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Economic Commission for Africa
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Intergovernmental Committee of Senior Officials and Experts for Southern Africa
Twenty-ninth meeting
Hotel 430, Gaborone (hybrid), 8–9 November 2023

Theme

**Accelerating Implementation of the AFCFTA for Inclusive Development in
Southern Africa: Building on the RECs' FTAs, and Harnessing Technology
and Innovation for Private Sector and Value Chains Development**

Concept Note

I. Introduction

1. The Intergovernmental Committee of Senior Officials and Experts (ICSOE) is a United Nations (UN) General Assembly policy sub-organ of the United Nations Economic Commission of Africa (ECA) Conference of African Ministers of Finance, Planning and Economic Development established to provide a Forum for engaging member States' senior policy makers and experts on policy and programmatic matters in each of the five subregions of Africa. The five ICSOEs, which are integral to ECA's governance machinery, provide strategic orientation and direction in ensuring that the priority development imperatives of the five subregions are fully reflected in the overall work programme of ECA. Reference is invited to the information note on the ICSOE - E/ECA-SA/ICSOE.XXIX/2023/Info.3

2. Sessions of the Committees are hosted annually by member States on a rotational basis. The twenty-eighth session of the Committee was hosted by the Republic of Mozambique in Maputo on 26 and 27 October 2022 on the theme of *Greening Industrialization in Southern Africa through Digitalization, Infrastructure Development and Regional Integration: Leveraging AfCFTA Implementation*. The Outcome Statement and Report of the twenty-eighth session are included in the documentation package for the present meeting. The twenty-ninth session will be held in Grand Palm Hotel, Gaborone, Botswana on 8 and 9 November 2023.

II. Theme of the twenty-ninth session of the ICSOE

3. In consultation with the ICSOE Bureau, the session will be held under the theme, *Accelerating Implementation of the AfCFTA for Inclusive Development in Southern Africa: Building on the RECs' FTAs, and Harnessing Technology and Innovation for Private Sector and Value Chains Development*. Information note E/ECA-SA/ICSOE.XXIX/2023/Info.3 provides a list of the ICSOE themes since 2003. The theme brings to bear various development strands and issues which are fleshed out in the sections below to enhance understanding on its significance and rationale.

II.1 Inclusive Development: Poverty and inequality reduction in Southern Africa

4. Inclusive development argues for a growth path that prevents the exclusion of people from the benefits of growth, especially the poor and marginalized sections of society, and "leaves no one behind". It calls for an equitable distribution of wealth and social amenities such as health, education, employment, housing and infrastructure, and ensuring equal opportunities and access to amenities. Thus, it implies growth that increases per capita income through economic growth and greater access to non-income aspects of wellbeing, enabled by deliberate policy choices and actions on the part of the State, with the participation of all stakeholders.

5. In the context of Southern Africa, poverty and inequality reduction are of necessity, key objectives of inclusive development. As socially constructed phenomena¹, poverty and inequality vary significantly across social, cultural and geographical spaces. This also means that there are contextual differences in poverty and inequality as well as efforts directed at meeting

¹ Lawson V, Group with MCPPR. Decentering poverty studies: Middle class alliances and the social construction of poverty. *Singapore Journal of Tropical Geography* 2012; 33: 1–19.

commitments to reduce poverty and inequality. Southern Africa is among Africa's poorest regions with about 45.1 per cent of its population living in extreme poverty. Measurements of poverty including the Human Development Index (HDI) and the Multidimensional Poverty Measures (MPM) for Southern Africa indicate sub-optimal progress towards equality and poverty reduction relative to other regions. The region is also the most unequal in Africa². These phenomena are almost paradoxical given Southern Africa's conducive climatic conditions and abundant natural resources.

6. Several factors explain the challenges faced by Southern Africa to leverage the comparative advantage of abundant resources and drive economic development, poverty and inequality reduction. The colonial inheritance of a dualist economy with a slim formal sector and a bloated but dysfunctional informal sector place most of the population on a trajectory of poverty. Macroeconomic policies and structural reforms spearheaded by newly independent governments to address economic stagnation and poverty in the region were not as successful as intended. Furthermore, structural causes of poverty such as unemployment, relatively low education quality levels, corruption, gender and race discrimination, as well as external economic, climate and health shocks, have adversely affected Southern Africa, exacerbating the challenges.

