2022 African Report of the Secretary General
Implementation of the Vienna Programme of Action for Landlocked Developing Countries for the Decade 2014-2024

I. Introduction

1. Africa is home to 16 of the world's 32 landlocked developing countries. Africa's landlocked Developing Countries are also the least economically integrated countries in the world. Like such countries in other regions of the world, those in Africa face unique trade and development challenges, emanating from their lack of territorial access to the sea. Those challenges impose serious constraints on their overall socioeconomic development. The economies of Africa's landlocked developing countries are highly heterogeneous, both in terms of the level of development and economic structure. Constrained by their landlock status, they rely heavily on transit countries' seaports for access to international markets. Thus, they face higher trade costs than transit countries, despite continuing international efforts to facilitate their market access. Many of the landlocked developing countries are highly dependent on commodities exports, while a few others rely on remittances or tourism as the main source of their foreign exchange earnings, making them highly vulnerable to swings in external flows.

2. The coronavirus disease (COVID-19) pandemic has exacerbated the peculiar challenges faced by landlocked developing countries. Because of their remoteness from global markets, dependence on commodity exports of agricultural, mining and energy products, and heavy reliance on international trade, combined with their fragile economic and social structures, they have been particularly exposed to the devastating effects of the pandemic. The situation of such countries in Africa was compounded by the closing of land borders, which further isolated them from world markets and undermined their efforts to mitigate the disruptions created by the pandemic. The resulting socioeconomic downturn has also reversed some of the gains that they have made towards achieving the goals of the Vienna Programme of Action and the 2030 Agenda.

3. The Vienna Programme of Action for Landlocked Developing Countries for the Decade 2014–2024 provides a coherent and holistic framework for addressing the special development challenges of this category of countries by prescribing priority areas of intervention. Its overarching objective is to promote inclusive economic growth and sustainable development to eradicate poverty, build resilience, bridge economic and social gaps, and ultimately transform landlocked developing countries into land-linked countries. The Vienna Programme of Action is an integral part of 2030 Agenda for Sustainable Development and Agenda 2063: The Africa We Want, of the African Union.

4. This present report has been prepared in response to the request by the General Assembly, in its resolution 76/217 to the Secretary-General to submit at its seventy-seventh session a report on the implementation of the Vienna Programme of Action for Landlocked Developing Countries for the Decade 2014–2024. The report provides comprehensive information, analysis and statistical data on recent progress and challenges in the

implementation of the Vienna Programme of Action (VPoA) and of the Political Declaration of the High-level Midterm Review. The report also reviews the performance of the LLDCs on the Sustainable Development Goals and recent socio-economic development and the progress made in implementing the Roadmap for Accelerated Implementation of the VPoA. Furthermore, it highlights COVID-19 recovery efforts in LLDCs and identifies areas that require further action and support. The report provides important input to the intergovernmental processes including of the Second Committee of the General Assembly.

II. An overview of socio-economic development in landlocked developing countries

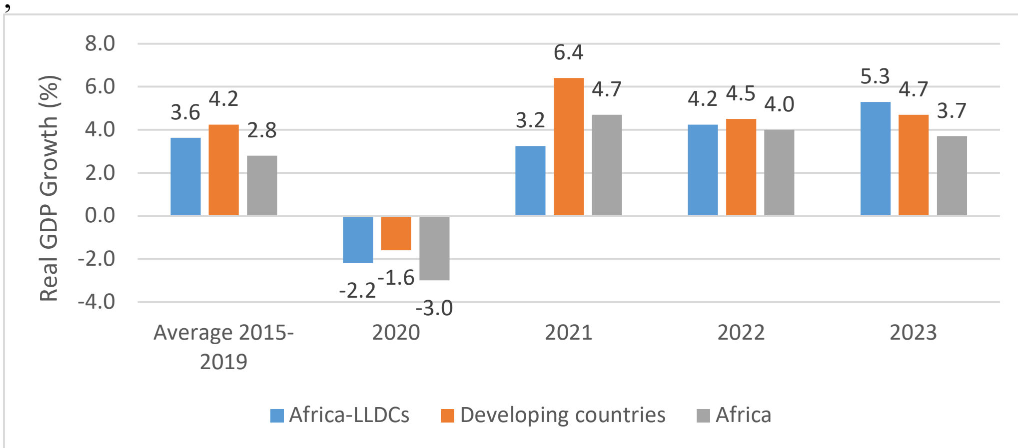
II.I. Recent economic developments in Africa's LLDCs in 2021

5. After a significant contraction in 2020, landlocked developing countries (LLDCs) in Africa, as has been the case with most developing countries, have exhibited a rebound in 2021. African LLDCs' real GDP growth rebounded by average of 3.2 per cent in 2021 compared to a 4.7 per cent and a 6.4 per cent average growth for Africa as a whole and developing countries, respectively (Figure 1). Economic growth of African landlocked developing countries increased at an average rate of 3.6 per cent from 2015 to 2019, before contracting by 2.2 per cent in 2020. These economies are projected to continue rebounding by an average of 4.2 per cent in 2022 and 5.3 per cent in 2023. Among the 16 landlocked developing countries in Africa, Zimbabwe witnessed the greatest GDP rebound in 2021 as it came from a very low base (from -8.0 per cent in 2020 to 6.3 percent in 2021), followed by Botswana (5.7 per cent in 2021) and Burkina Faso (5.0 per cent in 2021). The economies endeavoured to tackle the health and economic impacts of the pandemic and stimulate their economic recovery. On average, the LLDCs in Africa have been recovering at a slower pace than African region as a whole and developing countries globally, mainly due to the impact of relatively persisting border closures around the globe, which have significant impact on these countries without territorial access to the sea for transportation.

6. These LLDCs experienced significant challenges in their transport networks in Africa, as their exports and imports have to pass through at least one neighbouring country, making trade more complex and relatively costly for them. Fiscal deficits in the African landlocked countries are shrinking compared to the 2020 level, but still higher than the pre-pandemic levels as the COVID-19 related spending remains high with relatively low revenue levels. Accommodative monetary policy was implemented to enhance liquidity and mitigate the effects of the pandemic over the period. Inflation across African LLDCs, however, continued with its upward trend in 2021, contrary to earlier expectations, as commodity prices continued to recover and feed into energy and goods prices. Zimbabwe and South Sudan recorded relatively high inflation rates of 40 per cent and 99 per cent in 2021, respectively.[1] This was mostly due to supply-side constraints associated with the pandemic, rising demand as goods became scarce, exchange rate pressures coupled with other structural rigidities in these economies.

[1] IMF (2021), World Economic Outlook (WEO), IMF, Washington DC.

Figure 1: Economic growth of LLDCs in Africa, 2015–2023.
,



Source: United Nations Department of Economic and Social Affairs, *World Economic Situation and Prospects, 2022*.

7. Some African landlocked developing countries have also grappled with social upheaval and other challenges arising from conflict and instability. Since 2021, there have been military coups in Burkina Faso, Chad and Mali and foiled attempts in the Central African Republic and the Niger. There is also an ongoing civil war in the Tigray region of Ethiopia, which poses threats both domestically and to other countries in the Horn of Africa. Burkina Faso, Chad, Mali and the Niger are also dealing with rising interethnic violence. These crises and the resulting political instability have exacerbated the economic challenges that those countries are facing due to the COVID-19 pandemic.

III. Transport Issues and Transit Policies

8. The challenges and disruptions brought about by the COVID-19 pandemic highlighted African landlocked developing countries' transport and trade connectivity deficits. The pandemic has demonstrated the centrality of infrastructure development in post-COVID-19 recovery plans for African LLDCs. This necessitates a rethinking of planning and delivery of infrastructure assets, with a particular emphasis on diversification in finance, as most countries' finance priorities have been diverted to welfare and health. Sound policies, rules, regulations and laws are critical to the LLDCs' sustainable transport infrastructure and services development, particularly in the post-COVID-19 era.

9. Increasing connectivity is the crucial way to transform landlocked countries into land-linked countries. Africa's landlocked developing countries have made significant improvements in the expansion and upgrading of transport infrastructure, but they still face major obstacles in developing viable and predictable transport systems. They continue to lack adequate physical infrastructure in rail transport, road transport, dry ports, inland waterways, pipelines and air transport. They also have lower road and rail network densities – measured as km per km^2 of land area – compared with transit developing countries and the global average. The infrastructure deficit and high cost of logistics constitute major constraints to the growth of landlocked developing countries and to the

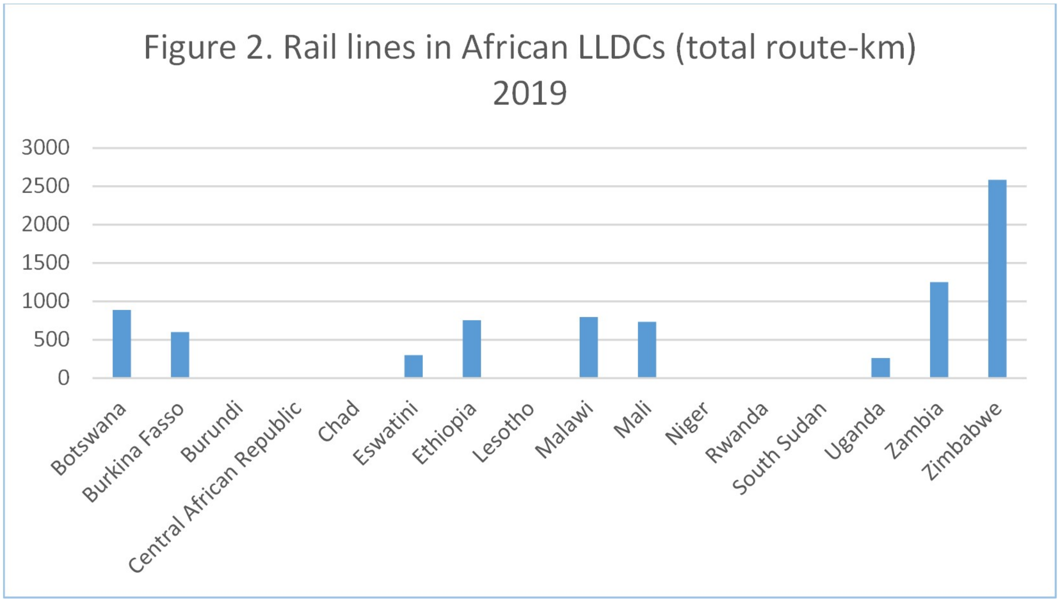
full realization of the African Continental Free Trade Area. ECA conducted a comprehensive study of the effects of the African Continental Free Trade Area on trade flows in Africa, which showed that inadequate transport infrastructure and services could hamper the full realization of the benefits of the African Continental Free Trade Area in the landlocked developing countries. Transport is a critical priority sector for services liberalization as it plays a critical role in facilitating inclusive intra-African trade. The implementation of the African Continental Free Trade Area is set to lead to a 28 per cent increase in intra-African freight demand by 2030: the demand for road, rail, maritime and air freight will rise by 22, 8, 62 and 28 per cent, respectively, while the modal share on rail will increase from 0.3 per cent to 7 percent. However, Africa will require close to 2 million additional trucks, more than 100,000 rail wagons, 250 aircrafts and more than 100 vessels by 2030 if the African Continental Free Trade is to be fully implemented. There is need for huge investments in roads, railways, seaports and airports as well as in trucks, rail wagons, aircrafts and vessels.

