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Overview of Developments in Regional Integration in Africa

Contents

Acronyms and abbreviations

AfDB	African Development Bank
AEC	African Economic Community
AU	African Union
AUC	African Union Commission
CEMAC	Central African Economic and Monetary Community
CEN-SAD	Community of Sahelo-Saharan States
CFTA	Continental Free Trade Area
COMAI	Conference of African Ministers in Charge of Integration
COMESA	Common Market for Eastern and Southern Africa
EAC	East African Community
ECA	Economic Commission for Africa
ECCAS	Economic Community of Central African States
ECOWAS	Economic Community of West African States
FTA	Free Trade Area
GDP	Gross domestic product
IAIDA	Institutional Architecture for Infrastructure Development in Africa
ICT	Information and Communications Technology
IOC	Indian Ocean Commission
IGAD	Intergovernmental Authority on Development
LDCs	Least developed countries
MDGs	Millennium Development Goals
MIP	Minimum Integration Programme
MoU	Memorandum of Understanding
NEPAD	New Partnership for Africa’s Development
PIDA	Programme for Infrastructure Development in Africa
RECs	Regional Economic Communities
SADC	Southern African Development Community
UEMOA	West African Economic and Monetary Union
UNCTAD	United Nations Conference on Trade and Development

I. Introduction

1. In 2012, Africa's projected growth rate of 6 per cent is expected to be driven by improved macroeconomic and political stability, an ongoing resource boom and a growing domestic consumer base. In addition, deepening links to fast-growing emerging economies and an increasing appetite for long-term investments in Africa's frontier markets are fuelling renewed optimism about the continent's future. At the same time, commodity price volatility, youth unemployment, food insecurity and the adverse effects of climate change remain important challenges to be addressed. Strengthening Africa's leadership, enhancing the regional and continental integration process, accelerating investment in its frontier markets and scaling up investment in education, health, agriculture, infrastructure and innovation will be essential in transforming Africa's growth story into shared opportunities for present and future generations.

2. Currently, Africa's trade performance remains weak in comparison with other world regions. Intraregional trade – i.e. trade within and between Regional Economic Communities (RECs) – accounts for about 12 per cent of Africa's total trade, a much lower proportion than in other world regions. Therefore, integrating Africa's fragmented markets could help attract the required investments from both Africa and the rest of the world, in particular those motivated by economies of scale, to build competitive and more diversified economies.

3. Regional integration is expected to offer more economic opportunities in terms of investment, production and trade. This, in turn, should strengthen African countries' integration into the global economy. Africa's integration is therefore seen as a key development strategy for the continent. As such, efforts are ongoing to integrate the continent's different and separate economies, first at the regional level within the framework of the RECs, and then at the continental level leading to the establishment of the African Economic Community (AEC) by 2034, as set out in article 6 of the Abuja Treaty of 1994. Eight RECs are officially recognized by the African Union (AU) as key pillars and building blocks of this process leading to AEC.

II. Progress in Africa's integration process

4. Progress towards integration is mixed across the eight RECs: implementation of the Abuja Treaty is currently at stage 3 (establishment of Free Trade Areas (FTAs) and Customs Unions at the regional level by 2017). The Common Market for Eastern and Southern Africa (COMESA), the East African Community (EAC), the Economic Community of Central African States (ECCAS), the Economic Community of West African States (ECOWAS) and the Southern African Development Community (SADC) have reached FTA status and launched Customs Union programmes leading to the establishment of their Customs Unions before 2017. EAC is the only REC to have consolidated its Customs Union, which entered into force on 1 January 2005; it is also the only REC to have launched its common market, in June 2010. The Intergovernmental Authority on Development (IGAD) and the Community of Sahelo-Saharan States (CEN-SAD) remain at stage 2 (coordination and harmonization of their member States' activities), having experienced difficulties in making progress. However, in an attempt to revitalize its integration process, IGAD recently adopted a minimum integration plan and is working towards the creation of an FTA.

5. Steady progress has been made over the past year under the **EAC-COMESA-SADC Tripartite Arrangement,** which was created in October 2009 and brings together 26 African countries, i.e. over 50 per cent of Africa's economies, with a combined population of nearly 600

Conference of African Ministers in Charge of Integration (COMAI V), held in Nairobi, Kenya, from 8 to 9 September 2011. The Conference subsequently recommended that the costing should be revised. This was done and the revised MIP Action Plan was then presented to and endorsed by the AU-RECs-ECA-AfDB Coordination Committee at its Ninth Meeting, on 25 January 2012 in Addis Ababa, Ethiopia**.** The document was commended with the recommendation that it should be transformed into a Business Plan to ensure its attractiveness to the private sector.

