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4th Specialized Technical Committee on Finance, Monetary Affairs, Economic Planning and Integration
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AFRICAN REGIONAL INTEGRATION: CONTRIBUTION TO THE ACCELERATION OF THE DIGITALIZATION IN AFRICA

Department of Economic Affairs
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CONTENTS

1. INTRODUCTION

1.1. Context

Since the creation of OAU, Africa's regional integration has been a concern to African leaders for decades. It remains one of the main objectives of the AU. This desire for integration has been translated into the flag ship projects and programs of Agenda 2063.

The Pan-African integration agenda has recorded notable advances in the fields of trade and financial integration free movement of people and goods, physical connectivity, productive integration, as well as in emerging areas such as the environment and governance. One of the great and recent achievements was the launch of the African Continental Free Trade Area (AfCFTA) in July 2019 in Niamey (Niger) during the Extraordinary AU Summit which was held in Niamey (Niger). With this milestone, Africa appears to have taken considerable strides towards its ultimate goal of building a united, prosperous Africa, speaking with one voice and representing a dynamic force in its nations.

Further, it should be noted that the establishment of the AU/REC Coordination meeting of the Heads of State and Government members of AU Bureau and Chairs of RECs, following the Assembly decision (**Assembly / AU / Dec.635 (XXVIII)** to discuss integration issues has increased the momentum for accelerating regional integration.

Despite these positive developments, Africa's integration process remains a subject to greater challenges, mostly related to the low quality of infrastructure, numerous non-tariff barriers, lack of substantive investment in the diversification of production through regional value addition, as well as ineffective policy coordination and harmonization mechanisms.

In addition, the global context is changing in a disturbing manner for the world trade perspective to be in favour of Africa's global share. On one hand Britain has decided to withdraw from the European Union (EU), one of the world's most integrated areas. On the other hand, the United States of America is in the midst of calling into question more international agreements (Paris Climate Agreement, Iranian Nuclear Agreement) and terrorism has grown into most destructive forms that affect world trade.

While Africa has maintained an average growth rate of 3% over the past decade, according to the World Bank, several voices were raised to denounce with vigour the weak impact of this growth on employment creation and poverty reduction (poverty rate in Africa is estimated at about 40%, World Bank). Among other reasons, this is due to a slow pace of African industrialization.

Africa has failed to be part of the previous three industrial revolutions. In a context of breathlessness of the exogenous engines of African growth (fall in commodity prices particularly fall in oil prices) and with the impressive and dazzling development of the 4th industrial revolution, it is imperative that Africa creates the conditions to be part of the 4th industrial revolution in Africa, but also derive maximum benefit from it.

1.2. Objective

The purpose of this report is to analyse how regional integration can contribute to the acceleration of the African digital revolution in order for Africa to be a key actor of the 4th industrial revolution

2. STATUS OF AFRICA'S REGIONAL INTEGRATION

2.1. Continental achievements and challenges in terms of integration

There has been recent achievements of Integration at the continental level. In terms of free movement of people, the African passport was launched at the 27th Summit of Heads of State and Government in July 2016in Kigali (Rwanda). Discussions are still underway for the effective operationalization of this passport, however, several achievements have been realised.

The African Passport, which has been launched for Africa's Heads of State has continued to move ahead with production plans in order to roll this out to all citizens.
The Protocol on the Free Movement of Persons, which also covers the right of residence and establishment on the continent, has been signed by 32 countries as of mid-July 2019 with Rwanda, Mali, Niger and Sao Tome & Principe ratifying the Protocol.

Seychelles is now applying the visa waiver for all countries. Besides this initiative, other countries have also adopted initiatives that facilitate the free movement of African people. It should be noted that since January 2020, Nigeria has become the fourth country on the continent to issue visas to holders of African passports upon arrival in the country having Benin, Rwanda and Ethiopia heading this initiative.

The African Continental Free Trade Area (AfCFTA) moved into its operational phase on 7th July 2019 during the 12th African Union Extraordinary Summit, with plans for trading under the Agreement due to begin on 1st July 2020. The AfCFTA will be one of the largest free trade areas in the world, covering 1.2 billion people, growing to 2.5 billion by 2050. Out of the 55 AU Member States, 54 have signed and 28 among them ratified the AfCFTA.

