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FAO REGIONAL CONFERENCE FOR AFRICA

Thirty-second Session

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**Promotion of investment and trade for competitive agrifood systems:
AfCFTA opportunities and progress**

Executive Summary

This document provides a synthesis of key issues involved in promoting investment and trade for competitive agrifood systems within the context of the ongoing negotiations and implementation of the African Continental Free Trade Area (AfCFTA).

Promoting investment and trade is key for the needed transformation towards more efficient, inclusive, resilient, and sustainable agrifood systems, as well as for increased market opportunities for sustainable and inclusive growth and for realizing a vision of the AfCFTA.

The AfCFTA promises a virtuous circle of greater market opportunities, triggering more trade and investment, and allowing greater value addition, productivity growth and access to sufficient and nutritious food, leading to more and better jobs and increased food security with expected improvements in social inclusion, and thus further expanded markets.

Despite high-level political momentum around the AfCFTA, its ultimate success will depend on African states not only ratifying, but also fully implementing and complying with, the AfCFTA commitments, while at the same time investing in the necessary enablers.

The Session will provide a platform for Members and other key stakeholders to discuss concrete examples of measures or best practices used by African countries to promote agrifood investment and trade. It will also gather recommendations for boosting trade and investments under the AfCFTA.

Suggested action by the Regional Conference

The Regional Conference is invited to:

- Recognize the importance of mainstreaming food security and nutrition in the AfCFTA processes at the policy, institutional, financing and social levels. Encourage Members and Regional Economic Communities (RECs) to make use of the African Union Framework for Boosting Intra-African Trade for Agricultural Commodities and Services as they engage the AfCFTA.

- Call on countries and RECs to mainstream the Committee on World Food Security Principles for Responsible Investment in Agriculture and Food Systems (CFS-RAI Principles) in their investment policies and strategies.
- Urge Members to coordinate their trade and investment policies affecting agrifood markets (e.g., fiscal incentives, non-tariff and technical barriers, etc).
- Encourage Members and RECs to pursue export-led growth through increased intra-African trade within the AfCFTA backed by domestic and foreign investment. This includes establishing special economic zones, industrial parks and clusters, including modernising trade corridors to expedite the movement of agrifood products across borders.
- Recognize the importance of de-risking investment and promoting private sector participation in priority projects using blended finance and public-private partnership modalities, as necessary. Where there is market failure in the provision of public goods, state-owned enterprises should be encouraged to invest and manage projects to bear the risk with or without private sector participation.

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I - Context/Background

1. Promoting investment and trade is key for agrifood systems transformation and market opportunities for sustainable and inclusive growth and in the implementation of the African Continental Free Trade Area (AfCFTA). Enhancing investment and trade can also serve to reduce the impact of the COVID-19 pandemic on African economies and help avoid disruptions in food supplies. The ongoing global pandemic is likely to have severe long-term impacts as it challenges agrifood systems, flattens the informal sector, and impacts economies – pushing millions more into extreme poverty and acute food and nutrition insecurity.

2. Well-designed investments in social protection and appropriate market-oriented programmes can enable smallholder producers, women, youth and other vulnerable people to benefit from the opportunities. Evidence exists from country impact assessments that investment in social protection enhances productive capacities, alleviates liquidity constraints, and that the resulting savings are often deployed by the poor to strengthen their productive assets. Thus, the combination of social protection and pro-poor investments will enable most of the poor to escape poverty and hunger sustainably.

3. In recent years, many African countries have made strides in attracting and improving the environment for both foreign and intra-African investment and trade. However, as the COVID-19 pandemic continued to have a persistent and multifaceted negative impact globally and regionally, Africa's intra-trade in agrifood products declined from USD 73 billion in 2018 to USD 57 billion in 2020. Furthermore, the continent's food import bill rose from USD 78 billion in 2018 to USD 118 billion in 2020.¹ In the area of Foreign Direct Investment (FDI), inflows declined by 16 percent to USD 40 billion between 2019 and 2020.² Greenfield projects announcements, an indication of investor sentiment and future FDI trends, declined by 63 percent to USD 29 billion, while international project finance, especially relevant for large infrastructure projects, dropped by 74 percent to USD 32 billion, over the same period. Cross-border mergers and acquisitions also fell by 45 percent to USD 3.2 billion between 2019 and 2020.

