



Government of Rwanda



Economic Commission for Africa
Commission économique pour l'Afrique
1958 - 2018

22nd Meeting of the Intergovernmental Committee of Experts Implementing the African Continental Free Trade Area in Eastern Africa: From Vision to Action

Kigali Convention Centre 20-22 November 2018

#ICE2018Rwanda



Burundi Comoros D.R Congo Djibouti Ethiopia Eritrea Kenya Madagascar Rwanda Seychelles Somalia South Sudan Tanzania Uganda

Macroeconomic and Social Overview of Eastern Africa

Establishing the Groundwork for the Creation of a Continental Market

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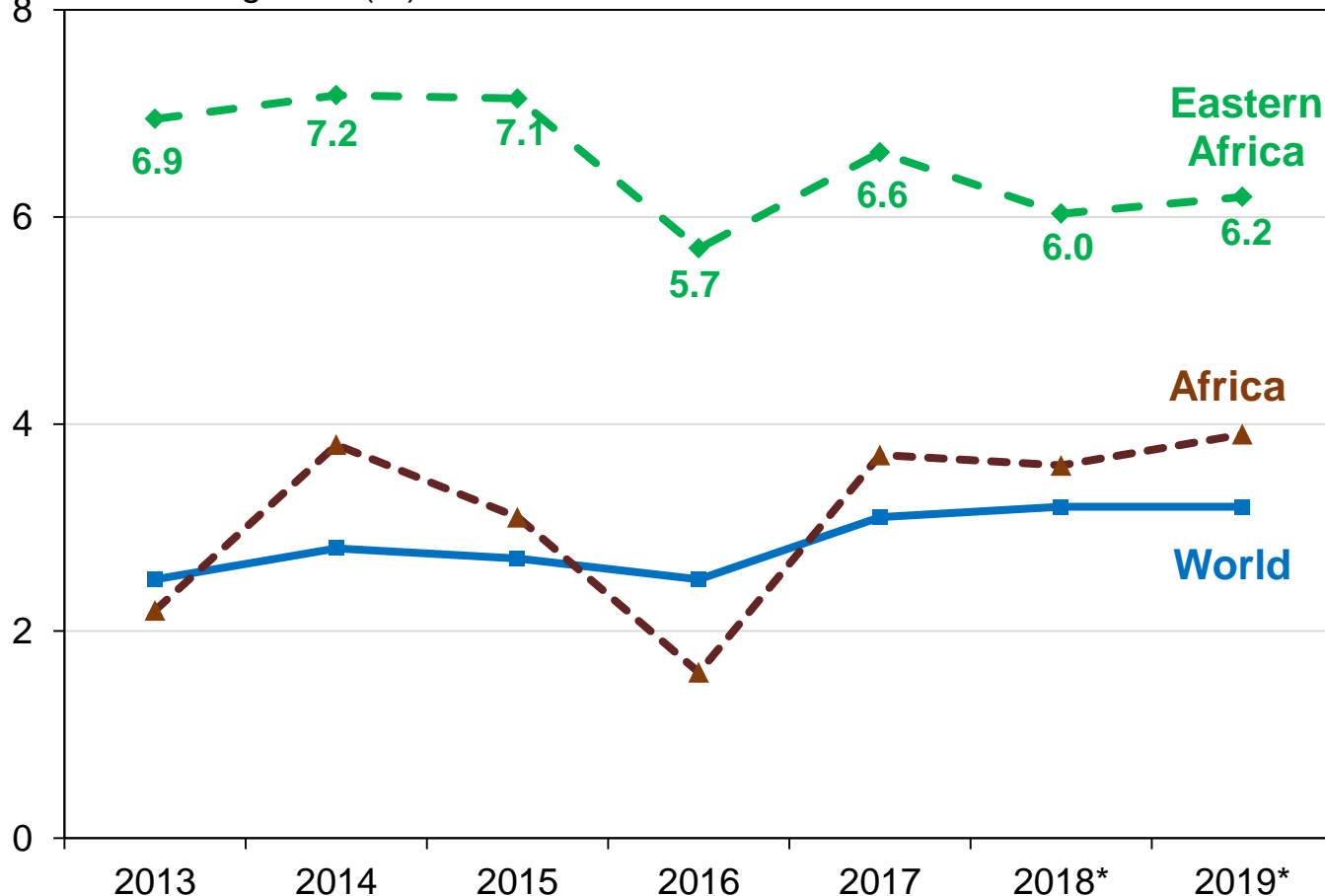
20 November 2018
Kigali, Rwanda



Overview of Regional Performance

Eastern Africa – A consistently high performer

Real GDP growth (%)

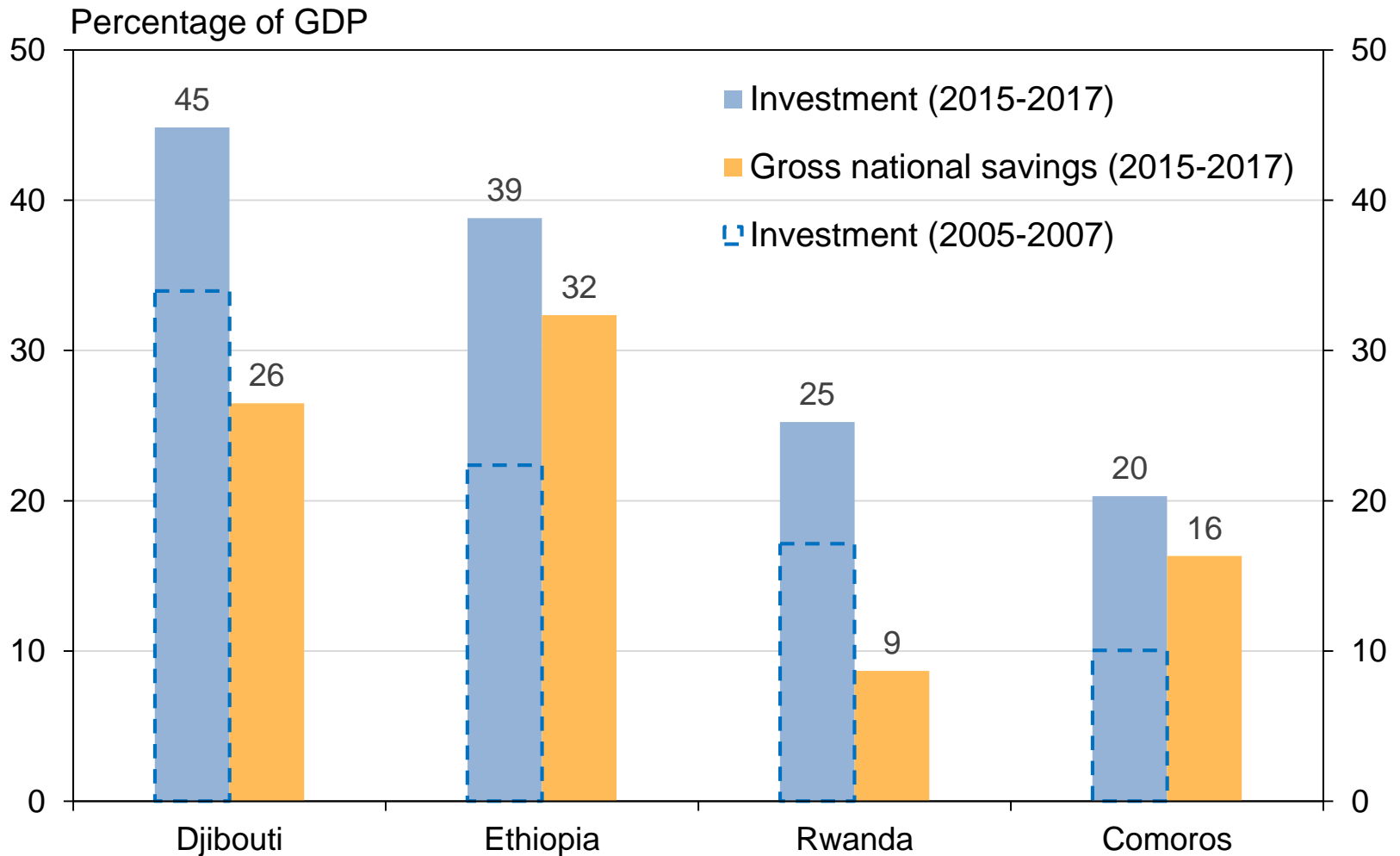


- Strong growth underpinned by improvements in agricultural production
- Prospects for regional growth bolstered by the resolution of the political conflict between Eritrea and Ethiopia
- Sustained push for infrastructure development

Notes: (*) Forecast. Data for Eastern Africa is the weighted average (based on current prices GDP figures) of the 12 countries (excluding Somalia and South Sudan).