In relation to the Single African Air Transport Market (SAATM), 23 countries had signed the Yamoussoukro decision of 1999 since its launch and to date 5 other countries have joined SAATM.

At the level of financial integration instruments, the achievements are 12 signatures and 2 ratifications for the African Monetary Fund (AMF) as well as 22 signatures and 6 ratifications for the African Investment Bank (AIB).

Despite the many achievements of the African integration process at the continental level, it should be noted that more obstacles and challenges are facing integration actors.

Financial challenges

The financing of programmes, projects and organizations responsible for integration are not resources from the Member States. External funding for African Union programs accounts to almost 70% per year. The resource mobilization initiatives initiated so far for the autonomy of the African Union remains without the envisaged success. It is therefore imperative for the African Union to work for an accelerated implementation of the Kigali decision on 0.2% of imports.

Coordination challenges

The African integration process presents a real coordination challenge. The RECs and the African Union are faced with duplication of activities and misperception of roles in the implementation of integration programs. In this regard, the RECs have programs that have so far failed to take into account the Continental Integration Agenda. This gives rise to different regional and continental objectives which reduce the efforts of actors at the continental and regional levels. One of the great challenges emanating from this lack of coordination is the coexistence of the AfCFTA and regional Free

Trade Areas (FTAs). A coordination mechanism is necessary so that the FTAs existing in the RECs can contribute to the operational success of the AfCFTA.

2.2. Regional achievements and challenges

2.2.1. Arab Maghreb Union (AMU)

In AMU, several achievements, including the continued efforts to build a Maghreb highway network and the progress made by studies related to a Maghreb railway have all become an achievable dream.

AMU (Arab Maghreb Union) has made remarkable progress, with the Trade Ministers of the AMU signing a Free Trade Agreement (FTA). A Summit of Heads of State and Government of the AMU, that was held in February 2020 in Addis Ababa (Ethiopia) was a fairly commendable achievement, considering that since 1994, the Heads of State and Government of the AMU have not been able to meet.

The AMU region, however, faces challenges of insecurity, political instability, insufficient infrastructure links and limited cooperation amongst its Member States. Another major challenge for many years was the limited cooperation between AMU and the AU Commission.

AMU Member States must therefore put in place strategies to address these challenges, including working closely with other RECs to learn from their experiences, i.e. the ECOWAS self-financing method.

2.2.2. Community of Sahel-Saharan States (CEN-SAD)

The Republic of Chad and the Community of Sahel-Saharan States (CEN-SAD) signed an agreement in 2019relating to the transfer of its headquarters, from the Libyan capital Tripoli to the Chadian capital city, N'Djamena.

Since its creation, CEN-SAD has worked to improve the climate of peace and security among its Member States. It has a Charter for Peace and Stability, a Protocol on the Prevention, Management and Resolution of Conflicts and a Convention on Security Cooperation. Due to the environmental threats facing the CEN-SAD countries, the emphasis is on environmental protection and management. The Great Green Wall Initiative, approved by the Heads of State and Government of ECOWAS and the AU, is a major achievement aimed at promoting the fight against desertification and the socio-economic development of vulnerable areas.

CEN-SAD, however, lacks funds to finance its ambitious regional integration programs and projects. Its dependence on donors to fund key projects is highly unpredictable and disruptive. The current security problems in Libya and the terrorist acts of Boko Haram and the Islamic State in Iraq and Syria pose serious challenges to the strengthening of integration in the CEN-SAD region. It is therefore imperative to resolve recurring security problems and to redefine the five-year and ten-year priorities of CEN-SAD, in accordance with its vision and the new dynamics of the region.

2.2.3. Common Market for Eastern and Southern Africa (COMESA)

COMESA has developed several initiatives related to trade integration. A free trade area has been established by eliminating non-tariff barriers, including exchange restrictions and currency taxes, import and export quotas and roadblocks, by simplifying customs formalities and extending working hours at borders. COMESA has various programs to facilitate cross-border trade and transit, including the coordination of border management through one-stop shops, the adoption of the automated system for customs data, and the simplification of customs documentation. COMESA also has a customs union and a common external tariff to intensify intra-COMESA trade.

