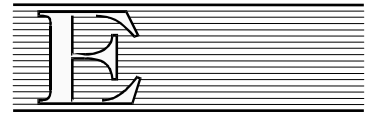




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**MAINSTREAMING REGIONAL INTEGRATION AT
THE NATIONAL LEVEL**

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ABBREVIATIONS AND ACRONYMS

APRM	African Peer Review Mechanism
AU	African Union
CEMAC	Economic Community of Central African States
COMESA	Common Market for Eastern and Southern Africa
EAC	East African Community
ECCAS	Economic Community of Central African States
ECOWAS	Economic Community of West African States
EU	European Union
HIPC	Heavily indebted poor country
HIV/AIDS	Human immunodeficiency virus/acquired immune deficiency syndrome
NTBs	Non-tariff barriers
OECD	Organization for Economic Cooperation and Development
PTA	Preferential trade area
UNECA	United Nations Economic Commission for Africa
UEMOA	West African Economic and Monetary Union

A. INTRODUCTION

1. Regional integration initiatives do require a large degree of public management and implementation at the national level. Without an absolute commitment to implementation at the national level, there can be little progress at the subregional level. Doing nothing or too little to implement agreed programmes at the national level can severely hamper the integration agenda. The regional economic communities (RECs), which constitute the building blocs for the African integration agenda, are as strong or weak as the members that constitute them.

2. If member States proclaim a strong political commitment to integration, then they should demonstrate it at the national level through serious measures and actions to implement and be seen to implement REC decisions. In this context, member States are expected to ensure efficient coordination between the objectives and instruments of regional integration and national economic policy making, and speedily ratify and implement decisions, agreed protocols and instruments in a timely manner. Member States also have other obligations to fulfill in terms of completing transport missing links attributed to the country as part of cross-border physical networks, adhering to sound macro-economic policy convergence parameters, and encouraging or institutionalizing parliamentary and public debate on integration at the national level. To this end, they have to develop a coherent national strategy to ensure that all groups—including civil society, the private sector, political parties, parliamentarians, and immigration and Customs officials—are fully consulted and participate in formulating and implementing regional integration policies.

3. These are some of the key responsibilities of member States participating in regional integration initiatives that will ensure the success of these initiatives. However, owing to a variety of problems including capacity deficits, and resource constraints, such responsibilities are not always fulfilled.

4. Against this backdrop, the purpose of this paper is to provide some analysis and guidelines on the issue of mainstreaming and managing regional integration at the national level. The paper is organized as follows. After this introductory section, the paper briefly discusses the rationale for regional integration, highlighting some of the associated benefits and caveats. This is followed by a discussion on the current practices and experiences as to how countries organize themselves to implement regional integration agreements at the national level, and key challenges and constraints they face in that regard. The paper ends with some general conclusions and recommendations.

B. RATIONALE FOR REGIONAL INTEGRATION

5. Broadly speaking, a regional integration arrangement is a preferential (and usually reciprocal) agreement among a group of countries involving the reduction of barriers to economic and non-economic transactions. Such an arrangement can take a variety of forms such as free trade area, customs union, common market; and economic union. In principle, countries forming a regional integration arrangement can start with any of these forms, but most begin by removing impediments to trade among themselves. They may then progressively introduce deeper and wider integration mechanisms.

Many factors lie behind the reasons for regional integration

The scale effect: Overcoming small market size

6. To reach an efficient scale of output, a modern manufacturing plant may have to produce a larger output than the low level of domestic demand in a single underdeveloped country can absorb. By pooling markets through the removal of internal trade barriers, a free trade area might thus provide a sufficiently wide export market to make economies of scale possible.

The competition effect

7. Regional integration might be beneficial in encouraging competition among the member countries by compelling existing industries to improve their technical efficiency. It can also induce better allocation of resources from less efficient to more efficient firms, and monopolies that had previously been established behind tariff walls are no longer in a sheltered position.

Regionalism and investment:

8. Raising investment is a prominent objective of many regional integration agreements (RIAs). Larger markets, greater competition and improved policy stances in areas such as sound macro-economic convergence policies will increase the incentives for investment. Of course, other accompanying policies such as well-defined property rights and efficient financial and banking sectors will enhance the effectiveness of regional integration in attracting investment.

Knowledge sharing

9. Regional integration can also promote knowledge sharing in fostering productivity and growth. For instance, knowledge can be effectively transferred from one country to another through investment, international contact and trade. RIAs might also help countries boost their growth rates by importing best practices in institutional reform. Countries may also, of course, enhance their access to knowledge and technology from more developed partners.

Development of common infrastructures can enhance growth

10. Regional integration can promote the joint development of regional public goods such as transport and communication networks, energy and water resources. This can help increase competition in domestic markets by reducing transactions costs and allow new suppliers to enter markets.

