THE 11TH EDITION

Assessing Regional Integration in Africa ARIA XI

DELIVERING ON THE AFRICAN ECONOMIC COMMUNITY:

Towards an African Continental Customs Union and African Continental Common Market

United Nations
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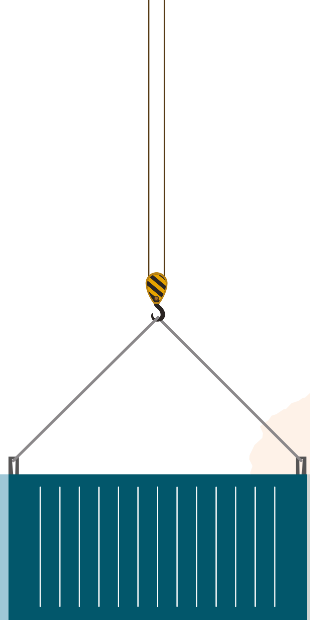
Assessing Regional Integration in Africa ARIA XI



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Acronyms

AEC	African Economic Community
AfCCOM	African Continental Common Market
AfCCU	African Continental Customs Union
AfCFTA	African Continental Free Trade Area
AfDB	African Development Bank
Africa CDC	Africa Centres for Disease Control and Prevention
AfSEM	African Single Electricity Market
AMU	Arab Maghreb Union
ARII	Africa Regional Integration Index
ARSO	African Organisation for Standardisation
ASEAN	Association of Southeast Asian Nations
AU	African Union
AUC	African Union Commission
AU DREA	African Union Department of Rural Development and Agriculture
AUDA-NEPAD	African Union Development Agency—New Partnership for Africa's Development
BIAT	Boosting Intra-African Trade
CGE	Computable general equilibrium
CEMAC	Economic and Monetary Community of Central Africa (Communauté Economique et Monétaire de l'Afrique Centrale)
CEN-SAD	Community of Sahel-Saharan States
CEPII	Centre d'Etudes Prospectives et d'Informations Internationales
CET	Common external tariff
CFA	Communauté Financière Africaine
CCMR	Common customs management regulations
COMESA	Common Market for Eastern and Southern Africa
c.i.f.	Cost, insurance, freight
CRSF	Customs revenue-sharing formula
CTN	Common tariff nomenclature
EAC	East African Community

EC	European Community
ECJ	European Court of Justice
ECA	United Nations Economic Commission for Africa
ECCAS	Economic Community of Central African States
ECOWAS	Economic Community of West African States
ECSC	European Coal and Steel Community
EEA	European Economic Area
EEC	European Economic Community
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
FDI	Foreign direct investment
FMP	Free movement of persons
FTA	Free trade area
GCC	Gulf Cooperation Council
GTI	Guided Trade Initiative
HS	Harmonized Commodity Description and Coding System
ICT	Information and communications technology
IGAD	Intergovernmental Authority on Development
IMF	International Monetary Fund
Mercosur	Southern Common Market
MFN	Most-favoured nation
MRA	Mutual recognition agreement
NAFTA	North American Free Trade Agreement
NEPAD	New Partnership for Africa's Development
NMC	National monitoring committee
NTB	Non-tariff barrier
NTM	Non-tariff measure
OECD	Organisation for Economic Co-operation and Development
PIDA	Programme for Infrastructure Development in Africa
PPP	Public–private partnership
PTA	Preferential trade area

REC	Regional economic community
RIA	Regional integration agreement
RoO	Rules of origin
RTA	Regional trade agreement
SAATM	Single African Air Transport Market
SACU	Southern African Customs Union
SADC	Southern African Development Community
SPS	Sanitary and Phytosanitary
TFTA	Tripartite Free Trade Area
TOAM	Trade Obstacles Alert Mechanism
UNCTAD	United Nations Conference on Trade and Development
UNCTADstat	UNCTAD Statistics
WAEMU	West African Economic and Monetary Union
WCO	World Customs Organization
WTO	World Trade Organization

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Foreword

The African Continental Free Trade Area (AfCFTA) is a major milestone in Africa's regional integration journey towards establishing the African Economic Community. It embodies the collective vision of African countries to unite the continent's 1.4 billion population and combined gross domestic product (GDP) of approximately $3 trillion in a single continental market. As of September 2024, the AfCFTA Agreement had garnered 54 signatories and 48 ratifications, accompanied by concrete steps such as the establishment of the AfCFTA Secretariat; the launch of the Guided Trade Initiative; and the adoption of key protocols on investment, intellectual property rights and competition policy. Unprecedented political will and commitment from African leaders and other stakeholders in the AfCFTA signal strong prospects for its successful implementation, as well as its transformative potential.

As implementation progresses, reflections on its consolidation and subsequent progression to the next phases in Africa's integration are imperative, especially given the fast-changing and increasingly complicated global environment, demanding Africa's deeper internal integration and its ability to speak and act with one, strong voice. The United Nations Economic Commission for Africa (ECA), African Union Commission (AUC) and African Development Bank (AfDB) made a deliberate choice to focus this 11th edition of their joint flagship publication, *Assessing Regional Integration—ARIA XI*—on the theme "Delivering on the African Economic Community: Towards an African Continental Customs Union and African Continental Common Market."

ARIA XI is intended as both a practical policy tool and intellectually grounded research piece. It recognizes that successfully implementing the AfCFTA is essential and that the AfCFTA should serve as a foundational anchor for establishing an African Continental Customs Union (AfCCU) and African Continental Common Market (AfCCOM). The comprehensive analysis in *ARIA XI* offers valuable insights to support the next phases in Africa's integration into an African Economic Community, with key findings and fine-tuned recommendations.

First, while notable progress has been achieved in continental and regional integration, persistent challenges still impede momentum. While some regional economic communities (RECs) have made impressive strides in fulfilling their own treaty objectives and those of the Abuja Treaty, others have struggled. Common obstacles include political instability, economic disparities among nations, infrastructure deficits, financial constraints and limited policy implementation.

Second, the implementation of free trade areas and customs unions within RECs remains imperfect. Challenges include prolonged transitional periods for harmonizing national customs laws, concerns over a common external tariff's impact on national development, and overlapping REC memberships. Establishing a viable and sustainable customs union requires robust institutional frameworks with stringent regulations. Key measures include mandatory joint tariff offers, restrictions on individual member states from entering trade agreements with external parties, and a unique revenue-sharing mechanism to ensure the stability of the customs union.

Third, collectively, African nations possess the requisite scale to maximize the benefits of a customs union. An AfCCU is expected to foster favourable welfare conditions for African countries and the global community, primarily by improving the terms of trade. The analysis in *ARIA XI* suggests that implementing the AfCFTA could be crucial in reducing poverty and inequality, potentially lifting millions of Africans out of poverty. The distribution of these benefits is uneven, however, demanding targeted redistribution policies and programmes to address disparities between rural and urban residents, individuals with varying education levels, and workers in informal and formal sectors.

Fourth, beyond tariff reductions, addressing non-tariff barriers (NTBs) and non-tariff measures (NTMs), along with coordinating and harmonizing policies and standards, will be crucial for boosting intra-African trade. Overlapping REC memberships and weak institutional frameworks have, however, slowed progress in harmonizing policies. Currently, the absence of aligned policies prevents Africa from meeting the minimum requirements for establishing an AfCCU and AfCCOM. Urgent action is needed to accelerate the removal of NTBs and NTMs, achievable through capacity-building, strong political will, and revitalized initiatives within RECs.

Fifth, establishing a successful economic integration framework in Africa requires a well-defined intergovernmental hierarchy that fosters stakeholder ownership at both continental and regional levels. Effective resource mobilization and use for an AfCCU and AfCCOM should emphasize optimizing existing institutions rather than creating new ones, and ensuring that they can efficiently absorb additional responsibilities. The focus must be on minimizing duplication and maintaining a streamlined institutional structure that adds value. Institutions must be purpose driven, equipped with the necessary capabilities for effective service delivery, and aligned with the broader vision of continental integration.

The AfCFTA offers a transformative opportunity for the continent, poised to unlock significant economic potential and foster deeper regional integration. As we navigate the complexities of implementing this ambitious agreement, it is imperative that stakeholders remain focused not only on immediate goals but also on the broader vision of establishing an African Economic Community, which includes the foundational stages for an AfCCU and AfCCOM. The insights presented in *ARIA XI* underscore the progress made so far while highlighting the persistent challenges that need to be addressed.

As we move forward, let us capitalize on the momentum generated by the AfCFTA to build a more integrated, prosperous and resilient Africa—one that is prepared to tackle emerging challenges and seize future opportunities.

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Introduction and background to ARIA XI

Regional integration has been a significant and enduring aspect of Africa's development strategies since the late 1950s and early 1960s. The continent has explored different regional integration and cooperation strategies to overcome the challenges of small, fragmented and uncompetitive markets inherited from its colonial past, and of evolving local and global realities.[1]

The immediate post-independence period of 1958–63 was characterized by strong anti-colonial sentiment, which spurred the desire to unify the continent under a single political entity—the United States of Africa. Yet this aspiration was complicated by the demands of nation-building, self-preservation and consolidation of national identities.

From 1964 to 1979, there was a noteworthy shift from radical pan-African idealism to a focus on market-driven interstate cooperation, reflecting a more pragmatic approach to regional integration. This phase involved the pooling of regulatory and policy competencies at subregional level, leading to the establishment of economic blocs such as the Southern African Development Community (SADC),[2] the original East African Community (EAC), and the Economic Community of West African States (ECOWAS).

The third phase of African integration in 1980–early 1990s emerged in response to global systemic changes, including the New International Economic Order (NIEO), culminating in the historic 1980 Lagos Plan of Action (LPA) and its accompanying Final Act of Lagos.[3] These introduced a new pan-African strategy for integration, advocating for the rejuvenation of ECOWAS; the creation of the Preferential Trade Area (PTA) for East and Southern African states, achieved in 1981; and the establishment of the Economic Community of Central African States (ECCAS), achieved in 1983. The LPA emphasized key pan-African themes such as "African solidarity, collective self-reliance, and self-sufficiency" while promoting sustainable socioeconomic development to reduce dependence on non-African nations. The LPA called for a renewed commitment to African economic integration as part of a continental cooperation framework.[4] The outward-oriented recommendations of the Burg Report (1980), however, which led to structural adjustment programmes, contrasted with the inward focus of the LPA, overshadowing it and hindering implementation.

In 1991, the LPA's subregionally anchored approach to integration was revitalized with the adoption of the Treaty Establishing the African Economic Community (AEC)—the Abuja Treaty, which came into effect in 1994, marking the fourth phase of African integration in 1991/1994–2017. The Abuja Treaty reaffirmed the importance of regional integration for the continent's development, setting a target for full continental economic integration by 2028 and establishing the AEC. The treaty outlined a progressive approach, starting with regional economic communities (RECs) as building blocks. Article 6(2)(a) emphasized strengthening existing RECs and establishing new ones where needed. Consequently, the PTA was replaced by the Common Market for Eastern and Southern

Africa (COMESA) in 1993, alongside the previously established Arab Maghreb Union (AMU), the Community of Sahel-Saharan States (CEN-SAD), and the Intergovernmental Authority on Development (IGAD).

The Abuja Treaty, in the modalities for establishing the AEC (Article 6), outlines a gradual process for establishing it over six consecutive stages in a period not exceeding 34 years:

- ***Stage 1*** (5 years): Strengthen existing RECs and establish new ones where needed.
- ***Stage 2*** (8 years): Stabilize tariff and non-tariff barriers, customs duties, and internal taxes. Strengthen sectoral integration and harmonize activities among RECs.
- ***Stage 3*** (10 years): Establish a free trade area (FTA) and a customs union in each REC.
- ***Stage 4*** (2 years): Coordinate and harmonize tariff and non-tariff systems among RECs to establish an African Continental Customs Union (AfCCU).
- ***Stage 5*** (4 years): Establish an African Continental Common Market (AfCCOM) through the adoption of common policies; harmonization of monetary, financial and fiscal policies; and application of the principles of free movement of persons.
- ***Stage 6*** (5 years): Consolidate the AfCCOM, establish a single domestic market, a Pan-African Economic and Monetary Union, and a Pan-African Parliament.

The Abuja Treaty's provisions for creating new regional arrangements inadvertently led to a proliferation of RECs with overlapping mandates and inefficiencies as obstacles to attaining its goals. Still, it remains one of Africa's most important pan-Africanist strategic instruments for inclusive and sustainable development, unity, self-determination, freedom, progress and collective prosperity. The Abuja Treaty remains referenced in African integration instruments and frameworks, including the Constitutive Act of the African Union; the New Partnership for Africa's Development (NEPAD); Agenda 2063: The Africa We Want of the African Union (AU); and most recently, the Agreement Establishing the African Continental Free Trade Area (AfCFTA).

The Abuja Treaty envisaged the phased elimination of tariff and non-tariff barriers to trade, facilitation of movement of factors of production across countries and regions, and the formation of an AfCCOM and the AEC as the ultimate goal of Africa's integration. The Abuja Treaty, as a blueprint for continental integration, sets out a strategy that envisages intra-REC trade liberalization and market integration as the foundations for the same at continental level, and the ultimate integration of African countries *as a bloc* into the global market.

Specifically, Article 6 of the Abuja Treaty sets out the modalities for establishing the AEC, with stages 4 and 5 the establishment of an AfCCU and an AfCCOM.[5] Although the RECs have continued to make some progress in meeting their treaty objectives and some of the integration milestones set out in the Abuja Treaty, the overall pace is very slow and varies among them (ECA, *ARIA I–X*).

Specifically, AMU, CEN-SAD and IGAD have made minimal progress on forming FTAs while COMESA, EAC and ECOWAS have made notable progress on that, with EAC and ECOWAS having established customs unions with common external tariffs (CETs), which have been partially implemented.

In their efforts to accelerate achievement of the Abuja Treaty's objectives, African leaders adopted, in September 1999, the Sirte Declaration, which:

- Urged the acceleration of integration and the shortening of the timelines fixed by the Abuja Treaty.
- Set in motion the transition from the Organization of African Unity (OAU) to the AU and its associated monitoring instrument NEPAD, launched in 2001 and 2002, respectively.
- Established the AU decision that placed a moratorium on recognizing RECs (2006).
- Adopted a consensual integration framework between Member States, RECs and the African Union, known as the Minimum Integration Programme (2009).
- Adopted the Action Plan for Boosting Intra-African Trade (BIAT), alongside the decision in favour of establishing the AfCFTA (January 2012).

In 2013, the continent's leadership adopted Agenda 2063, envisaged as a strategic framework to facilitate the emergence of an integrated, prosperous and peaceful Africa, driven by its own citizens, representing a dynamic force in the international arena—accompanied by 10-year implementation plans and flagship projects.[6]

The AfCFTA, which was adopted in 2018 as the first flagship project of Agenda 2063, is one of the initiatives intended to "leapfrog" Africa's progress towards the AEC. Admittedly, the six stages of the Abuja Treaty did not expressly contemplate establishing the AfCFTA, rather, it envisaged REC-level FTAs and customs unions (stage 3), which were to converge to an AfCCU with a CET (stage 4) and subsequently an AfCCOM (stage 5). The AfCFTA represents a significant departure from the Abuja Treaty's roadmap and introduces new dynamics into Africa's integration.

The AfCFTA creates the world's largest FTA, with all 55 AU Member States, laying the foundation for the AfCCOM with a population of about 1.4 billion people and a combined gross domestic product (GDP) of approximately $3 trillion in a single continental market. Its comprehensive and ambitious scope represents the first large, deep-integration effort at continental level, building on the RECs' integration achievements. It seeks to liberalize and boost intra-African trade by removing tariffs and other traditional barriers to trade in goods ("shallow integration") and by addressing domestic regulatory measures in services, investment, competition, intellectual property rights and digital trade ("deep integration"). The AfCFTA aims to expand trade and scale up the structures of trade—by advancing intra-African trade in value-added products and regional value chains, as well as by enabling investment and job creation—thus enhancing the competitiveness of Africa in the global market.[7]

With the AfCFTA begun, the Abuja Treaty–outlined next stages are the launch of the AfCCU and the AfCCOM. AfCFTA provisions and implementation processes lay the foundations (Article 3 (d)) for these two entities, and Article I(j) defines the envisaged AfCCU. Deeper integration through the AfCCU and AfCCOM would expand value chains; herald further economic efficiencies; stimulate investment, competitiveness, and innovation; and facilitate concretization of the other freedoms envisaged in the Abuja Treaty, such as free movement of all factors of production. Deeper integration foresees a more efficient integration process for greater market integration,[8] which requires closer coordination and tighter constraints on member states' policies and sovereignty.[9]

Given the accompanying measures like the CET and harmonized economic policies, intra-continental trade negotiations, as well as negotiations with third parties, become much easier[10]—but debates about progressing or deepening Africa's economic integration should not divert attention from the AfCFTA or delay or complicate its implementation.[11] The AfCFTA has been recognized as a game changer for Africa's trade integration and structural transformation and development. Its implementation is one of the priority areas of intervention in the Second Ten-year Implementation Plan, 2024–2033, of Agenda 2063, adopted by AU Heads of State and Government in February 2024.

The transition to an AfCCU and AfCCOM necessarily raises the following questions: Has Africa attained the optimum conditions for realizing the AfCCU and AfCCOM? If these conditions are not yet in existence, what interventions and actions should be taken to quickly bring them about? What are the potential significant benefits, such as African economies' competitiveness, of customs unions and common markets that the continent must strive for? And what would be the impacts of steps towards establishing an AfCCU and AfCCOM on implementing and consolidating the AfCFTA? Among much more, *ARIA XI* aims to answer these questions, in seven chapters, with conclusions and recommendations to shape further actions.

Chapter 1 attempts to take stock of the progress made in advancing integration at the regional and continental levels since *ARIA X* in 2021. It reviews advances in productive integration, assesses macroeconomic convergence, and presents the latest developments in trade in goods and services. Further, the chapter examines infrastructure and social integration, explores trends in governance, peace and security, and assesses progress in operationalizing the free movement of persons.

In **Chapter 2,** theoretical and empirical frameworks undergirding regional integration processes are reviewed, including the nexus and sequencing among FTAs, customs unions and common markets around the world. The chapter presents the theoretical advantages and disadvantages of these arrangements and their relevance to Africa's current integration. In addition, it explores the associated trade benefits and costs, and demonstrates the significance of both, for achieving the AEC. In doing so, it models the impact of regional integration by comparing the potential benefits that could be derived from full implementation of the AfCFTA, AfCCU and AfCCOM based on the UNECA-CEPII CGE Model (2024) to provide a nuanced understanding of the economic implications of each stage of integration.

Chapter 3 provides an analysis of the progress made towards implementing the AfCFTA, focusing on successes and challenges. The chapter also briefly reviews a select number of continental initiatives, whose ratification and implementation would significantly contribute to the successful implementation of the AfCFTA and the realization of its transformative goals.

Chapter 4 reviews African RECs' experiences with establishing and operationalizing FTAs, customs unions and common markets, and provides a comparative analysis of selected experiences in other regions of the world—the European Union (EU), the Southern Common Market (Mercosur) and the Association of Southeast Asian Nations (ASEAN)—to identify lessons applicable to Africa's efforts to bring about the AfCCU and AfCCOM.

In **Chapter 5,** the focus shifts to the prospects and challenges of harmonizing tariffs and adopting a continental CET, and of establishing and implementing the AfCCU. The chapter assesses the progress made at REC level to harmonize tariffs, and adopt a CET and other trade integration instruments. It provides an analytical perspective, estimating and simulating the trade, revenue and other economic effects of applying a CET (among selected African RECs implementing a customs union).

Chapter 6 reviews non-tariff barriers and non-tariff measures used by RECs and countries in Africa and measures taken by RECs to eliminate them. It discusses how the continent can move to the AfCCOM and the prior conditions that must be fulfilled.

Chapter 7 presents options for institutional, governance and resource requirements for operationalizing the AfCCU and AfCCOM. It considers the use of existing legal frameworks, institutions and structures, particularly the Abuja Treaty and the AfCFTA, as well as the possibilities of establishing a new structure in the form of an agency or organ along the lines of the African Union Development Agency–New Partnership for Africa's Development or the Africa Centres for Disease Control and Prevention. The chapter explores means for mobilizing resources for ensuring financial autonomy for the AfCCU and AfCCOM.

ARIA XI thus analyses the opportunities and challenges facing Africa in moving to the next stages in regional integration. What is clear is that the challenges are not insurmountable *if* the political will underpinning the AfCFTA is sustained and strengthened to ensure the timely realization of its mandate and goals—and that it serves as a solid foundation for transitioning towards the AfCCU and AfCCOM.

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Executive Summary

This executive summary presents the overarching messages, key findings, and policy recommendations of ARIA XI's seven chapters. It is aimed at all policymakers and stakeholders in Africa's continental integration. It provides important insights into the opportunities and challenges associated with transitioning to an African Continental Customs Union (AfCCU) and African Continental Common Market (AfCCOM).

Overarching messages

- The success of continental integration depends on the steadfast resolve of African leaders to pursue the ideals, vision and goals of the African Economic Community, actionable through its programmes intended to achieve indispensable freedoms in trade, flow of resources and movement of persons across the continent.
- Africa has made significant progress in its integration agenda at regional and continental levels—with the African Continental Free Trade Area (AfCFTA) a major milestone. The AfCFTA embodies huge growth and transformative potential, and its successful implementation will lay a sound foundation for the continent's transition to an AfCCU and AfCCOM. Preparations for this transition should not, however, be contingent on the AfCFTA's full implementation—rather, it should be pursued simultaneously.
- Establishing and implementing an AfCCU and AfCCOM will yield substantial economic and development benefits for the continent, beyond what the AfCFTA offers. And although there are inherent challenges in pursuing and operationalizing an AfCCU and AfCCOM, these challenges are not insurmountable if there is sustained political will.
- For Africa to increase its intraregional trade and influence in the current global geopolitical landscape, with growing economic nationalism among other things, it needs a common external trade policy—to boost its competitiveness and response capacity—attainable through an AfCCU and AfCCOM.

Establishing an AfCCU and AfCCOM will build on the valuable knowledge and experience already present in Africa. The continent can leverage the achievements and expertise in its regional economic communities (RECs), common external tariffs, common tariff nomenclatures, and established frameworks for the free movement of persons and for revenue sharing. On this foundation, Africa can confidently advance towards deeper continental integration.

Chapter 1
The Status of Regional Integration in Africa

Key findings

Significant strides have been made in continental and regional integration in Africa, but persistent challenges have slowed progress. While some RECs have made impressive advances in meeting their treaty objectives and those of the Abuja Treaty, others have made only minimal gains. Common obstacles include overlapping memberships and mandates; economic disparities among African countries; infrastructure deficits; financial constraints and over-dependence on external support for implementing commitments at national, regional and continental levels; wavering political will; and limited policy implementation and political instability—all of which impede the pace of integration.

The AfCFTA presents an opportunity to enhance productive integration and stimulate intra-African trade, thereby reducing production costs and cultivating regional and continental value chains. Though Africa still trades more with the rest of the world than internally, there is evidence that intra-African trade is improving, with the potential to expand business opportunities and job creation on the continent.

Many African countries have still not met the established convergence criteria of their RECs and of the African Monetary Cooperation Programme, yet the collective will to align member states' monetary and fiscal policies remains strong. This collective will should facilitate dealing with the present economic challenges, including high debt burdens, vulnerability to external shocks, dependence on a narrow range of commodities, institutional weaknesses, sociopolitical instability, and limited access to international capital markets, which contribute greatly to countries' inability to achieve macroeconomic targets.

Inadequate infrastructure impedes Africa's economic growth, exacerbated by the lingering impacts of the Covid-19 pandemic on investment. The role of innovative strategies, such as public–private partnerships and enhanced regulatory frameworks, cannot be overemphasized for mitigating risks and attracting private sector investment to address the issue of insufficient infrastructure investment.

Africa's demographic, urban and epidemiological transitions are poised to intensify pressure on national health systems. The continent's future health and economic resilience depends crucially on improved access to safe, effective and affordable medical goods and services for prevention, diagnosis and treatment. This situation presents multiple opportunities for the private sector to invest in and enhance Africa's pharmaceutical manufacturing capabilities and regional pharmaceutical value chains, leveraging on the AfCFTA.

Africa's prioritization of investment in education as a crucial driver of individual empowerment, economic growth and social mobility is key for harnessing the potential of its youthful population. Increased public spending on education is essential, alongside efforts to implement the Continental Qualifications Framework, which facilitates labour mobility across the continent.

Good governance, peace and security are vital for Africa's regional integration, as they underpin sustainable economic development. Conflict and instability hinder governments' ability to attract investment, create jobs, reduce poverty and provide essential public services like high-quality education and healthcare. Accountable, transparent and inclusive governments are more likely to collaborate and advance a deeper continental integration agenda.

By promoting free movement of persons, African countries can unlock vast potential for economic cooperation, trade and investment. Free movement of persons promotes cultural exchange, enhances cross-border cooperation and strengthens regional solidarity, while enabling individuals' access to education, healthcare and job opportunities across borders, thereby reducing poverty and inequality and strengthening security.

Recommendations

- *Accelerate the implementation of the AfCFTA to facilitate productive integration and boost intra-African trade through enhancing regional and continental value chains.* Seizing the opportunity of the AfCFTA to enhance productive integration and stimulate intra-African trade can reduce production costs and cultivate additional regional value-chain activities.

- *Promote macroeconomic convergence for deeper financial and monetary integration alongside adoption of a "variable geometry" approach.* Fostering deeper financial integration, particularly through regional bond markets, can facilitate savings mobilization, risk pooling and the leveraging of private sector investment to increase innovative funding for critical trade infrastructure projects, especially in the Program for Infrastructure Development in Africa (PIDA), thereby breaking the cycle of debt distress and liquidity shortages in Africa. Allowing variable geometry can quicken the adoption of a common currency.

- *Implement the AfCFTA Protocol on Trade in Services to develop the quality and accessibility of healthcare services in Africa.* While the health and social sector is one of the additional seven sectors to be liberalized in the second stage of the AfCFTA services trade negotiations, speedy completion of the sector's market access and national treatment negotiations will be crucial for enhancing healthcare services by reducing costs and facilitating access to high-quality services as well as by promoting broader socioeconomic solutions and inclusive development.

- *Address the root causes of political instabilities and conflicts.* This entails strengthening the link between market integration and sectoral development, as well as between integration and national development initiatives aimed at ensuring inclusiveness. Continued efforts are needed to support good governance and effective democratic transitions in Member States.

Chapter 2
Theoretical and Empirical Underpinnings of Free Trade Areas, Customs Unions and Common Markets

Key findings

Theory suggests that substantial benefits can be derived from regional economic integration, including increased intra-regional trade in both the short and long term; a positive net trade creation effect; and overall improvements in welfare. Observations from several African countries that have pursued this pathway confirm growth in both short- and long-term intra-regional trade and economic development. The long-term benefits of regional integration stem from market enlargement, competition-driven economic efficiency, and increased direct investment. Customs unions enhance market size and competition, fostering innovation.

A prominent challenge in fully realizing the benefits of regional economic integration, particularly in free trade agreements, lies in the use and complexity of rules of origin (RoO). Established to discourage trade deflection, RoO can create obstacles for implementing free trade agreements, but they diminish or disappear after a customs union is set up and running effectively.

As a group, African countries have the requisite size to maximize the benefits of an AfCCU. It is likely to create favourable welfare conditions for African countries and the world, primarily through terms-of-trade gains.

There is no clear pattern for sequencing integration stages among RECs. While some RECs have become mired at the free trade area (FTA) stage, many are attempting to incorporate elements of deeper integration, such as customs unions, common markets and monetary unions, alongside their FTA stages without meeting the necessary conditions for full implementation.

Empirical analysis makes a compelling case for implementing either the Africa CET-EAC or Africa CET-ECOWAS scenario, or their optimal scenarios coupled with targeted interventions to reduce poverty and inequality. These gains are additions to the impact of the free trade arrangement under the AfCFTA.

The Africa CET-EAC scenario would likely increase the average tariff imposed by Africa on imports from non-African partners, from 7.4 per cent under full AfCFTA implementation to 11.2 per cent, with a boost in intra-African trade of 1.67 per cent ($13.2 billion) and a substantial increase in tariff revenues of 32.5 per cent ($58.8 billion). This scenario would, however, result in slight decreases in overall GDP (by 0.08 per cent) and welfare (by 0.05 per cent) relative to full AfCFTA implementation. The Africa CET-ECOWAS scenario offers a more balanced outcome, increasing the average tariff to 10.00 per cent while generating modest increases in GDP (0.20 per cent) and welfare (0.24 per cent), alongside a 1.07 per cent rise in intra-African trade ($8.5 billion) and a 19.87 per cent increase in tariff revenues ($35.9 billion).

At sector level, the results show wide variations that reflect the diverse economic landscapes across Africa. Under the Africa CET-EAC scenario, the agrifood sector would see intra-African trade increase by 5.32 per cent ($7.1 billion), while the industry sector would record 1.21 per cent growth ($5.6 billion). The Africa CET-ECOWAS scenario would primarily benefit the industry sector with a 1.46 per cent increase ($6.7 billion) and the energy sector with a 2.16 per cent rise ($3.8 billion) in intra-African trade.

Country-level impacts vary widely. Under the optimal Africa CET-EAC scenario, Egypt would see its GDP increase by 2.74 per cent and exports climb by 4.63 per cent, while Benin would record a GDP decline of 3.52 per cent and a 4.80 per cent decrease in exports. Under the optimal Africa CET-ECOWAS scenario, Egypt's GDP would grow by 3.14 per cent, with exports increasing by 6.50 per cent, while Mauritius would face a GDP decline of 0.59 per cent and a 4.59 per cent decrease in exports. These results suggest that a compensation mechanism needs to be instituted to secure the buy-in of customs unions and common markets across countries.

Recommendations

- *Pursue reflections and actions geared towards progression to the next stages in Africa's continental integration, simultaneously with ongoing efforts to accelerate African countries' full implementation of the AfCFTA.* These moves will provide a solid foundation for transitioning to the AfCCU and AfCCOM, which promise significant economic and trade benefits beyond those available within the AfCFTA. Hence, policies to address the uneven distribution of benefits from the AfCFTA need to be implemented, including full operationalization of AfCFTA Adjustment Fund to support countries, sectors and communities that may be adversely affected by the adoption of a CET.

- *African countries should seize the opportunity offered by its size to maximize the benefits of trade under the AfCCU and AfCCOM.* Moving on to a customs union and subsequently to a common market will enable Africa to exploit this opportunity for terms-of-trade gains.

- *African countries should move ahead with the AfCCU at the opportune time.* This will help overcome the burdensome RoO in the FTA.

- *Implement an efficient and effective CET for the continent, considering the results from the four scenarios in ECA and CEPII (forthcoming).* The potential challenges with WTO compliance and uneven impacts should be dealt with in view of the development imperatives and potential long-term benefits for global trade of the continental CET.

Chapter 3
The AfCFTA: Implementation Progress and Challenges

Key findings

Significant progress has been made in implementing the AfCFTA. As of August 2024, 48 out of 55 AU Member States had ratified the agreement. Most protocols under phases 1 and 2 have been finalized, including the submission of tariff offers by 45 countries and the negotiation of 22 specific commitment offers in priority trade in services sectors. The AU Assembly adopted key protocols on investment, intellectual property rights, and competition policy in February 2023, along with initiatives focused on women, youth in trade and digital trade. Still, implementing the liberalized environment for air transport across Africa through the Single African Air Transport Market (SAATM) and the Protocol to the Treaty Establishing the African Economic Community Relating to Free Movement of Persons, Right of Residence and Right of Establishment is essential for realizing gains from the AfCFTA.

While the commitment of African political leaders to implementing the AfCFTA is a promising step towards achieving an African Economic Community, several challenges persist. These include ensuring sustainable support for AfCFTA implementation; addressing disparities in income, productivity and industrialization levels; improving trade facilitation; and overcoming infrastructure deficits.

Anecdotal evidence of trade under the Guided Trade Initiative suggests emerging challenges. The initiative has, though, expanded its scope from eight to 35 countries and includes any products traded between them. A limited understanding of trade procedures, misconceptions about tariffs and taxes, and logistics difficulties hinder trade under the AfCFTA through the initiative.

Recommendations

- *Member States should strictly adhere to the AfCFTA tariff liberalization schedules to fully operationalize the AfCFTA.* This requires a concerted effort to accelerate the implementation of agreed tariff reductions, addressing any delays and challenges in meeting the timelines. Governments should prioritize aligning national policies with AfCFTA commitments, allocate sufficient resources for implementation, and strengthen institutional capacities to monitor progress. Additionally, collaboration between Member States is essential to share best practices and foster a unified approach to achieving the agreement's objectives.
- *Transition out of the GTI as soon as possible, in order to fully realize trade under the AfCFTA.* It is essential to enhance information exchange and interaction between customs authorities and the private sector, facilitating a deeper understanding of the AfCFTA's tariff liberalization framework and its operational mechanisms.

- *Foster free movement of persons through ratification and implementation of the Protocol to the Treaty Establishing the African Economic Community Relating to Free Movement of Persons, Right of Residence and Right of Establishment.* This will facilitate doing business under the AfCFTA. By fostering the free movement of persons, African countries can unlock vast potential for economic opportunities, trade and investment.
- *Operationalize fully the AfCFTA Adjustment Fund.* To address concerns over potential loss of tariff revenue and/or adjustment costs of industries and labour markets, the AfCFTA Adjustment Fund should be operationalized and adequately funded, enabling member states to be compensated for any revenue losses resulting from tariff elimination under the AfCFTA. The other windows of the Adjustment Fund will provide support to governments and the private sector for dealing with market adjustments.
- *Harness the AfCFTA's benefits by ensuring better functioning of AfCFTA-related institutions at national and regional levels.* Strengthening such institutions will help overcome the challenges of institutional non-tariff barriers (NTBs), barriers to free movement of persons, an unfavourable business environment, weak harmonization and poor coordination of policies, and engagement of key actors at national level. It will also help reduce the gap between de jure and de facto integration, and ensure more effective distribution of integration's benefits.

Chapter 4
Customs Unions and Common Markets: Experiences and Lessons from African RECs and the World

Key findings

Although implementation of FTAs, customs unions and common markets across the continent faces challenges, African RECs have continued to work towards achieving the mandates in their regional treaties. The RECs' experiences demonstrate that some of them, whether AU recognized or not, have adopted elements of customs unions and common markets even when their FTAs are yet to be fully realized. This means that achieving fully operational FTAs is not a prerequisite for establishing functional customs unions and common markets.

The experiences of African RECs—and of regional trade agreements outside Africa—demonstrate that, while political will is essential, it must be supported by a robust institutional framework to pursue deeper integration. As a bloc moves towards deeper integration, institutional development and re-engineering become critical components, including sufficiently empowering institutions—ideally, autonomous, supranational ones—which becomes vital for interpreting and enforcing the provisions of regional agreements. Finding the right balance between intergovernmentalism and supranationalism is therefore crucial for achieving deeper and sustainable integration.

African RECs' issues in consolidating their FTAs, along with restrictions on the free movement of factors of production, stem from common challenges that are easier to deal with at continental level. These challenges include overlapping REC memberships, weak implementation of agreements and the absence of mechanisms to enforce compliance. Further hindering RECs' development goals are weaknesses in domestic institutions, prevalence of NTBs, political instability, lack of economic diversification and low trade complementarity.

Navigating the socioeconomic asymmetries among African countries adds to the complexity of establishing fully functional customs unions with common trade policies. Yet heterogeneity in the CETs among advanced RECs has narrowed, preparing African countries for deeper integration at continental level.

National and private interests still significantly influence negotiations for and adoption and implementation of modalities in a customs union and common market. It is essential to address these interests through consultative democratic institutional processes to ensure effective integration.

Some RECs have served as centres for consolidating negotiation offers and addressing overlapping memberships. In this way they have filled capacity gaps for less-resourced countries that may lack the skills for trade negotiations. EAC, ECOWAS and ECCAS, for example, have been pivotal in promoting the AfCFTA among their member states.

Recommendations

- *Consolidate the AfCFTA to achieve deeper integration by adopting a pragmatic and planned approach to address the challenges of multiple memberships.* This move requires a clear framework to integrate existing RECs—AU recognized or not—into the continental agenda.
- *Sustain political commitment to continental integration while launching discussions on sensitive issues at continental level.* Such issues include the level of national autonomy that countries want to keep versus the degree of supranational authority accorded to regional institutions; mechanisms to enforce member countries' compliance with binding agreements and protocols; and a monitoring and assessment task force with power to discourage non-compliance in critical areas of integration.
- *Strengthen the institutional design supporting African integration to align with Africa's ambitious integration agenda.* This includes establishing a strong and enduring institutional framework that engages focused, integration-oriented technocrats at continental institutions who are empowered to enforce decisions, monitor implementation, discourage non-compliance, and maintain realism about potential achievements, benefits and sacrifices for the common good.

Chapter 5
Towards an African Continental Customs Union: Harmonizing Tariffs and Adopting a Common External Tariff

Key findings

Africa relies more on external markets for merchandise trade than those markets depend on Africa. This reliance on external trade, coupled with the dominance of imports from abroad, renders trade liberalization, including tariff harmonization, challenging at the AfCCU formation stage (rather than at the AfCFTA establishment stage), suggesting the need for enhanced and amplified technical and geopolitical strategies to garner additional support for establishing the AfCCU (as was done for the AfCFTA).

African countries show a pattern of relatively high but varying import dependency, with total imports averaging 25 per cent of GDP in 2022. Such variations have implications for the levels of import tariffs and revenues as well as tariff harmonization in customs unions.

RECs' import dependency has three key impacts for the proposed AfCCU:

- RECs with high import dependency, such as AMU with a 40 per cent import-to-GDP ratio, could face fiscal pressures from reduced customs revenues, requiring robust compensatory mechanisms;
- RECs with lower import dependency ratios, like ECCAS and ECOWAS at 18 per cent, are likely to need fewer fiscal adjustments; and
- The differences in import dependency highlight the potential for trade diversion, where countries in high import-dependency RECs may prioritize intracontinental trade to reduce external reliance, which could stimulate regional production and trade integration.

The transition to a common external tariff (CET) often requires notable fiscal adjustments within countries. These include domestic tax reforms, including increased value-added tax and other internal taxes, or regional-level compensatory mechanisms. Robust fiscal management and policy adaptation are also needed.

An assessment of tariff rate-setting and application practices in 47 African countries revealed that African countries are more liberal in applying import tariffs than the prescriptions in their tariff books. Such a liberalized approach is generally supportive of tariff-harmonization efforts for establishing a CET during customs union negotiations.

Experiences in RECs like ECOWAS, EAC, COMESA and SACU offer valuable lessons and frameworks that can be adapted and scaled up to facilitate continental integration. These include adopting a common tariff nomenclature, harmonizing customs-management regulations, standardizing tariff structures, and creating equitable customs revenue-sharing and adjustment-support mechanisms.

Recommendations

- *Adopt a CTN and CCMR.* A standardized system for classifying goods across all member states is essential for implementing the continental CET, to ensure consistency in assessing and applying customs duties, for internal and external trade.
- *Harmonize tariff structures.* Following the AfCFTA's success, harmonizing tariff structures across Africa is critical for developing a continental CET that does not disadvantage any member state and that can help protect local industries while encouraging intracontinental trade.
- *Create an adjustment support mechanism.* Implementing an AfCCU will entail policy, regulatory, legal and economic adjustments, including fiscal adjustments among some member states. Still, to incentivize them, an adjustment support mechanism that compensates for changes to fiscal revenue, industrial protection and costs of living should be created.
- *Establish a customs revenue-sharing formula and mechanism.* Establishing a fair and transparent mechanism for distributing customs revenues collected at designated external borders among member states is essential. The formula should consider economic circumstances, trade performance and geospatial conditions of member states to ensure equitable distribution and support for economic integration. Current digitalization across the continent will make it much easier to construct a transparent formula and mechanism and to generate efficiencies.
- *Understand the use of, and dismantle, NTBs and non-tariff measures (NTMs) at REC and country levels.* This recommendation reflects stage 2 in Article 6 of the Abuja Treaty.

Chapter 6
Towards an African Continental Common Market: Addressing Non-tariff Barriers and Non-tariff Measures, and Harmonizing Policies and Standards

Key findings

NTBs hinder regional integration in Africa. Many old disputes remain unresolved due to inadequate capacity, limited financial resources and insufficient NTB-related political will.

The lack of clear definitions of, and legal provisions for, subsidies in some RECs' trade agreements hinders enforcement and compliance. Some COMESA and SADC agreements prohibit using subsidies that distort competition or threaten "infant industries," but the lack of a definition makes enforcement hard. In EAC, member states must notify partners about subsidies, but their use is not explicitly prohibited. Similarly, the ECOWAS Protocol lacks legal provisions on subsidies.

Despite regional efforts by SADC, ECOWAS, COMESA and EAC to phase out quantitative restrictions on trade through legal frameworks such as bans, licensing and quotas, member states have shown a persistent lack of political will to eliminate these measures, continuing to hinder trade within these regions and undermining regional integration.

REC instruments have improved, but multiple frameworks on Sanitary and Phytosanitary (SPS) measures and on technical barriers to trade (TBTs) have led to duplicative and sometimes contradictory requirements among RECs, creating trade-restrictive effects. This inconsistency stems largely from different interpretations of regional harmonization and varying priorities.

Harmonizing NTMs in RECs such as EAC, ECOWAS and SADC has been slow due to overlapping memberships and weak institutional frameworks. RECs are required to align their SPS measures with international standards, but some have yet to do so.

Complex and restrictive RoO in ECOWAS and SADC have curtailed the benefits of free trade agreements. This has generated avoidance strategies and low registration rates among firms, due to high compliance costs.

Customs and administrative-entry procedures are essential for tax collection and compliance with national and international laws. Their length and complexity, however, with redundant clearance processes, hamper African traders, as does a lack of coordination among customs officials and of computerized management systems.

Recommendations

Establish transparent notification procedures and a public online platform for reporting NTBs and NTMs. This initiative should enhance transparency, reduce costs associated with TBTs and SPS measures, and improve coordination with the private sector. Also required is a robust surveillance mechanism to monitor NTMs and NTBs, coupled with legislation aimed at eliminating both and at ensuring compliance with WTO standards. National export and import regulations, with clear definitions of NTBs and NTMs, should be integrated into the AfCFTA framework. Customs procedures, warehouse operations, transit systems and goods declaration processes must be presented clearly and consistently.

The AfCFTA should build on and strengthen the current NTB framework in the COMESA-EAC-SADC Tripartite Agreement and ECCAS. Development assistance should be provided.

Dismantle trade-distorting NTMs by coordinating national and regional efforts to eliminate them to fully benefit from the AfCFTA and the future AfCCU and AfCCOM. This covers pervasive NTMs, such as divergent SPS measures, inconsistent labelling laws, cumbersome customs procedures, RoO and TBTs.

Standardize assessment procedures and regional policies related to NTMs to promote transparency in line with WTO agreements on TBTs and SPS standards. Lessons from ECOWAS on connecting national portals for the Trade Obstacles Alert Mechanism should be adopted. Building capacity, strengthening political will and revitalizing REC initiatives are also needed.

Adopt good regulatory practice to help overcome procedural obstacles and complex regulations on SPS harmonization and TBT policy coherence. Ministries responsible for agriculture, trade and health should coordinate policy harmonization and promote the use of international standards such as the International Plant Protection Convention and those developed by the Codex Alimentarius Commission and World Organisation for Animal Health. Additionally, there is need to enhance *participation of the WTO SPS and TBT Committees in Africa.*

Chapter 7
Institutions, Governance and Resources for the African Continental Customs Union and African Continental Common Market

Key findings

Progress in continental integration requires developmental integration to be prioritized. Its key principles include focusing on pragmatic solutions, achieving quick wins and avoiding mimicry of external models. Critical success factors such as strong political leadership, stakeholder ownership, macroeconomic stability and effective monitoring are essential for establishing and implementing the AfCCU and AfCCOM.

Establishing a successful economic integration framework in Africa requires a well-defined, stakeholder-led intergovernmental hierarchy, at both continental and regional levels. This hierarchy should incorporate international management approaches like results- and objectives-based management, supported by logical frameworks; effective internal controls; stakeholder engagement; and continuous monitoring, evaluation and adaptation.

Effective resource mobilization and use for the AfCCU and AfCCOM should prioritize restraint in establishing new institutions. The aim is to ensure that current institutions can take on additional roles to enhance efficiency, minimize duplication and maintain a lean institutional structure that adds value and is fit for purpose, equipped with the necessary capabilities for effective service delivery.

A systematic approach to resource mobilization is essential for establishing the AfCCU and AfCCOM—supporting their operational and institutional frameworks while safeguarding sustainable financial independence. Leveraging existing structures and developing effective funding mechanisms will be vital for the success of these two initiatives.

Recommendations

- *Adopt a coherent systems approach to institutional and governance structures to establish the AfCCU and AfCCOM.* This entails focusing on pragmatic solutions and quick wins while avoiding mimicking external models that may not align with Africa's unique context. It also involves prioritizing strong political leadership, stakeholder ownership, macroeconomic stability and effective monitoring.

- *Select a governance structure that best supports the establishment of the AfCCU and AfCCOM from among five options*:
  - Use existing legal instruments: Option 1 involves leveraging the Constitutive Act of the African Union and the Abuja Treaty, and Option 2 combines the Constitutive Act with the AfCFTA Agreement. These options capitalize on existing frameworks and institutions (where viable).
  - Establish new legal instruments: Option 3 proposes the creation of a new legal instrument, regime and institutions, potentially in the form of an agency or organ similar to AUDA-NEPAD or Africa CDC.
  - Introduce a directorate: Option 4 suggests supplementing Options 1 or 2 by introducing a directorate in either the AUC or the AfCFTA Secretariat to address matters related to the AfCCU and AfCCOM.
  - Convert the AfCFTA Secretariat: Option 5 envisages converting the AfCFTA Secretariat, at the right time, from its current focus on FTA matters to the AfCCU/AfCCOM Secretariat, monitoring and evaluating the FTA.
- *Align governance and resource requirements for establishing the AfCCU and AfCCOM with four essential goals of developmental regionalism:* fair trade integration; intensive cooperation and transformative industrialization; cross-border infrastructure cooperation; and cooperation for democracy and good governance.
- *Employ innovative resource mobilization to ensure sustainable financial independence.* In addition to the usual budgetary and extrabudgetary resources, the AU levy should be extended to encompass economic integration programmes and explore diverse funding avenues, such as establishing a capital fund, undertaking crowdfunding initiatives, engaging philanthropists, organizing national lotteries, and creating presidential funds.

CHAPTER 1

Status of Regional Integration in Africa

Introduction

With over 50 countries, more than 40 currencies serving the continent, 16 landlocked nations and national populations ranging from 100,000 inhabitants to over 200 million, Africa's regional integration emerges as a rational response to its challenges. Integration is a key priority on the continent due to its potential to bring together small, fragmented national markets and to create economies of scale for the improved positioning of African economies in regional and global value chains.

The Abuja Treaty of 1991 provided for the establishment of an African Economic Community (AEC) and mapped out a pathway to attaining it, anchored on first achieving significant progress with integration at the level of regional economic communities (RECs). It urged the strengthening of existing RECs and the setting up of new ones where they did not exist, so that they would serve as the building blocks of the AEC. Overall, REC-driven economic integration has registered mixed results over the years: while some RECs made impressive strides in meeting their respective treaty objectives and those of the Abuja Treaty, others have experienced sluggish progress or even stagnation.

Even where progress has been achieved in regional and continental integration, many obstacles persist, including political instability, economic disparities, infrastructure gaps, lack of financial resources, and limited implementation of policies and agreements. With 33 least developed countries (LDCs)—the highest concentration in the world[12]—Africa must advance the continental and regional integration agendas not only because of their potential to increase Africa's trade, attract foreign direct investment and promote industrialization and economic diversification, but also because of their potential to lift millions of Africans out of poverty, enhance the continent's bargaining power and influence on the global stage, improve its terms of trade, and reduce its vulnerability to external shocks. The establishment and ongoing implementation of the African Continental Free Trade Area (AfCFTA)—one of the flagship projects of Agenda 2063—is one of the continent's main integration achievements in recent decades. The AfCFTA has been recognized as a game changer, not just for Africa's trade integration but for Africa's structural transformation and development more broadly.

Before delving into the broader theme of *ARIA XI*, it is essential to take stock of recent developments in regional integration across the continent, particularly within RECs. This chapter therefore analyses the progress made in integration efforts at regional and continental levels since *ARIA X*, focusing on key dimensions of integration. In the next section, it reviews advances in productive integration, before assessing macroeconomic convergence and analysing the latest developments in trade in goods and services. The chapter then examines developments in infrastructure and energy and in social integration; explores trends in governance, peace and security; and takes stock of progress in operationalizing the free movement of persons. It rounds off with a conclusion and recommendations based on these assessments.

Productive integration in RECs and at continental level

Productive integration in a country refers to the extent to which its productive capacities complement those of other countries in the region.[13] Productive integration offers several benefits, including greater economies of scale and associated consumer price reductions, improved quality of goods and services because of higher levels of specialization, new jobs, and faster economic growth. It is, however, also usually accompanied by challenges such as difficulties in agreeing on the location of productive activities, as well as perceived or real differences in the benefits accruing from productive integration among the integrating entities. The AfCFTA has the potential to address some of these challenges, particularly through developing regional value chains that would see production functions and activities distributed among integrated member states as opposed to being concentrated in the more competitive and developed ones.

In the context of the Africa Regional Integration Index (ARII)—jointly produced by the United Nations Economic Commission for Africa (ECA), the African Union Commission (AUC) and the African Development Bank—the productive dimension of integration refers to the extent to which a country has complementary productive capacities with respect to other countries in the region, whereby it can specialize in the production stages in which it has a comparative advantage benefiting from scale economies.[14] It entails the country's involvement in regional supply and value chains.

The three main indicators used by the productive integration dimension of ARII are (a) the share of intraregional intermediate exports, which refers to a country's exports of intermediate (semi-finished) goods to the region as a percentage of all of that country's exports of goods to the region; (b) the share of intraregional intermediate imports, which refers to a country's imports of intermediate (semi-finished) goods from within the region as a percentage of all of that country's imports of goods from the region; and (c) the Merchandise Trade Complementarity Index, which compares a country's export profile with the export profile of the region and is calculated as the sum of the absolute value of the difference between the import shares and the export shares of the countries under study vis-à-vis the region, divided by two.

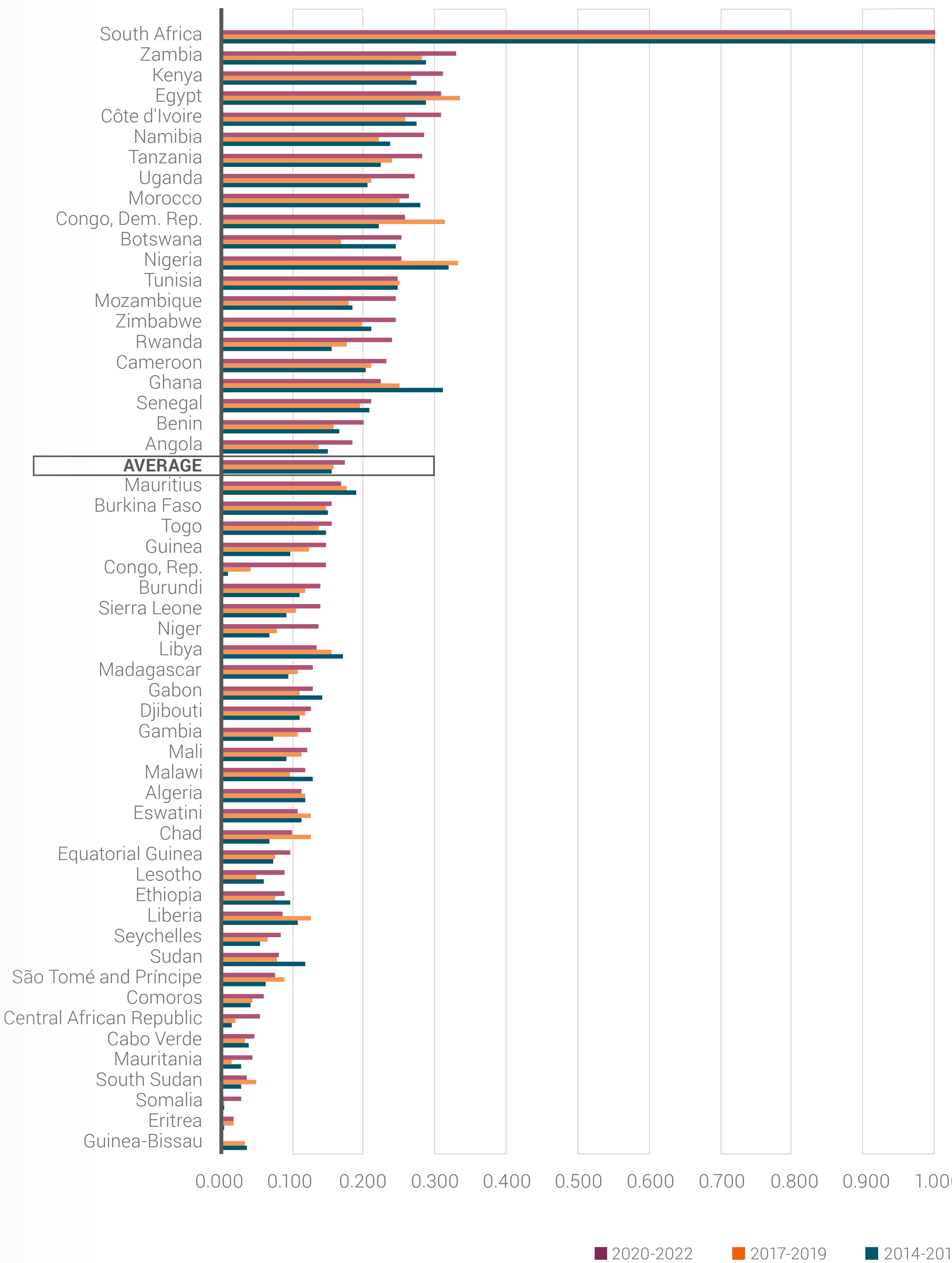
On average, African countries scored 0.156, 0.158 and 0.175 on productive integration in 2014–16, 2017–19 and 2020–22,[15] respectively. In 2014–16, 33 countries scored below the average (0.156), with South Africa (1.000), Nigeria (0.318) and Ghana (0.312) presenting the highest scores, while Somalia (0.004), Eritrea (0.005) and Republic of Congo (0.010) presented the lowest. The same number of countries (33) scored below the average (0.158) in 2017–19, with South Africa (1.000), Egypt (0.335) and Nigeria (0.332) presenting the highest scores, while Somalia (0.005), Mauritania (0.014) and Eritrea (0.019) scored the lowest. In 2020–22, 33 countries also scored below the average (0.175), with South Africa (1.000), Zambia (0.329) and Kenya (0.310) recording the highest scores while Guinea-Bissau (0.001), Eritrea (0.017) and Somalia (0.027) scored the lowest (figure 1.1 and box 1.1).

Although the RECs consistently outperformed the continental average in regional integration scores in the three analysed periods (0.156 in 2014–16, 0.158 in 2017–19 and 0.175 in 2020–22), it is essential to acknowledge that the maximum attainable score is 1.0. Consequently, while their performance indicates progress, there remains considerable potential for enhancement. While the East African Community (EAC) remained the top performer throughout, with scores of 0.449, 0.449 and 0.447 for the three periods respectively, the Southern African Development Community (SADC) consistently brought up the rear, with scores of 0.219, 0.210 and 0.188 (figure 1.2). This disparity raises questions about the uneven progress of productive integration in Africa.

Enhancing productive integration should be a paramount priority for the RECs. Beyond the establishment of a robust logistics infrastructure, successful implementation of the AfCFTA and its associated protocols is pivotal for enhancing coordination among public and private entities and for facilitating the emergence of regional value chains. Effectively implementing the AfCFTA and its associated protocols not only facilitates regional and continental productive integration by creating a single market and economies of scale, but also cultivates a more vibrant ecosystem conducive to economic transformation and industrial advancement.

Figure 1.1

Productive integration scores by country



Source: ECA analysis based on UNCTADstat data.

BOX 1.1

Productive integration scores: South Africa

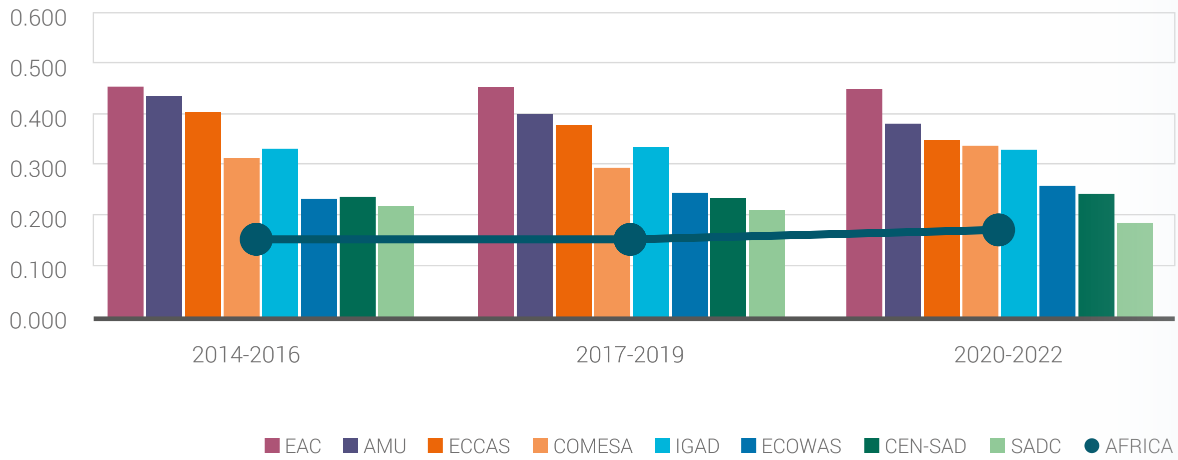
Africa's average productive integration score for 2020–22 was a mere 0.175 out of 1.000, with 33 countries scoring even lower. These findings indicate that production is unevenly distributed across the continent, preventing many countries from fully leveraging their comparative advantages. One significant factor contributing to this disparity is the inadequacy or absence of effective logistics systems, which are essential for the functioning of regional supply chains.

South Africa stands out as the continent's leader in productive integration. In 2020–22, it accounted for 26 per cent of regional exports of intermediate products and 19 per cent of intermediate imports. Additionally, it achieved the highest score on the Merchandise Trade Complementarity Index in Africa.

In 2022, South Africa's total merchandise exports were valued at $121 billion, with $25 billion (21 per cent) exported to other African countries. Similarly, South Africa's total merchandise imports were valued at $111 billion, with $16 billion (14 per cent) imported from other African countries. Botswana, Mozambique, Namibia, Zambia and Zimbabwe—all members of the Southern African Development Community—were the primary destinations for South Africa's intra-African exports, collectively accounting for 65 per cent of South Africa's intra-African trade in 2022.[16]

Figure 1.2

Productive integration scores by REC



Note: AMU = Arab Maghreb Union; CEN-SAD = Community of Sahel-Saharan 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; IGAD = Intergovernmental Authority on Development; SADC = Southern African Development Community.

Source: ECA analysis based on UNCTADstat data.

Macroeconomic convergence and integration

Currently, five of the eight RECs recognized by the African Union (AU)—Common Market for Eastern and Southern Africa (COMESA), East African Community (EAC), Economic Community of Central African States (ECCAS), Economic Community of West African States (ECOWAS) and SADC—have provisions for macroeconomic convergence, aiming to reduce the differences between member states' monetary and fiscal policies. The macroeconomic criteria are pursued in the context of establishing a monetary union among the REC member states, mainly consisting of inflation targets, and reductions in fiscal-deficit and public-debt ceilings. Macroeconomic convergence is critical for enhancing macroeconomic stability and achieving a common currency, which can further facilitate free movement of goods, services, capital and people, which is the foundation of the African Continental Common Market.

SADC endorses macroeconomic convergence among its member states in Article 4 of its Protocol on Finance and Investment (2006), specifically in Annex 2, Memorandum of Understanding on Macroeconomic Convergence of 2011. It has three main criteria: annual inflation of no more than 3 per cent, a budget deficit-to-GDP ratio of no more than 3 per cent, and a public debt-to-GDP ratio of no more than 60 per cent. SADC also has three secondary convergence targets to enhance economic stability further: foreign currency reserves to cover at least six months of imports, real GDP growth of at least 7 per cent, and a current account deficit-to-GDP ratio of no more than 9 per cent.

EAC established macroeconomic convergence criteria in Article 6 of its Protocol on the Establishment of the East African Community Monetary Union of 2014. Four main criteria are outlined: annual inflation of no more than 8 per cent, a budget deficit-to-GDP ratio of no more than 3 per cent, a public debt-to-GDP ratio of no more than 50 per cent, and foreign currency reserves to cover at least 4.5 months of imports. EAC had initially aimed to achieve a single currency by 2024, but due to various challenges and considerations in member states, the timeline has been extended to 2031.

Similar to SADC, COMESA has two sets of macroeconomic convergence criteria that should lead to a monetary union as envisaged by the COMESA Treaty of 1993. According to the revised COMESA macroeconomic convergence criteria (2019–25), primary convergence criteria are an overall budget deficit-to-GDP ratio (including grants) not exceeding 5 per cent; annual average inflation of 7 per cent (with a band of +/- 1 per cent); central bank financing of the budget deficit/average revenue of the last three financial years of no more than 5 per cent; and external reserves equal to or more than three months of importing goods and services.[17] There are four other secondary convergence criteria, including nominal exchange rate variability against the US dollar within ±10 per cent; central government debt stock of less than 65 per cent of GDP; total tax revenue-to-GDP ratio of at least 20 per cent; and achievement and maintenance of government capital investment to tax revenue of at least 20 per cent.

Article 61 of the revised ECCAS Treaty also provides for macroeconomic convergence to promote the establishment of a monetary union; however, convergence criteria have yet to be established. Still, the Communauté Economique et Monétaire de l'Afrique Centrale (Central African Economic and Monetary Community, CEMAC)[18]—a six member state monetary union using the Central African CFA franc—has adopted its own macroeconomic convergence criteria, which consist of annual inflation of no more than 3 per cent, a budget deficit-to-GDP ratio of no more than 1.5 per cent, a public debt-to-GDP ratio of no more than 70 per cent and no accumulation of domestic and foreign arrears. Given that CEMAC has a high concentration of oil-exporting countries, commodity price volatility can greatly impact these countries' economies. To mitigate this risk, CEMAC has modified its convergence criteria to exclude commodity price impacts. The secondary criteria now include maintaining a primary fiscal balance using non-oil GDP.

In 2021, ECOWAS member states adopted a new roadmap to launch their single currency, the ECO, in 2027. The roadmap establishes primary macroeconomic convergence criteria of a budget deficit-to-GDP ratio of no more than 3 per cent, annual inflation of no more than 5 per cent, central bank financing of the budget deficit of no more than 10 per cent of the previous year's tax revenue and gross external reserves of at least three months of imports. Secondary criteria consist of a stable nominal exchange rate variation (±10 per cent against the West African Unit of Account) and a public debt-to-GDP ratio of no more than 70 per cent.[19] In ECOWAS, the West African Economic and Monetary Union (WAEMU) used to adopt macroeconomic convergence criteria through the Pact for Convergence, Stability, Growth and Solidarity; however, the pact was suspended in April 2020 in response to Covid-19 and expired at the end of the year without a new commitment to replace it.[20]

Despite the will to reduce the differences between member states' monetary and fiscal policies, not all countries have been able to comply with the established macroeconomic convergence criteria (tables 1.1–1.6). Between 2020 and 2023, no country met all macroeconomic convergence criteria established by their REC or RECs. Moreover, according to projections, in 2024, no country will likely meet all macroeconomic convergence criteria established by their REC or RECs.

Table 1.1
Common macroeconomic convergence criteria among RECs

REC	PUBLIC DEBT-TO-GDP RATIO (PER CENT)	ANNUAL INFLATION (PER CENT)	BUDGET DEFICIT-TO-GDP RATIO (PER CENT)	FOREIGN CURRENCY RESERVES (MONTHS OF IMPORTS)
COMESA	≤ 65	≤ 7	≤ 5	≥ 3
EAC	≤ 50	≤ 8	≤ 3	≥ 4.5
SADC	≤ 60	≤ 3	≤ 3	≥ 6
ECOWAS	≤ 70	≤ 5	≤ 3	≥ 3
CEMAC	≤ 70	≤ 3	≤ 1.5	-

Note: ≤ = no greater than; ≥ = at least. - = data not available. CEMAC = Economic and Monetary Community of Central Africa; COMESA = Common Market for Eastern and Southern Africa; EAC = East African Community; ECOWAS = Economic Community of West African States; SADC = Southern African Development Community.

