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Leveraging the African Continental Free Trade Area: towards the deepened integration of Africa through inclusive and green industrialization

I. Introduction

1. The Agreement Establishing the African Continental Free Trade Area is a landmark Agreement for Africa. Originally signed on 21 March 2018 by 44 of the 55 member States of the African Union, the Agreement was ratified and entered into force barely 14 months later, on 30 May 2019.¹ In all, the Agreement has now been signed by 54 and ratified by 47 of the 55 member States.² Together, these 47 countries account for 94 per cent of the gross domestic product (GDP) of Africa, 88 per cent of its population and 97 per cent of its total trade.³ The Agreement is to have eight stand-alone protocols, on the following topics: trade in goods; trade in services; rules and procedures on the settlement of disputes; competition policy; investment; intellectual property rights; digital trade; and women and youth in trade. The first five protocols have been completed and adopted by the Assembly of the African Union, while the last two are expected to be completed by the end of 2023. The Area itself formally entered its operational phase on 1 January 2021; preferential trade under the terms of the Agreement began only in October 2022, however, with the introduction of the Guided Trade Initiative among eight States parties. The Initiative was initiated to facilitate commercially meaningful trade among States parties that have met the minimum trading requirements under the provisions of the Agreement.⁴

2. The aim of the Agreement Establishing the African Continental Free Trade Area is to build a unified and integrated African market that enables goods and

* E/ECA/CPRTIIT/3/1.

¹ Further information available at <https://au-afcfta.org/about/>

² As of August 2023, 46 of the 47 ratifications instruments had been deposited with the African Union Commission. The forty-seventh ratification, by Mozambique, is pending.

³ Data from the statistical dissemination platform of the United Nations Conference on Trade and Development, UNCTAD Stat, August 2023. "Total trade" is defined as the sum of exports and imports to and from Africa at the individual country level.

⁴ The eight countries involved in the Guided Trade Initiative at its inception were: Cameroon, Egypt, Ghana, Kenya, Mauritius, Rwanda, Tunisia and United Republic of Tanzania



services to flow freely across the borders within the continent. More specifically, the Agreement has eight strategic objectives:

- (a) To create a single market for goods and services;
- (b) To create a liberalized market for goods and services through successive rounds of negotiations;
- (c) To contribute to the movement of capital and individuals and to facilitate investments by building on initiatives and developments in the States parties and regional economic communities;
- (d) To lay the foundations for a continental customs union;
- (e) To promote sustainable and inclusive socioeconomic development that gives due consideration to gender equality and structural transformation;
- (f) To increase competitiveness both within the continent and across the world;
- (g) To promote industrialization, diversification and regional value chain development;
- (h) To resolve the challenges posed by multiple and overlapping memberships of countries in the regional economic communities and expedite regional and continental integration.⁵

3. The aspiration to boost regional trade and integration through green industrialization lies at the heart of the Agreement Establishing the African Continental Free Trade Area.

4. Results of modelling by the Economic Commission for Africa (ECA) show that the Agreement Establishing the African Continental Free Trade Area is of great benefit to the continent's GDP, trade, output and welfare, with the largest gains concentrated in intra-African trade. Intra-African trade is expected to increase by 33.5 per cent, rising to \$196.4 billion in 2045, as compared to the situation where there was no Agreement. At the sectoral level, the expected gains are concentrated in the areas in which Africa needs most to build resilience to global shocks and drive sustainable industrialization. These sectors include agrifoods, services and industry, which are expected to grow by 50.2, 37.6, and 36.1 per cent, respectively, in 2045, compared to a situation where there was no Agreement. More specifically, however, goods in the agrifoods sector, such as grains and crops, milk and dairy products, sugar, rice and meats are expected to see the largest benefits. This is increasingly important for Africa, given recent global events that have restricted the supply of staple foods and contributed to rising prices.

