

# Defining a Framework for Rationalization

There are economic and other tangible benefits to rationalizing the regional economic communities. For Africa to achieve an economic and political union a concerted effort must be made to pursue policies that ensure the convergence or unification of programmes, activities, and functions of intergovernmental organizations. Rationalization policy must be coherent and effective to prevent splintering of the African economic space and stalling of the integration agenda. More urgent is the need to define and implement practical solutions that are less political and more technical and flexible while placing the regional economic communities under the framework of the African Union, which should provide the guiding principles to ensure full participation.

## Principles of rationalization

For rationalization to be effective and successful, regional economic communities should follow a well articulated framework that ensures congruence and convergence towards full integration. This framework should include 10 principles:

- Shared vision.
- Stronger and more efficient regional economic communities.
- Geographical viability.
- Broader investment space.
- Transitional arrangements.
- Participatory approach.
- Clarity and credibility.
- Shared responsibility.
- Consolidated vested interests.
- Move towards convergence.

### **Principle 1. Aligning vision with the African Union and the New Partnership for Africa's Development**

The aims and objectives of rationalization must be aligned with the vision of the African Union and the New Partnership for Africa's Development (NEPAD). The African Union's main vision is faster socioeconomic integration to increase unity and solidarity among African countries. It hopes to achieve this by creating an enabling

environment for Africa to be a significant partner in the global economy and in international negotiations. By promoting sustainable development and integration, the African Union hopes to enlarge national markets, to harmonize regulations, and to create a sound environment for investment.

NEPAD, a socioeconomic programme created by the African Union, aims to redevelop the continent by eradicating poverty, ensuring sustainable growth and development, promoting integration, and preventing Africa from being marginalized in the globalization process. NEPAD has eight sectoral areas: infrastructure development, education and training, health, agriculture, information and communication technology, environment, energy, and trade with developed countries.

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For rationalization to be aligned with the lofty aims of the African Union and NEPAD, the protocols of the African Union must be fully implemented. Most of the African Union protocols are nonenforceable and depend on the goodwill of member countries to be implemented. Decisions of the regional economic communities and the African Union will be effective only when member countries are willing to abide by them. The African Union must also have the resources and power to review member countries' compliance with its vision, obligations, and commitments. This would allow national policies to be harmonized with the objectives, strategies, commitments, and overall vision of the regional economic communities, the African Union, and its organs.

## **Principle 2. Strengthening regional economic community efficiency**

Overlapping mandates, objectives, protocols, and functions create unhealthy multiplication and duplication of efforts and misuse the continent's scarce resources—making regional economic communities very inefficient.

Trade is also inefficient. Overlap and duplication of integration groupings could divert trade, which occurs as firms shift from low-cost to high-cost production of tradable goods and services, resulting in overall production inefficiency. Multiple memberships means that countries may be affiliated with regional economic communities that are net trade diverting.

Countries face increased administrative burdens and costs when they are members of more than one regional economic community. Differing trade liberalization mechanisms and the associated policy contradictions and varying instruments, procedures, and formats add to those costs, as do different tariff reduction rates, rules of origin, trade documentation, and statistical nomenclatures for different regional economic communities. They also provide an opportunity for customs and other officials to engage in rent-seeking activities.

In addition, member countries and regional economic communities incur both tangible and intangible costs negotiating trade liberalization policies: the resource cost of attending meetings, consultancy fees, and other miscellaneous expenses. These costs are larger for countries that belong to multiple integration groups with different trade liberalization agendas.

In light of these factors, the rationalization process must coordinate and harmonize trade policies and instruments so that African countries can reap the full benefits of trade. In addition to minimizing the probability of trade diversion, integrated, harmonized, and well coordinated trade liberalization policies and instruments would help strengthen integration groups.

Another source of inefficiency: the lack of financial resources due to member countries' delinquent dues payments. Again, multiple memberships are a cause of this delinquency, especially among poor countries with fewer resources. The rationalization process must address this problem with a better plan for funding the regional economic communities.

Strengthening the regional integration communities could also help reduce conflict between neighbouring countries, as they engage in trade and grow connected through solid infrastructure as a result. Conflicts drain regional economic community resources because time and money must be spent to broker peace and address human displacement, a byproduct of most conflicts. Countries involved in the conflicts also lose a sizeable share of productive resources.

Promoting trade between neighbouring countries helps minimize conflicts. Increased trade means greater economic interdependence between countries. Increasing shared welfare makes conflict a costly endeavour. Trade also builds familiarity with neighbouring countries' goods and services and cultural, political, and social institutions. Furthermore, the increased access to other countries' strategic raw materials and resources from trade is also a disincentive for conflict. The threat of trade embargo is reduced considerably, a factor responsible for many conflicts.

