



United Nations
Economic Commission for Africa

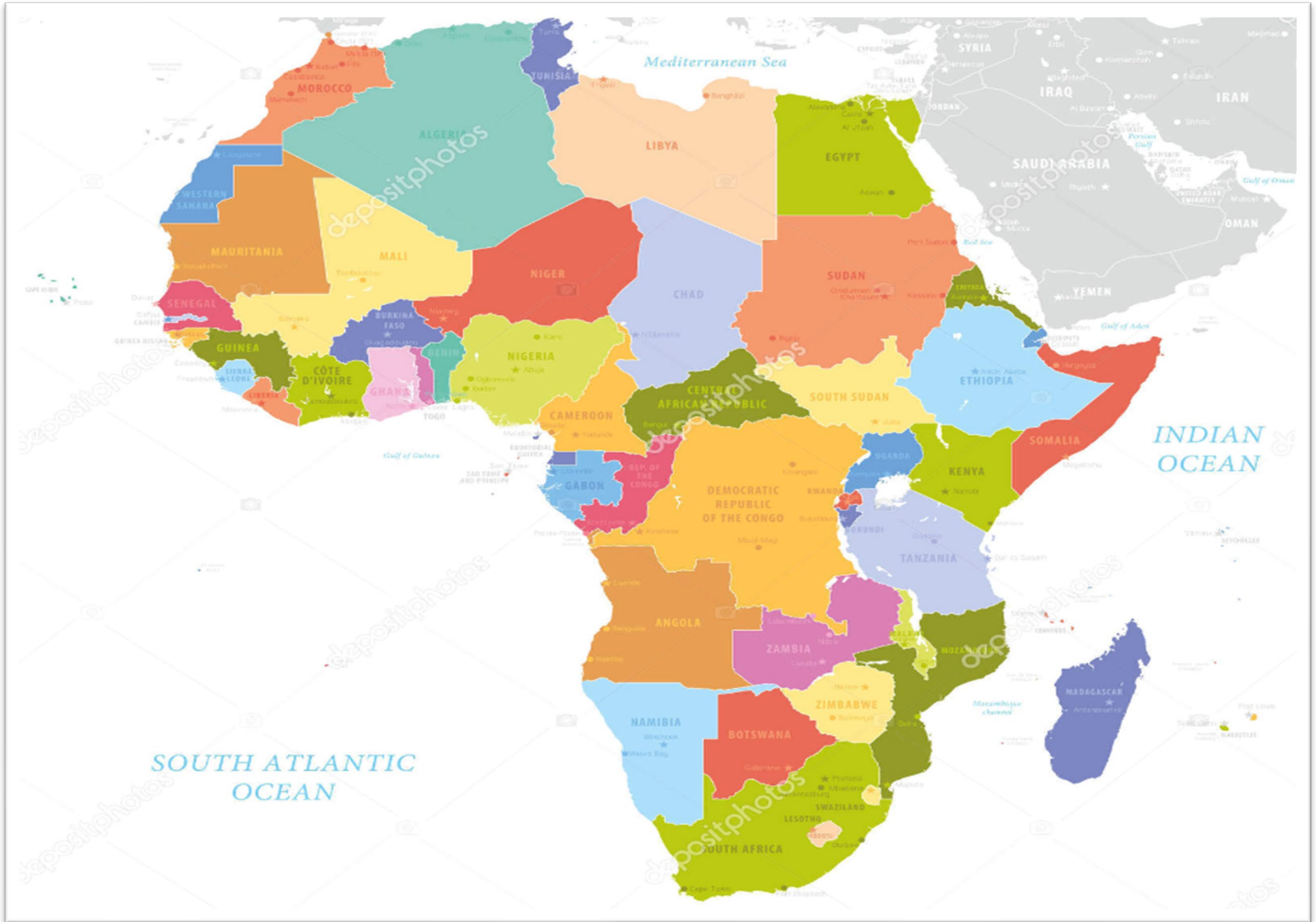


Regional Integration and Industrialization strategy in Africa – through the AfCFTA

UNCTAD, Barbados Ministry of Finance and China
Aid Workshop on Promoting Sustained Recovery
through Economic Diversification
Bridgetown, Barbados
7 – 9 February 2022



African Markets





AfCFTA Market



AfCFTA: Benefits centered on intra-African trade

The AfCFTA is expected to have positive impact on Africa's global GDP, trade, output and welfare