5. From a services perspective, tourism and transport are expected to see the largest benefits. Within industry, critical goods such as pharmaceuticals, which, for many African countries, were difficult to obtain during the peak period of the coronavirus disease (COVID-19) crisis, the vehicles and transport equipment that Africa needs to bring about green industrialization, and other manufactured products that will help Africa to build indigenous productive capacity and move up regional value chains are expected to see the largest gains.

6. By creating a single market for goods and services, liberalizing trade barriers, supporting the movement of capital and persons, and increasing competitiveness among States parties, the Agreement Establishing the African Continental Free Trade Area can help to promote sustainable and inclusive

⁵ See the text of the Agreement, available at https://au.int/sites/default/files/treaties/36437-treaty-consolidated_text_on_cfta_-_en.pdf.

socioeconomic development and industrialization in Africa. In this context, it should be noted that climate change has had a disproportionate impact on Africa, even though the continent contributes less than 4 per cent of global greenhouse-gas emissions each year.⁶ Still, the fact that Africa has only contributed a small portion of global emissions does not mean that the Agreement Establishing the African Continental Free Trade Area can ignore this existential challenge. The Agreement can be used as a tool for reducing emissions and building sustainable industrialization. By eliminating tariffs on environmental goods, services and technology, the Agreement can lower the barriers impeding access to these items. In addition, the Protocol on Investment, adopted in February 2023, is one of the few existing binding legal frameworks that directly address climate change and environmental considerations within its text. Together, these tools and more can help Africa to leverage the African Continental Free Trade Area to promote inclusive green industrialization in Africa.

II. Understanding the African Continental Free Trade Area as a means of economic leverage

7. Judged by the number of participating countries, the African Continental Free Trade Area is the largest free trade area in the world. Once it is fully operationalized, the Area will replace over 50 small and fragmented markets with a single continental market of over 1.4 billion people, or approximately one sixth of the world's total population.⁷ The power of the African Continental Free Trade Area lies in its ability to integrate and consolidate African economies and give Africa a larger voice in global conversations on trade. Added to which, the Agreement Establishing the African Continental Free Trade Area holds something for everyone. For example, by reducing trade costs and incentivizing entrepreneurship, the Agreement will create an opportunity to address some of the critical barriers that affect the continent's large population of young people, such as high unemployment, overrepresentation in the informal sector and vulnerability to exploitation. Similarly, by lowering barriers to trade and incentivizing formalization, other vulnerable groups, such as women, who make up a large proportion of informal business owners in Africa, and people with disabilities, who typically have problems gaining access to many established programmes, will be in a better position to integrate themselves into the formal trading system.

8. The Agreement Establishing the African Continental Free Trade Area also has the power to drive the green transition of Africa. Given the impending climate crisis, African industrialization must be achieved sustainably. Currently, a large proportion of African exports are concentrated in raw materials with little value addition. For example, in 2022, Africa exported \$660 billion in goods, 78.5 per cent of which, or \$518.2 billion, were primary commodities and mainly comprised fuel products such as crude oil and natural gas.⁸ Intra-African trade, however, is much more balanced. In 2022, manufactured goods such as machinery and transport equipment accounted for nearly 30 per cent of intra-African trade, compared to mineral fuels, which represented only 23 per cent.⁹ Since the largest benefits from the African Continental Free Trade Area are expected to be concentrated in intra-African trade, the Agreement promises to help Africa to pivot away from the

⁶ See CDP, "CDP Africa report: benchmarking progress towards climate safe cities, States, and regions", March 2020. Available at <https://www.cdp.net/en/research/global-reports/africa-report>.

⁷ Data from UNCTADStat, for August 2023.

⁸ Ibid.

⁹ Ibid.

extractive industries and secure sustainable and inclusive industrialization and development.

