United Nations | African Union

Economic and Social Council

African Union

E/ECA/COE/35/4
AU/STC/FMEPI/EXP/4(II)
Distr.:General
26 Mars 2016

Original: English

Economic Commission for Africa
Committee of Experts
Thirty-fifth meeting

African Union
Committee of Experts
Second meeting

Ninth Joint Annual Meetings of the African Union Specialized Technical Committee on Finance, Monetary Affairs, Economic Planning and Integration and the Economic Commission for Africa Conference of African Ministers of Finance, Planning and Economic Development

Meeting of the Committee of Experts
Addis Ababa, 31 March - 2 April 2016

Status of African Integration

"The Implications of Agenda 2063 and Agenda 2030 on African Integration"

1. Introduction

1.1. Attempts to integrate Africa can be traced as far back as the establishment of the Southern African Customs Union (SACU) in 1910. However, the African-led integration process finds its roots in the formation of the Organization of African Unity in 1963. The process was formalised through the adoption of the Abuja Treaty in 1991, following the Monrovia Declaration in 1979 and the Lagos Plan of Action in 1980. The process was created and has been maintained by an enduring African desire for political unity and collective self-determination and self-reliance, free from negative external influence.

1.2. Since entering into force in 1994, the Abuja Treaty has been both a roadmap and a progress tracking tool for the establishment of the African Economic Community (AEC), through Regional Economic Communities (RECs). It lays out a detailed time-bound schedule for African economic and political integration through six stages:

1994 – 1999: Establish and strengthen African Regional Economic Communities.

2000 – 2007: Eliminate Tariff Barriers (TBs) & Non-Tariff Barriers (NTBs) in RECs.

2008 – 2017: Establish Free Trade Areas (FTAs) & Customs Union (CUs) in RECs.

2018 – 2019: Establish a Continental Level CU & Common External Tariff (CET).

2020 – 2023: Establish an African Common Market (CM), including the free movement of factors of production and the right of establishment.

2024 – 2028: Establish a Pan-African economic and monetary union that includes the establishment of an African Central Bank and a single African Currency.

1.3. The Abuja Treaty was followed by several initiatives to accelerate and enhance the creation of the AEC (and the Union Government), namely: the Protocol on Relations between the AEC and the RECs (1998); the Constitutive Act of the African Union (2000) and the subsequent inauguration of the AU (2002); the New Partnership for Africa's Development (2001); the Moratorium on the Recognition of New RECs (2006); The Protocol on Relations between the African Union (AU) and the RECs (2007); the Accra Declaration on the Union Government of Africa (2007); the Minimum Integration Plan (2009); and the Action Plan for Boosting Intra-African Trade (2012).

1.4. More than 50 years after its creation, the AU/OAU remains committed to implementing the integration agenda with and through its 8 RECs: the East African Community (EAC), the Common Market for Eastern and Southern Africa (COMESA), the Southern African Development Community (SADC), The Economic Community of West African States (ECOWAS), the Economic Community of Central African States (ECCAS), the Intergovernmental Authority on Development (IGAD), the Community of Sahel-Saharan States (CENSAD) and the Arab Maghreb Union (AMU). However, it now has to pursue its implementation Agenda in the modern day context and in harmony with the major contemporary development frameworks, namely Agenda 2063 and the 2030 Agenda for Sustainable Development and its Sustainable Development Goals (SDGs).

1.5. This report seeks to first present an overview of the status of integration within the RECs and also at a continental level summarizing initiatives and providing progress reports. Second, it seeks to introduce the new development frameworks, Agenda 2063 and the 2030 Agenda, and confirm that they are indeed compatible in design and implementation. Third, it explores the impact of the Agendas on the integration process and how the integration process can facilitate their implementation. Lastly, it highlights the challenges that will have to be overcome to effectively implement the two Agendas.

I. The Status of Integration

2. Integration Efforts within the RECs

2.1. The majority of the RECs are generally on schedule with the overall timeline of the Abuja Treaty. This assessment is qualified with an acknowledgement that there are still some of the RECs remain behind the integration schedule of the Abuja process, and there are variations in the extent to which the RECs have achieved the various stages of integration; some RECs suffer from persisting challenges that prevent them from fully attaining the desired outcomes such as: the full implementation of tariff lines by all members or a sufficient reduction in NTBs within the REC.

The East African Community (EAC)

2.2. EAC is the most advanced of the RECs and is moving well towards its goal of becoming a political federation. It is the second fastest growing economic bloc in the world, after the Association of South East Asian Nations (ASEAN) and has sustained real income per capita growths that have been higher than the rest of sub-Saharan Africa. EAC has attracted over $24 billion in foreign direct investment since 2000 and Kenya was the largest first-time issuer of sovereign bonds, debuting at $2 billion in 2014. In addition, there have been significant improvements in NTBs with the turnaround in the movement of cargo from Mombasa, Kenya, to Kampala, Uganda, having reduced from 18 days to 4 days, and from Kigali, Rwanda, having decreased from 21 days to 6 days. EAC has moved to eliminate NTBs by implementing a peer reviewed scorecard to monitor progress in that area. Several EAC banks and insurance companies are now operating across national borders and in 2011, in response to food and fuel shocks, EAC central banks even synchronized the tightening of their monetary policy to rein in inflation. (Drummond & Williams, 2015). All in all, intra-regional trade in EAC has more than tripled from $2.6 billion in 2004-a year before it launched its CU-to $8.6 billion in 2014. (TMEA, 2015). EAC has made the following progress through the stages of integration:

- The EAC **Customs Union** was launched in 2005 and became fully operational in 2010. It's CET rates are 0% on raw materials, 10% on intermediate goods and 25% on finished products-which was to be revised to 20% in 2010. Exceptional rates above 25% can be applied to goods on the sensitive goods list, which include, among others: rice, cement, cotton fabrics, sugar, and milk and dairy products.
- In 2009, EAC adopted the 'Protocol on the Establishment of the East African Community **Common Market**', which entered into force in July 2010 following ratification by all 5 members. The EAC Passport was launched in 1999 and allows holders a 6-month visa-free stay in any EAC country for multiple entries. (EAC, 2009). It is valid for 5 years, recognized by all EAC Member States and is currently being upgraded to an e-Passport as part of an integrated e-immigration management system. (TMEA, 2016). EAC citizens that only have national passports are entitled to 3-month visa free stays in EAC Member States and Rwanda, Kenya, and Uganda have established the right to establishment through bilateral agreements which also waive work permit fees. Rwanda went even further and began offering $30 visas to all African nationals without prior applications, as of 1 January, 2013. (ECA, 2013).
- In 2013, EAC adopted the 'Protocol Establishing the East African **Monetary Union**' which sets out the process and criteria for harmonising monetary and fiscal policies, establishing a common central bank and replacing the national currencies of its member countries with a single common currency by 2024. (EAC, 2015).
- In June, 2013, a Committee was established by the EAC Heads of States and Governments (HoSG) to draft an EAC **Political Federation** Framework for consideration and discussion by Member States. In August, the EAC HoSG, then directed the Ministers responsible for fast-tracking the political federation to develop a roadmap as well as prepare a zero draft of the Federal Constitution. Discussions and negotiations to launching the EAC Political Federation are still ongoing. (NCIP, 2016).

The Economic Community of West African States (ECOWAS)

2.3. ECOWAS is the second most advanced of the RECs within the Abuja framework and the most advanced with regards to free movement, as a result, 65.5% of the intra-African trade of ECOWAS Member States was within ECOWAS (UNCTAD, 2013):

- Although ECOWAS was declared a **Free Trade Area (FTA)** in 2000, it had already adopted the ECOWAS Trade Liberalisation Scheme (ETLS) in 1979 with the aim of accomplishing in 3 stages: i) the immediate and full liberalization of trade in unprocessed goods and traditional handicrafts; ii) phased liberalisation of trade in industrial products reflecting the levels of development of the 3 groups of member states; iii) Gradual establishment of a Common External Tariff (CET). (Ukaoha & Ukpe, 2013). Only stage one was being implemented until 1990 when the ETLS opened up to include industrial products. In 2003, to comply with a WTO agreement on rules of origin, ECOWAS the ECOWAS protocol A/P1/1/03 was adopted to define the concept of originating products and the origin criteria for free circulation of industrial goods; it is the same as that of the West African Economic and Monetary Union (UEMOA). Prior to this, in 2002 the Council of Ministers adopted Regulation, REG./3/4/02 which spelled out a procedure for approving industrial products through the creation of National Approvals Committees (NACs) in each member states. NACs were responsible for approving companies and products that meet the originating product criteria and then communicating this to the ECOWAS Commission which would inform all Member States of approved companies and products for free exportation. (ECOWAS, 2015).
- In January, 2006, ECOWAS began moving towards becoming a **Customs Union**, when the ECOWAS Heads of State and Governments (HoSGs) established the ECOWAS CET, which drew on the basic UEMOA CET composed of four tariff bands: 0% on essential goods; 5% on goods of primary necessity, raw materials and specific inputs; 10% on intermediate goods; and 20% on final consumption goods. The UEMOA-ECOWAS committee was thereafter created to finalize the ECOWAS CET by January 2008. While they were unable to accomplish this, they made significant progress: i) developed and validated a 10-digit Regional Tariff and Statistical Nomenclature based on the HS2007 and later updated it to HS2012 after discussions with the World Customs Organisation (WCO); coordinated the market; ii) coordinating the market access offer under the framework of the European Partnership Agreements (EPAs) and the ECOWAS CET product classification; iii) adopted a 5th band at 35%. In January, 2015, the ECOWAS CET was operationalized.
- Following the establishment of the ECOWAS CET, the REC is well on its way to becoming a **Common Market**; it is already the most advanced REC with regards to Free Movement of People having adopted the legally binding ‘ECOWAS Protocol relating to Free Movement of Persons, Residence and Establishment’ in 1979. The Protocol was to be implemented in three 5-year stages, covering: i) the right of entry and abolition of visa requirement for stays of up to 90 days.; ii) residency with regards to seeking and carrying out income earning employment (provided an ECOWAS residence card/permit has been obtained) and enjoying equal treatment as nationals; and iii) establishment of enterprises. While

progress has been slow in implementing the other two stages, stage one has been fully implemented, making ECOWAS the only REC on the continent in which member enjoy visa-free movement.