4. Africa is emerging as an attractive investment destination and a key market for goods and services. The working population of 600 million is set to double by 2040. The business environment is improving steadily with a better educated workforce, and growing consumer spending, which is creating opportunities for agriculture, manufacturing and services industries to grow. Africa is poised to expand its status as an emerging region in the medium to long-term if these trends can be sustained. In addition, although developed countries still dominate African trade and inward investment flows, current trends indicate that developing economic regions in Asia and the Middle East are emerging as important players in African trade and investment and this will likely continue in the future.

5. Trading under the AfCFTA started on 1 January 2021.³ The hopes and aspirations attached to the AfCFTA – for trade, industrialization and addressing the effects of the COVID-19 pandemic – place it high on the agenda of African policymakers, and of their partners who support the process. The AfCFTA promises a virtuous circle of greater market opportunities, triggering more trade and investment, and allowing greater value addition and productivity growth, leading to more and better jobs with expected improvements in social inclusion, and thus further enlarged markets.

6. However, for the full benefits of the AfCFTA to accrue to African countries and citizens, numerous additional policy enablers are required, not least in improving investments in trade-related infrastructure, affordable and consistent energy supply, robust digital connectivity, and efficient

¹ Trade Map, International Trade Centre/UNCTAD, intracen.org; data accessed on 20 January 2022.

² World Investment Report, 2021, UNCTAD, Geneva.

³ It should be noted, however, that important elements of the agreement such as Rules of Origin and tariff schedules are still being finalized.

coordination, as well as improvements in the overall African business environment, including setting enforcement and accountability mechanisms.

7. Although investment in infrastructure for connectivity is important, policy coordination is crucial for facilitating regional trade and investment. Moreover, investment in public goods - such as institution building, productivity enhancing research, rural transport, trade and market related infrastructure, health, education, and social protection - is needed to enhance the agrifood system as well as promote inclusive and sustainable development.

8. Despite high-level political momentum around the AfCFTA, its ultimate success will depend on African states not only ratifying, but also successfully negotiating the specific trade provisions, such as the schedules of tariff reduction, fully implementing and complying with the AfCFTA commitments, while at the same time investing in the necessary enablers. As such, the political economy dynamics around the AfCFTA, between and within countries and sectors, are key to understanding how and where the most impact will be felt, and therefore where and what kind of external support would be necessary and useful.

9. African countries are losing out on billions of dollars in potential trade every year because of a fragmented regional market and weak cross-border production networks. However, it is generally agreed⁴ amongst African policy makers that to enhance trade and investments (both FDI and intra-African investments), several areas need to be developed and existing ones strengthened. These include developing common rules and regulations on trade and investment to harness the expected static and dynamic effects of trade and investment flows, implementation of the Action Plan for Boosting Intra-African Trade, improving the quality of and access to education, given that doing so will raise the attractiveness of African economies, boost intra-African investment flows and promote associated technology and knowledge transfer. Furthermore, promoting an increased role of the private sector is also a key opportunity to sustaining and enhancing the attractiveness and competitiveness of African markets, and its contribution to economic growth and employment. There is a need to develop effective financial sector policies that can help to channel investment to small and medium-sized enterprises. The AfCFTA can constitute a vehicle to achieve these goals, provided common rules for financial services actively support small and medium-sized enterprise development on the continent.

