



ANNUAL REPORT ON INTEGRATION IN AFRICA (ARIA-2002)

OVERVIEW

ARIA's MISSION STATEMENT

-  **Establish objective analytical tools, methods and benchmarks for tracking regional integration in Africa**

-  **Assist member States, regional integration organs and other stakeholders in developing their policies and programmws**

SCOPE OF ANALYSIS



Assess performance in major sectors



Examine performance of RECs



Assess overall trends in regional integration across countries and sub-regions



Identify critical issues and the wayforward in regional integration

INDICATORS ASSESSING REGIONAL INTEGRATION



Innovative indices of quantitative and qualitative indicators :



Cover sectoral, national, sub-regional and Africa wide performance



Serve as benchmarks to measure and compare performance

MAIN FINDINGS

I. RECs AND AFRICA'S INTEGRATION

Building blocks



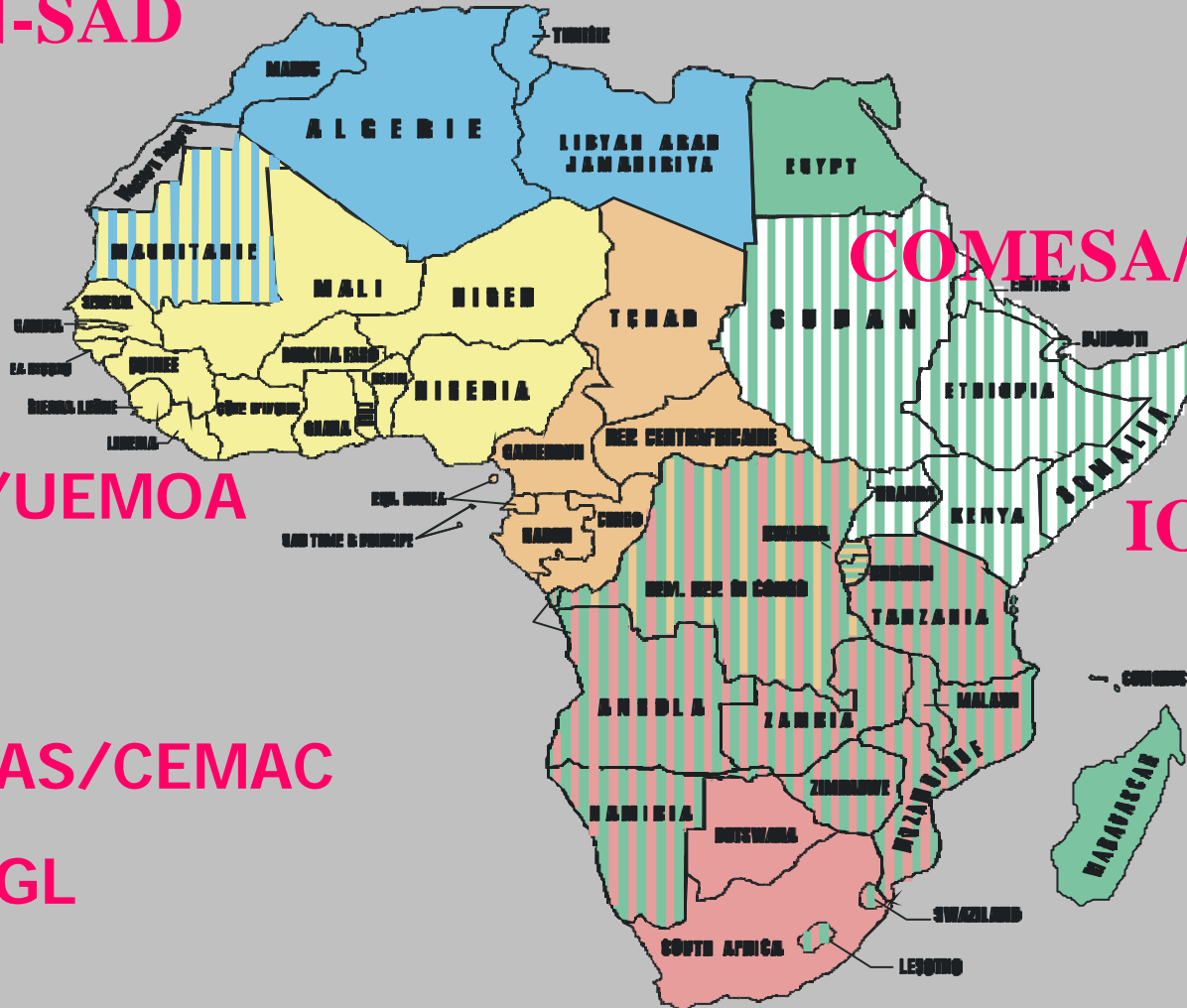
Africa has 14 RECs varying design, seven of which are considered building blocks



