

**Economic Commission for Africa
Subregional Office for Eastern Africa**

Intergovernmental Committee of Experts
Twenty-second meeting
Kigali, Rwanda, 20-22 November 2018

***Implementing the agreement to establish the African
Continental Free Trade Area in Eastern Africa:
from vision to action***

THE KIGALI COMMUNIQUE

1. The twenty-second meeting of the Intergovernmental Committee of Experts for Eastern Africa of the Economic Commission for Africa (ECA) was held in Kigali from 20 to 22 November 2018. The meeting was jointly organized by the Government of Rwanda and ECA. The theme of the meeting was “Implementing the African Continental Free Trade Area in Eastern Africa: from vision to action”.

2. The meeting was officially opened by Mr. Uzziel Ndagijimana, Minister of Finance and Economic Planning of the Republic of Rwanda and incoming Chair of the Bureau of the Intergovernmental Committee of Experts, and Mr. Fouady Goulame, General Planning Commissioner, Union of the Comoros, and outgoing Chair of the Intergovernmental Committee of Experts. Ms. Giovanie Biha, Deputy Executive Secretary of the Economic Commission for Africa, and Mr. Fodé Ndiaye, United Nations Resident Coordinator in Rwanda also attended.

3. The meeting unanimously elected the following countries to serve on the 2018–2019 Bureau:

Chair:	Rwanda
First Vice-Chair:	Eritrea
Second Vice-Chair:	Kenya
Rapporteur:	Seychelles

4. Delegations from the following countries attended the meeting: Burundi, Comoros, Democratic Republic of the Congo, Djibouti, Eritrea, Ethiopia, Kenya, Madagascar, Rwanda, Seychelles, Somalia, South Sudan, United Republic of Tanzania and Uganda.

5. In addition to a large number of stakeholders from Rwanda, the following national, subregional, regional and international institutions and organizations were represented at the meeting: African Centre for Technology Studies; African Migration and Development Policy Centre; African Union Commission; Alliance for a Green Revolution in Africa; Association of Uganda Tour Operators; Bahir Dar University (Ethiopia); Burundi National Tourism Office; Burundi Sectoral Chamber of Tourism and Hotel Central Corridor-Transit Transport Facilitation Agency; Department of Environment (Second Vice President’s Office, Zanzibar, United Republic of Tanzania); East African Business Council; East African Center for Renewable Energy and Energy Efficiency; East African Community (EAC); Centre for Research on Financial Markets and Policy; Chamber of Commerce (Comoros); Eastern African Subregional Support Initiative for the Advancement of Women; Economic Policy Research Centre; Ethiopian Development Research Institute; Ethiopian Agricultural Transformation Agency; Ethiopia Tourism Organization; General Directorate of Energy, Mines, and Water Resources (Comoros); German Agency for International Cooperation; Green Africa Foundation; Hotels Association of Tanzania; Horn Economic and Social Policy Institute; Indian Ocean Commission; International Conference on the Great Lakes Region; Kenya Bankers Association, Kabale University (Uganda); Kenya Tourism Federation; Kirinyaga University (Kenya); Makerere University (Uganda); Ministry of Economy and Trade in charge of economic integration (Comoros); Ministry of Energy (Djibouti); Ministry of Energy (Kenya); Ministry of Energy (Zanzibar); Ministry of Energy and Mineral Development (Uganda); Ministry of Energy and Mines (Eritrea); Ministry of Energy and Water Resources (Somalia) Ministry of Finance and Budget (Comoros); Ministry of Tourism, Wildlife and Antiquities (Uganda); Ministry of Trade (Djibouti), Ministry of Wildlife Conservation and Tourism (South Sudan); National Economic and Social Council of Kenya; National Energy Commission

(Democratic Republic of the Congo); Nile Basin Initiative; Partners for Peace and Security; Port Management Association of Eastern and Southern Africa; SME Trade Links; Tanzania Tourism Board; Tourism Confederation of Tanzania; Tourism Finance Corporation; TradeMark East Africa; Transit Transport Coordination Authority of the Northern Corridor; Uganda Hotel Owners Association; Uganda Revenue Authority; Uganda Tourism Association.