10. In this respect, a very encouraging development for investment and trade promotion was the commercial launch of the Pan-African Payment and Settlement System (PAPSS) by the African Export-Import Bank (Afreximbank) and the AfCFTA Secretariat on 13 January 2022.⁵ This ground-breaking platform will save Africa more than USD 5 billion annually in payment transaction costs, while it will play an increasingly significant role in accelerating the continent's transactions underpinning the operationalisation of the AfCFTA. The PAPSS is a major leap in releasing the continent from overdependence on external players and factors in achieving a long yearned-for acceleration in intra-continental trade and investment.

11. The PAPSS provides state-of-the-art financial market infrastructure connecting African markets to each other thereby enabling instant cross-border payments in respective local African currencies for cross-border trade. Afreximbank, as the main Settlement Agent for PAPSS, provides settlement guarantees on the payment system and overdraft facilities to all settlement agents, in partnership with Africa's participating Central Banks. PAPSS will effectively eliminate Africa's financial borders,

⁴ See: "How African countries are boosting intra-African investment, with a view to sharing best practices among member states," United Nations Economic and Social Council, Committee on Regional Cooperation and Integration. Addis Ababa, August 2017 and "Drivers for boosting intra-African investment flows towards Africa's transformation," UNECA, 2020.

⁵ www.afreximbank.com

formalise and integrate Africa's payment systems, and play a major role in facilitating and accelerating the huge AfCFTA-induced growth curve in intra-African trade.

12. More importantly, African governments must further ensure that their investment laws are designed to spur national and regional investment. For example, investment laws should list priority investment sectors, including manufacturing and industrial sectors. These sectors, including national and regional value chains, rather than primary commodities, offer greater opportunities for regional integration and more strategic entry points at the higher levels of regional and global value chains. To enhance the inclusiveness, attractiveness, effectiveness and ownership of the business environment, a greater role should be granted to non-state actors, namely the private sector and civil society organizations, in the design, enforcement, monitoring and evaluation of all legal, policy and investment instruments.

II - Objectives of the Session

13. The Ministerial Roundtable will provide a platform for Members and other key stakeholders to discuss concrete examples of measures or best practices used by the African countries to promote agrifood investment and trade in their countries. It will also gather recommendations for boosting agrifood trade and investments under AfCFTA, contributing to economic growth, job creation, sustainable development, food security and nutrition.

III- Expected Outcomes

14. A shared understanding of the key issues and opportunities involved in promoting trade and investment in enhancing the agrifood systems in the context of the COVID-19 pandemic and beyond, including the implications of the AfCFTA from implementation to impact.

15. A shared understanding of best practices from Members e.g., policy environment, capacity, institutions, etc. to support and promote investment and trade.

16. Recommendations and guidance to FAO to enhance its support to Members and RECs in promoting investment and trade for improving agrifood systems in the context of the AfCFTA.

IV - Target audience / Participants

17. The target audience will include Ministers, the African Union and its AfCFTA Secretariat, Regional Economic Communities in Africa, international organizations, national and international experts, private sector, non-governmental organizations/civil society organizations and other invited participants.

V – Agenda

5 minutes	Introduction	Moderator –Sub-Regional Coordinator for East Africa, FAO
10 minutes	Keynote address: AfCFTA opportunities for agri-food system transformation and progress made	H.E. Wamkele Mene, Secretary-General, AfCFTA Secretariat
30 minutes	Panel discussion	<ul style="list-style-type: none"> • H.E. Mr Ryad Mezzour, Minister of Industry and Trade, Kingdom of Morocco • H.E. Mr Mahen Kumar Seeruttun, Minister of Financial Services and Good Governance, Mauritius • Mr Donal Brown, Associate Vice-President, Programme Management Department, IFAD • Prof Benedict O. Oramah, President, African Export-Import Bank (Afreximbank) • Ms Halima Aliko-Dangote, Executive Director, Commercial Operations, Dangote Industries Limited
40 minutes	Plenary discussion - Experience sharing on policy options and solutions for boosting Intra-African trade and Investment within the context of the AfCFTA	Members and participants
10 minutes	Wrap-up and concluding remarks	Moderator- Sub-Regional Coordinator for East Africa, FAO