COMESA has also made remarkable progress in financial integration. It has several institutions and mechanisms, such as the COMESA Bank for Trade and Development, the African Commercial Insurance Agency, a clearing house, a regional payment system, and the COMESA reinsurance company. It also implemented the region's financial system development and stability plan.

However, COMESA remains dependent on donors to finance its main regional integration programs, its poor-quality infrastructure networks, its persistent macroeconomic vulnerability, its limited political coordination and its insufficient human capacities.

COMESA should therefore draw inspiration from ECOWAS to develop sustainable sources of funding. Since COMESA is a huge market, Member States should focus on improving value chains and investing in industries that adds value.

2.2.4. East African Community (EAC)

Besides the creation of a common market, the EAC is the most advanced REC in terms of the level of integration, the aim being to create a monetary union and, ultimately, a political federation. Since 2005, EAC Member States have made progress in implementing the customs union, including: (i) the application of the Common External Tariff (CET); (ii) the application of the criteria relating to the EAC rules of origin; (iii) the removal of internal customs duties for goods meeting the criteria of the EAC rules of origin and (iv) the elimination of non-tariff barriers. In 2010, the EAC established a common market and the EAC partner states continued to promote the free movement of people, workers, goods, services and capital, as well as the rights of establishment and residence.

To facilitate the movement of goods across borders, the EAC has set up 15 unique border posts for development and 13 border posts have already been built and are operational. This measure has reduced the average time required to cross borders by almost 84%.

Customs union and common market protocols have helped boost intra-EAC trade from US $ 2.7 billion in 2016 to US $ 2.9 billion in 2017. In addition, infrastructure development has made significant progress, with an emphasis on regional routes, rail lines, air and sea transport.

The Monetary Union signed in 2013 is expected to be in place by 2024. Bills establishing the East African Monetary Institute (EAMI) and the EAC Bureau of Statistics have been adopted by the East African Legislative Assembly (EALA) with a view to creating the institutions responsible for supporting the Monetary Union. EAC has taken a key step in political integration, and the Summit's adoption of the Political Confederation of the EAC is considered as a transitional model for the Political Federation of the EAC. Since then, the Council of Ministers has approved the appointment of constitutional experts and the drafting of the Constitution of the Political Confederation was expected to start in 2019.

Despite the progress made in implementing EAC projects and programs, a number of challenges remain. For example, the customs union and the common market are not yet fully operational. EAC also faces significant human resource and self-funding challenges.

2.2.5. Economic Community of Central Africa States (ECCAS)

On December 18, 2019, the Member States of ECCAS decided to reform this institution in order to boost regional integration, therefore ECCAS will soon adopt a Commission structure with a President, a Vice-President and Five Commissioners.

ECCAS has made some progress in strengthening regional integration, particularly in terms of political integration through the establishment of a peace and security architecture, as well as environmental integration and resource management of natural resources by setting up a system for promoting the green economy and a regional mechanism for disaster risk reduction and climate change. The region is also making progress in terms of infrastructure integration (in particular land transport and ICT) and in terms of the free movement of people.

Despite the region's rich resource potential, cooperation among ECCAS member states remains weak, due to restrictive customs and immigration procedures and the persistent conflicts. There is also poor coordination of policies due to huge financial constraints.

In terms of resource mobilization, ECCAS has a mechanism similar to that of ECOWAS, but that has not yet been implemented, hence the slowdown in the number of projects.

2.2.6. Economic Community of West African States (ECOWAS)

The implementation of the protocol on the free movement of people, goods and services has led to an intensification of intra-regional trade. As of June 2018, all member states, except Cape Verde, have applied the ECOWAS Common External Tariff. In addition, in 2017, ECOWAS Member States adopted a Common Customs Code to strengthen the regulatory architecture of the Customs Union and streamline customs procedures. They also implemented several key infrastructure projects, including important regional roads, railways and oil pipelines.

ECOWAS was also the first REC to launch a self-financing initiative (the community levy from Member States) aimed at supporting regional integration programs. It has thus been able to reduce its heavy dependence on donors. ECOWAS, however, faces some of the challenges, including insecurity and terrorist attacks; harmonization of macroeconomic policies; poor infrastructure networks; limited funding for regional integration and insufficient human resources. It is therefore essential to mobilize the necessary funds to meet these challenges and urgently address the persistent security problems caused by Boko Haram and the Islamic State.

