



United Nations  
Economic Commission for Africa

Ad Hoc Expert Group Meeting

On

Leveraging the AfCFTA for poverty and inequality reduction in Southern Africa

Concept Note

06 November, 2023

Gaborone, Botswana

## Background

The African continent continues to grapple with poverty, inequality, and vulnerability with Southern Africa being one of the worst affected regions on the continent. The Southern African subregion performs poorly in all metrics of inequality including income, wealth, and other multidimensional poverty measures (e.g. consumption, educational attainment, educational enrollment, drinking water, sanitation, and electricity).<sup>1</sup> The subregion is the most unequal in the world and currently hosts seven of the ten most unequal countries in the world in terms of income. South Africa is the most unequal country in the world with a Gini coefficient of 63.8 per cent, followed by Namibia at 59.8 per cent<sup>2</sup>. Wealth distribution follows the same pattern: six Southern Africa countries are in the top ten countries with the highest inequality in the world. In terms of multidimensional inequality<sup>3</sup>, the results are largely varied but it is important to note that there are still enormous inequalities on the basis of age, gender, and socio-economic status in the subregion<sup>4</sup>. In terms of income poverty, Malawi with 77.5 per cent, is reported to be the poorest in terms of the proportion of people living in income poverty in the subregion. Mozambique, Zambia, and Angola follow after Malawi with 65.5 per cent, 61.2 per cent, and 54.7 per cent respectively. Multidimensional poverty is high in Zimbabwe, Malawi, Zambia, Namibia, and Angola, but at 73 per cent, Mozambique has the highest proportion of multidimensionally poor people in the subregion<sup>5</sup>.

### The Triple Crises and Rising Poverty and Inequality in Southern Africa

In recent times, the COVID-19 pandemic, climate change and the ongoing Russia-Ukraine crisis have further worsened the poverty and inequality situation in the subregion. Southern Africa experienced a massive contraction in GDP in 2020<sup>6</sup>, and the rebound in 2021 was short-lived and was further undermined by the Russia-Ukraine conflict which escalated inflationary pressures. The convergence of the triple crises has resulted in rising commodity prices and a concomitant rise in poverty and inequality heightening the need for concerted actions to address these two socioeconomic challenges in the subregion.

Eradicating poverty and reducing inequality remain topical development issues as reflected in the UN's Sustainable Development Goals (SDGs) and the African Union's Agenda 2063. Southern

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<sup>1</sup> United Nations Economic Commission for Africa (UNECA) 2017. Guide on poverty measurement. Available at [https://unece.org/fileadmin/DAM/stats/documents/ece/ces/bur/2017/October/14\\_Add.pdf](https://unece.org/fileadmin/DAM/stats/documents/ece/ces/bur/2017/October/14_Add.pdf)

<sup>2</sup> [Gini Coefficient by Country 2023 \(worldpopulationreview.com\)](https://www.worldpopulationreview.com/gini-coefficient-by-country)

<sup>3</sup> This involves the measurement/assessment of a wide range of different aspects of inequality including: life and health, physical and legal security, education and learning, financial security and dignified work, comfortable independent and secure living conditions, participation, influence, and voice, and individual, family, and social life.

<sup>4</sup> Measuring the multiple dimensions of poverty in Africa: A case study of Côte d'Ivoire, Uganda, the United Republic of Tanzania, Zambia, and Zimbabwe. Available at: <https://repository.unece.org/bitstream/handle/10855/49377/b12023231.pdf?sequence=1&isAllowed=y>

<sup>5</sup> [2022 Global Multidimensional Poverty Index \(MPI\) | United Nations Development Programme \(undp.org\)](https://www.undp.org/2022-global-multidimensional-poverty-index-mpi)

<sup>6</sup> The African Development Bank (AfDB) estimated that the GDP of the region contracted by as much as 6.3 per cent in 2020, compared to the rest of Africa which contracted by 2.1 per cent. Countries, such as Botswana, Eswatini, Malawi, South Africa and Zimbabwe, contracting the most.

Africa continues to struggle to make progress towards these regional and international benchmarks. Although the region is pursuing industrial development and regional integration much more vigorously, poverty and inequality remain a challenge. Measurements such as the Human Development Index and Multidimensional Poverty Measures (MPM)<sup>7</sup> show high levels of inequality and poverty in the subregion. Furthermore, income inequality<sup>8</sup> and gender inequality continue unabated in the subregion and some of the earlier gains in addressing these challenges were reversed by the triple crises of the COVID-19 pandemic - climate change and global geopolitical tensions. These have further constrained access to healthcare and education for many citizens, increased food insecurity, and elevated unemployment and hence poverty and inequality.

