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Economic Commission for Africa Committee on Regional Cooperation and Integration

Tenth session

Addis Ababa, 1 and 2 November 2017

Aide memoire

I. Introduction

1. The Committee on Regional Cooperation and Integration was established by resolution 827 (XXXII) of the ECA (Economic Commission for Africa) Conference of Ministers. The Committee meets on a biennial basis at ECA to review the work undertaken in the current biennium under sub programme 2 on regional integration and trade. It also uses the opportunity to review and deliberate on developments in those sectoral areas and make recommendations that are to guide the work under the sub programme during the next biennium. Accordingly, at its tenth session, the Committee is expected to convene in Addis Ababa on 1 and 2 November 2017 to undertake the aforementioned review for the 2016-2017 biennium and deliberate on the envisaged work for the 2018-2019 biennium.

2. Relevant parliamentary documentation has been prepared and will be shared with the Committee prior to the session in the key areas of the sub programme, namely, regional integration; intra-Africa trade; industrialization; infrastructure; investment; food security, agriculture; land governance and management; and regional value chains development.

3. This aide-memoire briefly presents the issues addressed in the reports for consideration and discussion during the tenth session and other matters, including the working languages for the meeting, the participants, dates and venue and the proposed agenda.

II. Issues to be addressed

4. In 2015, the ninth session of the Committee focused on concrete policy actions and measures required to enhance productive integration for Africa's structural transformation. It was noted at the ninth session that Africa's structural transformation had lagged, compared with its improved economic growth performance, and that four interrelated processes defined the structural transformation process taking place on the continent, namely:

(a) A declining share of agriculture in gross domestic product (GDP) and employment;

(b) Rural-to-urban migration that stimulates the process of urbanization;

(c) The rise of a modern industrial and service economy;

(d) A demographic transition from high birth and death rates (common in undeveloped rural areas) to low rates (associated with improved health standards in urban areas).

5. Against this backdrop, and building on the previous session, the tenth session has a proposed overarching theme of "Implementation of the Continental Free Trade Area and shared gains". Trade and regional cooperation and integration are core pillars to ensure that Africa advances in its transformative agenda. At the tenth session, will reiterate the continued

support for both the Action Plan for Boosting Intra-African Trade and the implementation of the CFTA will be reiterated.

6. Negotiators from States members of the African Union recently participated in the sixth meeting of the CFTA negotiating forum, which was held in Niamey from 5 to 10 June. The forum was followed by meetings of the senior trade officials and the African ministers of trade. Collectively, the participants at those agreed to ambitious modalities for agreements on trade in goods and services in the CFTA. These modalities are aimed at articulating the vision of lowering tariff and non-tariff barriers to boost intra-African trade and contribute to African industrialization and development.

7. The CFTA, which is expected to be concluded by the end of 2017, will bring together a continent with a combined population of more than 1 billion people and a combined GDP of more than 2.19 trillion, according to the International Monetary Fund. With the CFTA, African leaders aim to create a single continental market for goods and services, the free movement of business persons and investment and expanded intra-African trade. The CFTA is also expected to enhance competitiveness and harness greater innovation at the industry and enterprise levels. Members States agreed to liberalize approximately 90 per cent of their tariff lines during a period of 5 to 13 years. They also agreed to allow for flexibilities through exclusion and sensitive lists to accommodate countries that may face challenges during liberalization. Other sensitive and crucial issues, such as reports of the technical working groups on technical barriers to trade and non-tariff barriers, sanitary and phytosanitary measures rules of origin, trade in services and customs procedures, were submitted and discussed during the negotiating forum.