9. Tackling the climate crisis, however, will require African Governments to confront the challenges associated with green industrialization and to convert them into opportunities for action. By levelling the playing field, fostering competition and encouraging environmentally friendly trade, the Agreement Establishing the African Continental Free Trade Area can help Africa to transition out of the so-called “brown” industries with which it is historically associated. The African Continental Free Trade Area and the investment expected to accompany it will facilitate the existing green industry and bring new, environmentally friendly industry to the continent by producing green capital goods. Africa is abundantly endowed with such minerals as cobalt and lithium that are in high demand globally to advance climate change objectives. While green industrialization will require cooperation and collaboration among multiple entities in Governments, civil society, the private sector and multilateral institutions, the policy harmonization and level playing field created by the Agreement Establishing the African Continental Free Trade Area can provide a platform for success.

III. Importance of deepening economic integration in Africa

10. The Agreement Establishing the African Continental Free Trade Area aims to foster deeper economic integration in Africa. In the aftermath of the COVID-19 pandemic and the Russian Federation-Ukraine crisis, fostering intra-African trade remains the most effective tool to achieve economic development and transform African markets sustainably. These crises have also revealed the vulnerability of global supply chains, with their excessive dependence on certain countries and regions. Yet, as things stand, the participation of most African countries in global value chains has been limited largely to the supply of raw materials and commodities, with limited value addition across sectors. To build resilience to this unhealthy dependence on primary commodities, intra-regional trade can foster regional value chains that will feed into and even replace elements of global value chains in a way that enhances the strategic autonomy of Africa.

11. In 2018, the participation by Africa in global value chains was estimated at \$190 billion, or 2 per cent of global value chain participation.¹⁰ This compares very poorly with that of other developing regions, such as Asia and the Pacific, whose share of such participation grew from 11 to 17 per cent between 2000 and 2018.¹¹ Leveraging the Agreement Establishing the African Continental Free Trade Area to move African production and export away from dependence on primary commodities towards intermediate goods presents a strategic pathway by which intra-African trade can be facilitated, an inclusive and green industrial policy adopted and Africa brought closer to the achievement of the continental customs union and common market aspired to by the Agreement Establishing the African Continental Free Trade Area and earlier agreements, such as the Treaty Establishing the African Economic Community.

¹⁰ “Global value chain participation” may be defined as the “sum of foreign value added plus domestic value added in exports to a third country (whether in Africa or the rest of the world)”, (Roberto Echandi, Maryla Maliszewska and Victor Steenbergen, *Making the Most of the African Continental Free Trade Area: Leveraging Trade and Foreign Direct Investment to Boost Growth and Reduce Poverty*, Washington, D.C.: World Bank, 2022. Available at <https://openknowledge.worldbank.org/entities/publication/09f9bbdd-3bf0-5196-879b-b1a9f328b825/full>.)

¹¹ See World Bank Open Knowledge Repository, available at <https://openknowledge.worldbank.org/entities/publication/09f9bbdd-3bf0-5196-879b-b1a9f328b825/full>.

12. As the African Continental Free Trade Area matures, it is imperative to prepare African policymakers and other relevant stakeholders for the next steps in the continent's journey towards integration. To this end, ECA, in collaboration with the African Union Commission, the African Development Bank and the United Nations Conference on Trade and Development, has dedicated the eleventh edition of the report entitled *Assessing Regional Integration in Africa* to analysing the conditions, requirements and modalities for the continent's progression towards a continental customs union and African common market.

13. To achieve regional integration, the African Continental Free Trade Area must promote better living standards for all Africans and ensure that no one is left behind, in line with the aspirations of the 2030 Agenda for Sustainable Development and the Agenda 2063: The Africa We Want, of the African Union. By advancing trade in value-added production, the African Continental Free Trade Area will help ensure industrialization, economic growth and job creation, while also accelerating poverty reduction and boosting living standards in Africa. Yet roadblocks to these outcomes persist, such as obstacles to the free movement of persons and capital. In 2018, the African Union Assembly of Heads of State and Government adopted a protocol to the Treaty Establishing the African Economic Union, relating to the free movement of persons, right of residence and right of establishment, but to date the protocol has received only four ratifications.¹² ECA has conducted research in conjunction with the African Union Commission to gain a better understanding of the reservations of African countries about the protocol and other impediments to its adoption. This research revealed that security concerns, whether perceived or real, generally limited countries' willingness to accede to the protocol.