### **Principle 3. Ensuring geographical viability**

How the regional economic communities are aligned to the African regions must be addressed in the rationalization process. Several functions should be considered in defining regional economic communities' membership: geographical proximity, economic interdependence, commonality of language and culture, history of cooperation, and shared resources. Geographical proximity is the most common and important because promoting effective cooperation and integration is easiest for countries that are close to each other. The other elements are important for effective subregional and regional integration. In particular, they can easily be accommodated and promoted within a given geographical boundary.

*Geographical proximity, economic interdependence, commonality of language and culture, history of cooperation, and shared resources should define REC membership*

*Regional integration generally enhances investment by enlarging markets, increasing competition, and improving policy credibility—factors that increase the returns on investment*

The Abuja Treaty divides the continent into five regional communities: North Africa, West Africa, Central Africa, East Africa, and Southern Africa. Although sometimes considered obsolete, these divisions are still relevant for organizing Africa's integration process, though they have been significantly compromised by the existing multiplicity of regional economic communities and overlapping memberships.

#### **Principle 4. Broadening economic and market space for investment**

Promoting investment is one of the main reasons for establishing regional economic communities. Regional economic communities also attract more foreign direct investment than individual countries do. Regional integration generally enhances investment by enlarging markets, increasing competition, and improving policy credibility—factors that increase the returns on investment. And rationalization must fully exploit the economic benefits to attract investment. Regional integration also enhances the credibility of government policies, leading to more domestic and foreign investment. When integration improves the economic performance of a country, the international business community's interest also increases.

Investment policies must be market-friendly and promote fair investment competition. Protocols that encourage and facilitate investment flows to the regional economic community also ensure credibility.

A stronger regional economic community can also increase the efficiency of the financial sector, by reducing interest rates, decreasing the cost of credit, and increasing lending for investment activities. Two small African economies could become more competitive, diversify their portfolios, and reduce their risk premiums by integrating their financial sectors. Integrating the two sectors also allows for more diversification of portfolios and an overall reduction of risk premiums. Rationalized integration groupings broaden the opportunities for production and niche markets in the regions and subregions.

But promoting investment will not succeed without sound macroeconomic policies, well defined property rights, and efficient financial and banking sectors.

#### **Principle 5. Including transitional arrangements**

Transitional costs of the rationalization process must be minimized. To do so, protocols are needed to handle agreements between existing regional economic communities and other partners if the regional economic communities cease to exist after rationalization or if a member country leaves the community. A plan is also needed for sharing assets if a regional economic community is dissolved or absorbed by another regional economic community.

Another issue that the rationalization process would have to address is national sovereignty. Most economic contracts are designed so that the cost of renegeing on the contract outweighs the cost of implementation. But African leaders are reluctant to pursue an integration agenda because they fear losing sovereignty, and most secretariats of regional economic communities lack legal power to ensure that members fulfil their obligations, leaving the road to African Economic Community very bumpy. Member countries will have to use political will to handle the concern over loss of sovereignty through the rationalization process.

The need to compensate the losers of integration also limits full implementation of integration plans. Tariffs and other trade taxes account for a large share of revenue for many African countries. Integration protocols that reduce this revenue would be unlikely to garner support, inhibiting the integration process even if the potential benefits outweigh the cost. Countries at different stages of development may realize different gains from integration, making them reluctant to fully commit to integration.

### **Principle 6. Adopting a realistic and participatory approach**

The regional institutions in Africa were all created by the political will of sovereign countries, expressed and formalized through treaties and conventions. Any international agreements signed and ratified by these institutions are generally binding on all members. A rationalization programme must account for the fact that most African countries belong to more than one regional economic community and respect the multiple agreements of the intergovernmental organizations. Considering all 14 regional economic communities as full partners in the rationalization process will ensure that the choices, motivations, and political will of all countries are reconciled through the efficient coordination of the programmes and projects of all intergovernmental organizations in the same regional space.

Realism is also important because rationalization through the absorption or merger of intergovernmental organizations and regional economic communities could have negative effects on their staffing. Thus, the rationalization agenda must be embraced by all the regional groups at the same time and minimize their losses.

### **Principle 7. Maintaining clarity and credibility**

A transparent and credible framework for rationalization should not include such traditional phrases as “the community shall establish cooperation relations with regional and subregional organizations” or “the member states shall take the appropriate measures to eliminate the incompatibilities or duplication between the community and the various groupings.” Most of the current treaties and conventions between African countries contain such formal declarations of intent, but lack a solution to the problem of multiple intergovernmental organizations.

*Rationalization through the absorption or merger of intergovernmental organizations and regional economic communities could have negative effects on their staffing*

The protocols needed to rationalize the regional economic communities must clearly address how the process will be carried out and must be binding on all member countries.

