

# Highlights

Global trends in international trade and economic, social, and political relations continue to forge closer integration among countries and regions. Trade in goods and services, and movement of capital and human resources continue to grow tremendously, assisted by accelerated sharing of technology across national and regional borders. But all indicators—including Africa’s share of global trade volume—show that the continent’s performance has been poor, marginalizing it in the global trading system. This marginalization has taken place even as the continent has increased its trade with the rest of the world by eliminating barriers, mainly unilaterally.

But trade—both within the continent and with the rest of the world—remains a key pillar for tackling the challenges Africa faces. Regional integration has thus emerged as the framework to address obstacles to intra-African and international trade. Reducing barriers to intra-African trade will create larger regional markets that can realize economies of scale and sustain production systems and markets.

Eventually, larger regional markets and more efficient production systems will enhance Africa’s competitiveness, enabling it to attract a larger share of the global market. But regional integration in Africa is not just about trade and market integration. The integration plans deal with everything from sectoral issues—such as agriculture, water, gender, and regional public goods—to peace and security. The continent’s regional integration objectives differ in importance, but Africa embraces regional integration both to pursue economic goals and to realize regional and continental social and political objectives.

For most countries efforts to integrate gained momentum at independence. Many integration groups have since been formed. The Lagos Plan of Action of 1980 and the signing of the Abuja Treaty in 1991 demonstrate the common desire to establish the African Economic Community. Six stages to achieving an economic union were identified, starting with free trade areas and customs unions, moving to common markets, and eventually monetary unions with the regional economic communities as the pillars. Progress so far has been mixed: although the regional economic communities have made significant achievements, more needs to be done.

A majority of regional economic communities are in the second stage of the integration process, well within the framework of the Abuja Treaty. But overlapping mandates and objectives, duplicated integration policies, and the multiple memberships by African countries appear to be slowing integration, reducing the regional economic communities’

effectiveness, and stretching thin limited financial resources. Despite the efforts of the regional economic communities and member countries, intra-African trade remains low—mostly because of nontariff barriers. Although most regional economic communities have abolished tourist visas, movement of people is still restricted because the communities have yet to implement the rights of residency and establishment for noncitizens of a member country. The African Economic Community can still become a reality if the regional economic communities receive support to tackle the challenges confronting them and if the continent’s leadership continues to implement directives that forward the integration agenda.

This report focuses on the rationalization of the regional economic communities—one of the main challenges confronting Africa in its quest for full integration. In addition to documenting the major achievements of the regional economic communities, the report shows how overlapping regional economic communities and multiple memberships by African countries are slowing integration. The focus on rationalization is premised on the idea that efficiency and effectiveness are supreme, because the overlapping regional economic communities and multiple memberships are associated with large resource costs and seriously binding financial constraints. Rationalization would make it easier for African countries to meet their financial obligations to the regional economic communities. Above all, rationalization would allow the continent to reap the full benefits of integration—particularly those for growth and for trade within and outside Africa.

## How to rationalize the regional economic communities

The rationalization efforts should:

- Share a vision that aligns the regional economic communities with the African Union and the New Partnership for Africa’s Development.
- Strengthen the performance of the regional economic communities.
- Protect the geographical viability of the regional economic communities.
- Expand Africa’s economic and market space for production and investment.
- Develop transitional measures to gradually replace the current institutional arrangements.

## Why rationalize the regional economic communities

The African Union considers the regional economic communities the pillars of continental integration. The regional economic communities have made substantial achievements in trade, infrastructure, and regional public goods, particularly peace and security. But only a fifth of the regional economic communities have achieved their targets for

trade among members. Common labour laws, free movement of labour, and rights of residence and establishment have still not been undertaken by most regional economic communities, and most are also lagging on almost all critical elements necessary for the success of an economic union, except establishment of regional development banks. Progress in harmonizing tax policies, deregulating financial sectors, liberalizing the capital account, and other areas has been insufficient. Even with sectoral programmes needed to deepen African integration, a third to a half of the regional economic communities acknowledge shortcomings in the effectiveness of their initiatives towards the integration goals.

The reasons behind these results:

- The regional economic communities' internal deficiencies.
- Little national support.
- Poor coordination across regional economic communities.

