



Economic Commission for Africa



African Union

Assessing Regional

Integration in Africa II

Rationalizing Regional Economic Communities

ARIA II

Assessing Regional
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Rationalizing Regional Economic Communities



Economic Commission for Africa



African Union

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First printing May 2006

ISBN: 92-1-125102-8
Sales Number: E.06.II.K.2

Material from this publication may be freely quoted or reprinted. Acknowledgement is requested, together with a copy of the publication.

Edited by Communications Development Inc., Washington D.C., USA.
Design and layout by Phoenix Design Aid / Scanprint, Denmark
Printed by ECA

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Report Note

The report uses the term regional economic community (REC) to refer to all regional groupings and inter-governmental organizations. It must be noted that the African Union only recognizes the following institutions as RECs: Arab Maghreb Union (UMA), Community of Sahel-Saharan States (CEN-SAD), Common Market for Eastern and Southern Africa (COMESA), East African Community (EAC), Economic Community of West African States (ECOWAS), Economic Community of Central African States (ECCAS), Inter-Governmental Authority on Development (IGAD), and Southern African Development Community (SADC).

Acknowledgements

This report was prepared under the overall guidance of the Chairperson of the African Union Commission, President Alpha Omar Konaré, the Executive Secretary of the United Nations Economic Commission for Africa (ECA), Mr. Abdoulie Janneh, and the former Executive Secretary of ECA, Mr K.Y. Amoako.

The report team was led by Hakim Ben Hammouda, director of ECA's Trade and Regional Integration Division (TRID), and included Joseph Atta-Mensah, Stephen Karingi, Kasirim Nwuke, Ngartando Blayo, Sam Cho, Abdoulahi Mahamat, Patrick Osakwe, Daniel Tanoe, Marie-Thérèse Guiebo and Andrew Mold. Other team members were Ambassador Peter Robleh, Adeyemi Dipeolu, Amal Elbeshbishi, Abdoul Kane, Emmanuel Louzet, Rawda Omar-Clinton, Nassim Oulmane, Mustapha Sadni-Jallab, Bashir Condé, Rémi Lang, Robert T. Lisinge, Romain Perez, Ben Idrissa Ouedraogo, Namakau Akapelwa, Berhanu Haile-Mikael, Islam Swaleh, Dalia Osman and Ambra Del Gaudio.

The report benefited from excellent internal and external peer review sessions. Internal reviewers from ECA included Josephine Ouedraogo, Karima Bounemra Ben-Soltane, Josué Dioné, Mbaye Diouf, Augustin Fosu, Jennifer Kargbo, Hachim Koumare, Robert Okello, Okey Onyejekwe, Aida Opoku-Mensah, Halidou Ouedraogo, Thokozile Ruzvidzo and Yousif Suliman. Patrick Bugembe, Emmanuel Nnadozie, Shamika Sirimanne, Guillermo Mangué and Ralf Krueger also provided valuable comments. The African Union review team was led by the Commissioner for Economic Affairs Maxwell Mkwezalamba, and included Charles Awitor, Emmanuel Chinyama, Rene Kouassi, Baba Mousa and Fudzai Pamacheche. Special thanks are also due to Margaret Vogt and Mamadou Lamine Diallo, former director and former deputy director respectively of the Office of the Chairperson of the African Union Commission.

The external reviewers were the former President of the African Development Bank Babacar Ndiaye, Akou Adjogou, Olu Ajakaiye, Kwame Akyianu, Tesfaye Dinka, Steven Karangizi, Aileen Marshall, Wim Meeusen, Ahmada R. Ngemera, Lolette Kritzingervan Niekerk, Albert Ondo Ossa, Mohamed Ben Romdhane, Abdou Saidu, Tracy Zinanga, Hassan A. Sunmonu, Isabelle F. Waffubwa, Tarana Loumabika, Dawit Makonnen and Girma Woldetsadik. The report owes a debt of gratitude to Africa's regional economic communities and the Member States for providing valuable input to the initial draft, completing detailed questionnaires and participating in the peer review process.

Gideon de Beer, Zinahe Asnake, Zewdalem Shitaye of the ECA Information Services Section prepared the software used in the statistical analysis. Administrative assistant Almaz Tesfasion, the secretary to the director of TRID Agare Kassahun, research assistant

Wondimu Haile; and Loule Balcha, Ferdos Issa, Hanna Kampanis, Almaz Negussie and Solomon Wedere provided very valuable secretarial and administrative support throughout the project.

Akwe Amosu, Max Jarrett, Teshome Yohannes and Andrew Allimadi of the ECA communication team coordinated the production of the report. Martine Brue-Azubuike managed the translation service and Sid Ali Merradi translated the report into French, which was then revised by Elsa Despiney. Finally, the report team would like to thank Bruce Ross-Larsen and his colleagues at Communications Development Inc. for their thorough and professional editing, Phoenix Design Aid / Scanprint Denmark for design work and layout, and Charles Ndungu and his team at the ECA print shop.

Acronyms and abbreviations

AEC	African Economic Community
ADB	African Development Bank
AGOA	African Growth and Opportunities Act
ARIA	Assessing Regional Integration in Africa
AU	African Union
CEMAC	Central African Monetary and Economic Community
CEN-SAD	Community of Sahel-Saharan States
CEPGL	Economic Community of the Great Lakes Countries
CET	Common External Tariff
COMESA	Common Market for Eastern and Southern Africa
DRC	Democratic Republic of Congo
EAC	East African Community
ECA	Economic Commission for Africa
ECCAS	Economic Community of Central African States
ECOWAS	Economic Community of West African States
EU	European Union
IGAD	Intergovernmental Authority for Development
IOC	Indian Ocean Commission
MRU	Mano River Union
NAFTA	North American Free Trade Agreement
NEPAD	New Partnership for Africa's Development
RECs	Regional Economic Communities
SACU	Southern African Customs Union
SADC	Southern African Development Community
UMA	Arab Maghreb Union
UEMOA	West African Economic and Monetary Union
WTO	World Trade Organization

Foreword

Regional integration and the creation of the African common market has been the vision of African leaders since the early years of independence. Africa's regional economic communities are making significant progress in its attempts to integrate. Improvements have been made in areas including trade, communications, macroeconomic policies, and transportation. Despite the gains, there are still a number of challenges facing the integration process. These challenges emerged from our first joint publication on regional integration, titled: *Assessing Regional Integration in Africa (ARIA 1)*. Among the key issues is the complex institutional setting under which regional integration schemes have been operating. This is why the African Union and the Economic Commission for Africa took the decision to follow the publication of ARIA1 with a series of ARIA publications, examining in detail the key obstacles to integration. ARIA 2, therefore, takes a detailed look at Africa's regional economic communities (RECs).

The Abuja Treaty designates Africa's RECs as the building blocks for stronger integration and the eventual creation of an African Economic Community. However, these RECs need to be substantially strengthened and given clearer operational guidelines in order to fulfil this huge mandate. For example, even though the African Union only recognizes eight RECs, the continent currently has fourteen inter-governmental organizations (IGOs), working on regional integration issues, with numerous treaties and protocols governing relations among them, and between them and the Member States. This proliferation of institutions and protocols means that out of the 53 Member States of the African Union (AU), 26 belong to two of the fourteen IGOs, 20 belong to three of them, and one country belongs to four.

While countries may have rational explanations for belonging to more than one regional grouping, the numerous groups and memberships presents its own set of challenges. Overlapping memberships, mandates, objectives, protocols and functions create unhealthy multiplication and duplication of efforts and misuse of the continents' scarce resources – making these regional groupings very inefficient. This point was reinforced by many of the AU's recognized RECs, IGOs and other stakeholders during widespread consultations that took place in the preparation of this document.

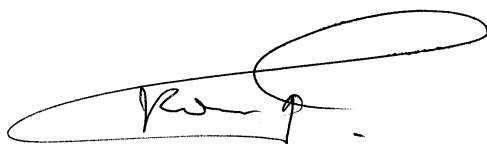
The consultations also found that many of the RECs and IGOs had initiated processes of harmonizing their work programmes. At the continental level, both the Abuja Treaty and the Constitutive Act of the African Union have provisions calling for the coordination and harmonization of the policies of RECs. However, the experience so far shows that despite strong efforts, success has been limited.

ARIA II provides a comprehensive report assessing the current institutional setting for regional integration in Africa, with bold and realistic recommendations for rational-

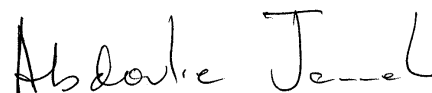
ization. The report lists five options for rationalization. Each option has benefits, and costs, which are clearly stated. The recommendations were thoroughly discussed with key stakeholders on the continent, including the RECs themselves. The report also shows that the cost of inaction is unacceptable.

The rationale for integration is clear and compelling. A common market combining Africa's mostly small and fragmented economies will lead to economies of scale, making African countries more competitive. This is central to the continent's quest for robust, self-sustaining economic growth and development. Regional integration will also lead to stronger political cooperation between countries, which is essential for dealing with regional public goods such as infrastructure development, and conflict resolution and management. The Economic Community of West African States (ECOWAS) has successfully demonstrated the latter point through its intervention in the conflicts of Sierra Leone and Liberia, bringing peace and hope to millions of people.

Moving forward on Africa's integration agenda will require sustained effort from the continent's leadership. Our sister institutions are committed to this process and our combined technical and political expertise is at the disposal of Member States and RECs as we jointly strive to implement Africa's continental integration agenda.

A stylized, handwritten signature in black ink, featuring a large, sweeping loop at the top and a smaller, more defined signature below it.

Alpha Oumar Konaré
Chairperson
African Union Commission

A handwritten signature in black ink, written in a cursive style with the first letters of the first and last names being capitalized and prominent.

Abdoulie Janneh
Executive Secretary
Economic Commission for Africa

Highlights

Global trends in international trade and economic, social, and political relations continue to forge closer integration among countries and regions. Trade in goods and services, and movement of capital and human resources continue to grow tremendously, assisted by accelerated sharing of technology across national and regional borders. But all indicators—including Africa’s share of global trade volume—show that the continent’s performance has been poor, marginalizing it in the global trading system. This marginalization has taken place even as the continent has increased its trade with the rest of the world by eliminating barriers, mainly unilaterally.

But trade—both within the continent and with the rest of the world—remains a key pillar for tackling the challenges Africa faces. Regional integration has thus emerged as the framework to address obstacles to intra-African and international trade. Reducing barriers to intra-African trade will create larger regional markets that can realize economies of scale and sustain production systems and markets.

Eventually, larger regional markets and more efficient production systems will enhance Africa’s competitiveness, enabling it to attract a larger share of the global market. But regional integration in Africa is not just about trade and market integration. The integration plans deal with everything from sectoral issues—such as agriculture, water, gender, and regional public goods—to peace and security. The continent’s regional integration objectives differ in importance, but Africa embraces regional integration both to pursue economic goals and to realize regional and continental social and political objectives.

For most countries efforts to integrate gained momentum at independence. Many integration groups have since been formed. The Lagos Plan of Action of 1980 and the signing of the Abuja Treaty in 1991 demonstrate the common desire to establish the African Economic Community. Six stages to achieving an economic union were identified, starting with free trade areas and customs unions, moving to common markets, and eventually monetary unions with the regional economic communities as the pillars. Progress so far has been mixed: although the regional economic communities have made significant achievements, more needs to be done.

A majority of regional economic communities are in the second stage of the integration process, well within the framework of the Abuja Treaty. But overlapping mandates and objectives, duplicated integration policies, and the multiple memberships by African countries appear to be slowing integration, reducing the regional economic communities’

effectiveness, and stretching thin limited financial resources. Despite the efforts of the regional economic communities and member countries, intra-African trade remains low—mostly because of nontariff barriers. Although most regional economic communities have abolished tourist visas, movement of people is still restricted because the communities have yet to implement the rights of residency and establishment for noncitizens of a member country. The African Economic Community can still become a reality if the regional economic communities receive support to tackle the challenges confronting them and if the continent's leadership continues to implement directives that forward the integration agenda.

This report focuses on the rationalization of the regional economic communities—one of the main challenges confronting Africa in its quest for full integration. In addition to documenting the major achievements of the regional economic communities, the report shows how overlapping regional economic communities and multiple memberships by African countries are slowing integration. The focus on rationalization is premised on the idea that efficiency and effectiveness are supreme, because the overlapping regional economic communities and multiple memberships are associated with large resource costs and seriously binding financial constraints. Rationalization would make it easier for African countries to meet their financial obligations to the regional economic communities. Above all, rationalization would allow the continent to reap the full benefits of integration—particularly those for growth and for trade within and outside Africa.

How to rationalize the regional economic communities

The rationalization efforts should:

- Share a vision that aligns the regional economic communities with the African Union and the New Partnership for Africa's Development.
- Strengthen the performance of the regional economic communities.
- Protect the geographical viability of the regional economic communities.
- Expand Africa's economic and market space for production and investment.
- Develop transitional measures to gradually replace the current institutional arrangements.

Why rationalize the regional economic communities

The African Union considers the regional economic communities the pillars of continental integration. The regional economic communities have made substantial achievements in trade, infrastructure, and regional public goods, particularly peace and security. But only a fifth of the regional economic communities have achieved their targets for

trade among members. Common labour laws, free movement of labour, and rights of residence and establishment have still not been undertaken by most regional economic communities, and most are also lagging on almost all critical elements necessary for the success of an economic union, except establishment of regional development banks. Progress in harmonizing tax policies, deregulating financial sectors, liberalizing the capital account, and other areas has been insufficient. Even with sectoral programmes needed to deepen African integration, a third to a half of the regional economic communities acknowledge shortcomings in the effectiveness of their initiatives towards the integration goals.

The reasons behind these results:

- The regional economic communities' internal deficiencies.
- Little national support.
- Poor coordination across regional economic communities.

The regional economic communities' main deficiencies

Too much overlap in regional economic community membership. The overlapping membership in Africa is puzzling. On average, 95% of the members of a regional economic community belong to another community. An obvious question is whether national policymakers are aware of the consequences of multiple and overlapping memberships. Survey evidence clearly shows that they are: more than a quarter of the countries that are members of more than one regional economic community say that multiple memberships make it difficult to meet their contributions and obligations to the various regional economic communities. Another 23% say that multiple memberships are the reason behind low implementation of their programmes. Two other major problems from multiple memberships are low attendance of meetings and duplicated or conflicting programme implementation.

Why do countries still join more than one regional economic community given these problems? Half cite political and strategic reasons as the main determinant of whether to join a regional economic community. Economic interests rank a distant second, with only 35% of countries citing it. Geography, which is a key consideration in the Abuja Treaty, is cited by only 21%.

Duplication of programmes. The duplication of programmes by regional economic communities is another inefficiency of Africa's regional integration efforts. Of the 12 major programmes being undertaken by the regional economic communities in West Africa, there is duplication in at least 9 of them. Programmes in trade and market integration and in agriculture and food security are undertaken by three of the four regional economic communities. And despite the many duplicated efforts at trade and market integration, trade within regional economic communities in West Africa is very low. The nine integration programmes in West Africa could likely be addressed in a harmonized

way, with just one regional economic community dealing with a particular issue and still covering the whole region.

The majority of regional economic communities in Africa acknowledged duplication as a problem, especially in programmes related to trade facilitation and trade and market integration. Without coordination, the regional economic communities as they now work will be unlikely to move towards continental integration. The lack of harmonized instruments governing trade and market integration schemes means that each regional economic community has its own rules of origin or its own certification process, among other things, limiting trade between communities.

Underfunding. The duplication of programmes and overlapping memberships come at a cost to Africa's integration process, especially given the resource constraints that regional economic communities face. On average, a third of regional economic community members fail to meet their contribution obligations; rising to more than half in some communities. The internal financing mechanisms of the African regional economic communities are seriously wanting, which could mean that:

- Countries are feeling the burden of being spread too thin among the many regional economic communities.
- Countries are uncertain of the expected gains from regional economic communities.
- Countries joined the regional economic communities without sufficient strategic thought as to the political or financial implications.

Inability to attract staff. Resource constraints appear to be especially binding in staffing. Except the West African Economic and Monetary Union, most regional economic communities appear to have small and lean secretariats, with an average of 55% of total employees in general staff grades, even though the programmes run by the regional economic communities tend to be technical. Low salaries may explain the poor employment rates of the professional staff: 40% of the professional staff earn more than \$20,000 a year, and another 40% earn \$10,000–\$20,000. Regional economic communities also face high staff turnover, which may have serious implications, especially for small communities.

Little national support for regional economic communities

Poor institutions. The state and success of regional integration are determined by national and subregional capacities. Weak national institutions in Africa may seriously hamper effective cooperation and integration. Only 32% of African countries have a ministry dedicated solely to regional integration. The rest lack a central point in the government for coordinating subregional economic activities. Some 18% of African countries cite the diversity of policies involved in integration as the reason that they do not have a ministry dedicated to integration. More than 25% believe that existing mechanisms—usually, other

ministries acting as focal points on regional integration—are satisfactory. And 53% have more than one focal point on regional integration. These coordination difficulties are likely to harm integration efforts and to be deepened by overlapping memberships.

Little translation of regional economic community goals into national plans and budgets. Translating regional economic community goals into national plans and budgets is an important interface between individual countries and the regional economic communities. But member countries have deficient national mechanisms for doing so. Nearly 75% of member countries cited lack of resources as a constraint. In most African countries regional cooperation does not go far beyond signing treaties and protocols. And the objectives of the treaties are integrated at the wrong time and without the requisite commitment in national development plans or in the sectoral programmes of appropriate substantive ministries.

Poor implementation of agreed programmes. Rationalizing the institutional setting is important for successful integration, but member countries are the primary stakeholders and have an important role in ensuring that commonly agreed policies are implemented at the national level. But national implementation has been weak, with few countries having established effective integration mechanisms. For instance, only 28% of countries reported reducing tariffs to levels agreed to by the regional economic communities. Some 32% are still implementing tariff reductions that are supposed to be completed—an indication of a lagging integration agenda. Lethargy is also evident in nontariff barriers: barely a third of member countries have eliminated nontariff barriers that impede trade within regional economic communities. More progress has been made in harmonizing customs documentation and nomenclature—half the countries have completed the required harmonization.

Obstacles to movement of people across borders are being better addressed. Some 90% of countries have abolished entry visas for all or some regional economic community members. But only 65% of countries have opened in favour of right of establishment for the citizens of countries of concerned regional economic communities.

Weak legislative processes for integration. Protocols are needed to put treaties into effect, so it slows the implementation of agreed programmes when members of a regional economic community fail to sign or ratify a treaty or to submit a ratified treaty in a timely fashion. Some 80% of African countries cite protocols on trade as the most important. Almost as many cited protocols on transport and communication. Although strong actions would be expected at the national level given the importance of the protocols, only 16% of ratifications take less than three months. In most countries the process takes a year. Delays in signing and ratifying regional agreements contribute to a loss of momentum in integration.

Poor fulfilment of financial obligations to the regional economic communities. Well financed and thus efficient and effective regional economic communities would speed estab-

lishment of the African Economic Community. But financing regional integration in Africa has remained a key challenge. As of 2003, only 68.5% of member countries' contributions to regional economic communities had been paid. Clearly a gap exists between needs and member contributions. As of 2004, 36% of African countries were still unable to meet their obligations, with most citing limited resources as the main reason. This could indicate that regional economic communities' programmes are not viewed as a budgetary priority. Overlapping membership also contributed to the arrears. Some 33% of countries said that overlapping membership could be undermining support for regional economic communities, because the burden of supporting them is felt directly while benefits are long term.

Unclear view of the costs and benefits of integration. Some 42% of countries that have undertaken cost-benefit analysis studies of integration concluded that regional integration portends net long-term gains for the country, and only 8% concluded that they are likely to experience net long-term costs from integration. Findings from these studies influenced more than 60% of the countries on such policies as membership and affected government commitment to a given regional economic community. On balance, most African countries have realized more benefits than costs from regional integration, and 36% say that regional integration benefits have far outweighed the costs. A quarter said that it is too early to tell, but many of these countries have yet to conduct a cost-benefit study.

Growing private sector participation. In countries where production is no longer predominantly in the hands of government, private sector and nongovernmental institutions must respond to the integration process and implement the changes in production called for by integration agreements. Several outreach methods are used to inform the private sector on regional integration issues. In most countries (81%) the government passes information to the private sector through national chambers of commerce. In terms of visibility and engaging the private sector, most African countries appear to be doing the right thing.

Almost no popular participation. Governments and intergovernmental organizations have generally monopolized the dialogue on integration. But there is an emerging recognition of the need to involve people in the process. Various mechanisms have been put in place to involve civil society in regional integration. National debates are not widely used, but in almost half of the countries the parliament debates regional integration, giving civil society the opportunity to be informed and included in the debate. However, consultation mechanisms on regional integration often leave out broad sections of society. And the nature of professional organizations, which tend to be dominated by workers in the formal sector, means most citizens are unlikely to understand the integration issues facing their countries.

Little continental coordination

The regional economic communities have made some efforts to adopt mechanisms to coordinate their activities, including memorandums of understanding, periodic coordination meetings, regular exchange of information, joint programming, joint review of programmes, and joint implementation committees. But use of these coordination mechanisms is limited. Some 40% of regional economic communities in the same region use memorandums of understanding, less than 20% have joint review of programmes, and less than 30% carry out joint programming and implementation of activities.

The coordination mechanisms that do exist are not rules-based or even legally binding. The result: only half the programmes and activities that are undertaken in a region are coordinated, and even those coordination efforts have not produced the desired results. In trade and market integration programmes, which are a major objective of the Abuja Treaty, coordination takes place in only a third of the regional economic communities. Similarly, macroeconomic policy convergence and monetary and financial integration are coordinated by less than a third of the regional economic communities.

The Abuja Treaty and the Constitutive Act of the African Union were expected to provide a more effective and constraining framework in the architecture of continental integration. Aware of the difficulties associated with overlapping memberships and duplication of programmes, the African Union and the main regional economic communities have adopted a protocol on their relationship that paves the way for rationalizing regional integration at the continental level. The objective of the protocol is to promote closer cooperation among regional economic communities, particularly through coordinating and harmonizing all their policies, measures, programmes, and activities. It provides a framework with clear coordination organs: the Committee of Secretariat Officials and the Committee on Coordination.

Despite these coordinating mechanisms, 30% of the regional economic communities attribute their lack of coordination to lack of leadership, which the protocol between the regional economic communities and the continental institutions is supposed to provide. And at least a third say that communication among communities is limited. The main strength of the protocol from the regional economic communities' perspective is its existence—a clear indication that the communities recognize the need for coordination mechanisms. But it remains to be seen whether they are ready to accept mechanisms with built-in disciplines.

The case for a coordinating mechanism is convincing in the regional economic communities' view. But a key constraint is lack of financial resources to implement agreed policies. At least 80% of the regional economic communities feel that if benchmarks existed, progress could be made on ensuring that coordination objectives are met. In the same vein lack of regular statutory meetings are widely seen as impediments to or weaknesses of the existing protocol on relations.

Attendance at meetings of the two coordinating organs has often been insufficient. The Committee of Secretariat Officials has met five times in five years, but not all the regional economic communities attended. Little is exchanged or discussed on the progress of coordinating or harmonizing policies and programmes at the country, regional economic community, continental, and sectoral levels when meetings take place. The lack of formally established focal points among the regional economic communities and between the African Union and each regional economic community further contributes to the inadequate information exchange, making the two committees ineffective.

To make continental coordination effective, the relationship between the regional economic communities and the continental organs must be critically examined. For instance, only 22% of the regional economic communities support the idea of sanctions against communities that deviate from the overall objective of African integration. But all were in favour of sensitization to deal with offending communities. They appear willing to accept subsidiarity only when the superior institution does not have authority to impose sanctions, even when a community deviates from the common goal.

The integration schemes in Africa are clearly suffering from the ambiguity and the difficulties of continental coordination, but the regional economic communities have ideas for strengthening it. In nearly all the regional economic communities coordination meetings are seen as the panacea to the lack of effectiveness in coordinating activities. The regional economic communities also support the idea of fixed annual coordination meetings as forums for reviewing progress in coordination and harmonization of individual sectors. A monitoring report and a formal mechanism for information exchange also have great support, but debate still exists on the best role for the African Union.

How to think about rationalization

For rationalization to be effective and successful all the regional economic communities need to follow a well articulated framework that ensures congruence and convergence towards full integration of the continent. To do so, they must follow several guiding principles.

Aligning vision with the African Union and the New Partnership for Africa's Development. Rationalization cannot be carried out if the aims and objectives of the regional economic communities are misaligned with the vision of the African Union and the New Partnership for Africa's Development. The vision of the African Union and the New Partnership for Africa's Development are clearly for the sustainable development and integration of the continent, which implies that rationalization must significantly contribute to the unification of the African economies.

Strengthening efficiency. Rationalization must strengthen the efficiency of the regional economic communities, whose current operations are extremely inefficient due to over-

lapping mandates, objectives, protocols, and functions that create unhealthy duplication of efforts and misuse the continent's scarce resources.

Ensuring geographical viability. How the regional economic communities are aligned to the African regions will also have to be addressed in the rationalization process. Several factors should be considered: geographical proximity, economic interdependence, commonality of language and culture, and history of cooperation and shared resources. Geographical proximity is the most common and important in terms of shortening the distance for promoting effective cooperation and integration among participating countries. The other elements are also important for effective subregional and regional integration. In particular, they can easily be accommodated and promoted within a given geographical boundary.

Broadening economic and market space for investment. Promoting investment is one of the main reasons for regional economic communities. Rationalization must fully exploit the economic benefits to attract investments. Rationalized regional economic communities broaden the opportunities for production and niche markets in the regions and subregions.

Minimizing transitional arrangements. Protocols will be needed to handle agreements between existing regional economic communities and other partners should the regional economic communities cease to exist after rationalization. The rationalization process will also have to address national sovereignty because member countries may not be prepared to cede powers to a supranational body for fear of losing independence.

Adopting a realistic and participatory approach. The rationalization process must be realistic and embraced by all the regional economic communities. It must also take into account the multiple agreements that already exist. All regional economic communities must be considered full partners in the rationalization process.

Maintaining clarity and credibility. The rationalization process must be transparent and credible, with clear, specific, and binding protocols. At the continental level rationalization must be enshrined in laws governing the regional communities.

Sharing responsibility. Allocating tasks and responsibilities and designing common or joint programmes in which the role and contribution of each regional economic community is well specified would help achieve the main objective of rationalization—that is, removing or minimizing the negative impacts of the multiplicity of institutional frameworks of regional cooperation, especially the risks of duplication or waste of resources.

Consolidating vested interests. Rationalization must consolidate and maximize vested interests and achievements of the regional economic communities.

Achieving convergence. A guiding principle of rationalization is to engage the member countries and their cooperation institutions in strategies and programmes that fully integrate the continent. Thus all programmes carried out by the regional economic communities must avoid duplication and operate under the rubric of the Abuja Treaty. Moreover the role-sharing of the rationalization process should be reinforced with a system of coordination and operational plans.

Scenarios for rationalization

Five rationalization scenarios are presented here as paths to achieve the African Economic Union.

Maintaining the status quo. The weakest approach to rationalization is to maintain the current number of regional economic communities. Under this scenario the continent's leadership could issue directives or establish new protocols to alleviate the negative impacts of multiple regional economic communities and overlapping memberships. The decisionmaking and executive organs of the African Union would be confined to managing the existing arrangement and dealing directly with all the regional economic communities on economic integration policies, programmes, and instruments. The African Union would have to institute timeframes for the communities to achieve its objectives, without coordination or leadership at the regional level. This is a poor option because it fails to address overlapping programmes, duplicated efforts, and multiple memberships.

Rationalizing by mergers and absorption. Based on Resolution CM/464 of the 26th Organization of African Unity Council of Ministers, the Abuja Treaty divides the continent into five regional communities: North Africa, West Africa, Central Africa, East Africa, and Southern Africa. Rationalization could be achieved by absorbing and merging regional institutions and regional economic communities so that they are in line with the five regions of the Abuja Treaty. This scenario—which gives Africa the best hope of full integration—must be backed by signed treaties, protocols, and the total commitment of all African leaders. It also has implications on the staffing of the regional economic communities' secretariats.

Rationalizing around rooted communities. Rationalization around rooted communities is midway between the previous two scenarios. It is based on four fundamental principles: recognizing and maintaining the region as the geographical framework and natural space best suited to integration, having only one regional economic community per region, allowing countries to belong to only one regional economic community, and maintaining subregional communities and other intergovernmental organizations in each region while consolidating and capitalizing on their achievements. Like rationalization by absorption and merger, this scenario would speed the integration agenda because members would have to choose a regional economic community based on its geographical space.

Rationalizing through the division of labour. Rationalization can also require the allocation of tasks based on a few technical criteria, especially optimal dimension of integration programmes. Any sustainable economic cooperation is founded on, among other things, the principle of a fair and equitable allocation of advantages and benefits from common actions. An integration or cooperation institution can be fully operational on a project or programme only if all its members are equally directly involved. This scenario would not change the current configuration of the regional economic communities, but the bigger ones would be empowered to focus on such broader issues as trade, movement of people, and transport, while the smaller ones could concentrate on such issues as the development of water basins, energy, and the like. One drawback to this scenario is the lengthy process that may be required to enact new protocols.

Rationalizing through coordination and harmonization. If the continent's leadership decides to let each cooperation and integration intergovernmental organization maintain its current mandates and objectives, rationalization should be sought by standardizing and harmonizing their strategies, programmes, sectoral projects, and cooperation instruments. Actions should occur when duplication is evident and unsustainable. This scenario assumes that each institution in each regional space would maintain its mandates and prerogatives. In this case, the objectives of rationalization would be removing the incompatibilities and reciprocal exclusions in the trade liberalization plans and the macroeconomic convergence criteria, enhancing complementarity and synergy for production in each region, and creating common or joint programmes in energy and transport. This scenario would remove all the overlaps and duplication of efforts in the regional economic communities' programmes and ensure effective use of resources. And it would not require new protocols.

The way forward

The evidence in this report makes a strong case for rationalizing African integration. It is imperative, bordering on urgent, that the overlapping memberships and mandates of the African regional economic communities be addressed. Whichever scenario is chosen should accelerate the process of achieving the African Economic Community.

For the chosen scenario to be effectively adopted and implemented, a protocol between integration institutions in the same regional space should be established that clearly states the responsibilities and operational areas of the different regional economic communities and provides guidelines for a regional coordination structure. The deliberative organs (Conference of Heads of State) of each regional economic community should endorse the protocol to give it executive force. The protocol would also serve as an initial instrument for formalizing relations between the regional economic communities and other cooperation and economic integration institutions. It should also provide the framework for each regional economic community to act as the interlocutor between the regions and the organs of the African Union.

This second edition of *Assessing Regional Integration in Africa* takes into account the sensitive nature of discussions on rationalizing the regional economic communities. It is thus important that any deliberation on the subject be handled in an environment where all stakeholders of the integration agenda are free to express their opinions and the African Union should take the final decision. This report suggests several fundamental principles that could be followed in the talks leading to the rationalization process: realism and flexibility, clarity and credibility, a participatory approach, role sharing, consolidation of vested interests, convergence, and synergic effects. Effective consultations are also needed at several levels throughout the process—namely, negotiation, adoption, and implementation of a rationalization scheme—since unilateral decisions, self-proclamations, and other selective approaches would not be helpful to the process.

This report recommends that the Commission of the African Union and the Executive or General Secretaries of all the integration institutions on the continent fully participate in all the discussions. They should carefully analyze the proposals—and their implications—advocated here. After exhaustive consultations and meetings with all parties involved in the integration agenda of the continent, the African Union Commission should then propose a rationalization scheme for the approval of the African Union Heads of State. Their decisions or directives should be formally brought to the attention of all the regional economic communities, which would then negotiate with the intergovernmental organizations to ensure successful implementation of the agreed decision. It is equally important that the rationalization process be built around the current successes and achievements of the regional economic communities.

The Drivers of Regional Integration for Africa's Development

Regional integration in Africa follows the traditional concept based on geographical proximity and contiguity of countries and political cooperation through economic cooperation. But major internal and external forces are significantly changing economic relations within Africa and with the rest of the world. Important aspects of these changes are the New Partnership for Africa's Development (NEPAD), the new trade geography where rich countries seek greater integration with poor countries through bilateral trade agreements, and new institutions of international trade (such as the World Trade Organization). The European Union's economic partnership agreements are also likely to considerably change the architecture of regional integration in Africa.

Regional integration—still just an aspiration

In numerous forums African leaders have underscored the imperative of greater coordination and harmonization among the continent's many regional economic communities. The most important of these efforts are the Abuja Treaty establishing the African Economic Community and the more recent Constitutive Act of the African Union. Chapter XIX of the Abuja Treaty stresses the importance of establishing the African Economic Community "through the coordination, harmonization, and progressive integration of the activities of regional economic communities." It further enjoins member countries "to promote the coordination and harmonization of the integration activities of regional economic communities of which they are members with the activities of the Community." Article 3 of the Constitutive Act of the African Union also underscores the need "to coordinate and harmonize the policies between the existing and future Regional Economic Communities for the gradual attainment of the objectives of the Union."

Although rationalization is not specifically mentioned in these documents, African leaders and policymakers widely understand that the multiplicity of overlapping memberships in regional economic communities constrains the integration aspirations of the region. This has been a major recurring theme at recent meetings and conferences in the region.

More recently Africa has witnessed the creation of several new regional economic groupings. For example, East and Southern Africa is home to the Southern African Development Community (SADC), the Indian Ocean Commission (IOC), the East African Community (EAC), and the Inter-Governmental Authority on Development (IGAD)—all formed in the last 30 years.

The most relevant factor for this report is the shallowness of integration

Concerned about the slow pace of continental integration, the 1991 African Heads of State Summit in Abuja laid out a timetable for full economic integration of the continent. Under the Abuja Treaty the creation of the African Economic Community will be carried out over 34 years (1994–2027) in six stages, ending in an economic union with a common currency, full mobility of the factors of production, and free trade among the continent’s 53 countries.

African leaders also recognize that economic integration cannot be successful without physical integration. Thus a key component of NEPAD is to strengthen Africa’s weak infrastructure. NEPAD assigns a significant role to the regional economic communities, emphasizes regional and subregional approaches, and encourages African countries to pool resources to enhance growth prospects and to build and maintain international competitiveness. NEPAD also highlights the importance of providing regional public goods and rationalizing the institutional framework for regional integration in Africa.

The 2004 edition of *Assessing Regional Integration in Africa* (UNECA 2004a) discusses in depth the many reasons for this, but the most relevant factor for this report is the shallowness of integration. Deep integration can increase regional competitiveness in sectors where economies of scale are easy to achieve.

Changing global trading system

Changes in the world trading regime are a major driver of Africa’s regional integration agenda. The global trading system has evolved significantly in the last 20 years, with the general consensus that free trade is good for growth. The General Agreement on Tariffs and Trade, created more than 50 years ago, transformed into the World Trade Organization (WTO), which has significantly reduced tariff and nontariff barriers. Rich economies now pursue bilateral trade liberalization with poor ones. The changes have resulted in greater integration of world markets and increased world trade. Since the Uruguay Round of trade negotiations in 1995 world trade increased 25%, twice as fast as production. This rapid expansion has been facilitated by developments in information and communication technology, liberalization of financial markets, and factor movements across national and regional borders. Countries’ and regions’ responses to these new opportunities has to some degree determined their share of the benefits. Africa’s share has been relatively small: in the early 1960s Africa accounted

for as much as 10% of world exports; by 2000 its share had declined to about 2% (ADB 2003).

The decline in Africa's share of world agricultural trade illustrates this marginalization much more clearly. According to the Food and Agricultural Organization, every region of Africa has experienced significant declines in share of world agricultural trade since 1961, with Southern Africa falling the most—from 9% in 1961 to 3% in 1998. Meanwhile, in 1998 Central Africa's share was 0.2%, West Africa's 1%, and East Africa's 1.1% (Stevens 2003).

Several factors account for Africa's marginal role in world trade, including the changing nature and attributes of exports, restrictions in market access in the major economies, and supply-side constraints. Limited intra-African trade, a result of weak regional integration, is also a factor because it constrains opportunities for learning-by-doing for African countries. The small domestic markets do not provide enough opportunities for firms to learn or enough cushion for the export sector during shocks in the international market. They also lessen the scope for exploiting economies of scale and scope. As a result, many firms limit their exposure to the risky and more competitive export market. A larger African market would provide opportunities for firms to learn by doing—underscoring the need for deeper regional integration in Africa as a first step towards improved export competitiveness (AU 2001).

The impetus is changing. Africa's integration aspirations have received a greater sense of urgency thanks to developments in the global trading and political environment. The drawn out nature of some WTO negotiations and their requirement that African countries negotiate as a group have promoted integration. And regional integration arrangements have been developed since the mid-1980s. The North American Free Trade Agreement (NAFTA) and the ongoing negotiations to create a Free Trade Area of the Americas have not gone unnoticed in Africa.

NAFTA, North America's free trade agreement among Canada, Mexico, and the United States, has significantly increased trade and investment in the region. The ultimate objective is to extend NAFTA to all the countries of North and South America. MERCOSUR, a customs union among Argentina, Brazil, and Uruguay, was created in 1991. The Association of Southeast Asian Nations Free Trade Area is a similar arrangement among Asian countries. Overall, according to the WTO, there has been a huge increase in the number of regional trading arrangements (figure 1.1). The groups behind these agreements are demanding more relationships with counterpart organizations in other regions, including in Africa.

Mixed outcomes from WTO-led globalization

Globalization is another factor driving Africa's regional integration agenda.¹ It is sometimes seen as a benign process, full of advantages for all with a few manageable risks for poor countries. To African policymakers and leaders, though, glo-

Since the Uruguay Round of trade negotiations in 1995, world trade increased 25%

**Globalization
is increasingly
marginalizing the
continent**

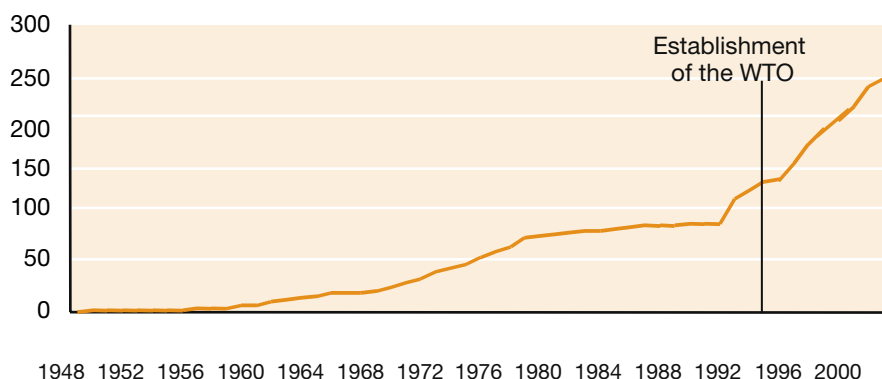
balization is increasingly marginalizing the continent. Sub-Saharan Africa has watched its share of world trade and investment decline to insignificant levels despite having the most open economies. The region has seen exports grow less rapidly than GDP and is yet to be a destination of foreign direct or equity investment.

Globalization is not a new phenomenon (Diamond 1997), but it is now characterized by an accelerated pace of interdependence and connectivity and aided by innovations in communication technology. Consider cross-border movements of goods, services, and finance. According to the United Nations Development Programme (UNDP 1999) estimates, over \$1.5 trillion worth of currency transactions occur every day, an amount equal to more than twice the “total foreign exchange reserves of all governments. These transactions, as the Mexican and Asian financial crises clearly showed, greatly reduce the ability of governments to intervene in foreign exchange markets to stabilize their currencies, manage their economies, and maintain fiscal autonomy.”

Binding trading rules and trade sanctions, primarily through the WTO, have added to obligations that can be forced on governments. They make it difficult for African countries to rely on internal mechanisms of economic management and to follow the same strategies that Europe, the United States, and the Asian newly industrialized economies used to grow. Except for occasional references to special and differential treatment, these rules prohibit poor African countries from engaging the rest of the world from behind tariff barriers, maintaining public ownership of large segments of key sectors of the economy, and placing restrictions on foreign capital flows.²

Figure 1.1

Regional trading agreements notified to the General Agreement on Tariffs and Trade and the World Trade Organization, 1948–2002



Source: Matthews 2003, citing WTO data.

Weak African economies have fared very poorly under this new regime. Few, if any, domestic protections were left after the structural adjustment programmes of the 1980s and 1990s, and the net effect has been suppressed domestic economic activity, depressed wages and tax revenues, a worsened balance of payments, and marginalization of the continent. The renewed emphasis on regional integration in the Lomé Treaty, the Abuja Treaty on the African Economic Community, and NEPAD reflects attempts by African leaders to stem this marginalization. Regional integration can provide space to grow and power to negotiate differential treatment with major trading partners.

The European Union today accounts for over 41% of world trade and is Africa's largest trading partner

European Union—fostering Africa's regional integration

The regional group with the most influence on African regional integration is the European Union. The single European market and the euro have been important parts of this influence. The European Union has been so successful that its former competitor, the European Free Trade Association, is hardly noticed. With 25 member countries (after the recent admission of 10 new members), the European Union today accounts for over 41% of world trade and is Africa's largest trading partner (ADB 2003).

A more recent development likely to have a significant impact on regional integration in Africa is the European Union's proposal to negotiate economic partnership agreements with regional integration communities. Under the economic and trade cooperation pillar of the Cotonou Partnership Agreement³ African, Caribbean, and Pacific countries, except South Africa, will benefit from the application of Lomé IV nonreciprocal trade preferences over 2001–07. At the end of 2007 these unilateral preferences will be replaced by WTO-compatible reciprocal economic partnership agreements between the European Union and individual African, Caribbean, and Pacific countries or groups of countries. The economic partnership agreements will progressively eliminate tariffs and nontariff barriers on goods and services and address technical barriers to trade and other related matters. Proponents of economic partnership agreements argue that they will promote sustainable development and better integrate poor regions into the global economy by building on and reinforcing African regional integration processes and taking into account the level of development of each regional economic community.

Under pressure from economic partnership agreements, the regional integration architecture is on the verge of a substantial redesign. A new regional bloc has been created to negotiate an economic partnership agreement for countries in East and Southern Africa. The economic partnership agreements proposed by the European Union that envisage comprehensive reciprocal trading arrangements between Europe and Africa's regional integration groups⁴ are likely to have direct and indirect impacts on Africa's regional integration agenda for three reasons:

US-Africa trade grew 59% more in the first quarter of 2003 than in the same period in 2002

- The European Union is Africa's largest trading partner and trading agreements between the two are likely to have far reaching results for each party and for world trade in general.
- Economic partnership agreements require that negotiations be conducted and agreements be entered into with Africa's regional economic communities.
- Economic partnership agreements will be based on reciprocity, which will create new challenges for African countries and the regional economic communities they belong to (or elect to belong to, for purposes of negotiating the economic partnership agreement). For many African countries successfully exploiting the gains from the European Union's proposed economic partnership agreements thus depends on the regional economic community they choose to belong to. This could strengthen some regional economic communities while weakening others.