6. The following United Nations entities were represented: United Nations Resident Coordinators and United Nations Development Programme Resident Representatives of Burundi and Rwanda; United Nations Development Programme Rwanda and Uganda; United Nations integrated Office-Office of the Deputy Special Representative of the Secretary-General/ Resident Coordinator/ Humanitarian Coordinator; the United Nations Resident Representative United Nations Organization Stabilization Mission in the Democratic of the Congo. In addition, the International Monetary Fund (IMF) was represented at the meeting and consultants, journalists and ECA staff were also present. In total, more than 250 international and Rwandan experts participated in the meeting.

7. The meeting included the following plenary sessions:

(a) Macroeconomic and social overview of Eastern Africa: establishing the groundwork for the creation of a continental market;

(b) Leveraging on regional economic communities' integration to implement the African Continental Free Trade Area agreement: experience, challenges and lessons;

(c) Implementing the African Continental Free Trade Area in Eastern Africa: moving from vision to action;

(d) Services trade and the African Continental Free Trade Area;

(e) Beyond Trade: the Protocol on the Free Movement of People;

(f) Launch of reports: the *EAC Security Policy Framework* and the *East African Monetary Union – Ready or Not?*

(g) High- Level round table dinner on “Harnessing AfCFTA for gender quality”.

8. The meeting also included the following ad hoc expert group meetings:

(a) Trade facilitation and manufacturing – How to leverage new opportunities in intra-African trade;

(b) Balance of payments constraints on economic growth in Eastern Africa and its relevance to the African Continental Free Trade Area;

(c) Towards energy security in Eastern Africa: maximizing the gains from the African Continental Free Trade Area;

(d) Promoting services trade within the African Continental Free Trade Area: the sustainable financing of tourism.

Key messages and action points

9. The meeting noted that Eastern Africa had been a consistent high performer and the most rapidly growing subregion in Africa, while acknowledging that the robust economic growth was underpinned by improvements in agricultural production and sustained

infrastructure investment. However, the agriculture sector had remained vulnerable to weather-related shocks. It was agreed that there had been major gains in the social development, but the region faced challenges in achieving the Sustainable Development Goals, especially those relating to poverty, education and infrastructure.

10. The meeting noted that the African Continental Free Trade Area (AfCFTA) presented an unique opportunity to leverage the rapidly growing regional market, hence the need to encourage member States to further ratify it. Participants recommended that ECA extend support to the development of AfCFTA national implementation strategies. They emphasized the need to consolidate the domestic markets, strengthen regional value chains and enhance export competitiveness, while stressing that AfCFTA could facilitate that process. While acknowledging the enormous potential of a continental market, the meeting indicated that the challenges associated with non-tariff barriers and supply side constraints needed to be addressed.

11. The meeting recognized the experience of EAC in building an integrated block of countries through the creation of a customs union and common market. That success could be attributed to the strong political will of the country's leaders. The meeting stressed that Governments of the member States of EAC should engage more closely with the private sector and Africans negotiate as one in global trade negotiations.

12. The meeting pointed out the crucial role of the private sector in the implementation of the AfCFTA agreement and highlighted the need to enhance its involvement in negotiations at all levels. It also acknowledged that small economies could gain from AfCFTA, while calling for specific policies to protect the vulnerable groups, including farmers and small and medium enterprises. Some meeting participants reiterated that strong political will was required for the successful implementation of the AfCFTA agreement. The political will should not only be exerted through the involvement of policymakers and strong institutions, but through the participation of various stakeholders, such as the private sector, members of academia and citizens.

13. The meeting emphasized that free movement of people, involvement of the diaspora, high level of standards, innovation and research, appropriate training, adequate infrastructure and a conducive financing and policy environment were factors advancing a thriving trade in services. The meeting participants highlighted the high costs of services in selling goods in the subregion. Serious and in-depth reforms could help decrease those costs and at the same time, had positively affected manufacturing. The meeting also underscored the need for greater coordination and cooperation across sectors, regulatory bodies and institutions. Also stressed was the need to adapt and harmonize mechanisms for knowledge management and the creation of knowledge hubs. The meeting also noted that services from Africa and the monetization of them on the global market could be further enhanced.