8. Structural transformation and regional integration are key success factors for Africa's "behind the border" agenda (i.e., the CFTA), while infrastructure development is a key enabler of it. A main contention here is that, without a dynamic industrial sector and well-functioning infrastructure assets, including transportation, energy, information and communications technology (ICT) facilities, Africa cannot harness the opportunities offered by integrated regional/continental markets under the CFTA. It has been demonstrated that quality infrastructure matters for industrial development and regional integration. Well-functioning infrastructure assets contribute to efficiency gains from economies of scale and scope (at the national and regional levels), increased competition and better access to or efficient use of resources, including labour and technology. Good transportation networks open larger markets for manufacturers, which, in turn, incentivize the latter to set up businesses or to increase production. Unfortunately, in Africa to date, numerous infrastructure bottlenecks have prevented the continent from industrializing and seeing more trade among its countries. Infrastructure constraints in Africa not only impede industrialization efforts, but also undermine trade competitiveness with regard to services and industrial goods (i.e., consumer, intermediate and capital and low, medium and high technology) produced on the continent. To maximize the potential of CFTA implementation, while minimizing the risks attached, scaling up infrastructure assets, industrial output and innovation in Africa is an imperative and jointly beneficial to move the continent from deep-seated continued scarce resource drains to greater and tangible shared gains.

III. Major progress points

9. Since the discussions held at the ninth session, important progress has been made with regard to the CFTA. The COMESA-EAC-SADC Tripartite Free Trade Area, comprising 26 member States, was launched by the Heads of State of the tripartite countries during their summit held in Egypt in June 2015. The African Union Heads of State and Government also launched the CFTA negotiations during their summit in Johannesburg, South Africa, in June 2015 and reaffirmed their earlier decision to have the CFTA established by 2017.

10. The negotiations are being led by the negotiating forum, made up of African Union member States, with the African Union Commission serving as the secretariat. The continental task force, comprising technical experts from the regional economic communities, ECA, the African Development Bank (AfDB) and the United Nations Conference on Trade and Development (UNCTAD), provides technical expertise to the negotiating forum. Political oversight is provided by African ministers of trade.

11. CFTA negotiations are moving in the right direction and at the desired pace, with the first phase of the negotiations expected to be concluded by the end of 2017. Following the launch, six meetings of the negotiating forum have had been held as of July 2017, supported by meetings of the continental task force, meetings of the technical working groups, meetings of the committee of senior trade officials and meetings of the African ministers of trade. The remainder of 2017 will see these institutions convening frequently, with a further two meetings of the negotiating forum, given that progress is sought on top of the current momentum. The milestones with regard to the negotiations to date are highlighted in table 1.

Table 1
Milestones in the Continental Free Trade Area negotiations

Negotiating forum	Timeline	Progress
1	February 2016	Adoption of the rules of procedure
2	May 2016	Adoption of 12 negotiating principles and terms of reference for the technical services working group
3	October 2016	Adoption of remaining terms of reference for technical working groups and opening discussions of negotiating modalities
4	December 2016	Further discussions on negotiating modalities and commissioning of technical studies on services modalities and goods modalities
5	February 2017	Reviewed modalities options for goods and services and agreement reached on a breadth of modality elements A draft text of the CFTA was presented and agreed to as a starting point for the text-based negotiations. This is to be refined with technical input at the technical working groups
6	June 2017	Modalities for trade in goods and services were agreed. Modalities for trade in goods include the desired level of ambition, time frame, qualifications for sensitive products, a method for reviewing excluded products and scope for special and differential treatment

12. The sixth negotiating forum adopted CFTA modalities for goods and services. These modalities will form the framework that determines the shape, structure and ambition of the CFTA and will provide the backbone for final market access offers and the schedule of trade in services commitments. An ambitious target of 90 per cent tariff liberalization was agreed to, with the remaining 10 per cent accounted for by exclusion lists and sensitive items.

13. ECA, through the African Trade Policy Centre, has been an important technical partner of the African Union Commission throughout the CFTA negotiations. Most notably, the Commission, with the technical assistance of the Centre and in consultation with the continental task force, has developed a template legal text for the CFTA that has been used as an input to the negotiations to help ensure concrete achievements by the 2017 deadline. The draft template agreement is rooted in pan-African realities and draws heavily from existing legal instruments and approaches on the continent. At the June 2017 Conference of African Ministers of Trade, the Commission, in collaboration with ECA and UNCTAD, was directed to undertake studies to determine the criteria for designating sensitive products and exclusions lists.