Unilateral initiatives—recent and important

Unilateral initiatives by the major economies are another recent development driving regional integration. The best known initiative is the U.S. African Growth and Opportunity Act, whose objective is to provide African exports improved access to the U.S. market on a nonreciprocal basis. Although there are strict qualification criteria, the act has already recorded some success. For example, U.S.-Africa trade grew 59% more in the first quarter of 2003 than in the same period in 2002, Lesotho has increased its exports to the United States by \$300 million, and Kenya has 21,000 more people employed in sectors that export to the United States—all attributable to the African Growth and Opportunity Act (Mwencha 2003). Several other new initiatives between Africa and its major trading partners will also drive the continent's integration agenda in the short to medium term: the plan to establish a Euro-Mediterranean free trade area, negotiations for a free trade agreement between the United States and the Southern African Customs Union, negotiations between the European Union and the Southern African Development Community (SADC), the free trade agreement negotiated between South Africa and the European Union, the Tokyo Initiative for Cooperation for Africa's Development, and the Chinese-Africa Forum.

Some countries' self-interest is also driving regional integration. As mentioned, South Africa has successfully negotiated a free trade agreement with the European Union and is negotiating similar arrangements with China, India, and MERCOSUR. In addition to ongoing negotiations with the European Union, North African countries are expanding trade with fellow Arab countries in the Middle East. Egypt, Morocco, Tunisia, and Jordan recently signed the Agadir Agreement, which commits all parties to removing tariffs on trade between them by 2006. And Morocco has a free trade agreement with Turkey and a more comprehensive one with the United States. This is all alongside efforts to establish the Arab Free Trade Zone, which will bring together 18 of the Arab League's 22 members in a free trade area by 2008.

Regional economic communities as drivers or impediments

Despite the major achievements of the regional economic communities (box 1.1), significant constraints to regional integration remain. Overcoming these barriers and challenges—institutional and sectoral—is key to promoting regional integration as an engine of economic growth and poverty reduction in Africa.

Limited capabilities and inadequate funding

According to the survey done for this report, the regional economic communities' success at deep regional integration is limited by inadequate capabilities, insufficient and unpredictable funding, poor remuneration for staff members, and weak capacity.

As member countries have expanded the mandate of the regional economic communities, they have not increased funding. And member countries are frequently late in paying their assessed contributions. The most visible consequence of these funding problems is the weak staffing situation in the secretariats and the consequent lack of programmatic visibility. The lack of supranational authority to enforce commonly agreed decisions reinforces these weaknesses, with sanctions seldom imposed on member countries in breach of agreements. This has opened a substantial gap between the aspirations of member countries expressed in the treaties and protocols creating the regional economic communities and the reality on the ground.

Multiple and overlapping memberships

For strategic and political reasons many African countries belong to more than one regional economic community, especially in East and Southern Africa (UNECA 2004a). The structure of each regional economic community varies, but they all share a common objective: reducing trade barriers among member countries by creating a common, larger economic space. However, the complex patchwork resulting from the multiplicity and overlapping membership in regional economic communities raises considerable problems for policy and programme coordination and harmonization.

The multiplicity of regional economic communities has several drawbacks:

- Fragmented economic spaces and approaches to regional integration.
- Increased cost of membership in regional economic communities.
- Unhealthy rivalry for donor funds.
- Contradictory obligations and loyalties for member countries.
- Inconsistent objectives and conflicting operational mandates.
- Duplicated efforts.
- Reduced ability for regional economic communities to pursue coherent and effective integration programmes.

For strategic and political reasons many African countries belong to more than one regional economic community

Effective integration requires more than reducing tariffs and quotas. The process of seeking agreement among so many regional economic communities could delay creation of the African Economic Community, as laid out in the Abuja Treaty.

Box 1.1

Successes in regional integration

Although progress in African integration has been mixed, some strides have been made in trade, transport, communication, energy, knowledge sharing, free movement of people, and peace and security.

In trade, the West African Economic and Monetary Union, the Central African Economic and Monetary Community, and the Southern African Customs Union are already customs unions, and other regional economic communities are establishing free trade areas. All are implementing transport programmes that remove nonphysical barriers to trade in order to strengthen transit facilitation, harmonize customs, and improve overall trade efficiency. The Common Market for Eastern and Southern Africa (COMESA) has harmonized axle load limits and road transit charges for its members and introduced a regional customs guarantee and third-party motor insurance schemes. The Economic Community of West African States (ECOWAS) and the Southern African Development Community (SADC) have also introduced comprehensive transport facilitation programmes.

To minimize energy costs, regional economic communities are using regional hydropower policy to share energy across countries. SADC has been a pioneer, with 12 members creating the Southern African Power Pool in August 1995. In ECOWAS the connections between Benin and Nigeria and among Benin, Côte d'Ivoire, Ghana, and Togo are the most important links of the West African Power Pool.

The global revolution in telecommunication technology and the growing commercialization and privatization of national services has boosted intercountry connectivity in communication. Some regional economic communities—the Arab Maghreb Union, COMESA, ECOWAS, and SADC—are more connected than others.

In knowledge sharing, successful cooperation occurs in early warning systems, agricultural research, and capacity building. SADC is served by the Southern African Centre for Cooperation in Agricultural Research and Training, and organizations such as the International Institute for Tropical Agriculture and the International Water Management Institute are helping regional economic communities exchange information on best practices.

On free movement of people, ECOWAS has introduced the ECOWAS Passport, a giant step towards eliminating barriers to the cross-border movement of citizens and indeed towards promoting a common identity among ECOWAS citizens. The East African Community has also introduced a common passport to facilitate cross-border movement of its members' nationals within the community.

Source: Economic Commission for Africa, from official sources.

Little complementarity across economies

The overall low level of effective demand in the region has also hindered regional integration. Although the number of conflicts has been significantly reduced and growth has resumed across much of the continent, poverty levels remain very high and purchasing power remains very low in all regions except North and Southern Africa. Unlike MERCOSUR and the Association of Southeast Asian Nations, there is also very little manufacturing industry in Africa, reducing the degree of complementarity among and across economies. And except in Egypt and South Africa, existing industries are largely unsophisticated, which may explain the limited degree of intrafirm trade in Africa. In addition, weak transport and communication infrastructure and lack of a skilled workforce further constrain integration.

The process of seeking agreement among so many regional economic communities could delay creation of the African Economic Community

Few strong regional focal points

Experience, especially in Europe, shows that regional integration is much more likely to be successful if one country serves as institutional leader and regional paymaster. European integration was successful largely because of France and Germany's willingness to serve this role. Germany was able to because of its strong economy, which by the mid-1990s was one of the largest in the world and exhibited higher productivity than the economies of other European countries. Its success was reflected in the strength of the Deutch mark and the Bundesbank, which became the model for the European Central Bank. The country is by far the largest net contributor to the EU budget, easing distributional concerns. In 1996, for example, Germany's financial contribution to the European Union amounted to about two-thirds of EU net income, double the relative size of the German GDP in the European Union (Katzenstein 1997; Shackleton 1989). But most regional economic communities in Africa lack leadership, and very few countries are willing to serve as paymaster. Countries are also seldom willing to compromise on important treaties or to persuade others to agree.

Limited domestic constituency

Another major challenge is the creation of a multistakeholder constituency for regional integration in member countries. African governments often remain the principal advocates of regional integration—in stark contrast with the European Union where organized corporate groups emerged to support European integration. Corporate advocacy was also crucial in creating the North American Free Trade Agreement and expanding it to include Mexico.

No mature business constituency for regional integration exists in Africa, and very few private citizens are aware of the anchor institutions of regional integration. African civil society organizations have yet to show sufficient interest in regional integration as an arena for policy activism. And there is very little domestic corporate pressure on African countries to provide an integrated regional or continental

economic space—probably because African indigenous capital remains very weak and still cannot exploit regional economies of scale.⁵

Constituencies for regional integration in member countries' can be successfully created only through the advocacy and engagement of all stakeholders. African countries are beginning to address this constraint by setting up government departments and ministries specifically charged with promoting regional integration in Africa.⁶ Among their objectives is to stoke domestic interest in regional integration.

The major problem with establishing free trade areas and customs unions is that most African countries depend on foreign trade taxes as revenue to finance public expenditures

Little focus across a broad range of areas

In addition to the institutional and organizational constraints already discussed, regional integration in Africa faces challenges in several areas, including trade, macroeconomic policy convergence, free movement of factors of production, infrastructure, transport and communication, and peace and security. Some regional economic communities have made progress in some of these areas, but overall achievement falls significantly below expectations.

Trade and market integration

The major problem with establishing free trade areas and custom unions is that most African countries depend on foreign trade taxes as revenue to finance public expenditure. They have been reluctant to remove barriers to intracommunity trade because they fear a significant revenue loss. But tariff and nontariff barriers must be removed for intraregional trade to increase. The endurance of tariffs and quotas, the lack of physical connectivity (box 1.2), and the heterogeneity of policies and trade limit trade and market integration and must be addressed.

But the persistence of high tariffs and other policy constraints is not the only impediment to trade and market integration. Structural deficiencies, limited product diversification, similarity of products and production structures, lack of market information on member countries, and production and supply-side constraints are also impediments to trade and market integration.

The multiplicity of regional economic communities has contributed to significant overlap in trade programmes. Efforts are needed to streamline the various trade agendas, harmonize trade policies (such as common documents for cross-border clearance of cargo, vehicles, and business people) and investment codes, and remove unnecessary programme duplication in order to unify regional markets. However, to be successful, these efforts require investment in infrastructure to link the various economic spaces much more closely to reduce the transaction cost of economic and social interaction.

Box 1.2

Trans-African Highway and physical connectivity in Africa

The Trans-African Highway network comprises nine highway sections: Cairo–Dakar, Algiers–Lagos, Tripoli–Windhoek, Cairo–Gaborone, Dakar–N'Djamena, N'Djamena–Djibouti, Lagos–Dakar, Lagos–Mombasa, and Beira–Lobito. An analysis of 103 cross-border links (Trans-African Highway sections leading to border posts) shows that 33% are unpaved roads, 16% are paved roads in poor condition, and 38% are paved roads in good or fair condition. This is a clear example of the poor state of physical integration between African countries.

Using the share of missing links (sections that are not paved all-weather roads) in a region as a measure of physical integration shows how each region is at a different stage of physical integration. For instance, in 2000 the East African Community had the most integrated road system, with only 14% of its sections being missing links, followed by the Common Market for Eastern and Southern Africa, with 17%. The Economic Community of Central African States was the least integrated region, with 47%.

Source: Economic Commission for Africa, from official sources.

The multiplicity of regional economic communities has contributed to significant overlap in trade programmes

Macroeconomic policy convergence and monetary integration

African countries continue to pursue divergent macroeconomic policies that limit deepening integration and create opportunities for arbitrage and smuggling, especially along the borders. Progress in controlling inflation, harmonizing fiscal policy stance, and reducing the ratio of tax revenue to GDP remains generally below expectations. And there has been no demonstrable progress in creating monetary unions, except for UEMOA, CEMAC,⁷ and to some extent the Common Monetary Area, where the South African rand is used alongside domestic currencies.

Vitally important for deepening regional integration, monetary unification has been slowed by two factors. First is too many competing local currencies, most of which are nonconvertible within and across regional economic communities. Second is the multiplicity of exchange rate regimes (pegged, managed float, independent float, and so on).⁸ But some important steps have been taken. Although the long awaited West African Monetary Zone, comprising The Gambia, Ghana, Guinea, and Nigeria, is not yet operational (largely because of its members' inability to meet the convergence criteria), progress can be discerned. And it is encouraging that the institutions required for a monetary union are gradually being put in place. Examples include the West African Monetary Agency and the recently established West African Monetary Institute. And a definite date has been set for introducing a single currency, the eco, for ECOWAS.

*Member countries
must be willing to
give up some of
their sovereignty for
progress in integration*

A framework for monitoring countries' progress towards macroeconomic policy convergence and monetary integration must be established, and monitoring and commitment institutions must be vested with the authority to sanction countries that are not in compliance with convergence criteria or protocols. Such "commitment institutions" include an autonomous central bank, a court of justice, parliament, and the like. Many regional economic communities are beginning to create these institutions, but more is needed to strengthen them (for example, funding).

The reach of regional institutions depends on the willingness and ability of national institutions to serve as complements to regional bodies and to enforce their decisions. Credible national institutions would lend legitimacy to regional institutions. And member countries must be willing to give up some of their sovereignty for progress in integration. For example, autonomy for all central banks would lend credibility to macroeconomic policy and facilitate policy convergence, but it also requires reforms to facilitate sound macroeconomic policy management across a regional economic community.

Transport and communication

Transport costs in Africa are among the highest in the world. Gains from integration will be limited or eroded by fragmented transport networks (box 1.3). There has been little convergence of transport programmes and efforts across regional economic communities despite the fact that they share common objectives: improving infrastructure links between countries; harmonizing policies and practices; simplifying standards, regulations, and procedures to facilitate cross-border transport; and mobilizing investment for infrastructure construction, rehabilitation, and improvement. The problems that remain in transport across regional economic communities and across Africa raise the cost of doing business and impede factor mobility, investment, and competitiveness. For landlocked countries transport costs can be as much as 77% of the value of exports. It costs about \$1,500 (including insurance) to move a car from Japan to Abidjan—and more than three times that to ship the same car from Addis Ababa to Abidjan.

In addition to upgrading transport infrastructure and increasing connectivity within and between regional economic communities, transit facilitation and documentation and procedures along major transport corridors must be improved. And both of these objectives must be supported by efficient communication.

Regional integration efforts in communication focus on policy convergence, physical facilities, connectivity, and exchange programmes, particularly in broadcasting. The goals are to spur growth of trade and finance and to reduce production and service costs by enhancing the accessibility and affordability of information and by linking Africa regionally and with the rest of the world.

Box 1.3

Inadequate transport infrastructure and services hamper regional integration

Road density in Africa is estimated at less than 7 kilometres per 100 square kilometres, compared with 12 kilometres per 100 square kilometres in Latin America and 18 kilometres per 100 square kilometres in Asia. Moreover, only 29.7% of the region's more than 2 million kilometres of road is paved. Three railway gauges predominate in Africa—1,000 millimetre, 1,067 millimetre, and 1,453 millimetre—which severely limits physical integration of railway networks across regions. In addition, the quality of infrastructure is a major problem—with most roads dilapidated due to lack of proper maintenance. These problems are more pronounced in landlocked countries, where high transaction costs are the result of their own poor infrastructure and that of their transit neighbours. Transport costs for landlocked countries are \$2,000 higher on average than for nonlandlocked countries for the same distance.

A study on the status of implementation of the Trans-African Highway showed that the vast majority of missing links of the network are cross-border links. This is a major constraint to the free movement of goods and services and contradicts one of the objectives of the regional economic communities.

Because the governments of most African countries in general and of Sub-Saharan African countries in particular have failed to provide adequate transport infrastructure and services, private financing of infrastructure has seen a surge in demand in recent years. According to the World Bank, over 1990–99 \$61 billion of private investment was committed to 279 projects in 26 developing countries, comprising 34,369 kilometres of toll highways, bridges, and tunnels.

South Africa and Mozambique have successfully involved the private sector in transport infrastructure development. Examples of toll roads in South Africa include, the N3 and N4, Chapman's Peak Drive toll road, and the Western Cape toll road. The direct benefit from the N3 and N4 toll road concessions is a savings of \$50 million a year in capital and maintenance expenditure. The N4 toll road linking Maputo, Mozambique, to Witbank, South Africa, is another good example of private sector involvement in regional transport infrastructure development in Africa.

Source: Economic Commission for Africa, from official sources.

The communication networks of the regional economic communities are at different stages of regional integration. The ECOWAS network has developed significantly under the Pan-African Telecommunications Network programme of the African Union and ECOWAS Intelcom. By contrast, UEMOA hardly takes advantage of interstate connection possibilities, lacks adequate direct links between members, routes significant interstate traffic through operators outside the region, and has a wide range of tariffs for interstate communications. COMESA is pursuing a regional telecommunications network to facilitate trade among its members. In 1999 SADC approved a regional backbone, the SADC Regional Information Infrastructure, to link its members through high capacity digital land and submarine routes using microwaves and fibre optic cables.

National budgets need to give priority to infrastructure including appropriate allocations for maintenance and rehabilitation

Efforts to promote telecommunication development need to emphasize the convergence of national policies and actions to strengthen connectivity and improve the quality of services. The United Nations Transport and Communications Decade for Africa shows that financing infrastructure networks requires innovative approaches and appropriate policies for encouraging private participation. National budgets need to give priority to infrastructure, including appropriate allocations for maintenance and rehabilitation.

Industry

Promoting industrial cooperation across Africa is a major challenge. Aggregate production, productivity, and manufacturing value added remain low because of poor intrasectoral and intersectoral links and the similarity and limited range of products across countries. Other problems relate to industry's lack of technological sophistication and antiquated capital stock. In addition, the lack of domestic corporate pressure for regional integration also explains the low level of cross-country industrial cooperation. All the regional economic communities have initiated "soft" measures to galvanize growth in industry—mainly support to intra-industry trade through trade liberalization schemes. But to overcome the problems of low trade in intermediate and manufactured goods within regional economic communities, industrial polarization, lack of diversification, and poor industrial competitiveness, the private sector needs to be included.

Regional economic communities need to adopt policies that encourage direct investment—both foreign and domestic—in order to encourage industrial cooperation. Investment policies and taxes should be harmonized and special incentives given to firms to promote trade within regional economic communities. Labour laws and patent and property rights laws also need to be reviewed and harmonized.

Food and agriculture

Most Africans depend on agriculture for their livelihood and survival, so the sector is understandably a major focus of all the regional economic communities. To promote agricultural development and improve food security, the regional economic communities have concentrated on harmonizing policies and strategies; rationalizing production and promoting interregional agricultural trade; implementing joint early warning systems for pests, diseases, and extreme climatic conditions; developing efficient regional markets for agricultural products; and building common research and capacity building institutions.

As with industry, few regional economic communities have boosted agricultural production or productivity. Low productivity and limited domestic markets translate into low incomes for peasants. Dominated by smallholders, Africa's largely rain-fed agricultural production remains highly vulnerable to nature. Drought and famine are frequent. Expanding agricultural production and ensuring food security

require intensified efforts in extension services such as research, education, and seed dissemination. In addition, existing national support mechanisms need to be harmonized within regional economic communities. Support mechanisms for agricultural marketing, inputs, and credits help eliminate distortions in production and marketing and allow countries to fully exploit their comparative advantages within a regional economic community.

Investment in irrigation is also critical to increasing production and achieving long-term food security. It requires a high level of cooperation and integration to address riparian concerns of member countries. Other measures include:

- Integrating domestic agricultural markets into a regional agricultural market by improving infrastructure, eliminating nontariff barriers to trade such as road blocks and checkpoints, creating new markets, and strengthening market links and information on food security.
- Providing better data for decisionmaking.
- Strengthening information networks on agriculture and food security, including through the use of geographic information systems.
- Improving the reliability of early warning systems for food security and expanding coverage to all regional economic communities.

Expanding agricultural production require intensified efforts in extension services such as research, education and seed dissemination

Energy

Across Africa and within the regional economic communities energy generation is poor, and distribution remains highly uneven. Many countries experience frequent brownouts and blackouts. Even though the continent is blessed with ample energy resources, less than 30% of the population has access to electricity. In 2001 the continent's electricity generation accounted for only 3.1% of the world's total, and North and Southern Africa accounted for about 82% of that (UNECA 2004b). Energy is vital for international trade competitiveness and regional integration, and African economies are unlikely to expand production or improve their international competitiveness if they continue to lack adequate energy supplies.

Regional integration and cooperation can help address the continent's undersupply of electric energy. Countries recognize this and are increasingly exploring, though not systematically, a regional approach to addressing the energy problem. The Southern African Power Pool, in existence for several years, has improved energy generation and distribution in the region (UNECA forthcoming). In West Africa ECOWAS members are implementing the West Africa Power Pool, which is estimated to cost about \$15 billion and take 10 years to complete. These power pools will require investment and regulatory codes to be harmonized. Bilateral trade in energy among member countries is also growing. Côte d'Ivoire, for example, became a net exporter of energy to neighbouring countries in 1995. Of particular interest is the West African Gas Pipeline project in ECOWAS, which will supply cheap gas from Nigeria to

Benin, Ghana, and Togo, substantially reducing the cost of generating energy in these countries and improving their energy security.

River basin authorities must collaborate in the design and implementation of water infrastructure programmes and projects.

A continental approach to energy development is also gradually emerging. At a summit in Lusaka in July 2000 African heads of state took an important step by adopting two major policy documents: the Convention of the African Energy Commission and NEPAD. While NEPAD aims to exploit and develop the hydropower potential of African river basins and integrate transmission grids and gas pipelines to facilitate cross-border energy flows, the Convention of the African Energy Commission aims to map out energy development policies, strategies, and plans based on subregional and regional development priorities. The lesson from Africa's nascent experience is that large regional supply systems can produce energy for member countries cheaply and reliably by exploiting economies of scale.

Shared water resources

Africa's huge transboundary water resources remain poorly developed. Existing river basin organizations are poorly financed and managed and lack appropriate capacity. And no integrated approach to water resources management exists because many river basin authorities operate independent of the regional economic communities. The sector is also characterized by the absence of binding water sector protocols, a lack of realistic regional strategic action plans, an absence of subregional and regional centres of excellence for developing human resources and conducting research and development activities, and a lack of active involvement by the private sector to overcome investment constraints on projects and reduce overdependency on donor agencies.

Several actions are imperative for the continent's water resources to be harnessed for regional integration. First, joint technical commissions or committees comprising member countries, regional economic communities, and river basin authorities are needed. Second, river basin authorities and regional economic communities must collaborate in the design and implementation of water infrastructure programmes and projects, including multicountry irrigation, hydropower generation and transmission, navigation, flood forecasting and control, and water quality laboratories. Third, joint protocols must be established on river and lake basins and water resource management in regions where membership in river basin authorities and regional economic communities overlaps.

Peace and security

Civil strife has presented both threats to and, paradoxically, opportunities for regional integration in Africa. Some regional economic communities, such as ECOWAS, have been strengthened as a result of recurring regional civil strife by underscoring to members how much their economies were interdependent and the importance of collective action. But civil strife can also threaten the existence of a regional economic community if it creates distrust and suspicion among member countries.

But the constraint that threats to peace and security present to regional integration are manifested in other ways. First, conflicts in any member of a regional economic community undermine economic integration and growth throughout the entire community. Countries in conflict cannot focus on integration. Second, conflicts create distrust. Third, conflicts divert resources that could be used to strengthen national economies and promote regional integration. Fourth, conflicts result in contraction of markets and erection of nontariff barriers to regional trade.

Conflicts in any member of a regional economic community undermine economic integration and growth throughout the entire community

Many regional economic communities are aware of the costs of conflict, and as a result they are establishing institutions and mechanisms to prevent conflicts, resolve them when they arise, and secure peace once it is achieved. But conflict resolution and peacekeeping operations are complex and expensive and often exceed the limited capacities and resources of regional economic communities. ECOWAS has been instrumental in restoring peace in much of the region's troubled Mano River area. SADC has also undertaken some conflict resolution and peace-building initiatives. In some cases regional economic communities have been able to coordinate small steps that contribute symbolically to peace and security. The African Union is also stepping up efforts in this area, having recently dispatched a peacekeeping contingent to Burundi and Darfur, Sudan, and planning similar action in Somalia.

In the final analysis, however, long-term peace and security can be secured only through economic growth that benefits all countries in a region, reduces poverty, and improves life chances for all. An integrated economic space coupled with improvements in governance can be an important factor in this regard.

Free movement of people

The limited mobility of factors of production, especially labour, across national boundaries is a major constraint to regional integration in Africa. The need to harmonize investment laws and procedures has already been discussed, but rules on the movement of people also need to be harmonized to encourage labour mobility across countries. While labour mobility is included in the protocol and objectives of several African regional economic communities, many practical obstacles still hamper its effective realization. To improve labour mobility, members of regional economic communities must first relax visa requirements for nationals of other member countries. Member countries should also adopt common travel documents and labour standards. Many regional economic communities have agreements on free movement of people, but several have yet to implement them. Thus labour markets remain fragmented, serving as a barrier to the free movement of labour among countries.

African Union—a response to the challenges

The African Union, unlike the Organization of African Unity, is modelled on the European Union, and economics will be one of its major areas of focus

The challenges and constraints to consolidating the regional integration process in Africa and defining the environment where this consolidation effort is proceeding have shaped the response of African leaders. Recognizing that the fast moving changes in the world require greater collective action, African leaders have embraced deeper regional integration. The decision of the leaders in Syrt, Libya, and Lomé to transform the Organization of African Unity into the African Union clearly demonstrates this recognition. The African Union, unlike the Organization of African Unity, is modelled on the European Union, and economics will be one of its major areas of focus.

The African Union is based on the Organization of African Unity's 1991 Abuja Treaty on the African Economic Community. An ambitious model of integration, it goes beyond the classical trade agreements widely treated as regional integration. The treaty contains a long-term development strategy, aims to integrate economic and noneconomic sectors, upholds democratic principles, and fosters new social and cultural values. An explicit objective is to integrate productive capacities and infrastructure facilities in Africa, leading to a more sustainable and autonomous development path. The treaty envisages a continental common market by 2015.

The African Union concretizes these aspirations. It is intended to fasttrack the integration process by establishing key institutions, including the African Parliament (inaugurated in March 2004), the African Court of Justice, the African Central Bank, and the African Investment Bank, in a timely manner. Thus, the African Union is expected to make a tremendous difference to the substance and pace of progress towards integration goals. It can also shorten the Abuja Treaty's 34-year timeframe for creating an African Economic Community.

The African Union is a direct response to the many constraints and challenges discussed here. By providing the necessary continental policy guidance and framework, it can serve as the primary institutional anchor of regional integration and streamline the regional process across all regions in the continent. This could result in substantial harmonization of policies and approaches to trade and market integration, free movement of people and better factor mobility in general, macroeconomic convergence parameters, regional policies conducive to saving and investment in productive sectors, transport and communication links, energy pooling, and peace and security mechanisms. A more harmonized and streamlined regional integration architecture in Africa will no doubt contribute to the African Union's success.

Notes

1. The discussion in this section focuses on Sub-Saharan Africa rather than Africa as a whole. South Africa and the economies of North Africa are better integrated into the world economy than the economies of Sub-Saharan Africa.
2. History shows that Europe and North America used these strategies with the important additional resources—often neglected by analysts and conventional economic narratives—of slavery, indentured servitude, and colonialism—so the opposition to their use in current literature and in trade negotiations is very difficult to understand.
3. The Cotonou Partnership Agreement, the successor agreement to the Lomé Agreement between the European Union and 78 African, Caribbean, and Pacific countries, governs the existing preferential trade regime between the European Union and Africa.
4. The transition from Cotonou Partnership Agreements to economic partnership agreements entails dividing Africa into subgroups.
5. This is beginning to change, especially in South Africa and to some extent Egypt, where businesses are beginning to pressure the government to help open African markets.
6. The Democratic Republic of Congo, Ghana, Nigeria, and a few other countries have also set up ministries devoted solely to regional integration.
7. Both the Central African Economic and Monetary Community and the West Africa Economic and Monetary Union started as monetary unions based on the CFA, and their mandates have gradually expanded.
8. One exception is the East African Community, where the Kenyan, Tanzanian, and Ugandan shillings are mutually convertible.

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Institutions and Regional Integration in Africa

Institutional development has become increasingly recognized as an integral part of successful developmental strategies. The fundamental role of institutions in providing the right framework for regional integration has also been widely acknowledged. While a consensus exists on the importance of a clear vision and well defined institutional building blocks to achieve regional integration, the reality in Africa raises questions on whether institutions have played their expected role. Integration in general, and the contribution of regional economic communities as part of the institutional framework in particular, have been hampered. Four concerns have come to the fore:

- The legal frameworks for Africa's integration are ambiguous and imprecise.
- Continental blueprints do not match the reality on the ground.
- Regional economic communities have independently pursued their integration agendas, and their treaties appear to take precedence over continental blueprints.
- No hard and fast rules bind the regional economic communities' integration agendas to the continentwide frameworks.

This chapter reviews the empirical literature on institutions and examines the experience of the European Union to show that institutions are important in development and regional integration. The chapter also highlights challenges that EU integration has had to confront and that may be relevant in Africa. The failure of institutions, especially regional institutions, to have a major role in Africa's integration to date is implied in the discussion, building the case for looking afresh at institutional frameworks for future integration.

To balance the assessment of the role of institutions, the chapter explores what kind of institutions are required and how they can best provide the interlocking structure of incentives required for economic growth and poverty reduction. It is argued that while institutions matter, there is no common set of institutions that all African countries should aspire to have. The best Africa can do is to learn from the successes and avoid the mistakes of other integration initiatives. While institutional diversity is accepted and supported internationally, in practice the forms that institutions are allowed to take are very limited—mostly because of the prevailing sociopolitical and economic environments. This is particularly relevant to the institutions driving or implementing regional integration in Africa.

After two decades of structural adjustment and policy reform in Africa, many institutions have been weakened or simply abolished

Given the EU experience and historical evidence on the evolution of other institutions in other settings, African policymakers should take into account the World Bank's (2001, p. 2) observation that "one size does not fit all in considering institutional design." Flexibility is key for Africa's integration. Without it the potential to develop growth-oriented strategies is undermined, and the nascent processes of integration that already exist are handicapped. African countries should be ready to experiment with flexible institutional design, adopting elements that have worked elsewhere, especially when they fit into the sociopolitical and economic environment. The historical view—that institutions are often imperfect and evolve slowly—is another important factor.

This chapter also looks at the legal determinants of Africa's integration because they lay out the institutional framework that ultimately drives or stalls integration. To put in perspective the rationalization needed for African integration institutions, the recent history of Africa's institutional reconfiguration is explored. After two decades of structural adjustment and policy reform in Africa, many institutions have been weakened or simply abolished. An institutional vacuum exists in such key areas as agricultural, industrial, and competition policy. Providing institutional support where national institutions are weak or nonexistent is both a challenge and an opportunity for the regional economic communities. If the regional economic communities provide institutional support where national governments cannot, countries' commitment to their regional economic communities will be much stronger.

At the same time institutional agendas should avoid being excessively ambitious. Institutional development in the European Union shows that initially focusing on only one or two areas (coordination of coal and steel industries, and later, agriculture) led to the European Union's success. Coincidentally, one area that requires greater institutional support in Africa—and that has enormous scope for intraregional cooperation and trade—is agriculture.

Institutional perspectives on development

Most studies of institutional development start by defining "institution" because the concept can be nebulous. Institutions are commonly thought to refer to both private and public sector actors, including firms, governments, civil society organizations, and the like. North (1990, p. 1) provides one of the clearest, most succinct, definitions:

"Institutions are the rules of the game of a society or, more formally, the limits designed by mankind to give shape to human relationships, be they political, social or economic."

Although theoretically institutions are different from policies, in practice the distinction is often blurred (Islam 2004). Thus the emphasis here is on the policy environment and governmental responsibilities in engendering a structure of incentives and economic climate conducive to broad economic growth and deeper regional integration.

The realization of the importance of institutions for economic development is normally associated with the seminal works of Douglas North, who founded the school of new institutional economics. The theory of institutions includes three levels of analysis:

- A theory of management and property rights that deals with problems related to incentives and information in the market economy.
- A theory of the state that is central in defining and upholding property rights.
- An ideological theory that justifies and explains the behaviour of the actors, moderates their individualistic actions, and makes them more sensitive to social equilibrium and stability (Ben Hammouda 1999) .

One of the general propositions of new institutional economics is that the origin of a particular institution and its actual mode of functioning should be studied from the perspective of the parties involved to determine whether it is useful and necessary or superfluous. Critics of the approach argue that searching for the utility of the institutions obscures the importance of the power structure (Martinussen 1997). In other words, the new institutional economics theory embraces a supremely functionalist approach to the development of institutions and tends to ignore the fact that some institutions persist simply because of unequal power relations.

Quality trumps everything

Econometric analysis confirms that institutions have a prime role in promoting development. In contrast to authors who stress the importance of geography or trade integration, in a study of the determinants of growth Rodrik, Subraminian, and Trebbi (2002, p. i) conclude, “the quality of institutions ‘trumps’ everything else.” Their analysis uses an instrumental variables approach to show that once institutions are controlled for neither geography nor trade integration has a direct effect on incomes. But they do stress the problems in precisely measuring the economic impact of institutions: institutions are endogenous to growth, so their exact contribution cannot be easily measured.

In a similar vein, the International Monetary Fund (IMF 2003) concluded that while the association between institutional quality and economic performance appears strong and robust, the reasons behind the association, including the relevant direction of causality and the relationship with other theories of economic development, are unclear. For example, stronger economic performance may in itself induce institu-

In a study of the determinants of growth Rodrik, Subraminian, and Trebbi (2002, p. i) conclude, “the quality of institutions ‘trumps’ everything else”

tional change: as countries grow and prosper, they may find that they need—and can afford—to strengthen the institutions underpinning real and financial market activity, such as their legal and regulatory frameworks.

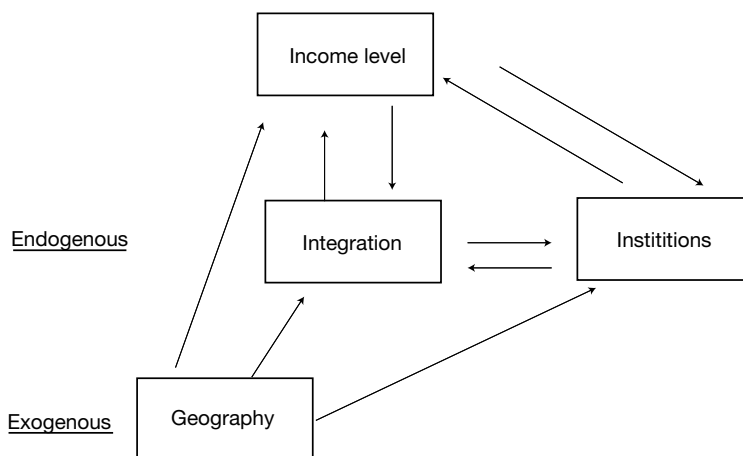
Based on cross-sectional regression analysis for a sample of 94 countries, 69 of them developing countries, the IMF found that an improvement in Sub-Saharan Africa's level of institutional development from its current average to the mean of developing Asia would imply a 75% increase in Sub-Saharan Africa's per capita income. If institutional quality in Cameroon was raised to the average level of institutions for all countries at the same level of development, income would increase almost fivefold.

If institutional quality in Cameroon was raised to the average level of institutions for all countries at the same level of development, income would increase almost fivefold

However, these conclusions assume a causal relationship between institutional quality and income, rather than proving it. The dynamics of institutional change were not accounted for. As IMF (2004, pp. 105–11) conceded:

“Even if institutions matter, as seems to be the case, there is too much potential for two-way causality between institutions and policies, and too much evidence that the impact on economic performance depends on interactions between policies and institutions, to rule out a key role of policies as well....The ‘bottom line’ from these findings is not that policies are unimportant, but that our econometric framework (which is constrained, in particular, by the limited time series data on institutions) is not well suited to uncovering a relationship between policies and growth that may well be revealed through time.”

Figure 2.1
Framework on the role of institutions



Source: Rodrik, Subraminian, and Trebbi 2002.

Bearing in mind this complexity, Rodrik, Subraminian, and Trebbi (2002) provide a useful schematic view of the possible directions of causality in the interrelationships between economic growth, geography, the level of integration in the global economy, and institutional development (figure 2.1).

How to conceptualize the relationship between institutions and growth

Some researchers see institutions as the provider of services, in particular law and order, public goods, social security, and market regulation (see, for instance, World Bank 2001). This implies that countries need to improve the efficiency of their services by reducing rent-seeking and corruption and increasing democratic control over institutions (figure 2.2). Kahn (2002) notes that the concept of the state as a service provider is not entirely wrong because the state does indeed facilitate such services in developing countries. But according to Kahn and other critics (for example, Chang 2002b), this model falls short of providing a comprehensive picture of institutions; instead, it defines the state as a mere mechanism for supporting and facilitating market transactions. For developing countries in particular the state is just as important in instigating and managing social transformations. Dynamic states have heavily intervened in property rights and devised rent management systems to accelerate the capitalist transition of economies and acquire new technology.¹

Wade (2003) identifies four justifications for why government institutions need to take an active stance in governing the market, rather than simply being a service provider: scale and learning economies, capital market imperfections, externalities, and market instabilities. He argues:

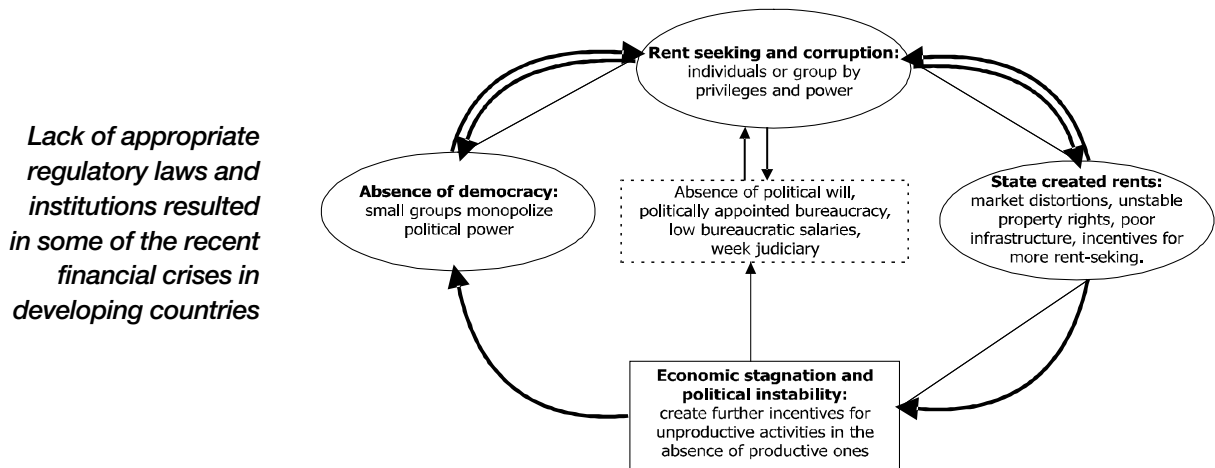
“The popular belief that governments cannot “make winners” rests on remarkably little empirical research into the record of different governments in selective industrial promotion...Research on this question has to balance the record of government failure against the record of failure by private business; and examine, too, what happens to economies where few transformation projects are attempted because the government declines to take an initiative and private business declines to take the risk” (p. 356).

Markets are social institutions themselves and consequently need to be moulded and regulated. Too often in debates on institutions and development the empirically well documented argument that uncontrolled markets can create perverse outcomes, inequalities, and disincentives is overlooked or ignored. This has led to the widely held belief that institutions should merely be supportive of market-based processes. But even neoclassical institutional theory rejects this interpretation and views institutions as a substitute for the market when the cost of using markets outweighs their benefits (Coase 1937; Williamson 1975). The internalization theory of the multinational firm is relevant here: far from being creatures of

Countries need to improve the efficiency of their services by reducing rent-seeking and corruption and increasing democratic control over institutions

Figure 2.2

The liberal consensus view of state failure



Source: Kahn 2002.

the market, multinational firms actually expand the bounds of the planning and administrative fiat in the economy. They are the logical, rational reaction to market failure.

The classic text of Polanyi (2001) provides one of the best examples of how uncontrolled markets can present as much of a problem as the absence of markets. He documents how the elimination of laws designed to protect poor people led to a dramatic increase in the vulnerability of poor people in 19th century England. More recent examples are not hard to find, however, including the deregulation of the Californian electricity market in the United States, an action thought to have contributed to a failure of the state's power system, and the lack of financial regulation in the derivatives market, which is believed to have led to the collapse of Barings Bank in England (Kay 2004). It has also been argued that lack of appropriate regulatory laws and institutions resulted in some of the recent financial crises in developing countries. The world's worst ecological disaster caused by a private company in Bhopal India, similarly sprung from inadequate regulation of the Union Carbide chemical plant, causing an estimated 20,000 deaths and 200,000 injuries.

The absence of adequate regulation can thus be as damaging as too much regulation. For example, while the World Bank considers competition important, it does not always give enough attention to strengthening regulatory controls on monopolies and oligopolies in national and international markets. This is especially relevant to African countries because producers rely heavily on international markets and purchasing through multinational firms. But until the 1990s only 14 African countries

had any competition regulators (Singh 2002). Strong regulatory control of monopolies is totally coherent with a market-based philosophy.

The same is broadly true of labour markets. In Western countries working conditions improved thanks largely to state regulation. However, some observers (such as Standing 1999) warn that the relaxation of state regulation and the renewed growth of labour flexibility threaten to undermine those achievements. In most of Africa labour market institutions do not exist (Van der Geest and Van der Hoeven 1999), even though in many sectors, such as textiles and agriculture, there is a striking need for regulation. Some economists see any intervention at all in the labour market in a negative light, and contend that intervention interferes with the natural market-clearing mechanisms to avoid unemployment. But as Kay (2004, p. 338) notes, “The issue is not whether the labour ‘market’ should be subject to social and legal regulation, but the nature and extent of such regulation. That is a matter for moral judgement, social values and empirical evidence.”

The issue is not whether the labour ‘market’ should be subject to social and legal regulation, but the nature and extent of such regulation

Striking the right balance between regulating and adequately supporting the private sector is thus a key institutional challenge for African countries and by extension the regional economic communities. In practice, this is no easy matter. Take, for instance, the regulatory role of competition policy (an area in which African institutions are generally inactive). Textbook economic theory posits a monotonic relationship between competition and economic development, suggesting that the greater the degree of competition, the stronger the economic performance. But Singh (2002) points out that modern economic analysis seriously qualifies that conclusion, suggesting that there is an optimum level of competition and that a suitable level of cooperation and competition is more likely to enhance societal welfare than competition alone.

Some positive trends

The United Nations Economic Commission for Africa (UNECA 2005) shows that over the last decade Africa has made impressive strides in building capable states. It identified four positive governance trends in Africa:

- Steady consolidation of democracy.
- Greater political inclusiveness.
- Expanded voice and accountability.
- Improved economic management.

Many African countries have moved from authoritarian or military regimes to more democratic ones. A new social pact is emerging where state institutions and processes are gradually being reconstructed to promote good governance. Elections are now the only acceptable basis for choosing and alternating leadership; competition and pluralism are now the norm rather than the exception; more and more citizens are voting; and electoral processes are more transparent.

Better economic governance has also benefited African countries. More are running smaller deficits, meeting targets for revenue mobilization, managing tax systems more effectively, improving fiscal transparency, and creating institutions and arrangements to better audit public funds. Countries have clearly recognized the need to promote private sector development. They are also targeting the informal sector so that it can become part of the formal sector, and expanding and improving infrastructure.

By 1996 only 1% of the population in Sub-Saharan Africa were civil servants—considerably less than the 3% in other developing countries and the 7% in OECD economies

Against this backdrop, however, it is useful to recognize that the reforms of the 1980s and 1990s significantly weakened African institutions. Policies to reduce fiscal deficits, for example, substantially decreased government employment. By 1996 only 1% of the population in Sub-Saharan Africa were civil servants—considerably less than the 3% in other developing countries and the 7% in Organization for Economic Co-operation and Development economies (Sender 1999). The fall in public sector employment was accompanied by declines in real wages of civil servants, with predictable effects on morale and efficiency in state institutions.² Some bilateral and multilateral institutions that support reforms in Africa are realizing that the process might have gone too far in some countries and are trying to attract workers back to the public sector. However, public institutions have been weakened, and the structure of incentives between the public and the private sector has made attracting highly skilled workers to the public sector extremely difficult.

