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Progress Report on the Implementation of Regional and International Agendas and other Special Initiatives in the Sub-region

Accelerating the Implementation of the African Continental Free Trade Area (AfCFTA) Agreement in Southern Africa to Anchor Progress towards the Attainment of Sustainable Development Goals and Agenda 2063 Aspirations

Progress towards Agenda 2030 and Agenda 2063 across the region is varied with some countries off-track on most SDGs. The extent of progress at individual country level has been undermined by various challenges, which, during the last two years have been deepened by the COVID-19 pandemic. The pushback from the pandemic leading to weakened economic growth at a time governments had to increase expenditure towards mitigation of the adverse impacts, undermined SDGs and Agenda 2063 progress further. The implementation of fiscal and monetary stimulus packages for mitigation failed to completely contain the adverse effects. Furthermore, the rising indebtedness heightened the frailties of regional economies and threatens future growth prospects. However, the implementation of the African Continental Free Trade Area Agreement in the region is expected to provide impetus to the progress towards accelerated attainment of the development goals. The expansion of trade and investment under the AfCFTA will be anchored on a strong and sustainable manufacturing sector where value addition, beneficiation and the development of linkages across regional member States will flourish, increase job opportunities, raise incomes, support growth and reduce inequalities hence supporting progress towards the development outcomes under SDGs and Agenda 2063. Supporting the growth and competitiveness of the micro, small and medium enterprises and youth and women-owned businesses to produce competitive products able to penetrate the continental market will be key to capturing and spreading the benefits from the AfCFTA in Southern Africa. Member States should thus accelerate the implementation of the Agreement to anchor socio-economic transformation.

Delegates and participants to the 27th ICSOE of Southern Africa are invited to consider the review, discussions and recommendations provided in this report. The review should proffer recommendations to accelerate the implementation of the AfCFTA Agreement as an anchor for the attainment of SDGs and Agenda 2063.

Overview

1. The formulation of development policies in African countries is currently heavily influenced by the pursuit of Agenda 2063 (The Africa We Want) at the continental level, as well as the Sustainable Development Goals (SDGs) (2030 Agenda) at the global level in addition to domestic aspirations. Agenda 2063 is Africa’s current economic blueprint and master plan and is intended to ensure that the continent is transformed into a future global powerhouse, with inclusive and sustainable development being a pillar for unity, self-determination, freedom, progress and collective prosperity.

2. Agenda 2063 has seven aspirations (Box 1) and twenty goals, to be implemented through a series of five 10-year plans. The First Ten Year Implementation Plan of Agenda 2063 (2013-2023) was adopted by the AU Summit in June 2015 to guide the preparation of medium development plans by Member States. The establishment of the African Continental Free Trade Area was a key milestone in the implementation of the first ten-year plan of Agenda 2063.

Box 1: The Seven Aspirations of the Agenda 2063

Aspiration 1: A prosperous Africa based on inclusive growth and sustainable development.

Aspiration 2: An integrated continent; politically united and based on the ideals of Pan-Africanism and the vision of Africa's Renaissance.

Aspiration 3: An Africa of good governance, democracy, respect for human rights, justice and the rule of law.

Aspiration 4: A peaceful and secure Africa.

Aspiration 5: An Africa with a strong cultural identity, common heritage, shared values and ethics.

Aspiration 6: An Africa, whose development is people-driven, relying on the potential of African people, especially its women and youth, and caring for children.

Aspiration 7: Africa as a strong, united, resilient and influential global player and partner.

Source: African Union Commission

3. Sustainable Development Goals (SDGs) were adopted by Heads of State and Government in New York in 2015. They consist of 17 goals with 169 targets constituting global aspirations by 2030 under the integration of economic, social and environmental dimensions of development.

4. The achievement of both SDGs and Agenda 2063 targets are key twin development milestones on the continent and the implementation of the AfCFTA Agreement can be an anchor for the achievement of both aspirations. The Agreement entered into force on 30 May 2019 and its operational phase was launched during the 12th Extraordinary Session of the Assembly of the African Union in Niamey, Niger in July 2019. Trading under the AfCFTA commenced on 1st of January 2021, although preferential trade under the Agreement still requires the conclusion of outstanding issues on rules of origins, tariff schedules and trade conditions in five priority service sectors.

5. This report provides an update on the progress in the implementation of the AfCFTA Agreement in Southern Africa[1] and elaborates on how the Agreement can anchor the attainment of the SDGs and Agenda 2063. The implementation of the Agreement follows signing, ratification, depositing instrument of

[1] Angola, Botswana, Eswatini, Lesotho, Malawi, Mauritius, Mozambique, Namibia South Africa, Zambia and Zimbabwe. These countries constitute the list of countries that are covered by the UNECA sub-regional office for Southern *Africa.*

ratification with the African Union Commission (AUC) Chairperson; and the drafting of the National AfCFTA Implementation Strategies. Under the stewardship of the National Implementation Committees, national implementation strategies are supported by mechanisms for monitoring and evaluation to track progress and the design of any required adjustments.

Progress with Implementation of the AfCFTA

6. The eleven regional member States are joining the AfCFTA with a wealth of experience from the existing RECs which lessons will be key in navigating the terrain on agreements and strategies. Specifically, the experience from the Southern African Development Community (SADC), the Common Market for Eastern and Southern Africa (COMESA) and the Tripartite Free Trade Area (TFTA) will provide lessons for AfCFTA implementation in Southern Africa. Under Article 5 of the Agreement, the free trade areas (and customs unions) that already exists in the form of the eight RECs recognised by the African Union will serve as building blocks for the AfCFTA. Furthermore, although the Agreement would take supremacy in the event of inconsistencies with existing Agreements at REC level, where countries have managed to negotiate higher levels of regional integration at REC level in comparison with what is aspired by the AfCFTA Agreement, they have to maintain such higher levels in trade among themselves.