IV. Opportunities to promote inclusivity in boosting the industrialization of Africa within the framework of the African Continental Free Trade Area

14. The Agreement Establishing the African Continental Free Trade Area recognizes the power of inclusivity within its objectives. Article 3 of the Agreement states that the Area should “promote and attain sustainable and inclusive socio-economic development, gender equality and structural transformation of the State Parties”.¹³ In an even stronger statement of African resolve to address disparities related to gender and age, the Assembly of the African has decided to develop a protocol on women and youth in trade. Negotiations on the protocol are coming to a conclusion, with the final text expected to be submitted to the Assembly for adoption in early 2024. While the protocol is an excellent step towards injecting a measure of inclusivity into the framework of the African Continental Free Trade Area, appropriate complementary measures need to be taken to ensure that the Area is operationalized in a gender-sensitive and youth-sensitive manner at all levels.

15. In this spirit, even before the protocol on women and youth in trade is adopted, ECA has been working to ensure the African Continental Free Trade Area is operationalized in an inclusive manner. It has achieved this by supporting efforts by its members and the regional economic communities to mainstream gender and overall inclusivity considerations into their national and regional strategies for operationalization of the Area. This, however, is still not enough. For women and youth to benefit from the opportunities afforded by the Area, they need to be

¹² Mali, Niger, Rwanda, and Sao Tome and Principe.

¹³ Text of the Agreement is available at https://au.int/sites/default/files/treaties/36437-treaty-consolidated_text_on_cfta_-_en.pdf.

equipped with the knowledge and tools essential to boost their awareness and competitiveness. Bridging the information gap that holds back women and youth entrepreneurs is critical. Other roadblocks faced by women and youth include their lack of access to finance, their inability to break out of the informal sector and their general insecurity. By reducing obstacles such as tariffs and non-tariff barriers, the African Continental Free Trade Area stands to provide women and youth with an opportunity to join the formal market and benefit from all the advantages that come with formality, such as access to trade finance and training opportunities and the opportunity to engage in trade at the continental level. In this context and in close collaboration with the African Union Commission and the African Export-Import Bank, ECA has developed methodology for measuring informal cross-border trade in Africa. The draft methodology is now awaiting political endorsement by the appropriate specialized technical committee in the Union's decision-making structures.

16. Other inclusivity considerations must be factored into the framework of the Agreement Establishing the African Continental Free Trade Area. For example, landlocked developing countries face unique challenges that hold them back from intra-African trade and development benefits. Ensuring that these countries can benefit from the African Continental Free Trade Area is imperative for the promotion of industrialization and growth of value chains. Through the Vienna Programme of Action for Landlocked Developing Countries for the Decade 2014–2024, a framework has been established to enhance the participation of these countries in the African development agenda. Still, thus far, however, results in this endeavour have been mixed. Operationalization of the African Continental Free Trade Area can benefit landlocked developing countries by levelling the playing field and lowering some of the barriers that they face, such as, for example, border delays and regulatory disparities that limit the availability of goods in those countries.

V. Unlocking opportunities for regional value chains within Africa towards a more integrated continental market

17. African investment, industrialization and regional integration are all linked. This concept is enshrined in the Agreement Establishing the African Continental Free Trade Area through one of the founding principles set out in its article 3, namely, to “promote industrial development through diversification and regional value chain development, agricultural development and food security” (article 3 (g)). This aspiration implicitly highlights the importance of productive investment for industrialization and sustainable development. In addition, productive investment is critical for value-added activities that create sustainable employment, foster technological development and promote healthy competition.

