

**Economic and Social Council**Distr.: General
9 December 2015

Original: English

Economic Commission for Africa
Committee on Regional Cooperation and Integration
Ninth session
Addis Ababa, 7–9 December 2015**Report****I. Introduction**

1. The ninth session of the Committee on Regional Cooperation and Integration was held from 7 to 9 December 2015, in Addis Ababa, under the theme: “Enhancing productive integration for Africa’s transformation”. The main objective of the session was to examine the efforts being made to enhance productive integration for Africa’s transformation. The participants also took stock of developments under the subprogramme on regional cooperation and integration in areas including intra-African and international trade, infrastructure, food security and agriculture, investment and land policies. The meeting also engaged in discussions on the theme of the ninth session.

II. Attendance

2. The meeting was attended by the following African member States: Algeria, Angola, Benin, Burkina Faso, Burundi, Cameroon, Central African Republic, Chad, Comoros, Congo, Côte d’Ivoire, Democratic Republic of Congo, Djibouti, Egypt, Eritrea, Ethiopia, Gabon, Gambia, Ghana, Guinea, Guinea Bissau, Kenya, Lesotho, Madagascar, Malawi, Mali, Mauritania, Mauritius, Morocco, Mozambique, Namibia, Niger, Nigeria, Rwanda, Senegal, Seychelles, Somalia, South Africa, Sao Tome and Principe, South Sudan, Sudan, Swaziland, United Republic of Tanzania, Togo, Tunisia, Uganda, Zambia, Zimbabwe.

3. Also attending the meeting were the following institutions: African Union Commission, Arab Maghreb Union, Common Market for Eastern and Southern Africa, Economic Community of Central African States, Economic Community of West African States, Intergovernmental Authority on Development, Southern African Development Community, World Customs Organization.

4. The full list of participants will be circulated as an information document.

III. Opening of the session

5. The delegate of Benin, representing the Chair of the outgoing Bureau, presided over the opening session. Opening remarks were made by representatives of the Economic Commission for Africa (ECA) and the African Union Commission. The representative of ECA highlighted the importance of industrialization and productive integration as the bedrock of Africa's transformation, while the African Union Commission representative underscored the need for Africa to commit itself to the implementation of Agenda 2063 and the road map for boosting intra-African trade and fast-tracking the establishment of the continental free trade area.

IV. Election of the Bureau

6. The participants elected the following countries to constitute its Bureau on the basis of rotational regional representation:

Chair:	Sudan
First Vice-Chair:	Namibia
Second Vice-Chair:	Kenya
Third Vice-Chair:	Congo
Rapporteur:	Nigeria

V. Adoption of the agenda and programme of work

7. Mr. Mirgani Glood (Sudan), the newly appointed Chair, presided over the session. The participants adopted the proposed agenda and the programme of work with one minor amendment.

VI. Presentations on progress in the implementation of regional integration programmes

A. Assessing regional integration in Africa

1. Presentation

8. The presenter said that regional integration was both a driver and a beneficiary of innovation. By bringing a network of people and institutions together, even a loose connection between two or more countries was bound to facilitate innovation and related creative activities. The cross-pollination of ideas and experience greatly benefited innovators, thereby turning knowledge gained through that process into innovations and contributing to competitiveness within the integrating bloc of countries. In terms of progress towards Africa's regional integration agenda, there had been two main developments, namely the signing of the Tripartite Free Trade Area agreement and the launch of negotiations on a continental free trade area, in June 2015 by the Assembly of Heads of State and Government of the African Union.

2. Recommendations

9. The following recommendations were made:

(a) Innovation in Africa should be supported by a focus on human capital development. In particular, efforts should be made to improve the higher education system to ensure good learning outcomes, adequate numbers of graduates in so-called STEM subjects (science, technology, engineering and mathematics), and the closing of the gender gap in STEM subjects;

(b) African countries could learn from the experiences of India and the Association of Southeast Asian Nations (ASEAN) in promoting innovation through investment in human capital and a well-targeted policy framework. The publicly funded higher education system in India has created the necessary capacity in STEM subjects for local innovation and competitiveness in the global economy. India had also successfully captured the potential of the diaspora for knowledge transfer and investment. The emphasis on trade, investment, integration of supply chains and labour mobility has contributed to the success of ASEAN. In that regard, there is an acute need for pan-African institutions to take the lead in establishing a coherent mechanism to serve as a platform for learning, exchanging best practices and information.