*The main objective of rationalization is to remove or minimize the negative impacts of the multiple institutional frameworks of regional cooperation*

Treaties and conventions establishing African intergovernmental organizations should also be revised in a clear and concise language, taking into account the proclamations, protocols, acts, decisions, and directives of the Organization of African Unity, the African Union, and the African Economic Community. Revisions to these treaties and conventions should include the objectives, policies, strategies, and timeframe of regional integration. And within each region the implications of rationalization on each institution's programme should be clarified for each area of cooperation. Negotiations must then be held between the different partners on a formalized protocol that commits all the intergovernmental organizations to the process.

### **Principle 8. Sharing responsibility**

The main objective of rationalization is to remove or minimize the negative impacts of the multiple institutional frameworks of regional cooperation—especially the risks of duplication or waste of resources. Rationalization could do this if countries agree to share tasks and responsibilities and to design common or joint programmes that clearly specify the role and contribution of each regional economic community.

### **Principle 9. Consolidating vested interests**

Several vested interests exist among the regional groupings in Africa. Rationalization must maximize and maintain the achievements of the regional communities, such as:

- The Central African Monetary and Economic Community (CEMAC), the South African Customs Union (SACU), and the West African Economic and Monetary Union's (UEMOA) trade liberalization.
- The Northern Corridor Transit Transport Coordination Authority's management of interstate road transit.
- The Organization for the Harmonization of Business Law in Africa's harmonization of business law.
- The Economic Community of West African States' (ECOWAS) management of conflict.

Consolidating vested interests also implies that institutions should learn from the success of other institutions. Furthermore, all the regional instruments, mechanisms, and other tools of cooperation whose success has already been verified should be used to speed integration.

### **Principle 10. Achieving convergence**

A guiding principle of rationalization is to engage the member countries and their cooperation institutions in strategies and programmes that fully integrate the conti-

ment. Thus all programmes carried out by the regional economic communities must avoid duplication and operate under the rubric of the Abuja Treaty.

Moreover the role sharing from the rationalization process should be reinforced with a system of coordination and operational plans. A liaison institution is needed in each region to manage the convergence of projects and programmes and to periodically evaluate the status of the tasks befalling each regional economic community and of the integration process as a whole.

*No magic formula can solve the problems caused by the abundance of regional economic communities*

## Rationalization scenarios

Although the European Union was one of the most successful integration projects in the world, the blueprint used to create an economic union of about 25 European countries cannot be applied to the African Economic Community. Africa needs its own blueprint.

Designing an appropriate framework for rationalizing Africa's regional economic communities is not easy. No magic formula can solve the problems caused by the abundance of regional economic communities. But the Abuja Treaty provides the building blocks for rationalizing the regional economic communities and creating the African Economic Community. In particular, there are five scenarios for rationalization:

- Maintaining the status quo.
- Rationalizing by merger and absorption.
- Rationalizing around rooted communities.
- Rationalizing through the division of labour.
- Rationalizing by harmonizing policies and instruments.

### **Maintaining the status quo**

The weakest approach to rationalization is to maintain the current number of regional economic communities. Under this scenario the continent's leadership would issue directives or establish new protocols to alleviate the negative impacts of multiple regional blocs with overlapping memberships. The decisionmaking and executive organs of the African Union would be confined to managing the existing arrangement and dealing directly with the 14 intergovernmental organizations on economic integration policies, programmes, and instruments. The African Union would have to institute timeframes for the regional economic communities to achieve its objectives, without coordination or leadership at the regional level.

Under this scenario all the negative impacts of multiple regional groups, including dispersal and thinning of resources, disputes over legitimacy, lack of convergence,

splintering of regional integration spaces, and difficulty honouring and harmonizing multiple commitments, would remain.

In any case, the status quo is now being challenged by trading agreements between most of North Africa and the European Union, the negotiation strategy for new economic partnership agreements between African, Caribbean, and Pacific countries and the European Union, and the current configuration of the regional economic communities. The increase in the number of free trade agreements with countries or groups outside of Africa or before African markets are unified considerably weakens the relevance of the Abuja Treaty and Africa's negotiating capacity as a homogenous group within the World Trade Organization. Similarly, the influence of external parties would be even greater if the status quo is maintained, shrinking the roles of the African Union's institutions and organs.

*The increase in the number of free trade agreements with countries or groups outside of Africa or before African markets are unified considerably weakens the relevance of the Abuja Treaty*

This scenario is not recommended for rationalizing the 14 regional communities. It should be considered only in the case of disagreement on or lack of available results from the other approaches. It would split regional markets, amplify the system of institutional hypergrowth and overburden the integration projects and programmes for African countries and their external partners.

### **Rationalizing by merger and absorption**

Rationalization around the five regions set out in the Abuja Treaty would require existing regional economic communities to be merged and absorbed.