### **The regional economic communities' main deficiencies**

*Too much overlap in regional economic community membership.* The overlapping membership in Africa is puzzling. On average, 95% of the members of a regional economic community belong to another community. An obvious question is whether national policymakers are aware of the consequences of multiple and overlapping memberships. Survey evidence clearly shows that they are: more than a quarter of the countries that are members of more than one regional economic community say that multiple memberships make it difficult to meet their contributions and obligations to the various regional economic communities. Another 23% say that multiple memberships are the reason behind low implementation of their programmes. Two other major problems from multiple memberships are low attendance of meetings and duplicated or conflicting programme implementation.

Why do countries still join more than one regional economic community given these problems? Half cite political and strategic reasons as the main determinant of whether to join a regional economic community. Economic interests rank a distant second, with only 35% of countries citing it. Geography, which is a key consideration in the Abuja Treaty, is cited by only 21%.

*Duplication of programmes.* The duplication of programmes by regional economic communities is another inefficiency of Africa's regional integration efforts. Of the 12 major programmes being undertaken by the regional economic communities in West Africa, there is duplication in at least 9 of them. Programmes in trade and market integration and in agriculture and food security are undertaken by three of the four regional economic communities. And despite the many duplicated efforts at trade and market integration, trade within regional economic communities in West Africa is very low. The nine integration programmes in West Africa could likely be addressed in a harmonized

way, with just one regional economic community dealing with a particular issue and still covering the whole region.

The majority of regional economic communities in Africa acknowledged duplication as a problem, especially in programmes related to trade facilitation and trade and market integration. Without coordination, the regional economic communities as they now work will be unlikely to move towards continental integration. The lack of harmonized instruments governing trade and market integration schemes means that each regional economic community has its own rules of origin or its own certification process, among other things, limiting trade between communities.

*Underfunding.* The duplication of programmes and overlapping memberships come at a cost to Africa's integration process, especially given the resource constraints that regional economic communities face. On average, a third of regional economic community members fail to meet their contribution obligations; rising to more than half in some communities. The internal financing mechanisms of the African regional economic communities are seriously wanting, which could mean that:

- Countries are feeling the burden of being spread too thin among the many regional economic communities.
- Countries are uncertain of the expected gains from regional economic communities.
- Countries joined the regional economic communities without sufficient strategic thought as to the political or financial implications.

*Inability to attract staff.* Resource constraints appear to be especially binding in staffing. Except the West African Economic and Monetary Union, most regional economic communities appear to have small and lean secretariats, with an average of 55% of total employees in general staff grades, even though the programmes run by the regional economic communities tend to be technical. Low salaries may explain the poor employment rates of the professional staff: 40% of the professional staff earn more than \$20,000 a year, and another 40% earn \$10,000–\$20,000. Regional economic communities also face high staff turnover, which may have serious implications, especially for small communities.

## **Little national support for regional economic communities**

*Poor institutions.* The state and success of regional integration are determined by national and subregional capacities. Weak national institutions in Africa may seriously hamper effective cooperation and integration. Only 32% of African countries have a ministry dedicated solely to regional integration. The rest lack a central point in the government for coordinating subregional economic activities. Some 18% of African countries cite the diversity of policies involved in integration as the reason that they do not have a ministry dedicated to integration. More than 25% believe that existing mechanisms—usually, other

ministries acting as focal points on regional integration—are satisfactory. And 53% have more than one focal point on regional integration. These coordination difficulties are likely to harm integration efforts and to be deepened by overlapping memberships.

*Little translation of regional economic community goals into national plans and budgets.* Translating regional economic community goals into national plans and budgets is an important interface between individual countries and the regional economic communities. But member countries have deficient national mechanisms for doing so. Nearly 75% of member countries cited lack of resources as a constraint. In most African countries regional cooperation does not go far beyond signing treaties and protocols. And the objectives of the treaties are integrated at the wrong time and without the requisite commitment in national development plans or in the sectoral programmes of appropriate substantive ministries.

*Poor implementation of agreed programmes.* Rationalizing the institutional setting is important for successful integration, but member countries are the primary stakeholders and have an important role in ensuring that commonly agreed policies are implemented at the national level. But national implementation has been weak, with few countries having established effective integration mechanisms. For instance, only 28% of countries reported reducing tariffs to levels agreed to by the regional economic communities. Some 32% are still implementing tariff reductions that are supposed to be completed—an indication of a lagging integration agenda. Lethargy is also evident in nontariff barriers: barely a third of member countries have eliminated nontariff barriers that impede trade within regional economic communities. More progress has been made in harmonizing customs documentation and nomenclature—half the countries have completed the required harmonization.

*Obstacles to movement of people across borders are being better addressed.* Some 90% of countries have abolished entry visas for all or some regional economic community members. But only 65% of countries have opened in favour of right of establishment for the citizens of countries of concerned regional economic communities.

