



The 3rd Specialized Technical Committee on
Finance, Monetary Affairs, Economic
Planning and Integration
Experts Meeting
4-6 March 2019
Yaoundé, Cameroon

Eco/STC/MAEPI(III)/EXP/2.2.

REPORT ON THE STATUS OF REGIONAL INTEGRATION IN AFRICA

THE EXECUTIVE SUMMARY

AFRICAN UNION COMMISSION
ECONOMIC AFFAIRS DEPARTMENT

February 2019

BACKGROUND

The first African Heads of State and Government had a hope of an integrated Africa, with regional integration being not only the key to the development of the continent, but also the path to achieving structural transformation and enabling the smooth and safe integration of Africa into the global economy. Over the decades, regional integration has therefore emerged as the main objective pursued by the African Heads of State and Government in the perspective of building a united and prosperous Africa, speaking with one and unique voice and representing a dynamic force in the concert of nations.

It is against this background that since the independence of African countries, the implementation of this vision of an integrated Africa has been materialized by the adoption of various initiatives showing the strong need for closer cooperation among African countries. The renewed interest in regional integration as Africa's overall development strategy has led policymakers, helped by intellectuals to formulate a set of plans and strategies to gain most from the strengthened cooperation between African countries. In practical terms, this strategic orientation has resulted in the proliferation of continental agreements and programs, such as the Abuja Treaty and the Agenda 2063. Through these initiatives and efforts, the pan-African agenda of integration has made significant progress in the areas of trade, peace and security, air transport, the free movement of people and goods, and in emerging areas such as the environment and the climate.

The significant aforesaid progresses notwithstanding, the achievements of integration in Africa remains highly mixed in view of the expected results and the immense potential of the continent. Indeed, the African integration process remains subject to real obstacles relating to the quality of infrastructures, customs and administrative policies, the narrowness of the markets, the weakness of purchasing power, the poverty of capital markets, the lack of a diversified productive base and the absence of mechanisms for coordinating and harmonizing regional policies.

Fifty-five (55) years after the creation of the Organization of African Unity (OAU), and given the evolution of the international context characterized by new dynamics and mutations in the various regional groupings across the world - such as the exit of Great Britain from the European Union (Brexit) as well as the ongoing revisions of the North American Free Trade Agreement (NAFTA) – it is high time to reflect on the status of regional integration in Africa. The aftershocks of globalization coupled with a rise in nationalism also nurture concerns in the most integrated regions. Consequently, several voices have risen to interrogate the concept of integration in its most recognized classical form. The new world order based on the globalization of the economy hitherto promoted by most countries of the world has finally given way to a desire to withdraw into oneself.

In this context of questioning the concept of regional integration and its approaches and relevance, it is recommendable to rethink African integration to value its stake and reaffirm its African vision through the definition of contextualized directions able to consolidate the progress while avoiding falling in the attempt of nationalism to the detriment of regional integration.

According to the Abuja Treaty, integration was to be completed by the creation of the African Economic Community (AEC) following a six-step sequential approach of 34-years. The division of labor between the African Union Commission (AUC), the Regional Economic Communities (RECs) and the Member States in the implementation of the integration agendas as well as the rationalization and progress of the RECs in a variable pace define the environment of African integration. Moreover, this environment remains complex, given the

diverse interests of African integration actors. In addition, it is worth noting that States are still reluctant to abandon their sovereignty, this considerably hinders the process of regional integration.

It is against this background and given the importance of assessing the progress made in the implementation of the continental integration Agenda in accordance with the Treaty establishing the African Economic Community and in accordance with the decision (Assembly/Draft/Dec.1(XI)) of the 11th Extraordinary Session of the Assembly of the African Union of November 2018 relating to the preparation of reports, that the AUC has conducted extensive consultations with the RECs to prepare this report on the state of play of integration in Africa to be submitted to the coordination meeting scheduled to take place in June and July 2019. A comprehensive state of play that considers the achievements made by States, RECs and AUC, challenges and weaknesses related to integration processes, including perspectives and opportunities of integration. A mandate has therefore been given to the AUC in collaboration with the RECs to produce a comprehensive report that will cover most of the aspects of integration in Africa.

Objectives

The main objective of the Report is to present an assessment of the African integration process at the national, regional and continental levels, through a retrospective analysis of the implementation of the Agendas and integration programs adopted in Africa. The progress made by the 8 RECs recognized by the AU will therefore form the backbone of this report.

The specific objectives of the Report are:

- ❖ To present the achievements made by the Member States, the RECs and the AUC. In accordance with their respective mandates, the report identifies and reports on the status of the tools and elements that have been put in place for the implementation of integration agenda ;
- ❖ To review the challenges hindering the African integration process. The originality here is to consider these challenges as opportunities that African countries and institutions in charge of integration can harness to accelerate the process of creating AEC and foster the structural transformation needed to tackle poverty, inequalities and the marginalization of Africa at the international level;
- ❖ To analyze the perspectives in terms of integration for the Member States, the RECs and the AUC. New visions of integration are tackled with innovative solutions that serve as recommendations to stimulate a new dynamic in the integration process.

