2nd Session of the Committee on Private Sector Development, Regional Integration, Trade, Infrastructure, Industry and Technology

Expert Group Meeting

Launching

Towards a Common Investment Area in the African Continental Free Trade Area: Levelling the Playing Field for Intra-African Investment

Concept Note

December 7-9 2021
Venue: United Nations Conference Center, Addis Ababa, Virtual Format
1. **Background**

1. The Regional Integration and Trade Division (RITD) of the United Nations Economic Commission for Africa (UNECA) is launching a publication entitled “Towards a Common Investment Area in the African Continental Free Trade Area: Levelling the Playing Field for Intra-African Investment”.

2. This publication builds on prior research at UNECA in support of the AfCFTA and furthers the Commission’s contribution to the continental dialogue on investment initiated in 2013 by African Ministers of Trade. It draws on interdisciplinary research, including economic, legal, and policy analysis, to provide insights and policy options for building a conducive environment for productive investment that unleashes dynamic effects of improved competitiveness, innovation, and digitalization across the continental market. The study is prepared against the backdrop of Phase II negotiations of the AfCFTA which cover protocols on investment, competition, and intellectual property and Phase III negotiations on an e-commerce protocol.

3. The main objective of the publication is to offer policy recommendations to Member States wishing to take advantage of the economies of scope and scale of the envisioned AfCFTA Investment Protocol to attract productive investment which can be channelled towards higher value-adding activities, such as those in the knowledge economy and in the spheres of technology, innovation and digitalization. As Africa is facing a steep decline in foreign direct investment (FDI) during and in the aftermath of the COVID-19 pandemic, the opportunities presented by a continental common investment area could hardly have arrived at a better time.

4. Global FDI was already slowing before the pandemic. In 2018, worldwide FDI inflows were $1.3 trillion, lower than for any other year since the 2008 global financial crisis.\(^1\) In Africa, investment inflows peaked in 2008, dropped steeply for three consecutive years following the global financial crisis, and recovered to $57 billion by 2015.\(^2\) They then fell to $41 billion in 2017 before rising to $46 billion in 2018.\(^3\) The 2017 drop likely results from both global factors—decreasing returns on FDI, a shift towards asset-light investments enabled by digitalization, an erosion of investor confidence, and US tax policy changes to

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\(^1\) ECA calculations based on UNCTADstat.
\(^2\) Ibid.
\(^3\) Ibid.
encourage capital repatriation—and specific political, macroeconomic and regulatory uncertainties on the continent.

5. Then COVID-19 struck. Global investment flows fell 42 percent from $1.5 trillion in 2019 to $859 billion in 2020—a level 30 percent lower than the post-global financial crisis trough.4 In Africa, FDI fell 18 percent from $46 billion in 2019 to $38 billion in 2020, a level not seen for at least a decade.5 This dip was deeper than that in developing economies (12 percent) but less severe than the fall in developed countries (61 percent).6

6. The direction of the pandemic’s immediate effect on FDI is therefore clear: investment inflows into Africa have fallen sharply and could continue to fall in the immediate term. Longer-term prospects, however, depend on the scale and effectiveness of policy responses. This is where continent-wide collective actions become even more important in a world of increased uncertainty and competition for investment. As the worst of COVID–19 passes, the AfCFTA Investment Protocol has the potential to boost FDI by harmonizing rules and creating a level playing field for investors.

2. Objectives of the Session

7. The objectives of the EGM are two-fold. First, it seeks to officially launch the publication as an ECA knowledge product for public consumption. Second, since the EGM takes place on the eve of the 2nd Session of the Committee on Private Sector Development, Regional Integration, Trade, Infrastructure, Industry and Technology, it also seeks to inform the discussions and deliberations of the Committee during the following days and have the publication and its policy recommendations endorsed for policy action.

3. Expected Outcomes

8. The key expected outcomes of the session will be to:

- Allow high-level government officials, investment experts, investment promotion agencies (IPAs), as well as other stakeholders to engage on key findings and policy recommendations of the publication.

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4 UNCTAD, Global Investment Trends Monitor 38.
5 Ibid.
6 Ibid.
Hold a policy discussion on the development potential of the AfCFTA Phase II protocols on investment, competition, and intellectual property as well as the Phase III e-commerce protocol.

Sensitize African Member States as well as investors and private sector representatives on the opportunities that the AfCFTA offers for building forward better by making Africa more resilient through bolstering opportunities in investment, competition, and intellectual property.

Support the adoption of actionable policy recommendations on (i) how African countries could continue to attract investment either domestic, intra-African, or global, (ii) how IPAs and the private sector can leverage the AfCFTA as a catalyst for increased intra-African investment in support of sustainable development, and (iii) how the ongoing reforms of the international investment regime can support Africa in attracting more investment and what are the lessons and implications of COVID-19 on the architecture of Africa’s investment regulatory framework.

4. Participants

9. The participants being targeted to take part in the launch comprise representatives of member States, regional economic communities, the AUC and AfCFTA Secretariat, the private-sector, and academia, among other stakeholders. Participants will be invited in the context of the broader programme of the 2nd Committee Session to ensure investment and, in general, other Phase II and III issues of the AfCFTA are adequately covered.

5. Organizational arrangements

Date and Venue of the Event

10. The EGM will take place on the 8th December 2021 in virtual format at the United Nations Conference Center, Addis Ababa, Ethiopia. The event is open to the invitees of the Committee Meeting as well as dedicated partners, stakeholders, and ECA at large.
**Format of the meeting**

11. The session will begin with a brief launch presentation by UNECA showcasing the publication. This will be followed by the intervention of three respondents that will speak to specific issues of the publication. Participants will then be invited from the floor to ask questions and comment on the publication. There will be a moderator and chat manager facilitating the session virtually.

**Documentation**

12. Prior the Session, the organizers will endeavor to send the concept note and the report to confirmed participants by electronic mail as soon as the latter have confirmed their participation. Since the launch is in virtual format, additional launch materials and documentation will also be made available through a dedicated Committee webpage under the [www.uneca.org](http://www.uneca.org) portal.

**6. Contacts**

13. The following staff can be contacted for further information relating to the Session:

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