Source: ECA compilation based on documents from the above RECs.

For many African countries, not meeting the REC macroeconomic convergence criteria is more indicative of their broader economic and structural challenges than a lack of commitment towards regional integration. The challenges, such as high debt burdens, vulnerability to external shocks, economic dependency on a narrow range of commodities, institutional weaknesses, sociopolitical instabilities, and limited access to international capital markets can severely constrain a country's ability to achieve and maintain macroeconomic targets. This is not a deviation from the commitment to regional integration but a logical progression, as achieving national macroeconomic stability is a foundational step in meeting regional targets.

To enhance convergence, RECs should strengthen institutional capacity, improve policy coordination among member states, and provide technical assistance and capacity-building programmes. By adopting a variable geometry approach, RECs can allow for different levels of integration among member states, accommodating varying capacities and readiness for deeper cooperation. Through these measures, RECs can create a conducive environment for macroeconomic convergence, fostering deeper integration across Africa. The resulting benefits, including enhanced stability, increased investment and a more integrated regional market, are essential for realizing Africa's long-term economic potential.

Table 1.2

Member states complying with annual inflation targets

REC	2020	2021	2022	2023	2024	2025
COMESA	13 (21)	13 (21)	6 (21)	7 (21)	10 (21)	11 (21)
EAC	5 (7)	4 (7)	3 (7)	3 (7)	5 (8)	5 (8)
SADC	5 (16)	1 (16)	1 (16)	1 (16)	1 (16)	1 (16)
ECOWAS	9 (15)	9 (15)	2 (15)	6 (15)	8 (15)	6 (12)
CEMAC	4 (6)	5 (6)	0 (6)	2 (6)	1 (6)	2 (6)

Note: Numbers in parentheses are the total number of member states in a given year. CEMAC = Economic and Monetary Community of Central Africa; COMESA = Common Market for Eastern and Southern Africa; EAC = East African Community; ECOWAS = Economic Community of West African States; SADC = Southern African Development Community.

Source: ECA compilation based on IMF data. IMF projections were used for 2024 and 2025.

Table 1.3

Member states complying with debt-to-GDP ratio targets

REC	2020	2021	2022	2023	2024	2025
COMESA	8 (21)	8 (21)	9 (21)	10 (21)	8 (21)	9 (21)
EAC	4 (7)	2 (7)	4 (7)	2 (7)	2 (8)	2 (8)
SADC	8 (16)	8 (16)	8 (16)	7 (16)	9 (16)	10 (16)
ECOWAS	11 (15)	11 (15)	11 (15)	11 (15)	12 (15)	9 (12)
CEMAC	4 (6)	5 (6)	5 (6)	4 (6)	4 (6)	4 (6)

Note: Numbers in parentheses are the total number of member states in a given year. CEMAC = Economic and Monetary Community of Central Africa; EAC = East African Community; ECOWAS = Economic Community of West African States; SADC = Southern African Development Community.

Source: ECA compilation based on IMF data. IMF projections were used for 2024 and 2025.

Table 1.4
Member states complying with budget deficit-to-GDP ratio targets

REC	2020	2021	2022	2023	2024	2025
COMESA	5 (21)	6 (21)	4 (21)	6 (21)	9 (21)	10 (21)
EAC	1 (7)	1 (7)	2 (7)	2 (7)	4 (8)	4 (8)
SADC	5 (16)	6 (16)	4 (16)	6 (16)	9 (16)	10 (16)
ECOWAS	1 (15)	2 (15)	1 (15)	2 (15)	5 (15)	5 (12)
CEMAC	2 (6)	1 (6)	4 (6)	4 (6)	2 (6)	3 (6)

Note: Numbers in parentheses are the total number of member states in a given year. CEMAC = Economic and Monetary Community of Central Africa; COMESA = Common Market for Eastern and Southern Africa; EAC = East African Community; ECOWAS = Economic Community of West African States; SADC = Southern African Development Community.

Source: ECA compilation based on IMF data. Projections were used for 2024 and 2025.

Table 1.5
Member states complying with foreign currency reserves targets

REC	2020	2021	2022	2023	2024	2025
COMESA	10 (21)	10 (21)	10 (21)	9 (21)	9 (21)	9 (21)
EAC	3 (7)	3 (7)	0 (7)	0 (7)	0 (8)	0 (8)
SADC	5 (16)	4 (16)	4 (16)	4 (16)	4 (16)	4 (16)
ECOWAS	11 (15)	13 (15)	8 (15)	5 (15)	5 (15)	6 (12)

Note: Numbers in parentheses are the total number of member states in a given year. COMESA = Common Market for Eastern and Southern Africa; EAC = East African Community; ECOWAS = Economic Community of West African States; SADC = Southern African Development Community.

Source: ECA compilation based on IMF data. Projections were used for 2024 and 2025.

Regarding the convergence criteria set by the Assembly of Governors of the Association of African Central Banks in 2017, 10 countries fulfilled all the primary criteria in 2023, up from three countries in 2022.[21] No country met all three secondary criteria in 2022, but two did in 2023.

Table 1.6
Macroeconomic converge criteria adopted by the Association of African Central Banks

PRIMARY CRITERIA	
1.	Inflation rate ≤ 7 per cent
2.	Overall budget deficit/GDP ratio ≤ 5 per cent
3.	Central bank financing of budget deficit ≤ 5 per cent of the previous year’s government tax revenue
4.	External reserves/imports cover ≥ 3 months
5.	General government debt (domestic and external)/GDP ratio < 65 per cent
SECONDARY CRITERIA	
6.	Total tax revenue/GDP ≥ 20 per cent
7.	Nominal exchange rate variability ≤ ±10 per cent
8.	Government capital investment/tax revenue ≥ 30 per cent

Since the beginning of 2022, African governments have been confronted with persistent inflationary pressures, with Africa's average inflation remaining elevated, exceeding 10 per cent since 2020, reaching a peak of 16.6 per cent in 2023 and declining to 16.1 per cent in 2024.[22] The war in Ukraine is estimated to have contributed about 1.5 percentage points to the continent's 12.8 per cent inflation in 2022, due especially to supply chain disruptions and the subsequent price increases for key commodities, including oil, food and other tradable goods.[23] Africa's average inflation is projected to remain high in 2025, driven by supply shocks in global food and energy commodity markets due to ongoing conflicts.[24]

In 2000–21, Africa remained a net importer of food and, in 2022, moderate or severe food insecurity affected 60.9 per cent of the African population.[25] To address food inflation and high dependency on food imports, African nations should consider establishing regional agricultural commodity markets to connect surplus producers with net importers of essential commodities like wheat, sugar and rice. Such a framework would offer the dual benefit of reducing dependence on volatile global markets and fostering the development of robust regional value chains in agroprocessing and light manufacturing sectors.[26]

Since the 2008 global financial crisis, African debt has risen. Public debt in Africa reached $1.8 trillion in 2022, increasing by 183 per cent since 2010 and outpacing economic growth by a staggering 400 per cent.[27] Moreover, African countries borrow on average at rates four times higher than those of the United States and eight times higher than those of Germany.[28] Africa's external debt as a share of exports has risen from 74.5 per cent in 2010 to 140 per cent in 2022. For African countries heavily reliant on exports from extractive industries with little value added, the imbalance between debt and exports hinders countries' ability to service their external debt by obtaining foreign currency.[29]

The high cost of borrowing in Africa stems from multiple factors. These include perceived risk due to political instability, weak governance and conflicts, resulting in higher interest rates to offset potential default. Additionally, lower credit ratings, limited access to capital markets, and dependency on commodity exports contribute to elevated borrowing costs. Currency risk, debt sustainability concerns, and limited financial infrastructure further compound the issue. One study found that a dearth of timely data makes it challenging for risk assessments and credit ratings to accurately reflect reality and concluded that African countries could access an additional $31 billion in sovereign credit if ratings were based more closely on economic fundamentals and less on subjective assessments.[30]

Overwhelming debt burdens divert resources from vital investments in education, healthcare and infrastructure, all of which are cornerstones of Africa's development. This is particularly alarming given that 32 of the world's 44 LDCs are in Africa. According to the latest publicly available Debt Sustainability Analyses under the Joint Bank-Fund Debt Sustainability Framework for Low Income Countries (LIC-DSF),[31] 9 African countries are in overall debt distress,[32] 14 are at high risk of overall debt distress[33] and 15 are at moderate risk of overall debt distress.[34] At the peak of the Covid-19 crisis between 2019 and 2021, 25 African countries spent more on debt servicing than health.[35] Further, seven African countries spent more on interest payments than on education and an additional five countries spent more on interest payments than on investment.[36]

Improving debt sustainability in Africa is critical to making Africa more financially sound and to free fiscal space to invest in achieving both the Sustainable Development Goals of the United Nations 2030 Agenda for Sustainable Development and the aspirations of Agenda 2063: The Africa We Want. Fostering deeper financial integration is crucial for breaking the cycle of debt distress and liquidity crunches in Africa. Regional bond markets could play a pivotal role, enabling enhanced savings mobilization, risk pooling, and funding for crucial infrastructure projects across the continent.[37]

Beyond internal efforts, African countries must remain champions for reforming the global financial architecture. A reformed system is critical to unlocking three crucial advantages: enhanced access to finance, improved debt management, and reduced vulnerability to external shocks. Streamlined financial markets could reduce transaction costs, paving the way for cheaper, longer-term financing and avoiding reliance on expensive short-term debt, which is a significant contributor to debt distress. Further, fairer and more effective debt-restructuring mechanisms within the reformed system would empower African countries to negotiate relief during crises—safeguarding their economies and societies—and enabling them to maintain a strong focus on implementing their regional and continental integration initiatives, including the AfCFTA.

Progress in trade and market integration

Regional and continental trade agreements are crucial for strengthening African countries' comparative advantages in both regional and global markets. These agreements enhance countries' bargaining power, improve industrial efficiency and boost competitiveness. As a result, they facilitate increased intra-African trade, raise incomes, promote economic growth and help reduce poverty and inequality.[38] The AfCFTA is an important milestone in Africa's integration, which, if properly implemented, will greatly change Africa's trade realities and development dynamics.

Trade in goods

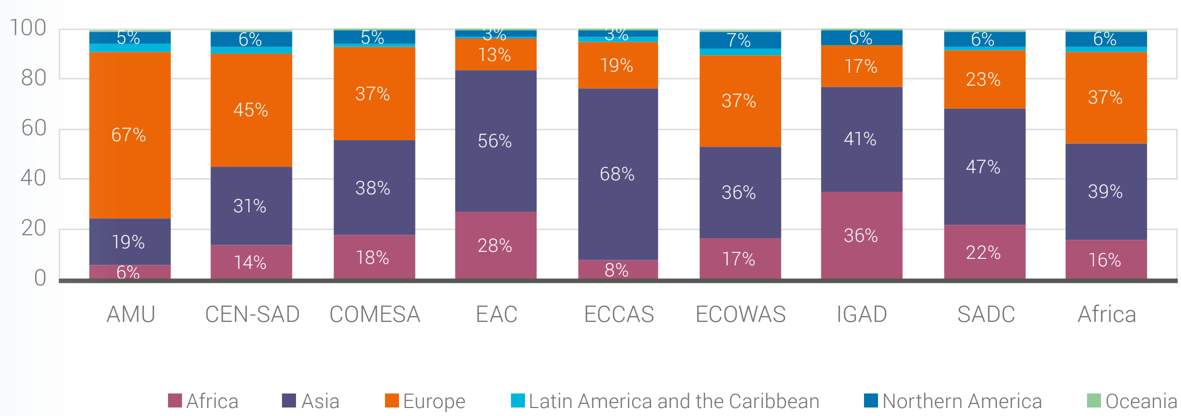
Any free trade agreement should significantly affect total trade and the trade of individual member states and regions. As in many regions, African countries have faced heavy exchange-rate pressures driven predominantly by external factors, including tighter financial conditions and adverse terms of trade.[39] The relaxation of pandemic-induced mitigation measures spurred an increase in global demand for goods and services, while the alleviation of supply chain constraints simultaneously helped facilitate trade growth. Yet despite initial estimates of further growth, Africa's trade in goods and services faced several headwinds in 2022 and 2023, including increased costs of African imports, particularly of food and energy products, mainly due to the war in Ukraine, in addition to the tightening of global financial conditions.[40] Intra-African trade holds the key to economic diversification in Africa: manufactured goods constitute 43 per cent of intra-African exports, with fuels, ores, metals and foodstuffs making up 60 per cent of Africa's total exports.[41]

Between 2019 and 2023, African merchandise exports were predominantly directed towards Asia (39 per cent), followed by Europe (37 per cent), Africa (16 per cent), Northern America (6 per cent) and Oceania (1 per cent) (figure 1.3). In 2023, intra-African exports and imports accounted for only 14.6 per cent of Africa's total trade, highlighting the relatively small share of the continent's internal trade.[42] Full implementation of the AfCFTA is, however, expected to boost intra-African trade by up to 45 per cent in 2045, lifting all major sectors: agrifood (up 60 per cent), industry (48 per cent), services (34 per cent), and energy and mining (28 per cent).[43] Implementing the AfCFTA will also reduce Africa's dependence on imported manufactured goods, as the agrifood and industrial sectors are expected to benefit the most. Despite these gains, the continent's primary trading relationships remain outside its borders, leaving Africa increasingly and continually exposed to global economic shocks.

At regional level, RECs continue to trade more with other world regions than with the African continent. Between 2019 and 2023, Asia and Europe received the largest shares of the RECs' exports. Asia was the primary destination for exports from ECCAS (68 per cent), EAC (56 per cent), SADC (47 per cent), IGAD (41 per cent), COMESA (38 per cent) and ECOWAS (36 per cent), while Europe was the leading destination for exports from AMU (67 per cent) and CEN-SAD (45 per cent). IGAD (36 per cent), EAC (28 per cent), SADC (22 per cent), COMESA (18 per cent) and ECOWAS (17 per cent) had the highest shares of exports to the rest of Africa, compared with the African average of 16.0 per cent (figure 1.3).

Figure 1.3

RECs' merchandise exports to world regions, average 2019–23 (per cent)



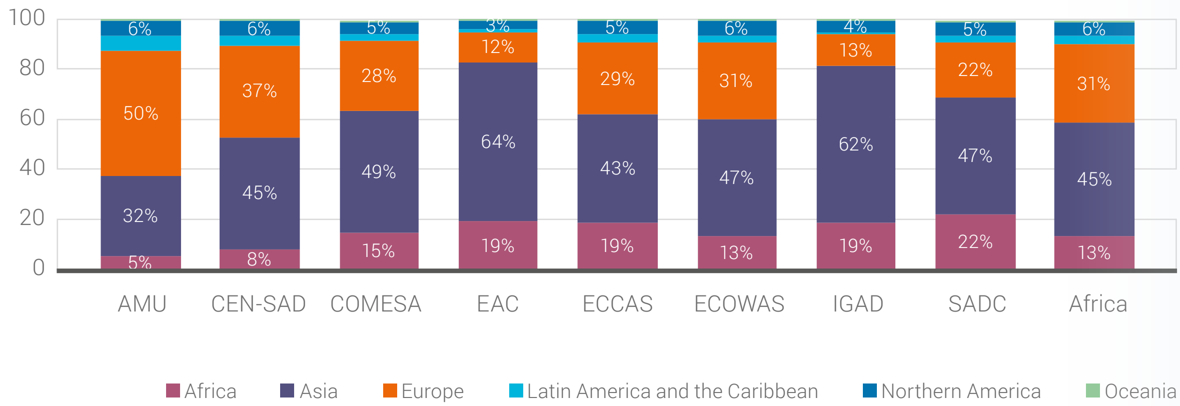
Note: AMU = Arab Maghreb Union; CEN-SAD = Community of Sahel-Saharan States; COMESA = Common Market for Eastern and Southern Africa; EAC = East African Community; ECCAS = Economic Community of Central African States; ECOWAS = Economic Community of West African States; IGAD = Intergovernmental Authority on Development; SADC = Southern African Development Community.

Source: ECA analysis based on UNCTADstat data.

African imports followed the same pattern as exports, with all RECs importing more from other world regions than from the continent. Between 2019 and 2023, Asia and Europe accounted for the largest shares of the RECs' imports. Asia was the primary source for imports to EAC (64 per cent), IGAD (62 per cent), COMESA (49 per cent), ECOWAS (47 per cent), SADC (47 per cent), CENSAD (45 per cent) and ECCAS (43 per cent), while Europe was the leading source of imports only for AMU (50 per cent). SADC (22 per cent), EAC (19 per cent), ECCAS (19 per cent) and IGAD (19 per cent) had the highest share of imports from the rest of Africa, compared with the African average of 13 per cent (figure 1.4).

Figure 1.4

RECs' merchandise imports from world regions, average 2019–23 (per cent)



Note: AMU = Arab Maghreb Union; CEN-SAD = Community of Sahel-Saharan 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; IGAD = Intergovernmental Authority on Development; SADC = Southern African Development Community.

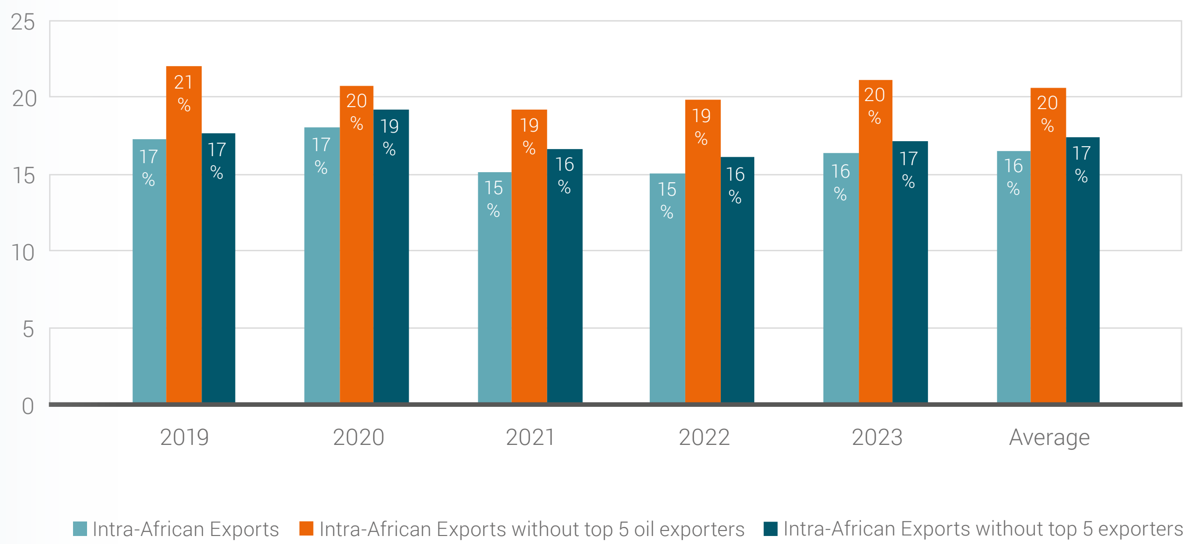
Source: ECA analysis based on UNCTADstat data.

If informal cross-border trade (ICBT) flows were included in national statistics, overall intra-African trade volumes would increase both at continental level and within RECs. An ECA study estimated that ICBT accounts for 7–16 per cent of the total value of intra-African trade. Specifically, ICBT is estimated to account for 30–72 per cent of the total value of cross-border trade between neighbouring African countries. Incorporating these estimates into the total value of formal trade would raise intra-African trade as a share of overall African trade (including trade with countries outside the continent) from 14.5 per cent to 15–16.9 per cent.[44] In May 2024, the AU introduced a continental methodology for ICBT data collection in Africa, which aims to harmonize compilation of ICBT transactions, enabling its Member States to cover their trade flows comprehensively.[45]

Excluding the five largest African exporters from the analysis reveals a slight increase in intra-African exports, rising from an average of 16.0 per cent to 16.8 per cent in 2019–23. During this period, in descending order, South Africa, Nigeria, Algeria, Egypt and Angola accounted for 51 per cent of Africa's exports to the world and 49 per cent of intra-African exports. Further, excluding the five largest African oil exporters from the analysis shows a steeper increase in intra-African trade, from an average of 16.0 per cent to 20.0 per cent. In the same period, Nigeria, Angola, Libya, Algeria, and Republic of Congo accounted 31 per cent of Africa's exports to the world but only 13 per cent of intra-African exports (figure 1.5). These findings show that the concentration of trade in a few major exporters, particularly oil exporters, heavily skews intra-African exports.

Figure 1.5

Intra-African exports, total and without top five exporters overall and top five oil exporters, 2019–23 (per cent)



Source: ECA analysis based on UNCTADstat data.

Although the decision on Boosting Intra-African Trade and fast-tracking the Continental Free Trade Area was made in January 2012 at the 18th Ordinary Session of the AU Assembly of Heads of State and Government, the Action Plan for Boosting Intra-African Trade (BIAT) has received little attention by Member States. BIAT aims to strengthen the trading capacities of African countries, enabling them to fully benefit from deeper integration. It identifies seven key clusters requiring action: trade policy, trade facilitation, improving productive capacity, trade-related infrastructure, trade finance, trade information, and factor-market integration. Only 14 per cent of surveyed countries have allocated a budget for implementing the BIAT clusters. Successful BIAT implementation is expected to boost economic diversification, foster regional supply chains, enhance the positive impact of the AfCFTA and contribute to structural transformation and industrial development in Africa (box 1.2).

BOX 1.2

Regional value chains in Africa with AfCFTA implementation

The implementation of the AfCFTA offers significant opportunities to develop regional value chains in Africa. Africa's trade landscape is marked by the export of intermediate goods with low value-added content to the rest of the world and the import of higher value-added industrial goods. This imbalance, along with higher tariffs and non-tariff measures (NTMs) within Africa compared with those imposed on the rest of the world, hinders the development of robust regional value chains. The AfCFTA aims to address these issues by liberalizing tariffs and NTMs within the continent, thus facilitating the intra-African trade of industrial goods and other products, promoting value addition and fostering the development of regional value chains.

Empirical analysis using computable general equilibrium modelling by ECA and the Centre d'Etudes Prospectives et d'Informations Internationales (CEPII) indicates that the AfCFTA will significantly boost intra-African trade, increasing imports of intermediate goods and exports of final products. This will enhance the development of regional value chains across various sectors. The primary benefits will stem from increased trade of industrial goods and agrifood products within Africa, supported by the trade of services for intermediate consumption.

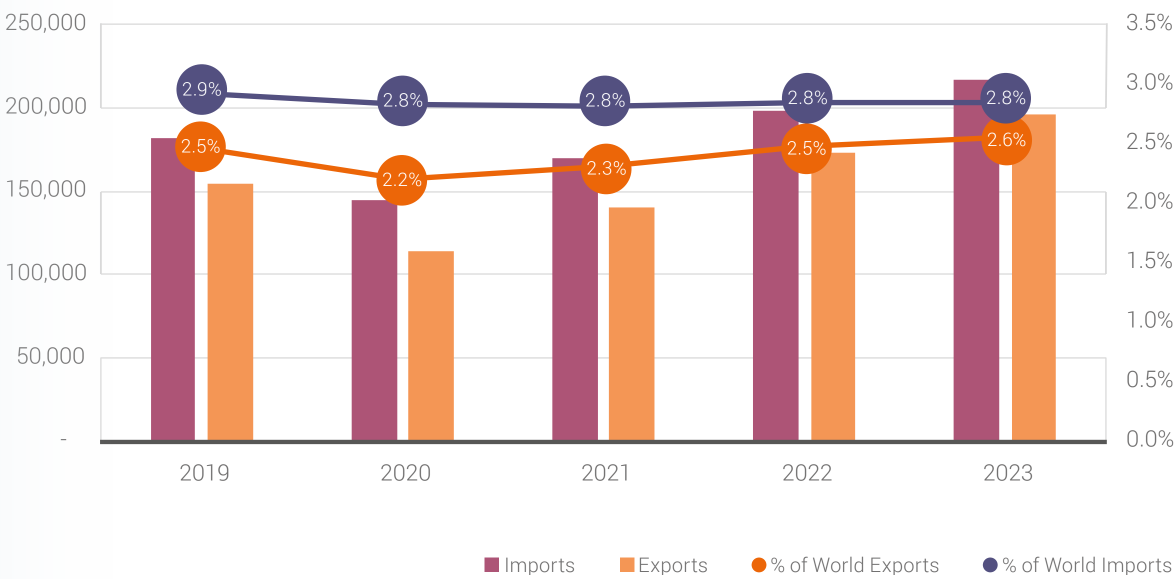
Key sectors poised for substantial growth and value chain development include wood and paper, automotive, chemicals, pharmaceuticals, metals, textiles, dairy, sugar, meat, processed foods, tourism, communication, health, electricity and refined oil. Although some benefits may be underestimated due to the exclusion of investment, intellectual property rights, competition policy and digital trade from the analysis, the findings strongly suggest that the AfCFTA's implementation is crucial for Africa's industrial transformation and the enhancement of regional value chains in industrial and agrifood sectors. Effective implementation remains essential for realizing these benefits.[46]

Trade in services

Many developing economies excel in services trade, and in an increasingly digital world, a services-led development path may become the norm rather than exception.[47] Africa has been a marginal player in global services trade and a net services importer, accounting for only about 2.6 per cent of global services exports and 2.8 per cent of global services imports in 2023 (figure 1.6). Despite this, the service sector contributed 46 per cent of African GDP in 2023, down from 51 per cent in 2019.[48]

Figure 1.6

Africa's services trade: Exports and imports, 2019–23 ($ million and per cent of world trade)



Source: ECA analysis based on the WTO-OECD Balanced Trade in Services (BaTiS) dataset. https://www.wto.org/english/res_e/statis_e/gstdh_batis_e.htm. Accessed 17 February 2025.

By value, African services exports increased from $140 billion in 2021 to $192 billion in 2023—39 per cent growth. Similarly, African services imports rose from $170 billion in 2021 to $217 billion in 2023—27 per cent growth.[49] In 2023, just six countries—Egypt, Morocco, South Africa, Tunisia, Liberia and Nigeria—accounted for 51 per cent of African services exports, while six countries—South Africa, Egypt, Nigeria, Angola, Morocco and Ghana—accounted for 49 per cent of African services imports.[50] This concentration of trade in services among a few key players highlights the uneven distribution of services trade in the continent. To achieve more balanced growth and fully leverage the potential of the service sector, it is crucial to support and develop the services trade capacities of other African countries.

In recognition that services trade can be a major driver of economic growth, job creation, productivity and competitiveness, the AfCFTA Protocol on Trade in Services entered into force on 30 May 2019, establishing rules for liberalizing services trade between member states, which agreed to start with five priority service sectors: tourism, transport, financial services, business services and communication services. As of February 2024, 22 "schedules of specific commitments" had been adopted in these five sectors,[51] while 26 additional offers in the five priority sectors are under verification by the AfCFTA Secretariat to ensure compliance with the protocol.[52] In 2023, additional legal instruments were incorporated into the AfCFTA framework, including the AfCFTA protocols on investment, intellectual property rights and competition policy. The protocols on women and youth in trade and digital trade are in the final stages of consideration by member states.[53]

Across African countries and regions, regardless of development levels and policy challenges, the service sector will increasingly become the cornerstone of productivity, competitiveness, job creation, poverty reduction and improved standards of living.[54] Given that the sector consists predominantly of small and medium-sized enterprises with high levels of informality and wide gender dimensions, strategic approaches to strengthen it are imperative. Tapping into this potential requires targeted policies and support mechanisms to formalize and expand these enterprises.

Developments in infrastructure and energy

Building inclusive, affordable and accessible infrastructure is vital for enhancing regional integration. Without adequate roads, railways, airports, seaports, and digital and energy connectivity, goods and services cannot move at meaningful scale, nor can the vast potential of the AfCFTA and deeper integration be unlocked.

This analysis is supported by estimates suggesting that the poor quality of Africa's hard infrastructure escalates the cost of intra-African trade by around 30–40 per cent.[55] This increase is because infrastructure deficits, such as inadequate road and port facilities coupled with poor maintenance, can function as non-tariff barriers (NTBs). For instance, infrastructure like border approach roads, traffic lanes and parking can act as NTBs by causing delays, increasing transport costs and creating uncertainty in supply chains. A case in point is the shortage of trunk roads connecting West Africa to Central or Southern Africa, a deficit that makes transporting goods from Lagos to Mombasa more cost-effective by sea than by road.[56]

Further, deficient infrastructure impedes economic growth by an estimated 2 per cent a year[57] and could potentially curtail productivity by up to 40 per cent[58]—huge burdens given that national economic development and robust productive capacity are fundamental for vibrant intra-African trade and economic integration.

And adequate infrastructure is more than just a trade facilitator. It also helps distribute the benefits of trade more widely and equitably. Well-developed infrastructure assists local businesses in reaching larger markets. Further, by enabling consumers to access a wide variety of lower-priced products, it directly enhances their welfare. In contrast, the additional costs stemming from poor infrastructure can escalate the consumer price of goods by as much as 75 per cent.[59]

Efforts spanning the entire continent persist. Notably, the AU adopted the Programme for Infrastructure Development in Africa (PIDA) during its 18th Ordinary Session in 2012. By 2023, substantial progress under PIDA was achieved across several sectors, including the construction of 16,066 km of roads and 4,077 km of railway lines, and the generation of 7 gigawatts (GW) of hydroelectric power. Additionally, 3,506 km of transmission lines were built, and broadband capacity was expanded to 9 terabits. By 2040, PIDA aims to build 30,700 km of highways, 30,200 km of railways, 16,500 km of transmission lines, 54 GW of hydroelectric generation and 20,101 hm^3 of new water storage capacity.[60]

Road transport

Across the continent, the road network spans some 3.1 million km.[61] North Africa accounts for nearly 35 per cent, Southern Africa around 20 per cent, and Central Africa the least at about 8 per cent. Road density in Africa, excluding relatively well-connected North Africa, is roughly one third that of South Asia. A mere 25 per cent of African roads are paved, making travel times two to three times longer than those along Asian corridors.[62]

Yet Africans still have to rely on roads to transport 80 per cent of goods and 90 per cent of passengers.[63] This reliance underscores the immense multiplier effect that improved road infrastructure could have on African development. Road transport is also pivotal in harnessing the full potential of other infrastructure by, for instance, providing essential “last-mile” delivery; connecting rail and maritime terminals directly to factories, warehouses, retail locations and homes; and enhancing the efficiency and reach of the entire transport network.

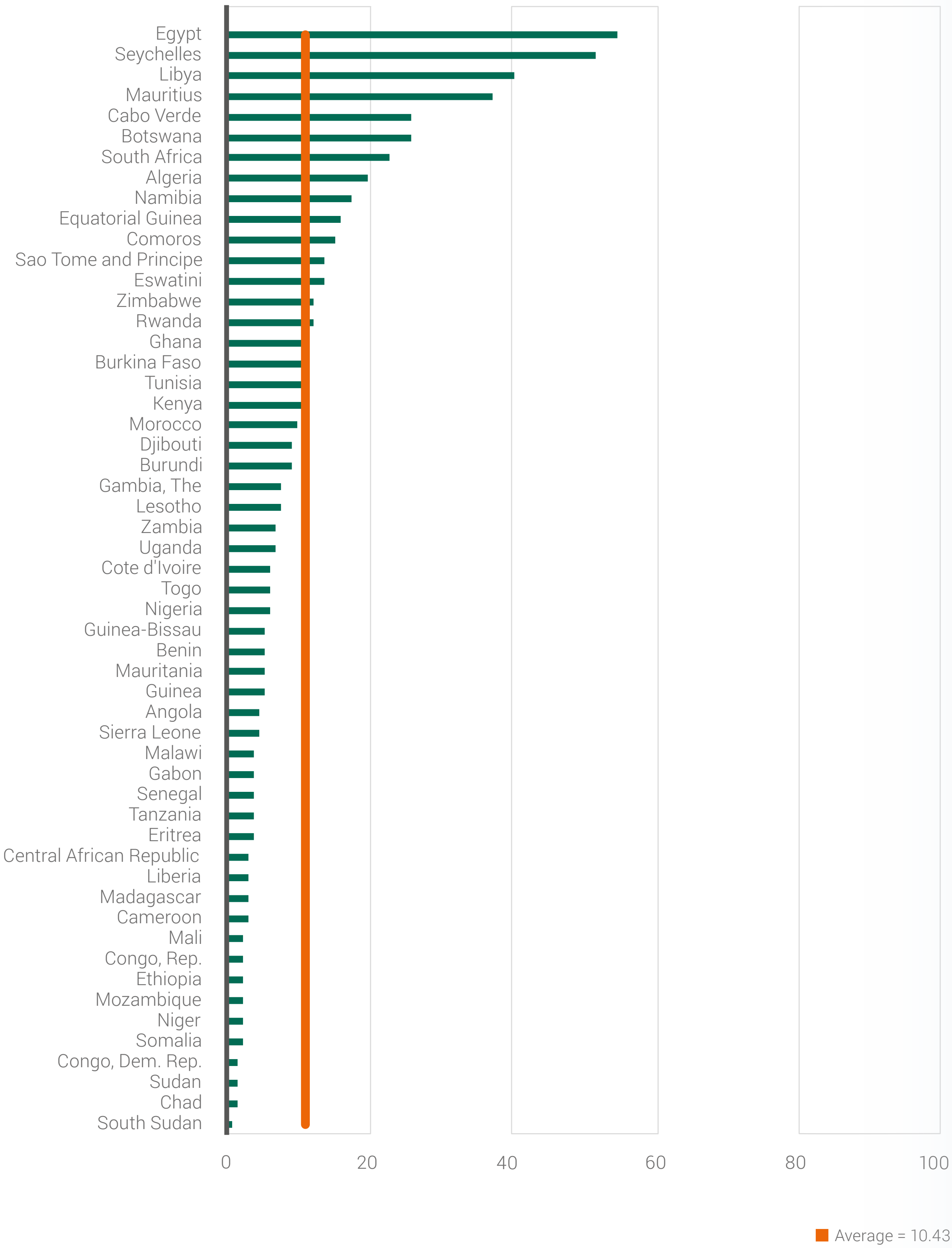
Provided that the proposed infrastructure projects[64] are completed, the road network is expected to handle twice the current freight volume across the continent under the AfCFTA, rising from 201 million tons annually to more than 400 million tons by 2030.[65] This indicates that the upgrading and expansion of key road sections are crucial for reaping the benefits of the AfCFTA. A prominent example of such efforts is the progress of PIDA, including in road construction (see just above), and that almost 120 one-stop border posts have been planned or implemented—essential to connecting this cross-border infrastructure.[66]

As building blocks in these endeavours, RECs are important in planning and coordination, resource mobilization, technical support, and monitoring and evaluation for their corresponding sections. For example, the North-South Corridor—part of PIDA—is administered through the COMESA-EAC-SADC Tripartite Free Trade Area Agreement. This multimodal corridor runs from Dar es Salaam in Tanzania to Durban in South Africa, passing through Zambia, Zimbabwe, Malawi and Botswana. The corridor is a vital artery for trade and transport in these regions, serving as a gateway for landlocked countries to access the East African coast and the Indian Ocean through the port of Dar es Salaam. The North-South Corridor has become the busiest transport corridor in the COMESA region, with an estimated $40 billion in goods transported every year.[67]

On the AfDB transport composite index of 2022, which considers both paved roads and the total road network, Egypt ranks highest, South Sudan the lowest, when assessed against the metrics of total paved roads (km per 10,000 inhabitants) and length of paved and unpaved road networks (figure 1.7). In 2012–22, the index showed a marginal decrease, from 10.98 to 10.43,[68] which may be partially attributed to the continent’s fast population growth, consequently reducing the score on a per 10,000 inhabitants basis.

Figure 1.7

AfDB transport composite index, 2022



Source: ECA based on the Africa Infrastructure Development Index, 2022.

Rail transport

Among the various forms of transport, rail remains the least developed in Africa. The network extends some 97,915 km.[69] Given the continent's vast land area of 30.2 million km², this gives a railway density of about 2.8 km per 1,000 km², or far below the global average of 23 km per 1,000 km². Of this, around 48,000 km are regional railways, with notable variations across African regions.[70] Still, the African railway system holds considerable potential for expansion and could serve as a catalyst for regional trade and integration. Given its ability to transport large quantities of heavy and bulky commodities over long distances, rail transport could provide a more cost-efficient means than road transport.

The pursuit of ambitious strategic initiatives, such as PIDA's modern railway projects, holds the promise of forging critical connections between Africa's major capitals and regions. In 2012–23, PIDA constructed 4,077 km of railway lines, reaching 14 per cent of the target of 30,200 km by 2040. Given the highly regulated nature of railway development, these modern railway projects require extensive collaboration with multiple stakeholders in the transport sector to ensure compliance with legal, safety, operational and environmental standards.

Investments in modern railway projects have a great potential to provide long-term benefits, including facilitating trade and regional integration, reducing traffic congestion, lowering emissions, enhancing safety, and promoting sustainable and inclusive economic growth. For instance, the Mombasa-Nairobi Standard Gauge Railway—a 472 km line—connects the port city of Mombasa in Kenya to the capital, Nairobi. Completed in 2017, it has reduced travel time between the two cities from about 12 hours to just 4.5 hours. The railway is expected to extend further to Kampala in Uganda and Kigali in Rwanda on completion of all phases.[71]

Additionally, the Luxembourg Rail Protocol to the Cape Town Convention on International Interests in Mobile Equipment, effective 8 March 2024, offers a mechanism to mitigate financing barriers for acquiring high-value equipment in many African economies. This convention is designed to safeguard the interests of foreign lenders in mobile equipment worldwide, facilitating more accessible leasing, purchasing or securing of such equipment. The protocol could lower financing costs by 1.6–13.5 per cent of the present value of rolling stock for African countries. In South Africa, for example, where the two main operators possess rolling stock valued at over $5 billion, the potential savings from refinancing under the protocol are projected at around $400 million.[72]

Enhanced connectivity is essential to handle the expected increase in railway trade. If the planned projects[73] come to fruition, trade is projected to rise from the current 0.8 million tons a year to an estimated 40 million tons by 2030 under the AfCFTA.[74]

Air transport

Africa accounts for a mere 2.1 per cent of global air transport activity, including cargo and passengers. The average passenger load factor[75] is 71.7 per cent, the lowest of all global regions.[76] Passenger traffic in Africa originates primarily in 10 countries, encompassing around 600 million people. A 1 per cent traffic increase from the rest of the continent could result in an additional 6 million to 7 million passengers a year.[77]

Although the Covid-19 pandemic harmed the air transport sector, airline passenger traffic to, from and within Africa is showing signs of recovery, as air travel rebounded to 93 per cent of 2019 figures as of February 2023, with a full recovery projected for 2024. Air cargo showed a faster recovery, surpassing the 2019 level by 31.4 per cent.[78]

Looking ahead, the potential for growth is immense, particularly with AfCFTA implementation, which is projected to double the number of tons transported by air annually from 2.3 million to 4.5 million by 2030, provided that critical airports[79] are optimized.[80] Another huge opportunity lies in implementing the Single African Air Transport Market (SAATM). This flagship project of the AU's Agenda 2063 aims to create a unified air transport market to help liberalize civil aviation in Africa, serving as a driving force for integration. As of February 2025, 38 countries - 69 per cent of total AU membership—had signed a commitment to join the SAATM. These countries represent over 80 per cent of the current aviation market in Africa.[81]

Maritime transport

Africa's maritime network, comprising 142 links that connect 65 ports, is responsible for 22.1 per cent of intra-African freight transport.[82] Africa has a total coastline of 30,725 km and numerous rivers and lakes that hold great potential for conversion into cost-effective, energy-efficient and environment-friendly inland waterways.[83]

Many of these ports face efficiency challenges, however, being notably smaller and slower than their global counterparts. On average, cargo remains stationary for over two weeks, in contrast to a wait of less than a week in Asia, Europe and Latin America.[84] Further, the associated handling costs in African ports are some 50 per cent higher than in other regions.[85] This inefficiency is reflected in the average arrival time[86] of 27.8 hours in Africa against North America's 7.6 hours and the global average of 10.9 hours.[87]

Nevertheless, with the surge in the volume of global seaborne trade, maritime infrastructure development has attracted renewed attention in recent years, translating into a sharp reduction in port arrival times in the African region of eight hours in 2021–22,[88] spurred by huge falls in arrival times in ports including Monrovia, Liberia (down 87.0 per cent); Lagos, Nigeria (72.0 per cent); and Tema, Ghana (69.3 per cent). Such progress is promising, given projections that with the AfCFTA's implementation and improvements in the key port network,[89] annual maritime freight demand could surge from the current 58 million tons to 132 million tons by 2030.[90]

Information and communications technology

Internet use across the continent averages 40 per cent and drops to 28 per cent among the 33 African LDCs.[91] Internet penetration varies from 82 per cent in Seychelles to 5.8 per cent in Burundi.[92]

Limited internet uptake is largely due to data and device unaffordability. For example, on average Africans are charged almost $3 for 1 gigabyte of mobile data, Asians only around $1. There is also considerable variation among African nations, from Zimbabwe ($43.75), South Sudan ($23.70), Central African Republic ($10.90) to Ghana ($0.40), Nigeria ($0.39) and Malawi ($0.38).[93] Consequently, the market in most African nations is essentially split into two segments: one supplying basic digital technologies like low-speed internet and semi-digital phones to the majority, and the other catering to a minority elite with advanced solutions.

Not only the quantity but also the quality of connection matters. In Africa, reliance on 3G networks is relatively high, accounting for 55 per cent of all connections. Adoption rates for 4G and 2G are lower at 22 per cent each; 5G connections constitute less than 1 per cent of total connections, trailing way behind the global average of 12 per cent. Still, 5G adoption in the region is forecast to rise to 16 per cent by 2030.[94]

Encouragingly, Africa has devised creative ways to circumvent traditional barriers, such as lack of landline infrastructure, for example by leveraging mobile phones.[95] Africa now leads the world's mobile money market with 781 million accounts. By transaction value, Africa claims two thirds of the global mobile money industry, with $836.5 billion of the global total of $1.26 trillion in 2022.[96] While such eager adoption of mobile money showcases Africa's distinct approach to overcoming constraints, it hints at a broad readiness among Africans to embrace diverse, advanced information and communications technology (ICT) solutions.

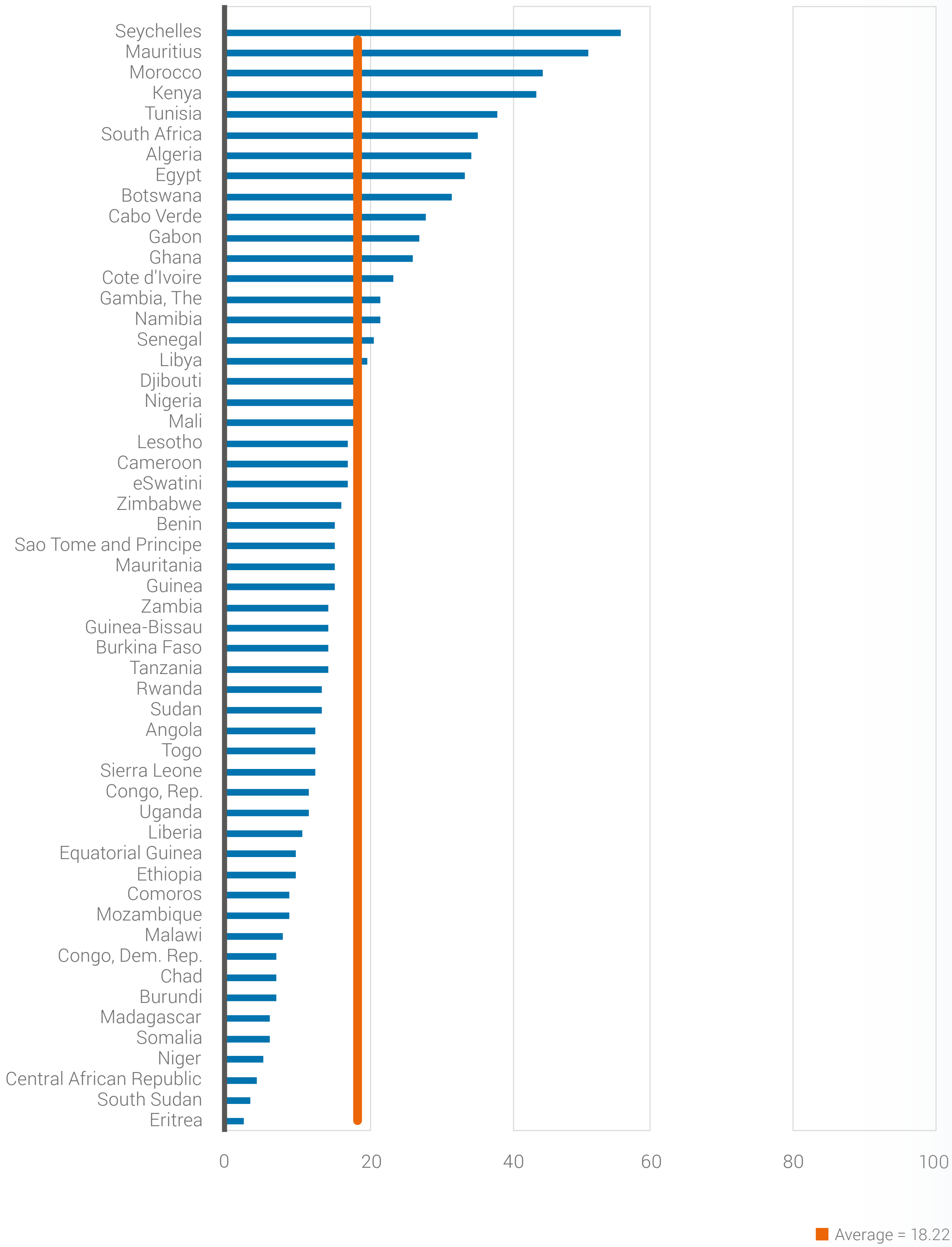
Cross-border collaboration in the ICT sector is close. COMESA is a prime example, having adopted the pioneering Digital Free Trade Area in 2018. This initiative was inspired by the understanding that a 10 per cent increase in use of digital trade technologies could potentially lead to a 5.5 per cent increase in intra-COMESA exports.[97]

Southern Africa is another region committed to ICT development and integration, evident from SADC's implementation of 29 strategies, blueprints, prototype laws and guidelines related to ICT regulation since 2012.[98] Additionally, the Amilcar Cabral Submarine Telecommunications Cable Project is a significant milestone for submarine connectivity within the ECOWAS region.[99]

As digital initiatives proliferate across Africa, a coordinated continental approach is imperative for effective prioritization, implementation, and monitoring and evaluation. PIDA's progress on ICT is noteworthy: 17 countries have achieved digital connectivity through optical fibre cables. ICT capacity is about 9 terabits, surpassing the target of 6 terabits by 2020. As part of PIDA, the AU Convention on Cyber Security and Personal Data Protection was established as a framework for

Figure 1.8

AfDB ICT composite index, 2022



Source: Africa Infrastructure Development Index, 2022.

cybersecurity, organizing electronic transactions, protecting personal data, promoting cybersecurity and e-governance, and combating cybercrime. The convention has been signed by 19 member states and ratified by 15.[100]

The AfDB ICT composite index compiles national metrics such as total fixed and mobile phone subscriptions, number of internet users, and fixed broadband internet subscribers, each per 100 inhabitants, as well as total capacity of international internet bandwidth, in megabits per second (figure 1.8). Seychelles ranks the highest, Eritrea the lowest. The regional average has shown consistent growth over the past decade, surging from 4.94 in 2012 to 18.22 in 2022, but the average remains low in global terms.

Energy

Infrastructure functionality is grounded in electricity. With around 600 million Africans—about 43 per cent—lacking access to electricity, Africa´s electricity deficit is the largest in the world.[101]

The 2022 AfDB electricity composite index hints at Africa’s national energy infrastructure readiness, encompassing total electricity generation measured in millions of kilowatt-hours per hour and per inhabitant, factoring in energy imported from abroad, and accounting for privately and publicly generated energy (figure 1.9). Libya leads the ranking, and Chad occupies bottom position. Although the indicator has demonstrated growth over the past decade, the pace has been slow, inching up from 9.09 in 2012 to 11.98 in 2022.

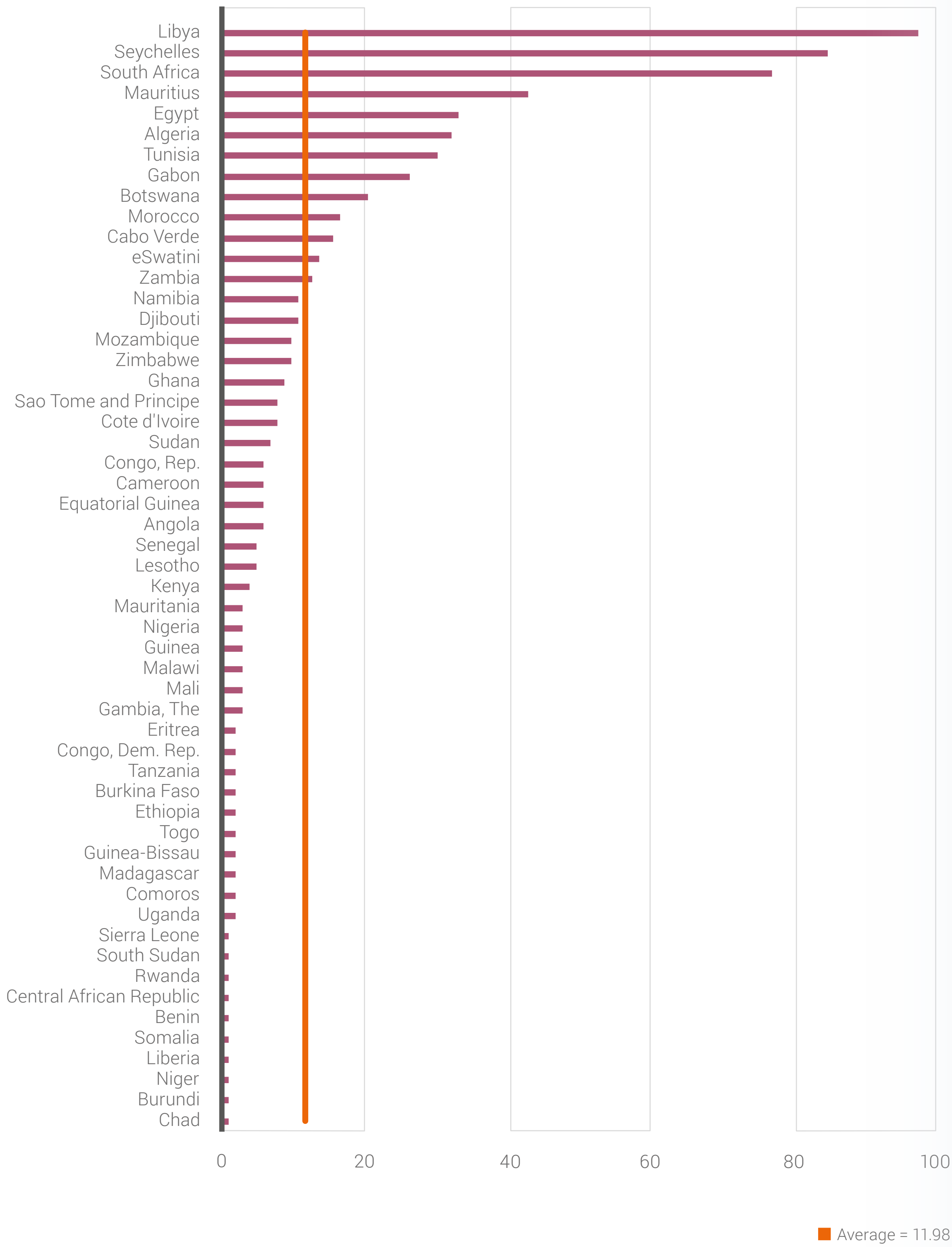
Yet Africa has experienced a meaningful boost to its overall electricity generation, nearly doubling from 16,144 megawatts in 2013 to 31,690 megawatts in 2021.[102] Under PIDA, in 2012–23, 3,506 km of transmission lines were built to deliver 232 GW of electricity, enhancing the interconnection of African electricity networks. Hydroelectricity is the most common renewable energy in the electricity sector, with over 54 shared river basins in Africa. PIDA has achieved an installed hydropower capacity of 7 GW, set to expand to 54 GW by 2040.[103]

Despite these advances, a wide gap remains with the global average electricity access rate, which surpasses 90 per cent.[104] Alternatives are costly: for instance, generator-based power in Africa is three to six times more expensive than what grid consumers typically pay globally.[105] The adverse consequences on trade and development are undeniable. In South Africa, power outages may have diminished GDP by 7–8 per cent as of 2022.[106]

In response to the bottlenecks faced by Africa’s energy sector, an African Continental Power Systems Master Plan is being developed as a precursor to establishing the African Single Electricity Market (AfSEM). AfSEM will build on the existing five regional power pools: Central African Power Pool, Eastern Africa Power Pool, Maghreb Electricity Committee, Southern African Power Pool and West African Power Pool. Under the full continental integration scenario envisaged by AfSEM, electricity trading volumes in Africa are projected to increase more than 14 times by 2040.[107]

Figure 1.9

AfDB electricity composite index, 2022

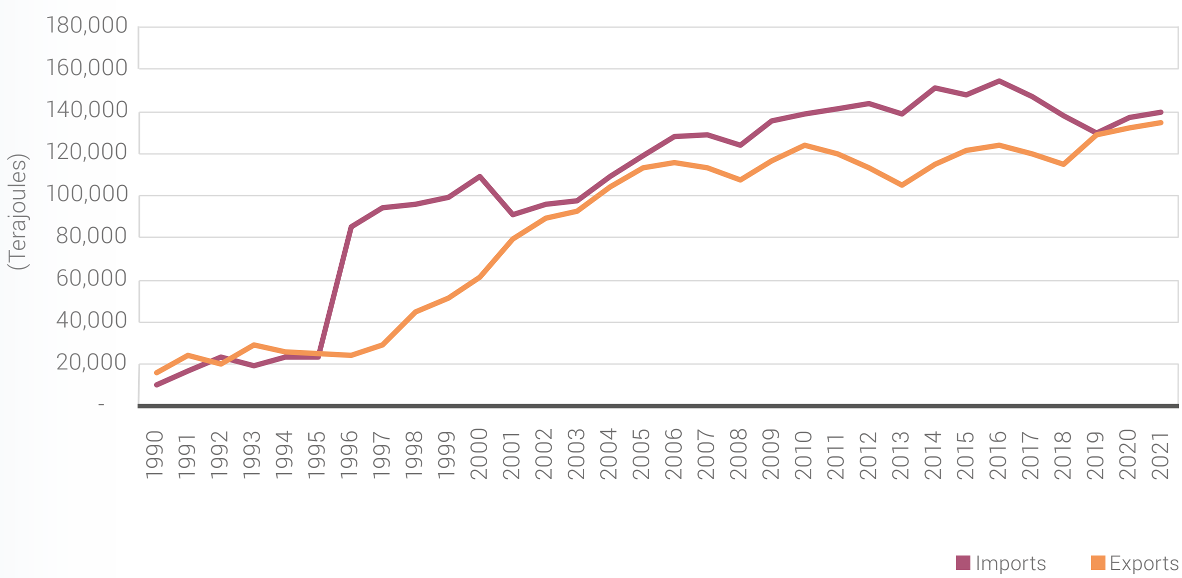


Source: Africa Infrastructure Development Index, 2022.

AfSEM will be crucial in addressing challenges such as low generation capacity, high costs, unstable energy supplies and low access rates. Africa's electricity exports and imports currently match each other (figure 1.10). Local production of coal, unrefined oil and gas is substantial, yet these resources are exported primarily to Europe and Asia. Electricity generation is highly concentrated, with just five countries accounting for 75 per cent of Africa's total. Underinvestment in energy and electricity infrastructure, coupled with a lack of cross-border transmission lines, complicates intra-African electricity trade. Consequently, while some countries have a surplus, others rely heavily on energy imports to meet domestic demand, with shares ranging widely; for instance, Senegal imports 95 per cent of its energy needs, and Togo 59 per cent. Given projections that Africa's total energy demand will surpass its generation by 2039, AfSEM will become vital for enhancing regional energy cooperation and ensuring sustainable energy security.[108]

Figure 1.10

Africa's electricity exports vs. imports, 1990–2021



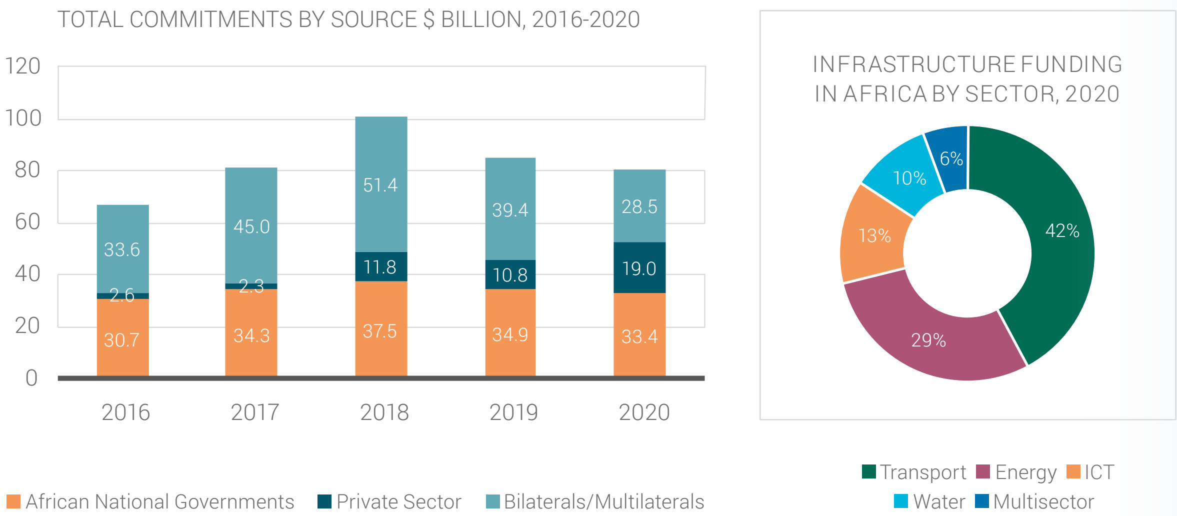
Source: IEA World Energy Balances.

Infrastructure financing

According to the latest AfDB *Infrastructure Financing Trends in Africa* report, there was a notable decrease in overall commitments to infrastructure investment in 2019–20, largely due to the diversion caused by the Covid-19 pandemic (figure 1.11). Longer term, however, a particularly promising trend is the growing presence of private investment in African infrastructure, though it is still limited. The transport and energy sectors stand out as leading recipients of infrastructure funding.

Figure 1.11

Infrastructure commitments and funding, Africa



Source: ECA based on the AfDB Infrastructure Financing Trends in Africa 2019-2020.

Foreign direct investment (FDI) is indispensable for bridging Africa's financing gaps. One main reason is that it provides LDCs with alternatives to costly international capital markets, where they may face charges up to seven times higher than developed nations.[109] Worryingly, FDI inflows into Africa have been static, hovering around the $40 billion–$50 billion mark annually, a trend that began well before the pandemic.[110] The challenge for Africa is not a scarcity of investment potential though, because it consistently attracts greenfield investments, as seen in 2022 when it hosted six of the top 15 global greenfield megaprojects, including in hydrogen, railways, ports and solar power. The core issue is converting the initial interest into tangible projects: 80 per cent of initiated infrastructure projects in Africa fail at the feasibility and planning stage.[111]

Innovative strategies are being adopted to encourage private investment. A key aspect is to reduce uncertainties and risks faced by investors. For instance, public capital is used to draw private investment with credit guarantees and other credit-enhancement mechanisms.[112] Notably, public–private partnerships (PPPs) offer solutions not only for bridging funding gaps but also for correcting operational inefficiencies, such as under-collection in power and water utilities, distribution losses and overstaffing.[113]

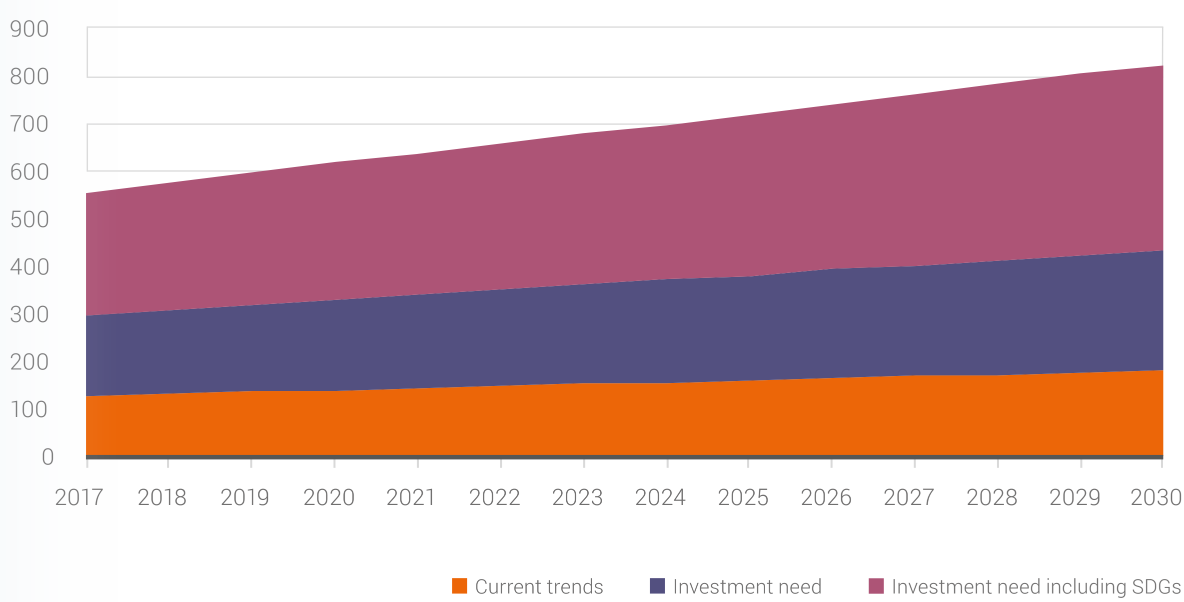
Some of the largest infrastructure projects cannot be undertaken under any other framework because there is not enough public money to finance the initiative and the private sector is reluctant to participate without some form of comfort from the government, especially in less commercially viable sectors such as water, sanitation and transport. In fact, LDCs source 43 per cent of their funding for renewable energy projects through PPPs, either standalone or supported by multilateral development banks. This figure stands at 15 per cent among developing economies, dropping to 3 per cent in the developed world. The pattern is similar for fossil fuel projects: 40 per cent in LDCs, 20 per cent in developing countries and 8 per cent in developed economies.[114]

Further, there is increasing recognition of the need to enhance policy and regulatory frameworks at continental level to improve the investment environment. A prime example is the development of comprehensive and integrated regulatory frameworks, such as for road transport, solar energy, electricity markets, energy security, bioenergy data and green hydrogen. These initiatives have been discussed at AU level with support from ECA, African Union Development Agency–New Partnership for Africa's Development (AUDA-NEPAD), African Energy Commission (AFREC), AfDB and partners.[115]

The AfDB estimates that the continent will require up to $170 billion annually by 2025 for infrastructure, with two thirds needed for new projects and the rest for maintenance.[116] The Global Infrastructure Hub—a G20 initiative—also foresees increasing infrastructure investment gaps for Africa in the coming decades (figure 1.12). The actual demand for infrastructure may exceed current projections, considering the AfCFTA's potential to boost intra-African trade by 33.5 per cent by 2045, compared with scenarios without it.[117] Additionally, with Africa's huge projected population expansion, the impending strain on its infrastructure stands out.

Figure 1.12

Africa's infrastructure investment at current trends and needs, 2017–30, $ billion



Source: ECA based on the G20 Global Infrastructure Outlook.

Social integration

Healthcare

Health is crucial for building robust and resilient economies. Beyond generating revenue and employment, the health sector underpins economic growth and well-being. A healthy workforce fuels economic growth, while economic growth enables investment in healthcare. Africa's health sector faces significant challenges, however, including high debt levels, exogenous shocks, inflation, tighter global financial conditions, and high import dependency. Recent crises, especially Covid-19, have underscored this relationship.