10. Road transport – the dominant mode of transport in Africa – constitutes between 80 and 90 percent of passenger and freight traffic. As the primary mode of transport for both freight and passengers, road network plays a critical role in providing access to and from LLDCs. Having good quality road network is important to provide physical access to markets. The average road access rate is a mere 34 per cent for African countries, far below the developing country average of 50 per cent. In terms of road quality, LLDCs generally have relatively poor road network when compared to their transit neighbours and they lag behind the global average. The average paved road density in African landlocked developing countries is 10.59 km per 1000 km^2, which is nearly half of the landlocked developing countries' average (24.66 km). The Trans-African Highway is a network of transcontinental road projects in Africa that seeks to address the deficit in road transport and road connectivity across the continent. It comprises nine highways with a cumulative length of 56,683 km (35,221 miles). However, its operationalization continues to be hampered by missing links and poor maintenance in some key segments.

11. Rail is the second most dominant mode of transport in Africa. The Program for Infrastructure Development in Africa (PIDA) has declared rail connectivity as crucial to Africa's development, and particularly Africa's landlocked developing countries. Railways will also be critical in realising the full benefits of AfCFTA, another flagship project of Agenda 2063, in particular in moving large quantities of goods across long distances in a cost-effective and environmentally friendly manner. Many African landlocked developing countries are linked to the sea by rail and rail transport has potential advantages over road transport in terms of lower tariffs. Rail transport also offers shorter and more reliable transit times due to fewer stops in transit and shorter border-crossing waiting times and fewer en-route delays. Thus, it is ideal for landlocked developing countries to transport their low-value bulk goods. However, the general pace of provision of railway infrastructure in Africa is low. Although Eswatini has the highest rail density among African landlocked developing countries, the total African railway network of 74,775 km, which is mostly situated in North Africa and Southern Africa, has very low density, and has over 26, 362 km of missing links.[2].However, 16 African countries, including 4 landlocked developing

[2] UN-OHRLLS 2019

countries (Burundi, Central African Republic, Chad and Niger) still lack railway network connectivity (Figure 2).



Source: World Bank 2021

12. There is need for massive investment in railways in African landlocked developing countries. The countries also need to provide rail operators with the tools to acquire locomotives and wagons and finance them cost effectively. The COVID-19 crisis has demonstrated the importance of effective supply chain management to international trade. African landlocked developing countries need to seize the opportunity provided by COVID-19 recovery efforts to create the enabling conditions for expanding the rail sector. Rail-based transportation networks not only protect the environment but also spur development. Advocacy is underway for African landlocked developing countries to ratify the Luxembourg Rail Protocol, contributing to a much larger and more dynamic rail sector on the continent. The impact of the Protocol could be particularly significant in LLDCs and regions on the continent that are currently underserved by rail transport. By supporting a modal shift from high-carbon, greenhouse gas-emitting forms of transport (such as cars, trucks and aircraft) to railways, the Luxembourg Rail Protocol will achieve all the interlinked Sustainable Development Goals in African LLDCs.

13. Air transport is crucial to promoting connectivity of landlocked developing countries, particularly because it does not subject the countries to borders and other impediments associated with surface transport modes. Air connectivity can help foster exchange of goods and services and boost productivity and growth of economies. African landlocked developing countries have higher air freight volume compared to other landlocked developing countries, although 95 per cent of the total volume is transported by Ethiopia. However, the expansion of air transport infrastructure requires very high investment, and

air transport is suited for high-value or time-sensitive goods, much in contrast with lower value, export commodities of African landlocked developing countries. Thus, the landlocked developing countries face immense challenges securing financial capital for the expansion of air transport infrastructure.

14. The take-off guidance recently adopted by the Council Aviation Recovery Task Force of the International Civil Aviation Organization (ICAO), which provides a biosecurity framework for safe air transport, should help the sector to recover in African landlocked developing countries, provided that they can apply the recommendations consistently and uniformly. Rwanda is among the first countries in the world to fully comply with the ICAO biosecurity recommendations. The Single African Air Transport Market[3] will also play a major role in improving air connectivity for the continent's landlocked developing countries, 11 of which are among the 34 African States that have signed the solemn commitment to implement the Single African Air Transport Market. The implementation of the Single African Air Transport Market is expected to increase intra-African connectivity and the growth of African airlines. In 2020, UNECA, in collaboration with the African Union Commission (AUC) and the African Civil Aviation Commission (AFCAC), developed a checklist of key performance indicators to measure the compliance of African member States and eligible African airlines with the provisions of the Yamoussoukro Decision on the liberalization of air transport markets in Africa and its institutional and regulatory instruments – the Yamoussoukro Decision Regulations. In 2021, ECA configured the key performance indicators into a dashboard for tracking the performance of States that have signed the solemn commitment to the Single Air Transport Market. ECA has also initiated a project which uses the key performance indicators and the dashboard to assess the performance of States in implement the Yamoussoukro Decision, and to assist them in closing existing gaps. Inadequate financing for the operation and expansion of African airlines is compromising the realization of the full benefits of the Yamoussoukro Decision.

15. COVID-19 has had a significant negative impact on the aviation industry in Africa. Between 2020 and 2021, the continent lost up to 3.5 million jobs in aviation and related industries, accounting for more than half of its 6.2 million aviation-related jobs and representing an increase of 400,000 since 2019 .[4] Air traffic in Africa plummeted by 54 per cent (i.e. more than 80 million passenger journeys), with a resulting decrease in GDP across the continent of up to $35 billion.[5] The slow pace of COVID-19 vaccination in Africa is expected to delay the recovery of international travel, with airlines in Africa projected to post a $1.5 billion net loss in 2022, on top of a $1.9. billion loss in 2021 (see table 1). The turbulence in the air transport industry occasioned by COVID-19 were even more acutely felt in landlocked developing countries.

---

[3] A flagship project within the framework of Agenda 2063 that was launched by the African Union in 2018 to create a single, unified air transport market in Africa and to advance the liberalization of civil aviation in Africa.

[4] International Air Transport Association, "Economic performance of the airline industry" (2021). Available at https://www.iata.org/en/iata-repository/publications/economic-reports/airline-industry-economic-performance---october-2021---report/.

[5] Ibid.

Table 1
Economic performance of the aviation industry in Africa as of December 2021 (change year over year)

	2019	*2020*	*2021[e]*	*2022[f]*
Net post-tax profit (billions of dollars)	-0.3	-2.2	-1.9	-1.5
Per passenger (dollars)	-2.7	-44.6	-31.6	-21.8
Revenue (percentage)	-1.8	-34.6	-24.5	-18.0
RPK growth (percentage)	4.7	-69.3	8.6	26.9
ASK growth (percentage)	4.5	-62.3	13.4	6.1
Load factor, ATK (percentage)	56.2	49.7	51.1	58.1
Break-even load factor, ATK (percentage)	55.6	60.5	57.5	63.8

Abbreviations: RPK, revenue passenger kilometres; ASK, available seat kilometres; ATK, available tonne kilometres; e, estimated; f, forecast.

***Source*: International Air Transport Association, "Economic performance of the airline industry" (2021).**

16. The Vienna Programme of Action recognizes the importance of having access to affordable, reliable and renewable energy in enabling the modernization of information and communications technology and transit systems, with a view to enhancing the productivity and trade competitiveness of landlocked developing countries. However, energy access for such countries in Africa remains particularly low, with an average of only 44 percent of the population having access to electricity, far below the average of 81 per cent for developing countries. The use of clean fuels and technologies is even lower in African landlocked developing countries; an average of only 13.7 per cent of the population in those countries had access to clean fuels and technologies in 2016. The International Renewable Energy Agency (IRENA) has provided them support in tackling their energy access deficits through increased uptake of renewables, which are increasingly becoming cost-competitive and accessible because of rapidly falling costs. Nevertheless, more international and regional cooperation and partnerships will be required to accelerate universal access to energy and the development of renewable and efficient energy sources in landlocked developing countries.

17. In that regard, the recent move by the African Union Development Agency to collaborate with IRENA and the International Atomic Energy Agency in the development of the African Continental Power Systems Master Plan is welcome. The Plan serves as a blueprint for the development of energy master plans that promote access to affordable, reliable and sustainable electricity supplies across the continent. For its part, ECA has partnered with RES4Africa Foundation and IRENA to develop a joint report – *Towards a Prosperous and Sustainable Africa: Maximizing the Socioeconomic Gains of Africa's Energy Transition* – which draws on the knowledge and experience of the three organizations to provide insights into the socioeconomic impact of clean energy investment in Africa, and to support overall development, sustainable economic transition and renewable energy development

in emerging economies, including landlocked developing countries. ECA, in partnership with IRENA and other entities, has launched the Africa Renewable Energy Dialogue series to promote the accelerated delivery of distributed renewable energy to the last mile in Africa, by exploring the opportunities and resources required to reach consumers and producers and make renewable energy accessible to all. Landlocked developing countries will no doubt benefit from these initiatives.

18. Africa has made significant strides in the uptake of information and communications technology (ICT) in the past three decades. This growth has been witnessed especially in mobile telephony. Mobile phone penetration in Africa is now at over 60 per cent. African landlocked developing countries have also witnessed a significant increase in mobile cellular subscriptions, from 64.3 per 100 people in 2014 to almost 80 per 100 people in 2020. There was also an acceleration in Internet use across the globe during the COVID-19 pandemic, from 54 per cent of the population in 2019 to 63 per cent in 2021. In the same period, Internet use in Africa as a whole jumped from 27 per cent in 2019 to 33 percent in 2021, while in landlocked developing countries, the number of Internet users increased to 35 per cent of the population in 2021, up from 29 per cent in 2019.[6] This is still far below the world average of 63 per cent.[7]

19. Landlocked developing countries recorded major increases in subscriptions for active mobile broadband (37 per 100 inhabitants) and mobile-cellular telephone (79 per 100 inhabitants), and a small increase in subscriptions for fixed-broadband (3 per 100 inhabitants) in 2020. In 2020, 53 per cent of the population in the landlocked developing countries had access to 4G mobile network coverage, while 31 per cent had access to 3G coverage, and 10 percent to 2G coverage.[8] However, high prices for ICT continue to hamper the capacity of landlocked developing countries to harness the full benefits of the digital economy and to reap maximum trade and development benefits that should accrue from the use of emerging technologies such as e-commerce, automated single windows, e-government and digital finance. More efforts are required to help such countries in Africa to develop affordable broadband Internet service for wider populations so as to achieve Sustainable Development Goal 9.c (on the provision of universal and affordable access to the Internet). Collaboration with the international community will be necessary to bridge the digital gap between landlocked developing countries and the rest of the world.

