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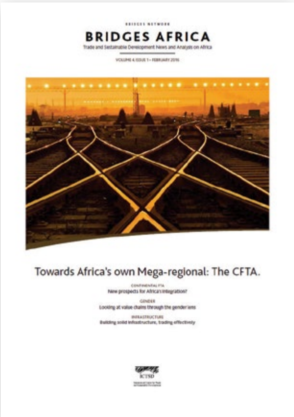
Towards Africa's own mega-regional: The CFTA



The first negotiating session of the Continental Free Trade Area negotiations will take place later this month, the Commissioner for Trade and Industry of the African Union Commission has announced. This first set of negotiations will lay the groundwork for upcoming substantive negotiations throughout this year until 2017, the indicative deadline for the establishment of a Continental FTA across Africa.

The Tripartite FTA, a stepping stone bringing together Africa's three major regional economic communities in preparation for the CFTA, was signed into force in June of last year. A week later the African Union summit formally launched negotiations for the CFTA at its meeting in Johannesburg, South Africa on 15 June.

The TFTA and CFTA demonstrate the inclination of African governments to rival mega-regional agreements that have taken over the global trade playing field. The continued proliferation of regional trade agreements (RTAs) emerged formally as a concern among WTO members during the 10th WTO Ministerial Conference , with their final ministerial declaration including language reaffirming "the need to ensure that [RTAs] remain complementary to, not a substitute for, the multilateral trading system."

As Africa endeavours to advance its regional integration agenda, a number of challenges must be addressed in order to realise economic and development opportunities that would arise from a fully integrated African market. African stakeholders agree that a successful negotiation and implementation of the CFTA agreement as a modern 21st century trade pact is an important requirement to achieve economic transformation and generate sustainable development outcomes.

For now, several regional integration initiatives still operate alongside each other often with overlapping membership. Notwithstanding these developments, structural impediments such as infrastructure constraints and behind-the border issues persist. Readers will find further on in this issue that developing sustainable infrastructure could play a critical part in connecting together African economies.

Also in this edition, we shed light on the gender dimension of global value chains. Demographics are changing on the African continent, and growing numbers of citizens want to participate actively in their growing economies. The African population, including women moving into the workforce seeking employment and training, could find opportunities if firms operate under gender-equalizing policies, analysed one article of this edition.

Next month we will publish a special edition including analyses on building a sustainable way forward for Africa at WTO.

As usual, we welcome your substantive feedback and contributions. Write to us at bridgesafrica@ictsd.ch.

CONTINENTAL FTA

The CFTA: Moving towards an African "mega-regional" agreement?

Miguel Rodriguez Mendoza

This article suggests key insights to strategically advance the Continental FTA negotiations.

The establishment of the African Continental Free Trade Area (CFTA) is gaining speed. At last year´s African Union Summit, participants agreed to get the CFTA agreement in place by 2017, and to immediately initiate negotiations on the liberalisation of trade in goods and services. A first round of these negotiations is expected to take place in February 2016, and the preparatory process is now intensifying.[1]

Continental integration has figured high on the African agenda ever since African countries gained political independence, but the CFTA initiative is the latest and perhaps the most ambitious of intra-African trade initiatives. It may be considered "the" African "mega-regional" trade agreement, even if the economic and trade weight of the participants cannot be compared to those of other mega-regionals currently in the making, i.e. the Trans-Pacific Partnership (TPP), the Regional Comprehensive Economic Partnership (RCEP)[2] and the Trans-Atlantic Trade and Investment (TTIP) agreement.

Once fully implemented, the CFTA agreement would offer African countries considerable benefits. According to most estimates, the opening of the regional market to African goods and services will increase intra-African trade significantly. The UN Economic Commission for Africa (UNECA), for instance, estimates that the removal of tariff barriers for intra-African trade could raise their share in total African trade from 10.2 percent to 15.5 percent in 10 years[3], and the gains would be greater if informal traders are better integrated into formal trade channels.

Challenges and opportunities of the CFTA

The path towards an accelerated pan-African economic integration presents formidable political, economic, legal, and functional challenges. High on the list of these challenges is the conflicting disciplines of the different Regional Economic Communities (RECs) already in place. Most African countries are parties to more than one REC, and convergence between different RECs should be made compatible with the goals and timelines set for the CFTA. Also, consideration should be given to the fact that most RECs have missed the 2014 deadline to establish FTAs and this in itself calls for an adjustment in their calendar and plan of action, thus affecting on the CFTA timeline itself.

Moving decidedly towards the CFTA agreement would also require harmonising the multitude and varied trade commitments undertaken by practically all African countries at the multilateral, regional, and bilateral levels. Most African countries are bound by their WTO commitments, and many have entered into or are negotiating comprehensive trade agreements with outside countries, such as the Economic Partnership Agreements (EPAs) with the EU. In addition, most African countries are beneficiaries of unilateral trade preferences granted by developed, developing, and emerging economies. Thus, a key strategic consideration for African countries would be to ensure that existing trade arrangements act as "building blocks" of the CFTA, and do not impede progress to fulfil its objectives or make them more difficult to achieve.

Another important consideration would be to design a CFTA that is comprehensive enough to cover all issues that make modern trade agreements economically meaningful, while keeping the scope of the agreement within the boundaries of African needs and concerns.

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The CFTA will bring together fifty-four African countries with a combined population of more than one billion people and a combined gross domestic product of more than US $3.4 trillion.

The CFTA framework should include disciplines in a large number of areas, from market access for goods and services to investment disciplines, intellectual property, unfair trade practices, dispute settlement, and institutional issues, among others.

Last but not least, the negotiating process itself should be carefully organised. Regional and international organisations, working closely with the AUC, could play an important role in assisting African negotiators to move the CFTA process forward, and they can do it efficiently by cooperating among themselves, and coordinating their different contributions to the CFTA negotiations.

Sequencing and pacing the negotiations

As indicated, African countries have recognised eight RECs as "building blocks" for the CFTA.[4] This includes, in particular, the dedicated efforts of three RECs, namely COMESA-EAC-SADC, to establish the Tripartite Free Trade Area (TFTA). The TFTA is a collective representing nearly 60 percent of Africa's population and aggregate output, and although negotiators missed the deadline to conclude their work by early 2015, agreements have been reached on a number of areas.

Other RECs are also lagging behind their own schedules. Thus, consideration should be given to a more realistic approach regarding the "building block" function that they are called to perform. A possibility would be for the RECs to focus on issues that do not belong strictly to a CFTA agreement—such as macroeconomic stability and supporting the establishment of regional value chains—and let the dismantling of trade barriers to goods and services be dealt with at the CFTA level. Indeed, to fulfil the ambitious deadlines set for the CFTA, consideration should be given to undertake immediately some continent-wide negotiations on a number of areas, i.e. trade in services, building on progress (or lack thereof) achieved at the RECs level, but not waiting until they complete their own objectives in these areas.

It would also be very important to make trade agreements with outside partners "compatible" with the CFTA. As regional trade agreements among African countries support the growth of intra-African trade, the preferential treatment granted to Africa by many developed and developing economies support African export growth to the outside world. The trade preferences granted by the EU, the US, China, India, and Japan benefit the bulk of Africa exports. Their impact on LDCs' exports, for example, is undeniable: more than 70 percent of their exports go to these five destinations.

In addition to unilateral preferences, African countries are negotiating reciprocal, although asymmetrical, trade agreements with the EU and other countries. With regard to these "reciprocal" agreements, CFTA compatibility is to be sought by making current rights and/or obligations under these agreements the starting point of CFTA market access and rule-making negotiations by, for instance, granting to intra-African trade the same degree of market access currently granted to outside partners.

African countries may need to re-think the relationship between RECs and the CFTA and move towards a clearer division of labour between them. They may consider launching continental-wide negotiations on the issues to be included in the CFTA agreement, "building" on progress achieved so far in some RECs and particularly on the important achievements of the TFTA. They also need to carefully balance the future CFTA agreement and the current trade arrangements with countries outside the region.

Technical support to the CFTA negotiations

Finally, serious consideration should be given to the organisation of the CFTA negotiating process itself. There can be no doubt about the complexities associated with negotiating an agreement among 54 participating countries with unequal negotiating capabilities, unequal manpower, and unequal knowhow on the issues to be included in the CFTA agreement, as well as differences in productive and competitive strengths.

