



Draft Statement

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High-level Panel Discussion

*Role of African Regional & Sub-Regional Organization in Achieving
Regional Integration*

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Chairperson,

Your Excellences,

Distinguished guests,

[Introduction]

- Good morning. Thank you for this opportunity to speak at this High-Level Panel discussion on the role of African regional and sub-regional organizations in accelerating Africa's regional integration.
- At the Bank, we are all too aware of the important role played by regional and sub-regional institutions such the African Union Commission and its organs, the Regional Economic Communities, knowledge organizations and regional financial institutions such as ours. Collectively, our policy prescriptions and advices, our various interventions in the form of initiatives, projects and programs shape the very destiny of Africa.

[Regional integration landscape]

- Africa's regional integration landscape has changed considerably over the last five years. Together, we have managed to achieve much. The adoption the *Action Plan for Boosting Intra-African Trade* and *Agenda 2063*, the planned establishment of a *Continental Free Trade Area*, and the launch earlier this year of the *Tripartite Free Trade Area* herald a new dawn in Africa's regional integration history. Political commitment for accelerating integration is at an all-time high. Today, more than ever before, the time is ripe to galvanize our internal markets by boosting intra-African trade.

- Sure, there are numerous obstacles facing us but before I get to them, I would like to start off with the progress made and opportunities.

[Progress Made & Opportunities]

- Although we are in times of global recession, and even though we forecast a slump in Africa's growth for 2015, our continent continues to be referred to as the final frontier of growth. After two decades of sustained economic growth, Sub-Saharan Africa's GDP is almost \$1.7 trillion. Its middle class rose to more than 375 million people up from 126 million people in 1980. Consumer spending now exceeds \$700 billion and we project it to pass the 1 trillion dollar mark by 2020. This burgeoning middle class shall drive up demand for consumer goods, underscoring the need for the continent to accelerate the creation of the continental free trade area so as to unlock opportunities for intra-regional trade.
 - Regional and sub-regional organizations such as the AUC, the EAC, COMESA and SADC and ECOWAS, to name a few, have been at the heart of the struggle for a more integrated Africa. For example, the launch of the COMESA Free Trade Area in 2000, Amb. NGWENYA could attest, has brought significant gains to traders in the region. According to Bank statistics, Intra-COMESA trade rose from \$3 billion in 2000 to more than \$20.9 billion in 2014. Because of its large market, the region also witnessed a significant rise in investor interest.
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- The launch earlier this year of the Grand Tripartite Free Trade Area by EAC, SADC and COMESA is yet another example of the critical role played by regional organizations. Under the Tripartite arrangement the three RECs joined hands with the objective to consolidate a \$630 billion market with a population of more than

527 million people, spreading over 26 countries. When operational, the Tripartite shall make up 57% of the population of the African Union (AU) and just over 58% in terms of contribution to GDP making it a vital piece of the envisaged African Economic Community (AEC) and Continental Free Trade Area. Many similar positive developments are happening in other parts of the continent.

[Regional Infrastructure]

- However, although significant progress has been made, our quest for deeper integration is riddled with enormous challenges.
- Inadequate physical or hard infrastructure, especially in transport and communications and costly and unreliable power impose severe constraints on thousands of African enterprises. At the Bank, we are working hard to address Africa's regional infrastructure bottlenecks and promote regional integration. Last year alone, we approved close to 232 operations totaling more than \$7 billion with most of the financing going to transport, energy, finance and ICT. Most of our transport projects focused on the development of regional transport corridors that reduce import costs, making African producers more competitive in regional and international markets. An example is the Trans-Saharan Highway which connects landlocked Niger, Chad and Mali to growth centers in West and North Africa. Moving forward, a specific emphasis will be placed on the energy sector to scale up rural electrification and bring electricity and its socio-economic benefits to hundreds of thousands of people in the lower layers of our societies. We will foster the development of regional power pools, helping link the power grids of neighboring

countries into single networks that work to provide more reliable electricity supplies.

- All of our initiatives and interventions around infrastructure will of course be anchored on the Programme for Infrastructure Development in Africa.