20. ECA continued to support the efforts of African landlocked developing countries to develop transport infrastructure and enhance their connectivity. ECA partnered with the Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States, the African Development Bank and others to provide training to representatives of such countries on strengthening capacity to develop bankable transport infrastructure for enhanced connectivity. The training was the first in the series of workshops to be undertaken under the project "Strengthening the

[6] International Telecommunication Union. Statistics: Individuals Using the Internet – 2021. Accessed on 30 March 2022. Available at https://www.itu.int/en/ITU-D/Statistics/Pages/stat/default.aspx.

[7] Ibid.

[8] Ibid.

capacity of landlocked developing countries to design and implement policies that promote transport connectivity in line with the Belt and Road Initiative for the achievement of the SDGs". The aim is to help landlocked developing countries and transit countries develop the capacity to formulate policies to guide the installation of hard and soft infrastructure for improved connectivity to global and regional markets. ECA has also recently concluded studies on the implications of the African Continental Free Trade Area for demand for transport infrastructure and services, and on the digitalization of transport infrastructure in the post-COVID-19 era, including in landlocked developing countries.

21. Efforts are ongoing to transform logistics industry in African landlocked developing countries. As contribution to efforts to promote seamless cross-border transport on hinterland Africa in the context of the AfCFTA, ECA conducted a study to identify the bottlenecks to the digitalization of the logistics sector in land-locked Ethiopia. The study identified several challenges to digitalization of the logistics sector, including fragmented efforts digitalization by different stakeholders in the logistics sector, which has resulted in multiple non-interoperable platforms; lack of skilled human capital; absence of a legal framework for digitalizing the logistics sector; and inefficient use of data analytics to generate business intelligence. The results of this study, captured in a report, will help other African landlocked developing countries to optimise the benefits of digitalization for the movement of goods within countries and across borders to enhance international trade.

IV. Financing infrastructure projects through public-private partnerships in the post-pandemic era

22. Infrastructure development is an essential component of strategies to build forward better in response to the devastating economic and social impacts of COVID-19 and particularly so in African LLDCs. Investing in sustainable infrastructure initiatives such as green energy projects can stimulate economies by creating jobs. However, infrastructure deficit in African landlocked developing countries has continued to grow, mainly because of insufficient investment by the countries in the sector. Reducing the infrastructure gap between those countries and the rest of the world requires greater efforts to improve the efficiency and quality of public investment in infrastructure and to mobilize public and private financing.

23. Some of the strategies adopted by landlocked developing countries in Africa to finance infrastructure include sovereign loans, grants, financing through domestic institutions, foreign direct investment and public-private partnerships. Many such countries have turned to public-private partnerships in particular as a mechanism for designing, building, financing and operating infrastructure projects that have traditionally been managed exclusively by the public sector. One infrastructure project initiated through such partnerships in Africa is the Ruzizi III Hydropower Plant project, an initiative of the Programme for the Development of Infrastructure in Africa that involves Burundi, the Democratic Republic of the Congo and Rwanda. As the first such subregional project managed through a public-private partnership in Africa, it is being implemented with 50 per cent commercial financing (a combination of debt and equity) and has majority private-

sector ownership. ECA has also contributed to efforts to operationalize the Grand Inga Dam in the Democratic Republic of Congo, including through active participation in awareness-raising dialogues that were facilitated by Special Envoy on Energy of the African Union, former Kenyan Prime Minister Raila Odinga. At a pan-African conference on the Grand Inga Dam, ECA gave a presentation in which it outlined the potential benefits of the dam, including its potential to foster integration. ECA has initiated a project to promote public-private partnership arrangements for financing of infrastructure projects. The project operates on the basis of the "people-first public-private partnerships" and is focused on improving people's livelihoods by identifying public-private partnerships that directly provide local and sustainable jobs; access to basic needs, such as water, energy, transport and education; and promote gender equality.

24. In February 2021, The African Union adopted 69 infrastructure projects with an estimated implementation cost of $160.8 billion under the Second Phase of Priority Action Plan of the Programme for Infrastructure Development in Africa (PIDA) and its Partnership Strategy. The Partnership Strategy aims at leveraging partnerships between African countries and their development partners to fast-track the implementation of continental, regional and national infrastructure projects with regional impacts.

25. ECA has also supported the implementation of bilateral, multilateral and regional transit systems by conducting a study to establish the administrative and financial costs of transit operations. Because of their lack of territorial access to seaports, African landlocked developing countries are obliged to transit their exports and imports through neighbouring countries, which exposes them to problems of inefficient transit systems including poor implementation, weak information systems, lengthy and complex transit initiation procedures at ports, and excessive delays at ports. Several initiatives have been undertaken to resolve these transit challenges. These include the EAC-COMESA-SADC Tripartite Trade and Transport Facilitation Programme, launched in 2022 with financial support from the European Union, to address cross-border transport and trade challenges, and to develop a multi-Regional Economic Communities Electronic Cargo Tracking System for monitoring the movement of vehicles, loads and drivers in the EAC, COMESA and SADC regions. However, there is need to develop continent-wide transit regulations governing intra- and inter-regional operations to reduce transit costs for overseas shipments.

V. International Trade and Trade Facilitation

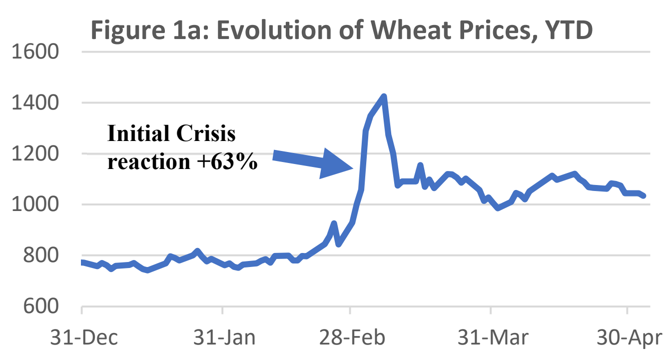
V.1 LLDCs in global trade

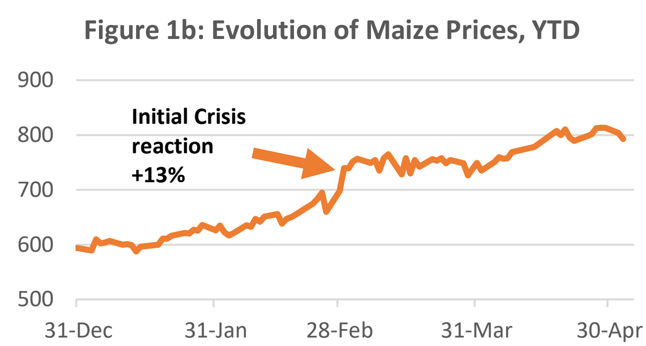
26. The COVID-19 pandemic underscored Africa's economic vulnerabilities and highlighted several infrastructural weaknesses that limit its ability to cope with health and economic shocks. Africa, including LLDC's are highly dependent on international markets and global supply chains. This dependence increases LLDC's exposure to global supply shocks and exacerbates the likelihood of goods shortages. Moreover, the increased government spending during the last years due to the Covid-19 pandemic has widely constrained governments fiscal space limiting their ability to ensure spending needs associated with the Ukraine crisis.

26. The crisis in Ukraine has further challenged African economies due to the double-shock on demand and supply sides which further emphasize Africa's need to limit its high external dependency. The Ukraine crisis has impacted countries through three main pillars namely food, fuel, and finance. The supply chain disruptions and diversions from crisis affected areas increase the risk of food insecurity and poverty. The increase in fuel prices led to inflationary pressures and threaten to impact food inflation at the country and continental levels.

27. LLDCs direct trade links with Russia and Ukraine are relatively small compared to Africa although many countries are indirectly exposed to the crisis through one of the three pillars identified. Combined, LLDC's accounted for a 6.5% share of all African goods imported from Russia in 2020 and a 7% share of those imported from Ukraine[9]. Burkina Faso was the largest importer from Russia amongst LLDCs with USD $178 million in imports, mainly petroleum products[10]. From Ukraine, Ethiopia was the largest importer with USD $132 million and its largest single import was wheat[11]. Although direct links are small the downstream effects of the crisis present LLDCs with challenges that threaten to take a toll high toll on vulnerable populations.

28. The crisis impact on markets for staple goods like wheat, maize, sunflower oil, and barley threaten food security for many LLDCs. As illustrated in figures 1a and 1b, the prices and the trajectories thereof for wheat and maize are higher in the wake of the crisis. The initial shock of the crisis caused wheat prices to rise 63% and maize 13%. Although volatility in these markets has fallen as the initial shock has faded prices are, on average, still higher with both wheat and maize prices up 34% YTD through early May 2022.





Source: Data from Marketwatch, Accessed May 2022

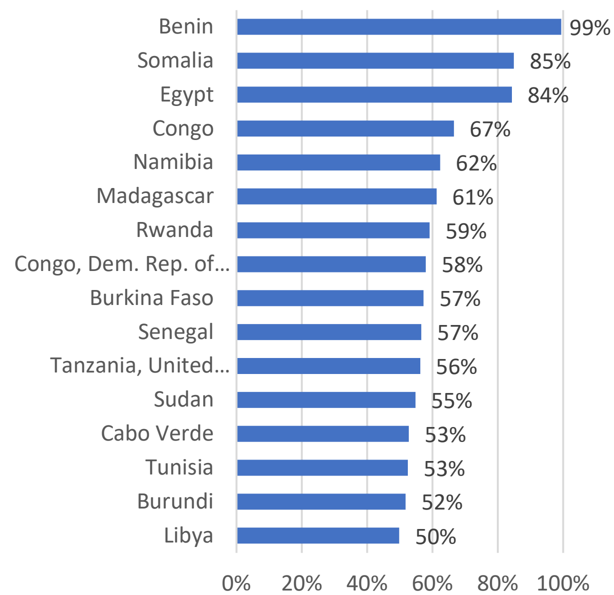
[9] Data from UNCTADStat, Accessed May 2022
[10] Idib.
[11] Idib.

29. Price increases in commodities markets have begun to trickle down to the local level and are impacting prices of staple goods. In March 2022, for example, the rate of inflation in Burundi stood at +9.9% and was mainly due to food inflation which stood at +11.9%[12]. Prices of critical goods such as cereals increased +26.2% year over year and oils used for cooking have also risen +37.8%[13]. In Malawi, inflation stood at 14.1% in March 2022 also driven primarily by food prices which rose 17.1% over the period[14]. The disruption to agricultural markets is largely dependent upon the length and depth of the crisis but a sustained environment of higher prices may reverse many of the anticipated gains in poverty reduction and hunger coming out of the COVID recovery.

30. In addition, even though absolute trade with Russia and Ukraine is low, several LLDCs rely directly on the two countries for these products. This creates the need to re-structure supply chains and secure goods from new sources in the short term. As illustrated in Figure 2, amongst the 16 countries in Africa that import 50% or more of their wheat from Russia and Ukraine Burkina Faso, Burundi and Rwanda are LLDCs.

31. Fuels, the second pillar through which LLDCs are exposed to the crisis threatens to reinforce and accelerate already high prices. As Figure 3 exhibits, since the beginning of the crisis the prices of both oil and natural gas have risen significantly. As of early May 2022, the price of oil is up 36% YTD and natural gas is up 113%.

