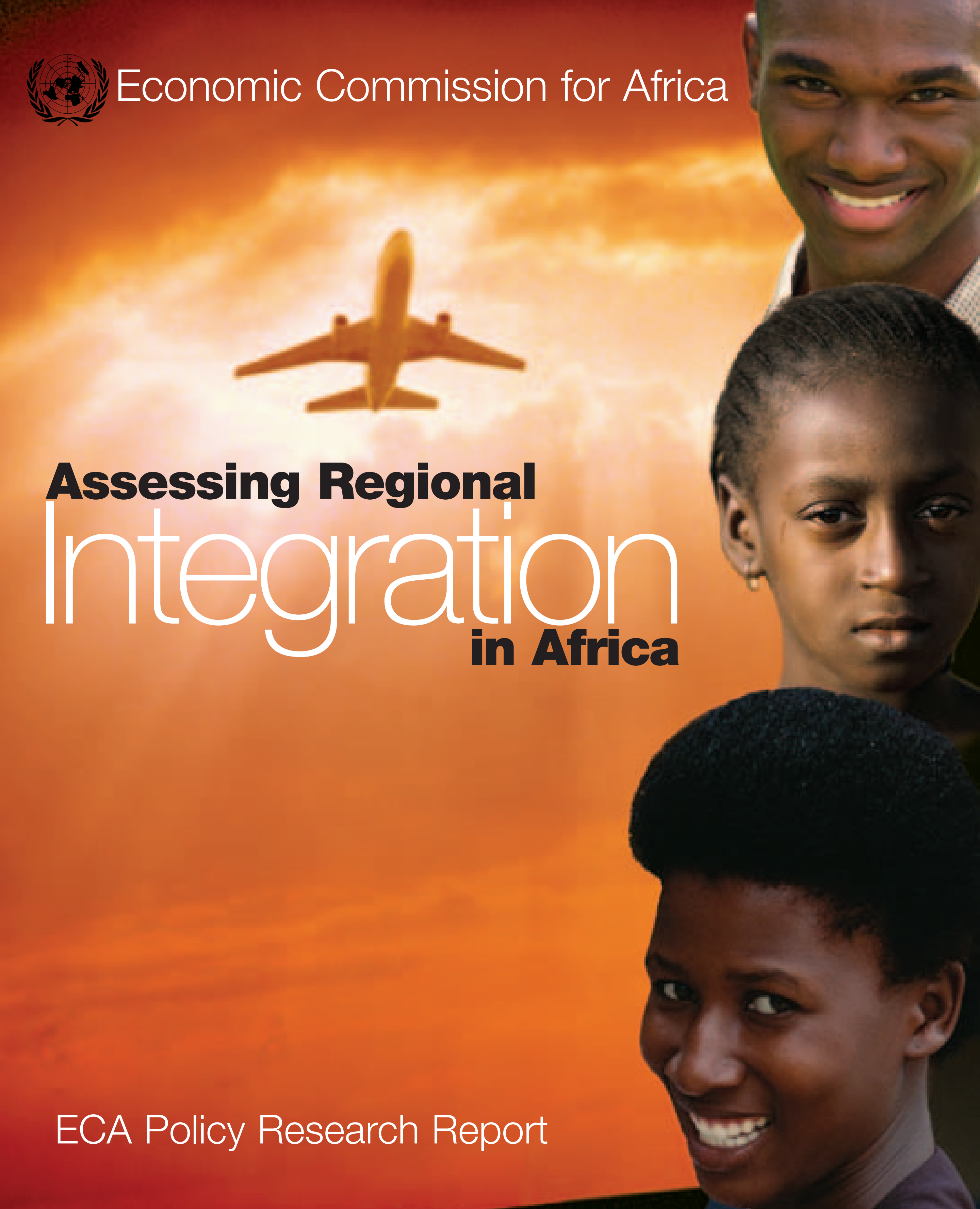
Economic Commission for Africa

Assessing Regional Integration in Africa



ECA Policy Research Report

Assessing Regional Integration in Africa

Economic Commission for Africa

Ordering information

To order copies of *Assessing Regional Integration in Africa* by the Economic Commission for Africa, please contact:

Publications
Economic Commission for Africa
P.O. Box 3001
Addis Ababa
Ethiopia
Tel: +251-1-44 37 70
Fax: +251-1-51 03 65
E-mail: ecainfo@uneca.org
Web: www.uneca.org

Manufactured in the United States of America
First printing May 2004

ISBN 92-1-125090-0
Sales number E.04.II.K.3

The Economic Commission for Africa wishes to acknowledge the significant financial contribution of the European Commission to the research of the ARIA project.