2.2.7. Intergovernmental Authority on Development (IGAD)

IGAD has made progress in establishing an effective peace and security architecture for conflict resolution. Indeed, remarkable progress has been made in terms of regional infrastructure, notably with the LAPPSETT corridor, the Djibouti international free zone and the Renaissance dam in Ethiopia. Commendable progress has also been made in the areas of environment and food security. However, a number of IGAD Member States still face challenges such as vulnerability and instability in the face of conflict, refugees and displaced persons. Extreme weather conditions continue to threaten agriculture and biodiversity sustainability.

2.2.8. Southern African Development Community (SADC)

The SADC region is an extremely diverse region, with a population of over 270 million. The region achieved FTA status in 2008, allowing intra-regional trade to grow to around 22% of total trade. To consolidate the FTA, SADC adopted a development strategy focused on sectorial cooperation, in particular the free movement of people, goods and capital, human development, macroeconomic convergence and financial integration, industrialization and infrastructure development, climate and environment as well as peace and security. This has enabled the sustainable exploitation of natural resources and the addition of values, as well as the competitiveness which has enabled the coherent achievement of regional trade and regional integration.

In light of this development strategy, SADC has implemented programs and projects at all successive stages of integration by promoting trade and strengthening integration. SADC has also put in place a macroeconomic convergence framework and a monitoring mechanism. However, SADC faces certain challenges, that include: (i) multiple and overlapping memberships, (ii) the issue of state sovereignty over regionalism and (iii) the limited involvement of national stakeholders and whole population.

3. HOW INTEGRATION CAN CONTRIBUTE TO A BETTER DEVELOPMENT OF THE 4th INDUSTRIAL REVOLUTION IN AFRICA.

After the first three industrial revolutions that have marked the world and have had lit impact on Africa, digitalization is in turn creating a new revolution which we agree to call the 4th Industrial Revolution.

The fourth industrial revolution is a new means of production. It organizes new production processes induced by innovations linked to the Internet of Things and digital technologies, such as robotics, augmented reality, 3D printing, and artificial intelligence, in order to exploit the data generated by big data and digital models.

For a decade, developed countries seem to have really taken the train of this new revolution. Thus, the structure and habits of Western societies are impacted by digital and present the appearance of profound change. However, Africa, although it is not completely on the fringes of the 4th IR, is lagging behind this phenomenon which is evolving very quickly.

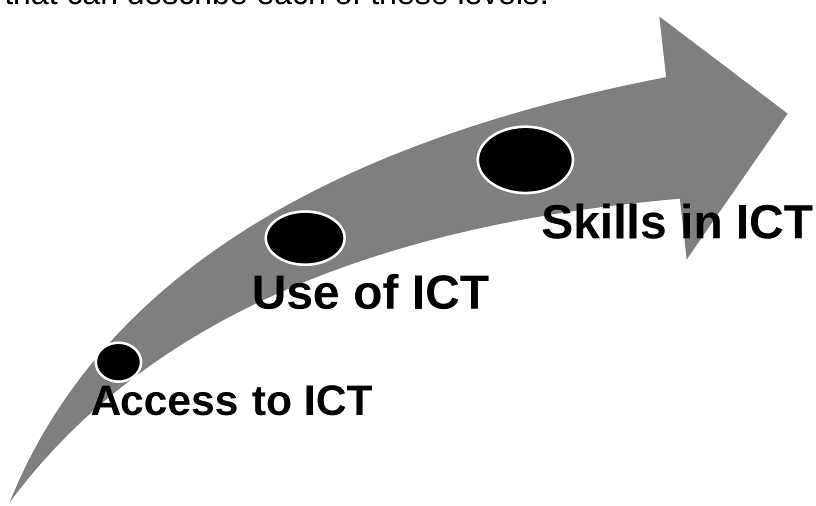
Thus, what matters for Africa is to create the conditions to integrate digitalization in a considerable way into its economy in order to take advantage of it to make up for the delay in development has been accrued during the past revolutions.