Political rationale for regional integration

11. Countries often form integration blocs for economic reasons. But there are other non-economic imperatives that underscore the need for integration. These include cooperation to achieve political benefits such as peace and security, which is a sine-qua-non for development, and to address threats to humanity such as the HIV/AIDS pandemic. These are public goods that are unlikely to be efficiently provided in the absence of some form of collective intervention. The other political effect

is the democratic and other human rights values that the formation of regional integration arrangements could help impose on the members. In the African context, we are already seeing some progress in the establishment of the African Peer Review Mechanism (APRM) by which African leaders wish to monitor and hold one another accountable to good economic and political behaviour.

Some caveats of integration

12. Regional integration arrangements can however be weak when the constituent countries have not established many industries. Limitations on the supply side can seriously constrain the gains from integration. The member countries are also unlikely to benefit equally, and some members may feel that others are gaining at their expense. The existence of significant differences in levels of development can therefore exacerbate the problems of distribution, which have plagued integration initiatives between developing countries; and if it is a customs union that has a common external tariff, member countries no longer have discretionary power to use variations in the tariff for the purpose of adjusting their national revenues. It is possible however for the RIA to correct some of the inequalities through compensation mechanisms, establishment of regional development banks, and so on.

C. EXPERIENCES AND CHALLENGES IN MAINSTREAMING REGIONAL INTEGRATION AT THE NATIONAL LEVEL IN AFRICA

13. Under this section, we discuss how member States organize themselves at the national level to implement regional agreements and the challenges they face in this regard. We start off with the institutional arrangements for coordinating and managing regional integration at the national level and examine the issue of ratification of protocols. We discuss the translation of regional agreements into national plans and budgets and the implementation of selected integration targets at the national level such as the establishment of regional transport networks, free movement of people, labour and capital, trade liberalization, convergence of sound macro-economic policies, and financing of regional integration, with particular emphasis on the difficulties and challenges involved. We also highlight some experiences in the way member States involve civil society and the private sector in the integration agenda as a means of promoting public support and ownership of the process.

The institutional arrangements at national level

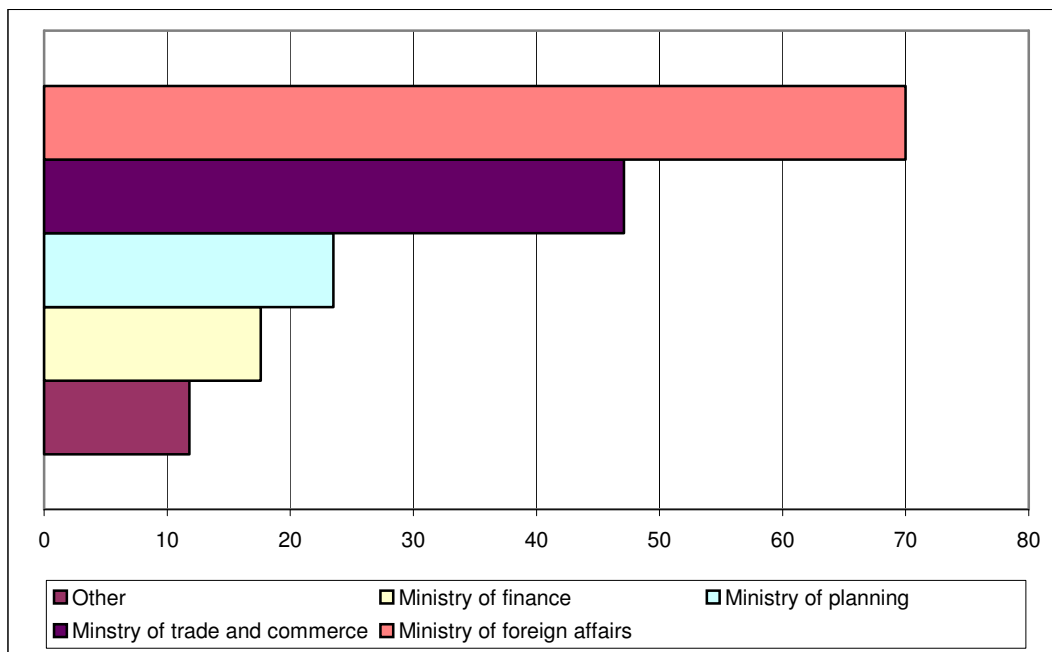
14. The success of regional integration in Africa depends on national and subregional capacities. Weak national institutions seriously hamper effective cooperation and integration. Therefore, national mechanisms for economic cooperation and integration need to be well equipped and structured to ensure that integration measures are effectively implemented. Even though most African countries belong to more than one regional economic community (REC), only a few have a ministry dedicated solely to regional integration, in accordance with the orientations of the African Union (AU). The advantage of a dedicated ministry for regional integration is that technical staff can hone their skills for dealing exclusively with integration.

15. None the less, according to a survey conducted by the Economic Commission for Africa, most African countries believe that they do not need to set up a special Ministry to be in charge of integration affairs for flexibility reasons as well as lack of resources to set up a new Ministry. In figure 1, we show the different Ministries that serve as focal points for regional integration in Africa.

The Ministries responsible for foreign affairs; planning, trade (commerce); and finance are often designated to assume the role of coordinating the integration agenda.