14. It is worth noting that the African Union Heads of State appointed the President of Niger, Mahamadou Issoufou, to champion the process of the CFTA to ensure that the deadline of the end of 2017 is met and report on measures taken to the next ordinary sessions of the Heads of States on the subject, set for July 2017.

15. Parallel to the CFTA negotiations is the need to accelerate progress on Africa's economic diversification and structural transformation in order to reverse the continent's

dependence on merchandise exports dominated by raw and unprocessed commodities. African export markets are more diversified and industrialized and therefore offer a significant opportunity for industrial upgrading. In 2014, manufactured goods accounted for 41.9 percent of intra-African exports, compared with only 14.8 percent of Africa's exports outside the continent. Although substantial strides have been made to drive integration and industrialization at the regional economic community level, enhanced cooperation at the continental level is needed to provide the economies of scale necessary to make African products globally competitive.

16. The large market created by the CFTA promises to enable sufficient economies of scale, drive competitiveness and encourage significant investment in the continent. The ambitious tariff liberalization envisaged under the CFTA will also boost incentives to source inputs and intermediates from within the continent, which is expected to support the expansion of manufacturing sectors and enhance the productivity of African goods and services. This is needed for the development of competitive regional value chains and to better position the continent to integrate itself into global value chains and benefit from the global trading system. The collaboration and cooperation of regional economic communities through the CFTA should also help to accelerate progress in regional projects aimed at unlocking the binding constraints to intra-African trade and industrialization.

17. African countries recognize the role that the CFTA can play in achieving its industrialization, and have designated industrialization as the central pillar of the project. This is expected to ensure that provisions are built into the agreement consistent with the imperative of industrial development, building on the existing trade-led industrialization objectives of the regional economic communities.

18. Tariff liberalization on the continent offers a specific opportunity for agriculture, for which intra-African trade is particularly underexploited owing to high import tariffs on food, stringent non-tariff barriers and a lack of rural markets and connectivity. In 2015, African countries spent approximately \$63 billion on food imports. A very small share of this is accounted for by intra-African trade.¹ Ambitious liberalization of the agricultural sector would help to boost intra-African trade in agricultural products, save on the continent's large food import bill, build agro regional value chains and encourage value addition in the agricultural sector and support rural poverty reduction.

19. Various analytical studies, including recent editions of the ECA *Economic Report on Africa* and *Assessing Regional Integration in Africa* flagship publications, have strongly indicated that some of the key factors underlying the low level of intra-African trade concern the continent's overall weak productive capacities and its lack of competitiveness, trade among its countries and technological sophistication. In addition, infrastructure (soft and hard) continues to be a key impediment to free trade in Africa. Other impediments are found through supply and value chain linkages not only in the agriculture sector, but also in manufacturing and other sectors of the economy. Consequently, trade at both the regional and continental levels remains elusive.

20. Deficit infrastructure has therefore had an adverse impact on Africa's potential to unlock its trade potential and regional value chains capacity as a pathway to economic-oriented regional integration. Infrastructure development is vital to regional integration, given that it facilitates and fosters intra-regional trade and the development of regional markets, accelerated growth and, ultimately, the creation of jobs and a reduction in and the eventual elimination of widespread poverty. In addition, with infrastructure in place, intra-African trade and regional value chains can effectively facilitate Africa's industrialization and eventual entry into global value chains.

21. Unleashing the trade potential would therefore form a strong basis for a viable and an economic-oriented regional integration. Boosting intra-African trade for effective participation in regional and global value chains requires improving investment in key strategic sectors, such as hard infrastructure (in particular, transport, energy and ICT), and in other enablers, such as financial services, soft infrastructure and a conducive macroeconomic policy and business environment.