RECs map the entire continent, some are sub-sets of the seven major ones

UMA

CEN-SAD



COMESA/EAC/IGAD

ECOWAS/UEMOA

IOC

MRU

ECCAS/CEMAC

CEPGL

SADC/SACU



To be effective RECs require political commitment and rationalization

RECs have achieved success



Trade liberalization schemes fully or partially implemented by almost all RECs



Some RECs (UEMOA, CEMAC) already exist as monetary unions. Others such as ECOWAS, COMESA, EAC actively pursuing monetary cooperation



Headway in infrastructure development particularly in West Africa (ECOWAS) and southern Africa (SADC)



Joint development of energy-eg. SADC power pool



**Some RECs (ECOWAS, CEMAC, EAC)
made progress in free movement of
people**

*Some tangible results
but generally:*

- ⇒ **Results not matched
protracted efforts**
- ⇒ **Many unfinished AEC protocols**
- ⇒ **Little interaction among the RECs**

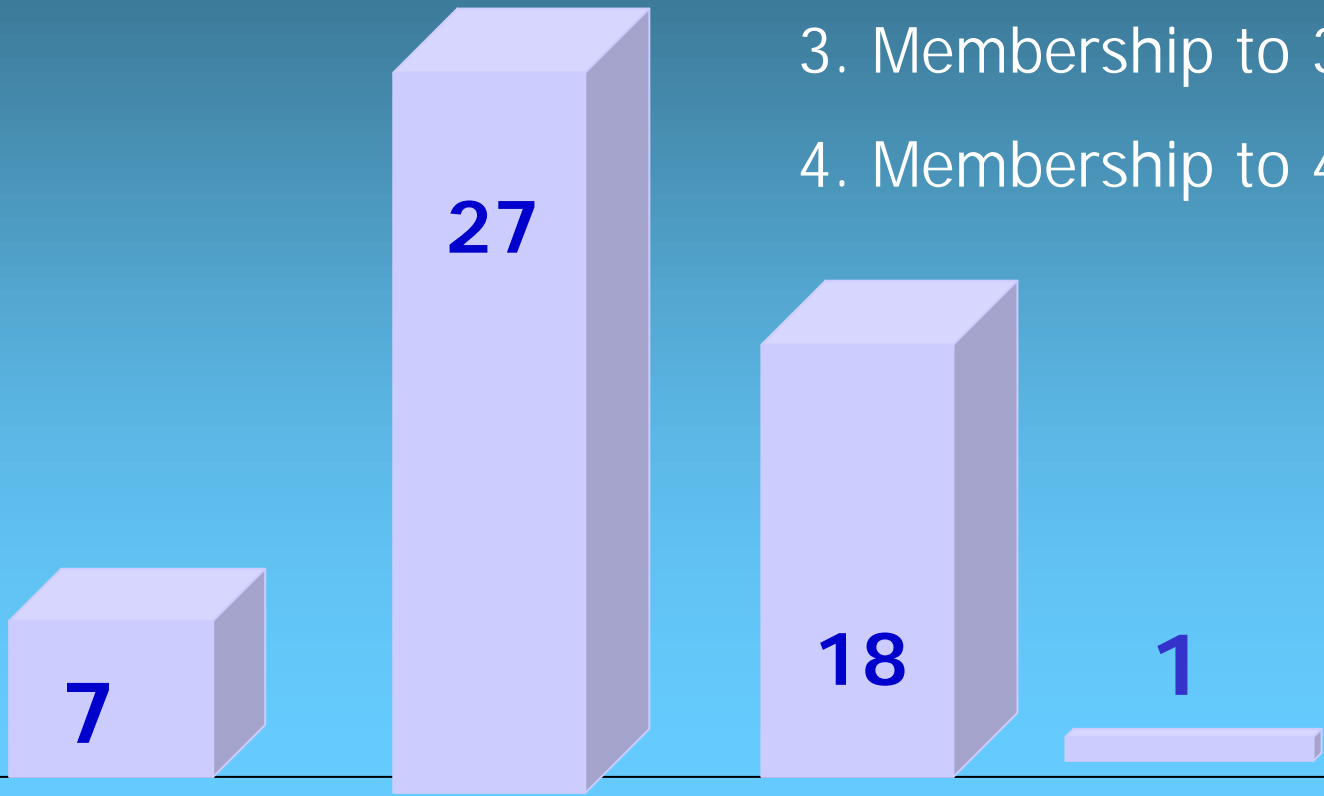
- ⇒ **Regionalism not effectively mainstreamed in member country structures and operations**
- ⇒ **Low REC capacity particularly caused by shortage of financial resources**
- ⇒ **Overlapping membership**

