



ECONOMIC AND SOCIAL COUNCIL

**Twenty Fourth Session of the Intergovernmental Committee of Experts
of Southern Africa (ICE)**

**18-21 September 2018
Pointe aux Piments, Mauritius**

Draft Outcome Statement

Preamble

1. The 24th Intergovernmental Committee of Experts (ICE) Meeting of Southern Africa was hosted by the Government of Mauritius in Pointe aux Piments on 18 to 21 September 2018 under the theme: **The Blue Economy, Inclusive Industrialization and Economic Development in Southern Africa.**

2. The Minister of Foreign Affairs, Regional Integration and International Trade **Finance** (Government of Mauritius), Honourable Seetannah Lutchmeenaraidoo, **GCSKGSK**, delivered the keynote address following welcoming remarks by Mr. Said Adejumobi, the Director of the Economic Commission for Africa's Sub Regional Office for Southern Africa (SRO-SA), Dr. Auguste Ngomo, AU Regional Delegate for Southern Africa, SADC and COMESA (AU-SARO) and Mr. Zvinechimwe Ruvunga Churu, Principal Director, National Budgets, Ministry of Finance and Economic Development, representing Zimbabwe, Chairperson of the Bureau of the 23rd ICE.

3. The Minister of Ocean Economy, Marine Resources, Fisheries and Shipping, Honourable Premdut Koonjoo participated in the opening session and in the Ministerial Roundtable.

4. The Minister of Social Security, National Solidarity and Environment and Sustainable Development, Honourable Marie Joseph Noël-Etienne Ghislain Sinatambou; the Attorney General, Minister of Justice, Human Rights and Institutional Reforms, Honourable Maneeish Gobin; the Commissioner for Environment, Forestry, Tourism, Marine Parks and Fisheries, Rodrigues Regional Assembly, Mr. Jean Richard Payendee; and His Excellency Chanfi Issimail, Ambassador, Comoros participated in the Ministerial Roundtable.

5. Delegates from the following Southern African member States attended the 24th ICE: Angola, Botswana, Comoros, Democratic Republic of Congo, Eswatini, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Tanzania, Zambia and Zimbabwe. The delegates were from Ministries of: Commerce, Environment, Finance, Industry, Industrialization, Ocean Economy and Trade.

6. Organizations represented at the meeting included: AU-SARO, African Development Bank, Regional Office for Southern Africa, Bankers Association of Zimbabwe, Business Mauritius, Elekhom Global, Common Market for Eastern and Southern Africa (COMESA), **Department for Continental Shelf, Maritime Zones Administration and Exploration, Ministry of Defence and Rodrigues**, Development Bank of Mauritius, **Economic Development Board, Mauritius; Indian Ocean Commission**, Mauritius Africa Fund, **Mauritius Shipping Corporation Ltd, Mauritius Research and Innovation Council**, Mauritius Ports Authority, **Mauritius Oceanography Institute**, Mpulungu Harbour Corporation Limited, Port Management Association for Eastern and Southern Africa (PMAESA), Seychelles Port Harbour, South African Marine Research Forum, Southern Africa Trust, Southern African Development Community (SADC), Swazi Railway, Swaziland Industrial Development Company, SME Mauritius Limited, **SME Equity Fund**, Temo ya Tlhabane Holdings, TransNamib Holdings Limited, TPN Training and Recruitment, University of Dar es Salaam, University of Mauritius, University of Seychelles, and University of Stellenbosch. Media organisations represented were the Chronicle, L'express, Mozambique Express, New African Magazine, South African Broadcasting Corporation and Zambia Daily Mail.. Experts and independent consultants on the blue economy, industrialization, small and medium scale enterprises and regional integration also participated in the meeting.

Proposal to include also Ministry of Ocean Economy, Marine Resources, Fisheries and Shipping and Ministry of Business, Enterprise and Cooperatives.