7. Reducing poverty and inequality are central to the UN's Sustainable Development Goals (SDGs) and the African Union (AU) Agenda 2063, as well as other regional, and international frameworks. The international community, including countries in Southern Africa have made commitments towards meeting SDGs 1 and 10 which are dedicated to reducing poverty and inequality, respectively. This is in addition to Goal 1 of Agenda 2063 on "*A high standard of living, quality of life and well-being.*" The SADC Regional Integration Strategic Development Plan 2020-2030 is also guided by the "*Social and Human Capital Development pillar*", which seeks to build virtuous links between economic growth and human well-being through holistic interventions that leave no one behind and seek end poverty. These frameworks have guided initiatives within the region aimed at tackling socioeconomic challenges, including poverty and inequality. These include actions on accelerating industrialization, deepening regional integration, and fostering intraregional trade. In this context, research has shown that the AfCFTA has a great potential of addressing Africa's development challenges, including by promoting inclusive economic growth, job creation, and reducing inequality and poverty.

II.2 The AfCFTA, Poverty and Inequality Reduction

8. Continental integration is not an end in and of itself but viewed as propelling socioeconomic development. Regionalism has been relatively successful in Africa in terms of fostering peace and security over the past few decades. However, in terms of economic development and poverty reduction, its potential has not been fully leveraged in Africa as evidenced by the prevalence of weak production and export structures, the increase in the number of poor people, and the low shares of regional trade in total trade.

9. In that regard, the AfCFTA seeks to boost intra-African trade, diversification industrialization and manufacturing. With the implementation of the AfCFTA, the volume of total exports would increase by 29 per cent by 2035 relative to the baseline. Intra-African exports

² ILO. Policy Brief. Inequality in Southern Africa, options for redress.

would increase by 81 per cent, while exports to non-African countries would rise by 19 per cent. Real income gains from full implementation of AfCFTA could increase by 7 per cent or US\$450 billion by 2035. Alongside this positive outlook, the headcount ratio of extreme poverty in Africa is projected to decline to 10.9 per cent by the same year from 34.7 per cent in 2015³. Implementation of AfCFTA would increase job opportunities and wages for unskilled workers and help close the gender wage gap. The continent would see a net increase in the proportion of workers in energy-intensive manufacturing. Agricultural employment would increase in 60 per cent of countries, and wages for unskilled labor would grow faster where there is an expansion in agricultural employment. By 2035, wages for unskilled labor would be 10.3 per cent higher than the baseline; the increase for skilled workers would be 9.8 per cent, thus having the potential of lifting more than 30 million people in Africa out of extreme poverty and greatly contribute to reduction in inequalities.

10. The AfCFTA also seeks to broaden inclusiveness through interventions that support women, young Africans, and Small and Medium Enterprises (SMEs) as well as integrating informal cross-border traders into the formal economy by implementing simplified trade regimes. This is particularly important for women and youth because they tend to dominate informal trade and the women and youth-led SMEs are known to be the most fragile. Women and youth have greater opportunities under the AfCFTA because of expected tariff reductions, which makes it more affordable for informal traders to operate through formal channels and receive associated protection. Furthermore, the AfCFTA is likely to bolster women and young people's economic empowerment through expanded access to regional food markets and stimulate demand for intra-African food imports. Smallholder female farmers will also benefit when their activities are integrated into regional agricultural value chains and higher value-added agro-processing activities. These expanded trade activities will promote entrepreneurship and economic opportunities for women-owned SMEs and microenterprises in the formal and informal sector.

11. The Protocol on Rules of Origin once finalized would facilitate access to cheaper raw materials and intermediate inputs which would permit women and youths to participate in value chains to produce goods and services with significant African content. The Protocol on Women and Youth in Trade, which is at an advanced stage of negotiations, will ensure that member States prioritize the needs of women and youths in trade. The protocol offers a direct path for mitigating trade barriers for women and accelerating women and young people's economic empowerment, and inclusivity in AfCFTA implementation.

12. Similarly, the AfCFTA's provisions under the Annex 7 on standards and phytosanitary measures entail preferential trade regimes that will promote the integration of SMEs into larger value chains through mutual recognition of standards, licensing and certification of service suppliers across Southern Africa that will make it easier to meet export standards and satisfy regulatory requirements for niche markets

³ Bank W. The African Continental Free Trade Area: Economic and Distributional Effects. The World Bank, 2020.