Health financing in Africa is marked by low government spending, underdeveloped prepayment schemes, high out-of-pocket payments, and heavy reliance on external donors.[118] In 2021, South Africa was the only African country to meet the World Health Organization's recommended target of 5 per cent of GDP on health spending.[119] ECA estimates are that health spending in Africa is insufficient to meet growing healthcare-financing needs and rising demand, resulting in a financing gap of $66 billion a year.[120] Consequently, private out-of-pocket expenditure has become the largest component of healthcare spending, with such payments exceeding 50 per cent of current health expenditure in 11 out of 52 African countries in 2021.[121]

Africa's demographic, urban and epidemiological transitions are set to increase pressure on national health systems. Between 2022 and 2050, Africa's population is expected to double, reaching 2.9 billion.[122] With a fertility rate close to three births per woman, Africa will account for over half the world's population growth during this period, such that more than half of the continent's population will be children (0–14 years) and youth (15–24 years).[123] Although Africa remains mainly rural, with just over 40 per cent of its population living in urban areas in 2018, the continent is urbanizing faster than any other world region and is expected to have more than half of its population living in urban areas by 2035.[124]

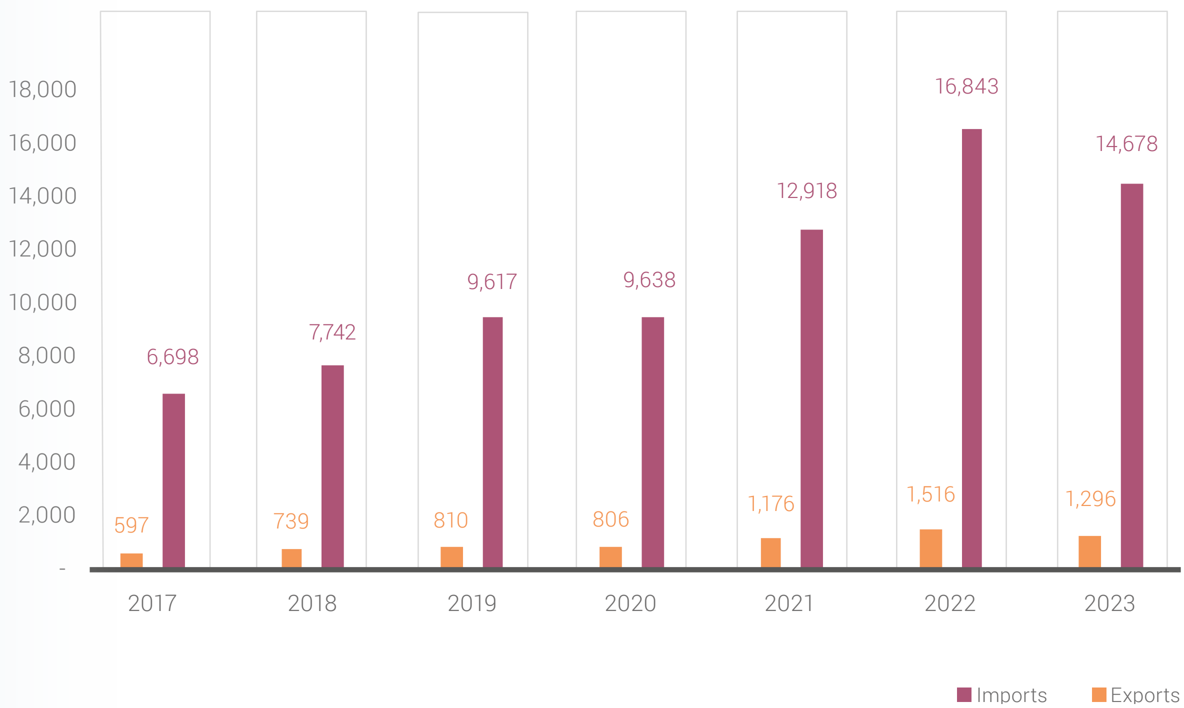
Urbanization often brings dietary changes, sedentarism and a lower quality of life, leading to poor nutrition, respiratory diseases and inadequate sanitation and housing. Without proper urban planning, many rural migrants might end up in slums with inadequate services and infrastructure, increasing exposure to communicable diseases. This transition could result in a higher disease burden in which communicable diseases will still affect the population, while non-communicable diseases will become increasingly prominent across the continent. This anticipated rise in the disease burden will place additional pressure on health systems, making it vital to strengthen equitable access to safe, effective and affordable medical goods and services for prevention, diagnosis and treatment, to ensure Africa's future health and economic resilience.

Africa is highly dependent on imports of pharmaceuticals. In 2023, such imports totalled $14.7 billion, with exports much lower at $1.3 billion (figure 1.13). This import overreliance stems from the continent's limited manufacturing capacity and intra-African trade. For context, Africa has

375 pharmaceutical manufacturers but this pales in comparison with other global powers like China and India, which have some 5,000 and 10,500 manufacturers, respectively.[125] In addition, Africa's current manufacturing capacity is predominantly oriented towards lower value-added activities in global value chains, such as repackaging imported medicines and "fill-and-finish" operations, with only a few facilities capable of producing high-value active pharmaceutical ingredients. This scenario presents significant opportunities for the private sector to invest in and expand Africa's pharmaceutical manufacturing capabilities.

Figure 1.13

African exports and imports of pharmaceuticals, 2017–23, $ million



Source: ECA analysis based on World Integrated Trade Solution data.

Particularly through its Protocol on Trade in Services, the AfCFTA facilitates intra-African services trade, potentially lowering business costs and leveraging comparative advantages, but did not initially prioritize healthcare and education, limiting direct benefits. They will be included in future negotiations. Further, African policymakers should address gaps in e-health policies, emphasizing ethical standards and data privacy to build confidence in telemedicine. Unreliable energy and inadequate and expensive internet connectivity are additional barriers to telemedicine services in Africa.

The AfCFTA will also enable regional value chains in healthcare. Strengthening healthcare systems not only ensures essential services but also meets the increasing demand for high-quality specialized services, potentially boosting revenue for African economies. Investing in the growth of both public and private healthcare sectors is, therefore, fundamental to fostering economic growth, because as said, good health is a *driver* of growth, not just a consequence of it.

Education

By 2050, Africa is projected to have a population of 2.9 billion, with the working-age population expected to surge from 224 million in 2030 to 730 million in 2050.[126] To harness the potential of its youthful demographic, Africa must prioritize investment in education as a pivotal tool for individual empowerment, economic growth and social mobility. Aspiration 1 of Agenda 2063 underscores Africa's commitment to nurturing human and social capital through an education and skills revolution, prioritizing innovation, science and technology. This vision culminated in the adoption of the Continental Education Strategy for Africa (CESA 16–25) in January 2016, serving as the blueprint for transforming education and training systems across the continent. Additionally, the 37th Ordinary Session of the AU Assembly of Heads of State and Government in Addis Ababa designated 2024 as the "Year of Education," urging governments to expedite efforts at achieving inclusive and quality education for all.

Despite these commitments, Africa lags behind other global regions on educational indicators. Africa, excluding North Africa, has the largest out-of-school population globally, with one in five primary school-age children (18.8 per cent), one in three lower-secondary school-age adolescents (36.7 per cent) and one in two upper school-age youth (57.5 per cent) estimated to be out of school.[127] Africa also accounted for 59 per cent (52.9 million) of the world's illiterate population in 2022.[128]

In 2021, education spending in Africa saw a modest 2 per cent real increase from 2020, primarily fuelled by a rise in government investment, constituting 69 per cent of the total expenditure, but the average share of GDP allocated to education by African governments stagnated at 3.7 per cent in 2021, falling short of internationally recommended benchmarks of 4 per cent of GDP and 15 per cent of total public spending. Of the eight AU-recognized RECs, only two meet the 4 per cent GDP benchmark.[129] UNESCO estimates that an additional $77 billion annually is required for African nations to meet their education targets and ensure quality education for all.[130]

At continental level, operationalizing the Pan African University translates the AU's efforts to revitalize higher education and research in Africa. The AUC identified critical themes in the five institutes of this university: Water and Energy Sciences (PAUWES, Algeria); Basic Sciences, Technology and Innovation (PAUSTI, Kenya); Earth and Life Sciences (PAULESI, Nigeria); Governance, Humanities and Social Sciences (PAUGHSS, Cameroon); and Space Sciences (PAUSS, South Africa).

One of the goals of CESA 16–25 was to establish a Continental Qualifications Framework, which has been since 2019. In EAC, member states have committed to mutual recognition agreements (MRAs) to recognize academic and professional qualifications obtained in other partner states. Four MRAs have been negotiated and signed in the professional domains of accountancy, engineering, architecture and veterinary science, and MRAs pertaining to lawyers and land surveying are under negotiation (EAC). Similarly, in 2016, SADC adopted its Qualifications Framework for comparability and recognition of full qualifications, credit transfer, creation of regional standards and facilitation of quality assurance. A review in 2022 indicated that six countries have national qualification frameworks (NQFs): three are starting NQF implementation, five are developing one and two are at very early stages of developing one.[131]

ECOWAS member states adopted a Protocol on Education and Training in 2003 to promote access to education for West African citizens. The ECOWAS convention on recognition and equivalence of degrees, diplomas, certificates and other qualifications of member states was adopted in 2013. This aimed at promoting regional cooperation on evaluation and recognition of certificates among member states, although they are at different stages in developing their NQFs.[132] IGAD is developing a regional qualifications framework to support mobility and comparability of qualifications.[133] The expansion of MRAs is indispensable for facilitating labour mobility and fostering regional cooperation in education.

Governance, peace and security, and Africa's integration

Governance, peace and security are essential for Africa's regional integration. Good governance is critical for protecting human rights and ensuring that all citizens have a voice in their government. Governments that are accountable, transparent and inclusive are more likely to cooperate on regional issues and thus advance the continental integration agenda. Peace and security are essential for sustainable economic development. When there is conflict or instability, it is extremely difficult for governments to attract investment, create jobs, reduce poverty and provide essential public services, such as high-quality education and healthcare to the population. Africa faces challenges in achieving these goals, but some of the most important are related to corruption, conflicts and terrorism.

Corruption threatens peace and security in Africa because it undermines trust in the governments and institutions that do not promote fair distribution of resources, which can lead to social unrest, resentment and instability. When public officials embezzle or misappropriate public funds, it diverts valuable resources from essential services such as education, healthcare and infrastructure. Corruption also creates opportunities for criminals to exploit the system, aided by the complicity of public officials, which allows them to operate without punishment, enabling organized crime and violence.

Conflicts—besides causing untold human suffering—are major destroyers of physical capital, investment, trade and productivity, exacerbating humanitarian needs and political crises. Between 2021 and 2024, major conflicts and undemocratic changes of power took place in North, Central and West Africa. In North Africa, the outbreak of armed conflict in Sudan in April 2023 has put the country in a dire humanitarian situation. According to the United Nations High Commissioner for Refugees (UNHCR), as of January 2025, 12.5 million people had been forcibly displaced, with over

8.8 million internally displaced people, and over 3.4 million refugees, asylum seekers and returnees had fled Sudan to neighbouring countries, mainly to Egypt and Chad but also to Libya, South Sudan, Ethiopia, Uganda and Central African Republic.

The United Nations Office for the Coordination of Humanitarian Affairs estimated that 25 million people—half of Sudan's population—need humanitarian aid and protection.[134] Even though IGAD has been working to restore peace in Sudan, and the AU Peace and Security Council has suspended participation of Sudan in all AU activities until a civilian-led Transitional Authority is set up, as of February 2025 the conflict was ongoing.[135]

In East Africa, Somalia continues to struggle with terrorist attacks and the violence of al-Shabaab, worsening food insecurity and malnutrition in children.[136] There are 3 million internally displaced people in Somalia.[137] IGAD has been working to support state building, capacity-building, peacebuilding and reconciliation in Somalia with the AU and the United Nations; however, by mid-June 2023, peace had not been restored, endangering security in neighbouring countries. IGAD has also been striving to bring peace to the Tigray region in Ethiopia. In November 2022, the Ethiopian government signed a peace deal with the Tigrayan forces that has been monitored by a joint committee of representatives from both sides, IGAD and AU.[138]

Violent extremism remains a problem in West Africa, with the triborder area of Burkina Faso, Mali and Niger in Liptako-Gourma and the intersection of Cameroon, Chad, Niger and Nigeria in the Lake Chad Basin the most affected.[139] Weak governance, corruption, frequent transfers of power, poverty, inequality and human rights violations are some of the underlying causes of violent extremism perpetuated in the Sahel region since 2012.

In the last decade alone, violent extremism has displaced 2.6 million in Liptako-Gourma and 2.8 million in the Lake Chad Basin, with hundreds of thousands of refugees crossing the border into neighbouring countries.[140] According to the Armed Conflict Location & Event Data (ACLED) project, in 2022, violence surged in Liptako-Gourma, with the number of reported deaths from political violence rising by 77 per cent in Burkina Faso and 150 per cent in Mali, from 2021.[141] Even though ECOWAS has applied sanctions and suspended member states after coups there, the REC has had limited success in addressing undemocratic actions and constitutional violations.

On the political front, in January 2024, Burkina Faso, Mali and Niger formally notified their withdrawal from ECOWAS in response to sanctions that included travel bans, asset freezes against key leaders, financial and commercial suspensions, and border closures. According to the ECOWAS Treaty, a member state's withdrawal becomes effective one year after notification. Although ECOWAS lifted most sanctions in February 2024, the three countries remained resolute in their decision to leave the bloc. In July 2024, the three countries signed a treaty to establish the Alliance of Sahel States, deepening cooperation among themselves. Their withdrawal from ECOWAS took effect in January 2025, and its impact on fundamental economic and political frameworks remains to be seen.

As landlocked nations, their trade routes rely heavily on coastal ECOWAS members. Leaving ECOWAS is likely to impose additional economic burdens, such as the reintroduction of tariff barriers and increased transaction costs, making imports more expensive and exports less competitive. Additionally, the region's free movement of persons and joint efforts to combat regional insecurity will probably be disrupted. While Burkina Faso, Mali and Niger have not explicitly indicated a desire to withdraw from WAEMU, their departure from ECOWAS will no doubt complicate coordination of economic policy and maintenance of their common currency, the West African CFA franc.[142]

Free movement of persons: Status, progress and challenges

Free movement of persons is critical to regional integration because it can increase trade and tourism, improve labour mobility and promote entrepreneurship and innovation.[143] Since the publication of *ARIA X*, however, little progress on establishing free movement of persons in Africa has been realized at continental level, with setbacks among RECs.

ECOWAS, SADC, COMESA and IGAD have adopted specific protocols on free movement of persons in addition to their constituent treaties, while EAC, ECCAS and AMU have made provisions for free movement in their treaties.[144] Among the eight AU-recognized RECs, ECOWAS and EAC have advanced most towards making the free movement of persons a reality in their regions. ECOWAS has abolished visas and entry permits for all ECOWAS citizens with the provision of a 90-day visa-free stay, the adoption of the ECOWAS passport and the ECOWAS Brown Card Motor Vehicle Insurance Scheme, and the elimination of rigid border formalities, though it has yet to implement the rights of residence and of establishment.

EAC made provisions regarding the free movement of persons, labour and services in its founding treaty and its Common Market Protocol of 2009. Even though it has adopted the EAC passport, it has not been rolled out in every member state, with Democratic Republic of Congo and South Sudan still to adhere to the process.

Given the withdrawal from ECOWAS of Burkina Faso, Mali and Niger, and their formation of the Alliance of Sahel States, there may be setbacks to the free movement of persons within ECOWAS. The three countries have also announced the introduction of new biometric passports, which could further complicate cross-border mobility in the region.

Establishing free movement of persons is crucial to implementing the AfCFTA, as it can boost intra-African trade, facilitate labour mobility and skills transfer, increase employment opportunities and contribute to social integration.[145] The RECs should therefore prioritize advancing free movement initiatives in their regions, and improve the rights of entry, residence and establishment. Additionally, they should encourage ratification of the Protocol to the Treaty Establishing the African Economic Community Relating to Free Movement of Persons, Right of Residence and Right of Establishment (the Free Movement of Persons Protocol).

The success of continental integration depends on the resolve of African leaders to pursue the ideals, vision and goals of the AEC, actionable through its programmes to achieve indispensable freedoms in trade and in the flow of resources and persons across the continent.

Conclusion and recommendations

Conclusion

Despite advances in continental and regional integration, challenges persist. Political instability, economic disparities, infrastructure deficits, financial constraints and limited policy implementation still impede integration. Fostering closer collaboration among African nations and RECs is therefore imperative to bolster regional integration initiatives. Overcoming the enduring hurdles to African integration demands resolute action to expedite the execution of pivotal initiatives like the AfCFTA, drive macroeconomic convergence, harness private sector investment, and capitalize on sector-specific protocols such as the AfCFTA Protocol on Trade in Services. By also prioritizing collaboration and such bold initiatives as the Free Movement of Persons Protocol, African nations can realize the full potential of regional integration, moving the continent towards enduring prosperity and sustainable development.

Recommendations

- *Accelerate the implementation of the AfCFTA to facilitate productive integration and boost intra-African trade through enhancing regional and continental value chains.* Seizing the opportunity of the AfCFTA to enhance productive integration and stimulate intra-African trade can reduce production costs and cultivate additional regional value-chain activities.
- *Promote macroeconomic convergence for deeper financial and monetary integration alongside adoption of a "variable geometry" approach.* Fostering deeper financial integration, particularly through regional bond markets, can facilitate savings mobilization, risk pooling and the leveraging of private sector investment to increase innovative funding for critical trade infrastructure projects, especially in the Program for Infrastructure Development in Africa (PIDA), thereby breaking the cycle of debt distress and liquidity shortages in Africa. Allowing variable geometry can quicken the adoption of a common currency.
- *Implement the AfCFTA Protocol on Trade in Services to develop the quality and accessibility of healthcare services in Africa.* While the health and social sector is one of the additional seven sectors to be liberalized in the second stage of the AfCFTA services trade negotiations, speedy completion of the sector's market access and national treatment negotiations will be crucial for enhancing healthcare services by reducing costs and facilitating access to high-quality services as well as by promoting broader socioeconomic solutions and inclusive development.
- *Address the root causes of political instabilities and conflicts.* This entails strengthening the link between market integration and sectoral development, as well as between integration and national development initiatives aimed at ensuring inclusiveness. Continued efforts are needed to support good governance and effective democratic transitions in Member States.

The AfCFTA's launch is the most important achievement in Africa's integration in recent years. The next chapter widens the discussion by reviewing the theoretical and empirical underpinnings of free trade areas—such as the AfCFTA—customs unions and common markets.

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CHAPTER 2

Theoretical and Empirical Underpinnings of Free Trade Areas, Customs Unions and Common Markets

Introduction

Regional integration agreements or regional trade agreements (RTAs)—all forms of preferential trade agreements that liberalize trade other than at the multilateral level—have spread across Africa in line with the Abuja Treaty, which established the African Economic Community. Of the 361 RTAs reported by the World Trade Organization (WTO) in 2024, 112 are free trade areas (FTAs) and 17 are customs unions, of which Africa has the highest number, six, followed by four each in the Americas and Europe, two in the Commonwealth of Independent States and one in the Middle East.[146]

The most recent prominent initiative to integrate Africa is the African Continental Free Trade Area (AfCFTA), ratified in May 2019. Most African countries participate in regional integration through membership in one or more of the many regional economic communities (RECs) and in the African Union (AU), having embraced regional integration as an important component of their development strategies, primarily driven by the economic rationale of overcoming the disadvantages associated with low bargaining power and high negotiation costs to create economies of agglomeration, efficiency, productivity growth, welfare improvements, peace and stability in participant countries.[147]

This chapter provides the theoretical and empirical background to *ARIA XI*, presenting the key theories undergirding regional economic integration, including sequencing and theoretical advantages and disadvantages of its stages. In the next section, it presents theories of regional integration, and then discusses the theoretical advantages and disadvantages of FTAs, customs unions and common markets, deploying theoretical and empirical justifications for both. Subsequently it provides a quantification of the trade and economic benefits of an African Continental Customs Union (AfCCU) and African Continental Common Market (AfCCOM), and closes with a conclusion and recommendations.

Because it is a theoretical and empirical chapter where principles and expectations are laid out, and validated through modelling and computation, it is necessary to link it to chapters 4–6. (Chapters 3 and 7 are largely independent of this chapter's theoretical analysis.) The link to chapter 4 is through its reference to the stages of regional integration as exemplified in economic integration processes in Africa and elsewhere. Given that the establishment of a common external tariff (CET) is central to the formation of a customs union—the natural stage following an FTA espoused in this theoretical chapter—the extent to which it will be easy or challenging to obtain a continental CET becomes the focus of chapter 5. And as non-tariff barriers (NTBs) and trade-restricting non-tariff measures (NTMs) are implicit in the theoretical analysis of economic integration and are expected to be eliminated at the FTA stage, chapter 6 addresses NTBs, NTMs and issues of coordinating and harmonizing policies and standards in a common market.

Theories of regional integration

Brief overview of regional integration structures

Regional integration, regionalism or regionalization refers to a process and a state. *Regional integration* is an integral characteristic of globalization and encompasses several fields of study, including economics, political science, history and international relations. *Regionalism* is an economic arrangement established by regional agreements. *Regionalization* is combining markets in a region through trade and investment.

Regional economic integration is therefore a blend of regionalism and regionalization. It refers to a geographical area that has a high proportion of trade flows between countries in the area based on common rules agreed to be coordinated by an organization formed for that purpose. Regional integration thus entails a group of nations working in a coordinated manner to reduce impediments to the free flow of goods, services, people and capital among state parties to facilitate trade growth and economic development in the region.

Africa's large geographical space comprises diverse countries in size and stage of development and encompasses eight AU-recognized RECs. Though the RECs vary in progress on regional integration, they have unique objectives and mandates, which they pursue to achieve the interests of their members. Specifically, RECs strive to enhance goods and services trade among their members and ensure movement of people to create interconnectedness and resilience for tackling underdevelopment, poverty and conflict.

This vision started long before the independence of African states and continued subsequently. For example, three African RECs are some of the world's earliest integration groups: the Southern African Customs Union (SACU), created in 1910; the West African Economic and Monetary Union (WAEMU), in 1962; and the Economic and Monetary Community of Central Africa (CEMAC), in 1994.

A fundamental conceptual structure underlying the analysis in *ARIA XI* is how economists classify regional integration (table 2.1). This classification ranges from an FTA to a customs union, common market, economic union and political union. An FTA entails the abolition of trade barriers among its members, but each nation retains its own barriers to trade with non-members. A customs union is an integration phase where, in addition, all members in the FTA agree to have the same tariff rates against non-members, otherwise known as the CET. A common market is a further phase where members agree to the free movement of labour, capital and other factors of production among members. An economic union is a still-higher level of economic integration that entails the use of harmonized economic policies and adoption of common rules and currency.

The most advanced phase is a political union in which member countries agree to adopt common rules and regulations through a supranational authority featuring greater depth, coordination and harmonization of policies among them. The European Union (EU) is a global example of this highest stage, where member states surrender certain aspects of sovereignty to the supranational institution, in this case, the European Commission.

Table 2.1
Features of regional integration

TYPE OF ARRANGEMENT	FREE TRADE AMONG MEMBERS	COMMON COMMERCIAL POLICY	FREE MOBILITY OF FACTORS	COMMON MONETARY AND FISCAL POLICIES	ONE GOVERNMENT
Free trade area	Yes	No	No	No	No
Customs union	Yes	Yes	No	No	No
Common market	Yes	Yes	Yes	No	No
Economic union	Yes	Yes	Yes	Yes	No
Political union	Yes	Yes	Yes	Yes	Yes

Source: ECA based on UNECA (2012), ARIA V.

International relations versus economic constructs

There are two major intellectual groups that offer explanations of the process and development of regional governance architecture. One follows an *international relations construct*, proposing that regional integration involves the creation of interdependent communities, formation of regional alliances, achievement of collective regional security, and to a smaller extent, reduction in the likelihood of conflict and war.[148] The other group offers an *economic construct* of the rationale and gains of regional economic integration and the impact on members and non-members.

International relations construct

The international relations construct is broadly categorized into classical and contemporary theories, the former advocating *functionalism* and *neo-functionalism*, the latter promoting *liberal intergovernmentalism* and *neo-transactionalism* (table 2.2).

Functionalism, championed by Mitrany (1975), argues that states pressure themselves to cooperate and establish a functional supranational authority because some needs are transnational and can be met only through transnational means. Integration then becomes an inevitable effect of development, which forces states to cooperate with international functional institutions. Functionalism is seen as extremely Eurocentric and was developed as a reaction to the possibility of the state becoming an outdated form of social organization.

Neo-functionalism, a theory espoused by Ernst Haas in 1950, explains the importance of regional supranational institutions in advancing European integration. He posited that the importance of nation states would decline so much that they would be unable to control the integration process. Rather, the process would empower regional elites, interest groups and supranational actors who would shape the process in their interests.

Regional integration is also viewed as a gradual and incremental process, which begins from low-level cooperation and advances through spillover stages to deeper levels of integration. The spillover concept represents a situation where, once started, integration quickly becomes self-fulfilling with ever new sectors considered. Also, as supranational institutions become more effective than nation states in dealing with specific problems, national interest groups start operating at regional level, and national policymakers begin to look for regional solutions to national problems.

Developed in the early 1990s, liberal intergovernmentalism and neo-transnationalism view nation states as key actors in the integration process, entities that have roles to play alongside transnational and supranational actors in determining regional integration outcomes. Intergovernmentalism concerns itself with the dominance of sovereign nation states and their subsequent bargaining power. It argues that states are central actors in regional integration, and that they maximize their economic interests in the context of regional interdependence.

Table 2.2

Comparative features of regional integration theories: International relations construct

	CLASSICAL THEORIES		CONTEMPORARY THEORIES	
	FUNCTIONALISM	NEO-FUNCTIONALISM	LIBERAL INTERGOVERNMENTALISM	NEO-TRANSACTIONALISM
Key actors	Technical bodies	States Supranational bargainers National and regional elites	Mightiest states	States Supranational bargainers Transnational transactors
Driving force	Technical needs	Spillover	Interstate bargaining	Transnational transactions Supranational bargaining
Domain	World	Region	State/region	Region

Source: ECA adapted from Malamud (2001).

Economic construct

The economic construct of regional economic integration focuses on the rationale and gains as well as the impact on members and non-members alike. The basic explanation of a customs union[149] constitutes the primary economic elucidation of integration. This principle has been expanded over time to demonstrate the immediate and long-term effects. The long-term effects have covered areas related to how size of the integrated area can reduce production costs and help the area achieve better bargaining power and generate higher industrialization in the area, coupled with a better transfer of factors of production among countries in the customs union, among other things.

Viner's theoretical intervention identified that two types of change in relative prices are associated with change in the pattern of tariffs.[150] The first type raises economic welfare induced by the removal of barriers to trade between members. This stimulates an increase in trade in the customs union as production shifts from its high- to low-cost producers, referred to as *trade creation.* It also leads to a more efficient allocation of resources, which eventually profits the members. The second effect is *trade diversion*, brought about by the shift in imports from low-cost producers outside the customs union to higher-cost producers in it, which in turn shifts production from low- to high-cost producers, resulting in inefficient use of resources and reduction in total economic welfare.

The net effect of a customs union therefore depends on whether trade creation is larger than trade diversion. This in turn is influenced by how large the customs union is, the level of the CET charged to non-member countries (relative to the average tariff of the member states before the formation of the customs union), the extent to which members' products are substitutes or complementary, and the differences between members in the unit costs of their protected industries of the same kind.[151]

Economists have also asked why nations join a customs union, with their answers found in some of the following factors: that the union produces export advantages,[152,153] inexpensive market protection,[154] an influence on world prices with a terms-of-trade gain,[155] and an opportunity to strengthen the bargaining power of member states in multilateral trade negotiations.

Deeper long-run, cumulative and continuous—as well as much higher—effects of a customs union include fast economic growth due to market enlargement, economic efficiency brought about by competition, increased direct investment, and innovation owing to market enlargement and increased competition. In other words, firms inside the customs union enjoy low unit costs due to market enlargement, thereby creating wider variety and lower prices. This advantage also stems from human capital formation from the investment of firms in the customs union, which produces knowledge spillovers.

African development thinkers and intellectuals have recognized the need for cooperative development through regional assemblies of nations, from Amilcar Cabral to Kwame Nkrumah, Adebayo Adedeji, and other pan-Africanists who demonstrated the need for “African reality” or African unity, which lies in continental integration. The African perspective—called regional developmentalism—evolved from Africa’s earliest experience in economic integration. This assumes, in the words of Thandika Mkandawire, a much more active role for the state and some kind of regional import substitution. The perspective therefore emphasizes cooperation among integrating nations in such areas as mutually beneficial trade integration; industrial development and upgrading in regional value chains; investment in cross-border infrastructure and trade facilitation; and the building of democracy, good governance and peace and security.[156]

The African approach to regional integration includes flexibility based on functionally specific objectives and the principle of “variable geometry,” which allows different speeds of liberalization in accordance with members’ economic capabilities and interests. It is also reflected in the AfCFTA’s tariff liberalization, which allows LDCs and non-LDCs to liberalize their tariffs over 10 years and five years, respectively, to reach 90 per cent liberalization of tariff lines; and LDCs and non-LDCs 13 years and 10 years, respectively, to reach 97 per cent of the same. This was done to minimize the impact of tariff revenue losses and to cushion the adverse effect on countries that depend heavily on import duty revenues (see chapter 5). In SACU, this principle of asymmetry, which is enshrined in its regional integration approach, allows flexibility to be achieved in part by allowing protection of new industries from competing goods from SACU and non-SACU countries for no more than eight years. In the Economic Community of West African States (ECOWAS) CET, it takes the form of a fifth band—a 35 per cent tariff—on economically strategic goods.

Nexus and sequencing among FTAs, customs unions and common markets

The concept of economic integration became popular after the Second World War, though it has been in place since ancient times.[157] The characteristics of a regional integration agreement are determined by geographically discriminatory trade policy. The seminal paper of Balassa (1961), which classified regional economic integration by degree of integration, clearly described each stage along with its distinguishing features. Thus, starting from the basic preferential trade area, an FTA, customs union and common market have additional features (see table 2.1). It then becomes a hierarchy of attainment that provides additional economic impact, even when developmental regionalists would argue against its linearity.

A comparison of an FTA with a customs union reveals the following: (a) there can be overlapping FTAs, but not overlapping customs unions mainly because for a member of a customs union to become a member of another FTA, it needs approval from other members, with the implication that the customs unions formed at REC level will likely disappear once a continental customs union is formed; (b) because FTAs allow individual countries to have external trade barriers, rules of origin (RoO) are required to discourage “trade deflection,” which is where a good or service enters through the member country with the lowest tariff rate and is transshipped across the FTA (CETs in customs unions preclude the need for RoO); (c) for an FTA to lead to a common market or single market, it must first evolve into a customs union where a unified tariff system is achieved as a prior condition; (d) an FTA member can lobby for protection in the context of using high RoO to ward off competition, which is compensated through high (net of tariff) prices in other partner countries, while a customs union will necessarily average members' (higher- and lower-tariff countries') interests; and (e) additional foreign investment may be attracted to a customs union if the investment is induced by a higher real rate of return, arising from trade creation or customs union-induced economic efficiency.

Given these differences, an FTA can only lead to less trade than a customs union. Also, an FTA leads to more trade diversion than a customs union. In short, the potential welfare effects of an FTA are inferior to those of a trade-creating customs union.

The stages of economic integration suggest a natural progression from FTAs to customs unions and common markets (and other advanced stages—see table 2.1). This issue of sequencing economic integration implies that a later stage necessarily follows a previous stage that has been fully implemented. In the context of the Balassa model, a customs union will only follow the FTA stage after all tariffs and NTBs have been eliminated at the free trade stage. However, new regionalization found in the new models of integration indicates the emergence of different integration dynamics. One is the idea of "developmental regionalism," which found its way into the integration debate in early 1970s. A second is the notion that certain later stages can be pursued without full implementation of earlier stages.

Examples of new regionalization are[158] (a) in Latin America, Ecuador and Panama adopting full dollarization and Argentina maintaining a currency board against the US dollar during the 1990s; (b) in the EU, where the Central and Eastern European countries are expected to be able to assimilate into Economic and Monetary Union after only two years, but they have not been allowed full membership of the common market; and (c) the AU, which was formed in 2002 largely in the mould of the EU, but incorporates eight AU-recognized RECs, an umbrella African Economic Community (AEC) and ambitious plans to launch an African monetary union.

The launching of the AfCFTA, its signing and ratification by 54 out of 55 African countries and the adoption of the Free Movement of Persons Protocol by some countries also appear to exemplify new regionalization, because stages 4 and 5 in the Abuja Treaty (see "Introduction and Background to *ARIA XI*") had not been completed before the adoption of the AfCFTA. Some analysts might even view the AfCFTA as a "reboot" rather than a "leapfrog" of continental integration arising from the experience gained in implementing the stages outlined in the Abuja Treaty.

This issue of sequencing economic integration is discussed in more detail in chapter 4, which surveys economic integration processes in Africa, the EU, South America and Asia.

Theoretical advantages and disadvantages of FTAs, customs unions and common markets, and relevance to Africa's integration experience

Theoretical advantages

A comparison of total economic gains from an FTA's trade creation with trade diversion effects determines the gains or losses derived from that FTA. The dynamic effects of an FTA suggest that the increased trade of members often accelerates economic growth.

Customs unions promote the centralization of economic decisions through the creation and management of a CET. The customs union allows for the redistribution of real income among member countries and the rest of the world through the terms-of-trade effect, but trade creation and trade diversion effects take place in customs unions, analogous to FTAs.

A common market removes barriers to the international movement of factors of production, in addition to the removal of trade barriers. This causes additional effects, and the total benefits of creating a common market can be described as a multiplied sum of the effects achieved in the customs union. There can either be investment creation in the form of external foreign direct investment (FDI) inflows to the group or investment diversion from one member country to another in response to trade creation effects, economies of scale and specialization, which result in production reorganization.[159]

An advantage of regional integration is minimizing the threat of conflict (which is not necessarily an issue with a customs union), strengthening peace and security among member states, and amplifying the voices of small and vulnerable countries as they engage the rest of the world through increased bargaining power and reduced negotiation costs. Occasionally, regional integration, including Africa's, is manifested as a bureaucratic preoccupation with political unification for addressing security concerns, in addition to economic interests. Hence, the basis of regional integration lies in "strength in numbers and unity" to accelerate the pace of development and engender security,[160] even as it is important for developing countries to halt their marginalization and the negative impacts of a turbulent global geopolitical and economic system.[161] Therefore, for Africa to increase its intra-regional trade and influence in the current global geopolitical landscape, characterized by growing economic nationalism, it needs a common external trade policy to boost its response capacity—attainable through AfCCU and AfCCOM arrangements.

The opportunity to weaken and/or eliminate trade barriers through liberalizing the rules governing trade and investment of member countries constitutes the primary economic advantage and impact of RTAs. Traditional trade theories postulate that free trade will be beneficial to trading countries as free trade grants consumers and firms the prospect of purchasing from the cheapest source of supply, bringing about comparative advantage-induced production.[162] Nonetheless, analysis of the gains from a regional integration arrangement using traditional trade theories is limited by its unique feature that combines elements of free trade among its members and protectionism against non-members.

The benefits of regional integration to member countries are seen in the proposition that regional integration can lower production costs and consumer prices, produce a range of diverse products, and engender specialization. It also creates larger markets and increases availability of factor inputs and productivity, which in turn attract FDI with the attendant benefits associated with foreign firms operating in the region. Regional integration is linked to coordination and collective bargaining power, better management and sustainable use of shared resources, economic growth, poverty reduction and self-sustaining development.[163]

A customs union possesses other beneficial effects, such as administration savings from the elimination of customs officers and border patrols, irrespective of trade gains or losses, but for Africa, where one of the biggest challenges facing member states or their RECs is high unemployment, the net impact of administration savings and job losses could undermine development goals. Still, other gains are collective terms-of-trade improvement of a trade-diverting customs union due to reduced demand for imports and supply of exports to non-members, and the customs union's possession of better bargaining power than that of all its individual members separately in multilateral trade negotiations.[164]

The literature groups the additional economy-wide effects of integration into two: (a) an increase in the growth rate of factor inputs, causing faster growth of output; and (b) the increased rate of technological progress in the economic union that leads to rapid output growth with constant inputs. Increased competition, economies of scale and variety, stimulus to investment (especially FDI), technology transfer, structural policy reform and better use of economic resources, as well as enhanced competitiveness and long-run growth, are additional economy-wide effects.[165]

The rising wave of regionalism and the explosion in the number of RTAs among nations have spurred interest in the empirical analysis of their effectiveness. The methodology for such analysis ranges from simple to very complex systems, including their advantages and disadvantages. It suffices here to state the impacts of a few such empirical investigations. One study, testing for the trade effects of 12 different RTAs—including the EU, European Free Trade Association, European Economic Area (EEA), North American Free Trade Agreement (NAFTA), Southern Common Market (Mercosur), and Association of Southeast Asian Nations (ASEAN)—conclude that the trade creation effect is overstated[166] and fragile.

Still, the preponderance of recent evidence seems to support the notion that regional integration arrangements bolster bilateral trade.[167] Also, evidence was found to support the notion that membership of a currency union is beneficial for trade and income,[168] with results indicating that such membership triples trade with other currency union members, and that trade, in turn, stimulates income per capita while fostering bilateral trade and overall openness; there is no evidence of trade losses arising from the creation of a currency union. Another study found that an FTA on average almost doubles bilateral trade between member countries after 10 years,[169] with similar results documented at manufacturing sector level.[170]

The literature on the link between RTAs and global value chains shows that the depth of FTAs positively impacts total trade and exports of foreign value added among member countries, enhances the export levels of simple and complex value chains, and raises the value-added exports of all sub-items of global value chains trade at different levels.[171] There is a positive association between FTAs and value chains in different contexts.[172]

The growth effects of regional integration arrangements provide similar encouraging results. For example, growth rises significantly with economic integration in Indonesia, Malaysia, Philippines, Singapore and Thailand.[173] Likewise, economic integration was found to increase economic growth significantly in South Asia.[174] Apart from trade flows, the literature also documents evidence of the effect of RTAs on other outcomes such as FDI, global/regional value chains and economic growth. Using four regional groupings—EU, NAFTA, Mercosur and ASEAN—it was shown that regional integration has positive and significant effects on FDI,[175] and specifically that intra-ASEAN FDI is driven by economic integration while macroeconomic fundamentals drive FDI from the rest of the world.[176]

Theoretical disadvantages

Though political unity and territorial security are important non-economic rationales for regional integration, differences in ideological and political systems can still result in conflicts and tensions between member countries, especially where the more powerful countries in the union dictate policy and reform, and in perceptions of uneven economic benefits of integration. In addition, theory suggests some costs associated with regional integration, such as interference and some loss of national sovereignty, as well as burdensome financial obligations due to membership responsibilities for economically struggling member countries.

FTAs also destroy economic rents by reducing the incentives of import-competing industries to lobby for higher external tariffs.[177] And one study indicates that broad liberalization leads to higher investment and faster growth, in both the short and long run, whereas joining an RTA lowers investment shares and economic growth.[178]

Table 2.3 summarizes the advantages and disadvantages of FTAs, customs unions and common markets.

Table 2.3
Advantages and disadvantages of three stages of regional economic integration

STAGE OF REGIONAL INTEGRATION	ADVANTAGES	DISADVANTAGES
Free trade area	• Trade expansion, if the economic benefits of trade creation are greater than those of trade diversion • Accelerated economic growth • Weakened and/or eliminated trade barriers through liberalization of rules governing trade and investment of member countries	• Trade suppression if the economic benefits of trade creation are less than those of trade diversion • Economic contraction • Free trade among members and protectionism against non-members • Uneven economic benefits of integration • Rent destruction induced by reduced incentives of import-competing industries to lobby for higher external tariffs
Customs union	• Trade expansion, if the economic benefits of trade creation are greater than those of trade diversion • Accelerated economic growth • Centralization of economic decisions promoted through the creation and management of a CET • Redistribution of real income among member countries and rest of the world through terms-of-trade effect • Voices of small and vulnerable countries amplified as they engage the rest of the world through increased bargaining power and reduced negotiation costs • Scale effects (lower production costs and consumer prices), variety effects (a range of diverse products) and accumulation effects (specialization) • Creation of larger markets, increased availability of factor inputs and higher productivity • Administration savings from elimination of customs officers and border patrols • Collective terms-of-trade improvement of a trade-diverting customs union • Increased rate of technological progress in the union leading to rapid output growth with constant inputs • Increased competition, economies of scale and variety • Stimulus to investment, especially FDI and technology transfer • Structural policy reform and better use of economic resources	• Administration savings from the elimination of customs officers and border patrols possibly increasing unemployment • Differences in ideological and political systems still possibly producing conflicts and tensions between member countries • Burdensome financial obligations due to membership responsibilities for economically struggling member countries
Common market	• Removal of barriers to international movement of factors of production, beyond removal of trade barriers • Investment creation in the form of external FDI inflows to the group • Coordination and collective bargaining power, and better management and sustainable use of shared resources	• Investment diversion from one member country to another in response to trade creation effects, economies of scale, and specialization resulting in production reorganization • Interference and some loss of national sovereignty

Note: CET = common external tariff; FDI = foreign direct investment.

Source: ECA compilation for ARIA XI.

Impacts of the AfCFTA and REC-level FTAs, customs unions and common markets

The bulk of the evidence from empirical studies that focus on African countries shows a large and significant impact of regional blocs on bilateral trade, even with similar comparative advantage or supply structures.[179] The Southern African Development Community (SADC) FTA increased intra-SADC bloc trade in beef and in maize,[180] with members trading 94 per cent more maize among themselves than they traded with the rest of the world. In addition, data analysis established that the ECOWAS FTA is positively and significantly associated with Ghana's bilateral trade in both the short and long run, specifically increasing aggregate trade flows in agriculture between 1995 and 2019.[181]

A general equilibrium study on the effect of the AfCFTA—the most recently established continent-wide FTA—shows it as beneficial, producing an overall increase in welfare and food consumption at household level and, specifically, leading to moderate positive outcomes for trade in commodities in Kenyan cash crops with only mild increases in exports of other commodities.[182] From a partial equilibrium perspective, the AfCFTA's effect on intra-Africa's merchandise trade also suggests that the AfCFTA has a positive net trade gain.[183]

Overall, findings in respect of RTA–growth nexus studies deploying African data are mixed. For example, in WAEMU, the macroeconomic effect of monetary union is such that countries that use the same currency tend to trade disproportionately, while monetary union strongly and positively affects members' output much more than it affects bilateral trade.[184] Another strand of analysis has shown that regional trade integration facilitates economic growth but engenders income divergence in Africa,[185] implying that the distribution of gains from regional integration favours the continent's more developed economies.

Quantitative analysis of trade and economic benefits of an AfCCU

Gravity models; proprietary partial equilibrium models such as TRIST,[186] WITS[187] and ATPSM;[188] and computable general equilibrium (CGE) models are the main quantitative methods that trade analysts use in seeking to evaluate the trade and economic benefits of regional integration.

Gravity models[189] have emerged as a workhorse of empirical trade analysis, are grounded in robust theoretical foundations,[190] and have recently been fine-tuned to strengthen results' reliability.[191] Yet they are inherently limited in their ability to capture linkages among the different sectors in the economy, failing to provide a comprehensive picture of economy-wide adjustments and the welfare implications of deep integration processes.

Similarly, partial equilibrium models, while analytically tractable, offer a limited perspective on the complex dynamics of economic integration. They are also unable to capture intersectoral linkages and general equilibrium effects of continental-scale economic integration, including factor market adjustments and income effects.[192]

CGE models represent the pinnacle of trade policy analysis, offering a theoretically rigorous and empirically robust framework for assessing the multifaceted impacts of economic integration initiatives. Rooted in general equilibrium theory and linked to detailed input-output tables, CGE models provide an unparalleled tool for capturing the complex web of economic interactions, intersectoral linkages, and policy feedback that characterize modern economies. The theoretical consistency of CGE models, combined with their ability to incorporate vast amounts of real-world data, positions them at the nexus of economic theory and empirical observation. Recent applications by Bouët et al. (2024) and Abrego et al. (2019) of such models to African economic integration showcase the power of CGE analysis in elucidating the nuanced impacts of the AfCFTA and potential customs union formations, demonstrating the models' capacity to capture synergies between different policy instruments and to optimize complex policy scenarios.

Approach to quantification

This section draws extensively on empirical work in a forthcoming ECA-CEPII institutional paper (ECA and CEPII forthcoming), which employs a CGE modelling approach to assess the economic implications of adopting a CET for Africa following the full implementation of the AfCFTA. The MIRAGE-Power CGE model, calibrated using the GTAP-Power 10.1 database with 2014 as the base year, incorporates detailed macroeconomic projections from the Macroeconometrics of the Global Economy (MaGE) growth model. This model's strength lies in its comprehensive representation of energy use and electricity generation, as well as its incorporation of key trade policies implemented in 2014–19 and of climate commitments. Crucially, the model operates under specific assumptions: a macroeconomic closure where current account shares vary according to MaGE projections; capital mobility where new capital is allocated based on real remuneration; a representative agent allocating a fixed share of income to savings; and a labour market with exogenous, skill-differentiated growth and perfect mobility between sectors within regions.[193]

The paper's methodological rigor is evident in its carefully constructed scenario design and timeline. The baseline scenario implements the AfCFTA reform, including tariff liberalization and reduction of NTMs within Africa in 2021–35. Building on this, it models four distinct CET scenarios: two extending existing regional CET structures (EAC and ECOWAS) to the entire continent, and two employing an innovative optimization approach to determine potentially optimal CET structures. These CET scenarios are implemented over 2036–37, after the assumed full completion of the AfCFTA. The use of a grid search method for the optimization scenarios, allowing tariffs to vary from 0 to 35 per cent in 5 per cent increments within intermediate bands while keeping tariffs unchanged for essential goods and sensitive products, demonstrates a thorough and multifaceted approach to policy analysis. This methodology allows for a comprehensive assessment of the trade-offs and potential outcomes associated with different CET structures, providing valuable insights for policymakers.

The analytical approach encompasses a wide range of economic indicators and employs various comparative techniques to provide a holistic view of the potential impacts of CET adoption. By examining changes in tariffs, trade flows, GDP, welfare, value added and tax revenues across different scenarios, the paper offers a comprehensive picture of the trade and economic implications at continental and country levels.[194] The inclusion of sectoral and country-level analyses enhances the granularity of the findings, allowing for a detailed understanding of how different economic sectors and countries might be affected by various CET structures. This multilayered analysis is particularly valuable given the diversity of African economies and the potential for disparate impacts across the continent. The study's consideration of WTO compliance in the optimization scenarios—ensuring that average tariffs remain below pre-CET levels—adds a crucial practical dimension to the analysis.

While the methodology has limitations, such as the use of applied rather than bound tariff rates and the aggregation of some countries into regional groupings, it nonetheless represents a state-of-the-art approach to analysing complex trade policy scenarios. The study's consideration of informal trade impacts, albeit limited, and its assumption of full AfCFTA implementation by 2035 provide a forward-looking perspective that is crucial for long-term policy planning. Its ability to quantify and compare scenarios provides an essential evidence base for policymakers as they contemplate the challenging path towards an AfCCU, offering insights into short-term adjustments and long-term economic outcomes.

Still, the changes are deviations from the baseline in the final year of the dynamic analysis. The AfCFTA is inbuilt in the baseline. And so in the results, the modest gains in intra-African trade as well as the value addition in relation to the customs union should be understood as additional impacts to the catalysed intra-African trade in the baseline AfCFTA.

Key findings: Trade and economic impacts of an AfCCU

This section juxtaposes the welfare implications of the AfCFTA in its full implementation phase in 2021–35, with customs union CET scenarios enacted over 2036–37, after the projected comprehensive realization of the AfCFTA. The baseline scenario encapsulates the execution of the AfCFTA reform, encompassing tariff liberalization and the mitigation of NTMs within Africa in 2021–35. Further, four unique CET scenarios are modelled: two extrapolate existing regional CET structures (EAC and ECOWAS) to a continental scale, and two employ an innovative optimization methodology to ascertain potentially optimal CET structures (ECA and CEPII forthcoming).

The Africa CET-EAC scenario (column 1) would increase the average tariff imposed by Africa on imports from non-African partners from 7.4 per cent under full AfCFTA implementation to 11.2 per cent, leading to a slight increase in intra-African trade of 1.67 per cent ($13.2 billion) and a substantial increase in tariff revenues of 32.5 per cent ($58.8 billion) (table 2.4). However, this scenario would also result in slight decreases in overall GDP (-0.08 per cent) and welfare (-0.05 per cent) relative to full AfCFTA implementation. This is because Africa's total trade (exports and imports) would also decrease due to less trade with the rest of the world. So, a net decrease in trade results as intra-African trade increases but Africa's trade with the rest of the world decreases more.

Table 2.4

Change in GDP, welfare, trade, factor revenue and tax revenue indicators for Africa under various scenarios, compared with baseline (i.e., with AfCFTA only, unless otherwise stated), 2045 (per cent)

	AFRICA CET-EAC(1)	AFRICA CET-ECOWAS(2)	OPTIMAL AFRICA CET-EAC (3)	OPTIMAL AFRICA CET-ECOWAS(4)
Average tariff vis à vis non-African partners	11.20	10.00	7.28	7.16
Average tariff	10.20	9.10	6.63	6.53
GDP	(0.08)	0.20	0.39	0.61
Welfare	(0.05)	0.24	0.18	0.46
Imports (volume—Fisher index)	(1.40)	(0.63)	0.82	1.44
Exports (volume—Fisher index)	(1.88)	(0.80)	1.01	1.86
Intra-African trade (compared with AfCFTA)	1.67	1.07	(0.50)	(0.24)
Exports outside Africa (vol. at 2014 FOB price)	(3.28)	(1.24)	2.08	3.23
Imports outside Africa (vol. at 2014 FOB price)	(2.05)	(1.13)	2.41	2.68
Production tax	1.43	0.25	0.74	(0.58)
Consumption tax	0.88	0.19	(0.05)	(0.61)
Tariff revenue	32.51	19.87	(2.01)	(17.58)
All tax revenue	8.02	4.70	(0.34)	(4.31)

Note: FOB = free on board.

Source: ECA and CEPII (forthcoming).

The Africa CET-ECOWAS scenario (column 2) offers a more balanced outcome, increasing the average tariff from 7.4 per cent to 10.00 per cent while generating modest increases in GDP (0.20 per cent) and welfare (0.24 per cent), alongside a 1.07 per cent rise in intra-African trade ($8.5 billion) and a 19.87 per cent increase in tariff revenues ($35.9 billion).

Both scenarios, however, raise concerns about WTO compliance due to increased average tariffs. These findings underscore the delicate balance between fostering intra-continental trade and maintaining global competitiveness, highlighting the need for careful consideration of the broader economic implications of harmonizing tariffs.

The exploration of optimal CET structures provides a compelling alternative, demonstrating the potential for achieving WTO compliance while still realizing economic gains. The Optimal Africa CET-EAC scenario (column 3) would decrease the average tariff to 7.28 per cent, ensuring WTO compliance, while increasing Africa's GDP by 0.39 per cent and welfare by 0.18 per cent. Similarly, the Optimal Africa CET-ECOWAS scenario (column 4) would reduce the average tariff to 7.16 per cent, yielding 0.61 per cent GDP growth and 0.46 per cent welfare improvement.

Notably, these optimal scenarios lead to expansion in Africa's total trade, with exports increasing by 1.01 per cent and 1.86 per cent for the EAC- and ECOWAS-based scenarios respectively, and imports rising by 0.82 per cent and 1.44 per cent. This occurs despite slight decreases in intra-African trade (-0.50 per cent for EAC-based and -0.24 per cent for ECOWAS-based scenarios). The reduction in tariff revenues under these scenarios (-2.01 per cent for EAC-based and -17.58 per cent for ECOWAS-based scenarios) may be challenging for some governments but could be offset by broader economic benefits and improved global trade relations.

At sector level, the results reveal significant variations that reflect the diverse economic landscapes across Africa (table 2.5). Under the Africa CET-EAC scenario, the agrifood sector would see intra-African trade increase by 5.32 per cent ($7.1 billion), while the industry sector would experience 1.21 per cent growth ($5.6 billion). The Africa CET-ECOWAS scenario would primarily benefit the industry sector with a 1.46 per cent increase ($6.7 billion) and the energy sector with a 2.16 per cent rise ($3.8 billion) in intra-African trade. The optimal scenarios show interesting shifts in value added across sectors. For instance, under the Optimal Africa CET-EAC scenario, cereals and crops would see a significant increase in value added of $17.08 billion, while the Optimal Africa CET-ECOWAS scenario would boost value added in the metals sector by $4.6 billion.

Table 2.5

Change in intra-African trade under various scenarios, compared with baseline (with AfCFTA only), by main sector and subsectors, 2045

	AFRICA CET-EAC		AFRICA CET-ECOWAS		OPTIMAL AFRICA CET-EAC		OPTIMAL AFRICA CET-ECOWAS	
SECTOR/SUBSECTOR	$ MILLION	(PER CENT)	$ MILLION	(PER CENT)	$ MILLION	(PER CENT)	$ MILLION	(PER CENT)
Agriculture and food	7,131.87	5.32	−2,072.66	−1.55	8,037.79	5.99	−3,787.96	−2.82
Paddy and processed rice	2,285.34	68.82	8.65	0.26	2,338.78	70.43	−159.03	−4.79
Other cereals and crops	1,343.86	11.80	−130.44	−1.15	1,481.23	13.00	625.52	5.49
Vegetables, fruit, nuts	633.56	4.04	−23.04	−0.15	336.83	2.15	−139.75	−0.89
Sugar	975.74	10.30	−222.33	−2.35	1,013.15	10.69	−467.26	−4.93
Livestock	203.91	4.52	28.38	0.63	152.94	3.39	42.20	0.93
Meat	105.11	3.58	105.61	3.59	134.87	4.59	112.51	3.83
Milk and dairy products	2,096.49	18.51	−691.82	−6.11	2,114.07	18.66	−668.19	−5.90
Other food and beverages	−512.15	−0.68	−1147.66	−1.52	465.92	0.62	−3,133.96	−4.16
Energy and mining	415.73	0.23	3,822.83	2.16	1414.89	0.80	414.50	0.23
Coal	−29.07	−1.50	−17.01	−0.88	−46.37	−2.40	24.74	1.28
Oil	−169.57	−0.42	973.98	2.41	773.86	1.91	372.44	0.92
Gas	−43.87	−0.82	11.19	0.21	18.48	0.34	47.57	0.89
Mining	1821.11	2.82	1,009.50	1.56	−740.03	−1.15	−956.03	−1.48

	AFRICA CET-EAC		AFRICA CET-ECOWAS		OPTIMAL AFRICA CET-EAC		OPTIMAL AFRICA CET-ECOWAS	
SECTOR/SUBSECTOR	$ MILLION	(PER CENT)	$ MILLION	(PER CENT)	$ MILLION	(PER CENT)	$ MILLION	(PER CENT)
Power	−464.81	−1.58	257.63	0.88	458.46	1.56	736.25	2.51
Refined oil	−698.06	−1.96	1,587.53	4.46	950.48	2.67	189.53	0.53
Industry	5,584.22	1.21	6,705.35	1.46	−13,717.04	−2.98	1,134.80	0.25
Forestry	−23.65	−2.73	−21.44	−2.47	−25.85	−2.98	2.57	0.30
Fishing	202.61	14.98	−61.06	−4.51	150.89	11.16	−100.13	−7.40
Textiles, wearing apparel and leather	93.51	0.37	−2,195.62	−8.76	−5,357.97	−21.37	−7,740.77	−30.88
Wood and paper	2,301.68	5.39	529.40	1.24	3,541.40	8.29	−1,605.44	−3.76
Chemicals, rubber, plastics, pharma	−3,994.78	−2.28	861.54	0.49	−1,672.62	−0.95	6,448.36	3.67
Metals	10,335.44	10.18	4,071.50	4.01	−3,126.61	−3.08	1,663.97	1.64
Other manufactured products	2,757.40	5.45	3,446.21	6.82	−1,379.22	−2.73	952.23	1.88
Vehicles and transport equipment	−6,087.99	−9.74	74.82	0.12	−5,847.08	−9.35	1,514.02	2.42
Services	105.38	0.47	26.88	0.12	313.99	1.39	332.86	1.48
Other services	56.02	1.16	24.07	0.50	105.48	2.18	64.99	1.34
Tourism	−12.02	−3.45	0.28	0.08	−10.63	−3.05	5.28	1.51
Transport	24.96	0.87	−3.34	−0.12	41.02	1.43	43.99	1.53
International transport	55.51	1.88	−20.96	−0.71	41.02	1.39	68.79	2.33
Communication	9.69	0.71	9.58	0.70	24.13	1.76	20.09	1.47
Financial services	3.01	0.37	4.00	0.49	7.45	0.91	5.35	0.66
Business services	−51.22	−0.86	−16.04	−0.27	70.78	1.19	77.96	1.31
Education	16.92	0.64	22.29	0.85	25.83	0.98	33.54	1.27
Health	2.51	0.34	7.00	0.95	8.92	1.22	12.88	1.76
ALL SECTORS	13,237.19	1.67	8,482.40	1.07	−3,950.36	−0.50	−1,905.80	−0.24

Note: Change is in volume at 2014 free on board price in $ million.

Source: ECA and CEPII (forthcoming).

Country-level impacts vary widely, illustrating the challenges of implementing a uniform CET structure. For example, under the Optimal Africa CET-EAC scenario (optimized for intra-African trade), Egypt would see its GDP increase by 2.74 per cent and exports by 4.63 per cent, while Benin would experience a GDP decline of 3.52 per cent and a 4.80 per cent decrease in exports (table 2.6). Similarly, under the Optimal Africa CET-ECOWAS scenario, Egypt's GDP would grow by 3.14 per cent with exports increasing by 6.50 per cent, while Mauritius would face a GDP decline of 0.59 per cent and a 4.59 per cent decrease in exports (table 2.7). This suggests that compromises are required by some countries, which will in turn need discussions on different options for compensating mechanisms to secure buy-in of an AfCCU and AfCCOM across countries. One such option is the SACU method of dealing with resource management to support its customs union.

Table 2.6

Change in Africa and African countries/regions' GDP, welfare and trade based on the most optimal WTO-compliant options (EAC CET bands 1 and 2 (originally set at 10 per cent and 25 per cent) to 20 per cent and 0 per cent) under the Optimal Africa CET-EAC scenario, compared with baseline (with AfCFTA only), 2045

	VARIATION (PER CENT)					
REGION	GDP	WELFARE	IMPORTS	EXPORTS	INTRA-AFRICAN IMPORTS	INTRA-AFRICAN EXPORTS
Africa	0.39	0.18	0.82	1.01	−0.50	−0.50
Egypt	2.74	1.81	2.85	4.63	−13.41	6.25
Morocco	0.02	0.03	−1.37	−2.41	4.49	−2.37
RoAMU	0.39	−0.32	1.00	1.08	7.41	0.21
Benin	−3.52	−1.84	−1.50	−4.80	−4.77	−9.96
Côte d'Ivoire	−0.16	−0.48	−0.20	0.04	0.99	−1.32
Ghana	−0.06	−0.24	0.25	0.21	−1.70	1.05
Nigeria	−0.12	−0.03	0.17	0.18	0.54	−2.93
Senegal	0.05	−0.27	0.50	0.65	−1.32	−2.65
RoECOWAS	0.76	0.20	1.42	1.89	−2.63	−3.39
Cameroon	0.89	0.29	5.61	7.50	−9.32	−0.37
RoECCAS	0.47	−0.07	2.83	2.49	−6.50	0.10
Ethiopia	0.71	0.07	4.46	6.19	−7.78	4.63
Kenya	0.63	0.38	2.24	4.31	−9.53	3.89
Mauritius	−0.56	−0.54	−3.34	−4.83	10.45	−14.03
Mozambique	0.01	−0.53	−0.11	−0.20	0.03	−0.12
Rwanda	0.12	0.14	1.05	1.14	−1.32	0.44
Tanzania	0.86	0.74	3.21	3.88	−2.09	−0.11
Uganda	0.47	0.30	1.79	1.35	0.02	2.12
Zimbabwe	0.91	0.51	3.00	4.28	−5.08	5.79
Namibia	0.66	0.24	0.74	0.65	0.77	−0.20
South Africa	0.39	0.17	0.43	0.33	1.71	−0.06
RoTFTA	−0.07	−0.20	−0.41	−0.45	2.52	−2.12

Note: RoAMU = Rest of Arab Maghreb Union (excludes Egypt, Morocco and Tunisia); RoECOWAS = Rest of ECOWAS countries (excludes Benin, Côte d'Ivoire, Ghana, Nigeria and Senegal); RoECCAS = Rest of ECCAS countries (excludes Cameroon); RoTFTA = Rest of Tripartite Free Trade Area countries. A full description of the composition of groups is available in Annex 1 of the source document.

Source: ECA and CEPII (forthcoming).

Table 2.7
Change in African countries/regions' GDP, welfare and trade under Optimal Africa CET-ECOWAS scenario, compared with baseline (with AfCFTA only), 2045

	VARIATION (PER CENT)					
REGION	GDP	WELFARE	IMPORTS	EXPORTS	INTRA-AFRICAN IMPORTS	INTRA-AFRICAN EXPORTS
Africa	0.61	0.46	1.44	1.86	−0.24	−0.24
Egypt	3.14	1.90	3.76	6.50	−13.61	3.69
Morocco	0.17	0.27	−1.31	−1.85	5.22	−7.57
RoAMU	0.46	0.36	0.89	1.14	4.86	−3.12
Benin	2.62	0.83	3.88	11.62	−7.41	7.86
Côte d'Ivoire	−0.04	−0.10	−0.51	−0.20	−0.08	−1.65
Ghana	0.41	0.45	1.09	1.18	−0.77	0.62
Nigeria	0.03	0.08	0.99	1.11	−3.49	0.28
Senegal	0.52	0.18	1.32	2.56	−1.32	−0.90
RoECOWAS	−0.02	0.22	0.73	0.85	−1.02	−0.81
Cameroon	0.89	0.52	5.64	7.67	−11.32	−0.30
RoECCAS	0.73	0.50	3.79	3.20	−4.48	2.27
Ethiopia	0.80	0.28	4.45	6.38	−9.34	5.21
Kenya	1.33	0.64	4.32	8.59	−11.97	6.74
Mauritius	−0.59	−0.47	−3.19	−4.59	9.47	−13.92
Mozambique	0.43	0.21	0.69	0.91	−0.59	0.34
Rwanda	0.34	0.41	1.59	1.59	1.67	−5.59
Tanzania	1.63	1.58	6.43	7.85	−1.49	0.64
Uganda	0.30	0.25	1.38	0.91	6.55	−1.43
Zimbabwe	0.72	0.39	2.16	2.94	−2.07	1.82
Namibia	0.94	0.18	0.28	0.66	1.19	0.18
South Africa	0.39	0.20	0.45	0.56	2.09	−0.37
RoTFTA	0.23	0.22	0.63	0.73	2.28	−1.27

Note: RoAMU = Rest of Arab Maghreb Union (excludes Egypt, Morocco and Tunisia); RoECOWAS = Rest of ECOWAS countries (excludes Benin, Côte d'Ivoire, Ghana, Nigeria and Senegal); RoECCAS = Rest of ECCAS countries (excludes Cameroon); RoTFTA = Rest of Tripartite Free Trade Area countries. A full description of the composition of groups is available in Annex 1 of the source document.

Source: ECA and CEPII (forthcoming).

This analysis of potential CET structures for Africa reveals the intricate balance required in pursuing continental economic integration. The empirical analysis demonstrates that while extending existing regional CET structures can significantly boost intra-African trade and tariff revenues, it may come at the cost of overall economic performance and WTO compliance. Conversely, optimized CET structures offer a path to WTO-compliant integration with positive impacts on GDP and overall trade, albeit with some reduction in intra-African trade gains, from those anticipated from the AfCFTA reform. The varied sectoral impacts, such as the increase in agrifood trade under the Africa CET-EAC scenario or the increase in metals sector value added under the Optimal Africa CET-ECOWAS scenario, highlight the necessity of a flexible and inclusive approach to harmonizing tariffs.

