



Concept Note

AfCFTA Regional Trade Forum – Horn of Africa

Theme: “AfCFTA Implementation: Breaking Down Geographical, Logistical and Regulatory Barriers to Trade and Investment in the Horn to Boost Industrialisation: A Focus on the Pharmaceutical Industry”.

27-28 June 2019

Venue: *Ethiopian Skylight Hotel, Addis Ababa, Ethiopia.*

Co-Organizers:

- *United Nations Economic Commission for Africa (ECA),*
- *Government of Ethiopia,*
- *African Union Commission (AUC) and*
- *European Union (EU)*

Partners:

- *TradeMark East Africa,*
- *Ethiopian Airlines Group*
- *IGAD Secretariat*
- *Afreximbank*
- *African Capacity Building Foundation*
- *International Trade Centre*



1. Introduction

On 21 March 2018 in Kigali, Rwanda, 44 AU member States signed the Agreement establishing the African Continental Free Trade Area (AfCFTA). An additional eight member states have signed the Agreement since, while it has already surpassed the threshold of twenty-two ratifications required for its entry into force. As the 22nd ratification was deposited on 29 April 2019, the AfCFTA Agreement entered into force on 30 May 2019, i.e., thirty (30) days after the deposit of the twenty second (22nd) instrument of ratification as provided in its Article 23(1). The speed at which the AfCFTA secured these ratifications has exceeded the expectations of the most optimistic observers and even participants in the process. An Extraordinary Summit of the AU Heads of State and Government is scheduled for 7 to 8 July 2019 in Niamey, Niger, to formally launch the AfCFTA.

Here lies the real test for the Continent – how to ensure the fullest possible implementation of the AfCFTA Agreement to enable participating African countries to realise the enormous promise this landmark deal represents. When it is implemented, the AfCFTA is expected to generate a range of socio-economic development benefits through supporting trade creation, structural transformation, and poverty reduction, with far reaching implications for generating employment and raising incomes for African women as a particularly disadvantaged and marginalised group. A major part of its promise lies in its potential to create a large enough market to induce investment in manufacturing across the continent, both to substitute imports and, in the long term, to transform Africa into a manufacturing hub and a leading exporter of manufacturing products to the rest of the world.

The AfCFTA is expected to make a significant contribution to the continent’s ongoing efforts to materialize the aspirations and goals contained in Agenda 2063 and the 2030 Agenda for Sustainable Development Goals. However, the full realization of the potential benefits of the AfCFTA will require speedy ratification and effective implementation of the Agreement, along with a range of supporting policies to address other barriers to trade, investment and industrialization. To this end, we need to build on the current political momentum to ensure the AfCFTA Agreement is implemented fully and effectively throughout the continent and is adequately anchored on appropriate institutions at national and continental levels.

A good illustration of the AfCFTA potential comes from the healthcare sector, which is projected to be worth \$259 billion in 2030.¹ If we single out the pharmaceuticals sub-sector alone, today Africa manufactures “less than 2 per cent of the medicines it consumes” while it imports about 70 per cent of its needs from outside the continent at an annual cost of \$14.5 billion.² Worse still, while several African countries import sub-standard or poor quality medicines,³ some of the smaller Africa economies pay premium prices to source their pharmaceuticals owing to their weakened bargaining position vis-à-vis large, well-resourced and dominant international pharmaceutical companies and at times pharmaceutical cartels. The Pharmaceutical Manufacturing Plan for Africa (PMPA) that was adopted by the AU Assembly back in 2007 observed: “a market size that would ensure sustainability as well as technical and financial viability was considered imperative.” Thanks

¹ See UNECA, *Healthcare and Economic Growth in Africa* (2019), p. 56.

² See UNECA, *Healthcare and Economic Growth in Africa* (2019), p. xiii.

³ See UNECA, *Healthcare and Economic Growth in Africa* (2019), p. 5, observing: “a WHO survey of the quality of anti-malaria’s in seven countries in Africa found that the majority of drugs in private facilities (pharmacies, drug shops, street vendors) failed quality testing.”



to the AfCFTA, Africa is now in a position to say market size is no longer an issue for pharmaceutical manufacturers to engage in, for example, the local production of generic medicines on the continent.

With the AfCFTA in force, Africa will be in a stronger position to address the twin challenges mentioned earlier: (i) in the short-to-medium term, by using the AfCFTA as a platform for harmonising national standards as well as for collective bargaining with foreign drug suppliers, and (ii) in the long-term, through increased investment in pharmaceutical production and export. This Forum will provide a platform where the pharmaceutical industry value chain will be used as a demonstration of the extent to which the emerging, AfCFTA-anchored, African single market changes the economics on the ground and makes the case for significant investment in manufacturing across the continent.

2. Background

In an effort to advocate for speedy ratification and implementation of the AfCFTA, on 2-3 November 2018 in Lagos, Nigeria, the ECA co-organized – together with the Rockefeller Foundation and the Federal Government of Nigeria and in coordination with the African Union Commission – the Africa Trade Forum entitled *The AfCFTA ratification and implementation: A game changer for African Economies*. The Forum brought together the vice-President, senior ministers and other policy makers of the Federal Republic of Nigeria, as well as representatives of the private sector, civil society, academia, international organizations and other influential stakeholders from across the continent to discuss what is needed to ensure that the AfCFTA becomes a reality and truly contributes to Africa's socio-economic development.

The Forum was highly successful in injecting further momentum to the AfCFTA ratification process across the continent. An important outcome of the Lagos Forum was the overwhelming view that ECA should hold at least three more Africa Trade Forums in different sub-regions in 2019.

3. Horn of Africa Regional Trade Forum on “AfCFTA Ratification and Implementation: Breaking Down Geographical, Logistical and Regulatory Barriers to Trade and Investment in the Horn to Boost Industrialisation – A Focus on the Pharmaceutical Industry”.