Despite being generally underfunded and understaffed, some institutional interventions in Africa have been successful. Acemoglu, Johnson, and Robinson (2003), for instance, attribute most of Botswana's success to an efficient and meritocratic bureaucracy, with hard budget constraints and large public investment in education, health, and infrastructure. Rodrik (2003) adds that policies were not uniformly "good" in the conventional, Washington Consensus sense: the government of Botswana intervened massively in the economy, and the public sector accounts for a much larger share of the economy than the average in Africa.

How should other African countries attempt to replicate successful stories of state intervention? Chang and Grabel (2004) challenge the idea that the East Asian economies enjoyed a superior institutional capacity before their transitions that cannot be emulated by developing countries today. Civil servants in the Republic of Korea and Taiwan Province of China were widely regarded as highly unqualified in the 1950s and 1960s. In fact, until the 1960s Korea sent its public servants to Pakistan and the Philippines for training:

"Hence, the early success with the East Asian model (at least in some countries) did not depend on the presence of an extraordinarily competent public sector. Later on these countries did, in fact, benefit from a high level of public-sector competency. But this competency (for example, in Korea and Taiwan) was created through the expenditure of substantial political energy and economic

resources. It was not a legacy of the country's history or culture" (Chang and Grabel 2004, p. 41).

Developing a competent and professional civil service is thus one of the key challenges to today's poor developing countries. A key element in this is planting the seeds of a philosophy of public service. As Kay (2004, p. 347) stresses:

"The integrity of an institution is not the product of its governance structure, but of the values of those who work within it. Many different value systems will be supported by adaptive, self-reinforcing behaviour. If institutions are designed on the assumption that individuals are self-interested, self-interested behaviour will be adaptive within them. If the premise is that people are not to be trusted, that expectation will be fulfilled."

Developing a competent and professional civil service is thus one of the key challenges to today's poor developing countries

This is not an easy task. It is often claimed that the East Asian countries emerged from Japanese colonialism in a far better position than countries colonized by Western countries. But the data do not support this theory. For example, the Republic of Korea's literacy rate at the end of Japanese colonialism in 1945 was 22%—not much better than that of many African countries at independence. According to Chang and Grabel (2004), at least a dozen African countries' post-colonial conditions were equal or even superior to Korea's. The basic argument thus becomes that despondency over the capabilities of African institutions is not necessarily merited—but more still needs to be done. And the regional economic communities have a fundamental role in providing the necessary institutional support.

Lessons on institutional building from the European model

Since the 1957 Treaty of Rome the European Union has made enormous strides in institutional coherence and stability. European integration has not always been smooth, though: the journey has been beset with many problems, conflicts, and setbacks. But given the goals and objectives of the Abuja Treaty, for African policymakers there is still much to emulate in the European model, which is the most advanced case of regional integration. At the same time, however, they should not ignore the complex history of European integration, which also offers some very important lessons.

The motivations behind the European experience and African aspirations have several parallels. For instance, it is commonly asserted that many African countries do not have one of the basic conditions for regional integration to succeed: peace. Mistry (2000) states that endemic political instability exacerbated by debilitating conflict in every region of Africa has made it impossible to integrate.

The European Economic Community was founded to strengthen institutions in order to fulfil the ultimate goal of preventing future conflict

But the European Economic Community was founded in the aftermath of the bloodiest war in history, and its primary aim was not to promote trade among member states or institutional convergence, but to prevent future conflict (Zecchini 2000). Another motivation behind the original European Economic Community was to increase its members' bargaining power relative to the United States (Whalley 1996). Weeks (1996) has observed that African economies are also too small to negotiate effectively with industrialized countries, other developing countries, or multinational corporations. This explains their motivation to establish the regional economic communities and eventually the African Economic Community.

How the European project evolved

The origins of the European Union actually predate the Treaty of Rome, with the establishment of the European Coal and Steel Community in 1952. Initially, barriers between Belgium, France, the Federal Republic of Germany, and Luxembourg separated steel plants and coal mines and impeded rational production. Removal of those barriers and shared governance of the resulting common market were economically successful (Pinder 2001). This encouraged the founders of the European project to view the European Coal and Steel Community as a first step in a process of political, as well as economic, unification.

The European Economic Community was subsequently founded to oversee the economic integration of Western Europe and strengthen institutions in order to fulfil the ultimate goal of preventing future conflict. The Treaty of Rome, signed on March 25, 1957, was actually two treaties—one establishing the European Economic Community and the other the European Atomic Energy Community. In 1967 the European Economic Community, the European Coal and Steel Community, and the European Atomic Energy Community merged to form the European Community.

The success of the European Economic Community's liberalized trade policies in the 1960s, 1970s, and 1980s encouraged its members to deepen regional integration across the continent. Subsequent efforts towards greater economic and political union of European Communities members yielded the way for the Treaty on European Union (Maastricht Treaty), concluded in December 1991. The treaty's enactment on November 1, 1993, created the European Union from the European Communities; in addition, the European Economic Community was renamed the European Community, and its Council of Ministers was renamed the Council of Ministers of the European Union.

The European experience of institutional reform was generally gradual, pragmatic, and, as in Africa, far from perfect. The institutions of the European Economic Community went through serious conflicts. One of the first was the French government's refusal to put its atomic sector under the auspices of the European Atomic

Energy Community. A dispute later arose over the European Parliament's control of the budget (Pinder 2001).

Implementation problems

Another parallel in the process of regional integration in Africa and Europe is problems with implementation.³ Over 1971–2000 the number of pieces of legislation and court decisions increased by 700%. But measures are often not implemented by member country parliaments. Ironically, Norway is among the countries with the best degree of implementation of EU laws and regulations—and it is not even an EU member. Implementation has been further hampered by the fact that the share of GDP allocated to the EU budget has remained very low compared with the share allocated to national budgets (Alesina and Spolaore 2003).

The European experience of institutional reform was generally gradual, pragmatic, and, as in Africa, far from perfect

The European Union has also often been criticized for wastefulness and corruption. For instance, a 1994 report to the U.K.'s House of Lords estimated that as much as 10% of the EU budget was wasted through fraud and improper use of funds (Grant 1997).⁴ The problem has been focused in the agricultural sector, especially the Common Agricultural Policy budget. Claims for subsidy payments on products that do not exist and misrepresentation of a less valuable form of a commodity as a more valuable one have been identified as problems.⁵ Export subsidies have also been a major target of fraud.

From an institutional perspective the importance of regional stabilizers to compensate for regional inequalities has been supported, but implementing institutions have often been criticized for engendering corruption. Moreover, the structural funds commonly used in European integration have also been criticized as wasteful and have been characterized as the major funders trying to allay the fears of peripheral countries by throwing money at them.

Finally, as the pace of European integration proceeded, tensions grew among the three pillars of the institutional structure: the Commission, the Parliament, and the Council of Ministers. Although the system is generally considered to have worked well in the initial stages of integration, successive enlargements of the European Union have led to questions on their respective roles. According to one member of the European parliament,

“The Community's political system is not the most efficient. It is not capable of taking rapid, simple, and appropriate decisions, but gets bogged down in increasingly complex procedures, giving rise to selfish nationalistic positions. The system is no longer transparent. The debates held in the Commission, a hybrid, poorly known institution, are discreet, to say the least. The debates within the Council are held in secret, which favours the adoption of hardline positions less open to compromise, escaping as they do the control of public opinion. The European Parliament is a bewildering insti-

tution, which.....at times is excessively technocratic. To sum up, the system as a whole does not enjoy full legitimacy. (Moscovici 2004, p. 110, authors' translation).

The European Union as a success

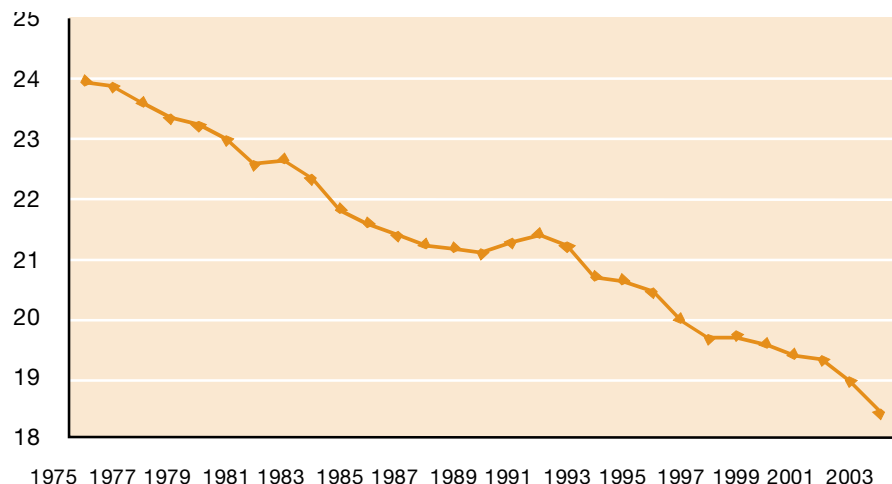
The European Union is still probably the best example of an agreement that has achieved the same ideals that African integration aspires to

In view of these negative dimensions to European integration, it may seem strange that the European Union is still held up as an example of successful regional integration—especially given that there is no a priori evidence of an accelerated growth rate. Moreover, some European observers talk of “Euro sclerosis,” reflected in the secular decline in the share of world income of EU members (figure 2.3).⁶ But the European Union is still probably the best example of an agreement that has achieved the same ideals that African integration aspires to. Thus the African perspective supports such authors as Todd (2002) and Hutton (2003) who challenge the idea that the European model has had its day as a blueprint for economic reform and institutional change. Despite having difficulties with institutional development, the European Union achieved very real and tangible achievements of regional development that Africa also aims for.

To sum up, several lessons come from the European model. First, institutions are important in regional integration—with the caveat that it is important to adopt a strategic approach to regional integration by prioritizing areas of action. The European Union began by focusing on particular sectoral issues, including rationalization of the coal and steel industries. Despite the costly problems of implementation, it decided early on to develop a regional market in agricultural products. African countries should consider this more seriously. Africa is far more dependent

Figure 2.3

EU share of world income, 1975–2003 (%)



Source: Based on data from World Bank (2005).

on agriculture than the European Union was in the 1950s, and there is enormous scope for rationalizing agricultural production and increasing intra-African trade in agricultural products (Weeks 1996; UNECA 2003). Some regional economic communities should receive credit for integration progress in some areas, as shown in later chapters. Nevertheless, it is still true that the prioritization of integration programmes has not been a hallmark of Africa's integration.

Another fundamental lesson from EU integration is the importance of resolving the question of subsidiarity, the doctrine that a supranational entity should decide only matters that cannot be dealt with effectively at the national or regional levels. Some EU members support this principle more than others. According to Alesina and Spolaore (2003), in theory subsidiarity should have guided the development of Europe-wide institutions: supranational institutions should operate only where economies of scale and externalities make it inefficient for national governments to operate independently—such as defence against foreign aggression, free trade, the environment, and antitrust enforcement. In other areas, such as education, research, culture, and citizen and social protection, heterogeneity of preferences is much higher, and economies of scale are thus more limited.

However, on a practical basis, Alesina and Spolaore (2003) agree that measuring the extent of economies of scale, externalities, and heterogeneity of preferences is not easy. Moreover, they note a growing reluctance towards embracing subsidiarity: as Europe has moved towards greater integration, “the process has been stalled by British reluctance, repeated Danish rejections of European treaties, a recent Irish rejection of the Treaty of Nice, and a general feeling that European citizens are less enthusiastic than their leaders about further coordination and uniformities of policy” (p. 206).

A final lesson from the European experience is that regional integration processes need to be able to take on board a large degree of institutional diversity. This message comes across strongly in recent research on the importance of institutional development. For instance, Rodrik, Subramanian, and Trebbi (2004, p. 9) claim:

“The important point is that effective institutional outcomes do not map into unique institutional designs. And since there is no unique mapping from function to form, it is futile to look for uncontingent empirical regularities that link specific legal rules to economic outcomes. What works will depend on local constraints and opportunities.”

African countries must take a cue from the European Union on how institutions shape integration outcomes. But because of the special socio-political and economic circumstances prevailing in the different African subregions, the EU blueprint of institutional design cannot be followed to the letter. If the Abuja Treaty remains the

There is enormous scope for rationalizing agricultural production and increasing intra-African trade in agricultural products

Genuine trade creation provides the customs union the competitive edge to become a net exporter

guiding light for African integration with the regional economic communities as building blocks, some regions may need to be permitted to experiment with institutional design. As the role of institutions in Africa's integration process deepens, some institutions will probably fail, just as they did in the European case. But others will prosper. The European experience should inform some of the innovation and experimentation in areas where greater institutional backing and support are required by African countries.

Legal determinants of Africa's integration: the foundation of Africa's integration institutions

Having examined the EU case study and distilled lessons from its experience that might be useful for Africa, it is useful to focus on the legal determinants of Africa's integration, which lay out its integration architecture. Africa's integration depends largely on the institutions that these legal determinants have created. The brief presentation of Africa's legal determinants frames the argument for rationalizing the regional economic communities discussed in the rest of this report.

The African Economic Community's integration model

The African Economic Community adopted a trade-led mainstream economic integration model with steps that lead to a complete economic union. The first step is the establishment of a free trade area, which eliminates customs and other charges and nontariff barriers on goods produced in member countries. Each member retains its own tariffs and nontariff barriers on goods from nonmember countries. Tariff preferences provide producers in the free trade area with cost advantages over producers of similar goods from nonmember countries—enabling producers in the free trade area to offer more competitive prices. This in turn intensifies competition in the free trade area, leads to rationalization of production, and promotes efficiency through economies of scale.

The second step is a customs union, where a common tariff on goods from nonmember countries further integrates the market under a single customs regime. This deepens the benefits of the free trade area thanks to competition within the union, which results in the production and supply of goods at lower prices. Genuine trade creation provides the customs union the competitive edge to become a net exporter to external markets as well.

The third step is the transformation of the customs union into a common market, or a single economic space where factors of production such as labour, capital, and entrepreneurship move freely across national borders. Market forces dictate production based on comparative advantage, which increases the marginal welfare of people in the common market.

A successful common market becomes an economic and monetary union, the fourth step, with central authorities guiding the economic policies of the member countries and issuing a single currency. The treaty establishing the African Economic Community enshrines this model into a legal framework adopted by all member countries.

Organization of African Unity—limited to political issues

The Organization of African Unity was established in 1963 as a political organization to speed political liberation. Its organs, including the General Secretariat, were designed to evolve and undertake political activities, including advocacy. Although the Organization of African Unity charter recognizes the need for economic cooperation and commits its members to economic integration, it was designed more to handle political issues.

The African Economic Community—expanding to economic concerns

The Treaty of Abuja, which established the African Economic Community, was adopted by the Heads of State and Government of the Organization of African Unity on June 3, 1991, and became operational in 1994. Its objective was to establish a continental economic community through coordination, harmonization, and progressive integration of the regional economic communities—broadening the scope of the Organization of African Unity. Article 6 provides a timetable with six steps to be completed over 34 years, or at most 40 years. The basic strategy is to encourage member countries to take consistent measures that align the activities of their respective regional economic communities with those of the African Economic Community, smoothing the transition to a continentwide economic community. The treaty also provides for 19 protocols that are the legal instruments to guide member countries' compliance.

The treaty's approach recognized that Africa has a large number of small countries with disarticulated economies, that economic cooperation and integration present the best prospects for them to expand production possibilities and market opportunities, and that economic cooperation and integration were the basis on which African countries could exploit and trade many of their abundant resources in an expanded market space.

Still, committing to free movement of goods and services among members, establishing and applying a common external tariff, and setting a universal formula for import duties were a monumental task—but only the beginning of a common market. Members still need to coordinate tax, monetary, agricultural, and other policies; social welfare programmes; and the free movement of capital and workers. By according the

The Abuja Treaty's objective was to establish a continental economic community through coordination, harmonization, and progressive integration of the regional economic communities

Organization of African Unity the primary role in African economic cooperation and integration, the Treaty of Abuja mandated that the Organization of African Unity's General Secretariat also serve as the African Economic Community's Secretariat.

The rationale for integration include the benefits from trade creation, economic trade diversion, greater economies of scale

The Treaty of Abuja appreciates that coordination and harmonization of policies and activities of regional economic communities are needed. But adequate resources and technical support were not provided to meet these needs. The Organization of African Unity's lack of success in economic integration stems mostly from historical inertia. The protocol on relations between the African Economic Community and the regional economic communities that came into force in June 1997 provides a management scheme for cooperation and coordination of activities that affirms the leadership of the African Economic Community and Organization of African Unity and the indispensable role of the regional economic communities as the substantive organs for realizing the Abuja Treaty's objectives.

Constitutive Act of the African Union

The Organization of African Unity was transformed into the African Union when the Constitutive Act of the African Union was adopted on July 11, 2000. The act supersedes contrary provisions of the Treaty of Abuja and lays out integration objectives similar to those in the Abuja Treaty.

The reality of African regional economic communities

Almost all 14 regional economic communities in Africa have full economic union as a target. Most were established as a response to the stagnation of economic development of individual countries that resulted from the small national markets and weak production structures and that was aggravated by political instability and widespread conflict. The rationale for integration include the benefits from trade creation, economic trade diversion, greater economies of scale based on profitable competition, increased investment, free movement of resources, comprehensive cooperation, peace and security, and improved bargaining power.

The mainstream model adopted in most cases was a preferential trade agreement that would become a free trade agreement, customs union, common market, and eventually an economic union. Countries seem to have barely analyzed the economic rationale of belonging to a particular group. Meier (1989) argues that profitable economic integration can be realized by countries with little foreign trade relative to domestic production and with more existing foreign trade among potential members of the intended community. There is insufficient evidence to show that these economic preconditions were met in establishing most African regional economic communities. By contrast, the main incentives for Africa's integration initiatives seem to be externally motivated.

The primary causes for regional integration in Africa can be traced to the late 1950s and early 1960s when developing countries faced declining terms of trade with developed countries. The creation of the United Nations Conference on Trade and Development in 1964 allowed developing countries to call for changes in global trade arrangements—specifically to require developed countries to import more value added products and industrial goods from developing countries, a major component of the call for a new international economic order. When this failed, the call for cooperation among developing countries took centre stage. Thus began the agenda for promoting cooperation among African countries. But the necessary background work was not done to assess whether the preconditions for effective integration, compatibility among the economies of potential members of specific integration programmes, capacity to provide the required resources, and expected benefits existed. Political will, still potent immediately after independence, dominated the environment for integration as a way of economically emancipating the continent.

The primary causes for regional integration in Africa can be traced to the late 1950s and early 1960s when developing countries faced declining terms of trade with developed countries

Integration institutional frameworks inconsistencies

Each regional economic community has its own unique origin with criteria for membership. Most evolved from institutions established to address specific issues or as responses to adverse historical events. Depending on their origins, subregional experience has dictated membership. Take, for example, the Common Market for Eastern and Southern Africa (COMESA).

COMESA evolved from a preferential trade agreement for East and Southern Africa, which originated from the efforts of the United Nations Economic Commission for Africa (UNECA) and the Organization of African Unity. In 1978 the Lusaka Declaration of Intent and Commitment on the preferential trade agreement was signed, and an intergovernmental negotiating team was established. The adoption of the Lagos Plan of Action and the Final Act of Lagos in 1980 accelerated the process, enabling the preferential trade agreement to be launched on December 21, 1981 (Murinde 2001). UNECA nursed the organization, enabling it to be operational in 1984. In accordance with the preferential trade agreement treaty, COMESA was established in 1994 to take the integration process to a higher level. In October 2000 COMESA launched a free trade area (COMESA 2001). Overall, timetables agreed in the treaty rather than economic evidence seem to drive the decision to move to the next stage of integration.

But even to reach this stage of integration, numerous compromises were needed. A protocol on Botswana, Lesotho, Namibia, and Swaziland was needed to accommodate their membership in the Southern African Customs Union (SACU) and Common Monetary Area. While negotiations continued over 1965–77, progress slowed thanks to the growing intensity of the liberation struggle in Angola, Mozambique, Namibia, and Zimbabwe (with the support of Tanzania and Zambia). The collapse of the East African Community in 1977 did not help the general atmosphere and spirit of the

negotiations either. Countries such as Comoros and Djibouti received derogation so that they could join, because of their relatively low economic development and high dependency on customs revenue. The primary goal seems to have been for every country in the region to join the group with little assessment of the costs and benefits of their membership.

Although most regional economic communities follow valid mainstream integration models, the economic rationale of groups does not necessarily reflect readiness and compatibility

The emphasis in the case of COMESA was on creating the institutional framework and opening it to all interested countries—which seem to have played a passive role. This supply-driven response—not based on demand from economic readiness at national levels—also prevailed in the creation of other regional economic communities, such as the Southern African Development Community (SADC), the Inter-Governmental Authority on Development (IGAD), the Indian Ocean Commission, the East African Community (EAC), and others. So although most regional economic communities follow valid mainstream integration models and their legal frameworks are based on sound principles and practice, the economic rationale of groups does not necessarily reflect readiness and compatibility.

The Southern African Development Coordination Conference was established in response to the sustained economic and political destabilization of Botswana, Lesotho, Malawi, Mozambique, Swaziland, Tanzania, Zambia, and Zimbabwe caused by apartheid South Africa. Provisions were made to accommodate Botswana, Lesotho, and Swaziland, which were also members of SACU and the Common Monetary Area. Majority rule encouraged the Southern African Development Coordination Conference to modify its mandates and membership; it then became SADC. Membership was extended to Angola, Democratic Republic of Congo, Mauritius, Seychelles, and South Africa, and its focus shifted to economic integration. However, despite the resolution of SACU and the Southern African Development Coordination Conference's mandates, rationalization of the two was not achieved because historical inertia has preserved their membership norms.

Why rationalize: a new institutional framework

The discussion so far has focused on the legal determinants of the institutional frameworks that drive Africa's integration agenda. The integration framework and norms have also been highlighted, but as argued here and in UNECA (2004) little progress has been made. Whether African regional economic communities have hindered integration remains as relevant today as it did 15 years ago when the Abuja Treaty was signed.

The regional economic communities were expected to be the nerve centres of the continent's integration process, with specific responsibilities, including:

- Conceiving and monitoring the implementation of integration-related policies and programmes.

- Mobilizing the necessary resources to support such policies and programmes.
- Periodically reporting on progress.

Had these clear objectives been diligently pursued, an integration architecture that complements the continent's integration ideals might exist today. The overlapping integration arrangements are clear manifestations of a lack of coherence in the integration process. The institutional framework of Africa's integration architecture today does not offer much hope that continental integration can be realized. And the problem of overlapping membership exists not only in one regional space but across almost all African countries. Chapter 3 looks at the costs and wasteful nature of overlapping integration and finds that while theoretical reasons such as variable geometry may explain why Africa's integration has evolved to what it is today, the costs of overlapping integration far outweigh any gains.

The overlapping integration arrangements are clear manifestations of a lack of coherence in the integration process

All things being equal, variable geometry could provide some progress. But all things are not equal in Africa. An integration process faced with financing constraints begs the question of whether an overlapping scheme is the most effective one. The evidence points to the need for rationalization. The cost of duplicated efforts—in particular, given the financing constraints of most regional economic communities—clearly points to the need to rethink the current institutional framework for integration. Overlapping memberships also interfere with the efficiency and effectiveness of integration policies and programmes.

However, given the current state of the continent's integration, a new institutional framework is conceivable only if rationalization is embraced. The Abuja Treaty—whose ideals and goals were reaffirmed by the Constitutive Act of the African Union—also points to a more rationalized integration process. The overlapping architecture of today undermines collective efforts towards the common goal of the African Economic Community. Moreover, coordinating and harmonizing the regional economic communities' activities are imperative for successful regional integration. The regional economic communities have already started implementing some coordination and harmonization mechanisms, which will certainly help eliminate discrepancies, but bolder action is still needed.

The successes and failures of Africa's integration have largely depended on actions at the national level—because the design of national institutions for economic integration directly affects implementation of the regional economic integration agreements. Apart from inability at the national level to mobilize sufficient resources to support membership in several regional economic communities, governments have failed to translate commitments under regional treaties into national plans and budgets and to cede authority to regional economic community secretariats. In a rationalized integration environment the negative influence of some of these failures could be mitigated. The fact that a country would not be required to find resources to implement duplicated programmes would hasten the expected positive outcomes of

integration. In a rationalized system with minimum overlapping membership and no duplication, national governments may find it easier to follow the provisions of the African Economic Community and to be involved in their regional economic community.

In a rationalized system with minimum overlapping membership and no duplication, national governments may find it easier to be involved in their regional economic community

As the European experience showed, integration policies and programmes must be fully financed. The Common Agricultural Policy has been heavily criticized within and outside the European Union for distorting domestic and international markets, but it shows how eliminating duplication can improve the financial situation of countries trying to integrate—which Africa has been unable to do. Rationalization will allow the regional economic communities and their member countries to explore self-financing mechanisms that are reliable and predictable.

The institutional framework of Africa's integration also involves the relationships between regional economic communities and continental organs. Weaknesses in the protocols adopted by regional economic communities have been acknowledged. Protocols lack complementarity across regional economic communities, take too long to negotiate, and are not universally signed, ratified, and implemented. The high number of regional economic communities has made it more difficult for the envisaged continental coordination mechanism to be effective. Thus coordination problems exist not just among regional economic communities but also between the regional economic communities and the continental bodies meant to spearhead a smooth and well paced integration process.

In sum, issues that have been enumerated in the past still hamper Africa's integration process. Institutional issues and challenges still impinge on regional integration. But effective institutional mechanisms and capacities are needed for a successful integration process. The costs associated with the variable speed of integration and the overlapping memberships in the African regional economic communities could be curtailing the efficiency and effectiveness of regional integration. Prima facie evidence shows a need for radical rationalization of regional economic communities and their member states to develop and sustain effective institutional mechanisms and capacities that lead to integration and ultimately the African Economic Community. Only under a rationalized integration framework will coordination and harmonization among regional economic communities and with the continental organs become feasible.

Conclusion

The broad conclusions from this chapter are twofold. First, institutions are indeed important for development and economic growth. Experience also shows that they make it possible for regional integration to have a role in development, particularly

in Europe. Second, Africa needs to build and strengthen its institutions to sustain development. This includes the institutions related to regional integration.

The chapter also presents the legal determinants that define the architecture of Africa's integration. But the outcome of Africa's integration has not been optimal. Integration institutions have failed to satisfactorily advance Africa's integration process as called for by the Abuja Treaty. Based on the lessons from Europe and recognizing the limits that the European Union has faced in its integration process, Africa must look afresh at the institutions that drive its integration process. In particular, if integration is to help Africa's development, there may be a strong case for rationalizing the regional economic communities as they currently exist.

Based on the lessons from Europe, Africa must look afresh at the institutions that drive its integration process

Rationalization offers the continent opportunities to redesign its integration institutions to speed creation of the African Economic Community. The rationalization process proposed in chapter 3 addresses several institutional issues. First, the incoherence in Africa's legal frameworks will be eliminated, especially when it involves overlapping memberships and the relationship between regional economic communities in the same region. Second, rationalization will allow the incoherence between continental objectives and those of the regional economic communities to be examined. An unambiguous institutional framework will be intended with respect to the relationship between the regional economic communities' treaties and protocols and the Abuja Treaty. Third, institutional restructuring will allow the regional economic communities' agendas to be aligned with the continental blueprints on integration by ensuring that the continental blueprints take precedence. Fourth, the institutional reconfiguration will allow for hard and fast rules that bind regional economic communities' integration agendas to the continental frameworks. Disciplines and sanctions on regional economic communities that deviate from the continental objective will become feasible, just as the European Union has managed to use legally binding frameworks despite the popularity of the subsidiarity principle.

In light of the European Union's experience of applying strong institutions to drive integration, the African regional economic communities will also need to identify priority areas of focus and take them into account when reorganizing. Setting priorities can lead to results. The advantage of prioritization in Africa is that regional economic communities can still move towards the objectives of the Abuja Treaty because each region has its own comparative advantages, which allows a wide variety of programmes to be pursued at the continental level. Prioritization will allow the regional economic communities to build competencies in the relevant institutions to achieve their objectives. Put simply, Africa needs to adopt a more ambitious agenda than is currently defined in the Abuja Treaty, and the agenda at the level of the regional economic communities also needs to be selective. As history reveals, attempting too much too quickly is a recipe for further frustration and failure—and suboptimal results.

Notes

1. See, for example, Landes (1998), especially chapter 18, where he describes the ways in which European countries encouraged an increase in domestic industrial capacity with legislation and prohibitions.
2. Sender (1999) also notes that the countries with the largest declines in average real wages in the civil service also saw a further decompression of upper grade scales, encouraging the exit of the most highly qualified personnel.
3. See World Bank (2004) and EU (2005), which show that the original six members of the European Union plus Greece are the worst offenders in terms of implementation. Italy, France, and Spain had the most infringement cases opened by the European Commission (all more than 100).
4. The European Commission has challenged these estimates, but it accepts that its detection rate (1.2% of the budget in 1994) underestimates the extent of the problem (Grant 1997).
5. One example was the lino scandal in Spain, where over 1996–2000 subsidies were apparently claimed for nonexistent crops. After investigation the European Commission claimed €134 million in compensation from the Spanish government (El Pais 2005).
6. The European Union has grown through enlargement, not through a notable increase in economic performance. With the scope for future enlargement dramatically reduced, this strategy is finally reaching its end.

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The Case for Rationalization: The Inefficiency and Ineffectiveness of the Regional Economic Communities

The rationalization of regional economic communities needs to be seen in the context of the Abuja Treaty's objective of establishing an African Economic Community. The treaty divides the continent into five regions: North Africa, West Africa, Central Africa, East Africa, and Southern Africa. Regional economic communities encompassing these continental regions are expected to be federative poles of the future continental common market. The legitimacy and relevance of this choice are due to a combination of factors:

- The difficulty of integrating more than 50 countries at one time.
- The diversity of political and economic situations and ecosystems that justify a regional approach.
- The legal and operational precedence of several regional and subregional institutions in relation to the African Economic Community.

The sharp increase in the number of actors has become a problem, though. Instead of 5 regional communities, there are 14. Each region contains an average of three to four organizations. Thus, in West Africa ECOWAS coexists with the West African Economic and Monetary Union (UEMOA), the Mano River Union (MRU), and the Community of Sahel-Saharan States (CEN-SAD). In Central Africa the Economic Community of Central African States (ECCAS) coexists with the Central African Economic and Monetary Community (CEMAC) and the Economic Community of Great Lakes Countries (CEPGL). In Southern Africa the Southern African Development Community (SADC), the Southern African Customs Union (SACU), and the Indian Ocean Commission (IOC) share space with the Common Market for Eastern and Southern Africa (COMESA), which also covers East Africa and parts of North and Central Africa. In addition, East Africa has East African Community (EAC) and Intergovernmental Authority on Development (IGAD), while North Africa also has Arab Maghreb Union (UMA). Each community operates under the mandate to carry out the economic integration of its members.

Rationalization of regional economic communities requires addressing the splintered regional spaces, overlapping institutions, duplicated efforts, dispersed resources, and

disputes over legitimacy that result from the multiple treaties (box 3.1). Thus, rationalization requires addressing the considerable constraints that limit the effectiveness of regional economic communities.

The main benefits of rationalization are that the regional economic communities become stronger as overlapping functions are eliminated and that resources are better targeted. Other potential gains include:

The main benefits of rationalization are that the regional economic communities become stronger as overlapping functions are eliminated and that resources are better targeted

- **Increased trade between member countries and countries outside the region.** Larger trading blocs would provide more trading opportunities. And larger markets would allow for more competition.
- **Economies of scale.** Some of the regional economic communities with small African countries are too small to achieve the large economies of scale needed to improve efficiency. Rationalized regional economic communities would overcome this disadvantage by pooling resources and combining markets.
- **Stronger negotiating position.** Rationalization would provide Africa a better position in international negotiations.
- **Welfare gains.** Welfare gains would result from resources saved as a result of trade creation. Rationalized regional economic communities with fully liberalized trade barriers and free trade agreements would have the most welfare gains.
- **Improved productivity.** Rationalized regional economic communities would increase the intensity of competition among firms, which would eliminate internal inefficiencies. Increased efficiencies would force worker productivity to rise, leading to overall productivity improvements.
- **Higher wages.** Rationalized regional economic communities would reduce the transaction costs of tradables relative to nontradables, shifting demand and supply in favour of tradables. Because tradables in Africa tend to be labour-intensive, despite labour abundance, more demand for labour would increase the wage rate.
- **Policy credibility.** Rationalized regional economic communities covering larger markets would have the advantage of policy lock-in as “anti-investment” policies or fiscal laxity become costly due to competition for investment. Rationalization would also increase the credibility of promises for good policies.
- **More efficient provision of public goods.** Member countries of rationalized regional economic communities would experience quantum leaps in the quality and quantity of public goods provided regionally—including education and infrastructure.
- **Fewer regional conflicts.** Rationalized regional economic communities covering many socially and economically integrated countries would increase the cost of conflict and offer incentives for peacefully resolving conflicts.

Box 3.1

The rationalization continuum

For practical purposes rationalization can be described as a continuum, with the strong and weak forms of rationalization as its end points. The strong form of rationalization involves the absorption and merger of existing regional economic communities to align them with the five regional communities proposed under the Abuja Treaty. This requires major political decisions and actions at all levels—continental, regional, subregional, and national. The weak form of rationalization involves leaving the existing communities intact while harmonizing their programmes. This requires each cooperation and integration organization to maintain all its current mandates and objectives while strategies, programmes, sectoral projects, and cooperation instruments are standardized. The rationalization scenarios derived from this continuum are discussed in more detail in chapter 6.

Source: Economic Commission for Africa

The need for rationalization was first raised in West Africa, where 3 economic communities and 30 other intergovernmental organizations existed

Efforts to rationalize the regional economic communities

Discussions and resolutions of continental bodies such as the Council of Ministers of the African Union and its predecessor the Organization of African Unity and the Conference of Ministers organized by the United Nations Economic Commission for Africa (UNECA) show quasi-unanimity on the need to rationalize the continent's integration process. Although everyone agrees on the objectives of rationalization, controversy remains over how to achieve them. This section traces the history of rationalization efforts so far to provide a basis for evaluating the strengths and weaknesses of various rationalization scenarios.

Phase one: attempts to regroup

The first phase of rationalization, 1983–94, was marked by several attempts to regroup the regional economic communities and directly and indirectly related intergovernmental organizations in each region. The need for rationalization was first raised in West Africa, where 3 economic communities and 30 other intergovernmental organizations existed. UNECA conducted several studies on ECOWAS in 1983, 1986, and 1987 that advocated designating ECOWAS the sole regional economic community for West Africa and transforming all other institutions into specialized institutions. In 1994 UNECA's African Institute for Development and Planning proposed a programme and timetable for merging and absorbing the different organizations in the institutional framework of ECOWAS.

Central Africa was the next region that sought to rationalize. An organizational and structural audit commissioned in 1992 by ECCAS offered two solutions. The first was similar to the ECOWAS solution: a strong ECCAS would be cultivated and progressively absorb the region's other intergovernmental organizations. ECCAS,

like ECOWAS, would carry out the missions assigned to it in its treaty. The second solution was to “outsource” the essence of ECCAS programmes and projects to the Central African Customs and Economic Union and CEPGL, leaving ECCAS with a light structure.

Despite ECOWAS being designated the “sole regional community in West Africa,” no West African institution has amended their treaty or constitutive agreement to reflect this decision

These two initial attempts at rationalization in West and Central Africa had one major characteristic in common: they were targeted exclusively at the formal unification objective of the institutional framework of regional cooperation, which was conceived as a means and an end of the rationalization process. But this strong form of rationalization fell short of its objectives. Despite ECOWAS being designated the “sole regional community in West Africa,” no West African institution—including the West African Economic Community and the West African Monetary Union—has amended their treaty or constitutive agreement to reflect this decision. As a result, revision of strategies, policies, and programmes of the existing intergovernmental organizations in the region has been limited, a clear indication of the failure of rationalization around a single regional community. The ascription of “sole regional community in West Africa” was watered down with the word “eventually” in the revised ECOWAS treaty, at the behest of the heads of state of countries that were members of ECOWAS and UEMDA.

These facts indicate that African countries were not yet prepared to rationalize through mergers and absorptions. This conclusion is further supported by the fact that some of the countries that belong to the six regional economic communities established since the Abuja Treaty were already members of the eight regional economic communities that pre-dated the treaty.

Another important characteristic of the early efforts towards rationalization that could have implications for current and future efforts: the actions undertaken before 1994 were part of a global framework that included all the intergovernmental organizations in each region regardless of their missions and vocations. Although the number of intergovernmental organizations, their budgets, and the effects of their programmes were common concerns for most African countries, duplicated efforts and overlapping activities could not be verified or were not opposed. Important examples in West Africa include the Joint Organization for Locust and Avian Pest Management’s antilocus and antiavian campaign, the West African Monetary Union’s management of the CFA franc, the West African Rice Development Association’s development of rice cultivation, the Organization for Coordination and Cooperation against Endemic Diseases’ work with major endemics, and the Agency for Air Navigation Safety in Africa and Madagascar’s (ASECNA) work with civil aviation. These institutions were specialized in very specific areas and could easily have coexisted in the same regional space.

Thus, the quest to unify the existing institutional frameworks, no matter how ideal they might have seemed, was not urgent, and the global approach to rationalization

failed to stress prioritizing the problems. The approach also led to complex and time-consuming solutions that were difficult to implement. And it gave preference to the absorption of all intergovernmental organizations by the institution designated as sole regional economic community. This hid conceptual defects of the designated regional economic community's integration plan, which made the whole region vulnerable to losing the benefits of more efficient and already operational instruments.

The magnitude of these difficulties and the near absence of results left doubts about the relevance of the measures adopted and about African countries' will to effectively embark on the path of global rationalization. The difficulties also highlighted the need to explore other ways to resolve the problems of multiple regional economic communities or at least mitigate their adverse effects.

Phase two: new approaches

The second phase of rationalization, 1995–2002, was characterized by new approaches to rationalization that aimed to circumvent previous impediments. In 1995 UNECA elaborated another strategy for rationalization, based on priorities, guiding principles for efficiency, and less rigid approaches for rationalizing intergovernmental organizations. The lessons from the first phase refocused the rationalization discussions on areas where overlapping was evident—especially for regional economic communities where the market systems became exclusive when they were not identical. For example, trade in products from Burkina Faso and Côte d'Ivoire could be carried out only under the UEMOA regime or the ECOWAS regime, but not both. A country's choice of one regime systematically excluded others because of regime-specific instruments such as rules of origin, preferential tariff rates, models of custom declaration, and tariff and statistical nomenclature, among others.

In the second phase the first-best option had to give way to a second-best option for practical reasons. Regionalization of the market rules in each region thus became the first priority, to eliminate the main freezes generated by overlapping institutions and to re-establish de facto the major regional communities—ECCAS, ECOWAS, and COMESA—with the entirety of their missions and mandates. This gradual rationalization approach was adopted through the Cairo Agenda and Resolutions 794 and 825 of the UNECA Conference of Ministers. The continental institutions—Organization of African Unity, UNECA, and African Development Bank—were to provide the regional economic communities assistance in preparing and implementing a new rationalization plan that incorporated the new approaches. But these decisions and recommendations were not followed up with an implementation programme.

Unlike the first phase of rationalization, the second phase did achieve some progress. But the main problems persist—and could be getting even more acute as Africa joins the globalization process and new constraints and timeframes imposed by initiatives such as the economic partnership agreement negotiations between the European Union and the African, Caribbean, and Pacific countries are considered.

In 1995 UNECA elaborated another strategy for rationalization, based on priorities, guiding principles for efficiency, and less rigid approaches

Box 3.2

Rationalization in Central Africa

In Central Africa the process for re-launching the Economic Community of Central African States (ECCAS) began in 1998 with technical assistance from the United Nations Economic Commission for Africa to establish an autonomous financing mechanism and a free trade area. The preference was for a strategy that improved the vested interests and achievements of the other institutions in the region, especially the Central African Economic and Monetary Community (CEMAC) and the Common Market for Eastern and Southern Africa (COMESA). But the strategy was to avoid conflict with existing institutions, given ECCAS' failure to meet the timeframe of its treaty and annexed protocols. The strategy enabled a free trade area to be established over 4 years (2004–07)—instead of the 12 years initially envisaged—under shared territoriality. Maintaining this strategy successfully will lead to a single regional market for Central Africa in 2008.

CEMAC has already reached the stage of a customs union, with trade among its six members governed by its own regime. The ECCAS regime will apply to non-CEMAC members, and at the end of the four-year interim period it is expected to be at the same level as CEMAC's. The secretariats of the two communities, on the strength of formal mandates received from their deliberative organs, will then harmonize residual norms—rules of origin and compensation rates for the loss of tariff revenues.

Source: Economic Commission for Africa

It is thus imperative to find new momentum and re-launch rationalization initiatives in a better structured continental framework with improved follow-up. Chapter 6 discusses the benefits and constraints (and hence the functionality) of rationalization scenarios.

Overlapping membership

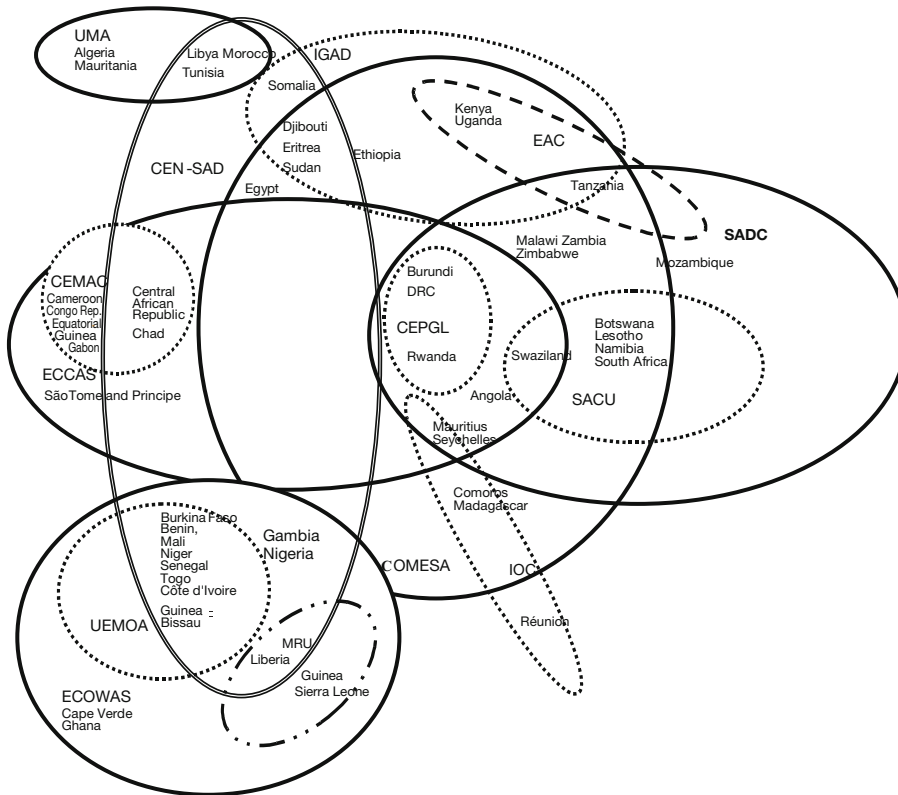
This section reveals the reality of the multiple regional economic communities in Africa and presents evidence from a recent survey of regional integration in Africa.

