

## Chapter 4

### Way Forward: The Road to 2063

---

*Agenda 2063* anchors and advances the pan-African vision of a united, peaceful and prosperous continent. Strengthening African integration is indispensable for enhancing political co-operation at the pan-continental level, and for promoting economic growth, development and poverty reduction to help achieve many of the Sustainable Development Goals. Notwithstanding continuing development challenges, the African continent has enormous economic potential. Looking ahead, four factors could have a transformative impact on the continent's growth and development prospects:

- Africa has the fastest urbanisation rate in the world. Over the next ten years, 187 million more Africans will live in cities, equivalent to half the United States population today.
- Africa will have the biggest working-age population in the world of 1.1 billion in 2034, larger than in either China or India.
- Africa has the world's largest reserves of many key natural resources (e.g. 60 per cent of the world's unutilised but potentially arable agricultural land, and the largest global reserves of diamonds, gold, manganese, platinum group metals, vanadium and many others).
- Africa can leapfrog old technologies using mobile and digital technologies (e.g. penetration of smartphones expected to hit 50 per cent in 2020 compared to 18 per cent in 2015) (McKinsey Global Institute 2016).

To unlock the continent's vast potential, African governments are working together to implement ambitious plans for continental integration, industrialisation and infrastructure development. *Agenda 2063* aims to grow intra-African trade to about 50 per cent of total world trade by 2045. However, it is not only intra-regional trade that needs to grow: the sophistication of the products and services traded must also be enhanced.

Despite African leaders' strong declaratory commitments to regionalism, there remain many political, economic and institutional challenges to deeper integration and effective

#### **Box 4.1 Five key messages from the World Bank on *De-fragmenting Africa***

1. Effective regional integration is more than simply removing tariffs – it is about addressing on-the-ground constraints that paralyse the daily operations of ordinary producers and traders.
2. Defragmenting Africa calls for regulatory reform and capacity building among the institutions that are charged with enforcing the regulations.
3. The integration agenda must cover both goods and services. Services are critical, job-creating inputs into the competitive edge of almost all other activities (e.g. the role that transport plays in manufacturing).
4. Simultaneous action is required at both the supranational and national levels. While RECs can provide the framework for reform (e.g. bringing together regulators to define harmonised standards or to agree on mutual recognition of the qualifications of professionals), responsibility for implementation lies with each member state.
5. International donors should refocus their efforts towards helping countries understand the political economy behind resistance to integrative reforms.

**Source:** Brenton and Isik (2012)

implementation of regional trade agreements. There is an extensive literature on the obstacles and challenges for Africa's trade integration agenda.<sup>1</sup> These reports and studies propose a range of concrete measures and action plans to ensure more effective integration in Africa (for example Box 4.1). The following is a summary of some of the major obstacles to trade integration:

- lack of political will to advance integration, including concerns about loss of sovereignty, policy space and tariff revenue;
- overlapping memberships of RECs, with different tariff reduction schedules, rules of origin and ambition regarding regional integration;
- failure to respect and implement regional trade agreements and their obligations;
- higher tariffs on intra-regional African exports compared with the rest of the world,<sup>2</sup> even though the total elimination of tariffs on goods is foreseen in almost all RECs;

- persistence of NTBs that impede trade, from import licenses, additional fees and surcharges to stringent sanitary and phytosanitary measures;
- inefficient or corrupt customs and border management impacting both formal and informal trade;
- lack of mutual recognition arrangements and other restrictive policies in regional services markets, ranging from nationality requirements to regulatory heterogeneity for licensing, qualification and educational requirements;
- lack of adequate infrastructure, from transport to ICT, to support both physical and digital cross-border trade in goods and services;
- lack of robust dispute settlement on issues pertaining to obligations under regional trade agreements, including legal remedies for private traders and service providers when their rights are violated;
- lack of support for entrepreneurship, private sector development and export competitiveness, especially for small and medium-sized enterprises (SMEs); and
- external dynamics, including the potential impact of mega-RTAs and increased import competition from advanced and emerging economies, which has contributed to Africa's deindustrialisation.

For the African continent to achieve its full economic potential, national governments, RECs and the AUC, working with the private sector, civil society and international partners, should begin to effectively tackle the above constraints. Building on the developmental integration approach, the three priorities should be to promote deeper and effective market integration; develop cross-border infrastructure (transport, communications and energy networks); and promote industrial development and structural transformation including through regional value chains in goods and services.

## Notes

- 1 See, for example, APPG (2016); Brenton and Isik (2012), UNCTAD's *Economic Development in Africa* series; UNECA's flagship reports; and the UNECA/AU/AfDB annual reports on regional integration entitled *Assessing Regional Integration in Africa*.

- 2 Tariff protection within Africa averages about 8.7 per cent, but only 2.5 per cent to the rest of the world (Lopes 2016).

## References

- All-Parliamentary Group for Trade out of Poverty (APPG) (2016), *Inquiry into the UK's Africa Free Trade Initiative. Final Report*, APPG, London.
- Brenton, P and G Isik (2012), *De-fragmenting Africa: Deepening Regional Trade Integration in Goods and Services*, World Bank Group, Washington, DC.
- Lopes, C (2016), 'We Cannot Afford to Fail on the Continental Free Trade Area', The Former Executive Secretary's Blog, UNECA, 24 May, available at: <http://www.uneca.org/es-blog/we-cannot-afford-fail-continental-free-trade-area> (accessed 31 January 2017)