Under this framework there would be five regional economic communities in Africa:

- The North Africa Economic Community (NAEC) would include Algeria, Egypt, Libya, Mauritania, Morocco, and Tunisia. The secretariats of the Arab Maghreb Union (UMA) and the Regional Group of Sahel and Saharan States (CEN-SAD) would unite to form a new secretariat to serve this community.
- The West Africa Economic Community (WAEC) would include Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, The Gambia, Ghana, Guinea, Guinea Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone, and Togo. The secretariats of ECOWAS, UEMOA, and the Mano River Union (MRU) would unite to form a new secretariat to serve this community.
- The East Africa Economic Community (EAEC) would include Burundi, Comoros, Djibouti, Eritrea, Ethiopia, Kenya, Madagascar, Mauritius, Malawi, Rwanda, Seychelles, Somalia, Sudan, Tanzania, and Uganda. The secretariats of the Common Market for Eastern and Southern Africa (COMESA), the

East African Community (EAC), and the Inter-Governmental Authority for Development (IGAD) would unite to form a new secretariat to serve this community.

- The Central Africa Economic Community (CAEC) would include Angola, Cameroon, Central African Republic, Chad, Republic of Congo, Democratic Republic of Congo, Equatorial Guinea, Gabon, and São Tomé and Príncipe. The secretariats of the Economic Community of Central African States (ECCAS), CEMAC, and the Economic Community of the Great Lakes Countries (CEPGL) would unite to form a new secretariat to serve this community.
- The Southern Africa Economic Community (SAEC) would include Botswana, Lesotho, Mozambique, Namibia, South Africa, Swaziland, Zambia, and Zimbabwe. The secretariats of the Southern Africa Development Community (SADC), Southern African Customs Union (SACU), and the Indian Ocean Commission (IOC) would unite to form a new secretariat to serve this community.

*Member countries of the existing regional economic communities would need to decide how the regional economic communities will be merged*

To expedite economic integration, the leadership of the five regions would have to summon the political will and move quickly to make each community a customs union. The political leadership would also have to use the current regional economic communities' institutions to move the communities towards economic union within the framework of the Abuja Treaty. Member countries of the existing regional economic communities would need to decide how the regional economic communities will be merged. However, the merger should not take more than two years.

The scenario would require political commitment at the highest level to succeed. Its advantage: it would speed the continent's integration, decreasing the number of regional groups from 14 to 5. The continent does not appear to favour this scenario right now, as evidenced by the addition of the EAC to the list of regional economic blocs recognized by the African Union at the 2005 Abuja Summit.

This scenario would resolve the problem of multiple integration institutions and place each regional space fully under the logic and strategy of the Abuja Treaty.

But this unification of institutional frameworks does not seem possible in the short or medium term because countries have political, historical, and other reasons for belonging to these regional economic communities.

### **Rationalizing around rooted communities**

Rationalization around rooted communities is midway between the previous two scenarios. It is based on four fundamental principles:

- Recognizing and maintaining the region as the geographical framework and natural space best suited to integration.
- Having only one regional economic community per region.
- Allowing countries to belong to only one regional economic community.
- Maintaining subregional communities and other intergovernmental organizations in each region while consolidating and capitalizing on their achievements.

Each rooted community would have geographical proximity and contiguity, geographical homogeneity, ethno-sociological affinity, and certain common vested interests such as historical, social, and cultural ties.

The rooted community, if properly created, would be the economic integration institution and would serve as leader and regional centre for decision-making in development and conflict resolution. It would be the only institution to deal with the African Union, the other regional economic communities, and external partners and would focus solely on highly integrating issues, such as allowing free movement of people, achieving customs and economic union, harmonizing monetary policies, fighting pandemics, and protecting the environment.

This scenario maintains the existing regional economic communities and intergovernmental organizations and allows for regions to be defined by a set of characteristics. It also forces each country to choose only one community to belong to. This framework has numerous benefits: better visibility of the integration process at the regional and continental levels, better allocation of resources, and significantly larger regional markets.

Implementing the rooted community scenario would not be easy. The strategy for its implementation would be political and would require consultations and concerted actions at the highest level of governments, adoption of appropriate political decisions by the African Union, and full commitment on implementing the framework at the continental, regional, subregional, and national levels.

To smoothly implement the framework, the continent's leadership must agree on the boundaries of the regional space, deciding whether to base them on fundamental characteristics suggested earlier or on the partitions of the 1976 Organization of African Unity Council of Ministers.

Identifying the fundamental characteristics needed to define a region may be difficult. Although geographical proximity and contiguity are relatively easy to identify, the other characteristics require more qualification. Moreover, even geographical homogeneity is not always assured—take West Africa and Southern Africa, where several ecosystems (forest, savannah, and desert) are juxtaposed, and East Africa, where there is a physical discontinuity between island states and members of IGAD.

Regions can also be based on neutral and easy-to-discern criteria that are less fraught with sentimental considerations. Such criteria include population movements (migration and normal immigration), trade flows, means of communication, and natural elements (such as river basins, lakes, massive forests, ecosystems, and the like).