The spaghetti bowl: overlapping memberships in 2004

The spaghetti bowl is a metaphor for African countries' many overlapping memberships in regional economic communities (figure 3.1). The phenomenon is well documented (UNECA 2004; World Bank 2005), but a visual representation is the best way to grasp how complex the network of regional economic communities in Africa really is. West Africa, for instance, has three integration institutions: ECOWAS, UEMOA, and MRU. In addition, CEN-SAD covers part of West Africa. Except Cape Verde and Ghana, which belong only to ECOWAS, every West African country belongs to two or three regional economic communities. All

Figure 3.1

The spaghetti bowl of overlapping regional economic community memberships



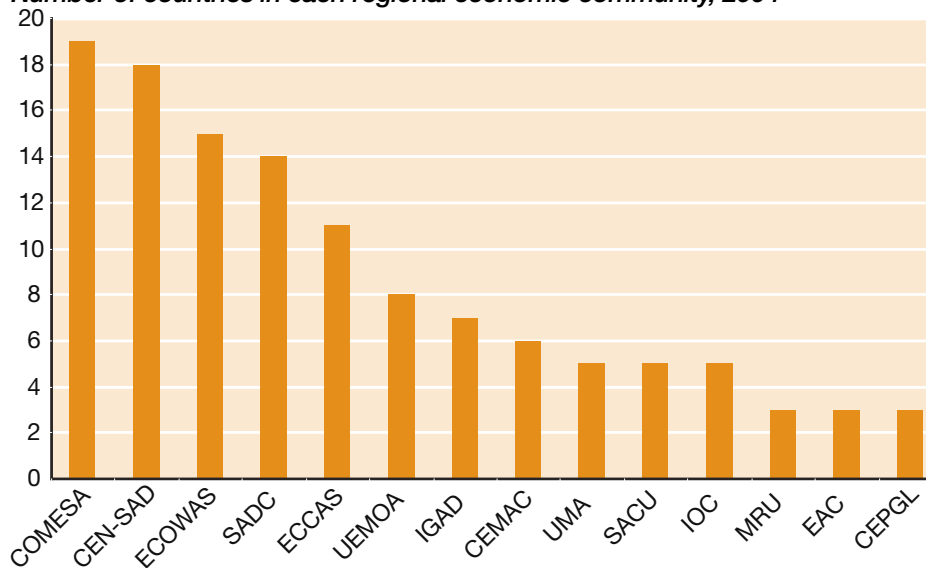
Source: Economic Commission for Africa

15 West African countries are members of ECOWAS, and 8 of them—those in the CFA franc zone—constitute UEMOA. UEMOA is more integrated—with a monetary union, a single currency, and a customs union with a common external tariff (preceded by a free trade area). Countries that are members of ECOWAS but not UEMOA are embarking on a “fast-track” programme to establish a monetary union that will join UEMOA and introduce a single currency for the entire region. Eight ECOWAS countries also belong to CEN-SAD (figure 3.2).

Overlapping membership in Africa has been puzzling and urgently needs a solution. On average, 95% of the members of one regional economic community belong to another. An obvious question is whether national policymakers and their advisors understand the consequences of multiple and overlapping memberships, and evidence shows that they do (figure 3.3). Slightly more than 25% of countries that are members of more than one regional economic community said that multiple memberships make it difficult for them to honour their contribution obligations to all their regional economic communities. Another 23% said that multiple memberships are

Figure 3.2

Number of countries in each regional economic community, 2004



Source: Economic Commission for Africa, *Assessing Regional Integration in Africa Survey*.

the source of low programme implementation. Two other major problems seen at the national level are low meeting attendance (16%) and duplication or conflicting programme implementation (16%). The ranking on a scale of 0–1 of the implications of overlapping memberships is shown in figure 3.3. The figure is a replication of the frequency of citation of the problems. Inadequate payment of contributions, with a rank of 0.56 on a scale of 0–1, is the biggest problem. Low implementation of programmes also has a significant score of 0.5.

Half the countries cited political and strategic reasons as the main determinant for joining regional economic communities

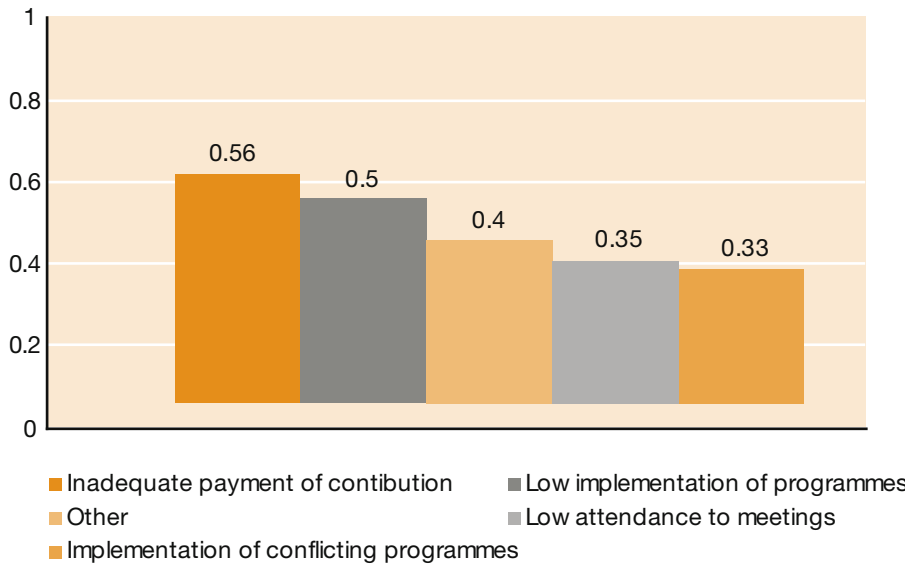
Reasons behind multiple memberships

Given the knowledge of these problems, why do countries still join more than one regional economic community? Half the countries cited political and strategic reasons as the main determinant for joining regional economic communities. Economic interests rank a distant second, cited by only 35%. Geography—a key consideration in the Abuja Treaty—was cited by only 21% (figure 3.4).

Do these reasons match economic theory? World Bank (2004) offers theoretical reasons and rationales for establishing preferential trading areas, but it does not explain why countries belong to more than one grouping. But one explanation may provide some answers: variable geometry.

Variable geometry allows countries to integrate on various fronts, with some fronts moving faster than others. Take SADC, for example. Variable geometry accelerates the integration programmes of SADC while preserving the achievements and benefits of SACU. The reasoning behind variable geometry is that allowing

Figure 3.3
Consequences of multiple memberships at national level (inverse of average rankings)



Source: Economic Commission for Africa, *Assessing Regional Integration in Africa Survey*.

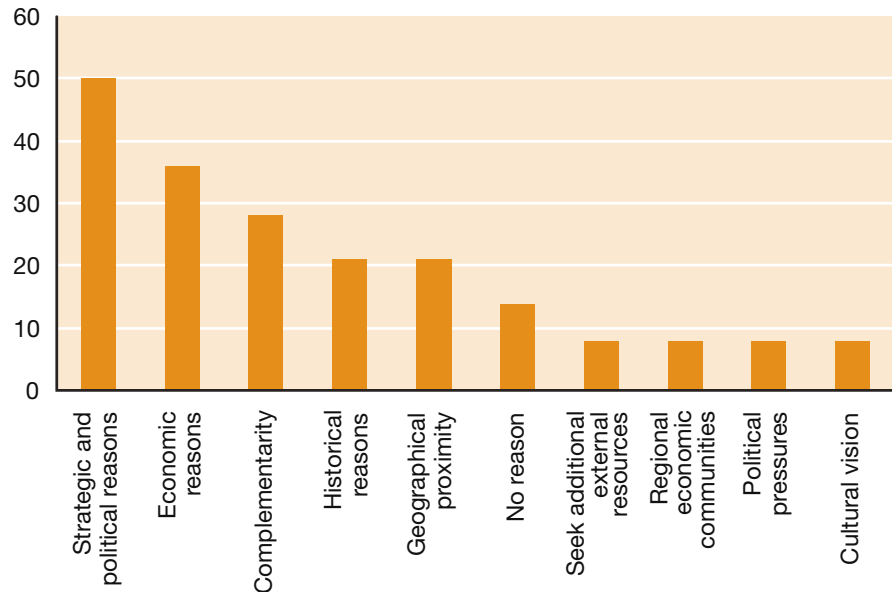
for smaller subsets within larger blocs lets some members integrate faster. The concept is also demonstrated in COMESA, where a free trade agreement was adopted by only 9 of 20 members. Even as COMESA moves towards a customs union, some countries are still far behind in dismantling tariffs to join the free trade agreement.

A second school of thought on variable geometry argues that countries belong to more than one regional economic community to optimize the benefits from integration while insuring against adverse consequences of belonging to only one bloc. This is especially true in Central Africa, where since 1993 ECCAS and CEPGL seem to have ceased activities as a result of the crisis in the Great Lakes. If CEMAC and COMESA did not exist, countries in the region that made progress in integration may not have had the opportunity to do so.

Another argument is that the proliferation of regional integration blocs stems from a quest to seek and create optimal economic spaces to coordinate and harmonize national policies and strategies in subregions and eventually the entire region. Participating countries could individually and collectively reap higher rates of economic growth. This argument seems to be the incentive for small and weak countries to join several regional economic communities at the same time—to maximize perceptible or imperceptible gains from each.

Figure 3.4

Reasons why African countries join more than one regional economic community (%)



Source: Economic Commission for Africa, *Assessing Regional Integration in Africa Survey*.

More on overlapping memberships

Except Egypt and Sudan, all the countries in North Africa belong to UMA, but only Algeria and Mauritania limit their membership to UMA alone. The rest are also members of CEN-SAD, COMESA, or IGAD. Sudan stands out because it is the only country in the region that is a member of three regional economic communities: CEN-SAD, COMESA, and IGAD.

Except São Tomé and Príncipe, which belongs to only one regional economic community, all the Central African countries belong to at least two regional economic communities

Central Africa is also characterized by overlapping memberships and duplicated efforts. Three regional economic communities operate in the region: CEMAC, ECCAS, and CEPGL. Except São Tomé and Príncipe, which belongs to only one regional economic community, all the Central African countries belong to at least two regional economic communities—with Democratic Republic of Congo a member of four. ECCAS' membership includes all the Central African States. CEMAC, with six member countries of the Central African CFA franc zone, is the most integrated, although it is lagging on many fronts in integrating the economies of Central Africa.

The integration institutions in East and Southern Africa include the EAC, IGAD, COMESA, SADC, SACU, and the IOC. The regions have the most initiatives, and except Mozambique, all the countries in the region are members of at least two regional economic communities. COMESA and SADC are the two main regional economic communities with considerable overlaps and duplicated goals. Six countries—Democratic Republic of Congo, Malawi, Mauritius, Seychelles, Zambia, and

Zimbabwe—are members of both despite the similarity of their programmes. Matters are complicated by the fact that five of those countries are part of COMESA's free trade agreement, which operates under different rules of origin from the preferential trading arrangement for SADC members. The EAC, whose goals are similar to those of SADC and COMESA (especially in trade and market integration) covers both communities and is even more integrated, having launched the East African Customs Union on January 1, 2005. Tanzania is a member of SADC, whose integration process lags behind COMESA's, which the other two EAC countries, Kenya and Uganda, belong to.

SACU is one of the most integrated regional economic communities, and all its members are also members of SADC—an example of variable geometry. While SADC has yet to launch a free trade area, SACU's systems and processes have advanced beyond the problems that free trade agreements such as COMESA's and customs unions such as EAC's face. The smaller regional economic communities in East and Southern Africa—CEPGL, IGAD, and the IOC—have yet to make any substantive progress towards their stated objectives. But IGAD has helped find peaceful solutions to the conflicts in the region, overseeing the southern Sudan peace process and contributing enormous resources and efforts to the Somali peace process.

The smaller regional economic communities in East and Southern Africa—CEPGL, IGAD, and the IOC—have yet to make any substantive progress towards their stated objectives

Duplicated programmes

Duplication in Central Africa is apparent mainly in trade and market integration, trade facilitation, free movement of people, peace and security, and water resources programmes (figure 3.5). If duplication were addressed, results could be realized almost immediately, but the challenges of cyclical conflicts cannot be underestimated. Duplication may be justified if countries are hedging their risks because of uncertainty over which regional economic community will advance their interests completely and rapidly.

Eight of 14 regional economic communities acknowledged that duplication of integration efforts was a problem—especially in the programmes related to trade facilitation and trade and market integration (figure 3.6). Without coordination, regional economic communities are unlikely to be able to efficiently move towards continental integration.

Low levels of trade within regional economic communities are a large problem across the continent. Despite more than half the regional economic communities acknowledging duplicated programmes in trade and market integration, intra-African trade remains unacceptably low. Lack of harmonized instruments governing trade and market integration programmes means that each regional economic community has its own rules of origins and certification process, limiting trade among communities. The irony of this outcome: production structures in African countries vary and different competencies

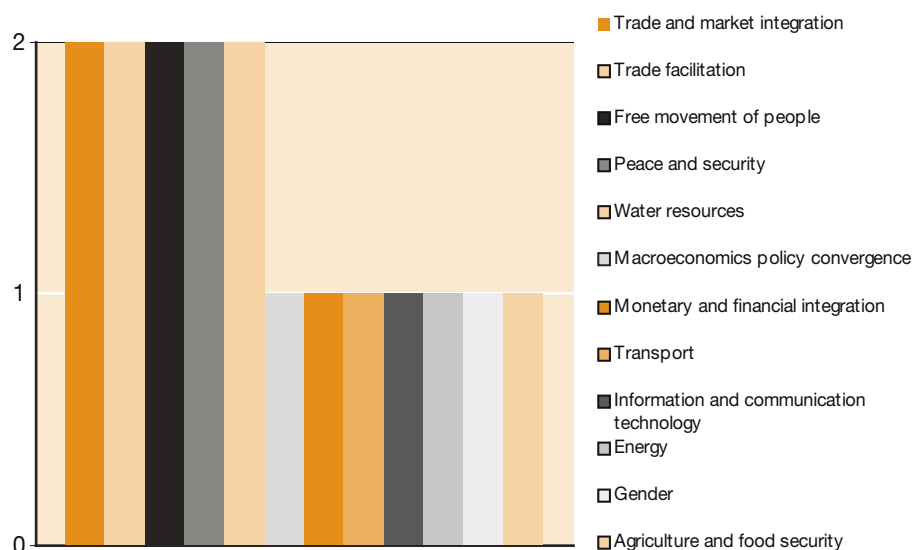
and comparative advantages exist within the continent, but it is much easier to import goods from outside the continent than from within. The paradox of an integration-conscious continent with such poor performance in intracontinental trade remains an embarrassment for the proponents of the African Economic Community. The evidence of duplication shown here should stir some action.

The regional economic communities recognize that they are duplicating efforts, and this has an upside. If the concerns that have caused multiple and overlapping memberships are addressed, it might be easier to rationalize, however politically costly it may be, because the costs of overlaps and duplication to the Abuja Treaty goal are much higher. So it is useful to understand why they duplicate.

The most striking reason is that the regional economic communities think that it is their responsibility—rather than the African Union’s—to coordinate activities to prevent duplication (43%) (figure 3.7). And 28% point out the lack of coordination from the African Union as a shortcoming. This leaves the question of whether a strong coordination mechanism exists at the continental level. Obviously using the regional economic communities as coordinators has failed. Implicit in the responses of the regional economic communities is that lack of rationalization is the problem.

Figure 3.5

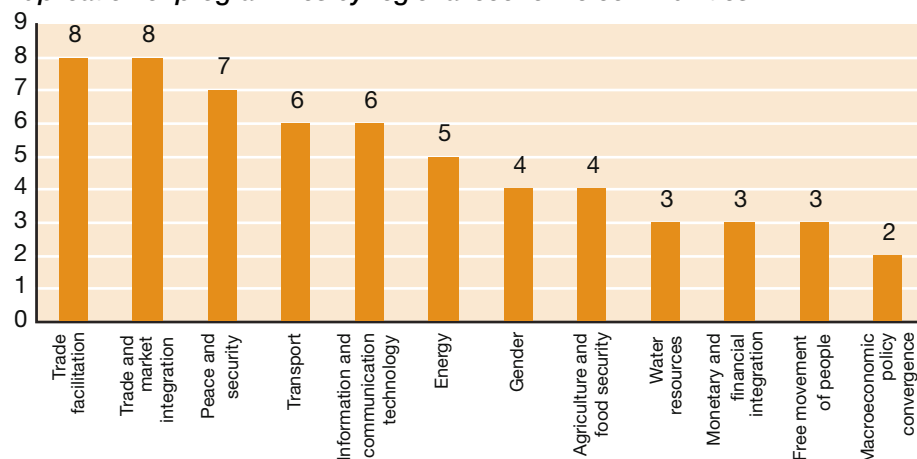
Duplication of programmes by regional economic communities in Central Africa



Source: Economic Commission for Africa, *Assessing Regional Integration in Africa Survey*.

Figure 3.6

Duplication of programmes by regional economic communities



Source: Economic Commission for Africa, *Assessing Regional Integration in Africa Survey*.

Poor coordination

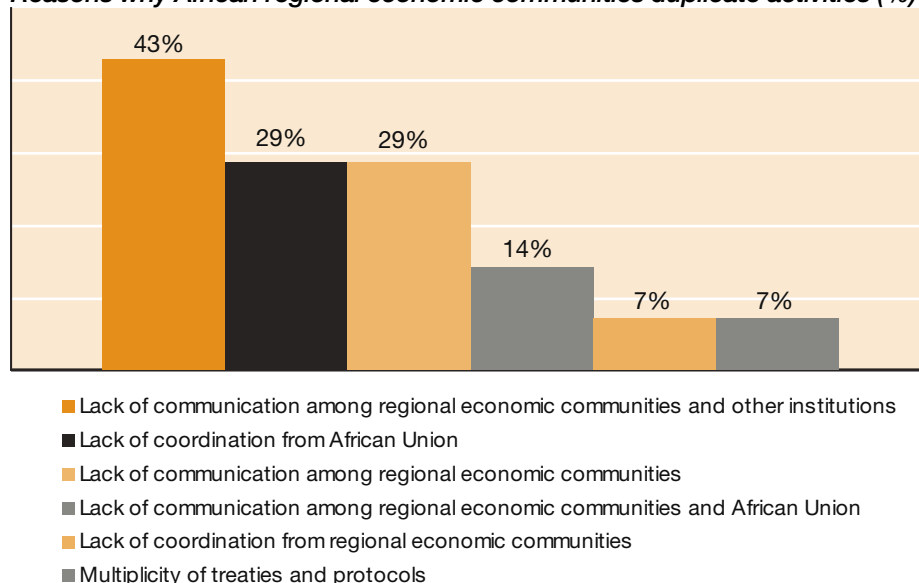
One of the expected challenges from the multiplicity of regional economic communities is coordination at the national, regional, and continental levels. At the national level the coordination challenge is to ensure that harmony exists among the multiple regional commitments and national policies. At the regional level the coordination challenge is to avoid the juxtaposition of essentially individual approaches, which risks duplication or mutual exclusion—preventing the dynamic convergence and synergy needed at the core of the African integration model. At the continental level the coordination challenge is to implement the Abuja Treaty with the plethora of potential interlocutors in each region (see chapter 5).

The report survey of regional economic communities showed a mixed picture with regards to coordination. Periodic coordination meetings and memorandums of understanding have emerged as important tools in West Africa. IGAD and IOC have memorandums of understanding with COMESA, and UEMOA has one with ECOWAS. The regional economic communities also pointed out technical working sessions between ECOWAS and UEMOA as another tool. Most coordination takes place in information and communication technology policy, customs union enlargement, trade negotiations, and institutional sectoral issues.

COMESA reported no coordination problems in any of its programmes and activities with the other regional economic communities in East and Southern Africa. SADC and SACU also did not indicate any, although SACU is still in the process of establishing a secretariat. COMESA and SADC have as many as four bilateral coordination meetings each year. And the EAC and COMESA have at least two coordination meetings a year.

Figure 3.7

Reasons why African regional economic communities duplicate activities (%)



Source: Economic Commission for Africa, *Assessing Regional Integration in Africa Survey*.

Both COMESA and SADC indicated that the coordination mechanisms in place now helped harmonize many programmes and activities. For instance, COMESA's trade liberalization programme is being fully implemented by the IOC and IGAD, and the EAC's common external tariff is being used by COMESA with the goal of a harmonized customs union down the road. SADC and COMESA are also working together on the African, Caribbean, and Pacific rules of origin for the economic partnership agreements negotiations. And SADC, COMESA, and the EAC are coordinating air transport liberalization, information and communication technology policy, and road safety programmes.

North Africa's UMA has made efforts to coordinate with the other African regional economic communities, but it lacks a structured mechanism to do so.

What hampers coordination efforts? Lack of communication was cited by ECOWAS, MRU, and UMA. And lack of leadership, failure to translate regional economic community goals into national programmes, poor communication among regional economic communities, and weak follow-up mechanisms were cited as obstacles in Central Africa. Clearly, any rationalization process will have to deal with these issues.

Inefficiency

The duplication of efforts that regional economic communities are involved in must come at a cost—especially where resources are a constraint. Using countries' ability to meet their contributions to the regional economic communities as an indicator shows that the resource constraint is binding in some cases. Except CEMAC, UEMOA, and the much smaller IOC, no regional economic community receives full contributions from all its members. On average, a third of members fail to meet their contribution obligations, and in some cases (CEN-SAD, ECCAS, and IGAD) more than half do not pay (figure 3.8). Three reasons may explain this poor performance:

- Countries may be spread too thinly among the many regional economic communities.
- Countries may not be certain of the gains from regional economic communities that are underfinanced, or they may not have realized any benefits while the regional economic communities have existed. Where gains have been realized, they have not been ascertained yet.
- Countries may have joined the regional economic communities without sufficient strategic consideration, leaving political commitment and thus budgetary support nonexistent.

Except CEMAC, UEMOA, and the much smaller IOC, no regional economic community receives full contributions from all its members

Given the uncertainties of financing mechanisms, some regional economic communities—including CEMAC, COMESA, ECOWAS, IGAD, and UEMOA—are implementing internal financing mechanisms. Only one felt that its internal financing mechanisms were excellent in 2004; the rest considered them good or moderate.

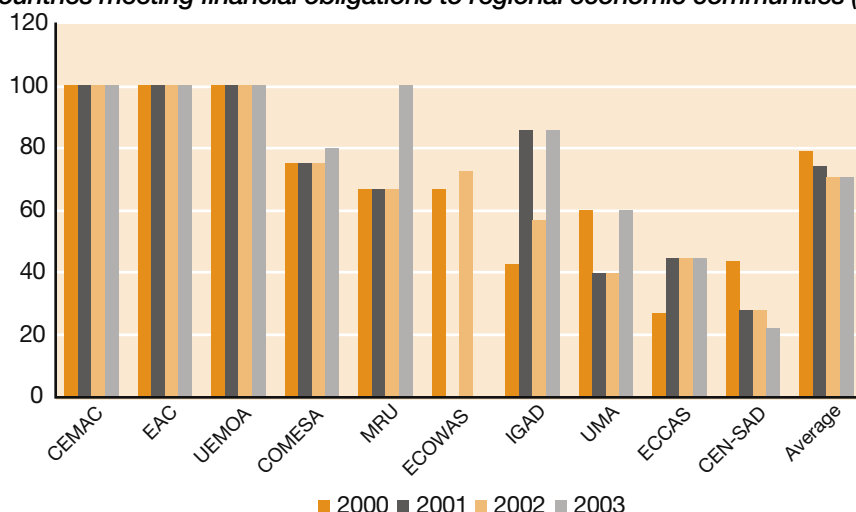
One area where resource constraints are most binding is staffing—both for general and professional staff. Labour is one of the most critical inputs to the success of regional economic community programmes. But apart from UEMOA, whose staff numbers just over 200, most regional economic communities run small and lean secretariats (figure 3.9). The availability of human capital may have helped UEMOA integrate more quickly. Except CEPGL and IGAD, the regional economic communities have a larger number of employees in the general staff category than in the professional staff. On average, 55% of total staff is general staff. The bias towards nonprofessional staff may have had a bearing on the implementation record of the regional economic communities' programmes, which tend to be very technical.

The concentration on nonprofessional staff may be explained by remuneration levels that are higher than public sector pay scales at the national level. The average pay is quite attractive for general staff. And for professional staff regional economic community salaries are high for the 40% who earn more than \$20,000 (figure 3.10).

The premium pay scales might be a disincentive for regional economic communities to hire more professional staff, despite the many technical programmes they have to implement. The survey could not find a significant link between the level of remuneration and the number of professional staff.

Figure 3.8

Countries meeting financial obligations to regional economic communities (%)

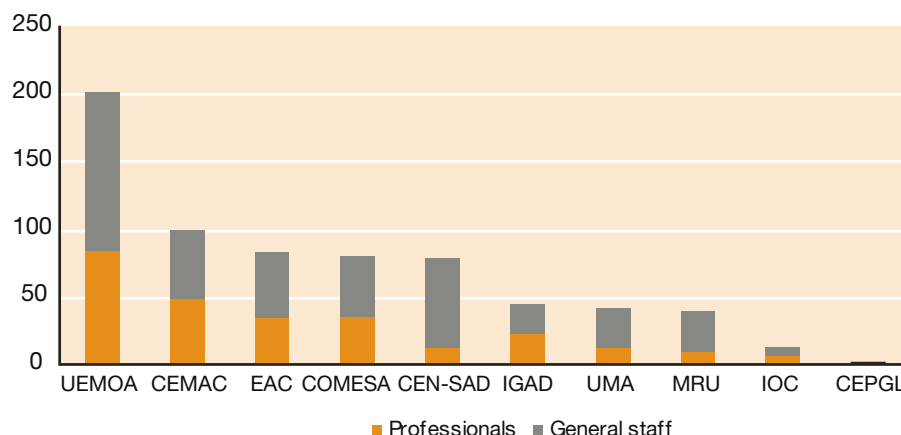


Source: Economic Commission for Africa, *Assessing Regional Integration in Africa Survey*.

neration and staff turnover at the regional economic community level. Some 87% of the regional economic communities cited political appointments as the main cause of their professional staff turnover; only 25% cited earnings. High turnover can have serious implications—especially for small regional economic communities. Problems include little institutional memory, poor continuity in projects, and limited collaboration with other regional economic communities, among other issues.

Figure 3.9

Staffing at selected regional economic community secretariats, by profession, 2004



Source: Economic Commission for Africa, *Assessing Regional Integration in Africa Survey*.

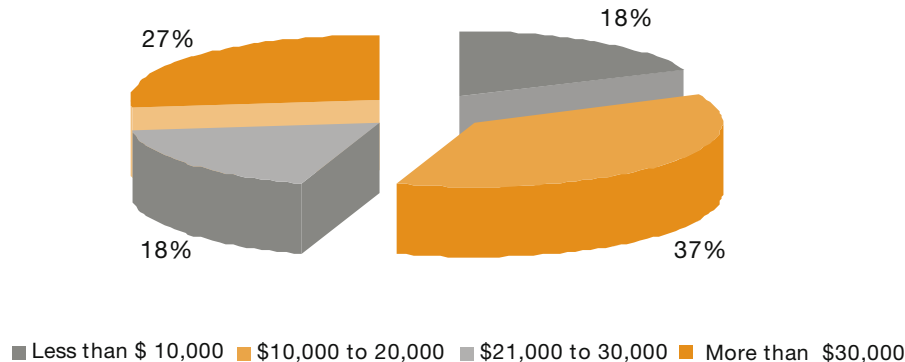
When compared with international civil service salaries, the pay scales for regional economic community staff are not as attractive. Professionals willing to work outside their home countries could be more attracted to international institutions and the private sector than to the regional economic communities. Clearly regional economic communities must improve their terms of employment to attract more and highly qualified professional staff. One way to do that: address the overlapping memberships so that member countries can fully meet their financial obligations.

Improved working conditions for employees at the regional economic communities—especially with respect to providing computers—are an important factor in staff performance. In six regional economic communities the computer to staff ratio is less than one, which is likely to reduce staff productivity (figure 3.11).

The constraints on operational efficiency coupled with the lack of professional staff needed are obvious when considering the technical gaps regional economic communities face. More than 55% of regional economic communities reported serious gaps in information technology management, law, and accounting (figure 3.12). Surprisingly, sectoral programmes on agriculture, a prominent feature in most regional economic communities, are also understaffed. Even economics and political science—areas that have a direct bearing on planning and creating political consensus—are understaffed.

The staffing constraints—and by extension the limits on programme implementation—are linked to resource constraints rather than to availability of qualified staff. If the regional economic communities' budgets were sufficient, most would be able to deal with the technical skills shortages. Clearly, this shortcoming is linked to member countries' inability to fully meet the financial needs of the secretariats, which in turn is due to their multiple memberships in overlapping regional economic communities.

Figure 3.10
Average annual remuneration of professional staff by regional economic communities

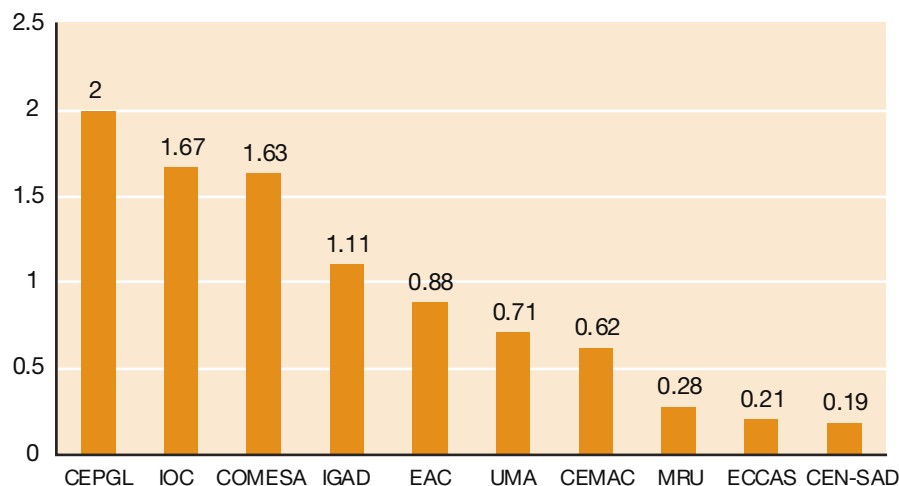


Source: Economic Commission for Africa, *Assessing Regional Integration in Africa Survey*.

When compared with international civil service salaries, the pay scales for regional economic community staff are not as attractive

Figure 3.11

Computer to staff ratio, by regional economic community



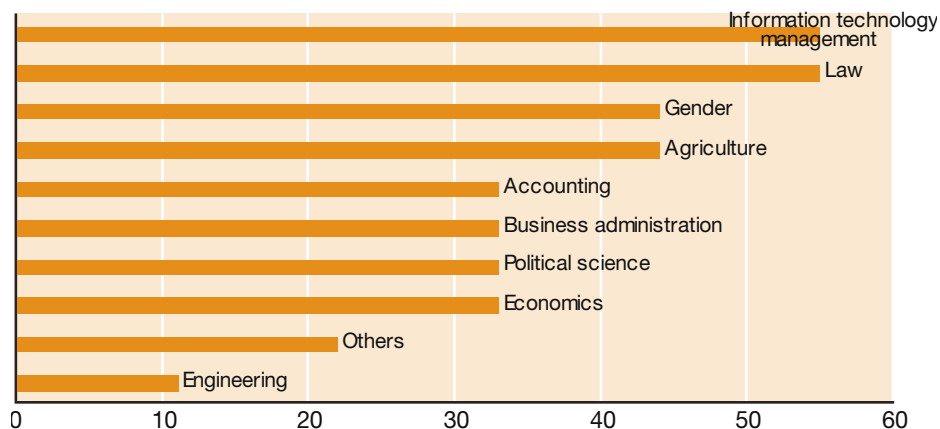
Source: Economic Commission for Africa, *Assessing Regional Integration in Africa Survey*.

Regional economic communities' overall ineffectiveness

The multiplicity of regional economic communities and the spreading of member resources too thin undermine their efficiency. And their inability to meet their resource needs through internal mechanisms means that their effectiveness as agents in Africa's integration is compromised.

Figure 3.12

Areas where regional economic communities in Africa face staffing gaps (%)



Source: Economic Commission for Africa, *Assessing Regional Integration in Africa Survey*.

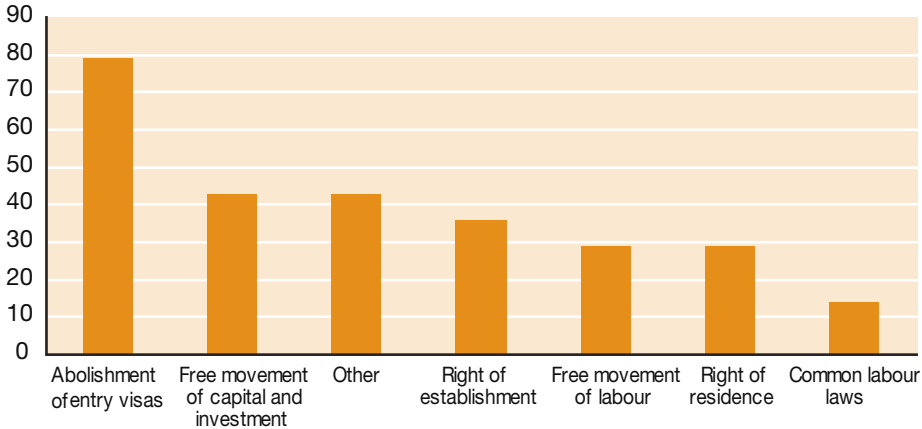
Achieving high levels of intra-African trade is a goal of the African Union and most of the regional economic communities. But 40% of regional economic communities have a growth target for intracommunity trade of only 5%–10%. Only 40% have an ambitious target of more than 20%. Even worse, only 22% of regional economic communities have achieved their target in 2004. Thus the problem is not only low targets but an inability to meet them. Both situations limit movement towards the Abuja Treaty and high intra-African trade as a means of integrating Africa.

If the regional economic communities' budgets were sufficient, most would be able to deal with the technical skills shortages.

And progress towards the African Economic Community has also been limited. The integration paths of most regional economic communities follow the classical processes—from preferential trading area, through free trade area, customs union, common market, and economic union. Different regional economic communities are at different stages, and even within communities countries have progressed differentially. Given the integration paths adopted by the major regional economic communities of East, West, and Southern Africa, the African Union integration goal will have to be realized in a rapid push over 2010–25. But the experience of the integration plans casts doubt on whether this last push will really occur or whether the goalposts will be moved to a future date, as has happened with the free trade agreement and customs union goals already.

Proponents of the parallel routes towards the African Economic Community through multiple regional economic communities and multiple memberships say that small steps taken independently will eventually lead to the realization of the continental goal. But it is unclear whether the regional economic communities have really been effective and moved in the right direction. They may not have taken the steps needed to achieve integration.

Figure 3.13
Share of regional economic communities that have taken steps to ensure free movement of people (%)



Source: Economic Commission for Africa, *Assessing Regional Integration in Africa Survey*.

While most regional economic communities have abolished visa entry requirements for citizens of participating members, very little progress has been made on more concrete and binding areas to make common market a reality (figure 3.13). Common labour laws, free movement of labour, and rights of residence and establishment have still not been adopted by most regional economic communities. But these policies are the best indicator of commitment to full integration. And even in free movement of capital and investments, only a third of regional economic communities have taken action.

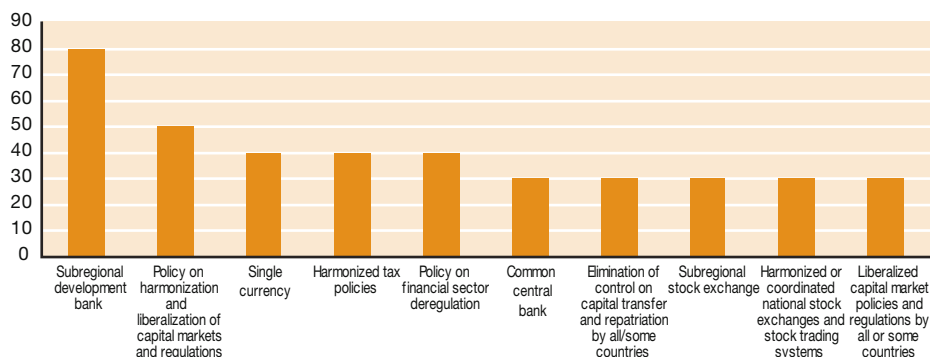
Progress towards economic union has also been limited. Harmonized and well integrated monetary and financial systems are a key determinant of a regional economic community's readiness to launch an economic union. But most regional economic communities lag on almost all critical elements necessary for the success of an economic union (figure 3.14). Apart from establishing development banks, which 70% of the regional economic communities have done, progress has been insufficient in other areas: harmonized tax policies, deregulated financial sector, and liberalized capital accounts.

Much of the literature on intra-Africa trade blames weak trade facilitation mechanisms for Africa's poor performance. Tariffs have been falling globally, but nontariff barriers have replaced them. In Africa transport and trade facilitation mechanisms comprise the largest share of nontariff barriers. And in transport and trade facilitation the regional economic communities have clearly made concerted efforts. More than 70% have made strides in harmonizing technical standards for vehicles, transit documents, and axle load limits and in liberalizing air transport (figure 3.15).

But the lack of progress in harmonizing highway codes—a complement to the axle load limits—is important. Most regional economic communities are not working

Figure 3.14

Share of regional economic communities that have taken steps towards monetary and financial integration (%)



Source: Economic Commission for Africa, *Assessing Regional Integration in Africa Survey*.

towards product standardization either. Lack of convergence in standards causes bottlenecks to trade within and between regional economic communities. Overall, more progress is needed. The multiplicity of regional economic communities and their different standards limit progress in harmonization of transport and trade facilitation, thus slowing progress towards integration.

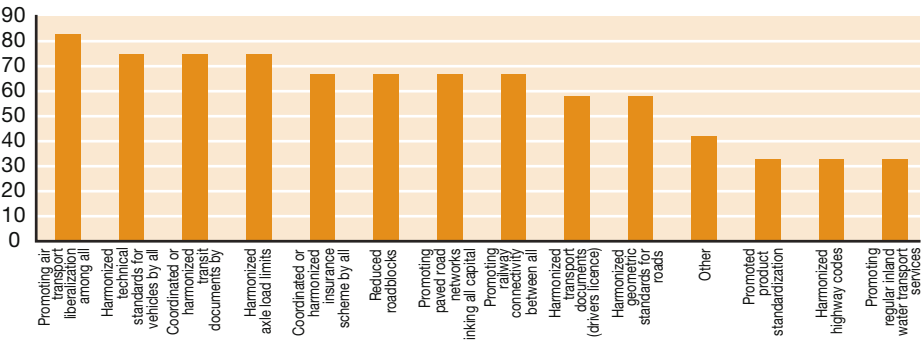
Sectoral and crosscutting issues also affect integration. Between a third and half of regional economic communities reported shortcomings in the effectiveness of their sectoral and crosscutting issues initiatives towards the integration goals (figure 3.16). But more than half think that they are making progress. Progress could be even better by concentrating efforts among a few regional economic communities. Although for some issues it does not matter how many regional economic communities exist because actions by one in, say, agriculture will not interfere with or duplicate actions by another, difficulties can arise when there is limited capacity at the national level to implement programmes that are required by different regional economic communities. In this case, limited resources at the national level could easily curtail the effectiveness on sectoral and crosscutting issues, further slowing integration.

Most regional economic communities lag on almost all critical elements necessary for the success of an economic union

Regional economic communities’ efforts to rationalize

Only slightly over half the regional economic communities have taken some actions towards rationalization—and 46% have taken none (figure 3.17). This could indicate that unanimity on the need to rationalize is weak because it has not been backed with concrete action. It could also mean that regional economic communities have not fully internalized the benefits of rationalization. Or it could mean that the challenges of rationalization have proved insurmountable for African countries.

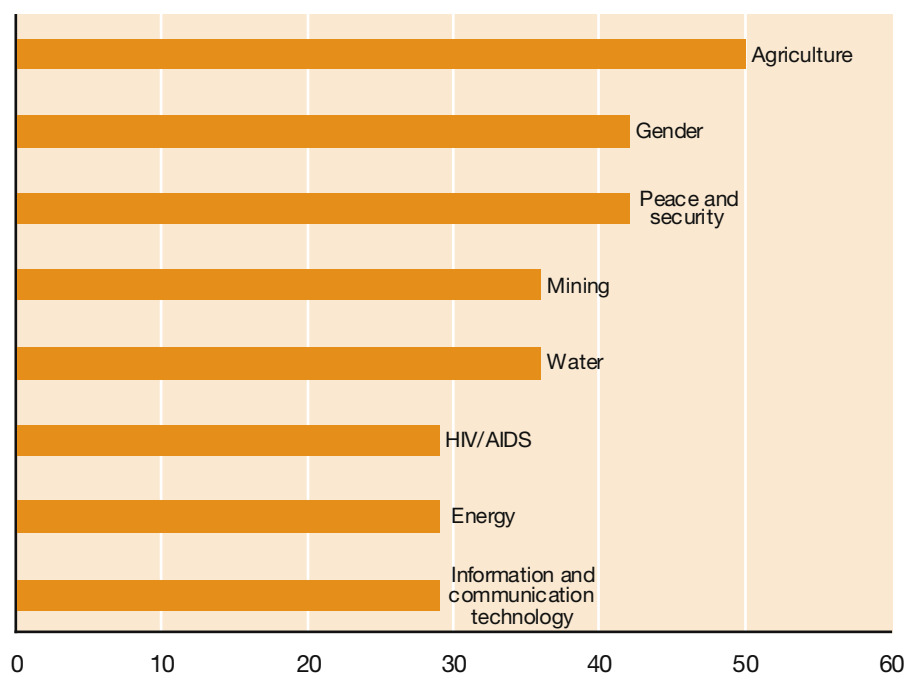
Figure 3.15
Share of regional economic communities that have taken steps to address transport and trade facilitation issues (%)



Source: Economic Commission for Africa, Assessing Regional Integration in Africa Survey.

Figure 3.16

Share of regional economic communities reporting lack of progress in sectoral and crosscutting issues (%)



Source: Economic Commission for Africa, *Assessing Regional Integration in Africa Survey*.

Three key options have emerged from COMESA's studies on rationalization:

- Maintain the status quo, with further efforts to harmonize, rationalize, and coordinate activities between COMESA and SADC.
- Have SADC members withdraw from COMESA.
- Develop COMESA into the secretariat of the African Economic Community, making it an umbrella for the EAC, ECCAS, ECOWAS, SADC, and UMA.

Whether these options are fully endorsed in COMESA is hard to tell, although the first two may be influencing changes taking place now.

Two key recommendations have emerged from ECOWAS studies:

- Merge or dissolve the sectoral and functional intergovernmental organizations.
- Rationalize or harmonize intergovernmental organizations and regional economic communities that are dealing with economic integration.