Figure 2: Share of Wheat Imports from R&U, 2020

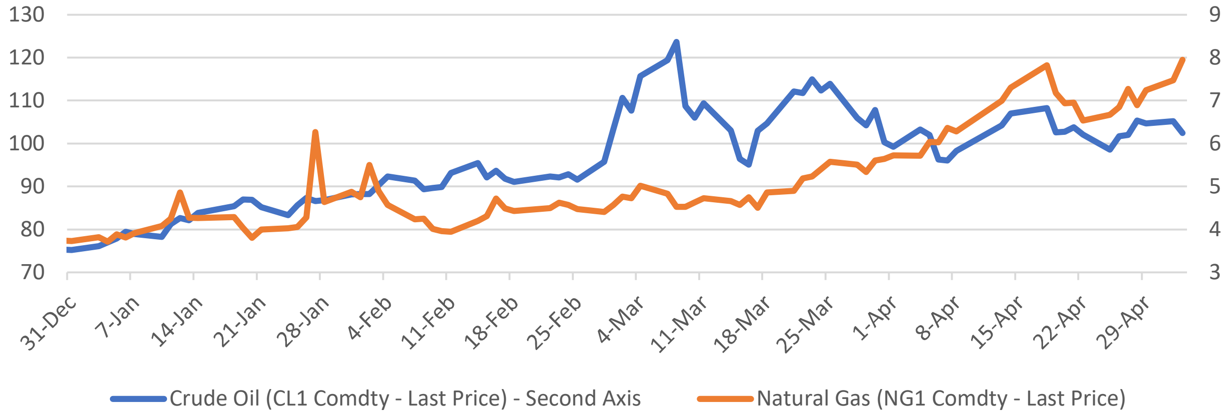


ECA calculations based on data from UNCTADStat, Accessed April 2022

---

[12] Institut de Statistiques et d'Etudes Economiques du Burundi. Report on household consumer price index in Burundi, March 2022
[13] Ibid.
[14] Malawi National Statistical Office

Figure 3: Evolution of Crude Oil & Natural Gas Prices, YTD



Data from Marketwatch, Accessed May 2022

32. Amongst LLDC's 10 countries (Burkina Faso, Burundi, Central African Republic, Eswatini, Ethiopia, Lesotho, Malawi, Mali, Niger, Rwanda, Zambia, and Zimbabwe) were net importers of crude oil and an additional 14 (Burkina Faso, Burundi, Central African Republic, Chad, Eswatini, Ethiopia, Lesotho, Malawi, Mali, Niger, Rwanda, Uganda, Zambia, and Zimbabwe) were net importers of refined oil products. These products are critical to the end-consumer through gasoline prices in local markets. Fuel market deficits leave countries exposed to the vagaries and volatility of international petroleum markets and price increases that are sustained over a longer period will further add to inflationary pressures. In fact, petroleum price pressure has led to a 18.6% increase in the price of gasoline in Zimbabwe in a market which is controlled strictly by the government.

33. Although a sudden and unexpected shock to Africa, the crisis does present countries with an opportunity to enhance its resilience. Many oil exporters across the continent stand to gain from filling the oil-supply glut created by international sanctions in response to the crisis and increased prices create windfalls to governments that can be used to insulate vulnerable populations from the impacts of the crisis. The crisis also presents Africa with an opportunity to look inward and build its resilience from external shocks after several years of being subject to external quandaries. It presents Africa, especially LLDCs the opportunity to diversify their trade partners by increasing intra-African trade and fully implementing the AfCFTA and its related agreements.

V.2 The WTO Trade Facilitation Agreement

34. The WTO Trade Facilitation Agreement (TFA) entered into force in February 2017. By May 2022, forty-one African countries have ratified the Agreement (up from 39 in 2020) and submitted their Category A[15], B[16], and C[17] notifications, among them all LLDCs. All African LLDCs have also already ratified the agreement and have begun implementation (table 1), with ratification and implementation by African LLDCs increasing slightly relative to 2021 notifications.

Table 1: Status of TFA ratification and implementation of from African countries

Status	Africa	Of which LLDCs[18]	Global
Ratification	41	14	155
Category A	33.3%	28.3%	52.5%
Category B	24.6%	29.6%	18.6%
Category C	42.1%	42.1%	28.6%

Source: ECA secretariat based on https://www.tfadatabase.org , accessed 10 May 2022

34. The WTO TFA is expected to bring greatest benefit to those countries that are further behind, including many African countries and LLDCs. Therefore, it is encouraging that the African LLDCs have indicated their commitment through complete ratification and an implementation rate close to the rest of the continent. Many will require support for the implementation of the Agreement provisions. Category C notifications by African LLDCs indicate that the key areas where additional support is considered required are single window, risk management and test procedures. Transition times are requested in form of category B notification most often in acceptance of copies, procedures for appeal and review and comments and information before entry into force.

35. In 2021, the United Nations Regional Commissions produced the fourth edition of the Global Survey on Paperless Trade and Trade Facilitation, with representation of 35 African countries[19], including 10 LLDCs.[20] While the sample size does not allow for generalisation of the implementation rate for trade facilitation on the continent, for the African countries included in 2021, the implementation rate is 50.6 per cent, behind the global average of 64.7 per cent and 51.3 per cent for all LLDCs.

36. The entering into force of the Trade Facilitation Agreement has provided a global momentum for trade facilitation. In Africa, empirical analysis indicates that improved trade facilitation and reduced non-tariff barriers are essential for the full benefits from the African Continental Free Trade Area to be realised. A scenario analysis by ECA on the impact of removal of non-tariff measures on the increase in intra-African trade with the implementation of the AfCFTA by 2045, it show that with a 100% cut in actionable non-tariff measures, intra-African trade would be 63 per cent higher than under the baseline scenario with no tariff liberalization.[21]

---

[15] Provisions that the Member will implement by the time the Agreement enters into force (or in the case of a least-developed country Member within one year after entry into force)

[16] Provisions that the Member will implement after a transitional period following the entry into force of the Agreement

[17] Provisions that the Member will implement on a date after a transitional period following the entry into force of the Agreement and requiring the acquisition of assistance and support for capacity building.

[18] Ethiopia and South Sudan are not WTO members.

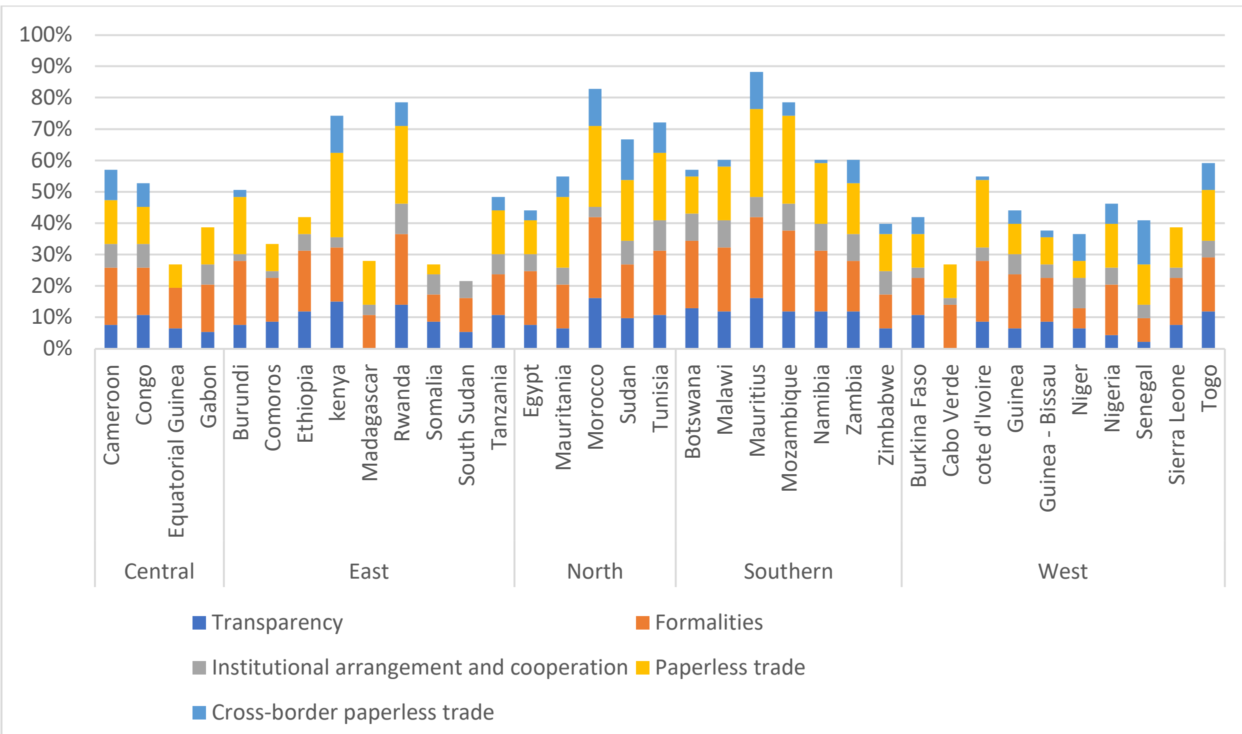
[19] A few countries participated in the 2019 Global Survey but did not respond to the 2021 Global Survey. Data of these countries were duplicated from the 2019 Survey for illustrative purposes. These countries are Tanzania and Tunisia.

[20] Botswana, Burundi, Ethiopia, Malawi, Niger, Rwanda, South Sudan, Sudan, Zambia, and Zimbabwe.

[21] ATPC (2021) New Assessment of the economic impacts of the Agreements Establishing the African Continental Free Trade Area on Africa, Policy Brief

37. The effective implementation of the trade facilitation chapter of the agreement, as well as the implementation of the Boosting Intra-African Trade (BIAT) Action Plan, under which trade facilitation is a priority cluster, is also the number one stated priority for Aid for Trade, representing 60 per cent of trade policy related Aid for Trade disbursements in Africa. The results of the 2021 survey are summarized below. Figure 4 shows the large variations in reported implementation rates between countries. Of the African LLDCs, Botswana, Malawi, Zambia, Rwanda, and Sudan report implementation rates above the continental average of 50.6 per cent. The large range of implementation rates vary from the highest implementation rate of the LLDCs on 78.5 per cent from Rwanda and the lowest implementation rate on 21.5 per cent from South Sudan. In previous editions of the survey, Burkina Faso, Burundi, eSwatini, and Zimbabwe reported overall implementation rates above the regional average.

Figure 4: Trade facilitation measures implementation by African countries & Sub Region, 2021



Source: Global Survey on Digital and Sustainable Trade Facilitation 2021 - **https://www.untfsurvey.org/**

38. There are also large variations between trade facilitation measures, which can partly be explained by the cost of implementation. Regionally, trade facilitation measures relating to formalities tend to be implemented more (on average 63 per cent), while, costly cross-border paperless trade measures are less implemented, at 25 per cent – a pattern largely reflected in the results for LLDCs (table 2). Interestingly, most African LLDCs report a relatively high implementation rate for transparency measures, with more than half having an implementation rate above the regional average. The same applies also for formalities. It could be that the additional challenges faced by LLDCs in terms of trade and access to markets puts pressure to implement national measures where possible and boosting implementation in less costly measures. It is also not surprising that LLDCs score high on institutional arrangement and cooperation, given that they rely heavily on neighbouring countries.

