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**Fourteenth Meeting of the Intergovernmental Committee
of Experts for Southern Africa (ICE)**

**2-4 June 2008
Lusaka, Zambia**

AIDE MEMOIRE

***Theme "Achieving Free Trade Area (FTA) and Customs Union (CU):
Emerging Challenges and Opportunities for Southern Africa".***

I. Background

1. The United Nations Economic Commission for Africa (UNECA) has five sub regional offices. The main function of the sub regional Offices is to translate much of UNECA's normative and analytical work into operational activities at the country and sub regional levels, particularly with respect to harmonising policies and programmes of action, providing policy advisory services, and generally serving as focal points for policy dialogue and information exchange all aimed at facilitating regional integration.

2. The sub regional office for Southern Africa, which is based in Lusaka, Zambia, derives its programmatic direction and guidance from its Intergovernmental Committee of Experts constituted by General Assembly Resolution 40/243 to provide a forum for engaging with member states on policy and programme related matters. ICE-Southern Africa is one of five ICEs, which meets annually to oversee the overall formulation and implementation of the programme of work and priorities of the respective subregion and make recommendation on important development issues confronting the subregion. This ensures that the development imperatives of the sub region are fully reflected in the UNECA programme of work. Thus the ICE, is a policy sub organ of the Commission; i.e. the Conference of African Ministers of Economic Planning when in session constitute the Commission and a critical part of UNECA's legislative machinery.

3. More critically for the ICEs, was the adoption by the sixty-first session of the UN General Assembly a **New Strategic Direction** for the ECA subregional offices, including among others, strengthening the governance role of the ICE to serve as a platform for advocacy and consensus building as well as to articulate common subregional policies and positions. It also entailed suggestions such as transforming ICE from the current expert body to a Ministerial level body for building linkages between the ICE and other policy organs of relevant Regional Economic Communities (RECs) and the ECA Conference of Ministers.

II. Theme, Objective and Expected Outcomes

4. The meeting coincides with the launching of the Free Trade Area and therefore provides strategic opportunity to reflect on the preparedness and emerging challenges ahead. In this regard, the meeting will be held under the theme "*Achieving Free Trade Area(FTA) and Customs Union (CU): Emerging Challenges and Opportunities for Southern Africa*". The choice of theme reflects the broader dimensions of the Free Trade Area in the regional integration landscape and therefore the need for careful reflection on the factors for a successful Free Trade Area that embraces the hopes and aspirations of the community of nations.

5. The ICE meeting will be preceded by a forum on the implementation of those SADC protocols having direct bearing to the establishment of the FTA, which will be held from 29-31 May 2008. The outcome of the forum will be fed into the 14th ICE meeting and will constitute an important contribution to the discussion on the theme of the meeting.

A. Objective

6. The main objective of the fourteenth ICE meeting is to undertake a status review on the preparedness of the stakeholders, opportunities and challenges in establishing and operating the upcoming Free Trade Area and Customs Union in southern Africa.

B. Expected outcome

7. The meeting is expected to reflect on the preparedness, highlight opportunities and challenges in the process of regional integration relating to FTA and CU in Southern Africa. The meeting is also expected to make recommendations for the way forward on how to exploit the opportunities and address the challenges in implementing the process before and after launching the FTA and CU. In addition to the report of the meeting, a policy brief will be prepared outlining a set of recommendations, which will serve as an impetus for action for the stakeholders.

IV. Issues for consideration

8. The meeting will consider three issues. The first will be on the macroeconomic related issues focusing on the economic and social conditions in Southern Africa, providing Member States with an overview of achievements and issues relating to the economic and social conditions in Southern Africa and prospects for 2008. The meeting will reflect on macroeconomic policy criteria, which SADC has set for the countries in the region to achieve by 2008, an important milestone at the eve of launching the FTA. These policy criteria are defined in the framework of convergence variables that serve to express the degree of homogeneity of the economies belonging to a regional integration arrangement.