B. Africa Regional Integration Index

1. Presentation

10. The presenter said that the Africa Regional Integration Index sought to monitor and track progress on Africa's regional integration by means of indicators in areas including trade, policy convergence, free movement of people and infrastructure development.

2. Discussion

11. The Committee noted that the mere signing of protocols on the free movement of persons was not enough to prove that there was true mobility of people across borders. The index should try to capture the actual implementation of protocols by countries. Concerns were also raised over the calculation of tariffs in African member States and regional economic communities given the lack of data. The participants also raised questions about the accuracy and comparability of data across countries. The representative of the Economic Commission for Africa (ECA) explained that it relied on metadata and other credible sources of information such as COMTRADE, which obtained its information from member States. Furthermore, in close collaboration with the African Development Bank and the African Union Commission, ECA had established focal points that were trained in the collection of data for the regional integration index.

12. In response to a request for clarity on how the Africa Regional Integration Index accurately measured the development of regional value chains, it was explained that the Index used intra-regional trade in intermediate goods as a proxy indicator of the development of regional value chains, since intermediate goods often needed to undergo further processing and the value of intra-regional trade in those goods could therefore indicate the magnitude of regional value chains.

3. Recommendations

13. The following recommendations were made:

(a) There should be strong collaboration between the member States and the pan-African institutions (African Development Bank, African Union Commission and ECA) in developing the regional integration index, in particular in terms of putting in place a multi-stakeholder system in all

member States to ensure the collection of uniform, comparable and high-quality data for all indicators;

(b) Special attention and efforts should be directed towards Central Africa, at the level of member States and regional economic communities, with a view to strengthening the capacity to collect and analyse the data necessary to construct the relevant indicators used to develop the regional integration index;

(c) In that context, ECA should share the methodology applied to develop the Africa regional integration index. In addition, there is a need to validate the data used for the construction of the regional integration index at the national and regional levels. ECA, with its partners, should continue improving the methodology and strengthen the capacity of member States to collect relevant data.

C. International and intra-African trade

1. Presentation

14. The presenter said that, after a strong rebound in the wake of the 2008/09 global recession, Africa's trade flows had bottomed out in 2012 and 2013. Analysis showed that primary commodities still accounted for over 77 per cent of Africa's merchandise exports.

15. While South-South trade was on the rise, the composition of exports still reflected the North-North structure. Consequently, the African Union's Action Plan for Boosting Intra-African Trade was critical to address challenges such as supply-side constraints, low export diversification and poor infrastructural development. With regard to multilateral processes, trade facilitation remained a priority, as recognized in the Action Plan.

2. Discussion

16. It was noted that the economic partnership agreements under negotiation between the European Union and African negotiating blocks were expected to result in losses in terms of intra-African trade. The benefits were unevenly distributed between countries and sectors. It was clarified by ECA that deeper regional integration would be a strategic use of the transition period before full implementation of the agreements. Enhancing regional integration through a continental free trade area could indeed offset some of the losses from economic partnership agreements. The establishment of the continental free trade area would also imply better trade policy coherence among African countries.

3. Recommendations

17. The following recommendations were made :

18. Trade policy reforms should be sequenced, which could have a significant impact on the outcomes for African countries. In that context, Africa's markets should be opened gradually after measures to improve regional integration had been put into place. The successful establishment and implementation of the continental free trade area is critical for boosting the industrial content of Africa's exports and strengthening intra-African trade. Efforts should also be made to reduce the cost of trade on the continent.

D. Progress in supporting land policy formulation and implementation

1. Presentation

19. The presenter noted that Africa had massive land and natural resources which, if properly harnessed, could provide a basis for addressing food insecurity and ensuring economic and social transformation. Cognizant of that potential, in 2006 the African Union Commission, ECA and the African Development Bank launched the Land Policy Initiative to provide proper guidance and support to member States of the African Union in addressing land issues, which hampered their economic growth and undermined livelihoods. The role of the Initiative was to serve as a continental platform for exchanging best practices, ideas and information with a view to promoting evidence-based guidance that better informed policymakers across the continent.