7. The overlapping membership of RECs also makes this experience wider, especially for countries that are members of RECs that have reached customs union stage (Figure 1). The eleven Southern African member States belong to either COMESA or SADC or to both. Five countries; Eswatini, Mauritius, Malawi, Zambia and Zimbabwe, belong to both RECs. In addition, Botswana, Eswatini, Namibia, South Africa and Zambia have ratified the TFTA and thus their strategies in the AfCFTA will also be influenced by the experience in the TFTA. Furthermore, five regional member States; Botswana, Eswatini, Lesotho, Namibia and South Africa, also belong to the Southern African Customs Union (SACU), which is one of the oldest customs unions in the world, having been founded in 1910. The experience from this intertwined membership will provide lessons for interaction within the AfCFTA and will influence some of the decisions including offers and countervailing strategies.

Figure 1: Five SADC Member States are also COMESA Member States

8. Although all the Southern African countries have signed the AfCFTA, only nine ratified and deposited their instrument of ratification with the AUC. Eswatini was the first to ratify in Southern Africa, doing so on July 2nd 2018, while Zambia was the latest having deposited its instrument on the 5th of February 2021. Botswana and Mozambique though signatories, are yet to ratify the Agreement.

9. National AfCFTA Strategies domesticate the Agreement and are tools through which each State Party identifies comparative advantages and elaborates complementary measures towards the exploitation of the benefits arising from the AfCFTA membership. The Strategies also set out the approaches to deal with specific strategic decisions, outline communication and advocacy strategies and supervision of the implementation of the strategy through nominated institutions and champions.

10. Since the launch of the Agreement in 2018 regional Member States have been consumed with developing national AfCFTA strategies as well as with participating in ongoing negotiations. In that regard, Zambia and Zimbabwe have finalized and launched their national strategies, the latter in 2019 and the former in 2021. Malawi's Draft National AfCFTA Strategy was validated in July 2021 and the draft strategy for Namibia has been through preliminary consultations and will be finalised soon. Furthermore, strategy development processes are ongoing in Botswana, Eswatini, Mauritius and Mozambique. Although Botswana and Mozambique are yet to ratify the Agreement, they have requested and are receiving technical support to develop national strategies. Mauritius and Mozambique have requested analytical studies on specific sectors in the respective economies to complement the strategy development process. However, Angola and Lesotho are yet to commence strategy development processes. The process of developing the national strategies is fully consultative, providing opportunities for all stakeholders to provide input for buy-in and for national consensus on the priority areas.

11. The experiences SADC, COMESA and TFTA show that economic integration is a long process. For example, while the SADC FTA was achieved in August 2008, only thirteen out of the sixteen SADC Member States are part of the SADC FTA, with Angola, DRC and Comoros still to join. The COMESA FTA was achieved in October 2000, but only seventeen Member States out of twenty-one have ratified the COMESA FTA Agreement, while DRC, Eritrea, Ethiopia and Somalia have not yet. At the TFTA level, only ten Member States out of the twenty-nine have ratified the TFTA Agreement; four more are required for the Agreement to enter into force. However, a review of the process across countries brings out some challenges to smooth progress including; level of integration, lack of transparency in the discussion with stakeholders, low levels of complementarity and existence of non-tariff barriers.

12. **Levels of integration**: Low levels of economic integration affected the pace of ratification of the AfCFTA Agreement. The member States that took the shortest period to ratify, Eswatini, Namibia and South Africa are the most integrated with the continent with respect to the trade dimension of regional integration. The 2019 ARII (Trade Integration) shows that Eswatini was ranked first and Namibia was ranked second. Thus, anticipated trade benefits could be the main accelerator in terms of commitment to the AfCFTA.

13. **Low stakeholder participation:** The lack of dialogue between government and the private sector at the initial stages of signing the FTA Agreements can be as an impediment to the implementation of continental integration. It is, therefore, important that all stakeholders be fully consulted from the beginning. Importantly, the involvement of the private sector helps to identify possible opportunities and strategies that can be used to ensure that opportunities from the AfCFTA are fully harnessed.

14. **Low complementarity of goods:** The low levels of complementarity among the products of regional Member States also militate against faster integration as this creates problems in developing regional value chains. This was the case under SADC where about 70 per cent of the products were exported with little value addition, while about two thirds of imported products were intermediate and capital goods from industrialised countries. These similar challenges could undermine the implementation of the AfCFTA Agreement.

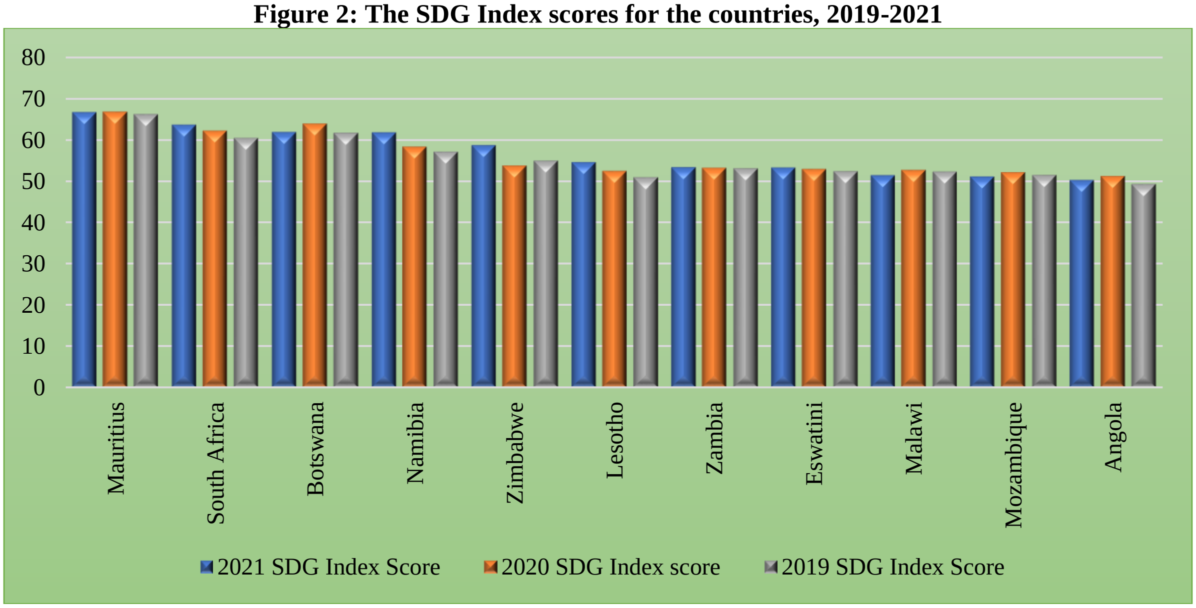
15. **High non-tariff barriers:** Non-tariff barriers make it costly to trade across borders. The elimination of non-tariff barriers, especially cumbersome customs procedures, inefficient transport services and poor infrastructure should be a priority as economies trade. Trade facilitation should be prioritised and any bottlenecks removed.