*Weak legislative processes for integration.* Protocols are needed to put treaties into effect, so it slows the implementation of agreed programmes when members of a regional economic community fail to sign or ratify a treaty or to submit a ratified treaty in a timely fashion. Some 80% of African countries cite protocols on trade as the most important. Almost as many cited protocols on transport and communication. Although strong actions would be expected at the national level given the importance of the protocols, only 16% of ratifications take less than three months. In most countries the process takes a year. Delays in signing and ratifying regional agreements contribute to a loss of momentum in integration.

*Poor fulfilment of financial obligations to the regional economic communities.* Well financed and thus efficient and effective regional economic communities would speed estab-

lishment of the African Economic Community. But financing regional integration in Africa has remained a key challenge. As of 2003, only 68.5% of member countries' contributions to regional economic communities had been paid. Clearly a gap exists between needs and member contributions. As of 2004, 36% of African countries were still unable to meet their obligations, with most citing limited resources as the main reason. This could indicate that regional economic communities' programmes are not viewed as a budgetary priority. Overlapping membership also contributed to the arrears. Some 33% of countries said that overlapping membership could be undermining support for regional economic communities, because the burden of supporting them is felt directly while benefits are long term.

*Unclear view of the costs and benefits of integration.* Some 42% of countries that have undertaken cost-benefit analysis studies of integration concluded that regional integration portends net long-term gains for the country, and only 8% concluded that they are likely to experience net long-term costs from integration. Findings from these studies influenced more than 60% of the countries on such policies as membership and affected government commitment to a given regional economic community. On balance, most African countries have realized more benefits than costs from regional integration, and 36% say that regional integration benefits have far outweighed the costs. A quarter said that it is too early to tell, but many of these countries have yet to conduct a cost-benefit study.

*Growing private sector participation.* In countries where production is no longer predominantly in the hands of government, private sector and nongovernmental institutions must respond to the integration process and implement the changes in production called for by integration agreements. Several outreach methods are used to inform the private sector on regional integration issues. In most countries (81%) the government passes information to the private sector through national chambers of commerce. In terms of visibility and engaging the private sector, most African countries appear to be doing the right thing.

*Almost no popular participation.* Governments and intergovernmental organizations have generally monopolized the dialogue on integration. But there is an emerging recognition of the need to involve people in the process. Various mechanisms have been put in place to involve civil society in regional integration. National debates are not widely used, but in almost half of the countries the parliament debates regional integration, giving civil society the opportunity to be informed and included in the debate. However, consultation mechanisms on regional integration often leave out broad sections of society. And the nature of professional organizations, which tend to be dominated by workers in the formal sector, means most citizens are unlikely to understand the integration issues facing their countries.

## **Little continental coordination**

The regional economic communities have made some efforts to adopt mechanisms to coordinate their activities, including memorandums of understanding, periodic coordination meetings, regular exchange of information, joint programming, joint review of programmes, and joint implementation committees. But use of these coordination mechanisms is limited. Some 40% of regional economic communities in the same region use memorandums of understanding, less than 20% have joint review of programmes, and less than 30% carry out joint programming and implementation of activities.

The coordination mechanisms that do exist are not rules-based or even legally binding. The result: only half the programmes and activities that are undertaken in a region are coordinated, and even those coordination efforts have not produced the desired results. In trade and market integration programmes, which are a major objective of the Abuja Treaty, coordination takes place in only a third of the regional economic communities. Similarly, macroeconomic policy convergence and monetary and financial integration are coordinated by less than a third of the regional economic communities.

The Abuja Treaty and the Constitutive Act of the African Union were expected to provide a more effective and constraining framework in the architecture of continental integration. Aware of the difficulties associated with overlapping memberships and duplication of programmes, the African Union and the main regional economic communities have adopted a protocol on their relationship that paves the way for rationalizing regional integration at the continental level. The objective of the protocol is to promote closer cooperation among regional economic communities, particularly through coordinating and harmonizing all their policies, measures, programmes, and activities. It provides a framework with clear coordination organs: the Committee of Secretariat Officials and the Committee on Coordination.

Despite these coordinating mechanisms, 30% of the regional economic communities attribute their lack of coordination to lack of leadership, which the protocol between the regional economic communities and the continental institutions is supposed to provide. And at least a third say that communication among communities is limited. The main strength of the protocol from the regional economic communities' perspective is its existence—a clear indication that the communities recognize the need for coordination mechanisms. But it remains to be seen whether they are ready to accept mechanisms with built-in disciplines.

