

Foreword

Economic and political integration has always been a goal for Africa and its people. This is why the Organization of African Unity (OAU) was established in 1964 to promote unity across the continent and prevent Africa from splitting into rival camps at the height of the Cold War. The OAU played a key role in promoting pan-African cooperation and in the emancipation of countries under colonial or racist rule. The Abuja Treaty Establishing the African Economic Community (AEC) in 1994 then laid a new framework and foundation for Africa's integration, with regional economic communities (RECs) as the building blocks.

Since the inception of the Abuja Treaty, Africa has made considerable progress in its attempt to integrate. African RECs have made appreciable strides towards achieving the goals of free trade areas, customs unions and the free movement of people with the introduction of community passports. Other initiatives such as the harmonization of business laws in Africa have helped to enhance the enabling environment for business and investments across borders. There have also been noticeable advances in infrastructure development, thanks to several initiatives and programmes within the framework of AU/NEPAD. Despite these gains, there remain a number of challenges that are constraining the integration agenda.

A continuous appraisal of Africa's integration performance is essential, in order to gain a deeper understanding of the strengths and weakness of the integration efforts, and to help shape the future through lessons learned. It is from this perspective that the African Union Commission and the Economic Commission for Africa publish the report on *Assessing Regional Integration in Africa*, well known by its *ARIA* acronym. ARIA is a major publication devoted to in-depth analyses of progress towards fulfilling the objectives of Africa's regional integration in broad and thematic areas, in accordance with the vision of the African Union. The various issues of ARIA have tried to address critical thematic challenges. To this end, the first edition of ARIA, published in May 2004, presented a comprehensive assessment of the status of regional integration in Africa. ARIA-II, published in May 2006, examined and made recommendations on the rationalization of multiple integration groupings in Africa and their attendant overlapping memberships.

ARIA-III, the current publication, is the third of the ARIA series and focuses on the theme of macroeconomic policy convergence, monetary and financial integration in

Africa's Regional Economic Communities. Because it helps increase growth, trade and investments, the pursuit of macroeconomic stability and monetary integration is crucial for Africa's integration efforts. At the core of these efforts are prudent fiscal, monetary, exchange rate and debt policies pursued at the national level and harmonized at the regional and continental levels. A stable macroeconomic environment attracts and encourages investment, which is essential for development. Strengthening and deepening the financial sector, including the establishment of vibrant capital markets, will also facilitate the flow of funds and help anchor macroeconomic policies. Moreover, strong national and regional capital markets also play a catalytic role in attracting foreign direct investment and promoting cross-border investment.

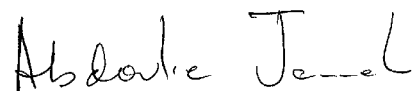
It is for these reasons that the creation of the African Union, with its emphasis on deeper and faster integration, underscored the importance of macroeconomic convergence and monetary integration and the need to establish mechanisms and institutions to facilitate the process.

Many of Africa's RECs have set targets for convergence of macroeconomic policies and for monetary, fiscal and financial integration. Progress and criteria differ among the regional economic communities for historical reasons or because of differences in members' development levels. Against this backdrop, this publication assesses how effectively Africa's regional economic communities — and the continent as a whole — are moving towards macroeconomic policy convergence and monetary and financial integration. In this regard, RECs with established convergence criteria are evaluated based on their achievements, while those without explicit convergence programmes are assessed based on the need for macroeconomic convergence.

RECs, as the building blocks of political and economic integration in Africa, provide the foundation for macroeconomic integration. Any progress on the harmonization of policies at the regional level is a step towards realizing the goals of the African Union. The analyses and findings in this publication point to several areas that need to be addressed to achieve the objectives of the Abuja Treaty and the African Union.



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