Overlapping Membership

Countries

35
30
25
20
15
10
5
0

- 1. Membership to 1 REC
- 2. Membership to 2 RECs
- 3. Membership to 3 RECs
- 4. Membership to 4 RECs



1

2

3

4

Membership

II. SECTORAL PERFORMANCE

A. Trade



RECs made significant efforts on trade liberalization



UEMOA, SACU, CEMAC already are custom unions (CUs)



**COMESA, ECOWAS, SADC, ECCAS
AND UMA not yet CUs. But
COMESA launched its FTA**



**Greater harmony needed in
trade liberalization programs**



**Formal intra-REC trade still
low at about 10.5%**



Would be higher if informal trade is recorded

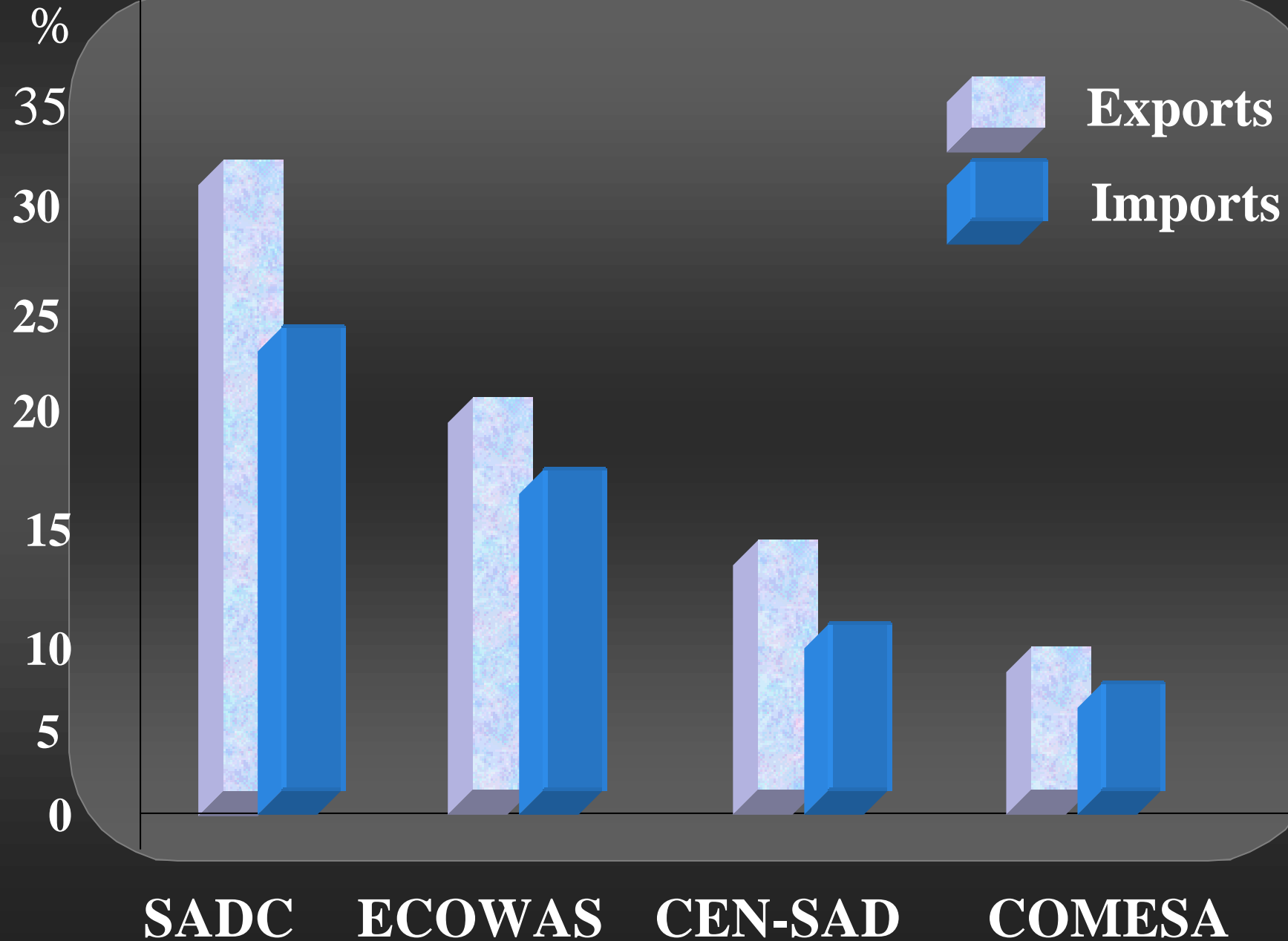


Intra-REC trade benefits are not widely shared since only a few countries dominate export trade