II.3 Implementation of the AfCFTA building of the “Acquis” of the RECs FTAs

13. The AfCFTA principles include those that refer to “RECs’ Free Trade Areas (FTAs) as building blocks for the AfCFTA” and “preservation of the *acquis*”. Therefore, the role of the RECs is critical for the implementation of the AfCFTA. According to Tralac (2021), the notion of the *acquis* became part of the African integration vocabulary during the negotiations to establish the Tripartite Free Trade Area (TFTA). It was adopted as a Guiding Principle for those negotiations and was defined as follows: *Building on the acquis of the existing REC FTAs in terms of consolidating tariff liberalization in each REC FTA*. In the context of the Tripartite Free Trade Agreement, it means that the negotiations should start from the point at which the COMESA, EAC and SADC trade negotiations have reached.

14. Another mention of *acquis* in the AfCFTA Agreement appears in the Protocol on trade in services, under Part V, Progressive Liberalization, Article 1 addresses broadly the principle of progressive liberalization; Article 2 stipulates that “State Parties shall negotiate sector specific obligations through the development of regulatory frameworks for each of the sectors, as necessary, taking account of the best practices and *acquis* from the RECs, as well as the negotiated agreement on sectors for regulatory cooperation. State Parties agree that negotiations for continuing the process shall commence following the establishment of the AfCFTA, based on the work programme to be agreed by the Committee on Trade in Services.”

15. Building on the *acquis* of the existing REC FTAs in terms of consolidating tariff liberalization in each REC FTA requires a comprehensive understanding of the coherence or lack thereof in terms of trade liberalization approaches encoded in the *acquis*. The AfCFTA agreement also aims to “resolve the challenges of multiple and overlapping memberships and expedite the regional and continental integration processes. Multiplicity of membership has been a perennial challenge in the African integration process, thus calling for an in-depth understanding of how the preservation of the *acquis* would address this phenomenon. The issue of some member States within RECs not part of the REC-driven trading regimes would further complicate the overall landscape and should be examined.

16. Furthermore, Article 19 of the AfCFTA agreement looks at “Conflict and Inconsistency with Regional Agreements” and stipulates that in case of conflict/inconsistency between the AfCFTA and other agreements, AfCFTA “shall prevail to the extent of the specific inconsistency”. However, point 2 under this article stipulates that in cases where members of RECs which “have attained among themselves higher levels of regional integration than under this Agreement, shall maintain such higher levels among themselves”. This points to a complex interplay between AfCFTA and the RECs and needs to be fleshed out for a better understanding and accelerated implementation of the Agreement as it relates to the RECs’ FTAs.

II.4 Harnessing technology and innovation for private sector and value-chain development in the context of the AfCFTA

17. Industrialization is key to inclusive growth in Southern Africa, and Africa at large. However, the success of industrialization requires the active engagement and contribution of the private sector – firms of all sizes. This supports the premise that trade and industrialization are two sides of the same development coin, with technology and innovation being enablers of both

processes. In order to build industries that can sustain economies by creating formal jobs, generating incomes over the long-term and reducing poverty and inequality, tradable market opportunities and new sources of competitive advantages must be created on a sustained basis.

18. Technology and innovation can create new market opportunities for businesses while also enabling businesses to compete better with imports. For Southern African firms to make the most of the AfCFTA, they will need to develop capabilities, among others, to integrate into regional value-chains and become trusted suppliers to regional firms, in addition to exploiting market opportunities on their own and face competition from other parts of the continent. The AfCFTA provides opportunities for Southern African firms to develop opportunities to integrate into value-chains in addition to leveraging innovative tools and technologies to increase their market share of global and regional trade.

19. Building capabilities of Southern African firms – micro, small, medium and large - to comply with the provisions and protocols of the AfCFTA Agreement is an area where increased attention is warranted. Another relates to their participation in value-chains. There is a need to examine how Southern African firms create and integrate in regional value-chains successfully, in the face of global and continental competition in a post-Covid context. Leveraging technology and innovation, in such a context, including digital trade technologies such as e-commerce platforms by firms could indeed be explored. Furthermore, worth examining are traditional barriers faced by firms to participate in value-chains such as compliance with non-tariff measures and technical standards.