18. Evidence of the successes of investment and regional integration is emerging. For example, in 2019, by leveraging the African Continental Free Trade Area, the African Medicines Agency, ECA, the African Union Commission and other partners launched the Pharmaceutical Initiative to address the socioeconomic challenges facing African countries by ensuring equitable access to safe and affordable medicines. Thus far, under the Initiative, a feasibility study has been prepared on the framework for pooled procurement and the business case made for the inclusion in the Initiative of 110 medicines and pharmacological products.

19. In addition, in 2022, ECA compiled a report entitled *Towards a Common Investment Area in the African Continental Free Trade Area: Levelling the Playing*

*Field for Intra-African Investment.*¹⁴ The report examines interlinked issues surrounding competition, investment, intellectual property rights and digital trade under the Agreement Establishing the African Continental Free Trade Area. The report underscores the critical role that well-designed policy in these areas will play in revitalizing the investment landscape in Africa and deepening continental integration. From a broader perspective, the research by ECA is timely in that the Agreement Establishing the African Continental Free Trade Area has taken a step well beyond typical free trade agreements. On 19 February 2023, the Assembly of Heads of State and Government adopted three stand-alone protocols to the Agreement – on investment, competition and intellectual property rights – a step whose importance cannot be overstated. Without addressing issues surrounding investment, competition and intellectual property rights, the benefits provided by the liberalization of trade in goods and services will be limited. A snapshot of these three protocols reveals their potential to support the development of regional value chains and the steps that they help Africa to take towards an integrated market, as set out below.

A. Potential of the Protocol on Investment

20. The Protocol on Investment to the Agreement Establishing the African Continental Free Trade Area seeks to establish a “balanced, coherent, clear, transparent, predictable and mutually advantageous continental framework of principles and rules for investment promotion, facilitation and protection”. To this end, the Protocol encourages intra-African investment flows and institutionalizes a balanced and transparent legal framework with mechanisms to prevent, manage and settle disputes. Under the Protocol, States parties must help to promote and facilitate intra-African investment, while adhering to traditional protection standards, such as national and most-favoured nation treatment and freedom from expropriation with compensation. The Protocol is designed to be flexible: it includes exemption provisions and promotes sustainable investment, enabling it to be viewed as an ultimate expression of the aspiration by Africa to foster sustainable industrialization and structural transformation, support a dynamic private sector and achieve an integrated investment market. Implementation of the Protocol will enable capital to flow more freely within Africa and businesses to make the investment decisions that they need to build their productive capacity and grow along regional value chains. Roadblocks also stand in the way of these outcomes, however. For example, African policymakers must devote attention to the relationship between the Protocol and existing bilateral investment treaties and specific provisions of the Protocol itself, such as those in article 13, paragraph 4, and article 14, paragraph 3, which provide superior benefits to investors from third States to the detriment of African investors.

B. Potential of the Protocol on Intellectual Property Rights

21. The Protocol on Intellectual Property Rights to the Agreement Establishing the African Continental Free Trade Area aims to establish a harmonized set of policies and principles on promoting, protecting, coordinating and enforcing intellectual property rights in Africa. More broadly, the Protocol’s objectives seek to support intra-African trade; promote African innovation and creativity and deepen the intellectual property culture in Africa; promote coherent intellectual property rights policy in Africa; contribute to the promotion of science,

¹⁴Text of the report is available at <https://repository.uneca.org/handle/10855/46741>.

industrialization, services, investment, digital trade, technology and technology transfer, and regional value chains; and support and promote creative and cultural industries by setting up a legal framework while securing and giving incentives that would help in their development. The Protocol aims to cover all aspects of intellectual property and includes provisions on plant variety protection, geographic indications, marks, patents, models, industrial design and other crucial aspects of intellectual property rights. It further espouses the notion of preserving the related *acquis* across national, regional and multilateral levels. It offers a framework compatible with international intellectual property treaties and other African instruments.