20. Responding to the call by African Heads of State and Government to develop an institutional and funding mechanism in support to land policy processes, it was recommended that the Land Policy Initiative should be transformed into an African centre for land policy. The proposed vision for the centre was a peaceful and prosperous Africa realized through equitable access to and efficient and sustainable use of land. Its mission would be to ensure equitable access to land and security of land tenure by overseeing land governance reform efforts, facilitating effective partnerships, exchange and learning, acting as a repository for data and best practices, and supporting monitoring and evaluation.

2. Discussion

21. As the land issue was invariably country-specific, improving land governance in Africa should not involve developing one-size-fits-all policies and strategies. In addition, given the limited availability of financial resources, African-based institutions should guard against just establishing centres of excellences, as land issues were country or location-specific. The establishment of a centre of excellence for land was a response to calls made in 2009 by the Heads of State and Government of the African Union for a central entity that would provide a platform for learning and effective mobilization of resources. The centre would examine evidence-based policy options and mechanisms in order to coordinate the way forward and better capture land governance in national development plans and strategies.

3. Recommendations

22. The following recommendations were made:

(a) Noting the need to maintain an African land policy development agenda as per the African Union's Declaration on Land Issues, ECA should provide leadership to guide the transition of the tripartite Land Policy Initiative into the African Land Policy Centre, with a view to enhancing leadership, coordination, advocacy and partnerships in support of the efforts of member States;

(b) Member States are encouraged to use the African Union's guiding principles on large-scale land-based investments when negotiating land deals to ensure that Africa harnessed and sustainably utilized its abundant land resources towards the structural transformation of its economy;

(c) Member States should take note of and move towards achieving the target of women owning 30 per cent of documented land by 2025 in order to ensure equitable opportunities and development outcomes for all citizens.

E. Status of food security in Africa

1. Presentation

23. The presenter said that Africa, despite its immense natural resources, was the world's most food-insecure continent. Around 227 million people, or one out of every five people, were chronically food insecure. Africa made up approximately 15 per cent of the world's population, and yet as many as one-third of those affected by hunger on the planet were African. African countries had, in general, made notable progress in enhancing food security, but still needed to work rigorously toward ensuring food and nutrition security, and improving livelihoods.

2. Discussion

24. Globalization and governance were recognized as influencing food security in Africa. However, globalization did not always bring about desired outcomes owing to market distortions such as the application of protection policies to assist local producers. Although some African countries had access to the markets in advanced countries, they also faced hurdles in market access owing to mounting sanitary and phytosanitary requirements, which it was beyond the capacity of most African countries to meet. Levelling the playing field was required to bring about positive outcomes for African crop producers.

25. Indigenous food should contribute immensely to free Africa of hunger. Most indigenous crops were well adapted to the African context in terms of climate and environment conditions. There was a need to develop and implement strategies that advocated indigenous foodstuffs, and also mechanisms to make indigenous food attractive to the growing middle class.

3. Recommendations

26. The following recommendations were made:

(a) Increasing agricultural production should not be at the expense of environmental degradation. African countries need to strike a balance between increasing agricultural productivity on the one hand and maintaining a healthy environment on the other. Organizations with a continental and regional mandates should help to provide best practice, experiences and lessons in that regard;

(b) Establishing national and regional food reserves is a top priority in poverty eradication. While some countries are facing a food surplus that depressed prices and therefore adversely affected the livelihoods of farmers, others faced severe shortage. Accordingly, developing a mechanism to channel food from surplus areas and countries to those in deficit is much needed to reduce the impact of food shortages;

(c) Reducing agricultural waste, which currently stands at around 30–40 per cent of post-harvest yields, offers a cost effective means of achieving food security in Africa.

F. Development and promotion of regional strategic food and agricultural commodity value chains in Africa

1. Presentation

27. The presenter said that the baseline studies of value chains of different agricultural products had uncovered numerous challenges, identified

significant opportunities and highlighted huge untapped potential in terms of value addition, transformation and integration.

28. ECA carried out baselines studies covering the dimensions of value chain development and evolution in the Common Market for Eastern and Southern Africa (COMESA) and the Economic Community of West African States (ECOWAS). In ECOWAS, Benin and Ghana had immense potential for maize production and Ghana and Senegal were potential suppliers of rice. Malawi, the United Republic of Tanzania and Zimbabwe had great potential to serve as suppliers for the whole subregion. Egypt had enormous potential to produce maize, although owing to increasing local demand, it had little scope to supply the subregion.