The African Union Commission (AUC) has played, and is expected to continue to play, a major role in the inception, organisation, and implementation of the CFTA. Therefore, it is clear that the AUC, as the top pan-African intergovernmental body, must continue to play its part in the creation of the CFTA and follow-up implementation of the agreement. However, it is important that further support is sought from other development-friendly and Africa-attuned intergovernmental organisations.

What is required at this stage is a combination of analysis and the provision in an orderly and systematic manner of information on the national and regional rules; and how these rules bind African participants through their national laws and regulations or their regional and international commitments in all the areas included in the negotiations.

In this context, consideration should be given to involve some key organisations like the UN Economic Commission for Africa (UNECA) and UN Conference on Trade and Development which under the direction of the AUC, could establish a joint technical mechanism to support the CFTA negotiations. The mechanism could be open to the participation of other regional and international organisations interested in contributing to the negotiating process and, eventually, to the implementation of the agreement.

Conclusion

Summing up, a regional understanding on any of the issues to be included in the CFTA framework when considered individually would represent a major challenge to African negotiators; taken together the issues may look almost unsurmountable. Harmonising those issues and the regional and external trade commitments would be particularly complex.

Time is of the essence, though. The international trading arrangement may change drastically if the on-going negotiations on the "mega-regional" agreements come to fruition, as African countries may see diluted many of their existent trade preferences and trade relations. To counter this possibility, it is imperative for Africa not to be left behind and to instead move ahead with its own ambitious, continental-wide "mega-regional" trade agreement, the CFTA.

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❶ The African Development Bank hosted a two-day Expert Group Meeting on February 2-3, 2016, in Abidjan, Côte d'Ivoire. The two-day meeting was expected to produce preliminary outlines for the CFTA agreement, as well as a detailed plan and timeline for the development of a full draft agreement. This meeting was part of a series of preparatory activities for the formal launch of the CFTA negotiations, under the guidance of the AU.

❷ The **Regional Comprehensive Economic Partnership (RCEP)** is a proposed free trade agreement (FTA) between the ten member states of the Association of Southeast Asian Nations (ASEAN) (Brunei, Burma, Myanmar, Cambodia, Indonesia, Laos, Malaysia, the Philippines, Singapore, Thailand, Vietnam) and the six states with which ASEAN has existing FTAs (Australia, China, India, Japan, South Korea, and New Zealand). RCEP negotiations were formally launched in November 2012 at the ASEAN Summit in Cambodia. RCEP is viewed as an alternative to the TPP trade agreement, which includes the United States but excludes China.

❸ Mevel and Karingi, 2012

❹ These eight RECs are: African Economic Community (AEC): the Arab Maghreb Union (AMU), the Common Market for Eastern and Southern Africa (COMESA), the Community of Sahara-Sahel States (CEN-SAD), the East African Community (EAC), the Economic Community of Central African States (ECCAS), the Intergovernmental Authority on Development (IGAD), the Economic Community of West African States (ECOWAS), and the Southern African Development Community (SADC).

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CONTINENTAL FTA

Regional integration arrangements in Africa: Is a large membership the way forward?

Jaime De Melo

Regional integration and cooperation is the way ahead in Africa, but the latest initiatives such as the TFTA and CFTA will face substantial challenges. Integrating in small groups, while abandoning the linear model of integration, should be the most fruitful approach.

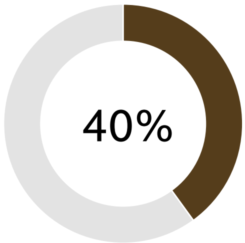
Last year saw the launch of the Tripartite Free Trade Area (TFTA) between 26 countries accounting for over half of Africa's GDP and with 632 million consumers, 56 percent of its continental population. A continental FTA (CFTA) is also to be launched in, or around, 2017. The first CFTA negotiating forum is set to take place later on this month. Phase I of the TFTA suggests modest efforts at integration as it is built on the principles of variable geometry eschewing a more ambitious "single undertaking" and the acquis (go forward but not backwards) with modest tariff reductions on the table, a list (rather than an economy-wide criterion) for rules of origin, and trade remedies to address dumping and import surges. The agenda for phase II is to be decided but should include services and harmonisation of rules on competition policy.

The TFTA is expected to be ratified by at least half of the members within a year, at which point it will come to life.[1] Is the attempt at rationalising the multiple Regional Integration Agreements (RIAs) across the continent a milestone towards greater cooperation in Africa? Drawing on observations and analysis of the recent experience, I argue that, in spite of the unfavorable geography making it difficult to deal with the high costs of heterogeneity, integration initiatives in small member groups will produce the highest benefits.

Beyond the linear integration model: a third phase of African integration?

Following the founding of the Organization of African Unity in 1963, a first wave of RIAs took place along "Regional Economic Communities" (RECs) behind high tariff walls. These RECs were to be the 'building blocks' of the hoped-for African Union in the immediate post-colonial era. Now, they are central for implementing the New Partnership for Africa's Development (NEPAD). In short, the RECs were and continue to be the glue that will cement African unity. The first wave failed not only for economic reasons, but also because the leaders of these young post-independence African states were reluctant to encourage the emergence of a supra-national authority necessary to deepen cooperation and to coordinate and manage the affairs of the hoped-for African Union. Great diversity within the RIAs translated into different interests that strengthened countries' insistence on the "respect for the sovereignty and territorial integrity of each State and the inalienable right to independent existence" as written in the OAU charter of 1963. Commitment to pan-Africanism was weakened, leading to vagueness and a multitude of declared objectives in these RIAs that helped states gloss over the issues that divided them[2].

A second wave of RIAs took place after the Abuja Treaty of 1991 that created the African Economic Community (AEC). A look at the ten major RIAs started in the second wave of RIAs shows that only three have aimed for FTA status, all others aiming for deeper integration, moving along the linear model following a stepwise integration of goods, labor, and capital markets, and eventually monetary and fiscal integration. Goods market integration would start with an FTA, then move on to a Customs Union (CU) with a Common External Tariff (CET) and to a Common Market. Along this linear sequence, except for SACU, none have really reached full CU status as exceptions to the 4-5 CET tariff-band structure are long. For example, the ECOWAS CET includes an "exceptions list" of about 300 products eligible for exemption from the new tariffs, a list that includes 200 products from the former Nigerian Import Ban list[3].



Estimates of the volume of intra-regional trade in African RIAs suggest that trade is on average 40 percent less than potential trade.

The disappointing trade performance of this model of integration has been widely discussed. Among others, estimates of the volume of intra-regional trade in African RIAs suggest that trade is on average 40 percent less than potential trade. Further results also seems to indicate that trade costs among partners have fallen less rapidly than trade costs with outside partners[4]. This persisting thickness of borders not only reflects the geography of African trade, the low trade complementarity across partners, poor logistics, and border delays, but also the neglect of services in the African linear integration model which is no longer adapted to 21st century trade.

So far negotiations for the TFTA and CFTA are following this model of linear integration that neglects the fact that 21st century production is increasingly taking the form of trade in tasks (i.e. services) as opposed to trade in products. In this new environment, services play an input function through space (transport, telecommunications) and time (financial services) as well as direct inputs into economic activity as they generate knowledge and human capital. Recent developments in the study of global value chains by the OECD show that services may account for more than 50 percent of exports when measured in value added. Because services do not meet customs for registration, and regulations are, at best, imperfectly captured, services — except for labor and foreign direct investment (FDI) flows — are not directly observed crossing borders. Measures of the restrictiveness of trade in services are only very approximate, though estimates of trade costs for mode I (cross-border services trade) and mode II (movement of consumers) could be two to three times higher than trade costs for trade in goods when measured by the same approach (the 'gravity trade model').

Breaking away from the linear model of integration by emphasising trade facilitation measures at the border that have full support of the business community is a first step now under way. However, even in the case of the EAC Common Market, there has been little progress at removing restrictions for professional services, telecommunications, and transport either unilaterally or on a regional basis. Likewise, progress with liberalisation of services through harmonisation and mutual recognition has been slow where opting for 'mutual equivalence', the route that was followed by the EU Services Directive might have worked better as this approach is less demanding on trust than mutual recognition or harmonisation.