Table 2: Implementation of trade facilitation measures in LLDCs by category, 2021

Category	Botswana	Burundi	Ethiopia	Malawi	Niger	Rwanda	South Sudan	Sudan	Zambia	Zimbabwe	Africa
Transparency	80%	47%	73%	73%	40%	87%	33%	60%	73%	40%	**55%**
Formalities	83%	79%	75%	79%	25%	88%	42%	67%	63%	42%	**63%**
Institutional arrangement and cooperation	89%	22%	56%	89%	100%	100%	56%	78%	89%	78%	**60%**
Paperless trade	41%	63%	19%	59%	19%	85%	0%	67%	56%	41%	**51%**
Cross-border paperless trade	11%	11%	0%	11%	44%	39%	0%	67%	39%	17%	**25%**
Total	**57%**	**50.50%**	**42%**	**60%**	**37%**	**79%**	**22%**	**67%**	**60%**	**45%**	**51%**

Source: Global Survey on Digital and Sustainable Trade Facilitation 2021 - **https://www.untfsurvey.org/**

39. Trade facilitation has great potential to address the barriers faced by SMEs, women traders and other groups which face greater challenges to access regional and international markets. The fourth edition of the Survey also included questions that touched on inclusiveness, including trade in agricultural goods, and incorporation of SMEs and women into trade facilitation policies. Some key shortcomings were identified. For agricultural trade, the SPS certificates and the lack of testing and laboratory facilities are a challenge. Enhanced intra-African trade in agricultural goods could benefit not only the producing countries but also help address the food security challenges facing the continent. Majority of the African LLDCs have an agricultural labour share of over 50 per cent and could be in position to gain from improved trade facilitation measures for perishable goods. However, the limited implementation of trade facilitation measures for agriculture, at 59 percent, is a challenge. Lack of facilitation measures may increase the flow of agricultural goods through informal channels between African countries, which limits the opportunities for operators working in this space to scale up and benefit from the AfCFTA.

40. In terms of the mainstreaming of gender into trade facilitation, considerable work remains to be done. It has been suggested that trade facilitation measures could help address the challenges faced by women in cost of information, harassment at the border, time poverty and others. However, for those African countries which responded to the Survey, the reported implementation rate for measures introduced to benefit women was only 48 per cent. Improving performance in this area could be a low hanging fruit for ensuring more inclusive benefits from the AfCFTA.

41. Given the impact of the COVID-19 pandemic on trade in Africa, and the role that trade plays facilitating global trade, the 2021 survey also included sustainable trade facilitation measures on trade facilitation in times of crisis to understand how countries worked towards mitigating the decline in trade by leveraging the existing trade through trade facilitation measures. In 2021, the implementation rate for 'Trade facilitation in time of crisis and pandemic' measures was 20.2 per cent among countries who reported on that issue. Improving trade facilitation measures and incorporating mitigation plans and policies for future crisis is important to hamper the effect of global supply chain disruption and strengthen the resiliency of regional value chains.

VI. African Continental Free Trade Area (AfCFTA): The continental Marshall Plan for African LLDCs to build back stronger[22]

VI.1 The status and update on the AfCFTA and its implementation strategies

42. The African Continental Free Trade Area (AfCFTA) constitutes a powerful tool for African LLDCs to utilise in building forward better and address the severe social and economic implications of the Covid-19 and more resilient to more and more uncertain global environment. Africa can reap the most social and economic benefits from the 1.3 billion continental market only by ensuring a full implementation of the AfCFTA. The first phase of negotiations of the Agreement (almost completed) covers trade in services and goods as well as the establishment of the dispute settlement body. The ongoing second phase covers rules on intellectual property rights, investment, competition policy, digital trade and Women and Youth in Trade. Regarding the eCommerce negotiations, recent surveys by African businesses have suggested that countries shall prioritize the harmonization of laws for taxation, consumer protection regulations, laws on electronic trade, and data standards and privacy laws.[23] As of May 2022, 54 of the 55 African Union member States had signed the AfCFTA, including all LLDCs. By the same date,43 countries had ratified the Agreement, including 14 LLDCs (see table 3).

Table 3: Status of AfCFTA ratification and signature

Countries which have signed, ratified, and deposited their instruments	Alegria	eSwatini*	Niger*
	Angola	Ethiopia*	Nigeria
	Burkina Faso*	Gabon	Rwanda*
	Burundi *	Gambia	Sahrawi Republic
	Cameroon	Ghana	Sao Tome and Principe
	Cabo Verde	Guinea	Senegal
	Central African Republic*	Kenya	Seychelle
	Chad*	Lesotho*	Sierra Leone
	Congo Republic	Malawi*	South Africa
	Cote d'Ivoire	Mali*	Togo
	Dem. Rep. of the Congo	Mauritania	Tunisia
	Djibouti	Mauritius	United Republic of Tanzania
	Egypt	Morocco	Uganda*
	Equatorial Guinea	Namibia	Zimbabwe*
			Zambia*
Countries which signed only	Benin	Madagascar	
	Botswana*	Mozambique	
	Comoros	Somalia	
	Guinea-Bissau	South Sudan*	
	Liberia	Sudan	
	Libya		
No commitment	Eritrea		

Source: African Union Commission (AUC) **Countries in blue are LLDCs*

---

[22] https://repository.uneca.org/bitstream/handle/10855/46079/b11985987.pdf?sequence=1&isAllowed=y

[23] Banga, Gharib, Mendez-Parra and MacLeod. 2021. E-commerce in preferential trade agreements: implications for African firms and the AfCFTA, Overseas Development Institute: https://cdn.odi.org/media/documents/e-commerce_in_preferential_trade_agreements_report.pdf

43. Even though the operational phase of the AfCFTA Agreement has started on 1st January 2021, trading under the AfCFTA has not yet taken place. There are still outstanding issues which need to be resolved from Phase 1 negotiations on trade in goods and services. For example, not all countries have submitted tariff schedules of concessions for goods (As of May 2022, 43 countries have submitted their tariff offers on goods representing 78 percent of AU Member States with consolidated submissions from 4 Customs Unions) and schedules of commitments in the five identified priority services. Besides, rules of origin still need to be finalized (87.7% of the tariff lines have agreed RoO) and only a few countries, including South Africa, Ghana, and Egypt, have the required AfCFTA related customs procedures in place to trade under the Agreement[24].Phase 2 negotiations have just started.

44. According to recent forecasts by United Nation Economic Commission for Africa (ECA), implementation of the AfCFTA Agreement would increase Africa's overall GDP by 0.5 per cent (or $55 billion), exports by 5.1 per cent (about $110 billion), imports by 4.7 per cent (around $110 billion), output by 0.3 per cent (nearly $55 billion) and welfare by 0.4 per cent (close to $3 billion) by 2045 as compared with a situation without AfCFTA[25]. The World Bank (2020) estimates that the Agreement can contribute to lifting 30 million Africans out of extreme poverty[26].

45. These projected social and economic gains are not automatic but requires that the provisions of the Agreement are translated into national and regional frameworks and implemented. This can be done through deliberate actions by African Union Members States, including LLDCs. African countries need to pursue ratification and implement the agreement effectively by adopting AfCFTA strategies and rolling out action plans, investing in skill development and education, and strategic sectors of interest to them and that are strategic for Africa with potential for Regional Value Chains (RVCs).

46. In services trade, in the East African region, some of the countries already advanced development of a services regional value chain for the tourism sector with online application for tourist visas that can be used in multiple countries, and the agreements for tourism operators to collaborate amongst each other. Further still, Kenya, Rwanda, Burundi, South Sudan, DRC and Uganda are in advanced stages of collaboration on transport and trade facilitation developments through the northern corridors and the LAPSSET initiatives.

---

[24] David Luke, Judith Ameso, Mahlet Girma Bekele, 2021, On implementing the AfCFTA in 2021, Trade for Development news, https://trade4devnews.enhancedif.org/en/op-ed/implementing-afcfta-2021

[25] ECA (United Nations Economic Commission for Africa). 2021a. "New Assessment of the AfCFTA's Economic Impacts on Africa." Policy Brief. Addis Ababa: ECA.

[26] World Bank. 2020. The African Continental Free Trade Area: Economic and Distributional Effects. Washington, DC: World Bank. https://www.worldbank.org/en/topic/trade/publication/the-african-continental-free-trade-area

47. From that perspective, ECA in collaboration with the AfCFTA Secretariat, UN sister agencies (e.g., UNCTAD and ITC) and the African Union Commission continue supporting several countries/RECs including several LLDCs develop AfCFTA national/regional AfCFTA implementation strategies with specific action plans. (Table 4)

Table 4: Status of development of AfCFTA national strategies (AfCFTA NS)

AfCFTA implementation strategies work at the inception phase	AfCFTA implementation strategies work at the drafting / consultations phase	AfCFTA implementation strategies validated	Implementation ongoing or to start soon
Countries: Benin, Central African Republic, Equatorial Guinea, Eswatini*, Guinea-Bissau, Liberia, Libya, Cabo Verde, Sao Tome & Principe, Seychelles, Somalia, Sudan, South Sudan*, **RECs**: ECCAS, UMA	**Countries**: Algeria, Botswana*, Comoros, Mozambique, Nigeria and Rwanda* **RECs**: EAC, ECOWAS, IGAD	**Countries**: Burkina Faso*, Burundi*, Cameroon, Chad*, Cote d'Ivoire, Djibouti, DRC, Guinea, Kenya, Malawi*, Mauritania, Mauritius, Namibia, Niger*, , Senegal, Sierra Leone, The Gambia, Togo, Tunisia, Zambia*, Zimbabwe*	**Countries:** Burkina Faso*, Cameroon, Congo, Cote d'Ivoire, DRC, Gabon, Guinea, Kenya, Mauritania, Niger*, Nigeria, Senegal, Sierra Leone, The Gambia, Togo, Zambia*

Note: *identifies the LLDCs

VI.2 The AfCFTA Country Business Index: AfCFTA ease of doing business Index[27]

48. Cognizant of the importance to support the AfCFTA implementation and the strategic role of the Private Sector in translating the AfCFTA market opportunities into effective social and economic gains, ECA has developed the AfCFTA Country Business Index (ACBI) in 2018[28]. The ACBI is the first comprehensive tool based on a robust methodological framework and data collection, through which businesses can voice their views on the implementation of the AfCFTA. It aims to encourage sound trade policy that can develop market opportunities and contribute to creating jobs and fostering inclusive development in Africa.

49. The dimensions are closely linked to the AfCFTA negotiations and outcomes (Table 3): (i) Dimension 1 is linked to phase 1 of the AfCFTA negotiations on trade in goods and Annex 5 of the Agreement on the non-tariff barrier sub-dimensions. (ii) Dimension 2 investigates firm awareness and use of African Free Trade Agreements (FTAs) including the AfCFTA and (iii) Dimension 3 analyses the environment related to "new generation" issues under negotiation of phase 2 of the AfCFTA negotiations namely trade in services, cross-border investment, intellectual property rights and competition policy, all of which are areas of integration.