Intra-African trade creation would also lead to an improvement in Africa's output



At sub-sectoral level, the most notable increases in intra-African trade, with positive output variations are to be found in:

- Cereals and crops, milk and dairy products, sugar, processed food
- Tourism and transport
- Wood and paper, chemicals, rubber, plastic and pharmaceutical products, vehicles and transport equipment, metals, other manufactured products
- Refined oil
Expected benefits in refined oil need to be analyzed carefully, in light of environmental concerns associated with CO2 emissions from fossil fuels

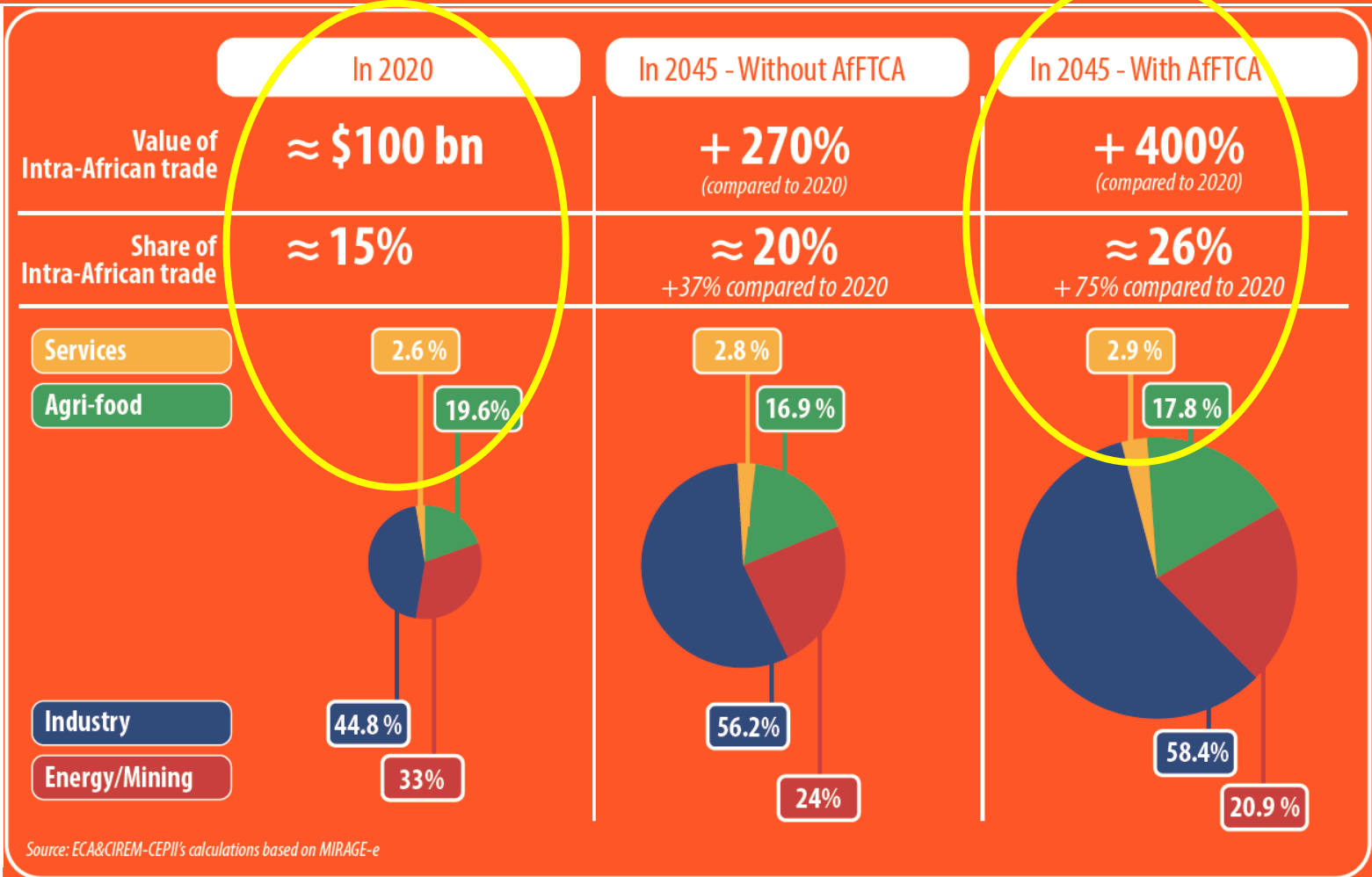
Source: ECA (https://uneca.org/sites/default/files/keymessageanddocuments/en_afcfta-infographics-11.pdf)

AfCFTA: Benefits centered on intra-African trade

The AfCFTA provides an unprecedented opportunity for Africa's transformation, competitiveness and development.

