



Statement Delivered by

Albert Muchanga

Commissioner for Economic Development, Trade, Industry and Mining,

African Union Commission

At the

Experts' Meeting of the Specialized Technical Committee on Finance, Monetary Affairs,

Economic Planning and Integration

Held Under the Theme:

***“Developing Integrated and Complementary Value Chains for sustainable recovery
and reinforcing operationalisation of AfCFTA”***

17th May, 2021

Mr. Gilbert Edoa, Secretary-General of the Ministry of Finance of the Republic of Cameroon and Chairman of the Specialized Technical Committee on Finance, Monetary Affairs, Economic Planning and Integration;

Senior officials from the Ministries of Finance, Economic Planning and Integration; as well as African Central Banks;

Representatives of our Strategic Partners;

Distinguished Delegates;

Ladies and Gentlemen.

I welcome you all to the Fourth Session of the Specialized Technical Committee on Finance, Monetary Affairs, Economic Planning and Integration.

This Session is being held under the theme: **“Developing Integrated and Complementary Value Chains for sustainable recovery and reinforcing operationalisation of the African Continental Free Trade Area (AfCFTA).**

And it comes against a background of our on-going collaboration aimed at positioning our economies to move toward recovery from the COVID-19 Pandemic which has gravely undermined our health systems and economies.

In the economic sphere, Africa has witnessed the reversal of the positive trend in economic growth experienced over the past twenty-five years.

Trade volumes are down.

Commodity prices initially went down but are recovering in some sectors.

Capital flight was massive, like in other emerging economies.

As a result of all this, Africa went into recession in 2020, something last experienced in 1995.

The COVID-19 Pandemic also highlighted Africa's heavy dependence on imports of both final and intermediate pharmaceutical products. The restrictions on export of personal protective equipment and later vaccines, enforced by some countries consequently put the continent in a perilous position.

Africa's import dependence also extends to food.

The food import bill for Africa averaging around US\$35 billion is projected to rise to \$110 billion by 2025, four years from this year.

The COVID-19 Pandemic exacerbated food insecurity in our continent as supply chains were disrupted, resulting in steep rises in food prices.

In January 2020, the global food prices rose by 38%; with maize and wheat prices rising by 80% and 28% respectively.

Furthermore, restrictions in movement of people which were imposed in many countries to contain community spread of the COVID-19 Pandemic adversely impacted agriculture; through, among others, hindered access to farming inputs.

The issues that I have highlighted above are basic indicators of the need to boost intra-Africa trade through the development of continental and regional value chains.

The theme is in this connection, very timely.

For us to achieve this, we have the key tasks of: developing integrated and complementary value chains across the continent; digitalizing value chains; and, reinforcing Public- Private partnerships to scale up investments in African manufacturing and agro-processing.

Already, there are efforts being made towards harnessing continental and regional supply chains by market players in several African countries. The task is to scale up.

Digitalizing value chains across the continent will connect businesses, from suppliers to the end-users.

Already, digitization is being used in agriculture to increase efficiency by adding value and diversifying agricultural functions through levers like marketing, branding, and/or quality improvements through process engineering.

We should, however, be also fully aware of challenges in digitalization across Africa.

Internet accessibility within the continent is still very low. It is estimated that only 31% of businesses in Africa's formal sector have websites, compared to 39% in Asia and 48% in Latin America and the Caribbean.

The positive thing is that there is a base and the task ahead is to expand and deepen this digitalization base.

Finance is also a prerequisite to effectively participate in value chains at regional, continental and global levels. The task ahead is to leverage both public and private sources of finance.

If we develop our financial systems, this would greatly contribute to improving factor productivity, firm productivity as well as enhanced access to Foreign Direct Investment (FDI) inflows.

From the foregoing, it is patently clear that we must continue to enhance the fight against illicit financial flows from Africa and improve tax administration. This would lay a strong base for mobilizing domestic resources for development as well as an equally stronger base for financial inclusion, which is key to supporting the emergence and development of Micro, Small and Medium Enterprises (MSMEs).

Facilitating the participation of MSMEs in continental and regional value chains would also open up greater opportunities for generation of decent employment, so crucial, given that Africa, with a median age of 19 years, is very much a young continent.

Let me, at this stage, briefly touch on the African Continental Free Trade Area.

This is currently our biggest development programme. Through it, we stand to increase intra-African trade and investments. We also stand to attain faster structural transformation and export diversification.

Furthermore, this market of 1.3 billion people has opened up exciting opportunities for developing inter-country and inter-regional transport, communication and energy linkages.

With all these possibilities, we stand to boost production through the development of continental and regional value and supply chains.

What is clear from all this is that for Africa to prosper, we must make the AfCFTA work by delivering tangible benefits to the African people such as safe, quality and competitively priced goods and services.

For the market to work faster and effectively, national and commercial policies must be fully aligned to those of the AfCFTA. Simply put, the new domestic market for African governments and market players is the AfCFTA.