This paper will therefore present below how integration could contribute to the creation of the conditions to be met by Africa to develop digitalization in order not to be a consumer of the fourth IR alone, but also an active player.

3.1. The status of the Digital Revolution in Africa

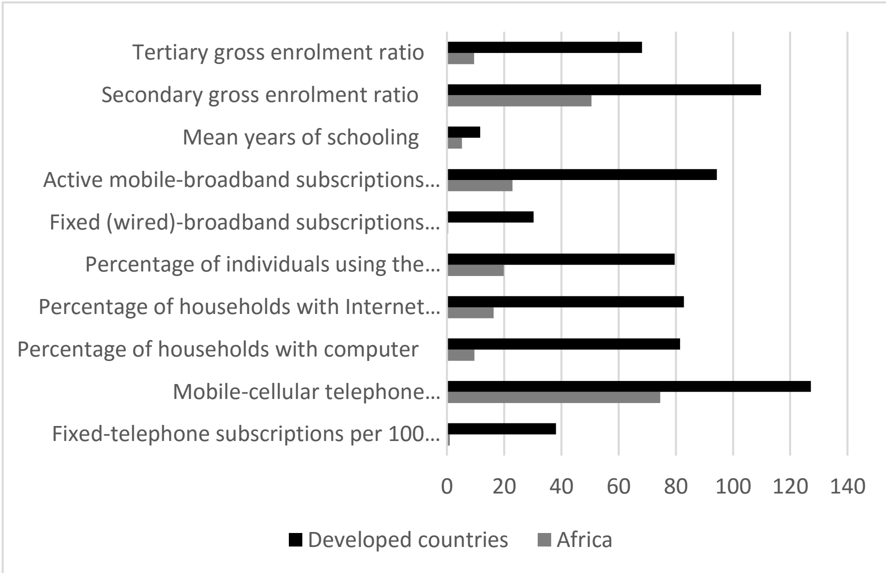
There are a significant number of tools to assess the digital revolution in literature. Even if these tools differ in the methodological approach, they nevertheless agree on the definitional conception and the dimensions to consider so as to understand the notion of digital revolution.

Thus, the dimensions that we agree to retain are access to ICT, use of ICT and knowledge of ICT. We therefore assess the level of digitalization in Africa on the basis of indicators that can describe each of these levels.



On the basis of these different conditions to understand the level of digital revolution in Africa, the graph below presents a comparative analysis of Africa with the developed countries.

Graph 1: Indicators of the readiness of Africa in terms of Digital Revolution



Source: IUT, 2018

All indicators rank Africa far behind developed countries in terms of both accesses, use and knowledge of ICT, Africa lags behind developed countries. Thus, it is clear that conditions need to be improved before Africa can tackle the digital revolution.

In the following section of the document, it will therefore be a question of finding the appropriate channels that can influence all of these indicators selected using regional integration for the development of digitalization in Africa.

3.2. The economic determinants of the digital revolution

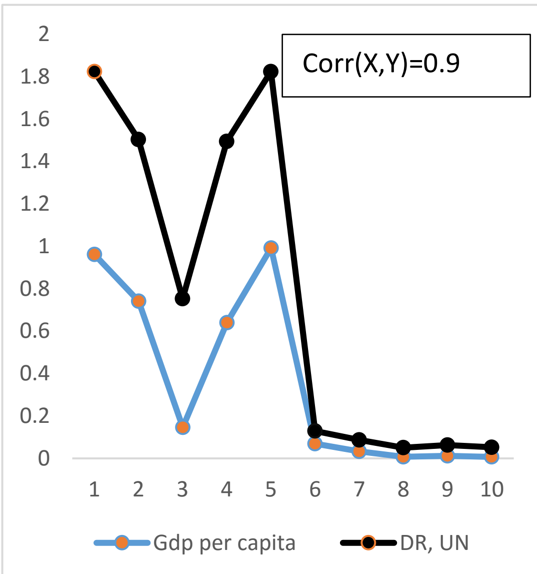
The digital revolution, like any social and economic fact, is influenced or generated by existing and diverse phenomena. The idea is that by assessing the factors that explain the digital revolution through the determination of socio-economic variables, we are able to influence them through regional economic integration.