(b) Intra-African trade performance: Intra-African trade has averaged 10-12 per cent over the past decade compared to 40 per cent for intra-North American trade, 63 per cent for trade within the European Union, 22 per cent for intra-Latin America trade, and 50 per cent for intra-Asian trade. However, on an individual REC by REC basis intra-REC trade has been increasing. Furthermore, although the continent also has a high and growing concentration of exports (and related production) in a few products, mainly primary commodities, some diversification has been taking place, primarily, though not exclusively, in Southern Africa and North Africa. Consequently, intra-African trade in manufactured goods is growing, and reached about 43 per cent of total intra-African trade in 2009, which is significantly higher than the 8.3 per cent share of manufactured goods in REC exports to the rest of the world.

With regard to tariff barriers, the continent's average protection is 8.7 per cent, though African economies are very heterogeneous in terms of the tariff levels they apply and face. Almost one third of African countries both impose and face levels of protection that are lower than the average for the continent, which suggests that tariffs have been falling over the past decade, particularly on intra-African trade in capital goods, intermediate goods and total imports, except in the case of duties maintained on sensitive products. Intra-African trade in agriculture faces a higher rate of protection than does trade in non-agricultural products. Yet between 1995 and 2006, Africa exported goods in the basic food category worth an average of some $15 billion against imports of about $21 billion, suggesting a negative balance of trade in this product category and a certain deficit or lack of self-sufficiency in basic foods.

(c) Continental Free Trade Area: Although there has been a steady reduction in trade barriers over the past decade and intra-African trade has picked up from 6 per cent to 12 per cent of Africa's total trade volume, it is still below the level necessary to make a significant impact on the continent's economic development and transformation. It is in this context that, at the African Union (AU) Summit held in January 2011, a decision was taken to endorse the recommendation of the 6th Ordinary Session of the AU Conference of Ministers of Trade, held in Kigali, Rwanda, from 29 October to 2 November 2010, to fast-track the establishment of a pan-African/Continental Free Trade Area (CFTA). Against this backdrop, the 18th African Union Summit of Heads of State and Government, held in January 2012, focused on the theme: "Boosting Intra-African Trade".

One of the landmark Decisions of the Summit was on a comprehensive Action Plan for boosting intra-African trade in the short, medium and long term and, more significantly, on the establishment of the Continental Free Trade Area (CFTA) by 2017 in accordance with the road map presented at the Summit. It was emphasized that 2017 was an indicative date. To that end, Africa's political leaders agreed to undertake further reflections on the establishment of the

CFTA. The CFTA, if achieved, would be a major milestone and a stepping stone towards achieving the Continental Customs Union by 2019.

Further, the creation of the CFTA could have a significant impact on boosting intra-African trade as it would create a market of about one billion people and would help to change once and for all the current dynamics, in which countries are simultaneously members of multiple RECs. Besides, it would compel the different RECs to move rapidly towards the implementation of continental trade policy instruments in such areas as rules of origin, customs procedures, documentation and nomenclature, and border administration, as well as protocols governing movement of goods, persons, services and capital across Africa. Furthermore, by fostering greater collaboration and cooperation between the RECs, the CFTA also has the potential to improve collective action to develop regional infrastructure and consolidate regional markets through improved interconnectivity in all forms of transport and communication, as well as to promote energy pooling to enhance the regions' competitiveness. Finally, the CFTA will help fast-track the realization of the vision set out in the Abuja Treaty of an Africa-wide common market and ultimately the African Economic Community (AEC).

It is encouraging to note that a number of RECs such as COMESA, EAC, ECOWAS and SADC have embarked on the harmonization and simplification of customs procedures, documentation, nomenclature and rules of origin, and the establishment of one-stop border posts at key border crossings, such as the Chirundu border post between Zimbabwe and Zambia. They have also instituted regional motor vehicle insurance schemes, for example, the yellow and brown card schemes in operation in the COMESA and ECOWAS regions, respectively. These are important achievements that can have a positive impact on progress towards the CFTA, bearing in mind that anchoring the CFTA on *acquis* within the RECs is one of its cardinal principles.

(d) Free movement: This is one of the major pillars of integration and although there have been some notable achievements, progress remains mixed, and also slow, despite the existence of legal frameworks and programmes at the level of each Regional Economic Community. Some RECs are, however, taking concrete steps to facilitate the movement of people, through agreements on visa relaxation, single tourist visas, and regional passports (such as are in operation in EAC, ECOWAS and COMESA). RECs and member States that are falling behind on their commitments to implement protocols on the free movement of persons are expected to redouble their efforts to improve the situation, in order to facilitate freer and easier movement by the people of Africa across their own continent. At the same time, progress towards guaranteeing the right of residence and establishment needs to be expedited in accordance with regional agreements and protocols.