The empirical evidence presented above for the two years after the CET is fully implemented provides strong reasons to consider the 1974 Enabling Clause of the WTO, which allows developing countries to enter FTAs/RTAs without having to go through Article 24, in selecting either the Africa CET-ECOWAS or Africa CET-EAC scenario. While both scenarios would increase average tariffs beyond current levels, potentially conflicting with WTO rules, their substantial economic benefits for Africa warrant serious consideration. The following points provide a persuasive case for considering the 1974 Enabling Clause:

- *Prioritizing intra-African trade growth*: The empirical results demonstrate significant potential for intra-African trade expansion under both scenarios. This growth in intra-continental trade is crucial for Africa's economic development, fostering regional value chains and reducing dependency on external markets.
- *Leveraging increased tariff revenues for development*: Both scenarios promise significant increases in tariff revenues. These additional resources could be strategically invested in critical infrastructure, education and technology, addressing development gaps and enhancing Africa's global competitiveness.
- *Supporting sectoral development and economic diversification*: The sectoral analysis reveals potential for significant growth in key industries. These gains could drive diversification and industrialization across the continent.
- *Enhancing Africa's collective bargaining power*: Implementing a continent-wide CET would significantly strengthen Africa's position in global trade negotiations. African countries could negotiate more effectively with external partners, potentially securing better terms of trade. This enhanced bargaining power could help offset any potential negative impacts of higher average tariffs on extra-African trade.
- *Accelerating AfCFTA implementation and deepening integration*: Adopting a CET would represent a significant step towards deeper economic integration, building on the momentum of the AfCFTA. It would simplify trade procedures, reduce the complexity of rules of origin, and create a more cohesive African market.

- *Addressing development disparities*: While the ECA and CEPII (forthcoming) study shows varying country-level impacts, a carefully implemented CET could help address development disparities across the continent. The increased tariff revenues and intra-African trade could be leveraged to support less developed economies, promoting more balanced growth Africa-wide.
- *Stimulating investment and industrialization*: A unified CET could make Africa more attractive for both intracontinental and external FDI. The larger, more integrated market created by a common CET would offer economies of scale and scope, potentially catalysing industrialization efforts.

Some of the key challenges highlighted by the study relate to the following:

- *WTO compliance issues*: The study argues that extending existing CET structures (such as those of EAC and ECOWAS) to the entire continent would probably result in higher average tariffs, posing a challenge for WTO compliance. Thus the 1974 Enabling Clause remains an important consideration if deviations from WTO rules were to lead to significant disputes with trading partners and undermine Africa's credibility in international trade negotiations.
- *Trade diversion*: Implementing a continental CET could potentially lead to trade diversion, where member countries prioritize relatively inefficient intra-African trade over more competitive trade with other regions. This could negatively impact African countries' trading relationships with non-African partners, potentially leading to economic losses.
- *Regional disparities*: Africa is diverse on economic development, industrialization and trade capabilities, so that harmonizing tariffs across such diverse economies may disproportionately benefit or disadvantage certain regions or industries. Thus, regions with more developed industries might resist the imposition of tariffs that protect less competitive sectors, leading to tensions within the customs union.
- *Economic adjustment costs*: Transitioning to a continental CET would require significant adjustments for industries and economies accustomed to varying tariff regimes. Some sectors may face challenges in adapting to increased competition, leading to short-term economic disruptions and potential job losses.

Some of the key policy implications derived from ECA and CEPII (forthcoming) are:

- *Harmonizing tariffs is emphasized* across member countries in Africa to ensure effective implementation of a continental CET.
- *Establishing support mechanisms is recommended* to offset potential revenue losses for less developed countries.
- *Capacity-building is important* for customs and trade officials to manage the transition to a CET.
- *Significant investment is urged* in trade-related infrastructure to support increased trade flows and integration.

As the 1974 Enabling Clause of the WTO allows developing countries to enter into FTAs/RTAs without having to go through Article 24, selecting either the Africa CET-EAC or Africa CET- ECOWAS scenario will not present insurmountable diplomatic challenges. The potential economic benefits for Africa are substantial and far-reaching, aligning closely with Africa's development goals, the Abuja Treaty and Agenda 2063. The optimal scenarios could also offer interesting but clearly different perspectives as a basis for an African CET. Ultimately, it is for the member states—admittedly through a complex process to get everyone's buy-in—to decide which approach to pick.

Conclusion and recommendations

Conclusion

Regional integration efforts in Africa have been a blend of social constructs and trade or economic considerations as major determinants in the practice of developmental regionalism, where the African approach is an adapted Western-market approach with an embedded developmental component. A review of theoretical and empirical works showed that there are benefits and costs associated with regional integration, depending on its depth. The benefits are increased intraregional trade in African countries in the short and long run, generating overall increases in welfare and food consumption at household level, and a positive net trade gain at the economy-wide level. Costs include interference and the ceding of some national sovereignty, increased financial obligations, and rent destruction through the inability of domestic firms to lobby for higher external tariffs.

The positive impacts were produced in the presence of RoO, which are an important component of FTAs that hinder its full achievement. The quantum gains that an AfCCU and AfCCOM will generate for Africa if adopted as planned in the Abuja Treaty can then be imagined. Again, while RTAs like monetary union strongly and positively affect members' output and bilateral trade, and have positive impacts on economic growth, the generation of income divergence in African countries would have to be addressed with income-redistribution policies.

Africa is currently experimenting with the AfCFTA, and should in a matter of years proceed to an AfCCU not only because it is the natural next stage in the economic integration continuum, but also because this progression is expressly provided for in both the Abuja Treaty and the AfCFTA Agreement. Importantly also, the disadvantages of the AfCFTA relative to an AfCCU have the potential to subsequently make that movement imperative to obtain greater gains from integration. As seen, a customs union's net positive effect is dependent on the size of the customs union, an advantage for Africa, which has the benefit of size, though nuanced by its small economies (Mkandawire op. cit.). Both ECOWAS and EAC are already customs unions and the level of their CET could augur well for the rest of the continent to consider adopting it (see "Quantitative analysis of trade and economic benefits of an AfCCU," above). And while Africa's degree of trade complementarity is low, it is expected that Southern and North Africa's moderately high trade complementarity will render expedient the formation of an AfCCU.

Another factor is that an AfCCU will likely possess a large, favourable consumption effect, with 1.48 billion consumers, even if it becomes trade diverting, and would therefore be welfare improving for African countries and the world. This is apart from the export advantages that an African low-cost producer can fully use to exploit its comparative advantage to expand output of export goods to boost economic welfare. The fact that Africa, when it transforms into an AfCCU, would be sufficiently large economically to influence world prices to obtain terms-of-trade gains is another potential advantage for the continent, even if its customs union is trade diverting. Many of the potential AfCCU members have stronger trading ties with the rest of the world than with themselves, so trade diversion would probably tend to be more than trade creation, which would probably be compensated through large consumption effects and terms-of-trade gains.

The AfCFTA is expected to be fully running by 2034. But it is also expected to be burdened by its permissive, individual African-country external trade barriers, which necessitates RoO. The AfCFTA's RoO, established to discourage trade deflection, could also become burdensome. Because the CET in an AfCCU will preclude the need for RoO, African countries need to brace for adopting the AfCCU in line with the Abuja Treaty, which will better lock each country in intracontinental trade and strengthen overall integration.

Recommendations

Given the foregoing analysis, this chapter identifies the following recommendations for African countries and the institutions supporting regional integration.

- *Pursue reflections and actions geared towards progression to the next stages in Africa's continental integration, simultaneously with ongoing efforts to accelerate African countries' full implementation of the AfCFTA.* These moves will provide a solid foundation for transitioning to the AfCCU and AfCCOM, which promise significant economic and trade benefits beyond those available within the AfCFTA. Hence, policies to address the uneven distribution of benefits from the AfCFTA need to be implemented, including full operationalization of the AfCFTA Adjustment Fund to support countries, sectors and communities that may be adversely affected by the adoption of a CET.
- *African countries should seize the opportunity offered by its size to maximize the benefits of trade under the AfCCU and AfCCOM.* Moving on to a customs union and subsequently to a common market will enable Africa to exploit this opportunity for terms-of-trade gains.
- *African countries should move ahead with the AfCCU at the opportune time.* This will help overcome the burdensome RoO in the FTA.
- *Implement an efficient and effective CET for the continent, considering the results from the four scenarios in ECA and CEPII (forthcoming).* The potential challenges with WTO compliance and uneven impacts should be dealt with in view of the development imperatives and potential long-term benefits for global trade of the continental CET.

The next chapter provides insights into the AfCFTA's implementation—progress and challenges—with a view to drawing up lessons that could be applied to Africa's efforts to bring about the AfCCU and the AfCCOM.

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CHAPTER 3

The AfCFTA: Implementation Progress and Challenges

Introduction

The launch of trading under the African Continental Free Trade Area (AfCFTA) marked the culmination of decades of support from all major stakeholders in Africa's integration, including Africa's regional economic communities (RECs), and signified a major continental milestone. The operational phase of the AfCFTA was founded on the adoption of five key instruments:[195]

- *Rules of origin (RoO):* An agreed-in-principle continental regime governing and determining the conditions under which a product or service is deemed to be wholly originating in an African country and can thus be traded duty-free within the AfCFTA.
- *Tariff concessions:* The agreed national schedules of 90 per cent tariff liberalization, starting in 2021 and foreseen to take five years for most non-least developed countries (non-LDCs) and 10 years for LDCs to fully liberalize the 90 per cent non-sensitive products; and 10 years and 13 years, respectively, to liberalize additional 7 per cent tariff lines comprising "sensitive products," with a five-year (deductible) transition period before initiating the 10/13-year countdown.
- *Online non-tariff barrier monitoring, reporting and elimination mechanism:* An online mechanism for monitoring and ultimately eliminating the plethora of non-tariff barriers, which are a notable deterrent to intra-African trade.
- *Pan-African Payment and Settlement System:* A continental system to facilitate on-time, in-full and in-local-currency payments and net annual settlements in foreign exchange (box 3.1).

- *African Trade Observatory*: A trade information portal with all trade statistics, key information on trade opportunities, information on exporters and importers in various African countries, and other relevant data, to address trade hindrances that emanate from paucity of data, information and knowledge in Africa.

BOX 3.1

The role of instant payment systems in promoting inclusivity in the digital economy under the AfCFTA

As Africa embraces technological advances and evolving regulations, the emergence of inclusive instant payment systems (IPSs) is transforming the financial transaction landscape across the continent. These systems are essential components of digital public infrastructure in Africa, acting as gateways to digital financial inclusion under the AfCFTA.

Such systems facilitate near real-time digital push payments, operating 24/7 throughout the year. They are vital for Africa's development, forming the backbone of digital public infrastructure to promote inclusivity in the digital economy. To qualify as an inclusive IPS, these platforms must support low-value, low-cost and irrevocable transactions based on open-loop and multilateral interoperability.

In 2023, IPSs processed 49 billion transactions, for a 47 per cent increase from 2022. This growth highlights the expanding adoption of such systems across Africa. By 2023, the continent featured 28 domestic and three regional IPSs.

Source: AfricaNenda Foundation, ECA, and World Bank Group (2024). The State of Inclusive Instant Payment Systems in Africa 2024 Report. Available at: https://www.africanenda.org/en/siips2024

This chapter discusses the status of the AfCFTA's implementation at continental and regional levels, including the adoption and roll out of the Guided Trade Initiative (GTI), which was intended as a proof of concept to show that trade can happen under the AfCFTA rules. It also highlights other continental initiatives that can support AfCFTA implementation, including the Protocol on Free Movement of Persons and the Single African Air Transport Market (SAATM). Further, it identifies implementation challenges faced by member states, before presenting a conclusion and policy recommendations.

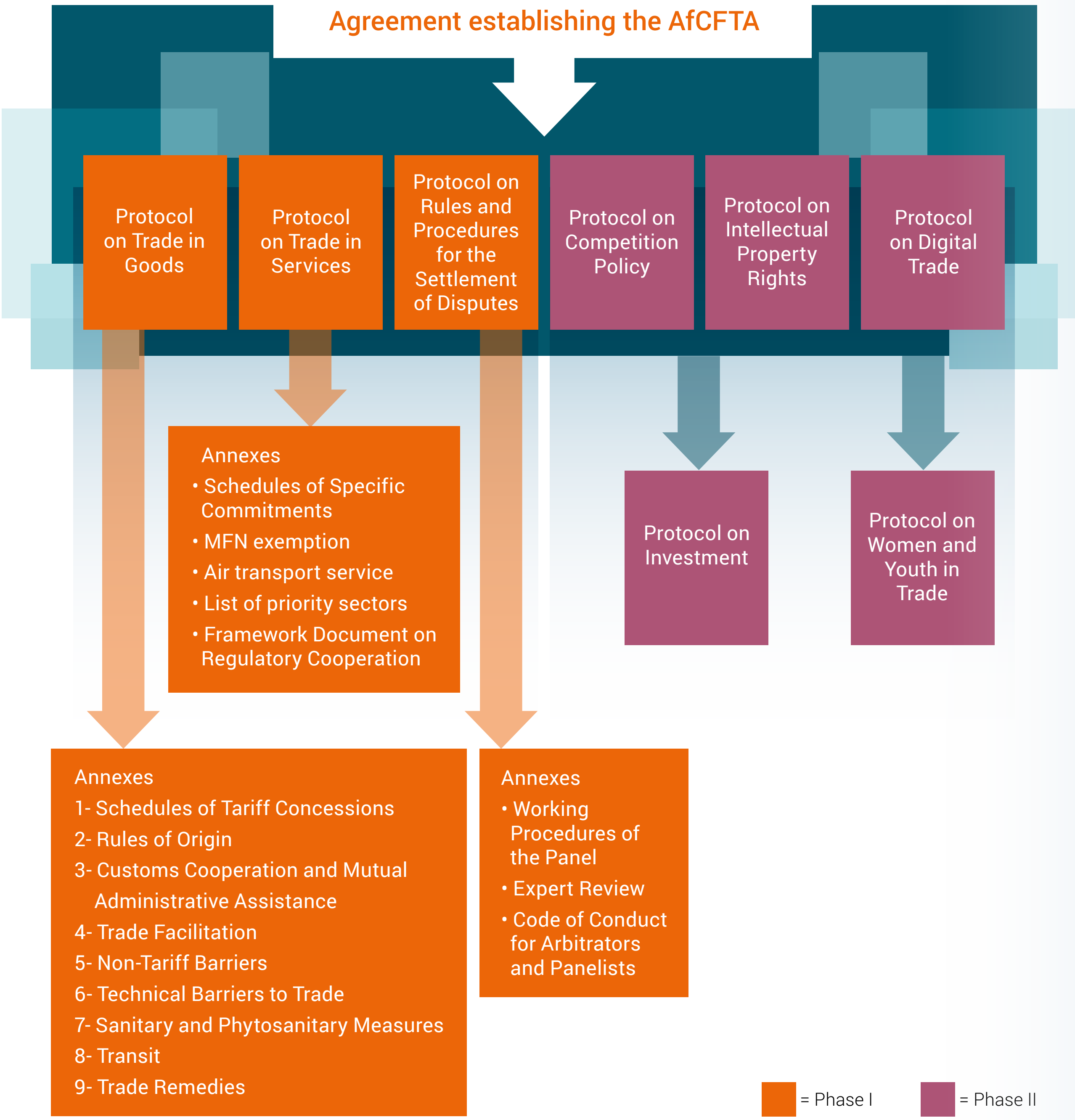
Implementation status of the AfCFTA

As of January 2025, 54 African countries have signed the AfCFTA Agreement and 48 of them have deposited their instruments of ratification, showing political will to advance Africa's integration.

The AfCFTA Agreement consists of protocols and annexes negotiated in two phases (figure 3.1).

Figure 3.1

AfCFTA Agreement protocols and annexes



Source: UNECA 2025.

The AfCFTA Protocol on Trade in Goods outlines a schedule for tariff liberalization, categorizing products into three groups: non-sensitive, sensitive and excluded products. It also distinguishes between LDCs and non-LDCs. Non-LDCs have five years to liberalize 90 per cent of their tariff lines for non-sensitive products and 10 years for sensitive products, which can constitute up to 7 per cent of tariff lines. LDCs were granted more time, with 10 years to liberalize 90 per cent of tariff lines for non-sensitive products and 13 years for sensitive products. Both LDCs and non-LDCs may exclude up to 3 per cent of tariff lines, provided the exclusions do not exceed 10 per cent of intra-African import value.

By 2033, 13 years after the AfCFTA Agreement's entry into force, 97 per cent of goods originating in Africa are expected to be traded across borders without customs duties or equivalent charges. According to ECA (2025), although the agreement officially came into effect on 30 May 2019, trading under AfCFTA rules began on 1 January 2021. As of October 2024, however, only a few member states have systematically implemented the agreed tariff reductions.

The AfCFTA protocol does not, however, stipulate the tariff lines that countries are required to liberalize. As a result, tariff liberalization under the AfCFTA is informed by tariff offers submitted by countries themselves or through their RECs. In effect, 45 tariff offers[196] for liberalizing intra-continental goods trade were received by the AfCFTA Secretariat by January 2024.[197]

Apart from submitted tariff offers, RoO at continental level also impinge on the AfCFTA's implementation. RoO are the criteria used to evaluate the "nationalities" of products to determine their qualification for trade in a specific trade area. For the AfCFTA, RoO will be used to certify products as "made in Africa" to allow such products free circulation in the continent under the AfCFTA Agreement. Kararach et al. (2023) identified two broad categories of RoO: (a) regime-wide rules (RWRs) or rules that apply to all products; and (b) product-specific rules (PSRs) or rules that apply to specific products. For trade under the AfCFTA, a set of common RWRs have been agreed on, but negotiations on PSRs have not been finalized.[198] In the absence of finalized RoO regulations, it is difficult for a member state to finalize its tariff offer because RoO influence a country's decision on whether to add the product to the sensitive list or liberalize the tariffs of the specific product.[199]

The complexity of the negotiations on RoO is centred on the strictness of RoO. Stricter RoO require that almost all the raw materials are sourced within the preferential trade area and conversion of a product is done in the free trade area (FTA). In instances where raw materials are sourced outside the preferential trade area, as in the African region, this stipulation can affect a firm's ability to produce those goods with foreign-sourced inputs and so the competitiveness of the same firms. In addition, RoO negotiations in the AfCFTA have remained contentious and complicated due to their trade-limiting effect, especially if RoO design raises costs above the level needed to deter transshipment or trade deflection. This complexity is intensified in the AfCFTA because current negotiations are based on RoO in existence in RECs with highly complicated and differentiated FTAs.

Despite these challenges, 92.3 per cent of the RoO had been negotiated as of 14 February 2024, that is, 2.3 per cent above the 90 per cent required to roll out the first stage of trade liberalization.[200] AfCFTA implementation should therefore be ramped up, given that FTAs such as the Southern African Development Community (SADC) have been implemented without necessarily agreeing on all RoO. Further, oversight institutions, such as the Council of Ministers, Committee of Senior Trade Officials and Committees of Trade Experts, were established to guide the implementation process. The Dispute Settlement Mechanism was launched to resolve trade disputes.

Box 3.2 highlights the initiatives launched alongside phase 1 and 2 negotiations undertaken since the AfCFTA came into force.

BOX 3.2

AfCFTA implementation support initiatives

- A platform set up to monitor and address non-tariff barriers to trade within the continent.
- The Pan-African Payment and Settlement System, launched in January 2022 to facilitate inter-currency payments under the AfCFTA.
- The AfroChampions initiative, connecting African private sector leaders and public officials in agencies such as the African Union to support AfCFTA implementation.
- The $10 billion AfCFTA Adjustment Fund supported by the African Export-Import Bank, signed in February 2022.
- The launch of the African Trade Observatory, serving as a data repository for tracking changes in intra-African trade volumes to help monitor AfCFTA implementation and measure its impact.
- The launch of the AfCFTA Country Business Index, an ease-of-doing-business index focused on supporting AfCFTA implementation by identifying and monitoring progress in eliminating trade barriers and bottlenecks affecting the private sector.
- In July 2022, announcement at the 9th AfCFTA Council of Ministers Meeting of the launch of:
  - the AfCFTA RoO Manual
  - the AfCFTA e-Tariff Book
  - the Guided Trade Initiative (GTI).

The launch on 7 October 2022 of the GTI in Ghana with a view to rolling out commercially meaningful trading under the AfCFTA.

Source: ECA based on APRI 2023.

Both phases of the AfCFTA negotiations have been concluded with marked progress achieved (box 3.3).

BOX 3.3

Implementation status of the AfCFTA

The AfCFTA has made significant strides in securing more countries to ratify the AfCFTA Agreement, encouraging member states to adopt the Provisional Schedules of Tariffs Concessions, and finalize trade in service negotiations.

- As of August 2024, the total number of countries that had signed the AfCFTA Agreement had risen to 54, with 48 having completed ratification. Six countries—Benin, Libya, Madagascar, Somalia, South Sudan, and Sudan—are still to finalize ratification.
- Notable progress has been made in the adoption of Provisional Schedules of Tariff Concessions, with 45 countries submitting their tariff offers undergoing technical verification.
- On Trade in Services, 22 Schedules of Specific Commitment have been adopted, covering the five priority sectors: communications, business services, finance, transport and tourism. Negotiations are under way for 26 additional offers.
- The African Union (AU) Assembly formally adopted the phase 2 protocols on investment, intellectual property rights, and competition policies in February 2023, integrating them into the AfCFTA framework.
- Protocols addressing women and youth in trade and digital trade were adopted at the 37th AU Assembly summit.

The Guided Trade Initiative has proved to be effective at promoting the AfCFTA's domestication. In its second phase, its scope has expanded from eight to 35 countries and to any products traded among them.

Source: ECA based on AfCFTA 2024.

The eight AU-recognized RECs have been instrumental in advancing the AfCFTA's implementation, serving as essential building blocks for its success. Their inclusion was a strategic decision to preserve existing achievements, even as the RECs have pursued their trade integration agendas with varying degrees of success. Throughout the AfCFTA negotiations, the RECs have acted as hubs for consolidating offer negotiations, especially those that are customs unions, while addressing issues related to overlapping memberships and trading regimes.

Notably, the secretariats of the East African Community (EAC), Economic Community of West African States (ECOWAS) and Economic Community of Central African States (ECCAS) have aggregated and submitted tariff offers on behalf of their member states to the AfCFTA Secretariat. Even though the RECs were given only observer status in the Committee of Senior Trade Officials of the AfCFTA, some of them have assumed important roles as they help bridge capacity gaps for less-resourced countries that may lack the expertise needed to undertake trade negotiations under the AfCFTA.

Guided Trade Initiative: Proof of concept of effective trading under AfCFTA rules

The AfCFTA has received strong support and political will from its member states, demonstrated by their proactive preparations for trade under the AfCFTA Agreement and the swift pace of ratifications. Many countries have developed implementation strategies and launched awareness programmes to engage private sector stakeholders, enabling them to capitalize on the AfCFTA's benefits. These strategies focus on identifying key areas of value addition, opportunities and challenges related to trade, as well as the measures necessary for better positioning in national, regional and global markets within the AfCFTA framework. They also encompass aspects such as financing, communication, and monitoring and evaluation. National preparedness is a crucial criterion for participation in the GTI.

The GTI was launched on 7 October 2022 in Accra, Ghana to roll out commercially meaningful trading under the AfCFTA. It is a temporary measure to sustain public and political interest in the AfCFTA. As part of the implementation framework, four trade facilitation-oriented sub-committees on GTI were established:

- Customs and logistics, to focus on the AfCFTA customs cooperation and trading documents.
- Non-tariff measures (NTMs), to examine and collect available NTMs applicable to goods covered under the GTI.
- Communications, charged with publicity, press engagement, planning and execution.
- Services, to consider activities related to trade in services under the GTI, with priority given to financial and transport services for the first phase of the GTI.

In the GTI's first phase, several countries met key requirements for inclusion. These countries were in the process of submitting provisional tariff offers for goods trade, considering commitments in trade in services, selecting exporting companies and their respective products, and establishing ad hoc country-level committees to manage the initiative and coordinate with the AfCFTA Secretariat. Additionally, they published legal texts related to the provisional tariff offers. This initial phase covered eight countries and 96 products; all these countries had signed and ratified the AfCFTA Agreement and submitted their tariff offers (box 3.4).[201]

BOX 3.4

First phase of the GTI framework

CAMEROON

In 2021, Cameroon established an inter-ministerial committee to monitor and implement the AfCFTA as part of its domestication strategy. The country submitted its tariff offers through ECCAS and developed a comprehensive AfCFTA implementation strategy for 2020–35, aligning it with its Industrialization Master Plan and National Development Plan.

EGYPT

With the support of the African Export-Import Bank and the Organisation for Economic Co-operation and Development, Egypt created a Product Transformation Policy Review to leverage the AfCFTA. The Ministry of Trade and Industry has a leading role in negotiations, viewing the AfCFTA as a game changer that opens new markets for the country's special economic processing zones, contingent on manufacturers meeting the RoO requirements.

GHANA

In August 2022, Ghana launched its National AfCFTA Policy Framework and Action Plan as part of its AfCFTA domestication strategy. Before this, in November 2021, the government issued guidelines for local authorities on AfCFTA implementation. These initiatives established a robust support system, including an Inter-Ministerial Committee, a National AfCFTA Steering Committee, and various technical working groups involving public and private sector leaders. The Customs Division of Ghana's Revenue Authority was designated as the competent authority, tasked with implementing trade facilitation reforms, such as a single customs window to streamline access to services like trade licences and permits for Ghanaian traders.

KENYA

In August 2022, Kenya launched its AfCFTA implementation strategy for 2022–27. The country manages its AfCFTA negotiations through regional trading blocs, COMESA and EAC. The Customs Division of the Revenue Authority is the designated competent authority. Additionally, Kenya formed an ad hoc committee to coordinate GTI processes and sent its first shipment under this initiative to Ghana on 23 September 2022.

MAURITIUS

Mauritius developed its national AfCFTA implementation strategy and is working to remove barriers faced by exporters. To enhance the competitiveness of its exporters under the AfCFTA, the country is implementing initiatives like the Africa Warehousing Scheme and the Freight Rebate Scheme. To facilitate the application process for necessary certifications, including the RoO certificate, Mauritius is integrating its TradeNet Portal. The country's negotiation position is heavily influenced by its advanced garment-production sector.

RWANDA

Rwanda's AfCFTA agenda is led by the Minister for Trade, with its revenue authority the designated competent authority. In June 2022, Rwanda launched its national AfCFTA implementation strategy to identify priority goods and services for trade under the AfCFTA. To improve business operations, exporters can now apply for certificates of origin through an online platform, sharply reducing waiting times. The government is also working to eliminate non-tariff barriers and has introduced a special freight tariff for exporters under the AfCFTA. Rwanda has signed the Protocol on Free Movement of Persons.

TANZANIA

Tanzania, with Kenya and Rwanda, is conducting its AfCFTA negotiations under the EAC framework. President Samia Suluhu is an AfCFTA champion and is emphasizing the urgent need for protocols that support women in trade. In September 2022, Tanzania hosted a conference focused on the AfCFTA and women. The country has also developed its AfCFTA implementation strategy.

CONTINUE

TUNISIA

Tunisia launched its AfCFTA implementation strategy to guide domestication of the Agreement. The Ministry of Trade and Export Development is spearheading AfCFTA implementation efforts. To expedite trade under the AfCFTA, the country is working on simplifying export and import formalities.

Source: APRI 2023.

The second phase of the GTI was adopted on 18 February 2024 at the 37th AU Assembly to cover trade in goods and trade in services, and includes 35 countries:

- *East Africa:* Kenya, Rwanda, Tanzania and Uganda.
- *Central Africa:* Burundi, Cameroon, Central African Republic, Chad, Republic of Congo, Democratic Republic of Congo, Equatorial Guinea and Gabon.
- *North Africa:* Algeria, Egypt, Morocco and Tunisia.
- *Southern Africa:* Angola, Botswana, Eswatini, Lesotho, Malawi, Namibia, South Africa and Zimbabwe.
- *West Africa:* Côte d'Ivoire, Ghana, Nigeria, Senegal, Sierra Leone and Togo.
- *Island states:* Cabo Verde, Comoros, Madagascar, Mauritius and Seychelles.

Anecdotal evidence of trade under the GTI shows promising trade among African countries arising from increased opportunities. Some companies, such as Rwanda Mountain Tea Ltd, which executed four export orders between late 2022 and late 2023, have shown a commitment to quickly taking advantage of the opportunities offered by the AfCFTA.[202] The role of national ad hoc GTI committees and diplomatic commercial presence cannot be overemphasized, through trade attachés and commercial representatives who facilitate business-to-business engagement, such as conducting market intelligence to identify new export markets, thereby assisting in generating AfCFTA-GTI trade, especially through Afro-centric distribution and logistics chains.

Still, challenges remain, including limited understanding of import/export procedures and regulatory requirements in destination markets and home countries; high expectations of immediate phase-out of import tariffs and taxes by traders; delays in obtaining AfCFTA certificates of origin; transport, logistics and connectivity difficulties; high entry and market costs for small and medium-sized enterprises; and high compliance costs for standards, registration, certification and licensing.

Two important lessons are (a) the active participation of the private sector in GTI is key to sustained business-to-business networking within and among AfCFTA participating countries to consolidate the gains from trade; and (b) there is a need for regulatory bodies for standards and for ports' trade facilitation to cooperate and coordinate their activities to minimize cross-border delays. The GTI is, however, a temporary measure designed to jump-start AfCFTA trade and should not become permanent. Indeed, there should be a time frame for the GTI to be phased out and for the state parties to move on to the AfCFTA's full implementation.

AfCFTA implementation challenges

Effective implementation of the AfCFTA faces some challenges, as follows (in addition to the trade infrastructure deficits discussed above in "Developments in infrastructure and energy").

Sustainability of AfCFTA support

Implementing the AfCFTA requires substantial resources at continental, regional and national levels. At continental level, necessary resources include those for organizing workshops, negotiation forums and awareness campaigns, as well as funding to hire skilled personnel to manage implementation.

Many low-income countries face tight fiscal constraints. Consequently, external funders such as the German Agency for International Cooperation; United Nations; European Union; United Kingdom's Foreign, Commonwealth and Development Office; Organisation for Economic Cooperation and Development (OECD); and various other governmental and non-governmental organizations are providing support. Most national AfCFTA implementation strategies and coordinating entities rely heavily on donor assistance.

Recent global crises, such as the Covid-19 pandemic and conflicts such as the war in Ukraine and in Gaza have, however, shifted donor priorities. While resources were redirected during the pandemic, they may continue to be allocated to the conflicts, potentially undermining AfCFTA support. Additionally, the paucity of local expertise, especially in legal and regulatory issues that were negotiated under phase 2, will continue to slow domestication in many countries.

Inequalities and competing interests

Ongoing geopolitical tensions, including those between the broader pan-African agenda and national interests, are stalling AfCFTA progress, despite the considerable political will from member states reminiscent of pre-independence pan-Africanism.

Significant income disparities among member states further complicate matters. South Africa, Egypt and Nigeria alone account for over 52 per cent of the continent's GDP. Additionally, variations in productive capacity and industrialization exist, with only a few countries, such as South Africa, Egypt and Tunisia, possessing a high concentration of productive capacity. South Africa—the continent's most industrialized economy—is taking measures to protect its share of intra-African trade, with about 40 per cent of this trade occurring within SADC, where South Africa holds the dominant position.[203]

Mauritius is advocating for more liberal RoO for textiles and apparel, aiming to leverage its FTA with China to access cheaper inputs. The debate over single- versus double-transformation requirements[204] for textiles and apparel under the AfCFTA is a key challenge in RoO negotiations.

Disputes during AfCFTA negotiations are driven primarily by smaller economies and commodity exporters, concerned about how full liberalization could impact their economies. These countries have entrenched national interests in commodities, including agricultural products, tobacco, sugar and beverages, which are vital for revenue and central to many African economies' industrialization.[205] Yet these few areas of inequality should not be a justification for stalling full AfCFTA implementation given the safeguards to address them.

In summary, the AfCFTA negotiations reflect the need for strategic management of the relationship between national interests and continental aspirations, so as to strengthen current political will, thus facilitating and fast-tracking activities for completing the AfCFTA framework.

External actors and factors

AfCFTA implementation may be affected by external partnerships, including with regions and countries seeking to establish, or already having, FTAs with AfCFTA member states.[206] Existing trade agreements, such as the African Growth and Opportunity Act (United States), Economic Partnership Agreements, and bilateral agreements between African countries and countries such as the United States, United Kingdom and China, may constrain AfCFTA implementation. For instance, the United Kingdom rejected the application of the EAC CET, which has led to increased import taxes within EAC, arguing that it was against the provisions of the Economic Partnership Agreement. Because a large share of African trade is with trading partners outside the continent, there is a high chance that the existing agreements with these partners will undermine AfCFTA implementation. It is crucial to consider these potential negative effects during the periodic reviews of these agreements.

Still, the African Continental Customs Union (AfCCU) and African Continental Common Market (AfCCOM) will help leverage Africa's economic size and the rising rate of growth of its intraregional trade, both of which augur well for dealing with the emerging global geopolitical landscape of growing economic nationalism.[207] The world is seemingly entering a new era of global disorder, seen in the volatility and unpredictability induced (a) by the rise of geopolitical fracturing, nationalistic unilateralism or interventionism, trade protectionism, and even trade wars;[208] (b) by deglobalization pressures; and (c) by the rise of illiberal and populist leaders.[209] In other words, many nations are turning inwards while their commitment to multilateral institutions is eroding, signalling a deep crisis in multilateralism.[210] Such populism and nationalism in major economic powerhouses may generate tight trade policies with higher tariffs, disrupting global supply chains.

Africa's response capacity and influence will depend on its success in quickly combining and reorganizing its small fragmented—often national—markets to generate economies of scale and to reposition itself in regional and global value chains through a common external trade policy. From a broader geopolitical perspective, the continent needs to strengthen its integration institutions, such as the AU, to enable it to speak with one voice and to defend common positions on key regional and global issues, such as the reform of the international financial architecture and other global governance institutions and processes.

The admission of the AU as a full member of the G20 in September 2023 is a positive step, with the potential to enhance the continent's agency, create space for it to mobilize more investment resources, and accelerate its integration and development.[211] And Africa can increase its trade and influence still further by moving more progressively to the AfCCU and AfCCOM.

Major continental initiatives that can support or accompany AfCFTA implementation

Protocol on Free Movement of Persons

The free movement of Africans within the African continent is envisioned in Aspiration 2 of Agenda 2063's Goal 1: "an integrated continent, politically united and based on the ideals of Africa's renaissance." The Abuja Treaty establishing the African Economic Community, Article 43 (2), contained the Protocol on Free Movement of Persons in Africa, its implementation roadmap, and the development of an African passport. Free movement of persons is associated with potential gains in goods and services trade, though progress towards free movement of persons has varied, with challenges persisting.[212] Only 28 per cent of Africans enjoy visa-free entry to other African countries, 25 per cent of them must secure visas on arrival, and 47 per cent must secure their visas before they travel to other African countries.[213]

While 2024 saw progress with 26 African countries offering e-visa facilities and 17 improving their scores in the Africa Visa Openness Index, obstacles remain.[214] Africa has made modest progress in eliminating visa requirements, as e-visas still count as visas. Cases of cyber fraud targeting e-visa systems have emerged, with online payments failing to reach the intended authorities and travellers not only stranded without visas but also losing their visa fees. Further, ratification of the Protocol to the Treaty Establishing the African Economic Community Relating to Free Movement of Persons, Right of Residence and Right of Establishment still faces hurdles, with only four ratifications—Mali, Niger, Rwanda and São Tomé and Príncipe—as of August 2024, hindering its entry into force. This delay undermines the concept of the AU passport, preventing it from becoming a practical reality.

Single African Air Transport Market

The AU launched SAATM in 2018 to liberalize the air transport market in Africa, which will culminate in the removal of market restrictions, with greater freedoms that will see increased air traffic, fare reductions, increased flight frequency and greater connectivity across Africa. Thirty-seven countries have signed up to SAATM.[215] SAATM is important in implementing the AfCFTA and in laying the foundation for the AfCCU and AfCCOM. This is because air transport is not subject to borders and other impediments as surface transport is. Already, Ethiopian Airlines, Kenya Airways and RwandAir have been granted fifth-freedom rights[216] in East Africa and Southern Africa.[217]

The central role of SAATM in implementing the AfCFTA stems from the understanding that about 50 per cent of the anticipated increase in intra-African trade will come from transport services.[218] Alongside the anticipated 27 per cent rise in frequency of current air routes, SAATM would enable some $500 million in savings on passenger fares through economies of scale. It would also promote free competition, facilitate the opening of new commercial routes and foster the growth of the private sector in civil aviation.[219]

Conclusion and recommendations

Conclusion

The AfCFTA has made real progress in expanding its reach, with 54 countries signing the Agreement and 48 completing ratification as of August 2024. Significant advances include the adoption of Provisional Schedules of Tariff Concessions by 45 countries, ongoing negotiations for 26 additional Trade in Services offers, and the formal adoption of phase 2 protocols on investment, intellectual property rights and competition. Protocols addressing women and youth in trade and digital trade were adopted at the 37th AU Assembly summit. Additionally, the GTI has promoted domestication of the AfCFTA, expanding its scope from eight to 35 countries and any products traded between them. Some RECs, including EAC, ECOWAS and ECCAS, have served as centres for consolidating negotiation offers and addressing overlapping memberships and trading regimes, thus filling capacity gaps for less-resourced countries that may lack the resources for trade negotiations.

Yet sizeable challenges hinder AfCFTA implementation, including support sustainability, inequalities among member states, inconsistent political will, competing interests, growing complexity, and limited capacity for implementation. Additional issues include trade facilitation, trade disputes and infrastructure deficits, and external factors.

As AfCFTA implementation progresses, the next stages of integration in the Abuja Treaty—the AfCCU, AfCCOM and African Economic Community—lie ahead. Based on the timelines in the Abuja Treaty, both the AfCCU and AfCCOM are behind schedule, but the rapid negotiation and finalization of the AfCFTA—reflecting commitment of Africa's political leadership to integration—suggest that the African Economic Community can still be established. Leveraging this momentum towards establishing the AfCCU and AfCCOM requires targeted policy interventions and strengthened implementation of SAATM, of the Free Movement of Persons Protocol and of the AfCFTA, as foundations.

Recommendations

- *Member States should strictly adhere to the AfCFTA tariff liberalization schedules to fully operationalize the AfCFTA.* This requires a concerted effort to accelerate the implementation of agreed tariff reductions, addressing any delays and challenges in meeting the timelines. Governments should prioritize aligning national policies with AfCFTA commitments, allocate sufficient resources for implementation, and strengthen institutional capacities to monitor progress. Additionally, collaboration between Member States is essential to share best practices and foster a unified approach to achieving the agreement's objectives.

- *Transition out of the GTI as soon as possible, in order to fully realize trade under the AfCFTA.* It is essential to enhance information exchange and interaction between customs authorities and the private sector, facilitating a deeper understanding of the AfCFTA's tariff liberalization framework and its operational mechanisms.
- *Foster free movement of persons through ratification and implementation of the Protocol to the Treaty Establishing the African Economic Community Relating to Free Movement of Persons, Right of Residence and Right of Establishment.* This will facilitate doing business under the AfCFTA. By fostering the free movement of persons, African countries can unlock vast potential for economic opportunities, trade and investment.
- *Operationalize fully the AfCFTA Adjustment Fund.* To address concerns over potential loss of tariff revenue and/or adjustment costs of industries and labour markets, the AfCFTA Adjustment Fund should be operationalized and adequately funded, enabling Member States to be compensated for any revenue losses resulting from tariff elimination under the AfCFTA. The other windows of the Adjustment Fund will provide support to governments and the private sector for dealing with market adjustments.
- *Harness the AfCFTA's benefits by ensuring better functioning of AfCFTA-related institutions at national and regional levels.* Strengthening such institutions will help overcome the challenges of institutional non-tariff barriers, barriers to free movement of persons, an unfavourable business environment, weak harmonization and poor coordination of policies, and engagement of key actors at national level. It will also help reduce the gap between de jure and de facto integration, and ensure more effective distribution of integration's benefits.

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CHAPTER 4

Customs Unions and Common Markets: Experiences and Lessons from African RECs and the World

Introduction

In 1991, African Heads of State and Government formalized their ambition for an African Continental Customs Union (AfCCU) and African Continental Common Market (AfCCOM) by signing and adopting the Abuja Treaty establishing the African Economic Community (AEC). Though deviating from the stipulated stages of the Abuja Treaty, the African Continental Free Trade Area (AfCFTA) was launched in 2019, to signal the desire for faster and deeper integration. Transitioning from a continental free trade area (FTA) to a customs union and common market in Africa requires, however, meeting certain conditions and reaching a level of preparedness via a set of policies, institutional changes and collective actions.

The world, including Africa, offers examples of successful—and less successful—transitions to customs unions and common markets. A "one size fits all" policy does not yield the best outcomes in all settings, but existing regional blocs exhibit policies and institutions with valuable lessons for the continent. Such frameworks, or some of their features, could well be adapted to the continental context to fast-track the AfCFTA's consolidation and the transition to an AfCCU and AfCCOM.

This chapter discusses the experiences of regional economic blocs in Africa and globally, and draws lessons for Africa to better consolidate the AfCFTA and subsequently transition to the AfCCU and AfCCOM in line with the Abuja Treaty and the AfCFTA Agreement itself. The following section reviews the experiences of African regional economic communities (RECs) in establishing and operationalizing FTAs, customs unions and common markets, while examining how their unique institutional frameworks and trade policies contribute to—or hinder—regional integration. It finds that regional integration reflects a mixture of successes, failures and challenges in all African RECs, whether recognized by the African Union (AU) or not. After that, it compares experiences of selected FTAs, customs unions and common markets in other world regions—the European Union (EU), Southern Common Market (Mercosur) and Association of Southeast Asian Nations (ASEAN)—and identifies lessons that may be useful to Africa in transitioning to the AfCCU and AfCCOM. It presents a conclusion and recommendations in the final section.

Towards AfCCU and AfCCOM: African RECs

A brief overview of African RECs

African countries have created independent regional blocs with distinct economic agreements, institutional arrangements and objectives to foster greater economic and political collaboration. The treaty creating each REC is unique not only in design and content, but also in provisions and implementation modalities. Despite these particularities, the eight AU-recognized RECs share a similar mandate: to increase intra-African trade and provide enabling environments for enterprise development and regional value chains. They are acknowledged as the building blocks of continental integration in accordance with the Abuja Treaty and the Constitutive Act of the African Union.[220]

Among the AU-recognized RECs, the Economic Community of West African States (ECOWAS), East African Community (EAC) and Common Market for Eastern and Southern Africa (COMESA) are the most advanced on economic integration. ECOWAS achieved FTA status in 1990 and moved to a customs union when it adopted a common external tariff (CET) in 2015. EAC's customs union became operational in 2005 and its common market in 2010. COMESA reached FTA status in 2000 and launched a customs union in 2009 (which is yet to be operational). The Economic Community of Central African States (ECCAS) and the Southern African Development Community (SADC) established their FTAs in 2004 and 2008.

The Arab Maghreb Union (AMU), Intergovernmental Authority on Development (IGAD) and Community of Sahel-Saharan States (CEN-SAD) were created in 1989, 1996 and 1998, and are the least advanced on regional integration. With five member states, AMU is the smallest REC on this metric. Its Constitutive Treaty emphasized establishing an FTA and gradually transiting towards a customs union and a common market,[221] but due to coordination challenges and geopolitical tensions, it has been at a standstill since 2008 and is sometimes referred to as one of the "most unsuccessful" trade blocs globally.[222] Although the IGAD Treaty aimed at achieving single-market status by gradually harmonizing trade rules, the REC's trade policy has recently taken a more pragmatic route by supporting its member states in consolidating the *acquis* of more advanced RECs and implementing the AfCFTA.[223]

CEN-SAD is the largest REC, with over 20 member states—all of which also belong to one or several other African RECs—and one of the youngest. Its founding treaty was revised in 2013 but is yet to be ratified by the requisite number of member states. The REC continues to face major capacity challenges as the countries are still at an early stage of cooperation.[224]

The non-AU-recognized regional blocs on the continent are the Southern African Customs Union (SACU), West African Economic and Monetary Union (WAEMU), Economic and Monetary Community of Central Africa (CEMAC), Economic Community of the Great Lakes Countries (ECGLC)[225] and the Mano River Union (MRU).[226] These originated from post-independence engagement of newly created nations that emerged from colonial arrangements. The most advanced of these regional blocs are SACU, WAEMU and CEMAC. SACU has established a customs union and advanced its CET implementation, while WAEMU and CEMAC have historically been currency unions that have made notable strides towards trade and economic integration. SACU is unique among these three blocs, as the oldest customs union in Africa with a functioning CET at the centre of its revenue-sharing mechanism.

The analysis in the rest of this section adopts certain criteria to assess whether a customs union is full and effective (table 4.1; the crucial criteria are shaded). All the five RECs have a CET and a common classification of tariffs, but none has a common trade policy. ECOWAS, COMESA and CEMAC have only partial common valuation of imported goods and only limited customs modernization. Also, out of the eight crucial customs union criteria, ECOWAS, EAC and COMESA could not satisfy three, SACU one, and CEMAC three. The discussion presents the specificities of the integration experiences of the most advanced AU-recognized RECs and other African regional blocs, going beyond the five in the table.

Table 4.1
Criteria for a full and effective customs union

	CRITERION	ECOWAS	EAC	COMESA	SACU	CEMAC
1	Common external tariff (CET)	Yes	Yes	Yes	Yes	Yes
2	Common valuation of imported goods	Partial	Full	Partial	Full	Partial
3	Common classification of tariffs	Yes	Yes	Yes	Yes	Yes
4	Customs modernization	Limited	Full	Limited	Full	Limited
5	Free circulation of community goods	No	Partial	No	Partial	No
6	Revenue-sharing formula	No	No	Yes	Yes	Yes
7	Trade defence mechanism	No	Partial	Partial	Partial	No
8	Institutional arrangement for trade defence mechanisms	No	Partial	Partial	Partial	Partial
9	Common trade policy	No	No	No	No	No
10	Common customs code	Partial	No	No	Yes	No
11	Loss of sovereignty	No	No	No	Partial	No
12	Competition policy	Yes	Yes	Yes	Yes	No

Note: Yes = positive responses from REC, public and private sectors; No = negative responses from REC, public and private sectors; Partial = no effective implementation of the provision; Full = effective implementation of the provision. CEMAC = Economic and Monetary Community of Central Africa; COMESA = Common Market for Eastern and Southern Africa; EAC = East African Community; ECOWAS = Economic Community of West African States; SACU = Southern African Customs Union.

Source: ECA 2021. The information provided was compiled from responses by key informants and the analysis in chapter 6 of the report.

From an FTA to a common market: Experiences from six regional blocs

The Economic Community of West African States (ECOWAS)

Established in 1975 by the Treaty of Lagos, ECOWAS is the oldest AU-recognized REC with 15 member countries. The founding treaty was revised in 1993 and in 2007 to broaden its objectives and strengthen the community's institutions. Inspired by the EU integration model, ECOWAS sought to establish a common market using a progressive approach (Article (3) of the revised treaty of 1993). ECOWAS also envisions an economic union, which includes the creation of a monetary union.

After the ECOWAS FTA was established in 1990, member countries were tasked with taking steps to achieve full liberalization of intra-ECOWAS trade by dismantling tariffs, and by implementing rules of origin (RoO) and other mechanisms for harmonization. The customs union was set to be established progressively over 10 years, but it was only in October 2013 that the ECOWAS CET was adopted. Implementation began in 2015 with five tariff bands and rates ranging from 0 to 35 per cent. The CET is supported by various trade defence mechanisms, including safeguard, anti-dumping, anti-subsidy and countervailing measures.

The main tool for operationalizing the ECOWAS FTA was the ECOWAS Trade Liberalization Scheme (ETLS)[227] adopted in 1979. The framework initially covered primary products and artisanal handicrafts but was extended to industrial products in 1990.[228] The ETLS aims to support member states in establishing common customs tariffs and implementing the customs nomenclature. Activities for operationalizing the customs union include the adoption of a regional strategy and mechanism, and the integration of the CET into member states' budgetary and fiscal policy framework. To achieve its trade liberalization objectives, national committees are to be set up to oversee implementation of the REC's decisions and protocols.

An overall assessment of the FTA shows slow progress on implementation. In 2005—15 years after it was established—intracommunity tariffs were eliminated only in three countries: Burkina Faso, Ghana and Togo.[229] Similarly, almost all ECOWAS member states failed to adopt the CET during the transition period (2015–19), mainly due to technical difficulties, limited capacity for implementation, and continuous violation of the agreement, with the use of prohibitions and additional duties on imports. Thus the target date was postponed to 2022.

Only three out of 12 criteria for a full and effective customs union have been fully met by ECOWAS (CET, common classification of tariffs and common competition policy; see table 4.1).[230] The harmonization of community customs codes and validation forms was initiated but is still incomplete. The application of the common valuation of imported goods and customs modernization has been limited (see table 4.1).[231] Hence, the REC ranks fourth in intraregional export performance in Africa, with exports of goods accounting for about 9 per cent of total regional trade in 2022 (table 4.2).

Table 4.2
Selected performance indicators across economic communities, latest year

REGION	GDP PER CAPITA (CURRENT $) (2023)	GDP GROWTH (PER CENT), AVG. (1995–2023)	MANUFACTURING VALUE ADDED AS PER CENT OF GDP (2023)	UNEMPLOYED YOUTH AS PER CENT OF TOTAL LABOR FORCE (AGED 15–24) (2023)	TRADE AS PER CENT OF GDP (2023)	INTRAREGIONAL EXPORTS (PER CENT OF TOTAL EXPORTS), 2023	EFFICIENCY OF CUSTOMS CLEARANCE (1=LOW TO 5=HIGH) (2022)
AU-recognized							
AMU	4,281.4	3.1	11.4	32.9	93.7	3.0	2.1
CEN-SAD	1,899.1	4.2	11.6	14.0	80.3	8.5	2.3
COMESA	3,264.5	4.0	12.7	20.9	86.7	10.6	2.2
EAC	943.9	3.9	11.9	12.5	48	20.6	2.1
ECCAS	2,450.2	4.9	16.0	15.9	69.4	2.8	2.2
ECOWAS	1,508.7	4.8	10.6	6.2	67.4	10.9	2.4
IGAD	1,760.4	3.6	9.2	22.8	88.9	21.2	2.1
SADC	3,937.4	3.8	11.8	22.3	91.8	19.2	2.4
Non-AU-recognized							
CEMAC	3,312.0	5.1	19.1	18.3	73.5	4.8	2.2
SACU	4,507.6	3.0	14.5	44.9	96.6	11.8	3.0
WAEMU	1,245.4	4.5	12.1	3.8	58.6	14.0	2.5
Rest of the world							
ASEAN	15,495.1	5.0	19.2	8.3	139.8	22.0	3.0
CARICOM	15,106.9	2.6	7.5	24.4	73.3	9.2	2.3
EU	41,422.8	1.7	14.7	16.2	95.7	60.3	3.4
Mercosur	13,389.1	2.4	14.6	17.1	48.8	11.4	2.6

Note: For each region, the values reported are simple averages. The efficiency of the customs clearance process is based on private companies and individuals engaged in international logistics, ranging from 1 to 5 (1 is worst and 5 is best). Only available data points are considered in the computation. AMU = Arab Maghreb Union; ASEAN = Association of Southeast Asian Nations; CARICOM = Caribbean Community; CEMAC = Economic and Monetary Community of Central Africa; CEN-SAD = Community of Sahel-Saharan 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; IGAD = Intergovernmental Authority on Development; SACU = Southern African Customs Union; SADC = Southern African Development Community; WAEMU = West African Economic and Monetary Union.

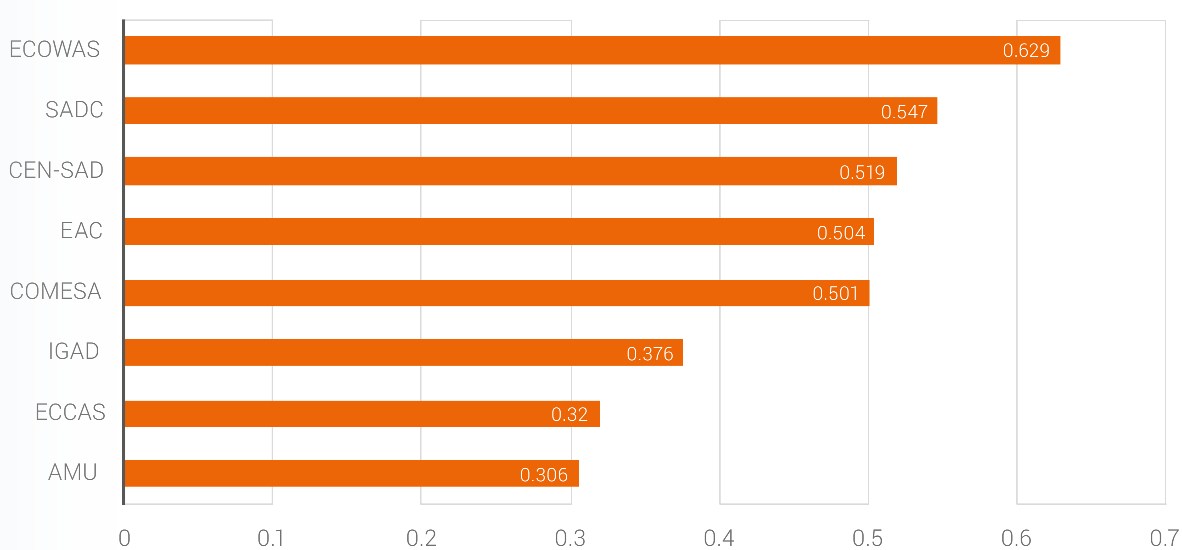
Source: ECA based on World Development Indicators (WDI) 2024; UNCTAD 2024.

Among the common challenges undermining full trade liberalization in ECOWAS is the gap between regional organizations or institutions and local structures in ensuring implementation of agreements and protocols at national level.[232] Further, the delays in completing tariff liberalization, as well as persisting NTBs, hamper the free circulation of goods and services within a REC. Cross-border traders face customs barriers, with increasing checkpoints along corridors, and experience harassment from police, customs and immigration officers. Traders often lack adequate knowledge of the protocols, rules and standards that underlie the freedom of circulation of goods and persons in their region. Further, political upheavals and unstable governance, as well as the growing threats to security across Africa with the rise of extremist groups, have hindered progress on cross-border cooperation and integration policies.[233]

According to critics of the ECOWAS ETLS, its limited achievements are attributable to a lack of dialogue with national stakeholders and a failure to account for the specific interests of member states, with the result that most ECOWAS member states fail to honour their commitments and maintain customs duties, irregular tariffs and NTBs such as border closures, special permits and import bans on products originating from inside the region. This is shown by continued complaints to the Executive Secretariat from member states and economic operators about cases of refusal or failure to implement the scheme.[234] Nor were funding mechanisms, such as the ETLS compensation mechanism—to compensate member countries for tariff-revenue losses—and the ECOWAS Solidarity Fund fully operationalized.[235]

Despite the mixed outcomes of implementing the ECOWAS FTA and customs union, the REC is often considered an “African success story” for free movement of persons (FMP) and has the highest score on the Africa Visa Openness Index (figure 4.1). ECOWAS has made real progress in implementing Protocol A/P1/5/79 on the free movement of persons, residence and establishment, adopted in May 1979; the protocol entered into force in April 1980 with a three-phase implementation approach over 15 years.[236] The protocol also included a provision on entry permits for private and

Figure 4.1
Africa Visa Openness Index, 2024



Note: AMU = Arab Maghreb Union; CEN-SAD = Community of Sahel-Saharan 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; IGAD = Intergovernmental Authority on Development; SADC = Southern African Development Community.

Source: ECA based on the African Development Bank Visa Openness Index, Africa Visa Openness Index 2024, AfDB & AU (2024).

commercial vehicles with the required documentation including the driver's valid driving licence, matriculation certificate, insurance policy and international customs carnet recognized by member countries. Nearly all members have introduced the ECOWAS Brown Card scheme.[237]

By 2000, ECOWAS member countries had achieved 100 per cent abolition of visa or entry permits. Over half of the REC's member states had harmonized their immigration and emigration forms. By December 2000, a common passport—the ECOWAS travel certificate—was introduced. As part of the decision, countries were expected to abolish national passports over five years. Despite delays in implementation, by 2012 almost all member states except Cabo Verde had adopted it.[238] At regional level, steps are being taken to use the ECOVISA single-visa system, adopted in 2011, for citizens of non-ECOWAS countries. Thus, the abolition of visas and the ease of movement for air travellers have been achieved, but road travellers face harassment and frequently have to pay unofficial fees at many checkpoints in the region. While phase 1 was largely implemented, phases 2 and 3 were affected by socioeconomic challenges in the 1980s and 1990s, political instability, social tensions and growing insecurity in the region, and are still largely not implemented.

ECOWAS also launched a customs interconnectivity project—SIGMAT—to facilitate trade, transport and free movement of goods within the region in March 2019. This aimed to provide advance information on the movement of transit goods along key regional corridors in West Africa, including Benin, Burkina Faso, Côte d'Ivoire and Togo, and the Dakar-Bamako Corridor of Senegal and Mali.

Numerous policy efforts at establishing a single currency in ECOWAS have been made over the last two decades. While WAEMU has been in place as a currency union since 1994 for the francophone nations, the West African Monetary Zone (WAMZ) was established in 2000 for the other ECOWAS member states, although Cabo Verde remains outside it. Two regional institutions—the West African Monetary Institute and the West African Monetary Agency—have been tasked with overseeing technical preparations for establishing a common West African Central Bank. These efforts have failed, however, to deliver the expected results. Member countries did not meet the agreed set of fiscal and monetary convergence criteria sustainably for creating the currency union, and its launch has been repeatedly postponed.[239] In June 2021,[240] the 2020 target for launching the single currency, the ECO, was shifted and a new deadline set for 2027.[241]

To fast-track capital market integration, ECOWAS set up the West African Capital Market Integration Council in 2013. Its preparatory and implementation phases were launched in 2019, but progress was delayed by the Covid-19 pandemic.[242] Still, in recent years the region has seen progress among groups and multinational firms with regional and continental ambitions, such as Dangote Industries in manufacturing and Ecobank in banking.

East African Community (EAC)

Rather than transitioning from an FTA to a customs union in line with the traditional stages of regional integration, the founding countries—Kenya, Tanzania and Uganda—began with a customs union as their first stage of integration. The REC envisaged a subsequent, sequential transition to a common market, monetary union, and political federation by adopting the EAC Treaty.[243] In 2007, Burundi and Rwanda joined the customs union and started applying its instruments in July 2009. South Sudan, Democratic Republic of Congo and Somalia joined in 2016, 2022 and 2023, respectively.[244]

The protocol establishing the EAC customs union came into force five years after the 2000 treaty was adopted, and emphasizes eliminating tariffs and NTBs on intra-EAC trade and establishing a CET. The removal of customs duties on goods that meet the RoO for the EAC market and the implementation of the CET were set to be progressive over five years after it entered into force. The CET followed a four-band tariff structure: 0 per cent on raw materials, agricultural goods, capital goods, medicines and certain types of medical equipment; 10 per cent on intermediate goods and other essential industrial inputs not produced by member countries; 25 per cent on intermediate goods produced in the region; and 35 per cent on finished goods.

The EAC CET is aligned with the COMESA CET but further harmonization is expected from the implementation of the COMESA-EAC-SADC Tripartite Agreement (see "The pros and cons of the COMESA-EAC-SADC Tripartite Agreement," below). EAC member states agreed to a list of sensitive goods assigned higher tariff rates (above 35 per cent) than other goods.[245] This additional protection for sensitive goods aims to promote development of regional or national actors and industries to produce them. After a decade and a half, however, the expected positive impact from the sensitive list was limited, due to the high cost of production and low productivity as well as limited regional supply capacities, often with negative welfare implications for EAC citizens.[246]

Relative to ECOWAS, achievements are notable in the de jure EAC customs union, meeting seven out of the 12 criteria for a full customs union (see table 4.1).[247] Several instruments operationalized trade liberalization under the EAC customs union: the EAC Customs Management Act was adopted in 2004, the EAC Customs Management Regulation in 2010, the CET in 2012, and RoO in 2015. In 2014, EAC began implementing the Single Customs Territory to ensure the free circulation of goods, improve port- and revenue-management systems by minimizing border and internal controls and documentation, and reduce transit costs and time.[248]

The Single Customs Territory has been adopted incrementally (along the Northern and Central corridors and the Standard Gauge Railway line), with a focus on the clearance and movement of goods. Further, 13 one-stop border posts are intended to streamline processes and minimize duplication of effort under a framework that consolidates regulation services at border posts on both sides, such as customs and immigration at a single point. Yet, compared with COMESA, ECOWAS and SADC, traders in EAC still faced higher inefficiency in customs clearance in 2022 (see table 4.2).

Despite the above measures, harmonization and effective de facto implementation has been delayed by the paucity of coordination mechanisms at national level and difficulties in mobilizing financial and technical resources at regional level for surveillance and assistance to member states, particularly in investigating and resolving conflicts between regional provisions and national policies.[249] The weak capacity and quality of public sector institutions not only affect EAC trade liberalization frameworks but also dampen EAC's ability to coordinate regional actions vis-à-vis third parties.

Intra-EAC trade still faces continuing NTBs and other trade impediments, often worsened by national protectionist measures. Customs and other border procedures, documentation and inspection requirements all remain cumbersome, hampering free circulation of goods that meet RoO criteria. Police and customs checkpoints and arbitrary implementation of quality standards and Sanitary and Phytosanitary (SPS) regulations place an additional burden on cross-border trade, even along trade corridors.[250]

Article 33 of the Customs Union Protocol mandates harmonizing exemption regimes under the EAC CET, but this has yet to occur. Moreover, the 34th meeting of the Governing Council of Ministers in June 2019 decided on implementing the duty remission scheme, under which applications from national duty remission committees for any change to the CET or a unilateral derogation of the CET would be submitted for approval by the council. The decision has not been fully implemented, however,[251] and so the CET continues to suffer from constant unilateral use of export promotion schemes, such as stays of application, as well as duty remissions and duty exemptions from the CET on a wide range of products. The influence of domestic interest groups requesting protection for favoured local industries has destabilized the CET.

EAC launched the East African Payment System (EAPS) in May 2014 to facilitate cross-border fund transfers in the region by allowing the processing and settlement of transactions in local currency. EAPS is based on real-time gross settlement (RTGS) of member states using the SWIFT[252] messaging network for secure delivery of payment and settlement messages.

Yet despite all these moves towards a common market, onerous NTBs remain, alongside limited movement of people among member states and inadequate participation in the EAPS, given that only four countries—Kenya, Rwanda, Tanzania and Uganda—have adopted national RTGS systems. Burundi and South Sudan are completing their national RTGS systems. EAC is in stage 3 of the Balassa linear integration model, having reached the common market stage and as such appears the most advanced among the eight AU-recognized RECs because it has achieved elements of a common market, such as FMP, with a customs union (albeit imperfect).

Common Market for Eastern and Southern Africa (COMESA)

The COMESA Treaty aims to promote cooperation among member states for harmonious development, and entered into force in December 1994. The COMESA FTA was established in 2000 and, as of 2022, 16 out of 21 member countries were in the FTA.[253, 254]

RoO are one of COMESA's main instruments for liberalizing trade. They offer preferential tariffs on goods deemed to originate in COMESA member states. Eligible goods should meet at least one of the following five criteria:[255]

- are entirely produced in the region;
- contain a minimum of 35 per cent of COMESA value added;
- non-regional material content does not exceed 60 per cent of the value of the total inputs used;
- are classified or become classifiable under a tariff heading other than the tariff heading under which they were imported;[256]
- are produced in member countries,[257] designated by the Council of the Common Market as important to the region's economic development, and contain at least 25 per cent of COMESA value added.

The certificate of origin is issued by a national designated competent authority.

The COMESA FTA further aims at removing NTBs through adopting mechanisms to simplify trade regimes, certificates of origin and customs documents. The Simplified Trade Regime (STR) has come into force in only eight countries as of 2019. Additionally, the introduction of the Regional Customs Transit Guarantee Scheme in 2002 and its ongoing implementation since 2012 are in line with the COMESA Protocol on Transit Trade and Transit Facilitation (Annex I of the COMESA Treaty). It sought to replace customs administrative practices and procedures with a scheme that allows the use of a single customs guarantee for the circulation of transit goods within COMESA. The scheme is operationalized in 12 out of 21 member countries (as of September 2018).

A regional Third-Party Motor Vehicle Insurance Scheme—the Yellow Card—was established to remove the need for motorists to ask for coverage in each country they enter and to provide third-party legal liability. It was adopted in 1986 in Addis Ababa, Ethiopia, by 14 member countries and upgraded to a digital form in 2023. COMESA has also established a Regional Payment and Settlement System to settle transactions in local currency, which operates in nine COMESA countries. Similarly, the REC in 2014 created the COMESA NTB Regulations to reduce NTBs, which it revised in 2020. COMESA is in stage 1 of the Balassa linear integration model, having reached the FTA stage. Member states are also expected to adopt SPS regulations that ensure people's protection, have a scientific basis and are harmonized with international standards.