Programme of Work

7. The delegates elected Mauritius as Chairperson of the Bureau of the 24th ICE, Eswatini as Vice Chairperson and Malawi as Rapporteur.
8. The 24th ICE Session adopted the Agenda below:
 - i. Opening Session
 - ii. Election of the Bureau and Adoption of the Agenda and Programme of Work
 - iii. Presentation of Statutory Reports by ECA: -
 - a. Economic and Social Conditions in Southern Africa;
 - b. Programme Performance of ECA in Southern Africa; and
 - c. The Implementation of regional and international agendas and other special initiatives in Southern Africa: *Progress and Status of the Continental Free Trade Area (AfCFTA)*
 - iv. Presentation of Thematic Report: *The Blue Economy, Inclusive Industrialization and Economic Development in Southern Africa*
 - v. The Ad Hoc Experts Group Meeting on: *The Role of Small and Medium (SME) scale enterprises in the industrialization Process in Southern Africa*
 - vi. Any Other Business
 - vii. Date and venue of the 25th ICE
 - viii. Consideration and Adoption of the Outcome Statement of the 24th ICE
 - ix. Closing Session

Account of Proceedings

9. The Committee considered three statutory reports submitted by the Secretariat. The reports were on: (i) Economic and Social Conditions in Southern Africa in 2017 and Prospects for 2018; (ii) Programme Performance of ECA Southern Africa Office; and (iii) Progress on the implementation of regional and international agendas, including NEPAD and other special initiatives in the sub region: *Progress and Status of the African Continental Free Trade Area (AfCFTA)*. The report on the theme of the ICE, *The Blue Economy, Inclusive Industrialization and Economic Development in Southern Africa* was presented and discussed by the Committee. The Committee also participated in the Ad Hoc Expert Group Meeting (AEGM) on: *The Role of Small and Medium Scale Enterprises (SME) in the Industrialization Process in Southern Africa*.

10. The Committee considered the Report of the Programme Performance of ECA Southern Africa Office for 2016-18 and the work programme for 2018-19.

Observations

11. On economic and social conditions in the region, the Committee noted:
 - i. the slight improvement in economic growth in Southern Africa in 2017 on account of firm commodity prices, the improved global outlook and a favourable agricultural season but observed that regional growth was sluggish and lowest compared to the rest of Africa and the world;
 - ii. the spiralling public debt levels in most member States in the region and its unabated growth due to sluggish growth continued current and capital expenditure growth, revenue shortfalls and bailouts of State Owned Enterprises (SOEs) and expressed concern over the impact of servicing obligations on other development programmes;

- iii. the rising oil prices and the potential negative effects on most Southern African economies and the positive effects on the oil producing regional member States;
- iv. the declining share of manufacturing in the region which is inimical to the industrialization agenda;
- v. the challenges of over dependence on SACU revenues due to wild fluctuations which create difficult budget management issues;
- vi. the differences in the efficiency of tax administration across the region and the need to strengthen the tax system to improve participation and compliance;
- vii. the importance of corporate and personal income tax, consumption taxes and import duties as the key determinants of total national tax revenue;
- viii. that policy inconsistencies in some regional member States continued to undermine investment and growth;
- ix. that the changing political climate in the sub region provided an opportunity to the new leadership to implement the economic reforms necessary to energise development;
- x. the need for the region to accelerate the pace of industrialization and continental trade and develop infrastructure as enablers for economic growth and development;
- xi. that agriculture remains a key economic sector in Southern Africa despite low productivity and vulnerability to weather patterns and crop diseases;
- xii. that the food and nutritional security challenges facing the region due to erratic weather patterns call for stronger regional cooperation in promoting regional trade in maize and the building of capacities to prevent, anticipate and cope with and recover from food deficit shocks;
- xiii. the potential benefits from a regional approach to developing the battery minerals value chain to take advantage of the boom in prices due to the move towards electrical vehicles;
- xiv. both agriculture and mining sectors are important for socio-economic development and neither should be developed at the expense of the other;
- xv. the continued dependence of regional economies on agriculture, minerals and oil and gas for growth and export earnings and highlighted the dangers of such dependence especially where there is limited local value addition and prices continue to fluctuate;
- xvi. the slow progress in the development of untapped renewable energy resources and acknowledged that the exploitation of renewable energy technologies will enhance the regional energy mix, improve access and security;
- xvii. the endowment of energy resources in the region but regretted the low levels of investment in the power sector which undermines production and industrialization in the region;
- xviii. the various interconnector projects and new power sector projects underway and highlighted how when complete, these will improve supply in the region and will provide the required support to industrialization efforts;
- xix. the importance of transport and logistics in facilitating trade and development; and
- xx. the importance of a holistic approach in assessing the benefits from the minerals sector by considering economic, social and environmental costs including resource depletion.