Sources: National statistics, UNDESA, IMF, and UNECA calculations.

Sustained push for infrastructure investment ...



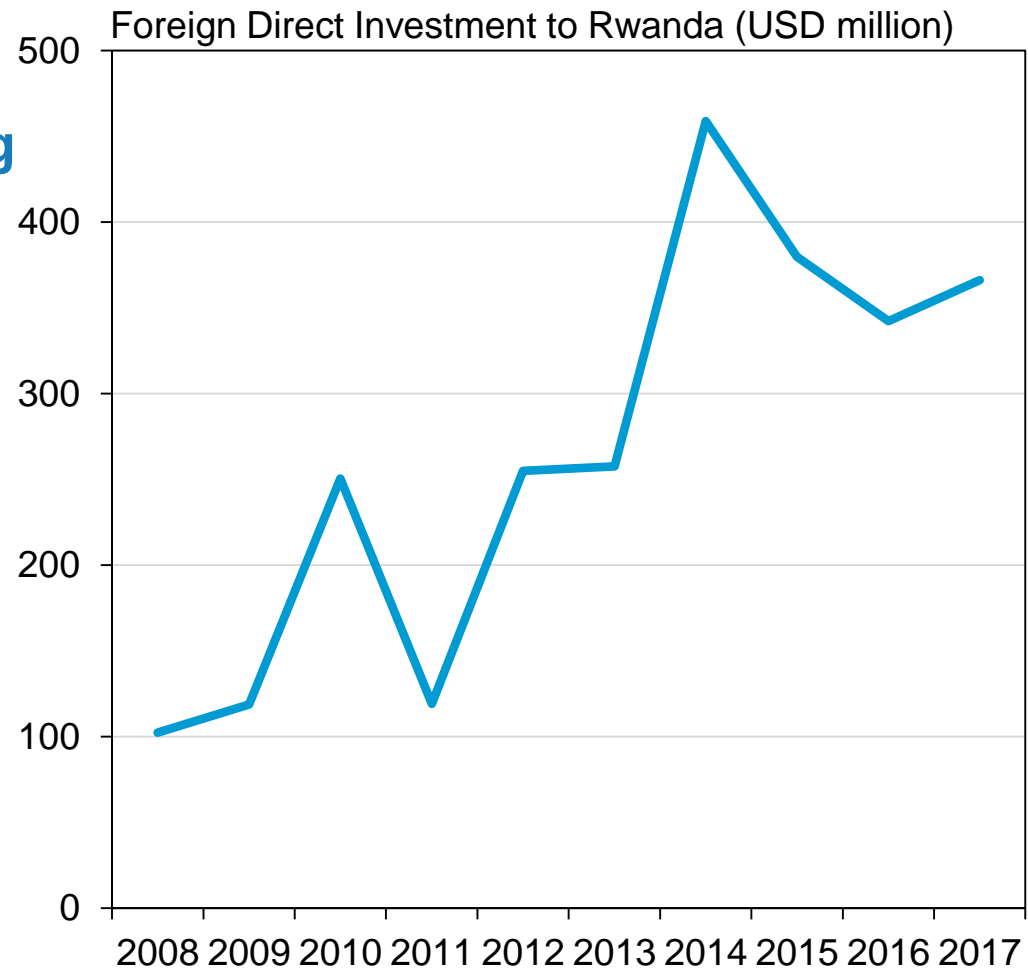
Sources: National statistics and IMF.

Significant improvement in the business environment in Rwanda

2019 Doing Business Ranking

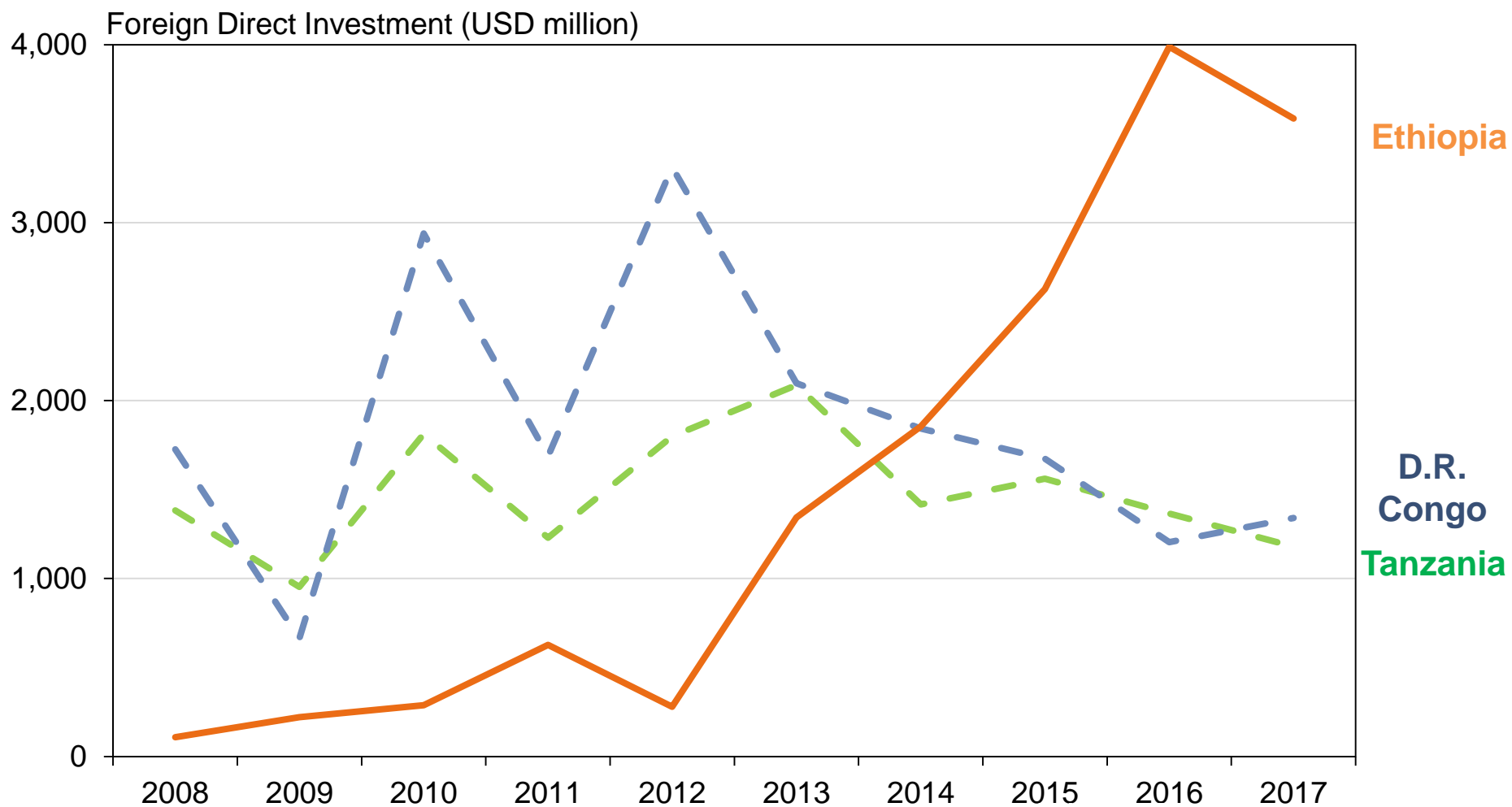
- 2nd in Africa
- 29th in the World

Diversified greenfield projects, e.g. automobiles, hotels and tourism, business and financial services