### **Leveraging the AfCFTA in Southern Africa for the reduction of poverty and inequality**

The African Continental Free Trade Agreement (AfCFTA), launched at the 12th Extraordinary Session of the AU Assembly of Heads of State and Government in Niamey – Niger, in July 2019 and commenced trading on January 1, 2021, presents opportunities to anchor industrialization and transformation and hence can be leveraged to address poverty and inequality in Southern Africa. As the largest free trade area globally, connecting 55 countries and 1.3 billion people with a combined gross domestic product (GDP) of US\$3.4 trillion, the AfCFTA will create a single market and lay the foundation for the African Economic Community. The agreement complements the ongoing initiatives of the continent’s regional economic communities by creating opportunities for expanded intra-regional trade, economic diversification, and industrialization. Under the AfCFTA, exports within Africa are projected to increase by over 81 per cent, while exports to non-African countries could rise by 19 per cent by 2035. Real income gains could reach 7 per cent by 2035, amounting to nearly US\$450 billion. The integration of markets and the removal of both tariff and non-tariff barriers under the AfCFTA will stimulate economic growth, foster innovation and accelerate industrialization and create sustainable jobs. This, in turn, can contribute to poverty reduction by providing income-generating opportunities and promoting inclusive economic development in line with the SDGs, particularly Goal 1 (No Poverty) and Goal 10 (Reduced Inequalities); and AU Agenda 2063, which envisions inclusive economic growth, poverty eradication, and equitable resource distribution. Thus, by implementing the AfCFTA, African countries can realise sustainable and equitable growth and improve the lives of millions of people. It is projected that the full implementation of the AfCFTA will lift more than 30 million people in Africa out of extreme poverty by 2035<sup>9</sup>

Exploiting the advantages offered by the AfCFTA will enable Southern Africa to tackle poverty and inequality and promote sustainable development. Poverty and inequality adversely affect the well-being of individuals and communities by hindering access to education, healthcare, and

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<sup>7</sup> Multidimensional inequality framework. Available at <https://sticerd.lse.ac.uk/inequality/the-framework/media/mif-framework.pdf>

<sup>8</sup> The Gini coefficient, a measure of income inequality, ranges from a low of 36.8 in Mauritius to a high of 63.0 in South Africa, reflecting the magnitude of disparity within the region.

<sup>9</sup> <https://www.worldbank.org/en/topic/trade/publication/the-african-continental-free-trade-area>

basic services. Furthermore, income disparities contribute to social tensions, hamper social cohesion, and impede inclusive growth. Addressing these issues is crucial for promoting social justice, reducing vulnerability, and improving living standards. Through the implementation of the AfCFTA, Southern African countries will harness their collective potential, tap into regional and continental synergies, strengthen cooperation to unlock trade and investment opportunities and thus create an enabling environment for growth and development, the creation of jobs and the reduction of poverty and inequality. Furthermore, through the export of value-added products, the implementation of the AfCFTA will reduce the heavy dependence on the export of primary commodities by stimulating industrialization and the development of regional value chains. Deepening regional integration, harmonizing regulations, and investment in infrastructure will enhance physical and digital connectivity and facilitate the movement of goods, services, and people, increasing employment opportunities, raising incomes, bridging the income gap and thereby contributing to poverty reduction, improved living conditions and promotion of inclusive growth.

Southern African regional member States are currently seized with developing strategies and implementations plans to support the participation of national stakeholders in the expanded African market. Participation in the AfCFTA is part of the broader national, regional and continental strategies to spur development through industrialization and value chain development and will be key to addressing regional development challenges including poverty and inequality. For Southern Africa, the growth in trading opportunities across the continent provides entry points to micro, small and medium enterprises (MSMEs), youth and women-owned businesses which dominate production and trading opportunities in Southern Africa. The AfCFTA holds promise for the next wave of regional growth and a dynamic MSMEs sector will be critical for the continent.

### **Objectives of the AEGM**

The ECA Sub regional Office for Southern Africa (SRO-SA) will organize an Ad Hoc Expert Group Meeting (AEGM), on **Leveraging the AfCFTA for poverty and inequality reduction in Southern Africa** on November 6 2023 in Gaborone, Botswana anchored on a study commissioned by SRO-SA to assess the impacts of the AfCFTA in addressing the scourge of poverty and inequality in the subregion. The overall objective of the AEGM will be for participants to critically examine the draft report in order to identify and isolate and gaps, provide comments and recommendations and inputs and propose recommendations for consideration in finalizing the study. The meeting will specifically discuss the role of the AfCFTA as a catalyst for economic growth and poverty and inequality reduction in the subregion and explore strategies and opportunities to deepen its contribution to these twin challenges. By identifying actionable measures, the AEGM will contribute to the formulation of policies and interventions to reduce poverty and inequality and create a more equitable and prosperous future for the people of Southern Africa and the wider continent. The AEGM will be a platform for Government officials, experts, private sector representatives, academia and other regional stakeholders to exchange on policy measures needed to maximize the positive impact of the AfCFTA on poverty and inequality in the subregion.