Progress on SDG and Agenda 2063

16. The SDG Index Score shows notable progress in the implementation of the 17 SDGs among the eleven countries (Figure 2). The score measures a country's total progress towards achieving all SDGs, with a score of 100 showing that all SDGs have been achieved. The score shows that Mauritius is ahead of other countries at 66.7 per cent, followed by South Africa and Botswana at 63.7 per cent and 61.9 per cent respectively. Angola is worst performer at 50.3 per cent, although Mozambique (51.1 per cent) and Malawi (51.4 per cent) are also close.

17. The pattern on the SDG Index Score among regional member States is emerging at a time when the top ranked country in the world, Finland, has a score of 85.9 and the top ranked country in Africa, Tunisia, has a score of 71.4. Egypt, with a score of 68.6 is the only other country with a score that is higher than Mauritius in Africa. Although Angola has the lowest score among the Southern African countries under review, it scores higher than eleven other African countries, including Democratic Republic of Congo (with a score of 49.3), Nigeria (48.9), South Sudan (38.9) and Central African Republic (38.3). Overall, huge challenges remain in progress towards SDGs among African countries.

Figure 2: The SDG Index scores for the countries, 2019-2021



Source: Africa SDG Index and Dashboards Reports (2019 and 2020) and the Sustainable Development Report 2021

18. The trend over the past three years shows an improvement in progress towards the attainment of SDGs in some countries despite the COVID-19 pandemic. For example, progress is noticeable for South Africa, Namibia, Lesotho, Zambia, Eswatini and Zimbabwe, as the 2019 score is below the 2021 score. However, a stagnating pattern is observable in Mauritius, Botswana and Angola, which also demonstrates that the pandemic only slowed down the momentum but did not significantly erode the gains that had been achieved in 2019. However, for Malawi and Mozambique there is a noticeable dip in progress which can be attributed to the COVID-19 pandemic.

19. On SGD1, all countries are have fallen behind except for Mauritius. Poverty has been increasing in South Africa, Zambia and Malawi, while Lesotho and Eswatini have managed to register progress in reducing poverty over the period 2019 to 2021 despite the pandemic. Although Mozambique, Botswana and Angola had made progress in 2020 on ending poverty, the pandemic eroded the gains, resulting in the worsening of poverty levels in 2021.

20. Similarly, on SDG2, member States have fallen back except Mauritius. Member States are failing to improve stunting in children. In addition, undernourishment is also seriously undermining the attainment of SDG2, while all countries have generally done well in limiting wasting in children by keeping the prevalence below 5 per cent, except for Botswana and Namibia. More than 15 per cent of the population is obese in Botswana, Eswatini, Lesotho, Namibia and Zimbabwe. Cereal yields are also low in Botswana, Namibia, Zimbabwe, Mozambique and Angola, making it difficult for the countries to achieve SDG2 targets on reducing hunger.

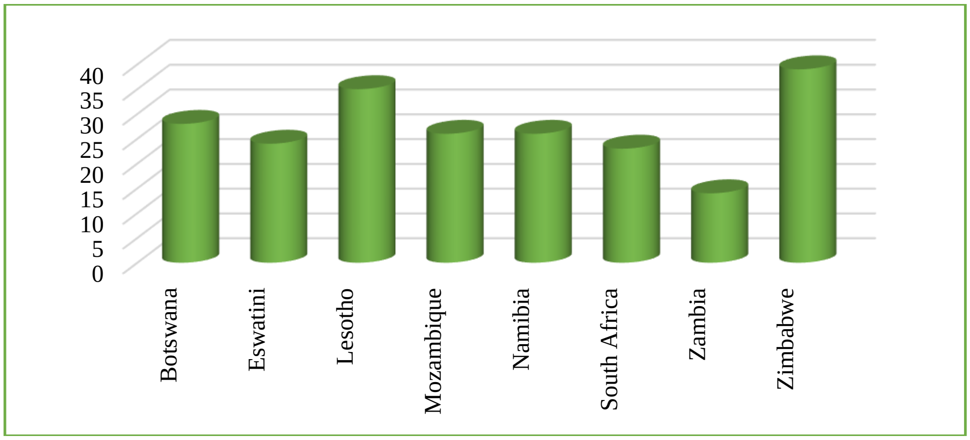
21. With respect to SDG7, only Mauritius, South Africa, Namibia, Botswana and Eswatini had at least 50 per cent of the population with access to electricity in 2021. In Malawi and Mozambique, only 18 per cent and 31 per cent of the population respectively had access to electricity. Mauritius and South Africa have already achieved the SDG7 aspiration with respect to clean energy by 2021. Only Mozambique and Zambia have achieved the SDG7 targets on emissions. Trends over the past three years show that despite the pandemic, there has been steady progress with respect to access to electricity in all countries except Mauritius.

22. On SDG8, the pushback from the pandemic resulted in all member States experiencing negative growth rates in 2020. Progress over the past five years shows that only Malawi, Mauritius, Eswatini and Mozambique had growth rates in GDP over the period. Furthermore, only Mauritius and Namibia have already achieved the 2030 target with respect to access to financial services. In terms of decent work, only South Africa has achieved expectations with respect to workers' fundamental rights. All the countries have also not achieved the targets with respect to unemployment, as this remains high. However, financial inclusion indicators have remained constant over the past three years for all countries.

23. For SDG9, all countries have not yet achieved the SDG9 target of at least 80% of the population having access to the internet. Botswana, Mauritius and South Africa have achieved the SDG9 sub-category on mobile broadband subscriptions, while the quality of infrastructure shows that only Botswana and South Africa have already achieved the desired target. All the eleven countries fall short with respect to resources allocated to research, development and innovation. There is a noticeable improvement trend over the past three years with respect to increase in mobile broadband subscriptions, except for Mozambique.

