

EASTERN and SOUTHERN AFRICA SUB-REGIONAL DEVELOPMENT CENTRES

Preparatory Meeting to ADF III

**Nairobi, Kenya
18-20 February 2002**

SUMMARY OF PROCEEDINGS¹

The meeting was opened by the Honourable Nicholas K. BIWOTT, Minister of Trade, Industry and Regional Cooperation of the Republic of Kenya. The Minister's opening statement is attached. Attached are also lists of participants and documents distributed to participants.

Following is a summary of discussions over selected issues regarding Regional Integration Priorities:

Regional integration in Africa is currently taking place in conjunction with three major developments i.e.

¹ This meeting was not an inter-governmental meeting. It provided a forum for informal consultations. This summary of proceedings should therefore be regarded as a reference document and doesn't carry any commitment by participants. It is meant to facilitate debates at ADF III

- (i) The emergence of a new trading system under the WTO
- (ii) The establishment of the African union
- (iii) The launching of the New partnership for Africa's Development (NEPAD).

The meeting examined these developments and found that they were all providing opportunities for the consolidation and acceleration of the regional integration process in Africa:

- (a) **The WTO Arrangements** provide for the Co-existence of the system with regional trading blocs and the possibility of negotiating modalities of transitional periods for the maturation of customs unions.
African Regional groupings should seize this opportunity to deposit their Treaties with the WTO and engage the latter for negotiations in Terms favourable to them and allowing them to continue building their competitiveness from their FTA's/customs Unions as stepping stones for a better participation in the world trading system.
- (b) **The African UNION** has integrated provisions of the Abuja Treaty for the establishment of the African Economic Community signed in 1991 and which came into force in 1994. Regional groupings should endeavour to implement in earnest the various phases envisaged in the treaty and possibly fast track them so as to meet Targets set for the effective implementation of the AU Arrangements.
- (c) **NEPAD** provides a unique opportunity to reengineer the development paradigms as it addresses the needs for sustainable development through inter alia, Infrastructure development, Human Resources development, Food security, diversification of productive activities and safeguard of sound eco-systems.
NEPAD should be seen as a programme for the operationalization of the African Economic Community and the African Union and not as a parallel programme. To this end, the meeting notes the expansion of the steering committee on a subregional basis from 4 to 15 members.

It recommends that the implementation mechanism for NEPAD includes the secretariat of the Regional Economic Communities as operational arms, the AU Secretariat/Commission as a co-ordinating body the NEPAD organs being responsible for the overall supervision and orientations. It is also important to re-emphasize that the Regional Economic Communities are building blocks of the AU. As such, their immediate reinforcement through effective implementation of their programmes is the way forward in accelerating the regional integration process. Additionality in funding must be emphasized in discussions with

partners as the latter often resort to redeployment of funds and not the required increase of ODA resources.

Following are other key issues discussed by the meeting:

1. TRADE LIBERALIZATION

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2 The meeting discussed **Trade liberalization** as a key and central aspect of Regional integration:

It was noted that Africa is the continent which has the highest rate of trade with the world and the lowest intraregional trade (estimates are generally 90 per cent and 10 per cent). This points to extensively extraverted Trade Patterns Sub-Regional groupings haven all launched Trade liberalization schemes. COMESA, EAC, SADC are all working towards establishing Free Trade AREAS (FTA's) and CUSTOMS UNION within the next coming 4 to 5 years (COMESA-EAC) and 8 years SADC.

From presentations made by the above institutions, it was noted that:

Implementation of the trade liberalization programmes are well underway in spite of a few setbacks however, the meeting recommended :

- (i) Steps be taken towards the harmonization of Trade Liberalization programmes taking into account difficulties which are likely to emerge from multiple membership and differential Treatments and FTA's between countries in the subregions and third countries and/or trading blocks such as the E.U.
- (ii) The variable geometry approach may help Trade liberalization schemes. Take off however harmonizing trade liberalization schedules and mechanisms (i.e. rules of origins inter alia) would be the easier way to avoid the implications of multiple membership in FTA's and CUSTOMS UNIONS. Failing to do so would compel member countries to rationalize membership (which is our option so far excluded by member – countries).
- (iii) **Special mechanisms ought to be put in place to Trade Liberalization schemes by,** inter alia, promoting financing mechanisms to sustain participation of all members and more specially the Least Developed countries. To this end Equalization mechanisms/ should be established to fund the development of Human, infrastructural and institutional capacities to enhance participation of member countries and LDC's in particular in subregional trade. These funds could be dispensed by special windows of the Regional Funds being envisaged by all REC's in the

subregion to lessen dependence on country contributions and external assistance.