In this context, ECA has decided to co-organize a Horn of Africa Regional Trade Forum on the theme of: “AfCFTA Ratification and Implementation: Breaking Down Geographical, Logistical and Regulatory Barriers to Trade and Investment in the Horn to Boost Industrialisation – A Focus on the Pharmaceutical Industry” in Addis Ababa, Ethiopia, in the first half of 2019. The Lagos Forum highlighted the need to more effectively engage the private sector, which is best-placed to identify and seize the opportunities created by the AfCFTA and also push for further complementary measures and actions necessary to address remaining regional trade and competitiveness challenges, such as those related to the establishment and leveraging of regional value chains for sustainable and inclusive development outcomes.

Increasingly, Africa's public and private sector actors recognize that real region-wide progress and transformation is only attainable through improved connectivity, competitive logistics and production value chain integration in targeted strategic sectors such as pharmaceuticals and agriculture. This, together with the establishment of regulatory policy convergence, is vital for the Continent's trade and regional integration agenda. In that spirit, the Forum has identified the pharmaceutical industry as a particular case study to demonstrate the value of the AfCFTA in spurring manufacturing on the Continent.



While engagement with the private sector is a theme that cuts across all Trade Forums, each Forum also identifies issues that are particularly relevant, if not unique, to the specific context of its sub-region. In that spirit, the Horn of Africa sub-region (here understood to include Somalia, Djibouti, Eritrea, Ethiopia, Sudan and South Sudan) is entirely made up of least developed countries, with two of them, Ethiopia and South Sudan, being landlocked. As a result, imports and exports from virtually all these countries often suffer from disproportionately high transaction costs due to either challenges of sheer geographical distance from markets and dependence on the infrastructure and institutions of transit countries (especially for the landlocked but also for others) or inadequate essential infrastructure within their own territories, underdeveloped logistics services, bureaucratic red tape, and the like.

In many cases, the solutions to these challenges lie in the proper management and effective implementation of region-specific agreements on transport and communication infrastructure. The AfCFTA not only reduces or eliminates barriers to trade and harmonises standards, it also provides an overarching framework within which regions can address their peculiar challenges in a targeted manner. This way, the AfCFTA will help Africa trade more, and do so more competitively, with itself and with the rest of the world, which is even more true for the least-developed and landlocked countries in this sub-region. The ongoing Lamu Port-South Sudan-Ethiopia-Transport (LAPSSET) Corridor project, and the fresh efforts by the Government of Djibouti to establish an IGAD-based Corridor Management Authority are examples of integrated infrastructure and logistics projects that can only benefit from this AfCFTA drive to eliminate barriers and harmonise standards.

The Regional Trade Forum for the Horn will provide the right platform for all stakeholders, from policy makers to commercial actors, from academics to civil society organisations, to explore these issues in terms of the extent to which the AfCFTA can contribute to the effort to address these almost unique trade and competitiveness challenges. The ongoing efforts to deepen economic integration in the Horn region and speed up its pace will be explored using specific and concrete transboundary projects, such as interconnected power grids, shipping, transport related logistics corridors, and mining and development projects.

3.1. Format

The Forum will be co-organized with the African Union Commission and the Government of Ethiopia, while the IGAD Secretariat, Afreximbank, TradeMark East Africa, and the Ethiopian Airlines Group will be partnering with us. The event will take place at the Ethiopian Skylight Hotel in Addis Ababa, Ethiopia. The Forum will include plenaries and roundtables organized around the following topics:

Thematic focus areas:

- The AfCFTA: Boosting Competitiveness and Job Creation in the Horn of Africa – pharmaceuticals as an example
- The AfCFTA: stocktaking – completing the investment, competition and intellectual property protocols of the Phase II agenda
- The AfCFTA and the Horn: broadening policy space and taking advantage of flexibilities
- The AfCFTA and LDCs/LLDCs: Breaking Down Geographical, Logistical and Regulatory Barriers to Trade and Investment
- Driving the AfCFTA: the role of the private sector – pharmaceuticals as an example
- Inclusive gains: women- and youth-owned businesses
- The Manufacturing Sector and the AfCFTA: the case of the pharmaceutical industry value chain
- The AfCFTA Country Business Index
- Transforming services in the context of the AfCFTA



Plenaries:

- High-Level Roundtable (High level political leaders//government/ministers)
- Chief negotiators
- Private Sector Roundtable
- Women's Business Roundtable

3.2. What to expect?

Solutions: Opportunities to connect with leaders and experts to translate ideas into solutions for Africa's socio-economic transformation

Exposure: Platforms to access cutting-edge evidence-based policy analysis and briefs, methodologies and tools to support shared gains from the AfCFTA

Opportunity: Sessions that encourage participants to expand their thinking and explore fresh opportunities under the new continental market

Impact: Recommendations on how to learn to use the AfCFTA as a policy tool to create positive change and impact in African economies as well as a tool for advancing gender equality and women's economic empowerment, as a catalyst for inclusive and sustainable socio-economic development on the continent.

Value: Spaces for lively, interactive multi-stakeholder discussions, along with access to engaging content and intra-African networking opportunities

Networking: Opportunities to participate in roundtables and high-level plenaries and at the same time engage with actors across a diverse range of different sectors

4. Advocacy meetings

In the run up to the Forum, the ECA project team will meet with high-level government and private sector representatives from the participating countries in the region to advocate for the ratification and implementation of the AfCFTA Agreement. During these meetings the ECA project team will deliver briefs on the objectives of the Forum and what to expect from it, on key issues relating to AfCFTA implementation, as well as on ECA technical support for the countries in the region relating to the AfCFTA and the continent's broader regional integration agenda.