Challenges ahead: breaking small markets while dealing with heterogeneity

In 2013, all of Africa's gross domestic product (GDP) at purchasing power parity (PPP) was less than Germany's and the median GDP size of African countries was US$12.3 billion, about 10 percent of the size of the canton of Zurich. Reaping the benefits of economies of scale and of diluted monopoly power suggests RIAs with large memberships like the TFTA and the CFTA. But a large membership also implies more heterogeneity and greater sources of potential conflicts (more ethnic groups; large and small countries; and landlocked and coastal states belonging in the same regional group) with higher political costs in the provision of public goods. In large membership groups, integration is shallow because it is difficult to reach agreement and it is likely that the interests of the more powerful members that are naturally less open to the outside world will carry the day. Take ECOWAS where Liberia and Nigeria are both members. Adopting the CET took close to ten years of negotiations as Nigeria insisted on a 5-band CET (0-35 percent) while UEMOA and others were in favor of a 4-band CET (0-20 percent). For Liberia, the move to the CET could double the average tariff and raise the current costs of living of rural and urban households by 6 percent and 3 percent respectively with temporary special protection measures only envisaged for products currently above their respective band, but no consideration has been given for tariffs below their respective band[5]. The costs of integration to a customs union for small countries in a large membership group with large partners are likely to be high.

This experience poses a challenge for the 26 member TFTA because 21st century regionalism is no longer about an exchange of market access at the expense of non-members but about implementing reforms that will attract foreign direct investment (FDI) which brings to the region the service activities necessary to participate in the outsourcing of production. In this new environment, where trade is trade in tasks and involves increasingly an exchange of intermediate goods, protection (or exchange of market access) amounts to depriving oneself from participating in global outsourcing. Not only is the deep integration necessary to attract FDI likely to be hard to carry out in a large membership, but there is also the risk that protection towards non-members could remain high.

Deep integration requires some delegation of authority to a supra-national level. This is easier to carry out under small membership. The 5-member EAC which started implementing in 2010 a Common Market in capital, goods, and services, uses a scorecard approach to measure progress (violations of the protocol's provisions in services are made public on the EAC website, which is far more informative on progress at integration than websites for other African RTAs). The EAC is also promoting competition in telecommunication by banning roaming charges within the region and issues single tourist visas for Northern corridor countries (Rwanda, Kenya and Uganda). The EAC is the only RIA where the ratio of actual to potential intra-regional trade rose following integration.

Breaking the curse of small markets favors the large group approach to exploit economies of scale but cooperation associated with public goods like a common currency, a common judicial and legal framework, appropriate regulatory policies also bring benefits. For the Franc zone members, sharing a common currency is associated with more intense bilateral trade attributable to less volatility in bilateral exchange rates. Thus SACU, the UEMOA, and CEMAC have benefitted from deep integration albeit with the costs of institutional development covered by the colonisers and the EAC is moving in that direction. On the other hand, larger memberships like the TFTA with more heterogeneous populations ace higher political costs in the provision of public goods. The European experience shows that the trade-off between economies of scale and heterogeneity of preferences can only be partially addressed through decentralisation at different layers of administration[5].

In Africa, regional spillovers are important as transport and communications infrastructure are under-provided, but the ethno-linguistic diversity across "artificial" borders indicates strong differences in policy preferences that will continue to hinder the future supply of public goods through the adoption of common regional policies in large groupings. Common decision-making internalises the spillovers but it moves the common policy away from its preferred national policy (i.e. a loss of national sovereignty). By analogy with the experience of the EU, are initiatives like the TFTA and the CFTA a start of institutional and political cooperation along intergovernmental lines where regional institutions pursue the economic interests of domestic constituencies? Or, more optimistically, as hoped for by the African Union (AU), is this a start along functionalist lines where supranational institutions and agents develop an autonomous role leading to further integration?

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TRIPARTITE FTA

What does the TFTA really mean for regional integration in Africa?

Mark Schoeman

This article outlines some predictions about who stands to gain the most from the agreement and what the implementation challenges ahead are. It also considers the prospects for TFTA cooperation on industrial policy, non-tariff barrier elimination, and transport infrastructure development in the continent.

The Tripartite Free Trade Area (TFTA) between the member states of three African regional economic communities – the Southern African Development Community (SADC), the East African Community (EAC), and the Economic Community of West African States (ECOWAS) – has been heralded as one of the most important developments in African regional integration.

The agreement aims to create a free trade area between 26 African countries, from the Cape in the South to Cairo in the North, creating a combined market of up to 625 million people. While there has been much hype around the launch of the TFTA, the anticipated benefits from the agreement are likely to be many years away. In the interim, speculation is rife regarding how realistic the agreement is, what the potential benefits are, and who will get to share in the spoils, if at all.

Winners and losers – who stands to gain?

The export profiles of the largest economies in each region – South Africa in the South, Kenya in the East, and Egypt in the North – match well with the import requirements of many of the smaller member states. This indicates that tariff liberalisation should have a trade-creating effect and should help these big regional economies increase their trade across regional groupings on the continent.

However, the export structure of South Africa, Kenya, and Egypt are relatively similar and these countries will likely see an increase in competition with one another within their traditional regions of dominance. Which country will derive the biggest benefit will depend on which country is more efficient at producing a particular product, although proximity to markets, local knowledge, and brand recognition may dampen the change in consumption patterns. The benefit of this increased competition will also accrue to consumers as the price of goods and services is decreased. Ethiopia is another regional powerhouse in East Africa, but its prospects for regional trade are considerably smaller because its export profile is very much geared towards the European market.

What benefit is there for the smaller member states if the large regional economies stand to gain? Their opportunity lies in the possibility of entering regional value chains – providing the inputs to the products and services produced by the major regional economies. The theory is that the larger the local market for these goods (created by the free trade area), the greater the production and the more these regional economies will draw on inputs from their neighbours or countries from other regional groupings.

NTBs, transport infrastructure, and industrial policy

The TFTA agreement does not only contain tariff liberalisation measures, but places a heavy emphasis on non-tariff barriers to trade (NTBs), the development of transport infrastructure, and the development of a common industrial policy. All of these require a large amount of coordination and cooperation among member states, something which African states have struggled with in the past. The most difficult area of cooperation will be on industrial policy where the economic requirements of different member states with vastly different economies will make devising a common industrial policy stance difficult. The Southern African Customs Union (SACU), a much smaller regional grouping, has been trying to develop a common industrial policy since the signing of its 2002 agreement but has been largely unsuccessful because its member states face very different economic challenges (South Africa compared to Lesotho or Swaziland, for example).

NTBs remain a pertinent obstacle to intra-African trade and have not been successfully dealt with by regional economic communities (RECs).

NTBs remain a pertinent obstacle to intra-African trade and have not been successfully dealt with by regional economic communities (RECs). In preparation for the TFTA, each of the RECs implemented an NTB Monitoring Mechanism which allows private sector actors to register NTBs that they experience online, which then get sent directly to the offending state to be resolved. In the case of SADC, while the mechanism has been successful in having NTBs reported, many of the NTBs are not eliminated and some of the reported NTBs have sat on the system for over 3 years. This largely comes down to disagreements among the public and private sector about the nature and legitimacy of these NTBs. The mechanism has not provided a platform for dialogue among offending states and the private sector actors who are experiencing these NTBs, and therefore has failed at achieving NTB elimination. This is partly due to capacity constraints such as a lack of budget to facilitate public-private dialogue among the state authorities tasked with NTB elimination, as well as a lack of human capital and training on NTB elimination among these authorities' staff. It is also partly due to the cooperative, rather than litigious, model of regional integration that African RECs have adopted which means that there is little that one state can do to hold another state to their NTB elimination obligations. The TFTA's success at eliminating NTBs will depend on whether significant public-private dialogue is created and sustained.

Transport infrastructure development could be the low-hanging fruit which the TFTA agreement will be able to make progress on. There are already a number of infrastructure development initiatives underway such as the African Development Bank's Programme for Infrastructure Development in Africa and the World Bank's Global Infrastructure Facility. The majority of intra-African trade is facilitated by road networks which places severe strain on road infrastructure. This is despite Southern Africa having the largest contiguous single-gauge rail network in the world. The infrastructure development challenge is, therefore, not only about constructing new infrastructure, but upgrading and rehabilitating existing transport networks. The advantages of developing transport infrastructure will be realised by all member states, and there are a number of development finance institutions, including the BRICS New Development Bank, which are willing to finance these projects. However, successful transport infrastructure projects require cooperation among two or more member states and coordination between a variety of public and private stakeholders.

Implementation challenges and the road ahead

The TFTA is an important milestone for African regional integration. The agreement is the result of five years of negotiations – an achievement in and of itself. However, it is too early to start celebrating the benefits of the agreement as there are a number of implementation challenges which lie ahead.