9. Macroeconomic convergence (MEC) is one of the important regional integration goals of SADC leading to monetary unification and a single central bank. This goal is aligned with the ultimate goal of the African Union of the economic integration of Africa to build a monetary union for the entire continent in stages, starting with each of the sub-regions, of which SADC forms one important region. Macroeconomic convergence, monetary cooperation and unification, and financial and capital market development are not only essential for effective regional integration but can yield large payoffs for African economies.

10. Of specific relevance to the theme of the meeting, is the enabling environment for trade as well as domestic and foreign investments that the achievement of convergence criteria provides. To this end, SADC has set macro-economic convergence criteria, the first of which countries in the region should achieve by 2008 with the establishment of FTA in the same year; a customs union by 2010; a common market by 2015; and monetary union and a SADC central bank by 2016. The four primary indicators are *inflation; budget deficit, public debt and current account balance as percentage of GDP*, while the secondary indicators include *economic growth, external reserves (import cover months), central bank credit to govt (% of revenues), Domestic saving (% GDP,) and domestic investment (% GDP)*. Thus

misalignments of these macroeconomic variables between member countries would be disruptive to the establishment of FTA and CU as well as other stages of regional integration.

11. However, the achievement of these convergence criteria and the establishment of FTA, CU, monetary union and regional central bank are major challenges facing SADC requiring a systematic assessment and careful coordination. With the implementation of SADC MEC, ECA-SA identified several interrelated issues. Methodological issues are emerging as critical to monitoring progress made in convergence. One key issue is that of inadequate maintenance of track record of compliance with MEC criteria for an extended period of time of 5-10 years. This problem can be attributed to two key factors: lack of a permanent statistical monitoring system and authoritative statistics. Institutional issues include lack of mechanisms and resources for effective planning, coordination, implementation and monitoring.

12. The second issue examines prospects and challenges towards the attainment of a free trade area and customs union, Under FTA, SADC countries will abolish tariffs and non-tariff trade barriers between the members but with no common trade policy toward non-members, while under CU, the region will adopt free trade (zero tariffs and no other restrictions on trade) on trade among themselves, and that also, on each product, agree to levy the same tariff on imports from outside SADC. Issues specifically related to the establishment of FTA and CU among others include: (i) inadequate cost-benefit-analysis of integration process including FTA and CU has led to slow ratification of protocols and reluctance in implementation of agreed plans towards FTA and CU (ii) the lack of a compensation mechanism for the losers of the integration process also act as a constraint for the full implementation of integration schemes; and (iii) the multiple memberships of countries in various RECs, the overlap and duplication of functions of the RECs also tend to slow down the integration process.

16. The choice of theme, therefore, expresses the continuing concerns, and frustrations, not only by the member States of the sub region but by the continent at large to address Africa's regional integration issues. The theme further reflects the need to address the limited capacity in the sub-region to meet the emerging challenges of regional integration.

17. The third issue relates to the programme performance of ECA-SA for the period 2006-2007 in the sub region including initiatives undertaken.

V. Format of the meeting

18. The meeting will be organized to include a mix of presentations and panel discussions for an engaging and lively exchange on the issues with the aim of building consensus on a set of recommendations to address emerging challenges and opportunities in achieving the FTA and Customs Union in Southern Africa.

VI. Documentation

19. Based on the theme of the meeting, a background paper on "*Achieving Free Trade Area and Customs Union: Emerging Challenges and Opportunities for Southern Africa*", as well

as other working documents, will be prepared and sent to all participants well ahead of the meeting. The other papers are:

- a) Economic and social conditions in Southern Africa;
- b) Prospects and challenges towards the attainment of a free trade area and customs union
- c) Programme performance report of ECA-SA for the period 2006-2007 in the sub region
- d) The ICE will also consider reports from ECA Headquarter Divisions and Co-operating Partners.

Participants are encouraged to organise their entry visas and vaccinations prior to their travel. However, the ECA-SA office will on request, provide assistance in organising for entry visas. The working language of the meeting will be English.