In June 2009, Articles 4 and 45 of the Treaty initiated the transition from an FTA to a customs union. Article 47 mandated the gradual adoption of the CET over 10 years from its entry into force. Member countries were to adopt common customs management regulations, a common tariff nomenclature and the CET during a transitional period of three years, with a possible extension to five years, at 0 per cent for basic necessities, raw materials, capital goods and specific inputs; 10 per cent for inputs and intermediate products; and 25 per cent for final consumer goods. Under the CET, a three-band tariff structure was adopted,[258] with flexibility to prepare a list of sensitive products requiring protection during the transition period. These products were included in the common list with higher rates or excluded from the CET, for religious or cultural reasons for instance.

In order to cushion the effect of temporary revenue losses caused by the CET, to support the mainstreaming of regional programmes at national level and to help develop trade infrastructure, a COMESA fund was established with two components: an adjustment facility and infrastructure fund. The CET and RoO are aligned with those of EAC to facilitate integration in eastern and southern Africa and resolve issues from implementing the CET in countries already in EAC. Further harmonization is from the COMESA-EAC-SADC Tripartite Agreement.

Performance-wise, COMESA averaged an alignment of 98.3 per cent with national laws and customs systems, and of 69.1 per cent with the COMESA customs management regulations and a common tariff nomenclature. Burundi, Kenya, Rwanda and Uganda, also members of EAC, have the highest alignment of 74 per cent. Other COMESA countries recorded an average of 22.6 per cent.[259] Customs modernization is limited and there has been only partial attainment of common valuation of imported goods (see table 4.1).[260] In addition, CET implementation remains delayed.

COMESA adopted the Protocol relating to the Gradual Relaxation and Eventual Elimination of Visa Requirements within COMESA (the Visa Protocol) in 1984, and the Protocol on Free Movement of Persons, Labour, Services, the Right of Establishment and Residence in 2001 (the COMESA Free Movement Protocol), in order to operationalize the COMESA common market. Article 164 (3) of the COMESA Treaty clarifies that countries will continue using the Visa Protocol until the COMESA Free Movement Protocol enters into force. The COMESA Free Movement Protocol envisages five implementation stages: the first, in progress, focuses on gradually removing visa requirements and on fostering cooperation in preventing and fighting crime; the second, being progressively implemented since 2004, seeks to enhance the free movement of skilled labour; the third promotes the free movement of services; the fourth focuses on the right of establishment; and the fifth on the right of residence. The COMESA Free Movement Protocol has not yet come into force owing to too few ratifications,[261] having been signed by only four countries: Burundi, Kenya, Rwanda and Zimbabwe.

Progress on providing visa-free entry to citizens of the region and beyond is ongoing on a unilateral, bilateral or regional (multilateral) basis, and is uneven in signatory and non-signatory countries. For instance, almost all African citizens can travel to Mauritius, Rwanda and Seychelles without a visa, while the three countries also have visa-free access granted to other COMESA member states. In Eswatini, Kenya, Madagascar, Malawi, Uganda, Zambia and Zimbabwe, progress has been made on visa relaxation for several COMESA member countries. The bloc is among the top performers on the Africa Visa Openness Index (see figure 4.1). The role of the COMESA Business Council—one of the eight organs of COMESA set up to represent the interests of the business community and other interest groups—may have contributed to this progress.

COMESA adopted the Agreement for a Common Investment Area in May 2007 for free movement of capital and investment. The aim was to improve the attractiveness of the region to local and foreign investment and to foster cross-border investment through harmonizing laws, standards and regulations. The Regional Investment Agency was tasked with supporting and monitoring implementation. As of 2021, however, the agreement has not been signed by any member country. Other COMESA institutions, such as the COMESA Competition Commission and the Trade and Development Bank (formerly PTA Bank), established to support regional integration, have had varying success.

The delays in fully operationalizing the COMESA customs union stem from several factors, including: (a) persistence of NTBs; (b) implementation delays or partial implementation of different instruments, programmes and decisions of the COMESA Council of Ministers; (c) lack of adequate review or evaluation mechanisms; (d) insufficient financial resources and technical capacity for domestication and implementation; and (e) lack of ownership among citizens.[262]

Southern African Customs Union (SACU)

SACU is the world's oldest customs union, created in 1889 by a convention between the British Colony of Cape of Good Hope and the Orange Free State Boer Republic. It was then extended to the Union of South Africa and the British High Commission Territories (HCTs)—including what is now Botswana, Eswatini, Lesotho and Namibia, administered as part of South Africa—under a new agreement in June 1910. For some scholars, with the 1910 agreement, the British colonizers envisaged the role of HCTs as "peripheral components of the South African space economy."[263] The agreement gave South Africa responsibility for managing the customs union with the status of primary decision-maker for its CET and related issues.

After independence of the HCTs and the subsequent end of apartheid in South Africa, two revised SACU agreements were adopted in 1969 and 2002, with amendments in 2013. Before the early 1990s, however, other states and territories had few rights under the supremacy of South Africa, and were economically and politically vulnerable. The regional economic environment showed high inequity and other territories' (subsequently nations') economic and political dependence on South Africa. Changes came from negotiations and renegotiations as the situation evolved.

Each of these new agreements reiterated the need to advance intra-SACU trade and strengthen CET implementation. They also addressed institutional issues such as decision-making and revenue sharing among member states, as well as common strategies relative to countries outside the bloc. In the 1969 agreement, an independent governing institutional structure, specifically a customs union commission, was established. De jure provision was made for member states to apply exemptions to free trade within SACU to protect infant industries temporarily.

In the 2002 agreement, important institutional changes were made, including creation of a new independent governing institutional structure,[264] democratization of SACU's institutions, revision of the region's trade policies, and establishment of a more equitable revenue-sharing formula.[265] Consequently, the share of the revenue pool allocated to Botswana, Eswatini and Lesotho increased from 1.3 per cent before the 1960s to 50–60 per cent in 2014–23.[266] Yet this revenue-sharing approach created a volatile and unsustainable level of fiscal transfers to the smaller economies.[267] The 2002 agreement also emphasizes the complete removal of customs duties and NTBs on goods traded within the region, with possible exemptions for health and environment-related protection, protection of property rights and national security.[268]

SACU's CET applies preferential rates to imports from countries or trading blocs with which it has concluded other trade agreements and most-favoured nation (MFN) rates to goods originating in the rest of the world. In addition to MFN tariffs applied to SADC imports, member countries also apply the same excise and ad valorem customs duties.

The applied MFN contains 8,420 tariff lines, of which 96.2 per cent carry ad valorem duty (accounting for 53.8 per cent of duty-free MFN tariff lines). Of the remaining lines, specific, mixed and formula duties are applied. The average MFN applied rate is 8.5 per cent, with 10.1 per cent on agricultural products and 8.2 per cent on non-agricultural products.[269] SACU countries do not have RoO on trade within the bloc, but RoO apply to goods from countries outside the union. Products imported from countries with a preferential agreement with a SACU country that are exported to other member states are charged normal import duty.[270]

As of September 2023, the harmonization of customs regimes, including the CET, under the agreement is near completion.[271] Two of the main remaining challenges are the adequate implementation of the SACU Agreement—for example, the CET, excise policies and customs law—and the lack of common sectoral trade policies and policy harmonization between SACU and SADC. SACU has also seen delays in implementing the Tariff Board and the Dispute Resolution Mechanism.[272]

Free circulation of goods within SACU is still hampered by cumbersome customs regulations and administrative procedures, among other barriers, including import bans, permits and licensing.[273] SACU has launched a programme of one-stop border posts and joint border control, and developed a common customs declaration form (Single Administrative Document) to facilitate trade within the region.[274]

SACU is now generally among the best performing in Africa on efficiency of customs clearance (see table 4.2). In terms of de jure criteria, it is the most complete customs union in Africa, with a partial transfer of sovereignty to regional institutions (11 out of 12 criteria were either partially or fully achieved; see table 4.1).

West African Economic and Monetary Union (WAEMU)

Before 1994, two treaties underlay integration in WAEMU: the 1962 treaty founding the West African Monetary Union (WAMU) and the 1975 ECOWAS Treaty.[275] The 1962 treaty was signed by Benin, Burkina Faso, Côte d'Ivoire, Niger, Senegal and Togo, after independence, and recognized the CFA franc as the common currency, through which it aimed to ensure policy coordination. It also established a common central bank: the Banque Centrale des Etats de l'Afrique de l'Ouest.[276]

The idea to create WAEMU germinated during the 1980s amid the economic and financial challenges that led to the CFA franc being devalued against the French franc in January 1994. The WAEMU Treaty, adopted on 10 January 1994, envisaged deeper cooperation among WAMU member countries to advance integration. Guinea-Bissau joined in May 1997. A transition from monetary cooperation, with a common currency area, to economic and monetary integration, with a common market, was envisaged.[277]

The WAEMU customs union was gradually established in line with the treaty, with a free trade agreement adopted in 1996 and the CET in 2000. The region saw a sharp reduction in tariff rates and tariff dispersion. Intra-bloc trade is governed by preferential RoO, which remove customs duties on agriculture, livestock, forestry and traditional craft products, as well as on manufactured goods approved as originating in a member state via a certificate of origin. Otherwise, the MFN customs duty applies. The initial WAEMU CET came into force in January 2000 and the WAEMU community customs code in 2001, designed to harmonize customs structures, regimes and procedures.

The WAEMU CET—replaced by the ECOWAS CET—had three components: a common customs duty, a 1 per cent statistical tax (a flat rate with no exemptions), and a 1 per cent community solidarity[278] tax levied on all taxable imports to compensate for the loss of revenue due to the elimination of tariffs on intra-bloc trade and to fund WAEMU activities.[279] In October 2013, the decision to replace the initial WAEMU CET with that of ECOWAS was endorsed by member states to harmonize the trade policy framework, with common customs procedures between the two organizations. Hence, after it came into force in January 2015 (except in Guinea-Bissau where enforcement began in 2016), the ECOWAS CET, with a maximum rate of 35 per cent applicable to 130 tariff lines, has been applied. During the transition period, an optional supplementary provision could be applied at national level.

The free trade agreement and the CET led to reduced tariffs and harmonized tariff structures. But, while progress is seen in aligning national legislation with WAEMU provisions, implementation remains challenging. Progress has also been made on regional standardization, accreditation and certification. National SPS legislation is still being harmonized in many WAEMU countries, but lack of capacity for control hampers full impact.

Implementation is also held back by NTBs and the weakness of national administrative institutions. The application of tariff preferences under the RoO on intra-WAEMU trade of local products requires certificates of origin and approval of both the manufacturer and the product. While the complexity of procedures, fraud and high (official and unofficial) costs of obtaining certificates of origin have long made it hard for traders to benefit from WAEMU's provisions and pushed many into informal trade, recent simplification via an electronic platform for exchanging certificates of origin, a project to interlink customs posts, and a single customs declaration within WAEMU—though it is not yet operational in all countries—have cut the time spent on gaining certification.

WAEMU records a lower burden of customs regulation, and less time on border compliance, than ECOWAS (see table 4.2). And while WAEMU countries have a separate agreement with the use of national identity cards rather than passports for travelling in member states, progress on FMP has been achieved under the ECOWAS Free Movement of Persons Protocol.

Economic and Monetary Community of Central Africa (CEMAC)

CEMAC countries attempted economic integration in 1964 before their founding treaty under UDEAC (Union douanière et économique de l'Afrique Centrale). The customs union agreement was signed in Brazzaville, Republic of Congo, in 1964, with the participation of all the members of the Bank of Central African States (BEAC). Equatorial Guinea joined the union in 1983. The agreement sought to foster intraregional trade and harmonized investment and industrial policies in member states, but had little success. Drawing inspiration from WAEMU, reforms were initiated after the 1994 devaluation to create CEMAC. The CEMAC Treaty was signed in March 1994 and became operational in 1999 after participant countries' ratification.

The creation of CEMAC aims to link pre-existing unions, namely, the Monetary Union governed by the BEAC and UDEAC, and the Economic and Customs Union (Central African Customs and Economic Union).[280] The 1994 treaty was revised in June 2008 to revitalize the bloc, moving it from inter-state cooperation to a union ensuring deeper monetary and economic integration as a supranational entity (Articles 2 and 3 of the revised treaty). The provisions of the revised treaty were set to be implemented three years after it entered into force.

The community aims to achieve common market status with a multilateral mechanism (to monitor the region's economic and financial policies), a stable common currency, harmonized regulations and sectoral policies, and a secure business environment. To ensure free circulation of goods, member countries have been expected to apply a general preferential tariff of 0 per cent on goods originating in CEMAC since 1998. These goods are, however, subject to value-added tax (VAT) and any other national tax in the country of final destination. Under the VAT directive, a list of products and services are eligible for exemption, including raw produce and certain essential goods and services.

Under the RoO, a certificate is delivered by customs authorities at REC level, but with the approval of a national committee that certifies the goods' CEMAC origin. To date, however, not all countries have set up such a committee. While local products and traditional crafts are systematically granted CEMAC origin, industrial products manufactured within the REC are required to meet one of the following conditions:

- the product is wholly produced from raw materials of CEMAC origin;
- CEMAC raw materials represent at least 40 per cent of the value of the raw materials used; or
- the local value added is equal to at least 30 per cent of the ex-factory value.

Countries outside the bloc were set to face a CET with a five-band tariff structure: certain cultural and aviation-related products (0 per cent), essential goods (5 per cent), raw materials and capital goods (10 per cent), intermediate goods (20 per cent), and consumer goods (30 per cent). Countervailing and anti-dumping measures may be applied as set by the Council of Ministers if a foreign product or competitor threatens local production in a CEMAC member country.

Despite adoption of the community customs code, the CET has several exceptions granted unilaterally by member countries, and so the tariff structure is not applied uniformly. Other challenges include persistent exonerations and surcharges, ineffective implementation of CEMAC legislation, misclassification of goods, inadequate technical capacity of customs administration, and institutional weaknesses.[281] SPS regulations are not yet fully harmonized in CEMAC, and effective implementation of SPS regulations is usually hampered by lack of resources and capacity.

With a monetary union and the use of a common currency—the CFA franc, pegged to the euro—CEMAC countries have a common central bank, BEAC, which manages the financial, monetary and exchange rate system and oversees countries' compliance with CEMAC's common bank regulations. In line with this role, the Central African Banking Commission was established by the 1993 Convention for monitoring and supervising the banking sector. To ensure macroeconomic convergence, a special committee was established in 1993 for multilateral surveillance in CEMAC. Member countries' abilities to meet the convergence criteria have been mixed, however.

To facilitate FMP in line with its common market aspirations, CEMAC adopted the principle of free movement in 2001, renewing it in 2007, aspiring to create a community passport and eliminate entry visa requirements for citizens. In 2013, CEMAC member states adopted the Additional Act N°01/13 on 25 June, which abolished visas for all CEMAC nationals travelling within the community. There have been implementation delays of the community digital passport with visa-free entry for holders, however, as adoption has not been uniform across countries.

In 2017, the agreement was finally ratified by all member states, yet visa-free entry is not yet applicable in Equatorial Guinea and Gabon, which have long expressed reservations about the protocol.[282] The adoption of the common vehicle insurance scheme in CEMAC member countries—the Pink Card—has also been a major advance for FMP in the bloc. The card ensures that any driver travelling through another CEMAC country receives rapid compensation after a road traffic accident.

Advances in regional integration: Experiences from ECCAS and SADC

Economic Community of Central African States (ECCAS)

The 1983 founding treaty of ECCAS aimed to foster cooperation among member states for economic development and envisaged the progressive establishment of a common market, following the creation of an FTA in 1993 and a transition to a customs union five years later. The region's achievement of its goals within that timeline was, however, jeopardized by financial difficulties and instabilities in the Great Lakes area, and the REC was inactive between 1992 and 1998. ECCAS was relaunched in 1998 by Heads of State and Government, and the decision was made to establish an FTA by July 2004, with the customs union planned for 2008. The FTA became a reality, but the customs union has been postponed several times.

This situation resonates, however, with Article 6 of the treaty, which stipulates that the transition from an FTA stage to a customs union stage would be approved upon confirmation that the "essential elements" of the treaty's objectives for the former have been attained. The ECCAS FTA is yet to be made fully functional. The community was recently reformed, and a revised treaty and other instruments were adopted by the ECCAS Heads of State during their Extraordinary Summit in December 2019 in Libreville. ECCAS comprises 11 countries, including all CEMAC member states, and all countries except Burundi have ratified the treaty.

In line with the ECCAS Treaty, member states are expected to eliminate all customs duties and other quantitative or qualitative barriers to intra-ECCAS trade. According to the FTA's provisions, local products, traditional handicrafts and other minerals are expected to receive a 100 per cent tariff reduction on its entry into force. Tariff reduction on industrial and manufactured goods is spread over three years. To account for the overlapping membership of CEMAC countries and avoid conflicts between the institutions of CEMAC and ECCAS, tariff reduction in ECCAS followed the principle of "shared territoriality." On this, CEMAC's generalized preferential tariff on originating goods was maintained for intra-CEMAC trade, with ECCAS's preferential tariff applied to trade between ECCAS member states and between CEMAC and ECCAS countries.

CEMAC and ECCAS began harmonizing policies, programmes and instruments of integration in 2007 but without much success, even if harmonization was mandated by the Heads of State and Government of ECCAS, which created a Steering Committee for the Rationalization of Regional Economic Communities in Central Africa, formally established in 2009. The expected new entity was also mandated to absorb the ECGLC.[283]

Apart from the RoO provisions, goods considered for free circulation within ECCAS include those from third countries that comply with import formalities and duty payment without the partial or total drawback of these duties in the member country of entry (Article 30 of the 1983 treaty). Further, according to Article 34 of the 1983 treaty, exceptions to the removal of trade restrictions may be applied by a member state on specific products under certain regimes, including security concerns and the protection of human health, cultural heritage and biodiversity, and to control strategic products after notifying other member states.

A financing mechanism of the community's institutions was established to support their financing and to compensate member states for loss of revenue due to liberalization—the Fund for Compensation for Loss of Revenue. To operationalize it, a special levy on goods originating in third countries was promulgated in May 2016,[284] but was still to be implemented two years later.[285]

Nearly two decades after the entry into force of the ECCAS FTA in 2006, the ECCAS preferential tariff and other provisions for trade liberalization within ECCAS are not yet fully functional, and policies have still to be harmonized. As of 2016, ECCAS member states had on average lowered to zero only 34 per cent of tariff lines.[286] The reasons are conflict; lack of execution of decisions related to the FTA; weak domestication of procedures by member countries; failure of member states to honour their financial commitments to support the functioning of regional institutions and programmes; and overlapping country membership.

Although systems such as one-stop border posts have been adopted to facilitate trade, NTBs remain major bottlenecks to intra-ECCAS trade. Studies in the REC have revealed, for example, numerous police, military and customs roadblocks and checkpoints; recurrent corruption with fees paid by traders without receipts; and harassment—all delaying border compliance.[287] Further, limited progress has been made on implementing the ECCAS Protocol on Free Movement of Persons and Rights of Establishment, adopted as part of the 1983 treaty even though implementation was intended to be achieved within four and 12 years, respectively.

Southern African Development Community (SADC)

SADC was established in 1992 in Windhoek, Namibia, as successor to the Southern African Development Coordination Conference created in 1980 to build economic and political ties in a decolonization-driven agenda.[288] Underlying the founding treaty, which came into force in 1993, is the ambition to create an FTA and then transition to a customs union, common market, monetary union and single currency. As part of the establishing treaty, SADC developed protocols in several areas, such as trade, energy, transport, tourism and FMP.

According to the treaty, member countries may be sanctioned in cases of persistent failure to abide by their obligations under the treaty, of implementation of policies that undermine the principles and objectives of the REC, or of accumulation of more than one year's arrears in financial contribution to SADC without reasonable justification, such as natural disasters.[289] These sanctions are to be determined case by case at the Summit of Heads or State or Government (Article 33), decided by consensus (Articles 10, 11 and 13). Such a decision-making process has inhibited implementation of Article 33, as the offending country can use its veto against any sanctions.[290]

The SADC Protocol on Trade was adopted in 1996 and entered into force in 2000, covering 13 member countries.[291] It envisaged gradual elimination of tariffs and NTBs on intra-SADC trade based on the principle of asymmetry, harmonization of customs and trade documentation and clearance procedures, dispute settlement mechanisms, and special trade agreements on sugar. Article 6 stipulates that countries must eliminate existing NTBs and avoid introducing additional or new trade restrictions, including quantitative and quota restrictions, except in specified circumstances (Articles 7 and 8).

On its entry into force, member states were given eight years of transition to reduce to zero customs duties on 85 per cent of all commodities originating in the region. For the tariff reduction, goods traded within the REC were categorized into three groups: category A products, which qualified for immediate elimination of tariffs; category B goods, whose tariff would be reduced over eight years; and category C, sensitive goods (15 per cent of all commodities at the protocol's entry into force), with a target date of 2012.[292]

SADC RoO underpin the application of preferential tariffs. A certificate of origin is delivered to an exporter if the goods meet the criteria described in Article 3 and Appendix I of Annex I of the SADC Protocol on Trade. More specifically, a good is considered as originating in SADC member countries if (a) it is wholly produced in or obtained from a member state and does not contain any materials sourced from third countries (the protocol then lists nine main conditions to be fulfilled by different products under Annex I Rule 4); and (b) it is produced in SADC using materials obtained from outside the region but that go through sufficient processing in at least one member country. Under (b), further specifications are made in a separate appendix on required conditions for the products on the percentage threshold for the c.i.f. value of materials imported from outside the region. For originating goods transiting through another member state, a certificate issued by the customs authority of the country of transit must be presented, in addition to a single transport document and the certificate of origin.

Reviews of trade liberalization in SADC show that member states have lowered tariffs and harmonized procedures on intra-SADC trade in line with the agreed schedules.[293] By August 2008, SADC member countries had achieved zero duty on 85 per cent of intra-bloc trade, and by 2012, most countries had completed the tariff reduction on sensitive products.[294] Many assessments showed, however, that the complexity of the SADC RoO and cumbersome customs procedures ensured underutilization of FTA advantages for cross-border traders due to the non-monetary costs that fulfilling the requirements involved, thereby increasing the NTBs to trade.[295]

Despite the provisions of Article 17 of the SADC Protocol on Trade, the use of discriminatory technical barriers for import restrictions is still prevalent due to limited harmonization of import norms within SADC. There are still products with no agreed RoO, such as wheat, which should ordinarily be wholly originating, but no agreement was reached during negotiations on other products. Hence the underutilization of preferences in SADC, which tends to favour products from developed countries over goods from the region. With the support of institutional structures, however, several protocols and frameworks are being implemented, including the Technical Barriers to Trade (TBT) Annex to the SADC Protocol on Trade (revised version approved in 2014) and the Sanitary and Phytosanitary (SPS) Annex to the SADC Protocol on Trade.[296]

In 2004, the first Regional Indicative Strategic Development Plan set target dates for establishing a customs union and common market in 2010 and 2012—later postponed to 2013 and 2015—respectively. The SADC common market was to be followed by a common central bank by 2016 and a single currency by 2018 (Articles 21 and 22 of the SADC Treaty and the Finance and Development Protocol). The two target dates' postponement affected the timeline for other objectives, and was due to (a) capacity constraints in the SADC secretariat for faster headway on bridging the divergence among the 16 individual tariff policies into a single tariff regime under the CET,[297] and (b) the low level of industrial development in the region.[298]

On FMP, SADC adopted the Protocol on the Facilitation of Movement of Persons in August 2005, after revisions (in 1997 and 2005) of the draft protocol initially developed in 1995. Under the protocol, member states are expected to grant visa-free entry for a maximum of 90 days to citizens from another SADC member country with lawful purpose, to standardize immigration forms, and to facilitate the processing of travel documents for SADC citizens and residents. Nearly two decades later, the protocol is still not in force, given too few ratifications. Only six member states out of 16 have ratified: Botswana, Eswatini, Lesotho, Mozambique, South Africa and Zambia. Five additional ratifications are required. Still, SADC member countries have, over the years, simplified visa processing and requirements for other African states in bilateral agreements.

Other related protocols for FMP are the SADC Protocol on Education and Training (1997), the Protocol on Development of Tourism (1998) and the Protocol on Employment and Labour (2014). As part of the region's effort to increase tourism in member states, a visa system—the Kavango-Zambezi (KAZA) Univisa—was rebooted in 2016 after its original launch in November 2014.

SADC adopted an Integrated Regional Electronic Settlement System to facilitate fund transfers for cross-border payments in SADC in local currency. The platform became operational in July 2014 for Eswatini, Lesotho, Namibia and South Africa, while Zambia joined in September that year. The last edition of the REC's document for deeper regional integration—the Regional Indicative Strategic Development Plan—covers 2020–30, and stipulates strategies, objectives, priorities and policies to attain full integration and become a common market over 15 years.

The pros and cons of the COMESA-EAC-SADC Tripartite Agreement

In the mid-2000s, the idea arose to form a tripartite arrangement bringing together COMESA, EAC and SADC, integrating the three into a larger market given the overlapping memberships of the three RECs, and to fast-track African integration and establishment of the AEC. The initiative was agreed on by the three RECs' member states in October 2008 at the Summit of Heads of State and Government in Kampala, Uganda. The decision highlighted the need to leverage the Tripartite Agreement to merge the three communities into a single REC in the long run—even if such emphasis was absent from the decisions of subsequent summits, such as the 2011 summit in Johannesburg, South Africa.[299]

The COMESA-EAC-SADC Tripartite Agreement was endorsed at the AU Summit in January 2012. Specifically, the summit: (a) invited the three parties to finalize the initiative in 2014; (b) encouraged other RECs, such as ECOWAS, ECCAS, CEN-SAD and AMU to emulate the arrangement and create a similar FTA in 2012–14; and (c) envisaged consolidating the two FTAs into a continental FTA in 2015–17.[300] This roadmap was not followed, however.

Still, the Tripartite Free Trade Area (TFTA) was launched in June 2015 in Sharm El Sheikh in Egypt. The Tripartite follows a developmental integration strategy founded on three key pillars: market integration, infrastructure development, and industrial growth.

Although the COMESA-EAC-SADC TFTA Agreement came into force on 25 July 2024, having attained the required threshold of 14 ratifications from among the 29 member/partner states in the three RECs, the pace was much slower than the AfCFTA's. Launched in October 2015, the TFTA took eight years to come into force. Further, although these 14 ratifying countries constitute 61 per cent of the TFTA's GDP (2023 figures), the fact that as many as seven member states are yet to sign reflects less enthusiasm than seen for the AfCFTA.[301]

Critics of the TFTA framework have argued that, over time, the relevance of the initiative as a pillar of continental integration weakened as it diverted from its initial objective, which was to address the overlapping memberships of the three RECs with a planned merger of these blocs into a single REC.[302] Specifically, the legal TFTA Agreement presupposes "cohabitation" of the RECs and TFTA, which is likely to worsen the issue of multiple memberships, as opposed to merging the three RECs into one with a transition towards a single customs union.

Hence, the Tripartite Agreement is seen as a duplication of existing arrangements and its entry into force is seen worsening the overlapping membership challenge that it first aimed to address.[303] In addition, Article 41 of the TFTA Agreement opens accession to other AU Member States, potentially making it a continental, rather than regional, instrument.[304]

Nevertheless, the agreement is generally viewed as complementary to wider continental integration, as it provided important lessons on principles, texts, architecture and instruments that guided the AfCFTA negotiations.[305] It also presents an opportunity for policy harmonization among COMESA, EAC and SADC and greater inter-REC cooperation in putting in place transport and trade facilitation instruments, as well as instruments to promote regionally integrated industries and supply chains, as shown by the ongoing progress in the industrial and infrastructure pillars.[306] So, if implemented properly, it has the potential to reduce duplication of efforts and fragmentation of resources in the region.

RECs' common lessons and policy implications

The RECs' experiences show that none was able to strictly follow the linear progression of regional integration as prescribed by the Abuja Treaty. They also reveal the difficulties and complexity involved in achieving fully operational FTAs, and in making progress on the agenda for establishing a functional customs union and common market. None of the most advanced regions has fully completed the process: they have no common trade policy, with RECs mainly having coordinator and advisory roles with no degree of sovereignty (except in SACU where a limited degree of supranationalism is allowed).

The implementation of a common customs code has also been only partial in ECOWAS and SACU.[307] Also, heterogeneities in liberalization and policy harmonization, and the persistence and proliferation of NTBs, have prevented most RECs from switching to fully de facto integration. Except in ECOWAS and EAC, progress on the common market and FMP has been challenging, with FMP limited to visa-free entry without right of establishment and residence. Resistance of member states is deeply rooted in concerns over migrant management, pressure on domestic social services, insecurity, and political issues.

Common lessons from RECs' mixed experiences, which may affect transitions to a customs union and common market, as well as some policy implications, follow.

Political willingness and successful progress on integration

African leaders' recognition of the importance of economic integration is seen in the fact that all African countries belong to at least one REC and have been involved in continental integration. Across RECs, political will and individual leadership have been the key to progress on integration,[308] involving member states significantly reducing tariffs in their FTAs, aligning tariffs with CETs, and advancing implementation of the Free Movement of Persons protocols, as in ECOWAS and EAC. Both these RECs envisage introducing national identity cards to travel in member states. Despite heterogeneity in national interests debarring such achievements in other countries, the will for bilateral and unilateral openness has been apparent in Benin, Gambia, Rwanda and Seychelles, which now lead on unilateral openness, having eliminated visa requirements for all African citizens.

The role of political leadership and common interest was also essential in pursuing regional integration, such as the adoption of regional instruments for trade facilitation in COMESA, EAC and SADC, led by South Africa, as well as for peace and security in IGAD and ECOWAS, led by Nigeria. Sustaining such political leadership and commitment will rely on the AU and RECs building cross-country coalitions and political commitment to consolidate the AfCFTA, adopting the Free Movement of Persons Protocol, and transitioning to a deeper level of integration.

Financing regional integration

All RECs except ECOWAS and SACU, as well as the AU, still heavily depend on donor support to finance policies that may not align with national priorities, constraining member countries' development choices. Further, funding gaps lead to limited capacity and hinder projects and programme implementation. Hence, continental solutions require tailored, self-sustaining mechanisms for financial independence buoyed by greater commitment from African states. Despite their shortcomings and implementation challenges, the successful internal revenue generation of these two RECs represents a good example for emulation by other RECs and continental institutions.[309]

Addressing the challenge of multiple memberships

In African integration, shared membership of RECs is the norm rather than the exception. All WAEMU member countries belong to ECOWAS; all SACU member countries belong to SADC; all EAC member countries belong to at least one of the other RECs (with five out of seven in COMESA); over half of COMESA member countries also belong to EAC, SADC or ECCAS; and 11 out of 16 SADC member countries belong to COMESA, EAC, ECCAS or SACU.

This challenge leads to mixed outcomes and slow progress in COMESA, EAC, SADC and ECCAS, and to a lesser extent in ECOWAS and WAEMU. Such multiplicity of REC memberships has been attributed to the poor design of the integrating process under the Abuja Treaty. This has created challenges for member states, including conflicts of interest, duplication, divided loyalties, and most importantly a plethora of legal and administrative commitments, low levels of participation in regional decision-making, and difficulties in meeting national contributions and obligations to regional bodies. The Tripartite Agreement sought to be a *solution*.

Further integration at continental level should rely on planned approaches to mainstream the Abuja Treaty into RECs' work programmes and streamline or integrate the Tripartite Agreement and RECs' arrangements into the framework of the continental integration agenda. As highlighted by UNECA (2021), this could be achieved by ensuring a common understanding of the role of RECs as building blocks of the AEC. Article 5(b) of the AfCFTA Agreement affirms that "the AfCFTA shall be governed by the following principles: (b) RECs Free Trade Areas (FTAs) as the building blocks for the AfCFTA". This alignment requires harmonizing the mandates and actions of the RECs and the AfCFTA to support the formation and realization of the AEC, while also engineering a viable approach to managing the multiple trade regimes arising from the coexistence of the AfCFTA and the RECs' FTAs.

Ensuring implementation of agreements and appropriate enforcement mechanisms

A key lesson is the inherent challenge of translating political commitment into concrete integration-building. Delays often occur in translating regional agreements into national legislation, standards and procedures. In countries where regional provisions are reflected at national level, they are only partially implemented because of the lack of enforcement mechanisms.

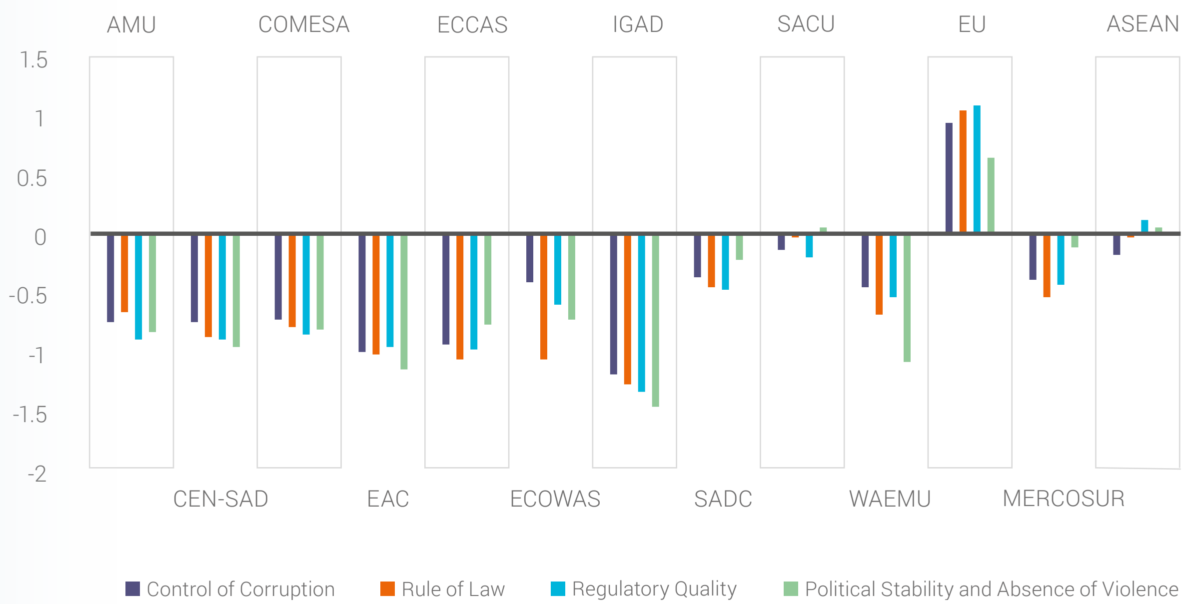
Strengthening institutions, therefore, at both national and regional level, is critical. For instance, national committees to support and monitor the implementation of the protocols adopted need to be fully established in ECOWAS member states, while member states in East Africa should take steps "without delay" towards implementing East African Court of Justice judgements (Article 38).[310] In short, the power and capacity of regional institutions in charge of programme coordination and execution need to be strengthened.

Improving domestic institutions and removing non-tariff barriers

In all RECs, a major obstacle to intraregional trade has been the proliferation and persistence of NTBs. RoO as applied are often barriers to trade, with high compliance costs (as in SADC), caused by weaknesses among domestic institutions. Although ECOWAS, SADC and SACU are the best-performing RECs on institutional quality (figure 4.2), their performance is still lower than the EU's. Consequently, strong advocacy for good governance and institutional improvements, especially in effective implementation of the CET and common trade policy, is required at national level in support of the agenda on continental integration.

Figure 4.2

Indicators of institutional quality by regional bloc, average 2023



Note: AMU = Arab Maghreb Union; ASEAN = Association of Southeast Asian Nations; CEN-SAD = Community of Sahel-Saharan 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; IGAD = Intergovernmental Authority on Development; SACU = Southern African Customs Union; SADC = Southern African Development Community; WAEMU = West African Economic and Monetary Union.

Source: ECA computation based on data obtained from the World Governance Indicators (WGI), World Bank (2024).

Addressing political instability, conflicts and insecurity

Conflicts lead to loss of life and prolonged human suffering, displacement and refugee crises, human rights violations, and physical harm. Political instability, conflicts and insecurity also divert attention of member countries and regional institutions from economic-integration initiatives. In addition, they create cross-border political tensions, as internal insecurities often escalate into neighbouring countries, deterring cooperation and handicapping progress. Encompassing election violence, terrorism, military coups, separatist movements, insurgency, armed banditry, cross-border crimes and herder-farmer conflicts, they are a threat to states' functioning.

The underlying causes include sociopolitical exclusion, absence of economic opportunities, high youth unemployment, economic deprivation, weak resource management and poor governance. They need to be addressed. Hence, continental leaders need to create regional platforms and high-level political engagement, and to link integration initiatives to national development initiatives, build a culture of democracy, transition to and consolidate democracy, and strengthen governance.

Boosting economic diversification and trade complementarity

All regional blocs in Africa aim to increase intra-bloc trade, diversify member countries' economic base, industrialize, and generate economic prosperity. Yet FTAs and customs unions have not harnessed the benefits of tariff liberalization and integration for greater intraregional trade, economic diversification and industrialization. Member states' current commitment to shallow integration needs to show positive outcomes in order to generate commitment to deeper integration.

Regional integration incentivizes trade, but only when production and supply activities flourish. There seems to be weak linkage between market integration and development of economic sectors, including regional value chains, leading to low trade complementarity. Many African countries depend heavily on primary commodities and minerals, limiting the expansion of value-added industries. Infrastructure deficits, persistent skills gaps and unequal access to productive resources (due to legal and regulatory barriers and lengthy processes for setting up businesses) are other bottlenecks.

Further, national structural and institutional blockages need to be eased to harness greater benefits under the AfCFTA and to incentivize deeper integration through further commitment to closer integration. Except for ECOWAS, where fuel exports are the main component of intraregional trade, trade in manufacturing goods dominates the RECs, highlighting the great potential of liberalizing regional trade for industrialization.

Experiences and lessons from the EU, Mercosur and ASEAN

Experiences

European Union

The EU's origins trace back to the aftermath of the Second World War amid European reconstruction. Political ideologies in western Europe spurred initiatives to create supranational entities to operate as a bloc against the Soviet Union and to tackle common defence and security issues through strong links and cooperation among countries. These early attempts began to see success with the European Coal and Steel Community (ECSC) in 1950, a supranational body for (a) managing the coal and steel resources—vital commodities for rebuilding after the war—of France, Germany and a few other countries; (b) removing barriers in an internal market; and (c) coordinating these industries' modernization to strengthen development cooperation. The ECSC began operations in 1952, and ended in 2002.

The ECSC's success paved the way for further initiatives towards creating a common market and collaborating on the joint development of nuclear energy. In 1957, the Treaty of Rome established the European Economic Community (EEC) and the European Atomic Energy Community. Aiming to create a customs union and then a common market among the six ECSC member states[311] and address unfair competition and subsidies, the EEC—precursor to the European Union—was launched in January 1958.

In 1965, a treaty was signed to merge the three institutions—ECSC, EEC and European Atomic Energy Community—into a single organization known as the European Community (EC), with effect from July 1967. Five subsequent treaties were adopted, and several amendments initiated to deepen regional integration, prepare for expansion and broaden areas of cooperation.

The EEC treaty included a 12-year transition period to December 1969, requiring an annual 10 per cent reduction in tariffs, and with a 1961 deadline for removing all quotas. A CET was introduced in 1959. The customs union was completed in July 1968, ahead of schedule. The agreement yielded economies of scale, improved firms' competitiveness on the global market, and expanded trade, making the bloc one of the world's leading economies—although progress slowed in the 1970s during worldwide economic downturns largely due to the two oil shocks of 1973 and 1979.[312] Member countries resorted to protectionist measures, delaying progress to the common market but prompting development of regional policy and the creation, in 1974, of European Regional Development Funds to support weaker economies.

A common customs tariff is applied on imports, with rates varying among products based on their nature, economic sensitivity and country of origin.[313] Goods originating in one member country or imported products cleared by customs in one country can move freely within the EU. Trade with (and within) the EU is governed by RoO, and requires certificates of origin for both preferential and non-preferential trade.[314]

While the reduction in internal tariffs and the move to a customs union were relatively smooth, the shift to a common market required some reengineering. As the 1957 treaty covers the free movement of workers and freedom of establishment, adjustments were needed particularly in the labour market. Further arrangements were put in place to ensure transferability of workers' pensions and social security entitlements, and facilitate family relocation. In January 1985, the first European passports were issued and, in December that year, the first Schengen agreement abolishing internal border controls was signed by five member states.[315] Five years later, the second Schengen agreement was signed, creating a single external border for immigration checks and leading to the adoption of common rules on asylum, visas and immigration, to take effect in 1995.

In March 1979, the European Monetary System had begun operations, and all EC member states except the United Kingdom joined the Exchange Rate Mechanism. The 1957 treaty was revised, bringing about the Single European Act (SEA), which took effect in July 1987, and aiming to fast-track completion of the common market through simplifying legislative procedures (including abolishing national vetoes in several policy areas) and administrative procedures (by abolishing restrictive practices in the private and public sectors). The SEA also set the foundations for a full economic and monetary union by providing for a central banking system and common currency, and by strengthening the political role of the union, especially foreign and security policies. By January 1993, the single market was completed and in January 1994, the European Economic Area (EEA) came into effect, allowing goods, services, capital and people to move freely among member countries.

In 1992, the Treaty on European Union was signed—generally referred to as the Maastricht Treaty after the town in the Netherlands where it was signed—establishing the current EU. The treaty entered into force on 1 November 1993. It envisaged a three-stage approach to economic and monetary union. The first, which had already started under the SEA in 1990, completed the single market by ensuring free circulation of capital in the union. The second, focusing on fostering economic convergence—with targets for debt, public deficit, inflation and exchange rate stability—began in 1994 after completion of the single market.

The third stage—set to start in 1999—established the European Central Bank, fixed exchange rates and set the groundwork for adopting the single currency—the euro—once the economic criteria were met. In January 2002, the European Central Bank introduced euro coins and notes in 12 member states. In line with the principle of variable geometry, Denmark, Sweden and the United Kingdom opted out of the monetary and currency union.

The Maastricht Treaty also established "EU citizenship" while, to achieve economic and social cohesion in the union, the Cohesion Fund was created to support less prosperous countries in improving their domestic infrastructure.[316]

In October 2007 in Lisbon, Portugal, the European Council agreed to further treaty reforms. The Treaty establishing the European Community (also known as the Treaty of Rome) was renamed the Treaty on the Functioning of the European Union. The treaty launched a robust but flexible institutional framework to administer a union of 27 countries. To strengthen macroeconomic stability, as well as fiscal and financial integration in the monetary union—particularly after the global financial crisis of 2007–09, which brought huge turmoil to the eurozone, as elsewhere—the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union entered into force in January 2013; in October that year, member states agreed to a single supervisory mechanism for banking sector oversight.

Since the Treaty of Rome, with the positive effects on integration in the EEC, the community (then) and the union (now) have been a magnet for other European nations, from six founding states to the current membership of 27 after five rounds of enlargement. The EU continues to receive applications for membership as it has proved to be flexible enough to accommodate diversities in approach and political differences, despite tensions. Ownership and implementation of agreements are backed by varying national legal frameworks—member states' ratification is done either through a parliamentary process or a referendum—and strong domestic institutions.

Yet because the EU operates only in defined areas, in line with its treaties, its interventions have been limited in harmonizing and integrating national policies in key areas, including education, healthcare, and civil and criminal justice. Since the Budgetary Treaty of 1970, the EC and now the EU have been self-funded, after a transition from relying on contributions from member countries to financing from its own resources, which come from tariffs on agricultural imports, the CET and a share of VAT revenues.

One of the key factors underlining the EU's achievement is member states' adherence to similar democratic political institutions and legal standards. Democratic clauses legally underlie EU membership—countries must be and remain democratic to become and stay members. Studies show that democratic states are more likely to enter a regional integration agreement and that democratic institutions are increasingly critical to an advanced level of integration.[317] Specifically, in democracies with government accountability, leaders maintain their local support through providing public goods to their electorate, implying the need to secure greater efficiency and growth through integration.

Autocratic leaders, in contrast, tend to maintain their regime by providing private goods, through rents from protectionism, to their "selectorate," resisting policies that lower such rents.[318] Further, democracy has been shown to resolve collective-action problems—giving a higher level of transparency and credibility to states' commitment, decreasing uncertainties over intraregional economic exchange and fostering more enduring political stability.[319]

The EU has moved from intergovernmental decision-making to greater supranationalism of its institutions. Among its most important policymaking institutions—European Parliament, Commission, Council of Ministers and European Court of Justice (ECJ)—the Parliament is directly elected; the commissioners, although appointed by member states, are not seated as representatives of their country, but are expected to act in the interests of the EU; the Council of Ministers is composed of government ministers from each EU country, according to the policy area to be discussed; and the ECJ has a supranational character, facilitating integration through a redefinition of community law vis-à-vis national legislation.

As part of the cooperation among member states, the transfer of some national sovereignty to supranational EU institutions has helped advance integration, even if the EU has been limited in political autonomy and constrained by the terms of the Treaty on the Functioning of the European Union as a law cannot be enacted if it concerns a policy area not cited in relevant treaties. In 2004, the Treaty establishing a Constitution for Europe was adopted but it never entered into force because it was not ratified by all 27 member states. Strong and well-functioning supranational institutions have been essential to guarantee internal cohesion in a union of over two dozen countries.

Finally, progress on community—then union—integration has sometimes required respecting the interests of smaller, economically and politically weaker states through democratizing regional institutions, providing development support to improve domestic infrastructure, and achieving a quid pro quo when needed, particularly through the European Regional Development Fund and the Cohesion Fund. Beyond the Fund, one example is the Common Agricultural Policy of 1962, which made the integration project politically viable. The policy compensated the agricultural sector, which lost out in the EC's increasing liberalization, by financing agricultural programmes, guaranteeing fixed prices for certain agricultural products and securing the community and union's market for domestic producers. Critics of the Common Agricultural Policy argue that it inadequately supports farmers' incomes and fails to address environmental concerns sufficiently.[320]

Southern Common Market (Mercosur)

After the end of military rule and the restoration of democracy in Argentina and Brazil in the early to mid-1980s, the two countries initiated and then formalized their collaboration in July 1986. The aim was to expand their global leverage involving early collaboration on political and nuclear-power issues. The compatibility of the two nations' priorities—particularly in strengthening democracy and pursuing development through economic liberalization after a long period of protectionism, rivalry and distrust, backed up by political will—was important in Mercosur's establishment and in its achievements. Shaped by prospective national gains, globally dominant regionalism ideas, and democratic institutions in *both* countries, choices of the leadership and policy preferences have helped integration, though according to Campos (2016), integration in Mercosur was and remains shaped largely by the leadership and preferences of Brazil, the region's dominant economy.

Initial steps led to a bilateral scheme of economic integration, which envisaged the creation of a bilateral common market in 1990 after a transition from a preferential trade agreement to that of an FTA and a customs union; it was later extended to Paraguay and Uruguay. Mercosur was formally created by the Treaty of Asunción in 1991, with Argentina, Brazil, Paraguay and Uruguay as members. Venezuela was approved as a full member in 2006, although its membership was later suspended based on human rights violations. The treaty aimed to create a common market with a target date of December 1994, providing a foundation for a potential expansion to all independent and democratic South American states. The common market was expected to be an outcome of progressive trade liberalization, coordinated macroeconomic policies, a CET, and agreements on the free movement of factors of production.

Under the FTA, member states agreed to remove tariff barriers on intra-Mercosur trade, but allowing a list of sectoral exceptions—for instance, automobiles and sugar—to which the trade liberalization scheme under Articles 3 and 4 of the founding treaty were not to be applied. Member countries generally completed liberalization according to schedule (between 1991 and 1994) with a substantial reduction of tariffs on intra-bloc imports (trade within the region is mostly duty-free).

But harmonization remained limited, customs duties were still applied to certain goods traded within the region, and countries continued to resort to NTBs such as quotas and non-automatic licences in different situations (although they were scheduled to be eliminated). Substantial variations also existed in national regulations on standards and SPS measures, hindering free trade in Mercosur as these regulations were harmonized only marginally, reflecting partial internalization and enforcement of agreed norms. There have, in addition, been numerous cases of antidumping import restrictions by Argentina on imports of fabrics from Brazil.[321] Further, liberalization was limited to trade in goods only, and was not extended to other areas where agreements were signed such as trade in services, investment and government procurement.

After substantial reductions in tariffs on imported goods from member countries, the FTA, CET and common trade policy undergirding the customs union were formally established on 1 January 1995. The CET ranges from 0 to 20 per cent, with higher tariffs moving from raw materials to final goods:

0–12 per cent for intermediate products, 12–16 per cent for capital goods, and 18–20 per cent for final goods. The average CET was originally set at 11 per cent, with a list of exceptions based on the needs of member states.[322]

Although most of the exceptions have been eliminated and some bilateral agreements renegotiated, exceptions related to sectors producing capital goods, telecommunications and computer products are still in use. Further, a nation is allowed to use a temporary CET waiver when facing shortages, and national special import regimes are preserved, enabling countries to import intermediate products used in producing exported goods outside the CET obligations. Additionally, there are substantial disparities in such duties across member states. Overall, only 10 per cent of the goods imported to the bloc are processed in line with the CET, given the use of exceptions, national special import regimes, trade defence policies and unilateral preferential trade regimes.[323]

These discrepancies are attributed to asymmetries in import tariff preferences between larger countries—Brazil in particular—and smaller economies, reflecting not only differences in economic size but also their dominant sectors of production and trade. As argued by many scholars, the tariff structure underlying the CET reflects the preferences of dominant interest groups in Argentina and Brazil, the latter seeking greater protection of local manufacturing output, such as automobiles, capital goods, electronics, textiles, clothing and shoes, with little room for concessions. Paraguay and Uruguay apply the lowest tariffs on capital and telecommunications goods to maintain competitiveness.

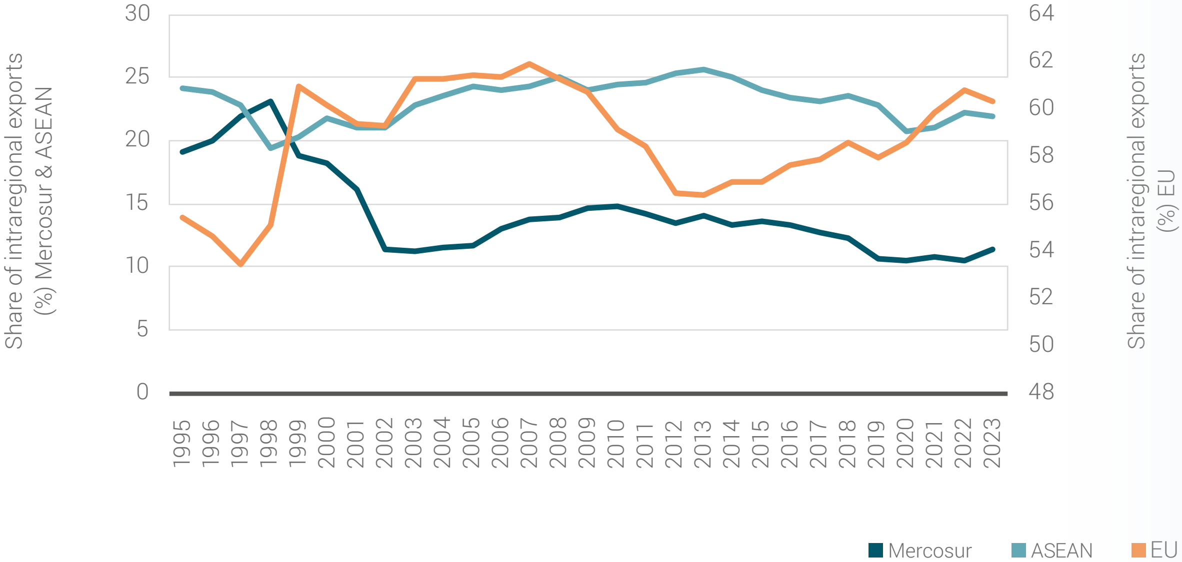
Any change to economic policy in the bloc, including the current CET structure, requires consensus with other members, but resorting to reforms has remained a source of contention—putting a break on regional progress towards completion of the customs union and the transition to a common market originally set for 2006 but postponed several times.

In 2002, Mercosur member states and associate countries[324] agreed to establish a “free residence area” to facilitate FMP in South America and limit irregular migration in the region. The Mercosur Residence Agreement was adopted and signed in 2009, giving citizens of these countries the right to freely move among them, the right to reside and work under the same labour laws and practices, and the right to apply for permanent residency after two years in another participating country without a visa for a maximum of two years. Yet the agreement leaves it to member countries to determine and apply the rules. Also, the agreement was not signed and ratified by all countries (Guyana and Suriname did not), and thus did not follow its provisions.[325] Even countries that have ratified the agreement have not implemented it consistently, often adding requirements for migrants.[326]

For nearly a decade after the founding treaty, Mercosur experienced an expansion in intraregional trade and economic interdependence along with the reduction in previously applied tariffs within the bloc. Campos (2016) recorded that Brazil’s average level of tariff protection against other Mercosur members fell from 80 per cent in 1985 to 12 per cent in 1995, while that of Argentina, Paraguay and Uruguay fell by 15, 62 and 22 percentage points, respectively. From the end of the 1990s, however, integration stagnated, with the community failing to consolidate the established FTA and to advance its customs union agenda, and intra-Mercosur trade started declining (figure 4.3).

Figure 4.3

Intraregional exports, EU, Mercosur and ASEAN, 1995–2023 (per cent of total exports)



Note: ASEAN = Association of Southeast Asian Nations; EU = European Union.

Source: ECA computation based on data obtained from UNCTADstat database, UNCTAD (2024).

As economic gains started falling behind the cost of integration, which entails a loss of sovereignty, Mercosur countries redirected their efforts to strengthening their position on the international market, leaving institutions weak and reducing commitment to the regional market and the integration agenda. Brazil's policy focus, for example, through its membership of BRICS in the early 2000s, has been on agreements with Asia. The growing prominence of Brazil internationally enlarged the asymmetries in economic and political power, creating frictions and diminishing the country's regional leadership.[327]

The unsuccessful transition of Mercosur to a customs union and the limited progress towards a common market are due to several factors, according to scholars. The rise and fall of regional integration stems from the political economy, particularly the strong role of state leadership in dominant states such as Brazil and Argentina, meaning that progress on integration has been at the mercy of political will—for or against regionalism.[328] It was strongest when economic and political gains shaped political preferences favouring regionalism, but weakened when these preferences shifted to protectionism and nationalism, with a growing focus on international markets. For instance, Brazil's 1999 currency devaluation and change in exchange rate regime after the financial crisis of the late 1990s had a negative effect on the rest of the region and created frictions between it and Argentina, the latter resorting to protectionist measures against Brazil's exports (which added to existing regulatory uncertainties).

Drawing on other studies, Pezzola (2018) argued that the influence of subnational economic interest groups (including industry) was a key factor in explaining the structure of the Mercosur CET and the stalled regional integration. Additionally, asymmetries in economic structures and preferences of national and subnational interest groups led to the limited success of the negotiations to eliminate sectoral and national exceptions. Political considerations of national legislators and negotiators—reflecting voters' preferences, economic interests and the political viability of the selected options—yielded negative trade policy outcomes at regional level.

During the earlier period of integration, deepening required the development of regional institutions and the willingness of member states to transfer a degree of sovereignty to supranational institutions.[329] Mercosur, however, remained a state-led integration project and failed to strike the right balance between political and institutional control over integration. Its failure to consolidate the customs union is also attributable to (a) the enforcement deficit in its institutional mechanisms for effective, consistent and timely implementation of the CET; and to (b) lack of coordination of trade policy with regard to third countries.[330] This deficit has also been observed for other agreements and protocols in Latin America with negative implications for credibility, as member countries have fully maintained sovereignty and the freedom to enact policies for domestic objectives to the detriment of regional goals.

The organizational structure of the bloc was developed through several stages and established under the Ouro Preto Protocol in 1994. From the founding treaty, Mercosur had two main intergovernmental organs: the Council of the Common Market and the Common Market Group (Articles 9 to 15 of the founding treaty). The latter was assigned the task of monitoring and enforcing the agreement's implementation over the transition period. A joint Parliamentary Commission was later created with members elected from each member state (1994), a judicial structure with binding laws, and a dispute settlement mechanism (2002); it was expected to operate independently under judicial means and can only be used by states. While the Parliamentary Commission is an important advisory institution for decision-making bodies in the community, it has no enforcement powers. Further, in practice, disputes or conflicts were often settled through diplomacy, and the legal route has been rarely taken.[331]

With no judicial body to interpret and apply agreements and the limited adaptability of existing institutions to developments, the bargaining power of dominant nations often outrode momentum to integration.

Association of Southeast Asian Nations (ASEAN)

The initial attempt to integrate and promote regional trade liberalization in ASEAN was the formation of the ASEAN Preferential FTA in February 1977. The reduction in tariffs on regional trade was product specific, particularly products supported by the Basic Agreement on ASEAN Industrial Projects and the Basic Agreement on ASEAN Industrial Complementation. The scheme was unsuccessful, however, for several reasons, including the weighty negotiations required for each product and the import-substitution policies pursued by participant countries at the time. In the late 1980s, another version of the scheme was initiated by the private sector, focusing on "brand-to-brand" liberalization, which halved tariffs on automobile parts and components to promote cross-country complementation, and was more successful with export-oriented policies.[332]

Amid the global trade liberalization trends of the 1990s, ASEAN conceptualized a full-scale scheme and agreed to the ASEAN Free Trade Agreement (AFTA) in 1992. Two framework documents were adopted: the Framework Agreement on Enhancing Economic Cooperation, which aimed to support member states in joining the FTA over 15 years after it entered into force (later, 10 years); and the Common Effective Preferential Tariff (CEPT) scheme for the FTA, which presented the operating mechanism, including tariff reductions and RoO. The CEPT was replaced by a more comprehensive legal instrument, the ASEAN Trade in Goods Agreement (ATIGA) in February 2009, making liberalization more transparent for institutional settings and mechanisms of implementation, including agreements on NTBs, trade facilitation, customs, and regulations on standards and SPS measures.

The ASEAN FTA entered into force in January 1993. The agreement sought to promote greater intraregional trade through eliminating tariffs and NTBs among member states. It provided for progressive liberalization while accounting for the participant states' level of industrial development. Goods were categorized under four broad groups: (a) inclusion list (liberalized items); (b) temporary exclusion list; (c) sensitive list; and (d) general exclusion list. Tariff reductions on products on the inclusion list were expected to be made by 2000–03, for the subcomponents inclusion list (fast track) and inclusion list (normal), respectively. Items on the temporary exclusion list and sensitive list (mostly unprocessed agricultural goods) were later moved to the inclusion list, while goods in the general exclusion list were excluded permanently.

Although the 1992 original preference-granting schedule has not been followed strictly by its signatories—tariff liberalization was slower in some countries than others—the objective of the FTA to reduce tariffs to 0–5 per cent was attained by 2003. By 2010, countries such as Brunei, Indonesia, Malaysia, Philippines, Singapore and Thailand (the founding member states) reached full tariff removal, while Cambodia, Lao People's Democratic Republic, Myanmar and Viet Nam—which joined after the start of the FTA and were allowed greater flexibility—eliminated most of their tariffs by 2015, with full completion by 2018. Tariff liberalization has therefore not been 100 per cent completed under the ASEAN FTA, with 98.6 per cent of tariff lines targeted for elimination under the scheme removed, with a weighted average effective applied tariff rate of 1.4 per cent as of January 2018.

To accelerate tariff liberalization, the Initiative for ASEAN Integration was adopted from 2000 to support the integration of the region's less developed economies. In the early 2000s, complementary sector-specific liberalization programmes were implemented in sectors such as information and communications technology products as well as automobiles.

At the 9th ASEAN summit in 2003, under Indonesian leadership, member countries envisaged establishing the ASEAN Economic Community (ASEAN-EC). ASEAN-EC seeks to add a step towards deeper integration by promoting free movement of services, investment, capital and skilled workers within the community. The agreement also covers areas such as intellectual property rights, competition policies, mutual recognition of standards, improvement in infrastructure, and reduction in economic disparities among participating countries.

Several differences stand out between the ASEAN approach and those in most other developing-world regional integration schemes. First, from the 1967 ASEAN Declaration to ASEAN-EC, a key feature of ASEAN integration has been "open regionalism,"[333] which focuses on the region's integration into the global market, on multilateralism (stronger cooperation with countries outside its membership and international bodies) and on non-discriminatory trade treatment.[334]

An important aim of the AFTA agenda is to ensure the region's attractiveness to foreign direct investment by offering a production base for foreign multinationals, oriented towards regional and global markets.[335] ASEAN has minimized discriminatory policies favouring intra-ASEAN trade by combining MFN liberalization with a steep reduction in member countries' tariffs in their preferential regional liberalization.[336] Thus, unlike the regional exclusivity and internal focus that underlie regionalism in the EU, Mercosur and Africa (which has been aligned with the Abuja Treaty),[337] ASEAN regional policies remain outward looking and market driven.

A second difference is that the community does not aim to become a customs union with a CET or to have a monetary and currency union, and government procurement liberalization is not part of the scheme. The approach from the start recognized asymmetries between member countries, particularly structural ones, and those related to external trade policy. For instance, while Singapore is one of the richest countries globally, other countries, such as the Lao People's Democratic Republic, are among the poorest in Asia. Additionally, "Singapore has almost completely abolished tariffs while other countries have high tariffs for sensitive products such as automobiles."[338]

Third, although ASEAN seeks some of the characteristics of a common market, such as free movement of labour, the focus has been on movement of skilled workers rather than all citizens.

Fourth (similar to Mercosur), the ASEAN Economic Blueprint (2015 and 2025), adheres to national sovereignty. The Blueprint is a comprehensive action plan covering policies and sectoral priorities to guide integration. The Blueprint 2015 recorded a high implementation rate of measures of 92.7 per cent. The Blueprint 2025 is being implemented.

Much of the tariff trade liberalization under the FTA is due to the commitment of member states to their announced objective of substantial tariff liberalization within the bloc (see figure 4.3).[339] Such commitment stems largely from two main factors: (a) the strong common interests of ASEAN member countries in promoting economic growth and development, which has over time dominated other political objectives, particularly for governments whose legitimacy depends on their ability to deliver strong growth for their electorate; and (b) the close interest in cooperation with neighbours on the political and diplomatic agenda.[340] Similarly, the general success of ASEAN in managing its relations with larger powers and articulating a joint position, even in the absence of supranationalism, is attributable to member countries' development priorities, overall commitment to trade-oriented growth strategies, and the protection that ASEAN political amity gives to its smaller nations.[341]

While pooled sovereignty has not been on ASEAN's agenda, it has taken significant steps towards a rules-based community, which it saw as a solution to the slow progress on the remaining aspects of trade integration. A non-legal approach to cooperation was the norm, decision-making was based on consultation and consensus, and conflict resolution was through informal means and diplomacy. In 2008, the ASEAN Charter was adopted to provide a legally binding institutional framework to guide integration, with shared rules, norms and values. Further, ASEAN adopted a more hierarchical structure of institutions, giving more responsibilities to the ASEAN Secretariat and the ASEAN Secretary-General, tasked with monitoring and facilitating implementation of agreements, budget and finance measures, and administrative procedures.

Critics have, however, argued that such changes did not give enough room to supranationalism, but rather kept the state-driven integration process, given that ASEAN is still dependent on member states' contributions for its resources and is dominated by intergovernmental cooperation, following the choices of its member states. Scholars have noted, for example, the lack of enforcement mechanisms, regime sanctions and legalized dispute settlement mechanisms.[342]

Despite the elimination of tariffs on intra-ASEAN trade, delays have been seen in services trade liberalization, in the removal of NTBs, and in trade facilitation. Under the ASEAN Framework Agreement on Services signed in 1995, full services liberalization was expected by 2015 under a sector-by-sector approach. While agreement was reached on many subsectors, several exceptions were made. Also, under the free movement of investment, countries still maintain a large reservation list on investment prohibitions and restriction areas under the ASEAN Comprehensive Investment Agreement signed in March 2012. The use of NTBs—mainly technical barriers to trade and SPS measures—has proliferated in many member states as a protective measure for local industries. And although ASEAN is considered successful on FTA implementation, some studies have highlighted the FTA's low utilization rate.[343]

Finally, the bloc has adopted several trade facilitation initiatives, including the ASEAN Trade Facilitation Framework, the ASEAN Customs Transit System, and the ASEAN Single Window, to reduce the time and costs of trade within the region. On the free movement of skilled workers, the Agreement on the Movement of Natural Persons was concluded in 2012, and a mutual recognition arrangement for professional service qualifications was signed, with eight in effect.[344]

Lessons for establishing an AfCCU and AfCCOM

Three main lessons can be drawn from the experiences of the EU, Mercosur and ASEAN.