Only 16 countries have actually signed the TFTA agreement so far (Note: This article was first published in August 2015) – the rest have signed a memorandum of understanding which commits them to significantly work towards signing the actual agreement. Many of the smaller states, such as Mozambique, have voiced concerns over the impact the agreement would have on their small economies, and require more time to assess these effects. The agreement requires signature by two-thirds of the member states to enter into force. Once that happens, the agreement then needs to be ratified by each individual member state and domestic laws and tariff structures need to be changed to reflect the terms of the agreement. So while the launching of the agreement was an important milestone, we are still a long way away from the terms of the agreement coming into force among all 26 potential member states.

Given the history and current nature of regional integration on the continent, the private sector will ultimately have to be the champion of regional integration in Africa.

Some critics have brought up the fact that the three regional economic communities which make up the TFTA have been slow to make progress and still exhibit low levels of intra-regional trade. While this is true for SADC, the TFTA may actually help with the process of deepening integration in these regional economic communities. SADC generally lags behind other groupings in its rate of intra-regional trade and implementation of regional trade facilitation policies. In being grouped with more successful RECs, SADC has a greater opportunity and impetus to learn from the success and implementation policies of others in the TFTA. For example, while SADC had a form of NTB monitoring in place before entering TFTA discussions, it was only placed online and made readily accessible to the private sector through donor support as part of the TFTA negotiation process.

Conclusion

Given the history and current nature of regional integration on the continent, the private sector will ultimately have to be the champion of regional integration in Africa. Whether the TFTA will be successful or not will depend on whether industrialists and entrepreneurs take advantage of the provisions of the agreement to invest in regional value chains across the continent. It is unfortunate that the TFTA does not make much mention of co-operation on foreign direct investment (FDI) issues as foreign investors will hopefully see Africa as a more attractive investment destination due to the creation of a larger market, and there is scope for African countries to cooperate on FDI regulation. The creation of a regional FDI policy would makes Africa's RECs more appealing and provide impetus for investors to build cross-border operations.

This piece first appeared in SAIIA's blog on 18 August 2015.

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CONTINENTAL FTA

Bridging the Gap: Communications for the Continental Free Trade Area

Luke Warford

The Continental Free Trade Area (CFTA) holds incredible potential for the African continent. Greater focus on communications will be required in order for that potential to be realised.

In some circles, the benefits of the African Continental Free Trade Area (CFTA) are well known: the establishment of one integrated African market; a 52 percent increase in intra-African trade; a 6 percent increase in African exports; significant job creation; and long-term sustainable development. But for many others, including the millions of the people who could reap real, life-changing benefits, the CFTA is relatively unknown.

Jackie Gabriel, the Zambian owner of a Lusaka-based textile company, has aspirations of exporting to East and West Africa. When asked about accessing these new markets, Jackie lists numerous barriers that stand in her way. "All of the paperwork, the shipping costs, it is just too expensive and difficult." Jackie had never heard of the CFTA, let alone what it could do for her and her business. She, like many other people across the African continent, is disconnected from the continental integration agenda – an agenda created to serve people like her.

While the CFTA negotiations will be carried out by government negotiators and informed by policy experts, at its core, the CFTA is about people—it is people who will benefit in terms of sustainable development, and it is people, especially entrepreneurs and business owners, who will be better able to trade once the CFTA is implemented. But for the potential of the CFTA to become a reality, people must be more connected to the negotiations through better communications. In particular, the success of the agreement hinges on communication with the private sector; between the Regional Economic Communities (RECs) and the African Union Commission (AUC); and with the general public.

Communication with the private sector

Trade is conducted by the private sector, yet negotiated by governments. For trade's potential to be realised, the negotiations must reflect the needs of the private sector and be conducted in a manner that will facilitate and unlock new businesses opportunities. For that to happen, strong communication with the private sector will be critical.

Not only is private sector communication key in helping to shape the negotiations, it will also be crucial in mobilising domestic support for the CFTA. This will be true both as the CFTA is negotiated and after negotiations are finished, when the CFTA will be subject to ratification and implementation at the national and regional levels.

Improving communication with the private sector must be addressed from a variety of angles. The AUC's initiatives to establish a Trade Observatory and African Business Council, as well as regional and national business councils and chambers of commerce, have a significant role to play. So, too, do civil society organisations and NGOs that can help strengthen lines of communication between the private sector and the negotiators. Creative and novel approaches, like online forums and crowdsourcing tools that make gathering information and communicating across a vast continent much easier, are also needed.

REC-AUC communication

Along with improving communication with the private sector, strengthening communication between the RECs and the AUC will also be necessary in bringing the CFTA to fruition. The AUC is tasked with the difficult challenge of coordinating and facilitating successful negotiations. Accordingly, significant focus has been placed on strengthening the AUC's capacity, including a considerable mobilisation of resources on the part of development partners towards hiring technical experts to establish a dedicated CFTA Unit at the AUC.

The African Union's member states envisaged the RECs as the building blocks of the CFTA. The RECs will be even more important given recent progress towards continental integration with three RECs (SADC-COMESA-EAC) coming together to launch the Tripartite Free Trade Area (TFTA) in June 2015. But in practice, limitations on time and resources can make communication between the RECs and the AUC difficult. Many REC activities exist in isolation, without any formal reporting back to the AUC; similarly, many AUC initiatives do not effectively integrate the RECs.

As the negotiations for the CFTA move forward, this burden will only increase. The negotiations will require a considerable amount of technical work to harmonise differences across a range of difficult and complex issues, including tariff liberalisation; rules of origin; dispute settlement; customs and transit procedures; non-tariff barriers; trade remedies; technical barriers to trade; and sanitary and phytosanitary measures. In order for progress to be made, and for the AUC to effectively facilitate and coordinate a complex negotiating process, considerable coordination and communication between the RECs and the AUC will be required. Communications must be elevated as a priority for managers and development partners. This should include managers making communications a core responsibility for their teams and development partners, increasing their willingness to support communications staff at both the RECs and the AUC. Placing an AUC staff member dedicated to supporting the CFTA at each one of the RECs could be a particularly effective approach.

Communicating with the public

Here, we come back to Jackie. The CFTA has significant potential to improve the lives of millions of people across the African continent. Unfortunately, many of those people are relatively unaware of the CFTA. While mega-regional trade agreements like the Trans-Pacific Partnership (TPP) and the Transatlantic Trade and Investment Partnership (TTIP) receive widespread coverage, international and domestic media have remained relatively quiet regarding the CFTA and its potential benefits, a catch-22 whereby the media will not cover it until enough people are interested in learning about it.

It is clear that significant work needs to be done to make the benefits of the CFTA more salient to its intended beneficiaries. Increased public awareness is important so that people can call their representatives to action in support of the CFTA, and so that they can take advantage of new opportunities presented by the CFTA as they become available.

The CFTA is in need of a significant public awareness and public relations campaign. Some progress has already been made: the AUC has developed a CFTA-focused communications strategy, and organised the CFTA negotiations launch event. That event, which took place in Johannesburg in June 2015, helped raise the profile of the CFTA and earned considerable media coverage (by inter alia, the BBC, Financial Times, and Al Jazeera). However, for the CFTA to receive the widespread support necessary for approval and implementation, this momentum needs to continue with additional events and regular media engagement. In order for it to work, the CFTA needs to be known.

Conclusion

Communications is not always attractive or exciting. Nor is it easy to find development partners or managers who are interested in dedicating precious time and resources to communications activities. But for the CFTA negotiations to be successful, and ultimately, for the CFTA to reach its intended beneficiaries, like Jackie, greater focus on communications will be necessary.

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BRIDGES WRITING COMPETITION

Connecting to the world through regional value chains

Kelvin Kajuna

Integrating into the global economy will require Africa to first look inwards: by creating successful regional value chains, African economic actors might become competitive enough to enter global value chains.

The widespread claim that globalisation largely benefits developed nations should not prevent us from grasping this core truth: globalisation *has* fundamentally altered the nature of international trade and the political economy. As a result of technological advancements, the world has become a smaller and more efficient place. Firms – multinational corporations or companies (MNCs) in particular – adapted to this environment by moving away from local production, towards coordinating various stages of the production process across different countries and suppliers. This revolution of the traditional supply chains has given birth to what trade economists call "global value chains" or GVCs.