The increases in relative terms for agrifood, industry and services will not lead to equal increases in absolute terms, because intra-African trade is currently dominated by industry.

Effective implementation of the AfCFTA would therefore not only boost intra-African trade but also help Africa industrialize and diversify away from energy and mining.



Source: ECA&CIREM-CEPII's calculations based on MIRAGE-e

Regional integration data

Table 1: Africa real GDP growth, %annual

PERIOD	1995 - 2000	2000 - 2005	2005 - 2010	2010 - 2015	2016	2017	2018	2019	2020	2021
%growth	3.5	5.5	5.3	4.1	1.8	3.6	3.3	2.2	-2.7	5.0

Source AUC 2021

Table 2

Regional Integration Dimension	2016	2019
Regional Integration Index (overall for Africa)	0.47	0.327
Trade Integration	0.54	0.382
Regional Infrastructure	0.461	0.22
Free movement of people	0.517	0.441
Financial and Macroeconomic Integration	0.381	0.399
Productive Integration	0.384	0.201

Source AUC ARII 2016, 2019

16 indicators comprise the ARII, chosen to reflect the state of regional integration in Africa and efforts to integrate the continent further.

The indicators are grouped into 5 dimensions.

An average score of substantially less than 0.5 on the ARII for 2016 and 2019, overall integration on the African continent is low.



The WHY? If prosperity, social cohesion and human development are the destination, then regional integration is the path

- Extractive industries have not supported integrated economies (both within country and between countries), nor industrialization and the manufacturing sector as a key driving sub-sector.
- Regional integration is often seen as less relevant for resource-rich countries, since demand for commodities typically comes from the global market rather than from regional demand.
- However, trans-boundary nature of the activities to extract and transport the resources in multi-country contexts calls for strong cooperation and coordination among all parties involved, along common policies as well as physical and institutional infrastructure that allows for the shared use along that infrastructure.
- Extractives can also help diversify economies through linkages to the broader economy. Regional value chains in minerals and metals, for example, will create demand for services and goods that feed into that value chain.
- Regional Integration can play a vital role in diversifying economies away from dependence on the export of just a few mineral products; in delivering food and energy security; in generating jobs for the increasing number of young people; and in alleviating poverty and delivering shared prosperity.



The AfCFTA supports Regional Integration and Industrialization

- ❖ From 2021, the integration process on the continent has seen some progress in some of the key dimensions including;
 - i. Trade Integration (with an improved score of 0.66 on the 2021 Index)- where trading under the African Continental Free Trade Area (AfCFTA) commenced on 1 January 2021. Under the trade agreement, tariffs on 90% of goods will be phased out within ten years.
 - ii. Social Integration – where at the health level, the pandemic situation made it necessary for the continent to develop a harmonized policy for the management of COVID-19, leading to the adoption of a continental strategy to fight COVID-19 and the coordinated approach to secure vaccines at a lower price that is negotiated jointly at the continental level.
 - iii. At the financial level—with ongoing efforts (led by the Head of State of Ghana as Champion of Financial Institutions) to accelerate the ratification and the implementation of pan-African financial institutions.



The AfCFTA supports Regional Integration and Industrialization

- ❖ AU determined AfCFTA as a regional integration anchor to drive industrialization on the continent and create the jobs and livelihoods of the future.
 - i. It creates a single African market of 55 African Union member States with a market of more than 1,3 billion consumers and over \$3.4 trillion in combined GDP.
 - ii. Is expected to create more intra-regional trade, with positive impacts on Africa's global GDP, productivity and welfare.
 - iii. However, although key institutions have been established/stated in line with the Abuja Treaty, *their powers remain limited owing to the reluctance of member states to cede sovereignty*. Multiple memberships are costly in both financial and human terms and prevent advancing to deeper forms of regional and continental integration. Decision-making based on consensus is problematic because decisions signed are not legally binding, and countries that do not implement decisions face no sanctions. Additionally, the current method of financing regional and continental integration is both unpredictable and unsustainable- relying mostly on donor funding for most of the programmes. Persistent conflicts and shocks also slow the pace of integration and divert limited resources earmarked for development.