- In 1994, 8 West African Countries[1] from ECOWAS formed the West African Economic and Monetary Union (WAEMU) and elected to maintain their colonial currency, the CFA Franc, as well as their legal and administrative systems.[2] Their common monetary policy is implemented by the Central Bank of West African States (BCEAO) in Dakar, Senegal. The French Treasury guarantees the convertibility of the CFA Franc. As a result of their commonalities, they have been able to make better progress towards economic integration than non-WAEMU member states of ECOWAS.

The Common Market for Eastern and Southern Africa (COMESA)

2.4. COMESA is the third most advanced RECs in Africa having seen trade in the region grow from just $3.1 billion in 2000 when it launched its Free Trade Area (FTA) to $22.3 billion in 2014. (COMESA, 2015). COMESA has made the following progress:

- The COMESA **Free Trade Area** (FTA) was launched in 2000 using a variable geometry approach that allowed its members to join when they were ready to reciprocate terms and reduce tariffs according to the trade schedule. 17 of COMESA's 19 Member States are FTA Member States.[3] Ethiopia joined acceded to the FTA in 2014 following the completion of a 2014 study on Ethiopian Industrial Competitiveness, conducted by COMESA and Ethiopia's Ministry of Finance and Economic Development (MoFED). (Tadesse, 2014). It was joined by the DRC in 2014 and Uganda in 2015. (COMESA, 2015).
- The COMESA **Customs Union** (CU) was launched in 2009 and provided for a 3-year transition period for all Member States to implement the key CU legislation: The Common Tariff Nomenclature (CTN), the Common Customs Management Regulations, and the Common External Tariff (CET) which, for ease of implementation, is aligned with EACs CET: 0% raw materials, 10% intermediate goods and 25% finished goods. However, the COMESA CU has not been fully operationalised as not a single Member State has domesticated the CU legislation, despite a two-year extension of the transition period in November 2012. (TMSA, 2014). National and regional workshops conducted by COMESA to sensitize public and private sector officials to the CU instruments (legislation) found that for 11 Member States, the CTN was aligned to national tariff nomenclature by more than 62%; in addition, studies confirmed that there would be no revenue loss as a result of implementing the CU for most countries. The COMESA Council of Ministers thus called for increased efforts to implement the CU in 2015 and 2016. (COMESA, 2015).
- COMESA, is currently granting 90-day visas on arrival to citizens of its FTA Member States under Protocol CM/XI/60. (ECA, 2013). However, it is being prevented from becoming a Common Market

[1] Benin, Burkina Faso, Guinea-Bissau, Cote d'Ivoire, Mali, Niger, Senegal and Togo

[2] Guinea-Bissau is the exception in terms of a common French heritage in legal and administrative systems.

[3] COMESA FTA Members: Burundi, Comoros, Djibouti, DRC, Egypt, Ethiopia, Kenya, Mozambique, Madagascar, Malawi, Mauritius, North Sudan, Rwanda, Seychelles, Uganda, Zambia, Zimbabwe; Non Members: Eritrea, and Swaziland.

by delays in the implementation of 2 key instruments: The 2001 COMESA 'Protocol on Free Movement of Persons, Services, Labour and the Right of Establishment and Residence' (Free Movement Protocol), which has been signed by only Burundi, Kenya, Rwanda, Zimbabwe and DRC, has been ratified by Burundi, and is in the process of being parliamentary ratification in DRC; and the 1984 Protocol on the Gradual Relaxation and Eventual Elimination of Visas (Visa) Protocol, which has been ratified by all Member States but is not being adequately implemented.

- The COMESA Monetary Cooperation Programme was adopted in 1992, with a view of establishing a **Monetary Union** by 2025. This date was brought forward to 2018 by the COMESA Council of Ministers in 2006. The Monetary Union is to be achieved in 4 stages: i) consolidation of existing instruments for monetary cooperation and implementation of policies aimed at convergence according to specified criteria; ii) introduction of limited currency convertibility and informal exchange rate union; iii) formal exchange rate union and coordination of economic policy by a common monetary institute; and iv) a full Monetary Union by 2018, including a common currency and a common Central Bank. (COMESA, 2015). The COMESA Committee of Governors of Central Banks was established to make binding decisions regarding the implementation of the COMESA Monetary Integration Programme. In 2011, they established the COMESA Monetary Institute to undertake activities related to facilitating macroeconomic and financial integration and stability in the region. The Charter of the Institute has been signed by 12 members.[4]

The Southern African Development Community (SADC)

2.5. SADC is the fourth most advanced REC in Africa having grown its intra-regional growth from $20 billion in 2004 to $72 billion in 2014. SADC has attained the following achievements:

- The SADC **Free Trade Area (FTA)**, as envisioned in the 2005 SADC Protocol on Trade, entered into force in August, 2008, when the REC attained the minimum conditions of having zero duty on 85% of intra-regional trade. The maximum tariff liberalisation was attained in January, 2012, when the tariff phase-down process for sensitive products was completed. However, Angola, DRC and Seychelles have not signed the agreement, and Mozambique was due to complete the process in 2015 for South African imports. Moreover, Malawi, Zimbabwe and Tanzania were allowed to impose 25% import duties on sugar and paper products until 2015 in order to allow the industries to adjust.
- In 2003, SADC's Regional Indicative Strategic Development Plan (RISDP) set out for the REC to become an FTA by 2008, a **Customs Union (CU)** by 2010, a Common Market by 2015 and a Monetary Union by 2016, with a single currency by 2018. However, to date, SADC has been unable to establish a CU due to several challenges including: multiple memberships of SADC countries to several overlapping Regional Integration Arrangements (RIAs) and AU RECs and the subsequent challenge

[4] Burundi, Congo (DR), Egypt, Kenya, Malawi, Mauritius, Rwanda, Sudan, Swaziland, Uganda, Zambia, Zimbabwe.

of having to meet multiple obligations; complex and divergent trade policies and revenue constraints; differences in the levels of development of member states; complicated rules of origin; poor infrastructure and trade facilitation systems.

The Economic Community of Central African States (ECCAS)

2.6. ECCAS is the fifth most developed REC in Africa. It has faced several challenges in progressing towards integration but has also been working closely with ECOWAS to overcome them in areas such as: infrastructure and energy- an area in which SADC has also been supportive, particularly of the Grand Inga Dam; Free movement of persons; and trade:

- In 2004 ECCAS initiated a Preferential Tariff with the aim of establishing an **ECCAS Free Trade Area (FTA)** through gradual custom tariff reductions according to the following schedule: 100% discount for traditional crafts and other crude products apart from mining by July, 2004; and for mining and manufactured goods, reductions of 50% by July 2004, 70% by January 2005, 90% by January 2006 and 100% by January 2007. However, Member States have been slow in translating community legislation into domestic law. Despite formal notification from the ECCAS General Secretariat of non-domestication of instruments and tools of the FTA, the ECCAS FTA is still not fully operational due to low political will, weak infrastructure, multiple controls and red tape, the maintenance of customs duties and multiple memberships to overlapping Regional Integration Arrangements and RECs.
- ECCAS adopted the ‘Protocol on Freedom of Movement and Rights of Establishment of Nationals in annex VII of the ECCAS Treaty with the **Right of Free Movement and the Right of Establishment** to be implemented within 4 and 12 years, respectively. Implementation was delay due to a lack of political will but in 1990 decisions were adopted to allow for the free movement of certain categories of persons including students and interns. Nevertheless, limitations exist under national legislation. Seven ECCAS countries are also member of the CEMAC[5] (The Central African Economic and Monetary Community), which in June 2013, decided that from January 2014, citizens of the community will be free to move across borders without visas for 90 days using a national identity card or a passport and enjoying the same rights as nationals of the host country, except political rights. (ECA, 2013).
- The ECCAS Member States that also belong to the CEMAC **Monetary Union** carried on from the colonial era, and therefore share a common currency, the Central Africa CFA franc, and a common macroeconomic policy convergence mechanism.