14. Participants of the high-level round table dinner recognized gender equality as being equal treatment for women and men, especially equal pay for equal work. In the ensuing discussion, the participants highlighted education as being central to the achievement of gender equality. A wide gap between the political representation and grass-root levels remained along with cultural barriers. The participants also stressed the need for education, information-sharing and training of young people and women, especially in cooperatives. It was also suggested that Eastern Africa take advantage of its position as a latecomer with regard to liberalization and modernization by leapfrogging, learning from the experiences of others. Participants also

underscored the need to include a gender perspective in national AfCFTA related processes and conduct further in-depth studies on the topic.

15. The meeting recognized that free movement of people was an integral part of AfCFTA. Although 27 countries had signed the Protocol of Free Movement of Persons, more needed to sign it to facilitate mobility. Free movement of worker across the continent could help to address skill mismatches and skill shortages. As concerns about migration were raised, it was noted that 80 per cent of African migration was actually intracontinental. The meeting acknowledged that governance and regulatory frameworks were key to ensuring that all stakeholders benefit from migration and that there should be a balance in migration policies to ensure that allowing free movement of people would not lead to a rise in human trafficking. Meeting participants also acknowledged the need to raise awareness and conduct advocacy campaigns to foster commitment to AfCFTA and the Protocol on Free Movement of Persons and build ownership in the implementation of the agreement to establish it.

16. The EAC Energy Security Policy Framework was officially launched during the meeting. The objective of the report, which represented a milestone in terms of high-level collaboration between ECA and EAC, was to provide regional guidance on the development of country-level energy security strategies.

17. Participants noted the efforts of EAC to remove non-tariff barriers through cargo tracking systems. Those efforts would help to strengthen the country's structure that linked revenue authorities to customs. Participants also stressed the importance of green energy and EAC programmes on renewable energy. It was recalled that making energy affordable to the population is very important and that the development of regional interconnectors could make it easier to conduct business. However, participants noted that there was still need to harmonize generation, transmission and distribution to end-users.

18. The *East African Monetary Union – Ready or Not?* was also launched during the meeting. The meeting acknowledged the rationale behind the East African monetary union and progress made in establishing it. It was pointed out that only partial convergence among the key macroeconomic variables had occurred and that EAC economies remained susceptible to asymmetric shocks. To create an enabling environment for the establishment of the monetary union by 2024, better coordination of monetary policy among EAC partner States and the establishment of mechanisms for ensuring compliance were essential.

19. The ad hoc expert group meeting on trade facilitation and manufacturing and leveraging new opportunities in intra-African trade discussed intraregional trade, its impediments and the impact of trade facilitation. The meeting noted that intraregional trade had stagnated over the past two years, which was a cause of concern. The meeting agreed that the low level of intra-African trade could be attributed to several factors, including, among them, heavy dependence on commodity exports with limited diversification or value addition, the costly movement of goods and inputs, which undermined competitiveness, poor infrastructure and the overlapping nature of regional economic communities. It was also noted that industrial policy had not been coordinated at regional and continental levels, thereby undermining African countries ability to add value to their exports or develop local industries that could participate in global value chains. The meeting acknowledged that trade facilitation across Eastern Africa had benefited from the simplification of customs procedures and more rapid processing of shipments at ports and that EAC countries, on average, were performing better than the other countries in the region, with regard to trade.

20. The ad hoc expert group meeting recommended that the region implement domestic policies and make investments to reduce intra-national trade costs and ensure that all countries benefit from multilateral trade facilitation interventions. Efforts should be made to increase competition in the services sectors, such as logistics and transport, in order to boost manufacturing. Also, regional value addition capacity should be enhanced to match export volumes with import volumes.

21. Participants recognized that the AfCFTA agreement provided a comprehensive framework for the blue economy, underscoring the need to exploit sea and inland water transport opportunities. Regarding Information and communications technology (ICT), regional coordination to reduce the cost of transport from the ports to various country destinations was required. To facilitate services trade, it was agreed that a regional accreditation framework should be put in place to ease movement of labour. Concerning manufacturing, the meeting recommended setting up value addition centres along the transport corridors. It was also suggested that the operationalization of AfCFTA could involve the adoption of the best practices from regional economic communities.

