

# Highlights

The Organization of African Unity (OAU) Charter and the Constitutive Act establishing the African Union define regional integration as one of the anchoring ideals of African unity. The Lagos Plan of Action and the Abuja Treaty establishing the African Economic Community spell out the economic, political, and institutional mechanisms for attaining this ideal.

African leaders now recognize more than ever the urgency of accelerating Africa's integration, especially given the challenges of regionalism amid globalization. The World Trade Organization's rules for the world trade system have heightened global competition and raised the stakes for Africa. This urgency is reflected in the establishment of the Commission of the African Union and the orientation of the units of the Commission.

To move the regional integration process forward, African countries have also adopted the New Partnership for Africa's Development (NEPAD), the overarching development framework for the region, recognized by the United Nations and its agencies and such global bodies as the G-8 industrial countries.

## Progress on regional integration

Progress in African integration is mixed across sectors, regional economic communities, and member states. There have been some strides in trade, communications, macroeconomic policy, and transport. Some regional economic communities have made significant progress in trade liberalization and facilitation (The West African Economic and Monetary Union, or UEMOA, and the Common Market for Eastern and Southern Africa, or COMESA), in free movements of people (the Economic Community of West African States, or ECOWAS), in infrastructure (the Southern African Development Community, or SADC, and the East African Community, or EAC), and in peace and security (ECOWAS and SADC). Overall, however, there are substantial gaps between the goals and achievements of most regional economic communities, particularly in greater internal trade, macroeconomic convergence, production, and physical connectivity.

## Trade

The progress towards harmonized and integrated subregional markets has been slow. But regional economic communities such as UEMOA, CEMAC, and the Southern



African Customs Union are customs unions, while others are at varying stages of progress in establishing free trade areas. Intracommunity trade is also generally limited.

**Macroeconomic convergence.** Some regional economic communities have established macroeconomic convergence criteria to help their members focus on economic stability as a sine qua non of integration and development. But due to differences in economic and political governance and to civil conflicts, it has been difficult to achieve convergence. And even where some progress had been made, policy reversals have occurred.

**Transport.** All the regional economic communities have introduced instruments in one form or another to promote unimpeded transit facilitation, reduce cost, and improve overall efficiency. A notable achievement is the Yamoussoukro Decision to gradually liberalize air transport in Africa. But the reality on the ground is that transport costs in Africa are still among the world's highest. For example, shipping a car from Japan to Abidjan costs \$1,500 (including insurance); shipping that same car from Addis Ababa to Abidjan would cost \$5,000. Throughout the continent, many road, air, and rail networks remain unconnected.

**Communication.** There has been measurable success in intercountry connectivity, thanks to the global revolution in telecom technology and the growing commercialization and privatization of national services. Some regional economic communities show more connectivity (SADC, ECOWAS, COMESA, the Arab Maghreb Union, or UMA), while others are lagging behind (the Central African Economic and Monetary Community, or CEMAC, the Economic Community of Central African States, or ECCAS, the Economic Community of Great Lakes Countries, or CEPGL). And it is still a major pain to make a call across national borders in Africa.

**Energy.** Many regional economic communities aim to minimize energy costs by exploiting economies of scale through larger regional supply systems based on power pools and interconnected grids—and by developing environmentally benign power sources. There has been appreciable progress among some ECOWAS member states, as well as in SADC and the EAC.

**Knowledge sharing.** There is visible cooperation in early warning systems, agricultural research, and capacity building. The SADC region is served by the Southern African Centre for Cooperation in Agricultural Research and Training in Southern Africa. And international institutions—such as the International Institute for Tropical Agriculture and the International Water Management Institute—are contributing to African integration through exchanges of information on best practices among regional economic communities.

**Free movements of people.** A few regional economic communities, particularly ECOWAS and the EAC, have made considerable progress. ECOWAS has introduced the ECOWAS Passport, a giant step towards eliminating barriers to the cross-border

movement of citizens, and indeed towards promoting a common identity among ECOWAS citizens. The EAC has also introduced a common passport valid within the community to facilitate cross-border movement of the nationals of its members. Free movement in other regional economic communities is more restricted, pursued more country-to-country than multilaterally.