22. Implementation of the Protocol will streamline the protection and regulatory enforcement of such rights in Africa. The Protocol has the potential to stimulate innovation, promote the transfer of technology and foster collaboration among firms and researchers that can move companies up along regional value chains and open the door to sustained intra-African investment that supports trade under the Agreement Establishing the African Continental Free Trade Area. The Protocol can be used as a catalyst for growth in many sectors and industries, including opportunities for Africa, such as the pharmaceutical industry, agribusiness, biotechnology, health care, and information and communications technology. To take full advantage of the Protocol, States parties must build upon its harmonized framework and develop specific intellectual property policies that take into consideration their domestic resources, comparative advantages and national development interests and priorities.

C. Potential of the Protocol on Competition Policy

23. Competition is key to a healthy and functioning market. There are numerous anti-competitive practices in existence, however, that will reduce market efficiency, limit inclusive growth and reduce the gains expected from trade liberalization. The Protocol on Competition to the Agreement Establishing the African Continental Free Trade Area aims to reduce these practices and constitutes a significant step towards continental integration. Without the regulatory safeguards envisioned in the Protocol, businesses can engage in anti-competitive practices that unfairly exploit dominant market positions and permit them to engage in price fixing, predatory behaviour and other growth-limiting strategies that will act as a disincentive for African businesses.

24. As things stand, competition regulation and enforcement are weak across the continent and permit many businesses to engage in practices that undermine competition. Fulfilment of the promise by the Agreement Establishing the African Continental Free Trade Area to eliminate tariffs and reduce trade barriers will open up new competitive opportunities and enable businesses to enter new markets and participate in advancing regional value chains. Thus, the Protocol will play a key role in ensuring healthy competition in Africa, promoting investment, contributing to the reduction of prices and encouraging healthy business practices conducive to inclusivity and the economic transformation of Africa.

VI. Opportunities for greening the economic transformation of Africa

25. For Africa to industrialize in a green and sustainable manner, efforts must be undertaken in multiple areas. For example, new green value chains will need to be identified; investment will need to be redirected towards green infrastructure; and

Africa will need to meet the commitments that it has made on the international stage, such as on emissions reductions through the Paris Agreement on climate change. The Agreement Establishing the African Continental Free Trade Area has the potential to bring about this inclusive and sustainable industrialization and presents an opportunity to boost intra-African trade while building resilient regional value chains that can generate green industrialization and attract sustainable investment.

26. Accelerating the green transition of Africa is key to ensuring that Africa has a comparative advantage in global markets that are increasingly interested in more climate-friendly initiatives. In addition, sustainable development under the provisions of the Agreement Establishing the African Continental Free Trade Area will help Africa to build resilience to the emerging problems of a twenty-first-century economic order that is increasingly imperilled by climate change and environmental degradation and that leaves Africa exposed and reliant on third parties. To this end, ECA is currently leading several projects to illuminate the relationship between the green transition and the trade priorities of Africa. First, ECA has been helping African countries to identify ways to meet the continent's green commitments. In collaboration with the United Nations Conference on Trade and Development, ECA has been leading research on identifying green value chains with strong potential for promotion and development in 20 countries across the five subregions of Africa. Thus far, eight priority value chains have been identified for research in four subregions. It is expected that this research project will be completed in 2024.

27. The processes of trade and production are often associated with increased emissions. Yet development and industrialization, in particular in the context of the African Continental Free Trade Area, do not need to take place in an environmentally unfriendly manner. Most African countries have submitted nationally determined contributions in which they have made commitments to reduce greenhouse-gas emissions by 2030 relative to business-as-usual standards. These commitments notwithstanding, Africa can still increase trade and industrialize without increasing emissions.