The Inter-Governmental Authority on Development (IGAD)

2.7. IGAD has fallen behind and remains at the second stage of the Abuja Treaty schedule, eliminating TBs and NTBs. However, it has been particularly active in the areas of climate-related disaster risk management and peace and security which have been the major hindrances to its integration efforts. It also suffers from multiple membership of its Member States to other Regional Integration Arrangements and RECs. On 12 October, 2013, the Foreign Ministers of IGAD and EAC initiated investigations into the merger of the two

[5] Cameroon, Central African Republic, Chad, Congo, DRC, Equatorial Guinea and Gabon.

RECs in recognition of their increased consultation and collaboration on issues of common interest in the East Africa Region.

The Community of Sahel-Saharan States (CEN-SAD

2.8. CEN-SAD has fallen behind schedule in the integration schedule of the Abuja Treaty and is on stage two, eliminating TBs and NTBs within the REC. However, it has been active in the areas of agriculture, finance and transportation. They key challenges faced by CEN-SAD include multiple membership of its countries to overlapping Regional Integration Arrangements and RECs, political instability, the resurgence of extremism, and the destabilization of a leading Member State, Libya, following NATO's military operation in 2011.

The Arab Maghreb Union

2.9. AMU has fallen behind and is also at stage two of the Abuja Treaty, eliminating TBs and NTBs within the REC. Due Morocco's illegal occupation of the Sahrawi Arab Democratic Republic (SADR), political tensions have arisen between Morocco and Algeria, as well as the African Union, which have led to a breakdown in relations between the AU and AMU and further hindered AMU's progress. However, AMU Member States have been active outside the framework of the Abuja Treaty and have benefited from the removal of intra-regional tariffs under the Pan-Arab Free Trade Areas (PAFTA) and the adoption of low common tariffs by the Gulf Cooperation Council (GCC). (World Bank, 2010).

The COMESA-EAC-SADCT Tripartite Free Trade Area (TFTA)

2.10. On 10 June, 2015, the TFTA was launched during the Third Tripartite Summit held in Sharm-el-Sheikh, Egypt. The TFTA will combine 3 RECs, 26 countries, about 632 million people and about $1.3 trillion in combined GDP (COMESA-EAC-SADC, 2015). Moreover, in the three RECs, between 1994 and 2014: trade has increased from $2.3 billion to $36 billion, with intra-regional trade increasing from 7% to 25%. It is anticipated that the TFTA will significantly boost and strengthen the gains made thus far:

- The process to establish the TFTA was initiated in 2005 when the Tripartite Task Force was set up to harmonise programmes within the three RECs in the areas of trade, customs, civil aviation, free movement of people and infrastructure development. (EABC, 2015). At the first Tripartite Summit held in October 2008, in Kampala, Uganda, the Tripartite Heads of State and Government agreed on a programme of harmonisation of trading arrangements among the three RECs, free movement of business persons, joint implementation of inter-regional infrastructure programmes and the institutional arrangements on which cooperation between the RECs would be based. The also directed the Tripartite Task Force to develop a roadmap for the merging the three RECs. (COMESA-EAC-SADC , 2008).
- The negotiations for the establishment of the TFTA were launched in June, 2011, in Johannesburg, South Africa. Recognizing that the TFTA accounted for over half of the AU Membership, 58% of the GDP of AU Member States and 57% of their population, the Tripartite Heads of State and Government adopted a developmental approach to the TFTA anchored on three pillars: i) Market Integration; ii) Infrastructure Development to enhance connectivity and reduce the cost of doing business; and iii) Industrial Development to address productive capacity constraints. In this regards they: signed the declaration launching the negotiations, adopted a roadmap for establishing the TFTA,

adopted the TFTA negotiating principles, processes and institutional framework, and they directed that a programme of work and roadmap be developed on the industrialization pillar.

- The TFTA Roadmap established at the Tripartite Summit in 2011 divided the negotiations into three phases:

    i. The Preparatory Phase consisted of: exchange of relevant information including applied national tariffs, trade data and measures; adoption of terms of reference for the negotiations; and the adoption of rules of procedure for the establishment of the Tripartite Trade Negotiation Forum (TTNV).

    ii. Phase One focused on: tariff liberalization, rules of origin, customs documentation, transit procedures, non-tariff barriers, trade remedies, technical barriers to trade, dispute resolution and the facilitation of free movement of business persons within the regions.

    iii. Phase Two focuses on: trade in services, trade-related issues like intellectual property rights and competition policy, trade development and competitiveness.

- The key outcomes of the Third Tripartite Summit held in 2015 were that:

    i. 24 Tripartite Member States signed the ‘Sharm El Sheikh Declaration Launching the COMESA-EAC-SADC TFTA’; only Libya and Eritrea did not;

    ii. 16 Tripartite Member States signed the ‘Agreement establishing the COMESA-EAC-SADC TFTA’: Angola, Burundi, Comoros, Democratic Republic of Congo, Djibouti, Egypt, Kenya, Malawi, Namibia, Rwanda, Seychelles, Sudan, Tanzania, Uganda, Swaziland and Zimbabwe;

    iii. The Summit adopted the ‘Post-signature Implementation Plan’ which detailed regional and national level activities to be implemented in fulfilment of the TFTA Agreement;

2.11. The Summit directed that: i) negotiations on outstanding issues from Phase One to operationalise the TFTA be concluded expeditiously; ii) Phase Two negotiations be commenced; iii) the programmes of work and roadmaps developed on the Industrialization and Infrastructure Pillars be well-resourced and prioritized.

The Continental Free Trade Area (CFTA)

2.12. On June, 2015, a week after the launch of the TFTA, negotiations for the CFTA were launched during the 25th Summit of the African Union held in Johannesburg, South Africa. UNCTAD (2015) estimated that the removal of tariffs alone would increase trade from 10.2% in 2010 to over 15% by 2022 and enhanced trade facilitation measures could more than double gains, causing an increase of 21.9%. Moreover, in addition to stimulating intra-African trade by more than $35 billion per year, it could also decrease imports from outside Africa by $10 billion, boosting agricultural exports by $ 4 billion and industrial exports by $21 billion by 2022 (Ajumbo & Briggs, 2015):

- The decision to establish the CFTA was adopted by the 18th AU Summit in January, 2012, in Addis Ababa, Ethiopia. The Summit also endorsed the Action Plan on Boosting Intra-African Trade (BIAT) which centres around 7 clusters: trade policy, trade facilitation, productive capacity, trade related infrastructure, trade finance, trade information and factor market integration.

- Through the decision, Assembly/AU/Dec.569 (XXV), HoSG adopted:
    i. The objectives and principles of negotiating the CFTA;
    ii. The indicative Roadmap for the negotiation and establishment of the CFTA;
    iii. The terms of reference for the CFTA Negotiating Forum (CFTA-NF)
    iv. The institutional arrangements for the CFTA negotiation; and
    v. The ‘Declaration on the Launch of Negotiations for the Establishment of the CFTA’.
- The HoSG also requested that the CFTA-NF hold its inaugural meeting in 2015 with the aim of concluding negotiations by 2017. (AUC, 2015). The First Meeting of the CFTA-NF was scheduled for 22-27 February, 2016, in the AUC Headquarters, Addis Ababa, Ethiopia.

3. Integration Efforts at the Continental Level

3.1. The African Union (AU) has played a critical leadership role in integration by contributing both to the rationalization of the RECs, and the design and implementation of initiatives that enhance and accelerate the integration process. As evidenced in the recent TFTA and CFTA achievements, there are some continental level achievements that cannot be fully captured at the level of the RECs and thus require a wider continental perspective.

3.2. In 1998, the AU adopted the “**Protocol on Relations between the AEC and the RECs**” to provide an institutional structure to coordinate relations between the AEC and the RECs and to strengthen the Recs and promote closer cooperation between them, and to speed up their progress towards stage 5 of the Abuja Treaty, the establishment of an African Common Market. It also established an AU-ECA-RECs-AfDB coordination committee that met annually and was supported by a Committee of Secretariat Officials.