24. In terms of Agenda 2063, country performance shows that Zimbabwe had made more progress compared to the rest of the countries[2] in meeting the 2019 targets, as 39 per cent of the 2019 targets had been achieved (Figure 3). Zambia had the lowest score, achieving only 14 per cent of the 2019 targets. However, none of the countries had managed to achieve even half of the set 2019 targets, underlining that the achievement of Agenda 2063 aspirations is still was below targets due to various challenges. On average, the Southern African region had only achieved 25 per cent of the 2019 targets; hence Zambia, South Africa and Eswatini are performing below the regional average. As a continent, Africa had only achieved 32 per cent of the 2019 set targets, thus, only Zimbabwe and Lesotho were above the continental average among the regional countries.

Figure 2: Progress towards achieving Agenda 2063 (percentage) in Southern Africa



Source: African Union Commission and African Union Development Agency-NEPAD, 2020

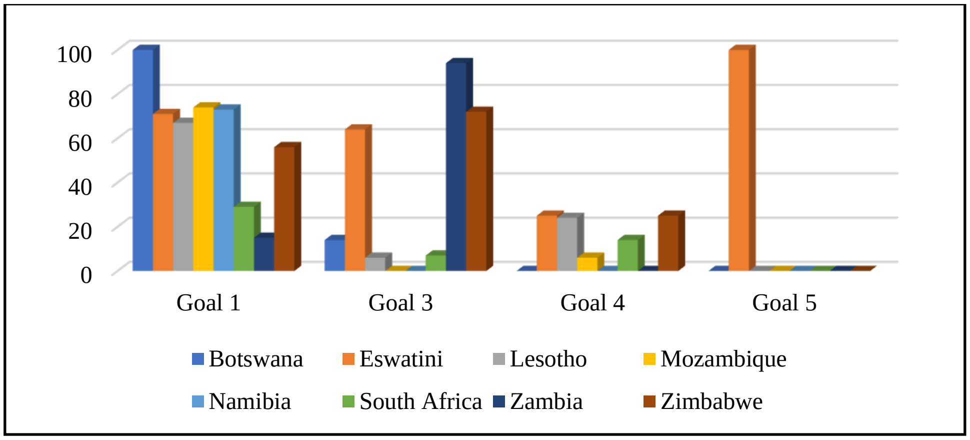
25. Agenda 2063 has twenty goals, out of which four can be directly influenced by the implementation of the Agreement in member States, namely:

- Goal 1: A High Standard of Living, Quality of Life and Well-Being for All.
- Goal 3: Healthy and Well-Nourished Citizens
- Goal 4: Transformed Economies and Job Creation
- Goal 5: Modern Agriculture for Increased Productivity and Production.

26. Only Botswana managed to achieve expectations with respect to the 2019 targets of Goal 1 (Figure 4), Eswatini managed to meet the 2019 targets for Goal 5, and Zambia was relatively close at 94 per cent with respect to Goal 3. However, most countries are still at their baseline levels with respect to different goals, having barely moved from their position in 2013 when Agenda 2063 was launched. This is the situation with respect to Mozambique and Namibia on Goal 3; Botswana, Namibia and Zambia on Goal 4. Given the relationship between the outcomes of the AfCFTA and these goals, there is scope in leverage and the agreement to close the deficit.

Figure 3: Progress towards achieving the 2019 set targets with respect to Goal 1 of Agenda 2063

[2] Data for Angola, Malawi and Mauritius is not given in the Agenda 2063 Report used as a source in this study



Source: African Union Commission and African Union Development Agency-NEPAD, 2020

27. Macroeconomic and political developments in the member States directly influence progress towards SDGs and Agenda 2063. A country-by-country review of the operating environment reveals peculiar macroeconomic challenges affecting the attainment of SDGs. Angola is still suffering from the effects of civil war and is characterised by poor infrastructure, poor agriculture systems, low levels of education and too much dependence on oil, resulting in vulnerabilities to oil price shocks high levels of poverty. The period of economic growth has not translated into sustainable investments to help the poor; hence, a low productivity subsistence-agriculture dominated rural sector coexist with a modern export-oriented oil-economy.

28. Botswana, Namibia, Mozambique and South Africa have managed to register sustained economic growth over a long period of time. Their main challenge is that these economic gains have not been equally shared, as reflected by high levels of poverty and inequality. For example, poverty prevalence, as reflected by the percentage of the population living on US$1.90 or less, is still high in these countries (Table 1). As a result, there are still disparities in income, wealth, and living standards among various socioeconomic groups. The structure of the South African economy has not recovered from the legacy of apartheid, which is the basis of non-inclusivity, high inequality and high unemployment.

Table 1: The percentage of the population living on US$1.90 or less in the four countries

Country	Poverty prevalence (per cent)
Mozambique	60.7
South Africa	27.4
Namibia	22
Botswana	18.1

Source: Sustainable Development Report 2021

29. The economies of Eswatini, Lesotho, Malawi, Zambia and Zimbabwe are dominated by the agriculture sector as a source of growth, jobs and livelihoods and the sector is threatened by climate change. Furthermore, informality dominates micro, small and medium enterprises as the main source of employment. Decent work is a challenge. High levels of poverty prevail due to limited formal employment opportunities and limited investment in the agriculture sector undermine socio-economic development. Furthermore, the infrastructure deficit, especially electricity, undermines the development of the

manufacturing sector, which has remained small across the region, contributing only 10.7 per cent to regional GDP in 2019.

30. Mauritius is an upper middle-income country that has done relatively well in ensuring that the benefits from the economic growth are shared, as evidenced by the ability to achieve SDG1 targets. However, Mauritius still lags other middle-income countries in terms of innovation capacity, especially in skilled labour, research and development, and information technology infrastructure. The country is also characterised by a stagnating private sector investment hence unemployment is still an issue despite rapid growth in the economy over the past decades.

31. The macroeconomic environment explains the reason Southern African countries are facing challenges in meeting the Agenda 2063 and SDG targets. The goals are intertwined and hence difficult to attain without the attainment of SDGs on key enablers. For example, the failure to meet targets with respect to SDG1 and SDG2 on poverty and hunger is also explained by failure to meet SDG 9 targets, which requires enabling infrastructure to be in place. The infrastructure needed for meeting SDG9 creates the capacity of the economy to generate production, which also gives rise to the achievement of SDG8 on inclusive economic growth. SDG 1 and SDG2 thus can be easier to achieve if conducive infrastructure is in place. Similarly, achievement of Goal 4 on transforming economies and job creation underlies the achievement of Goal 1 of Agenda 2063 on standards of living and quality of life and Goal 3 on having a healthy and well-nourished citizen. Furthermore, Goal 4 is also influenced by the ability to meet Goal 5 on modernising agriculture and improving its productivity.