28. Furthermore, ECA has recently conducted modelling work on greening the African Continental Free Trade Area¹⁵ and has studied the impact of increased trade under the Agreement Establishing the African Continental Free Trade Area on the continent's greenhouse-gas emissions. This research has found that emissions can still fall while intra-African trade increases by about one third by the year 2045, as compared to the situation if there were no Agreement. For example, ECA estimates that, if Africa implements the Agreement along with every one of its unconditional nationally determined contribution commitments and one fourth of its conditional nationally determined contribution commitments, greenhouse-gas emissions will fall by 17.6 per cent relative to a business-as-usual situation. By comparison, intra-African trade will still rise by 32.5 per cent. Research is also under way to shed light on the interlinkages between implementation of the protocols to the Agreement and efforts to accelerate the green transition. This research seeks to propose specific policy measures and initiatives that can advance this goal.

29. Investment in green sectors, including green infrastructure and technology, is critical to mitigating the impacts of climate change, transitioning to a low-carbon economy and building resilience to future crises. The Protocol on Investment provides several mechanisms that countries can leverage to promote green

¹⁵ See Lionel Fontagné and others, "Greening the African Continental Free Trade Area", paper presented during the twenty-sixth Annual Conference on Global Economic Analysis, Bordeaux, France, 2023. Available at <https://www.gtap.agecon.purdue.edu/resources/download/11938.pdf>.

investment. For example, the Protocol is specifically designed to build investment promotion and facilitation measures to support the green transition. It also provides for investment protection, obliges investors to promote and enforce regulations that protect human and labour rights and the environment, and is one of the very few binding investment treaties that has a section dedicated to environmentally friendly investment. In order successfully to leverage the Protocol's provisions, however, States parties must ensure that, as they implement the Protocol, there is strategic alignment between continental, regional and national investment strategies in support of sustainability goals.

30. Competition policy is important to the fostering of inclusive industrialization and advancement of African integration. In this context, the Protocol on Competition Policy can be leveraged to advance the green industrialization goals of Africa. Thus, the Protocol provides exemption provisions to support activities that may otherwise be considered anti-competitive so long as they are proved to contribute toward sustainable development. Similarly, the Protocol allows for mergers and acquisitions that respect public interest such as sustainable development or the prevention of environmental impact, even if these mergers and acquisitions may be considered anti-competitive. Unfortunately, there are no explicit provisions that address consumer protection in the adopted framework of the Protocol, representing a possible missed opportunity to enforce linkages between the green transition and competition policy. The incorporation of such provisions into the implementation of the Protocol would help to strengthen consumer and environmental rights in a way that will systematize environmentally friendly competition.

31. Intellectual property rights regulations also play a critical role in advancing green transitions. The linkage between such rights and the green transition is determined by the flexibility of the intellectual property system. In other words, a flexible patent system can incentivize entrepreneurs and firms to invest in research and development that will produce green innovation. The availability and disclosure of the resulting inventions through patent applications will enable others to use the information to contribute to further scientific and technological progress.

32. Strengthening collaboration between regional economic communities in sustainable energy production will be crucial for the economic transformation of Africa and meeting the energy demands of African countries. Several regional economic communities have initiatives, embedded in their visions and strategies, to promote environmental protection and resilience to climate change. Vision 2050 of the East African Community, for instance, seeks to foster green growth in the context of achieving sustained economic growth, social inclusion and creating decent jobs.¹⁶ Similarly, the Economic Community of Central African States, the Economic Community of West African States and the Intergovernmental Authority on Development prioritize environmental integration and inclusive and sustainable development as part of their long-term visions. Environmental management and sustainable economic transformation are included as a cross-cutting issue across all sectors in Vision 2050 of the Southern African Development Community.

¹⁶ “EAC Vision 2050: Regional Vision for Socio-Economic Transformation and Development”, Arusha, United Republic of Tanzania, August 2015. Available at <http://repository.eac.int/bitstream/handle/11671/567/EAC%20Vision%202050%20FINAL%20DRAFT%20OCT-%202015.pdf?sequence=1&isAllowed=y>.