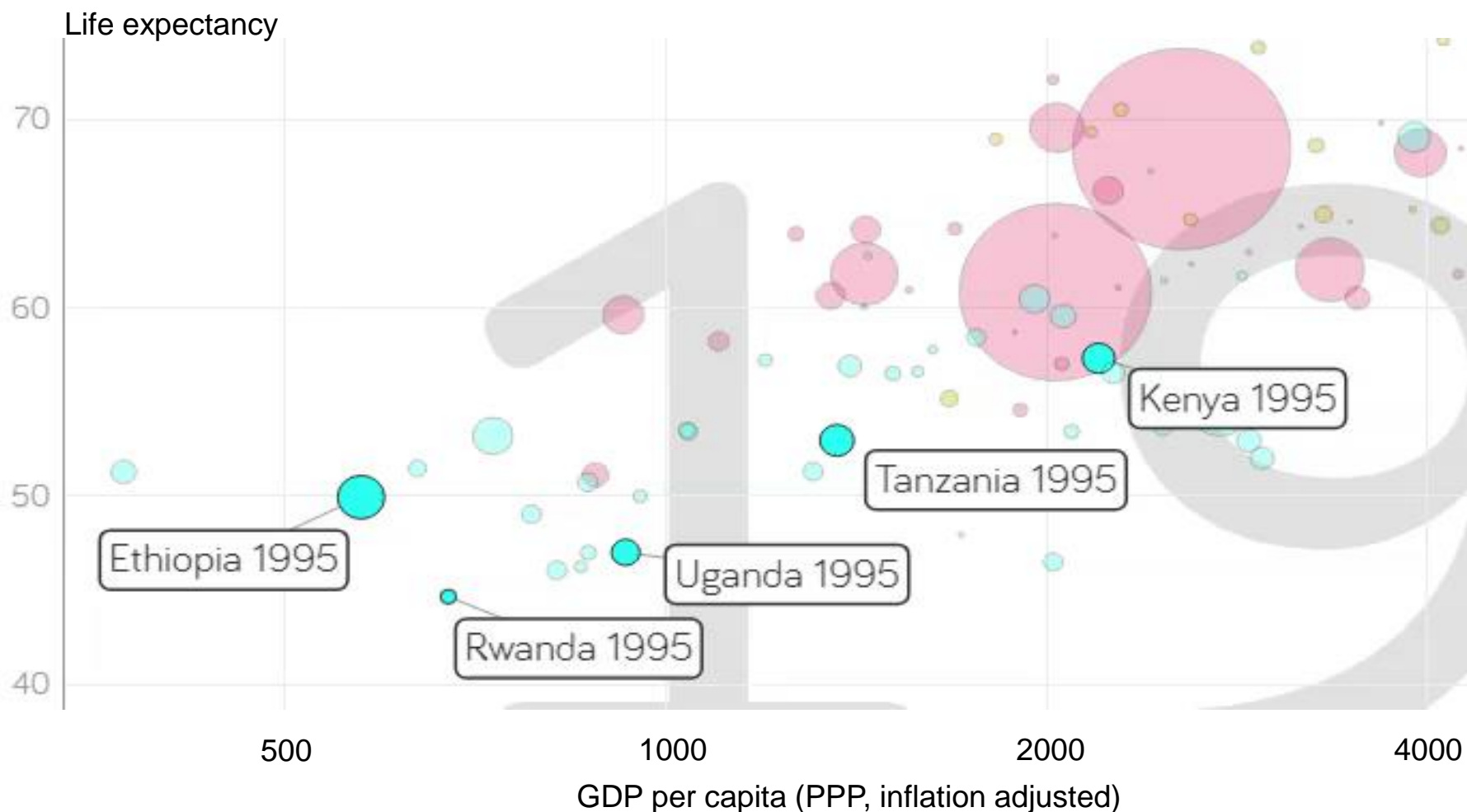
Source: UNCTAD.

Evidence of Diversification of FDI



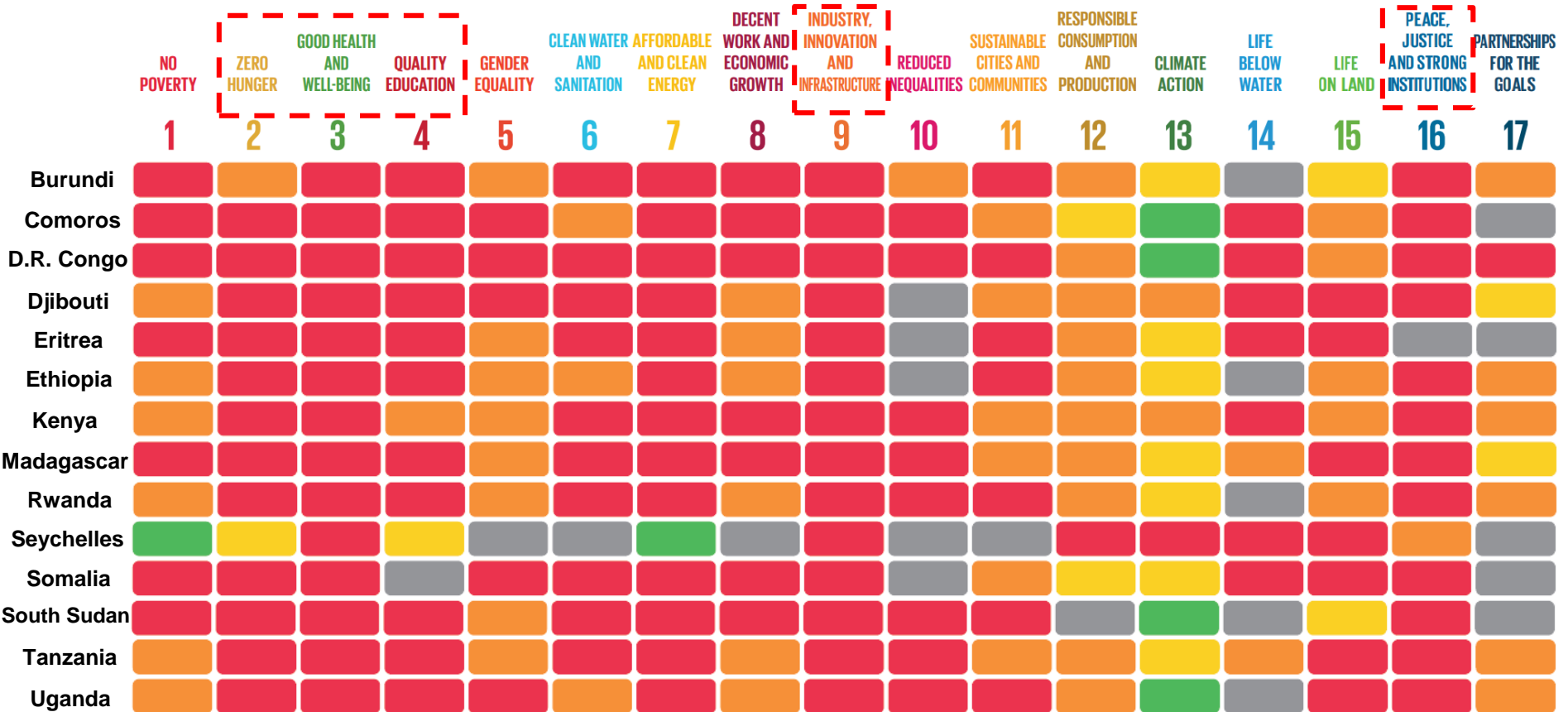
Source: UNCTAD.

People living longer and healthier



Source: Gapminder.