First, the importance of political will in integration is undeniable, even with the economic features of regional integration. Convergence between national political agendas and regional integration goals is critical not only in the early stages to ensure implementation of agreed-on liberalization objectives, but also at a higher degree of integration. The role of the founding states' political leadership was key in the early successes of the EU (Germany and France), Mercosur (Brazil and Argentina) and ASEAN (Indonesia).

Political will for integration is not, however, always sustainable, and relying solely on it tends to jeopardize the agenda during unfavourable circumstances, such as changes in national leadership and in economic interests. As shown in ASEAN, when growth and development priorities override any other political agenda item, commitment to deeper integration can occur even without supranationalism. But domestic political considerations overriding common regional development interests seem to have been a feature in these three blocs' experiences. Finding the right balance between political and institutional control is important for deeper and sustainable integration.

In other words, political will must be complemented by legally empowered, appropriately resourced and independent regional institutions that will help Africa navigate the complex process of establishing a fully functional FTA and a transition to a customs union and common market. This reiterates the key lesson from the integration experience of the African RECs, which calls for a dynamic process of continuous adjustments to founding agreements and institutional frameworks to fit the level of integration, and a possible transfer of some sovereignty to regional institutions to monitor implementation, interpret legal texts and ensure enforcement of commitments and rules made by member countries. Applying this first lesson would ensure predictability for economic actors and the trust of citizens in the promises of integration (box 4.1).

A second lesson is that advancing regional integration from an FTA to a customs union and a common market can be complicated when large existing economic, political, social and cultural disparities exist among member states, as in the developing world. The difficulty in Mercosur arose during CET negotiations from structural asymmetries that seemed to require different tariff structures for an outcome desirable to member states. The failure to adopt a CET reflective of the national interests of all member countries passed a death sentence on the Mercosur customs union from the start. The challenges of economic and social asymmetries were also observed during the euro crisis in the late 2000s.

Hence the need for careful examination of the feasibility and economic consequences of setting a CET and adopting a degree of free movement of factors of production. As shown by the experiences of the African RECs, different CET structures and procedures are implemented across advanced regional blocs. Assuming that these tariff structures and product composition are reflective of the economic structures of member states (not always the case), such variations in the design of customs unions and arrangements signal existing asymmetries, which would probably make a continental CET complicated—even unattainable.

BOX 4.1

Ensuring legal predictability

The operations of the European Court of Justice (ECJ) in the EU are important. It oversees interpreting legal lacunae in a way that fosters regional integration.

In the developing world, the Andean Tribunal of Justice, which helped build an effective rule of law for intellectual property, is notable. Analysis of the Andean Community's[345] experience shows that even in a context of weak judicial systems and rule of law at national level, a regional legal system can help fill the gap by enabling public and private actors, for example, private litigants and national courts, to report national violations, increasing demand for enforcement of regional laws.

The effectiveness of the actions of such a supranational body hinges on several factors: (a) the extent to which regional rules are precise, free from loopholes that preserve member states' discretion and limit their enforceability; (b) the existence of adequately resourced (financial and human) and independent domestic public or private constituencies and agencies that support regional adjudication and ensure compliance; and (c) the transparency and consistency of court rulings as well as the quality of decision-making.[346]

Some authors, such as Veiga and Rios (2019), have emphasized the need to maintain a sense of pragmatism in deciding the best level of integration achievable while putting in place mechanisms to reduce disparities that would potentially make the transition to a higher level feasible. One might argue that such pragmatism already underlay the objectives of ASEAN-EC, which did not aim to establish a CET and single currency but envisaged deeper integration under the FTA, with free circulation of factors of production.

A third and final lesson is that regional policies are ratified and implemented at national level, and the instruments they provide are useless if not used by economic actors, which means that the outcome of trade policies is influenced not only by the government's interest but also by private sector interests—but governments often use exceptions and NTBs to generate political support and appease certain interests. Hence, the negotiations of binding protocols and agreements must be transparent and participative, and consider key heterogeneous national interests through democratic political institutions. Scholars have argued that genuine democratic and participative institutions would probably ensure that legislators consider wider gains of economies of scale, efficiency and industrialization, encouraging the provision of a supportive business-friendly system rather than the interests of their "selectorate."[347] While in some cases, advancing the integration agenda would require some quid pro quo—as with the EU's Common Agricultural Policy—in other settings, longer timetables to allow countries to comply with negotiated rules through adequate support can be a better option than setting exceptions which, once in place, are difficult to remove.

Conclusion and recommendations

Conclusion

The above discussion has shown that in all African RECs—AU-recognized or not—regional integration is a mixture of successes and failures—and challenges.

The main successes include the general enthusiasm of leadership for regional integration, which has driven the notable reduction in quantitative barriers to intraregional trade, with tariff liberalization under FTAs, progress on FMP, and greater cooperation among RECs' member states. Across the continent, however, implementation of customs unions remains partial and, even in some of the most advanced blocs, progress towards common markets is limited.

African RECs have not simply followed the linear progression of regional integration outlined in the Abuja Treaty. In the most advanced RECs, *elements* of a customs union and common market have been adopted, but without a full FTA.

Difficulties in consolidating FTAs, complexities in attaining full customs unions and restrictions on the free movement of factors of production are grounded in common challenges, including overlapping memberships; weak implementation of agreements; lack of compliance mechanisms; weaknesses of domestic institutions; prevalence of NTBs; instability, conflict and insecurity; limited economic diversification; and low trade complementarity.

As shown by the experiences of the African RECs, EU, Mercosur and ASEAN (and the Andean Community), political will is a necessary but not sufficient condition for deeper integration—institutional development and re-engineering are also critical. As integration deepens, autonomous supranational institutions become important for interpreting and enforcing provisions under regional agreements, making it vital to find the right balance between intergovernmental and institutional control.

Further, socioeconomic asymmetries among countries add to the complications of establishing a fully functional customs union with a common trade policy, particularly in the developing world. In Africa, variations in CETs applied by RECs and the reluctance of many countries to ratify and implement the Protocol on Free Movement of Persons reflect such differences.

Finally, national and private interests not only feature in negotiations for, and adoption of, modalities under customs unions and common markets, but also in their implementation, and so must be considered through democratic processes.

Recommendations

- *Consolidate the AfCFTA to achieve deeper integration by adopting a pragmatic and planned approach to address the challenges of multiple memberships.* This move requires a clear framework to integrate existing RECs—AU recognized or not—into the continental agenda.

- *Sustain political commitment to continental integration while launching discussions on sensitive issues at continental level.* Such issues include the level of national autonomy that countries want to keep versus the degree of supranational authority accorded to regional institutions; mechanisms to enforce member countries' compliance with binding agreements and protocols; and a monitoring and assessment task force with power to discourage non-compliance in critical areas of integration.
- *Strengthen the institutional design supporting African integration to align with Africa's ambitious integration agenda.* This includes establishing a strong and enduring institutional framework that engages focused, integration-oriented technocrats at continental institutions who are empowered to enforce decisions, monitor implementation, discourage non-compliance, and maintain realism about potential achievements, benefits and sacrifices for the common good.

The next chapter provides a quantitative perspective on the transition from the AfCFTA to the AfCCU (and ultimately AfCCOM) by modelling the impact of Africa becoming a single customs union. This perspective is needed to understand the potential benefits of the full implementation of the three structures. The chapter also reviews other details on the type of CET structure that is adaptable for the continent, with implications for African countries' obligations to the World Trade Organization, and how Africa can deal with them.

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CHAPTER 5

Towards an African Continental Customs Union: Harmonizing Tariffs and Adopting a Common External Tariff

Introduction

This chapter focuses on the prospects and challenges of harmonizing tariffs and adopting a common external tariff (CET) across Africa, as steps towards establishing and implementing an African Continental Customs Union (AfCCU). It seeks to assess the progress made by African regional economic communities (RECs) to harmonize tariffs and adopt CETs and other trade integration instruments, in preparation for adopting the AfCCU through harmonizing tariffs and adopting a CET at continental level.

In the next section, it seeks—by reviewing key customs union issues for assuring a common tariff nomenclature (CTN), CET, common customs management regulations (CCMR), and a customs revenue-sharing formula (CRSF)—to provide an analytical perspective on how the continent could be assisted to create the right conditions for establishing an AfCCU. The subsequent section outlines the role of imports and trade taxes in African RECs and countries so as to review the prospects for harmonizing tariffs across Africa, and the one following examines customs unions in Africa, using the conditions outlined. The penultimate section analyses the requirements of these conditions specifically for the AfCCU, assessing the tariff harmonization challenges in African countries and how these countries will be affected with or without continental interventions to sustain the political will that engineered the successes of the AfCFTA. The final section presents a conclusion and actionable recommendations.

Background: Key customs union issues

The next stage of economic and trade integration is to establish and put into operation a customs union. The Results Framework of Agenda 2063 of the African Union envisaged that an AfCCU would be operational by 2019, AfCCOM by 2025 and African Monetary Union by 2030.[348] AfCCU formation requires several key components: elimination of internal tariff barriers among state parties (expected through the AfCFTA); continuous resolution of non-tariff barriers (NTBs) as they emerge; timely provision and use of relevant and accurate trade and economic data; and agreement on a common external trade policy.[349] Typically, agreeing on such a policy entails adopting four key trade policy instruments:

- *Common tariff nomenclature (CTN)*: a standardized system of classification for goods, which facilitates international trade using a harmonized framework or common trade language in applying tariff rates and customs duties. It is crucial in regional trade and economic integration as it promotes consistency and transparency in trade classification for border taxation purposes among countries.
- *Common external tariff (CET)*: a unified tariff or customs duty structure, with harmonized tariff or duty rates that state parties of an integrated (or integrating) trade area apply to goods entering the area from "third countries."
- *Common customs management regulations (CCMR)*: standardized rules and procedures governing the movement of goods across borders into and within the integrated market area, aimed at ensuring comparable and fair treatment of trade by customs authorities, thus facilitating trade and fostering economic cooperation among state parties.
- *Customs revenue-sharing formula (CRSF)*: a delineation of how tariffs collected at the customs union's external borders are distributed among state parties, helping foster economic and trade integration through a fair mechanism for sharing the financial benefits of common trade policies.

The feasibility of formulating these four instruments in a credible way that secures the technical buy-in of all state parties is, in large measure, an empirical issue. For instance, any state party adopting a CET structure will require domestication of the CET, resulting in adjustment costs. Applying the new tariff structure may result in either revenue losses from third-country trade for relatively highly trade-tax dependent countries, or in uncompetitively priced imports for import-dependent countries with liberal tariff regimes. Technical buy-in will therefore depend on the extent to which the country understands, and can cope with, these issues. Moreover, beyond the technical side, creating and operationalizing a customs union has a strong bearing on the sovereignty and autonomy of state parties to set their own international-trade laws and policies.

Given the importance of the economic and political ramifications of a customs union on a state party, it is vital to address key questions around the conditions in which the above key instruments, particularly the CRSF, can be adopted and implemented.

Role of imports and trade taxes in Africa

African economies trade far more with countries in the rest of the world—that is, externally—than with other African countries—internally. For instance, in 2022, at aggregate continental level, intra-African exports and imports were only $91.2 billion and $96.3 billion (figure 5.1), accounting for only 13.7 per cent and 13.6 per cent of the continent's total global exports and imports. Exports and imports with the rest of the world were 86.3 per cent and 86.4 per cent of that total. Further, Africa is more dependent on the rest of the world for merchandise trade than the rest of the world is on Africa. Africa's external trade deficit is wide, at $30.7 billion in 2021 and $36.5 billion in 2022.

Combined, the greater dependency on external than internal trade and the dominance of external imports mean that liberalizing trade, including harmonizing tariffs, is bound to be much harder at AfCCU than AfCFTA formation stage. This suggests that the technical and geopolitical strategies used to garner support for the AfCFTA, if carefully enhanced, can be useful for supporting AfCCU formation.

Figure 5.1

Africa's trade, internal and external, 2021–22

Source: ECA based on UNCTADstat (n.d.).

Similarly, a pattern of relatively high import openness or import dependency is seen across Africa. In 2022, total imports by Africa on average accounted for 25 per cent of gross domestic product (GDP) and were equivalent to $512 per capita (figure 5.2). The top three most import-dependent countries in 2022 were Djibouti, Lesotho and Seychelles, all relatively small economies by GDP and population. Conversely, the three least import-dependent countries that year were Malawi, Nigeria and Ethiopia. The disparities in import openness have two opposing influences on a prospective common foreign trade policy.

On the one hand, for some countries with high import dependency, there is a high likelihood of facing domestic constraints in producing a diversified range of raw materials, intermediate inputs, capital goods and finished products. Domestic productive capacity constraints are what lead to heavy dependency on imports to complement domestic production and cover supply gaps. For such countries, typically, customs duties or import tariffs will be relatively low to avoid increasing the costs of domestic consumption and production and the overall cost of living, even with counterpart potential trade tax revenue gains from raising tariffs. During trade policy negotiations, proposals for harmonizing tariffs, which for these countries will generally entail increasing import tariffs, risk becoming complicated or, in the worst case, unattainable, given the domestic concerns—economic, social and political—over increasing the costs of living.

On the other hand, other import-dependent countries tend to become highly dependent on the tax revenues from international trade as a main source of fiscal revenue. For these countries, tariff rates are likely to be "sticky downwards" as they avoid potentially losing sizeable amounts of revenue due to the tariff liberalization from the shift to a common external trade policy. Tariff revenue considerations could therefore be a key stumbling block in developing the AfCCU.

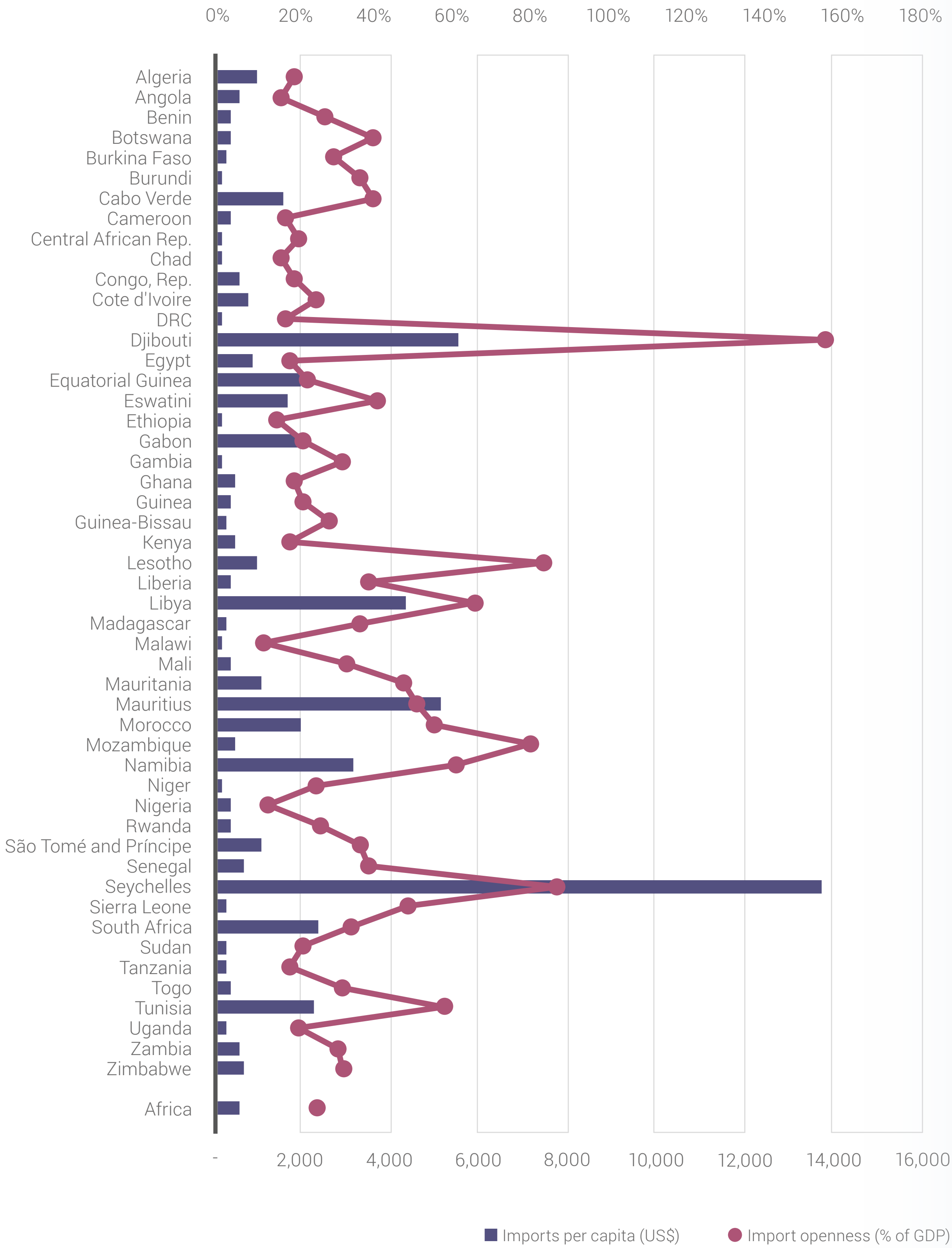
Countries in Africa have explored different measures to try and address the issue of revenue loss from liberalizing tariffs, in particular testing options to adjust domestic taxes such as value-added tax (VAT). Some African countries have successfully used VAT adjustments to stabilize their revenue streams as trade tariffs were lowered.[350] Of course, as expected and as stressed in the same source, the efficiency of VAT collection varies across countries and is influenced by the strength of tax administration systems and rates of compliance.

On import dependency by REC, in 2022 the Arab Maghreb Union (AMU) had the highest import-to-GDP ratio at 40 per cent, and the Economic Community of Central African States (ECCAS) and Economic Community of West African States (ECOWAS) the lowest at 18 per cent (table 5.1). The import dependency observed across the RECs highlights three important implications for the envisaged AfCCU.

First, high import-dependency ratios, such as those seen in AMU and the Southern African Customs Union (SACU), indicate significant reliance on external sources for goods. This could pose challenges in harmonizing tariffs and implementing a CET as these regions are likely to experience heightened fiscal pressure from reduced customs revenues, necessitating robust compensatory mechanisms to mitigate adverse fiscal impacts.

Figure 5.2

Import dependency in Africa, 2022



Note: Data not available for Comoros, Eritrea, Somalia and South Sudan.

Source: ECA constructed from WTO Trade and Tariff data (WTO, n.d.).

Table 5.1
Import dependency by REC in Africa, 2022

REC (NUMBER OF MEMBERS)	MERCHANDISE EXPORTS, F.O.B. ($ MILLION)	MERCHANDISE IMPORTS, C.I.F. ($ MILLION)	GDP, CURRENT ($ MILLION)	IMPORT DEPENDENCY (IMPORTS/GDP) (PER CENT)
AMU (5)	161,856	171,742	427,748	40
COMESA (21)	187,415	258,212	1,105,860	23
CEN-SAD (26)	286,381	372,327	1,532,040	24
EAC (8)	48,719	60,526	316,088	19
ECCAS (10)	116,600	51,091	283,032	18
ECOWAS (15)	125,189	136,886	757,964	18
IGAD (8)	24,208	65,695	340,948	19
SADC (16)	260,643	246,387	810,739	30
SACU (5)	140,491	156,031	445,569	35

Note: c.i.f. = cost, insurance, freight; f.o.b. = free on board. AMU = Arab Maghreb Union; COMESA = Common Market for Eastern and Southern Africa; CEN-SAD = Community of Sahel-Saharan States; EAC = East African Community; ECCAS = Economic Community of Central African States; ECOWAS = Economic Community of West African States; IGAD = Intergovernmental Authority on Development; SADC = Southern African Development Community; SACU = Southern African Customs Union.

Source: ECA based on WTO (n.d.) and World Bank (n.d.).

Second, regions with the lower import-dependency ratios, such as ECCAS and ECOWAS, will need to make fewer fiscal adjustments, but harmonizing tariffs across regions with such diverse dependency ratios may require tailored transitional arrangements to ensure that economic integration is equitable and to minimize disparities in adjustment costs.

Finally, the variance in import dependency highlights the potential for trade diversion effects, where countries in high-import-dependency RECs may seek to prioritize intracontinental trade to reduce external dependency. This could stimulate regional production and trade integration but may also require significant investments in capacity-building and infrastructure development to support increased intra-African trade flows and enhance the overall resilience of the AfCCU.

In terms of REC-level experiences in forming customs unions, the transition to a CET often required notable fiscal adjustments by member states. For instance, the ECOWAS CET, which involved harmonizing all World Customs Organization (WCO) Harmonized System (HS) tariff lines across member states into a unified structure, led to initial revenue losses that member states attempted to mitigate through domestic tax reforms, including enhancing VAT and other internal taxes.[351] Countries in essence took individual actions to counteract the revenue losses. Yet as the process of harmonizing tariffs within RECs in Africa progressed and revenue-loss challenges emerged from the tariff reductions, some RECs attempted to bring in regional compensatory mechanisms, which helped less economically robust member states adjust to the new fiscal environment.[352]

Specifically, COMESA entered into a Contribution Agreement with the European Union (EU) in 2007 under the 9th European Development Fund, to operationalize the COMESA Adjustment Facility as the Regional Integration Support Mechanism (RISM). With a total outlay of €78 million, RISM was originally meant to address tariff revenue losses in member states implementing the COMESA FTA and adopting the COMESA and EAC customs unions. However, when the programme was launched it was not relevant for most member states and only Burundi and Rwanda benefitted from the COMESA Adjustment Facility.[353] A wider RISM was set up as a compensation mechanism that would provide budget support to member states that implemented the tariff reforms required by the FTA and customs unions. However, as Woolfrey (2016) observes, "given the timing of the programme such support was not relevant for the majority of member states party to the COMESA Adjustment Facility only Burundi (recipient of €12.7 million under RISM) and Rwanda (recipient of €22.6 million) benefited, as they faced revenue losses upon joining the EAC customs union)."

Overall, therefore, the balance between losing customs revenue and enhancing other forms of tax revenue, such as VAT, is delicate and requires robust fiscal management and policy adaptation to ensure economic stability and continued public-service funding during and after the transition to a customs union. REC-level compensation mechanisms can also be explored, but the challenges of harmonizing tariffs can complicate and dilute such mechanisms' effectiveness.

A partial continental assessment of international trade taxes as shares of total fiscal revenues for 28 African countries shows that dependency on international trade tax revenues is not trivial, ranging from a high of 27.3 per cent in Namibia (2021) to a low of 1.1 per cent in Mauritius (2022), with a simple average of 10.9 per cent (table 5.2). For countries significantly above that average, tariff harmonization, which will imply various levels of tariff cuts, are likely to raise revenue-loss concerns, particularly during the post-Covid-19 era when mounting sovereign public debts have crowded out debt financing options and constrained fiscal space in Africa. In contrast, countries that have weaned themselves off international trade tax revenues in a bid to lower import costs are likely to be reluctant to raise tariffs during tariff harmonization—again, despite likely trade tax revenue gains.

The World Trade Organization (WTO) tracks tariff rate-setting and application practices in most world economies, using three basic indicators: the simple most-favoured nation (MFN) applied average tariff rate; the trade-weighted MFN average tariff rate; and the final bound average tariff rate (WTO, n.d.).

Table 5.2
Dependency on international trade taxes for revenue in Africa

COUNTRY	TAXES ON INTERNATIONAL TRADE (PER CENT OF REVENUE)	YEAR
Namibia	27.3	2021
Côte d'Ivoire	23.9	2021
Botswana	20.7	2021
Guinea-Bissau	18.2	2019
Somalia	18.0	2020
Ethiopia	17.8	2020
Togo	15.9	2019
Central African Rep.	15.9	2021
Gabon	14.9	2019
Madagascar	13.1	2021
Senegal	12.5	2022
Cameroon	11.2	2021
Mali	10.7	2020
Burkina Faso	10.6	2021
Ghana	10.0	2020
Lesotho	8.8	2022
Uganda	8.6	2021
Kenya	7.8	2021
Malawi	6.6	2021
Mozambique	6.2	2021
Zambia	4.9	2021
Rwanda	4.6	2020
Morocco	4.0	2022
Seychelles	3.4	2020
South Africa	3.2	2021
Angola	2.9	2019
Equatorial Guinea	1.3	2021
Mauritius	1.1	2022
Africa (28 countries)	10.9	-----

Note: Data are not available for 26 of 54 African countries.

Source: ECA based on World Bank (n.d.) World Development Indicators (WDI) data.

The simple MFN applied average tariff rate is calculated by averaging the MFN tariff rates applicable to all tariff lines without weighting them by the value or volume of imports. It simply reflects the applied tariffs in the tariff book of each jurisdiction's customs authority. The trade-weighted MFN average tariff rate represents the average tariff rate weighted by the import volumes or values of different goods. It reflects the actual economic impact of tariffs based on how much of each product is imported, and how the customs authorities actually apply the tariff book in collecting duties on values or volumes of imports. The final bound average tariff rate is the average of the upper tariff limits, which represent the maximum tariff rate that a country agrees not to exceed.

Among 47 African countries in 2022, the simple MFN applied average tariff rate was 12.8 per cent and the trade-weighted MFN average rate 10.6 per cent (figure 5.3). This means that, on average, the tariff rate that African economies applied on imports was 2.2 percentage points lower than what they should have applied per the tariff book. Such a liberalized stance in practice is generally supportive of CET tariff harmonization during customs union negotiations—that is, the tariff practice preconditions in Africa were, on average, relatively favourable.

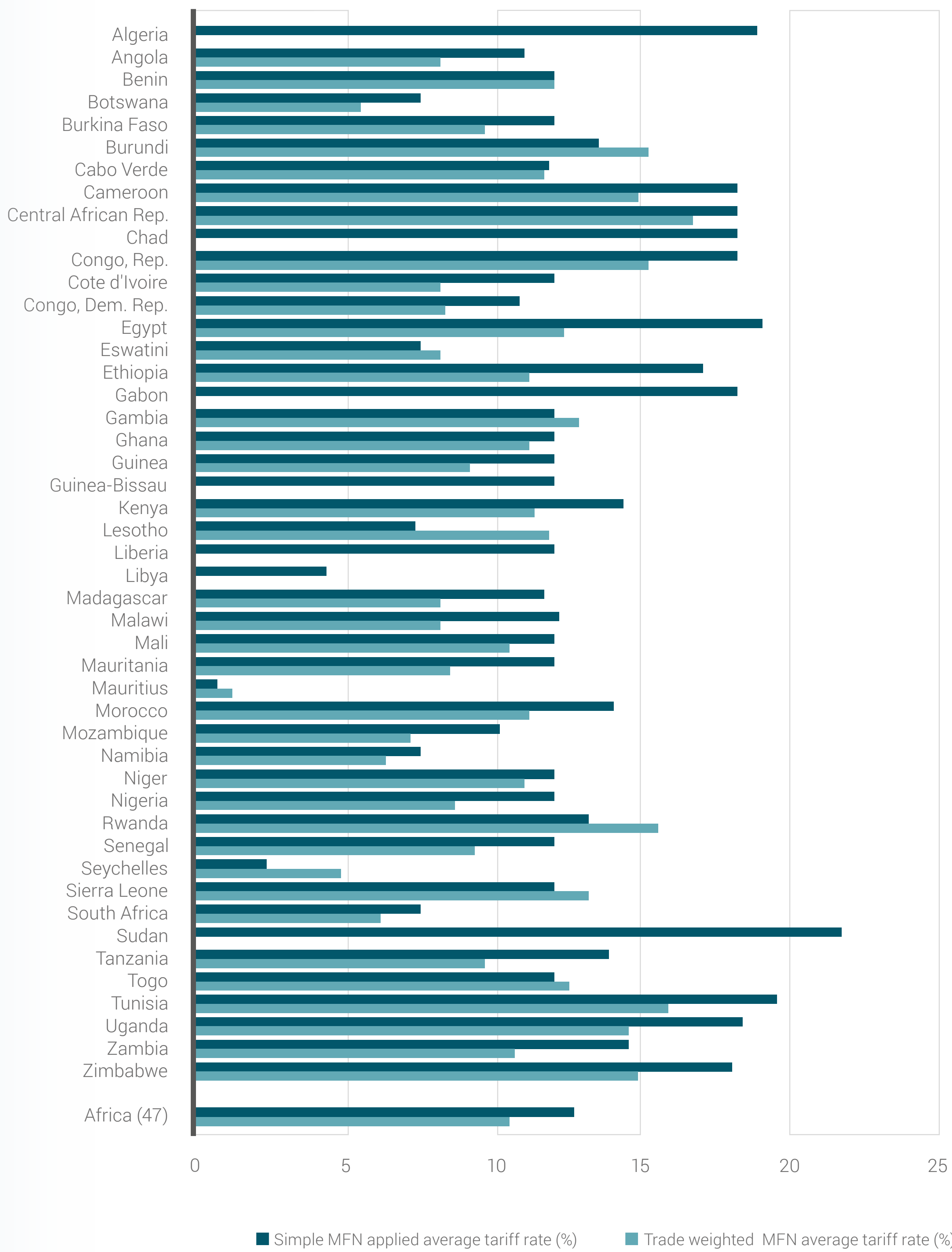
Both the simple MFN applied and trade-weighted MFN average tariff rates varied widely across the 47 countries. The simple MFN applied average tariff rate was highest in Sudan (21.6 per cent) and lowest in Mauritius (0.8 per cent); the trade-weighted MFN average tariff rate was highest in the Central African Republic (16.7 per cent) and lowest in Mauritius (1.3 per cent). Mauritius was therefore the most MFN average tariff rate–liberalized economy in Africa in 2022.

For Mauritius and a number of other relatively small-population economies, such as Burundi, Eswatini, Lesotho, Rwanda, Seychelles and Sierra Leone, the trade-weighted MFN average tariff rates were higher than the simple MFN applied average tariff rates, implying that these economies tended to impose tariffs on imports more aggressively than other countries, beyond what was prescribed in the tariff books.

Profiles of MFN tariffs for the eight AU-recognized RECs are in figure 5.4, which also includes SACU, even though it is not AU recognized. It is included because it is hailed by some as "the world's oldest customs union, founded in 1910" (OUSTR, n.d.). The Southern African Development Community (SADC) had the lowest simple MFN applied and trade-weighted MFN average tariff rates among the AU-recognized RECs, at 9.6 per cent and 8.0 per cent, respectively, in 2022. This was most likely influenced by the presence of SACU countries in the SADC configuration, because SACU's MFN (simple and trade-weighted) average tariffs were even lower than those of all eight AU-recognized RECs.

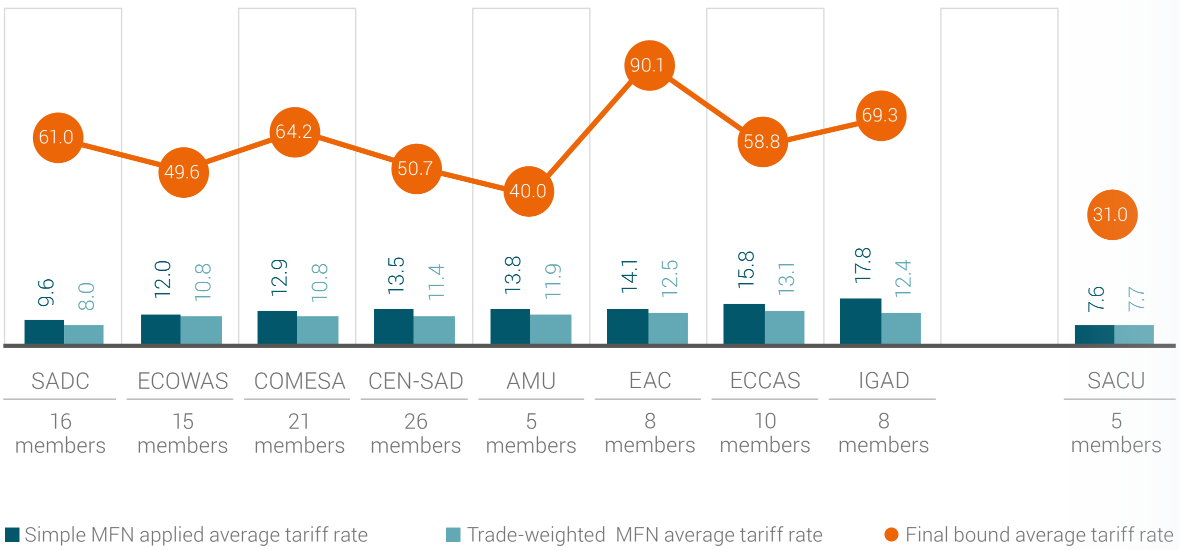
Figure 5.3

MFN average tariff rates in Africa, 2022



Source: ECA based on WTO Trade and Tariff data (WTO, n.d.).

Figure 5.4
MFN and bound tariffs in African RECs, 2022



Note: AMU = Arab Maghreb Union; CEN-SAD = Community of Sahel-Saharan 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; IGAD = Intergovernmental Authority on Development; Mercosur = SACU = Southern African Customs Union; SADC = Southern African Development Community.

Source: ECA based on WTO Trade and Tariff data (WTO, n.d.).

At the other end of the spectrum, the simple and trade-weighted MFN average tariff rates of the Intergovernmental Authority on Development (IGAD) were the highest among the RECs, at 17.8 per cent and 12.4 per cent, respectively, in 2022.

SADC and IGAD were the only two outlier, AU-recognized RECs in Africa in 2022 on the simple MFN average tariff rate; all the other RECs were within two standard deviations of the average. On the trade-weighted MFN average tariff rate, the outliers in 2022 were SADC and ECCAS. For negotiations on harmonizing tariffs, the implication is that Africa would do well to gravitate towards the tariff structures of the non-outlier RECs and, in parallel, work with SADC and IGAD or SADC and ECCAS to establish REC-specific strategies and support mechanisms to mitigate any adverse effects of adjustment towards a continental CET.

The foregoing observations broadly capture two somewhat opposing patterns of tariff practices among African countries: some countries have relatively relaxed or liberalized import tariff regimes, suggesting a tendency towards lower effective tariffs than those prescribed in their tariff books; and relatively more import-dependent countries stringently apply tariffs on imports, potentially more aggressively than the rates prescribed, in part to maximize revenue gains (conversely, this latter group is likely to be more eager to avoid revenue losses associated with tariff liberalization).

These contrasting perspectives imply that harmonizing tariffs towards a common external trade policy position for the AfCCU could face challenges. Countries with "sticky downward" tariffs might resist lowering them due to fiscal reliance on trade tax revenues, whereas countries applying tariffs more liberally might find it easier to adjust to a harmonized, potentially lower tariff regime. From the above observations, the following can be further inferred:

- *Revenue dependency vs. trade liberalization*: A tension is clear between maintaining government revenue from tariffs and the objectives of trade liberalization and economic integration. Countries heavily reliant on tariff revenues might oppose meaningful tariff reductions without compensatory mechanisms or other fiscal reforms, such as enhanced VAT collection or other domestic taxes, to offset revenue losses.
- *Diverse economic contexts*: It is essential to adopt a tailored approach to harmonizing tariffs that considers the diverse economic conditions and trade dependencies of countries. A one-size-fits-all approach is likely to meet resistance and could stall moves to broader integration.
- *Policy flexibility and support mechanisms*: Tariff harmonization may require negotiations not only on tariffs' flexibility in the sequencing and pacing of liberalization but also on support mechanisms for countries facing significant economic adjustments.
- *Need for comprehensive data and analysis*: Harmonizing tariffs will require detailed, country-specific data on the impacts of tariff adjustments, as well as the concomitant, comprehensive trade, tariff and economic data to guide policy decisions that balance regional integration and national economic interests—thereby supporting both.

These inferences underline the complex interplay of economic policy, fiscal management and regional cooperation as Africa moves towards an AfCCU. The process will require careful consideration of the economic realities of individual countries coupled with robust support systems and approaches for managing the transition.

Lessons from four customs unions in African RECs

Of the eight AU-recognized RECs, COMESA, EAC and ECOWAS were selected for review of progress in customs unions. SACU was also selected given the wealth of lessons it has to offer.

COMESA

As Africa's second-largest REC by membership, COMESA has taken notable strides towards establishing a customs union, having officially agreed on a framework at regional level in 2009.[354] The framework included agreed-on CTN, CET and CCMR. Some 15 years later, COMESA is yet to fully implement the customs union, pending resolution of national ratification and domestication issues for some customs union instruments.

- *CTN:* The 2021 COMESA Annual Report shows that the latest COMESA CTN was aligned with HS 2017 though, as of 2022, work was under way to move to HS 2022.[355] Most member states were yet to align their tariff book with the COMESA CTN, as agreed.
- *CET*: The CET structure was established by a decision of the 23rd COMESA Council of Ministers meeting held in Nairobi, Kenya in May 2007, which set tariff rates in four tariff bands.
- *CCMR*: Full implementation and ratification of COMESA's CCMR are progressing slowly. The diverse administrative, legal, political and economic contexts among member states present challenges.
- *CRSF*: COMESA has not pursued the design of a revenue-sharing formula for its customs union. Instead, it experimented with RISM until November 2020, which operationalized the COMESA Adjustment Facility, starting in November 2007 with primary funding under the 9th European Development Fund. RISM focused on providing financial and technical support for national programmes aimed at ensuring that countries met their regional integration commitments, including those concerning the customs union.

COMESA has made sterling progress in designing, harmonizing and agreeing on key customs union instruments, but its efforts to implement the customs union have struggled to have these instruments ratified and domesticated. It has pursued ongoing review and adaptation of customs union policies and regulations, which suggests a dynamic approach to addressing challenges.[356]

EAC

EAC, too, has made strides towards economic integration through its customs union, but needs further efforts to address implementation discrepancies of common policies among partner states, and in general, to ensure a more unified economic space across the partner states.[357] It has made significant progress in operationalizing its customs union, although challenges remain in fully harmonizing systems across all member states.

- *CTN*: EAC has adopted a CTN framework reflecting international standards. Although EAC established its regional agreement and has a pre-existing supranational law for the community, progress in domesticating the EAC CTN into local law by state parties has varied, reflecting differing national priorities and capacities.
- *CET*: The community has an established CET structure applied uniformly in all partner states to imports from outside the region (table 5.3). The structure is designed to protect local industries and promote regional economic development. EAC has considered introducing a fourth band at 35 per cent for certain sensitive products (EAC, n.d.).

- *CCMR*: Regulations streamline customs procedures across the region, but full ratification and implementation remain slow, as partner states realign their national laws and systems to accommodate the regional standards.[358]
- *CRSF*: Per EAC (n.d.), the community has an established and implemented formula for sharing customs revenue, which is crucial for ensuring that customs union benefits are distributed equitably. The effectiveness and fairness of the regional revenue-sharing formula are continually assessed to meet the community's dynamic economic and trade needs.[359]

ECOWAS

According to USTR (n.d.), ECOWAS has developed and attempted to apply frameworks and policies for a customs union. Their success depends heavily on member states' political will to domesticate provisions, ensure enforcement and adopt proactive mechanisms for resolving implementation gaps.

- *CTN*: ECOWAS adopted a community customs code over a decade ago. It aligns with international best practices and is aimed at standardizing customs controls across the region.[360]
- *CET*: Established in January 2015, the CET has five tariff bands from 0 to 35 per cent (table 5.3).
- *CCMR*: The community customs code includes CCMR, covering areas such as tariff application, goods origin and valuation, intellectual property rights, and customs procedures. It aims to ensure a harmonized approach to customs management.[361]
- *CRSF*: The REC's status of a specific formula or mechanism for sharing customs revenues among member states is somewhat unclear (due to information gaps). AfDB (2011a), however, submitted that the effective implementation of the CET and CCMR suggests a structured approach to revenue distribution as part of the broader economic integration and customs union strategy.

ECOWAS has the second-lowest simple and trade-weighted MFN average tariff rates among the AU-recognized RECs (see figure 5.4). The REC's approach therefore holds promise for fostering continental alignment and consolidation of CET structures, especially given its relatively wide membership.

SACU

The contemporary SACU was re-established with a new agreement in 2002, aiming to promote economic integration and development among members through eliminating trade barriers and harmonizing trade policies.[362] SADC member states have made efforts to domesticate SACU's legal instruments, with the extent varying by country. South Africa has largely aligned its trade and customs policies with SACU requirements, but smaller member states have faced capacity and resource constraints, affecting their ability to fully implement agreed provisions. Outstanding implementation gaps include inconsistencies in enforcing the CET, variations in customs procedures, and delays in fully adopting the CTN.[363]

- *CTN*: SACU adopted its CTN in line with the 2002 agreement. The CTN is periodically updated to align with the HS, which is revised every five years, with the latest update in 2022. SACU's use of the HS is consistent with international standards, facilitating easier alignment with global trade practices, though implementation and enforcement sometimes vary within the bloc, leading to some discrepancies in tariff classifications and customs procedures.[364]
- *CET*: The bloc established its CET with the agreement in 2002, fully operationalizing it in subsequent years. The tariff structure has five tariff bands (table 5.3).
- *CCMR*: The regulations cover: (a) tariff application guidelines for ensuring uniform application of the CET across member states; (b) rules of origin (RoO) and valuation methods in line with WTO standards; (c) inclusion of provisions for protecting intellectual property rights within the customs framework; and (d) standardized customs procedures. They aim to ensure a harmonized and consistent approach to customs management, enhancing trade facilitation and regulatory compliance.[365]
- *CRSF*: SACU's revenue-sharing formula is a key aspect of its customs union. The formula adjusts for the size of each member state's economy, trade volumes and other economic variables. South Africa, the largest economy, contributes the largest share to the SACU revenue pool, which is then redistributed to smaller member states.[366]

SACU has the lowest simple and trade-weighted MFN average tariff rates among African RECs (see figure 5.4), holding promise for serving as a benchmark for helping harmonize and align, and consolidate, continental CET structures. Despite its small membership, SACU's established frameworks and low tariff barriers make it a potential model for broader continental integration under the AfCCU, although achieving deeper integration will require resolving implementation gaps and aligning policies with other African RECs. A potential challenge for modelling the AfCCU on SACU is that, while its small membership can aid in streamlined internal consensus-building and decision-making, it may also limit its influence in broader continental negotiations.[367]

Summary

The REC-level MFN simple and trade-weighted average tariff rates are already fairly well aligned and harmonized across the main building blocks for the AfCCU; only two RECs are seen to be outliers. From the above examples, the main stumbling block among customs union instruments appears to be the CET, with the least traction gained in the three AU-recognized RECs, but significantly achieved in SACU.

The SACU and ECOWAS CETs are almost the same except in one tariff band rate for specific economic development goods/sensitive goods, while EAC and COMESA CETs are similar except in two tariff band rates for capital goods and specific economic development goods/sensitive goods. EAC and ECOWAS tariff band rates are more similar than the COMESA and ECOWAS tariff band rates. Therefore, the fact that the broad CET designs are fairly consistent and aligned (table 5.3), holds promise for springboarding from the building blocks—the RECs—to the AfCCU.

Table 5.3
Comparison of inherent alignment of selected REC CETs

CET TARIFF BAND	CET TARIFF BAND RATES (PER CENT)					
	ECOWAS	OPTIMAL CET ECOWAS	EAC	OPTIMAL CET EAC	COMESA	SACU
Essential/social goods	0		--		--	0
Goods of primary necessity, raw materials, and selected specific inputs	5	15	0		0	5
Inputs and intermediate goods	10	5	10	20	10	10
Capital goods	10		10		0	10
Final consumption/ finished goods	20	0	25	0	25	20
Specific economic development goods/ sensitive goods	35		35		--	≥ 30
Average	13		16		9	13
Average optimal CET		7.16		7.28	--	

Source: ECA ARIA XI construction.

It can be complicated and lengthy to conduct the technical process of harmonizing and negotiating a CET within any given REC to achieve an agreed number of tariffs and the structural tariff composition in terms of HS code assignment to the respective bands, as well as agreed tariff rates per band. The process across multiple RECs—each with a unique CET starting point—therefore amplifies the challenge into a potentially large stumbling block to forming an AfCCU. But because the average optimal CET (table 5.3) falls between the upper and lower averages in figure 5.5, which depicts the actual applied trade-weighted tariff, the complexities could possibly be resolved quickly during negotiations. Such negotiations should start soon, especially as *full* AfCFTA implementation is assumed for 2035.

Favourable prospects for harmonizing tariffs and adopting a CET

The above discussion suggests that Africa's prospects to harmonize its tariffs across 54 countries in a continental CET and to push for full adoption and domestication of the CET—with accompanying CTN, CCMR, and CRSF—are favourable, for two main reasons.

First, assuming that the individual state-party negotiations for harmonizing continental tariffs will be on MFN applied tariff rates in the country tariff books, few countries will be outliers with simple MFN applied average tariff rates outside the bounds of the continental simple MFN applied average tariff rate, per 2022 data.

Specifically, only eight countries—Botswana, Eswatini, Lesotho, Libya, Mauritius, Namibia, Seychelles and South Africa (predominantly the SACU countries)—have simple MFN average tariff rates below the lower limit of the 2022 average (figure 5.5). For these countries, import costs may rise, hence compensation for such increases may be required to encourage them to raise tariffs to within the continental bounds and thus alleviate the burden of a higher cost of living due to increased tariffs.

In contrast, 12 countries—Algeria, Cameroon, Central African Republic, Chad, Republic of Congo, Egypt, Gabon, Sudan, Tanzania, Tunisia, Uganda and Zimbabwe—record simple MFN average tariff rates above the upper limit of the 2022 average. For these countries, the main concern will most likely be associated with relatively high dependence on import tariffs for revenue. Thus, compensation for import tariff revenue losses might encourage them to liberalize tariffs in line with continental harmonization.

The second reason is that, if continental tariff harmonization is to be negotiated on the basis of trade-weighted MFN average tariff rates that adjust for import trade flows, only six countries—Botswana, Mauritius, Mozambique, Namibia, Seychelles and South Africa—have simple MFN average tariff rates below the lower limit of the 2022 average (figure 5.6), and might need compensation for import cost increases to encourage them to raise trade-weighted tariffs to align with continental harmonization.

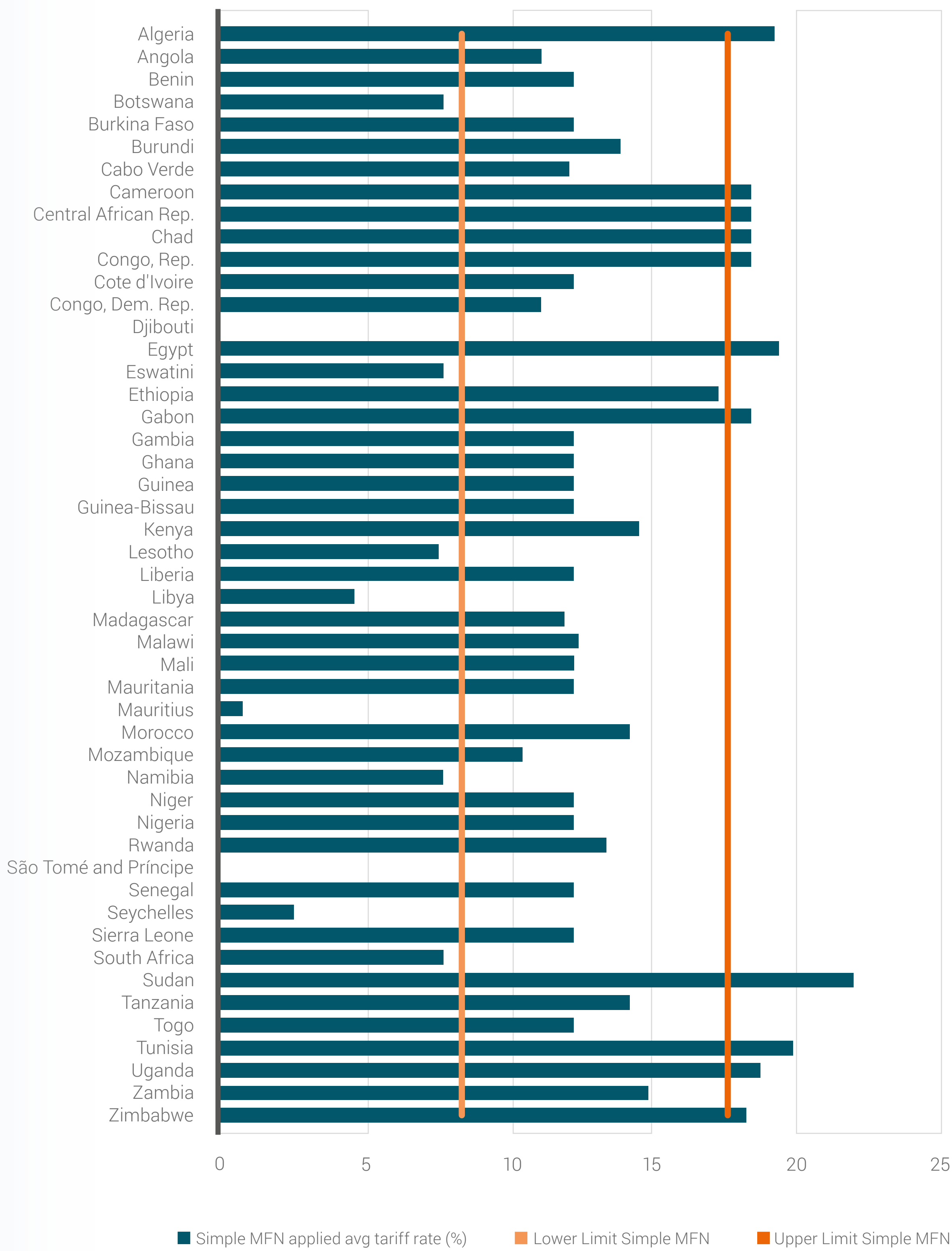
On the other hand, only eight countries—Burundi, Cameroon, Central African Republic, Republic of Congo, Rwanda, Tunisia, Uganda and Zimbabwe—have simple MFN average tariff rates above the upper limit of the 2022 continental average. With the main potential challenge for these countries being a high dependence on realized import tariff revenues, compensation for revenue losses could encourage these countries to liberalize tariffs in line with continental harmonization.

Ultimately, harmonizing import tariff rates and adopting a continental CET in all 54 state parties will be a huge step in deepening economic integration. On balance, the prospects for Africa harmonizing import tariff rates as a means to adopting and applying a continental CET to create the AfCCU are favourable, both because the average optimal CET falls between the upper and lower averages (see figure 5.5), and given the following observations:

- *AfCFTA*: Implementing the AfCFTA was a major step towards continental economic integration. By creating a single internal continental market, the AfCFTA is facilitating the movement of goods and services. It has also paved the way for creating the CET under the AfCCU. The strategies employed to garner the political will that helped achieve the AfCFTA can be used again—modified as necessary—for the continental CET. Successful implementation of the AfCFTA is therefore essential to serve as a foundation for the AfCCU and AfCCOM. The next 10 years to final tariff phase-down present the window for Africa to fully prepare for this transition.

Figure 5.5

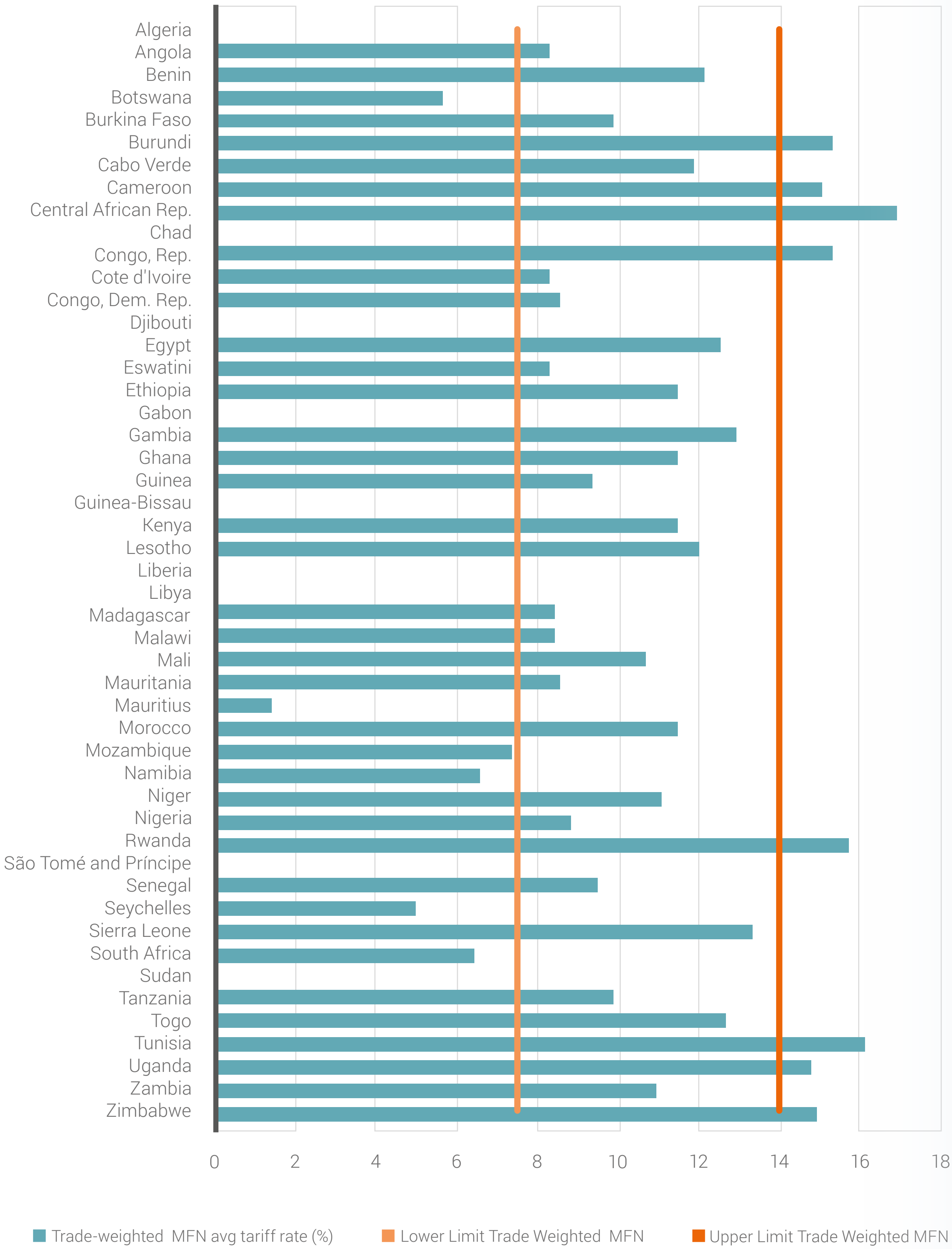
Total simple MFN applied average tariff rates, 2022 (per cent)



Source: ECA based on WTO Trade and Tariff data (WTO, n.d.).

Figure 5.6

Total trade-weighted MFN average tariff rates, 2022 (per cent)



Source: ECA based on WTO Trade and Tariff data (WTO, n.d.).

- *Economic benefits*: A CET will be instrumental in streamlining trade and customs processes, reducing trade and business transaction costs, and helping detect and eliminate NTBs between African countries and third countries. It will also make the continent more attractive to foreign investors and could foster a more competitive manufacturing sector. These are all strong selling points for generating momentum towards CET formation.
- *Regional blocs as building blocks*: Africa's eight AU-recognized RECs already have mechanisms for harmonizing tariffs and establishing CETs, many of them with some success at design and implementation stages. These regional efforts and the learning behind them will be crucial for serving as building blocks in the continent-wide CET.

Still, challenges remain:

- *Administrative and technical hurdles*: Developing and implementing a CET requires robust administrative capabilities in member states and in the REC and African Union Commission secretariats, which are key for monitoring, collecting and analysing data on how the customs union is progressing and where it needs redress once operational. Monitoring, evaluation and learning systems are also important for supporting the redistribution of tariff revenues, if the customs union includes revenue-sharing arrangements, which were so important in SACU. There will also be a need for significant technical expertise to handle the complexities of harmonizing tariffs across such a diverse group of countries.
- *Implementation challenges*: A major obstacle concerns the varying economic landscapes and trade policies among African countries, including demographic and geographical conditions, state of development, trade policies and performance, economic and social situations, and tariff dependency (either as a source of government revenue or protection from competition). Harmonizing tariffs therefore requires countries to gather country-specific data in order to make key adjustments, which will, however, often conflict with national interests or strategies.

Conclusion and recommendations

Conclusion

The experiences of ECOWAS, EAC, COMESA and SACU provide valuable lessons and frameworks that could be modified and targeted for scaling up to a continental level. While significant obstacles remain, such as economic disparities, revenue dependency on tariffs, and varying levels of development, prospects abound to mitigate them through tailored support mechanisms, comprehensive data analysis and inclusive policy negotiations. Africa has already made significant progress on its integration agenda, making itself ready to consider the next steps in integration, especially establishing an AfCCU and AfCCOM. In particular, the continent should leverage the achievements and expertise of RECs in the areas of CET, CTN and CRSF as well as established frameworks for free movement of persons.

The potential benefits of an AfCCU are projected to be substantial, promising increased intra-African trade, enhanced regional value chains, faster economic growth and a more attractive environment for foreign investment. An AfCCU is not just a policy objective but a *strategic imperative* for Africa's economic transformation and sustainable development.

Recommendations

The following recommendations aim to resolve issues of both policy-level harmonization and ground-level implementation.

- *Adopt a CTN and CCMR.* A standardized system for classifying goods across all member states is essential for implementing the continental CET, to ensure consistency in assessing and applying customs duties, for internal and external trade.
- *Harmonize tariff structures.* Following the AfCFTA's success, harmonizing tariff structures across Africa is critical for developing a continental CET that does not disadvantage any member state and that can help protect local industries while encouraging intracontinental trade.
- *Create an adjustment support mechanism.* Implementing an AfCCU will entail policy, regulatory, legal and economic adjustments, including fiscal adjustments among some member states. Still, to incentivize them, an adjustment support mechanism that compensates for changes to fiscal revenue, industrial protection and costs of living should be created.
- *Establish a customs revenue-sharing formula and mechanism.* Establishing a fair and transparent mechanism for distributing customs revenues collected at designated external borders among member states is essential. The formula should consider economic circumstances, trade performance and geospatial conditions of member states to ensure equitable distribution and support for economic integration. Current digitalization across the continent will make it much easier to construct a transparent formula and mechanism and to generate efficiencies.
- *Understand the use of, and dismantle, NTBs and non-tariff measures at REC and country levels.* This recommendation reflects stage 2 in Article 6 of the Abuja Treaty—which is where chapter 6 comes in.

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CHAPTER 6

Towards an African Continental Common Market: Addressing Non-tariff Barriers and Non-tariff Measures, and Harmonizing Policies and Standards

Introduction

Non-tariff barriers (NTBs) refer to protectionist or discriminatory measures that are intentionally (or unintentionally) applied by governments to influence international trade. NTBs include import quotas; licences; border formalities; excessive documentation; inspection and certification requirements; quarantine; complex rules of origin (RoO);[368] extensive use of trade remedies such as antidumping or safeguard measures; and the unjustified or improper use of quality standards or safety regulations. These barriers hinder access to domestic markets and may unfairly discriminate against products imported from third countries.[369]

Non-tariff measures (NTMs) comprise a very diverse array of policy measures applied by governments intentionally (or unintentionally) to alter the direction, volume or product composition of traded goods and services.[370]

The striking difference between NTBs and NTMs is that NTMs do not necessarily have a protectionist intent. For example, both technical barriers to trade (TBTs) and Sanitary and Phytosanitary (SPS) regulations are aimed at protecting human, plant and animal health, and ensuring product quality and safety.[371] Yet national governments sometimes use TBTs and SPS measures to "overstate" consumer health and safety requirements so as to protect domestic producers from foreign competition, when NTMs may end up creating trade-distortive effects and turn into NTBs.

This chapter discusses, in the next section, NTBs and NTMs in African regional economic communities (RECs), then the efforts to eliminate them. It subsequently outlines a cost-benefit analysis of eliminating NTBs, before presenting a conclusion and policy recommendations.

NTBs and NTMs in African RECs

NTBs and NTMs are serious blockages to Africa's full regional integration and have been branded "sand in the wheels" by authors such as Vanzetti, Peters and Knebel (2016) and UNECA (2021). The latter has argued that NTBs contribute to the high cost of doing business, inhibiting intra- and interregional trade in Africa. Vanzetti et al. (2018) noted that African countries could gain up to $20 billion a year if NTBs are eliminated at continental level, that is, far higher than the $3.6 billion annual potential gain from eliminating tariffs.

The use of NTBs—more specifically, quantitative restrictions—in the Economic Community of West African States (ECOWAS), for example, results in about a 50 per cent increase in product prices.[372] Each technical NTB tends to increase product prices by 1.2–1.7 per cent. Although these impacts are felt in all sectors of the economy, agrifood stands out with average price increases of around 6–7 per cent.

NTMs may be legitimate, relating, for example, to food safety and health. But NTBs are normally instituted by countries to guarantee food security and to restrict trade to protect domestic producers. NTMs aimed at guaranteeing food safety include TBTs and SPS regulations, both focused on health and environmental protection, which may equally apply to domestic producers.[373] TBTs include quarantine requirements to eliminate pests, tolerance limits for additives or contaminants, performance requirements and conformity assessments such as inspection or certification. Rather than taking a quantitative or price-based approach, these measures define mandatory product characteristics. The use of NTBs and NTMs has continued to grow among member states, despite commitments by African regional trade agreements to eliminate existing ones and refrain from imposing any more.[374]

Consequently, the African Continental Free Trade Area (AfCFTA), in line with Annex 4 and Article 1 (g) of the AfCFTA Agreement, seeks to simplify and harmonize international trade procedures, including practices, activities and formalities involved in communicating, presenting, collecting and processing data required for the movement of goods in international trade.

Similarly, Annex 5 of the AfCFTA Protocol on Trade in Goods addresses NTBs, and provides a mechanism for identifying, categorizing and progressively eliminating them in AfCFTA states.[375] In addition, the annex provides for institutional structures for categorization and elimination of NTBs, for reporting and monitoring tools, and for facilitation in resolving NTBs. As the continent moves to an African Continental Customs Union (AfCCU) and African Continental Common Market (AfCCOM), it becomes imperative to understand the use of, and efforts involved in, dismantling

NTBs and NTMs at REC and country levels, in line with stage 2 in Article 6 of the Abuja Treaty. The next two subsections discuss their persistence, and the following section how RECs and member states have been attempting to eliminate them.

NTBs

African countries have imposed restrictive trade policies, including subsidies and quantitative restrictions.

Subsidies

Traditionally, governments use subsidies to achieve policy objectives. Subsidies take various forms, including tax exemptions, grants, export credits and low-interest financing.[376] Because they protect domestic industries, they distort the competitive relationships in a free trading system. For example, to boost agricultural production, African countries use subsidies in the form of free agricultural inputs.[377] In Ghana, Malawi and Zimbabwe, agricultural input subsidies are used to promote food security.[378]

At regional level, although the Common Market for Eastern and Southern Africa (COMESA) and the Southern African Development Community (SADC) have trade agreements that prohibit member countries from using subsidies that threaten or distort competition or threaten infant industries, the protocols do not define infant industries,[379] which makes it hard to enforce the regulations. In the East African Community (EAC), although member states are required to notify other EAC partners of any subsidies, Article 17 (1) of the EAC Protocol does not expressly prohibit the use of subsidies.[380] The EAC promulgated the EAC Subsidies and Countervailing Measures Regulations to give effect to this prohibition and to set out the legal parameters regulating the use of subsidies. In contrast, the Protocol Establishing ECOWAS does not show any legal provisions on the use of subsidies.

Quantitative restrictions

Quantitative restrictions are used by governments to limit the quantity of a product that may be exported or imported. They include bans, non-automatic licensing, prohibitions and quotas.[381] SADC promulgated Articles 7 (1) and 8 (1) of the SADC Protocol to phase out quantitative restrictions on exports and imports originating in or destined for other SADC countries.[382] Likewise, ECOWAS, COMESA and EAC promulgated laws that compel member states to gradually eliminate and refrain from using quantitative restrictions. Yet despite this prohibition, some member states have failed to exhibit the political will to remove them.[383]

NTMs

Health and safety measures

These measures include TBTs and SPS regulations, which are NTMs applied by governments as measures to secure animal, human or plant life from dangers arising from the entry or spread of disease-causing organisms or disease-carrying pests.[384] Health and safety measures include legislative frameworks and technical or administrative requirements such as final product inspection, testing, certification, labelling and packaging requirements. Although these measures are necessary to ensure safety, the challenge is that their costs are generally steep for producers.[385] RECs such as SADC, ECOWAS, EAC and COMESA are required to base all their SPS policies on regional SPS frameworks that mirror the World Trade Organization (WTO) SPS Agreement.[386] Some African RECs have not yet synchronized their SPS policies with the WTO SPS Agreement. Specifically, SPS regulations in COMESA contradict the WTO SPS Agreement. In addition, health and safety measures adopted by RECs have resulted in overlap, duplication and contradiction of WTO SPS policies.[387]

Administrative measures

RoO and customs entry procedures are administrative (or bureaucratic) procedures that companies must face when shipping goods between countries in Africa.