Concerning free movement of capital, some RECs have put in place legal texts to harmonize monetary and fiscal policies. For example, EAC, ECOWAS, COMESA, and SADC are working towards harmonizing business and financial laws. However, progress in service liberalization remains limited, with most RECs yet to embark on a comprehensive services liberalization agenda.

(e) Infrastructure development: Deepening integration hinges largely on the continent's ability to get its infrastructure and energy in place so as to reduce the cost of doing business and increase competitiveness. The World Bank estimates that Africa needs $93 billion a year to improve its infrastructure. Considerable effort is being made to improve road infrastructure, particularly at the national level. However, railway infrastructure leaves much to be desired. Intensified efforts are also required in the areas of ports modernization, air transport connectivity, ICT and energy. In this regard, the Programme for Infrastructure Development in Africa (PIDA) is expected to provide the necessary framework and catalyst to speed up progress on super-infrastructures and linkages across the continent, assuming that the estimated cost of some $80 billion over the next 10 years is fully mobilized. Other complementary initiatives include the Institutional Architecture for Infrastructure Development in Africa (IAIDA) and the New Partnership for Africa's Development (NEPAD) Presidential Infrastructure Champion Initiative, chaired by the Republic of South Africa, which are designed to help propel and accelerate progress in this critical sector. The latter covers all five regions and comprises seven projects, with the following country champions:

Projects	Status of the seven regional infrastructure projects
Missing links of Algiers to Lagos Trans-Saharan highway and Algiers to Abuja optic fibre project. Champion: Algeria	A joint Declaration was signed by the three affected countries in June 2010. Environmental Impact Studies for each country were scheduled for completion in December 2011. Invitations to tender for construction are to be issued in February 2012. Financing for the Algerian section is already in place. Expected to be operational by 2014.
Dakar-Ndjamena-Djibouti road and rail project. Champion: Senegal	Pre-feasibility study finalized in December 2011.
North-South corridor road and rail project. Champion: South Africa	Review of all studies conducted within the North-South corridor has been undertaken to clearly identify implementation challenges of key projects in the corridor, and most importantly, to prioritize the road and rail projects.
Kinshasa-Brazzaville road and rail project. Champion: Republic of Congo	The feasibility study for the road section started in May 2011 while that for the rail section started in June 2011. Both studies should be completed in 2012.
Water management, river and rail transport projects. Champion: Egypt	Projects to promote better management of transboundary water resources will be defined.
Nigeria-Algeria gas pipeline. Champion: Nigeria	Feasibility study completed in 2006. In 2009, NNPC (Nigeria) and Sonatrach (Algeria) agreed to proceed with a draft MoU between the affected three States and a joint venture agreement. The pipeline is expected to be operational by 2015.
ICT cross-border broadband and link to fibre-optic project on a continental basis. Champion: Rwanda	Rwanda is conducting a scan to identify fibre-optic and ICT broadband projects in the region that require "political unblocking" for implementation.

Source: Compiled by the African Union Commission.

(f) Macroeconomic convergence: A number of RECs such as EAC, ECOWAS, COMESA and SADC have established macroeconomic convergence programmes with various targets and objectives, ultimately leading to the establishment of monetary unions. The parameters of convergence emphasize, inter alia, the achievement of macroeconomic stability and fiscal discipline through prudent exchange rate regimes, low inflation and budget deficits, current and capital account liberalization, fiscal policy harmonization and, above all, sustained rates of economic growth consistent with the targets for achieving the Millennium Development Goals (MDGs) by 2015.

Notably, EAC has made significant strides in this area, with 2012 set for the adoption of its monetary union. The region is already halfway through negotiations on the protocol and talks on the process are expected to accelerate in 2012. For the EAC common currency to be adopted, the region's member States must negotiate and agree on 85 articles. So far, 15 articles have been negotiated and agreed upon, with 24 others discussed at the end of 2011, leaving 46 other articles still to be considered. The benefits of the single currency would be an increase in the region's global competitiveness, as well as the stabilization of currency fluctuations. To help ensure a strong and successful monetary union, there is also a need for the five countries of EAC to harmonize their economies. It should also be noted that other regional bodies such as UEMOA and CEMAC, though not technically considered as RECs in the AU context, are already monetary unions with single currencies.