16. In a number of countries, line ministries handle sectoral issues relating to the integration process, under the overall coordination of the Ministry for foreign affairs. This perhaps shows that the political dimension of integration is very important, and may drive a country’s membership in the REC. The fact that the Ministry responsible for Foreign Affairs is, in most cases, the focal point for integration is also consistent with the practice within the AU where the Executive Council is primarily composed of the Ministers responsible for foreign affairs. Furthermore, the Permanent Representatives Committee, which meets regularly at the Headquarters of the AU in Addis Ababa, is represented by the African Ambassadors and Plenipotentiaries based in the Ethiopian capital.

Figure 1: Ministries usually designated by member States to serve as focal points for regional integration in Africa

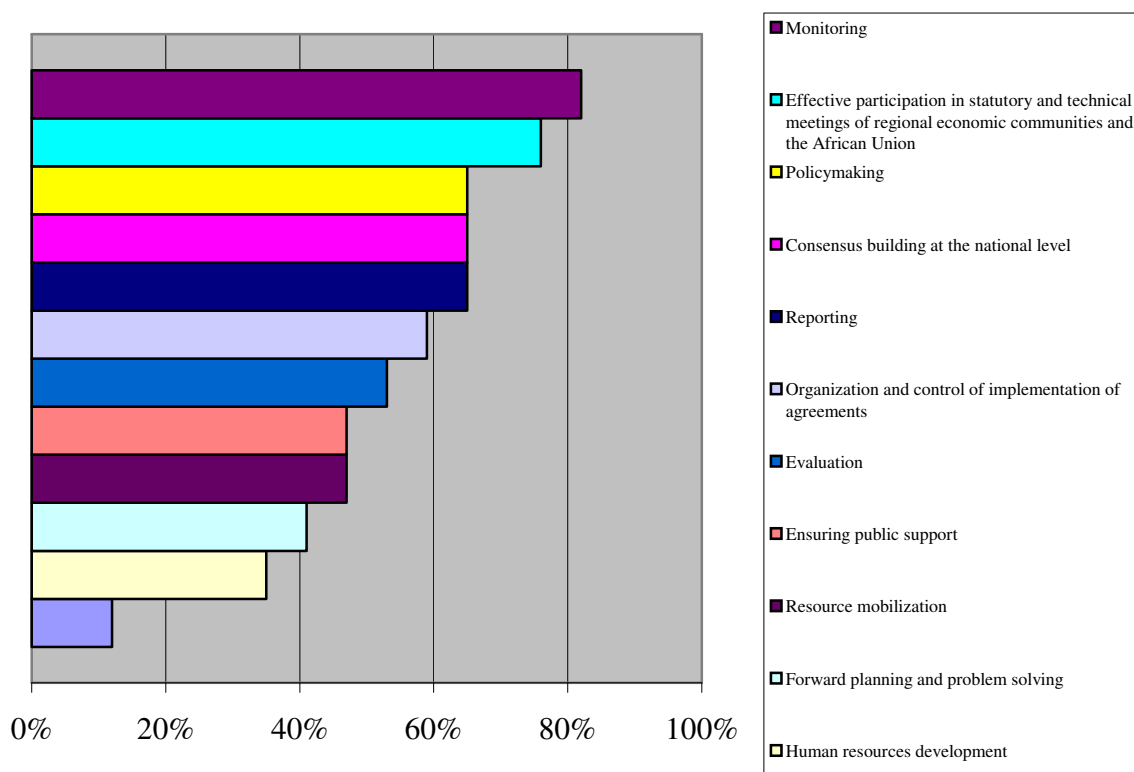


Source: UNECA Research

17. In Figure 2, we try to show the functions attributed to the focal Ministry. Monitoring and follow-up of the integration agenda is a major function. Other functions include effective participation in statutory and technical meetings organized by the RECs or the AU, building consensus at the national level to ensure public support for the integration agenda, as well as reporting on progress and conducting evaluation exercises. As can be observed from figure 2, resource mobilization appears to occupy a low position in the functions of the focal Ministry. This by no means suggests that resource mobilization is not important. It stems from the difficult nature of the function itself. It is not always easy for member States to mobilize resources to cover a multitude of priorities including those of regional integration.

18. Coordination is one of the critically important functions of the focal Ministry. Inter-ministerial coordinating committees are often used to facilitate coordination, although in some countries the sharing of information among the different ministries involved in regional integration is not always evident. Coordination also becomes complicated in a situation of multiple and overlapping membership where a country belongs to several RECs at the same time. It is not uncommon to find a situation where separate Ministries serve as focal points for the different RECs to which the country belongs. For example in a country that belongs to both the Common Market for Eastern and Southern Africa (COMESA) and the Southern African Development Community (SADC), the Ministry of Trade would serve as a focal point for COMESA, while the Ministry of Foreign Affairs would handle SADC affairs.

Figure 2: Main functions attributed to the focal ministries



Source: UNECA Research

19. It is important to highlight the fact that any Ministry designated to serve as focal point in charge of regional integration can be effective only if it receives support. It must have well trained and well-remunerated professionals, and a stable operating budget. This is not usually the case in a number of countries.