The case for a coordinating mechanism is convincing in the regional economic communities' view. But a key constraint is lack of financial resources to implement agreed policies. At least 80% of the regional economic communities feel that if benchmarks existed, progress could be made on ensuring that coordination objectives are met. In the same vein lack of regular statutory meetings are widely seen as impediments to or weaknesses of the existing protocol on relations.

Attendance at meetings of the two coordinating organs has often been insufficient. The Committee of Secretariat Officials has met five times in five years, but not all the regional economic communities attended. Little is exchanged or discussed on the progress of coordinating or harmonizing policies and programmes at the country, regional economic community, continental, and sectoral levels when meetings take place. The lack of formally established focal points among the regional economic communities and between the African Union and each regional economic community further contributes to the inadequate information exchange, making the two committees ineffective.

To make continental coordination effective, the relationship between the regional economic communities and the continental organs must be critically examined. For instance, only 22% of the regional economic communities support the idea of sanctions against communities that deviate from the overall objective of African integration. But all were in favour of sensitization to deal with offending communities. They appear willing to accept subsidiarity only when the superior institution does not have authority to impose sanctions, even when a community deviates from the common goal.

The integration schemes in Africa are clearly suffering from the ambiguity and the difficulties of continental coordination, but the regional economic communities have ideas for strengthening it. In nearly all the regional economic communities coordination meetings are seen as the panacea to the lack of effectiveness in coordinating activities. The regional economic communities also support the idea of fixed annual coordination meetings as forums for reviewing progress in coordination and harmonization of individual sectors. A monitoring report and a formal mechanism for information exchange also have great support, but debate still exists on the best role for the African Union.

## How to think about rationalization

For rationalization to be effective and successful all the regional economic communities need to follow a well articulated framework that ensures congruence and convergence towards full integration of the continent. To do so, they must follow several guiding principles.

*Aligning vision with the African Union and the New Partnership for Africa's Development.* Rationalization cannot be carried out if the aims and objectives of the regional economic communities are misaligned with the vision of the African Union and the New Partnership for Africa's Development. The vision of the African Union and the New Partnership for Africa's Development are clearly for the sustainable development and integration of the continent, which implies that rationalization must significantly contribute to the unification of the African economies.

*Strengthening efficiency.* Rationalization must strengthen the efficiency of the regional economic communities, whose current operations are extremely inefficient due to over-

lapping mandates, objectives, protocols, and functions that create unhealthy duplication of efforts and misuse the continent's scarce resources.

*Ensuring geographical viability.* How the regional economic communities are aligned to the African regions will also have to be addressed in the rationalization process. Several factors should be considered: geographical proximity, economic interdependence, commonality of language and culture, and history of cooperation and shared resources. Geographical proximity is the most common and important in terms of shortening the distance for promoting effective cooperation and integration among participating countries. The other elements are also important for effective subregional and regional integration. In particular, they can easily be accommodated and promoted within a given geographical boundary.

*Broadening economic and market space for investment.* Promoting investment is one of the main reasons for regional economic communities. Rationalization must fully exploit the economic benefits to attract investments. Rationalized regional economic communities broaden the opportunities for production and niche markets in the regions and subregions.

*Minimizing transitional arrangements.* Protocols will be needed to handle agreements between existing regional economic communities and other partners should the regional economic communities cease to exist after rationalization. The rationalization process will also have to address national sovereignty because member countries may not be prepared to cede powers to a supranational body for fear of losing independence.

*Adopting a realistic and participatory approach.* The rationalization process must be realistic and embraced by all the regional economic communities. It must also take into account the multiple agreements that already exist. All regional economic communities must be considered full partners in the rationalization process.

*Maintaining clarity and credibility.* The rationalization process must be transparent and credible, with clear, specific, and binding protocols. At the continental level rationalization must be enshrined in laws governing the regional communities.

*Sharing responsibility.* Allocating tasks and responsibilities and designing common or joint programmes in which the role and contribution of each regional economic community is well specified would help achieve the main objective of rationalization—that is, removing or minimizing the negative impacts of the multiplicity of institutional frameworks of regional cooperation, especially the risks of duplication or waste of resources.

*Consolidating vested interests.* Rationalization must consolidate and maximize vested interests and achievements of the regional economic communities.

*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 continent. 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 of the rationalization process should be reinforced with a system of coordination and operational plans.

