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### Theme: "Tracking Progress on Implementing ICTs for Development in Eastern Africa"



**REPORTS ON THE STATE OF REGIONAL INTEGRATION IN EASTERN  
AFRICA: PROGRESS AND PROSPECTS  
(COMESA, IGAD, IOC, CEPGL, EAC, ICGLR): A BRIEF NOTE BY SRO-EA**



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## 1. Introduction

Economic integration is often defined as removal of economic barriers between two or more economies. The ultimate goal of regional integration is to merge some or all aspects (depending on the stage of evolution) of the economies concerned, removing any demarcation over which actual and potential movement of services, goods and production factors are relatively low (Pelkmans, 2006).

In fact, the rationale for economic integration in Africa is clear. Integration is one of the best ways to harness resources collectively, to penetrate efficiently world markets and attract foreign direct investment. However, the process faces several constraints and obstacles.

Without pre-empting the presentations from RECs, the present brief review gives a quick overview of the regional integration in Eastern Africa; its strengths and weakness, and the challenges and opportunities for future prospects.

Accordingly, this analysis is organized as follows:

- 1) A short background
- 2) Selected features of the integration process in the Eastern Africa Sub region and
- 3) Way forward.

## 2. Background

The objectives of regional integration are numerous and have been changing over time.

- (i) The initial focus was political decolonisation; at least for Africa;
- (ii) In the post independence era, the objective became socio- economic;
- (iii) Nowadays, one of the objectives is bargaining power in international negotiations; and
- (iv) Mutual benefits in terms of accelerated growth and development.

Economic integration is to some extent political. The interrelations between the two differ from case to case. Several times and in the real world, a bi-directional relationship exists. This leads to the institutional aspects of regional integration since the speed and success of economic integration depend heavily to the quality of institutions and their level of commitment.

It should be recognized that a regional integration process involves not only benefits but also costs. On the benefit side, the following can be noted:

- RI fosters competition and better productivity through a wider market. This brings dynamic gains in terms of:
  - (i) increase of the rate of growth of factor inputs, leading to quick growth of output and ;
  - (ii) increase of the rate of technological progress and, therefore more rapid growth of output.
- Positive impact on total factor productivity growth and on the rate of capital formation;
- More credibility and positive economic reforms such as: Low inflation rate, small public deficits and stability of exchange rate. In short, macroeconomic stability and appended growth performance;

- Larger and diversified investment through increased size market and credibility with potential reduction in risk and increase of return to capital since a large market (with a larger pool of consumers of heterogeneous tastes and coordinated institutions) raises return to capital, credibility and therefore reduces risk;
- Big bargaining power in trade negotiations. Some RIA have launched negotiations processes in such schemes: COMESA and ECOWAS contribute, on behalf of their member states, in economic partnership agreements between EU and African, Caribbean and Pacific countries. The small size of poor countries is then outweighed by regional integration group;
- Regional integration areas help to solve, prevent and manage conflicts. The recent two cases is ECOWAS contribution in Ivory Coast crisis and strong implications of IGAD in Somali crisis. They strengthen socio-economic and political stability and improve reforms in governance, peace and security.

On the costs side, the following are important:

- Trade diversion (although trade diversion can be offset by more trade creation).
- Decrease of public taxes (through elimination of both tariffs and non-tariffs barriers). The extent of this effect depends upon the capacity of each country to mobilize alternative resources even if the loss size should be extremely high in some dependent poor countries. Uneven gains and losses of some countries and disputes. To overcome this constraint, a strong commitment in implementing agreed arrangements and fair mechanisms in arbitration of disputes and equitable distribution of integration fruits and losses;
- Possible loss of national identity, sovereignty and culture: Some economic management tools<sup>1</sup> vanish over time with improvement of integration process. Similarly, political margin may also become limited.

### **3. Selected features of integration in the Eastern Africa Sub region**

On the outset, it should be noted that African integration outcomes differ according to sectors and RECs. Outstanding progress has been accomplished in trade liberalization (UEMOA and COMESA), freedom of goods and people, peace and security (ECOWAS), etc. Overall however, there is still limited progress in areas such as trade inside regional blocs, macroeconomic convergence, etc. African trade is very low. It was 5% in 1980 and decreased to 2% in 2002. In 2006, intra regional trade was estimated at 5%, SADC 13%, UEMOA 14%, etc. (World Bank, 2003).

#### **3.1 Whither Eastern Africa integration ?**

The state of regional integration in the Eastern Africa Sub region involves 2 Regional Economic Communities (IGAD and EAC) and 3 Inter Governmental Organisations (CEPGL, ICGLR and IOC)<sup>2</sup>. They have different origins, time life, objectives and speed of integration. Further, different regional integration areas exist and overlap.

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<sup>1</sup> This includes among others the loss of monetary policy by the national central bank since this role is ruled out by regional central bank.

<sup>2</sup> Except otherwise stated, we will use interchangeably IGO and REC under the same label of REC.

Against this background the salient issues that should be flagged with respect to Eastern Africa's integration include the following:

**a) Eastern African integration is an old and continuing story:**

The regional integration process in Eastern Africa is an old but has continued to encompass new integration structures, new members in old structures and new issues as below:

- EAC's origins date back to 1933 with the coordination of economic and political activities following colonial ties (Kenya-Uganda railway, the East African Currency Board, the Postal Union, etc.). The process evolved over time and the East African Community was established in 1967.
- CEPGL was created at the end of 1976 after a decade of common agreements;
- IGAD was created in 1996 to supersede the Intergovernmental Authority on Drought and Development (IGADD).
- The new organization is ICGLR which came into effect in 2006.