**Public goods.** On the production and use of public goods through collective efforts and resource pooling, not much can be written, except in maintaining peace and security, where ECOWAS and SADC have recorded major achievements. Programs for combating crime, HIV/AIDS, and technological backwardness, and harnessing physical resources remain largely national in outlook.

Progress in the various aspects of integration has been hampered by the lack of resources, both financial and human, the low implementation of treaty obligations, the inability to prevent and resolve conflicts decisively, and the different national currencies, almost none of them convertible, with the CFA franc zone the only real exception.

## Key lessons and challenges

Regional economic communities' attempts at regional and subregional integration give clear indications of the challenges the region faces in the quest for greater integration and development.

### **Rationalizing the regional economic communities**

Countries may form separate groupings within larger blocs to accelerate integration or they may belong to several blocs to maximize the benefits and minimize the risks of integration. But the presence of so many communities spreads limited resources thin, complicates the overall continental integration process, and puts enormous strains on governments' ability and resources to cope with diverse agendas and exigencies. It is therefore imperative to move rapidly to rationalize the regional economic communities.

### **Ratifying protocols**

Protocols are needed to put treaties into effect. But many member states have been slow in signing and ratifying regional economic community protocols, which in many cases are contradictory. The regional economic communities should implement mechanisms to ensure a more expeditious approach to ratifying protocols. For example, ratifications could be substituted by "acts", "decisions", or "directives" that take effect immediately. The African Union could play a role in rationalizing the number and provisions of protocols across the regional economic communities, aligning them to continental objectives and securing the eventual convergence of subregional goals.

## **Matching ambitions with resources**

The regional economic communities have limited capabilities and resources, leaving substantial gaps between what is written in treaties and what happens on the ground. Successful integration requires secretariats with the staffing, financial resources, and authority to act for member states. The regional economic communities also need to set priorities for their activities and focus on concrete, limited, achievable objectives.

It is also generally recognized that inadequate financing is one of the main barriers to Africa's integration. Financial resources to support the regional economic communities come mainly from assessed contributions, but paid contributions have remained very low in relation to the budgeted needs and to the assessments. Concrete schemes should be designed to mobilize resources both internally and from external sources. Self-financing mechanisms—such as the system of community levies prevailing in UEMOA and CEMAC, special airport taxes, negotiable allocations from GDP, dividends from debt relief, among others—are sources to be considered.

Resources are needed to finance such projects as the African trunk road network and an African rail network, getting agreement on design and construction standards and on technical and operational standards, such as axle load limits. NEPAD should be the driving force, working with the regional economic communities to coordinate efforts and to mobilize and pool resources to strengthen Africa's physical integration.

## **Giving more impetus to private sector involvement**

The private sector in most African countries is not part of the identification, formulation, and implementation of integration policies and programs. Treaties of most regional economic communities do not specifically address the involvement of the private sector. But the private sector can be an important partner in integration by providing finance and human resources to support regional projects. And through its representatives and organization, the private sector can influence policymaking and push governments to ratify and implement protocols, stabilize macroeconomic conditions, establish high institutional quality, and maintain an efficient and reliable bureaucracy and the rule of law. And to the extent that firms operate across borders, they also stand to benefit from the rationalization of rules of operations across countries.

## **Some caveats in moving forward**

Revitalized regional integration offers one of the most credible strategies for tackling Africa's development challenges, because of the many weaknesses in resources and other aspects of economic capacity that individual countries face. Collective efforts, with dynamic political commitment to integration, can help overcome the daunting challenges. But the benefits of regional integration are neither automatic nor necessarily large. The following caveats must therefore be noted.

- Regional integration is just one instrument for advancing African countries. To be effective, integration must be part of an overall development strategy. So regional integration arrangements should address problems for which they are better suited.
- Regional integration arrangements can create winners and losers, making it essential that members assess the prospective benefits and costs of regional integration to boost gains and minimize losses. Strategies should include a transparent, equitable, rules-based system for sharing gains and resolving disputes.
- Realizing the benefits of regional integration requires strong, sustained commitment from member countries. Leaders should view these arrangements as more than good “sound bites” in economics and politics. They should dedicate the effort required to make them work. It is also important that members implement domestic policies and build domestic institutions aimed at promoting growth, macroeconomic stability, and poverty reduction.

The role of the African Union in providing leadership for meeting the many challenges of regional integration is critical.