[27] https://repository.uneca.org/handle/10855/47540
[28] https://archive.uneca.org/stories/eca-reveals-tool-monitor-progress-afcfta

Table 3: The dimensions for the ACBI

	Objective	Sub-dimension
Goods restrictiveness and costs	• **Assess the extent to which businesses view each of the areas related to trade in goods as significant challenges / impediments to trading within the continent. Non-tariff barriers included as sub-dimensions have been aligned to Annex 5 of Agreement establishing the AfCFTA.**	Tariff barriers
		Customs
		Technical barriers to trade
		Sanitary and phytosanitary measures
		Specific limitations
		Additional charges
		Fraud and corruption
African FTA knowledge and use	• **Determine business views on the ease of use of FTAs in Africa** • **Assess private sector perceptions of the extent to which countries are proactively engaging with the private sector on the AfCFTA**	Awareness of African FTAs
		Ease of use of African FTAs
		Access to information on African FTAs
		FTA rules of origin
Commercial environment	• **Understand private sector perceptions of the restrictiveness of the investment and services environment in their country** • **Assess private sector perceptions of "new generation" issues being negotiated under the AfCFTA (competition policy, intellectual property rights)**	Investment
		Trade in services
		Cost of services
		Intellectual property rights
		Competition policy

ECA (2022)

50. Following the launch of the index in 2018, ECA embarked on piloting and refining this index as a tool to measure and compare business perception on the implementation of the AfCFTA across the continent. Cameroon and Zambia were selected as the two initial piloting countries. After this pilot, the ACBI methodology has been refined and surveys conducted in 13 countries namely Angola, Côte d'Ivoire, Democratic Republic of Congo, Egypt, Gabon, Kenya, Morocco, Namibia, Nigeria, Rwanda, Senegal South Africa, and Tunisia. The AfCFTA Country Business Index (ACBI) Report 2022 is the first report in a series of publications that will help understanding the private sector's perception of trading and investing under the AfCFTA in 7 countries namely Angola, Côte d'Ivoire, Gabon, Kenya, Namibia, Nigeria, Namibia, and South Africa.

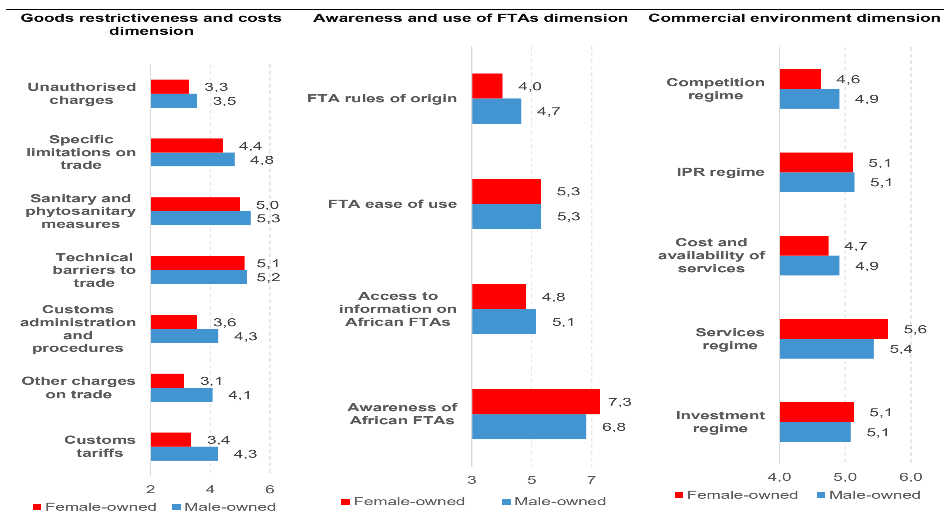
51. The findings from the ACBI Report make a significant contribution to Africa development agenda 2063 and sustainable development agenda 2030 by identifying bottlenecks in trade regimes that needs to be addressed to ensure a more inclusive trade under the AfCFTA. It identifies the main trade constraints for women-owned and SMEs which enable to accompany these companies using specific policy measure to ensure their active participation in intra-African trade and investment[29]. (Figure 5 and 6)

52. As per ACBI survey result, females owned firms are disproportionately impeded by some aspects of the trading regime namely tariff and non-tariff barriers compared to their male counterparts when investing and trading goods across African borders. Most of SMEs in Africa are women owned and

[29] https://repository.uneca.org/handle/10855/47540

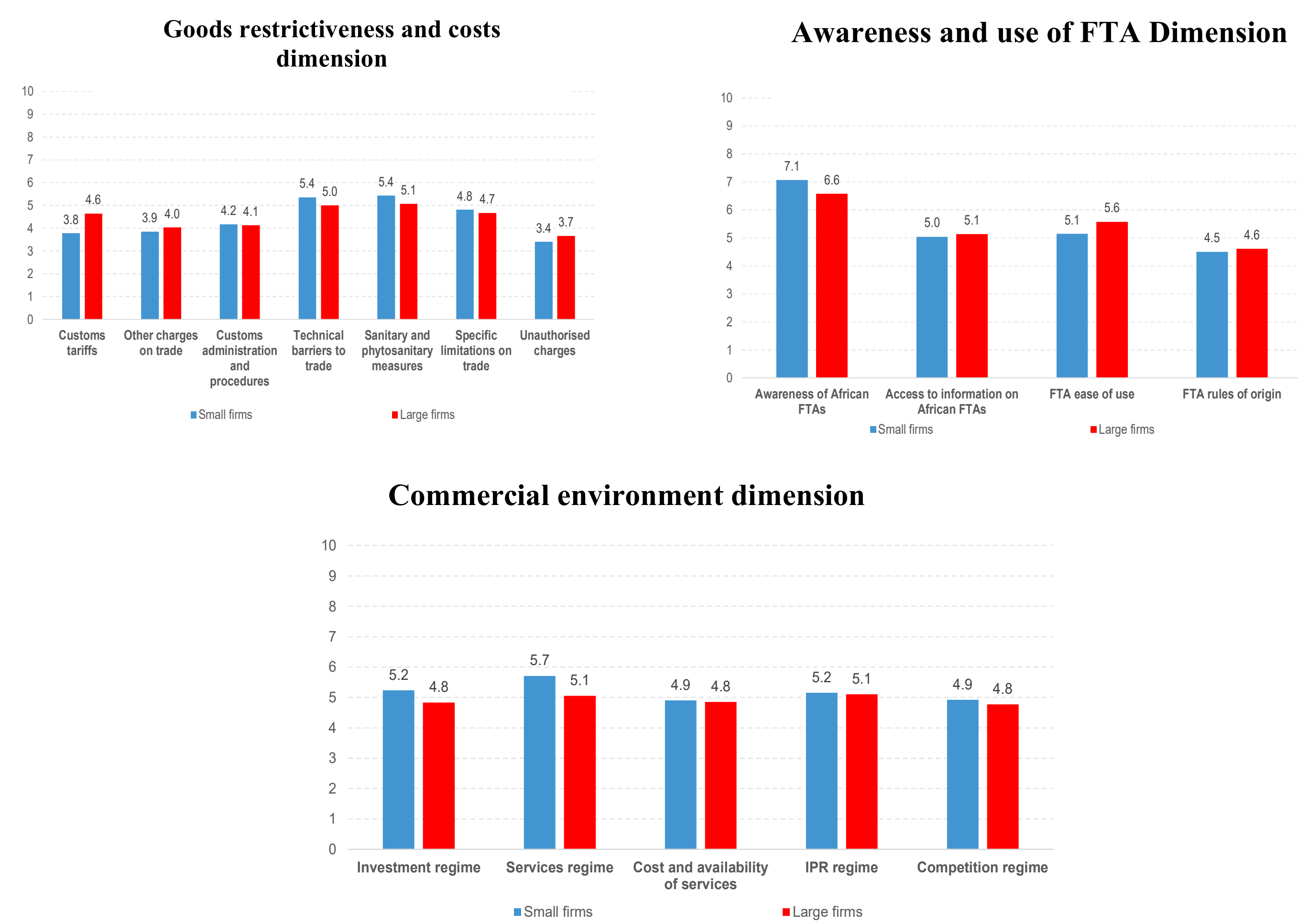
it is therefore important to ensure a conducive national but also continental regulatory framework that allows them to participate in an efficient, effective, and competitive way.

Figure 5 : Perception of Male and female-owned businesses, by sub-dimension



Source: ECA (2022)

Figure 6 : Perception of Small and lareg business, by sub-dimension



Source: ECA (2022)

53. In the context of the Eighth Session of the Africa Regional Forum on Sustainable Development (ARFSD-8), ECA built strong partnership with United Nations Development Coordination Office (UN-DCO), UN Women and key regional business association to support utilizing this tool as a monitoring and evaluation mechanism to help implementing the AfCFTA in alignment with the private sector expectations[30]. ECA in partnership with UN Global Compact is launching the AfCFTA Country Business Index Report on the margins of the fifty-fourth session of the Conference of African Ministers of Finance, Planning and Economic Development in Dakar (May 2022). The ACBI constitutes a powerful tool to ensure a sustainable and inclusive implementation of the AfCFTA of relevance for African countries especially LLDCs.

VI.3 Digital trade and e-commerce in Africa: Context and brief overview

54. African economies have become much more connected to the digital world in recent years. Internet and mobile money use, both important drivers of digital trade, have increased over the past decade. In 2020, 30 percent of Africa's population (excluding North Africa) had accessed to the internet. This is 30 times higher than the percentage of this population that used the internet in 2000. In terms of mobile money, over two-thirds of the world's transactions have taken place on the continent in 2021[31].

55. In a context of liberalization and regional integration with the implementation of the Agreement establishing the African Continental Free Trade Area (AfCFTA), where governments are expected to face increasing regulatory challenges, the availability of data related to the regulatory governing digital trade on the continent is critical. Indeed, depending on the restrictiveness of regulations, digitization can help or hinder trade. Digitization also raises issues related to security, data integrity and protection, and property rights, which require clear but flexible rules to ensure that incentives for digital trade and e-commerce are not limited.

56. Against this background, the United Nations Economic Commission for Africa (ECA), through the African Trade Policy Centre (ATPC), has been conducting a training and research initiative starting in late 2020 to gauge the readiness of African countries to effectively engage in digital trade and e-commerce.