Specific challenges in achieving SDGs and Agenda 2063

32. In addition to progress being undermined by macroeconomic challenges, there are specific challenges on this journey. These include; lack of a reporting and monitoring framework and institutions; lack of data for tracking progress, lack of finance and limited infrastructure.

33. **Lack of an institutional framework**: The decision to embrace SDGs has been accompanied by creation of structures to ensure proper coordination of SDG activities. In this regard, a three-layered institutional framework comprising a Lead Unit for SDG implementation in the Executive; a dedicated Inter-Ministerial SDG Task Force/Committee; and a Parliament SDG Committee is imperative. Angola and Malawi have only one-layered institutional framework, while Mozambique has not yet put in place any (Table 2). An SDGs Committee in parliament is missing in Eswatini, Lesotho, Mauritius, Namibia and South Africa. Only Botswana, Zambia and Zimbabwe have fully instituted this framework. The missing gaps could partly explain why SDGs mainstreaming is proving difficult in the countries.

Table 2: Availability of dedicated institutions for SDGs across the countries

	Lead Unit for SDG in the Executive	**Dedicated Inter-Ministerial SDG Taskforce/ Committee**	**SDG Committee in Parliament**
Angola	✓	X	X
Botswana	✓	✓	✓
Eswatini	✓	✓	X
Lesotho	✓	✓	X
Malawi	✓	X	X
Mauritius	✓	✓	X

Mozambique	X	X	X
Namibia	✓	✓	X
South Africa	✓	✓	X
Zambia	✓	✓	✓
Zimbabwe	✓	✓	✓

✓ Means presence
X means absence

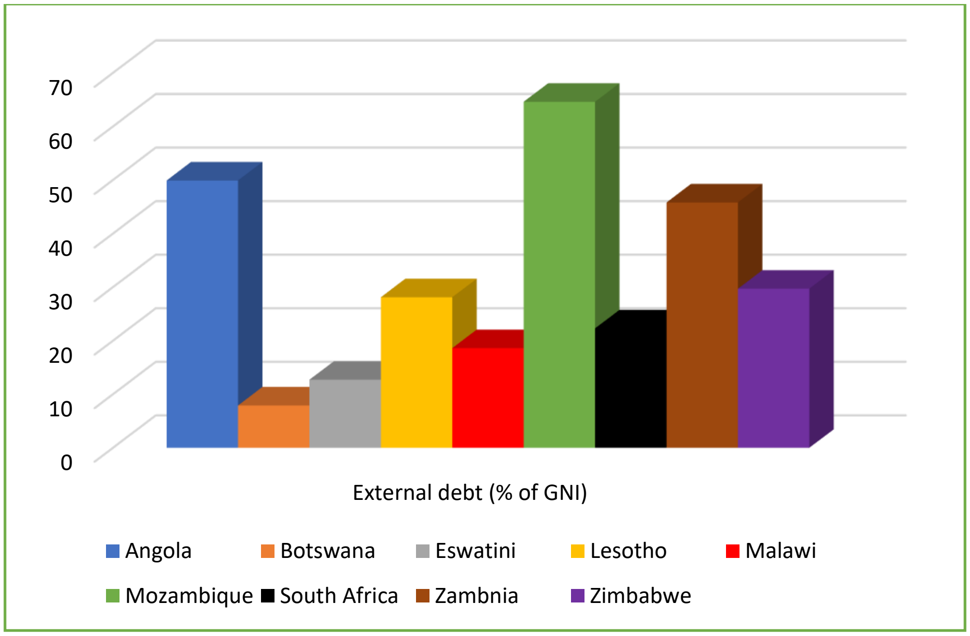
Source: Constructed from The Sustainable Development Goals Center for Africa and Sustainable Development Solutions Network (2020)

34. **Lack of Data**: The lack of data limits the ability to track progress and hence the development of elaborate monitoring and evaluation frameworks. The capacity gaps in data collection need to be closed for effective monitoring and tracking. In addition, there is lack of a harmonised system of data requirements for the indicators across all countries for comparison purposes, which creates challenges. Lessons can be drawn from the Millennium Development Goals (MDGs), where data availability affected the comprehensiveness and reliability of the indicators in several ways. First, the baseline statistics to track progress were not available as these were not being compiled within the national statistics systems. Second, the absence of comprehensive guidelines on data collection makes comparisons across countries difficult at times. Third, consistency in data across the years is compromised due to differences in data sources used as some sources were not consistently available.

35. Based on lessons from the MDGs, regular and more elaborate monitoring and evaluation frameworks help in tracking progress and these should be strengthened. Regular monitoring helps build the necessary capacity to address the challenges. The national statistical system should be capacitated to be able to provide support for Agenda 2063 and SDGs. Coordination also needs to be well defined among the national institutions that collect the data, to ensure that there are synergies within the countries. Capacity building also needs to extend to all the other stakeholders in the economy including government departments and civil society so that data collection for indicators becomes a collective responsibility and reporting is streamlined.

36. **Limited Financing**: Financing is key to achievement of goals under both Agenda 2063 and SDGs, especially since countries face resources constraints due to limited fiscal space. Limited fiscal space is also happening at a time when external debt for many African countries is currently huge and debt servicing costs are already choking the expansion capacity of the economies. For example, external debt in Mozambique constitutes about 65 per cent of the country’s Gross National Income, while it amounts to about 50 per cent in Angola and 46 per cent in Zambia (Figure 5). This limits the ability of the countries to raise new loans to finance the achievement of targets.