29. There was a need to implement a set of measures that would promote national integrated value chains, including strengthening regional value chains by removing barriers to regional food trade along the value chain and defining a programme of enhanced dialogue on regional strategic food preferential zones of production and regional trade. The establishment of a continental free trade area and the development of an integrated regional value chain regulatory policy framework would upgrade Africa's regional capacities and increase the region's value addition component in traded commodities, contributing towards achieving Africa's transformative agenda.

2. Discussion

30. The meeting took note of the presentation and made the recommendations set out below.

3. Recommendations

31. The following recommendations were made:

(a) The issue of adequate storage facilities, infrastructure, in particular that connecting rural communities and agricultural areas, and processing capacities are critical enablers for the promotion and development of regional agricultural value chains. The analysis of agricultural value chains therefore needs to include these important determinants as well;

(b) Assessment of agricultural value chains should also include the potential for job creation, with particular emphasis on gender and youth, and exporting;

(c) Assessing agricultural value chains should also identify the necessary investment requirements and business opportunities along the different stages of the value chains.

G. Review of investment policies and bilateral investment treaties landscape in Africa: implications for regional integration

1. Presentation

32. The presenter said that Africa was no longer seen as a risky region. The situation had changed and the continent was viewed as the next frontier for investments. Supported by improved governance, improving macroeconomic conditions, investment-friendly policies, increased population and urbanization, and abundant natural resources, the continent was being rediscovered by investors.

33. A number of African countries had signed various bilateral investment agreements and double taxation treaties, which were being used as tools to

attract foreign direct investment. The impact of such agreements on economic growth in Africa was debatable, however: there was no conclusive evidence on the effect on foreign direct investment. The results of a survey carried out by ECA indicated that bilateral investment treaties did not necessarily bring about much-needed investments. Sound policies therefore needed to be put into place in order to attract investments. The agreements also contained provisions such as national treatment, most-favoured nation and expropriation arising from actions from the State and non-State actors that could restrict policy space and lead to costly disputes. Bilateral investment treaties also tended to impose obligations on the State, with very little or no obligations on the part of the investor. Dispute settlements mechanisms also gave little room for the use of domestic or regional courts to intervene in arbitrations. Some regional models of bilateral investment treaties, however, such as those developed by SADC and COMESA, attempted to strike a balance between obligations and responsibilities between the host country and the investor, with a view to providing more policy space for the host country, including the target use of performance requirements to promote forward and backward linkages of the investment to the local economy, while also limiting the scope of protection for the investor.

2. Discussion

34. The Committee sought further clarification on the recommendation that countries should be wary of signing new bilateral investment treaties, and on the issue of double taxation. It was clarified that countries that had not yet signed such treaties should learn from the experiences and challenges that they posed in order to negotiate well balanced agreements that were mutually beneficial to the host country and the investor in the light of the points raised above. On the issue of double taxation, it was explained that there was a broader publication on bilateral investment treaties that analysed the issue, bearing in mind that in general double taxation agreements tended to come in tandem with bilateral investment treaties to prevent investors and traders having to pay double tax on their investments both in the host country and the source country. Double taxation agreements therefore addressed the issue of avoidance of double taxation and also formed part of creating an enabling environment for investments. Double taxation agreements reduced the amount of taxes to be paid by investors both in the host and origin countries. The Committee also noted the need to provide adequate data and information on the impact of bilateral investment treaties in attracting investments, on job creation and on economic growth in general.

35. There was no evidence that the signing of bilateral investment treaties would automatically lead to an increase in investments: many countries were attracting more investments without signing BITs. Attention was also drawn to the lack of any deep analysis of double taxation agreements, which constituted one of the key elements in attracting investments.

3. Recommendations

36. The following recommendations were made:

(a) ECA should deepen its important work on bilateral investment treaties with further research at country level to assess their impact on attracting investments, creating jobs and promoting economic growth in general; and also the impact of double taxation treaties on Africa's regional integration;

(b) African countries should review existing and new bilateral investment treaties in order to preserve policy space and strike a balance of obligations between the host country and investors, and also to ensure that

domestic and regional courts are included in the mechanisms for dispute settlement.