SADC, ECOWAS, CEN-SAD, COMESA, are top four in intra-REC trade

Four Best Performers in intra-REC Trade



B. Macro-economic convergence

 **UEMOA and CEMAC put high premium on policy convergence and making significant headway through surveillance mechanisms**



**ECOWAS, COMESA and EAC
also established parameters**

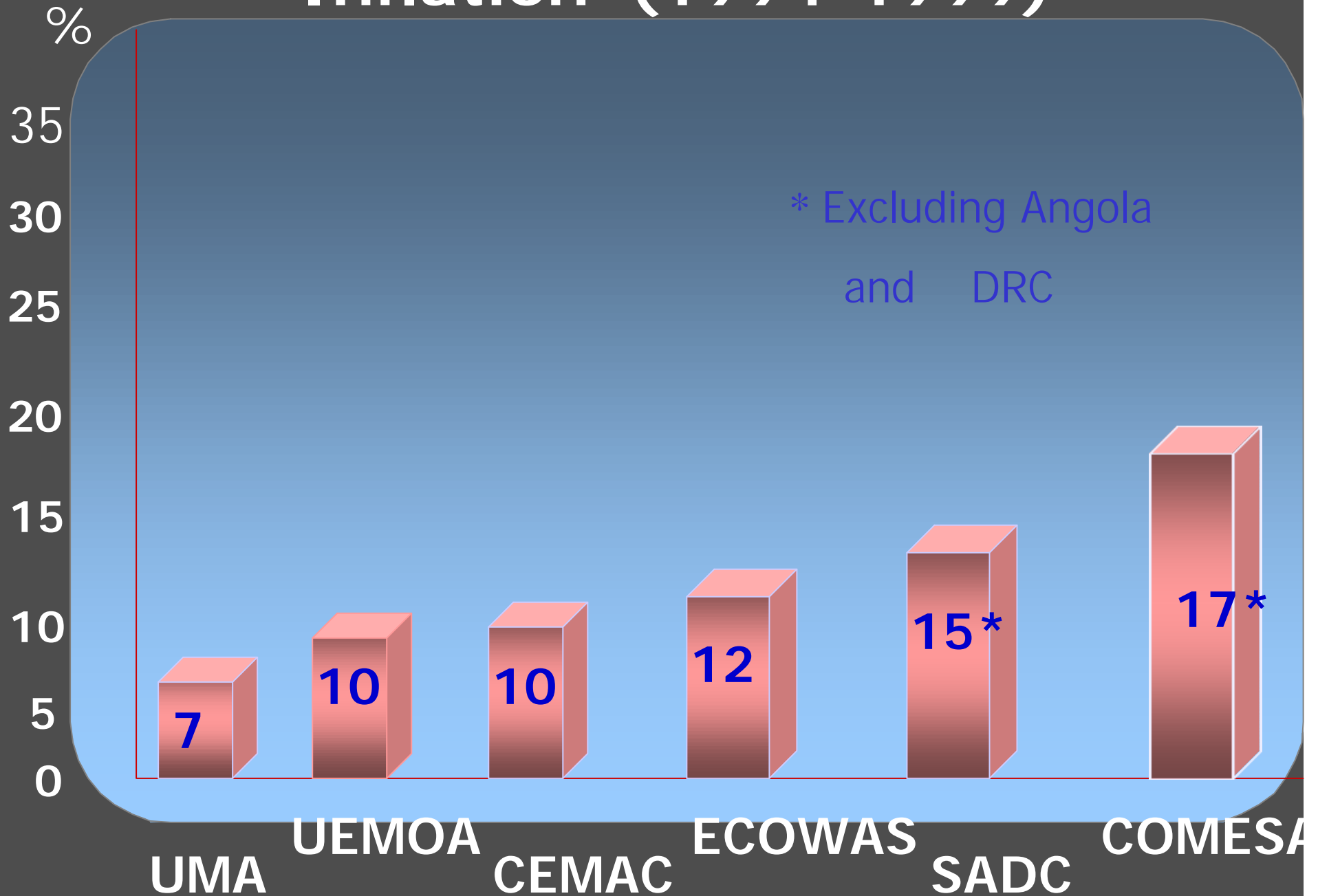


**African countries making efforts to
meet targets (inflation rates, budget
deficits etc.)**



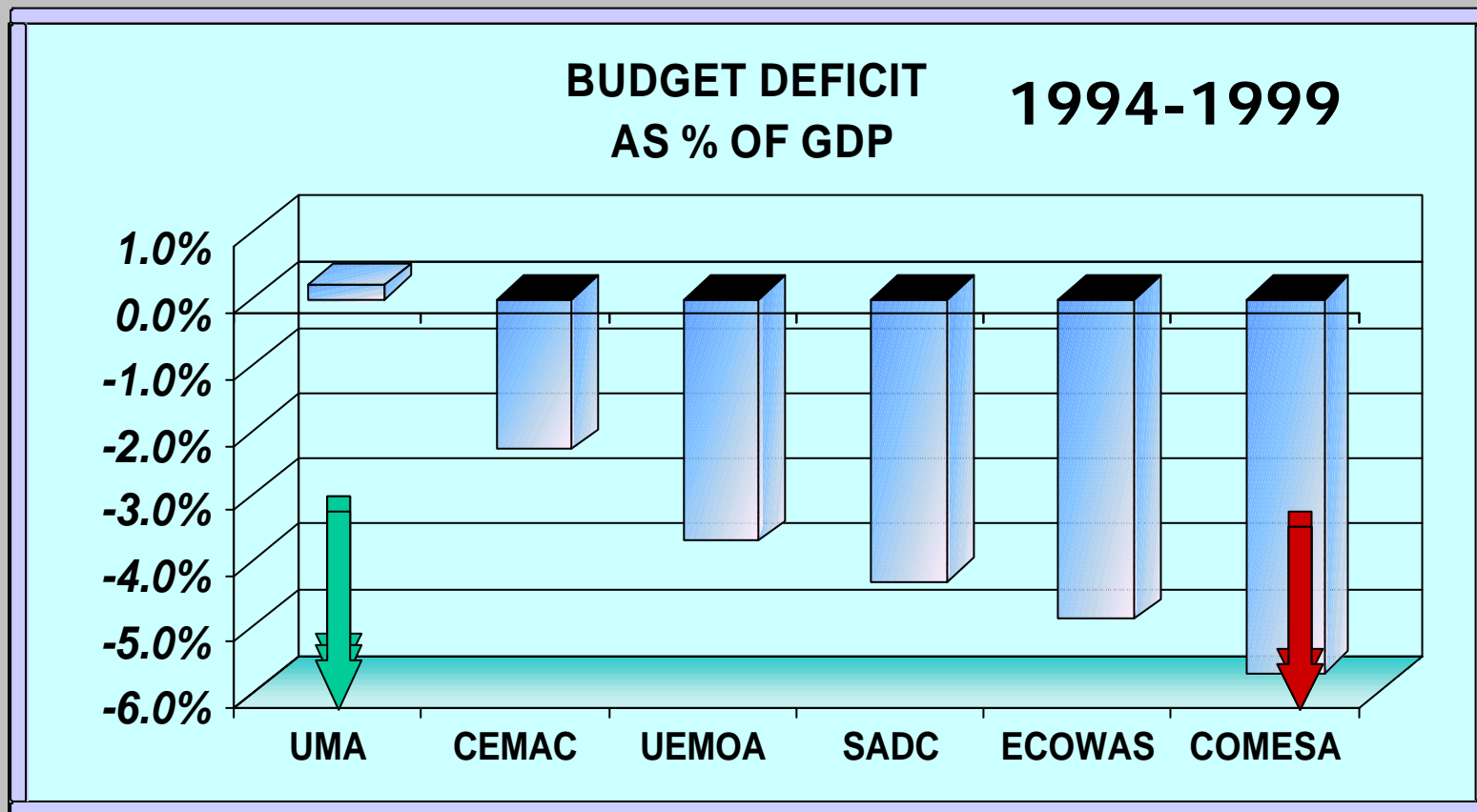
Inflation rates progressively reduced : UMA, UEMOA and CEMAC leading. SADC and COMESA lagging

Inflation (1994-1999)