Figure 5: External debt situation across the countries



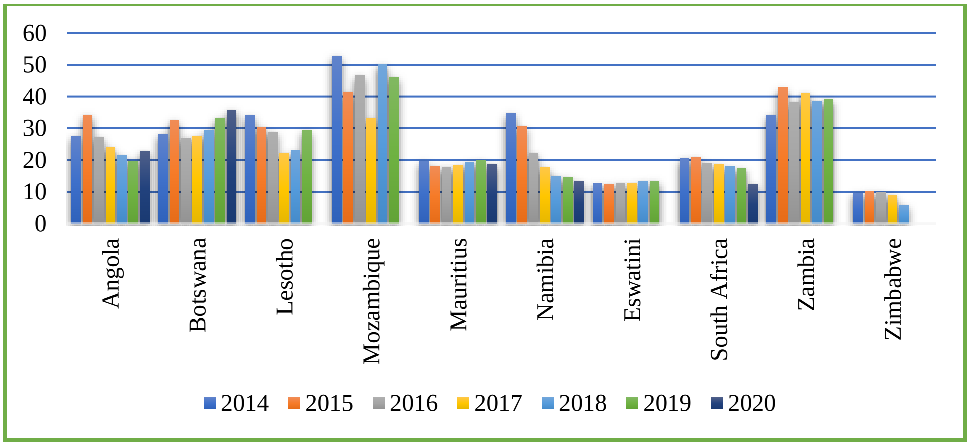
Source: Constructed from the World Bank Indicators

37. The financial resources required for the attainment of SDGs and Agenda 2063 is beyond the developing country and LDCs potential public revenues, even if there is a significant increase in tax collection capacities. For example, low income developing countries would need to increase their SDG budgets by an estimated 12 per cent of GDP to achieve the SDG targets by 2030. A financing gap of about $300 to $500 billion per year would be needed to finance five sectors: health, education, roads, water and sanitation, and electrification[3]. In addition, the COVID-19 pandemic further pushed back development and increased the financing requirements for SDG attainment.

38. **Infrastructure Deficit:** Infrastructure provision is critical in SDG and Agenda 2063 goals as it is also one of the set targets. Adequate infrastructure is the key for economic growth and sustainable development in the region. Inadequate infrastructure limits growth and job creation. However, on their own, member States lack the fiscal space to finance infrastructure. For example, the limited gross capital formation as a ratio of GDP across the countries shows that investment levels have been very low over the past five years, barely exceeding 10 per cent of GDP in countries such as Zimbabwe and Eswatini while remaining below 20 per cent in Namibia and Mauritius (Figure 6). Given that a transformation would be required for the targets to be achieved, the limited investments are a limitation to development, including manufacturing sector growth, as infrastructure is an enabler.

Figure 6: Gross Capital formation as a percentage of GDP in Southern Africa

[3] Sachs, J., Kroll, C., Lafortune, G., Fuller, G., & Woelm, F. (2021*). The Decade of Action for the Sustainable Development Goals: Sustainable Development Report 2021*. Cambridge: Cambridge University Press.



Source: Constructed from the World Development Indicators

39. Investment in public transport systems, roads, ports, hospitals and schools have the capacity to transform the economies, but would require huge financial resources which are beyond the scope of the countries, demonstrating the need for innovative financial solutions. This underlines the need for optimum use of the limited resources and calls for partnerships between the public and private sectors in financing such investments. Mobilisation of resources for investment needs to be enhanced. Governments could introduce innovative financing mechanisms which create incentives, such as leveraging on digitisation and exploring new funding channels such as crowdsourcing and crowdfunding to help unlock resources. Devoting resources towards the creation of an environment suitable for the attainment of targets also requires efficiency in the existing resources. For example, given that the economies are agro-based, SDG2 of ending hunger and Goal 5 of Agenda 2063 on modernising agriculture can be enhanced by increasing yields through targeted agriculture investments aimed at increasing productivity.

40. Funding for agriculture can target economic systems that have the potential to directly improve agriculture as well as strengthening the underpinnings of the whole food system. For example, supporting integrated research and development to ensure the development of better yield varieties as well as strengthening extension could increase the quality of the output and ensure that more outcomes can be achieved from less resources. In addition, resources available can be deployed into proven and high impact technologies that have the capacity to raise productivity, reduce risks as well as strengthening agriculture value chains to create sustainable demand.

41. However, there is already an acknowledgement under the 2030 Agenda as well as the Addis Ababa Action Agenda that SDGs achievement requires collaborative partnerships. Development partners are needed, especially as it is apparent that the eleven countries are experiencing challenges in attaining the targets under Agenda 2063 and SDGs. Development partners can help Member States deal with unanticipated shocks, which threaten to derail progress in achievement of the set targets and for building national capacities to ensure that the national environment becomes conducive for SDG achievement.

42. **Impact of the pandemic on resource availability**: The COVID-19 pandemic undermined progress towards SDGs and Agenda 2063. The pandemic increased the levels of spending needs for SDG achievement each year to 2030 by about 21 per cent more than the original estimates before COVID-19[4]. The negative economic growth rates in the member States in 2020 due to the reduction in production due

[4] Sachs, J., Kroll, C., Lafortune, G., Fuller, G., & Woelm, F. (2021*). The Decade of Action for the Sustainable Development Goals: Sustainable Development Report 2021*. Cambridge: Cambridge University Press.

to lockdown measures, restrictions imposed on working hours and schedules, reduced business activity and reduced aggregate demand as households are locked down, undermined growth. Furthermore, the disruption of global production and supply chains affected both imports and exports and had a direct impact on economic growth. The import dependence of regional member States increased vulnerability and for those that depend on food imports, food inflation was observed.

43. The pandemic reduced revenue inflows for government due to low economic activity while also affecting livelihoods through reduced income and remittances. The direct impact of COVID-19 on SDG 8 and Goal 4 of Agenda 2063 on decent work and economic growth, while also affecting food security (SDG2 and Goal 5 of Agenda 2063) and worsening poverty (SDG1 and Goal 3 of Agenda 2063) need not be underestimated. This means that post-COVID recovery efforts should also be informed about the need to boost aggregate demand, increase the production capacity of the economies, as well as enhance access to food so as to try to reposition the countries to their pre-COVID-19 positions.