Translating integration goals into national plans and budgets

20 National development plans and their associated budgets are important instruments for the realization of REC goals at the national level. This is undoubtedly an area where the large majority of African countries are faced with tremendous challenges. Whereas decisions taken at the European Union (EU) level, for example, do find their way into the national decision-making processes, those taken by Africa’s subregional and regional integration groupings do scarcely feed into national policies and plans. In many instances, domestication of regional agreements into national plans and budgets is done on an ad-hoc basis, depending on resource availability. National priorities often take precedence over regional priorities in both programme planning and budgetary allocations. In Figures 3 and 4, we attempt to present the different challenges confronting member States in translating regional integration agreements and agendas into national budgets and programmes.

21. As can be observed, the integration of REC agendas into national budgets faces huge constraints, the most significant of which is sheer lack of resources. These constraints are exacerbated by multiple and overlapping memberships to RECs. Membership of a country to several RECs leads to many competing demands for resources and implementation of multiple programmes, and sometimes duplicative programmes. Similar constraints confront integrating REC goals into national programmes (figure 4).

Figure 3: Main factors reported to constrain translation of regional economic community goals into national budgets

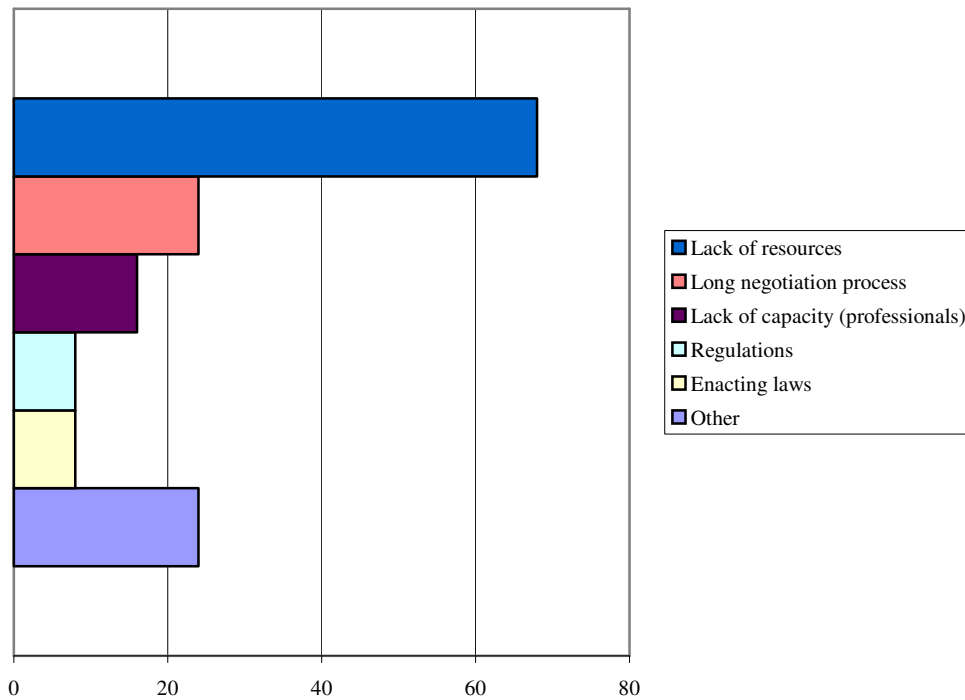
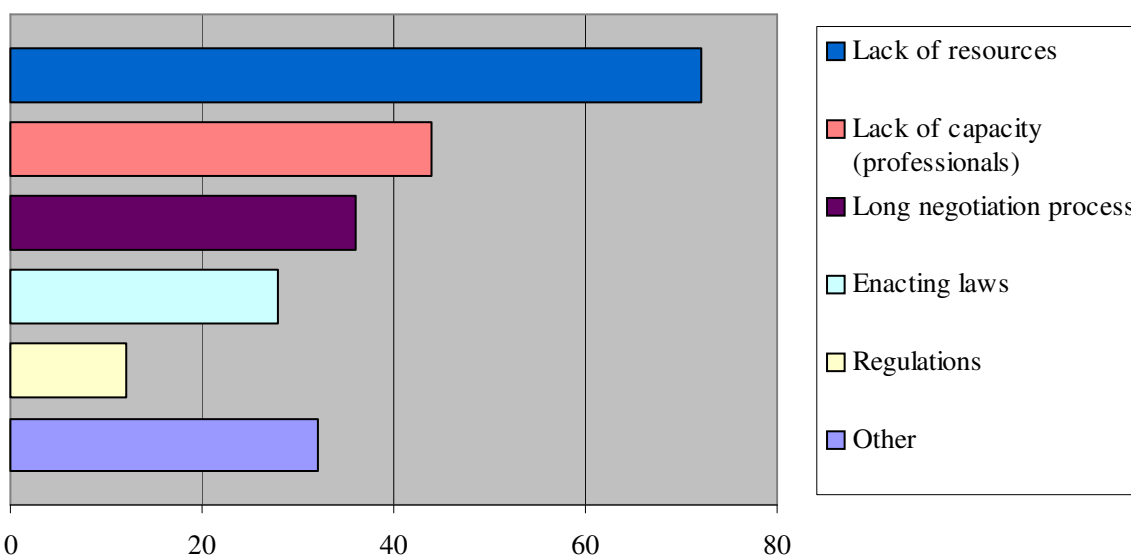