Challenges in achieving the Sustainable Development Goals

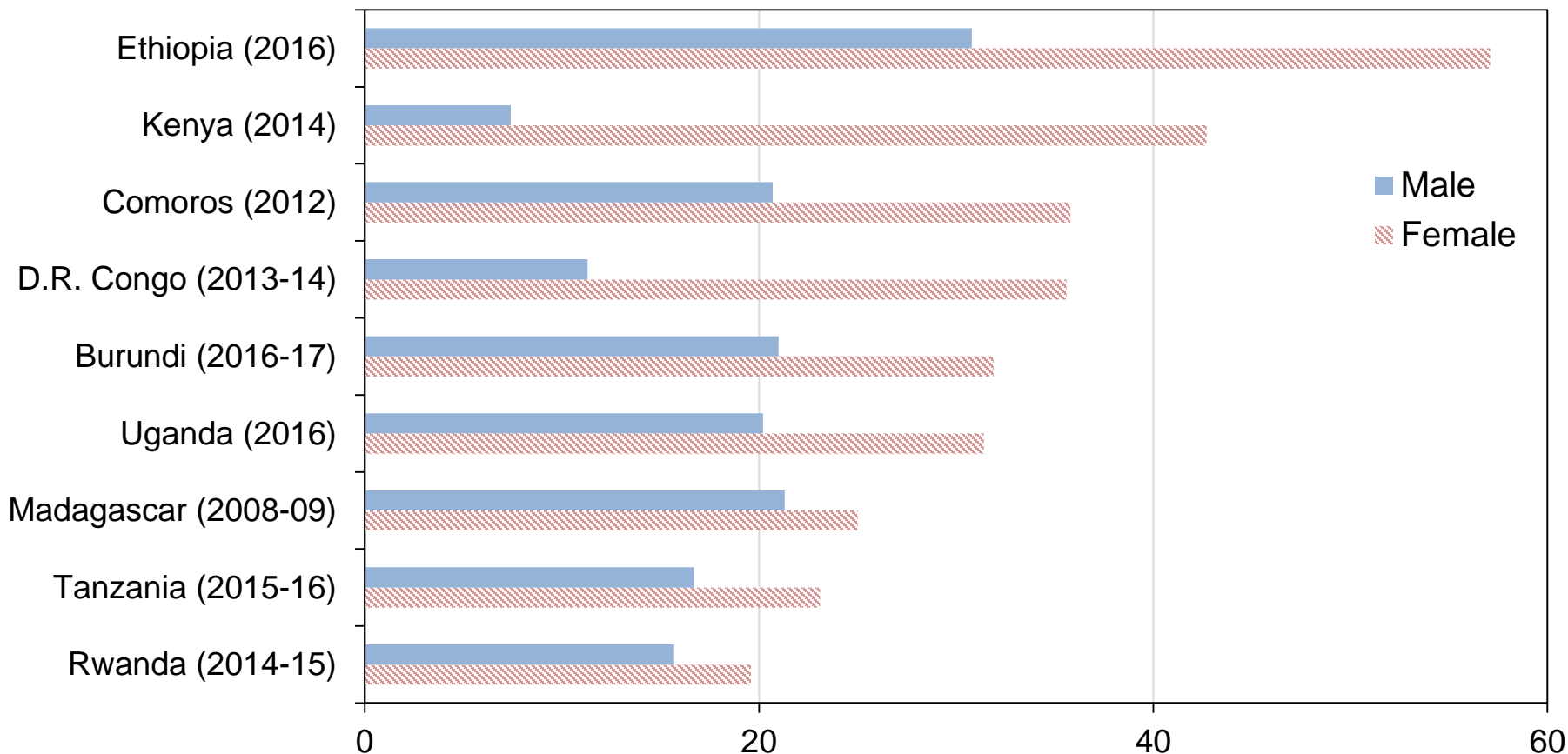


Note: Green denotes SGD achievement, red highlights major challenges, while yellow and orange indicate that significant challenges remain. Grey refers to the lack of data for assessment.

Source: SDG Centre.

Quality, not access, becoming the major problem?

Percentage of population aged 15 to 49 who can not read



Source: Demographic Household Surveys.

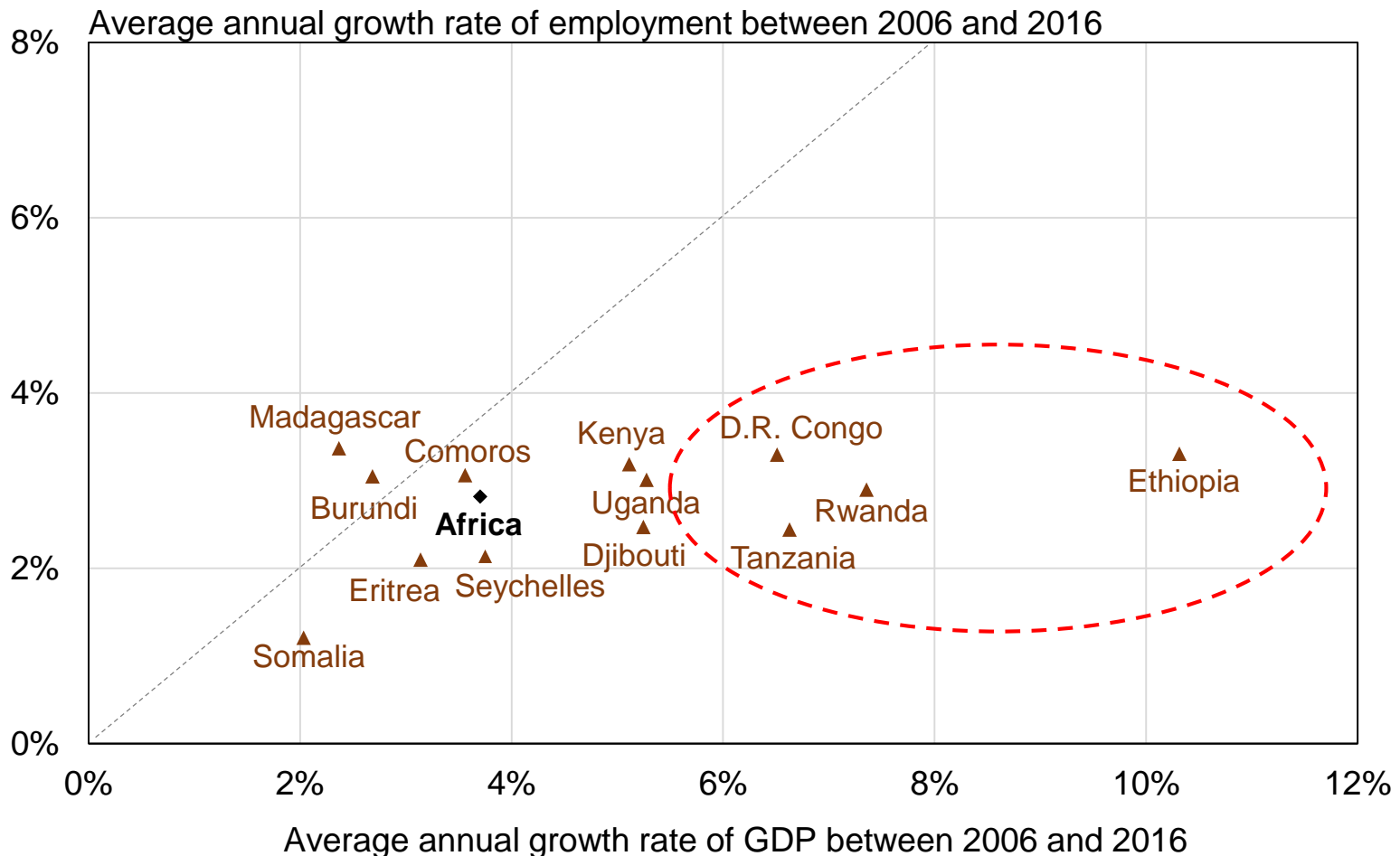
And disturbing prevalence of violence against women

Percentage of women who have experienced physical violence

	Women aged 15-49	Married or living together
D.R. Congo (2013-14)	51.8	56.9
Uganda (2016)	51.1	53.5
Tanzania (2015-16)	39.5	43.7
Kenya (2014)	44.8	47.2
Rwanda (2014-15)	34.5	39.2
Ethiopia (2016)	23.3	26.7

Source: Demographic Household Surveys.

Employment creation far below economic expansion



Sources: UNdata and ILO.

The Case for the AfCFTA for Eastern Africa



A Growing Consensus on the importance of the AfCFTA?

So far, **83% of respondents** believe the **Africa Free Trade Agreement is important** in supporting economic development in Africa.