- Source: African Regional Integration Report, 2019



The AfCFTA supports Regional Integration and Industrialization

- **Regional integration and industrialization in Southern Africa** – low regional integration, and low economic diversification
 - i. Table shows key regional integration indices for the SADC region as an indicator of progress in 2021 at a sub-continent level.
 - ii. However, **Southern Africa’s** relatively stagnant structural transformation, with high dominance of service sector & manufacturing sector still having stable and low share of around **12%**

Indicators	2021
Infrastructure integration	0.7
Financial Integration	0.81
Trade Integration	0.67
Social Integration	0.59
Free Movement of people	0.58
Monetary Integration	0.65
Environmental Integration	0.67
Political & Institutional	0.46

Source Africa Integration Report 2021

- Regional integration will improve intra Africa trade – higher value goods need to be produced for growing consumer market domestically – this is good for Africa industrialization
- Manufacturing-led value addition has numerous multiplier and spillover effects; and it embeds technology-intensity and skills formation which are key elements of an upward and inclusive growth trajectory.



The AfCFTA supports Regional Integration and Industrialization

- ❖ Hence, Southern Africa member States are placing greater emphasis on promoting industrialisation through adding value to commodities and beneficiation of natural resources as a pathway towards socio-economic transformation and development
- ❖ The deployment of the regional industrial policy frameworks developed by the Regional Economic Communities is also characterized as a powerful mechanism to exploit regional value addition and beneficiation to natural resources. Member States are focused on **aligning national policies** to these **regional industrial policies** as part of the process of building a **strong regional institutional framework** for industrialization to flourish. Furthermore, initiatives to strengthen the participation of MSMEs in regional value chains are underway and at various stages at country level.
- ❖ Similar priorities are emerging in most of the SIDS and other small developing countries in Southern Africa (such as Mauritius, Lesotho, Malawi and Zambia) focused on economic and product diversification, increased value chains, strengthening domestic markets, food sovereignty and the digital economy.



Institutional Framework for implementation



- What institutions are required at the national level ?
- Is the National AfCFTA Committee operational ?

African Trade Observatory



Explore

Market Opportunities ⓘ

Market Conditions

Business Contacts

FROM
Namibia ▾

TO
Botswana ▾

PRODUCT
020110 – Meat of bovine ... ▾



Utilise the ATO to identify market opportunities



e-Tariff Book



Search by map for Importing State Party



Search by keywords

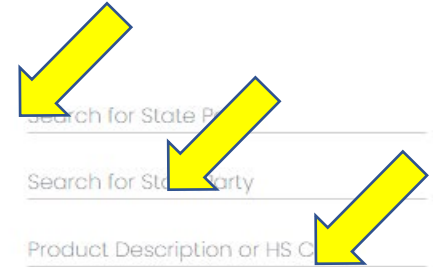
I am exporting from ?

I am importing into ?

Search for product ?

BEGIN SEARCH

HELP ?



Select AfCFTA State Party to where you intend to import.

State Parties where Tariff Concession Schedules have been submitted and

Utilise the facility

NTB Mechanism



Creating One African Market

African Continental Free Trade Area

Non-Tariff Barriers
Reporting, Monitoring and Eliminating Mechanism



[Home](#) [About](#) [Complaints](#) [Documents](#) [Events](#) [Links](#) [Contacts](#)

[A&E](#) [Language](#) [Login/Register](#)