Regional economic communities have several challenges in rationalization:

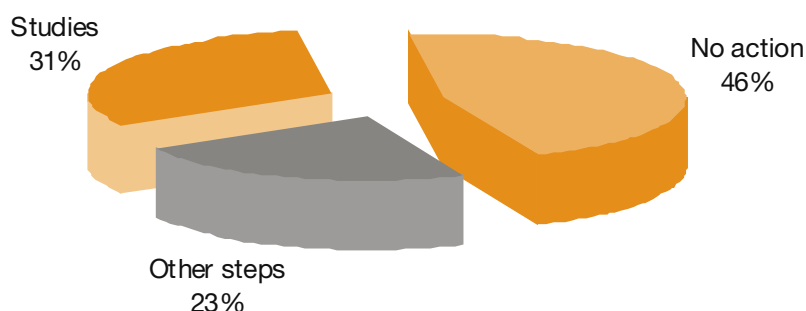
- **Political will.** Despite the good intentions of the Abuja Treaty, an important question is whether African leaders have the political will and commitment to push forward the regional integration agenda.
- **Sovereignty.** The fear of losing sovereignty may override the common good of rationalized regional integration. The fear of ceding powers to supranational bodies and the associated loss of independence and sovereignty must be addressed for rationalization to succeed.
- **Compensatory mechanisms.** Full implementation of regional integration creates winners and losers in the short term, but in the long term regional integration benefits all. One reason for the slow pace of rationalization may be the lack of compensation mechanisms for the losers.
- **Trade facilitation mechanisms.** Poor infrastructure is also responsible for African countries' inability to rationalize the regional economic communities. In addition, the behind the borders barriers make it costly to facilitate trade. Consequently, the push for rationalization does not come through because trading costs erode the gains from regional integration.

Conclusion

This chapter presented evidence on the state of the regional economic communities—especially with regards to the Abuja Treaty. It identified overlapping memberships as a problem and delved into the duplications across the entire spectrum of programmes of African regional economic communities. This duplication is harming results, especially at the subregional level, and ignores the financial constraints that bind regional economic communities' ability to advance their agendas. As a result, most regional economic communities are behind on the six stages towards the African Economic Community set out by the Abuja Treaty.

Figure 3.17

Share of regional economic communities that have taken actions towards rationalization



Source: Economic Commission for Africa, *Assessing Regional Integration in Africa Survey*.

The conclusion from this dismal picture of Africa's integration: the only way forward is to rationalize the regional economic communities

The conclusion from this dismal picture of Africa's integration: the only way forward is to rationalize the regional economic communities. Evidence of previous attempts to rationalize was presented, and the factors that caused them to fail have been used to define a new working concept of rationalization, specifically, as a continuum. This view implies that rationalization options should be seen not as mutually exclusive but as fungible—to accommodate the various objectives and vested interests involved.

Without rationalization overlapping memberships will continue to reduce the efficiency and effectiveness of regional economic communities, leaving the goal of the African Economic Community unachieved. And without rationalization integration efforts will still be duplicated at the regional and continental levels. Given the attendant inefficiencies and ineffectiveness of the duplication, Africa's integration will remain a dream for far beyond 2027.

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Missing Consensus and Actions at the National Level

Regional economic communities lack dynamism because of the actions—and inactions—of their members. A deeper understanding of the regional economic communities' situation and the challenges of rationalization is feasible only after exploring how regional integration processes are viewed and implemented at the national level. Agreed integration objectives are not adequately internalized. Delays in ratifying regional economic community protocols hamper the timely implementation of decisions. And broad-based support for integration is lacking, with civil society and the private sector acting largely as spectators. Governments must readjust how they are organized to implement their regional agreements.

Institutional setup and management of regional integration at the national level

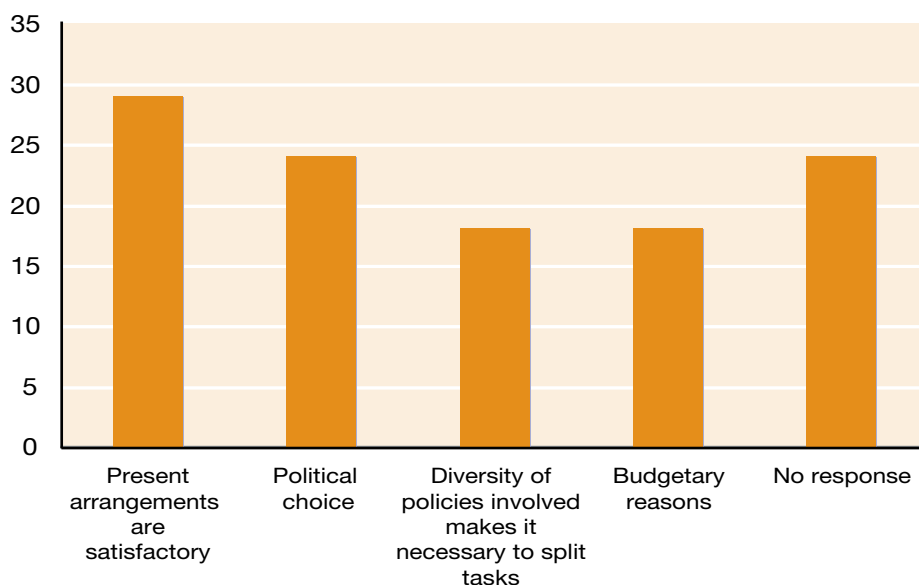
Just as coordination is important among regional economic communities' overlapping memberships and duplicated programmes, so is coordination among the government ministries and departments that are involved with integration. The success of regional integration in Africa depends on national and subregional capacity. Weak national institutions seriously hamper effective cooperation and integration. Thus national mechanisms for economic cooperation and integration need to be well equipped and structured to ensure that integration measures are effectively implemented. To harmonize the activities of member countries and the policies of regional economic communities, the internal arrangement for each country's participation in subregional integration initiatives must be better organized.

According to the United Nations Economic Commission for Africa (UNECA 2004), even though most African countries belong to more than one regional economic community, only 32% have a ministry dedicated solely to regional integration. The advantage of a dedicated ministry for regional integration is that technical staff can hone their skills for dealing with integration, especially given that staff of integration ministries tend to be highly qualified (72% have post-graduate training).

Countries offer a variety of reasons as to why they lack a dedicated integration ministry. Contrary to expectations, lack of money does not prevent establishment of

Figure 4.1

Reasons why African countries lack a centralized ministry to coordinate integration (%)



Source: Economic Commission for Africa, *Assessing Regional Integration in Africa Survey*.

such a ministry—only 18% of countries cited budgetary reasons (figure 4.1). Most countries simply felt that their current mechanisms are satisfactory.

In 53% of countries more than one ministry serves as the focal point for regional integration. Most countries cite the diverse integration agenda as the reason behind this. However, the ministry of foreign affairs is often heavily loaded with integration issues, with 70% of countries citing it as the focal point (figure 4.2). This shows the political dimension of regional integration in Africa and supports the finding that political-strategic reasons—not economics—drive memberships in regional economic communities. But economics also matters: the ministry of trade and commerce was cited as a focal point in 47% of the countries without a ministry of regional integration.

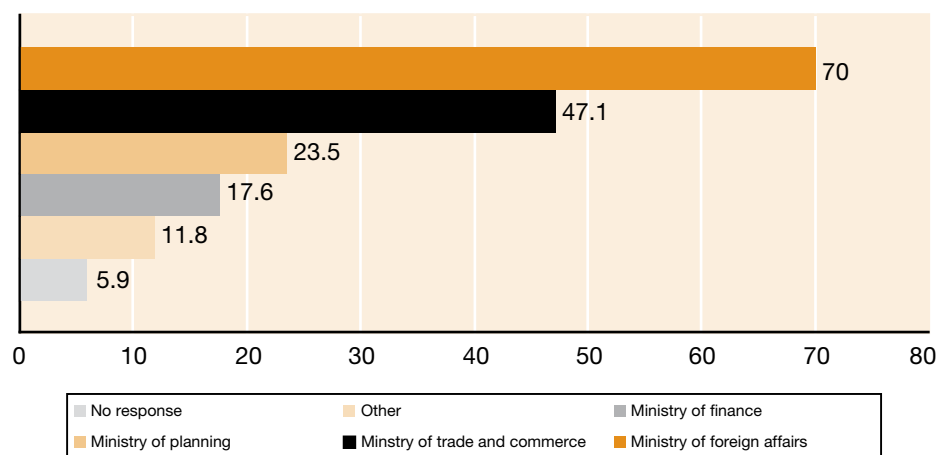
Given the inefficiency and ineffectiveness of African regional economic communities, countries must have a mechanism to share information among the ministries involved in regional integration. Such a mechanism would provide a clear picture of the areas of cooperation in which the country is involved with its neighbours.

When different ministries are the focal points for different elements of integration, coordination difficulties are likely to emerge—and they are likely to be made worse by overlapping memberships. With different focal points, interministerial coordinating committees are often used. But the case can be made for a better insti-

When different ministries are the focal points for different elements of integration, coordination difficulties are likely to emerge—and they are likely to be made worse by overlapping memberships

Figure 4.2

Ministries cited as the focal point for regional integration issues when no ministry of regional integration exists (%)



Source: Economic Commission for Africa, *Assessing Regional Integration in Africa Survey*.

tutional mechanism to coordinate integration activities. In particular, a coordinating ministry is likely to lead to better implementation because it would place special attention on different aspects of integration and it would be overseen by a common authority. This is the view of countries that already have a ministry of regional integration.

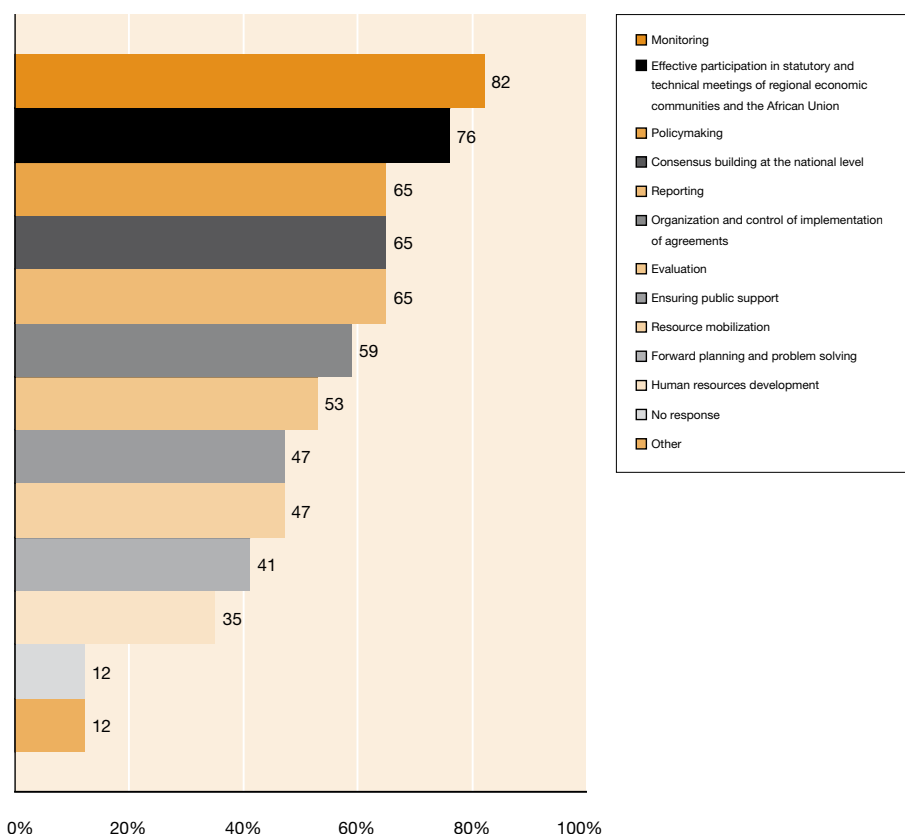
The ministry of regional integration serves as a technical and administrative institution. It ensures effective participation in statutory and technical meetings of regional economic communities and the African Union and evaluates and reports on progress in integration. More than 80% of countries cited policymaking as one of the ministry's functions (figure 4.3). Consensus building and ensuring public support are also important functions, especially since participation of the private sector and civil society must be improved to create ownership of integration initiatives.

A ministry of regional integration can be effective only if it receives support. It must have well trained professionals who are well paid and a stable operating budget. But in many African countries the ministry of regional integration often has a smaller budget than other ministries (57% of countries). Only rarely (17% of countries) does it have a larger budget.

In many African countries the ministry of regional integration often has a smaller budget than other ministries (57% of countries)

Translating integration goals into national plans

National development plans and their budgets are important for actualizing regional economic community goals at the national level. Countries often have inadequacies

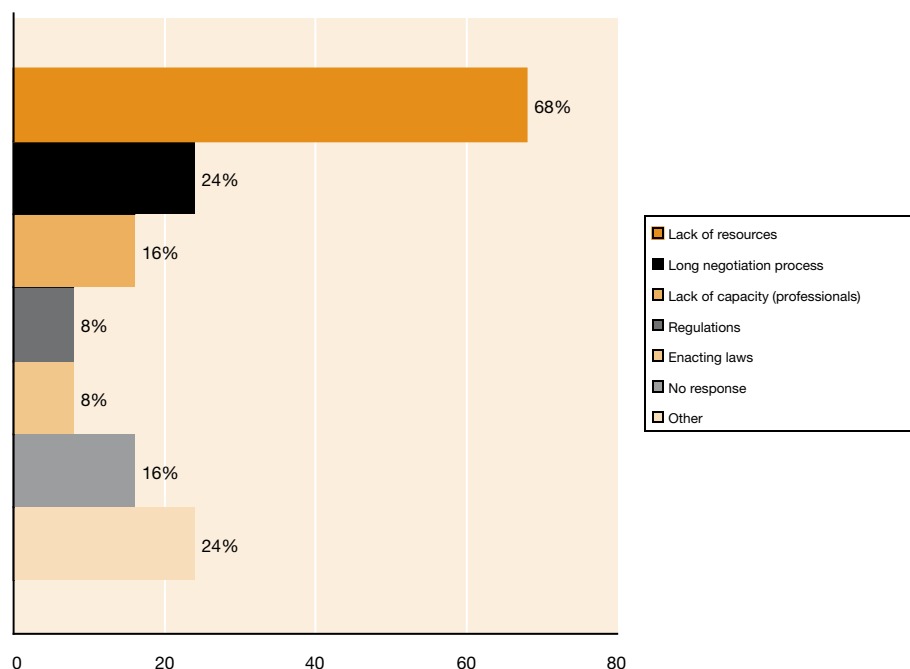
Figure 4.3**Main functions of the ministry of regional integration in African countries (%)****Source:** Economic Commission for Africa, *Assessing Regional Integration in Africa Survey*

that stem from deficient national mechanisms for translating treaty obligations and commitments into national plans and budgets.

Lack of resources was cited by 68% of countries as the main constraint to translating regional economic community agendas into national budgets (figure 4.4). Overlapping memberships, which lead to many demands for implementation at the same time, may be the reason for this. Long negotiations are also a constraint. Given that negotiations on trade protocols dominate the agendas of regional economic communities in Africa, overlapping memberships and duplicated programmes could again be the reason behind this constraint. Similar constraints emerged in integrating regional economic community goals into national programmes (figure 4.5).

Figure 4.4

Factors constraining translation of regional economic community goals into national budgets (%)



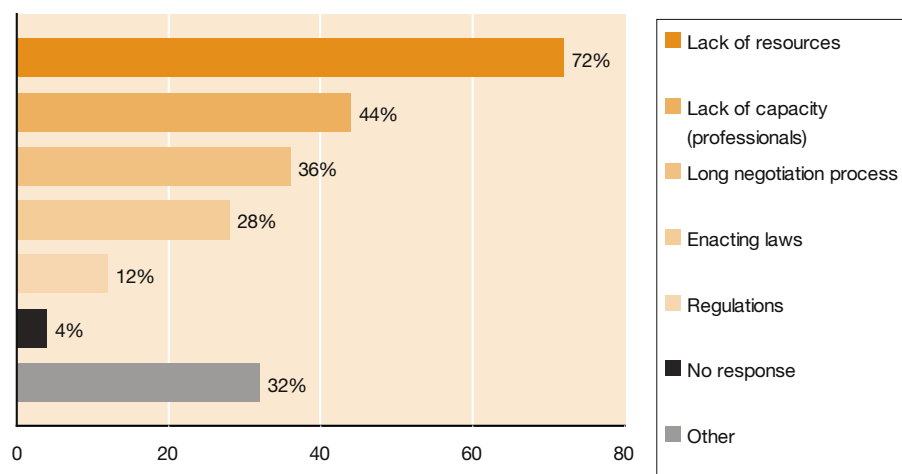
Source: Economic Commission for Africa, *Assessing Regional Integration in Africa Survey*.

Close to 75% of countries found it difficult to integrate regional economic community goals into their programmes because of lack of resources. Integration of regional economic community agendas into national programmes also faces capacity constraints, long negotiations, and a lack of laws to implement the regional integration agenda. These constraints grow as the number of regional economic communities a country belongs to grows.

In most African countries regional cooperation does not go far beyond signing treaties and protocols. The objectives of the treaties are not integrated at the right time or with the requisite commitment in national development plans or in the sectoral programmes of appropriate substantive ministries. The inability to translate regional economic community goals into budgets and national plans could also be attributed to lack of commitment to integration. Where political commitment exists, it is easier for a country to draw up its national development plans, strategies, and programmes with regional considerations and with the regional market as the point of reference.

Figure 4.5

Factors constraining translation of regional economic community goals into national programmes and plans (%)



Source: Economic Commission for Africa, *Assessing Regional Integration in Africa Survey*

Implementation record of agreed programmes

Rationalizing the institutional setting is important for successful integration, but member countries are the primary stakeholders and have an important role in ensuring that commonly agreed policies are implemented at the national level. Their work so far has been weak, and they must do more to ensure stronger congruence between actions and commitments and between plans and outcomes.

One project that almost all the regional economic communities are involved in is the Trans-African Highway. Countries are expected to integrate into their national investment programmes the construction of Trans-African Highway links within their borders. The highway is thus a useful measure of countries' ability to realize regional economic community goals—and by extension the African Economic Community's objective of a seamless intra-African trade transport corridor.

Despite the importance of the highway, only 16% of African countries have completed the links within their borders. It is not surprising that lack of resources is the main explanation, along with problems between neighbouring countries and security and political reasons (figure 4.6).

Implementation of agreements under trade protocols is also a good indicator of the regional economic communities' current situation. While rationalizing the institu-

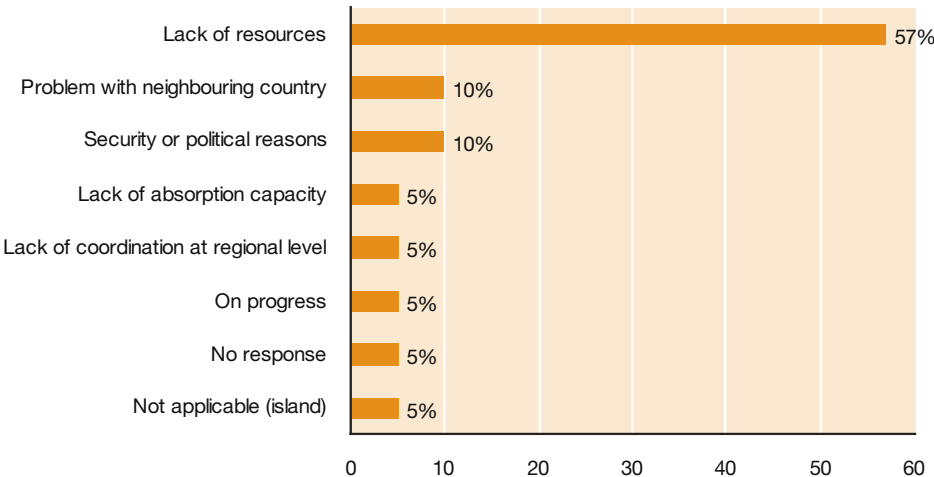
tional setup of the integration organs is important, it is equally essential to examine the interface between regional agreements and national policies—because commitment and action at the national level are essential for successful integration.

The implementation record of elements of agreed trade policies at the national level varies, but overall a lot remains to be done. Take tariff reduction, an important element of the preferential trade regimes. Only 28% of countries reported reducing tariffs to levels agreed to by their regional economic community (figure 4.7). This poor performance does not portend good progress for Africa’s integration. Another 32% are still implementing tariff reductions that are supposed to be complete—an indication of a lagging integration agenda slowed by inaction at the national level. Lethargy is also evident in removing nontariff barriers—major impediments to increasing intra-African trade. Slightly less than a third of countries reported having eliminated nontariff barriers that impede trade within their regional economic communities.

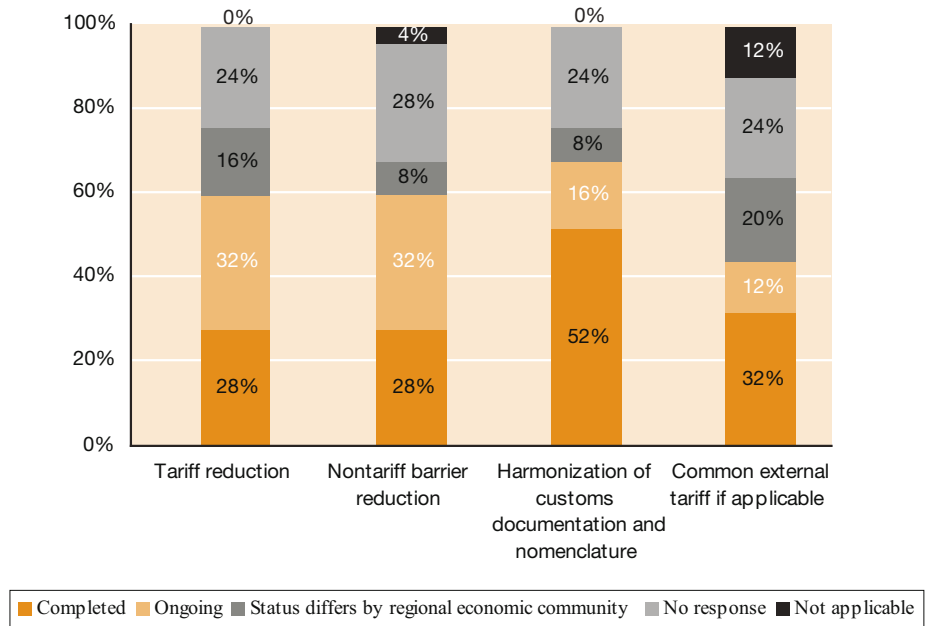
More progress has been made in harmonizing customs documentation and nomenclature: half the countries have completed the required harmonization. If other nontariff barriers can be addressed quickly, overall trade facilitation in the regional economic communities could be improved. Implementation of the common external tariff is also encouraging.

The Trans-African Highway project and trade policies have implications for resource needs and sovereignty over fiscal policy, in particular revenue mobilization. The

Figure 4.6
Factors constraining countries in completing links to the Trans-African Highway (%)



Source: Economic Commission for Africa, *Assessing Regional Integration in Africa Survey*.

Figure 4.7**Implementation status of trade policies at the national level (%)**

implementation record for treaties that do not have budgetary implications and immediate sovereignty questions is better. For instance, 80% of countries are actively pursuing the regional targets of inflation and budget deficit. And at least 45% of countries base their policies for debt to GDP ratio and interest rates on what has been agreed to at the regional economic community level.

The implementation record for treaties that do not have budgetary implications and immediate sovereignty questions is better.

Obstacles to movement of people across borders within regional economic communities are also being better addressed. Some 90% of countries have abolished entry visas for all or some regional economic community members, and 85% grant visas with the same duration of stay for citizens from member countries. But less progress has been made in granting right of establishment to nationals of regional economic community members: only 65% of countries have done so. And only 55% have adopted a common regional economic community passport and recognize it at the national level. Furthermore, countries have taken a selective and discriminating approach at the national level in implementing the right of establishment—a reality that is not easily visible in the statistics cited here.

The legislative processes for integration matters

All the regional economic communities have protocols that lay out the practical steps for implementing their treaties. Because the treaties merely set out broad areas

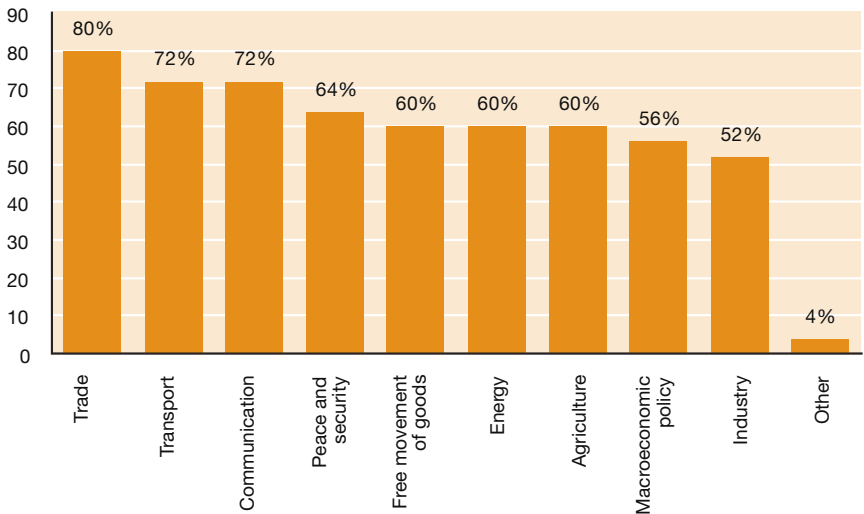
of agreement and general objectives, principals, and commitments, implementing instruments are needed. It slows the implementation of agreed programmes when members of a regional economic community fail to sign or ratify a treaty or to submit a ratified treaty in a timely fashion. Ordinarily, the lengthy negotiation process means protocols take a long time to conclude. Delays in signing and ratification make it more difficult for regional economic communities to adhere to their treaties' provisions. For instance, a treaty might provide for a regional economic community to reach the stage of a free trade agreement by a certain date, but negotiations may take so long that the treaty is not even signed by the target date. Many—and perhaps all—trade liberalization schemes in Africa have been rescheduled.¹

Some 80% of countries cited protocols on trade as the most important (figure 4.8). Almost as many cited the protocols on transport and communication.

Consensus among African countries on the importance of regional integration and support for regionally driven programmes are strong. Countries also recognize the role of regional integration in peace and security—nearly two-thirds of countries cited those protocols as important. Older integration initiatives' failure to realize the expected gains from these protocols in a timely manner may explain overlapping membership and duplication, especially if countries join multiple regional economic communities because some are more competent and ambitious in some areas but none are excellent overall. This makes a strong case for rationalization, which would lead to more focused and orderly integration institutions.

Countries also recognize the role of regional integration in peace and security—nearly two-thirds of countries cited those protocols as important

Figure 4.8
Important protocols for regional economic community treaties (%)



Source: Economic Commission for Africa, *Assessing Regional Integration in Africa Survey*.

Only 16% of countries ratify treaties and protocols in less than three months. In most countries the process takes up to a year

Even if multiple membership is seen as hedging against the risk of a regional economic community failing, the slow speed of ratification of the protocols is still an issue. Only 16% of countries ratify treaties and protocols in less than three months (figure 4.9). In most countries the process takes up to a year.

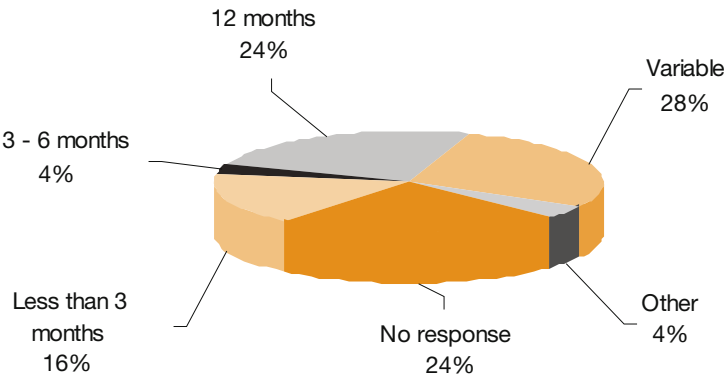
Countries use different mechanisms to ratify international agreements—which could be another contributing factor. In more than half of African countries the legislature alone ratifies treaties and protocols. Because legislative timetables and agendas vary by country, ratifications under multiple memberships may be impossible to coordinate for these countries. The remaining countries either require both the parliament and the head of state to ratify treaties and protocols or allow the cabinet alone to ratify protocols. Where parliaments are involved the process is also likely to take some time unless a mechanism exists to fasttrack treaties and protocols in parliament’s order of business.

The implication: coordinating implementation of protocols is difficult. Harmonizing ratification of protocols would help eliminate delays, which contribute to a loss of integration momentum.

Another problem in the ratification process is lack of expertise, often in translating treaties and protocols into national laws (cited by 20% of countries).

The differential costs and benefits that accrue to member countries from particular protocols could also affect the speed of ratification. For example, small island countries have little interest in signing and implementing protocols on rail, road, or inland water transport. And when political considerations rather than economic ones drive membership, countries may sign protocols to show their commitment,

Figure 4.9
Time needed to ratify regional economic community treaties and protocols (%)



Source: Economic Commission for Africa, *Assessing Regional Integration in Africa Survey*.

but not ratify them because they do not benefit from them. So, unless protocols consider the concerns and interests of all parties, integration programmes can be delayed by countries that perceive themselves as potential losers.

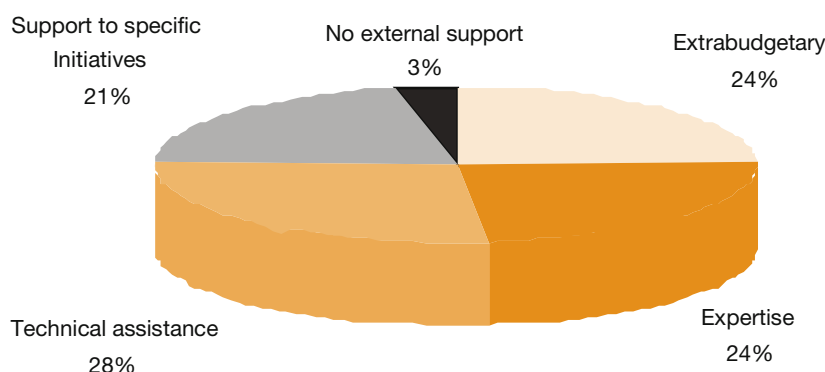
Fulfilling financial obligations to the regional economic communities

Financing regional integration in Africa has remained a key challenge to the continent's efforts to realize the African Economic Community. If the African Union is to make a decisive difference, key institutions in its Constitutive Act, including the Peace and Security Council, the African Investment Bank, and the African Parliament, must become operational—and effective and sustainable. Doing so requires a holistic financing strategy that accounts for the short-, medium-, and long-term financing needs of the African Union, the regional economic communities, and ancillary technical entities. If regional economic communities were well financed—and thus efficient and effective—the African Economic Community could be realized much more quickly.

Because the gap between regional economic community needs and member contributions is so large (see chapter 3), most regional economic communities had to turn to external sources of financing (figure 4.10). The financing gap is larger for countries belonging to more than one regional economic community. So, unless integration institutions and programmes are rationalized, regional economic communities will still struggle with ambitious mandates from their treaties and protocols that inevitably lead to an unhealthy financial situation.

If regional economic communities were well financed—and thus efficient and effective—the African Economic Community could be realized much more quickly

Figure 4.10
External support received by regional economic communities



Source: Economic Commission for Africa, *Assessing Regional Integration in Africa Survey*

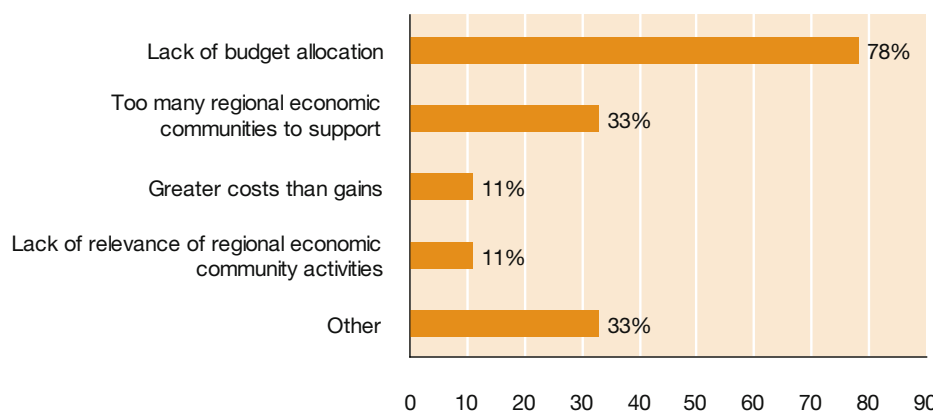
To gain a sounder financial footing, some regional economic communities have explored financing based on a levy on imports from third countries

Most countries cited limited resources as the main reason for arrears (figure 4.11). This could indicate that the regional economic community programmes are not viewed as a priority in national budgets. This explanation is related to the finding that most regional economic communities face difficulties in programming activities into national plans and budgets. Overlapping memberships are also a contributing factor, cited by 33% of countries.

The report survey of countries' preferences for funding regional economic communities found that a method based on equal contributions was the least popular, with only 8% of countries supporting it. Meanwhile, two-thirds supported a method based on country GDP.

To gain a sounder financial footing, some regional economic communities—the Common Market for Eastern and Southern Africa, the Southern African Development Community—have explored financing based on a levy on imports from third countries. West African Economic and Monetary Union and Central African Economic and Monetary Community already have such a plan in operation, and Economic Community of West African States and Economic Community of Central African States have one partly in place. The prime objective is to make the economic integration process more financially solid and the regional economic communities less dependent on member countries and external sources. The mechanisms aim to mobilize more substantial and regular resources to cover budgets of the secretariats; compensatory mechanisms; regional projects, programmes, and related studies; and regional development funds, among other things.

Figure 4.11
Factors cited to explain failure to meet financial obligations to regional economic communities (%)



Source: Economic Commission for Africa, *Assessing Regional Integration in Africa Survey*.

Benefits of integration

The benefits of regional integration in Africa come from two main sources: economies of scale and competition. Africa’s small markets constrain the number and scale of firms and projects that can be sustained, hindering competition and limiting scale economies. Through regional integration, domestic African markets are combined, enabling firms to expand and markets to be more competitive. More competition induces firms to eliminate internal inefficiencies and raise productivity.

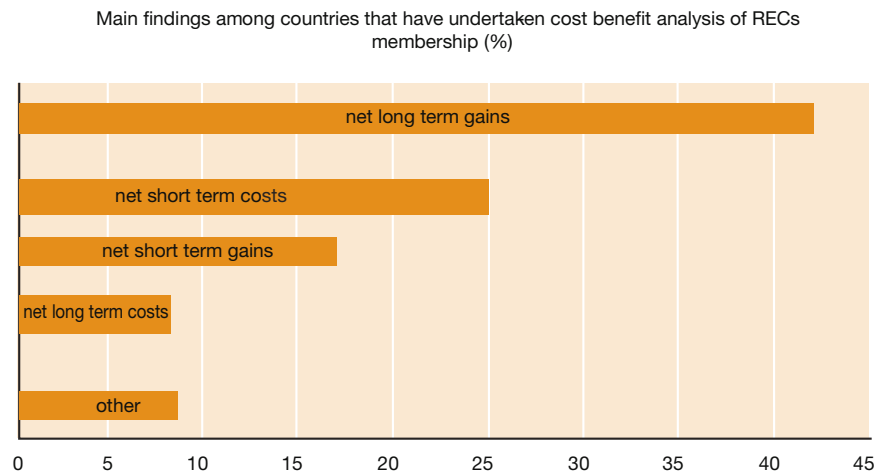
Regional integration can also increase investment because returns are higher in larger markets. And regional arrangements that implement customs unions encourage foreign investors to engage in tariff jumping—that is, investing in one member country in order to trade freely with all members—which further increases investment. Such investment can induce knowledge and technology transfers and spillovers, raising productivity.

As of 2004, only 28% of African countries have undertaken cost-benefit analysis studies of their integration plans. Their findings can focus debate and policy actions at the national level. Some 42% of those countries found that regional integration portends net long-term gains, and only 8% concluded that they are likely to experience net long-term costs (figure 4.12). The findings clearly support integration for Africa and can influence national decisions on regional economic communities.

That findings from cost-benefit studies can influence the outcomes of regional integration underscores the need for the 72% of countries that have not undertaken

Regional arrangements that implement customs unions encourage foreign investors to engage in tariff jumping which further increases investment

Figure 4.12
Results of national cost-benefit analysis studies (%)



Source: Economic Commission for Africa, Assessing Regional Integration in Africa Survey.

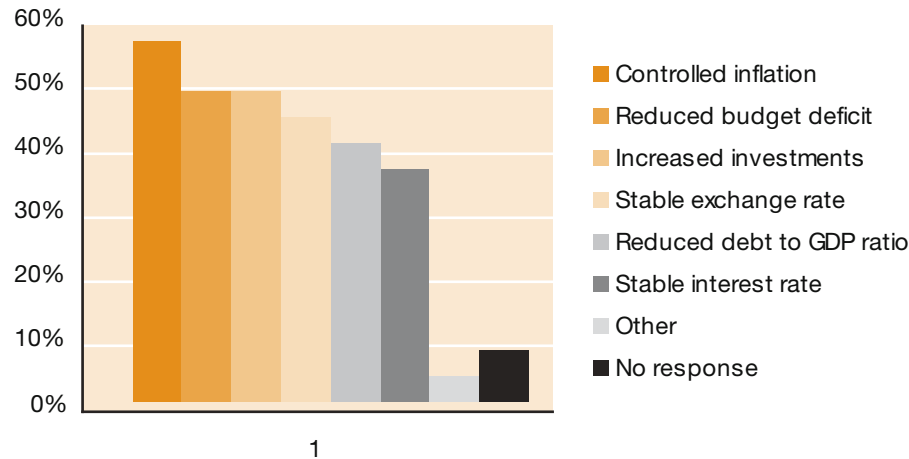
them to do so. The main reasons cited by these countries are financial and human resources constraints. But a sizeable share also felt that they had no mandate to do so. The regional economic community leadership could easily spearhead positive action by granting the mandates.

Other benefits from regional integration may not be readily apparent. Regional integration can enhance the credibility and the continuity of economic and political reforms in member countries because regional arrangements function as collective agencies of restraint, providing frameworks for coordinating policies and regulations. As part of integration, countries are often required to update and improve their legislative and regulatory frameworks. Specific macroeconomic convergence criteria force countries to create a macroeconomic environment that supports international competition. This facilitates sound economic outcomes such as low inflation, low deficits, and stable exchange rates. Participating in regional integration can thus increase the credibility of a government's commitment to macroeconomic stabilization, with additional spillovers to growth.

African countries reported many benefits from regionally coordinated macroeconomic policies. More than half reported that regional coordination and targeting helped control inflation (figure 4.13). Almost as many reported sound budget deficit positions and stable exchange rates. And 44% report increased investment.

Most countries reported benefits in trade and market integration and transport programmes (table 4.1). But in some areas the benefits are not spread across all coun-

Figure 4.13
Benefits to countries from adopting macroeconomic policies sponsored by regional economic communities (%)



Source: Economic Commission for Africa, *Assessing Regional Integration in Africa Survey*.

Table 4.1

Benefits to countries from implementing regional economic community programmes

Benefit	Frequency (%)
Implementation of trade and market integration	
Increased exports	60
Increased imports	56
Enhanced customs procedures	64
Others	20
Transport programmes	
Enhanced traffic flows	60
Reduced transaction costs	40
Better physical connectivity with other countries	56
Enhanced cross-border movements	76
Energy programmes	
Enhanced energy supplies	44
Enhanced energy consumption	24
Improved reliability	28
Other	4
Food and agriculture programmes	
Increased food security	36
Improved trade in food	48
Improved early warning systems	28
Improved agriculture output	24
Other	4

Source: Economic Commission for Africa, Assessing Regional Integration in Africa Survey.

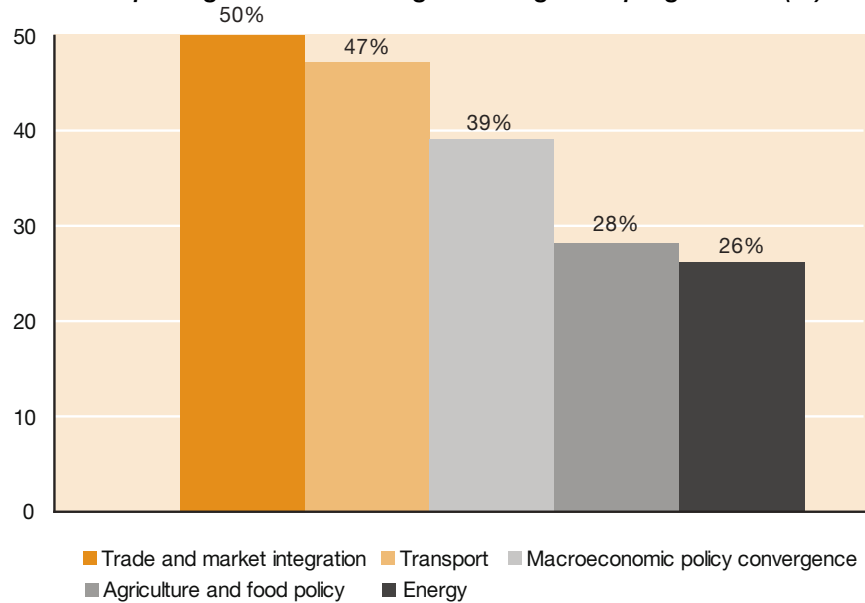
tries. For instance, in energy programmes, apart from the enhanced energy supplies reported by just under half the countries, many countries did not report improved performance in consumption and reliance. Likewise with agriculture.

Only half the countries indicated that they have realized benefits in trade and market integration programmes (figure 4.14). Slightly under half reported gains in transport programmes. But in macroeconomic policy convergence, energy, agriculture, and food security most countries did not feel that they realized significant benefits from regional integration. This performance is clearly below average and raises questions as to why the expected pace of gains has not been realized. The answer lies in overlapping memberships and duplication, which have hampered the effectiveness of these programmes.

In efficient and effective regional trading agreements African countries would benefit from cooperation—especially through resource pooling—to promote regional public goods. Regional integration arrangements promote cooperation in two ways.

Figure 4.14

Countries reporting benefits from regional integration programmes (%)



Source: Economic Commission for Africa, *Assessing Regional Integration in Africa Survey*.

First, regional integration arrangements generate regular contact and collaboration among policymakers that can enhance rapport and trust, facilitating cooperation in areas not explicitly covered by an agreement. Second, they provide a framework for cooperation on shared resources (such as rivers, road and rail links, and electricity grids) or problems (such as pollution or transport bottlenecks). Embedding regional cooperation in integration arrangements can boost enforceability.

When regional economic communities are efficient and effective, regional integration can also help reduce the risk of conflict. Increasing interdependence among members makes conflict more costly. And regular political contact among members can build trust and facilitate cooperation, including on security. This is especially relevant for a continent whose development has been limited by conflict in some areas. Security arrangements and conflict resolution mechanisms have become integral parts of regional integration arrangements. But the magnitude of potential benefits that accrues to a particular regional grouping depends on the depth of integration, in terms of removing protection and other barriers, such as red tape at national borders and differences in product standards. Thus, it also depends on the level of commitment and trust of the member countries. Africa's performance in terms of benefits realized, while positive, has yet to be optimized.

Costs of integration

Integration also entails some costs. From the international trade theory perspective trade diversion—the displacement of lower cost production from nonmembers with higher cost production from partner countries because of reduced barriers in regional integration arrangements—is one of the most recognized costs. Regional integration arrangements generate overall welfare gains when trade creation is greater than trade diversion—an outcome that cannot be determined a priori. Nonetheless, whether bilateralism and regionalism are bad for general economic welfare and the global trading system remains under debate, with some arguing that the issue depends on three other factors:

- Whether existing bilateral and regional liberalization efforts harm living standards in participating or nonparticipating countries.
- Whether bilateralism and regionalism has harmed the world's trading system and hindered multilateral trade liberalization.
- Whether bilateralism and regionalism are likely to damage the global trade system in the future.