Authorities use RoO to determine a product's origin and its eligibility to benefit from preferential treatment. They use non-preferential RoO to enforce trade measures such as anti-dumping and countervailing duties.[388] RoO have repercussions on the pattern and depth of regional integration as they influence the raw materials used in the production of goods eligible for preferential treatment. Complex rules of origin can restrict trade and misdirect investment, as they can be used to control market access or pursue economic-development objectives.

In COMESA and EAC, for a product to be deemed "produced" there, a "wholly produced or obtained" criterion is used.[389] For a product to be deemed made in COMESA, the value of any foreign raw materials used in the production process must not exceed 60 per cent of the total production cost, or the product should attain a value added of at least 35 per cent of the ex-factory cost of the product. In addition, products designated as goods of economic importance[390] must contain at least 25 per cent value added for them to be designated as having originated in the region. EAC's RoO are similar to COMESA's except that EAC does not grant originating status to goods of economic importance.[391]

Unlike COMESA and EAC, which set criteria for granting originating status to goods, ECOWAS follows a narrow criterion to grant goods originating status: goods must attain at least 30 per cent value added of the ex-factory price of the finished goods, or are wholly produced in member states for them to be granted originating status.[392] ECOWAS—again unlike COMESA and EAC—does not grant originating status based on percentage limits on the cost, insurance, freight (c.i.f.) value of any foreign materials of the total cost of all materials used in their production, and changes the tariff classification.[393]

SADC's RoO are restrictive and complex.[394] SADC's RoO on clothing and textiles, for example, reduces the ability of member states to benefit from the free trade agreement. Mugano (2022) showed that, to secure $13.6 million in duty savings under the SADC free trade area, Shoprite spends $5.8 million a year dealing with administrative requirements for certificates of origin. Woolworths, because it does not want to go through the hassle and costs of securing SADC RoO certificates, does not use SADC preferences at all.[395] Similarly in ECOWAS, the stringent RoO and associated registration requirements have seen few companies registering under the scheme.

Customs entry and administrative procedures are critical for collecting and administering taxes, and for ensuring adherence to national and international laws that seek to safeguard consumers of foreign-produced goods.[396] These procedures include customs classification, customs valuation, consular formalities and documentation, import licensing, samples, pre-shipment inspection and other formalities related to pre-shipment inspection. Although some of these procedures are necessary, their length and complexity, as well as duplication of clearance procedures, have become an encumbrance to trade for African traders as transaction costs rise.[397]

In EAC, for example, the Tanzania Revenue Authority requires traders to attach an Atomic Energy Certificate before it assesses confectionery products,[398] increasing costs by 0.4 per cent of the transaction value and the clearance period by three to four days, as traders must send a sample of their goods to the Tanzania Atomic Energy Commission in Arusha.[399] Likewise in Uganda, because the national system cannot recognize Kenya's online "KEB" standardization mark, Kenyan traders to Uganda are supposed to go through two quality examination procedures, increasing the costs of trade.

Penda (2021) and Mugano (2022) noted that cumbersome administrative procedures are prevalent in African RECs due to the lack of coordination among customs officials and of computerized customs management systems.

Eliminating NTBs and NTMs in African RECs

Progress on establishing tools and procedures for NTBs

Given that eliminating NTBs is one of the steps outlined by the AfCFTA for establishing an AfCCU and AfCCOM, this subsection highlights efforts made by RECs in eliminating NTBs through various legal frameworks and institutional arrangements.

AfCFTA NTB monitoring system

Several online platforms have been established at continental and regional levels to identify and eliminate NTBs. They offer easy and free access to information on NTBs in each region, which helps policymakers and economic operators plan their strategies and activities. In addition, they eliminate paper-based steps. And because most of the NTB platforms are designed to be user-friendly, they make submission of complaints by operators easy and offer a quick resolution process.

The AfCFTA NTB monitoring system builds on the tripartite system powered by strong legal and information technology systems. Annex V of the AfCFTA Protocol on Trade in Goods provides an institutional framework for establishing a unit for coordinating elimination of NTBs and a sub-committee on NTBs, made up of representatives from AfCFTA state parties. In addition, as part of the domestication process of the NTB monitoring framework, member states are required to establish national monitoring committees (NMCs) and national focal points (NFPs) on NTBs.

In 1999, the African Union (AU), with the United Nations Conference on Trade and Development (UNCTAD), developed the AfCFTA NTB monitoring system (it became operational in January 2020).[400] The platform, accessible via the internet, allows economic operators to register online and report NTBs by completing a form in which they describe the obstacles to trade they experienced.[401] Once the report is submitted, the system is meant to send this information to an NTB coordination unit in the AfCFTA Secretariat, to NTB units in the relevant REC, and to designated NFPs. By monitoring the activities of the national authorities responsible for eliminating the barrier, all these bodies are required to follow up through the NTB resolution process. Yet the platform showed only a few registered complaints (19 in all, of which only two were indicated as solved)—a low figure relative to other platforms.[402]

Courts of justice

Instituted by ECOWAS and West African Economic and Monetary Union (WAEMU) commissions, courts of justice are part of broader measures to address infringement of trade using legislation. One was established in each of these RECs as a judicial enforcement mechanism and is used to foster domestication of regional trading protocols.[403] Both the ECOWAS and WAEMU courts of justice were based on the European Court of Justice.[404]

The two courts are these RECs' principal judicial organs to enforce implementation of provisions in treaties and associated regulations, protocols and other legal instruments The ECOWAS court of justice is mandated to adjudicate any dispute submitted by member states, corporate bodies, institutions or individuals. Although member states have the responsibility to translate their regional commitments into domestic laws, ECOWAS and WAEMU took responsibility to ensure that member states within their respective RECs "honour their obligations."[405]

Yet the ECOWAS court has had only a small role in regional integration in West Africa. In a dispute, all diplomatic channels of dispute settlement must be exhausted and recourse to the ECOWAS court remains a measure of last resort, which explains why NTBs in the region proliferate, regardless of the presence of such a court. Alabi (2013) investigated the role of the ECOWAS court in regional integration and found two main weaknesses: (a) although the court can have exclusive jurisdiction on community matters, it is not compulsory, as explicitly stated in Article 76 of the Treaty that the dispute resolution mechanism of the ECOWAS subordinates adjudication to diplomatic and other pacific means of settlement;[406] and (b) the political will of member states and national courts is lacking, which is a major drawback given that the court depends on national courts and political leadership to enforce its decisions.

No other enforcement mechanisms or official penalties exist in ECOWAS and WAEMU to deal specifically with NTBs and NTMs—the two commissions seem to have favoured diplomatic channels for dispute settlement.

Tripartite NTB monitoring platform

Under the COMESA-EAC-SADC Tripartite framework, one of the priority areas for policy harmonization and coordination is identifying, removing and monitoring member states' NTBs. The three RECs adopted regulations providing the legal basis for adopting the tripartite NTB monitoring system: the EAC Elimination of Non-tariff Barriers Act, 2017; the COMESA NTB regulations; and the SADC Protocol on Trade.[407]

In 2008, the three RECs jointly developed a freely accessible online platform[408] that enables economic operators to report, and monitor resolution of, barriers encountered when doing business in these three regions. This Tripartite Reporting, Monitoring and Eliminating platform classifies NTBs into eight categories: government participation in trade and restrictive practices tolerated by governments; customs and administrative entry procedures; TBTs; SPS measures; specific limitations; charges on imports; other procedural problems; and restrictions in transport, clearing and forwarding services.[409]

To submit a complaint, economic operators are required to register on the platform and provide details of the trade obstacle they experienced by completing an online form, and can upload supporting documents. The platform also allows economic operators to send a complaint via SMS.

Like the AfCFTA NTB monitoring system, the tripartite platform sends out each complaint from economic operators to one or more designated NFPs in the REC or RECs concerned and the country imposing the barrier, which are expected to follow up through the relevant resolution process. The platform allows users to track the status of their complaints directly on the website.

Since it was set up in 2015, the platform showed a total of 880 complaints, with 792 indicated as solved and 88 still active as of 1 December 2023.[410] Although this performance is better than that of regional peers, especially ECOWAS, there are concerns over the time taken to resolve complaints, given the 88 outstanding cases.[411]

WAEMU Trade Obstacles Alert Mechanism

In 2018, WAEMU adopted the Trade Obstacles Alert Mechanism (TOAM),[412] given its previous challenges with the Observatory of Abnormal Practices.[413] TOAM is an online platform designed by the International Trade Centre, which allows private associations and businesses to report NTBs. TOAM has a categorization system that allows some NTBs to be elevated to the AfCFTA and transmitted to the AfCFTA NTB portal, though none of the NTBs notified through TOAM had been escalated to the AfCFTA platform.[414]

WAEMU has also established an NTB regional focal point and network of NFPs in each member state, responsible for transmitting complaints from economic operators to the competent authorities. From an operational perspective, once it has received the alert with the description of the barrier, the responsible authority is expected to forward the report to the agency/agencies responsible for follow-up, which, in turn, must report to the focal point/points on the status of resolution. The action taken is communicated to the user who reported the obstacle in a final Trade Obstacle Report, which can include recommendations aimed at avoiding repetition.

As part of the expanded TOAM, in September 2021, a TOAM mobile application was launched, though as of 1 December 2023 this application had not been used. And as of the same date, the platform had a total of 326 obstacles, of which 155 had not been resolved, with 6 classified as "special cases," that is, cases requiring involvement of government entities and a study.

Borderless Alliance NTB monitoring system

This system was developed by a multilateral partnership of private and public stakeholders aiming to eliminate NTBs in West Africa. It has the same eight categories as the tripartite NTB monitoring system (see above). Similar to platforms already described, the monitoring system allows all complaints submitted by traders, including those already resolved, to be updated on the system. A trader is required to register on the website where they submit basic data on their profile. After registration, they are required to complete an online form with a detailed description of the NTB.

Only Burkina Faso and Ghana are covered by this platform. Mobile numbers have been activated there to facilitate reporting by traders. As of 1 December 2023, 410 complaints had been submitted through the platform, with 369 resolved.[415]

EAC programme to eliminate NTBs

This programme was designed with an understanding of the shortfalls of the ECOWAS NTB system, which has lacked a region-wide framework for reporting, monitoring and eliminating NTBs.[416] The ECOWAS NTB system had multiple NTB tools and classifications with no unified regional approach to eliminating NTBs; instead, several country and subregional efforts addressed NTBs with different procedures, such as the Borderless Alliance, TOAM and the AfCFTA NTB monitoring system.

In EAC, joint consultations of NMCs in all member states are conventional institutions used in eliminating NTBs. By leveraging member states' integrated web-platforms through which economic operators can report obstacles to trade, the NMCs are responsible for identifying, monitoring and facilitating elimination of NTBs. These platforms have been developed in Kenya, Rwanda, Tanzania and Uganda, while Burundi, Democratic Republic of Congo and South Sudan have yet to adopt them.

In EAC, as in other RECs, NTB identification and monitoring starts with business associations receiving complaints from their members through paper-based, online, or SMS-based applications or via electronic means such as email. The business association then notifies the complaint to the country's NMC where the trader raising the NTB is established; the trader in turn has three options for eliminating the barrier,[417] as regulated by Articles 10, 11 and 12 of the EAC Elimination of Non-tariff Barriers Act, 2017:

- *Article 10, Mutual Agreement:* This option involves consultations between the NMC of the country that instituted the obstacle and the NMC of the country from which the affected trade originates. The goal is to develop a joint strategy to eliminate NTBs; the process must be completed in 30 days at most.
- *Article 11, The EAC Time-bound Programme for the Elimination of Identified/Reported NTBs:* This programme was launched in 2009. After receiving a written notification from a reporting country, the NMC of the country imposing the barrier starts an investigation to assess the impact of such barrier so as to eliminate it within a defined time frame. The competent authorities are required to resolve the barrier and expected to set monitoring mechanisms to verify its dismantling. Likewise, the elimination plan must identify possible challenges to eliminating the barrier and possible remedies. Where the NMC fails to resolve the issue relating to the NTB within 10 days from receipt of notification, a meeting of the concerned member states is organized. Using this approach, NTBs in the EAC region were reduced by 58 per cent. Most strikingly, since 2017, 89.5 per cent of the reported NTBs were resolved through the Time-bound Programme.[418] From 2021 to 2023, the number of reported NTB complaints remained stable, at eight to 11 cases annually, with a sharp improvement in resolving NTBs to an average of 88.3 days. Between June 2022 and June 2023, 16 NTB complaints were reported within the EAC, of which nine were resolved, with seven in progress.
- *Article 12, Referral to the EAC Council of Ministers:* Where NMCs of the country that imposed the barrier and of the originating party's country fail to reach an agreement, the case can be referred in the last instance to the EAC Council of Ministers, which can issue a decision, directive or recommendation to eliminate the NTB in question. Alternatively, the Council of Ministers can refer the matter to the EAC Committee on Trade Remedies, which is expected to issue a decision binding on member states concerned.

COMESA NTB regulations

Promulgated in December 2014, COMESA's NTB regulations provide a framework for categorizing, identifying and eliminating NTBs within the region. In 2020, they were revised to align them with experience from other RECs, notably AfCFTA, EAC and WAEMU. The revised regulations envisaged establishing two institutional structures in each member state for monitoring and resolving NTBs—NMCs and NFPs.

Of concern is the slow pace taken by these structures in resolving reported NTBs. The COMESA Council of Ministers, at its meeting of 23 November 2023, observed that these structures are particularly slow in carrying out internal consultations aimed at resolving NTBs.[419] The Council of Ministers urged member states to ensure that these bodies urgently resolve NTBs reported by economic operators. In addition, the NTB monitoring unit in the COMESA Secretariat in Lusaka was tasked with monitoring and following up on all reported NTBs to expedite prompt resolution.

According to COMESA,[420] longstanding NTBs in the region constitute 63.6 per cent of total NTBs, the majority of which were in effect for five to eight years before being resolved. Given this, COMESA revised its NTBs regulations and introduced a procedure for addressing longstanding NTBs with precise timelines for resolution, in three phases: consultation, facilitation, and decision by competent policy organs.

In 2019, COMESA launched an SMS reporting tool, active in four member states: Comoros, Malawi, Zambia and Zimbabwe. In 2021, it established an NTB regional forum, comprising the NMCs and NFPs in each member state. This new structure is aimed at strengthening pre-existing mechanisms for eliminating NTBs in the region, although only nine member states have formalized and notified the composition of their NMCs to the COMESA Secretariat,[421] while NFPs have been designated in all member states.[422]

Progress on establishing tools and procedures for NTMs

This subsection discusses efforts by the AU to eliminate NTMs—that is, TBTs and SPS measures.

Technical barriers to trade

WTO (2022) observes that TBTs, particularly standards, technical regulations and conformity assessment regimes, are still prevalent across Africa´s regional groupings, despite efforts to upgrade reporting and monitoring mechanisms, and given that under WTO TBT Annex 6, Article 3 states:

> the State Parties reaffirm their rights and obligations under the WTO TBT Agreement in respect of the preparation, adoption, and application of standards, technical regulations, conformity assessment procedures and related activities.

One of the main challenge facing the AfCFTA is to improve the quality of regulation by removing trade-distorting TBTs on goods to deliver competitive markets while striking the right balance on adhering to public policy objectives on health, safety and environmental issues (Mugano, 2023; Erasmus, 2019). This therefore increases the scope for the AfCFTA to collaborate with RECs and their member states, particularly because the AfCFTA Agreement, under TBT Annex 6 and SPS Annex 7, based on the WTO TBT and SPS Agreements, addresses TBT and SPS issues, and binds all state parties to commit to progressive elimination and calls for cooperation in developing, harmonizing and implementing them.

The African Organisation for Standardisation (ARSO)[423]—an intergovernmental organization established by the Organization of African Unity, now the AU, and by ECA—has a mandate to harmonize African Standards and conformity assessment procedures, based on international standards and best international practices, to reduce trade-distorting TBTs in Africa and so promote intra-African and international trade.[424] The ARSO—with the AfCFTA—has made impressive progress in eliminating TBTs in Africa (box 6.1), but much work remains to increase capacity for risk assessment and to adopt equivalence measures that meet international standards.[425]

BOX 6.1

ARSO activities in eliminating TBTs in Africa

HARMONIZING STANDARDS

In order to minimize TBTs among African countries borders, the African Organisation for Standardisation (ARSO) investigated, among others, the automotive, pharmaceutical, dairy, horticultural, fisheries and aquaculture sectors. With support of the AfDB, since the launch of the AfCFTA, the ARSO has approved over 400 standards and regulatory guidelines.

APPROVING, ADOPTING AND IMPLEMENTING STANDARDS

Where there are no international standards, the AfCFTA Agreement emphasizes harmonization of African standards and adoption of international standards. In November 2021 and June 2022, food packaging and labelling standards were approved by the ARSO for adoption by members, after consideration by the ARSO Standards Management Committee.

AWARENESS CREATION AND NOTIFICATION

From 2021, several events and awareness seminars were held in countries including Ghana, Nigeria, South Africa and Zimbabwe to create awareness on harmonized African standards for the above six sectors. During Covid-19 regulations, 33 webinars were held with RECs and their member states, supported by WTO, ARSO and AfCFTA, to increase awareness on trade and standardization policies.

PROMOTING CONFORMITY ASSESSMENT AND MUTUAL RECOGNITION ARRANGEMENTS

In March 2020, the ARSO Conformity Assessment Programme was launched to facilitate harmonization of African conformity assessment procedures. In line with this, the ARSO has developed rules and procedures for its certification operations in nine schemes. Similarly, as part of the initiative to foster mutual recognition arrangements and harmonization activities on technical regulations with emphasis on ARSO Conformity Assessment, the associated Working Group on Technical Regulation is working with 10 member states[426] in promoting regulatory cooperation between regulators and seeking to leverage the benefits of mutual recognition agreements. Before this, on 19 August 2021, the ARSO identified Ghana, Rwanda, Zimbabwe, South Africa and Kenya as champions of such agreements and developed a roadmap for the pilot.

Source: ECA based on WTO 2022.

Sanitary and phytosanitary measures

In the AfCFTA Agreement, SPS regulations are covered in Annex 7. It specifies that they must be guided by the WTO SPS Agreement and based on international standards such as the International Plant Protection Convention and those developed by the Codex Alimentarius Commission and World Organisation for Animal Health.[427]

The AU Department of Rural Development and Agriculture (AU DREA) is working with RECs and their member states to strengthen the overall function and integrity of SPS systems. To further harmonize standards and strengthen implementation at regional level, AU DREA is supporting RECs to serve as major sources of SPS guidance, coordination and assessment of private and public sector capacity needs, so as to meet compliance with international SPS standards. In seeking to improve SPS compliance, AU DREA undertook several initiatives with RECs and member states (box 6.2).

BOX 6.2

Regional SPS initiatives pursued by AU DREA

Notable milestones achieved by the AU Department of Rural Development and Agriculture (AU DREA), working with RECs and member states, include:

In 2014, AU DREA established the AU Continental SPS Committee to guide coordination and implementation of SPS measures at continental level. The committee is focused on mainstreaming SPS issues such as food safety, plant and animal health into the Comprehensive Africa Agriculture Development Programme and other agriculture, trade-related, health and environmental initiatives and frameworks.

In 2012, the Standards and Trade Secretariat for Animal Health and Food Safety was established to handle SPS and trade issues more sustainably, including coordinating Africa's participation in the work of the WTO SPS Committee and promoting compliance with safety standards in these areas in AU Member States.

With the aid of financial support from USAID and EU, AU DREA undertook regional projects in the Greater Horn of Africa, supporting regional trade from an animal health perspective, and supported animal health systems, including certification, for improved compliance with international standards and hence stronger trade outcomes.

The Surveillance of Trade Sensitive Diseases focused on zoonoses in trade in livestock and livestock products as well as increasing the resilience of vulnerable livestock-dependent communities through improved surveillance, animal identification, traceability and health certification systems.

In 2007, regional development of SPS frameworks and strategies began, in order to improve SPS management, accelerate regional integration and boost trade. WAEMU was the first entity to embark on harmonizing SPS measures, with a 2007 SPS regulation. As of 2020, four of the eight AU-recognized RECs had regional SPS committees/working groups.

Source: ECA based on African Union 2019; Godefroy and Molnar 2020.

Cost-benefit analysis of reducing NTBs and NTMs

To show the economic impact on African economies of reducing NTBs and NTMs, a systematic review was conducted of the more recent authoritative sources such as Abrego et al. (2019), Abrego et al. (2020), UNCTAD (2024) and Cadot, Asprilla, Gourdon, Knebel and Peters (2015). Using a scenario of a 35–50 per cent reduction in NTBs, the following subsections discuss the impacts in terms of welfare, distribution, employment and fiscal revenue.

Welfare effects

Several ex-ante multisector and multi-country computable general equilibrium (CGE) trade simulations show that trade agreements have a positive effect on welfare. The size depends largely on initial conditions, the extent of trade liberalization and the extent of trade barriers.[428]

Abrego et al. (2019) use CGE models to estimate the potential welfare effects of reducing NTBs by 35 per cent, and find that the reduction is expected to give an overall welfare gain of 2.1 per cent for the continent.

Abrego et al. (2019) and Abrego et al. (2020) show that the smallest African economies—the most open—are likely to receive the largest proportional welfare gains from the reduction, and that the larger economies—less open—tend to benefit less with adverse terms-of-trade movements offsetting efficiency gains. Unsurprisingly, they find that the larger the NTB reduction, the higher the welfare gains.

In line with observations of other scholars, such as Jensen and Sandrey (2015), Mureverwi (2016) and Saygili, Peters and Knebel (2018), Abrego et al. (2019) observe that manufacturing accounts for over 60 per cent of welfare gains, and agriculture about 16 per cent.

Distributional effects

Autor et al. (2014), Pavcnik (2017), and Dix-Carneiro and Kovak (2017) show that although trade liberalization contributes to inequality, the contribution is context specific. Pavcnik (2017) argues that the level of mobility of workers, and capital and trade patterns, are major drivers of inequality, which varies by region.

Abrego et al. (2019) and Perez-Saiz (2019) observe that a 35 per cent reduction in NTBs is likely to have varying impacts on households across Africa, geographically. Abrego et al. (2019) show that skilled workers are likely to benefit more than unskilled workers, exacerbating inequalities.

This observation is grounded in the fact that the reduction has a net effect of reducing the price of capital goods, increasing demand for them. Where skilled labour and capital goods are complementary in the production of goods, it is expected that both productivity levels and wages of skilled labour will increase. In addition, the existence of capital–skill complementarity favours an increase in demand for skilled workers, which would also lift their wages and thus the skill premium. Perez-Saiz (2019) shows that the AfCFTA would increase the skill premium, with a 35 per cent reduction in NTBs raising it in Sub-Saharan Africa by close to 1 per cent on average.
In contrast, unskilled workers are likely to see stagnant wages *and* job losses.

Cadot, Asprilla, Gourdon, Knebel and Peters (2015) estimate the ad valorem equivalent and welfare impact of NTMs in Kenya. Using consumption patterns obtained from a Kenyan household survey, they find that the cost of living rises by 9 per cent and 7 per cent, respectively, for the poorest and richest 20 per cent of the population, with the distributional effect caused by the higher share of food items in the consumption basket of poorer people.

Employment effects

UNCTAD (2018), using a CGE model that allows for changes in overall employment, estimates a long-term increase in employment of 1.2 per cent because of the AfCFTA, though this is insignificant given high unemployment in Africa.

This result matches the findings of Perez-Saiz (2019), which show that a sharp reduction in NTBs creates more jobs for skilled workers. As most NTBs are concentrated in agroprocessing and manufacturing, a reduction in NTBs will lead to growth in these two sectors.[429] This observation is consistent with the AfCFTA objective of structural transformation to generate more jobs for skilled workers.

From a gender perspective, UNCTAD (2022) finds that reducing NTMs could affect women differently than men. For example, if regulations fail to provide women with adequate protection at the workplace, they can be exposed to health risks. Working clothing and protective equipment are often designed for the male anatomy. In addition, women frequently act as “risk managers” in food preparation, processing and selling, and are thus exposed to foodborne diseases. This study supports the view that NTMs are critical on health grounds, even though they increase the cost of doing business.

Fiscal revenue effects

Abrego et al. (2019) argue that the AfCFTA’s reduction of NTBs would affect tax revenues through two channels: improved efficiency, which will result in higher GDP and an increase in revenue; and increased income and imports, lifting aggregate demand and consumption, thus leading to an increase in tax revenue.

Using a GCE analysis, Abrego et al. (2020) show that a reduction in NTBs is likely to increase tax revenue in almost all African countries, driven mainly by increases in household income and domestic consumption. In addition, in line with Abrego et al. (2019), Abrego et al. (2020) note that the increase in tax revenue is proportional to welfare gains, and shows relatively wide differences across the continent.

Still, Abrego et al. (2020) argue that income gains may take time to materialize, and in the short term, revenue increases may not compensate for tariff-removal losses. African countries should therefore adopt early-stage revenue mobilization reforms, even if the AfCFTA’s net effect on revenue is positive in the long term.

Conclusion and recommendations

Conclusion

Evidence in this chapter shows that NTBs and NTMs are serious blockages for regional integration in Africa. Although African RECs resolved more than 1,200 NTB disputes[430] in the last five years, the presence of years-long, unresolved NTB disputes is worrying, often stemming from limited financial resources and insufficient political will.

On NTMs, although regional efforts at eliminating NTMs have brought some gains and efficiencies, the plethora of SPS and TBT frameworks and action plans has led to duplicative—even contradictory—requirements among RECs, with some trade-restrictive effects. This is caused mainly by limited common understanding of the term “regional harmonization” and differences in prioritization and actions needed to achieve it; differences in levels of responsibilities of the SBS and TBT implementing institutions; inconsistencies in handling dispute settlement; and lack of harmonization and use of regional instruments by sectoral bodies. Progress in harmonizing NTMs in most African RECs, including EAC, ECOWAS and SADC, was slow because of overlapping memberships and a weak institutional framework.

UNECA (2021) argues that NTBs and NTMs contribute to the high cost of doing business, inhibiting intra- and interregional trade in Africa. The above systematic review shows that reductions in NTBs and NTMs can increase welfare, exports, incomes and employment, though these gains are not distributed equitably. They will, for example, be skewed towards the skilled workforce, but unskilled workers will benefit, too.

The current situation in NTBs and NTMs and Africa’s slow progress in harmonizing and standardizing policies suggest that the continent is moving cautiously to meet the minimum requirements for establishing an African Continental Customs Union (AfCCU) and African Continental Common Market (AfCCOM). Establishing an AfCCU and AfCCOM will build on Africa’s valuable experience in the initiatives for removing NTBs and NTMs. The continent can leverage the achievements and expertise of RECs in these areas, to confidently advance towards deeper continental integration.

To expedite elimination of NTBs and NTMs, African countries and RECs should build capacity, strengthen political will and revitalize several initiatives to eliminate NTBs and NTMs. They should also build on NTB and NTM schemes that worked well in EAC and COMESA, among other RECs. As part of these moves, UNECA (2021) asserts that AfCFTA should provide leadership and technical assistance. The following more specific recommendations are presented.

Recommendations

- *Establish transparent notification procedures and a public online platform for reporting NTBs and NTMs.* This initiative should enhance transparency, reduce costs associated with TBTs and SPS measures, and improve coordination with the private sector. Also required is a robust surveillance mechanism to monitor NTMs and NTBs, coupled with legislation aimed at eliminating both and at ensuring compliance with WTO standards. National export and import regulations, with clear definitions of NTBs and NTMs, should be integrated into the AfCFTA framework. Customs procedures, warehouse operations, transit systems and goods declaration processes must be presented clearly and consistently.
- *The AfCFTA should build on and strengthen the current NTB framework in the COMESA-EAC-SADC Tripartite Agreement and ECCAS.* Development assistance should be provided.
- *Dismantle trade-distorting NTMs by coordinating national and regional efforts to eliminate them to fully benefit from the AfCFTA and the future AfCCU and AfCCOM.* This covers pervasive NTMs, such as divergent SPS measures, inconsistent labelling laws, cumbersome customs procedures, RoO and TBTs.

- *Standardize assessment procedures and regional policies related to NTMs to promote transparency in line with WTO agreements on TBTs and SPS standards.* Lessons from ECOWAS on connecting national portals for the Trade Obstacles Alert Mechanism should be adopted. Building capacity, strengthening political will and revitalizing REC initiatives are also needed.
- *Adopt good regulatory practice to help overcome procedural obstacles and complex regulations on SPS harmonization and TBT policy coherence.* Ministries responsible for agriculture, trade and health should coordinate policy harmonization and promote the use of international standards such as the International Plant Protection Convention and those developed by the Codex Alimentarius Commission and World Organisation for Animal Health. Additionally, there is need to enhance participation of the WTO SPS and TBT Committees in Africa.

The final chapter offers an analysis of the essential elements related to institutional governance and the necessary human, material and financial resources for establishing an AfCCU and AfCCOM. It includes recommendations on how the continent can effectively mobilize resources and develop required capacities. It also explores strategies for achieving AfCCU and AfCCOM financial autonomy, drawing insights from the financing of the AU and SACU.

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CHAPTER 7

Institutions, Governance and Resources for the African Continental Customs Union and African Continental Common Market

Introduction

This chapter offers an analysis of what could be the key elements of the institutional, governance and resource requirements—human, material and financial—for the African Continental Customs Union (AfCCU) and African Continental Common Market (AfCCOM), including pointers on how the continent should plan to put these together, through mobilizing resources and building requisite capacities.

In the next section, it lays out a conceptual framework of the institutional and governance arrangements for the AfCCU and AfCCOM, and then the key principles of resource mobilization and use for these two bodies. The aim is to present considerations for nimble, agile and cost-efficient structures, leveraging on those in place and on new ones. In the section after that, it draws lessons from successful cases among the African regional economic communities (RECs) and across the world. The chapter then explores means for mobilizing resources to ensure the financial autonomy of the AfCCU and AfCCOM, drawing lessons from the financing models of the African Union (AU), the Economic Community of West African States (ECOWAS) and of the Southern African Customs Union (SACU).

The chapter subsequently presents options for institutional, governance and resource requirements for operationalizing the AfCCU and AfCCOM. The main options are the use of existing legal frameworks, institutions and structures, particularly the Abuja Treaty and the Agreement Establishing the African Continental Free Trade Area (AfCFTA), and the establishment of a new structure in the form of an agency or organ along the lines of the African Union Development Agency–New Partnership for Africa's

Development (AUDA-NEPAD) or the Africa Centres for Disease Control and Prevention (Africa CDC). It then analyses the differences between decentralized and centralized governance and institutional requirements of AfCCU and AfCCOM, and reviews innovative financing strategies, premised on the ethos of "developmental regionalism." The conclusion and policy recommendations round off the chapter—and *ARIA XI*.

Conceptual framework of the institutional and governance arrangements for the AfCCU and AfCCOM

Organizations, institutions and their governance may be akin to biological processes of life forms in the natural world towards homeostasis.[431] From simple ideas and forms, from single cells, they grow and increase in complexity, functioning as holistic systems, the elements working together, reinforcing each other, receiving messages from, and giving messages to, each other. Through learning and adapting, they become dynamic, taking on an autonomy of their own.

The self-recreation and self-preservation are also seen in organizations and institutions, and in regimes that underpin them, including in their origins, formulation, operation and self-propagation of foundational documents, such as constitutions (written or unwritten), treaties and self-regulation by private associations as well as institutions established as the vehicles.[432]

A normative position on this basis is that organizations, institutions and their governance should be constituted and function as a whole, rather than as isolated pieces that are each autonomous and separated, headed in different directions. Aristotle's observation, paraphrased as "the whole is larger than the sum of its parts," continues to ring true. Organizations and institutions can have emergent properties, but only when they function holistically as systems rather than independently as pieces.[433] Emergent properties can be fundamental, in the same manner that consciousness, identity or personhood is. Created organizations and entities can also produce identities—for instance, to be East African on the basis of the East African Community (EAC) or European on the basis of the European Union (EU)—with rights and obligations; emblems and symbols; formal investiture and documentation for identity and personhood; and sociocultural activities that reinforce and celebrate such properties.

Order can emerge out of chaos, disorder and disequilibrium, or even vacuums.[434] Driven into disequilibrium, a self-organizing process can kick in to address the "mischief."[435] Famously, for example, a new world order emerged out of the ruins of the Second World War in the 1940s and 1950s, characterized by global institutions for peace, prosperity and governance in existential areas and in other landmark processes that sought to deliver order out of chaos and disequilibrium.

On the African continent, colonialism was cast off through diplomatic and military offensives underpinned by the ethos and philosophy of Pan-Africanism.[436] The struggle that continues is for total political *and* economic emancipation through African unity and continental frameworks, and through socioeconomic transformation facilitated by political and economic frameworks adopted—lately, the AfCFTA.[437] Milestones include the formation of the Organization of African Unity (OAU) in 1963; and the adoption of the Abuja Treaty in 1991, of the Constitutive Act of the African Union in 2000, and of Agenda 2063 in 2013.

Thus, humankind has seen victories over socioeconomic disorder, such as slavery and colonialism, or poverty, hunger, illiteracy and disease.[438] There have been technological epochs that have resolved contemporary fundamental problems and aspirations, now formulated as industrial revolutions,[439] and as ongoing learning, experimentation and forays into the future, with increasing technological and institutional sophistication to cope with current and oncoming existential threats.[440] Such solutions and changes have required, and been facilitated by, enabling institutions and regimes in the political, economic, social, technological, environmental and legal spheres.

As for the parts or elements, they require definitions or forms, interrelations and designated functionalities to constitute the whole, and to operate in synchrony.[441] An organization will therefore have defined institutions and organs, with designated functionalities in terms of powers, activities and the prerequisite capabilities. Within the institutions and organs, there will also be functionalities scaled up and down to appropriate levels of operation. This takes the form of management, establishing and equipping operatives with roles and powers, under a hierarchy that seeks efficiency and delivery—or existence itself. Thus, polities will establish governance structures and, through experimentation and institutional engineering, will continuously perfect them to match emerging challenges. Structures and hierarchies in organizations and institutions provide the required efficacy and capabilities, which address entropies that would counteract the achievement of objectives.

Henry Fayol (1949) helpfully distilled 14 operational principles from management theories (box 7.1), which could well provide a normative position in the private sector, but could equally apply to public organizations and institutions, such as secretariats and committees *mutatis mutandis*.

Speed and precision assist greatly. Occam's razor calls for parsimony and posits that in problem-solving, explanations with the smallest set of elements are to be preferred, and the smallest set of elements that can achieve an objective is to be preferred.[442] The time- and resource-saving inherent in this approach—the resulting efficiency—should be self-evident. And the upshot is that organizations, institutions and their governance should be reckoned to be complex adaptive systems.[443]

BOX 7.1

Henry Fayol's 14 operational principles from management theories

1. **Division of work:** Assign specific tasks to officials or employees for efficiency and skill development.
2. **Authority and responsibility:** Managers should have authority while being accountable.
3. **Discipline:** Uphold rules and order within the organization.
4. **Unity of command:** Officials or employees report to only one supervisor.
5. **Unity of direction:** Teams with the same objective work under one manager or team of managers.
6. **Subordination of individual interest to general interest:** Group interests prevail over individual interests.
7. **Remuneration:** Fair compensation for satisfaction of officials or employees.
8. **Centralization:** Balance decision-making proximity.
9. **Scalar chain:** Understand hierarchy and communication channels.
10. **Order:** Maintain clean, safe and organized workplaces.
11. **Equity:** Ensure fairness in managerial interactions.
12. **Stability of tenure of personnel:** Minimize turnover of staff.
13. **Initiative:** Allow staff freedom to create and execute plans.
14. ***Esprit de corps:*** Promote team spirit and unity.

Source: ECA based on Fayol 1949.

Given how massive and unwieldy the AU architecture had become, Kagame (2017) provided a pragmatism built on both theory and practice, calling for reforms to strengthen the AU through institutional engineering. The reforms aim to streamline the nature and operations of AU institutions and organs, including the African Union Commission (AUC), and to achieve financial autonomy. The AU as a whole, with its institutions and organs, should be fit for purpose.

To be fit for purpose means having the requisite capabilities to deliver on the vision, aspirations, objectives, activities, targets and timelines; to anticipate and manage risks; and to pursue existential priorities that arise from time to time.[444] In the particular circumstance of this exercise, to be fit for purpose refers to the possession of capabilities to efficaciously achieve and operate the AfCCU and AfCCOM, in the context of "developmental integration." The theory of developmental integration posits the simultaneous pursuit of equally prioritizing large markets, industrialization, infrastructure development and macroeconomic stability, while providing for adequate policy space and flexibility.[445]

This approach arose out of a systematic envisioning of continental integration as a free and united, politically and economically emancipated Africa, setting and codifying long-term roadmaps, and kickstarting the vision on the basis of addressing contemporary pressing existential priorities, such as decolonization in the case of the OAU; an internally peaceful and prosperous, and an internationally efficacious, Africa in the case of the AU; peace and security for the Economic Community of West African States (ECOWAS); industrialization and infrastructure for the Southern African Development Community (SADC); protection against drought and desertification for the Intergovernmental Authority on Development (IGAD); trade facilitation for the Common Market for Eastern and Southern Africa (COMESA); and re-establishing lost levels of deep integration for the EAC.[446]

Notwithstanding the advantages of developmental integration or developmental regionalism, the binding constraints of limited resources in the African case derogate from the "possession of capabilities to efficaciously achieve and operate" quality that makes prioritization imperative, requiring starting small and shallow and getting big and deep later, as Africa moves on, progressively, to integration.

This all means that progress in continental integration should be on the basis of developmental integration/developmental regionalism, underpinned by four essential goals[447]—and where resource availability permits, by proceeding on all fronts of continental integration, in line with the current trajectory and impetus for factor integration and cooperation in diverse areas. The approach also provides a basis for Common African Positions in a broad range of areas covered by integration, such as those within the scope of the AfCFTA. But proceeding on all fronts also means spreading available resources thin on all activities, which could stall completion of the most vital initial conditions and actions for regional integration.

Evolving from the foregoing conceptual framework are three sets of basic principles, each with their own subprinciples, which should inform institutional and governance considerations for the AfCCU and AfCCOM: a systems approach; a hierarchy ecosystem; and management by results or objectives.

Systems approach

Coherence and efficacy

Institutions and their governance arrangements should have the pre-eminent qualities of coherence and efficacy. As systems, they should work seamlessly and effectively in pursuit of set objectives.

Pragmatism over linearity

Linearity in the stages of economic integration set out by Balassa (1962) served an important epistemic and definitional purpose, but in practice, regional integration organizations do not compartmentalize nor sequence the stages of economic integration. Rather, despite the name of such organizations, relevant programmes are adopted and implemented, and some stages are skipped or recombined.

Speed and the gathering of low-hanging fruit

In line with the vision of making Africa an integrated, prosperous peaceful and self-reliant continent, capable of meaningfully influencing global agendas, emphasis should be placed on achieving the deepest levels of economic integration currently feasible, leveraging on low-hanging fruit in the first instance, and subsequently working towards putting in place processes for finalizing pending issues, backed by the deployment of requisite human, material and financial capabilities and resources.

Avoidance of mimicry

The theory of mimicry posits that all Africa ever does in institution-building is mimic initiatives from other parts of the world, especially the EU. Proponents of this theory point to the names of African institutions including the AU itself, and the texts of various constitutive instruments on regional economic integration.

Africa should therefore avoid copying the customs union and common market structures of the EU, especially those which are beyond Africa's means or which would be unnecessary, given existing institutions in Africa.

In line with Africa's long track record of a pan-Africanist philosophy that has informed the theory and practice of economic integration on the continent by its scholars and countless luminaries in contemporary times and that has shaped its development blueprints, the design of the institutional and governance structures of the AfCCU and AfCCOM should follow this proud tenet of African initiatives—informed by the political economy of the continent—as concrete solutions to challenges.

Critical success factors

These factors include consistent, high-level political leadership mobilized from across the continent, stakeholder ownership, macroeconomic stability supported by a resilient real economy, financial autonomy (as soon as possible and supplemented by partners in the meantime), follow-up or monitoring and evaluation, predictability and enforcement, and sociopolitical processes for change. All these should be wrapped up with features of *sublimity*, *subsidiarity* and *continentalization*. Sublimity means that best practices are followed, including in staffing, and in the design or designation of institutions for the AfCCU and AfCCOM; subsidiarity, that roles are performed at the most immediate levels to promote administrative efficiency; and continentalization, that tried and tested amenable regional programmes and institutions should be scaled up to continental level.

Hierarchy ecosystem

Intergovernmentalism with stakeholder ownership

This element speaks to the need for a tested and typical intergovernmental hierarchy for economic integration across the continent—at continental and regional levels—including in common market or customs union RECs. Broadly, the hierarchy is in terms of summit, ministerial, senior-official and expert-level organs and committees. Secretariats perform the professional, technical and administrative functions of running the economic integration organizations on a daily, continuous basis, and thus become critical. Intergovernmental processes may be supplemented by supranational institutions, such as competition and intellectual property authorities, regional parliaments and courts of law. In addition, industry, academia, civil society, media, partners and other actors perform transformational roles when they mobilize, organize and own the economic integration organization.

Observance of existing rules and decisions

Designation of existing—or creation of new—institutions for the AfCCU and AfCCOM, and their placement, should strictly abide by the rule of law in faithfully being in keeping with the mandates and roles provided in the Abuja Treaty, Constitutive Act of the African Union, and RECs' constitutive instruments. This is without prejudice to the need to re-open decided matters when necessary to smooth operations for added efficiency, especially those required to deepen integration.

For example, there is no provision for a supranational commission or secretariat, nor for a high representative, a gap that could deserve some attention, bearing in mind that since the 1960s, AU Member States have never agreed to executive secretariats, at continental or REC levels, that are supranational and to which they cede or delegate sovereignty, preferring to have administrative secretariats and share their sovereignty within intergovernmental processes. The need to continue speaking with one voice—currently exemplified by the Africa Groups of Ambassadors at various international organizations, such as the World Trade Organization (WTO)—on the basis of Common African Positions may accentuate the necessity for some measure of supranationality, especially as it relates to the AfCCU and CET.

Management by results or objectives

Such management seeks to systematically achieve the results or objectives by specifically pegging and channelling performance towards them. Various tools such as logical frameworks, sound internal management systems for finances and human resources, outreach strategies, and monitoring and evaluation are used to achieve the goals.

Logical frameworks

Logical frameworks greatly assist in formulating and implementing strategic objectives. They indicate, in a logical fashion, the vision, objectives, activities, targets, timelines and centres of responsibility, along with the assumptions, risks and mitigation measures.

Sound internal management systems

Effective management is also assisted by effective internal controls, up-to-date accounting systems, independent external and internal auditors, procurement systems that ensure value for money and integrity, and sound financial and human resource management. Key partners often require institutions that they support to pass certain assessments of these internal systems and facilities, which, however, need not be imposed on institutions by external operators, given the efficiencies they generate for institutions.

Stakeholder engagement, communication strategy, and visibility

When all is said and done, stakeholders must own the institutions and programmes. To do so, there should be consistent and effective engagement with them, a clear communication strategy, and visibility of the institution and the programmes. Ownership promotes utilization, without which the institution or programmes remain, on paper, a big waste of resources.

Monitoring and evaluation through to continuous improvement

Monitoring and evaluation, premised on logical and implementation frameworks, promote accountability and transparency and help keep programmes on track. They also generate lessons learned, which can be a basis for timely corrective measures and adaptation to programmes, in turn often facilitating continuous improvement.

Key principles of resource mobilization and use for the AfCCU and AfCCOM

Restraint and parsimony as a virtue

Evolving from the above conceptual framework are principles related to the mobilization and utilization of resources required to sustain the vision and mission, objectives and strategies of an organization. Significant components of optimal deployment of resources include restraint in establishing new institutions, which should be informed by the emerging trends of existing institutions as well as the need to ensure that the organization is self-sustaining through financial autonomy.

On the caution and restraint that need to be exercised in establishing new institutions, it is pertinent to assess whether existing institutions can appropriately incorporate additional roles for efficiency purposes, including intergovernmental secretariats. Existing intergovernmental configurations may need dedicated committees or working groups to examine particular issues and potential work programmes. Because duplication and proliferation of institutions are not optimal, parsimony should be a virtue. Provided they serve the purpose, the fewest number of institutions should be put in place and deployed, and the most straightforward path should be taken, "without frills." Generally, emerging trends in the nature and size of institutions that have been established in recent years should be considered, to ensure that there will be no duplication and that any new institution adds value.

Fit for purpose

Institutions, especially the secretariat, agency or directorate, should be fit for purpose. This means they should have the capabilities required for service delivery, achievement of targets, and consistency with the vision of continental integration within the geopolitical situations that may obtain from time to time. The capabilities will include personnel and facilities appropriate for the fourth industrial revolution; a knowledge base for global competence in international engagements; networks and partnerships for practical efficacy; diplomatic agency; and the soft power of leveraging stakeholder ownership.

Financial autonomy

The means to generate adequate resources must also be established and financial autonomy should be deliberately sought and achieved. To this end, income-generating bodies established by or for economic integration in Africa should make financial contributions supporting programmes and secretariats.

Planning the structures of the AfCCU and AfCCOM: Experiences from regional economic arrangements

The Assembly of Heads of State and Government, the Executive Council of the AU, and the Council of Ministers, as the apex continental institutions made up of Heads of State and Government, Foreign Affairs, and Trade and Industry Ministers, constitute the governance structure available to cover customs union and common market areas in the AU as at present constituted. The Specialized Technical Committee on Finance, Monetary Affairs, Economic Planning and Integration, consisting of Member States' ministers and senior officials responsible for integration, fit into the scheme by being responsible to the Executive Council.

In governance terms, the customs unions and common markets, including the Economic and Monetary Community of Central Africa (CEMAC) and the West African Economic and Monetary Union (WAEMU), largely maintain the overall hierarchy of intergovernmental bodies for the organization—typically, presidents, ministers, senior officials and experts. Secretariats provide secretariat services, and have directorates or departments covering all the various areas within the scope of the organization, including common markets and customs unions as appropriate. In line with this overall approach, institutions and governance of the AfCCU and AfCCOM are expected to cover intergovernmental processes, supranational institutions, secretariat structure and stakeholder participation, with the attendant resources.

Structure of African customs unions

In Africa, COMESA, EAC and ECOWAS are customs union RECs while EAC is a common market. SACU, though not AU recognized, is also a customs union. These are expected to possess institutions and governance structures that support a customs union and common market.

EAC did not start its economic integration with a free trade area (FTA), but with a customs union with an *embedded* FTA, building on trade liberalization achieved under the economic liberalization and COMESA tariff reduction programmes of the 1990s, though Tanzania and Uganda had a five-year period within which to reduce customs duties annually on designated category B imports from Kenya while Kenya eliminated its duties on imports from both countries at once.

The institutional and governance structures of these RECs are mandated by their establishing treaties. Article 7 of the SACU Agreement, on institutions, provides that:

> The following institutions of SACU are hereby established: (a) the Summit of Heads of State or Government; (b) Council of Ministers; (c) Customs Union Commission (made up of senior officials); (d) Secretariat; (e) Tariff Board (made up of experts); (f) Technical Liaison Committees (on agriculture, customs, trade and industry, transport); and (g) ad hoc Tribunal.

For EAC, Article 34 of the Customs Union Protocol provides that: "The administration of the Customs Union, including legal, administrative and institutional matters, shall be governed by the customs law of the Community."

In Part II of the EAC Customs Management Act, that is, the EAC Customs Law, which deals with the Administration of the Customs Union, a Directorate of Customs is established as part of the Secretariat, under the supervision of the intergovernmental institutions, namely, the Council of Ministers and its decision-making processes. The directorate works with and services the work of the Commissioners of Customs in the national customs administrations of the partner states.

The ECOWAS Customs Code, Title II, particularly Articles 76 to 81, specifies that national customs authorities and offices are responsible for customs administration in the ECOWAS customs union.[448]

Intergovernmental institutions

The key areas for the AfCCU are customs law, common tariff nomenclature (CTN), CET, and trade policy relating to goods. Further areas for the AfCCU are free circulation of goods and revenue sharing; autonomy in the conduct of a common external trade policy; and a governmental or supranational institution autonomously in charge of conducting that common external trade policy.

There are other customs-related matters, mostly initiated by and under the auspices of the World Customs Organization (WCO), pertaining generally to customs administrations, including at national level and not necessarily for customs unions. These include trade facilitation, covering the full cycle of exportation, importation and transit; harmonized transport codes; tax common service and administration; capacity-building; risk management; automation and digitalization; anti-money laundering and illicit financial flows; intellectual property infringement; safety and security; and organized crime and various forms of trafficking (including drugs, wildlife and cultural heritage). Under integrated or coordinated management systems, customs administrations will work closely with other regulatory agencies, including those for technical and health standards and for immigration, and with specialized government departments. Customs administrations of the member countries of COMESA, EAC, ECOWAS and SACU are already familiar with these matters, and meet from time to time under the auspices of the AU and the WCO.

The Secretary General of the WCO has summarized the functions of customs administrations as being:[449]

- A partner of the trading community and facilitator of trade.
- A guardian to protect economies against fraudulent and illicit trade patterns including counterfeits.
- A promoter of measures to ensure supply chain security.
- A stronger defender against trafficking in drugs, weapons, endangered species, strategic goods and other illicit material across borders, all of which endanger the health and safety of countries' citizens.
- An advocate of coordinated border management through collaboration with other government agencies and international organizations.
- A reliable partner for the UN system in implementing UN Security Council Resolutions and UN Sustainable Development Goals.

The apex continental institutions could continue in place and cover customs union matters. Secretariat services covering these other areas will be required for closer coordination among customs administrations. After starting work on the AfCCU, there will be a need to craft medium- to long-term strategic plans covering all these further areas.

Technical institutions

The Committee of Directors-General and Heads of Customs Authorities, Senior Officials and the Committee on Trade in Goods, with their subcommittees, could be responsible for work on the customs unions. Building on existing protocols and their various annexes, these bodies could elaborate the customs law and the CTN for the AfCCU. The Directors-General and Heads of Customs Authorities should be instrumental in addressing the technical level aspects of the CET, with policy guidance from the policymaking institutions.

Terms of reference for programmes to be undertaken by technical institutions responsible for work on the AfCCU could include: formulation of the CET and a redistribution mechanism and revenue-sharing formula; formulation of the customs law; free circulation and elimination of rules of origin within the AfCCU territory; harmonization of transport regulations; development of risk analysis frameworks with strong automation components; compliance with WTO's requirements on customs unions; membership in two or more customs unions; institutionalization of stakeholder involvement; capacity-building and staff development; monitoring and evaluation including scorecards; and operationalization of a comprehensive resource mobilization strategy.

Common External Tariff

Elaboration of a CET will entail assigning rates agreed on at continental level to every tariff line in the CTN, or at least substantially the same duties. This would mean that a CET cannot be prepared for only a few selected products in the AfCCU. The expected outcome is one tariff book for all Member States of the AU, or those of them joining the AfCCU. It is painstaking work, with policy implications.

Common external trade policy

Regulations on trade in goods with third countries will also need to be drawn up, agreed to and adopted. Trade arrangements with third countries will have to be jointly negotiated. Where a country proposes to enter a trade arrangement with third countries by itself, the proposal would require the prior consent of the other countries. In existing customs unions, however, this requirement has seen some deviations, indicating a real possibility of similar conduct for the AfCCU, such as during the negotiations with the EU for Economic Partnership Agreements, where some members of the ECOWAS and EAC customs unions struck bilateral trade agreements with the EU, and during the ongoing Kenya–United States trade negotiations.

Customs territories are required to have autonomy in conducting their external commercial relations, such as WTO members. They either have central governments or, with the EU, a supranational commission that has exclusive jurisdiction conferred by the founding treaties. EU treaties have, over the years, been renegotiated and adapted to higher levels of economic integration, retaining that exclusive jurisdiction for the European Commission.

In Africa, however, existing regional customs unions have not created such governmental or supranational institutions. Instead, member countries have retained the function of jointly negotiating trade agreements and representing themselves in trade forums, with secretariats providing services, even where trade negotiation mechanisms have been formally established, as in EAC and SACU. Yet in practice, the approach has been for officials of partner states to hold regular consultations before formal negotiations and nominate, from among themselves, spokespersons, who have tended to be from the partner state chairing the community on a rotational basis. Similarly in SACU, government officials hold regular consultations and designate spokespersons.

At continental level, there have been pronouncements on coordination of representation in international forums, but with little follow-through. At Africa+1 summits, for example, the Heads of State and Government tend to turn up in large numbers. Ideally, the Bureau of the Assembly and the Chairperson of the Commission should represent the AU at such events. The current political economy of it, though, is that each Member State sees it appropriate to be individually represented. At the WTO, however, things are different (box 7.2).

BOX 7.2

Africans speaking with one voice at the World Trade Organization, Geneva

The group of Africa's Ambassadors based in Geneva hold regular preparatory meetings to discuss drafts for common positions and, once adopted, the rotating coordinator presents them at the meetings. Individual African ambassadors then support them, speaking as Members States in their own right.

Despite some divergences among African countries at the WTO, Africa's speaking with one voice on key issues has on the whole shown good outcomes, for example on protection of public health leading to amendments to the TRIPS Agreement, by introducing Article 31 *bis*.

Other successes have been in the areas of special and differential treatment, dispute settlement, and various negotiation modalities and texts of ministerial declarations.

This checkered history would seem to call for a review of African customs unions. Confidence-building through standing mechanisms and adequate preparatory mechanisms would assist if they gave confidence to Member States that their interests would be considered, and if the actual representation also inspired confidence through a clear sharing of sovereignty rather than its ceding.

Structure of African common markets

The only common market on the continent is the EAC. The common market was established by a Protocol, which provides in its Article 46: "In accordance with paragraph 3 of Article 76 of the Treaty, the Council may establish and confer powers and authority upon such institutions as it may deem necessary to administer the Common Market." Common market matters are handled by the Summit, Council of Ministers, Sectoral Council, and Committees, with the Directorate of Customs and Trade providing secretariat services.

Otherwise, the existing objectives, scope, functions, rules of procedure and terms of reference as formulated in the Constitutive Act of the African Union accommodate the consideration of common market matters. Decisions can be taken, including the initiation of further negotiations if needed, on additional areas that may be required. For example, the powers and functions of the AU Assembly as set out in Article 9 of the Constitutive Act include determining the common policies of the AU, and establishing any organ of the AU while monitoring the implementation of policies and decisions.

Similarly, the powers and functions of the Executive Council are accommodative of a wide mandate that covers customs union and common market matters, as set out in Article 13(1) of the Constitutive Act, which states that the Executive Council shall coordinate and take decisions on policies in areas of common interest to the Member States, including foreign trade; energy, industry and mineral resources; food, agricultural and animal resources, livestock production and forestry; environmental protection, humanitarian action and disaster response and relief; transport and communications; and nationality, residency and immigration.

The Specialized Technical Committees also have an expansive mandate, as set out in Article 15 of the Constitutive Act. This mandate covers, among other things, preparing and submitting projects and programmes of the AU to the Executive Council; ensuring supervision, follow-up and the evaluation of the implementation of decisions taken by the organs of the AU; and ensuring the coordination and harmonization of projects and programmes of the AU.

At its 37th Session, by Decision Assembly/AU/Dec.901(XXXVII), the Assembly of the AU noted the cross-cutting mandate of the AfCFTA in advancing Agenda 2063, decided that the Council of Ministers be an organ of the AU, and established a Subcommittee of Heads of State and Government on the African Continental Free Trade Area. The Council of Ministers also has a wide mandate as set out in Article 11 of the AfCFTA Agreement. This mandate includes ensuring effective implementation and enforcement of the Agreement; promoting the harmonization of appropriate policies, strategies and measures for its effective implementation; considering and proposing for adoption by the Assembly, the staff and financial regulations of the Secretariat; and approving the work programmes of the AfCFTA and its institutions. Among the objectives of the AfCFTA in its Article 3 are for it to create a single African market; create a liberalized market for goods and services through successive rounds of negotiations; contribute to the movement of capital and natural persons and facilitate investments building on the initiatives and developments in the state parties and RECs; and lay a foundation for the AfCCU later.

Technical institutions

These institutions start with the Permanent/Principal Secretaries or Directors-General or Secretaries-General, according to the various nomenclature in different government structures, generally referred to as senior officials.

Senior officials (Permanent Secretaries/Secretaries General, etc. of ministries) should be fully briefed about common market matters, reporting to the ministers, as part of their functions, which are also generic and comfortably accommodate common market and customs union matters. Below the senior officials are experts at the level of directors in government structures, who sit on technical committees. Committees on goods, services and investment, with their subcommittees, assist the senior officials as appropriate. Other committees undertake complementary activities.

These intergovernmental structures require secretariat services, which should cover, particularly, the broad areas of movement of goods, services, persons, capital and investment, and rights of establishment and residence, with the specialized expert fields under each broad area.

Common external trade policy

A key strength of the AfCCOM will be that Africa will readily have common positions in a wide range of areas, including goods, services, movement of persons, investment, competition, intellectual property, digital trade and women and youth in trade, on the basis of the protocols already adopted by the AU Assembly at various sessions (including the 31st in 2018 to the 35th in 2024), which will be the foundation for the common external trade policy of the AfCCOM.

These common positions are grounded in the fact that (a) African countries will accord each other treatment no less favourable than that accorded to third parties, on a reciprocal basis, in accordance with the principle of most-favoured nation treatment; and (b) that countries intending to negotiate and conclude trade and investment arrangements with third parties will be required to ensure that such intentions and arrangements are consistent with African economic integration objectives and instruments, which will call for appropriate notification and consultations.

The deep integration to be attained under these areas is expected to improve performance and resilience of individual economies and the continental African economy, building on efficiency gains and reduction of transaction costs, policy harmonization, the large integrated market and focused political coordination. Goods, services, investment, competition, intellectual property and digitalization cover environmental goods and services; critical minerals and inputs required for greening and the fourth industrial revolution; public health; intermediate inputs for regional and global value chains and industrialization; works and services for infrastructure, including surface and air transport; energy; information and communications technology; and new and emerging technologies.

All this should spur the continent to forge comprehensive common external trade and investment policies, especially in international organizations and through dealings in matters such as the existential threats arising from geopolitical situations, climate change, technology and pandemics. In the past, the following have all required collaborative and collective effort by African governments and peoples: the decolonization effort, especially from the 1960s to the 1980s; the adoption of the Abuja Treaty; the counter-narrative to the Washington Consensus in the 1990s; debt forgiveness under the Highly Indebted Poor Countries initiative around 2000; and the formation of the AU, which came with renewed global diplomacy and internal strengthening.

The recent pro-activism and unity of Africa in the preparation of the Sustainable Development Goals, and in climate change negotiations, have demonstrated the feasibility of such common policies and their efficacy in supporting positive outcomes. Similarly, Africa vigorously waged its diplomatic agency during the Covid-19 pandemic in international organizations, including the World Health Organization; in dealings with individual third countries; and with pharmaceutical industries for key vaccines; and has now elaborated its New Public Health Order. These successes, however, should not be sporadic but *systemic*, which requires a systemic approach for common positions and frameworks for continuously elaborating common positions.

Experiences from outside Africa

Outside the continent, the EU is the only customs union in the world where a supranational commission has the exclusive mandate to conduct the external commercial relations of its member states, conferred by its founding treaties. The European Free Trade Association internally and in its association with the European Community adopted programmes on the movement of services and people, without having to form its own customs union or join the customs union of the European Community.[450]

The Caribbean Community, too, formed a customs union that was declared a common market, while its CET was adopted only later, which is subject to many exceptions and derogations.

In Asia, the ASEAN FTA has embarked on a "common market minus" approach, in adopting programmes for the free movement of services, people and capital, without having to adopt a CET or, indeed, form a customs union.[451]

Mobilizing resources for the AfCCU and AfCCOM

The AfCCU and AfCCOM are continental projects that will require immediate investments, from which long-term benefit streams are expected. As with all new projects, new cost centres are created, even if within existing structures. A close analysis of the trade and economic institutions serviced by the AUC and the REC secretariats would be helpful, to identify which of them would have roles in the AfCCU and AfCCOM—likewise, the functions of directorates and departments.

Continental meetings cost a lot of money. For example, depending on the location, a physical ministerial meeting preceded by a preparatory meeting of senior officials can cost up to $1.5 million, possibly amounting to $15 million over 10 years, while a meeting of senior officials can cost from $400,000 to $500,000, possibly totalling $5 million over 10 years. The costs include conference packages, tickets and allowances for officials, car hire, and translation and interpretation services.[452] The opportunity costs can also be steep, in terms of, for instance, start-ups that could have been funded, say at $10,000 each; schools and hospitals built; or clean energy facilities constructed for rural areas. And yet these meetings must be held, which is why duplication of institutions and unnecessary activities must be avoided.

The AfCCU and AfCCOM will come with huge institutional and resource requirements, depending on the scale of ambition. Typically, national structures of customs authorities and authorities dealing with common market areas need interfaces at regional and continental levels, including secretariats with directorates covering the areas that national administrations deal with. Thus, if *exceptionally* necessary, a new agency could be established for the AfCCU and AfCCOM, for instance, one akin to AUDA-NEPAD or other agencies of the AU.

Apart from expenses for meetings, trends in the nature and size of institutions that the AU is establishing could also be considered to gauge future resource requirements of the AfCCU and AfCCOM. For example, over the last five years, the AU has been cautious in establishing new institutions with cost implications, and those that it has established have tended to be lean. Still, the 35th Ordinary Session of the AU Assembly held on 5–6 February 2022, in Decision Assembly/AU/Dec.814(XXXV), recalled its previous decisions that established organs and representational, technical and specialized offices, and adopted new structures (table 7.1).

Table 7.1
Structures adopted by the 35th Ordinary Session of the Assembly

NAME OF STRUCTURE	NO. OF STAFF	GRADES	ANNUAL COST ($)	NATURE
Beijing Office	11	P6 to GSB7	1,227,164	Office
Safety and Security Services	111	P6 to GSB9	5,613,143	Department
ECOSOCC	34	P6 to GSB7	1,564,585	Organ
APRM	114	SP3 to GSA5	11,417,711	Agency
Pan African University	14	P5 to GSB7	1,213,359	Agency
AfCFTA Secretariat	296	SP2 to GSB7	29,388,489	Organ
Africa Space Agency	156	D2-1 to GSA5	13,101,302	Agency

Note: ECOSOCC = Economic, Social & Cultural Council; APRM = African Peer Review Mechanism.
Source: AU Decision Assembly/AU/Dec.814(XXXV).

Given that existing structures can be called on to assist with aspects of the AfCCU and AfCCOM, the AfCFTA is amenable to becoming the Secretariat of the AfCCU and AfCCOM, not only because it is an organ of the AU but also because its establishing document mandates it to establish an AfCCU and AfCCOM in the future.

Lessons from the African Union financing model

Extrabudgetary resources meet the majority of the AU's financing requirements.[453] This approach is unsustainable given the need for financial independence and autonomy, meaning that the AUC must depend heavily on its own internally generated funds. External funding of AU programmes amounts to almost 70 per cent a year, and resource mobilization initiatives initiated to assure AU autonomy have not achieved the hoped-for success.[454]

The AU in July 2016 adopted a decision, Assembly/AU/Dec.605(XXVII), which introduced a levy of 0.2 per cent on imports into its Member States from outside the continent. Although this levy is to help raise funds for all AU activities, it is unclear how much will be dedicated to economic integration programmes. Without an explicit provision and budget lines, the likelihood of these programmes being starved of the requisite funding is high, given competing demands. It would be desirable to raise the AU levy to 0.5 per cent, but this may deny the RECs a reasonable level of funding unless they in turn increase the current 0.5 per cent integration and community levies, in CEMAC and ECOWAS, to 1 per cent, but that would undermine intra- and extraregional trade.

The African Development Bank also contributes resources to the AUC to support economic integration. This support may have to be scaled up, reflecting the future activities of the AfCCU and AfCCOM. This model of trade-related banks supporting integration could also be adopted in the other African RECs, earmarked to support continental integration. Mangeni and Juma (2019) refer to how this approach helped the West reindustrialize after the Second World War.