- (iv) Non Tariff barriers should be addressed in earnest and eliminated as a matter of urgency
- (V) Reinforcing CUSTOMS Administrations capacities and awareness of Trade Liberalizations is an urged task to ensure enforcement of instruments agreed upon (tariffs, nomenclatures etc....)

2. POLICY CONVERGENCE

Policy convergence is another key area in furthering Regional economic integration. This should be pursued through the monitoring of the implementation of the agreed protocols and through multilateral surveillance systems based on agreed which take into account and facilitate coordinated adjustment programmes. This requires closer partnership with the BWI's in the design and operation of such systems to avoid inconsistencies between both types of programmes.

3. PARTICIPATORY APPROACH TO CIVIL SOCIETY AND THE PRIVATE SECTOR

The need to adopt a **participatory approach to civil society and the private sector**: Specific programmes should be designed and implemented to this end and a special attention be paid to the development of the private sector in all national and regional integration agendas.

- (i) adopt general and specific popularisation strategies: targetting various stakeholders;
- (ii) emphasize the role of parliaments and economic and social councils where the latter exist;
- (iii) emphasize Public/Private sectors partnership by urging the state to create an enabling environment put the private sector in the driving seat in production & trade to and promote a **vibrant and active private sector**;
- (iv) The private sector was urged to further organize itself out of the rhetorics and into networks over – cooperation ventures of Prime concern for business operators (banking, production and service promotion of business activities etc....).
- (v) In the same vain, the various protocols on **Free Movement of Persons, goods** and **capital** and the rights of establishment signed by

member-countries of the Subregional groupings should be accorded special attention due to the importance of factor mobility in regional integration. Plans should be drawn for their progressive and effective implementation. Irrelevant security concerns should not be evoked not to honour commitments made. Businessmen and categories of specialized workers should be targeted in the initial phases of implementation.

- (vi) Civil society organization should take cross-border initiatives to encourage grassroot groups including youths and women to mobilize themselves over regional issues.
- (vii) Create and/or strengthen **national coordinating mechanisms** and define appropriate implementation mechanism in conjunction with CSO's and the Private Sector.

4. NATIONAL COORDINATING MECHANISMS

Create and/or strengthen National coordinating mechanisms and define appropriate implementation mechanism in conjunction with CSO's and the Private Sector.

5. INFRASTRUCTURE DEVELOPMENT

This is a key area in regional integration and indeed one of the major elements of NEPAD and all the regional integration agendas in Eastern and Southern Africa. Needs in this crucial area are a key concern of member-countries and various programmes have been designed to tackle them :

Two UN decades for the Development of Transport and Communications in Africa have been adopted and their programmes carried out with special focus on **missing links** with regard to roads, railways, maritime routes and inland waterways. The progressive liberalization of air transport has also been promoted for the expansion and route networks and reduction of costs.

- (i) Communications including Telecommunications and Information Technologies are a key concern in the various infrastructure development agendas of the Subregional groupings and the Continent as a whole. PATU (now ATU) has precisely been created to coordinate in this vital sector in developing a continental vision, promoting capacity building institutions and supporting initiatives/ projects such as the PANAFTTEL, RASCOM, "AFRICA ONE", The "SAT3 WASC" cable link, the COMESA/COMTEL, The SADC – SRIL, the ECOWAS INTERCOM II, A.I.S.I.

All these Initiatives/Projects including the 1996 African Green Book, the 1998 African Connectivity Strategy, AISI, NEPAD E- COMMISSION and other do emphasize :

- Encouraging the association of community regulators;
- Establishing a mechanism for coordinated spectrum management and frequency planning and a pool of African experts in this area;
- Draw a plan for the effective coordination of human resources development among the various training institutions stressing specialization of such institutions ;
- Developing Telecommunication indicators;
- Promoting National Information and Communication Development Plans taking into account the need for coordination of such plans at the Subregional levels;
- Encouraging reforms including privatization of telecommunication companies.