III. Objectives of the twenty-ninth session of the ICSOE

20. Against the foregoing, the twenty-ninth session of the ICSOE will bring to bear the different strands of its theme - *Accelerating Implementation of the AfCFTA for Inclusive Development in Southern Africa: Building on the RECs' FTAs, and Harnessing Technology and Innovation for Private Sector and Value Chains Development*- on its reflections and deliberations. Out of the 11 member States of SRO-SA, seven have so far developed their national AfCFTA strategies with technical support of ECA, and financial support largely from the European Union. They are Eswatini, Malawi, Mauritius, Mozambique, Namibia, Zambia and Zimbabwe. The development of Botswana's strategy is quite advanced and that of Angola is on course.

21. Among the SRO-SA member States, Mauritius and Zambia have taken important steps towards implementation, with Mauritius being one of the pilot countries of the AfCFTA guided trade initiative. Therefore, as the region gears towards AfCFTA implementation, questions such as how implementation of the agreement could be fast tracked to address the perennial challenge of non-inclusive development, realize industrialization objectives through private sector and value chains development by harnessing technology and innovation, and promoting complementary implementation with the FTA regimes of RECs come to the fore. Worthy of note is that the AU Summit held in February was convened under the theme *Year of the AfCFTA: Acceleration of the African Continental Free Trade Area Implementation*.

22. The main objectives of the session are twofold:
- (a) To deliberate on statutory matters, including (i) consider and endorse the implementation of the (i) annual report on the work of ECA in Southern Africa, (ii) review economic and social conditions in Southern Africa and (iii) review and provide guidance on the implementation of regional and international agendas and other special initiatives in Southern Africa; and
 - (b) To provide a high-level platform to deliberate on its theme: “Accelerating Implementation of the AfCFTA for Inclusive Development in Southern Africa: Building on the RECs’ FTAs, and Harnessing Technology and Innovation for Private Sector and Value Chains Development”.
23. In addition, the session will consider the main issues arising and recommendations of the Ad Hoc Experts Group Meeting (AEGM) on “Leveraging the AfCFTA for the reduction of Poverty and Inequality in Southern Africa.”
24. Specifically, in relation to the theme, the session will:
- (a) Engage in rich discussions on the challenge of non-inclusive development in Southern Africa with a focus on multidimensional poverty, and inequality in all its manifestations in terms of trends and causal factors, and their interplay with vulnerability;
 - (b) Examine the key issues for AfCFTA implementation in Southern Africa and potential for poverty and inequality reduction in the subregion, taking into account heterogeneity within and among countries, as well as between sectors;
 - (c) Interrogate how the *acquis* provisions of the AfCFTA Agreement could be leveraged to accelerate its implementation building on the RECS’ FTAs, taking into account coherence, gaps, overlaps, misalignment, consistencies and inconsistencies between the continental and regional trade regimes;
 - (d) Promote dialogue on technology and innovation uptake for private sector and regional value chains development with a view to accelerating industrialization through deepened trade integration in Southern Africa in the context of the AfCFTA;
 - (e) Interrogate the key technical standards measures and other issues constraining private sector participation in regional trade in the Southern Africa; Promote experience sharing, including best practices and lessons on implementation of regional trade agreements, technology and innovation uptake, private sector and value chains development, and their impact on poverty and inequality reduction in Southern Africa;
 - (f) Foster partnership among all relevant stakeholders at national, regional and continental levels in advancing the regional economic integration agenda for inclusive development in Southern Africa; and
 - (g) Advance recommendations on the various threads of the theme towards deepening regional economic integration and advancing the industrialization and trade agenda for inclusive development in Southern Africa.

IV. Format

25. The twenty-ninth session of the ICSOE will be held at the Hotel 430 in Gaborone, Botswana, on 8 and 9 November 2023 in a hybrid format- physical and virtual. All sessions will be convened in plenary, commencing with statutory matters, followed by moderated roundtable and panel discussions on topics related to the theme, and consideration and adoption of the outcome statement of the session. The session will also consider for adoption, the main issues arising and recommendations of the three Ad hoc Experts Group Meetings (AEGMs) preceding the session at the same venue. The venue will be equipped with uninterrupted internet access and will be configured to respect the national health guidelines on Covid-19 containment measures.