In a bid to lower costs, multinational corporations have created GVCs by offshoring or outsourcing their business activities where they can be most efficiently performed. These activities range from design and research, assembly of parts, to marketing or other related services. This shift in the geographical location of production processes has provided developing countries and transition economies with the opportunity to integrate themselves into the global economy. The undoubted leader in this endeavour has been China and its mighty labour force and manufacturing sector. Trailing behind in this regard are African, Caribbean, and Pacific countries (ACP). This article sheds light on Africa in particular.

In light of how increasingly critical GVCs are in international trade and investment, it is imperative that Africa participate more effectively in these value chains in order to foster sustainable economic development. Successful participation in these GVCs will depend on African firms' capacities on three levels: the capacity to enter GVCs, to remain in existing GVCs and to upgrade to a more productive stage of these value chains. The systemic challenges faced by African countries have caused the first capacity level – becoming competitive enough to join GVCs – to require the most attention from government and policy advisors. These challenges include the fragmentation of the African continent, the low level of income of African economies, as well as general infrastructure deficiencies.

These major obstacles must be addressed in order to develop the competitive edge needed for entering GVCs. However, as some authors argue, this development first needs to be achieved at the regional level. Offering firms the chance to operate through regional value chains (RVCs) across various African countries would promote the regional integration of markets, which in turn could trigger upgrading processes. As a result, these RVCs could reach international standards of productivity and quality, allowing African economic actors to become competitive enough to attract investment from multinational companies and finally enter GVCs.

Regional value chains as building blocks to global value chains

The creation of RVCs in Africa will depend on a host of factors. One such factor lies in the ability of African firms to capitalise on existing opportunities. For example, the fact that Africa is home to 65 percent of the world's arable land warrants serious attention. Developing more agricultural value chains across countries could be the key in unlocking this potential.

TDS Bridges Writing Competition Prize

ICTSD launched its first Trade and Development Symposium (TDS) Bridges Writing Competition. The competition culminated with the recognition of winners at the 10th WTO Ministerial Conference in Nairobi, Kenya, 14-17 December 2015, as well as global publication of winning entries via ICTSD's electronic and print channels.

Another factor which would influence the creation of successful regional value chains will be the extent to which regional cooperation measures and instruments are available to African economic actors. Although the existence of many regional economic communities (RECs) in Africa suggests that regional integration has been sufficiently achieved, this is not the reality. The establishment of regional integration arrangements, while demonstrating African governments' support, has done little to break barriers between African markets and increase African intra-regional trade. As argued by Trudi Hartzenberg, Executive Director of the Trade Law Centre for Southern Africa (TRALAC), RECs are crucial if Africa wishes to escape this pervading characterisation: a continent of "small countries, small economies and small markets."

The Tripartite Free Trade Area and its role in creating competitive value chains

The year 2015 marked a tremendous milestone in terms of African regional integration. In the space of about a week in June, the continent saw the signing of the Tripartite Free Trade Area (TFTA) agreement, as well as the launch of the negotiations for the establishment of the Continental Free Trade Area (CFTA). Spanning three existing RECs, the TFTA will be the largest free trade area in Africa once the requisite number of member states ratifies the agreement. The three RECs involved are the Common Market for East and Southern Africa (COMESA), the East African Community (EAC), and the Southern African Development Community (SADC). The CFTA is markedly more ambitious than the TFTA – it envisions a free trade area across all nations in the African Union.

Both the TFTA and the CFTA show the inclination of African governments to rival mega-regional agreements such as the recently signed Trans-Pacific Partnership (TPP), or the Transatlantic Trade and Investment Partnership (TTIP). Those two initiatives could prove instrumental in spurring the establishment of successful regional value chains in Africa, which in turn would help African economic actors to improve their competitiveness and join global value chains. The CTFA being unlikely to enter into force soon due to its sheer scope, the TFTA ought to be the agreement to garner the most attention right now. In fact, it has been argued that the implementation and success of the TFTA will significantly influence the probability of the CFTA coming into fruition.

An analysis of the TFTA agreement yields differing perspectives. On the one hand, it is commendable that there is an appreciation that, in the African context, tariff liberalisation cannot be the only or most crucial feature of a free trade area. In addition to tariff liberalisation commitments, the TFTA addresses, among others, rules of origin (RoO), non-tariff barriers (NTBs), and trade facilitation. However, room for improvement exists for these provisions and member states need to consider these more as they move forward towards ratification of the TFTA Agreement.

Rules of origin

Rules of origin (RoO) dictate how countries determine the economic nationality of imported goods, and thus which duties should be imposed. The WTO sets out disciplines with regards to RoO in the Agreement on Rules of Origin. The advent of globalisation and GVCs has rendered RoO particularly relevant, because the origin of a product can now be easily and often justifiably contested. As discussed earlier, the outsourcing or offshoring of products and services may lead to several nationalities or origins of these inputs. The creation of regional value chains in Africa thus necessitates a mindful consideration of RoO. Furthermore, the TFTA needs to take into account how the preferential RoO applied among member states could result in "hidden protectionism." Put simply, strict preferential RoO which disqualify outside exporters from the TFTA-conferred preferential treatment would effectively limit market access for these exporters. By preventing regional economic actors from sourcing cheaper inputs from outside the free trade area, this could constrain their ability to become competitive enough to join global value chains.

Trade facilitation and non-tariff barriers

One of the most cited impediments to intra-regional trade in Africa is the inordinate amount of time and money lost as a result of inefficient movement of goods between countries. To illustrate, there is a directly proportional relationship between the time products spend in transit and transport costs, which deters businesses from accessing other markets. Maximising efficiency for cross-border trade is thus crucial for the creation of efficient regional value chains in Africa. Trade and transport facilitation offer preventive and corrective measures for this distinctly African plight.

The TFTA agreement contains provisions outlining programmes and strategies which member states should commit to in respect of transport and trade facilitation. Even before the TFTA was signed, however, these three RECs (SADC, COMESA & EAC) were engaged in harmonising programmes to mitigate the challenges of doing business within and between these regions. These programmes include, for example, a mechanism to monitor, report and remove non-tariff barriers (NTBs), as well as the implementation of more streamlined border and customs procedures in the form of one-stop border posts. A brief discussion of these measures is provided below, with recommendations for their reform.

The NTB Mechanism

The NTB Mechanism is an interactive process whereby NTBs are monitored and reported with a view to have them resolved expeditiously. The main NTBs reported through this mechanism have been cumbersome or ineffective customs and administrative procedures, non-harmonised transport regulations or prohibitive transit charges, and overt corruption at road blocks. Despite significant successes since its inception, the NTB Mechanism would benefit from regularly reviewing its processes and observing how other regions or countries have implemented similar mechanisms. The recent Trade Obstacles Alert (TOA) platform implemented by Ivory Coast (with the assistance of the International Trade Centre and the EU) is one such programme from which the NTB Mechanism could learn. The TOA is a web-based platform which uses an alert system based on email notifications to address the need for transparency and accountability between exporters and importers.

One-stop border posts

One-stop border posts (OSBPs) aim to ensure that vehicles stop only once at the border, thus exiting and entering through countries simultaneously. It is thus envisioned that border officials combine their resources and competencies to be more efficient and combat systemic fraud. Arguably, the most well-known OSBP is the Chirundu OSBP between Zimbabwe and Zambia. The economic gains from such a programme have been borne, in particular, by the fact that waiting times for commercial traffic have dropped from a tedious 3-5 days to same-day clearances. Considering such success, it is therefore surprising that governments in the COMESA-SADC-EAC region have remained sluggish in making one-stop border posts ubiquitous. Member states of the TFTA need to place the implementation of more OSBPs higher on the agenda, not only for the short-term goal of easing traffic and increasing efficiency, but also for the larger goal of creating a more favourable environment for regional value chains.

Conclusion

Despite Africa's growing GDP, the continent is beset by unrelenting poverty levels, rising unemployment, and a volatile political climate. While by no means a panacea to these systemic crises, international trade and investment provide a path for African countries to reach their full economic potential. Making inroads into the global economy will, however, first require tapping into possible regional value chains across the continent. As described above, regional trade agreements provide the best mechanisms in order to achieve African regional integration. But as with similar agreements over the world, *political will* remains a stubborn stumbling block. African leaders thus hold the ultimate power in making ambitious free trade areas such as the Continental Free Trade Area and the Tripartite Free Trade Area a reality.