12. On the blue economy, the Committee observed: -

- i. that the blue economy, through various economic opportunities, can catalyze sustainable socio-economic development and should be an integral part of national and regional development policies and strategies;
- ii. that an inclusive and harmonised regional framework for the exploitation of blue economy resources which factors in the needs and expectations of land-linked, coastal and island states imperative and further emphasized the need for enhanced cooperation among States;

- iii. that collaboration through the provision of human capital by the public sector, intellectual capital by the universities and other tertiary institutions and business capital by the private sector is key to the success of growth of the blue economy;
- iv. that the key challenges towards optimal exploitation of blue economy resources include limited knowledge of the benefits, safety and security in the sector; adverse environmental effects; limited technology and skills; poorly designed legal, regulatory and institutional frameworks; limited financing for deserving projects; limited collaboration among coastal and land-linked countries; and poor transport and ports infrastructure;
- v. that the private sector is integral for the development of the blue economy and industrialization and should be supported by a conducive operating environment;
- vi. the importance of the development of inland transport and ports infrastructure and subsequent maintenance as being key to facilitating inter and intra-regional trade and the movement of people;
- vii. that skills and financial resource limitations continue to undermine efforts by SMEs to take advantage of opportunities offered by the blue economy;
- viii. the importance of high level political will in anchoring collaboration in the exploitation and sustainable management of blue economy resources;
- ix. that innovative methods of raising financial resources at both national and regional levels such as public-private partnerships, natural resources-infrastructure swaps, pension funds, diaspora remittances, infrastructure bonds, sovereign wealth funds, joint resource mobilization and regional infrastructure funds could address the infrastructure gap;
- x. the importance of nurturing change through mainstreaming of gender in blue and green growth initiatives; and
- xi. the need for both private sector and state investment in research, development and innovation to support the growth of the blue economy.

13. On the African Continental Free Trade Area (AfCFTA), the Committee: -

- i. acknowledged the support of ECA in the provision of technical support to the African Union (AU) on the AfCFTA;
- ii. observed that AU member States will benefit from an integrated continental market anchored on the AfCFTA through export diversification and regional value chains;
- iii. emphasised the need for member States to develop national strategies to take advantage of the opportunities offered by the AfCFTA;
- iv. noted that forty-nine (49) AU member States have so far signed the AfCFTA, seven (7) have ratified, three (3) have committed to signing and three (3) are yet to sign;
- v. noted the AfCFTA implementation roadmap and milestones to be achieved by March 2019 and remaining work on the negotiations;
- vi. observed that it is beneficial for the continent to approach international negotiations as a group in order to obtain favourable outcomes;
- vii. highlighted the importance of anticipating future trading arrangements with other economic blocs in crafting the continental position and ensuring that adequate safeguards are provided for;
- viii. noted the need to factor in the bilateral and multilateral agreements concluded by individual member States in the whole framework of cooperation under the free trade area to minimize potential contradictions;
- ix. noted the need for investment in research, technology, beneficiation, value addition and industrialization to expand the diversity of exportable goods in order to grow both inter and intra-Africa trade;

- x. emphasised the need to mobilise resources and rebalance the fiscus to ensure there is increased investment in logistics, institutions and infrastructure for all modes of transport to enhance intra Africa trade;
- xi. observed the need for technical support to member States to identify and address the costs and related implications of participating in the AfCFTA; and
- xii. recognized the need for the AUC to position the continent to ensure that the AfCFTA benefits from intra-Africa trade by boosting the production of processed goods and avoiding other economic blocs taking advantage of the wide market and related opportunities offered by the African private sector.

Recommendations

14. In light of the above observations, the Committee proffered the following recommendations: -

On policies, strategies, legal and regulatory frameworks, member States should: -

- i. create stable policy environments to minimise uncertainties in order to attract investments in transformative sectors including those with the potential to create decent jobs;
- ii. re-orient national development policies, plans and strategies to incorporate blue economy opportunities for poverty eradication and inclusive industrialization and ensure alignment with Agenda 2030 and Agenda 2063;
- iii. mainstream environmental sustainability concerns in the development and implementation of blue economy strategies and national development plans;
- iv. accelerate the harmonization of policies, legal and regulatory frameworks across national boundaries to facilitate the development of infrastructure to anchor development;
- v. develop integrated legal, regulatory and institutional frameworks to enable connectivity of various ocean based economic sectors and the coordination of the activities in the blue economy sector;
- vi. promote stakeholder participation in the development of blue economy strategies and activities for effective and informed decision making;
- vii. foster collaboration in implementation of blue economy policy frameworks amongst coastal, island and landlocked countries in order to strengthen regional value-chains and benefit collaboratively from the blue economy sector; and
- viii. develop frameworks and strategies to facilitate private sector participation in the blue economy opportunities, including the active involvement of SMEs along the blue economy value chains.