¹ Economic Commission for Africa and Friedrich Ebert Stiftung, *The Continental Free Trade Area (CFTA) in Africa: A Human Rights Perspective* (Addis Ababa and Geneva, 2017).

22. With regard to investment, the CFTA also has much to offer, in addition to creating a common market space that may serve as a pull factor for both intra-African and foreign direct investment. African economies have long been vying for greater investment to enhance their productive capacities and boost economic growth. Foreign direct investment has recently surged on the back of improved macroeconomic conditions, strong global demand for natural resources and economic growth. Notwithstanding these improved prospects, the continent has not been able to disassociate itself from the widespread perception that it is a risky and uncertain investment destination. This has impinged on Africa's ability to harness its full investment potential, while it continues to barely attract 5 per cent of global inflows of foreign direct investment.

23. Bilateral investment treaties and double taxation treaties have been an integral part of the strategy of African policymakers to counter the perception of risk and promote more inward foreign direct investment. As a result, the regulatory environment is, in general, biased in favour of foreign investors, who tend to enjoy greater privileges than their African or domestic counterparts when investing in Africa. This normally comes at the expense of the ability of countries to formulate and pursue autonomous development policies and has not proven to attract more investment in the continent.

24. In this regard, an important contribution of the CFTA would be to level the playing field for intra-African investors, while increasing Africa's attractiveness as a global investment destination and ensuring that Africa countries can safeguard their policy space for development. Indeed, the CFTA may contribute to the harmonization of the existing regulatory environment, considering the progress made on the Pan-African Code of Investment and the prospective African investment agreement being negotiated as part of the CFTA.

25. Against this background, the tenth session will be held at a time of renewed commitment to the 2030 Agenda for Sustainable Development and the African Union's Agenda 2063, and an urgency towards accelerating Africa's structural transformation and the operationalization of the CFTA (as specified in the Agenda 2063), the post-2015 development agenda and other related developmental action plans. Under its theme of "Implementation of the Continental Free Trade Area and shared gains", the session will thus provide a platform for member States to deliberate on the topical and important issue of the implementation of the CFTA, including ways and means of promoting and accelerating it. Its implementation would boost intra-African trade and market integration, economic diversification, competitiveness, the development of infrastructure and regional and continental value chains and the financing and investment needed to meet these strategic objectives.

26. The discussions and outcomes of the tenth session will therefore go a long way not only in shaping the debate on these issues, but also in catalysing effective commitment and actions towards the realization of the objectives at the national, regional and continental levels.

27. In the context of the discussions on the theme, the tenth session will also have the opportunity to receive and review brief parliamentary reports and presentations by the secretariat on developments taking place in the various areas of the work of the ECA Regional Integration and Trade Division.

28. The progress reports and presentations will cover the following areas:

(a) *Progress towards land policy formulation and implementation in Africa.* The presentation will bring to light the latest developments on land policy and land management issues on the continent under the umbrella of African Union framework and guidelines for land policy in Africa. They provide a clear overview of the historical, political, economic and social background of the land question in Africa and elaborates on the role of land as a valuable natural resource endowment in attaining economic development and poverty reduction;

(b) *Status of food security in Africa.* Discussions will be held on the update to the status of food and nutrition security in Africa. The root causes of food insecurity and policy recommendations to enhance capacity and engagement at the national, sub regional and regional levels will be the focus of the discussions;

(c) *Development and promotion of strategic agricultural commodity value chains for food security and sustainable development in Africa.* The discussions will look at a regional value chain model for the development of agribusiness and agro-industries with the potential for increased participation of smallholders in the chain at the national level first, then, through the identification of preferential agro ecological zones, recommend regional value chains for economies of scale;

