



**Remarks by Under-Secretary-General and Special Adviser on Africa,**

**Ms. Cristina Duarte at the**

**Webinar on the United Nations Conference on Trade and Development**

**(UNCTAD)'s flagship Economic Development in Africa Report (EDAR) 2021**

**9 December 2021**

Excellencies, Ladies and Gentlemen,

I would like to start by thanking the United Nations Conference on Trade and Development (UNCTAD) for the invitation extended to OSAA to organize jointly the presentation of this important report in New York, as part of our recently established partnership to contribute to Africa's development.

The growth and development potential of the African Continental Free Trade Area are indeed significant, given the agreement's potential to set the region on a path toward structural transformation and sustainable per-capita income growth that, in the long run, could accelerate the process of global income convergence and reduction of global income inequality.

It is clear for everybody the potential benefits of AfCFTA. My sister Rebeca has mentioned already some and I am sure that the experts that are participating in today's launch will highlight many more: jobs, economic diversification, market size to generate economic scales, densification of regional value chains.

In this regard, allow me to use this opportunity to touch on two aspects that I consider critical to ensure the success of the Continental Free Trade Area and to leverage its implementation as a game changer for the implementation of the Sustainable Development Goals and the 2063 Agenda.

### ***AfCTFA and the need to prepare the national DRM systems for the implementation***

First, the implementation of the African Continental Free Trade Agreement will face a short-term challenge as countries will, in due course, eliminate any duties on intra-African trade and adopt common tariffs for intercontinental trade.

Most studies estimate that induced tax revenue losses from tariff reduction and removal will range from 0.03 percent to 0.22 percent of GDP (or about US\$1 billion to US\$7 billion) for the continent.

This is a relatively small amount, but in a context of limited fiscal space and increased expenditures due to the COVID-19 pandemic, it might become a reason for some countries to silently postpone the implementation of the AfCTFA because of its negative impact on revenue collection in the short term.

We know that, in the medium and long term, this impact will naturally revert as the revenue linked to the increased economic activity in the continent will more than make up for any loss in trade taxes.

And we also know that the more African countries engage during this transition period, the faster that the medium and long-term benefits of the free trade area will come about.

Our role, therefore, is to support African Member States in envisaging the formulas or mechanisms that will enable them to mitigate this short to medium term risk. In this context, building a strong Domestic Resource Mobilization system constitutes probably the best mitigant to this risk.

In other words, if African countries strengthen their DRM systems, they will be able to compensate the loss in revenue collection that they will experience in the short term, so that fiscal space can be preserved.

***The AfCFTA, through the promotion of regional value chains and Africa's stronger participation in global value chains, is a strong mechanism to de-risk SDG investments.***

Second, as the Secretary-General has said: "if we fail in Africa, we will fail in the world."

Therefore, we need to leverage every opportunity to maximize SDG implementation.

In this regard, the African Continental Free Trade Area presents a perfect opportunity to minimize SDG investment risk and maximize SDG investment impact at the national level. Africa's uncompetitive and marginal value-added position in the Global Value Chains, combined with a low intra-African trade (14.8 per cent in 2017), has been preventing the continent from the necessary mechanisms to mobilize financial resources for its own development.

The AfCFTA can change this dynamic by promoting: (i) first, a better and fair integration in the global value chains by African countries; (ii) second, the active promotion of

regional value chains by a consistent vision of Africa's economic integration, and (iii) strong national, regional and continental institutions.

Improving institutions and lowering trade costs across the board through better infrastructure, control of corruption, reduction of red tape, and zero tariffs on imported inputs (including services) will act as a risk mitigant to SDG investment and consequently ensure the sustainability of SDG financing, which is probably the main challenge that we face for the implementation of the 2030 Agenda and Agenda 2063 in Africa.

Let us take this opportunity.

The Office of the Special Adviser on Africa is ready to work with UNCTAD, the secretariat of the African Continental Free Trade Area, African Member States and other international stakeholders in this area to realize the Africa we Want and ensure that no one is left behind.