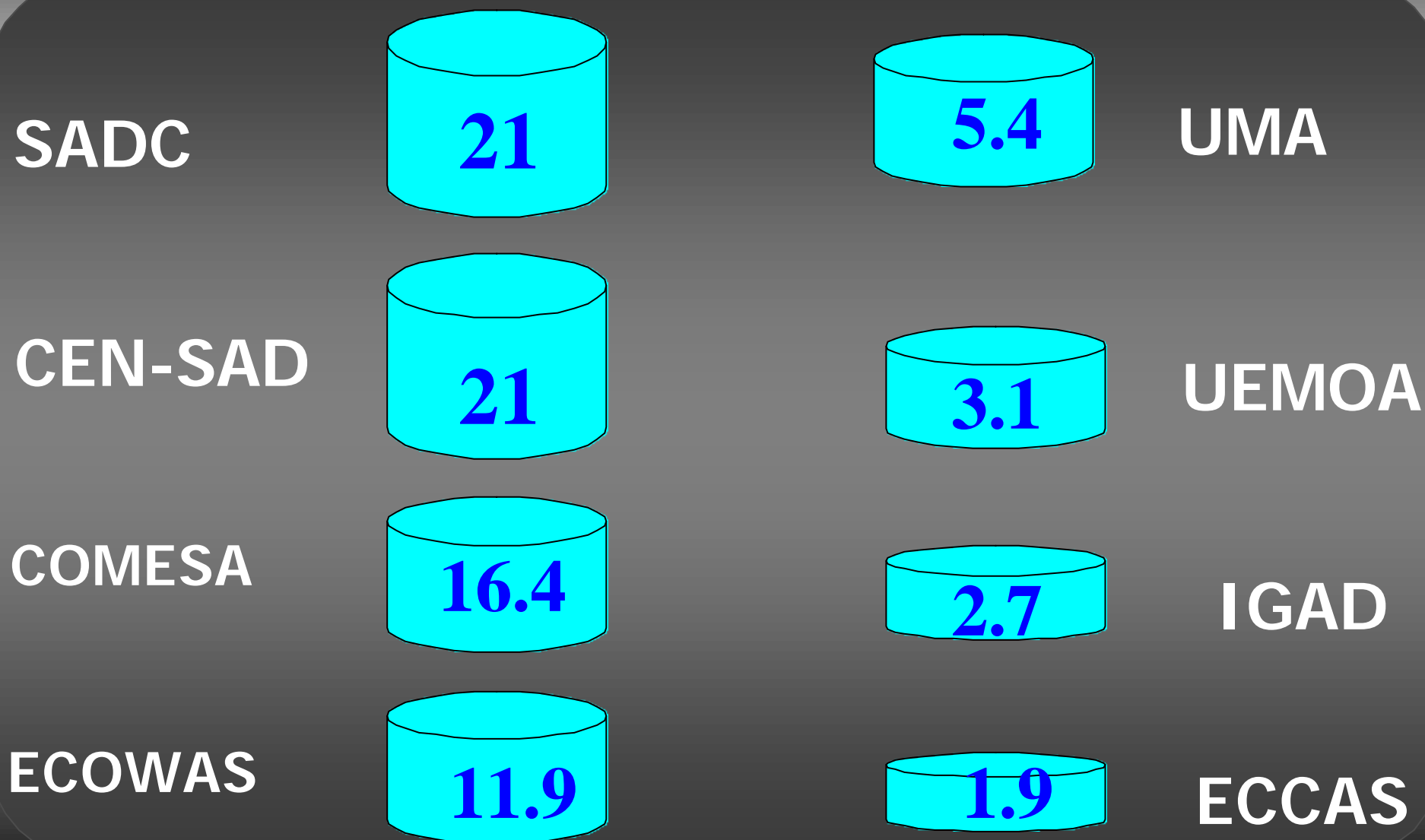


Budget deficits cut. UMA, CEMAC, SADC, ECOWAS and COMESA moved to acceptable levels



- ⇒ **FDI grew by about 1.2% annually (1994-1999)**
- ⇒ **Capital Markets emerging-would encourage FDI inflows**
- ⇒ **Most FDI went to SADC, CEN-SAD, COMESA and ECOWAS**

% Share in Total FDI Inflows to Africa, by REC (1994-1999)



FDI Flows to REC as % of their GDP

(1994-1999)