Lessons from COMESA, ECOWAS and SACU financing models

COMESA and SACU have customs revenue-sharing formulas and ECOWAS a unique integration funding arrangement. Still, COMESA remains dependent on donors to finance its main regional integration programmes and needs to draw inspiration from ECOWAS to develop sustainable sources of funding.[455] In turn, SACU's revenue-sharing formula is a key aspect of its customs union, ensuring that customs revenues are distributed equitably among member states.

ECOWAS was the first to launch a self-financing initiative through the community levy of 0.5 per cent on imports from member states, which is aimed to support regional integration programmes. This initiative has reduced the REC's heavy dependence on donors. But it does not have a customs revenue-sharing formula yet because its CET has not become fully operational, now put back to 2028. The ECOWAS community levy protocol of 1996 has been operational since 2013, and now accounts for 70–90 per cent of the bloc's budget.[456] This source of funding is complemented by member states' voluntary contributions and by donor support.

In SACU, the functioning of the secretariat, tariff board and tribunal are financed through funds deducted from the common SACU revenue pool before distribution to member countries (Article 34 of the SACU Agreement).

SACU is not only a customs union but also an excise union, and all member states agree on the rates of specific excise and ad valorem duties applicable to goods grown, produced or manufactured in it. SACU has a unique revenue-sharing arrangement, sharing customs revenue generated mainly by South African imports, which contributes to its stability. All customs duties and excise taxes collected in the SACU common customs area are paid into the common revenue pool and shared among member countries.

According to Article 34 of the 2002 SACU Agreement, the calculation of shares of total customs, excise and additional duties collected in the common customs areas in any financial year allocated to member countries is based on the customs and excise components, as well as a development component.[457] The customs component consists of the gross amount of customs duties and specific and ad valorem customs duties leviable and collected on goods imported into the common customs area, excluding any duties rebated or refunded under the provisions of any law relating to customs duties (Article 34.3(a) of the SACU Agreement). The excise component consists of the gross amount of excise duties leviable or collected on goods produced in the common customs area (Article 34.4(a)). The development component is fixed at 15 per cent of total excise revenue (Article 34.5(a)).

The sharing of the total gross revenue in the common revenue pool is based on the individual components. For the customs duty component, a member country's share is allocated based on that country's share of intra-SACU imports. The excise component is distributed on the basis of each country's share of total SACU GDP, which is a proxy for the value of excisable goods consumed. The development component is distributed according to the inverse of each country's GDP per capita.

For Botswana, Eswatini, Lesotho and Namibia, the SACU revenue share makes up a weighty component of total government revenue; the share of the revenue pool allocated to Botswana, Eswatini and Lesotho increased from 1.3 per cent before the 1960s to 50–60 per cent in 2014–23.[458] For 2018/19 revenue shares, South Africa received the highest share (47 per cent), followed by Botswana (21 per cent), Namibia (19 per cent), Eswatini (7 per cent) and Lesotho (6 per cent).[459]

The main lesson from the SACU formula is that it adjusts for the size of each member state's economy, trade volumes and other economic variables. South Africa, therefore, the largest economy, contributes the most to the SACU revenue pool, which is then redistributed to smaller member states to support their economic development (AfDB, 2011b) and sustain the customs union.

ECOWAS and SACU regional integration funding arrangements are not without shortcomings, but represent good examples that could be emulated by other RECs and continental integration initiatives such as AfCCU and AfCCOM.[460]

Five options in governance and institutional requirements for a customs union and common market

A summary of an analysis of the advantages and disadvantages of these five options is in table 7.2, drawn from PESTLE/SWOT analysis.[461]

Option 1 uses existing legal instruments and their institutions. The main instruments are the Constitutive Act of the African Union and the Abuja Treaty.

Option 2 also uses existing legal instruments and their institutions. The main instruments are the Constitutive Act of the African Union and the AfCFTA Agreement.

Option 3 establishes a new legal instrument, regime and institutions, either as an agency—along the lines of AUDA-NEPAD; or an organ—Africa CDC or similar.

Option 4, which is not a standalone option, supplements option 1 or 2 by introducing a directorate in the AUC (option 1) or the AfCFTA Secretariat (option 2) to deal with AfCCU and AfCCOM matters.

Option 5 is where the AfCFTA Secretariat is converted from an institution focused on continent-wide FTA matters to one with an additional overarching mandate of establishing the AfCCU and AfCCOM. It is assumed that the mandate of an intracontinental FTA will have been achieved, and so the institution that ensures the FTA's continuation is transformed into a unit in the AfCCU and AfCCOM Secretariat. This option is perhaps the easiest one to accomplish.

Option 1: Constitutive Act of the African Union and Abuja Treaty

The Assembly and the Executive Council established under the Constitutive Act, with the specialized technical committees and their subcommittees established under the Abuja Treaty, within their scope, powers and functions, would cover the relevant aspects of the AfCCU and AfCCOM. The AUC would provide the secretariat services for the AfCCU and AfCCOM, working with technical, financial and outreach partners.

A main advantage of this option is that it lays down and codifies a long-term roadmap for continental integration. Others are involvement of the AUC—a robust and established institution—with specialized technical committees providing the institutional framework at ministerial and technical levels.

A main disadvantage is that this roadmap has not been followed by many RECs and is unviable for establishing the AfCCU (which could then be converted into the AfCCOM). It is unviable principally because not all the eight AU-recognized RECs have formed customs unions that could merge to form the AfCCU—the modality stipulated in the Abuja Treaty. The presence of the AUC and specialized technical committees does not, however, resolve the matter of whether the mandate on trade lies with these institutions or with the AfCFTA, the latter AU organ intended specifically for trade, including the AfCCU and AfCCOM. Another disadvantage is that the Abuja Treaty does not have a dedicated dispute settlement mechanism for trade. Also, written in the 1980s, the language of the Abuja Treaty may be out of step with contemporary realities, and has gaps to be filled.

Option 2: Constitutive Act of the African Union and AfCFTA Agreement

The AU Assembly, the Assembly's Committee on the AfCFTA and the Executive Council established under the Constitutive Act, with the Council of Ministers as an organ of the AU; and Senior Officials, Directors-General of Customs, and Technical Committees established under the AfCFTA Agreement, could bring within their scope, powers and functions all relevant aspects of the AfCCU and AfCCOM. The AfCFTA Secretariat would provide the secretariat services for the AfCCU and AfCCOM, working with technical, financial and outreach partners.

A main advantage of this option is that it "leapfrogs" continental economic integration by providing key instruments previously missing (though provided for in the Abuja Treaty), such as a continental trade liberalization timetable, rules of origin, customs cooperation, technical and health standards, trade remedies, and a dedicated dispute settlement mechanism for trade.

A further advantage is that the AfCFTA has laid a foundation for the AfCCOM through its protocols on goods, services and investment, which contain regimes for consolidation into free movement of goods, services, persons, investment and capital, as well as its protocols on competition, intellectual property, digitalization, women and youth in trade, and dispute settlement, which bolster a modern common market. These protocols also lay a strong foundation for Common African Positions across a broad range of areas in engaging the rest of the world. The AU Assembly has recognized the AfCFTA as its organ responsible for trade matters, including through a decision transferring the AfCFTA unit from the AUC to the AfCFTA Secretariat.

A main disadvantage is that the mandate of the AfCFTA on trade and, especially, on customs union matters is contested by some actors, who see the need for a new institution or for the Department of Economic Development, Trade, Tourism, Industry, and Mining (ETTIM) to conduct the external commercial relations of the AU, and a CET, as an indispensable next step in continental integration.

Choice between the AUC and AfCFTA Secretariat

A political decision will be required on deciding between the AUC and the AfCFTA Secretariat as the secretariat of the AfCCU and AfCCOM. A political decision also has to be taken about specialized technical committees and the African Ministers of Trade meetings convened by the AUC, on the one hand, and the Council of Ministers convened by the AfCFTA Secretariat under the AfCFTA Agreement, on the other. The Assembly decided that all matters falling within the remit of the AfCFTA Agreement should be handled by the latter.

Option 3: Agency—AUDA-NEPAD template; or organ—Africa CDC template

AUDA-NEPAD template

AUDA-NEPAD provides a template for establishing a structure for the AfCCU and AfCCOM, headquartered in a Member State. Under Decision Assembly/AU/2(XXXI), the Assembly established a governance structure, at the top of which is the Heads of State and Government Orientation Committee (HSGOC), which provides political leadership and strategic guidance on the AUDA and reports to the Assembly. This committee is made up of 33 Member States, with the chairperson rotated and alternated after a single term of two years between initiating members and non-initiating members. A steering committeecould be established as an intermediary body to interface between the HSGOC and the AUDA. The AUC Chairperson exercises supervisory authority over the AUDA.

This approach could mean that, on the basis of a statute and assembly decision, a structure made up of Heads of State and Government could be established, supported by a steering committee. Membership would be the Heads of State and Government chairing the eight RECs for the time being, and five or fewer additional presidents from the RECs, with the AUC Chairperson providing supervisory services. A full-scale agency (secretariat) would be established to provide coordination (secretariat) services.[462]

A key advantage of this template is that it keeps the AU family of institutions and organs within the AU.

Table 7.2
Advantages and disadvantages of options 1–5

OPTION	ADVANTAGES	DISADVANTAGES
Option 1 The Constitutive Act and the Abuja Treaty	1. Lays down and codifies a long-term roadmap for continental integration. 2. AUC would service the common market and customs union. 3. STCs would provide the institutional framework at the ministerial and technical levels.	1. Roadmap not followed by many RECs and is unviable for establishing AfCCU. 2. Not all eight AU-recognized RECs have formed customs unions that could merge to form AfCCU. 3. Presence of AUC and STCs does not resolve issue of where mandate for trade, AfCCU and AfCCOM lies—AUC and STCs or AfCFTA 4. May be out of step with contemporary realities and has gaps.
Option 2 The Constitutive Act and the AfCFTA Agreement	1. Leapfrogged continental economic integration by providing continental trade liberalization timetable, rules of origin, customs cooperation, technical and health standards, trade remedies, and a dedicated dispute settlement mechanism. 2. Laid a foundation for AfCCOM through protocols. 3. AfCFTA protocols lay a strong foundation for Common African Positions. 4. AfCFTA recognized as AU organ for trade matters, albeit within the continent.	1. AfCFTA mandate for trade and AfCCU is contested by some. In particular, the division of labour between AfCFTA Secretariat and AUC's ETTIM remains fluid even as it would seem the Secretariat is charged with handling all intra-continental trade matters while ETTIM has responsibility for the continent's trade with the rest of the world. But this does not resolve the contestation because a core feature of AfCCU is the CET.
Option 3 Agency: AUDA-NEPAD template; Organ: Africa CDC template	1. Keeps the AU family of institutions and organs within the AU. 2. Democratizes AU institutional architecture through more institutions. 3. Facilitates a focus on the AfCCU/AfCCOM economic agenda.	1. Proliferation of institutions at huge cost, especially if existing institutions can accommodate envisaged role. 2. Isolation of AfCCU/AfCCOM from other related programmes and activities. 3. Worsening of ongoing turf wars with the establishment of a new centre of power.
Option 4 Continental Directorate on the Common African Market with an Embedded Customs Union	1. Lean and nimble, it does not require a costly overarching new institution. 2. Plugs any perceived shortages of AfCFTA or AUC in dealing with common market and customs union matters.	1. Built on the philosophy of a continental common market with an embedded customs union. 2. If not well resourced, including in staffing, it will not be fit for purpose. 3. Its location will require a high-level political decision, probably by the AU Assembly. 4. Derogation from the vision of the Abuja Treaty and other continental decisions on establishing AfCCU, subsequently AfCCOM.
Option 5 Conversion of AfCFTA Secretariat to AfCCU/AfCCOM Secretariat	1. Helps sustain the leapfrog approach earlier adopted leading to the continent-wide FTA. 2. Assists in consolidating the key instruments rediscovered in implementing the Abuja Treaty, e.g., CET, CTN, CRSF, technical and health standards, and dispute settlement mechanism. 3. AU's recognition of AfCCU/AfCCOM as an organ of the assembly to be built on the back of AfCFTA's, including its Council of Ministers.	1. The AU Assembly will then relegate the work on FTA, which would have been completed by 2034, to a smaller unit in the AfCCU/AfCCOM Secretariat. 2. Some AfCFTA core regular staff may not be re-skillable to rise to the challenges posed by the AfCCU and AfCCOM.

Note: AfCCU = African Continental Customs Union; AfCCOM = African Continental Common Market; AfCFTA = African Continental Free Trade Area; Africa CDC = Africa Centres for Disease Control and Prevention; AU = African Union; AUDA-NEPAD = African Union Development Authority–New Partnership for Africa's Development; CET = common external tariff; CTN = common tariff nomenclature; CRSF = customs revenue-sharing formula; ETTIM = Department of Economic Development, Trade, Tourism, Industry, and Mining; FTA = free trade area; RECs = regional economic communities; STCs = specialized technical committees.

Source: ECA compilation, distilled from analysis in preceding sections.

Africa CDC template

A slightly different template was adopted for the governing structures of Africa CDC. A statute established it as an autonomous body, with a secretariat based at the AUC, a subcommittee of Heads of State and Government, and a governing board made up of ministers responsible for health; membership is drawn from Africa's five regions.[463] This template suggests that a full statute on the AfCCU and AfCCOM be prepared and adopted, setting out the objectives and principles, functions, legal personality, administrative structures and their composition and functions, and other aspects relating to international legal instruments.

A main advantage of this option is that it provides an opportunity to establish bespoke institutions and governance structures, democratizing the AU institutional architecture. But this could result in institutional proliferation, including in the establishment of new dispute settlement mechanisms for the AfCCU and AfCCOM, which are likely to come at huge cost that is hard to justify, especially if existing structures could accommodate the envisaged objectives, mandates and functions. Moreover, this approach or option risks isolating the AFCCU and AfCCOM from other related programmes and activities, as well as contributing to deepening inter-institutional rivalries and power struggles. A compelling case would be required for taking this option.

Option 4: Continental Directorate on the Common African Market with an Embedded Customs Union

Establishing a Continental Directorate on the Common African Market with an Embedded Customs Union would have legal, financial and institutional implications, and would therefore require approval all the way from the Permanent Representatives Committee to the AU Assembly. As an example of how vast the resource requirements could be, the EU has the Directorate of Trade and the Directorate on Taxation and the Customs Union, with about 700 and 442 staff each, and Africa may not have the capacity to marshal such large numbers of staff.[464] In Africa's RECs, and at the AUC, directorates covering trade and customs are quite modest, with fewer than 20 staff each.

Functions

The main functions of the directorate would be to support work on the AfCCOM with an embedded AfCCU, through programming, analytical and administrative roles and other secretariat services. The directorate would be responsible for preparing draft work programmes and working documents for consideration by relevant committees; organizing meetings of the committees; preparing and disseminating reports of the committees; and working closely with other directorates and AU departments as well as partners, industry, labour unions, academia, media and other stakeholders.

Goals, objectives and targets

These would be to assist in achieving the AfCCOM by 2028–34 through finalizing legal and institutional frameworks for, and helping implement, a comprehensive timetable on eliminating barriers to free movement of goods, services, persons, investment and capital within time frames of three to 10 years (from 2025), per the fifth and sixth stages of the integration roadmap under the Abuja Treaty and the AfCFTA Agreement; and on the rights of establishment and residence within a further two years. On the AfCCU, the directorate would support the work of the Directors-General and Heads of Customs, in finalizing key outstanding matters, including elaborating the customs law, CTN, and CET, but without conditioning progress on either the common market or the customs union on the other.

The directorate would also help elaborate the AU's common external trade policy both in existing relations with key partners and in international organizations. The directorate would work closely with the African Council on Global Affairs, whose mandate would be to support the Office of the AUC Chairperson.

Staffing

To begin with, 17 core regular positions would be established (table 7.3). Non-regular positions may be appropriate from time to time, especially advisers and consultants, but without perpetuating an "informal economy" of temporary staff. The strategy would be to start small and grow, alleviating financial pressures on governments for financing their staff and programmes. It also reflects the understanding that national customs administrations would still retain the mandate and responsibility of customs operations across the continent, as determined from time to time by policy organs.

Table 7.3
Initial staff and costs of the Continental Directorate on the Common African Market with an Embedded Customs Union

POSITION TITLE	GRADE	NO.	REMARKS
Head of Directorate	P6	1	Policy-level position
Head of Division	P5	5	Covers respective common market and customs union areas
Technical Officer	P3	5	Assists the Head of Division
Trainee Officer	P2	5	Understudy to the Technical Officers for capacity-building
Executive Assistant	P1	1	Provides administrative support
		17	

Note: Common market: Goods, services, persons, capital, establishment and residence. Customs union: Common tariff nomenclature, customs law, common external tariff, and common external trade policy for goods. Task allotment to be done administratively.

Total cost for 4 years = $7,992,172.67–$8,082,332.85 (AU scale).

Relation with REC secretariats and other technical partners

The directorate would work closely with the REC secretariats, the Economic Commission for Africa, African Export-Import Bank, African Development Bank, African Business Council, AfroChampions, and other stakeholders.

The focus of collaboration would be programmes' joint design, adoption, implementation, follow-up, review and continuous improvement, under the oversight of relevant intergovernmental institutions. The REC secretariats should additionally have the mandate to help provide secretariat services throughout the ecosystem of meetings of the intergovernmental processes, including preparing working documents and reports, introducing agenda items and facilitating deliberations, as well as planning and reviewing the meetings.

REC joint secretariat services and deeper integration

There is merit in leveraging staff from the trade and customs directorates of the REC secretariats and deploying them to cover the AfCCU and AfCCOM, possibly locating them in one physical place.[465] REC secretariats and governance structures may also prefer to keep their staff on location at regional level, which would mean that departments in REC secretariats dealing with common market and customs unions matters could be reframed as local, regional or decentralized segments of AfCCU and AfCCOM secretariat services, working under the auspices of the Continental Directorate on the Common African Market with an Embedded Customs Union.

There would thus be an enduring role for RECs—as secretariats and member states—in the AfCCU and AfCCOM, all of them implementing the continental programmes agreed on and adopted at continental level. The principles of subsidiarity and variable geometry would, however, mean that those RECs that can move faster on these programmes could do so. The optimal position, though, would be that all RECs progress in tandem and strictly follow the targets and timelines set at continental level. In addition, those RECs that move into deeper integration beyond the AfCCU and AfCCOM should be able to do so, for instance, into elements of monetary and economic unions.

A main advantage of this option is that it is lean and nimble, does not require a costly overarching new institution, and fills perceived shortages of the AUC or AfCFTA in dealing with common market and customs union matters. A main disadvantage is that, if not well resourced enough—for staffing, for example—it will not be fit for purpose. Also, its location will require a high-level political decision, probably by the AU Assembly.

Option 5: Conversion of AfCFTA Secretariat to AfCCU/AfCCOM Secretariat

This option is perhaps the easiest one to accomplish. The AU Assembly, the Assembly's Committee on the AfCFTA and the Executive Council established under the Constitutive Act, with the Council of Ministers as an organ of the AU, Senior Officials, Directors-General of Customs, and Technical Committees established under the AfCFTA Agreement, would change their scope, powers and functions for the purpose of the AfCCU and AfCCOM. When fully transformed, the AfCFTA Secretariat would become the AfCCU/AfCCOM Secretariat, in association with relevant technical, financial and outreach partners.

A main advantage of this option is that it helps sustain the leapfrog approach earlier adopted leading to the continent-wide FTA. It also assists in consolidating the key instruments "rediscovered" in implementing the Abuja Treaty, which in essence is establishing a CET, CTN, and customs revenue-sharing formula (CRSF), and consolidating technical and health standards and a dispute settlement mechanism for trade.

This option should be easier than the others because the AfCFTA, as the predecessor to the AfCCU and AfCCOM, would have been implemented at continental level through its several protocols on goods, services and investment; free movement of persons, services and capital; competition; intellectual property; digitalization; women and youth in trade; and dispute settlement. If the political will for the AfCFTA is sustained, achieving the AfCCU and AfCCOM will strengthen Common African Positions because Africa will be able to speak with one voice in international forums.

Further, the AU's recognition of the AfCCU/AfCCOM as an organ of the Assembly will be built on the AfCFTA's, including its Council of Ministers. The Assembly will then relegate the work on the FTA, which would have been completed by 2034, to a smaller unit in the AfCCU/AfCCOM Secretariat to engage in monitoring and evaluating the fallout from implementing the AfCFTA Agreement and to manage disputes arising from intra-African trade.

Staffing

In addition to the staff already at the AfCFTA Secretariat, some staff of customs union and common market RECs—COMESA, EAC and ECOWAS and even SACU, CEMAC and WAEMU—could be relocated to help deepen the work on establishing the AfCCU and AfCCOM by providing in-house technical training to existing AfCFTA staff. This would help in quickly realizing the AfCCU and AfCCOM objectives at far lower cost than creating new organs or directorates.

Core regular staff would be maintained and reskilled to meet the challenges of the AfCCU and AfCCOM. Special advisers and consultants, and retired staff of customs union and common market RECs, would form a pool of consultants—beyond those outside the employment of the AU and its organs and agencies—who would help retrain existing AfCFTA staff. In effect, what is required is a reorientation and rebranding of what needs to be done in the former AfCFTA Secretariat. As with the directorate above, this option would also alleviate possible financial pressure on governments for AfCCU/AfCCOM financing, and national customs administrations would gradually cede their mandate and responsibility of customs operations to designated entry points in the continent. Even when they retained operational customs mandates and functions, they would do so cooperatively within the AfCCU/AfCCOM context, which would operate a continental CET. The legal framework for the conversion would be fully worked out and pronouncements made by the appropriate authorities of the AUC.

Relation with REC secretariats and other technical partners

The newly designated secretariat would continue to work in synergy with REC secretariats and other technical partners mentioned above, that is, the Economic Commission for Africa, African Export-Import Bank, African Development Bank, African Business Council, AfroChampions, and other stakeholders.

Differences between decentralized and centralized governance and institutional requirements of the AfCCU and AfCCOM

Can the AfCCU and AfCCOM be administered through the RECs or at regional level? Seemingly, no. There will be a conceptual issue to determine upfront, namely, whether a country can belong to two or more customs unions—the AfCCU and REC-level customs unions. This issue arises from the requirement of all members of a customs union to maintain a CET against the rest of the world.

In this case, would a REC continue to maintain its CET against the rest of the world, including African countries? This is a matter to be determined by member states, also considering the need for clarity and compensatory mechanisms in cases of loss on collection and distribution of revenues from the CET.

The technical aspect is that it is not feasible for a country to maintain two different CETs, as this would mean two or more different tariffs being applied to a given imported product at the same time. It is only feasible if the various CETs are the same on all products, which would in turn mean that the various CETs, being the same, in practical terms constitute one customs union. The following subsections review these issues through the perspective of various trade arrangements.

Regional common market and customs unions

The only regional common market on the continent—EAC—attains a much deeper level of integration than other RECs, and there is no comparable trade arrangement at continental level. Its achievements should be preserved and scaled across Africa as may be possible among EAC partner states, in keeping with the tenets of the eight AU-recognized RECs as building blocs for continental integration. In practical terms, the EAC would be a good example that could inspire the other RECs to work towards deepening their integration. Importantly also, it could be the primary REC forming the element of a decentralized AfCCOM. While conceptually difficult, given the non-existence of other regional common markets to form a decentralization continuum across the continent, the EAC should maintain its own deeper levels of integration, including a common market, monetary union and eventually a political union in the form of a confederation or federation.

ECOWAS is another AU-recognized REC, which is a customs union. Other customs unions—CEMAC and SACU—have been recognized by the AfCFTA Agreement. WAEMU as a customs union has operated in the ECOWAS context. These regional customs unions are expected to maintain these deeper levels of integration among their members.

Bilateral trade arrangements between African and non-African countries and groupings

Many African state parties to the AfCFTA have signed trade and economic agreements with third countries or groupings, both former and emerging powers, including the United States (African Growth and Opportunity Act), the EU (Economic Partnership Agreements), post-Brexit United Kingdom, China, Turkey, Russia and India.

All these trade and bilateral relations should be consistent with the impetus and instruments for continental integration towards the AfCCU and AfCCOM, but again, this comes with conceptual challenges as not all the eight AU-recognized RECs have formed, or can form, customs unions. Of these eight RECs, only the EAC and ECOWAS are customs unions, and are expected to harmonize their institutional and legal frameworks progressively to match the continental versions.[466]

When the AfCCU is in place, customs authorities of the participating member states will be required to help implement its CET as part of their routine operations, bearing in mind that secretariats do not have the authority, mandate, facilities and human or financial resources to administer CETs on behalf of customs unions' member states. But as pointed out, REC secretariats could provide joint secretariat services for continental programmes and events, including those relating to the AfCCU and AfCCOM.

COMESA-EAC-SADC Tripartite Free Trade Area

The COMESA-EAC-SADC Tripartite Free Trade Area (TFTA) Agreement entered into force on 25 July 2024 after the threshold of 14 ratifications out of 29 member/partner states in the three RECs was attained. The countries that ratified the Tripartite Agreement together accounted for 75 per cent of the TFTA's GDP in 2022; the 29 Tripartite member/partner states account for 53 per cent of the AU's membership and more than 60 per cent of continental GDP ($1.88 trillion), and have a combined population of 800 million. The aim in forming the TFTA was to enhance market access, address overlapping memberships and further the objectives of cooperation, harmonization and coordination of policies among the three RECs, helping the member states leapfrog to a customs union or common market.

The Tripartite framework is based on three pillars: (a) market integration, led by the COMESA Secretariat, which involves trade liberalization through the creation of the TFTA and arrangements for the movement of business persons; (b) infrastructure development, led by EAC, which focuses on enhancing connectivity and reducing business costs; and (c) industrial development, led by SADC, which aims to create a supportive environment by improving regulatory and legal frameworks, adding value, diversifying industries, increasing productivity and competitiveness, and implementing programmes for structural change. Implementation of the TFTA is expected to preserve gains already made, realize further potential benefits, and strengthen the participation of Tripartite member/partner states in the AfCFTA.

Tripartite member/partner states have already developed modalities for implementing the Tripartite Agreement, finalized most aspects of rules of origin, remained engaged on tariff offers, and developed the Tripartite Protocol on Competition Policy. An online non-tariff barrier reporting and elimination mechanism is being implemented by 25 Tripartite member/partner states.

Innovative financing strategies for the AfCCU and AfCCOM

AU financial autonomy is an imperative, as it is for African institutions that pursue the vision of Agenda 2063.[467] It is also an imperative for achieving transformational goals such as the AfCCU and AfCCOM, and their functioning. Financial dependence and insufficient funding, and unpredictability of resources for integration programmes of the AU and RECs, are major quandaries. The upshot is that specific, adequate budget lines for AfCCU and AfCCOM activities should be considered in AU budgeting cycles.

This fundamental financing issue has been on the AU's agenda for a long time. Important work was spearheaded by President Paul Kagame, President Olusegun Obasanjo and Mr Donald Kaberuka.[468] The Standing Committee of 15 Ministers of Finance and the Department on Institutional Reforms under the Office of the Chairperson of the AUC continue this exercise of assisting to ensure the financial autonomy of the AU and its institutions and organs. Additionally, work on stemming illicit financial flows spearheaded by President Thabo Mbeki is ongoing and has been used for Africa's agency on reforms relating to the international tax system and for strengthening domestic resource mobilization.[469] The Conference of Finance Ministers also remains involved in issues of resource mobilization. All this work should be brought to bear on discussions on resource mobilization for the AfCCU and AfCCOM. Some key proposals have not, however, been adopted by the AU, such as levies on air tickets for flights into Africa and on hotel beds for tourists.

Further, given the costs of physical continental meetings (see second paragraph in "Mobilizing resources for the AfCCU and AfCCOM," above); given that a Continental Directorate on the Common African Market with an Embedded Customs Union could, very conservatively, cost $8 million over four years (see table 7.3); and given the costs of recently approved structures highlighted in table 7.1 the following observations provide parameters for mobilizing resources for the AfCCU and AfCCOM. These needs are of course in addition to those for industrialization, agricultural modernization, innovation, infrastructure (including transport, energy, information and communications technology, and water), and cooperation in multiple key areas, as set out in Agenda 2063.

Sound internal management and financial systems are a foundation for resource mobilization and financial autonomy. They not only minimize audit queries and inspire confidence in partners, but also ensure good value for money.

Extrabudgetary and budgetary resources are the two main categories for funding regional economic integration on the continent, with extrabudgetary resources from partners accounting for the vast majority, estimated at 97 per cent.[470] Contributions from member states remain important and should progressively become larger and more stable, to address challenges of donor dependence.

At its 44th session in February 2024, the Executive Council, by Decision EX.CL/Dec.1233(XLIV) commended "… Member States for contributing $181,210,996.23, equivalent to 88 per cent of the $205,000,000 assessed contribution for the 2023 Regular Budget."

Good practices that should be continued and scaled up include the AU's 0.2 per cent levy. There should also be explicit provision and budget lines in the total remittances dedicated to economic integration programmes. The CEMAC and ECOWAS integration and community levies at 0.5 per cent on imported products have proved successful, with the aim of covering 70–90 per cent of their annual budgets. Contributions from the AU levy are promising. At its 44th ordinary session, the Executive Council commended "… Member States for contributing since 2017, $338,876,684.56 towards the AU Peace Fund, demonstrating a high level of commitment by the Union to fully operationalize the Fund."

Continental and regional income-generating institutions should contribute resources to support economic integration. The African Export-Import Bank has distinguished itself on this. Other pan-African banks—development and commercial—have also indicated willingness to support economic integration, including the African Development Bank, Trade and Development Bank, Equity Bank, and United Bank of Africa. Mobilizing the entire range of pan-African banks for the economic integration effort will be a key factor in fostering industrialization.

Other income-generating institutions and programmes, besides banks, should be considered. Continental and regional institutions with the mandate to administer areas such as competition, intellectual property, investment, digital authorities and trade facilitation often generate vast amounts of money from the fees they charge for approvals and their services. A small percentage of these funds should be contributed to economic integration.

A capital fund should be established, from which the interest generated funds programmes. The South Centre used this approach successfully. Some of the funds could be invested in safe bonds with steady returns.

The use of interest earned on reserve funds or other assets is already a feature in the RECs and AU. The AU Executive Council, at its 44th Ordinary Session in February 2024, made allocations from the interest earned on the Peace Fund. By its Decision EX.CL/Dec.1233(XLIV), for example, it approved "… an amount of $5 million for 2024 to be drawn from the proceeds of the Peace Fund interest for use to finance the PAPS Peace Fund pilot projects, on mediation and preventive diplomacy, institutional capacity, and peace support operations" (table 7.4).

Table 7.4
Allocation from interest earned on the Peace Fund ($)

DESCRIPTION	2022 SUPPLEMENTARY	2023 INITIAL	2023 SUPPLEMENTARY	2024	TOTAL
Allocation to CRF		5,000,000	2,000,000	10,000,000	17,000,000
Allocation to fund management fees	917,475		1,584,830	1,758,766	4,261,071
PAPS Peace Fund pilot projects				5,000,000	5,000,000
TOTAL	**917,475**	**5,000,000**	**3,584,830**	**16,758,766**	**26,261,071**

Note: CRF = Crisis Reserve Facility; PAPS = Political Affairs, Peace and Security.
Source: Peace Fund Interest Allocation from 2022–24.

The purpose of the above observations is to help streamline funding as a strategic decision with a degree of predictability that supports medium- to long-term planning and budgeting, rather than leaving it all to short-term decisions. The following approaches should also be considered.

Crowdfunding has been used the world over as a people-driven and -owned method of raising funds, including for political campaigns. It has been used in Africa, too, for funding emergency operations during epidemics, and for large projects. Working with mobile telecom companies or dedicated operators, crowdfunding drives can be undertaken for funding an institution's capital account or specific flagship projects.

National lotteries, similarly, can be used to raise funds for economic integration programmes and projects. This would require close working relations with bodies that run them or, where feasible, regional and continent-wide lotteries could be established for raising funds for economic integration.

Philanthropists are a major source of funds across the world and in Africa, for social programmes, emergencies and good causes. Working within the frameworks of organized philanthropists, funds could be mobilized on a one-off basis, and on the basis of specific programmes and projects.

Presidential funds for specific causes of continental regional integration should also be considered, such as presidential innovation awards open to competition from African start-ups and innovators, and presidential projects championing trade facilitation initiatives or climate change projects and advocacy. Coordination conferences, partner mapping and proposal writing could be further activities to underpin resource mobilization.

Recommendations

The chapter has put forward multiple aspects for guidance. Member states and the institutions supporting regional integration in Africa will want to consider the following recommendations.

- *Adopt a coherent systems approach to institutional and governance structures to establish the AfCCU and AfCCOM.* This entails focusing on pragmatic solutions and quick wins while avoiding mimicking external models that may not align with Africa's unique context. It also involves prioritizing strong political leadership, stakeholder ownership, macroeconomic stability and effective monitoring.
- *Select a governance structure that best supports the establishment of the AfCCU and AfCCOM,* including:
  - Use existing legal instruments: Option 1 involves leveraging the Constitutive Act of the African Union and the Abuja Treaty, and Option 2 combines the Constitutive Act with the AfCFTA Agreement. These options capitalize on existing frameworks and institutions (where viable).
  - Establish new legal instruments: Option 3 proposes the creation of a new legal instrument, regime and institutions, potentially in the form of an agency or organ similar to AUDA-NEPAD or Africa CDC.
  - Introduce a directorate: Option 4 suggests supplementing Options 1 or 2 by introducing a directorate in either the AUC or the AfCFTA Secretariat to address matters related to the AfCCU and AfCCOM.
  - Convert the AfCFTA Secretariat: Option 5 envisages converting the AfCFTA Secretariat, at the right time, from its current focus on FTA matters to the AfCCU/AfCCOM Secretariat, monitoring and evaluating the FTA.
- *Align governance and resource requirements for establishing the AfCCU and AfCCOM with four essential goals of developmental regionalism:* fair trade integration; intensive cooperation and transformative industrialization; cross-border infrastructure cooperation; and cooperation for democracy and good governance.
- *Employ innovative resource mobilization to ensure sustainable financial independence.* In addition to the usual budgetary and extrabudgetary resources, the AU levy should be extended to encompass economic integration programmes and explore diverse funding avenues, such as establishing a capital fund, undertaking crowdfunding initiatives, engaging philanthropists, organizing national lotteries, and creating presidential funds.

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End Notes

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60 AUDA-NEPAD 2023a.

61 CIA 2024.

62 ECA 2022a.

63 AfDB 2014.

64 They include the Trans-African Highways corridors, and key missing links like the Juba-Bor-Malakal-Renki-Sudan border road and the Yaoundé-Brazzaville road.

65 ECA 2022b.

66 AUDA-NEPAD 2023a.

67 AUDA-NEPAD 2023a.

68 AfDB 2022.

69 CIA 2024.

70 ECA 2022b.

71 AUDA-NEPAD 2023a.

72 Rail Working Group 2020.

73 They encompass the African Railways Network corridors. The essential links are mainly in Central Africa (Chad, Republic of Congo and Democratic Republic of Congo), East Africa (Kenya, Tanzania and Uganda) and Southern Africa (Botswana, Malawi, Mozambique, Namibia, South Africa and Zimbabwe). There is also a long section of the railway network in Mali.

74 ECA 2022b.

75 The share of available seating capacity filled with passengers.

76 IATA 2023.

77 Export-Import Bank of India 2018.

78 IATA 2023.

79 They encompass critical airports located primarily in East Africa, including Djibouti, Eritrea, Ethiopia, Somalia and Sudan, in addition to vital hubs in Mauritania and Democratic Republic of Congo in Central Africa.

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132 ECOWAS 2018.

133 IGAD 2020.

134 United Nations 2023.

135 African Union 2023.

136 Felbab-Brown 2023.

137 UNHCR 2023a.

138 Lauder 2023.

139 Center for Preventive Action 2023.

140 Center for Preventive Action 2023.

141 ACLED 2023.

142 Pichon 2024.

143 ECA 2023b.

144 ECA 2023b.

145 ECA 2023b.

146 WTO 2024.

147 UNCTAD 2022a.

148 Onditi 2021.

149 Viner (1950), later extended by Meade (1956) and Lipsey (1957).

150 ECA 2012.

151 Grimwade 2013.

152 Wonacott and Wonacott 1981.

153 In Wonacott and Wonacott (op. cit.) “missing” third-country analysis, the low-cost producer can fully exploit its comparative advantage by expanding its output of export goods to boost its economic welfare.

154 Cooper and Massell 1965.

155 Mundell 1964; Arndt 1968.

156 Akinkugbe 2021.

157 Machlup 1976.

158 Crowley 2006.

159 Kindleberger 1966.

160 Chingono and Nakana 2009.

161 Hettne, Inotai, and Sunkel 1999.

162 Kimbugwe et al. 2012.

163 Grobbelaar and Meyer 2017.

164 Salvatore 2013.

165 Salvatore op. cit.; Plummer et al. 2010.

166 Ghosh and Yamarik 2004.

167 Anderson and Yotov 2016; Afesorgbor 2016.

168 Frankel and Rose 2002.

169 Baier and Bergstrand 2007.

170 Anderson and Yotov 2016.

171 Zhang, Zhao and Zhao 2021.

172 Orefice and Rocha 2014; Rubinova 2017; and Laget et al. 2020.

173 Preepremmote et al. 2018.

174 Shah 2021.

175 Kreinin and Plummer 2008.

176 Nwosu et al. 2013.

177 Ornela 2005.

178 Vamvakidis 1999.

179 Afesorgbor 2016.

180 Fadeyi et al. 2014.

181 Manu 2021.

182 Nechifor et al. (2022) used Dynamic Equilibrium Model for Economic Development, Resources and Agriculture (DEMETRA) — a single-country dynamic computable general equilibrium (CGE) model calibrated with an updated Kenya 2016/2017 Social Accounting Matrix (SAM) to generate these findings.

183 Geda and Yimer 2022.

184 Anyanwu 2003.

185 Gammadigbe 2021.

186 The Tariff Reform Impact Simulation Tool (TRIST) focuses on the implications of trade reform, using actual revenue data at the tariff line level for enhanced accuracy.

187 The World Integrated Trade Solution (WITS), developed in collaboration with WTO, provides comprehensive data on international merchandise trade, tariffs, and non-tariff measures, and includes tools for assessing the impact of tariff changes.

188 The Agricultural Trade Policy Simulation Model (ATPSM) is specifically designed for detailed analysis of agricultural trade policy issues. It quantifies the economic effects of changes in national trade policies at global and regional levels.

189 These are an elite subset of partial equilibrium models primarily employed to assess the magnitude of trade diversion and creation in the context of regional integration (Kassa et al., 2019; Stack et al. 2023). They incorporate economic geography, variable trading partner proportions, monopolistic competition models of trade, and transport logistics costs, which are typically high in Africa. However, gravity models, while useful, often oversimplify complex trade relationships by focusing on variables such as distance, economic size and cultural similarities. They tend to overlook other influential factors like political stability, trade agreements and industry-specific characteristics.

190 Anderson and van Wincoop 2003.

191 This is the Poisson Pseudo-Maximum Likelihood (PPML) method to deal with heteroskedasticity and zero-trade-flow issues inherent in log-linearized gravity equations.

192 See Yotov et al. (2016), World Bank (2020) and Francois and Reinert (1997).

193 See Yotov et al. (2016), World Bank (2020) and Francois and Reinert (1997).

194 See Yotov et al. (2016), World Bank (2020) and Francois and Reinert (1997).

195 AUC 2024.

196 Algeria, Angola, Botswana, Burkina Faso, Burundi, Cabo Verde, Cameroon, Central African Republic, Chad, Comoros, Republic of Congo, Democratic Republic of Congo, Côte d'Ivoire, Djibouti, Egypt, Equatorial Guinea, Eswatini, Ethiopia, Gabon, Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Lesotho, Malawi, Mali, Mauritania, Mauritius, Morocco, Namibia, Niger, Nigeria, Rwanda, São Tomé and Príncipe, Senegal, Seychelles, Sierra Leone, South Africa, Tanzania, Togo, Tunisia, Uganda, Zambia and Zimbabwe.

197 AfCFTA 2024.

198 AfCFTA 2024.

199 APRI 2023.

200 AfCFTA 2024.

201 Bowmans 2024.

202 ATPC-ECA 2024. The Guided Trade Initiative: Documenting and Assessing The Early Experiences Of Trading Under The AfCFTA https://repository.uneca.org/handle/10855/50169.

203 In 2022, South Africa's intra-African merchandise trade was valued at about $40 billion, accounting for only 17 per cent of the country's total merchandise trade. South Africa's intra-African merchandise trade increased by 13 per cent from 2021 to 2022. Mozambique, Botswana, Namibia and Zimbabwe are South Africa's main trading partners in Africa, accounting for 51 per cent of South Africa's intra-African merchandise trade.

204 Single- or double-transformation requirements are used to determine the origin of a product. Under the double-transformation requirement, two stages of production must occur within an FTA for the product to be granted originating status. In contrast, the single-transformation requirement only necessitates one stage of production within an FTA for the product to obtain originating status.

205 ECA 2023.

206 Mugano 2022.

207 Boylan et al. 2020.

208 UNCTAD 2021; Bouët et al. 2021.

209 Ikenberry 2018.

210 Hoekman and Sabel 2021; Patrick 2023.

211 Tran 2023.

212 ECA 2021a.

213 African Development Bank and AU 2024.

214 African Development Bank and AU 2024.

215 African Civil Aviation Commission 2024. Angola, Benin, Botswana, Burkina Faso, Cabo Verde, Cameroon, Central African Republic, Chad, Republic of Congo, Democratic Republic of Congo, Côte d'Ivoire, Egypt, Ethiopia, Equatorial Guinea, Eswatini, Gabon, Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Lesotho, Liberia, Mali, Morocco, Mozambique, Namibia, Niger, Nigeria, Rwanda, São Tomé and Príncipe, Senegal, Sierra Leone, South Africa, Togo, Zambia and Zimbabwe.

216 The Fifth Freedom of the Air refers to the right or privilege granted by one state to another, allowing airlines from the latter to land in the first state's territory, pick up passengers or cargo, and transport them to or from a third state as part of scheduled international air services.

217 ECA 2023.

218 ECA 2023.

219 ECA 2023.

220 AU 1991; AU 2000.

221 AMU 1992.

222 Magu 2023.

223 IGAD 2022.

224 NEPAD 2015.

225 ECGLC was created in 1976 by Burundi, Democratic Republic of Congo and Rwanda to promote economic integration and to enhance cooperation in areas such as peace and security, trade and free movement of persons, and social development (United Nations 1978). The proper functioning of ECGLC and progress on regional integration have been jeopardized by years of conflicts in member countries. After years of inactivity, the community was relaunched in 2007 (https://documents1.worldbank.org/curated/en/812671468026125582/pdf/Reviving0the0g0economic0development.pdf).

226 In October 1973, the Mano River Declaration between Liberia and Sierra Leone, establishing the MRU, aimed to strengthen economic cooperation between member countries through the creation of a customs union. Guinea joined in 1980. Challenges such as economic turmoil and instabilities in member states had prolonged effects on the union's activities in the 1980s and 1990s (ECA 2000). The union was reactivated in 2004, but advances in integration have been limited.

227 As an ECOWAS FTA instrument, it aims to ensure the free movement of goods and services, harmonize technical and strategic standards, and create opportunities for market access and investment.

228 ECA 2015.

229 WTO 2015.

230 ECA 2021, table 1.

231 Okom et al. 2017; ECA 2021.

232 WAI 2021.

233 Ibok and Atayero 2022.

234 Fajana 2018. See https://nyulawglobal.org/globalex/CEMAC_ECOWAS1.html and https://etls.ecowas.int/meeting-on-obstacle-on-free-movement-of-goods-under-ecowas-trade-liberalization-scheme-etls-11-12-november-2019/.

235 Fajana 2018; Karaki and Verhaeghe 2017.

236 Phase 1 focuses on the right of entry without a visa (for 90 days); phase 2, the right of residence; and phase 3, the right of establishment (Article 2). Supplementary protocols for implementing phases 2 and 3 were adopted in 1986 and 1990, respectively.

237 Ibrahim et al. 2017.

238 As of 2016, see https://thepoint.gm/africa/gambia/article/ecowas-to-introduce-common-wafrican-id-card-remove-residence-permit.

239 Fontan and Kamara 2023. Initially, ECOWAS sought to adopt a "double-pathway" approach, with WAMZ adopting its single currency, ECO, by 2015 and a potential merger with WAEMU, which uses the CFA franc (ECA 2016). In 2014, this initial approach was replaced by the goal of creating a single currency for the 14 ECOWAS member countries without transitioning from establishing the single currency in WAMZ.

240 https://www.dw.com/en/ecowas-west-african-bloc-aims-to-launch-single-currency-in-2027/a-57970299

241 https://www.ecowas.int/ecowas-commission-organizes-technical-committee-meeting-on-ecowas-single-currency-programme/.

242 https://www.wami-imao.org/en/integration-projects/capital-market-integration?language_content_entity=en.

243 EAC 1999.

244 South Sudan is yet to harmonize its laws and regulations with those of EAC and implement the commitments and obligations under the treaty, while the Democratic Republic of Congo is in the familiarization phase involving the capacity-building of key stakeholders in EAC instruments. See https://www.eac.int/press-releases/142-customs/3066-capacity-building-workshop-on-mainstreaming-the-democratic-republic-of-congo-into-the-eac-customs-union-underway-in-kampala,-uganda.

245 https://www.eac.int/press-releases/142-customs/2775-eac-to-digitalize-the-common-external-tariff-cet-to-enhance-private-sector-participation-in-international-trade#:~:text=The%20EAC%20currently%20implements%20a%20four%20band%20Common,for%20imported%20finished%20products%20available%20in%20the%20region.

246 Shinyekwa et al. 2016.

247 ECA 2021.

248 https://www.eac.int/customs/single-customs-territory.

249 EAC 2021.

250 EAC 2021.

251 EAC 2021; ECA 2021.

252 Society for Worldwide Interbank Financial Telecommunication.

253 The other countries are Democratic Republic of Congo, Eritrea, Eswatini, Ethiopia and Somalia.

254 https://www.comesa.int/trade-policy-analysis-training-targeting-non-free-trade-area-states/#:~:text=These%20are%20Burundi%2C%20Comoros%2C%20Djibouti%2C%20Egypt%2C%20Kenya%2C%20Libya%2C,Rwanda%2C%20Seychelles%2C%20Tunisia%2C%20Sudan%2C%20Uganda%2C%20Zambia%20and%20Zimbabwe.

255 COMESA (2021). COMESA Protocol on Rules of Origin – revised 2021. https://www.comesa.int/wp-content/uploads/2022/01/COMESA_Protocol-on-Rules-of-Origin.pdf.

256 Details are in Appendix V of the COMESA protocol on RoO.

257 Given in Appendix V of the protocol.

258 https://www.comesa.int/comesa-customs-union/

259 COMESA 2019.

260 ECA 2021.

261 As of 2022, 12 countries had ratified the COMESA Free Movement of Persons Protocol (AU 2022).

262 COMESA 2021.

263 Gibb 2006, p. 588.

264 Articles 7 to 13: the Summit of Heads of States and Government, the Council of Ministers, Customs Union Commission, Secretariat, Tariff Board, Technical Liaison Committees and a Tribunal.

265 According to Article 34 of the 2002 agreement, the calculation of the shares of total customs, excise and additional duties collected in the common customs areas in any financial year that are allocated to Member States is based on the customs and excise components, as well as a development component that ensures greater allocation to less developed member countries (fixed at 15 per cent of total excise revenue and weighted based on the inverse of each country's per capita GDP).

266 Ngalawa 2014; WTO 2023.

267 Gibb and Treasure 2014.

268 SACU 2002.

269 WTO 2023.

270 SACU 2018.

271 WTO 2023.

272 SACU 2022.

273 Bausinger et al. 2015.

274 SACU 2022.

275 All WAMU countries were signatories of the 1975 ECOWAS treaty.

276 The central bank conducts a common monetary and exchange rate policy for the single-currency users, now Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal and Togo. The central bank's status and role were heavily revised in 1984 to allow greater involvement in member states' development and economic integration.

277 Zoma 2022. The aim was to harmonize policies, boost competitiveness and economic performance, and facilitate the free movement of goods, services, capital and people in the region (UNCTAD 2007).

278 In addition to the community solidarity levy, indirect taxes from WAEMU member countries, loans, grants and external aid are often used to fund the union's activities.

279 Doe 2006.

280 Zafar and Kubota 2003. Hence the revised treaty had five underlying institutions: the Economic Union of Central Africa (UEAC), Central African Monetary Union (UMAC), Community Parliament, Court of Justice, and Court of Auditors (Article 10).

281 Zafar and Kubota 2003; WTO 2023.

282 Check 2022. However, on some borders, visa-free entry is authorized, and at the border between Cameroon and Equatorial Guinea, CEMAC passports and identity cards are accepted (AfDB 2019).

283 See footnote 1 this chapter.

284 https://www.tralac.org/news/article/10806-rwanda-negotiates-modalities-for-contributing-funds-to-eccas.html.

285 Gottschalk 2018.

286 ECA 2016.

287 AfDB 2019.

288 Khadiagala 2012.

289 Other reasons include exceptional circumstances that gravely affect their economies and that have not secured summit dispensation.

290 Saurombe 2012.

291 Comoros and Democratic Republic of Congo are yet to join the SADC FTA, while Angola has recently submitted an offer to accede to it.

292 Category E was the exclusion list consisting of very few goods, such as firearms.

293 SADC 2005; Baker and Deleplancque 2015.

294 SADC 2024. https://www.sadc.int/integration-milestones/free-trade-area#:~:text=1%20Result%20The%20SADC%20Free%20Trade%20Area%20was,duty.%20...%202%20Impact%20...%203%20Monitoring%20.

295 Mutai 2011; Baker and Deleplancque 2015; SADC 2005.

296 https://www.sadc.int/pillars/standards-quality-infrastructure#:~:text=Standards%20harmonisation%20is%20the%20works%20done%20by%20SADCSTAN,of%20whatever%20the%20good%20or%20service%20should%20be.

297 https://www.sadc.int/integration-milestones/customs-union.

298 Gawe 2021.

299 COMESA-EAC-SADC 2008.

300 AU 2012.

301 COMESA, EAC, and SADC 2023.

302 Desta and Gerout 2018.

303 Desta and Gerout 2018.

304 COMESA-EAC-SADC 2015.

305 Erasmus 2022.

306 COMESA-EAC-SADC 2023.

307 ECA 2021, table 1.

308 Ntara 2023.

309 Kalagbor 2014; Gibb and Treasure 2014.

310 The court has endeavoured to promote the rule of law, democracy and human rights in the region. It recently judged that Kenya's negotiations with the United States on a proposed bilateral Free Trade Agreement was illegal, null and void, primarily due to Kenya's violations of Article 37 of the Customs Union Protocol. https://www.tralac.org/blog/article/15989-the-east-african-court-of-justice-delivers-a-landmark-judgement-on-kenya-s-bilateral-negotiation-with-the-united-states-without-involving-eac-partner-states.html.

311 Belgium, France, Italy, Luxembourg, Netherlands and Federal Republic of Germany.

312 Gómez-Diaz 2009.

313 Harmonization of customs rules (including revenue and protection rules) and implementation of the Union Customs Code are monitored under EU customs legislation.

314 Non-preferential RoO are set out in Articles 60-61 of the Union Customs Code (UCC) and further expanded in Articles 31-36 of the UCC Delegated Act.

315 Belgium, France, Luxembourg, Netherlands and Federal Republic of Germany.

316 Annexed to the treaty as a separate protocol.

317 De Mesquita et al. 2003; Mansfield et al. 2008.

318 De Mesquita et al. 2003; Mansfield et al. 2008.

319 Anderson 1999.

320 Mennig 2024.

321 https://www.piie.com/commentary/op-eds/mercosur-not-really-free-trade-agreement-let-alone-customs-union.

322 Laens and Terra 2008.

323 Veiga and Rios 2019.

324 Initially Bolivia and Chile but later included Colombia, Ecuador, Guyana, Peru and Suriname.

325 https://resources.envoyglobal.com/global-immigration-compass/south-america-what-is-the-mercosur-residence-agreement/.

326 https://www.migrationpolicy.org/article/free-movement-south-america-emergence-alternative-model

327 Veiga and Rios 2019.

328 Laens and Terra 2008; Campos 2016.

329 Campos 2016.

330 Azevedo 2019.

331 Hummel and Lohaus 2012.

332 Ishikawa 2021.

333 In contrast with ASEAN's relatively successful experience with "open regionalism," which has also promoted intraregional trade (Drysdale, 2017), the open regionalism in the Andean Community is argued to have diminished incentives to deepen the region's integration in favour of closer economic relations with other countries in the Americas. Such an outcome is partly because, over time, higher economic gains associated with external trade have become more important to Andean member states than intra-Andean

rade (Helfer et al., 2009).

334 Drysdale 2017.

335 Tan 2004.

336 Lendle 2007.

337 ASEAN's open regionalism is thus in contrast to the Abuja Treaty, which sought to reduce dependence on more developed markets and promote self-reliance.

338 Ishikawa 2021, p. 34.

339 Calvo-Pardo et al. 2009.

340 Drysdale 2017.

341 Drysdale 2017.

342 Sukma 2014.

343 Ishikawa 2021.

344 Engineering, nursing, architectural services, accounting services, surveying, medical practitioners, dental practitioners, and tourism professionals.

345 The Andean Group was formed in 1969 by Bolivia, Chile, Colombia, Ecuador and Peru. After success until the early 1970s backed by broad political commitment, by the 1990s, the objectives of Andean regionalism were largely unmet due to the failure of inward-looking policies, non-compliance with regional decisions, lack of implementation of regional policies and the rise of nationalist sentiments (Adkisson, 2003). After reforms, Andean integration was revived with the signing to the Trujillo Protocol in 1996, which among other things brought major institutional changes to adhere to the principle of supranationalism by empowering the Andean Parliament and Court of Justice (created in 1979) and making regional decisions binding for member states. Evidence, however, suggests that such regional institutions have largely remained ineffective, and still face strong political control.

346 Helfer et al. 2009.

347 De Mesquita et al. 2003; Mansfield et al. 2008.

348 AUC and AUDA-NEPAD 2022.

349 Afronomicslaw 2023; UNCTAD 2023; ECA 2021; AUC 2021.

350 Tax Foundation 2023.

351 PwC South Africa 2024.

352 OECD 2024.

353 Woolfrey 2016.

354 Cheelo 2012; COMESA 2009.

355 COMESA 2022.

356 Taddesse and Endale 2019.

357 EAC, n.d.

358 EAC 2023.

359 EAC n.d.

360 ECDPM 2014; von Uexkull and Lulu 2014.

361 ECDPM 2014; ECDPM 2012.

362 ECDPM 2014.

363 von Uexkull and Lulu 2014.

364 ECDPM 2014; von Uexkull and Lulu 2014.

365 ECDPM 2012.

366 AfDB 2011b.

367 Tralac 2020.

368 Mugano (2022) argues that regional trade agreements in Africa are not fully utilized because of high compliance costs associated with stringent local content requirements that are reflected in RoO.

369 ECA 2021.

370 UNCTAD 2018.

371 UNCTAD 2018.

372 UNCTAD 2018.

373 Vanzetti, Peters and Knebel 2016.

374 Penda 2021.

375 Without prejudice to rights and obligations under World Trade Organization agreements.

376 WTO 2006.

377 FAO 2018.

378 Penda 2021.

379 Penda 2021.

380 EAC 2004.

381 Mutai 2011.

382 Vanzetti et al. 2016.

383 www.tradebarriers.org

384 Du Plessis 2017.

385 ECA 2017.

386 Magalhaes 2010.

387 Penda 2021.

388 Trade Law Centre 2024.

389 COMESA 1994; EAC 2015.

390 These include food and beverages, furniture, leather and textile products.

391 Penda 2021.

392 ECOWAS 2003.

393 Penda 2021.

394 Mugano 2022; UNCTAD 2018.

395 Mugano 2022.

396 OECD 2012.

397 Penda 2021.

398 Non-Tariff Barriers: Reporting, Monitoring and Elimination Mechanism, 'Active complaints: NTB-000-925' 3 June 2019 – https://www.tradebarriers.org/active_complaints/page:2

399 Non-Tariff Barriers: Reporting, Monitoring and Elimination Mechanism, 'Active complaints: NTB-000-925' 3 June 2019 – https://www.tradebarriers.org/active_complaints/page:2

400 This tool is in line with Article 2 of Annex V of the AfCFTA, which calls for the establishment of a mechanism for the identification, categorization and progressive elimination of NTBs at continental level.

401 UNCTAD 2021.

402 World Bank 2023.

403 UNCTAD 2018.

404 Alabi 2013.

405 UNCTAD 2018.

406 Article 76 of the ECOWAS Treaty: "1. Any dispute regarding the interpretation or-the application of the provisions of this Treaty shall be amicably settled through direct agreement without prejudice to the provisions of this Treaty and relevant Protocols. 2. Failing this, either party or any other member States or the Authority may refer the matter to the Court of the Community whose decision shall be final and shall not be subject to appeal."

407 World Bank 2023.

408 https://www.tradebarriers.org.

409 World Bank 2023.

410 World Bank 2023.

411 The countries involved have benefited from the Cooperation for Enhancement of SADC Regional Economic Integration (CESARE) programme of the German Agency for International Cooperation. By providing direct assistance and coordination to countries in resolving NTBs—also through business membership organizations such as the SADC Business Council, which helped resolve some NTBs—the CESARE programme was instrumental in promoting the platform. But in the Horn of Africa, the only country that lodged an NTB-related complaint was Kenya.

412 https://www.tradeobstacles.org/uemoa

413 In 2005, WAEMU established the Observatory of Abnormal Practices to monitor the activities of nine inter-state West African corridors, especially "abnormal practices" in implementing NTBs. But due to lack of funding, the observatory has discontinued operations (World Bank 2023).

414 World Bank 2023.

415 World Bank 2023.

416 ECA 2021.

417 ECA 2021.

418 EAC 2023.

419 World Bank 2023.

420 Gakunga 2023.

421 Burundi, Egypt, Eswatini, Madagascar, Malawi, Mauritius, Rwanda, Zambia and Zimbabwe.

422 World Bank 2023.

423 The ARSO was established in 1977 and has 43 member states.

424 WTO 2022.

425 African Union 2019.

426 Kenya, Mauritius, Namibia, Nigeria, Senegal, Sierra Leone, South Africa, Tunisia, Uganda and Zambia.

427 African Union 2019.

428 Abrego, de Zamaróczy, Gursoy, Issoufou, Nicholls, Perez-Saiz and Rosas 2020; Chauvin, Ramos and Porto 2016; Limao 2016.

429 UNCTAD 2024.

430 This is the total of resolved disputes from all the RECs: 2 of 19 in the AfCFTA, 792 of 880 in the Tripartite NTBs Reporting, Monitoring and Eliminating mechanism, 171 of 326 in WAEMU's TOAM, 369 of 410 in the Borderless Alliance and 59 of 66 under the EAC Time-bound Programme.

431 Prigogine and Stengers 2018; Mangeni and Juma 2019.

432 Mingers 1995; Teubner 1993.

433 Eronen 2023; Tabaczek 2019.

434 Prigogine and Stengers 2018.

435 Mangeni and Juma 2019.

436 Nkrumah 2007.

437 Mangeni and Mold 2024.

438 Rosling 2018.

439 Schwab 2017.

440 Diamandis and Kotler 2012.

441 Kessler 2013.

442 McFaden 2021.

443 Miller and Page 2007.

444 Mangeni and Atta-Mensah 2022.

445 Nubong and Gabila 2023; Kuglar and Sucker 2021; Adejumobi and Obi 2020; UNCTAD 2013; Robson 2013; Gathii 2011.

446 Mangeni and Juma 2019.

447 The four essential goals of developmental regionalism considered here are: (a) *Fair trade integration:* asymmetrical trade regimes that favour least developed countries and support business development of small and medium-sized enterprises; (b) *Intensive cooperation and transformative industrialization:* a focus on building regional value chains, ensuring pro-poor growth and structural transformation to raise incomes and improve living standards; (c) *Cross-border infrastructure cooperation:* a drive to enhance trade facilitation and reduce trade costs through improved infrastructure; and (d) *Cooperation for democracy, good governance*, *peace and security*: essentials for socioeconomic development and transformation, ensuring a prudent environment across member states.

448 The code is reinforced by Supplementary Act A/SA.6/12/2018 Relating to Mutual Assistance and Cooperation between the Customs Administrations of ECOWAS member states and the Collaboration between them and the ECOWAS Commission on Customs Matters.

449 EU 2018, p. 151.

450 EEA Agreement 2016.

451 ASEAN 2011.

452 Estimates from consultations with some organizers of these meetings, including Mr Silver Ojakol, and from the author's own observations.

453 Kagame 2017, p. 24.

454 AU 2020.

455 AUC 2020.

456 See https://www.parl.ecowas.int/ecowas-parliamentarians-worried-over-non-payment-of-community-levy-by-some-member-states/#:~:text=The%20Community%20levy%20is%20a,90%25%20of%20the%20ECOWAS%20budget.

457 Annex 1 of the SACU Agreement outlines the exact methodology and procedures for calculating member states' share of the customs, excise and development components.

458 Ngalawa 2014; WTO 2023.

459 Tralac 2018.

460 Kalagbor 2014; Gibb and Treasure 2014.

461 SWOT stands for Strengths, Weaknesses, Opportunities and Threats; and PESTLE for Political, Economic, Sociological, Technological, Legal and Environmental. These are analytical and strategic planning tools that help businesses and organizations identify internal and external factors that can impact their performance (success or failure).

462 Since its establishment in 2001 at the 37th Ordinary Session of the OAU Assembly, NEPAD has undergone several changes, starting off as a separate entity from the AU, then integration into the AU, with a change from the NEPAD Secretariat to the NEPAD Agency.

463 The AU Assembly at its 26th Ordinary Session, held in January 2026, adopted the statutes of Africa CDC and its framework of operation. See specifically Sections 8 to 12 of the statute, as revised.

464 Online consultations with Danillo Desderio and Olumuyiwa Alaba on 15 April 2024. See also TAXUD (2020).

465 Though this may not be necessary in light of technological advancements for remote working, and given the possibility of limitations relating to office space and facilities, which could turn out to be a logistical nightmare.

466 REC customs unions will eventually eliminate customs duties on at least 97 per cent of total tariff lines in intra-African trade, as well as restrictive trade regulations. This will mean that positive rates in CETs of REC customs unions will not apply to trade with other African countries, except for products not covered by the intra-African trade liberalization programme, being not more than 3 per cent of total tariff lines.

467 Kagame 2017.

468 AUC 2016.

469 AUC and ECA 2021.

470 Kagame 2017, p. 24.

The African Continental Free Trade Area (AfCFTA) is a major milestone in Africa's regional integration journey towards establishing the African Economic Community. Unprecedented political will and commitment from African leaders and other stakeholders in the AfCFTA signal strong prospects for its successful implementation and its transformative potential. As its implementation progresses, reflections on its consolidation and subsequent progression to the next phases in Africa's integration are imperative, especially given the fast-changing and increasing complexities of the global environment, demanding Africa's deeper internal integration and its ability to speak and act with one, strong voice.

ARIA XI recognizes that successfully implementing the AfCFTA is essential and that the AfCFTA should serve as a foundational anchor for establishing an African Continental Customs Union (AfCCU) and African Continental Common Market (AfCCOM). The comprehensive analysis in the report offers valuable insights to support the next phases in Africa's integration into an African Economic Community. It establishes that collectively, African nations possess the requisite scale to maximize the benefits of a continental customs union and common market, which are expected to further foster favourable welfare conditions for African countries and the global community, mainly through improvements in the terms of trade.

Beyond tariff reductions, addressing non-tariff barriers (NTBs) and non-tariff measures (NTMs), along with coordinating and harmonizing policies and standards, will be crucial for boosting intra-African trade. Overlapping REC memberships and weak institutional frameworks have, however, slowed progress in harmonizing policies. The absence of aligned policies prevents Africa from meeting the minimum requirements for establishing an AfCCU and AfCCOM. Urgent action is necessary to accelerate the removal of NTBs and NTMs, achievable through capacity-building, strong political will, and revitalized initiatives within RECs.

ARIA XI proposes that as Africa navigates the complexities of implementing the AfCFTA, it is imperative that stakeholders remain focused not only on immediate goals but also on the broader vision of establishing an African Economic Community, which includes the foundational stages for an AfCCU and AfCCOM. The insights presented in ARIA XI underscore the progress made so far while highlighting the persistent challenges that need to be addressed.

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