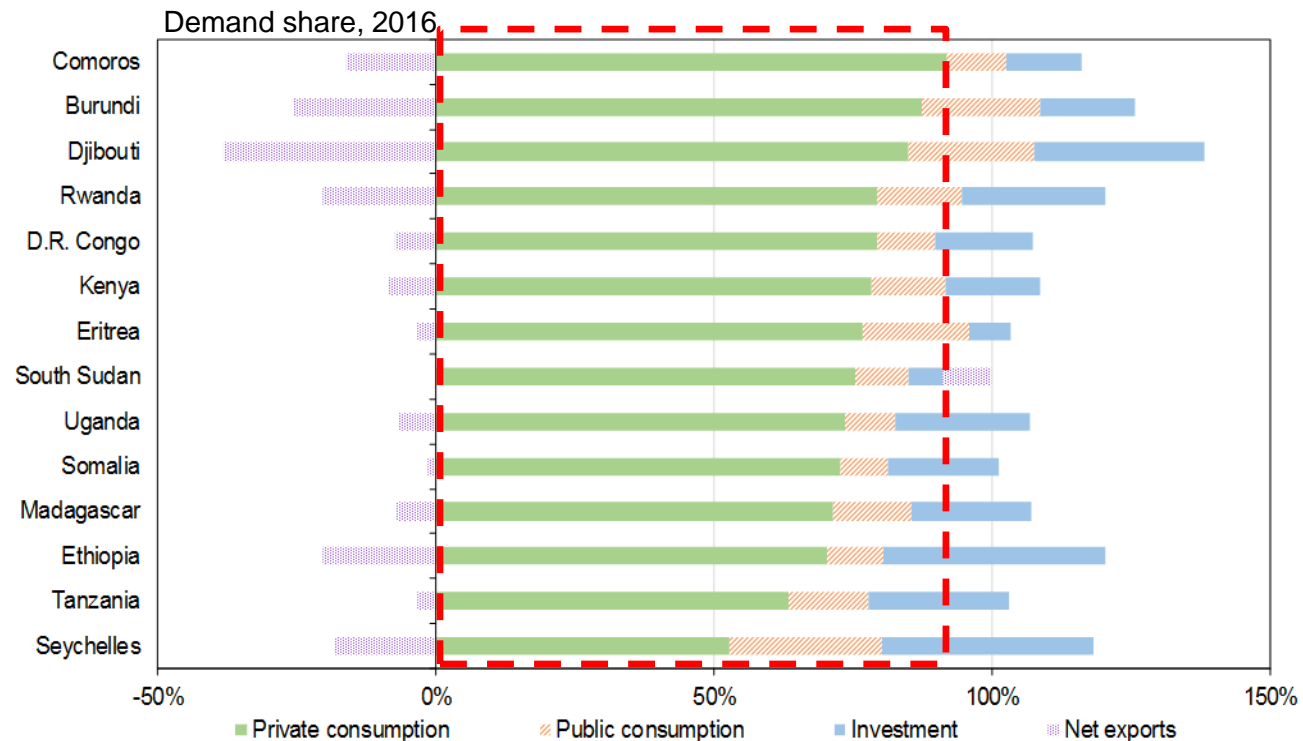


Tapping the rapidly growing markets in Africa

Enormous opportunity of a continental market



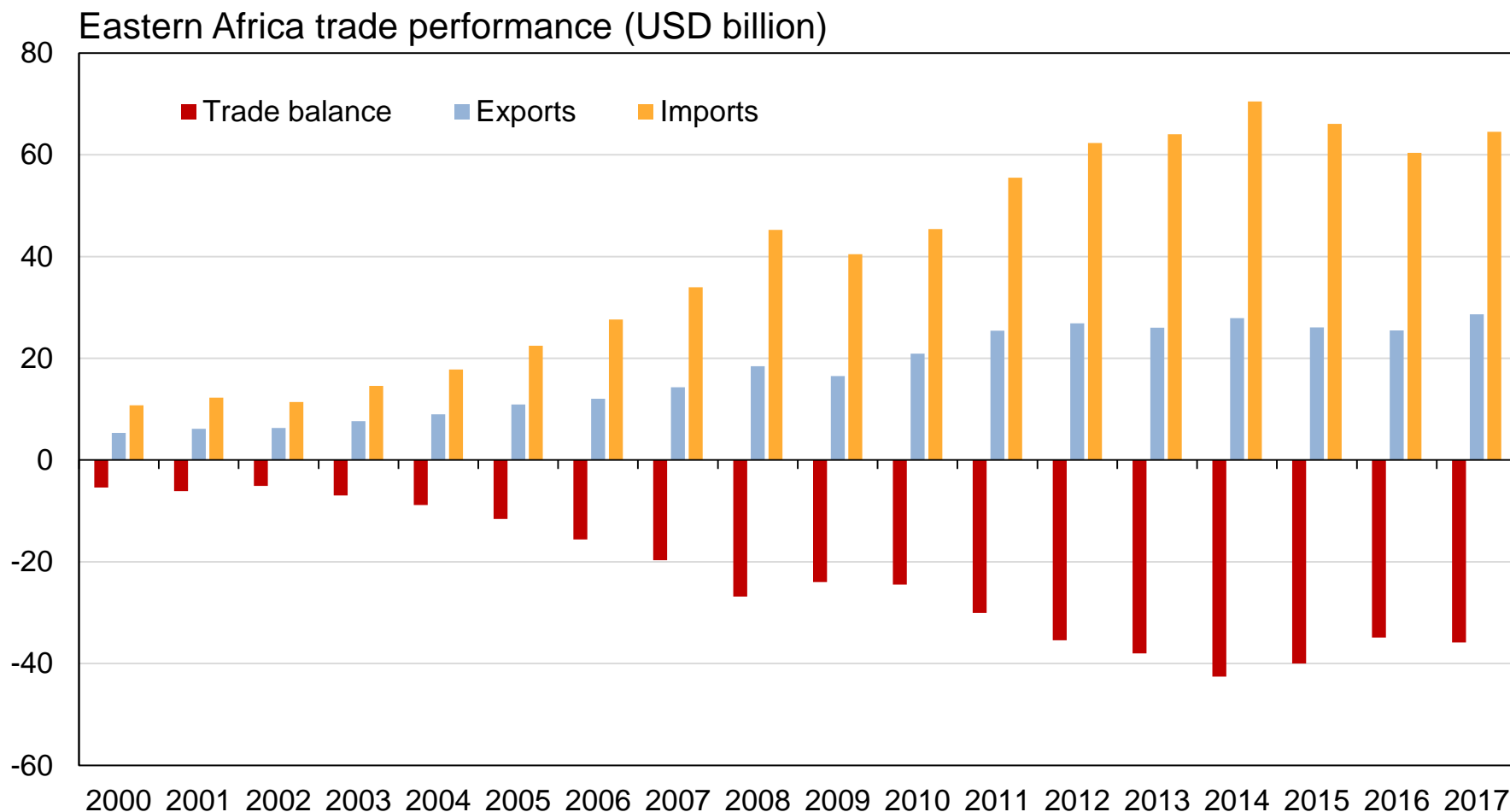
Consumption accounts for 85% of GDP



Source: IMF.

Source: UNdata.

Yet a significant part of consumption still met by imports



...and is being driven by manufactured goods...

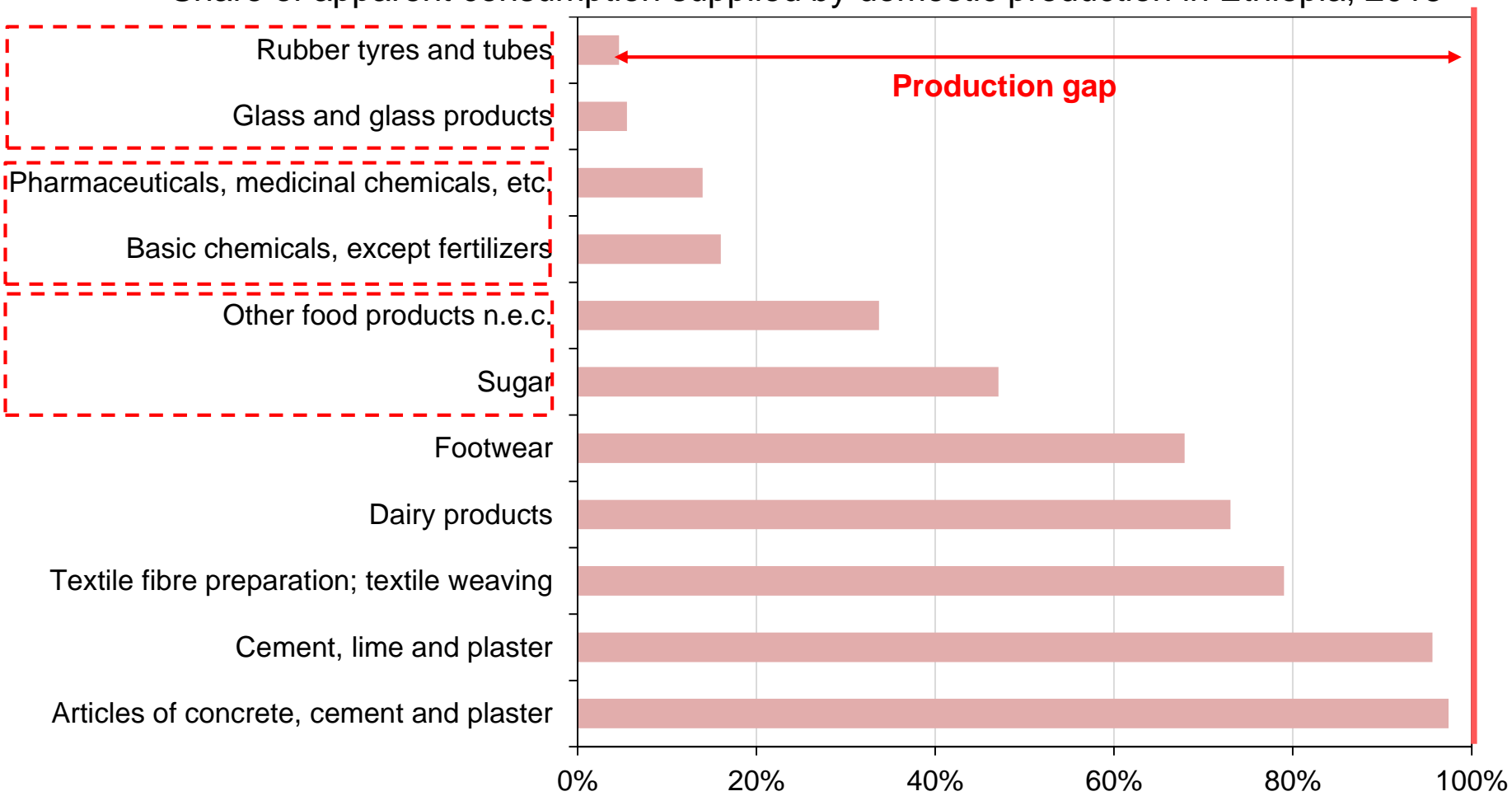
Trade balance as a share of GDP by product groups, 2017