ECOWAS

2.8

1.8

SADC

COMESA

2.0

1.4

IGAD

UEMOA

1.9

1.0

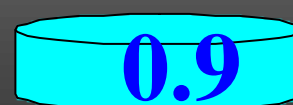
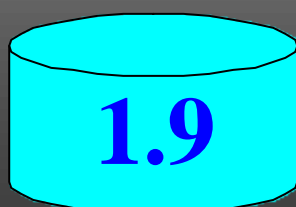
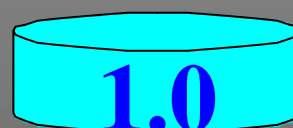
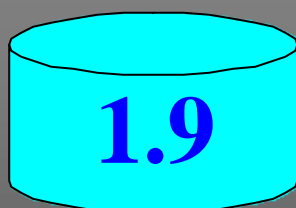
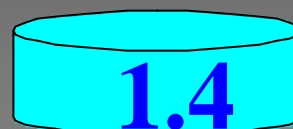
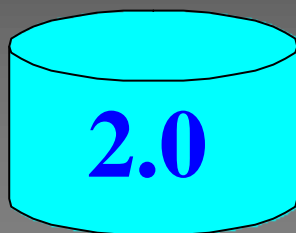
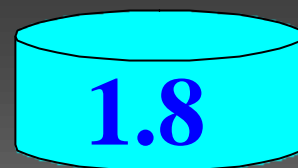
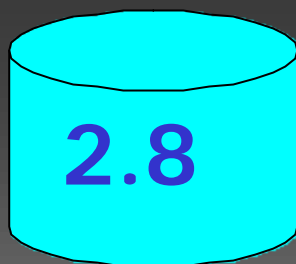
ECCAS

CEN-SAD

1.9

0.9

UMA



C. Infrastructure



Still a major constraint



Inadequate infrastructure and physical integration



Limited infrastructure and networks, particularly in energy, transport and communications



Results in or compounds high cost of doing business



However some notable achievements



A number of transport missing links of the Trans African Highway filled in (e.g. ECOWAS)



Railways interconnection projects in West Africa and Eastern sub-regions conceived

- ⇒ **Major efforts on Air transport liberalization underway (Yamoussoukro Decision/Open Skies)**
- ⇒ **Some recent achievements in telecommunications. Private sector leading expansion of services**
- ⇒ **Progressive cooperation in hydropower, oil and gas pipelines**

D. Production sectors

-  **Supply side constraints**
-  **Very limited REC cooperation in productive sectors**
-  **Low range of products constrained inter and intra-REC trade**



Inadequate attention to building and managing regional food reserves.

III. OVERALL ASSESSMENT USING INDICATORS



REC trends



SADC, COMESA, and ECOWAS made good progress through 1997, however momentum weakened thereafter

Pace of Integration by REC

**Above
average**

Average

UEMOA

6.6%

CEMAC

4.7%

ECOWAS

6.3%

CEN-SAD

4.6%

SADC

6.0%

UMA

4.2%

Pace of Integration by REC

Close to average

Erratic

EAC

3.7%

CEPGL

IGAD

3.7%

ECCAS

COMESA

3.6%

IOC

MRU

Overall continental trends

 A discernible move towards greater integration with a burst from 1994 through 1997, but a general slow-down thereafter