V. Expected outcomes

26. Deliberations on are expected to lead to:
- (a) Clear guidance and direction on the enhanced implementation of the 2023 programme of work of SRO-SA, and on priority areas for the planned programme of work and the budget for 2024;
 - (b) Increased understanding of the social and economic conditions in Southern Africa, and appreciation of progress in the implementation of regional and international agendas;
 - (c) Enhanced understanding and appreciation of the factors driving non-inclusive development in Southern Africa, and the poverty, inequality, and vulnerability situation in terms of the trends and causal factors.
 - (d) Increased appreciation of how the opportunities of the AfCFTA could be leveraged for inclusive development, including reducing poverty and inequality in the region;
 - (e) Enhanced awareness and appreciation of the relationship between the AfCFTA and the RECs FTAs and approaches for the effective application of the acquis principle to foster implementation of the AfCFTA Agreement in Southern Africa;
 - (f) Improved understanding of how technology and innovation could be harnessed in the context of the AfCFTA to drive private sector and value chains development and to foster increased industrialization and trade in Southern Africa;
 - (g) Well-articulated recommendations and guidance on advancing regional economic integration for accelerated industrialization, enhanced trade and inclusive development in Southern Africa;
 - (h) Strengthened partnership, and commitment to advancing the regional economic integration agenda of Southern Africa.

VI. Expected outputs

27. The outputs of the session will include the following:
- (a) An Outcome Statement of the ICSOE reflecting the main issues and recommendations of the session;
 - (b) Recommendations on priority areas of work for the ECA Subregional Office for Southern Africa in 2024;

- (c) Main issues arising and recommendations of the AEGM on “Leveraging the AfCFTA for the reduction of Poverty and Inequality in Southern Africa”;
- (d) Report of the proceedings of the twenty-ninth session of the ICSOE for Southern Africa;
- (e) Press releases, policy briefs and web-based publications.

VII. Documentation

- 28. Parliamentary documents.
 - (a) Annual report on the work of ECA in Southern Africa;
 - (b) Economic and social conditions in Southern Africa; and
 - (c) Implementation of regional and international agendas and other special initiatives in the Southern Africa.

- 29. Study reports and publications
 - (a) Status of Poverty and Inequality in Southern Africa;
 - (b) Leveraging the AfCFTA for the reduction of Poverty and Inequality in Southern Africa;
 - (c) Accelerating the Implementation of the AfCFTA building on the *acquis* of the RECs FTAs;
 - (d) Innovation among MSMEs in Southern Africa: Case studies from selected countries;
 - (e) MSMEs and Value chains and trade development in Southern Africa: Case studies from selected countries; and
 - (f) Other publications relevant to the theme.

- 30. Twenty-eighth ICSOE outputs:
 - (a) The Outcome Statement of the twenty- eighth session of ICSOE for Southern Africa.
 - (b) Report of the Proceedings of the twenty- eighth session of ICSOE for Southern Africa

VIII. Participants

31. The following stakeholders are expected to participate. High-level officials and experts of all 11 member States of SRO-SA from relevant Government ministries, departments and agencies; African Union Southern Africa Regional Office; Secretariat of the African Continental Free Trade Area; Secretariat of the Southern African Development Community; Secretariat of the Common Market for Eastern and Southern Africa; Secretariat of the Southern African Customs Union; African Union Development Agency-NEPAD; African Peer Review Mechanism; African Capacity Building Foundation; African Development Bank; Development Bank of Southern Africa; SADC Business Council; COMESA Business Council; National Chambers of Commerce and Industry; Trade Mark Africa; Private Sector operators; Civil Society Organization; Women and Youth Groups; Professional Associations; Academic and Research Institutions; United Nations Agencies; Development Partners and other ECA entities.

IX. Working languages

32. The meeting will be conducted in English. Simultaneous interpretation will be provided in Portuguese.

X. Venue and dates

33. The twenty-ninth session of the IC SOE for Southern will be hosted by the Government of the Republic of Botswana in Gaborone at the Hotel 430 on 8 and 9 November 2023. The session will be preceded by three Ad hoc Experts Group Meetings on related themes scheduled for 6th and 7th November 2023, also hosted by the Government of Botswana at the same venue.

XI. Administrative arrangements

34. A comprehensive Information Note for confirmed delegates and participants will be e-mailed prior to the meeting and will also be posted on the ECA website. The note will contain information on organisational logistics, travelling and immigration arrangements and formalities, visa and health requirements, hotel accommodation and other general information on Botswana.

XII. Contacts

35. Further information and queries on the meeting and other related matters should be addressed to:

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