Country	Food items	Agricultural raw materials	Fuels	Manufactured goods	Ores, metals, precious stones and non-monetary gold
Burundi	-2%	0%	-3%	-13%	2%
Comoros	-9%	-1%	-1%	-21%	0%
D.R. Congo	-2%	0%	2%	-8%	14%
Djibouti	-7%	0%	-1%	-32%	0%
Eritrea	-5%	1%	-1%	-11%	3%
Ethiopia	1%	0%	-2%	-15%	0%
Kenya	0%	1%	-3%	-12%	0%
Madagascar	0%	0%	-4%	-17%	6%
Rwanda	0%	0%	0%	-14%	7%
Seychelles	15%	-1%	-4%	-42%	0%
Somalia	-8%	2%	0%	-2%	0%
Tanzania	2%	0%	-8%	-22%	6%
Uganda	2%	0%	-2%	-6%	1%

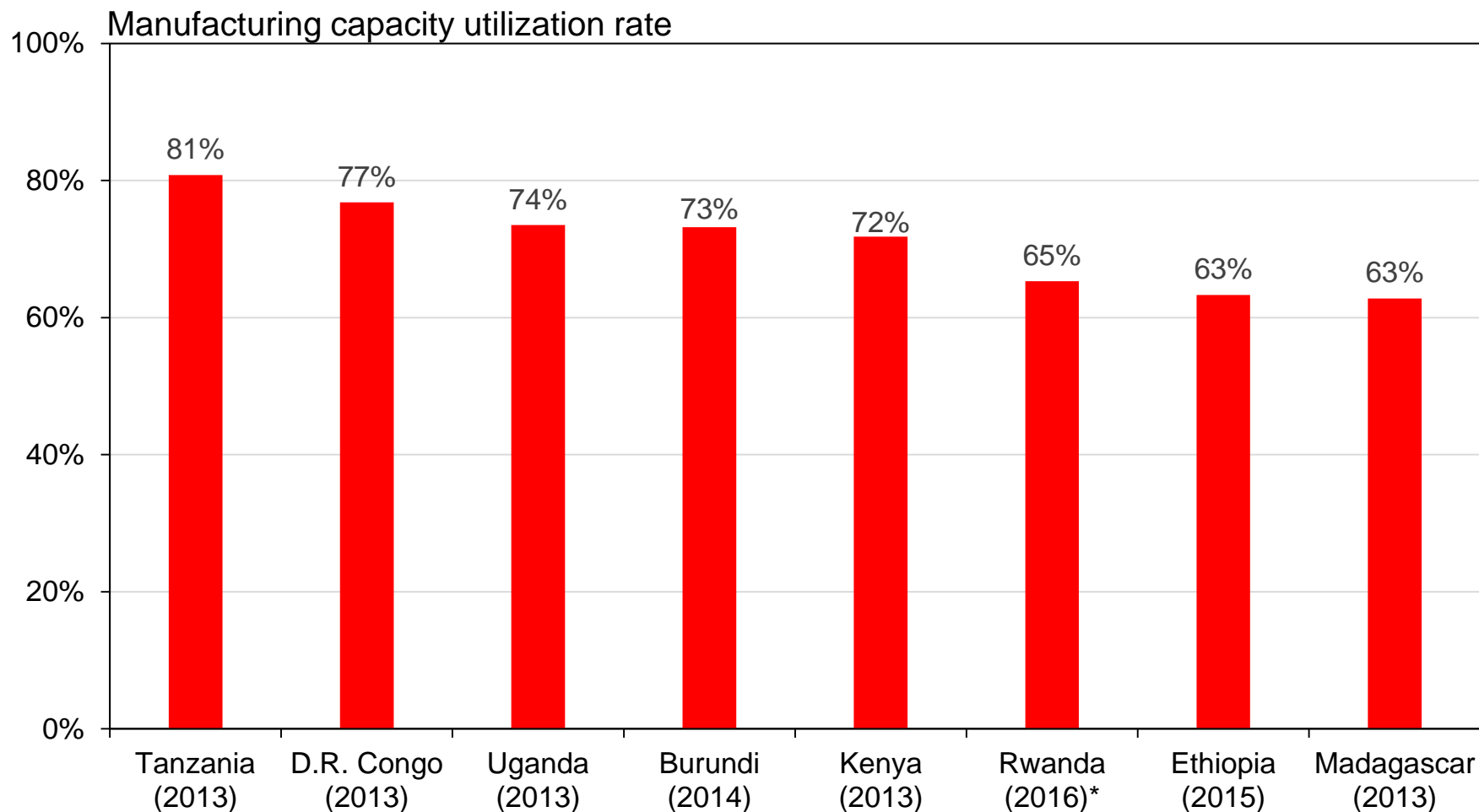
Source: UNCTADStat.

Large gap between domestic consumption and production

Share of apparent consumption supplied by domestic production in Ethiopia, 2013



Yet firms are operating under capacity



Note: (*) Data is based on the Integrated Business Enterprise Survey by the National Institute of Statistics Rwanda (NISR) as it is not available from the World Bank's Enterprise Surveys.

Sources: World Bank and NISR.

Of the Top 200 African Companies, only 10 are in our region

Top Companies in Eastern Africa

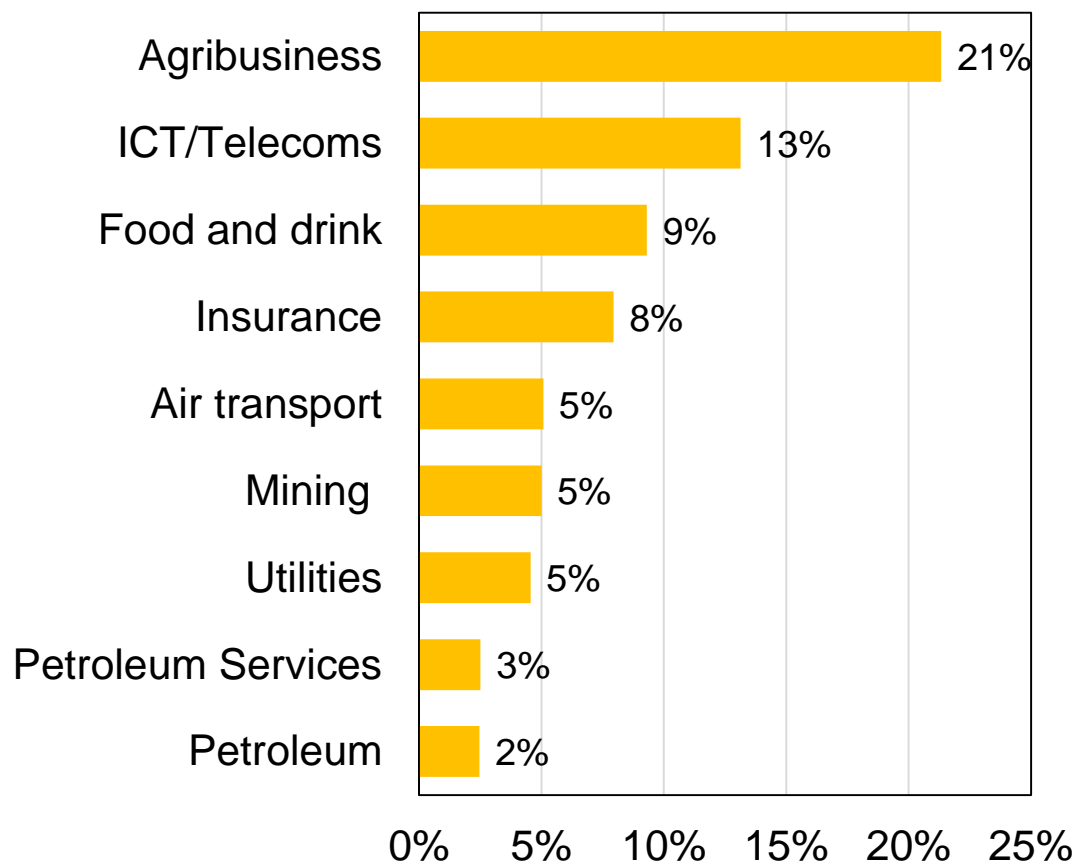
Rank 2016	Company	Sector	Country	Turnover (USD million)
51	Ethiopian Airlines	Air Transport	Ethiopia	2,417
62	Safaricom	ICT/Telecoms	Kenya	2,039
89	Ethio Telecom	ICT/Telecoms	Ethiopia	1,420
97	Mohammed Enterprises Tanzania	Diversified	Tanzania	1,256
114	Kenya Airways	Air transport	Kenya	1,018
117	KenolKobil	Petroleum	Kenya	991
128	Tanzania Electric Supply Company	Utilities	Tanzania	881
131	Total Kenya	Petroleum Services	Kenya	853
135	Kenya Power and Lighting	Utilities	Kenya	834
200	East African Breweries	Food and drink	Kenya	616