The complexity of reorganizing the African geoeconomic space does not suggest a formal return to the partition of 1976, whose obsolescence is apparent. The rooted communities should thus be based on the current configuration: ECCAS and ECOWAS for Central and West Africa, SADC for Southern Africa, COMESA for East Africa, and CEN-SAD for North Africa

The common characteristic of this scenario and rationalization by merger and absorption: their implementation depends almost entirely on decisions by heads of state, with a posteriori management of the legal and operational implications at the national, regional, and continental levels. Like rationalization by merger and absorption, this scenario would speed the integration agenda because members would have to choose a regional economic community based on its geographical space.

### **Rationalizing through the division of labour**

Rationalization can also require the allocation of tasks based on a few technical criteria, especially optimal dimension of integration programmes. Any sustainable economic cooperation is founded on, among other things, the principle of a fair and equitable allocation of costs and benefits expected from common actions.

For example, a project for the development of Lake Tanganyika would probably not generate the same interest for Burundi and Djibouti as for Tanzania. And although a programme of small dams and water reservoir for irrigation may be important to Burkina Faso or Eritrea, the Democratic Republic of Congo and Guinea would probably not rank it high on their list of priorities. In other words, because a regional economic community's programmes and projects may not generate the same amount of interest for all members, programmes and activities should be categorized by their optimal geographical dimension. Consequently, participation of intergovernmental organizations in each region would be based on the member country's involvement, and rationalization would be based on shared competence between the regional communities and the other integration institutions. This implies that the regional economic community should undertake programmes that benefit from the participation of all member countries in a region and subregional economic communities should carry out programmes of interest only to the subregions.

Designing regional programmes based on the cooperation of member countries would ensure the total involvement, commitment, and interest of countries in the region, independent of their level of development. Countries should pursue this cooperation as widely as possible because realizing economies of scale is the main objective of regional integration.

*Regional economic community's programmes and projects should be categorized by their optimal geographical dimension*

***Free mobility is important because it mixes populations and relaxes national egoisms, ethnic cleavages, and linguistic barriers***

A good measure of the extent of economic integration processes is the mobility of labour across countries. Free mobility is important because it mixes populations and relaxes national egoisms, ethnic cleavages, and linguistic barriers. Despite the benefits, most African countries are lagging in ensuring free mobility. It has an immediate and tangible impact on the daily lives of populations and does not require massive financial resources.

The scarcity and fragmentation of national markets are the roots of regional economic communities. The need for an integrated African market has grown because dependence on traditional commodity export markets is waning and powerful global trading blocs are emerging.

Recent history shows that disputes—even temporary—between two members of a regional community generally involve systematic blockage of the community's programmes and activities. It is thus imperative to regionalize and unify trade liberalization schemes to break the vicious circle of small national markets and high foreign dependence. Maintenance of subregional programmes and activities in trade will be justified only when member countries can move faster or further than the regional grouping.

The rise in intraregional trade has increased the mobility of goods and services across common regional space. Member countries can be an importer, an exporter, or a transit country. To be effective, programmes for trade liberalization and free movement of people need each region to harmonize national transit transport regulations.

The multiplicity, fluctuation, and nonconvertibility of national currencies also impede African integration, hampering the movement of people, goods, and capital. Despite the difficulties, there is a monetary zone (CFA franc), a few monetary arrangements (in CEPGL and the EAC) and other bilateral agreements between central banks in Africa. However, a host of factors, notably economic liberalization measures and political crises in some regions, have made it nearly impossible to make any advances. With most African countries facing the same constraints in managing current accounts, balance of payments, and payments systems, rationalization requires a unified programme in each region, including macroeconomic convergence as a criterion for regional monetary zones.

All African intergovernmental organizations—including the African Union—confront insufficient and irregular resources for regional cooperation and integration. Direct contributions to national budgets for the integration process have not been effective since the mid-1980s, and international aid cannot substitute for countries' efforts to achieve their integration objectives. One solution to this shortfall of financial resources is a self-financing mechanism based on additional fiscal charges. Other forms of financing, such as a special allocation tax by member countries for each of the existing intergovernmental organizations, have not been successful.

The regional economic communities should thus devise a system of autonomous financing that covers all regional and subregional economic integration and cooperation programmes. It should include compensation for countries that lose revenue as a result of integration. The most recent studies on the creation of such instruments (by ECCAS and the Organization for the Harmonization of Business Law in Africa) recommend, among other things, a unified approach to solving the problem and criteria for sharing revenue between intergovernmental organizations. The suggestions here are for a “single window” for financing integration. Such an approach would in turn encourage joint programmes between intergovernmental organizations in the same region.