22. The expert group meeting on balance of payment constraints on economic growth in Eastern Africa and its relevance to AfCFTA discussed the ongoing large current account deficits in the region, which were mostly driven by trade deficits. It was acknowledged that current account deficits had a negative impact on the growth of real gross domestic product (GDP) per capita. The meeting proposed that a more in-depth analysis on the effect of exchange rates, the quality of governance and bilateral balance of payment relationships be conducted. The need for better quality of data on balance of payments was also stressed. The meeting discussed the experience of export policy and performance in different countries. The importance of the right policy coupled with well-functioning institutions for export promotion was emphasized. The meeting recognized the need to monitor and evaluate the effectiveness of policy measures. It was also proposed that African countries look inward and tap the potential of their domestic markets.

23. The expert group meeting agreed that there was a need to mobilize savings and translate them into productive investments, given the gap between the high investment rate and low savings rate. It was noted that the selection and management of foreign direct investment towards fulfilling the export promotion objective was critical, and that a comprehensive cost and benefit assessment was required before granting additional incentive packages to investors. The meeting further suggested Governments engage closely with the private sector to identify the binding constraints of different sectors so as to improve the business environment.

24. The expert group meeting entitled “Towards energy security in Eastern Africa: maximizing the gains from AfCFTA” discussed the contents of the EAC Energy Security Policy Framework pertaining to raising awareness and receiving guidance from member States towards country level follow-up actions. The meeting recognized the high reliance Eastern Africa had on biomass energy, with prevailing large gaps in demand and supply and unsustainable supply patterns. The meeting recommended that alternative cooking energy resources and technologies to reduce biomass reliance be upscaled. It also advocated additional financing of the biomass energy sector through greater participation of the private sector, including the promotion of proven business models.

25. Participants highlighted the prevailing challenges in the subregion related to electricity supply security and the need to sustain progress in expanding electricity supply. They also affirmed the continued importance of facilitating regional electricity trade. The meeting recommended that ECA extend support to member States related to generation diversification, infrastructure development, loss reduction and regional interconnection to mitigate electricity supply insecurity. Regarding oil and gas, the meeting noted the importance of pipelines, transport corridor development, rail connections and refineries development and recommended that the EAC Energy Security Policy Framework be used by member States when developing national energy security strategies. Participants called for a special programme on energy security that would focus on island States, and recommended that the implementation of regional plans on infrastructure development and interconnection be accelerated.

26. The ad hoc expert group meeting entitled “Promoting services trade within AfCFTA: the sustainable financing of tourism” indicated that the low share of tourism investment in the subregion could be attributed to security issues, inadequate tourism-related infrastructure, lack of product diversification and innovation, failure to market the region as a single investment destination, low tourism investment skill, and perceived lack of transparency. In addition, participants noted that the break-even point for tourism projects and ventures was very long, making the case for long-term sustainable financing. Participants underscored the need to enhance the skills of private and public sector stakeholders in tourism investment financing and project management. They also emphasized the importance of small and medium enterprises and the need to support policies to ensure their full integration into tourism value chains.

27. The ad hoc experts meeting recommended member States to introduce tourism-specific funds, similar to what was being done in Kenya. To sustain those funds, it was suggested that member States explore innovative ways of financing, such as setting a tourism-based levy (for example, an hotel night levy or an airport tax). It was also suggested that member States: (a) consider setting up de-risking mechanisms with a view to encouraging banks and financial institutions to support tourism project; and (b) develop Tourism Satellite Accounts and formulate tourism development master plans, which would provide information on the level of capital investments and inform policy formulation. Finally, the meeting suggested that ECA provide the necessary technical and advisory services to member States and regional economic communities, particularly regarding establishing national and regional Tourism Satellite Accounts and developing tourism master plans.

28. Participants expressed a sincere vote of thanks to the Government of Rwanda for hosting the twenty-second meeting of the Intergovernmental Committee of Experts for Eastern Africa of the Economic Commission for Africa and the excellent hospitality and facilities provided. The theme and venue of the twenty-third meeting was to be determined later, in close consultation with the Bureau of the twenty-second meeting.