This article was selected as part of the TDS Bridges Writing Competition. For more information please see the following link: http://tds.ictsd.org/tds-bridges-writing-competition

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GENDER

Global value chains and gender equality: How can enterprises engage?

Johanna Silvander

In recent decades, global value chains have opened new job and income-generating opportunities in developing regions. However, the gains continue to be realised within gendered structures, often putting women in a disadvantaged position. What can enterprises do to promote gender equality, and what is the role of governments and interest groups?

Global value chains (GVCs) have created new job opportunities in developing regions, with some sectors providing employment particularly for women. Jobs in GVCs sometimes come with better wages and working conditions than jobs in a purely domestic economy. For many women, these are their first formal economy jobs. Furthermore, jobs outside home-based work and traditional agriculture have in some instances increased women's independence and agency in their own homes.

However, the benefits discussed above have been achieved within the existing gendered structures, rather than through breaking or questioning them. GVCs are strongly gender-segregated. Women are more narrowly concentrated in certain sectors and occupations, and are more represented in low-skilled jobs and low-productivity sectors. Beyond this, the concept of productivity may not be adapted to measure output in certain female-dominated sectors, such as the care economy. Women across the world earn on average less than men. At times women may be employed as part of cost-reduction strategies.

Aid for Trade interventions can help key actors governing GVCs to achieve better gender equality results. States can be assisted to review their trade, economic, and social policies and make them more supportive of gender equality. Relevant civil society organisations—in particular business associations and trade unions—can be supported to represent the interests of both women and men, irrespective of the type of activity they are engaged in, and to address gender equality concerns. Enterprises at different levels in GVCs—the focus of this article—can adjust their policies towards increased gender equality. Improving gender equality can help to enhance the economic performance of nations, noting that research has constantly shown that apart from preventing people from achieving their full potential, inequality leads to economic losses.

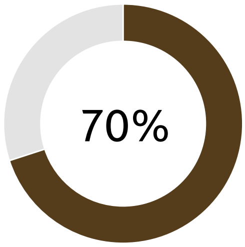
Address gendered patterns reproduced in GVCs

Feminisation of GVCs has mostly concerned manual work. With the uptake of technology, jobs tend to become male-dominated again. Modern globalisation emphasises skills and education as opposed to earlier periods where countries with abundant resources of manual labour were attracting foreign direct investment and jobs. Some researchers have suggested that female workers, perceived to be "dexterous, kind, and submissive", have been used in global production as a buffer against the volatility of orders, including demands for high quality, timely delivery, and low prices.

Women in developing regions generally lag far behind men on key factors determining individuals' economic status. These are the issues that key actors in GVCs should take into account and act on. Gender differences concern:

1. *Time*: Women have much less time at their disposal to take advantage of economic opportunities, since unpaid domestic work depends on them. This also leaves women with little or no time for rest and recreation;

2. *Production Factors*: Women often do not have the same access to factors of production, such as land and credit, due to discriminatory laws, or requirements which *de facto* put women in a disadvantaged position vis-à-vis men;



In Lesotho, women make up about 70 percent or more of the textile workers and tend to be employed in lower-skilled tasks.

3 *Discriminatory Institutions*: Institutions may be built to uphold existing social norms, thereby repeating discriminatory patterns and distorting women's possibilities in economic life.

Case studies from African countries show how these gender gaps are concretised for numerous women in the region. In the tourism sector's GVCs, for instance, men occupy key functions and are significantly more represented in the industry, although women are found in all subsectors. In Kenya, an investigation into the tour operator segment in Nairobi reveals high gender segregation of the enterprises: only six percent of them are owned and led by women. Women are lagging behind on key success factors in the industry; compliance with standards set by global lead companies is a prerequisite, yet women often do not have the ability to access the necessary training or undertake travel to meet with lead firms due to restrictions of time and production factors, particularly credit. At times social norms inhibit women from travelling to certain places or travelling alone. As such, access to international markets and players, including attendance in global trade fairs, is restricted for women.

Research in the textiles sector in Lesotho confirms the general tendency of gender segregation of jobs. Women make up about 70 percent or more of the sector's workers, tend to be employed in lower-skilled tasks, and gain very limited skills, making it difficult to find another job or start entrepreneurship activities. This combined with low salaries, low job protection, and non-existent social security put textile sector workers in a vulnerable situation. An example from the fruit and vegetable industry in Honduras—with clear relevance for African countries—shows that women tend to be employed in the higher value added activities of the sector, but again based on perceptions on women's forte in activities related to food, while jobs having to do with machines and management are mostly reserved for men.

Support enterprises in changing the course

Enterprises at the top of the value chains that often attract most value added are called lead firms in GVC literature. Their influence may reach through their entire value chain, enabling them to improve gender equality through HR policies and procurement practices and reach even smaller actors down the line.

Recruitment should clearly be based on merits and skills, not on perceptions and social norms. Through their supplier contracts, lead firms can also involve their first-tier suppliers in promoting gender equality by requiring certain selection principles to be followed when further suppliers are selected down the chain, and by promoting gender equality objectives in recruitment processes within first-tier suppliers. This must involve training of supplier SMEs to fulfil the standards. In selecting their marketing strategies, lead firms can put a stop at depicting women and men in certain tasks based on perceptions, thus allowing room for the recruitment of both sexes more broadly in different functions and different levels.

Promoting gender equality extends beyond a fair recruitment process. Lead firms together with first-tier suppliers should make sure that training and advancement possibilities are equal for men and women, and take due account of the fact that household work restricts women's available time. This means that training should be organised during working hours, and flexibility in work arrangements allowed for women to meet their simultaneous demands in homes. For instance, hotels have successfully experimented with training to make employees able to perform various work functions, and thereby to work in shifts that can be combined with household duties. Taking one step further, initiatives encouraging sharing of household duties could be promoted, such as providing both maternity and paternity leave for parents.

Existence of child-care facilities is a prerequisite particularly for women's work, and enterprises can play a leading role in providing such services in the employment package when public child care services are not yet widely available. Lead firms and first-tier suppliers can in their respective supplier contracts accommodate women-led SMEs by providing access to credit or other factors of production, taking into account women's weaker possibilities to obtain affordable loans from banks. Companies should also ensure that uptake of technology does not exclude women from jobs, but rather encourages training that enables women to take up new technology-enabled functions alongside men.

Channel government policies, interest group action, and Aid for Trade towards gender equality objectives

Government policies are central in supporting gender equality. They can also go a long way in supporting enterprises in their efforts to promote gender equality. Education and training policies should promote a more balanced choice of careers between the two sexes, and should be designed in consultation with the employer and worker representatives to facilitate later employment. Lifelong learning should be supported, including training that enables women to take up new technology-enabled jobs. Private sector support institutions should be organised so as to promote gender equality objectives, including enabling both sexes equal access to credit and business development services taking into account the identified constraints that particularly affect women. Industry-specific policies may be a factor in whether jobs and advancement possibilities are created for women and men in a balanced manner. For instance, in the tourism sector, community tourism appears to be favourable for women's employment, while there are certain types of tourism that tend to allocate women jobs based on stereotypes and could even put them in danger of exploitation. Infrastructure allowing women to work is crucial, among them probably most centrally child care facilities. Trade policies can affect sectors and products differently, and specific rules can thus work for women's (or men's) employment or against it. Therefore, trade policymaking should also become conscious of the choices made in this regard.

Business associations and trade unions can further gender equality objectives by first recognising the need to ensure equal opportunities for representation and provision of services to both sexes. With this conscious effort, industry associations can design specific approaches to support often marginalised women entrepreneurs, such as provision of relevant training within suitable timetables and options for organised child care; advocacy for improved access to credit; and negotiations facilitating market access for products and services produced by women. Further, they can support enterprises through training to allow for the adoption of HR and other firm policies with specific gender equality objectives. Trade unions can adapt their negotiation agenda such that beyond direct benefits—such as wages—they focus on different facilities enabling women to work better. These include institutions such as maternity protection and child care, but also different ways to address gender segregation of jobs, such as negotiations for internal training that enables women to take up new technology-enabled jobs. Both interest groups and the wider civil society should embrace gender equality objectives when advocating for policies to be adopted by the government.

Aid for Trade can be channelled to support governments in reviewing their policies from a gender equality angle, and to help interest organisations to better represent their members, including the often marginalised women. Aid for Trade can also be directed through international organisations that work directly with companies to help improve the gender equality aspects of their policies.