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Some regions have recently been plagued by internal and external political conflict, which has stressed security, increased tension between ethnic groups, and created a large number of refugees or displaced populations. Poor economic performance through the 1980s and 1990s is one reason for the conflicts. In addition to the lives lost and the political instability, conflicts cause economic harm to the countries involved and their immediate neighbours. The political and institutional crisis of the Democratic Republic of Congo has had repercussions for all of its neighbours. And conflict in Côte d’Ivoire has affected the economies of UEMOA members.

Peace and security are vital for stronger regional economic communities. Although the African Union and the United Nations try to intervene in trouble spots, only regional integration institutions can ensure lasting peace in the subregions. Thus the programmes and strategies of the regional economic communities must include restoring and maintaining peace and security among their members. Integration cannot succeed without political stability and good relationships among neighbouring countries.

Under the framework of rationalization through the division of labour, the regional dimension of the eight areas of cooperation mentioned above implies that integration must be carried out through the activities, programmes, and projects of the regional economic communities, making them the principal organs of the African Union and the pillars of the African Common Market.

But some programmes and projects do not always directly involve all the member countries in a region or receive the same priority; for example, environmental, transport, food security, land, and structural adjustment programmes. Rationalization through the division of labour suggests that subregional institutions should pursue such programmes and projects after consulting and coordinating with the intergovernmental organizations.

Using subregional cooperation institutions thus seems the best way to conceive of and implement industrial programmes. They give the private sector a vital role mobilizing human and financial resources, supervising, and following up on projects and

programmes. Appropriate regulations and an enabling environment geared towards the best use of agricultural, forest, pastoral, and mineral resources are required to guide private sector activities.

*The principal objective of rationalization is to place regional and subregional intergovernmental organizations under the framework enshrined in the Abuja Treaty*

A rational and more effective approach to cooperation in these areas could be based on homogeneous spaces, which are identified through linguistic, sociological, or historical communities. Subregional projects and programmes would be more in line with these parameters. Realistic results could also arrive in the short and medium term, more quickly than in larger regional economic communities such as CEN-SAD, COMESA, and ECOWAS. The tasks should be divided up carefully, with follow-up on projects between two or more subregional institutions and a legal framework for coordination between the regional community and other intergovernmental organizations.

The principal objective of rationalization is to place regional and subregional intergovernmental organizations under the framework enshrined in the Abuja Treaty, which aims to optimize the efficacy of existing institutions by eliminating or reducing overlapping and duplicated projects and programmes. Under rationalization by division of labour a regional coordination body is needed to coordinate and monitor the implementation of regional programmes and activities. The executive secretaries of the existing intergovernmental organizations could constitute such a body.

This approach, a more flexible version of rationalization around rooted communities, would have the advantage of clarifying the scope and horizons of regional cooperation without implying major political or strategic choices, which countries seem to want to avoid. It could also be applied without a fundamental review of existing treaties, since an interinstitutional protocol would sanction the allocation of tasks and the establishment of a regional coordination structure to serve as the interlocutor of the African Union.

### **Rationalizing through harmonization of policies and instruments**

If the cooperation and integration intergovernmental organizations maintain all their current mandates and objectives, rationalization should be sought by standardizing and harmonizing the strategies, programmes, sectoral projects, and cooperation instruments of the institutions in each region. Actions should then be taken when duplications are evident or when it is impossible for them to coexist in the same regional space.

The protocols of treaties, agreements, and conventions for economic integration institutions often define the community trade policies by indicating the rules, instruments, and mechanisms for trade cooperation. They also provide several other guidelines for member countries:

- Formulas for dismantling tariffs (linear, progressive, reciprocity, or geometrical).
- Timetables for eliminating tariff and nontariff barriers.
- Rules of origin and certificates of origin.
- Scope of the compensation rule and compensation rate.
- Models of customs declaration and tariff and statistical nomenclature.

As part of the harmonization process, communities with overlapping geographical areas must agree on some basic options: either a linear dismantling of tariffs for all products by all regional partners or preferences negotiated by list of products and by countries. Member countries also need agreements on the timeframe for tariff reduction, the approach to common external tariffs, and the fiscal and customs treatment of re-export products. The aim would be to obtain, for each region and between regional economic communities, a single plan that best reconciles the need for speedy realization of the African Common Market and countries' economic and budgetary constraints.

***The aim would be to obtain, for each region and between regional economic communities, a single plan that best reconciles the need for speedy realization of the African Common Market***

Trade cooperation protocols refer to quantities or values of local raw materials used in manufacturing a product or to the percentage of value added in manufacturing. This is to certify the community origin status on industrial products and the eligibility for preferential tariff regimes—criteria that underlie the objectives for developing local resources and integrating production enterprises into a regional industrial complex. Applying different rates or criteria would create parallel regimes and, consequently, several markets—a risk that exists in Central Africa (CEMAC, ECCAS) and Southern Africa (COMESA, SADC). The differential rates of rules of origin must be eliminated within each region and between regions to prevent countries from belonging to several institutions. Similarly, the criterion that nationals hold shares in companies eligible for preferential regimes must be eliminated to be in line with regional and subregional market economic policies.