Source: The Africa Report.

Profits are surprisingly high in diversified activities

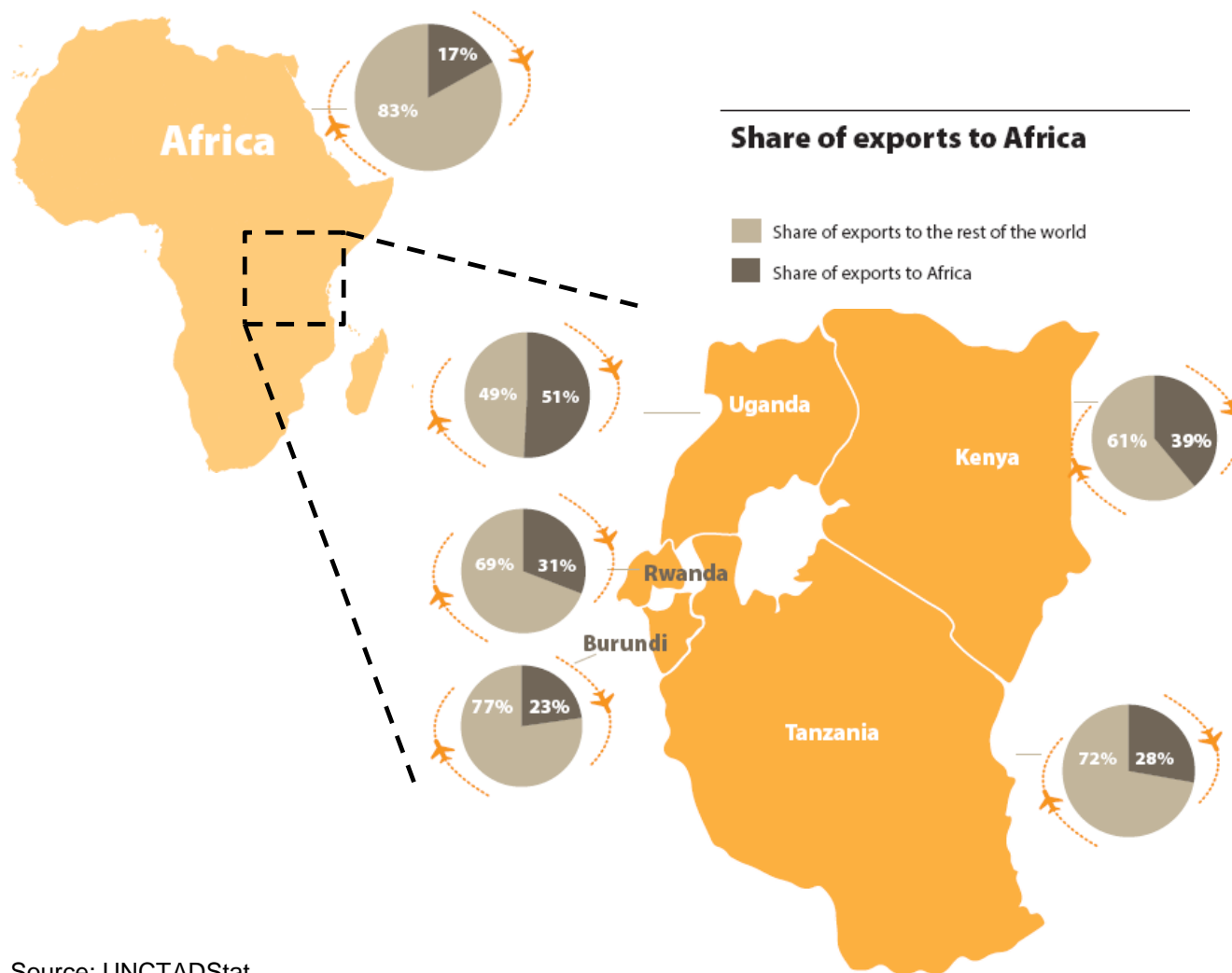
- Our region accounts for 15% of African GDP, but only 5% of the top 200 companies
- Most of the top firms are in the ICT and utilities sectors, and in Kenya and Tanzania
- Net profit margin of agribusiness and ICT is particularly high

Net profit margin by sector



Source: The Africa Report.

Africa already the leading trading partner for many member States....



Yet intra-regional tariffs are still often surprisingly high

Applied tariffs on EAC exports of goods, 2014

(%)	EAC	EU	North America	The rest of Africa	Ethiopia
Processed food	0	0	1.9	15.1	26.9
Light manufacturing	0	0	0.6	8.6	23.2
Meat and livestock	0	0	0.2	6.2	13.6
Textiles and apparel	0	0	0.5	4.9	23.4
Heavy manufacturing	0	0	0.1	4.2	13.8
Grains and crops	0	0	0.1	1.8	7.0
Extraction	0	0	0.0	1.1	7.6
<i>Average</i>	<i>0</i>	<i>0</i>	<i>0.5</i>	<i>6.0</i>	<i>16.5</i>

Source: Author calculations based on GTAP 10.0 database.

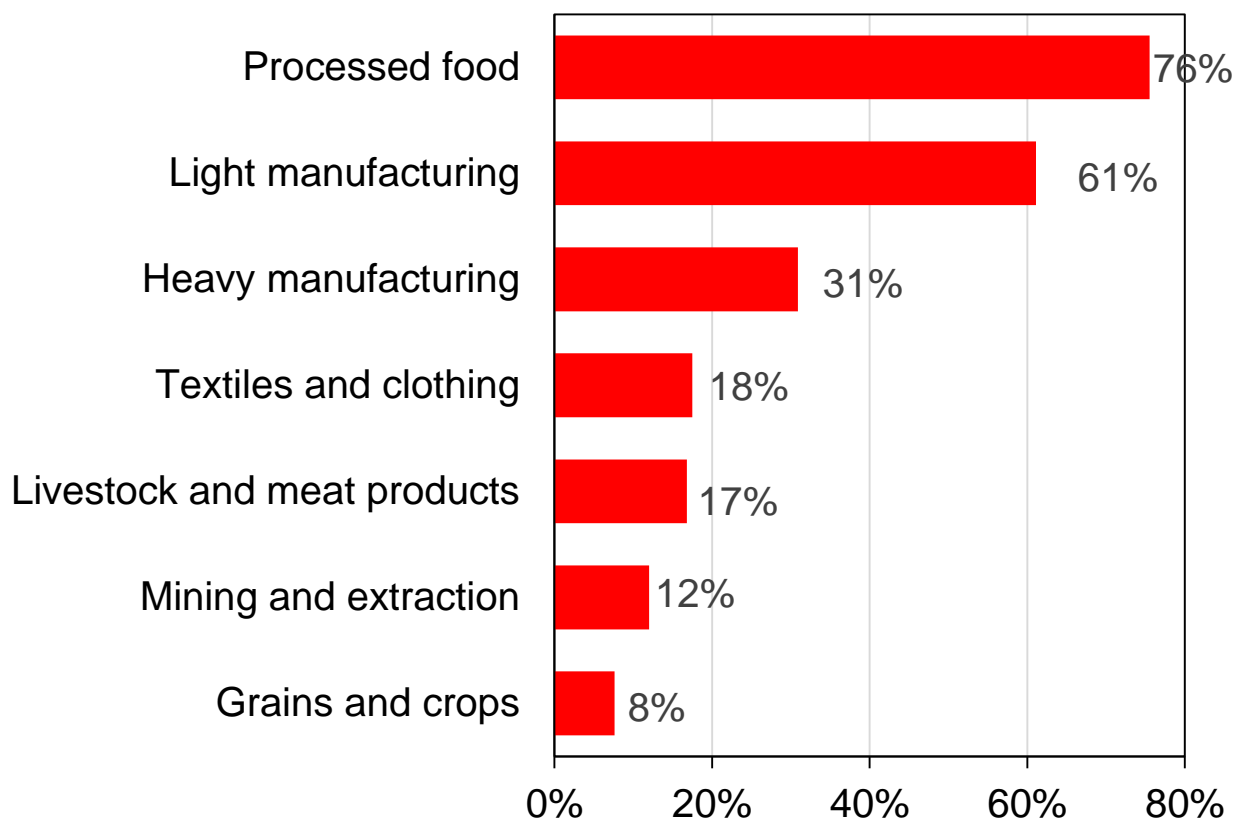
The *quantification* of potential benefits of AfCFTA