We therefore consider about fifteen (15) countries, both African and European, on which we will check the link between the digital revolution and economic growth, the level of infrastructure, the level of trade openness, and the level of financial integration.

The sample is designed on the basis of the World Economic Forum's Network Readiness Index (NRI). The strategy is to take 5 countries fairly advanced in the digital revolution and 5 other less advanced African countries. These 10 countries therefore constitute our sample.

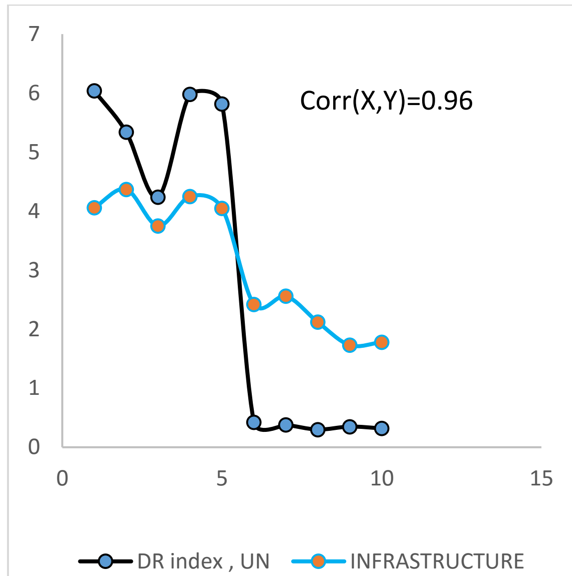
On this sample, we try to discover the characteristics of advanced countries in the digital revolution. This involves correlation tests between the digital revolution and each of the variables previously selected.

Graph 10: Correlation between Gdp per capita and Digital Revolution Revolution



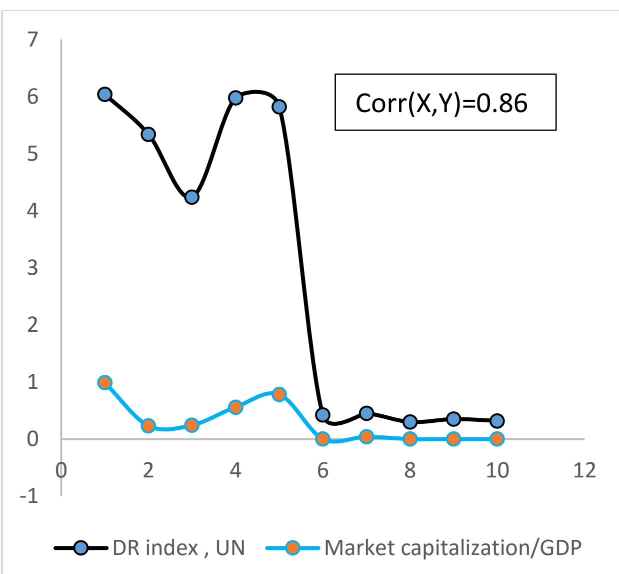
Source : AUC, 2020

Graph 10: Correlation between Level of Infrastructure and Digital



Source : AUC, 2020

Graph 10: Correlation between Financial Integration and Digital Revolution



Source: AUC, 2020

These correlation analyzes the index evaluating the level of digitalization in the countries and the duly chosen economic variables show us that the level of digitalization of a country depends on its production, infrastructure and financial market. The level of correlation is very high (more than 80%) in the 3 cases studied.

We can clearly conclude that Africa needs to influence these different economic variables to create the right conditions for the development of the digital revolution.

4. CONCLUSION AND RECOMMENDATIONS

4.1. Conclusion

Regional integration was at the heart of the policies and decisions of the first Heads of State and Government of the Organization of African Unity (OAU). Even today, this desire is still imperative, but on the contrary it is reinforced and continued with very clear actions such as the launch of the African Continental Free Trade Area (AfCFTA) in July 2019 in Niamey (Niger). However, the challenges of funding, rationalization of RECs, political will, poor quality of infrastructure remain obstacles for commendable progress towards the integration of the continent.

In this dynamic, the digital revolution is also rapidly expanding around the world. It is the very engine of the industrial revolution and constitutes the new chance for the world to produce even more as has been the case in each of the previous industrial revolutions.
Africa had been absent during the first three (3) revolutions and therefore it could not really benefit from them. In the era of this new revolution, the continent is still not ready when we refer to the conditions to be met to welcome the digital revolution.