Designed, edited, and produced by Bruce Ross-Larson, Meta de Coquereaumont, Elizabeth McCrocklin, Christopher Trott, and Elaine Wilson of Communications Development Incorporated, Washington, D.C.
Cover photographs provided by the World Bank Photo Archives and Getty Images.

Contents

Annex Measuring Progress on Integration 227

Boxes

Figures

Tables

Data notes

Wherever possible, the report shows fiscal data for the calendar year. Where data for the calendar year are not available, however, fiscal year data are used.

Two years separated by a dash (2001–02) indicate a range of calendar years, while two years separated by a slash (2001/02) indicate a fiscal year or, in the context of agriculture, an agricultural year.

Dollar figures are in current U.S. dollars unless otherwise specified. Billion means 1,000 million.

Foreword

It is reasonable to assume that the most significant trend in this new millennium is global competitiveness. In the face of the opportunities and challenges posed by the new paradigm of the "global economy," nations are moving to integrate their economies with those of their neighbors, to create larger and more competitive regional economic blocs, and to engage in international trade—not just as individual states but as regional powers.

This shift is nowhere more urgent than in Africa, where the combined impact of our relatively small economies, the international terms of trade, and the legacy of colonialism, mis-rule, and conflict has meant that we have not yet assumed our global market share— despite our significant market size.

The advantages of regional integration in Africa were recognized long before the term "globalization" was coined. The creation of the Organization of African Unity (OAU) in 1964 reflected the awareness, by the leaders of the day, that Africa's strength was rooted in Pan-African cooperation. The Southern Rhodesia Customs Union was established in 1949, and the East African Community in 1967. But while the intentions behind these early efforts to promote regional integration may have been genuine, the impact of Africa's first regional economic communities was limited.

Much has changed. Across the continent Africa's leaders and citizens have taken dramatic steps to open and transform centralized economies, to invigorate the African private sector, and to build the institutions that can sustain political stability and economic development. Regional economic communities now operate in West, East, Central and Southern Africa, and the treaty establishing the African Economic Community sets forth a vision of a continental community.

The OAU Charter and the Constitutive Act establishing the African Union define regional integration as one of the foundations of African unity. And the Lagos Plan of Action and the Abuja Treaty elaborate the specific economic, political and institutional mechanisms for attaining this idea. The adoption of the New Partnership for Africa's Development (NEPAD) provides an overall development framework for the continent which assumes regional integration as one of its core objectives. The establishment of the Commission of the African Union, and agreement on its priorities, makes it clear that Africa's leadership is committed to move the regional integration process forward, effectively and efficiently. Indeed, the creation of the Commission of the African Union and the resounding commitment of Africa's leadership to regional integration means that we are now poised to "fast track" our efforts.

The overview points the way forward. It reviews the benefits of integration—sustainability, increased investment, the consolidation of economic and political reforms, increased global competitiveness, the promotion of regional public goods, the prevention of conflict. But it also makes no secret of the direct and indirect costs. Most significantly, however, it sets forth—with precision and clarity—the immediate challenges and a blueprint for progress.

First and most prominent among our challenges is, indeed, to consolidate our success. Africa's longstanding recognition of the needs and benefits of regional integration has spawned the proliferation of regional economies and protocols across the continent. But these have yet to be strategically consolidated. So, there is considerable overlap—of the 53 African countries, 26 are members of two regional economic communities, and 20 are members of three. One country belongs to four, while only six maintain membership in a single community. This leads to wasteful duplications of effort, increases the burdens imposed on member governments, and diminishes our collective success.