---

[30] https://www.uneca.org/stories/eca-unveils-afcfta-country-business-index-%28acbi%29-report

[31] Internet penetration data come from world bank indicators. Mobile money figures come from GSMA 2022 report on mobile money (State of the Industry Report on Mobile Money - 2021 (gsma.com))

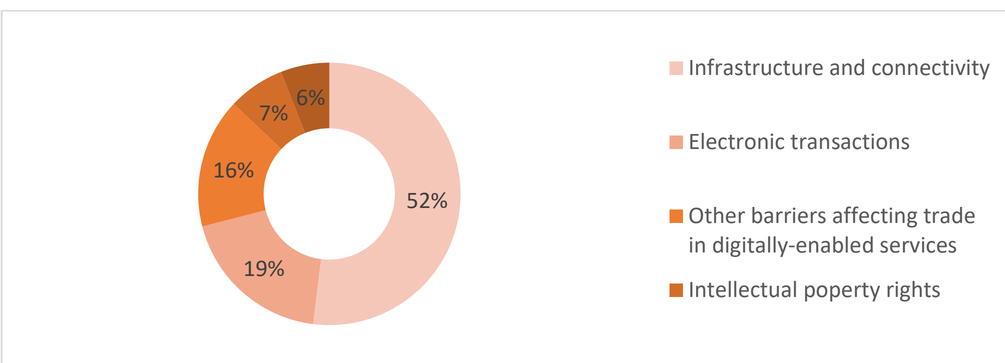
As part of this initiative, data on regulations governing digital trade, focusing specifically on African countries' regulatory bottlenecks for digital services have been collected on the model of the Digital Services Trade Restrictiveness Index (Digital STRI) of the Organization for Economic Co-operation and Development (OECD). 28 African countries[32] including LLDCs have been covered so far.

VI.4 Digital services trade in Africa: Main restrictions

57. Summarizing the findings for all the African countries covered, across the five main pillars of the Digital STRI (Figure 7) and for the year 2021 the following observations can be made:

- Just over half of all restrictions to digital services trade concerned *infrastructure and connectivity*. In this area, the major impediments from a regulatory point of view are restrictions on cross-border data flows and the use of communication services.
- Next and accounting for 19 percent of total restrictions on digital services trade are *other barriers affecting trade in digitally enabled services*. These have to do mostly with requirements for local or commercial presence in the country to be able to offer cross-border services as well as with limitations on online contents, downloading and streaming.
- The third largest category of restrictions (with 16 percent of the total) to Africa's digital services trade is about electronic transactions; with the impossibility for non-resident foreign services providers to register and declare business taxes online as the biggest obstacle.
- Regarding payment systems and intellectual property rights (IPRs), if overall restrictions seem relatively more limited than in other policy areas, there are important differences at country-level. Therefore, it is important to look at the country's results.

Figure 7: Main restrictions to Digital trade in Africa (2021)



[32] Burundi, Botswana, Cameroon, Chad, Congo, Democratic republic of Congo, Egypt, Eswatini, Ethiopia, Gabon, Gambia, Ghana, Kenya, Lesotho, Liberia, Madagascar, Malawi, Mozambique, Namibia, Nigeria, Rwanda, Senegal, Sierra Leone, Tanzania, Togo, Uganda, Zambia and Zimbabwe.

Source: ECA and OECD[33]

VI.5 Digital services trade restriction in Africa: Country-level results

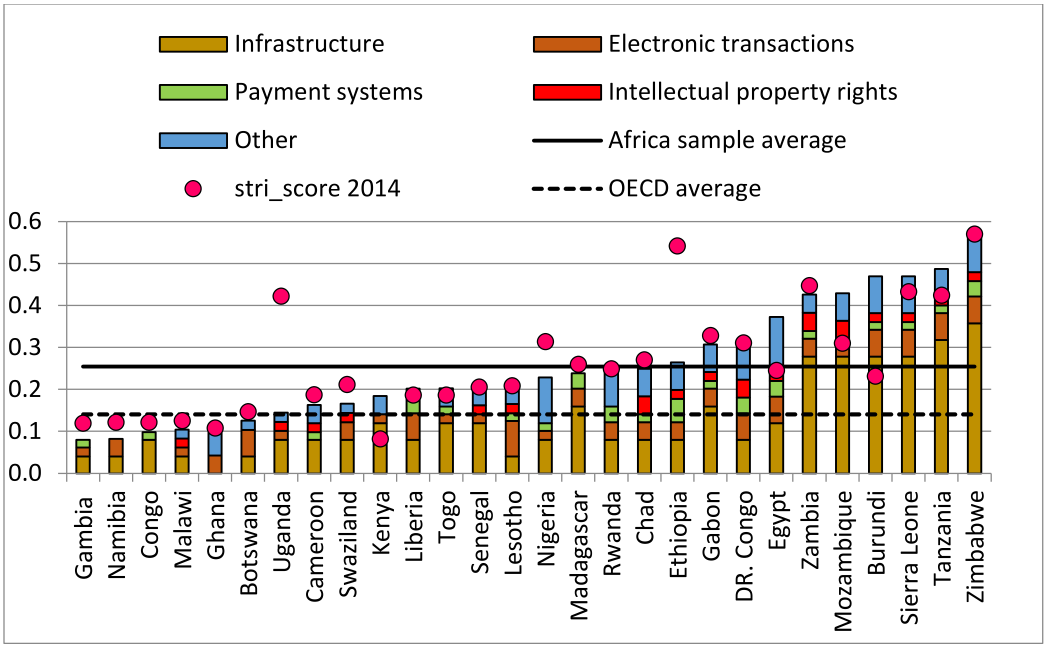
58. Looking at the 2021 Digital STRI scores, broken-down by main pillars, across the African countries covered (Figure 8), main takeaways are as follows:

- On average, restrictions to digital services trade (from the sample of the African countries) tend to be relatively moderate. However, it should be noted that restrictions in Africa are still higher than in other regions, where similar information is available (i.e. OECD, Asia-Pacific, Latin America and the Caribbean).
- Between 2014 and 2021, most of the analyzed countries either maintained or experienced a decrease in restrictions to digital services trade. Nevertheless, Egypt, Mozambique, Burundi, Sierra Leone, Tanzania, and Kenya saw a deterioration in their regulatory environment over the period. The decline in performance in each of these countries was primarily driven by infrastructure regulations[34], although in Sierra Leone, Egypt, and Kenya, the deterioration in performance was also due to unfavorable changes in electronic transaction regulations and other barriers affecting trade in digitally enabled services.
- There is clearly a strong heterogeneity in terms of digital services trade restrictions across African countries, from Zimbabwe (most restrictive) to the Gambia (least restrictive). This suggests a critical need for harmonization at Continental level to facilitate digital trade within Africa, especially in the context of the implementation of the AfCFTA Agreement.
- If for most countries, restrictions are indeed the most significant in infrastructure and connectivity, it is not the case for all. For instance:
  - There is a set of countries (i.e. Egypt, DRC, Rwanda, Nigeria and Ghana) where restrictions in other barriers affecting trade in digitally-enabled services dominate. To be specific, and taking the example of Egypt, limitations on downloading and streaming, restrictions on online advertising and commercial presence required to provide cross-border services constitute the major constraints.
  - Countries like Botswana, Lesotho and Namibia have highest restrictions in electronic transactions. This is essentially explained by the fact that national contract rules for cross-border transactions deviate from internationally standardized rules for all.
  - A fair number of African countries (particularly: Chad, DRC, Mozambique, and Zambia) have high scores in IPRs for not being part of important international IPR agreements in relation to protection of copyrights, Internet, or commercial arbitration.

[33] For more details, see the forthcoming joint publication by OECD, ECA, ECLAC and ESCAP on "**Shedding New Light on the Evolving Regulatory Framework for Digital Services Trade**". This graph is drawn from a sample of 29 countries (the 28 countries covered under this initiative + South Africa which was already covered before the initiative)

[34] For example, in Mozambique, cross-border data transfer is subject to approval on a case-by-case basis. This was not the case in 2014.

Figure 8: Digital STRI score for the 28 African countries covered (2021)



Source: ECA and OECD

Recommendations

59. African LLDCs are facing important challenges linked to the Covid-19 social and economic implications and the Ukraine crisis. They should continue their efforts towards implementing trade reforms while reinforcing their economic resilience. It is incremental to establish social safety nets to support vulnerable populations overly exposed to the crisis and ensure adequate access to key goods and staple products. In the medium-term and long term, African countries should focus on investment in renewable energy products to reduce dependence on foreign oil and gas while supporting the AfCFTA full implementation.

60. The private sector is the main stakeholder and beneficiary of the AfCFTA. It is therefore vital to support and drive its engagement in intra-African trade. By identifying bottlenecks in trade regimes, the ACBI can help bridging the gaps between the AfCFTA and its development premises especially for women-owned and small businesses. The utilisation of ACBI by African LLDCS to inform on the AfCFTA implementation process can ensure not leaving vulnerable groups behind and that the AfCFTA deliver on its social and economics premises.

61. Africa should consider prioritizing specific regulatory reforms to enable digital services trade. In that regard, the following recommendations to African member States could be put forward: 1)Building and enabling required infrastructure and connectivity, including from a regulatory perspective is critical (e.g. limiting discriminatory Internet traffic, reducing restrictions on digital transactions); 2)Fast-tracking the enactment of data protection legislations to protect personal data (both processing & movement of data) is equally important; 3) Signing international treaties relevant to digital trade (e.g. WIPO treaties, New York Convention, Vienna Convention).

VII. Structural Transformation and Growth in LLDCs

62. The narrative of Africa's structural transformation and the need for its economies to shift resources from low to high value-added manufacturing and services sectors had been top priorities on the development Agenda. Yet, most African economies continue to rely heavily on the export of commodities while increasing services-sector employment in most economies is neither technologically dynamic, nor tradeable.[35] The impacts of the COVID-19 pandemic and increased protectionism in some parts of the world can be interpreted as a ''renewed call'' for African countries to build resilient economies through structural transformation.

63. The contribution of industrial activities to economic output in Africa remains limited, ranging between 11 to 12 per cent from 2000 to 2020 (figures 7 and 8). Similar figures for the African LLDCs are even lower, ranging from nearly 10 percent in 2000 to 8 per cent in 2020. These do not preclude the fact that in absolute terms, manufacturing value added (MVA) has increased steadily across the continent over the same period. From 2000 to 2020, MVA (constant 2015 prices) for the group of African LLDCs increased by 2.75-fold from $ 8 Billion to 22 billion. Such trend has been underpinned by relatively dynamic manufacturing activities taking place in Eswatini, Ethiopia, Uganda and Zimbabwe under strong political will.

64. The AfCFTA, as previously discussed, creates an environment to catalyse manufacturing performance in Africa. To fully take advantage of the opportunities offered by expanded markets, the LLDCs would need to increase economic competitiveness by addressing both hard and soft infrastructure deficits while quickly implementing trade reforms. Circumventing these challenges would entail for some countries building integrated special economic zones as self-inclusive production and trade centers. These zones can provide businesses with cost-effective infrastructure assets and services to produce and trade towards AfCFTA and global markets.[36] Economies of agglomeration of industrial and services activities in the SEZs translates into benefits including growth in FDI inflows, transfer of knowledge, ideas and technologies, which remain vital for innovation and growth of SMEs.

[35] Rodrik, D. 2015. Premature Deindustrialization. Princeton, NJ: Institute for Advanced Study, School of Social Science.
[36] At the time this report was being prepared, discussions under the AfCFTA were still ongoing with regards to the rules (e.g., RoO) that will govern goods produced in the SEZs.