Report an NTB online



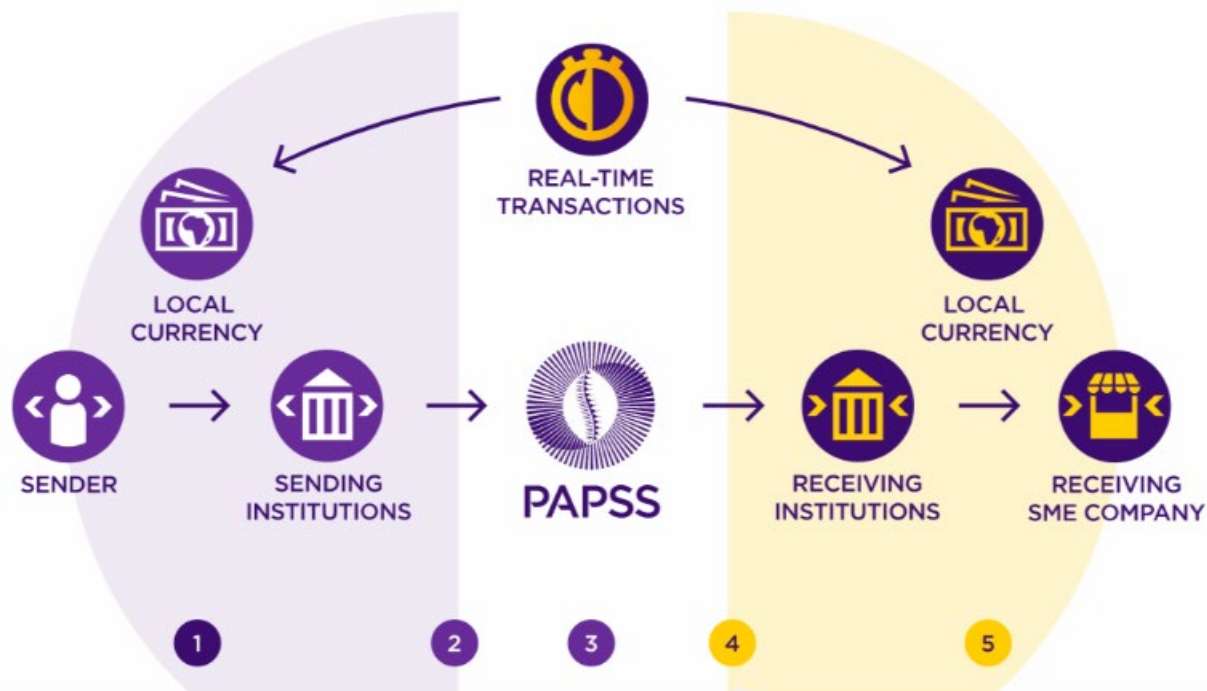
Report an NTB via mobile



FAQs

Utilise the mechanism to address NTBS

PAPSS



How instant payments work within the Pan-African Instant Payments Settlement System (source: [PAPSS](#))

Local financial institutions encouraged to join PAPSS

Intra African Trade Fair (IATF)

IATF[®] 2023

The AfCFTA marketplace

PROMOTED BY



IN COLLABORATION WITH



HOSTED BY



Abidjan 21st -27th November 2023

Private Sector encouraged to participate in IATF

AfCFTA Business Forum



CAPE TOWN , SOUTH AFRICA

Participate in the AfCFTA Business Forum



Conclusion

- Low intra-African trade, limited integration and infrastructure connectedness are additional obstacles to boosting the global competitiveness of African economies and contributing to the elimination of poverty.
- The continent needs to accelerate efforts towards continental integration, boost intra-African trade and improve connectivity through infrastructure development.
- If successfully implemented, the AfCFTA provides an unprecedented opportunity for Africa's transformation, competitiveness and development. The AfCFTA is expected to boost the share of intra-African trade by 75% by 2045 (from a low of 15% recorded in 2020) through the elimination of import duties and non-tariff barriers.
- The World Bank estimates that by 2035, real income would increase by 7% across the whole continent if the AfCFTA is fully implemented with tariff liberalisation, non-trade barrier removal as well as trade facilitation- which translates to US\$445 billion in monetary terms. This presents significant potential to transform the economic landscape of the entire continent, and to help countries achieve higher levels of industrialization, employment creation, and sustained economic growth and development.



Lessons for Barbados and the Caribbean region

- Momentum and political leadership is an essential ingredient for success – member states, AU Commission and ECA,
- Regional integration is critical for growing economies in Africa.
- Regional Integration can play a vital role in diversifying economies away from dependence on the export of just a few mineral products; in delivering food and energy security; in generating jobs for the increasing number of young people; and in alleviating poverty and delivering shared prosperity.
- Regional integration requires cooperation between States in trade and investment, transport, information and communication technologies and energy infrastructure, macroeconomic and financial policies, management of shared or transborder natural resources, security, education and financial and political institutions. Cooperation in these areas may take different institutional forms, with different levels of policy commitments and priorities and having different levels of shared authority.
- Regional integration is a necessary step for shared prosperity.



THANK YOU!

Ideas
to
Action