high share of agricultural labour will be particularly well-placed to respond to such opportunities.

33. As with any trade agreement, it is expected that the African Continental Free Trade Area will have a redistributive effect. In the short term, this will create winners and losers within countries, as some sectors grow and others shrink. The Free Trade Area has the possibility, however, to contribute to the wide distribution of benefits owing to the expected creation of employment. The Free Trade Area could also have a positive impact on women involved in trade, who are estimated to account for nearly 70 per cent of informal cross-border traders in Africa. When engaged in such an activity, women are particularly vulnerable to harassment, violence, confiscation of goods and even

imprisonment. By reducing tariffs, the African Continental Free Trade Area will make it more affordable for informal traders to operate through formal channels, which offer more protection.

### **C. Towards an effective African Continental Free Trade Area**

34. The benefits of the African Continental Free Trade Area will depend on both the effective implementation of the Agreement itself and a range of supporting policies to address other barriers to trade, investment and industrialization. Such policies need to include measures to overcome the short-term costs to particular countries and to economic groups within countries.

35. Overall, it is expected that the tariff revenue losses will not be considerable. However, countries with high initial tariffs on intra-African trade and with larger volumes of intra-African imports will experience the highest revenue impact. Exclusion lists within the African Continental Free Trade Area can provide an avenue for decreasing tariff revenue losses. It has been estimated that, even with a 1 per cent exclusion list, the average African country could reduce tariff revenue losses under the Free Trade Area from 8 to 1 per cent of total tariff revenue. Overly liberal exclusion lists should be avoided, however, as they could erode the value and benefits of trade liberalization.

36. A critical step for ensuring that less industrialized countries within the continent benefit from the African Continental Free Trade Area is the effective implementation of the Action Plan for Boosting Intra-African Trade, which identifies seven priority clusters for boosting intra-African trade, namely, trade policy, trade facilitation, productive capacity, trade-related infrastructure, trade finance, trade information and factor market integration. Trade liberalization alone cannot deliver transformative results; other barriers to intra-African trade and investment must also be addressed. So far, the implementation of the Action Plan has been hindered by a lack of dedicated institutions, a shortage of funding and an absence of monitoring mechanisms. As the African Continental Free Trade Area initiative moves forward, it will be important to link the implementation and monitoring of the Agreement to effective implementation and adequate resources, including those linked to the Aid for Trade initiative, for activities under the Action Plan.

37. Within countries, in order to alleviate the impact of structural adjustment costs, a gradual and measured approach to implementation should be considered. Exclusion lists and safeguard measures can be used for that purpose, but can result in distorted consumption and are, therefore, not optimal. Another approach would be to apply adjustment assistance to vulnerable groups facing adverse effects from the African Continental Free Trade Area. For example, smallholder farmers are likely to need assistance to connect to value chains and to take advantage of new opportunities. Similarly, informal cross-border traders, many of whom are women, should be supported in joining the formal sector so as to benefit from the Free Trade Area.

38. Trade facilitation measures are of particular relevance to efforts to ensure that gains are inclusive. The chapter on trade facilitation under the Agreement and the global momentum around the topic as a consequence of the entry into force of the Trade Facilitation Agreement under the World Trade Organization both highlight the fact that trade facilitation can be an area of quick wins. At the continental level, landlocked countries, which have economies that are more sensitive to issues surrounding ease of access to ports and value chains, can gain from the effective implementation of the provisions on trade facilitation, transit and customs cooperation.

39. At the national level, trade facilitation measures can be used to support small-scale businesses and female entrepreneurs, who face greater barriers to trade. The perishable nature of agricultural goods also means that agricultural producers could benefit from related processes becoming smoother and faster

across the continent. Support will need to be provided to small and medium-sized enterprises in the form of market information, trade facilitation and trade finance.

40. The effective implementation of the Agreement will further depend on a strong institutional structure. At the continental level, the responsibility for coordinating the implementation of the Agreement will rest with the secretariat of the African Continental Free Trade Area, which will form an autonomous institutional body within the African Union system and have an independent legal personality, akin to an agency of the African Union. It will work closely with the African Union Commission and its departments. The Commission will provide the necessary transitional support until the secretariat is fully operational. Funding for the secretariat will come from the overall budget of the African Union.

41. The regional economic communities will remain important implementing partners and be represented in a committee of senior trade officials of the African Continental Free Trade Area. Their role will include the coordination of implementation and of measures to address non-tariff barriers, harmonize standards and monitor implementation. At the national level, it will be critical to have a strategy for the Free Trade Area and dedicated institutional arrangements in place to carry out implementation and to fully utilize the opportunities arising from the Free Trade Area. Among the structures that complement the Free Trade Area, the African Business Council will aggregate and articulate the views of the private sector.

42. Given the high ambitions for the Agreement, the monitoring and evaluation framework for the African Continental Free Trade Area should not be limited to compliance. Instead, it should also consider to what extent the Agreement is delivering on its development aims and supporting inclusive transformation. Systematic evaluations and reviews should be carried out to assess the impact of the Free Trade Area at the economy and sector level, in addition to its impact on vulnerable groups. Special consideration should be given to the impact of the Free Trade Area on gender equality. An observatory on trade is foreseen as part of the institutional set-up under the Agreement, with a view to ensuring its effective monitoring and evaluation.

## **V. Recommendations**

43. In terms of trade integration, the prompt signing, ratification and implementation of the Agreement by member States will be of importance. The African Union Commission, ECA and other partners have played a key role in supporting the Free Trade Area process in its first phase, leading to the conclusion of the negotiations largely on schedule. It will be important that such support is continued in order to finalize the outstanding issues in respect of the phase one negotiations and to perform the technical work required to support the negotiations in phase two.

44. To unlock the benefits of trade and investment, the African Continental Free Trade Area should be complemented by investment regulation and policies. A continental approach to investment regulation can further encourage intra-African investment activity. Investment policies should provide investors with clearly defined legal guarantees, while safeguarding ample policy space to promote sustainable development. With its emphasis on both the rights and obligations of States and investors, the Pan-African Investment Code can be used as a basis for formulating the envisaged investment chapter under the Agreement.

45. For the African Continental Free Trade Area to deliver on its potential, the implementation of the Agreement will need to be carried out in a way that ensures that no one is left behind, be it at the continental, regional or national level. Impact assessments that identify the impact on specific sectors and the impact on gender equality will be required in order to design supporting



policies to overcome challenges to particular stakeholder groups and to build skills to take advantage of new opportunities.

46. Supporting policies that are in line with the Action Plan for Boosting Intra-African Trade will also be required to ensure that infrastructure gaps, cumbersome border-related procedures and other procedures, limitations on trade finance, trade information gaps and restrictions on the movement of people, among other things, do not hinder the development of intraregional trade and investment.

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