65. Existing SEZs in Ethiopia and Rwanda driven by strong public and private partnerships in most instances, have managed to record high-capacity utilization rates, created jobs and linked businesses including SMEs and services startups to larger companies.[37]

Figure 7 : Manufacturing value added as a share of GDP, Africa and African LLDCs (2000 -2020)

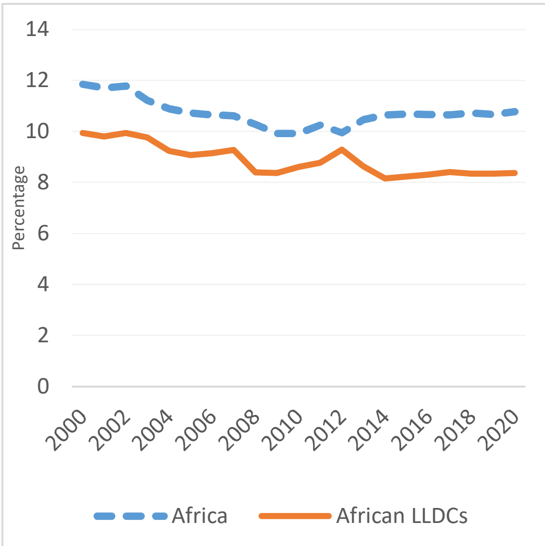
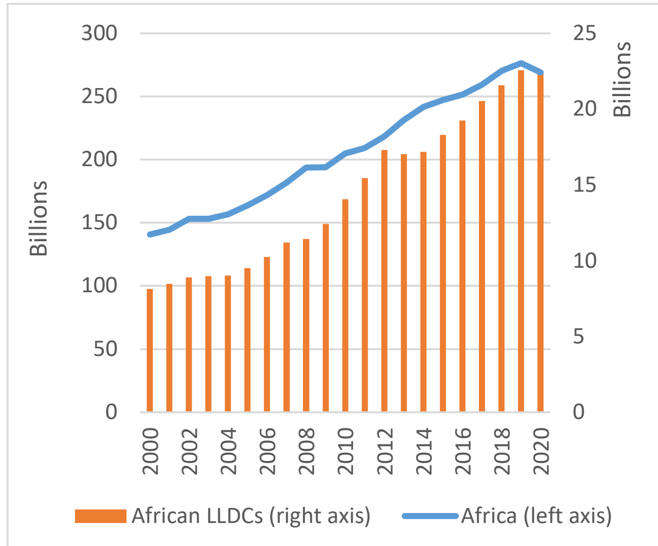


Figure 8: Manufacturing value added (constant 2015prices), Africa and African LLDCs (2000 – 2020)



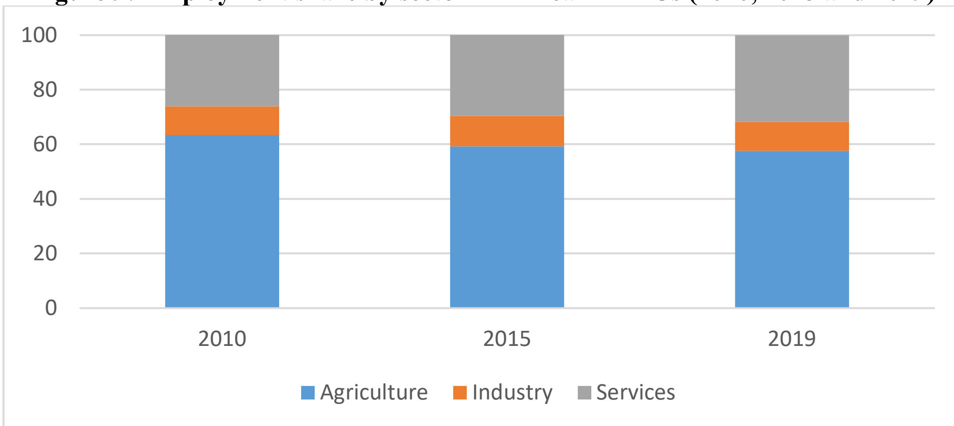
Source : UNIDO Statistcs database, accessed on 05/05/2020

Note : Data for South Sudan was not available and therfore was not included

66. The bulk of labour force of the LLDCs across the continent is entrenched in low value-added agriculture sector. Between 2010 and 2019, the structure of employment in the African LLDCs displays predominance of labour force in the agriculture sector, followed by the services sector and then manufacturing activities (figure 9). Such structure reflects limited structural transformation of these economies. Skills upgrades and shifts to high value-added sectors will be critical to reduce poverty and inequality in these countries.

[37] AfDB, OECD and UNDP (2017). African Economic Outlook 2017: Entrepreneurship and Industrialisation. Text. OECD Publishing. Paris

Figure 9: Employment share by sector in African LLDCs (2010, 2015 and 2019)



Source: ECA based on data from ILOStat

67. The AfCFTA, as previously discussed, creates an environment to catalyse manufacturing performance in Africa. To fully take advantage of the opportunities offered by expanded markets, the LLDCs would need to increase economic competitiveness by addressing both hard and soft infrastructure deficits while quickly implementing trade reforms. Circumventing these challenges would entail for some countries to build integrated special economic zones as self-inclusive production and trade centers. These zones can provide businesses with cost-effective infrastructure assets and services to produce and trade towards AfCFTA and global markets.[38] Economies of agglomeration of industrial and services activities in the SEZs translates into benefits including growth in FDI inflows, transfer of knowledge, ideas and technologies, which remain vital for innovation and growth of SMEs Existing SEZs in Ethiopia and Rwanda driven by strong public and private partnerships in most instances, have managed to record high-capacity utilization rates, created jobs and linked businesses including SMEs and services startups to larger companies.[39]

VII. African LLDCs and Regional integration and cooperation

68. VPoA identifies regional integration and cooperation as a *sine qua non* for the economic growth and development of the LLDCs. For LLDCs, regional integration is particularly crucial for the achievement of economies of scale for infrastructure investments across borders, and for the reduction of transit costs through harmonized and consolidate procedures.

69. With the beginning of trading under the AfCFTA, LLDCs are expected to reap scale benefits from the 1.3 billion single Africa market across 55 countries with a combined GDP of $3.4 trillion with a potential of lifting 30 million people out of extreme poverty by 2035. As of February 2022, the Agreement has been signed and ratified by 54 and 41 African countries, respectively, including all Africa's LLDCs. African countries who ratified the AfCFTA have consented to liberalize up to 97% of tariff lines on intra-African trade. Additionally, there are provisions made in the Agreement to remove non-tariffs barriers to trade in goods and services which shall enhance the competitiveness of economies. This is particularly crucial for LLDCs that are often disadvantaged by higher trade costs and lengthy (if not unpredictable) transit time. Within the AfCFTA context, LLDCs with manufacturing bases can position themselves on specific segments of regional value chains (RVCs) for goods and services. The LLDCs are set to benefit immensely from the liberalization envisioned in the AfCFTA, including the elimination of tariffs. LLDCs will benefit from the provision for the exclusion of 3% tariff lines from liberalization if the value of the goods does not exceed 10% of total intra-African imports.

[38] At the time this report was being prepared, discussions under the AfCFTA were still ongoing with regards to the rules (e.g., RoO) that will govern goods produced in the SEZs.
[39] AfDB, OECD and UNDP (2017). African Economic Outlook 2017: Entrepreneurship and Industrialisation. Text. OECD Publishing. Paris

70. The LLDCs will also benefit from the Protocol to the Treaty Establishing the African Economic Community (AEC) relating to the Free Movement of Persons, Right of Residence and Right of Establishment which was adopted in 2018. Enhanced and well-managed intra-African free movement of persons will significantly improve the LLDCs' development prospects. Eleven of Africa's LLDCs have signed the Protocol while three (Mali, Niger, and Rwanda) are among the four that have ratified it. Eleven more ratifications are required for the Protocol to be legally adopted and to enter into law. ECA supported ratification advocacy efforts and has continued to support African countries, including LLDCs and RECs in the development and deployment of national and regional AfCFTA implementation strategies. It is also working in partnership with other stakeholders to encourage and help member states ratify the AU Free Movement Protocol and its subsequent implementation.

71. ECA, in collaboration with UN sister agencies including UNCTAD and ITC, as well as the African Union Commission, has continued to offer support to African countries, including several African LLDCs to develop AfCFTA national implementation strategies, in order to reap the benefits of the Agreement. ECA has also supported member States develop capacity to monitor the implementation of trade reforms under the AfCFTA. The Commission has contributed to the development of the AfCFTA Country Business Index – a tool for assessing progress on implementation of trade reforms and cross-border trade challenges faced by member States. ECA also supported preparation and dissemination of technical reports including ARIA X, Common Investment Area and AfCFTA-RECs interface reports

VIII. Means of Implementation

72. The COVID-19 pandemic has had a negative impact on the trade flows of African landlocked developing countries and has increased their risk of debt distress, which has further limited the fiscal and policy space needed to make investments that are critical for recovery. Their external debt stock rose from 41.3 percent of GDP in 2015 to 51.6 per cent in 2019 – an increase of more than 10 percentage points in 5 years. In six African landlocked developing countries (Burkina Faso, Burundi, Eswatini, Rwanda, Zambia and Zimbabwe), the government's gross debt as a share of GDP rose by 10 percentage points in the same period. Eleven African landlocked developing countries are already classified as being highly indebted. Moreover, the external debt of such countries is predominantly private non-guaranteed debt, which is highly volatile. Because of their high external debt stocks, it has been challenging for those countries to mobilize the resources required to implement the Vienna Programme of Action and achieve the Sustainable Development Goals.

73. Foreign direct investment is crucial for the structural transformation of African landlocked developing countries, as it would increase the value of their domestic economies and link them more effectively to global value chains, thereby helping them to achieve some of the priorities set out in the Vienna Programme of Action. Landlocked developing countries and transit countries will also require official development assistance, including aid-for-trade support, if they are to effectively address the impact of the pandemic and sustain their post-pandemic recovery initiatives. Such support is needed to build the capacity to formulate trade policy, participate in trade negotiations and implement trade facilitation measures, finance trade, develop trade infrastructure, diversify exports and strengthen productive capacity, with a view to increasing their global market competitiveness. There is also a need for a comprehensive economic rescue plan that goes beyond emergency credit to enable landlocked developing countries to effectively implement the Vienna Programme of Action.

IX. Conclusion and Recommendations

74. African LLDCs shall scale up efforts towards implementing trade reforms at both global and national levels. Considering lessons learnt from the COVID-19 pandemic, strengthening cooperation and integrating regional markets will be critical for the countries to recover better. The potential of the AfCFTA to address more than trade related issues and build resilient African economies cannot be overstated. Effective implementation of the Agreement and complementary efforts to address infrastructure gaps will be of high importance to unlock trade and production potential of the African LLDCs.

75. The pandemic has also highlighted the crucial role of infrastructure development in post-COVID-19 recovery plans for African LLDCs. There is a need for rethinking of planning and delivery of infrastructure assets, with a particular emphasis on diversification in finance, as most countries' finance priorities have been diverted to welfare and health. Sound policies, rules, regulations and laws are critical for the LLDCs' sustainable transport infrastructure and services development, particularly in the post-COVID-19 era.