On addressing macroeconomic challenges, member States should: -

- i. build fiscal buffers during periods of high commodity prices to cushion the impacts of retreating prices, droughts and weak global trade and investments;
- ii. manage rising public debt levels and restrict loans and guarantees to SOE's as well as reduce unnecessary borrowing;
- iii. invest in the mechanisation and upgrade of the agricultural sector, including the development of irrigation systems for improved productivity, food security, and enhanced contribution to the reduction of poverty and inequality; and
- iv. strengthen national tax policy and administration to facilitate improve participation and compliance.

On skills development, member States should: -

- i. provide strong political will (through leadership) to steer the blue economy agenda;
- ii. invest in the development of human and institutional capacity and of the relevant skills to anchor the exploitation of opportunities provided by the blue economy in collaboration with all stakeholders to ensure alignment of skills requirements with industry needs;
- iii. provide the necessary financial and technical skills support to strengthen Intergovernmental Organisations (IGOs) to provide the leadership in anchoring and implementing blue economy initiatives; and
- iv. strengthen collaboration, through Memorandum of Understanding (MOUs) and other agreements, on security to address the piracy and environmental management in the coastal zones and to facilitate joint research and capacity building on the blue economy.

On policies, strategies, legal and regulatory frameworks, RECs should: -

- i. support member States to develop requisite national strategies to domesticate and take advantage of the opportunities offered by the AfCFTA;
- ii. facilitate the regional harmonization of tax policies and administration systems to create a level playing field;
- iii. provide a platform for peer learning on blue economy frameworks and strategies;
- iv. facilitate the documentation of knowledge of the benefits of blue economy activities and the development of comprehensive maritime safety and security in the sector;
- v. accelerate the harmonization of policies, legal and regulatory frameworks across national boundaries to facilitate the development of transboundary infrastructure to anchor development, trade and movement of persons, including the development of regional frameworks on the blue economy; and
- vi. facilitate the development of harmonised regional policy, legal and regulatory frameworks and strategies to exploit blue economy resources to address the current uncoordinated approach to the sector.

On infrastructure, RECs should: -

- i. facilitate investment in the development and upgrade of multi-modal transport systems linking landlocked, land-linked and coastal States to facilitate trade and movement of persons;
- ii. accelerate the implementation of prioritized regional infrastructure projects including those which directly impact on trade;
- iii. investigate the utilization of non-traditional sources of funding infrastructure development including: public-private partnerships, natural resources-infrastructure swaps, pension funds, infrastructure bonds, sovereign wealth funds and diaspora remittances to accelerate the development of prioritized infrastructure (ports, road, energy, etc.) programmes;
- iv. expedite the implementation of prioritised infrastructure programmes and the setting up of Centres of Excellence for knowledge and skills development to bridge the existing capacity gap among stakeholders;
- v. promote and strengthen the use of inland waterways and dry ports and establish safety standards to enable full and sustainable benefit of the potential of the blue economy; and
- vi. support the creation and strengthening of special economic zones as an instrument for integrating coastal States and landlocked, land-linked countries into the blue economy regional value chains; and
- vii. facilitate ocean and coastal States, landlocked and land-linked countries in physical (port and dry ports) and soft infrastructure connectivity by using regional trade facilitation instruments

Way Forward

11. The Committee underscored:

- (i) the need to expedite implementation of the AEGM recommendations towards enhancing the role of SMEs in the industrialisation process in Southern Africa;
- (ii) that SRO-SA should work closely with member States, RECs, IGOs and other stakeholders to facilitate continued dialogue aimed at addressing socio-economic, trade facilitation and infrastructure challenges in the region;
- (iii) that the recommendations of the studies on the blue economy and SMEs be submitted to the appropriate stakeholders including IOC, SADC and COMESA Secretariats for further action;
- (iv) the urgent need for the Secretariat to follow-up on the offer to host the 25th ICE of Southern Africa by Swaziland to enable the requisite preparations to commence early and also consult further with member States on the hosting of the and 26th ICE Session.

Done in Pointe aux Piments,

Mauritius, September 21, 2018