3.3. In 2007 the AU adopted the “**Protocol on Relations between the AU and the RECs**” to replace 1998 Protocol. The 2007 Protocol committed the RECs to cooperating more closely with the AU and called for the consolidation of the RECs on the continent. More specifically it: established a framework that linked the operations of the Specialized Technical Committees (STCs) and the sectoral clusters of ECOSOCC to the operations of the RECs; reviewed the RECs’ treaties in order to establish an organic link with the union and provide for their eventual absorption in to the African Common Market, a prelude to the AEC; it increased the frequency of meetings of the AU-RECs-ECA-AfDB Coordination Committee to twice a year; and granted RECs a liaison office at the AUC and attendance, without voting rights to AUC meetings, doing the same for the AUC with REC meetings. AMU is not a signatory to the Protocol and, as of October, 2013, on the side-lines of the AU Extraordinary Summit, IGAD and EAC Foreign Ministers explored the possibility of merging these two RECs. (AUC, 2015)

3.4. In 1999, under the leadership of Colonel Muammar Ghaddafi, the AU adopted **the Sirte Declaration**, which not only committed Heads of State and Government to creating the African Union to succeed the OAU, but also: shortening the implementation periods for the Abuja Treaty, strengthening and consolidating the RECs as the pillars of the AEC, and establishing the Pan-African Institutions, which were further elaborated in the **Constitutive Act of the African Union**. They include:

- The African Court of Justice, which became **the African Court of Justice and Human Rights** through a merger of the 'Protocol on the Court of Justice' with the 'Protocol to the African Charter on Human and People's Rights on the Establishment of an African Court on Human and People's Rights, to establish the Statute of the African Court on Justice and Human Rights. The Statute was adopted in July, 2008 in Sharm El-Sheikh, Egypt, but as of March 2015 only 5 Member States have ratified it: Benin, Burkina Faso, Congo, Libya and Mali; it shall come into force 30 days after ratification by the 15th Member State. As such **the African Court on Human and People's Rights (the Court)** is the instrument that complements and reinforces the protective mandate of the African Commission on Human and People's Rights (The Banjul Commission). Its protocol was adopted in June, 1998 and came into force on January 2004; the Court became operational in November, 2006. Only 28 Member States[6] have ratified the Protocol of the Court. In addition, only 7 Member States have also made the additional declaration recognizing the competence of the Court and therefore giving it jurisdiction over cases brought to it by individuals and NGOs: Burkina Faso, Cote d'Ivoire, Ghana, Malawi, Mali, Rwanda and Tanzania.

- **The Pan-African Parliament** (**PAP**) was initially envisioned in the Abuja Treaty and its purpose was defined in the Constitutive Act of the AU as "to ensure the full participation of African peoples in the development and integration of the continent". In 2001, the 'Protocol to the Abuja Treaty on relating to the Pan-African Parliament and its Rules of Procedures' was adopted. The Protocol, which, as of 2 February, 2016, has been signed by 51 Member States (excluding Equatorial Guinea, Eritrea, and Mauritania) and ratified by 48 Member States[7]. While it grants PAP the power to adopt its own rules of procedures, it only allows PAP to exercise advisory and consultative powers, and not full legislative powers. In addition, the 5 members of parliament per Member State (that has ratified the PAP Protocol) are not chosen by universal suffrage but by the legislatures of their Member State. On 27 June, 2014, the AU Summit adopted the 'Protocol to the African Union on the Pan-African Parliament' which among other things, granted the PAP the power to draft proposals and draft model laws for submission to the Assembly in areas that have been predetermined by the Assembly. (AU, 2014). As of 2 February, 2016, the Protocol has been signed by 10 Member States[8] and only ratified by Mali.

The Pan-African Financial Institutions (PAFI)

- **The African Central Bank (ACB)**, as envisioned in the Abuja Treaty, will conduct continental monetary and fiscal policy and manage the single African Currency. In January 2005 the AU Assembly decided that the ACB should be located in the Western Region, and in April 2009, the AUC signed an MoU with Nigeria as the host country. A joint report and strategy of the AUC and the Association African of Central Banks was adopted by the AUC Assembly on 14 August, 2015. It will be submitted to the AU Policy Organs for adoption.

[6] Algeria, Benin, Burkina Faso, Burundi, Cote d'Ivoire, Comoros, Congo, Gabon, The Gambia, Ghana, Kenya, Libya, Lesotho, Malawi, Mali, Mauritania, Mozambique, Nigeria, Niger, Uganda, Rwanda, Sahrawi Arab Democratic Republic, Senegal, South Africa, Tanzania, Togo and Tunisia.

[7] All except: Cote d'Ivoire, Democratic Republic of Congo, Eritrea, Guinea, Somalia, and Sao Tome & Principe.

[8] Algeria, Benin, Chad, Congo, Ghana, Guinea-Bissau, Mali, Mauritania, Sierra Leone, Sao Tome & Principe.

- **The African Monetary Fund (AMF)** will promote and facilitate trade, the settlement of commercial payments and capital flow between Member States. It will also provide short-term and medium-term credit, technical assistance and policy advice to member states with a view to ensuring a balance of payments. In January 2005, the AU Assembly decided that it should be located in the Central Region and in April, 2008, the AUC signed an MoU with Cameroon as the host country. The Protocol and Statute of the AMF were adopted in June, 2014. As of 2 February, 2016, 7 Member States have signed these legal instruments: Benin, Chad, Congo, Guinea-Bissau, Mauritania, Sierra Leone and Sao Tome and Principe; none have ratified.
- **The African Investment Bank (AIB)**, as the long-term financing institution of the AU, will mobilize domestic and foreign resources to finance viable programmes and projects on the continent. It will finance private sector development to promote industrialization and also finance the construction of cross-border transportation and telecommunication links. In January 2005, the AU Assembly decided that the AIB should be located in the Northern Region, and in January. 2008, the AUC signed an MoU with the Great Socialist People's Republic of Libyan Arab Jamahiriya The AIB Protocol was adopted in February, 2009, and the AIB Statute in February, 2010. As of 19 January, 2016, 21 Member States[9] have signed these legal instruments and 2 have ratified: Libya and the Republic of Congo.
- In January 2006, the AU Assembly tasked the AUC to carry out a study on the feasibility of establishing a **Pan-African Stock Exchange (PASE)** to mobilize domestic and external resources for economic development and promote the development of African financial markets. The Technical Study was adopted by the AU Conference of Ministers of Economy and Finance held in March, 2014, in Abuja, Nigeria.

3.5. In July 2001, the AU Summit adopted the '**New Partnership for Africa's Development (NEPAD)**' as an integrated economic development framework for Africa aimed at reducing poverty, putting Africa on a sustainable development path, halting the global marginalisation of Africa, and empowering women. In February, 2010 the AU Assembly integrated NEPAD into the structures and processes of the AU, establishing the '**NEPAD Planning and Coordinating Agency (NPCA)**', as a technical AU body to replace the NEPAD Secretariat. (NEPAD, 2012).

3.6. In July, 2006, the AU Assembly, as part of its efforts to accelerate African integration, adopted, a '**Moratorium on the Recognition of RECs**'. This paved the way for the rationalisation of the RECs.

3.7. The '**Accra Declaration on the Union Government**' was adopted in July 2007 by the AU Assembly, confirming the commitment of African Governments to accelerating the economic and political integration of African continent, with a view to creating a United States of Africa. A Ministerial Committee was thereafter established to examine the contents of the Union Government concept and its relations with national governments; domains of competence and the impact of the Union Government on the sovereignty of Member States; the relationship between the Union Government and the RECs;

[9] Angola, Benin, Burkina Faso, Cote d'Ivoire, Comoros, the Republic of Congo, the Democratic Republic of Congo, Gabon, Ghana, Guinea-Bissau, Guinea, Libya, Liberia, Madagascar, Niger, Senegal, Sierra Leone and Sao Tome & Principe, Togo, and Zambia.

a roadmap and timeframe for establishing the Union Government; and the identification of additional sources of financing for the activities of the Union Government.

3.8. The '**Minimum Integration Plan and its Action Plan**' was created in July 2009, in recognition of the varying progress of the RECs in implementing the Abuja Treaty, as a mechanism for converging and accelerating the progression of the RECs towards the establishment of the AEC. The approach adopted was different from that of the Abuja Treaty, it allowed for variable geometry in integration which enable RECs to continue implementing their respective programmes while working on agreed regional and continental priorities to strengthen inter-rec cooperation and accelerate and conclude continental integration. The plan identified a total of 11 priorities areas: Free Movement of People; Trade; Industry; Investment; Harmonisation of Statistics; Political Affairs; Social Affairs; and Gender and Human Resource Capacity Building as cross-cutting areas.

3.9. The **Programme for Infrastructure Development in Africa (PIDA)**, 2012-2040, which provides African stakeholders with a common framework for building infrastructure that will allow for better integration of transport, energy and ICT networks as well as international waterways, and thus boost trade, drive growth and create jobs.

3.10. The **Comprehensive Africa Agriculture Development Programme (CAADP)**, a growth-oriented agricultural development agenda, aimed at increasing agriculture growth rates to a minimum of six percent per year to create the wealth needed for rural communities and households in Africa to prosper.

3.11. The **African Charter on Statistics and the Strategy for the Harmonization of Statistics in Africa (SHaSA)**, which aims to enable the (African Statistical System) ASS to generate timely, reliable, and harmonized statistical information, covering all aspects of political, economic, social, and cultural integration for Africa.

3.12. The **Pan-African Investment Code (PAIC)**, which is being developed by the Economic Affairs Department to provide a continental and global policy framework for the attraction and retention of investments in Africa through a coherent and comprehensive policy framework to address the issues of sustainable and inclusive development in Africa through the lens of a private sector-led development.