[CFTA: closing the execution gap]

- A specific challenge with regard to the attainment of the Continental Free Trade Area, is the need for Africa to figure out ways to close the “execution gap” by accelerating the implementation of regional agreements.
 - Weak institutional frameworks, low technical, administrative and coordination capacities and in some cases, political will, have resulted in a major delays in the implementation of the *Abuja Treaty*, the NEPAD programs, the AU *Minimum Integration Program* and the *AU Declaration on Boosting Intra-Africa trade*. As regional and sub-regional organizations, we must collectively reassess the political economy of regional integration to better understand why the execution gap is so large.
 - Another challenge is the need to better monitor the pace and impacts of regional integration in Africa. As we all know, a multitude of actors play a role in Africa’s integration such as regional institutions, the countries themselves, civil society organizations, development banks, NGOs, etc. Yet, to date, no mechanism exist to systematically monitor whether our collective interventions are achieving the desired outcomes of regional integration. We need to better monitor the “process” and “impacts” of regional integration.
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- To close the monitoring gap, we have joined hands with the African Union Commission and the Economic Commission for Africa to develop the **Africa Regional Integration Index**. The Index shall measure the pace and impacts of regional integration along key dimensions such as trade integration, regional infrastructure connectivity, movement of people and financial integration. By facilitating access to critical information on regional integration, our hope is to improve the quality of policymaking in Africa as it pertains to regional integration. The first edition of the Index shall be launched in December 2015 in Addis-Ababa, Ethiopia.

[Industrialization & global value chains]

Distinguished guests,

- There can be no talk trade or regional integration, if Africa does not industrialize and climb regional and global value chains. Part of our role as regional and sub-regional organizations is to accompany her through that demanding process. From the dawn of independence up until now, Africa's record on industrialization has been dismal. Our manufacturing share of GDP has stagnated at around 9 to 12%, with time periods where we literally de-industrialized. We must industrialize. We must brand, process and add value to our coffees, our teas, our cocoa, our minerals, our oil and our leather.
- The Bank's President, Dr. Akinwumi Adesina has made "*Industrializing Africa*" one of the key, if not the main agenda item of his presidency. Moving forward, aside from our customary interventions in infrastructure, together with other regional organizations, we plan to develop a series of analytical tools and instruments to help

African countries reassess the adequacy of existing policy frameworks to see whether they contain the elements needed for rapid industrialization.

[Movement of people]

- Finally, I would now like to touch on a topic of which I hold close to heart: migration and free movement. Today, Africans are people on the move, and our young people especially, are increasingly mobile, be it university educated professionals or low and unskilled workers. Our citizens and business communities, especially SMEs are telling us to make free movement a reality so as to enable them to tap into regional opportunities. As leaders we have to respond to our people's aspirations and let them personally experience the tangible benefits of regional integration by removing many of the unnecessary restrictions which prevent free movement.
- Many of our RECs have agreements on free movement – but too often ratification by our governments has not been forthcoming. We need to start changing attitudes towards free movement – away from protectionist thinking and towards ways of attracting the best and the brightest. While we equivocate on this issue, many of our skilled doctors, nurses and engineers, continue to leave our shores.
- This is why, in collaboration with regional partners such as the AUC, we soon plan to launch Africa's first **Visa Openness Index**. The Visa Openness Index is an innovative tool to track and monitor progress made by African countries and encourage them to relax visa restrictions on movement of people. The Visa Index shall be launched in January 2016 on the sidelines of the African Union Summit.

[Conclusion]

Ladies & Gentlemen,

- Due to the sharp fall in oil prices, copper and iron ore, tighter global financial conditions, and a general slowdown of the Chinese economy, Sub-Saharan Africa's GDP growth is projected to slow down to 3.7% in 2015 from 4.6% in 2014. Let us use this dip in commodity prices as an opportunity to begin the process of structurally reforming our economies and reducing our dependence on primary commodities.
- I wish to reiterate the Bank's unwavering commitment to work with other regional and sub-regional organizations, governments, and the private sector to mobilize resources needed to address the challenges of our time, particularly as they relate to regional integration. Removing bottlenecks to trade, reducing the regional infrastructure gap, strengthening the capacity of RECs and related bodies and expanding the financial sector are issues that we will continue to prioritize.

I thank you all for your attention.
