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Item 4 of the provisional agenda*

High-level round-table discussions**Round table 1: the nexus between the African
Continental Free Trade Area and infrastructure
development****Concept note****I. Background**

1. Infrastructure is essential for the smooth operation of any prosperous trade system, and its role in enabling economic activity and regional integration is immeasurable. Infrastructure is even more crucial in the context of the implementation of the Agreement Establishing the African Continental Free Trade Area, which is expected to boost intra-African trade.¹ The correlation between robust infrastructure, on the one hand, and increased trade volumes and broader economic growth, on the other, is well documented. Such is the importance of efficient logistics in commerce that a mere 10 per cent decrease in transport costs can result in a 6 per cent increase in trade.² In addition, a 10 per cent increase in infrastructure investment can increase exports by 5 per cent in developing countries, which indicates that strategic infrastructure development is an effective catalyst for trade expansion.³

2. Adequate, well-developed infrastructure is more than just a facilitator of trade. It helps to distribute the benefits of trade more widely and equitably and allows local businesses to reach larger markets. Moreover, since such infrastructure gives consumers access to a wider variety of lower-priced products, it directly enhances their welfare. By contrast, the additional costs associated with poor infrastructure can increase the price of goods for consumers by as much as 75 per cent.⁴

* E/ECA/CM/57/1.

¹ See United Nations, Economic Commission for Africa, AfCFTA: What You Need to Know: Common Questions & Answers, issue 2 (Addis Ababa, 2024).

² Bernard Hoekman and Alessandro, "Trade policy, trade costs, and developing country trade", Policy Research Working Paper, No. 4797 (Washington, D.C., World Bank, 2008).

³ Yann Duval and Chorthip Utoktham, "Behind-the-border trade facilitation in Asia-Pacific: cost of trade, credit information, contract enforcement and regulatory coherence, Trade and Investment Division, Staff Working Paper No. 02/09 (Bangkok, Economic and Social Commission for Asia and the Pacific, 2009).

⁴ The Economist, "Why it costs so much to move goods around Africa", 26 March 2022.



3. Although the effects of infrastructure and regional integration on trade and growth are complex, contemporary studies suggest that investment in energy and road infrastructure have a positive effect on trade. Inadequate infrastructure can significantly delay economic activity, reduce profitability and increase production costs. Transport costs, for example, account for 40 per cent of the final price of goods in Africa,⁵ which is higher than in other regions. This difference in transport costs underscores the need to address infrastructure deficits in order to improve the region's global competitiveness and achieve its full integration into the global economy.

4. The success of the African Continental Free Trade Area will depend largely on whether the continent's infrastructure challenges can be solved. The trade and logistics sectors face significant problems owing to poor and fragmented infrastructure. Road, rail, maritime and air transport networks across Africa are underdeveloped and underfunded. In addition, the average passenger load factor of airlines in 2022 was 71.7 per cent, the lowest of any region in the world.⁶ Energy infrastructure is also lacking, including in productive sectors. Such emerging areas as the digital economy and climate change are likely to have significant implications for the continent's infrastructure needs. Digitalization presents significant opportunities, and the proposed digital trade protocol to the Agreement Establishing the African Continental Free Trade Area and digital infrastructure investments will play a pivotal role in unlocking this potential. At the same time, the transition to a low-carbon economy will require a shift towards more sustainable transport and energy systems.

5. Substantial investment will be needed to meet the infrastructure needs for the Area. The Economic Commission for Africa has estimated that between \$31.82 billion and \$80 billion is needed to upgrade critical road links, and between \$25.79 billion and \$54.80 billion is needed to upgrade critical rail links by 2030 to accommodate the anticipated increase in trade as a result of the Area. In addition, approximately \$120.83 billion in additional investment in equipment (trucks, train carriages, maritime vessels and aircraft) is required to support the Area. These huge costs reflect the scale of the challenge at hand. In addition to this vital hard infrastructure, investment in soft infrastructure, including harmonized trade policies, streamlined customs procedures, effective regulatory frameworks and digital technology, is equally important to enable trade to take place within the Area.

6. Current infrastructure is inadequate for the anticipated surge in trade volumes that the Area is expected to generate. It is therefore necessary to accelerate the implementation of such flagship initiatives as the Programme for Infrastructure Development in Africa, the Trans-African Highway network and the Africa Integrated Railway Network. If the continent is to capitalize on the dynamic effects of the Area and the resulting opportunities to develop its transport infrastructure, it needs to quickly implement the protocol on trade in services to the Agreement, in which transport is one of the priority sectors; to ratify the Protocol to the Treaty Establishing the African Economic Community Relating to the Free Movement of Persons, Right of Residence and Right of Establishment; and to launch the Single African Air Transport Market. The three instruments are critical to support greater mobility and the integration of infrastructure for transboundary connectivity.

⁵ World Bank, "Changing the story of regional integration in Africa", Africa Transport Policy Programme. Available at: <https://www.ssatp.org/topics/regional-integration> (accessed on 22 January 2025).

⁶ International Air Transport Association, "IATA's 'Focus Africa' to strengthen aviation's contribution to African development", press release, No. 11, 3 April 2023.

II. Objectives

7. The round-table discussion will provide a high-level platform for participants to discuss critical infrastructure needs for the implementation of the Agreement Establishing the African Continental Free Trade Area. It is hoped that participants will share new insights on making progress in developing national and regional infrastructure and identify urgent activities and policies that will allow countries to enjoy the benefits of the Agreement more quickly thanks to infrastructure development.

III. Target audience

8. The target audience for the round-table discussion includes the following:

(a) Members of the Steering Committee of the Programme for Infrastructure Development in Africa (African Union Commission, African Development Bank, secretariat of the African Continental Free Trade Area, African Union Development Agency, regional economic communities);

(b) Senior officials representing ministries responsible for finance, planning or economic development and ministries of trade;

(c) Senior officials representing ministries responsible for energy, information and communications technology, and transport, and representing specialized institutions.

IV. Speakers and moderator

9. Details concerning the speakers and moderator of the round table will be published in due course.

V. Focal points

10. The lead focal point for the round table discussion is Economic Affairs Officer of the Technology, Innovation, Connectivity and Infrastructure Development Division of the Economic Commission for Africa, Yohannes Hailu (hailu15@un.org). The technical focal points are Economic Affairs Officer of the Division, Placide Badji (aconkpanle.badji@un.org; +251 92 908 4157) and the Director of the Division, Robert Lisinge (lisinge@un.org; +251 91 188 6054; +251 11 544 3443).