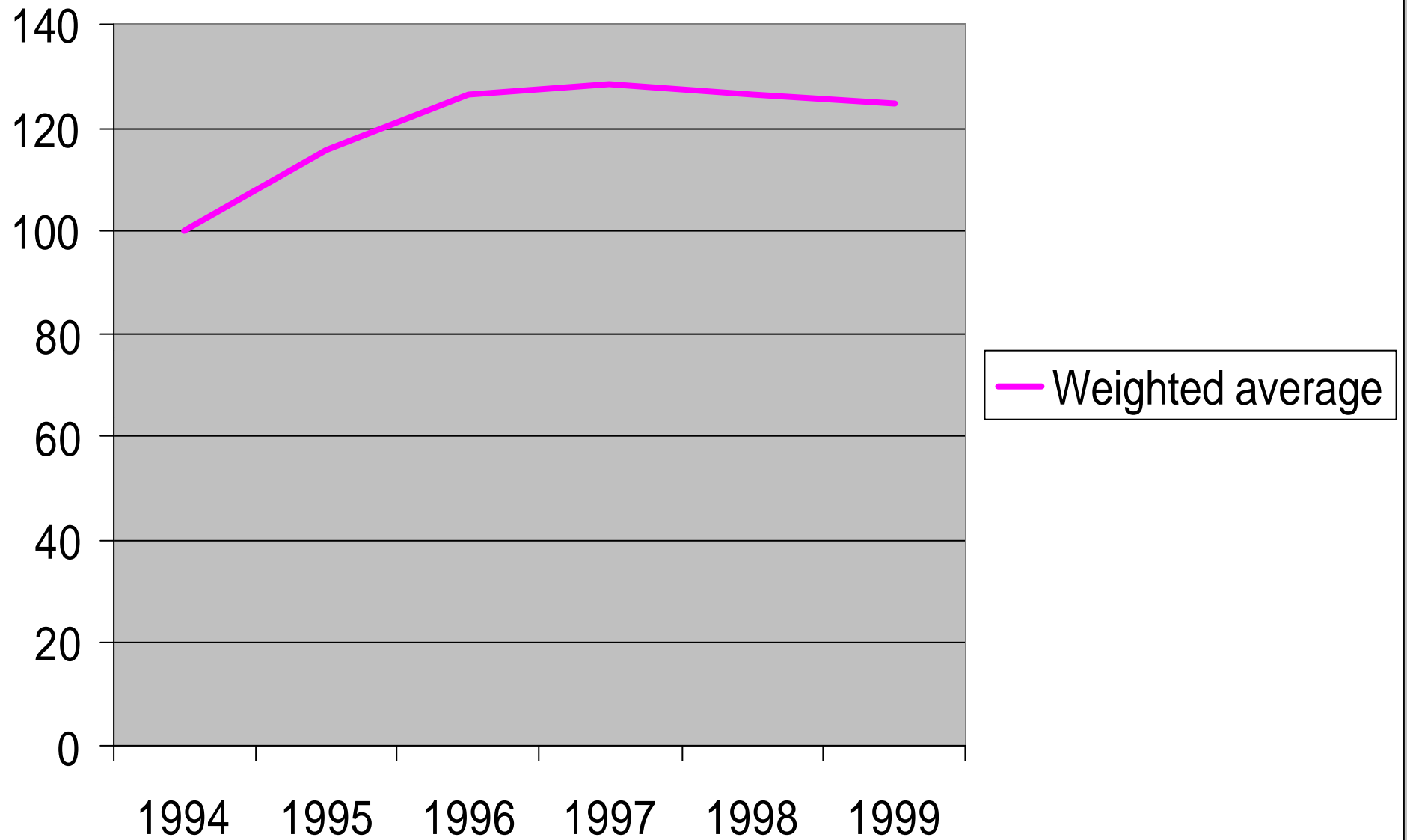


The average pace towards integration in 1994 -1999 was 4.7 %, faster than GDP growth



The burst in 1995 aside, the real pace of integration was only 1 -2%

Composite regional integration index



Future prospects



Recent developments could spur enhanced progress in regional integration:

- **Implementation of FTA by 11 members of COMEASA**

- **Beginning of the implementation of the SADC trade protocol**
- **Fast track monetary harmonization by non-UEMOA members of ECOWAS**
- **Increased energy coordination in ECOWAS and UEMOA**
- **Attempts to revive integration efforts in ECCAS**

IV. OUTSTANDING ISSUES AND THE WAY FORWARD

A. Trade



How can gains and losses from trade liberalization schemes be reconciled and losses minimized ?



Shouldn't the supply-side constraints be addressed first ?





How can informal trade be mainstreamed and measured regional integration arrangements ?

B. Macroeconomic convergence



 **How best can RECs attain policy convergence among their members ?**

C. Physical integration

-  **What needs to be done to complete missing links in infrastructure**

-  **How can the private sector be attracted to invest in physical infrastructure ?**

D. Strengthening RECs

-  **How best can the RECs be rationalized ?**
-  **How can RECs have supranational authority to enforce decisions ?**





How can effective coordination between RECs and Countries be attained ?



How can political and stakeholders support be solidified for accelerating regional integration ?

E. African Union and regional integration

-  **How can the phases of the Abuja Treaty (AEC) be aligned to the African Union time table and process ?**
-  **How can the Union reinforce and complement the activities of RECs ?**



How can RECs be made more effective in building the African Union ?



How can the Union institutions be sequenced and aligned to ensure maximum support to regional integration.

END

END

END

Future prospects



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Early momentum may be due to :

Two possible
explanations

- **The initial impulse of coming into force of Abuja Treaty**
- **Earnest effort to harmonize the mandates and policies of the RECS**



**UEMOA, ECOWAS, SADC-
above the average**



**CEMAC, CEN-SAD, UMA on the
average line**



**EAC, IGAD, COMESA close to
average**



**CEPGL, ECCAS, MRU, IOC
lagging with erratic
performance**