As the Third African Development Forum convened in Addis Ababa in 2002 emphatically agreed, now is the time to rationalize our institutions, our protocols, and our efforts.

With the clear mandate enshrined in the commitment of African leaders, the strategic framework provided by the Commission of the African Union, and the analytical support available from a revitalized Economic Commission for Africa, we face both the imperative and the opportunity to streamline and consolidate our efforts and transform the broad range of strong, regional economic institutions into a coherent, interactive, and strategic whole.

That Africa needs to move in this direction is without question. That we have committed ourselves to doing so is apparent. That we can achieve our goal is also evident. With this overview and with the full report, Africa's leaders and institutions have a roadmap for change and transformation.

Now is the moment. A rapidly changing global economic environment demands that we move swiftly, and strategically, to achieve regional integration. Our longstanding commitments to cooperation across borders propel us. And the needs and aspirations of our people compel us.

Alpha Oumar Konaré
Chairperson
Commission of the African Union

K.Y. Amoako
Executive Secretary
Economic Commission for Africa

Acknowledgements

This report is the result of a major research project on the process, progress, and current status of regional integration in Africa. The project was made possible through the keen interest and help from African member states and subregional organizations, individuals, institutions, and organizations in financing, collecting the data and subsequent peer reviews of the report.

The Economic Commission for Africa (ECA) is immensely grateful to the European Union for its financial contribution towards the project's realization. Particular recognition goes to Walter Kennes and Amos Tincani of the European Union (EU) for their support throughout the report's preparation. Thanks also go to the EU team for its valuable contributions during the external peer review. The content of the report is, however, the sole responsibility of ECA.

The work was carried out under the general direction of ECA's Executive Secretary, K.Y. Amoako. His active interest, guidance, and personal involvement in promoting the study have been a source of great inspiration to the report's team. The team comprised staff in the former Regional Cooperation and Integration Division of ECA (now Trade and Regional Integration Division), under the overall supervision and guidance of its Director, Yousif Suliman. The team, led and coordinated by Daniel Tanoe, Hachim Koumare, and Ngartando Blayo, included Fabrizio Carmingnani, Rawda Omar Clinton, Abdoulahi Mahamat, Thérese Guiebo, Stephen Donkor, Paul Were, Pedro Antonio, Pancrace Niyimbona, Blackmore Gondwe, and Jemal Mohammed. Others in the division who provided assistance are Andrew Allimadi, Tesfu Zewdu, Isidore Kahoui, Berhanu Haile-Mikael, Robert Tama Lisinge, Bashir Conde, Namakau Akapelwa, and Wondimu Haile. Administrative assistant Mazengiash Abate; Almaz Tesfasion, secretary to the division's chief; and the team of secretaries in the division provided very valuable secretarial and administrative support throughout the project.

The publication benefited from a wide range of background inputs from Uka Ezenwe, Mebrate Mengistu, Willy Jackson, Kodjo Evlo, Mbaye Ahmadou, Kathleen Charles, Sam Akano, Michael Corrigall, Lekan Oyebande, Sheriffdeen Tella, Ghariballah M. Hamid, Omo Ohiopehai, Akossi Akossi, Bernard Kagira, Shemmy Simuyemba, Levi Zangai, Frank Flatters, and Getachew Asgedom Tessema. Stephen Lande assisted with some coordination of work at the outset, while David Greene made a useful contribution by reviewing some sectoral inputs. Initial guidance and counsel was provided by a steering committee consisting of the African Union, the African Development Bank, representatives of regional economic communities (COMESA, SADC, IGAD and ECCAS) as well as selected scholars. Among the leading academics that advised the project, Percy Mistry must be singled out for giving the ECA the encouragement and intellectual support to undertake this work at the very beginning. S.K.B. Asante also gave valuable support on the steering committee.