3.13. The **African Integration Fund (AIF)**, which being established to help finance the Minimum Integration Programme that was developed in 2009 as a mechanism for converging and accelerating the progression of the RECs towards the establishment of the AEC while allowing for variable geometry in integration. A validation workshop for the draft feasibility study on the AIF was held in December, 2013.

II. Agenda 2063: Africa's New Development Framework

4. Agenda 2063: Africa's response to contemporary challenges and opportunities

4.1. Between 2001 and 2014, the African economy outperformed the global economy, averaging at above 5% per annum, compared to just over 2% during the 1980s and 1990s. Growth in Africa was driven by high commodity demand and soaring prices due to increased world output led by China, India and other emerging economies. It was also facilitated by improved governance and

political stability, as well as improved economic policies including: prudent fiscal policies and stronger budgets which have lowered inflation, improved macroeconomic stability and supported growth. (AfDB, OECD, UNDP, 2015).

4.2. Despite all this, Africa is only on track to attain 3 of the 8 Millennium Development Goals (MDGs): MDG2 to achieve universal primary education; MDG3 to promote gender equality and empower women; and the targets for MDG6 to combat HIV/AIDS, malaria and other diseases. Initial conditions and high population growth relative to the rest of the world, played a role in exacerbating the challenge of reaching the MDG targets. However, other structural economic factors have also prevented Africa from achieving its targets: over-dependency on primary commodities has left many African countries susceptible to external shocks that can disrupt their development gains; low-levels of value addition and economic diversification have limited both job creation and trade within and outside of Africa; inadequate participation and influence in the global political, financial and trade infrastructure has weakened Africa's partnerships for development; and a lack of investment in human development, the promotion of rural development, agricultural productivity, social protections, and more equitable public service delivery systems, has increased inequalities and failed to sufficiently reduce poverty on the continent. (ECA, AU, AfDB, UNDP, 2015).

4.3. In addition, Africa's share of global trade, even with itself, is relatively low. In 2014, Africa's share of total merchandise exports in the world was only 3.5% compared to a 36.7% share for Europe, a 29.7% share for Asia and a 17.3% share for North America. Intra-African trade has risen from just 10% of the region's total exports in 1995 to 17.7% in 2014. However, this is still much less than intra-European exports (68.5%), intra-Asian exports (52.3%), intra-North American exports (50.2%) and intra-South and Central American exports (25.8%); Africa exports less to African countries than it does to Europe, which receives 36.2% of all African exports, and to Asia, which receives 27.3% of African exports. (WTO, 2015).

4.4. In recognition of both Africa's successes and challenges, the African Union created Agenda 2063, a shared framework for inclusive growth and sustainable development in Africa to be realized by 2063. Drawing from lessons learned and encompassing all key continental initiatives, it is the culmination of efforts to achieve the Pan-African Vision of "*An integrated, prosperous and peaceful Africa driven by its own citizens and representing a dynamic force in the global arena*". It is to be implemented over a period of 50 years through five 10-year plans that will be executed at the national, regional and continental levels. The Agenda 2063 Framework and its popular version-a simplified version for mass distribution-were adopted by the AU Summit held in January, 2015.

4.5. The First Ten-Year Implementation Plan (FTYIP) was subsequently adopted by the AU Summit held in June, 2015. The FTYIP is to be implemented between 2014-2023 and translates the 7 aspirations of Agenda 2063 into 20 goals that are based on: guidance from the Assembly decisions; the national and regional plans and insights of Member States and RECs; the orientation of existing continental frameworks; and the flagship projects and programmes of Agenda 2063. (AU, 2015).

5. The Global 2030 Agenda as a subset of Agenda 2063

5.1. At the same time that Africa has embarked on a journey towards structural transformation for sustainable and inclusive growth, through Agenda 2063, the world has made a commitment to end poverty, protect the planet and ensure prosperity for all. The Global 2030 Agenda for Sustainable Development

(Agenda 2030) and its accompanying Sustainable Development Goals (SDGs) were adopted in September, 2015, as a fifteen-year plan for *"achieving sustainable development in its three dimensions-economic, social and environmental-in a balanced and integrated manner"*. (UN, 2015). African countries, as signatories to both Agendas therefore find themselves having to simultaneously implement two bold initiatives: Agenda 2063's FTYIP and Agenda 2030.

5.2. Fortunately, significant efforts were made during the formulation process to ensure synergies between the two Agendas and continue to be made to maintain convergence between them. To begin with, an overlap between the two agendas was inevitable because of the way in which they were formulated. In a markedly different approach from that employed with the MDGs, both Agendas were created through a bottom up approach, which was informed by a comprehensive consultation process that included, among others: African citizenship and Civil Society Organizations (CSOs); Continental Organisation (including the AU, the AfDB and the ECA) and the RECs; the private sector and academia; and relevant international organisations such as the United Nations Development Programmes-Regional Bureau for Africa (UNDP-RBA).

The Common African Position on the Post-2015 Development Agenda (CAP)

5.3. The overlap between the two Agendas was significantly reinforced by the full incorporation of the CAP into both Agenda 2063 and Agenda 2030. The CAP was created to establish a consensus on common challenges, priorities and aspirations, and to enable Africans to collectively and more effectively contribute to the post-2015 agenda. The creation of the 10-member High Level Committee of AU Heads of State and Governments in 2013 and the endorsement of the CAP by the AU Summit in January, 2014 helped sensitize African leaders to the CAP and coordinate their activities, and also facilitated effective advocacy and the creation of alliances and political buy-in. (Lopez, 2015). Africa also established, in January, 2015, an African Group of Negotiators to promote its interests on the world stage. Finally, on top of utilizing the formal mechanisms for providing input into the UN processes, it leveraged its position as having several African negotiators, Ambassadors and Senior officials in key positions within the UN System. These included the President of the 69th UN General Assembly, the Chair of the G77 and China, they Co-Chair of the Open Working Group on the Sustainable Development Goals, the representative of the host country for the Third Financing for Development Conference, and the Special Advisor to the Secretary-General on Post-2015 Development Planning. (OSAA, 2015).

5.4. Ultimately, Africa was able to significantly influence the process of formulating Agenda 2030 because it was coordinated and spoke with one voice. It clearly and consistently its collective priorities as embodied in the six pillars of the CAP: (i) structural economic transformation and inclusive growth; (ii) science, technology and innovation; (iii) people-centred development; (iv) environmental sustainability, natural resource management and disaster risk management; (v) peace and security; and (vi) finance and partnerships.

Convergence between Agenda 2063 and Agenda 2030

5.5. As a testament to the hard-work and dedication of the African Leadership to ensuring that Agenda 2030 took into account the continent's priorities, Paragraph 42 of full text of Agenda 2030 reads, *"We support the implementation of relevant strategies and programmes of action…and reaffirm the importance of supporting the African Union's Agenda 2063 and the programme of the New Partnership for Africa's Development"*. (UN, 2015). Further evidence of the alignment between the two Agendas was provided by a mapping exercise

conducted by the AUC that showed a high level convergence between goals and targets of Agenda 2063's FTYIP and Agenda 2030 (SDGs).

5.6. However, the convergence between Agenda 2063 and Agenda 2030 is implicitly less than 100%: Agenda 2030 is a global response to the world's development challenges that by definition takes into consideration African dimensions, while Agenda 2063 is an African response to African development that takes into consideration global dimensions. Moreover, Agenda 2030 encompasses on economic, social and environmental dimensions, while Agenda 2063 also includes political and cultural dimensions. Both the AUC and the ECA have conducted mapping exercises comparing the SDGs to the FTYIP. The ECA has estimated a convergence of about 90% at the level of the goals, but only about 69% convergence at target level. In terms of the specific targets: there is 100% convergence with SDGs 2, 5, and 7; 90% convergence with SDG 16; 86% convergence with SDG 4; 80% convergence with SDGs 1, 8, and 9; 71% convergence with SDG 11; 68% convergence with goal 17; 67% convergence with SDGs 3 and 6; 50% convergence with SDG 12; 43% convergence with SDG 43; 33% convergence with SDG 13; 30% convergence with SDG 15; and 29% convergence with SDG 14. (Armah, 2016).

5.7. However, mapping the goals and targets of the FTYIP and the SDGs has limitations. Firstly, the FTYIP is a subset of Agenda 2063 that focuses on those priorities and objectives that fall within its 10-year period. It therefore has a lower convergence with the 2030 Agenda than Agenda 2063 in its full form. Additionally, there are less direct strategic linkages that may not be identified by a mechanical mapping exercise but can be identified by analysing the general spirit and aim of the goals. Consequently, Aspiration 5 of Agenda 2063, *"Africa with a Strong Cultural Identity, Common Heritage, Values and Ethics"* has no direct link to Agenda 2063 but can be vaguely linked to target 4.6 which includes *"appreciation of cultural diversity and of culture's contribution to sustainable development"*. The same applies for Aspiration 2, *"An Integrated Continent, politically united and based on the Ideals of Pan Africanism and Vision of African Renaissance"*, which can be vaguely linked to goals that reference regional cooperation such as 1.b, 2.5, and 9.1. It can also be linked to the full text of the 2030 Agenda, which explicitly refers to the importance of integration as a Means of Implementation. (UN, 2015).