H. Presentation on infrastructure development in Africa

1. Presentation

37. The presenter noted that infrastructure deficits had continued to impede Africa's economic development. Broadly speaking, there were five key issues affecting the African infrastructure landscape. The first was adequate access to infrastructure services. The road and energy infrastructure across and within countries, particularly linking rural and urban centres or enabling economic activities, continued to be inadequate. Second, although there had been some positive developments, investment remained inadequate. The current requirements far outstripped current investments. Third, a harmonized regulatory framework was a major challenge, particularly in energy sector. Fourth, infrastructure project preparation or the capacity to package projects for investment was still a major challenge. Lastly, addressing gender equity through gender mainstreaming was a critical area of intervention.

2. Discussion

38. The discussions and questions were mainly on funding infrastructure, localization of energy technologies to boost manufacturing and lower the cost of energy generation, efforts made by member States to revamp infrastructure, development of public-private partnerships and lack of maritime studies.

39. Project preparation was identified as the key barrier to unlocking finance, because although financing was available, Africa lacked the competence to design bankable, complex projects. Other participants pointed out that lack of capacity did not seem to be a major issue, what was lacking was a firm commitment to finance projects.

3. Recommendations

40. The following recommendations were made:

(a) ECA, the African Development Bank and the African Union Commission should undertake a maritime study to assess how the industry could contribute to addressing transport deficits in Africa;

(b) African countries should build their capacity to carry out feasibility studies, project design and preparation in order to formulate bankable infrastructure projects;

(c) African countries should enhance their efforts to localize energy generation to reduce the costs and make energy accessible;

(d) There is a need to attract budget airlines to African countries to ensure cheaper fares and make air transport accessible to all;

(e) African countries should consider public-private partnerships as an effective mechanism for funding infrastructure projects.

I. Review of industrial policies and strategies in Africa

1. Presentation

41. The presenter said that there were several bottlenecks that continued to constrain Africa's industrialization, the most critical being the lack of adequate infrastructure, including transport links, reliable electricity, good

telecommunication services and access to water. Africa's infrastructure gap was estimated at \$93 billion annually. There was inadequate involvement of the private sector in industrial policy-making in some countries. Some of the challenges that needed to be addressed included the fact that responsibilities for designing and implementing policies were sometimes scattered across different agencies. In addition, some agencies in charge of industrial policies were underfunded or lacked trained professionals.

2. Panel outcome

42. The panellists agreed that mining's contribution to industrialization in many African countries was weak. The assessment of natural resource reserves was poor and countries needed to build the capacities in terms of natural resource mapping and the negotiation of mining agreements in line with the African Union's guiding policy framework.

43. Beneficiation or value addition of natural resources, in particular relating to mining and developing value chains, continued to be a weakness in many countries. Value addition and beneficiation of resources were hallmarks of industrialization and needed to be pursued robustly.

44. Financial mobilization should be given attention, particularly at community level, through special arrangements such as levies. There was a consensus that economic transformation should start at the local level by prioritizing small and medium enterprises. It was through medium enterprises that local content in industrialization could be realistically achieved. Small and medium enterprises were engines for enterprise development and should be given more attention.

45. While recognizing that individual countries had specific industrial needs and priorities, it was also important to have a regional approach, in particular in negotiations with potential investors. The countries should make themselves attractive to investors as regional blocs, in areas of infrastructure development, peace and security, and market development.

46. Customs authorities were important for regional integration, trade and infrastructure development. They were also a source of data and statistics on regional trade and were critical for strategic functions such as processing trade, revenue collection, trade agreement negotiations and reduction of business costs.

47. Mainstreaming peace and security was very important, particularly in the area of infrastructure and industrialization. Some of the infrastructure being developed at great cost could be destroyed during conflicts.

48. Institutional arrangements should also be given priority. African countries usually had good programmes but lack of proper coordination resulted in those programmes not achieving their intended purposes. Many programmes cut across various sectors in societies, making coordination indispensable.

VII. Review of the work programme of the Regional Integration, Infrastructure and Trade Division including priorities for the biennium 2016-2017

49. The review of the work programme for 2014–2015 and priorities for 2016–2017 were adopted without amendments.

VIII. Adoption of the report of the session

50. The Committee adopted the report with some amendments and requested the secretariat to incorporate all the amendments and forward the final report to the participants.

IX. Closing of the session

51. Following the customary exchange of courtesies, the session was declared closed at 6 p.m. on Wednesday, 9 December 2015.