Unifying markets by standardizing market rules also implies standardizing documents of trade transactions:

- Certificates of origin.
- Declarations of the producer or exporter.
- Models of customs declaration and codification of customs regimes.
- Value added tax exemption forms for export and invoice models.

In addition, national administration of taxes, indirect taxes, foreign trade, import-export enterprises, and accredited commissioners would have to be harmonized by eliminating multiple systems of customs documents, which impede trade. In essence, trade facilitation must be promoted and the rules and procedures of foreign trade must be simplified.

The lack of a compensation mechanism for countries that lose customs revenue, vital for most countries, has always constrained attempts to establish preferential trade

areas, free trade agreements, or customs unions. The lack of a compensatory mechanism could be a contributing factor to the non-implementation of a custom union by regional economic communities such as CEMAC, COMESA, and ECOWAS.

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Countervailing duties are provided for in most regional and subregional treaties, but African integration institutions must reaffirm them in future free trade areas as a way to deal with imbalances generated or amplified by the preferential tariff regimes and differences in developmental levels. These mechanisms are indispensable for the cohesion and sustainability of regional markets. African countries must also defend countervailing duties in agreements between African, Caribbean, and Pacific countries and the European Union. To be viable in the long term, a free trade agreement between, say, Malawi and South Africa, Djibouti and Egypt, or Mauritius and the Comoros, must include compensation instruments. Within the same region, a commercial transaction between two countries should not be subject to double or triple compensation for real capital losses. Thus institutions must establish a common countervailing mechanism by standardizing:

- Criteria for determining capital losses.
- Material scope of the compensation funds' application.
- Countervailing rate.
- Mode of compensation.
- Scale of contribution to compensation budget.
- Mode of feeding the countervailing fund.

Such a mechanism is vital for the viability of a trade liberalization scheme, a driving force for the African Common Market and the integration process as a whole.

This is one of the principal instruments for managing taxation and foreign trade. At the regional level it allows for common designation and codification of goods, comparability of foreign trade statistics, and calculation and verification of fiscal revenue losses.

However, because of countries' memberships in multiple regional economic communities, they must deal with different tariff nomenclatures. For example, Kenya manages two different tariff nomenclatures (for COMESA and the EAC). One solution is for all the cooperation institutions and countries in each region to adopt and implement the rules laid down by the Convention on the Harmonized System for the Designation and Codification of Goods. The Harmonized System is a synthesis of the Nomenclature of the Customs Cooperation Council, the Classification Type of International Trade (revision 2), and the nomenclatures of Canada, Japan, the United States, and the Latin American Free Trade Association.

Credible rationalization of market instruments can take place only by standardizing existing and future regulations. The unification process should be dynamic—not

unilateral and unconditional alignment of one institution's rules (rationalization through simple subtraction) or a levelling from the bottom (common minimum). The standardization should be based on a comparative analysis of the existing instruments and mechanisms, their applicability in the African context, their degree of efficiency, and the successes and failures of their implementation. For institutions in the same region whose objectives include a single monetary zone, macroeconomic convergence criteria should also be standardized.

The objective of market rules is to eliminate any differences in sectoral development policies. They reduce the risks of redundancy and enhance differences as factors of complementarities. In other words, each institution should give priority to the sectors and subsectors in which it has comparative advantages. These advantages could be in availability of natural resources, in reference to investments already made, or in development attained. Subregional spaces should promote dynamic specialization based on the potential to alleviate medium-term risk of duplicated projects and programmes and to promote long-term synergy between production mechanisms.

In these areas of cooperation, review of subregional protocols will be based on agro-bio-climatic specificities to enable the identification of:

- Stock-farming zones (in IGAD and the Eastern Horn).
- Forest and agricultural zones (in the Great Lakes and the EAC).
- Zones with fishery potential (in the EAC and the IOC).

The industrial sector, more than any other, would feel the effects of economic globalization and trade liberalization. More competitive production mechanisms would give more priority to industries for processing local resources than to importing substitute industries. Thus, subregional industrial development strategies must be redefined to better reflect the need for competitiveness by refocusing on activities where benefits can be reaped.

As in agriculture, state disengagement and privatization prevent the intergovernmental organizations from implementing projects that have to be undertaken through private initiatives. The intergovernmental organizations would identify priority sectors by optimizing comparative advantages and exploiting local resources. They could then help create attractive subregional environment mechanisms for small and medium-size enterprise finance or export guarantees that assist economic operators.

The major objective in these areas of cooperation is interconnection of road networks to improve physical integration. Good roads allow economies of scale to be realized and infrastructure to be used cost effectively. Furthermore, solid infrastructure fosters development of the complementarities referred to above between the subregions and the regions.