The Risk of Divergence in Implementation

5.8. In addition, to being less than 100% convergent, the two Agendas are also non-binding, which is of particular importance with regards to their integrated and coherent implementation. Countries are essentially free to prioritize those SDGs that advance their own economic and political interests while largely ignoring the ones that do not. The result would be that the only SDGS that would be implemented are those that strongly and conspicuously link the interests of several nations or those that reflect the interest of more powerful nations. In cases where the interests of weaker developing nations, including African countries, are in conflict with those of stronger developed nations, there is a real risk of undermining not only the credibility but effectiveness of Agenda 2030.

5.9. A recent example that gives insight into the ways in which power dynamics and conflicting interest might play out is the Third Financing for Development Conference (FfD3) that was held in Addis Ababa, Ethiopia. As noted by the CSO FfD3 Group (2015), Bhumika (2015) and Ranja (2015, while the conference was successful in establishing a Technology Facilitation Mechanism (FTM) to support the attainment of the SDGs and institutionalized follow up mechanisms, namely the ECOSOC Forum on Financing for Development and the Interagency Task Force, it failed in several key areas. The first was that despite a general consensus that Illicit Financial Flows affect

developing countries more and that a global effort is needed to tackle them, developed countries rejected the efforts of developing nations to create an intergovernmental tax governing body that would be more democratic and inclusive than the current OECD-controlled global tax architecture. The second way, was the emphasis placed on private-public partnerships and trade facilitation for development without sufficient emphasis also being placed on safeguarding policy space or putting in place binding commitments to ensure that businesses are held to internationally recognized human and labour rights and environmental standards. This seemed to promote the goal of developed countries to access new markets without addressing the goal of developing countries to protect their developmental gains, particularly with regards to creating stable markets and boosting industry.

5.10. In light of the aforementioned, it becomes clear that there is a strong and urgent need actively ensure the integrated and coherent implementation of both Agendas as a making sure that Africa's economic interests and priorities are not forgotten in implementation. In addition, strengthening and communicating the high levels of convergence between the two Agendas will minimize the burden on Member States of implementing the two Agendas, as well as eliminate competition between them for resources. Most importantly, it must be clear that Agenda 2030 is a subset of Agenda 2063 that does not take into account Africa's specific priorities and interests. Therefore, the implementation of Agenda 2063 ensures the implementation of Agenda 2030 but the implementation of Agenda 2030 alone, will not necessarily ensure the full implementation of Agenda 2063.

III. Integration and the New Development Agendas

6. The Role and Importance of Integration in Contemporary Development

6.1. Following 15 years of impressive economic growth, Africa and its partners have adopted a new development paradigm in which increased and improved trade is perceived as key path to economic growth and sustainable development. Creating added-value, opening up markets, creating a diversified industrial base, and establishing a more equitable international trading system are common African priorities.

6.2. Unfortunately, unlike Asia which saw trade double between 1995 and 2010, Africa has faced significant difficulties participating effectively in international trade. As a result, during that same time period African trade was stuck at 2% of the world total. In addition, raw commodities account for over 50% of sub-Saharan Africa's exports and only less than 10% of Asian exports. Asia's success is largely accredited to regional integration that allowed it to create efficient regional value chains that strengthened its position and enabled it to become a key player in global value chains. As the world's most fragmented region, it takes almost twice as long to trade across borders in Africa (particularly sub-Saharan Africa) than it does in other regions such as Latin America and the Caribbean and South-East Asia. (Ko, 2013). Africa can gain from integration that optimises border administration, eliminates the infrastructure gaps, both in transport and ICT, and allows for the free movement of people, goods, services and capital.

7. Integration within the New Development Agendas

7.1. In this regard, Agenda 2063, which absorbs the Abuja Treaty, is not only designed to be implemented within the framework of integration-with its

National/Member States, Regional/ REC, and Continental/AU levels of implementation-but it also aims to enhance and accelerate African integration efforts as evidenced by its 12 continental Flagship Programmes whose focus areas include regional plans and continental frameworks such as the CFTA. Agenda 2030 also relies heavily on regional integration identifying *"regional and sub regional dimensions, regional economic integration and interconnectivity"* as important aspects of sustainable development, and stating that *"regional and sub regional frameworks can facilitate the effective translation of sustainable development policies into concrete actions at the national level."* In addition, several SDGs are to be implemented explicitly through integration structures and frameworks, including:

- Goal 1.b.: "Create sound policy frameworks at **the national, regional and international levels**, based on pro-poor and gender-sensitive development strategies…"
- Goal 2.5.: "By 2020, maintain the genetic diversity of seeds, cultivated plants…and their related wild species, including **through soundly managed and diversified seed and plant banks at the national, regional and international levels**…"
- Goal 2.b.: "Correct and prevent trade restrictions and distortions in world agricultural markets…"
- Goal 9.1.: "Develop quality, reliable, sustainable and resilient infrastructure, **including regional and trans border infrastructure**, to support economic development and human well-being…"
- Goal 11.a.: "Support positive economic, social and environmental links between urban, peri-urban and rural areas by **strengthening national and regional development planning**."

7.2. Furthermore, there are a substantial number of SDG goals that don't mention integration frameworks or structures but implicitly require such structures for their implementation, including:

- Goal 2.b. to "*correct and prevent trade restrictions and distortions in world agricultural markets, including through the parallel elimination of all forms of agricultural export subsidies and all export measures with equivalent effect, in accordance with the mandate of the Doha Development Round*";
- Goal 10.7. to *"facilitate the orderly, safe, regular and responsible migration and mobility of people, through the implementation of planned and well-managed migration policies"*; and
- Goal 17.6 to *"enhance North-South, South-South and triangular regional and international cooperation on and access to science, technology and innovation and enhance knowledge sharing on mutually agreed terms, including through improved coordination among existing mechanisms…*"

7.3. Therefore, African Integration is vital to the implementation of the two development Agendas. Integration has the potential to turn several defragmented, undiversified, landlocked economies with little value addition, into a large African economy in which the more advanced countries contribute to the development of the less advanced economies and in the process expand their market and their human resource base, while gaining political and economic influence in the global community and ensuring political and economic stability in their own and their neighbours' economies.

IV. Key Success Factors

8. Domestic Resource Mobilization

8.1. Financing remains an integral part of the African Development Agenda. Countries must build on advances made since the Monterrey Consensus was reached and continue to strengthen the mobilization and effective use of domestic resources. This is particularly important as it becomes clear that Official Development Assistance (ODA), although still relevant, is becoming increasingly insufficient and unstable in the face of ongoing economic problems in Europe and elsewhere, and can therefore not be the principle source of funding. In addition, Africa's status as the second fastest growing region in the world, makes a compelling case for Africa to fund its own development as a path to increased ownership and self-determination. Domestic resource mobilization already accounts for more than $527.3 billion of development finance compared to just $73.7 billion in private flows and $51.4 billion in official development assistance.

Savings and Banking

8.2. There is a need to promote savings mobilization through the banking sector. Africa's private domestic savings are low compared to other developing regions because: the transactions of its large informal sector do no pass through the formal banking system, and there are inadequate incentives and entry barriers within the banking system for the large number of low income earners in Africa. These include high minimum deposits, balance requirements and account maintenance costs. In addition, the amounts paid on savings accounts are low compared to the cost of borrowing which discourages both saving and investment borrowing, especially by small and medium enterprises that make up the bulk of the African private sector.

Taxation

8.3. African countries should work to expand their tax base, improve tax administration and tap into underutilized sources of taxation. Although the average tax to GDP ratio in Africa is higher than other regions there are several countries that are still below the 15 per cent threshold considered necessary for low-income countries. Moreover, the relatively high tax revenue as a percentage of GDP can also be partly contributed to the low levels of absolute GDP in Africa relative to other regions. One method of improving tax administration that has worked particularly well in Malawi, Rwanda, Tanzania, Uganda, South Africa and Zambia is the establishment of independent tax agencies.

Market Capitalization

8.4. Market capitalization in the form of pension funds and national and regional stock exchanges and continental stock exchanges, is also another source from which domestic resources can be mobilized. There are about 20 national stock exchanges and at least one regional stock exchanges that are active on the continent, and, as mentioned earlier, the AUC is working towards the establishment of a continental Pan-African Stock Exchange (PASE). (ECA, 2015). In addition, sovereign bond sales have increased in Africa, excluding North Africa, from $6 billion in 2012 to $11 billion in 2014, providing much needed funding to infrastructure projects. (Tafirenyika, 2015).

Illicit Financial Flows

8.5. Illicit Financial Flows (IFFs) which rob Africa of over $50 billion per year and are increasing by about 20% per year, have cost the continent more than it receives in ODA and Foreign Direct Investment (FDI) combined. (AU, ECA, 2015). They have a strong negative financial impact on economic growth

and development because they: shift resources from high-yielding investments to investments with a low risk of detection, they distort prices, consumption and exports. In addition, they entrench negative behaviours in African economies by promoting rent-seeking within public offices, undermining the credibility of legal institutions, and crowding out legal activities through unfair competition. Combating IFFs and the enabling factors must remain a priority.