METHODOLOGY

The methodology adopted to meet the objectives mostly consisted of a compilation of the reports produced at the level of each REC based on desk reviews of the projects and programs undertaken by the various RECs and AUC. Wherever possible, the reports and information provided were complemented by interviews and exchanges with the focal point nominated by the Secretary General of RECs and internal in-house documents available at the RECs and AUC levels.

The approach is mainly based on a communicative and inclusive approach with exchanges between the AUC and the RECs as well as collective writing. This is in response to the desire to provide a comprehensive report with first-hand quality information for a clearer understanding of the state of regional integration in Africa. The report therefore presents successes, challenges and perspectives in terms of integration as voiced in each of the RECs.

KEY RESULTS/ACHIEVEMENTS

Social integration

Social integration includes but may not be limited to areas such as health, gender, migration and education. A key cross-cutting result emanating from the Report is that RECs are making all efforts to ensure that there is harmonization and mainstreaming of gender, youth and child-related issues into priority policies, programs and projects of Member States. RECs such as CAE and IGAD have developed initiatives for job mobility, the fight against certain diseases such as HIV / AIDS and gender balance. ECOWAS has also undertaken several actions in favor of youth and the fight against its unemployment. For instance, in recent years, the ECOWAS's activities have been incorporated and reflected in the ECOWAS Community Strategic Framework 2016-2020. COMESA has made social integration and women's empowerment priorities with its "50 Million Women Speak" program and its social charter.

Free movement of persons

All RECs have made good progresses towards an increasingly borderless Africa. There are however still some gaps. There quite several political dialogues to make the reality of the experience for Africans travelling across the continent, whether they need a visa or not, or can get one on arrival, to match up to these ambitions. For instance, SADC has a Protocol on the Facilitation of Movement of Natural Persons, which is aimed at developing policies that progressively eliminate obstacles to the movement of persons of the SADC Region generally into and within the territories of SADC Member States. Although not yet in force, the protocol also provides for the right of establishment in terms of the national laws of the State Parties (Article 19). The Protocol has so far been ratified by nine (9) Member States.

Productive integration

All RECs are striving to ensure effective productive integration which is crucial for the creation of an economic base that is more resilient to shocks and more diverse. This area also includes building human and institutional capacities to add value to goods and services while raising people's incomes on the ground – for instance, opportunities with mining and manufacturing are now shifting to Africa's advantage. For example, a draft framework for fostering cooperation in technology acquisition, development, transfer and commercialization of innovations and IP frameworks was developed by the EAC while the mining Bill 2017 was passed. COMESA is undertaking remarkable initiatives in terms of investment promotion. IGAD has developed an agenda to develop agriculture, manage natural resources and the environment.

Trade integration

The RECs covered in this Report are all working toward facilitating Africa's trade in line with the AU decision on Boosting Intra-African Trade. For instance, COMESA Member States have established a Free Trade Area (FTA) on 31 October 2000 after a sixteen-year period of progressive trade liberalization through reduction of intra-COMESA tariffs. The COMESA Rules of Origin are used to determine whether goods produced in the COMESA region are eligible for preferential treatment within the FTA.

Infrastructure integration

As highlighted in Agenda 2063 (connecting Africa's capitals and commercial centers through high-speed rail), all RECs are working toward developing infrastructure. Moreover, programs,

such as PIDA (Programme for Infrastructure Development in Africa) are in the radars of RECs. For instance, the SADC has developed an infrastructure development framework, the SADC Infrastructure Vision 2027, whose objective is the establishment of a strategic framework to guide the development of seamless, cost-effective trans-boundary infrastructure.

Financial integration

AU recognized-RECs are taking actions to promote financial integration through means such as banking across borders. For instance, as part of modernizing the Monetary Policy Frameworks in the region, the EAC developed the Code of Conduct for Designated Market Makers for Government Securities (DMMGS) in order to promote efficient market practices by providing comprehensive standards and best practices. COMESA has a clearing house that works perfectly.

Monetary integration

African RECs are undertaking several initiatives aimed at fostering monetary integration in Africa. For instance, one of the long-term objectives of SADC regional integration as set out in the Regional Indicative Strategic Development Plan (RISDP) is the establishment of a Monetary Union, which will require establishment of necessary institutions including a central bank. The EAC has made some progress in terms of integration by signing the Single Currency Protocol. ECCAS and ECOWAS have among them a number of countries sharing the same currency; this represents a real asset for the implementation of their regional currencies.

Environmental integration

Efforts are being made by RECs with limited impacts. For instance, IGAD has an Environment Protection Program aimed at promoting co-operation among member states to preserve, protect and improve the quality of the environment. Moreover, SADC has also a Protocol on Environmental Management for Sustainable Development whose objective is to enhance the protection of the environment, promote equitable and sustainable utilization of natural and cultural resources, and to promote the shared management of transboundary environment and natural resources.