44. Given the limited fiscal space and indebtedness, development partner support is required to assist in the COVID-19 recovery initiatives. There are several possible ways through which development partners can assist. First, the mobilisation of domestic resources and international private sector resources can be enhanced through development partner support to make the investment attractive through reducing risks. For example, innovative financial instruments such as blending, loans and guarantees can unlock investment into Africa. Second, development partner support can be used to stimulate trade and investment. Examples include the traditional aid for trade support, where specific capacity enhancement would be targeted for financing to expand capabilities for trade. Third, development partner support can also be helpful in fostering science, technology and innovation. Currently, SDG9 and Goal 10 of Agenda 2063 are under threat, as COVID-19 saw limited resources being devoted to innovation. Development partners can facilitate cooperation between countries to collaborate in STI projects as well as build the necessary capacities and access to state of the art technology.

The AfCFTA can be an anchor for the achievement of SDGs and Agenda 2063

45. The AfCFTA offers great opportunities for countries to deal with these structural issues and hence adequately position themselves to achieve the SDGs and Agenda 2063. The Agreement offers market opportunities which can trigger increased trade and investment, greater value addition and productivity growth, which can transform the Southern African economies into exporters of competitive value-added goods. The Agreement offers opportunities for structural transformation including diversification from primary products, as it is expected to increase intra-Africa manufacturing exports by 110 per cent, resulting in about US$823 billion being realised across Africa by 2035[5]. As noted earlier, countries currently face challenges in meeting targets due to vulnerabilities to shocks from falling commodity prices.

46. Tariff reduction lowers prices of imported goods for consumers, which enhance their spending power with a direct impact on hunger and poverty. The lowering of costs for intermediate products and reduction of administrative red tape as well as a reduction in compliance costs enhance business performance and reduces costs of products, increasing availability to the poor. The implementation of the Agreement is also expected to increase real income by US$445 billion by 2035 if implementation is fully accomplished with tariff liberalisation, non-trade barrier removal and enhanced trade facilitation[6]. This will unlock income opportunities which are needed for jobs and poverty and hunger alleviation. In addition,

[5] World Bank. (2020). *The African Continental Free Trade Area: Economic and Distributional Effects*. Washington DC: The World Bank Group.
[6] Ibid

addressing non-tariff barriers through developing a competitive and efficient national infrastructure backbone of roads, rail, water and communication will serve as the foundation for meeting the other SDGs on economic growth and infrastructure.

47. Agenda 2063 also envisages Africa having a manufacturing-based industrialisation strategy, where transition from the current situation of being largely dependent on exporting commodities would have been achieved. The implementation of the AfCFTA will also see the emergence of strong manufacturing bases in Southern Africa, which would also make it easy for them to achieve the Agenda 2063 objectives on manufacturing-based industrialisation.

48. The export of manufactured goods and services under the AfCFTA will facilitate transition to higher value jobs thus unlocking more employment opportunities for the youths. The employment objectives of the SDGs and Agenda 2063 are currently threatened by dependence on rain-fed agriculture which is being undermined by climate change. The Zambia and Zimbabwe national strategies also show that the AfCFTA is being designed to create opportunities for entrepreneurship for job and wealth creation, poverty reduction, enterprise development, as well as empowerment of women and youths. These initiatives have a direct bearing on poverty alleviation as well as increasing employment, which can improve the country scores on SDG1, SDG2 and SDG8 as well as Goal 1 and Goal 3 of Agenda 2063.

49. Enhancing value addition and agro-businesses development is also a priority area for Agenda 2063 and the AfCFTA will be anchored on such activities. Member States are already leveraging on agriculture base as an anchor in tapping into opportunities from the implementation of the Agreement though regional value chains and agro-processing. Regional and national level studies have identified target value chains for development and value addition to produce competitive products.

50. Through a growing manufacturing sector and industrialization with job opportunities, the implementation of the Agreement will facilitate sustainable and inclusive economic growth. The new trade opportunities will be available to all stakeholders, including the previously marginalised such as youths, women, informal sector players and MSMEs to tap into the trade gains. In addition, opportunities for enhancing human capital development, a priority under Agenda 2063, will be associated with the implementation of the Agreement. The strategy by member States to include capacity building elements for all stakeholders in the AfCFTA implementation process can anchor the attainment of this Agenda 2063 priority.

51. The creation of sustainable jobs will be guaranteed under the expanded trade opportunities from the implementation of the Agreement. The AfCFTA expected to create 2.4 million jobs in energy-intensive manufacturing, 4.6 million jobs in public services, 280,000 jobs in recreation and other services as well as 130,000 in trade services[7]. Thus, the implementation of the Agreement will be a critical tool for the attainment of Agenda 2063. Empowerment strategies are key in the AfCFTA strategies and given that women's development and youth empowerment also constitute a priority area under Agenda 2063, the national strategies will address this challenge and ensure that women and youths, who are currently marginalised, benefit from the opportunities.

52. The development of trade-enabling infrastructure is also at the centre of Agenda 2063 priority areas. Infrastructure is a key enabler for industrial development. Thus, addressing the infrastructure bottleneck

[7] World Bank. (2020). *The African Continental Free Trade Area: Economic and Distributional Effects*. Washington DC: The World Bank Group

will boost industrial development and provide impetus for international trade under the AfCFTA. By implementing the Agreement, regional member States will also facilitate the attainment of the infrastructure targets of the Agenda 2063.

Enhancing ratification and implementation of the Agreement

53. The review has shown that regional member States have made progress with ratification with only two yet to do so. As noted in the report, ratification is a key step but the benefits of the Agreement come from implementation and negotiations are a key factor in that. The process of creating a platform to facilitate implementation and developing commensurate negotiation strategies is important. The support and facilitation of implementation should be anchored on; assisting member states to appreciate the benefits of implementing the Agreement; strengthening the participation of the private sector and other non-state actors in decision making on the AfCFTA, adopting a regional approach to the development of national strategies, and enhancing the capacity of national AfCFTA Implementation Committees, where they have been established and assistance with negotiations.

i) **Elaboration of trade and investment opportunities:** Understanding the benefits from the implementation of the Agreement is key to energising the process. Regional member States should invest in identifying the opportunities from implementing the AfCFTA Agreement to develop the appropriate strategies to enter the markets as well as ward-off threats. This includes capacitating all stakeholders so that the window from the 10 per cent tariff lines that would constitute the sensitive products and exclusion list can be used as the basis for mitigating against any serious revenue and competitiveness challenges arising from the AfCFTA Agreement.

ii) **Enhancing private sector participation and the involvement of other non-state actors:** The private sector is a particularly key stakeholder to the success of the AfCFTA Agreement hence member States should ensure that the sector is actively involved in the negotiation processes as part of stakeholder groups. Furthermore, extensive awareness and advocacy should be targeted at business. The AfCFTA is a larger and more competitive space hence the need for capacity building of the private sector to ensure that the sector is positioned to exploit the advantages from economic integration. This would also be a critical foundation for national cohesion in the AfCFTA process, which is key for enhancing economic integration benefits.