As I come to the end of my statement on the theme of this meeting, I call on each and every one of you in this meeting to critically interrogate the theme.

Collectively, you must come up with recommendations to the Ministers and Central Bank Governors that should lead to them adopting an action plan on the development of integrated continental and regional value chains that are capable of fully meeting the supply and demand needs of the AfCFTA market.

Let me now turn to the issues of the Pan-African Payments and Settlements Platform. (PAPSS) and the AfCFTA Adjustment Facility.

I was briefed by my colleagues last night that some Member States have questioned why PAPSS is not on your agenda.

The answer is straight forward.

Our colleagues in the AfCFTA Secretariat feel this matter and the related issue of the development of the AfCFTA Adjustment Facility should be handled by themselves since both of them are AfCFTA implementation matters.

In this connection, I draw your attention to the decisions on these two issues of the 5th Meeting of the AfCFTA Council of Ministers held in Accra, Ghana. I quote:

“AfCFTA Adjustment Fund

31. Concerning the development of an AfCFTA Adjustment Fund that provides a mechanism for State Parties and non-State Parties to access financial and technical resources to implement the Agreement and mitigate the near-term disruptions and associated costs, the Council of Ministers responsible for Trade commended Prof. Benedict ORAMAH – President and Board of Directors of Afreximbank for the continued support to the AfCFTA Secretariat and the African trade integration agenda, and requested the AfCFTA Secretariat to work with Afreximbank to establish an Interim Adjustment Fund at the AfCFTA Secretariat to commence work, pending the development and finalization of the draft Protocol on the AfCFTA Adjustment Fund.

32. In this regard, the Council of Ministers responsible for Trade approved the following roadmap towards the finalization of the AfCFTA Adjustment Fund:

- a. Development of the Resource Mobilisation Plan and Statutes and present the Final documents to the Council of Ministers responsible for Trade by June/July 2021;*
- b. Presentation of the statutes and resource mobilisation plan to the African Union Assembly in February 2022 following consideration by the relevant structures;*
- c. Fund Management Agreement between AfCFTA Secretariat and Afreximbank finalised by June 2021;*
- d. Launch the Interim Adjustment Facility in July 2021;*
- e. Commencement of Mobilisation of resources (grants, technical assistance, concessionary funding and commercial debt) from July 2021 to Feb 2022;*
- f. Finalisation of proposal relating to the Base Fund including quantifying tariff revenue loss, developing operational guidelines for accessing funding, formula for contributions from Member States by September 2021; and*
- g. Commencement of work on the establishment of General Fund and Credit Fund following approval of the structure by Council of Ministers.*

33. In addition, the Council of Ministers responsible for Trade also decided as follows:

- a. *Established a task force made up of the AfCFTA Secretariat, the Afreximbank and Bureau of the Council of Ministers responsible for Trade as well as other relevant stakeholders, including the Bureau of the Specialised Technical Committee of the Ministers of Finance and the Bureau of the Association of Central Bank Governors, to finalise the work to operationalize the Adjustment Fund. In this regard, the Council of Ministers will report directly to the Assembly on matters relating to the Fund;*
- b. *Adopted the proposed Structure of the Adjustment Fund;*
- c. *Requested the AfCFTA Secretariat to consult with Afreximbank to appoint an Interim Managing Director for the Interim Adjustment Fund; End of quote.*

On PAPSS, the AfCFTA Council of Ministers made the following decision and I quote:

“Pan-African Payments and Settlement System (PAPSS)

35. Concerning the Pan-African Payments and Settlement System (PAPSS), the Council of Ministers responsible for Trade established a task force made up of the AfCFTA Secretariat, the Afreximbank, Bureau of the Council of Ministers responsible for Trade, Bureau of the Specialised Technical Committee (STC) of the Ministers of Finance and the Bureau of the Association of Central Bank Governors as well as other relevant stakeholders to develop the regulatory framework on cross border payments for PAPSS”. End of quote.

Against this background, the best way of dealing with this issue is threefold.

First, you as Senior Officials consider inviting the AfCFTA Secretary General to come to your on-going meeting to provide greater insight on the background to these decisions.

After listening to him as well as engaging with him, you would then request for a legal opinion from the AU Office of Legal Counsel which is represented in your meeting.

On the basis of these two submissions, you would then make a report with appropriate recommendations to the Ministers of Finance, Development Planning and Central Bank Governors.

In the meantime, I have requested my colleagues in the Department to circulate to you the following documents: September 2020 Decision of the African Union Ministers of Trade (AMOT) on PAPSS; 2019 to 2020 Decisions of the Assembly of the African Union Heads of State and Government on the AfCFTA Adjustment Facility; and, Report of the Fifth Meeting of the AfCFTA Council of Ministers held in Accra, Ghana on 3rd May, 2021.

I will stop here and wish you constructive deliberations.

I look forward to reading your outcome document.

I thank you all for your kind attention.