Key challenges

Despite the progress made in the implementation of the projects and programs aimed at fostering regional integration in Africa, several common challenges persist. They are related to:

- ❖ Inadequacy of resources and delays in disbursements of financial commitments mainly from Member States (and development partners, in some extent);
- ❖ Delays in the implementation of policy decisions, mainly explained by the weak capacities in amending national policies, laws and regulations to conform to the various new policies;
- ❖ Multiple and overlapping memberships which not only creates confusion, competition and duplication, but also constitutes a burden on the taxpayer
- ❖ Inadequate physical infrastructure at the regional and intra-regional levels (poor transport network, as well as unstable electricity and water supplies);
- ❖ Existence of recurrent non-tariff barriers that affect the movement of goods across borders;
- ❖ Financing integration is still in the hands of partners;
- ❖ The division of labour between AU and RECs has not been clarified yet;

- ❖ Conflicts on the continent have affected the pace of integration;
- ❖ The lack of political will reduces the level of implementation of numerous decisions taken both at the REC and continental levels;
- ❖ The multiple membership is costly and does not allow a quick move to higher degree of integration such as custom union.

Perspectives

RECs are all pursuing their various integration objectives which are all in accordance with the Pan-African Integration Agenda as set out in the Abuja Treaty and the African Union Agenda 2063. In it in this context that RECs are implementing their various strategic plans focusing on consolidating the achievements and taking the steps towards contributing the full implementation of the Agenda 2063 flagship programs and project. Key among the perspectives are the following examples are worth noting:

- ❖ As a precursor to the East African Central Bank expected to be established in 2024, EAC has embarked on the establishing of the East African Monetary Institute; the East African Statistics Bureau; and East African Surveillance, Compliance and Enforcement Commission ;
- ❖ ECCAS plans to establish a regional agency for the coordination and harmonization of employment policies in Central Africa (ARCHPEAC) in relation to a recommendation of the African Union Extraordinary Summit on Employment and Poverty Alleviation in Africa held in Ouagadougou in September 2004 ;
- ❖ CEN-SAD plans to return to stability in its region and resume the conferences of Heads of State and Government. She wants to position herself in conflict resolution within the region ;
- ❖ COMESA is giving priority to the strengthening of financial and monetary sector through the development of the capital market, the elaboration of a strategy for the development and promotion of regional stock exchanges by 2020 ;
- ❖ At UMA, it is expected the establishment of a maritime line connecting ports of the Maghreb to promote trade and tourism ;
- ❖ SADC's prospect would be to ensure that the Southern African economies are able to attract the necessary financial and technology transfers to support a sustained industrialisation, growth and development.

KEY RECOMMENDATIONS

Some of the key cross-cutting recommendations include, but are not limited to the following:

The African Union Commission should:

- (i) Continue to coordinate the implementation of the African Integration Agenda while conducting, in collaboration with RECs, an annual evaluations based on the newly developed and adopted African multidimensional regional integration index (AMRII);
- (ii) Revise minimum integration programme (MIP) that can be implemented over one or two years in order to increase accurate in implementation with specific objectives and timeframe;

- (iii) Set up an awareness mechanism to sensitize African citizens on integration issues through an annual integration forum that will include professional, academicians, women, private sector, diaspora and other African stakeholders;
- (iv) Accelerate the implementation of the Kigali decision on the 0.2 percent for AUC funding to create financial autonomy for RECs, AUC and other continental and regional institutions;
- (v) Intensify advocacy efforts aimed at AU Member States to ratify, domesticate and implement the AU legal instruments such as treaties, protocols related to the financial institutions, the AAFAFCFTA, the Panafrican institutions for statistics; the AU Passport and other;
- (vi) Strengthen cooperation between AUC and RECs by improving information sharing, improving data collection, monitoring analysis and dissemination of progress and challenges;
- (vii) Strengthen collaboration between AU and members states by nominating of specific focal point (Ministry, Department or other structure);
- (viii) Propose champion RECs in the areas of integration in which the REC has made significant progresses so that it can emulate others REC;
- (ix) Align the policies according to the priorities, the capacity of financing, and the emerging issues.

The RECs should:

- (i) Align their programmes and action plans with the continental integration Agenda for Integration, which includes the Abuja Treaty, Agenda 2063 and its Ten year implementation plan;
- (ii) Strengthen their cooperation with each other with a view to sharing experiences and best practices;
- (iii) Develop their local capital market in order to raise fund for the efficient funding of infrastructure;
- (iv) Be organic structures of the African Union, rather than just building blocks with a terminal role. The establishment of permanent Liaison Offices at both AUC and RECs should be effective as soon as possible.

The Member States should:

- (i) Sign, ratify and domesticate the AU legal instruments related to the integration tools of the Abuja Treaty and the Agenda 2063;
- (ii) Fully involved themselves in the mobilization of domestic resources and accelerate the Kigali decision on the 0.2 percent for AUC funding so as to be able to finance the implementation of Agenda 2063 and implement the African Integration Fund;
- (iii) Align their national development plans with regional and continental programs to maximize effectiveness;
- (iv) Identify an anchored REC with which the country intends to achieve the integration objectives that can only be achieved with a single REC such as Common Extern Tariff (CET), Custom Union (CU) to solve multiple membership issues.