The way forward in this area is to accelerate the implementation of these initiatives/programmes and in particular **to double teledensity rates by 2005 with the objective of providing at least 2 lines per 100 people.**

(ii) **In the area of land/maritime/Inland waterways** Transport, « Development Corridor » approaches should be further strengthened throughout established Corridors in both subregions (Northern Corridor, Central Corridor, the SATCC Corridors) and their interlinking envisaged. Coordinating mechanisms should be rationalized and endowed with the required capacities to address:

- ❖ Transport/Transit facilitation issues;
- ❖ The coordination of physical infrastructure development and maintenance;
- ❖ The development and management of comprehensive subregional Transport mater – Plan with clear-cut targets for implementations.

(iii) **Air Transport** is more and more subjected to increased competition in this area, accelerating the implementation of the

Yamoussoukro Decision is the way forward to respond to the emerging “Open Skies” drive.

(iv) **In the area of Energy infrastructure development :**

The intensification of electricity grids interconnection, cross-border oil and gas pipelines as well as the Joint Production of mini-plants and renewable energy equipments are the way forward. Power pool such as the Southern Africa Power Pool, the Projected Nile Basin, Power Pool the EGL/SINELAC Arrangements should be emulated in creating subregional energy markets.

Overall Recommendations

Priorities in the infrastructure development area in the short and medium runs should emphasize:

- ✓ deepen reforms emphasizing an efficient public/private sector partnership and improvements in sectoral policies, management arrangements and capacities as well as the regulatory framework ;
- ✓ the establishment of Fora for infrastructure regulation ;
- ✓ the promotion of subregional projects ;
- ✓ networking for information sharing (VLS proposal of IBRD), capacity development and utilization of available expertise ;
- ✓ devising financing mechanisms to address the overwhelming financing gap in this area (18 billion US\$ are required for the funding of infrastructure development in Africa on a yearly basis) ;
- ✓ the operationalization of NEPAD mechanisms involving governments, IGO's, the private sector and other partners to explore investment potentials and increased ODA resources for the funding of infrastructures networks.

In addition to these immediate priorities, the accelerated implementation of subregional arrangements/programmes towards efficiency gains and management autonomy should continue to retain attention.

6. FINANCING THE REGIONAL INTEGRATION PROCESS

This is one of the most formidable challenges Africa is facing. It takes a strong resolve and innovative undertakings to fill the financing gap hampering regional integration in Africa.

The Regional Integration process in Africa cannot continue to quasi exclusively depend on external assistance. **Africa should first and foremost mobilize its own resources.**

Resources mobilized through member – countries assessed contributions are not reliable. In times of financial crisis such as those of the mid 80's and current ones, contribution to regional integration activities are not regarded as priorities.

Budgets of Regional integration bodies are in any case grossly insufficient vis a vis operating and project needs.

In the light of this situation and following discussions involving financing agencies, the meeting recommended:

- (i) The establishment of subregional Funds coupled with self-financing mechanism as prime sources for resource mobilization. The latter would be based on levies to be specified.
- (ii) The established subregional Funds would also be privileged mechanisms for the mobilization of resources from bilateral and multilateral partners including Regional Funds under the COTONOU EU-ACP ACCORD as well as other grants and collectively subscribed loans for the funding of Regional Programmes/Projects. Among such grants are the WORLD BANK IDF Grants for capacity building activities for Regional Trade, the **IDA Partial Risk guarantees** for Private sector-led infrastructure projects.
The **Technical Assistance Grants** from **ESMAP** and **PPIAF**, the **ACBF** Funds for capacity building (targeting capacities for the furthering of the regional integration process within the Regional groupings secretariat and research and training Centers of excellence
- (iii) Equity Funding Trusts should be promoted by institutions such as the WORLD BANK and the ADB from which shares could be later be transferred to local investors via domestic/subregional capital markets. (this is one of the Bank Proposals with regard to infrastructure project funding).
- (iv) The UNDP Proposal Regional Programme for the nextcoming cycle should be reviewed with regard to level of resources envisaged and programme contents to reflect Africa key regional priorities including the funding of activities of African centers of excellence dealing with

Research and Training such as the Regional Center for mapping of Resources for development (RCMRD), the Southern and Eastern Africa Mineral Development Center (SEAMIC), the African Regional standardization organization (ARSO) etc....