Figure 4: Main factors reported to constrain translation of regional economic community goals into national programmes and plans



Source: UNECA Research

22. Where political commitment exists and is strong, it should be easier for a country to draw up its national development plans, strategies and programmes with regional considerations and with the regional market and REC programmes as the point of reference. However, as seen from the above illustration, a limiting factor is the paucity of financial resources and lack of capacity. This is the more so when one takes into account the various competing demands of health, education and other socio-economic sectors on the countries' limited resources, against a backdrop of pernicious debt problems and overall resource crunch. As a result, many countries, owing to their own internal problems, tend to put much more emphasis on national than on regional projects. National priorities therefore tend to overshadow regional priorities. Hence, the political will and commitment to domesticate integration programmes into national plans and budgets would appear not to be forthcoming.

Ratification of protocols at the national level

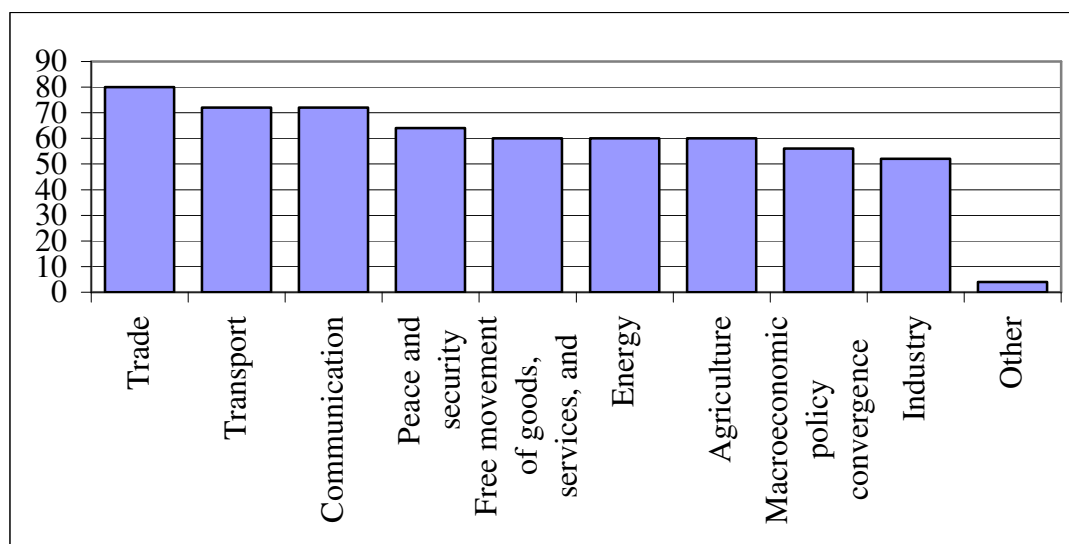
23. RECs have treaties that lay out broad areas of agreement, general objectives, principles, and commitments. They also have protocols laying out the practical steps for implementing treaties. The protocols are needed to put treaties into effect. Usually, ratification by two-thirds of the member States is sufficient for the protocol to come into force. However, some member States do not sign or ratify them—or submit their ratification instruments in a timely fashion. It is rare to find a protocol ratified by all the participating countries. The resulting delays make it difficult to achieve speedy progress.

24. Part of the problem is also attributed to the large number of protocols. The burden of ratification is multiplied for a country belonging to more than one regional economic community. Ratification is also affected by uneven interests by member States. For instance, countries may simply sign protocols to show their commitment in principle, but with no intention to ratify them because they stand to gain little from the protocol in question. For example, island countries would have very little interest in ratifying a protocol on road transport networks on the mainland. This therefore raises the issue of preparing protocols that balance the concerns and interests of all parties. Another problem in the ratification process is lack of expertise, often in translating treaties and protocols into national laws.

25. With countries slow in signing, ratifying, or implementing REC protocols, rather than signing protocols that need ratification by national legislative bodies, some RECs simply adopting “Acts” or “Decisions” that take immediate effect. This approach is often used by the West African Economic and Monetary Union¹ and the Central African Economic and Monetary Community.²

26. In figure 5, we try to show how countries generally perceive the importance of protocols within their RECs. Top priority is given to protocols on trade, followed by transport and communications, and peace and security. Protocols on free movement of people, energy and agriculture also enjoy significant support by member States.

Figure 5: Key protocols of interest to RECs member States.