Baldwin (1997) argues that almost all empirical studies of European and North American regional arrangements find positive impacts on members' living standards. Empirical work on smaller regional trade arrangements is scarce, but he also finds little evidence that bona fide regional liberalization has significantly lowered any country's living standards. And he believes that multilateral liberalization since World War II has successfully cut industrial tariffs in developed countries and that the countries that steered this multilateral liberalization—Canada, the United Kingdom, the United States, the Nordic countries, and members of the European Economic Community—are the same ones that have driven regional liberalization since the 1958 Treaty of Rome, the Stockholm Convention, and the 1965 Canada-U.S. Auto Pact.

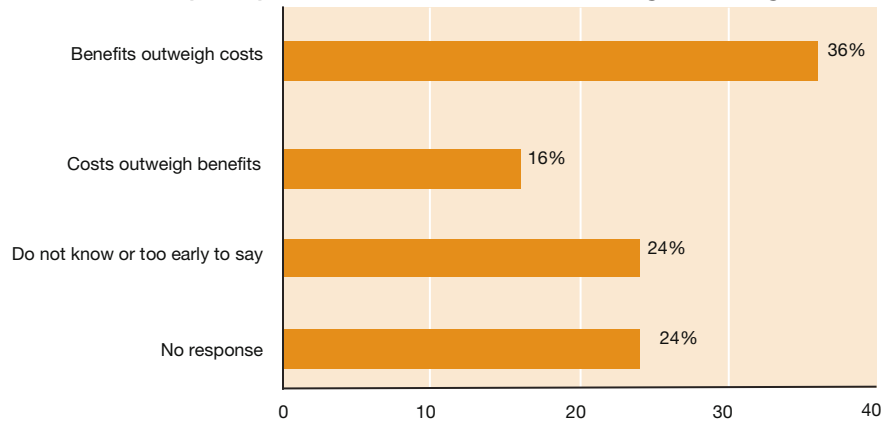
While Baldwin's (1997) arguments support the plan to maximize global participation of Africa's small countries through regional integration, doubts persist (World Bank 2005). Summers (1991) finds that regionalism has a benign effect on the multilateral trading system, but the World Bank (2005) argues that regionalism is discriminatory and inimical to multilateralism. Bhagwati (1993, 1995) also takes this view, citing discriminatory liberalization in regionalism as a serious threat to the World Trade Organization-centred world trading system and seeing interbloc trade war, greater dominance over small countries by hegemonies, and dampened enthusiasm for further multilateral liberalization as threats.

For Africa one cost of integration is less government revenue because of tariff cuts among members of regional trading arrangements and to a shift away from imports from nonmembers subject to tariffs. The size of this cost depends on how easily members can find alternative means of raising revenue. These costs can be quite high for African countries that rely heavily on tariff revenue. And indirect costs can arise

Regional integration arrangements generate overall welfare gains when trade creation is greater than trade diversion—an outcome that cannot be determined a priori

Figure 4.15

African countries' perceptions of costs and benefits of regional integration



Source: Economic Commission for Africa, *Assessing Regional Integration in Africa Survey*.

from the free movement of people across national borders—for example, the extra vigilance required to prevent crime from crossing borders. Moreover, the possible decrease in national sovereignty and culture due to integration may have costs.

Still, most African countries say that they have realized more benefits than costs from regional integration (figure 4.15). No doubt that more countries would agree if overlapping memberships and duplication were addressed and the regional economic communities were rationalized.

The private sector as a partner

Before the economic reforms of the mid-1980s African governments and nongovernmental organizations drove regional integration initiatives. The private sector was not seen as a partner in development that could be relied on to foster economic growth. But today the role of the private sector in regional integration is growing. Because production is no longer predominantly in the government's hands, the private sector and nongovernmental institutions must implement the changes in production that stem from integration agreements.

Today the role of the private sector in regional integration is growing

One area where the private sector can have a positive impact is political decision-making at the national and regional levels. A well organized private sector can participate in policy formation, provide advice to governments, and lobby for continued implementation of positive reforms. In this respect, it is important for the private sector to be active in conceptualizing, designing, formulating, and adopting integration programmes.

By providing human and financial resources for regional projects, the private sector creates jobs, increases market size, and induces positive externalities, including technological spillovers. With the right conditions and support, the private sector can generate the wealth needed to stimulate growth and finance regional projects—even more pertinent as African governments disengage from nonstrategic economic activities.

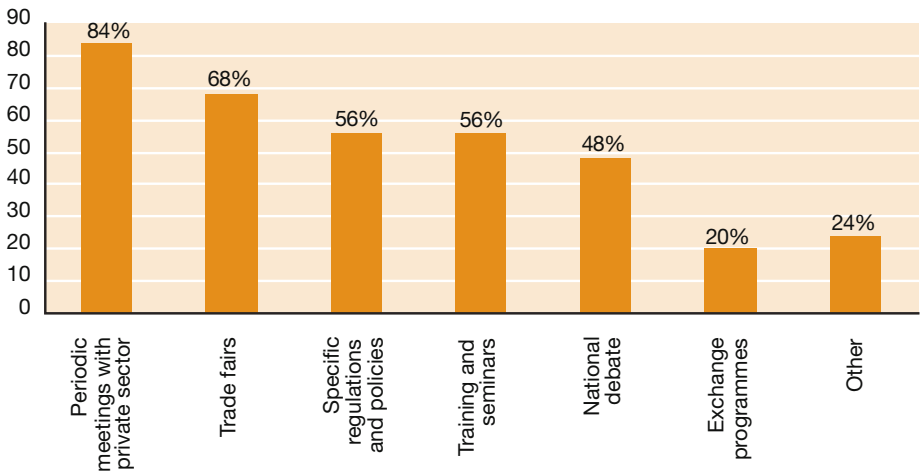
There are a variety of mechanisms for involving the private sector in regional integration. Most countries used periodic meetings, but trade fairs, regulations, and training and seminar programmes were also common (figure 4.16).

By removing the key constraints to increasing the size and efficiency of the private sector, regional integration facilitates the formation of larger markets through trade liberalization and harmonization and increases the potential scale of business and profit opportunities. And macroeconomic policy harmonization across most regional economic communities reduces economic uncertainty and risk, stimulating private sector activity.

The financial integration that is occurring along with macroeconomic integration is causing regional capital markets to emerge. The banking sector in some regional economic communities is also benefiting from increased competition and knowledge sharing, which creates conducive environments for financial intermediation through efficient resource mobilization and allocation. Both of these outcomes benefit the private sector as well.

A well organized private sector can participate in policy formation, provide advice to governments, and lobby for positive reforms

Figure 4.16
Countries' mechanisms for involving the private sector (%)



Source: Economic Commission for Africa, Assessing Regional Integration in Africa Survey.

The institutional mechanisms for cooperation between the public and private sectors at the national level need to be deepened, and bottlenecks that hinder development of transnational corporations need to be addressed. Suggestions include adopting easier rules for mergers and acquisitions and developing capital market frameworks that enable cross listing of companies where stock markets exist. Regional economic community treaties and protocols should also be reviewed to ensure that the private sector is explicitly mentioned.

There is emerging recognition of the need to involve more people: the African Union's June 2001 and 2002 meetings on civil society involvement in Africa's integration, for example

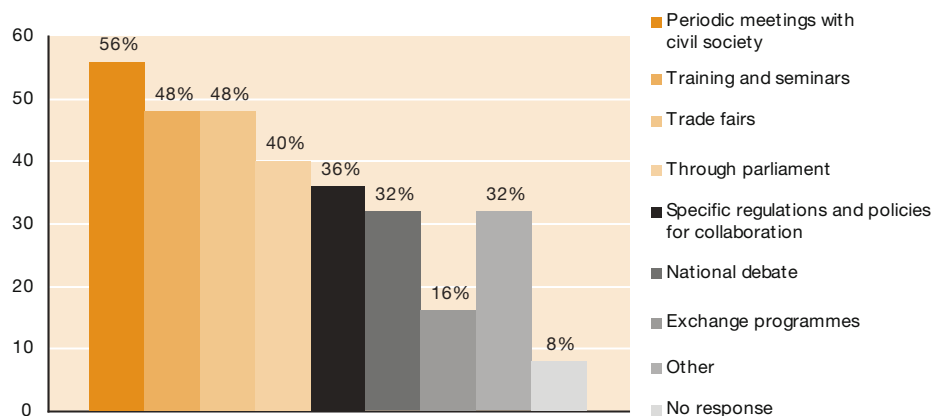
Democratizing regional integration with civil society

Democratizing regionalism is critical for African governments to build a popular base for regional integration. The dialogue on integration so far has generally been monopolized by governments and intergovernmental organizations. Nonetheless, there is emerging recognition of the need to involve more people: the African Union's June 2001 and 2002 meetings on civil society involvement in Africa's integration, for example. However, the machinery for making this involvement possible is still young. About half of African countries use trade fairs, seminars and training, and periodic meetings with civil society to discuss integration issues (figure 4.17). National debates are not widely used, but debates in parliament are more common.

The success of rationalizing the regional economic communities very much depends on the involvement of civil society and all stakeholders. A rationalization process that involves civil society stands a much better chance of success than one that is led by governments alone. Unless the people are aware of regional integration and interested in its success, the current state of African regional economic communities is unlikely to change.

Figure 4.17

National mechanisms for involving civil society in regional integration (%)



Source: Economic Commission for Africa, *Assessing Regional Integration in Africa Survey*.

Effective mobilization of public support should be regarded as a critical ingredient for implementing and maintaining cooperation and integration oriented towards collective self-reliant, indigenous, and self-sustaining development in Africa. Better consultation mechanisms are needed. Apart from the widely used electronic media, the groups that should understand the basics of regional integration—women and young people—receive limited attention. Given that professional organizations tend to be dominated by the formal sector, the majority of citizens are unlikely to understand the issues facing their countries. Young people have the potential to ensure the sustainability of regional integration. And women are heavily involved in the informal sector, including cross-border trade. If they can appreciate the benefits of integration, they can provide needed public support.

For rationalization to succeed, the weaknesses at the national level in translating regional economic community goals into national plans and budgets must be addressed

Conclusion

The discussion in this chapter has focused largely on the actions needed at the national level for regional integration to succeed in Africa. The national focus is due to the realization that member countries determine the pace of integration at the regional economic community level. But many countries lack a strong institutional framework to coordinate and push the agenda for regional integration. The competing objectives that drive countries to join several regional groups result in multiple focal points at the national level. This makes coordination difficult.

The inefficiencies and ineffectiveness of the multiplicity of the regional economic communities are worsened at the national level by countries' failure to fully integrate regional economic community programmes into national plans and budgets. Furthermore, the failure of most countries to analyze the benefits and costs of their memberships in regional economic communities has made it even more difficult to advance the reforms needed for successful joint regional economic community initiatives. The uncertainty of political support for integration schemes was also evident in most countries' poor performance in meeting financial obligations to the regional economic communities. But failure is also associated with the multiplied burdens as a result of overlapping memberships.

For rationalization to succeed, the weaknesses at the national level in translating regional economic community goals into national plans and budgets must be addressed. These weaknesses can be dealt with through innovative means such as joint sponsorship of training programmes by the overlapping regional economic communities to exchange ideas on harmonization. In addition to achieving better skills development, such joint capacity-building efforts also make it easier to mobilize resources at the national level for regional public goods such as infrastructure developments.

What has emerged most clearly from the evidence in this chapter is the need for countries to have an objective look at why they are taking part in different integration

programmes in the first place. Cost-benefit studies are needed to address apathy in these countries. Such inquiries would result in a natural process of rationalization or hasten the rationalization so strongly argued for in chapter 3. Unless countries can confidently say that the benefits of integration will outweigh costs, commitment to regional integration will remain weak.

What has emerged most clearly from the evidence in this chapter is the need for countries to have an objective look at why they are taking part in different integration programmes in the first place

The actions recommended so far relate to government. But another important conclusion is that the integration process must be democratized. This would serve as a catalyst to make regional integration a demand-driven process that the government, the private sector, and civil society collaborate on. The supply-driven nature of integration—with governments acting first and informing the other stakeholders later—needs new mechanisms for better engagement. Rationalizing a country's membership in the regional economic communities can advance in a more positive way if the public is engaged in an informative dialogue that generates the necessary support against vested interests.

Notes

1. The concept of variable geometry discussed in chapter 3 suggests having slow integrators and fast integrators cohabit a regional economic community for as long as they are signatories to the treaty, with the slow integrators lagging in the ratification and implementation of protocols.

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Inadequate Coordination at the Continental Level

In the 15 years since the Abuja Treaty was signed African countries have introduced numerous initiatives in regional integration without coordinating them at the continental level. Integration outcomes clearly show that the continental blueprints for integration have served only as loose frameworks—not as rule-based points of reference—for the regional integration agenda. Coordinating mechanisms with a legal basis—essential in enforcing standards and commitments to integration at all levels—are lacking. And this has led to overlapping memberships and ineffective coordination and harmonization of programmes among the regional economic communities.

The need for coordination

Continental coordination of integration in Africa is essential for an optimal outcome and should be seen as a collective good. Three major arguments can be made in favour of coordination:

- Economic interactions create strong interest in coordination.
- Coordination leads to maximum welfare.
- Coordination institutions become collective goods.

According to Horne and Masson (1988), coordination leads countries to choose economic policies that maximize their collective welfare by exploiting interactions between their economies. Cooper (1985) distinguishes several types of interaction, some very relevant to coordination of integration in Africa. First is the structural interaction that results from transmitting external shocks between countries. Two countries may face the same kind of external shock because they produce goods that face similar international conditions. Countries would thus have a common interest in coordinating their policies, at least in the concerned sectors. Second is corresponding objectives. Whether a country realizes a particular objective may depend on whether the same or related objective is achieved in another country. So countries would coordinate because they have an interest in their neighbour's success. Third is strategic interaction—when one country defines its policy according to the strategy of another country. In Africa a significant number of interactions are at the continental level. Geographical proximity and similarities in terms of development,

economic specialization, and constraints mean that coordinated regional integration at the continental level is an optimal choice.

The second compelling argument in favour of coordination is founded on game theory, which suggests that cooperation leads to a Pareto optimum, with maximum creation of welfare. Equilibrium with a dominant player, as in the case of Stackelberg equilibrium or in a noncooperative equilibrium such as a Nash equilibrium, brings less economic welfare to all players. Thus coordination is necessary.

Given the dispersed, fragmented, antagonistic, and sometimes stagnant nature of Africa's multiple integration paths, coordination appears to be essential for achieving the Abuja goals

The third argument is that institutions in favour of coordination act as collective goods (Kindleberger 1986). By coordinating, the institutions bring positive externalities to all members. In the integration context, the more member countries, the bigger the global gain in welfare. And particularly significant is that four of the five international public goods identified by Kindleberger relate directly to regional integration: common monetary institutions, common trade exchange systems, common financial rules, and cooperation and coordination systems.

Given the dispersed, fragmented, antagonistic, and sometimes stagnant nature of Africa's multiple integration paths, coordination appears to be essential for achieving the Abuja goals. This is the theoretical and practical basis for the current institutional arrangements on coordination.

The current state of coordination

The Abuja Treaty's paragraphs 1 and 3 of article 88 lay out the protocol on relations between the African Economic Community and the regional economic communities. Adopted on February 28, 1998, it has been signed by the Common Market for Eastern and Southern Africa, Community of Sahel-Saharan States, Economic Community of Central African States, Economic Community of West African States, Inter-Governmental Authority on Development, and Southern African Development Community. Its objectives, as stated in article 3, are to:

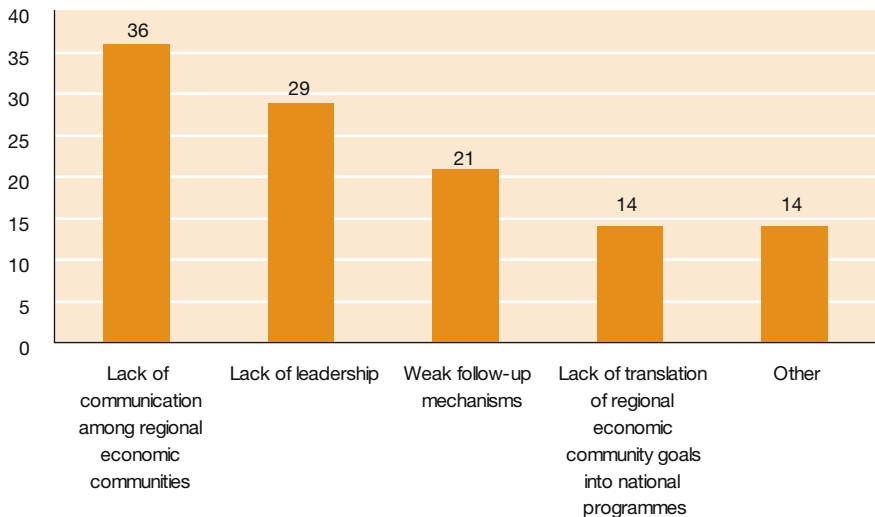
- Strengthen existing regional economic communities in accordance with the provisions of the protocol, the African Economic Community, and regional economic community treaties.
- Promote coordination and harmonization of policies, measures, programmes, and activities of regional economic communities to ensure the implementation of stages one through four of article 6.
- Develop closer coordination among the regional economic communities.
- Provide an institutional framework to manage the relations between the regional economic communities and the African Union.

To achieve these objectives, the protocol provides a coordination framework with clear coordination organs, two key committees: the Committee of Secretariat Officials and the Committee on Coordination. The Committee of Secretariat Officials' main responsibilities are to prepare the groundwork for the Committee on Coordination, to monitor the harmonization of regional economic community activities, and to promote mutual assistance between regional economic communities. The Committee on Coordination comprises the African Union Commission Chairperson, chief executives of the regional economic communities, the executive secretary of the United Nations Economic Commission for Africa, and the president of the African Development Bank; it is vested with the responsibility for determining the policy orientation of the protocol's implementation, coordinating macroeconomic policies, monitoring the progress towards the goals in article 6 of the Abuja Treaty, and deciding how to implement the decisions and directives of the Summit of Heads of State. An institutionalized framework involving secretariat officials provides sustained technical support. And the regional economic communities are in turn expected to align their treaties and legal instruments with the provisions in the protocol and to explicitly incorporate a provision into their treaties stating that the African Economic Community will be realized through their eventual merger.

Almost a third of regional economic communities attribute their lack of coordination to lack of leadership

So clearly coordination mechanisms exist, but they have been ineffective. Almost a third of regional economic communities attribute their lack of coordination to lack of leadership (figure 5.1). The protocol between the regional economic communities and the continental institutions is supposed to provide this leadership. And more

Figure 5.1
Factors attributed to lack of coordination at the regional economic community level (%)



Source: Economic Commission for Africa, *Assessing Regional Integration in Africa Survey*

than a third of regional economic communities cited lack of communication among communities, which the protocol is expected to ensure. Implicit in these results is the regional economic communities' expectation that leadership will come from somewhere other than among themselves. This is a clear justification for activating and strengthening the institutions and mechanisms in the protocol between the African Union and the regional economic communities.

The African Economic Community is to take a leadership role and the regional economic communities are to be the substantive organs for realizing the Abuja Treaty's objectives

The protocol also provides a management scheme for cooperating on and coordinating the activities of the African Economic Community and regional economic communities. The African Economic Community is to take a leadership role and the regional economic communities are to be the substantive organs for realizing the Abuja Treaty's objectives. The regional economic communities will be the first-line coordinators of programmes for member countries, and the African Economic Community will provide support and monitor activities to ensure harmonization of measures and timetables at the continental level. After the regional economic communities have achieved a customs union and a common market, they will merge to form the African Common Market, and the full-fledged African Economic Community intervention will follow. The African Economic Community will take the lead on dealing with member countries, and the functions and structures of the regional economic communities will be revised to serve as its implementation arms. This entire process is expected to take 25 years.

The Constitutive Act of the African Union, adopted July 11, 2000, supersedes contrary provisions of the Abuja Treaty. At the continental level African Union member countries will concentrate on providing guidelines for regional economic communities to articulate their policies and on harmonizing regional economic community sector policies with the aim of formulating continental ones. Detailed implementation activities are left to the regional economic communities.

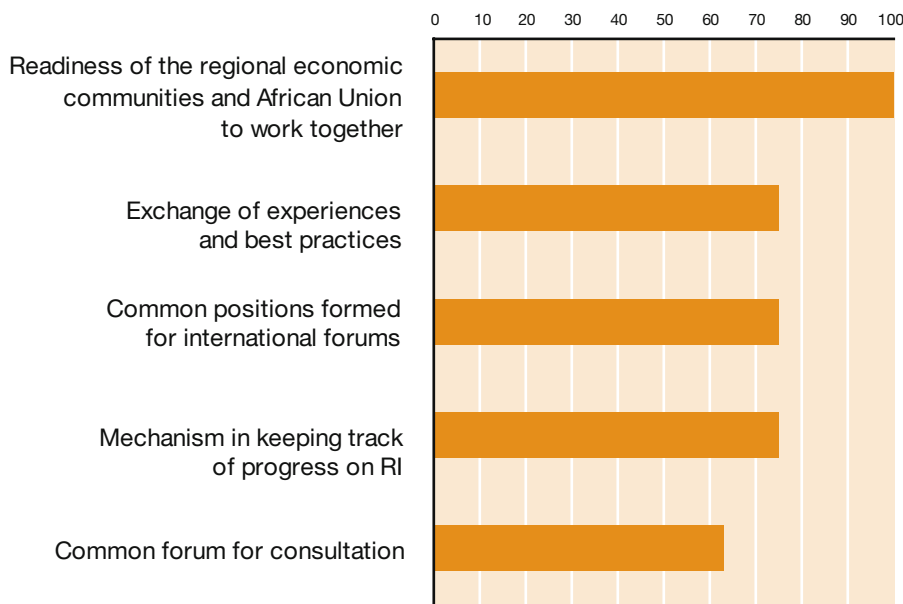
On June 24, 2004, the African Union's Committee on Coordination adopted a protocol on relations with the regional economic communities that will enter into force once the African Union and the chief executives of at least three regional economic communities sign it. This protocol will replace the one on relations between the African Economic Community and the regional economic communities. There are three major innovations in the new protocol. First, the two coordination committees will meet annually. Second, the African Union will be able to sanction regional economic communities or member countries that do not comply with its directives. Third, a dispute resolution mechanism is included. The new protocol's capacity to achieve the coordination goals needs to be evaluated based on what the regional economic communities have identified as the strengths and weaknesses of the current protocol.

Strengths and weaknesses of the current protocol

According to most of the regional economic communities, the main strength of the protocol is its existence (figure 5.2). This is a clear indication that the regional economic communities recognize the need for coordination mechanisms. But it is less clear whether they are ready to accept coordination mechanisms with built-in disciplines. The protocol offers forums for consultation and exchange of experiences and best practices, as well as a place to develop common positions for other international forums. And it is a mechanism for keeping track of regional integration, especially regional economic communities' progress towards African Economic Community.

The main weakness of the protocol is lack of financial resources to implement policies (figure 5.3). With no permanent staff working to ensure coordinated regional integration, the continental coordination mechanism seems particularly weak. Most integration policies and topics require constant follow-up by people with specific skills and experiences. This raises serious concerns over the African Union's ability to manage regional integration. Even though article 12 of the protocol contains

Figure 5.2
Main strengths of the protocol on relations between the African Economic Community and the regional economic communities (%)



Source: Economic Commission for Africa, *Assessing Regional Integration in Africa Survey*

provisions for financial assistance to regional economic communities, funding is clearly less than what is required. One implication of these findings is the regional economic communities' tacit acceptance of the subsidiarity principle with respect to coordinating institutions at the continental level.

The other main weaknesses in the existing protocol also have little to do with the view that there is no place for continental coordination. More than 80% of the regional economic communities feel that benchmarks for monitoring progress could help ensure that coordination objectives are met. Lack of regular statutory meetings are also seen by most regional economic communities as weaknesses in the protocol. And insufficient attendance at the meetings that are held is an issue. Over 1998–2003 the Committee on Coordination met only three times. The Committee of Secretariat Officials met five times, but not all the regional economic communities attended. The lack of attendance cuts across all the regional economic communities irrespective of size or location.

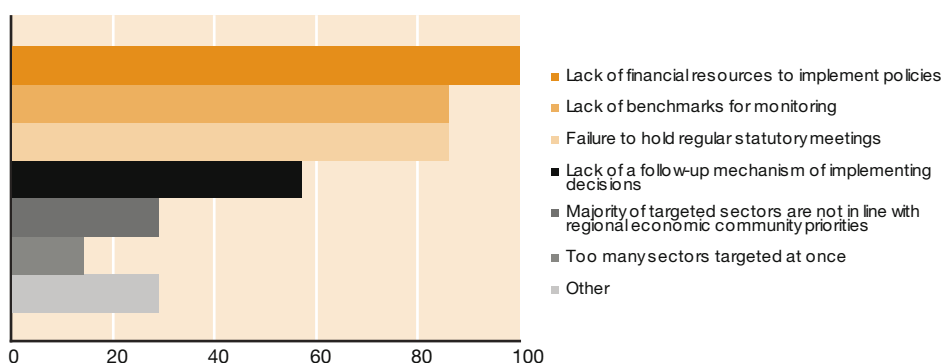
More than 80% of the regional economic communities feel that benchmarks for monitoring progress could help ensure that coordination objectives are met

Other weaknesses of the Committee of Secretariat Officials and Committee on Coordination's work include:

- Little exchange on the progress of coordination or harmonization of policies and programmes at the country, regional economic community, continental, and sectoral levels. Discussions barely focus on progress or measures taken to coordinate or harmonize sectoral policies and programmes in the sectors agreed on in the Abuja Treaty or the Constitutive Act of the African Union, especially agriculture, industry, infrastructure, trade, and money and finance—some of

Figure 5.3

Main weaknesses of the protocol on the relations between the African Economic Community and regional economic communities (%)



Source: Economic Commission for Africa, *Assessing Regional Integration in Africa Survey*

the most important areas for regional integration. The agenda does not address improving delivery service but concentrates on administrative changes.

- No sharing of best practices of coordination and harmonization among regional economic communities and between the African Economic Community and regional economic communities.
- Lack of agreed definitions of coordination, harmonization, and specific sectors needing coordination and harmonization. The meetings are spent defining instead of reviewing progress in implementation.
- Lack of formally established focal points among the regional economic communities and between the African Union and each regional economic community. This results in inadequate information exchange.
- Recurring discussions on the same issues that have not been implemented. Timeframes to implement specific activities in each field and indicators to establish the extent of progress are lacking. The minutes of the meetings do not highlight immediate actions to be taken and reviewed at the next meeting.
- No monitoring tool to incorporate milestones of when specific activities should be undertaken, how much has been achieved, obstacles, and budget requirements. No matrix of implementation shows each regional economic community's performance by sector.
- Poor attendance by chief executives at Committee on Coordination meetings. The lack of an annual date to hold meetings diminishes the importance and seriousness of the meeting and makes it difficult for chief executives to put it on their calendars.

The biggest weakness, however, may be the lack of means to facilitate continental coordination. There is ample knowledge of how to make the protocol more effective with appropriate support and implicit and explicit acceptance of the principle of subsidiarity. These weaknesses must be addressed for coordination to succeed and for the African Economic Community to be realized.

Suboptimal results

The best indicators for measuring the results of convergence between the integration programmes of regional economic communities and the African Economic Community are the goals embodied in the respective treaties and the pace of the integration programmes.

On the first indicator, unity of purpose among regional economic communities and the African Economic Community is so harmonious that the convergence of goals borders on unanimity. The constitution or reconstitution of some regional economic communities and their realignment after the 1991 Abuja Treaty further attest to this. But complete uniformity cannot be expected because of differences in historical origin, level of development, cooperation and integration priorities, resource endowment, geographic location, state of peace and security, severity of environmental issues, and the existing scope of integration.

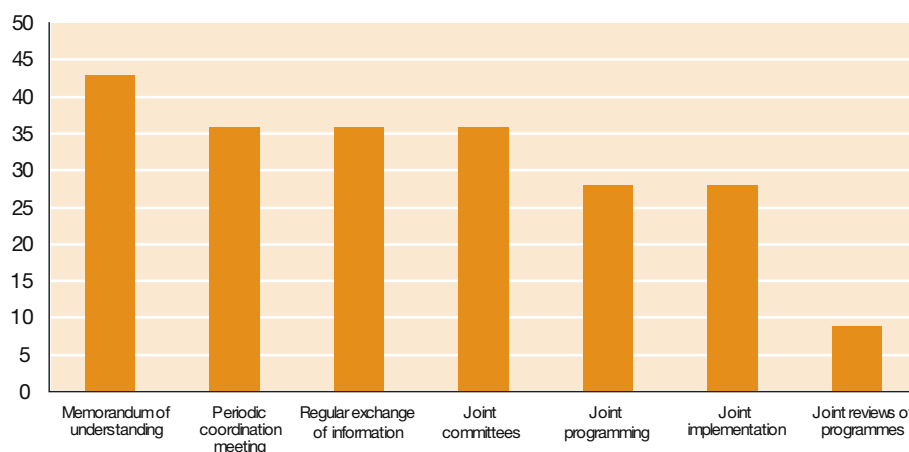
Coordination and harmonization between regional economic communities is most common in West and East Africa and in infrastructure, energy, trade, and money

On the second indicator, the progress of integration programmes varies widely by regional economic community. Use of coordination mechanisms is very limited. About 40% of regional economic communities in the same region use memorandums of understanding, and less than 20% conduct joint reviews of programmes (figure 5.4). Survey evidence indicates that coordination and harmonization between regional economic communities is most common in West and East Africa and in infrastructure, energy, trade, and money. Even West and East Africa are still mostly in the early stages of coordinating programmes and sharing best practices. Regions coordinating together include West and East Africa, West and Southern Africa, and East and Southern Africa.

The mechanisms in place for coordination between regional economic communities are not rules-based or legally binding. Although some instruments that govern interactions between regional economic communities are binding, including protocols, the coordination mechanisms in figure 5.4 are not.

Coordination or harmonization of sectoral policies and programmes among regional economic communities has been inadequate, with only 4 sectors of 14 in the Abuja Treaty having coordinated or harmonized policies and programmes. This is mainly because regional economic communities are still trying to coordinate or harmonize their members' policies. Implementation of agreed policies has also been difficult because so many effective and achievable national action plans, national working groups, national and regional institutions, and regional review working groups are required.

Figure 5.4
Coordination mechanisms used by regional economic communities in the same region (%)



Source: Economic Commission for Africa, *Assessing Regional Integration in Africa Survey*

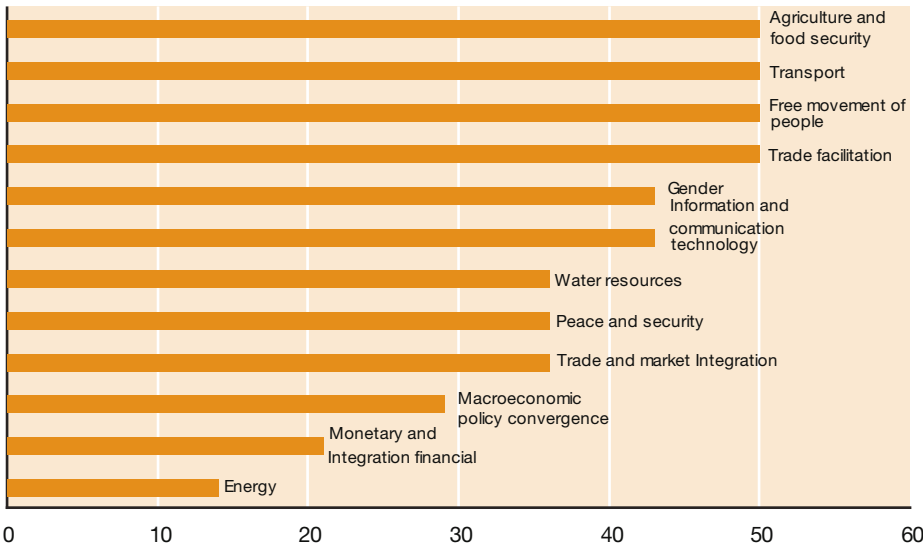
No coordinated or harmonized policies and programmes exist in industry, environment, integration legislation, human resources, housing, health, tourism, science and technology, or cultural and social affairs. And the coordination efforts that regional economic communities have made have not led to the desired results. Even in important activities such as trade and market integration—a major objective of the Abuja Treaty—coordination takes place in only a third of regional economic communities (figure 5.5). And macroeconomic policy convergence and monetary and financial integration—crucial tasks for the African Economic Community to be realized—are coordinated in even less.

Even in important activities such as trade and market integration coordination takes place in only a third of regional economic communities

There are examples of successful coordination at the continental level, most notably in the transport sector. The Trans-African Highway cuts across all regional economic communities, with individual countries and regional economic communities implementing highway programmes with the support of the African Development Bank, African Union, and United Nations Economic Commission for Africa. Some 75% of the highway’s missing links have been fixed. And the Yamoussoukro Decision adopted in 2000 by African heads of state to liberalize and improve air transport is another example of a continental initiative, although it has run into some problems, likely thanks to lack of means and weak institutional arrangements at the continental level.

Other examples of continental integration initiatives in transport are the African Maritime Transport Charter and the Union of African Railways Master Plan.

Figure 5.5
Share of regional economic communities coordinating, by programme (%)



Source: Economic Commission for Africa, *Assessing Regional Integration in Africa Survey*

Box 5.1

Implementing the Comprehensive Africa Agricultural Development Programme

The Comprehensive Africa Agricultural Development Programme (CAADP) is a NEPAD initiative that provides a framework to revitalize agriculture and rural development and achieve food security. To do so, the programme's initiatives cover four main tasks:

- Extending the area under sustainable land management and reliable water control systems.
- Improving rural infrastructure and trade-related capacities for market access.
- Increasing food supply, reducing hunger, and improving responses to food emergency crises.
- Improving agricultural research, technology dissemination, and adoption.
- The targets for the programme are in line with those of the Millennium Development Goals and other development initiatives.
- Attaining an average annual growth rate of 6% in agriculture.
- Developing dynamic domestic and regional agricultural markets.
- Becoming a net exporter of agricultural products by improving market access and integrating farmers in the market economy.
- Achieving a more equitable distribution of income.
- Increasing involvement in agricultural science and technology development.
- Using better natural resource management techniques.

The regional economic communities and their member countries have developed a roadmap for the programmes' implementation. Actionable initiatives have also been developed to prepare national investment projects and to plan for long-term financial assistance. Rules and procedures for country- and regional-level projects, in-country resource mobilization, funding by development partners, coordination and governance, and programme evaluation will also be agreed on to ensure coordination within and between regional economic communities.

Source: NEPAD 2005.

Adopted in 1993, the charter provides a framework for harmonizing maritime activities, but has not been fully implemented. The 25-year master plan for railway development, adopted at the heads of state and government summit in Liberia in 1978, contains 18 projects to complete the missing links within and between countries and between different regional economic communities. But of the 26,000 kilometres in railway lines proposed in the plan, only 15,000 kilometres were included in the United Nations First Decade for Transport and Communications (1978–88).

Despite lacking full implementation, the transport initiatives are actually success stories for the regional economic communities because coordination has moved forward. This is likely to be hastened with the Sub-Saharan Africa Transport Project, which gives the regional economic communities a crucial role in advancing and

implementing its decisions and projects. But progress in most other programmes has been negligible. The poor performance because of lack of coordination is worsened by the regional economic communities' failure to take full advantage of the New Partnership for Africa's Development (NEPAD), a framework within the African Union that could improve the effectiveness of coordination.

One area that is showing vigorous activity across regional economic communities and that needs strong coordination mechanisms at the continental level to succeed is agriculture and food security. The United Nations Economic Commission for Africa survey found that only half of regional economic communities were coordinating activities in agriculture and food security. This is likely to change under a NEPAD initiative spearheaded by multilateral institutions, including the United Nations (box 5.1).

The success of the coordination mechanisms thus depends largely on whether the regional economic communities and individual countries' visions are similar to the Abuja Treaty's

Making continental coordination effective

Unlike the European integration process, which has evolved through successive enlargements of the initial integration space, African integration is based on convergence. This has been justified by several arguments. First, a one-time integration of the 53 African countries is impossible. Second, African countries are very diverse politically, economically, and environmentally. Third, several regional and subregional institutions have legal and operational precedence over continental integration. The success of the coordination mechanisms thus depends largely on whether the regional economic communities and individual countries' visions are similar to the Abuja Treaty's.

Success also depends on what authority the regional economic communities are prepared to cede to the African Union. They appear willing to accept the principle of subsidiarity as long as the superior institution does not have authority to impose sanctions, even when countries deviate from the common goal. Only 22% of regional economic communities support the idea of sanctions, but all were in favour of sensitization.

The overlapping memberships of the regional economic communities and the associated inefficiencies and costs show, however, that visions for integration are not shared. If there were no ambiguity in vision, the many regional economic communities that exist today might not have been created in the first place—or they would have stronger coordination mechanisms with the ones in place. Lack of sanctions at the continental level facilitated the multiplication of regional economic communities. Thus binding rules to enforce the Abuja Treaty might be necessary for a successful rationalization process. The overlapping memberships and multiplicity of regional economic communities also point to a lack of enthusiasm among African countries for rationalizing the regional economic community architecture and bring into ques-

tion whether African countries want to share their future together as one economic entity. Thus, discipline and sanctions in the integration coordination mechanisms, especially at the continental level, must be supported.

If the African Economic Community continues to limit itself to policy issues, the regional economic communities will have to coordinate the technical and substantive matters requiring member countries' participation. This will be cost effective and result in a higher value added by using existing systems, programmes, materials, human resources, and institutions at the regional economic community level. It also minimizes possible overlaps and communication problems. The African Economic Community must in turn develop rational sector protocols that make rationalization legally binding and ensure that regional economic communities adopt them.

In addition to the African Economic Community's sector protocols, a clear division of work is needed among the institutions that manage the African Economic Community: the African Development Bank, the Organization of African Unity, the United Nations Development Programme, and the regional economic communities. These institutions have made substantial contributions at the national and regional levels, but their joint effort is not transparent and for all practical purposes the effective implementation of the protocol on relations between the African Economic Community and the regional economic communities has not been realized.

The advent of the Constitutive Act of the African Union and NEPAD has rekindled Africa's resolve on economic integration. The institutional framework for integration and the responsibilities of the African Union and the regional economic communities must be rationalized to reflect new realities. The protocol on relations between the continental and regional bodies must be revised and the joint secretariat revitalized with clear definition of responsibilities.

Strengthening coordination mechanisms

Africa's integration plans suffer from ambiguity and difficulties of coordination at the continental level. The lack of rationalization suggests that the African Economic Community was not supported at the regional or national levels. Fourteen years after the Abuja Treaty was signed Africa still seems far from establishing a free trade area, the third stage of integration laid out in the treaty, in the next 10 years. But there is room for a faster pace towards integration with rationalization. Rationalization would be more successful with more coordination. Existing frameworks—between different regional economic communities and between the regional economic communities and the African Union—are good foundations that must be strengthened. Indeed, the challenge in the context of rationalization is how to make existing mechanisms work.

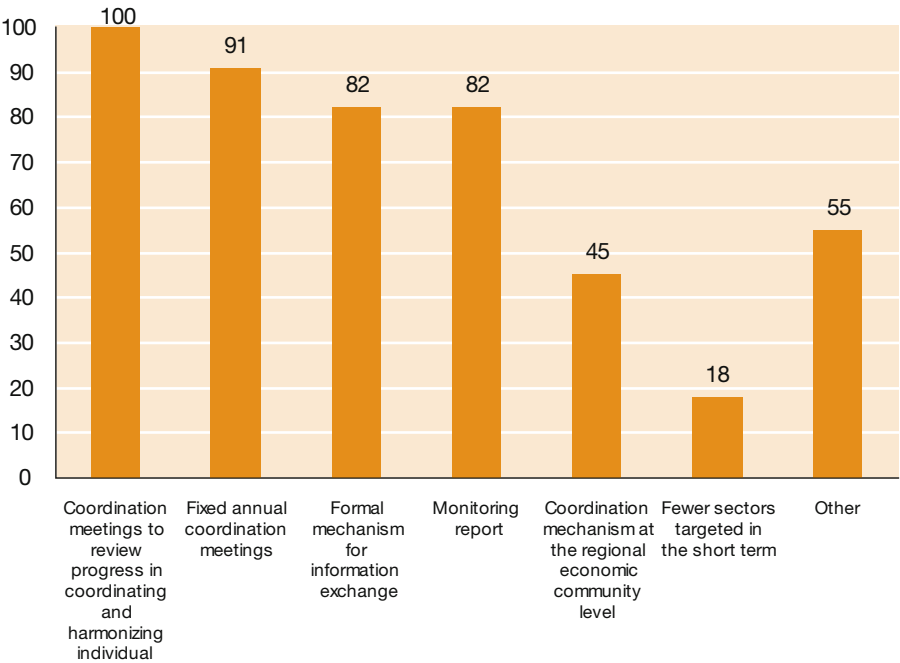
All the regional economic communities see coordination meetings as a panacea (figure 5.6). They also support the idea of fixed annual coordination meetings that

are forums for reviewing progress in coordination and harmonization of individual sectors. A monitoring report and a formal mechanism for information exchange also received support. But it is unclear how useful they would be if sanctions were not allowed for regional economic communities that deviate from the agreed path to continental integration.

One regional economic community suggested that the African Union develop sectoral harmonization programmes after taking stock of what has been achieved by each regional economic community sector by sector. While this might appear as reasonable and objective, the focus on the African Union developing a programme to facilitate exchange of experience among regional economic communities rather than giving it authority to sanction communities that are diverging from the optimal route towards the Abuja Treaty goals may also indicate a desire to preserve autonomy at the regional economic community level.

Another regional economic community claimed a genuine interest and focus on economic cooperation programmes and argued that African Union staff and other resources allocation should reflect the priority of the African Union’s economic mandate.

Figure 5.6
Support for actions to strengthen the African Union’s coordination role



Source: Economic Commission for Africa, *Assessing Regional Integration in Africa Survey*

Only 30% of the regional economic communities expect financial assistance from the African Union

A third, smaller regional economic community advocates a middle position with more focus on political commitment. And two other smaller regional economic communities support more structured coordination between the African Union and the regional economic communities: better circulation of information and more cooperation between the African Union secretariat and member countries. They also preferred a formal secretariat to handle matters between the regional economic communities and the African Union. This is similar to the protocol of relations, but it would be endowed with enough resources to make it operational and effective.