Based on the report Gender equality in global value chains and the role of Aid for Trade in promoting gender equality and women's employment in developing countries, funded by Ministry for Foreign Affairs of Finland (2013)

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INFRASTRUCTURE

Sustainable trade infrastructure in Africa: A key element for growth and prosperity?

Hans-Peter Egler

In order to trade goods and services efficiently, to become a more active partner in global and regional trade, and to connect to global value chains, it is crucial for every region and country to offer solid trade infrastructure. Improved trade efficiency strengthens conditions for increased technology transfer, innovation, and production capacities, which stimulate the creation of additional jobs and contribute to poverty alleviation.

Infrastructure needs throughout the world have never been greater. They shape our environments and largely determine our livelihoods today and in the future, reason why infrastructure lies at the core of the United Nation's Sustainable Development Goals. Rapid global population growth and increasing urbanisation mean that huge investments in infrastructure are required to ensure social well-being throughout the world; according to the OECD, 75 percent of the infrastructure that needs to be in place by 2050 does not yet exist. In order to fulfil these requirements, an estimated annual global investment of US$5 trillion in infrastructure will be needed in the coming decades. This unprecedented and fundamental development represents a major opportunity to create the backbone of a sustainable and resilient future and pave the way for increased exchanges of sustainably produced goods and services.

Towards sustainable and resilient infrastructure

Moving from conventional infrastructure to sustainable and resilient infrastructure has the potential to improve the livelihoods of billions of people across the globe. By promoting and mainstreaming the systematic financing of eco-efficient technologies and socially inclusive development—for example, in urban and rural planning—we have the potential to contribute greatly to the preservation of natural resources, climate change mitigation, and the reduction of social imbalances.

Sustainable infrastructure supports the development of dynamic societies which can meet the needs of the people living within them today, without jeopardising the ability of future generations to also meet their needs. Examples of sustainable infrastructure features include smart grids that allow for the efficient use of energy and increased use of renewable energy; construction designs and technologies that reduce energy and water consumption; transportation systems that allow for efficient, low-impact mobility for the exchange of goods and services; and urban planning techniques that increase the use of public transportation and create a stronger sense of community.

However, such infrastructure requires additional financing, which should be made available not only by the public sector, but also by the private sector: institutional investors such as pension funds, mutual funds, insurers, and family offices. This is important in industrialised countries as well as emerging economies such as China, India, Indonesia, Brazil, and South Africa. To channel more of these funds towards sustainable infrastructure, the added value offered through the sustainability aspects of projects has to be demonstrated to capital markets and the aforementioned institutional investors. Evidence is growing as to the great added value offered by sustainable infrastructure compared with conventional infrastructure. Benefits include the potential risk mitigation features of sustainable infrastructure, which can reduce implementation, resource, and credit default risks. Furthermore, sustainable infrastructure may offer competitive returns by potentially reducing project construction and operational costs, for example through improved resource efficiency.

How can the benefits of sustainable and resilient infrastructure be clearly demonstrated to investors and public sector planners, so as to facilitate a common understanding between these actors, and to enable increased capital flows towards sustainable infrastructure? Global Infrastructure Basel (GIB), a Swiss non-profit foundation based in Basel, has been working with a wide range of stakeholders across regions and sectors to produce a standard which can achieve this goal. SuRe®, the Standard for Sustainable and Resilient Infrastructure, was launched at COP21 in December 2015 in Paris, and provides a basis upon which infrastructure projects can be certified as "sustainable" and "resilient." The Standard is an important development for the infrastructure sector, because it (1) enables project developers to design more sustainable infrastructure, (2) provides the public sector with a means of transparent project selection, and (3) demonstrates sustainability and resilience to financiers, enabling them to confidently direct funds to the most sustainable infrastructure projects. GIB and its multiple stakeholders have the vision that infrastructure—be it an energy plant; transit or transport infrastructure; or a water utility—should not only deliver its service efficiently, but also help to tackle the world's largest sustainability challenges stemming from population growth, rapid urbanisation, underdevelopment of rural areas, social inequalities, excessive use of finite resources, and carbon-intensive lifestyles. GIB's work and the SuRe® Standard push for transformative actions in the field of infrastructure development and finance and contribute to sustainable development and the strengthening of community resilience.

One region with the greatest potential for transformative change towards sustainable infrastructure is Africa.

One region with the greatest potential for transformative change towards sustainable infrastructure is Africa. As a result, GIB has a focus on Africa for the implementation of the SuRe® Standard.

Africa and sustainable infrastructure

Africa understands the potential of sustainable and resilient infrastructure to increase economic and social development. A variety of examples demonstrate how African countries are actively taking part in initiatives fostering sustainable infrastructure, which contributes to sustainable trade and improves inter-connectivity as a precondition for strengthening the pillars of sustainable trade. Some of the following examples are already at an implementation stage; others are still in a planning phase.

Inclusive commercial agriculture in Africa

The Chiansi irrigation infrastructure project is a unique agribusiness partnership between the public and private sectors in Zambia that has helped 126 smallholder households to enter the mainstream of commercial agribusiness through the installation of irrigation infrastructure. Phase 1 has seen 148 hectares (ha) of smallholder-owned land receive year-round irrigation with crops being grown under commercial management. Smallholders have been actively involved in day-to-day farming, received a dividend from the commercial farming operation, and gained access to market garden style irrigated plots for their own use. Phase 2 will involve the construction of major bulk water irrigation infrastructure that will ultimately serve up to 3800 ha of land following future expansion phases. Phase 2 will also include infield infrastructure and market garden plots, further enhancing the incomes of approximately 600 local smallholder households. The project is transforming a poverty-stricken area of rural Zambia into a highly productive agricultural zone.

Sustainable urban food production linked to renewable energy generation and the development of Small and Medium-Sized Enterprises

The Tshwane Food and Energy Center is a project proposed by the City of Tshwane Metropolitan Municipality in South Africa. The aim of the project is to reduce poverty and promote sustainable economic growth in poor rural areas by empowering local landowners and farmers. In doing so, it will encourage landowners to become farmers; ensure that the participating small-scale farms are commercially viable; and promote the production and use of renewable energy sources. The Center will be located on municipal land covering 500 ha of farm area and will benefit around 75 families. It will consist of three main components: (1) a central farm with energy and agri-support services (agribusinesses, training, model farming, livestock, livestock structure support for small-scale BEE farmers, financial services); (2) small scale BEE farms interlinked with the central farm; and (3) supportive renewable energy businesses, including solar power and biogas production facilities. The project will be conducted over a period of 5 years from 2015 to 2020, though the availability of funding will determine its progress.

Poverty reduction by proper land use planning

The population of Dar Es Salaam has almost doubled over the last ten years and now stands at 4.7 million. Over 70 percent of the population lives in informal settlements with poor or few basic services/infrastructure. The area's challenges to meet the needs of a growing population are complicated by its susceptibility to flooding and sea level rise due to climate change. Devastating floods in 2011 forced the city to relocate many residents, although financial limitations mean that many thousands more remain in flood prone areas. Furthermore, relocation also often requires moving people away from their former economic activities. To address this difficulty, the Bunju Satellite Town project proposes the development of a satellite town to meet the needs of the local population in the Mabwepande area. The new satellite town is both safe from floods and close to main roads and a growing port. The satellite town plots will be zoned for residential, commercial; and industrial uses. The implementation of the town will be based on plots selling for cost recovery, and those who purchase these plots will be required to adhere to sustainable development conditions. An initial loan for the first phase has been secured from the TIB Development Bank, owned by the government of Tanzania.

Road passenger transportation

Mayne Transportation Limited is a private passenger bus and haulage transportation company, registered in Ghana in 2009. It proposed a project to provide affordable long distance bus and transit bus transportation to the people of Ghana and its neighbouring countries and to haul goods such as agro-food products, agriculture products from farming communities to the market, bauxite, manganese, and petroleum products. The target groups for the project will be the poor; school children; market women; businessmen and women; local tourists; underprivileged people; and mining companies. Included in this project is the construction of four or five ultra-modern multi-purpose bus terminals with modern technologies.