***Subregional spaces should promote dynamic specialization based on the potential to alleviate medium-term risk of duplicated projects and programmes***

*Advantages to rationalization through harmonization of policies and instruments include the elimination of overlaps in programmes, removal of duplicated efforts, and effective use of resources*

In addition to acting as catalysts and coordinators of the integration process, regional economic communities would be responsible for regional political cooperation, especially for conflict prevention and management, an issue still pertinent in Africa because sustainable development cannot be achieved without peace and institutional stability. Moreover, countries that have recently encountered or are in the midst of conflict post the poorest economic performance. Security at borders, problems with refugees and other displaced persons, management of demographic changes and transitions, human rights, emergence of civil societies, nongovernmental organizations, and other associations, good governance, and legal cooperation are a few of the challenges that regional economic communities could help countries to overcome.

Advantages to rationalization through harmonization of policies and instruments include the elimination of overlaps in programmes, removal of duplicated efforts, and effective use of resources. Also, it may not require new protocols to be enacted. But it risks failing to speed integration because it leaves the current number of regional economic communities in place.

The major constraint of this scenario is the number of prior studies to be conducted and, consequently, the time required for its implementation. At least two studies per region—one on the harmonization of market rules and instruments, another on the analysis of the development potentials of each subregion—would be necessary to merge and harmonize sectoral protocols.

## Implementing a strategy

The extremely sensitive nature of the discussion on rationalization calls for an approach based on a few fundamental principles: realism and flexibility, clarity and credibility, participatory approach, role sharing, consolidation of vested interests, convergence, and synergic effects. Consultations are needed at all levels throughout the process—negotiation, adoption, and implementation of a rationalization scheme—since unilateral decisions, self-proclamations, and other selective approaches have so far come to nought.

The first stage should involve the Commission of the African Union and the executive secretaries of all the integration institutions. A meeting between these bodies should be called after a careful analysis of the solutions advocated here and their implications. At this meeting the heads of intergovernmental organizations should submit comments from their deliberative organs on the proposals discussed here. The commission would then propose a rationalization scheme for the approval of the heads of state of the African Union. The decisions or directives emerging would be formally notified to the deliberative organs of all the regional and subregional economic communities concerned.

The organs or authorities would formally empower their secretariats with mandates to negotiate with their region's other intergovernmental organizations over substantive details, modalities, management of implications, and timetable, with the outcome enshrined in a convention or protocol of cooperation. The Commission of the African Union would mainly ensure the conformity of the regional measures with the spirit of the continental scheme, respecting the timetables for implementation and managing the difficulties or disputes that arise. Such a method could allow the institutions to circumvent the impediments and other bottlenecks observed in past attempts.

*The Commission of the African Union would ensure the conformity of the regional measures with the spirit of the continental scheme*

## Conclusion

The number of cooperation and integration institutions, their overlapping geographical areas, and the similarity of their mandates and objectives appear more and more as obstacles to accelerating integration in Africa. The environment is characterized by:

- Weak economic performance.
- Dwindling official development aid.
- Heightened economic globalization.
- Consolidation of major trade blocs into privileged frameworks for negotiation of international relations.
- Entry into force of the Abuja Treaty and Constitutive Act of the African Union.

Despite profound structural reforms, countries confront unstable and speculative commodity markets, rising public debt, and falling export earnings. They thus find it difficult to make the financial commitments necessary for regular functioning of their intergovernmental organizations and achievement of their integration programmes and projects.

If this situation persists, at best it would bring the integration process to a virtual standstill and at worst it would split the African integration space, a danger that increases with the multiplicity of free trade agreements with more powerful third-party economic groupings or countries before the African Common Market is realized. A split would reduce the African Union's capacity to coordinate its members' efforts for an integrated development of the continent and influence the international scene, especially under the framework of the World Trade Organization.

The foregoing discussion highlights the imperative of real rationalization in Africa: not only to ensure the viability of intergovernmental organizations but to fully implement the Abuja Treaty. The need to rationalize is even more crucial because regional and subregional institutions depend on the assistance and cooperation of donor countries and development for funding.

Rationalization could immediately take the form of allocating tasks among the five regional communities and other integration institutions on the basis of the optimal dimension that can be accorded the principal programmes and projects to be implemented. Regional programmes will thus fall within the almost exclusive competence of the regional economic communities, with the other communities concentrating on subregional projects. The allocation proposed here remains a working plan that can be refined in negotiations between the Commission of the African Union and the regional economic communities.

In the medium term rationalization could be deepened by reviewing the sectoral protocols of the different institutions to verify market systems and harmonize cooperation policies based on specialization and complementarity of production mechanisms.

Beyond the intrinsic relevance of each of the approaches advocated—and because there is not yet a solution to the problems raised—effective rationalization can be achieved more through negotiations between partners, actors, and prime movers of the integration process than through following studies and reports.