Source: UNECA Research

¹ French acronym: UEMOA

² French acronym: CEMAC

Implementation of selected integration targets

27. While the institutional set-up for integration at the multilateral level is important, as primary stakeholders, the member countries have an important role to play in ensuring that commonly agreed policies are implemented at the national level. This implies that they would domesticate the relevant protocols in their national plans and allocate the necessary resources for them. The record of implementation of key integration milestones at the national level would thus be an important barometer signifying the degree of domestication and commitment of the country in moving forward on that particular target.

Physical integration

28. Infrastructure is a crucial component of the integration agenda. It is an area in which almost all the regional economic communities are involved. At the continental level, there are efforts to physically interconnect Africa through the Trans-African Highway network (Figure 6). To that end, countries are expected to integrate into their national investment programmes the construction of the Trans-African Highway links within their borders. The completion of the trans-boundary highway is thus a useful measure of countries' ability to realize the goal of physical integration within their respective RECs in particular and across Africa in general.

29. Research has shown that lack of resources is a major challenge for completing the networks. Owing to limited resources, countries tend to give greater priority to national networks vis-à-vis regional networks. Where the financing of regional programmes hinges on external support, experience has shown that, in most cases, the priorities of donors do not necessarily correspond with those addressed by those programmes. For example, donors are keener on financing maintenance and rehabilitation than on construction of missing links of regional transport networks. Another issue has to do with the economic viability of regional projects, which is sometimes not easily demonstrable in some cases because of lack of requisite data and other constraints relating to undertaking comprehensive feasibility studies. Consequently, the trans-African highway networks remain a dream until all missing links are hopefully completed.

Figure 6: Trans-African highway network



Source: UNECA, compiled from official sources.

Trade liberalization

30. The Constitutive Act of the African Union makes it clear that the primary goal of the Act is to establish an African Economic Community and assigns to RECs and their member States primary responsibility for making that happen. An intermediate step in this effort is the transition of RECs into Customs Unions. Notable progress has been made on this issue. The East African Community (EAC) became a Customs Union in January 2005 with the coming into effect of the EAC Customs Union Protocol. COMESA launched its Customs Union during its Summit of Heads of State in June 2009 in Zimbabwe, while SADC hopes to establish a Customs Union by 2010. At the first COMESA-EAC-SADC Tripartite Summit held in Kampala, Uganda in October 2008, the Heads of State issued a Communiqué in which they urged the three RECs to create a single Free Trade Area (FTA) and start work towards a merger into a single REC, which would contribute to fast-tracking the attainment of the African Economic Community.

31. ECOWAS has resolved a possible conflict with the already existing Customs Union in West Africa, UEMOA, by adopting that Union's tariff bands in order to create a single Customs Union in West Africa.

32. In a number of instances, not all countries have reduced tariffs to levels envisaged by their RECs. A number of countries are still implementing tariff reductions that are supposed to have been completed long ago. Even where a Customs Union has been launched, as in the case of COMESA recently, there is still a great deal of unfinished business in terms of tariff alignments by countries to the common external tariff. Moreover, some countries have not even fully joined the FTA.

33. Non-tariff barriers (NTBs) such as numerous roadblocks and checkpoints along major corridors also negatively affect the benefits of greater market openness. Over time, these blocks have the tendency of increasing rather than diminishing. It remains a problem of significant magnitude across a number of corridors in Africa. To overcome this problem, RECs such as UEMOA have established an Observatory on malpractices to monitor and address this issue. In one country in East Africa, a simple decree by the President helped to reduce the number of roadblocks from 72 to 15. An affirmative "political will" manifested in such a presidential action could thus go a long way in addressing NTBs such as numerous roadblocks and checkpoints that hamper free movement of people, goods and services within the integration space.

Factor mobility

34. There is also some progress on the movement of people across borders within RECs. Many countries have abolished entry visas for all or some REC members, or do grant visas with the same duration of stay for citizens from member countries. ECOWAS has adopted a common community passport, which is recognized at the national level. However, less progress has been made in granting right of establishment to nationals from the Community. Countries tend to take a selective and discriminating approach at the national level in implementing the right of establishment. The labour market is also usually protected and reserved primarily for nationals, even where other complementary qualified and productive manpower may be available across the border. The massive presence of foreign workers leads often to tensions with nationals, especially in periods of significant unemployment.

35. With respect to capital, its movement is still subjected to restrictions. The restricted access for foreigners to some factors such as land or to some sectors (insurance, banking, telecommunications and energy) is another limitation to the free movement of capital among African countries. Some RECs have however designed capital market initiatives at the regional level. UEMOA has had a regional capital market serving all member countries since 1998. In the SADC area, the Johannesburg Stock Exchange is heavily involved in cross-border investment.

36. At the continental level, efforts to establish the African Investment Bank to be located in Libya are advanced in terms of agreement on the protocol. There is also agreement to set up the African Central Bank and the African Monetary Fund to be based in Nigeria and Cameroon respectively, and to establish an African stock exchange. Preparatory work towards the establishment of the African Investment Bank is far advanced as compared to the other institutions. These continental initiatives are expected to improve cross-border availability of capital and investments.