Providing financial resources

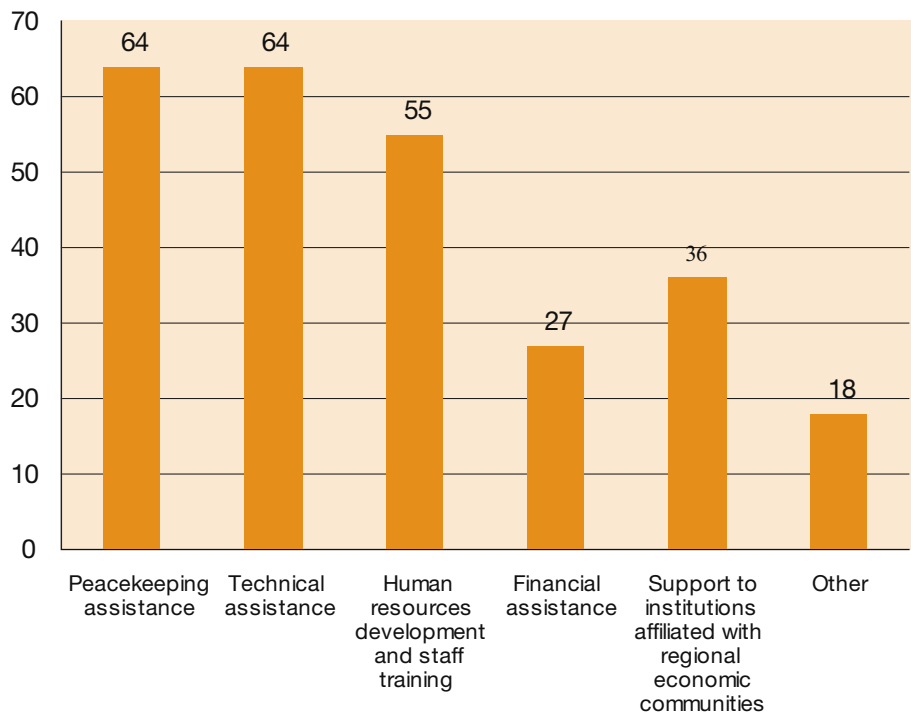
The regional economic communities find the lack of financial resources to be the main shortcoming to the effectiveness of coordination mechanisms. Limited financial resources pose obstacles to the implementation of policies, measures, and programmes of regional economic communities. The protocol has provisions for financial assistance to the regional economic communities and to promote human capacity, but the regional economic communities have found this assistance below their expectations.

Still, only 30% of the regional economic communities expect financial assistance from the African Union (figure 5.7)—surprising, especially given that financing constraints are a major weakness in current coordination mechanisms. But financial support may be implicit in 60% of regional economic communities' expectation of technical assistance, which could also be included in the expectation to coordinate regional economic community activities and programmes to move towards the African Economic Community. Peacekeeping efforts also emerged as an area where a majority of regional economic communities expect support. Peace and security programmes are already common in many regional economic communities, so support from the African Union would inevitably aid coordination and harmonization.

The regional economic communities' dissatisfaction with the assistance that they are receiving may help explain the implicit desire to remain autonomous in most integration programmes. Only 40% of regional economic communities feel that the African Union is providing technical and peacekeeping assistance in the best way possible—and only 20% feel that way about financial assistance.

Two approaches to improve the African Union's ability to offer financial resources have the support of a majority of the regional economic communities (figure 5.8): levying continental taxes in the form of a community levy and having a coordinated approach for mobilizing donor resources through coordinated projects. A third approach, which receives support from only 22% of regional economic communities, is sanctions on diverging member countries. The level of support for a community levy is quite low compared with the willingness of member countries to finance regional economic communities. This has three possible explanations. First, member countries may be identifying with the integration objectives of the regional

Figure 5.7
Assistance expected from the African Union by the regional economic communities



Source: Economic Commission for Africa, *Assessing Regional Integration in Africa Survey*

economic communities more than the role of the African Union in integration activities. Second, few member countries may be politically committed to African integration; thus few wish to pay the cost directly. Third, the financing burden from overlapping memberships may negate the commitment and focus at the continental level required to strengthen continental institutions and instruments.

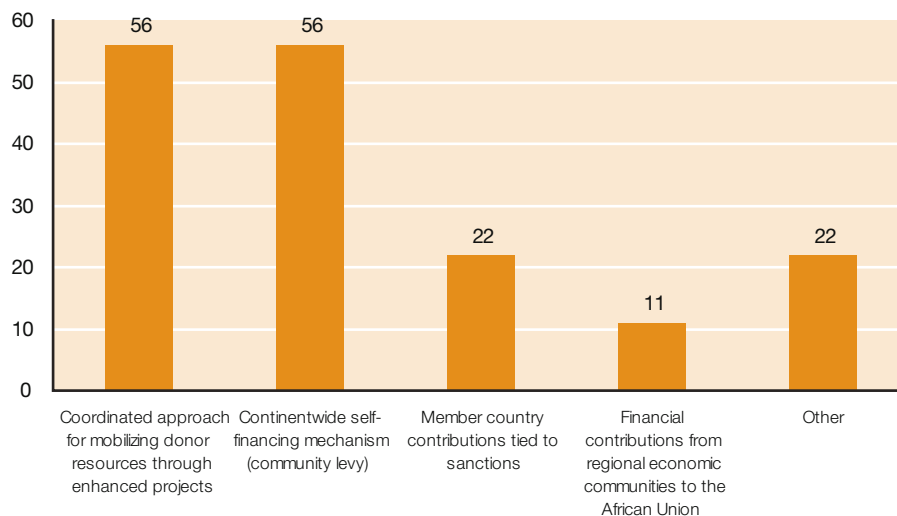
Exchanging information

Formal mechanisms for exchanging information also emerged as important in strengthening the African Union’s coordination role. The lack of follow-up mechanisms on agreed policies and the failure to hold statutory meetings are important corollaries. Information exchange must be exploited to enhance continental coordination. A starting point is the regional economic communities’ views on how often information exchanges should take place and the current methods of exchanging information between regional economic communities and the African Union.

Some 60% of the regional economic communities support exchanging information more than once a quarter. And an unsurprising 70% indicated that they exchange

Figure 5.8

Ways to improve the African Union's ability to offer regional economic communities financial assistance (%)



Source: Economic Commission for Africa, *Assessing Regional Integration in Africa Survey*

information by mail, probably because it is the most cost-effective means. But better means are also used: periodic reports in 50% of regional economic communities and coordination meetings that address substantive coordination issues in detail in 60%. Given how critical information is to the African Union's work on coordination, it is noteworthy that the African Union does not receive more effective input because of a lack of coordination meetings and progress reports from 40% of the regional economic communities. The communities, probably conscious of costs, still favour electronic exchange of information, but other means—such as mandatory exchange of reports, visits by the African Union, establishment of coordination offices in regional economic communities and the African Union, and intercommunity and African Union meetings—were also supported by most regional economic communities.

Ensuring optimal territoriality

Every field of economic policy has its own optimal territoriality. Monetary policy, for instance, is best handled at the regional level because monetary union requires economic convergence. Some sectors—including transport, telecommunication, peacekeeping, and disease eradication—seem to be better managed at the continental level. The African Union's recent peacekeeping successes reveal how much Africa can gain by managing some policies at the continental level.

In the same way, economic convergence in the context of African integration is a mixed process of institutional and economic convergence that calls for continental management of economic policies, in contrast to Europe, where the strategy was

based on economic convergence leading to institutional enlargement. Economic convergence will not be a natural process in Africa because of differences in development, the lack of exchange among African countries, and the weight of external partners such as European Union, and without coordination of regional policies at the continental level the integration process will fail.

Suffice it to add that optimal territoriality of coordinating regional integration in the continent should be seen in the context of the African Union as a transnational rather than supranational instrument so that the African Union will be better able to institutionalize disciplines without being seen as a hegemony.

Conclusion

The evidence in this chapter points towards continental coordination as the best way to revitalize the regional integration process and by extension Africa's ultimate integration. Many projects at the regional level that have been blocked by national rivalries or lack of local skills could be moved forward simply through political legitimacy from a continental mandate and better organization. Furthermore, regional integration will gain significant credibility under the authority of a centralized system. The negotiations on economic partnership agreements and the World Trade Organization show that African unity is strong in negotiations and capable of defending the continent's common interests. Lack of credibility has been a major source of inefficiency in public interventions.¹ Countries and citizens must believe in regional integration or it will not succeed. Drawing on this support, the African Union can push strongly for continental coordination.

The vision for an integrated continent as outlined in the Abuja Treaty remains alive, but it suffers from a lack of coordination. Coordination initiatives come across as half-hearted because they are selective, with an implicit desire to sustain autonomy. But integration can succeed only if coordination is carried out at the continental level. There is a strong case for a protocol on relations between the African Union and the regional economic communities that requires the African Union to coordinate regional economic community activities. The coordination role of the African Union needs to be strengthened. In particular, a stronger role is required to overcome the regional economic communities' tendency to undermine rationalization by seeking autonomy, which results in a suboptimal African integration process. Sanctions should be introduced, and the African Union must be able to point out the conflicts on visions and schemes that persist in current integration architecture. Regional economic community participation in NEPAD's programmes is also necessary for achieving the Abuja Treaty's goals.

The Abuja Treaty and NEPAD specify similar sectors to be coordinated and harmonized, which can be used to select the order of coordination or harmonization. Also

needed: an effective way to monitor and facilitate coordination and harmonization. Implementation must be assessed at the country, regional economic community, and sectoral levels. To reduce expenses and ensure meaningful implementation, sectoral integration can be tackled in three stages: agriculture, industry, infrastructure, trade, money, finance, and peace and security first; energy, environment, integration legislation, human resources, health and water, science and technology, and gender second; and development, housing, tourism, and cultural and social affairs third. A holistic approach should be used, with sectoral experts from each regional economic community and the African Union meeting to harmonize their programmes and policies followed by sectoral experts from each member country meeting. They could also use the Internet, disseminate best practices, undertake studies, and organize other forums to facilitate the coordination and harmonization of individual sectoral policies and programmes.

Notes

1. Kydland and Prescott (1977) pioneered the subfield of economics related to credibility.

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Defining a Framework for Rationalization

There are economic and other tangible benefits to rationalizing the regional economic communities. For Africa to achieve an economic and political union a concerted effort must be made to pursue policies that ensure the convergence or unification of programmes, activities, and functions of intergovernmental organizations. Rationalization policy must be coherent and effective to prevent splintering of the African economic space and stalling of the integration agenda. More urgent is the need to define and implement practical solutions that are less political and more technical and flexible while placing the regional economic communities under the framework of the African Union, which should provide the guiding principles to ensure full participation.

Principles of rationalization

For rationalization to be effective and successful, regional economic communities should follow a well articulated framework that ensures congruence and convergence towards full integration. This framework should include 10 principles:

- Shared vision.
- Stronger and more efficient regional economic communities.
- Geographical viability.
- Broader investment space.
- Transitional arrangements.
- Participatory approach.
- Clarity and credibility.
- Shared responsibility.
- Consolidated vested interests.
- Move towards convergence.

Principle 1. Aligning vision with the African Union and the New Partnership for Africa's Development

The aims and objectives of rationalization must be aligned with the vision of the African Union and the New Partnership for Africa's Development (NEPAD). The African Union's main vision is faster socioeconomic integration to increase unity and solidarity among African countries. It hopes to achieve this by creating an enabling

environment for Africa to be a significant partner in the global economy and in international negotiations. By promoting sustainable development and integration, the African Union hopes to enlarge national markets, to harmonize regulations, and to create a sound environment for investment.

NEPAD, a socioeconomic programme created by the African Union, aims to redevelop the continent by eradicating poverty, ensuring sustainable growth and development, promoting integration, and preventing Africa from being marginalized in the globalization process. NEPAD has eight sectoral areas: infrastructure development, education and training, health, agriculture, information and communication technology, environment, energy, and trade with developed countries.

The African Union must also have the resources and power to review member countries' compliance with its vision, obligations, and commitments

For rationalization to be aligned with the lofty aims of the African Union and NEPAD, the protocols of the African Union must be fully implemented. Most of the African Union protocols are nonenforceable and depend on the goodwill of member countries to be implemented. Decisions of the regional economic communities and the African Union will be effective only when member countries are willing to abide by them. The African Union must also have the resources and power to review member countries' compliance with its vision, obligations, and commitments. This would allow national policies to be harmonized with the objectives, strategies, commitments, and overall vision of the regional economic communities, the African Union, and its organs.

Principle 2. Strengthening regional economic community efficiency

Overlapping mandates, objectives, protocols, and functions create unhealthy multiplication and duplication of efforts and misuse the continent's scarce resources—making regional economic communities very inefficient.

Trade is also inefficient. Overlap and duplication of integration groupings could divert trade, which occurs as firms shift from low-cost to high-cost production of tradable goods and services, resulting in overall production inefficiency. Multiple memberships means that countries may be affiliated with regional economic communities that are net trade diverting.

Countries face increased administrative burdens and costs when they are members of more than one regional economic community. Differing trade liberalization mechanisms and the associated policy contradictions and varying instruments, procedures, and formats add to those costs, as do different tariff reduction rates, rules of origin, trade documentation, and statistical nomenclatures for different regional economic communities. They also provide an opportunity for customs and other officials to engage in rent-seeking activities.

In addition, member countries and regional economic communities incur both tangible and intangible costs negotiating trade liberalization policies: the resource cost of attending meetings, consultancy fees, and other miscellaneous expenses. These costs are larger for countries that belong to multiple integration groups with different trade liberalization agendas.

In light of these factors, the rationalization process must coordinate and harmonize trade policies and instruments so that African countries can reap the full benefits of trade. In addition to minimizing the probability of trade diversion, integrated, harmonized, and well coordinated trade liberalization policies and instruments would help strengthen integration groups.

Another source of inefficiency: the lack of financial resources due to member countries' delinquent dues payments. Again, multiple memberships are a cause of this delinquency, especially among poor countries with fewer resources. The rationalization process must address this problem with a better plan for funding the regional economic communities.

Strengthening the regional integration communities could also help reduce conflict between neighbouring countries, as they engage in trade and grow connected through solid infrastructure as a result. Conflicts drain regional economic community resources because time and money must be spent to broker peace and address human displacement, a byproduct of most conflicts. Countries involved in the conflicts also lose a sizeable share of productive resources.

Promoting trade between neighbouring countries helps minimize conflicts. Increased trade means greater economic interdependence between countries. Increasing shared welfare makes conflict a costly endeavour. Trade also builds familiarity with neighbouring countries' goods and services and cultural, political, and social institutions. Furthermore, the increased access to other countries' strategic raw materials and resources from trade is also a disincentive for conflict. The threat of trade embargo is reduced considerably, a factor responsible for many conflicts.

Principle 3. Ensuring geographical viability

How the regional economic communities are aligned to the African regions must be addressed in the rationalization process. Several functions should be considered in defining regional economic communities' membership: geographical proximity, economic interdependence, commonality of language and culture, history of cooperation, and shared resources. Geographical proximity is the most common and important because promoting effective cooperation and integration is easiest for countries that are close to each other. The other elements are important for effective subregional and regional integration. In particular, they can easily be accommodated and promoted within a given geographical boundary.

Geographical proximity, economic interdependence, commonality of language and culture, history of cooperation, and shared resources should define REC membership

Regional integration generally enhances investment by enlarging markets, increasing competition, and improving policy credibility—factors that increase the returns on investment

The Abuja Treaty divides the continent into five regional communities: North Africa, West Africa, Central Africa, East Africa, and Southern Africa. Although sometimes considered obsolete, these divisions are still relevant for organizing Africa's integration process, though they have been significantly compromised by the existing multiplicity of regional economic communities and overlapping memberships.

Principle 4. Broadening economic and market space for investment

Promoting investment is one of the main reasons for establishing regional economic communities. Regional economic communities also attract more foreign direct investment than individual countries do. Regional integration generally enhances investment by enlarging markets, increasing competition, and improving policy credibility—factors that increase the returns on investment. And rationalization must fully exploit the economic benefits to attract investment. Regional integration also enhances the credibility of government policies, leading to more domestic and foreign investment. When integration improves the economic performance of a country, the international business community's interest also increases.

Investment policies must be market-friendly and promote fair investment competition. Protocols that encourage and facilitate investment flows to the regional economic community also ensure credibility.

A stronger regional economic community can also increase the efficiency of the financial sector, by reducing interest rates, decreasing the cost of credit, and increasing lending for investment activities. Two small African economies could become more competitive, diversify their portfolios, and reduce their risk premiums by integrating their financial sectors. Integrating the two sectors also allows for more diversification of portfolios and an overall reduction of risk premiums. Rationalized integration groupings broaden the opportunities for production and niche markets in the regions and subregions.

But promoting investment will not succeed without sound macroeconomic policies, well defined property rights, and efficient financial and banking sectors.

Principle 5. Including transitional arrangements

Transitional costs of the rationalization process must be minimized. To do so, protocols are needed to handle agreements between existing regional economic communities and other partners if the regional economic communities cease to exist after rationalization or if a member country leaves the community. A plan is also needed for sharing assets if a regional economic community is dissolved or absorbed by another regional economic community.

Another issue that the rationalization process would have to address is national sovereignty. Most economic contracts are designed so that the cost of reneging on the contract outweighs the cost of implementation. But African leaders are reluctant to pursue an integration agenda because they fear losing sovereignty, and most secretariats of regional economic communities lack legal power to ensure that members fulfil their obligations, leaving the road to African Economic Community very bumpy. Member countries will have to use political will to handle the concern over loss of sovereignty through the rationalization process.

The need to compensate the losers of integration also limits full implementation of integration plans. Tariffs and other trade taxes account for a large share of revenue for many African countries. Integration protocols that reduce this revenue would be unlikely to garner support, inhibiting the integration process even if the potential benefits outweigh the cost. Countries at different stages of development may realize different gains from integration, making them reluctant to fully commit to integration.

Rationalization through the absorption or merger of intergovernmental organizations and regional economic communities could have negative effects on their staffing

Principle 6. Adopting a realistic and participatory approach

The regional institutions in Africa were all created by the political will of sovereign countries, expressed and formalized through treaties and conventions. Any international agreements signed and ratified by these institutions are generally binding on all members. A rationalization programme must account for the fact that most African countries belong to more than one regional economic community and respect the multiple agreements of the intergovernmental organizations. Considering all 14 regional economic communities as full partners in the rationalization process will ensure that the choices, motivations, and political will of all countries are reconciled through the efficient coordination of the programmes and projects of all intergovernmental organizations in the same regional space.

Realism is also important because rationalization through the absorption or merger of intergovernmental organizations and regional economic communities could have negative effects on their staffing. Thus, the rationalization agenda must be embraced by all the regional groups at the same time and minimize their losses.

Principle 7. Maintaining clarity and credibility

A transparent and credible framework for rationalization should not include such traditional phrases as “the community shall establish cooperation relations with regional and subregional organizations” or “the member states shall take the appropriate measures to eliminate the incompatibilities or duplication between the community and the various groupings.” Most of the current treaties and conventions between African countries contain such formal declarations of intent, but lack a solution to the problem of multiple intergovernmental organizations.

The protocols needed to rationalize the regional economic communities must clearly address how the process will be carried out and must be binding on all member countries.

The main objective of rationalization is to remove or minimize the negative impacts of the multiple institutional frameworks of regional cooperation

Treaties and conventions establishing African intergovernmental organizations should also be revised in a clear and concise language, taking into account the proclamations, protocols, acts, decisions, and directives of the Organization of African Unity, the African Union, and the African Economic Community. Revisions to these treaties and conventions should include the objectives, policies, strategies, and timeframe of regional integration. And within each region the implications of rationalization on each institution's programme should be clarified for each area of cooperation. Negotiations must then be held between the different partners on a formalized protocol that commits all the intergovernmental organizations to the process.

Principle 8. Sharing responsibility

The main objective of rationalization is to remove or minimize the negative impacts of the multiple institutional frameworks of regional cooperation—especially the risks of duplication or waste of resources. Rationalization could do this if countries agree to share tasks and responsibilities and to design common or joint programmes that clearly specify the role and contribution of each regional economic community.

Principle 9. Consolidating vested interests

Several vested interests exist among the regional groupings in Africa. Rationalization must maximize and maintain the achievements of the regional communities, such as:

- The Central African Monetary and Economic Community (CEMAC), the South African Customs Union (SACU), and the West African Economic and Monetary Union's (UEMOA) trade liberalization.
- The Northern Corridor Transit Transport Coordination Authority's management of interstate road transit.
- The Organization for the Harmonization of Business Law in Africa's harmonization of business law.
- The Economic Community of West African States' (ECOWAS) management of conflict.

Consolidating vested interests also implies that institutions should learn from the success of other institutions. Furthermore, all the regional instruments, mechanisms, and other tools of cooperation whose success has already been verified should be used to speed integration.

Principle 10. Achieving convergence

A guiding principle of rationalization is to engage the member countries and their cooperation institutions in strategies and programmes that fully integrate the conti-

nent. Thus all programmes carried out by the regional economic communities must avoid duplication and operate under the rubric of the Abuja Treaty.

Moreover the role sharing from the rationalization process should be reinforced with a system of coordination and operational plans. A liaison institution is needed in each region to manage the convergence of projects and programmes and to periodically evaluate the status of the tasks befalling each regional economic community and of the integration process as a whole.

No magic formula can solve the problems caused by the abundance of regional economic communities

Rationalization scenarios

Although the European Union was one of the most successful integration projects in the world, the blueprint used to create an economic union of about 25 European countries cannot be applied to the African Economic Community. Africa needs its own blueprint.

Designing an appropriate framework for rationalizing Africa's regional economic communities is not easy. No magic formula can solve the problems caused by the abundance of regional economic communities. But the Abuja Treaty provides the building blocks for rationalizing the regional economic communities and creating the African Economic Community. In particular, there are five scenarios for rationalization:

- Maintaining the status quo.
- Rationalizing by merger and absorption.
- Rationalizing around rooted communities.
- Rationalizing through the division of labour.
- Rationalizing by harmonizing policies and instruments.

Maintaining the status quo

The weakest approach to rationalization is to maintain the current number of regional economic communities. Under this scenario the continent's leadership would issue directives or establish new protocols to alleviate the negative impacts of multiple regional blocs with overlapping memberships. The decisionmaking and executive organs of the African Union would be confined to managing the existing arrangement and dealing directly with the 14 intergovernmental organizations on economic integration policies, programmes, and instruments. The African Union would have to institute timeframes for the regional economic communities to achieve its objectives, without coordination or leadership at the regional level.

Under this scenario all the negative impacts of multiple regional groups, including dispersal and thinning of resources, disputes over legitimacy, lack of convergence,

splintering of regional integration spaces, and difficulty honouring and harmonizing multiple commitments, would remain.

The increase in the number of free trade agreements with countries or groups outside of Africa or before African markets are unified considerably weakens the relevance of the Abuja Treaty

In any case, the status quo is now being challenged by trading agreements between most of North Africa and the European Union, the negotiation strategy for new economic partnership agreements between African, Caribbean, and Pacific countries and the European Union, and the current configuration of the regional economic communities. The increase in the number of free trade agreements with countries or groups outside of Africa or before African markets are unified considerably weakens the relevance of the Abuja Treaty and Africa's negotiating capacity as a homogenous group within the World Trade Organization. Similarly, the influence of external parties would be even greater if the status quo is maintained, shrinking the roles of the African Union's institutions and organs.

This scenario is not recommended for rationalizing the 14 regional communities. It should be considered only in the case of disagreement on or lack of available results from the other approaches. It would split regional markets, amplify the system of institutional hypergrowth and overburden the integration projects and programmes for African countries and their external partners.

Rationalizing by merger and absorption

Rationalization around the five regions set out in the Abuja Treaty would require existing regional economic communities to be merged and absorbed.

Under this framework there would be five regional economic communities in Africa:

- The North Africa Economic Community (NAEC) would include Algeria, Egypt, Libya, Mauritania, Morocco, and Tunisia. The secretariats of the Arab Maghreb Union (UMA) and the Regional Group of Sahel and Saharan States (CEN-SAD) would unite to form a new secretariat to serve this community.
- The West Africa Economic Community (WAEC) would include Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, The Gambia, Ghana, Guinea, Guinea Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone, and Togo. The secretariats of ECOWAS, UEMOA, and the Mano River Union (MRU) would unite to form a new secretariat to serve this community.
- The East Africa Economic Community (EAEC) would include Burundi, Comoros, Djibouti, Eritrea, Ethiopia, Kenya, Madagascar, Mauritius, Malawi, Rwanda, Seychelles, Somalia, Sudan, Tanzania, and Uganda. The secretariats of the Common Market for Eastern and Southern Africa (COMESA), the

East African Community (EAC), and the Inter-Governmental Authority for Development (IGAD) would unite to form a new secretariat to serve this community.

- The Central Africa Economic Community (CAEC) would include Angola, Cameroon, Central African Republic, Chad, Republic of Congo, Democratic Republic of Congo, Equatorial Guinea, Gabon, and São Tomé and Príncipe. The secretariats of the Economic Community of Central African States (ECCAS), CEMAC, and the Economic Community of the Great Lakes Countries (CEPGL) would unite to form a new secretariat to serve this community.
- The Southern Africa Economic Community (SAEC) would include Botswana, Lesotho, Mozambique, Namibia, South Africa, Swaziland, Zambia, and Zimbabwe. The secretariats of the Southern Africa Development Community (SADC), Southern African Customs Union (SACU), and the Indian Ocean Commission (IOC) would unite to form a new secretariat to serve this community.

Member countries of the existing regional economic communities would need to decide how the regional economic communities will be merged

To expedite economic integration, the leadership of the five regions would have to summon the political will and move quickly to make each community a customs union. The political leadership would also have to use the current regional economic communities' institutions to move the communities towards economic union within the framework of the Abuja Treaty. Member countries of the existing regional economic communities would need to decide how the regional economic communities will be merged. However, the merger should not take more than two years.

The scenario would require political commitment at the highest level to succeed. Its advantage: it would speed the continent's integration, decreasing the number of regional groups from 14 to 5. The continent does not appear to favour this scenario right now, as evidenced by the addition of the EAC to the list of regional economic blocs recognized by the African Union at the 2005 Abuja Summit.

This scenario would resolve the problem of multiple integration institutions and place each regional space fully under the logic and strategy of the Abuja Treaty.

But this unification of institutional frameworks does not seem possible in the short or medium term because countries have political, historical, and other reasons for belonging to these regional economic communities.

Rationalizing around rooted communities

Rationalization around rooted communities is midway between the previous two scenarios. It is based on four fundamental principles:

- Recognizing and maintaining the region as the geographical framework and natural space best suited to integration.
- Having only one regional economic community per region.
- Allowing countries to belong to only one regional economic community.
- Maintaining subregional communities and other intergovernmental organizations in each region while consolidating and capitalizing on their achievements.

Each rooted community would have geographical proximity and contiguity, geographical homogeneity, ethno-sociological affinity, and certain common vested interests such as historical, social, and cultural ties.

The rooted community, if properly created, would be the economic integration institution and would serve as leader and regional centre for decision-making in development and conflict resolution. It would be the only institution to deal with the African Union, the other regional economic communities, and external partners and would focus solely on highly integrating issues, such as allowing free movement of people, achieving customs and economic union, harmonizing monetary policies, fighting pandemics, and protecting the environment.

This scenario maintains the existing regional economic communities and intergovernmental organizations and allows for regions to be defined by a set of characteristics. It also forces each country to choose only one community to belong to. This framework has numerous benefits: better visibility of the integration process at the regional and continental levels, better allocation of resources, and significantly larger regional markets.

Implementing the rooted community scenario would not be easy. The strategy for its implementation would be political and would require consultations and concerted actions at the highest level of governments, adoption of appropriate political decisions by the African Union, and full commitment on implementing the framework at the continental, regional, subregional, and national levels.

To smoothly implement the framework, the continent's leadership must agree on the boundaries of the regional space, deciding whether to base them on fundamental characteristics suggested earlier or on the partitions of the 1976 Organization of African Unity Council of Ministers.

Identifying the fundamental characteristics needed to define a region may be difficult. Although geographical proximity and contiguity are relatively easy to identify, the other characteristics require more qualification. Moreover, even geographical homogeneity is not always assured—take West Africa and Southern Africa, where several ecosystems (forest, savannah, and desert) are juxtaposed, and East Africa, where there is a physical discontinuity between island states and members of IGAD.

Regions can also be based on neutral and easy-to-discern criteria that are less fraught with sentimental considerations. Such criteria include population movements (migration and normal immigration), trade flows, means of communication, and natural elements (such as river basins, lakes, massive forests, ecosystems, and the like).

The complexity of reorganizing the African geoeconomic space does not suggest a formal return to the partition of 1976, whose obsolescence is apparent. The rooted communities should thus be based on the current configuration: ECCAS and ECOWAS for Central and West Africa, SADC for Southern Africa, COMESA for East Africa, and CEN-SAD for North Africa

The common characteristic of this scenario and rationalization by merger and absorption: their implementation depends almost entirely on decisions by heads of state, with a posteriori management of the legal and operational implications at the national, regional, and continental levels. Like rationalization by merger and absorption, this scenario would speed the integration agenda because members would have to choose a regional economic community based on its geographical space.

Rationalizing through the division of labour

Rationalization can also require the allocation of tasks based on a few technical criteria, especially optimal dimension of integration programmes. Any sustainable economic cooperation is founded on, among other things, the principle of a fair and equitable allocation of costs and benefits expected from common actions.

For example, a project for the development of Lake Tanganyika would probably not generate the same interest for Burundi and Djibouti as for Tanzania. And although a programme of small dams and water reservoir for irrigation may be important to Burkina Faso or Eritrea, the Democratic Republic of Congo and Guinea would probably not rank it high on their list of priorities. In other words, because a regional economic community's programmes and projects may not generate the same amount of interest for all members, programmes and activities should be categorized by their optimal geographical dimension. Consequently, participation of intergovernmental organizations in each region would be based on the member country's involvement, and rationalization would be based on shared competence between the regional communities and the other integration institutions. This implies that the regional economic community should undertake programmes that benefit from the participation of all member countries in a region and subregional economic communities should carry out programmes of interest only to the subregions.

Designing regional programmes based on the cooperation of member countries would ensure the total involvement, commitment, and interest of countries in the region, independent of their level of development. Countries should pursue this cooperation as widely as possible because realizing economies of scale is the main objective of regional integration.

Regional economic community's programmes and projects should be categorized by their optimal geographical dimension

Free mobility is important because it mixes populations and relaxes national egoisms, ethnic cleavages, and linguistic barriers

A good measure of the extent of economic integration processes is the mobility of labour across countries. Free mobility is important because it mixes populations and relaxes national egoisms, ethnic cleavages, and linguistic barriers. Despite the benefits, most African countries are lagging in ensuring free mobility. It has an immediate and tangible impact on the daily lives of populations and does not require massive financial resources.

The scarcity and fragmentation of national markets are the roots of regional economic communities. The need for an integrated African market has grown because dependence on traditional commodity export markets is waning and powerful global trading blocs are emerging.

Recent history shows that disputes—even temporary—between two members of a regional community generally involve systematic blockage of the community's programmes and activities. It is thus imperative to regionalize and unify trade liberalization schemes to break the vicious circle of small national markets and high foreign dependence. Maintenance of subregional programmes and activities in trade will be justified only when member countries can move faster or further than the regional grouping.

The rise in intraregional trade has increased the mobility of goods and services across common regional space. Member countries can be an importer, an exporter, or a transit country. To be effective, programmes for trade liberalization and free movement of people need each region to harmonize national transit transport regulations.

The multiplicity, fluctuation, and nonconvertibility of national currencies also impede African integration, hampering the movement of people, goods, and capital. Despite the difficulties, there is a monetary zone (CFA franc), a few monetary arrangements (in CEPGL and the EAC) and other bilateral agreements between central banks in Africa. However, a host of factors, notably economic liberalization measures and political crises in some regions, have made it nearly impossible to make any advances. With most African countries facing the same constraints in managing current accounts, balance of payments, and payments systems, rationalization requires a unified programme in each region, including macroeconomic convergence as a criterion for regional monetary zones.

All African intergovernmental organizations—including the African Union—confront insufficient and irregular resources for regional cooperation and integration. Direct contributions to national budgets for the integration process have not been effective since the mid-1980s, and international aid cannot substitute for countries' efforts to achieve their integration objectives. One solution to this shortfall of financial resources is a self-financing mechanism based on additional fiscal charges. Other forms of financing, such as a special allocation tax by member countries for each of the existing intergovernmental organizations, have not been successful.

The regional economic communities should thus devise a system of autonomous financing that covers all regional and subregional economic integration and cooperation programmes. It should include compensation for countries that lose revenue as a result of integration. The most recent studies on the creation of such instruments (by ECCAS and the Organization for the Harmonization of Business Law in Africa) recommend, among other things, a unified approach to solving the problem and criteria for sharing revenue between intergovernmental organizations. The suggestions here are for a “single window” for financing integration. Such an approach would in turn encourage joint programmes between intergovernmental organizations in the same region.

The regional economic communities should thus devise a system of autonomous financing that covers all regional and subregional economic integration and cooperation programmes

Some regions have recently been plagued by internal and external political conflict, which has stressed security, increased tension between ethnic groups, and created a large number of refugees or displaced populations. Poor economic performance through the 1980s and 1990s is one reason for the conflicts. In addition to the lives lost and the political instability, conflicts cause economic harm to the countries involved and their immediate neighbours. The political and institutional crisis of the Democratic Republic of Congo has had repercussions for all of its neighbours. And conflict in Côte d'Ivoire has affected the economies of UEMOA members.

Peace and security are vital for stronger regional economic communities. Although the African Union and the United Nations try to intervene in trouble spots, only regional integration institutions can ensure lasting peace in the subregions. Thus the programmes and strategies of the regional economic communities must include restoring and maintaining peace and security among their members. Integration cannot succeed without political stability and good relationships among neighbouring countries.

Under the framework of rationalization through the division of labour, the regional dimension of the eight areas of cooperation mentioned above implies that integration must be carried out through the activities, programmes, and projects of the regional economic communities, making them the principal organs of the African Union and the pillars of the African Common Market.

But some programmes and projects do not always directly involve all the member countries in a region or receive the same priority; for example, environmental, transport, food security, land, and structural adjustment programmes. Rationalization through the division of labour suggests that subregional institutions should pursue such programmes and projects after consulting and coordinating with the intergovernmental organizations.

Using subregional cooperation institutions thus seems the best way to conceive of and implement industrial programmes. They give the private sector a vital role mobilizing human and financial resources, supervising, and following up on projects and

programmes. Appropriate regulations and an enabling environment geared towards the best use of agricultural, forest, pastoral, and mineral resources are required to guide private sector activities.

The principal objective of rationalization is to place regional and subregional intergovernmental organizations under the framework enshrined in the Abuja Treaty

A rational and more effective approach to cooperation in these areas could be based on homogeneous spaces, which are identified through linguistic, sociological, or historical communities. Subregional projects and programmes would be more in line with these parameters. Realistic results could also arrive in the short and medium term, more quickly than in larger regional economic communities such as CEN-SAD, COMESA, and ECOWAS. The tasks should be divided up carefully, with follow-up on projects between two or more subregional institutions and a legal framework for coordination between the regional community and other intergovernmental organizations.

The principal objective of rationalization is to place regional and subregional intergovernmental organizations under the framework enshrined in the Abuja Treaty, which aims to optimize the efficacy of existing institutions by eliminating or reducing overlapping and duplicated projects and programmes. Under rationalization by division of labour a regional coordination body is needed to coordinate and monitor the implementation of regional programmes and activities. The executive secretaries of the existing intergovernmental organizations could constitute such a body.

This approach, a more flexible version of rationalization around rooted communities, would have the advantage of clarifying the scope and horizons of regional cooperation without implying major political or strategic choices, which countries seem to want to avoid. It could also be applied without a fundamental review of existing treaties, since an interinstitutional protocol would sanction the allocation of tasks and the establishment of a regional coordination structure to serve as the interlocutor of the African Union.

Rationalizing through harmonization of policies and instruments

If the cooperation and integration intergovernmental organizations maintain all their current mandates and objectives, rationalization should be sought by standardizing and harmonizing the strategies, programmes, sectoral projects, and cooperation instruments of the institutions in each region. Actions should then be taken when duplications are evident or when it is impossible for them to coexist in the same regional space.

The protocols of treaties, agreements, and conventions for economic integration institutions often define the community trade policies by indicating the rules, instruments, and mechanisms for trade cooperation. They also provide several other guidelines for member countries:

- Formulas for dismantling tariffs (linear, progressive, reciprocity, or geometrical).
- Timetables for eliminating tariff and nontariff barriers.
- Rules of origin and certificates of origin.
- Scope of the compensation rule and compensation rate.
- Models of customs declaration and tariff and statistical nomenclature.

As part of the harmonization process, communities with overlapping geographical areas must agree on some basic options: either a linear dismantling of tariffs for all products by all regional partners or preferences negotiated by list of products and by countries. Member countries also need agreements on the timeframe for tariff reduction, the approach to common external tariffs, and the fiscal and customs treatment of re-export products. The aim would be to obtain, for each region and between regional economic communities, a single plan that best reconciles the need for speedy realization of the African Common Market and countries' economic and budgetary constraints.

Trade cooperation protocols refer to quantities or values of local raw materials used in manufacturing a product or to the percentage of value added in manufacturing. This is to certify the community origin status on industrial products and the eligibility for preferential tariff regimes—criteria that underlie the objectives for developing local resources and integrating production enterprises into a regional industrial complex. Applying different rates or criteria would create parallel regimes and, consequently, several markets—a risk that exists in Central Africa (CEMAC, ECCAS) and Southern Africa (COMESA, SADC). The differential rates of rules of origin must be eliminated within each region and between regions to prevent countries from belonging to several institutions. Similarly, the criterion that nationals hold shares in companies eligible for preferential regimes must be eliminated to be in line with regional and subregional market economic policies.

Unifying markets by standardizing market rules also implies standardizing documents of trade transactions:

- Certificates of origin.
- Declarations of the producer or exporter.
- Models of customs declaration and codification of customs regimes.
- Value added tax exemption forms for export and invoice models.

In addition, national administration of taxes, indirect taxes, foreign trade, import-export enterprises, and accredited commissioners would have to be harmonized by eliminating multiple systems of customs documents, which impede trade. In essence, trade facilitation must be promoted and the rules and procedures of foreign trade must be simplified.

The lack of a compensation mechanism for countries that lose customs revenue, vital for most countries, has always constrained attempts to establish preferential trade

The aim would be to obtain, for each region and between regional economic communities, a single plan that best reconciles the need for speedy realization of the African Common Market

areas, free trade agreements, or customs unions. The lack of a compensatory mechanism could be a contributing factor to the non-implementation of a custom union by regional economic communities such as CEMAC, COMESA, and ECOWAS.

To be viable in the long term, a free trade agreement between, say, Malawi and South Africa, Djibouti and Egypt, or Mauritius and the Comoros, must include compensation instruments

Countervailing duties are provided for in most regional and subregional treaties, but African integration institutions must reaffirm them in future free trade areas as a way to deal with imbalances generated or amplified by the preferential tariff regimes and differences in developmental levels. These mechanisms are indispensable for the cohesion and sustainability of regional markets. African countries must also defend countervailing duties in agreements between African, Caribbean, and Pacific countries and the European Union. To be viable in the long term, a free trade agreement between, say, Malawi and South Africa, Djibouti and Egypt, or Mauritius and the Comoros, must include compensation instruments. Within the same region, a commercial transaction between two countries should not be subject to double or triple compensation for real capital losses. Thus institutions must establish a common countervailing mechanism by standardizing:

- Criteria for determining capital losses.
- Material scope of the compensation funds' application.
- Countervailing rate.
- Mode of compensation.
- Scale of contribution to compensation budget.
- Mode of feeding the countervailing fund.

Such a mechanism is vital for the viability of a trade liberalization scheme, a driving force for the African Common Market and the integration process as a whole.

This is one of the principal instruments for managing taxation and foreign trade. At the regional level it allows for common designation and codification of goods, comparability of foreign trade statistics, and calculation and verification of fiscal revenue losses.

However, because of countries' memberships in multiple regional economic communities, they must deal with different tariff nomenclatures. For example, Kenya manages two different tariff nomenclatures (for COMESA and the EAC). One solution is for all the cooperation institutions and countries in each region to adopt and implement the rules laid down by the Convention on the Harmonized System for the Designation and Codification of Goods. The Harmonized System is a synthesis of the Nomenclature of the Customs Cooperation Council, the Classification Type of International Trade (revision 2), and the nomenclatures of Canada, Japan, the United States, and the Latin American Free Trade Association.

Credible rationalization of market instruments can take place only by standardizing existing and future regulations. The unification process should be dynamic—not

unilateral and unconditional alignment of one institution's rules (rationalization through simple subtraction) or a levelling from the bottom (common minimum). The standardization should be based on a comparative analysis of the existing instruments and mechanisms, their applicability in the African context, their degree of efficiency, and the successes and failures of their implementation. For institutions in the same region whose objectives include a single monetary zone, macroeconomic convergence criteria should also be standardized.

The objective of market rules is to eliminate any differences in sectoral development policies. They reduce the risks of redundancy and enhance differences as factors of complementarities. In other words, each institution should give priority to the sectors and subsectors in which it has comparative advantages. These advantages could be in availability of natural resources, in reference to investments already made, or in development attained. Subregional spaces should promote dynamic specialization based on the potential to alleviate medium-term risk of duplicated projects and programmes and to promote long-term synergy between production mechanisms.

In these areas of cooperation, review of subregional protocols will be based on agro-bio-climatic specificities to enable the identification of:

- Stock-farming zones (in IGAD and the Eastern Horn).
- Forest and agricultural zones (in the Great Lakes and the EAC).
- Zones with fishery potential (in the EAC and the IOC).

The industrial sector, more than any other, would feel the effects of economic globalization and trade liberalization. More competitive production mechanisms would give more priority to industries for processing local resources than to importing substitute industries. Thus, subregional industrial development strategies must be redefined to better reflect the need for competitiveness by refocusing on activities where benefits can be reaped.

As in agriculture, state disengagement and privatization prevent the intergovernmental organizations from implementing projects that have to be undertaken through private initiatives. The intergovernmental organizations would identify priority sectors by optimizing comparative advantages and exploiting local resources. They could then help create attractive subregional environment mechanisms for small and medium-size enterprise finance or export guarantees that assist economic operators.

The major objective in these areas of cooperation is interconnection of road networks to improve physical integration. Good roads allow economies of scale to be realized and infrastructure to be used cost effectively. Furthermore, solid infrastructure fosters development of the complementarities referred to above between the subregions and the regions.

Subregional spaces should promote dynamic specialization based on the potential to alleviate medium-term risk of duplicated projects and programmes

Advantages to rationalization through harmonization of policies and instruments include the elimination of overlaps in programmes, removal of duplicated efforts, and effective use of resources

In addition to acting as catalysts and coordinators of the integration process, regional economic communities would be responsible for regional political cooperation, especially for conflict prevention and management, an issue still pertinent in Africa because sustainable development cannot be achieved without peace and institutional stability. Moreover, countries that have recently encountered or are in the midst of conflict post the poorest economic performance. Security at borders, problems with refugees and other displaced persons, management of demographic changes and transitions, human rights, emergence of civil societies, nongovernmental organizations, and other associations, good governance, and legal cooperation are a few of the challenges that regional economic communities could help countries to overcome.

Advantages to rationalization through harmonization of policies and instruments include the elimination of overlaps in programmes, removal of duplicated efforts, and effective use of resources. Also, it may not require new protocols to be enacted. But it risks failing to speed integration because it leaves the current number of regional economic communities in place.

The major constraint of this scenario is the number of prior studies to be conducted and, consequently, the time required for its implementation. At least two studies per region—one on the harmonization of market rules and instruments, another on the analysis of the development potentials of each subregion—would be necessary to merge and harmonize sectoral protocols.