Conclusion

Many countries in Africa have great potential to be better integrated into global trade and international value chains, thus creating more jobs and offering better income possibilities for the ever-growing population. To harness such potential, the private and public sectors need to work hand in hand. A successful integration of the African markets into the global market place will, however, only be possible if the right trade infrastructure is in place. This trade infrastructure can only be developed with additional resources from national and international capital. Transparent, stable, and clear investment framework conditions, as well as procurement mechanisms and coherent corresponding regulations must be in place to attract more private sector funding. In addition, public know-how on the functioning and legal framework requirements on public-private partnerships must be available. Last but not least, to encourage sustainable and resilient infrastructure development, local public sector and/or national institutions should incorporate sustainability and resilience elements in their infrastructure design requirements. This is precisely where the GIB-foundation, with its approach towards the standard on sustainable and resilient infrastructure (SuRe®) and associated capacity building, could contribute most.

Hans-Peter Egler
CEO of Global Infrastructure Basel (GIB)

The newsroom

Be sure to visit ictsd.org/news/bridgesafrica regularly for breaking African trade and development news.

Ambitious energy plans launched in Davos

Ambitious plans to power Africa were inaugurated at the World Economic Forum (WEF) in Davos, Switzerland by the African Development Bank Group on 21 January. The New Deal on Energy for Africa will unite the private sector and local governments on energy capacity building projects to achieve universal access to energy in Africa by 2025.

Plans of action under the New Deal will rely on a platform, the Transformative Partnership on Energy for Africa, to coordinate energy generation and transmission projects across private-public partnerships and existing African energy programmes.

The current lack of electricity on the continent holds African economies back. The AfDB estimates that energy-sector bottlenecks and power shortages are estimated to cost African countries some 2-4 percent of GDP annually.

Harnessing Africa's untapped renewable energy resources will require energy infrastructure investments of US$40-70 billion annually.

Investments to Africa fall sharply in 2015

Foreign direct investment (FDI) flows towards Africa have experienced a sharp decline in 2015, according to the United Nations Conference on Trade and Development (UNCTAD).

On the global scale, investments stood well during the past year with FDI flows reaching an estimated total value of US$1.7 trillion, the highest level since the 2008-2009 economic and fiscal crisis. However, the situation has deteriorated in Africa in 2015, with a general decrease by 31.4 percent of investment flows from abroad, falling from US$55 billion in 2014 to US$38 billion last year. According to UNCTAD, the main cause of this contraction is the end of the "super-cycle" of raw materials, which reduced investments to the natural resources sector.

In regional terms, while FDI experienced a rise in North Africa, the continental average was pulled down by sub-Saharan Africa. Central Africa and South Africa saw the sharpest falls, with a collapse of 74 percent in FDI to South Africa. Investment flows to Nigeria fell by 27 percent due to the sharp drop in oil prices.

Africa exports to China drop 40 percent in 2015

Over the course of 2015, commercial relations between China and Africa contracted by 18.3 percent, reaching only about US$170 billion, according to information provided by the General Administration of Customs. In 2015, African exports to China amounted to about US$67 billion, representing a decrease of nearly 40 percent from the previous year.

In 2009, China became the largest trading partner of Africa, but weakening Chinese economic growth has now resulted in decreased Chinese demand for raw materials and a weakening of prices in recent world markets. According to data published by the Financial Times in October, Chinese investment in Africa also plunged 84 percent in the first half of 2015, compared to the same period in 2014.

South Africa, US avert AGOA poultry suspension

South Africa and the US reached an agreement last month on the technical issues which have been blocking US meat—essentially poultry, pork and beef—imports into the African country. The US has set a 15 March 2016 deadline for functional implementation of the deal. Otherwise duty-free treatment for South Africa's AGOA-eligible agricultural products will be suspended.

In December 2014, South Africa raised sanitary concerns about US poultry over an avian influenza outbreak in 15 US states. Last year, the US set 31 December 2015 as a deadline for South Africa to comply with AGOA eligibility requirements. With the country failing to conclude the negotiations on this issue by the set deadline, South Africa faced the risk of its agricultural products being suspended from AGOA.

Publications and resources

Post-2015 International Development Agenda in the Context of Interlocking Trade and Financing in the LDCs – E15 – January 2016
The adoption of the ambitious post-2015 agenda centring on the Sustainable Development Goals (SDGs) at the United Nations (UN) in New York in September marks an opportune moment to suggest development policy solutions for the least-developed countries (LDCs). The objective of this paper is to explore the compatibility of the financing instruments and modalities mentioned across the major documents of the UN and other international organisations related to the post-2015 agenda with LDCs' trade interests and concerns. http://bit.ly/22K5Ohr

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Trade, Finance & Development: Overview of Challenges and Opportunities – E15 – January 2016
This paper reviews recent work, including by the author, on the relationship between geography, institutions, trade, and finance and economic growth and development. It argues that high levels of financial depth, measured by credit as a fraction of GDP, is associated with less, rather than more, economic growth. http://bit.ly/1o9auxt

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Addressing Barriers to Digital Trade – E15 – December 2015
This paper addresses the question of whether it is possible to balance the need for a free flow of information across borders with legitimate government concerns related to public order, consumer privacy, and security. The authors argue that specific binding trade language promoting cross-border flows — combined with continued international cooperation — will enhance, rather than undermine, public order, national security, and privacy. http://bit.ly/1IlhAYC

National Agricultural Policies, Trade and the New Multilateral Agenda – ICTSD – December 2015
Policies on food and agriculture in a handful of key countries have played a significant role in shaping today's global farm trade landscape. This note and the following seven country briefs review some of the main factors affecting global trade and markets in this area, as well as analysing the main instruments that countries are using to pursue their underlying policy goals. http://bit.ly/1Y2DDKX

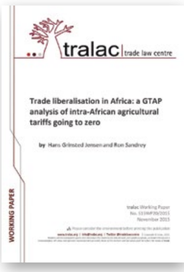
Export Restrictions in Relation to Extractive Industries – E15 – November 2015
The use of export restrictions in relation to extractive industries at the multilateral level has gained prominence in the international trade debate in the last few years due to their proliferating use of non-fuel minerals and metals and, to a lesser extent, energy commodities. The paper explores some avenues for improving multilateral disciplines on export restrictions in the direction of greater transparency, predictability, and flexibility. http://bit.ly/1NHuocE

International E-Commerce in Africa: The Way Forward – International Trade Centre – December 2015
This report outlines common concerns of African small and medium-sized business owners, based on surveys, interviews, and literature review. To move forward, the report recommends public-private sector initiatives, institutional and corporate capacity building, shared structures and technology, and improved access to transport and logistics. http://bit.ly/1RzJ13W

The potential for internal trade and regional integration in Africa – Journal of African Trade – December 2015
This study examines the potential for intra-Africa trade and the prospects of advancing regional economic integration through such trade. A variety of empirical models are deployed for the purpose. The analysis and model simulation results reveal the existence of significant potential for intra-Africa trade. http://bit.ly/1mErzyM

The Commonwealth in the Unfolding Global Trade Landscape - Commonwealth Trade Review 2015 – The Commonwealth – November 2015
Fundamental changes are taking place in the global trade landscape, and the Commonwealth, with its diverse membership, is adapting to and coming to terms with these changes. This shifting landscape offers tremendous potential for Commonwealth countries to expand their trade – both between members and their overall trade. Although it is not a trading bloc, member countries can also take advantage of and leverage the Commonwealth for greater gains, while focusing on several broader priorities to improve their trade performance. http://bit.ly/1NQuwCg

Innovative partnerships for agricultural research and development: Examining the Africa-Brazil agricultural innovation marketplace – The European Centre for Development Policy Management – November 2015
The first part of this Briefing Note gives a brief overview of the African-Brazilian cooperation on sustainable agricultural development, in terms of its main players, modalities, and governing “principles.” The second part of the Note examines the Africa-Brazil Agricultural Innovation Marketplace, which could in fact offer an opportunity for the EU to reach out for new partnerships with “new donors” like Brazil. http://bit.ly/1Rku8mA



Trade liberalisation in Africa: a GTAP analysis of intra-African agricultural tariffs going to zero – Trade Law Centre – November 2015
This paper uses the Global Trade Analysis Project (GTAP) computer database and takes the full suite of African agricultural sectors and African countries/regions in order to assess the benefits of intra-African tariff liberalisation in agricultural merchandise across the continent. It finds that Kenya, Tanzania, Zimbabwe, and the rest of Africa lose significant tariff revenues that in the real world has to be adjusted for in some way, and that Senegal, Kenya, and Côte d’Ivoire all report an enhancement in labour market remuneration. http://bit.ly/1JvXJX5

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