## **Scenarios for rationalization**

Five rationalization scenarios are presented here as paths to achieve the African Economic Union.

*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 could issue directives or establish new protocols to alleviate the negative impacts of multiple regional economic communities and overlapping memberships. The decisionmaking and executive organs of the African Union would be confined to managing the existing arrangement and dealing directly with all the regional economic communities on economic integration policies, programmes, and instruments. The African Union would have to institute timeframes for the communities to achieve its objectives, without coordination or leadership at the regional level. This is a poor option because it fails to address overlapping programmes, duplicated efforts, and multiple memberships.

*Rationalizing by mergers and absorption.* Based on Resolution CM/464 of the 26th Organization of African Unity Council of Ministers, the Abuja Treaty divides the continent into five regional communities: North Africa, West Africa, Central Africa, East Africa, and Southern Africa. Rationalization could be achieved by absorbing and merging regional institutions and regional economic communities so that they are in line with the five regions of the Abuja Treaty. This scenario—which gives Africa the best hope of full integration—must be backed by signed treaties, protocols, and the total commitment of all African leaders. It also has implications on the staffing of the regional economic communities' secretariats.

*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, and maintaining subregional communities and other intergovernmental organizations in each region while consolidating and capitalizing on their achievements. Like rationalization by absorption and merger, 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 advantages and benefits from common actions. An integration or cooperation institution can be fully operational on a project or programme only if all its members are equally directly involved. This scenario would not change the current configuration of the regional economic communities, but the bigger ones would be empowered to focus on such broader issues as trade, movement of people, and transport, while the smaller ones could concentrate on such issues as the development of water basins, energy, and the like. One drawback to this scenario is the lengthy process that may be required to enact new protocols.

*Rationalizing through coordination and harmonization.* If the continent's leadership decides to let each cooperation and integration intergovernmental organization maintain its current mandates and objectives, rationalization should be sought by standardizing and harmonizing their strategies, programmes, sectoral projects, and cooperation instruments. Actions should occur when duplication is evident and unsustainable. This scenario assumes that each institution in each regional space would maintain its mandates and prerogatives. In this case, the objectives of rationalization would be removing the incompatibilities and reciprocal exclusions in the trade liberalization plans and the macroeconomic convergence criteria, enhancing complementarity and synergy for production in each region, and creating common or joint programmes in energy and transport. This scenario would remove all the overlaps and duplication of efforts in the regional economic communities' programmes and ensure effective use of resources. And it would not require new protocols.

## The way forward

The evidence in this report makes a strong case for rationalizing African integration. It is imperative, bordering on urgent, that the overlapping memberships and mandates of the African regional economic communities be addressed. Whichever scenario is chosen should accelerate the process of achieving the African Economic Community.

For the chosen scenario to be effectively adopted and implemented, a protocol between integration institutions in the same regional space should be established that clearly states the responsibilities and operational areas of the different regional economic communities and provides guidelines for a regional coordination structure. The deliberative organs (Conference of Heads of State) of each regional economic community should endorse the protocol to give it executive force. The protocol would also serve as an initial instrument for formalizing relations between the regional economic communities and other cooperation and economic integration institutions. It should also provide the framework for each regional economic community to act as the interlocutor between the regions and the organs of the African Union.

This second edition of *Assessing Regional Integration in Africa* takes into account the sensitive nature of discussions on rationalizing the regional economic communities. It is thus important that any deliberation on the subject be handled in an environment where all stakeholders of the integration agenda are free to express their opinions and the African Union should take the final decision. This report suggests several fundamental principles that could be followed in the talks leading to the rationalization process: realism and flexibility, clarity and credibility, a participatory approach, role sharing, consolidation of vested interests, convergence, and synergic effects. Effective consultations are also needed at several levels throughout the process—namely, negotiation, adoption, and implementation of a rationalization scheme—since unilateral decisions, self-proclamations, and other selective approaches would not be helpful to the process.

This report recommends that the Commission of the African Union and the Executive or General Secretaries of all the integration institutions on the continent fully participate in all the discussions. They should carefully analyze the proposals—and their implications—advocated here. After exhaustive consultations and meetings with all parties involved in the integration agenda of the continent, the African Union Commission should then propose a rationalization scheme for the approval of the African Union Heads of State. Their decisions or directives should be formally brought to the attention of all the regional economic communities, which would then negotiate with the intergovernmental organizations to ensure successful implementation of the agreed decision. It is equally important that the rationalization process be built around the current successes and achievements of the regional economic communities.