In the progression of the Eastern African integration story, some RECs collapsed and were re-launched. EAC broke up in the seventies following fears about distribution of integration fruits. Its revival gave a new life and eventually a bigger size to the integration process with Burundi and Rwanda membership. Similarly, CEPGL became moribund and is now ready to re-launch.

**b) Intra-regional trade is picking up**

Although intra regional trade in the Eastern Africa falls in the common picture of low African trade share in the world, the implementation of the integration processes in Eastern Africa shows some positive signs. Kenya has reached 90 per cent reduction on tariffs while Tanzania and Uganda stand at 80 per cent. Non tariff cross border trade barriers are also being progressively removed.

**c) Sustainable growth performance has been steady**

The Eastern African sub region is the best in growth performance since almost five years. The Eastern Africa Sub region is ranked first since more than five years ago in growth performance in spite of the conflicts that afflict various parts. There are of course disparities in performances with some countries registering very good growth rates, tracking therefore the regional mean upwards. Unfortunately, the region as a whole is likely to be adversely hit by financial crisis.

**d) Coordination of overlapping membership**

The regional integration processes have different objectives, agenda and timeframe. This has led to overlaps in membership in the region (See table 1 below). For example, Tanzania is member of SADC, EAC and not COMESA. Kenya is member of COMESA and EAC and not SADC. This overlap raises many issues. For example, if SADC speeds up its integration process and opens up its frontier to goods from partners. Kenya could benefit from this advantage through Tanzania. This raises the issue of how to address such a situation?

**Table 1: Membership of Eastern African countries to RECs**

RECs / IGOs COUNTRIES	COMESA	IGAD	EAC	CEN-SAD	CEPGL	ICGLR	IOC	SADC	ECCAS	Total
Burundi	X		X		X	X			X	5
Comoros	X						X			2
DR Congo	X				X	X		X	X	5
Djibouti	X	X		X						3
Ethiopia	X	X				X				3
Eritrea	X	X		X						3
Kenya	X	X	X	X		X				5
Madagascar	X						X	X		3
Rwanda	X		X		X	X		X		5
Seychelles	X						X			2
Somalia		X		X						2
Tanzania			X			X		X		3
Uganda	X	X	x			X				4

Table 3 shows how Eastern African countries are spending efforts and resources in a number of partnerships. Ten countries out of thirteen are members of three RECs and four countries are members of five REC. Since countries face scarce resources, this overlapping membership might hamper the regional efforts. Furthermore, the speed in implementation process is not similar.

Finally, all the RECs face similar problems and implement programmes with same components. To mention to aspects among others, almost all the RECs have peace and security and trade and macroeconomic stability issues. However, the speed of implementation, the time line, the financial capacities vary from one REC to another.

In a welcome effort to solve the problem of overlapping membership in the integration process of the Eastern African region, a new framework is emerging from the tripartite summit between EAC-COMESA and SADC. The tripartite summit held on 22<sup>nd</sup> October 2008 in Kampala with the aim to deepen the three RECs integration, agreed on programmes, a task force and a roadmap for the implementation of this merger to fast track the African Economic Community as outlined in the Abuja Treaty.

#### **e) Constraints remain at various levels**

Africa faces a big challenge to have a single currency and central bank by 2025. However, sub regional integration is slow and not in line with the African Monetary Cooperation Programme, the body dealing with this tremendous challenge. The results are really below expectations, due to constraints like:

- (i) Slow speed in implementation process and fear of macroeconomic failure. An implementation of integration process requires, at a given stage, convergence of macroeconomic indicators, grouped in traditional and derivative criteria;

- (ii) Dependence to foreign assistance and primary commodity exports and therefore, high vulnerability to exogenous shocks, scarce resources and weak institutional mechanism. The world financial crisis will affect adversely the state of regional integration given decrease of developed countries demand, unemployment, and expected slump of foreign assistance since developing countries will be dealing with their internal matters, etc.
- (iii) Slow mobility of factor of production due to lack of diversification and poor infrastructure;
- (iv) Lack of credibility which hamper investment potentials. This constraint is an obstacle to private sector initiatives;
- (v) While countries are embarked on the same regional process with voluntary partnership, they have different speeds with leaders and followers, rivalry and discordance and asymmetry shape characterized by winners and losers. The scheme of uneven distribution benefits from integration process comes from lack of relevant studies before joining an integration process. EAC collapsed in 1976 following the feeling from Uganda and Tanzania that the benefits are driven by Kenya alone.

#### **f) The special problem of Instability and conflicts**

The Eastern Africa Sub region is prone to conflicts. From Congo to Burundi, via Kenya and Uganda, intra and or inter state conflicts plague the subregion. More often than not, in such conflict situations, integration agendas are sacrificed. CEPGL collapsed following political disturbances in its three member states and its revival process has yet to be completed. This is one of the reasons that, perhaps, some RECs/IGOs (such as ICGLR, IGAD and CEPGL) include security objectives. In any case it is clear in the Eastern African subregion that peace and security has to underpin integration.

Also, internal civil strife and interstate wars have had a tendency to ‘dilute’ the potential benefits of regional integration in countries like Burundi, Rwanda, Sudan, Ethiopia, Uganda, DRC, Kenya, etc. Cross Border tensions and negative spillovers have also affected the movement of people and other factors of production, trade and infrastructure.

The aforementioned effects of conflict must be mitigated by stronger political will to reduce tensions and defreeze where necessary political obstacles to regional integration.

#### **4. The way forward**

The Eastern African sub region is performing well in growth performance. However, there are some impediments that are hampering the process. It is hoped that detailed presentations from RECs/IGOs will highlight more issues and suggest how to quicken and deepen the integration process for a better way forward.

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