Macro-economic policy convergence

37. Harmonization of macroeconomic policies is one of the foundations of successful economic integration. Inflationary pressures generated by budget deficits and excessive monetary expansion can undermine trade liberalization, leading to increased tariffs and/or tightening of NTBs. Moreover, macroeconomic instability is among the prime factors that inhibit economic growth in developing countries. Lack of fiscal discipline and inadequate monetary instruments and policies contribute to lack of macroeconomic stability and low economic growth. Macroeconomic stability therefore helps create an enabling environment for economic growth, and the promotion of trade and investments, hence the importance of pursuing prudent fiscal, monetary, exchange-rate and debt policies at the national level as well as the harmonization of these policies at the regional level.

38. Consequently, and particularly over the past decade, African countries, individually and collectively, have attached a high premium to macro-economic and institutional reforms to help remove their development constraints and liberalize and open up their economies. At the regional and subregional levels, harmonization of sound macro-economic policies has been an integral part of the treaties of most of the RECs, and this has led to the achievement of low inflation, and low interest rates among their member countries.

39. However, maintaining low budget deficits is an area where many African countries have encountered difficulties. Challenges in the external environment, including the global financial crisis, pose a constraint on the growth potential of African countries, limiting their ability to address persistent structural weaknesses. Although progress has been made with certain poorer countries benefiting from debt relief under the Heavily Indebted Poor Countries' (HIPC) and other initiatives, the fiscal environment tends to be characterized by perennial budget deficits and low generation of revenues.

40. The other major challenge has to do with enforcement of the macroeconomic policy convergence parameters. The lack of supra-national authority of RECs does affect the degree to which they are able to enforce policy convergence and sanction non-compliance. As a result, RECs can only depend on the “best endeavour” efforts of their members to make policy compatibility possible. This raises the broader issue about the institutional framework for integration in Africa, which is simply a framework within which governments can work together while retaining their national sovereignty. This approach is not unique however, and can be found in even relatively successful Unions such as the European Union.

Fulfilling financial obligations to the regional economic communities

41. RECs usually depend on assessed contributions from their member countries for their operations. Arrears of contributions are usually considerable as some members of RECs fail to meet their commitments. The financing gap is larger for countries belonging to more than one REC. Many RECs are therefore compelled to turn to external sources of financing to supplement limited assessed contributions from member States. However, grants from donors, development partners and other regional and subregional financial institutions are normally part of “seed funds” and are thus limited in nature. A related issue is the fact that presently most development assistance by donors focuses on national development frameworks.

42. Loans for regional programmes are also hard to come by for a number of reasons including inadequate capacities to formulate “bankable” regional projects, and the fact that the procedures or criteria for granting such loans, especially involving multiple countries, have been rather opaque and unwieldy for African countries in the context of their integration aspirations.

43. As these sources of funds have proven to be limited, RECs such as UEMOA and ECOWAS have explored tax-based self-financing mechanisms as a supplementary source of funds. The mechanisms aim to mobilize more substantial and regular resources to cover budgets of the secretariats, provide funds for compensating loss of revenue arising from trade liberalization programmes, and financing regional programmes and projects. COMESA has also established the COMESA Fund with two separate windows to address adjustment costs and infrastructure needs respectively. These self-financing initiatives notwithstanding, there is a relative abundance of integration programmes and projects in Africa that cannot be realized because funding has been a major handicap.

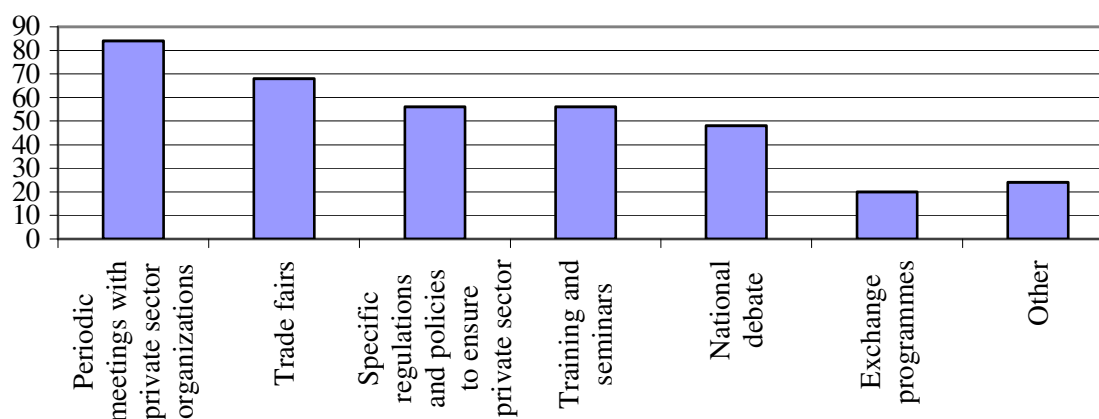
The private sector as a partner

44. The role of the private sector in regional integration is growing. Because production is no longer predominantly the responsibility of governments, the private sector and nongovernmental institutions must implement the changes in production that stem from integration agreements. One area where the private sector can have a positive impact is political decision-making at the national and regional levels. A well-organized private sector can participate in policy formation, provide advice to governments, and lobby for continued implementation of positive reforms.