9. Economic Diversification, Value Addition and Global Value Chains

9.1. African economies are overly vulnerable to external shocks because many generate high portions of their income from a narrow base of commodity exports with little value addition. Between 2012 and 2014 oil prices fell by 11%; between June, 2014, and January, 2015, they fell by 57%. The impact on Africa as an overall net-oil exporter has been significant: it's terms-of-trade has deteriorated by 18.3%, with net-oil exporting countries experiencing an even larger deterioration of 40%. (World Bank, 2015). Moreover, the International Monetary Fund (IMF) lowered its GDP growth estimate for the continent to 4.9% from 5.8%, citing "lower oil and commodity prices". If oil prices in 2015 average at $40 per barrel as opposed to the $100 per barrel that was expected by analysts, Nigeria, Africa's largest oil producer is set to lose $45 billion in export revenues (8.1% of its GDP), Angola, Africa's second-largest oil producer, whose economy is less diversified than Nigeria's is set to lose $35 billion (21.2% of its GDP). (KPMG, 2015). At the same time, European and Asian refiners have enjoyed higher profit margins; the excess production and decreased demand, depleted the crude oil storage capacities providing a surplus into the market. However, the refiners enjoyed a high refinery capacity to absorb the excess crude oil, as well as a high commercial storage capacity to act as a buffer against an excess supply of refined oil. This allowed them to enjoy the benefits of cheaper crude oil while avoiding an equal fall in refined oil prices. (Fitzgibbon, Kloskowska, & Martin, 2015).

9.2. The figures above reveal not only the risks that African economies are exposed to, but also the opportunities that they are missing out on. Value-addition and the export of processed commodities creates buffers against commodity price shocks and provide countries with more tools to manage and take advantage of external shocks. Diversification will increase the extent to which countries can do so. Integration will also play a key role in this area as it will create African markets and value chains that will insulate economies from external shocks and strengthen their position within global value chains. It will also enable countries to take regional approaches to infrastructure and private sector development, reducing the burden of individual countries and increasing the pay-offs through the creation of synergies and the reduction of redundancies.

9.3. Therefore, there is a need to focus on regional and continental programmes and projects aimed at providing the infrastructure and energy needed to enable industrialization and facilitate the creation of a strong and united African Economic Community. These include the flagship programmes/projects of Agenda 2063 including: the CFTA, the Integrated High Speed Train Network, the Commodities Strategy, the Grand Inga Dam Project and the African Passport and free movement of people.

10. Partnerships

Tax Cooperation

10.1. International Tax Cooperation needs to be scaled up to adequately cope with the increasing political, financial and technological prowess of multinational companies and ensure that IFFs, which are a direct threat to Africa's development, are adequately dealt with. As expressed by developing countries during the FfD3 negotiations, there is a need to democratize international tax regulation which is currently dominated by OECD countries. Efforts to turn the 'UN Committee of Experts on International Cooperation in Tax Matters' into a fully intergovernmental tax body should be maintained.

ODA Commitments

10.2. International public finance-both concessional and non-concessional-needs to be scaled up and made more efficient. This will require open, inclusive and transparent dialogue to enhance common understanding and knowledge-sharing, and will also require developed nations to meet the United Nations ODA target of 0.7% of their GNI to developing countries and 0.15% - 0.20% of ODA/GNI to least developed countries. While it is commendable that ODA increased from 0.22% of GNI in 2000 to 0.32% in 2010, but it has since slipped to about 0.29% in 2014, in the wake of global financial crisis, and their still exists a large gap in delivery. It is also encouraging that Members of the Development Assistance Committee (DAC) agreed to modernize the measurement of official development assistance in order to more accurately measure the growing amount of ODA that is in the form of concessional loans. Through the separation of grants and ODA loans (which are expressed as "grant equivalents") in such a way that encourages donors to offer their loans to poor countries at lower interest rates and removes the incentive to issue to place interest rates on the loans that are above the donor's own cost of funds while still counting them as ODA. (UN, 2015).

Technology

10.3. Africans must ensure that their partnerships contribute to enhancing technological capacities on the continent; the developmental potential of technology in Africa cannot be over-stated. Mobile technology saw a rapid increase from 1990 where only 4 African countries registered mobile-cellular subscriptions to 2013 where all African countries registered mobile subscriptions averaging 80.2% per 100 inhabitants, with 15 African countries even registering more than 100 subscriptions per 100 inhabitants. African mobile subscription in 2013 of 11.1% was much higher than the global average of 6.3%. Mobile phones have helped overcome major obstacles in banking, health, agriculture and several other areas, bringing essential services to vulnerable people in remote areas. (ECA, AU, AfDB, UNDP, 2015). The establishment of the Technology Facilitation Mechanism is a promising outcome of the FfD3 that needs to be followed through.

11. Clean Business

11.1. Although Africa and her development partners have unequivocally acknowledged the potential of the private sector to boost economic growth and development, there is an urgent need to equally acknowledge the potential of the private sector to reverse developmental gains if sufficient oversight is not put in place. As noted by Civil Society in their review of the FfD3 outcome, the international community has failed to sufficiently "endorse binding commitments to ensure business accountability based on internationally recognized human and labour rights as well as environmental standards". As a

result, “there is unconditional support for PPs and blended financing instruments…without a parallel recognition of the developmental role of the State and clear safeguards to its ability to regulate in the public interest”.

11.2. This concern is very relevant for Africa where the private sector’s contribution to high economic growth rates have masked the fact that it accounts for 65% of the IFFs through which Africa loses more than it gains in FDI and ODA combined. Additionally, a growing body of empirical research by African researchers such as Remla (2012), Ogunniyi and Igberi (2014), is starting to find that FDI has had a statistically insignificant causal effect on GDP per capita due to the repatriation of profits by foreign firms, the crowding out of domestic investment and low levels of human capital. Ernst and Young’s (2015) survey of 3,800 employees of large companies across 38 countries in Europe, Middle East, India and Africa reveals that with increasingly complex challenges to growth such as market volatility, geopolitical instability, oil shocks and economic sanctions, and increasing pressure to achieve growth, the risks of fraud, bribery and corruption is remains widespread and many businesses fail to continue to mitigate the risks. Over 61% of respondents in rapid-growth markets believe that bribery and corruption is widespread in their country; in Kenya the figure was 90%, while in Nigeria 31% responded that offering gifts to win business is justifiable and 21% said that offering cash payments to win business is justifiable. Moreover, although 21% of respondents had heard of fraud or briber in their business within the last 12 months, 42% of respondents say that their company does not have an Anti-Bribery Anti-Corruption policy (ABAC) or if it does, they do not know of it.

11.3. It is therefore of vital importance for policy makers to be mindful of the fact that positive private sector contributions tend to be more conspicuous, more immediate and easier to measure than the long-term, less measurable negative private sector contributions. One can easily quantify how much a company has contributed to a country’s GDP and assume that it is supporting economic development, but as John F. Kennedy said in 1963, GDP “*measures everything, in short, except that which makes life worthwhile”*. As a measure of legal monetary transactions related to the production of goods and services, GDP does not capture the billions leaving Africa in IFFs; it cannot quantify the opportunity cost to future generations of unsustainable natural resource use now; it does not account for the loss in the credibility of legal institutions or the entrenchment of rent-seeking caused by corruption; and it cannot make the connection between the surge in militant groups in the Niger Delta and destruction of both the environment and the livelihoods of people living in the Niger Delta due to oil spills-in 2014, ENI and Royal Dutch Shell admitted to over 550 oils spills in the Niger Delta, compared to an average of just 10 spills a year for the whole of Europe between 1971 and 2011.

11.4. The link between private sector and sustainable development lies in the concept of Clean Business, which is concerned with assessing the role of the firm in society and ensuring that it accelerates, or at the very least, does not hinder, a society’s progress towards human development and environmental sustainability. While Africa is struggling to attain, even Friedman’s (1970) basic law of clean business, that the firm’s responsibility is only to fulfil its legal obligations and ‘do no harm’, ideally the continent should aim to go beyond the concept of Corporate Social Responsibility and even the Triple Bottom Line Principle (Profit, People, Planet) and strive to create what Porter and Kramer (2011) of Harvard University call “Share Value”.

11.5. Shared Value goes beyond the perceived, and often limiting, trade-off between providing social benefits and achieving economic success, and puts forward that companies’ policies and operating practices need to enhance competitiveness while simultaneously advancing the economic and social conditions of the economic communities in which they operate; so instead of

simply building schools, companies can fund or provide training for communities to learn the skills they seek; therefore simultaneously advancing the conditions of the community and addressing their human resource deficiencies. There are several emerging examples of the concept of Creating Shared Value at work. Wal-Mart (a large supermarket chain) saving over $200 million while transporting more products, by being more environmentally friendly, namely reducing its packaging and rerouting it's trucks to cut 100 million miles from delivery routes; and Nestlé's Nespresso (coffee) division grew by 30% and built a competitive advantage by helping farmers in Africa and Latin America that supply it with coffee beans, to break out of the cycle of low productivity, poor quality, and environmental degradation leading to limited production volumes and revenues. It did so by providing them with farming advice, guaranteeing their bank loans, helping them secure inputs such as plant stocks, and establishing local facilities to measure quality at point of purchase allowing for premiums to be paid directly to growers.