The outcomes of the AEGM will be presented for consideration and adoption by the 29<sup>th</sup> Intergovernmental Committee of Senior Officials of Southern Africa meeting holding 8-9 November 2023 also in Gaborone, Botswana.

The specific objectives of the AEGM will be to critically review the methodology, analytical framework, and findings and recommendations of the study and through the deliberations seek to;

- i. Establish the potential impacts of the AfCFTA on poverty, inequality and vulnerability reduction in Southern Africa;
- ii. Provide an in-depth understanding on the extent to which the AfCFTA contributes or can contribute to the reduction in inequalities
- iii. Establish how the AfCFTA can contribute to address poverty and inequality through support to MSMEs and women and youth-owned businesses;
- iv. Determine the extent to which the AfCFTA implementation strategies of regional member States focus on addressing poverty, inequality, and vulnerability;
- v. Assess mechanisms through which the AfCFTA could be leveraged to address key implementation issues and gaps relating to national, subregional, regional and global frameworks on poverty, inequality and vulnerability reduction in Southern Africa;
- vi. Analyse success factors (and experiences) and enabling measures for leveraging the AfCFTA for poverty, inequality, and vulnerability reduction in Southern Africa;
- vii. Identify the specific challenges to, and opportunities for the reduction of poverty, inequality and vulnerability through the implementation of the Agreement in Southern Africa;
- viii. Identify the capacity requirements for member States to maximize the benefits of the AfCFTA for the reduction of poverty, inequality and vulnerability in the region;
- ix. Provide succinct recommendations for stakeholders towards strengthening the contribution of the AfCFTA to addressing poverty and inequality in Southern Africa;
- x. Proffer suggestions on how the study report can be improved on research methodology, data used, issues addressed, structure and recommendations.

### **Format**

The AEGM will be delivered through plenary presentations and discussions on the findings and recommendations of the SRO-SA study and will be complemented by breakaway discussions on the key areas of the AfCFTA and its potential benefits; poverty trends and underlying causes; and inequality trends and underlying causes and attendant amelioration strategies. Interventions by nominated experts will facilitate in-depth reflections on the study's focus areas of the AfCFTA, poverty and inequality and on how the findings and recommendations can be sharpened further for ease of implementation.

### **Participants**

The AEGM will be attended by representatives from the Regional Economic Communities, experts from ministries responsible for finance, trade, industry and social development, experts from Chambers of Commerce and Industry, micro, small and medium enterprises associations, representatives of labour, academia, research institutions, civil society organizations, the African Union sub regional Office in Southern Africa, development financial institutions, and the United Nations agencies.

### **Venue and Dates**

The AEGM will be in hybrid format with physical presence at Hotel 430 in Gaborone, Botswana on 06 November 2023.

### **Expected Outcomes**

- i. Enhanced understanding and appreciation of the extent to which the AfCFTA could contribute to poverty and inequality reduction in Southern Africa, including variations within and between countries;
- ii. Enhanced understanding of the causes of poverty, inequality and vulnerability in Southern Africa;
- iii. Enhanced appreciation of how implementation of AfCFTA could help address poverty, inequality and vulnerability in Southern Africa;
- iv. Increased knowledge and understanding of transmission mechanisms through which AfCFTA could be leveraged to enhance the implementation of national, subregional, regional and global poverty, inequality and vulnerability frameworks and strategies, and the role of relevant stakeholders; and
- v. A clear understanding of policy options and measures required to maximum the positive impact of the AfCFTA on poverty and inequality reduction in Southern Africa.

### **Expected Outputs**

- i. Robust conclusions and advance well-informed policy options and measures to bolster the contribution of the implementation of the AfCFTA to poverty, inequality, and vulnerability reduction in Southern Africa;
- ii. Recommendations to strengthen the draft study report on ‘Leveraging AfCFTA implementation for the reduction of poverty and inequality in Southern Africa’;
- iii. Report on the outcomes and recommendations of the AEGM (to be prepared after the meeting);
- iv. Outcome statement with well-articulated comments, inputs and recommendations to be presented for consideration and adoption by the twenty-ninth session of the ICSEof Southern Africa
- v. Press releases and other media pieces on the findings and recommendations of the study.

### **Contacts**

Confirmation of participation and the request for additional information and all other communication on the AEGM should be addressed to:

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