(d) *Review of how the promotion of Africa's industrialization is being achieved through inclusive infrastructure development.* Discussions will be held on how infrastructure development, paying specific attention to transport, energy and ICT assets, is driving the industrialization process of African countries. The main focus will be on demonstrating the link between the level, type and patterns of Africa's industrialization and existing infrastructure assets. A main argument is that, without expanded and well-functioning infrastructure, Africa will not be able to industrialize and harness the huge potential of the CFTA;

(e) *Review of how African countries are boosting intra-African investment, with a view to sharing best practices among member States.* There will be a dialogue on what countries are doing to promote intra-African investment and how the CFTA may be harnessed to promote greater coherence and coordination on investment regulation that may help to level the playing field to attract greater investment from within the continent and beyond;

(f) *Implementation of the Continental Free Trade Area and shared gains:* A presentation will be made and discussions held on the most recent developments, risks and prospects on the implementation of the CFTA in the emerging global context. In order to multiply the benefits of the CFTA and promote developmental regionalism in Africa, a comprehensive vision of trade and development needs to be in place. Expanded markets for African goods and services, unobstructed factor movements and the reallocation of resources should promote economic diversification, structural transformation, technological development and the enhancement of human capital. Discussions will be held on how the CFTA must be ambitious in dismantling barriers and reducing costs to intra-African trade and in improving productivity and competitiveness, and on how it must allow for Governments to involve non-State actors, especially the private sector, civil society and academia, in the discussions on the intent, content and design of the CFTA so that the resulting agreement can create opportunities for businesses to exploit and bring about benefits to ordinary citizens;

(g) *The Continental Free Trade Area (CFTA) in Africa: A Human Rights Perspective.* This joint report of ECA and Friedrich-Ebert Stiftung Geneva, in collaboration with the Office of the United Nations High Commissioner for Human Rights, provides an ex ante human rights assessment of the likely impact of the CFTA. The assessment applies human rights standards and tools to assist in identifying human rights concerns in the negotiation, design, implementation and monitoring of the CFTA, with a view to supporting the creation of a robust agreement that is responsive to the needs of the continent's peoples.

IV. Side events during the tenth session

29. The tenth session will also host five parallel, pre-session ad hoc Expert Group Meetings on 31 October. These meetings will serve as a platform to discuss with experts the results of studies conducted during the biennium under subprogramme 2 of ECA, with a view to sharing and validating the policy recommendations emanating from these studies with the Committee members.

30. The five ad hoc Expert Group Meetings will be on the following topics:

(a) A review of policy options to strengthen agribusiness, agro industries and regional value chains as pathways to sustainable and inclusive Africa's transformation;

(b) A review and study of how the promotion of Africa's industrialization can be strengthened through infrastructure development;

- (c) A look at policy options for boosting intra-African investment through the regional harmonization of investment policies and treaties;
- (d) Trade, gender and human rights as a way to provide a platform for regional economic communities to share experiences about gender mainstreaming and offer a way forward on how they can more effectively support member States in incorporating gender into trade policy;
- (e) Brexit and trade between Africa and the United Kingdom of Great Britain and Northern Ireland from an African perspective.

V. Working languages of the tenth session

31. The working languages for the meeting in terms of simultaneous interpretation and background documents will be English and French.

VI. Participants

32. As in previous sessions of the Committee, and in the light of the theme of the tenth session, the following member State delegations are expected to attend:

- (a) Senior officials and experts drawn from African ministries in charge of regional integration, trade and industry, infrastructure, agriculture and land policy;
- (b) African ambassadors and plenipotentiaries based in Addis Ababa.

33. Other invited participants will include the following:

- (a) Representatives of the African Union Commission, the regional economic communities, AfDB and the NEPAD Planning and Coordinating Agency;
- (b) Representatives of the United Nations system organizations, the World Bank and the African Economic Research Consortium;
- (c) Development partners (as observers).

VII. Dates and venue

33. The tenth session will be held at the United Nations Conference Centre at ECA headquarters in Addis Ababa, from 1 to 2 November 2017.