Bibliography

AfDB, OECD, UNDP. (2015). *African Economic Outlook.* OECD Publishing.

Ajumbo, G., & Briggs, I. (2015). *Taking Stock of the proposed Continental Free Trade Area.* Abidjan: African Development Bank.

Amnesty International. (2015, March 19). *Nigeria: Hundreds of oil spills continue to blight the Niger Delta*. Retrieved from Amnesty International: https://www.amnesty.org/en/latest/news/2015/03/hundreds-of-oil-spills-continue-to-blight-niger-delta/

Armah, B. (2016). Synergies between Agenda 2063 (FTYIP) and the 2030 Agenda (SDGs). *The Retreat of the Coordinators of the RCM-Africa Clusters.* Debre Zeit: United Nations Economic Commission for Africa.

AU. (2014). *Protocol to the Constitutive Act of the African Union relating to the Pan-African Parliament.* Malabo: African Union Commission.

AU. (2015). *Agenda 2063 Communication Toolkit.* Addis Ababa: African Union Commission.

AU, ECA. (2015). *Report of the High Level Panel on Illicit Financial Flows from Africa.* Addis Ababa: United Nations Economic Commission for Africa.

AUC. (2015, February 02). *African Union*. Retrieved from Regional Economic Communities: http://www.au.int/en/organs/recs

AUC. (2015). *Decision on the Launch of Continental Free Trade Area Negotiations.* Johannesburg: African Union Commission.

COMESA. (2014, February 14). *IC calls for the implementation of protocols*. Retrieved from Common Market for Eastern and Southern Africa: http://www.comesa.int/index.php?option=com_content&view=article&id=1038:ic-calls-for-the-implementation-of-protocols&catid=5:latest-news&Itemid=41

COMESA. (2015). *About COMESA*. Retrieved June 6, 2015, from The Common Market for Eastern and Southern Africa: http://about.comesa.int/index.php?option=com_content&view=article&id=95&Itemid=117

COMESA. (2015). *Report of the Thirty-Fourth Meeting of the Council of Ministers.* Addis Ababa: Common Market for Eastern and Southern Africa.

COMESA. (2015). *Status of Implementation of COMESA Programmes for 2015.* Addis Ababa: Common Market for Eastern and Southern African.

COMESA-EAC-SADC . (2008). *Final Communique of the COMESA-EAC-SADC Tripartite Summit of Heads of State and Government.* Kampala: COMESA-EAC-SADC .

COMESA-EAC-SADC. (2015). *Communique of the third COMESA-EAC-SADC Tripartite Summit.* Sharm El Sheikh: COMESA-EAC-SADC.

CSO FfD3 Group. (2015, July 16). *Civil Society Response to the Addis Ababa Action Agenda on Financing for Development.* Retrieved November 11, 2015, from https://csoforffd.wordpress.com/

Drummond, P., & Williams, O. (2015, April 30). *East African Community: The unfinished agenda*. Retrieved from Brookings: http://www.brookings.edu/blogs/africa-in-focus/posts/2015/04/30-east-african-community-drummond-williams

EABC. (2008). *Study on Impact of the EAC Customs Union on Businesses.* Nairobi: East African Business Council.

EABC. (2015). *Update on EAC Integration.* Arusha: East African Business Council.

EAC. (2009). *The East African Passport*. Retrieved January 10, 2016, from http://www.eac.int/travel/index.php?option=com_content&id=112-eapassport&Itemid=78

EAC. (2015, October 1). *Common Market*. Retrieved from East African Community: www.eac.int/commonmarket

ECA. (2013). *Assessing Regional Integration in Africa VI.* Addis Ababa: United Nations Economic Commission for Africa.

ECA. (2015). *Innovative Financing for the Economic Transformation of Africa.* Addis Ababa: United Nations Economic Commission for Africa.

ECA, AU, AfDB, UNDP. (2015). *MDG Report 2015.* Addis Ababa: Economic Commission for Africa.

Economic Affairs Department, AUC. (2015). *Agenda 2063 Results Matrix.* Addis Ababa: African Union Commission.

ECOWAS. (2015, November 10). *ECOWAS Trade Liberalization Scheme (ETLS)*. Retrieved from Economic Community of West African States: http://www.aidfortrade.ecowas.int/programmes/ecowas-trade-liberalization-scheme-etls

Ernst & Young. (2014). *13th Global Fraud Survey.* EYGM.

Ernst and Young. (2015). *Europe, Middle East, India and Africa Fraud Survey*. EYGM.

Fitzgibbon, T., Kloskowska, A., & Martin, A. (2015, February). *Impact of low crude oil prices on refining*. Retrieved from McKinsey Energy Insights: https://www.mckinseyenergyinsights.com/insights/impact-of-low-crude-prices-on-refining.aspx

Friedman, M. (1970, September 13). *The Social Responsibility of Business is to Increase its Profits.* Retrieved November 15, 2015, from http://www.colorado.edu/studentgroups/libertarians/issues/friedman-soc-resp-business.html

Ko, C. (2013, May 10). *Regional integration is a must for Africa*. Retrieved from World Economic Forum: http://www.weforum.org/agenda/2013/05/regional-integration-is-a-must-for-africa

KPMG. (2015). *Sector Report: Oil and Gas in Africa.* Klynveld, Peat, Marwick, Goerdeler.

Lopez, C. (2015). *African Policy Review.* Addis Ababa: United Nations Economic Commission for Africa.

Mangeni, F. (2014, February 27). Africa Group COMESA 'Encouraged' with Regional Trade Cooperation. (P. Clottey, Interviewer)

MCCI. (2015). *Common Market for Souther and Eastern Africa (COMESA)*. Retrieved from The Mauritius Chamber of Commerce and Industry: http://www.mcci.org/en/global-marketplace/trade-agreements/comesa/

Muchhala, B. (2015, July 16-31). Failing to finance develompment? *Third World Economics: Trends and Analysis*, pp. 2-5.

NCIP. (2016). *Fast Tracking Political Federation*. Retrieved from Northern Corriodor Intergration Projects: http://www.nciprojects.org/project/fast-tracking-political-federation

NEPAD. (2012). *History*. Retrieved June 3, 2015, from http://www.nepad.org/print/1545

OSAA. (2015). *Sustainable Development Goals*. Retrieved from Office of the Special Adviser on Africa: http://www.un.org/en/africa/osaa/peace/sdgs.shtml

Porter, M. E., & Kramer, M. R. (2011, January-February). Creating Shared Value. *Harvard Business Review*.

Sengupta, R. (2015, July 16-31). Addis Ababa Action Agenda adopted amidst widespread disappointment. *Third World Economics: Trends and Analysis*, pp. 5-6, 16.

Tadesse, F. (2014, September 7). Ethiopia to join COMESA's Free Trade Area. *Addis Fortune*.

Tafirenyika, M. (2015, April). How healthy is Africa's sovereign bond debt? *Africa Renewal*, 5.

TMEA. (2015, March 5). *Africa Regional Trade Increases*. Retrieved from TradeMark East Africa: https://www.trademarkea.com/news/africa-regional-trade-increases/

TMEA. (2016, January 8). *East African Community Citizens to Acquire E-Passport Soon*. Retrieved from TradeMark East Africa: https://www.trademarkea.com/news/east-african-community-citizens-to-acquire-eac-e-passport-soon/

TMSA. (2014, February 26). *COMESA: The Customs Union*. Retrieved from TradeMark Southern Africa: http://www.trademarksa.org/news/comesa-customs-union

Ukaoha, K., & Ukpe, A. (2013, January 3). The ECOWAS Trade Liberalisation Scheme: Genesis, Conditions and Appraisal. *ECOWAS Vanguard*, pp. 1-11.

UN. (2015). *MDG Gap Task Force Report 2015.* New York: United Nations.

UN. (2015). *The 2030 Agenda for Sustainable Development.* Retrieved from United Nations: https://sustainabledevelopment.un.org/post2015/transformingourworld

UNCTAD. (2013). *Economic Development in Africa: Intra-African Trade.* Geneva: United Nations Conference on Trade and Development.

UNCTAD. (2015). *Building the African Continental Free Trade Area: Some Suggestions on the Way Forward.* New York and Geneva: United Nations.

World Bank. (2010). *Economic Integration in the Maghreb.* Washington DC: Office of the Chief Economist for the Middle East and North Africa Region.

World Bank. (2015). *Africa's Pulse: Volume 11.* Washington D.C.: World Bank Group. Retrieved from WWW.WORLDBANK.ORG/AFRICASPULSE

WTO. (2015). *International Trade Statistics 2015.* Geneva: World Trade Organization.