Implementing a strategy

The extremely sensitive nature of the discussion on rationalization calls for an approach based on a few fundamental principles: realism and flexibility, clarity and credibility, participatory approach, role sharing, consolidation of vested interests, convergence, and synergic effects. Consultations are needed at all levels throughout the process—negotiation, adoption, and implementation of a rationalization scheme—since unilateral decisions, self-proclamations, and other selective approaches have so far come to nought.

The first stage should involve the Commission of the African Union and the executive secretaries of all the integration institutions. A meeting between these bodies should be called after a careful analysis of the solutions advocated here and their implications. At this meeting the heads of intergovernmental organizations should submit comments from their deliberative organs on the proposals discussed here. The commission would then propose a rationalization scheme for the approval of the heads of state of the African Union. The decisions or directives emerging would be formally notified to the deliberative organs of all the regional and subregional economic communities concerned.

The organs or authorities would formally empower their secretariats with mandates to negotiate with their region's other intergovernmental organizations over substantive details, modalities, management of implications, and timetable, with the outcome enshrined in a convention or protocol of cooperation. The Commission of the African Union would mainly ensure the conformity of the regional measures with the spirit of the continental scheme, respecting the timetables for implementation and managing the difficulties or disputes that arise. Such a method could allow the institutions to circumvent the impediments and other bottlenecks observed in past attempts.

The Commission of the African Union would ensure the conformity of the regional measures with the spirit of the continental scheme

Conclusion

The number of cooperation and integration institutions, their overlapping geographical areas, and the similarity of their mandates and objectives appear more and more as obstacles to accelerating integration in Africa. The environment is characterized by:

- Weak economic performance.
- Dwindling official development aid.
- Heightened economic globalization.
- Consolidation of major trade blocs into privileged frameworks for negotiation of international relations.
- Entry into force of the Abuja Treaty and Constitutive Act of the African Union.

Despite profound structural reforms, countries confront unstable and speculative commodity markets, rising public debt, and falling export earnings. They thus find it difficult to make the financial commitments necessary for regular functioning of their intergovernmental organizations and achievement of their integration programmes and projects.

If this situation persists, at best it would bring the integration process to a virtual standstill and at worst it would split the African integration space, a danger that increases with the multiplicity of free trade agreements with more powerful third-party economic groupings or countries before the African Common Market is realized. A split would reduce the African Union's capacity to coordinate its members' efforts for an integrated development of the continent and influence the international scene, especially under the framework of the World Trade Organization.

The foregoing discussion highlights the imperative of real rationalization in Africa: not only to ensure the viability of intergovernmental organizations but to fully implement the Abuja Treaty. The need to rationalize is even more crucial because regional and subregional institutions depend on the assistance and cooperation of donor countries and development for funding.

Rationalization could immediately take the form of allocating tasks among the five regional communities and other integration institutions on the basis of the optimal dimension that can be accorded the principal programmes and projects to be implemented. Regional programmes will thus fall within the almost exclusive competence of the regional economic communities, with the other communities concentrating on subregional projects. The allocation proposed here remains a working plan that can be refined in negotiations between the Commission of the African Union and the regional economic communities.

In the medium term rationalization could be deepened by reviewing the sectoral protocols of the different institutions to verify market systems and harmonize cooperation policies based on specialization and complementarity of production mechanisms.

Beyond the intrinsic relevance of each of the approaches advocated—and because there is not yet a solution to the problems raised—effective rationalization can be achieved more through negotiations between partners, actors, and prime movers of the integration process than through following studies and reports.

Strengthening the Rationalization Framework

The design and structure of a rationalization framework is important for the integration agenda to succeed. In addition to a well thought out implementation plan for the rationalization of the regional groupings, mechanisms are needed to strengthen the entire process. Support should focus on four main activities:

- Building the capacity of integration institutions.
- Financing integration.
- Building consensus on rationalization.
- Coordinating between the African Union and the regional economic communities.

Building the capacity of integration institutions

Strengthening the capacities of all integration partners requires staff of the African Union Commission, regional economic communities, integration institutions, and specialized institutions of member countries to be able to perform their functions, solve problems, and set and achieve integration goals and objectives. A sustainable funding formula would assist institutions in meeting their training needs, hiring and retaining competent personnel, and providing equipment and other relevant materials. And an action plan that forges cooperation among intergovernmental agencies and allows exchange of experience and harmonization of policies and programmes would advance the integration agenda at the community, national, and continental levels.

Capacity building must not stop at training and equipment but must include competency building, particularly in negotiations. African countries, either through an intergovernmental organization or on their own, negotiate with a variety of parties on complex and diverse issues, but unfortunately, they are often ineffective, especially in international trade negotiations. Africa does not have the capacity to assess the full impact and implication of international trading rules, such as those proposed at the Doha Round.

Financing integration

African integration is impeded by a lack of financial resources. Most regional economic communities depend heavily on international donor-partners to survive. And membership in multiple communities makes it difficult for African countries to pay

To build consensus for rationalization, the existing regional economic blocs and other integration agencies must be considered as equal partners

membership dues from their limited financial resources. A decline in member countries' contributions and external funding has placed the regional economic communities in dire straits, making it imperative for rationalization to include sustainable self-financing plans. Some regional economic communities have a plan that imposes a levy on imports from third countries, which has proved sustainable and has prevented member countries from retaining funds by depositing them in a central bank account accessible only to the organization.

A self-financing mechanism should have a few guiding principles. First, it must be independent from national budgets. Second, to ensure a regular flow of resources, the levy imposed on imports from third countries must be automatic. Third, the growth of the mechanism's accrued financial resources must be sustainable to support the regional economic communities' integration programmes.

The financing mechanism must also account for the financial requirements of the African Union. The Constitutive Act of the African Union calls for the African Central Bank, African Monetary Fund, and African Investment Bank to be created. Sustainable financial resources will also be needed to establish and operate these institutions.

Building consensus on rationalization

The rationalization process would be strengthened if all stakeholders of the integration process—including civil society, the private sector, and other development partners—embraced it. This requires a realistic rationalization process that takes into account their concerns. For example, existing intergovernmental organizations have signed and ratified a number of agreements within and outside the continent that rationalization could make obsolete with new arrangements.

To build consensus for rationalization, the existing regional economic blocs and other integrating agencies must be considered as equal partners. This could motivate member countries to cede part of their powers to supranational bodies, which could help further the continent's integration agenda.

A national coordination office is needed to include the relevant actors and to implement the regional economic communities' decisions. It would set targets and timeframes for and monitor the implementation of priority integration programmes and produce reports on integration progress for major stakeholders and the public to review.

One reason that African integration has not moved forward is the citizenry's lack of knowledge about the agenda. This has to change if the African leadership is to unite the continent behind the regional integration agenda. The African Union, regional economic communities, and member countries must devote enough resources to publish

and disseminate at the country level information and knowledge on the rationalization process and the integration agenda. Public awareness could lead people to support government programmes and initiatives on integration.

As part of consensus building, member countries must periodically involve their citizens in the discussion of regional integration issues. This could be done through meetings, seminars, workshops, or conferences that also include government officials, the business community, civil society, academicians, and other integration partners.

Involvement of the private sector in the integration process is also important. Most African countries do not involve the private sector in identifying, formulating, and implementing integration policies and programmes. But in most developing and developed economies the private sector is responsible for most of the investment and production of goods and services and, in partnership with the public sector, most of the infrastructure development.

Member countries must also create enabling environments that foster private sector development through sound macroeconomics policies, an efficient bureaucracy, respect for property rights, and strong rule of law.

Coordination and harmonization are important because they eliminate duplicated, overlapping and conflicting programmes, which in turn reduce resource costs

Coordination between the African Union and the regional economic communities

Coordination between the African Union and regional economic communities should involve adjusting and synchronizing policies, programmes, and activities to achieve a common goal. By contrast, harmonization would involve adopting regional legislation—codifying, unifying, and standardizing laws that would be applied and enforced at the national level. But experience shows that harmonizing laws can be difficult—and it can take a long time.

Coordination and harmonization are important because they eliminate duplicated, overlapping, and conflicting programmes, which in turn reduce resource costs.

Article 88 of the Abuja Treaty lays out four main responsibilities in the relationship between the African Economic Community and the regional economic communities:

- The African Economic Community will be established by coordinating, harmonizing, and integrating the regional economic communities' activities.
- Members will promote the regional economic communities' integration activities geared towards achieving the African Economic Community's objectives.
- Members will coordinate and harmonize their activities through their respective regional economic communities.

- The African Economic Community is responsible for coordinating, harmonizing, and evaluating the regional economic communities' activities.

The rationalization process must thus safeguard these objectives. And the coordination process must include shared information, periodic coordination meetings, a liaison office, common focal points, and integrated programmes and strategies to ensure a smooth working relationship that advances the integration agenda.

The coordination process must include shared information, periodic coordination meetings, a liaison office, common focal points and integrated programmes and strategies

The current arrangements for coordination are based on a protocol that calls for two committees: the Committee of Secretariat Officials and the Committee on Coordination. The committees must meet more often to be more effective.

Implementing sectoral policies is the responsibility of member countries, but the regional economic communities exert some influence by facilitating, advocating, and lobbying for regional priority projects and programmes. The rationalization process should strengthen coordination and harmonization at the sectoral level. And the two coordination committees must push the integration agenda at the national level. Implementing policies is difficult because it requires a combination of effective and achievable national action plans, national working groups, national and regional institutions, and regional review working groups.

To improve the coordination committees' effectiveness the rationalization process must ensure that:

- All stakeholders agree on a common framework for coordination and harmonization.
- Coordination and harmonization of sectoral, national, subregional and continental policies, programmes, and activities are identified.
- National coordination offices are created to coordinate regional initiatives at the country level.
- Meeting dates are fixed for the coordination committees and announced at the beginning of each year. All members must be encouraged to attend, and the agenda and background documents on the operational status of coordinated and harmonized policies, programmes, and activities must be circulated before the meeting.
- A coordination office at the African Union and focal points at the regional economic communities liaise with the coordination offices of countries in each region to facilitate implementation of the committee's decisions. This would also ensure the periodic exchange and update of vital information.

There is also a need to design regional and national action plans to implement coordinated or harmonized programmes. To ensure that this action is carried out:

- The African Union should encourage all the players in the integration process to prepare timely action plans with specific timetables on how to implement coor-

minated policies and programmes at the country, subregional, and regional levels. These plans should include the implementation of New Partnership for Africa's Development (NEPAD) programmes.

- Regional economic communities should submit reports by a specified date on the status of coordinated or harmonized policies, programmes, and activities to the coordinating committees. The reports should also detail progress at the national level. And an annual report with sectoral performance indicators should be published and widely disseminated to regional economic communities, governments, and influential national institutions, such as universities, to pressure lagging regional economic communities and countries into action.
- Coordination and harmonization efforts should be strengthened in such areas as transport, energy, trade, money, and finance.

Implementing the recommendations made here would not be easy. It will require strong political leadership, especially from the African Union

Implementing the recommendations made here would not be easy. It will require strong political leadership, especially from the African Union. The following section gives examples on how two of the scenarios discussed could be applied. First, we look at how rationalization through division of labour could be applied, using Central Africa as an example. The second case shows rationalization through harmonization and coordination as is taking place in ECOWAS and UEMOA.

Rationalizing by division of labour in Central Africa

If Central Africa were to rationalize by the division of labour, the Economic Community of Central African States (ECCAS) would be the lead implementing agency for projects in seven areas of cooperation that are of equal interest to all countries in Central Africa:

- Regional market creation.
- Policy on free movement of people.
- International transportation.
- Trade cooperation.
- Monetary cooperation.
- Funding integration.
- Peace and security.

The need for rationalization, effectiveness, and optimization of the advantages of integration calls for unified management of policies in these areas.

The regional economic communities in Central Africa

Under a plan to rationalize by division of labour the primary goal of regional integration would remain economies of scale and trade development. The Central African Monetary and Economic Community (CEMAC) has made significant progress in these areas, but more remains to be done in its small subregional market (about 30 million inhabitants). Central Africa's optimal market is ECCAS, with its 11 member states and estimated 120 million inhabitants. Furthermore, ECCAS re-launched its trade liberalization scheme to expand on the achievements of the other economic communities in order to quickly catch up with them and unify the regional market.

The concept of shared territory was introduced for 2004–07 to allow ECCAS time to reach the free trade agreement stage. Starting in 2007, trade cooperation instruments (rules of origin, certificates of origin, a compensation mechanism, and treatment of re-exports) should be standardized at the regional level based on the many updates and improvements introduced by the ECCAS scheme.

Standardizing of the regional market would enhance trade opportunities and reallocate resources from the industry-competitiveness fund and CEMAC to structural funds (agriculture, industry, and handicrafts) because ECCAS has two legally distinct funds and a more attractive compensation scheme.

The proposed ECCAS common external tariff, already based on the CEMAC common external tariff and the external tariffs of member countries, would also be negotiated and managed at the regional level, addressing the few problems encountered by CEMAC in that area (including unilateral tariff reclassification).

Little progress has been made in ensuring free movement of people, mostly because of political unrest in the region over the past 10 years. But this cooperation instrument must be extended to the entire region, taking into account the security concerns of all member countries. A successful policy on free movement of people should cover:

- Typology of travel documents.
- Progressive abolition of visas.
- Right of residency.
- Right of stay.
- Protection of migrants and their property.
- Treatment of illegal migrants.
- Treatment of seasonal or cross-border workers.
- Income transfers.
- Community citizenship.
- Other rights and responsibilities of migrants.
- Cooperation on immigration matters.

Central Africa includes four countries that are completely landlocked (Burundi, Central African Republic, Chad, and Rwanda), one semi-landlocked country (the eastern portion of the Democratic Republic of the Congo), and two island countries (Equatorial Guinea and São Tomé and Príncipe). At any time each of the 11 countries in the region may be an importer, an exporter, or a transit country. Since a prerequisite for increased interregional trade is free movement of goods and persons, ECCAS should implement unified, effective international transit regulations on a regional scale, based on the objectives established by member countries and the experiences of the CEMAC interstate transit programme and the CEPGL Transit Transport Coordination Authority Northern Corridor. The primary objectives of these regulations would be:

- To facilitate trade.
- To establish a single customs bond regime for international trade.
- To reduce transport time and costs.
- To reduce the number of road and river checkpoints.
- To simplify border documents, procedures, and formalities.
- To establish an advanced regional goods information mechanism or develop licensing requirements for international transit transporters (road, river, lake, or mixed).

Since a prerequisite for increased interregional trade is free movement of goods and persons, ECCAS should implement unified, effective international transit regulations on a regional scale

Developing a regional market should be accompanied by a trade promotion policy with two components. First is wide-scale dissemination of information on the free trade agreement and customs union to national governments and economic operators to familiarize them with the tools of trade cooperation: preferential tariff and tariff schedule, approval procedure, accompanying documents for commercial transactions, compensation law, tariff categories, common external tariff rate and transition rights, and treatment of goods in free circulation (re-exports). Second is the promotion of ECCAS products at the regional level through an integrated programme that includes a database, interstate trade missions, trade fairs, roundtables for Central African economic operators, a magazine on business opportunities in the region, support for business networks (including women's groups and producers' associations and groups), a regional trade information centre with interconnected national branches, and an export guarantee mechanism.

Central Africa includes six non-convertible currencies and six exchange rate regimes—a multiplicity of money options that hinders the development of intracommunity trade. Thus trade liberalization must be accompanied by a clearinghouse or central monetary agency to develop a programme of macroeconomic convergence and harmonize financial policies at the regional level based on the achievements of CEMAC, which is already a monetary union. ECOWAS' plan could inspire ECCAS to establish a monetary area that could later merge with the CFA-ECOWAS area.

CEMAC, the International Commission of the Congo-Oubangi-Sangha Basin, ECCAS, and the Organization for the Harmonization of Business Law in Africa have all recommended unified management of autonomous financing mechanisms. This would entail a uniform basis of assessment and the principle of a joint account and one subsidiary

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account for each beneficiary institution. The goal is to establish a single window for financing integration in Africa to facilitate the work of national governments and economic operators and promote the development of joint programmes.

The direct contributions for integration envisioned or already adopted would thus be combined into a single tax whose bound rate would equal the sum of those taxes. ECCAS would have sole technical responsibility for the programme, including valuing exports, forecasting revenue, and harmonizing national implementation regulations with community regulations. Each institution would receive the revenue owed to it directly and automatically on a pro rata basis from the common regional account opened in each of the central banks of the member countries and would manage its resources according to the budget adopted by its own legislative body, with no interference from ECCAS or any other intergovernmental organization.

ECCAS has a key role in restoring and strengthening peace in Central Africa. It has incorporated into its revitalization programme major initiatives, such as a protocol on the Council for Peace and Security in Central Africa which has two operational instruments (the Early Warning Mechanism of Central Africa and the Multinational Force of Central Africa).

In some areas of cooperation ECCAS would not have exclusive competence. In CEMAC and CEPGL the subregional communities would retain the right of initiative in seven areas and would have the opportunity to move further or faster than the regional community as they see fit. The sole condition would be that such initiatives must be consistent with the general framework and objectives established at the regional level. The seven areas are:

- River and lake basin policy.
- Agriculture, stock farming, and fishing.
- Industry cooperation.
- Human resources, health, and social affairs.
- Transport infrastructures.
- Energy and natural resources.
- Meteorology, environment, and biodiversity.

Central Africa has ample water resources, with development potential for such strategic areas as transport, energy, agriculture, and fisheries. Interstate cooperation requires sub-regional approaches, varying the approach according to the optimal size of each project. CEMAC already uses this approach with the International Commission on Navigation of the Congo-Ubangi-Sangha Basin, which comprises three CEMAC members and the Democratic Republic of Congo. CEPGL should pursue a similar approach in developing of the resources of Lakes Kivu and Tanganyika.

The main objectives for agriculture, stock farming and fishing should be to develop applied research, to process and diversify derivative products, to improve quality standards and competitiveness, and to create training and support facilities for producers to enhance access to export markets. Subregional approaches include CEMAC and CEPGL structural funds to build capacity at research centres such as the Institute of Agronomic and Zoo Technical Research and support for producers' organizations.

State withdrawal from production sectors requires the role of integration institutions in sectoral policy development to be redefined. The objective can no longer be large-scale industrial projects, but rather a diversified cluster of small- and medium-size enterprises in primary commodities and exports.

To boost medium-size projects and programmes, CEMAC and CEPGL could create a legal framework to attract investment, establish funding mechanisms to support industry, develop, and implement quality standards, and support the private sector. Existing legal instruments such as the CEMAC Investment Charter and the Organization for the Harmonization of Business Law in Africa's uniform business law could be complemented and enhanced by mechanisms for mobilizing private savings (capital markets and transferable securities).

CEMAC and CEPGL could provide programming and assistance frameworks for medium-term objectives in transport infrastructure, particularly through:

- Common standards for the design, construction, and maintenance of interstate transport infrastructures.
- Management capacity for subregional networks.
- Support funds for transport infrastructure.
- Harmonized national transport policies.

Before the political upheavals of the past decade, CEPGL made significant strides in energy cooperation. Highlights include:

- An electric power pooling programme for the three member countries.
- The joint implementation of the Ruzizi II power station.
- The Lake Kivu natural gas extraction project.
- The CEPGL Kagera Basin Organization programme for the Rusumo Falls hydro-electric power station.

Similarly, the power supply to Brazzaville and northern Zambia from the Inga I power station in the Democratic Republic of the Congo shows the relevance and effectiveness of project-based approaches in implementing cooperation in the energy sector without compromising a regional master plan.

The power supply to Brazzaville and northern Zambia from the Inga I power station in the Democratic Republic of Congo shows the relevance and effectiveness of project-based approaches in implementing cooperation

In 1998 UEMOA established the Community Compensation and Solidarity Fund to assist member countries that lost customs revenue because of tariffs on intracommunity trade

To be more effective, CEMAC and CEPGL should promote joint projects to install power stations and to connect national networks across borders. Development banks and funding institutions such as the Industrial Competitiveness Development Fund and the Development Bank of the Great Lakes States need a stronger resource base, with new independent integration financing mechanisms that provide sustainable support.

Rationalizing through harmonization of policies and instruments in West Africa

The strong coordination and harmonization efforts undertaken by ECOWAS and UEMOA in West Africa are in line with the scenario of rationalization through coordination and harmonization. Both institutions recognize that their efforts to remove duplications and overlap of programmes and activities must be complementary.

The objectives and priorities for ECOWAS and UEMOA focus on convergence of monetary and economic policy, a common market, transport facilitation, peace and security, and other sectoral issues. An institutional framework of consultations, cooperation, and partnership between the two regional economic communities was created in 2004 to strengthen their relationship. Under the framework two meetings are held each year to review the activities and programmes undertaken by each institution and to agree on new initiatives.

Since 1990 ECOWAS has operated under the framework of its Trade Liberalization Scheme, which calls for a free trade zone and the elimination of tariff and non-tariff barriers. Products eligible for duty-free status include raw materials, traditional handcrafts, and some industrial goods.

In 1996 UEMOA adopted the Community Preferential Tariff (CPT) agreement, which eliminated all internal tariffs on agricultural commodities, livestock, and traditional handcrafts in the region. Between 1996 and 2000 the region witnessed tariffs on approved manufactured goods originating from the union drop 30%–70%, while those on unapproved manufactured goods were lowered by just 5%.

In 1998 UEMOA established the Community Compensation and Solidarity Fund to assist member countries that lost customs revenue because of tariffs on intracommunity trade. The fund was financed by a 1% duty on imports from third countries.

A 2000 ministerial meeting on integration in West Africa recommended that UEMOA and ECOWAS harmonize:

- Rules of origin.
- Approval procedures.

- Customs clearing procedures.
- Compensation system for losses of revenues.

For rules of origin, the two organizations (ECOWAS and UEMOA) adopted the same rules defining community origin criteria. Products treated as originating from either community have the same benefit and should be traded duty free in both. These products include:

- Products wholly produced in member countries.
- Products that are not wholly produced in a member country but that have undergone substantial transformation or processing in a member country, determined by a change of tariff heading or value added of at least 35% of ex-factory price before tax.
- Products manufactured from raw materials of foreign origin whose value added is equal to 30% of the ex-factory price before tax of the finished product.

Goods manufactured in free zones or under special regimes involving suspension or partial or total exemption from import duties are not considered originating products.

In addition, ECOWAS and UEMOA adopted a common document for certifying the rules of origin. The certificate of origin for goods is a uniform and simplified customs declaration form supported by a common statistical nomenclature that is in line with the World Customs Organization's Harmonized System. And UEMOA uses EUROTRACE to generate, analyse, and report external trade statistics.

To improve the flow of goods and services between member countries, ECOWAS and UEMOA also harmonized their customs document and procedures by introducing a single customs document. But Nigeria is the only country using the document, with others planning to adopt it soon.

ECOWAS and UEMOA harmonized their compensation mechanisms for member countries that lose fiscal revenue because of trade liberalization. Specifically the statute of limitation and the process of application for compensation were harmonized. The framework used allows UEMOA's compensation mechanism to be phased out in December 2005 and ECOWAS' to expire in 2007.

To create a common market, ECOWAS and UEMOA adopted programmes that allow for the free mobility of their citizens, particularly the removal of visa requirements and the introduction of an ECOWAS passport. Except Liberia, citizens of member countries do not need an entry permit or visa to move within the community. An ECOWAS citizen with a valid travel document and a certificate of international vaccination can enter a member country and stay for up to 90 days.

To improve the flow of goods and services between member countries, ECOWAS and UEMOA also harmonized their customs document and procedures

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UEMOA has been a customs union with a common external tariff since January 2000. Having a common external tariff has lowered external tariffs and reduced the maximum tax rate from 65% to 22% and the average tax rate from 13.1% to 11.6%. The common external tariff covers goods imported from third countries in four categories: essential social goods (2% tariff); primary necessities, basic raw materials, capital equipment, and specific inputs (7%); intermediate products and inputs (12%); and final consumer goods and other products (22%).

ECOWAS is planning a common external tariff similar to UEMOA's, once it becomes a customs union in December 2007.

The common framework that ECOWAS and UEMOA use to collect and analyse trade statistics and customs data calls for staff of the two institutions to visit member countries to collect data twice a year. Strong political will is needed to ensure the programme's success.

Harmonization of the ECOWAS and UEMOA trade programmes has eliminated the difficulties that member countries faced with two programmes in the same geographical area. But non-tariff barriers, such as poor transport infrastructure and numerous roadblocks, remain.

ECOWAS and UEMOA's programme to achieve macroeconomic policy convergence is based on a multilateral surveillance mechanism, which covers convergence criteria and standards and harmonization of statistics, legal frameworks, and accounting methods. ECOWAS has also imposed convergence of macroeconomic policies and performance of its members as a precondition for the creation of a single currency.

The primary indicators being used in multilateral surveillance procedure are:

- Both ECOWAS and UEMOA use the budget to GDP ratio and the inflation rate as indicators in their convergence criteria.
- In UEMOA the primary budget should not be in deficit, and in ECOWAS the deficit excluding grants, should not exceed 4% of nominal GDP.
- Average annual inflation should not exceed 3% in UEMOA and 5% in ECOWAS.
- In UEMOA, the level of indebtedness (measured as the ratio of current public domestic and external debt to nominal GDP) should not exceed 70%. In ECOWAS the level of indebtedness (measured as the ratio of budget deficit, excluding grants, to GDP) should not exceed 80%.
- In ECOWAS, Central Bank financing of the budget deficit should not exceed 10% of the previous year's tax revenue. (UEMOA does not use this indicator because member countries do not have their own independent central banks).
- In ECOWAS external reserves should be equal to at least six months worth of imports. UEMOA does not use this indicator.

The secondary indicators being used in multilateral surveillance procedure are:

- The criteria relating to wage bill/tax revenue ratio and capital expenditure/tax revenue ratio are identical in both convergence systems.
- The ratio of tax revenue to nominal GDP should not exceed 20% in ECOWAS and 17% in UEMOA.
- In UEMOA the ratio of current external deficit (excluding grants) to nominal GDP should not exceed 5%. In ECOWAS a target has not been formulated.
- Members of both institutions should have stable real exchange rates and positive real interest rate.

The Gambia, Ghana, Guinea, Liberia, Nigeria, and Sierra Leone will form a common currency union

In 2000 ECOWAS created the West African Monetary Zone for non-UEMOA members of ECOWAS to speed the creation of a common single monetary zone. Under the plan The Gambia, Ghana, Guinea, Liberia, Nigeria, and Sierra Leone will form a common currency union. (The launch date for the common currency has been pushed back to 2009). This currency union will merge with the CFA into one monetary union with a common currency and common central bank, the West African Central Bank.

The creation of the West African Monetary Zone led to the birth of the West African Monetary Institute, which is charged with preparing for the launch of a single West African monetary union. The institute commenced operations in March 2001 and has prepared the basic architecture for the monetary union.

Other activities to strengthen the architecture for the monetary union include:

- Fiscal consolidation through a forum of finance ministers to discuss issues related to fiscal convergence and to adopt remedial policy measures to facilitate and sustain convergence.
- Harmonization of statistics and databases to ensure data comparability, reliability, and relevance for convergence surveillance.
- Improvement of member countries' banking systems to raise the standards of the banking system to those of international counterparts.
- Harmonization of payment systems of member countries to increase the efficiency of capital flows.

To support investment and promote financial cooperation in the region ECOWAS has established several regional banks. In 1975 it formed the ECOWAS Fund for Cooperation, Compensation, and Development to compensate countries for revenue losses associated with regional trade liberalization. It is also responsible for promoting balanced regional economic development and for providing support to less developed member countries. It was later reconstituted as the ECOWAS Bank for Investment and Development, with two subsidiaries: the ECOWAS Regional Development Fund, which focuses on public sector financing, and the ECOWAS Regional Investment Bank, which focuses on private sector financing. The ECOWAS Bank Group was also established

to strengthen regional financial cooperation. It has subsidiaries in 12 countries across West and Central Africa. The Ecobank Foundation, the philanthropic arm of the bank, supports scientific, cultural, and humanitarian causes across the region.

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Although UEMOA was established in 1994, its roots as a monetary union date as far back as 1974. It has a common currency, the CFA franc, and a common central bank, Banque Centrale des Etats de l'Afrique de l'Ouest. The central bank has done extremely well in ensuring macroeconomic convergence in most member countries. In 1997 UEMOA and the central bank signed an agreement to transform the Abidjan Bourse into a regional stock exchange. And in 1998 UEMOA agreed to harmonize the regional accounting system through the Système Comptable Ouest Africain. Both agreements are geared towards facilitating the free flow of capital in the region.

ECOWAS and UEMOA have also undertaken the harmonization of sectoral programmes in agriculture, the environment, transport, energy, and telecommunications.

UEMOA has had a comprehensive agricultural policy since 2001. In January 2005 ECOWAS adopted an agricultural policy that used UEMOA and other intergovernmental organizations' policies as a framework. The two agricultural policies have since been harmonized, and agricultural programmes are carried out with regular consultations between two institutions. Each has the latitude to initiate its own programmes, modalities, and strategies for implementation within the agreed framework—a flexible arrangement that strengthens the coordination and harmonization efforts between the two institutions and allows each institution to capitalize on the best practices of the other.

UEMOA's food security programme is more advanced than ECOWAS'. It includes country studies, a legal framework, and other issues. To develop a comprehensive and dynamic programme, ECOWAS is undertaking studies in non-UEMOA countries that are members of ECOWAS, using the framework of UEMOA's studies.

The two institutions are also trying to coordinate common policy and market to ensure a supply of high quality seeds in the region.

Protecting the environment is very high on ECOWAS and UEMOA's agenda. To this end, the two institutions are working hard to establish a common policy on the environment to replace the UEMOA protocol adopted in 1999. UEMOA is undertaking environmental assessments for its member countries, and ECOWAS is undertaking them for its non-UEMOA members. ECOWAS is also holding consultations with member states on their environmental programmes to obtain inputs for the environmental policy.

In close collaboration with UEMOA, ECOWAS has developed an action plan to implement its road transport facilitation programmes aimed at enhancing cross-border movements. The plan has four parts:

- Constructing joint border posts to speed the processing of immigration documents and the clearing of goods.
- Creating observatories along interstate land corridors to expose and reduce bad practices.
- Educating all stakeholders on the ECOWAS facilitation programme.
- Fighting the HIV/AIDS pandemic.

ECOWAS and UEMOA have secured €82 million from the European Union for regional transport programmes and €69 million for the regional transport facilitation programme. ECOWAS also received a \$936,818 grant from the Japanese Government to study:

- The institutional and legal framework of joint border posts.
- Harmonization of road transport legislation.
- The physical status of road networks.
- Port security and the Advanced Cargo Information System (including its Road Tracker module).
- Reform of the interstate transit operations guarantee system.

ECOWAS and UEMOA are also exploring the possibility of constructing an interconnected rail network in West Africa. The African Development Bank has awarded a \$3.31 million grant to carry out feasibility studies of the rail networks in ECOWAS.

In air transport, after the Yamoussoukro Decision in 2003, the two institutions adopted the Safety and Security Action Plan and the Economic Regulation Action Plan.

With World Bank assistance, ECOWAS has developed a \$29 million aviation safety and security project for ECOWAS and CEMAC. It will be implemented as part of three subregional safety projects based on the International Civil Aviation Organization Cooperative Arrangement for Operational Safety and Continued Airworthiness Programme.

The action plan on economic regulation has not yet been implemented. But most countries in CEMAC and ECOWAS have made big strides in liberalizing the air transport sector. Some impediments remain:

- Lack of appropriate civil aviation structures (autonomous entities) in some member countries.
- Safety deficiencies in most member countries.

The African Development Bank has awarded a \$3.31 million grant to carry out feasibility studies of the rail networks in ECOWAS

- Restrictions on traffic rights in a few countries.
- Bilateral air service agreements between countries that are not fully consistent with the Yamoussoukro Decision.

In 1980 ECOWAS introduced a two-phase transport programme. The first phase focused on road transport facilitation and road construction and included construction of the 4,560 kilometre Trans-West African Highway and the 4,460 kilometre Trans-Sahelian Highway. The second phase focused on integrating landlocked member countries' roads with the regional highway network.

Two major energy programmes being implemented by ECOWAS are the West Africa Power Pool and the West African Gas Pipeline

ECOWAS has also taken measures to promote intraregional movement of goods and people, including harmonization of technical specifications of motor vehicles and related infrastructure, customs procedures, cross-border travel, and motor vehicle insurance. The third-party Brown Card motorcar insurance, used by 12 ECOWAS members, was also introduced to allow the free flow of goods and persons within the region.

Two major energy programmes being implemented by ECOWAS are the West Africa Power Pool and the West African Gas Pipeline. Both projects have attracted considerable interest from private investors and development partners.

Nearing completion, the pipeline is designed to pump natural gas from refineries in Nigeria through Benin and Togo to Ghana. Based on its success and economic benefits, it may be extended to other parts of the region.

Within the framework of the West Africa Power Pool, ECOWAS has also undertaken the following activities:

- Expansion of regional generation and transmission infrastructure and establishment of the West Africa Power Pool governance system.
- Development of the legal and regulatory framework needed to facilitate regional energy trade.
- Implementation of capacity-building and training programmes.

ECOWAS also has a Rural Electrification Initiative developed in close collaboration with UEMOA. With the assistance of the U.S. Agency for International Development, studies are being conducted to examine the institutional governance and organization of the electricity sector in rural areas, the current status of rural electrification, and the activities of various stakeholders in the development of rural communities.

ECOWAS' regulatory programme for the harmonization of telecommunication sectors in member countries aims to establish a common liberalized telecommunication market by 2007. The programme focuses on fully open and interconnected networks, increasing telephone density and promoting Internet usage. The programme also includes

the development of the Global System for Mobile Communications roaming facilities and cross-border connectivity in the region.

The ECOWAS programme for a common industrial policy for West African seeks to:

- Complement member countries' efforts to accelerate the pace of regional industrialization.
- Harmonize national industrial policies.
- Promote partnerships and joint ventures with foreign investors.
- Formulate common regional policies for industry and mineral resources development that follow the guidelines of the United Nations Industrial Development Organization's (UNIDO) African Productive Capacity Initiative.

A major challenge to successful coordination and harmonization of ECOWAS and UEMOA programmes is lack of sustainable financial resources for consultative meetings

Another ECOWAS and UEMOA programme, developed in collaboration with UNIDO, seeks to facilitate member countries' participation in international trade by enhancing quality, standards, metrology, and testing of manufactured products.

At an ECOWAS summit in 2001 the heads of state and government decided that ECOWAS should assume the lead role in negotiations on external partnership agreements between the region and the European Union, in close collaboration with UEMOA and member countries. This is a perfect application of rationalization through coordination and harmonization.

ECOWAS also has the lead role in implementing all NEPAD projects in the region. Again, ECOWAS is in close collaboration with UEMOA and other intergovernmental agencies.

A major challenge to successful coordination and harmonization of ECOWAS and UEMOA programmes is lack of sustainable financial resources for consultative meetings. Donors such as the European Union finance most meetings, and institutions outside Africa are financing the whole integration agenda—which could pose a serious potential conflict to Africa's ownership of the integration process.

Like the other regional economic communities, ECOWAS and UEMOA do not have the technical capacity to carry out most of the harmonization programmes. Equipment, technology, and other facilities also have to be strengthened.

Political will is necessary but not sufficient for achieving all the harmonization programmes. Member countries would have to commit and implement the agreed policies at all levels of government. Member countries should also assist the two institutions in setting priorities for programmes and policies that need to be harmonized. It is also imperative that member countries, through their governments, private sectors, and civil society organizations, engage the general public on the whole integration agenda.

Conclusion

The scenarios presented in this chapter remain only proposals and could be refined through negotiations between the African Union and all the existing economic communities and other stakeholders. In the end, the choice lies in the hands of the heads of states and governments of the African Union. These proposals aim at assisting the leadership in reaching a decision on the way forward in strengthening the continent's integration agenda.

The process would be strengthened if all stakeholders including civil societies, the private sector and other development partners embrace it. For this to happen the rationalization process must be realistic and the concerns of the citizenry and all participants of the process be taken into account. For example, the current regional economic communities have signed and ratified a number of agreements within and outside the continent. The rationalization process could produce new arrangements that could make some of these agreements obsolete. It is therefore imperative that all parties are consulted on how to implement any future changes.

In building consensus for the process, all the existing regional economic blocs and other integrating agencies must be considered as equal partners in the participatory process. This would contribute to creating the proper negotiating environment that could motivate member countries to cede part of their powers to supranational bodies and advance the continent's integration agenda.

Methodology for preparing Assessing Regional Integration in Africa II: Rationalizing Regional Economic Communities

Preparation of the concept paper and questionnaires

Preparation of this report consisted of desk research and field missions for data collection. It started with a concept paper and two sets of questionnaires, one for regional economic communities and one for selected African countries.

The concept paper covered five topics:

- Rationalization of integration efforts in retrospect.
- Possible scenarios for rationalizing the regional economic communities.
- Ancillary issues to regional economic community rationalization.
- Structure of the report.
- Methodology.

The questionnaires were designed to cover issues pertinent to the discussions in the report, particularly those in chapters 3, 4, and 5. The questionnaire for regional economic communities covered:

- General information and legal status of regional economic communities.
- Harmonization of interlocking mandates.
- Efficiency in internal management, human and financial resources, and competitiveness.
- Effectiveness in achieving the ultimate goals of African Union and regional integration.
- Overlap of membership.
- Duplication of programmes.

- Coordination of regional economic communities operating in the same region.
- Historical efforts towards rationalization.
- Inadequacies of coordination at the continental level.
- Recommendations for rationalization.

The questionnaire for countries covered:

- Institutional setup and management.
- Translation of regional economic community goals into national plans, budgets, and national programming.
- Implementation of agreed programmes.
- Legislative process for integration matters.
- Fulfillment of financial obligations to regional economic communities.
- Costs and benefits of integration.
- Private sector relations.
- Civil society relations.

Consultations

A paramount consideration in preparing the report was the involvement of key regional integration actors in all stages of the process. Consultations included:

- Internal consultations within UNECA and the African Union.
- Consultations with African regional economic communities, their member countries, academia, private sector, and other institutions.

Internal consultations

A meeting with UNECA subregional offices was held on 14 November 2003 in Addis Ababa to discuss areas of collaboration. Representatives from subregional offices in Southern Africa, Eastern Africa, Central Africa, Western Africa, and Northern Africa attended, as well as staff from the Economic and Social Policy Division, Human Resources and Finance Division, and the Office of Policy and Programme Coordination. At the meeting the concept paper was discussed and a steering committee that included all subregional office directors was formed.

Consultations with the African Union

Two consultative meetings were held with the African Union, one on 23 April 2004 and one on 14 May 2004, both in Addis Ababa. The first meeting was convened to introduce the concept paper and questionnaires and to discuss collaboration between UNECA and AU in preparing the report. Margaret Vogt, director of the Office of the African Union Chairperson, chaired the meeting.

The African Union stressed the importance of rationalizing the regional economic communities and its determination to join forces with the UNECA to examine the issue in

detail. Participants agreed that the report would provide technical inputs to consolidate the African Union's position on rationalizing the regional economic communities. They also formed a steering committee to regularly review the report's progress and agreed that:

- The duration of the study would be short, since it is primarily to support a political decision.
- The African Union would appoint a liaison with UNECA to ensure effective collaboration between the two institutions.
- The regional economic communities must be involved in the process.
- Heads of state would make the final decision on rationalization.
- The meaning of "regional economic communities" in the African Union context must be clarified.
- The report would make use of the African Union's recommendations on rationalization.

As a follow-up action, it was agreed that the African Union staff would review the concept paper and questionnaires and form a project team on the report.

The second meeting was chaired by Mamadou Lamine-Diallo, deputy director of the Office of the African Union Chairperson. It provided a platform for the African Union to present its comments on the concept paper and questionnaires.

Discussions suggested that the report should:

- Explain the criteria for selecting the best rationalization scenario for Africa.
- Choose the best rationalization scenario for Africa and justify the choice.
- Anticipate possible challenges to the rationalization of regional economic communities and address them accordingly.
- Develop solid arguments for rationalizing the regional economic communities, given the possibility of lobbying against rationalization.
- Provide a platform to present the case for rationalization.
- Involve regional economic communities in the study.
- Examine possible implementation frameworks for rationalization.
- Illustrate how each country, big and small alike, would benefit from rationalization.
- Provide a framework for building synergy between pillars and other organizations in a region.
- Provide explanations for the proliferation of regional economic communities.
- Look at the weaknesses of regional economic communities.

Consultations with regional economic communities, their member countries, and other institutions

A consultative and advisory meeting was held on 8 April 2004 in Addis Ababa to introduce and discuss the report. Participants included staff from regional economic

communities, African Union officials, and representatives from some African countries, the Council for the Development of Social Science Research in Africa, the African Economic Research Consortium, academia, and the private sector. The meeting also benefited from the participation of the European Union, the United Nations Development Programme, and the World Bank.

Field missions

Following the consultations, the report team undertook field missions to all 14 regional economic communities: the Arab Maghreb Union, the Central African Economic and Monetary Community, the Common Market for Eastern and Southern Africa, the Community of Sahel-Saharan States, the East African Community, the Economic Community of Central African States, the Economic Community of Great Lakes Countries, the Economic Community of West African States, the Indian Ocean Commission, the Inter-Governmental Authority on Development, the Mano River Union, the Southern African Customs Union, the Southern African Development Community, and the West African Economic and Monetary Union.

The team also visited 26 African countries: Benin, Botswana, Burkina Faso, Cameroon, Central African Republic, Democratic Republic of Congo, Republic of Congo, Djibouti, Egypt, Gabon, Ghana, Kenya, Libya, Mali, Mauritius, Morocco, Namibia, Niger, Nigeria, Rwanda, Senegal, Sierra Leone, South Africa, Tanzania, Tunisia, and Zambia.

The purpose of the missions was to collect the views and opinions on regionalization from officials of the regional economic communities, governments, and other development partners. The mission teams also consulted on the duplication and overlap of the programmes and mandates of the regional economic communities. The missions were also used to gather information on national mechanisms for coordinating and implementing regional agreements as well as how civil society could be involved in integration and rationalization.

Use of data

After the field missions, data from the questionnaires were put into a template prepared by the UNECA Information Systems Section. Information from the template was used to prepare master tables for each chapter of the questionnaires. Summary tables and charts were then produced from the master tables and analysed and used extensively in writing the report.



Economic Commission for Africa



African Union

African countries are increasingly pursuing regional co-operation and integration as a strategy to achieve robust and self-sustaining economic growth and thereby become important and effective players in the global economy. Currently, regional integration in Africa is advocated, implemented or supported by many actors including governments, regional and sub-regional institutions, and development partners. In their various capacities, all these actors contribute to the advancement of the process. However, as reported in the first report Assessing Regional Integration in Africa, or ARIA I, progress towards integration in Africa is not commensurate with the numerous efforts made. One conclusion of ARIA I was that in order to accelerate the pace of integration, strong coordination among the various actors and programmes is necessary.

Many institutions were created to coordinate the efforts of cooperation at the sub-regional level. This created a duplication of efforts and some confusion of mandates. This report therefore examines the institutional challenges of regional integration in Africa. It examines the mandates, activities and areas of operation of existing institutions, and makes recommendations on how they can be reformed.

The report makes two main recommendations: The first is that the institutional setting needs to be rationalized and it suggests some scenarios for rationalization. The second point is that the institutions need to have the technical, legal and financial capacities in order to be effective. This will make the institutions stronger and contribute more effectively towards regional integration in Africa.

Sales N. E.06.II.K.2
ISBN 92-1-125102-8



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