- (v) ACBF to consider the funding of capacity building for Regional integration as one its main priorities and beyond the current PAS 4 to envisage funding activities of center of excellence addressing at the regional/subregional levels training and research needs.
- (vi) Efforts to be deployed to mobilize Resources from non-Traditional Partners.
- (vii) Favourable conditions be devised beyond individual country codes of investments provisions and guarantees mobilized for the mobilization of foreign Direct investments in cross-border/Regional projects.
- (viii) The AFRICAN DEVELOPMENT BANK to assist member countries and IGO's in Regional Project identification, design and implementation and continue allocating resources specifically meant for cross-border-Regional projects. The ADB should establish a special study Fund financed from ADF for studies and technical Assistance targeting regional projects.
- (ix) The newly established AIDS Funds to consider cross-border programmes such as the GREAT LAKES INITIATIVE on AIDS (GLIA) and similar undertakings as priorities
- (x) The Global Environment Fund (GEF) and similar facilities to earmark resources for cross-border programmes in Africa
- (xi) The IMF to envisage special drawing Rights directed to the Fund of Regional Programmes/Projects

7. OTHER REGIONAL ISSUES

(i) Research

The meeting recommended that Research Programmes be networked or closely coordinated and specialized to reduce cost.

Research Programmes be home-grown and based on Regional/Subregional needs

Resources allocated to subregional Research activities be increased through local efforts and negotiations with relevant partners.

Standardization/Technology development/Food Security, Health related research areas better handled at Regional/Subregional levels. Institutions handling these issues such as ARSO, ARCT, ASARECA/ECAPAPA, ICRAF etc... should therefore be regarded as centers of excellence. Their capacities should be strengthened and their activities closely monitored.

(ii) Peace and Security

This is an important factor for Regional integration. Tackling it requires combined prescriptions including military political and economic aspects. The national, subregional/regional and international implications should also be examined

The meeting formulated the following recommendations

(a) At the national level:

- Mainstream Peace building/conflict prevention in educational curriculae Teaching peace values
- Promote public debate on security/Peace issues
- Promote good governance and democracy as well as safety values with regard to welfare of the population
- Address post conflict issues on the basis of extensive programmes including reconstruction, demobilization rehabilitation, reintegration and refugee management

(b) At the Subregional level/Regional level

- Confidence building by creating convivial relationship among neighbouring nations through transparency and dialogue
- Reinforce conflict prevention, conflict resolution and post conflict reconstruction mechanisms and programmes and coordinate them

(c) At the international level

- Partnership with the UNITED NATIONS for the establishment, development and utilization of subregional Early warning and conflict resolutions capacities as well as similar international capacities.

Immediate priorities should emphasize preventive measures and the consolidation of peace in post-conflict situation. Access to the World Bank, ADB IMF and ADB funding facilities for post conflict countries should be reviewed and

the usual conditionalities redefined taking into account the need for flexibility in emergency situations, Trust Fund for multilateral debt relief should be established and other credited urged to envisage total debt cancellation.

8. THE REGIONAL INTEGRATION FRAMEWORKS

- (i) The meeting reaffirmed the relevance of the regional integration framework as defined by the FINAL ACT OF LAGOS as the ultimate goals of the regional integration process in Africa. Harmonisation rather than rationalization is the way forward towards subregional common markets through coordinated and converging trade liberalization schemes and sectoral programmes
- (ii) The meeting agreed that growth poles including inter-alia River Basin development schemes (K.B.O. etc....) are powerful contributors to the regional integration process and needs to be encouraged beyond conventional boundries of existing groupings.
- (iii) The need to create mechanisms at the national lever to mainstreaming regional commitments into national policies was emphasized. To this end the creation of sectoral ministerial focal points and national coordinating committed was recommended.

9. ADF III LOGISTICS (Exhibition)

The meeting urged Regional Economic Communities and support agencies to envisage participation in the ADF III Exhibition and to urgently approach the ECA Secretariat for any assistance they may require.