The publication was subject to both internal and external reviews. Internal review was provided by ECA senior staff including George Alibaruho, Hakim Ben Hammouda, Ron Kempe Hope, Patrick Asea, Josue Dioné, and other colleagues such as Alfred Latigo, Patrick Osakwe, Alemayehu Seyoum, and Alex de Waal. Carolyn Knapp of the ECA Communication Team also provided valuable editorial overview.

The external review involved a special meeting organized at ECA Headquarters in Addis Ababa, with all the regional economic communities invited. Representatives from COMESA, UMA, SADC, and IGAD attended this meeting and provided relevant comments and updates. Subsequent external reviews benefited from useful comments and suggestions from many senior experts of the World Bank and the IMF.

Finally, Bruce Ross-Larson and the rest of the team from Communications Development Incorporated in Washington, D.C.—Meta de Coquereaumont, Elizabeth McCrocklin, Christopher Trott, and Elaine Wilson—provided instrumental assistance in substantive editing, design, and layout and in overseeing the printing.

Highlights

The Organization of African Unity (OAU) Charter and the Constitutive Act establishing the African Union define regional integration as one of the anchoring ideals of African unity. The Lagos Plan of Action and the Abuja Treaty establishing the African Economic Community spell out the economic, political, and institutional mechanisms for attaining this ideal.

African leaders now recognize more than ever the urgency of accelerating Africa's integration, especially given the challenges of regionalism amid globalization. The World Trade Organization's rules for the world trade system have heightened global competition and raised the stakes for Africa. This urgency is reflected in the establishment of the Commission of the African Union and the orientation of the units of the Commission.

To move the regional integration process forward, African countries have also adopted the New Partnership for Africa's Development (NEPAD), the overarching development framework for the region, recognized by the United Nations and its agencies and such global bodies as the G-8 industrial countries.

Progress on regional integration

Progress in African integration is mixed across sectors, regional economic communities, and member states. There have been some strides in trade, communications, macroeconomic policy, and transport. Some regional economic communities have made significant progress in trade liberalization and facilitation (The West African Economic and Monetary Union, or UEMOA, and the Common Market for Eastern and Southern Africa, or COMESA), in free movements of people (the Economic Community of West African States, or ECOWAS), in infrastructure (the Southern African Development Community, or SADC, and the East African Community, or EAC), and in peace and security (ECOWAS and SADC). Overall, however, there are substantial gaps between the goals and achievements of most regional economic communities, particularly in greater internal trade, macroeconomic convergence, production, and physical connectivity.

Trade

The progress towards harmonized and integrated subregional markets has been slow. But regional economic communities such as UEMOA, CEMAC, and the Southern

African Customs Union are customs unions, while others are at varying stages of progress in establishing free trade areas. Intracommunity trade is also generally limited.

Macroeconomic convergence. Some regional economic communities have established macroeconomic convergence criteria to help their members focus on economic stability as a sine qua non of integration and development. But due to differences in economic and political governance and to civil conflicts, it has been difficult to achieve convergence. And even where some progress had been made, policy reversals have occurred.

Transport. All the regional economic communities have introduced instruments in one form or another to promote unimpeded transit facilitation, reduce cost, and improve overall efficiency. A notable achievement is the Yamoussoukro Decision to gradually liberalize air transport in Africa. But the reality on the ground is that transport costs in Africa are still among the world's highest. For example, shipping a car from Japan to Abidjan costs $1,500 (including insurance); shipping that same car from Addis Ababa to Abidjan would cost $5,000. Throughout the continent, many road, air, and rail networks remain unconnected.

Communication. There has been measurable success in intercountry connectivity, thanks to the global revolution in telecom technology and the growing commercialization and privatization of national services. Some regional economic communities show more connectivity (SADC, ECOWAS, COMESA, the Arab Maghreb Union, or UMA), while others are lagging behind (the Central African Economic and Monetary Community, or CEMAC, the Economic Community of Central African States, or ECCAS, the Economic Community of Great Lakes Countries, or CEPGL). And it is still a major pain to make a call across national borders in Africa.

Energy. Many regional economic communities aim to minimize energy costs by exploiting economies of scale through larger regional supply systems based on power pools and interconnected grids—and by developing environmentally benign power sources. There has been appreciable progress among some ECOWAS member states, as well as in SADC and the EAC.