VII. Conclusion and recommendations

33. Whether measured by the number of its States parties or by its aspirations, the Agreement Establishing the African Continental Free Trade Area is an ambitious free trade agreement that has the potential to transform Africa. It promises to integrate the continent's disparate and divided markets, provide an unprecedented opportunity for African businesses and its people, and give Africa a unified voice in the global conversation on trade. For Africa to realize the benefits that can accrue from the Agreement, however, coordination among Governments, the private sector, civil society and all relevant stakeholders must ensue because, without a concerted effort to put the provisions of the Agreement and its protocols into practice, the ambition of the Agreement will not be met.

34. In addition, in view of the impending climate crisis, Africa must continue along its development pathway in an environmentally friendly and sustainable way. ECA modelling results have shown that implementing the Agreement Establishing the African Continental Free Trade Area in coordination with national climate contributions and through coordination on climate policy among the members of ECA can reduce the impact on emissions that may result from increased trade under the Agreement. In this context, implementation of the Agreement by Africa and its drive toward industrialization must consider sustainability at every step.

35. To enhance the prospects of achieving these goals, the Committee on Private Sector Development, Regional Integration, Trade, Infrastructure, Industry and Technology may wish, at its third session, to consider the following recommendations:

(a) African economies can use the Agreement Establishing the African Continental Free Trade Area as leverage to drive its sustainable development. It is evident from the available data that exports of manufactured goods with higher value added represent a significantly higher share of intra-African exports than of global exports from Africa.¹⁷ As the gains from the African Continental Free Trade Area are expected to be largely concentrated in intra-African trade, African Governments must consider the promotion and expansion of the production of environmentally friendly goods and services that will help create a reinforcing circle of sustainable African growth;

(b) The Protocol on Investment to the Agreement Establishing the African Continental Free Trade Area is one of the few legally binding international agreements that directly address climate policy and investment. When implementing the Protocol, States parties should include climate-friendly investment decisions in their national strategies for implementation of the Agreement. If advantage is taken of the exemption clauses to provide favourable terms for green investment and if special economic incentives are created for investing in sustainable areas, the Protocol can become a foundational pillar in the green industrialization of Africa;

(c) Competition and the respect of intellectual property rights are crucial pillars in achieving African integration and green industrialization. Policymakers should ensure that, through the protocols on competition and intellectual property rights, domestic regulation encourages healthy and sustainable competition and respects the intellectual property of innovators across borders in a manner conducive to the proliferation of knowledge of green industrial technology;

¹⁷ Data from UNCTADStat for August 2023.

(d) The Committee may wish to endorse and support a proposal for States parties to the Agreement Establishing the African Continental Free Trade Area to develop a stand-alone protocol on the African Continental Free Trade Area and the environment, with a view to maximizing the Area's contribution to the green industrialization agenda of Africa;

(e) The existing regional economic communities in Africa have already achieved a level of integration that will help the continent to meet its aspirations and several of these communities are already considering climate and environmental issues among themselves. At the continental level, African policymakers may want to leverage successful initiatives by these communities as models for the creation and harmonization of a continental framework on sustainable investment and development;

(f) The Committee may wish to commit itself to supporting the accelerated implementation of the Agreement Establishing the African Continental Free Trade Area, including encouraging ECA members to deploy the necessary human and financial resources for implementing national strategies for implementation of the Agreement;

(g) The Committee may wish to endorse the continuing research by ECA, the African Union Commission, the African Development Bank and UNCTAD in preparation for the eleventh edition of the publication *Assessing Regional Integration in Africa*, focusing on exploring the requirements and modalities for the continent to undertake the next steps in its integration journey – creation of a continental customs union and a common market;

(h) The Committee may wish to commit itself to and strongly support efforts geared towards bringing about the ratification and subsequent implementation of the Protocol Relating to Free Movement of Persons, Right of Residence and Right of Establishment, considering that it is a critical complementary tool for the successful implementation of the Agreement Establishing the African Continental Free Trade Area and for advancing the broader integration agenda of Africa.