- Different methodologies will give different results
- Econometric approach – used generally post-hoc. Tentative results for EAC find that the block is currently under-trading at just 51 percent of potential within, and 60 percent with the rest of the continent.
- A Computable General Equilibrium model – Global Trade Analysis Project (GTAP) – was used to measure the static effects of the AfCFTA on East Africa
- Version 10.0, with 2014 baseline data

And the potential gains are large...

- **Increase exports of Eastern Africa by almost US\$ 1 billion (US\$ 925 million)**
- **Chief beneficiary sectors are *labour-intensive* ones**
- **Consumer welfare gain of US\$ 1.4 billion**

Change in Eastern African exports to the rest of Africa by sector



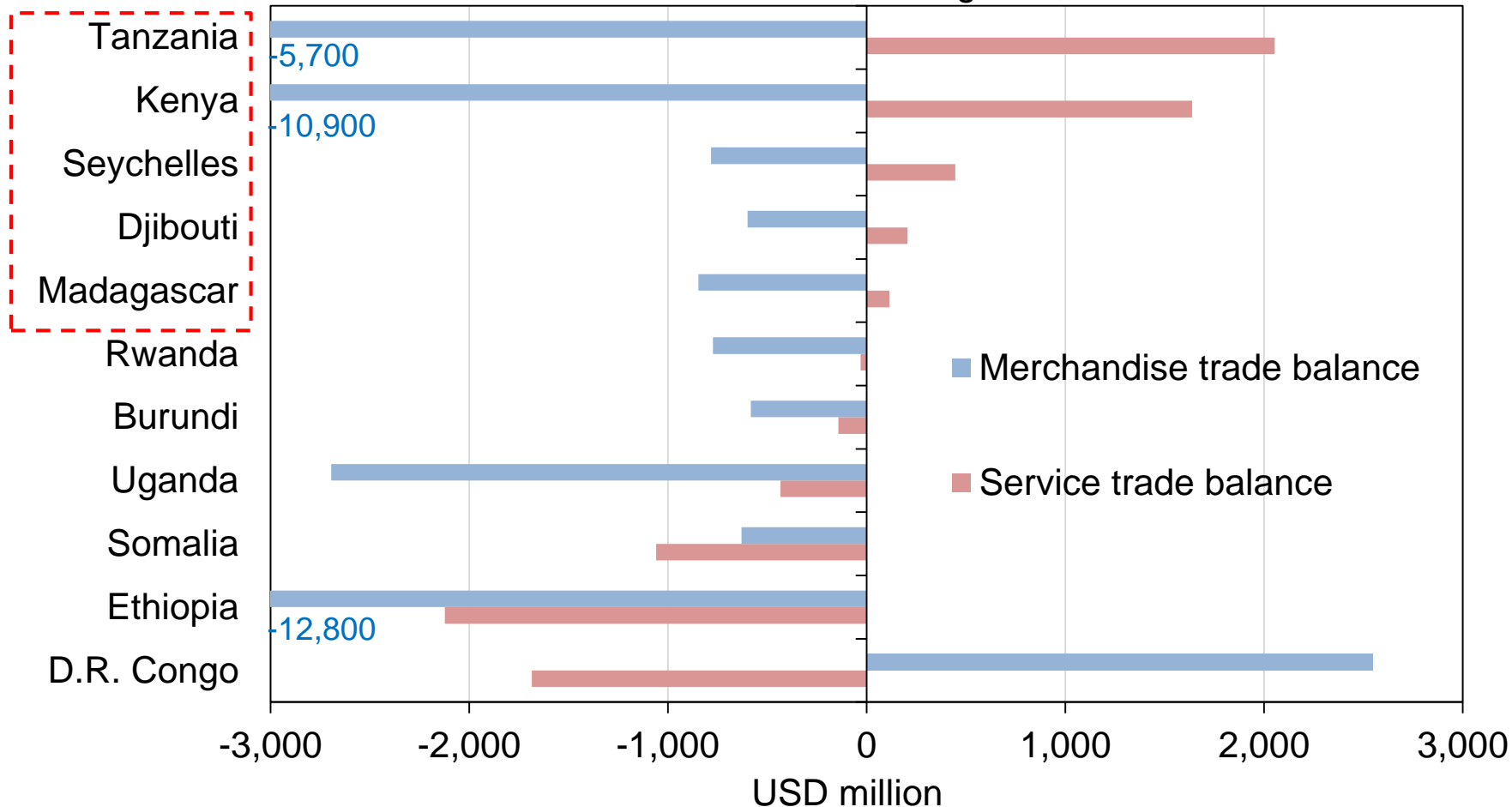
Big gains at little cost?

	Tariff revenue loss as a share of total tariff revenue	Tariff revenue loss as a share of total government revenue
Madagascar	0.7%	0.1%
Rwanda	4.0%	0.3%
Uganda	8.4%	0.6%
Ethiopia	6.1%	0.7%
Kenya	3.2%	0.6%
Tanzania	6.2%	1.3%

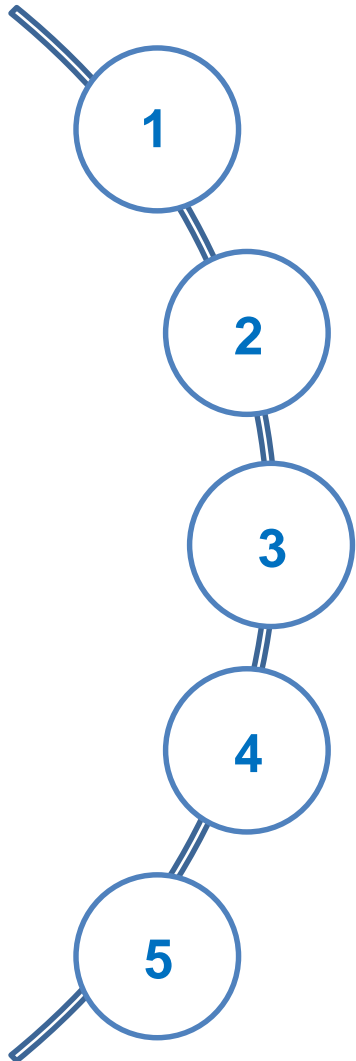
Note: Tariff revenue is the sum of import tariff rate times the value of imports by the type of import and source.
Source: Author calculations based on GTAP 10.0 database.

And major opportunities in services

Trade balances of services and merchandise goods, 2017



Source: UNCTADStat.



Regional growth is solid – but not enough structural change

Strong social progress in some fields, but serious lags in others

Consumer demand is vibrant, but not met enough by regional firms

Production gap in manufactured goods is particularly large

AfCFTA could help unleash the potential of regional trade

A large, faint, light-blue graphic in the background consists of a grid of vertical bars of varying heights, resembling a bar chart or a stylized architectural structure.

Thank You!

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