Knowledge sharing. There is visible cooperation in early warning systems, agricultural research, and capacity building. The SADC region is served by the Southern African Centre for Cooperation in Agricultural Research and Training in Southern Africa. And international institutions—such as the International Institute for Tropical Agriculture and the International Water Management Institute—are contributing to African integration through exchanges of information on best practices among regional economic communities.

Free movements of people. A few regional economic communities, particularly ECOWAS and the EAC, have made considerable progress. 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 EAC has also introduced a common passport valid within the community to facilitate cross-border movement of the nationals of its members. Free movement in other regional economic communities is more restricted, pursued more country-to-country than multilaterally.

Public goods. On the production and use of public goods through collective efforts and resource pooling, not much can be written, except in maintaining peace and security, where ECOWAS and SADC have recorded major achievements. Programs for combating crime, HIV/AIDS, and technological backwardness, and harnessing physical resources remain largely national in outlook.

Progress in the various aspects of integration has been hampered by the lack of resources, both financial and human, the low implementation of treaty obligations, the inability to prevent and resolve conflicts decisively, and the different national currencies, almost none of them convertible, with the CFA franc zone the only real exception.

Key lessons and challenges

Regional economic communities' attempts at regional and subregional integration give clear indications of the challenges the region faces in the quest for greater integration and development.

Rationalizing the regional economic communities

Countries may form separate groupings within larger blocs to accelerate integration or they may belong to several blocs to maximize the benefits and minimize the risks of integration. But the presence of so many communities spreads limited resources thin, complicates the overall continental integration process, and puts enormous strains on governments' ability and resources to cope with diverse agendas and exigencies. It is therefore imperative to move rapidly to rationalize the regional economic communities.

Ratifying protocols

Protocols are needed to put treaties into effect. But many member states have been slow in signing and ratifying regional economic community protocols, which in many cases are contradictory. The regional economic communities should implement mechanisms to ensure a more expeditious approach to ratifying protocols. For example, ratifications could be substituted by "acts", "decisions", or "directives" that take effect immediately. The African Union could play a role in rationalizing the number and provisions of protocols across the regional economic communities, aligning them to continental objectives and securing the eventual convergence of subregional goals.

Matching ambitions with resources

The regional economic communities have limited capabilities and resources, leaving substantial gaps between what is written in treaties and what happens on the ground. Successful integration requires secretariats with the staffing, financial resources, and authority to act for member states. The regional economic communities also need to set priorities for their activities and focus on concrete, limited, achievable objectives.

It is also generally recognized that inadequate financing is one of the main barriers to Africa's integration. Financial resources to support the regional economic communities come mainly from assessed contributions, but paid contributions have remained very low in relation to the budgeted needs and to the assessments. Concrete schemes should be designed to mobilize resources both internally and from external sources. Self-financing mechanisms—such as the system of community levies prevailing in UEMOA and CEMAC, special airport taxes, negotiable allocations from GDP, dividends from debt relief, among others—are sources to be considered.

Resources are needed to finance such projects as the African trunk road network and an African rail network, getting agreement on design and construction standards and on technical and operational standards, such as axle load limits. NEPAD should be the driving force, working with the regional economic communities to coordinate efforts and to mobilize and pool resources to strengthen Africa's physical integration.

Giving more impetus to private sector involvement

The private sector in most African countries is not part of the identification, formulation, and implementation of integration policies and programs. Treaties of most regional economic communities do not specifically address the involvement of the private sector. But the private sector can be an important partner in integration by providing finance and human resources to support regional projects. And through its representatives and organization, the private sector can influence policymaking and push governments to ratify and implement protocols, stabilize macroeconomic conditions, establish high institutional quality, and maintain an efficient and reliable bureaucracy and the rule of law. And to the extent that firms operate across borders, they also stand to benefit from the rationalization of rules of operations across countries.