45. By removing the key constraints to increasing the size and efficiency of the private sector, regional integration facilitates the formation of larger markets through trade liberalization and harmonization and increases the potential scale of business and profit opportunities; and macroeconomic policy harmonization reduces economic uncertainty and risk, which can stimulate private-sector activity. The banking sector in some RECs can also benefit from increased competition and knowledge sharing, which creates an enabling environment for financial intermediation. Both of these outcomes benefit the private sector as well.

46. In terms of promoting dialogue with the private sector, countries use a variety of mechanisms including periodic consultative meetings and seminars. Organization of trade fairs and study tours is also a common practice to stimulate private sector participation in the integration process (figure 7).

Figure 7: Countries' mechanisms for involving the private sector

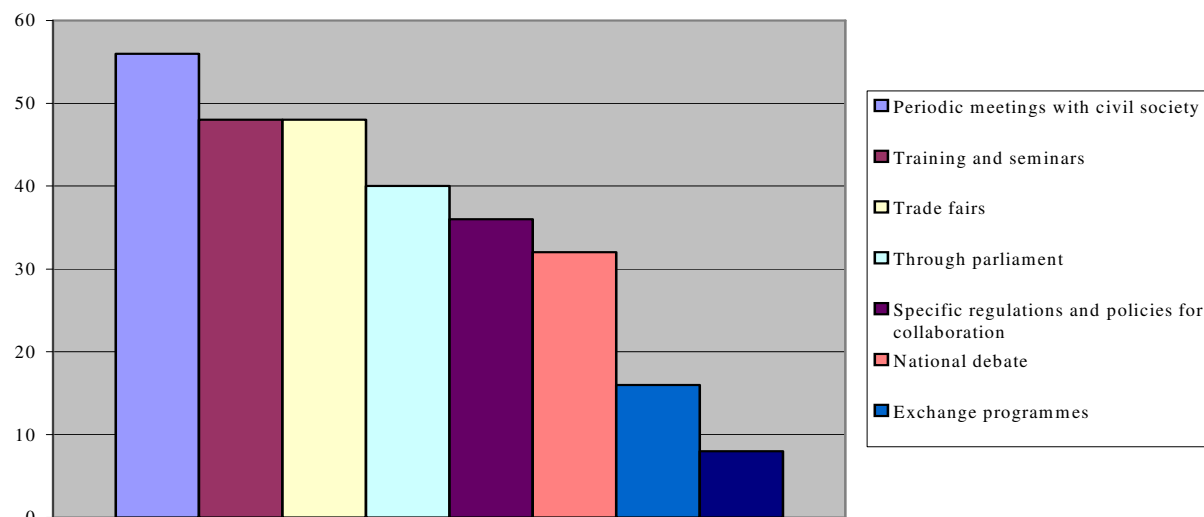


Source: UNECA Research

Involving civil society in regional integration

47. Governments and intergovernmental organizations have thus far generally monopolized the dialogue on integration. None the less, there is emerging recognition of the need to involve civil society in the process because an integration process that involves civil society stands a much better chance of success than one that is led by governments alone. Unless the people are aware of regional integration and interested in its success, the regional integration process will face difficulties in terms of ownership and public support.

48. A number of countries therefore use trade fairs, seminars and periodic meetings with civil society to discuss integration issues. National debates are not widely used, but debates in parliament are more common (figure 8).

Figure 8: National mechanisms for involving civil society in regional integration

Source: Source: UNECA Research

D. CONCLUSIONS AND RECOMMENDATIONS

49. Mainstreaming regional integration in national development plans and budgets is necessary to create ownership and commitment to the regional integration process. This would imply systematic harmonization of the objectives and instruments of the agenda with national development plans, policies and strategies. To this end, countries need to ensure the following:

- Speedy ratification of treaties, protocols and decisions;
- Setting up of a special Ministry in charge of regional integration (as first best option) or designating an existing Ministry as a focal point (as second best option);
- Provision and mobilization of resources for the functioning of the focal Ministry and for the effective implementation of integration programmes;
- Establishment of national committees involving all stakeholders including civil society, the private sector, the judiciary, and academia to promote consensus-building and support for the integration agenda;
- Harmonization of national laws and administrative rules with regional agreements and programmes (either by replacing national instruments with regional instruments or adopting identical instruments for all partners);

- Sharing of information on the benefits and costs of integration, and on outcomes of statutory and other relevant meetings and conferences on the integration process particularly at the level of the RECs and the African Union; and
- Mainstreaming of regional integration in educational curricula at all levels.

50. Effective mainstreaming of regional integration at the national level also requires some functional capacities including strong legal and institutional systems. The particular needs and relevant capacities often depend on the level of integration ambition and the specific circumstances of the countries involved. However, an appropriate degree of common institutions and competences should be in place as the minimum necessary to assure achievement of commonly agreed regional goals and objectives. Competencies in policy development, forward planning, problem solving, monitoring and evaluation, will contribute significantly to the success of the domestication process and the achievement of the integration goals.

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