IV. Overcoming the challenges facing Africa's integration process

9. A number of challenges facing the regional integration process have been touched upon in the above discussions. In addition, a few critical areas where intensified efforts can help make a decisive difference in enhancing the integration agenda are highlighted below:

(a) Strong commitment towards financing and implementing the Action Plan for boosting intra-African trade and the road map and architecture for establishing the Continental Free Trade Area by 2017, taking into account successes and progress already achieved by the RECs in advancing the free trade and customs union agendas in Africa, in particular, the COMESA-EAC-SADC Free Trade Area initiative, which seeks to create a single market covering over half of the members of the African Union;

(b) Mobilization of the required resources to implement the MIP and PIDA. In this regard, it is imperative to conclude the long-standing quest for alternative sources of funding for Africa's integration agenda. With regard to the MIP, ministers at the COMAI V meeting in Nairobi requested the African Union Commission (AUC) to revise the costing components of the first phase of the MIP, prior to adoption by the AU policy organs. Furthermore, the Ninth Meeting of the AU-RECs-ECA-AfDB Coordination Committee held in Addis Ababa on 25 January 2012 recommended that AUC, in collaboration with the RECs, ECA and AfDB, should transform the MIP Action Plan into a Business Plan, including all the sectors identified in the MIP, and ensure that it is attractive to the private and public sectors, public-private partnerships and development partners;

(c) Full implementation of the AU Decisions on Industrialization and Infrastructural Development in Africa;

(d) Rapid establishment of the three AU continental financial institutions, namely the African Investment Bank, the African Monetary Fund and the African Central Bank, so that they can make a decisive contribution to accelerating progress on Africa's regional integration, particularly in the financial realm;

(e) Mobilization of financial resources – which are currently inadequate – for the implementation of key initiatives put forward by AUC in the area of statistics. This is fundamental for the success of such important initiatives as the Strategy for the Harmonization of Statistics in Africa (SHaSA), which will enable the continent to better generate and use its own statistical data for monitoring its development and integration efforts. Furthermore, there is a need to increase the pace of ratifications, particularly for instruments such as the African Charter on Statistics, which as of February 2012 had been signed by 21 member States and ratified by only five. The Charter can enter into force only after it has been signed and ratified by 15 member States and the instruments of ratification have been deposited at AUC. Member States are therefore urged to expedite their ratification of the Charter so that it can enter into full force.

10. Other compelling challenges, issues and recommendations arising from various AU statutory meetings must also be addressed: These include:

(a) COMAI V, which took place on 8 and 9 September 2011 in Nairobi, Kenya, deliberated on the theme: "Integration and Sovereignty". The Conference noted that integration and sovereignty are complementary to one another and not mutually exclusive, utiAhe
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Commission. AUC was called upon to convene a meeting of relevant officials handling RIP programmes to discuss the status of the RIP and share experiences and concerns. Building the capacity of the RECs to effectively implement the RIP was also strongly recommended;

(ii) **Pan-African Code of Investment:** AUC should put in place a working group with the relevant continental expertise and skills, in order to deepen reflection on the matter and fast-track the formulation of a continental model investment code; and AfDB and ECA should provide adequate support for the work of the group;

(iii) **Implementation of the Pan-African University and youth development initiatives:** AUC and the RECs should establish a technical group to discuss and exchange views on human resource development issues on the continent;

(iv) **Social Policy Framework for Africa:** AUC, in collaboration with ECA and AfDB, should develop a joint report on social development in Africa;

(v) **Developing joint programmes:** The Committee of Secretariat Officials should devote, among others, their first meeting of the year to developing a work programme of activities to be undertaken jointly; and

(vi) **Promoting working visits:** AUC and the RECs should regularly exchange higher-level working visits and both meetings of the Coordination Committee should be pre-Summit (Assembly of the Union) events.

V. Conclusions and Recommendations

11. The deliberations, recommendations and guidance of the Joint Conference of Ministers on this report will go a long way in helping to enhance the current momentum towards advancing the regional and continental integration process in Africa in general, as well as efforts towards boosting intra-African trade and establishing the Continental Free Trade Area.

12. Ministers are strongly requested to give due consideration to the various issues raised in this report and to examine their financial and budgetary implications with a view to making appropriate recommendations to support their effective implementation.

13. In this regard, the issue of mainstreaming the various initiatives, such as the MIP, PIDA, the proposed CFTA, the Action Plan for boosting intra-African trade, and others mentioned above, in national plans, strategies and budgetary allocations will be imperative.

14. Finally, closer inter-ministerial coordination at the national level on integration issues is critical to enhancing national commitment to the process and ensuring effective implementation of regional agreements and initiatives.