In addition, member States should ensure that all the stakeholders involved in the crafting of the AfCFTA National Strategies remain integral in implementation by being involved as champions of specific activities. According non-state stakeholders explicit responsibilities in implementation enables them to be part of the oversight process and endears collective ownership, which is imperative for success.

iii) **Development of regional AfCFTA strategies:** The development of a regional template on AfCFTA strategies could assist member States. In this regard, SADC and COMESA should prepare regional strategies on the AfCFTA to ensure that the benefits from the Agreement are broken down to ensure that countries are guided accordingly in developing their national strategies. For example, a SADC level AfCFTA strategy or a COMESA level AfCFTA Strategy will help ensure that the regional integration benefits at SADC or COMESA level so far are properly harnessed to unlock more benefits from the Agreement, especially since the principle of acquis being observed at the AfCFTA is meant to avoid undoing the current benefits at REC level.

iv) **Capacity building on trade facilitation:** Trade facilitation is key for the implementation of the AfCFTA Agreement. Specifically, removing bottlenecks that arise due to non-tariff barriers should be prioritised. Investing in removing non-tariff barriers pays off in the long run as more opportunities are unlocked, for example poor infrastructure and border inefficiencies currently drive away custom to other countries.

v) **Capacitation of National AfCFTA Committees and Negotiators:** National AfCFTA Committees are critical to the success of the implementation of strategies, thus member States should provide resources to ensure that Committees are functional. It is also recommended that Member States introduce some legislative backing for the functions of the committees to become to be justiciable. Furthermore, the capacity of negotiators to deal with outstanding issues on the finalisation of the tariff schedules and on the remaining rules of origin. As member States work on preparing the schedules of concessions for the five Trade in Services Sectors, technical capacity needs to be enhanced and the AfCFTA Secretariat and development partners can anchor such support.

54. In addition to the above, overall, the African Union Commission with technical support from partners, should continue to explore measures of enhancing continental economic integration among all the countries to extend beyond their existing RECs. The focus in enhancing continental integration should be on creating opportunities and incentives for mutually beneficially trade within the continent to reduce reliance on markets outside the continent. For example, strategies on developing the value adding industries within the continent targeting the commodities that are mainly exported to international markets in raw form could be targeted.

Enhancing SDG and Agenda 2063 achievement

55. The strategies to enhance progress towards SDGs and Agenda 2063 should include; development of an institutional framework; enhancing data collection and harmonization; mobilizing internal and external resources, supporting MSMEs growth, and facilitating industrial development.

i) **Developing of SDGs Institutional Frameworks:** Functioning institutional structures are key for following up on implementation of SDGs and can anchor success. The Southern African countries should ensure that the SDG institutional framework meets the three layers expected for smooth SDG implementation. Specifically, they should ensure that there is a Parliament SDG Committee, which is critical for SDG oversight. Botswana, Zambia and Zimbabwe already have such structures and tracking is much easier.

ii) **Enhancing data collection and harmonization:** Regional member States should set aside resources for capacity building among the national statistics agencies for SDG data collection. Member States should also ensure that all the national institutions that collect the data are coordinated to ensure that there are synergies that can be exploited rather than competition among the various entities. A standardised template for the collection of SDG and Agenda 2063 data should be developed and implemented.

iii) **Mobilizing domestic resources and efficient utilization:** Member States should effectively and efficiently utilize financial resources as a strategy to attracting development partner support. Strategies include curbing illicit financial flows and designing of efficient taxation strategies. Attention should be towards efficiency in the existing resources to achieve more outcomes from the limited resources before seeking development partner support.

iv) **Attracting development partner support:** Southern African countries should ensure that development partner support is used to finance initiatives that reduce investment risks to ensure that the support builds capacity for further expansion. Examples include innovative financial instruments such as blending, loans and guarantees, as well as the traditional aid for trade support. Infrastructure financing using development partner support can also be channelled towards fostering science, technology and innovation in Southern Africa, as the countries score poorly in this SDG9 indicator. This will also help in creating the capacity for the achievement of other SDGs and goals under Agenda 2063.

v) **Accelerating industrialization**: Member States should prioritise the development of policies and strategies to facilitate manufacturing-based industrialisation, which would facilitate transition from dependence on commodityy exports. Value addition and agro-businesses development, leveraging on regional value chains will be instrumental in strategically positioning Member States to exploit opportunities from the AfCFTA, which would also help achieve Agenda 2063 and SDG targets. Given the general thrust towards sustainability, the thrust need to be on the emergence of green manufacturing industries, which would be key towards SDGs achievement.

vi) **Supporting growth of MSMEs:** Given that the MSMEs sector dominates the economies of most of the Southern African economies, Member States should prioritise their development and ensure that the MSMEs anchor industrialisation and trade that is envisaged under the AfCFTA. Addressing the finance, skills, technology and market challenges facing the sector will be key to the role of the sector. This would also go a long way in ensuring that the opportunities are shared across the wider economy, as this sector employs the largest proportion of the economy.

56. Furthermore, all member States should exploit opportunities from the AfCFTA as a strategy towards achieving SDGs and Agenda 2063, as currently they are all facing challenges with most of the targets. This calls for speedy ratification and implementation of the AfCFTA, which can anchor for the attainment of the targets by increasing market opportunities, spur industrialisation, enhance productivity, and create jobs and income opportunities needed to achieve SDGs and Agenda 2063 targets. In the same vein, the development of trade-enabling infrastructure should be prioritised, especially since the infrastructure deficit continues to undermine improvement in macroeconomic performance, which is needed to foster the attainment of SDGs and Agenda 2063 targets. Furthermore, deficits in the digital economy and e-commerce should be addressed to enhance the competitiveness of MSMEs, which will be the key to exploiting opportunities arising from the AfCFTA.