The statistical analysis carried out clearly shows that the States which have hitherto created the conditions which could lead to the fourth revolution are countries with strong economic growth, with a high level of infrastructure, a high trade opening, and a financial market fairly developed.

4.2. Recommendations

Africa should do everything possible to create the conditions to develop digitalization on the continent and take advantage of the fourth industrial revolution.

Among the channels to be used to improve conditions necessary for the development of digitalization, it is necessary to mention regional integration which has the possibility of influencing each of the factors that characterize digital development in order to:

(i) **Accelerate the implementation of the African Integration Fund**. The African Union and the RECs should allocate part of the funds to be collected under the financing plan adopted by the decision of 0.2% of imports.

(ii) **Accelerate the productive integration** by mobilizing successes in order to increase investment in the agricultural sector which employs more than 60% of the population. Appropriate investments will accelerate agricultural growth and, in turn, economic growth. The agro-food sector appears as the future of the continent if coherent regional programs are set up according to the agricultural endowments of the countries. For example, five countries (Egypt, Algeria, South Africa, Morocco and Nigeria) carried out 50% of foreign imports of agro-food products for 2016, 84% of which came from outside the continent (according to TRALAC). It is therefore important to mobilize resources, to increase regional cooperation between regions so that Africa produces enough to sustainably consolidate its economic growth.

(iii) **Boost the infrastructure integration** by adequately funding the PIDA programme. States should implement integrated regional infrastructure networks by positioning infrastructure as a key factor for development. The current digital revolution cannot be carried out on the continent without infrastructure. It is imperative that the States increase their will to connect the big African capitals by devoting more resources to the sector of roads and rails in the different regions.

(iv) **Contribute to the mobility of ICT skills across the continent.** African countries should adopt training programs specifically dedicated to digital issues in regional universities so that knowledge in ICT is disseminated more efficiently on the continent.

(v) **Attain successful commercial and financial integration** by creating the conditions necessary for the operationalization of the AfCFTA. These conditions are, among other things, the creation, the establishment of regional as well as continental financial institutions in order to increase the mobilization of capital through regional stock exchanges, to have regional monetary zones that can reduce exchange costs on the continent. An industrial specialization policy is essential to create a productive heterogeneity which will contribute to increasing the supply of products from continent to continent.

(vi) **Create a high-level technical platform between Experts from the AUC and RECs** to analyse and discuss possible and practical scenarios that could allow RECs FTAs to constitute an asset for the operationalization of AfCFTA**.**

(vii) **Accelerate the free movement** by reducing border barriers. The reduction of barriers to labour mobility will become more urgent with the start of the 4th industrial revolution in the sense that, in order for countries to seize the opportunities offered by 4IR, they will need to have access to pools of human capital with new skills, such as data scientists, computer systems managers and software coders. Reducing barriers to the mobility of skilled workers in the region would help meet this demand because if labour is prevented from moving across regions, then the benefits of 4IR may not be shared equally and inequalities may increase.

(viii) **Successfully prepare moving to the Custom Union** through further integration which will allow companies to access larger markets and thus become more efficient. Employers will be able to find workers and skills in a larger pool, which creates opportunities for cross-fertilization of ideas, knowledge transfer and new forms of collaboration that connect different resources in a complementary way.

ANNEXES

Annex 1: Economic Performance of the RECs

Table 1: Growth of GDP, inflation rate, Debt and saving rate by REC IN 2018

	GDP in billion $	Average growth rate (%)	Average inflation rate (%)	Ratio Debt/GDP (%)	Savings rate/GDP (%)
AMU	344.11	4.52	5.93	58.60	31.06
EAC	162.39	4.87	21.42	45.30	11.68
ECOWAS	562.4046	5.33	5.05	58.81	4.46
SADC	580.95	2.85	7.96	47.63	14.40
IGAD	258.06	4.8	29.4	90.5	2.4
ECCAS	215.27278	1.99	7.90	50.55	21.17
COMESA	762.33665	4.35	11.47	61.27	10.52
CENSAD	1130.95403	4.92	7.80	66.65	6.28

Source: AUC, 2020