Some caveats in moving forward

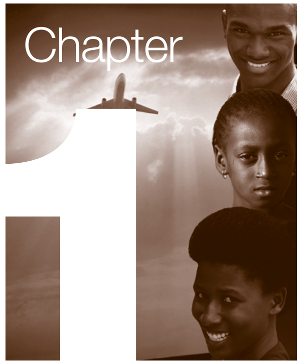
Revitalized regional integration offers one of the most credible strategies for tackling Africa's development challenges, because of the many weaknesses in resources and other aspects of economic capacity that individual countries face. Collective efforts, with dynamic political commitment to integration, can help overcome the daunting challenges. But the benefits of regional integration are neither automatic nor necessarily large. The following caveats must therefore be noted.

- Regional integration is just one instrument for advancing African countries. To be effective, integration must be part of an overall development strategy. So regional integration arrangements should address problems for which they are better suited.

- Regional integration arrangements can create winners and losers, making it essential that members assess the prospective benefits and costs of regional integration to boost gains and minimize losses. Strategies should include a transparent, equitable, rules-based system for sharing gains and resolving disputes.

- Realizing the benefits of regional integration requires strong, sustained commitment from member countries. Leaders should view these arrangements as more than good "sound bites" in economics and politics. They should dedicate the effort required to make them work. It is also important that members implement domestic policies and build domestic institutions aimed at promoting growth, macroeconomic stability, and poverty reduction.

The role of the African Union in providing leadership for meeting the many challenges of regional integration is critical.



Opportunity and Necessity

In the last three decades African countries have pursued regional integration arrangements to accelerate their economic development. Although such arrangements hold promise for individual countries and the continent as a whole, they require economic analysis of costs and benefits, to inform expectations about what such arrangements can realistically achieve—and to help them succeed.

This chapter outlines the need for regional integration in Africa—and the problems. It identifies the types of regional integration arrangements and examines the benefits of regional integration and evidence on their realization, the effects of regional integration on the development challenges facing African countries, and the state of regional integration on the continent.

Regional integration arrangements

A regional integration arrangement is a preferential (usually reciprocal) agreement among countries that reduces barriers to economic and noneconomic transactions.[1] Such an arrangement can take several forms, differing in the way discrimination is applied to nonmembers and in the depth and breadth of integration (box 1.1).

Regional integration arrangements differ in the discretion they allow members to set policies—particularly commercial policies—towards nonmembers. Preferential and free trade areas allow members to set commercial policies. Customs unions set commercial policies uniformly. Arrangements also vary in depth of integration. Preferential and free trade areas offer members preferential tariff reductions. Common markets and economic unions synchronize product standards and harmonize tax and investment codes. The breadth of activities covered by regional integration arrangements also differs. Some arrangements are restricted to trade in goods; others extend to factor mobility and trade in services.[2]

Since World War II there have been many efforts towards regional integration around the world, with the European Union (EU) as a successful example. In recent years the push for integration has regained momentum. In the last decade many regional integration arrangements have been formed or expanded. Of the 194 agreements notified to the General Agreement on Tariffs and Trade (GATT) and the World Trade Organization (WTO) by 1999, 87 (45%) had been notified since 1990 (World Bank 2000b). Most countries now belong to at least one regional integration arrangement.

Africa's regional integration has followed a similar pattern. A flurry of integration in the 1960s and 1970s was followed by a slowdown in the 1980s. But the 1990s saw a revitalization of regional integration efforts, culminating in the establishment, over three decades, of the African Economic Community.

Benefits of regional integration

Why do countries join regional integration arrangements? And to what extent do such arrangements achieve their goals? The benefits of regional integration are gains from new trade opportunities, larger markets, and increased competition[3] (Venables 2000;

Box 1.1

Types of regional integration arrangements

Regional integration arrangements take a variety of forms:

Preferential trade area—an arrangement in which members apply lower tariffs to imports produced by other members than to imports produced by nonmembers. Members can determine tariffs on imports from nonmembers.

Free trade area—a preferential trade area with no tariffs on imports from other members. As in preferential trade areas, members can determine tariffs on imports from nonmembers.

Customs union—a free trade area in which members impose common tariffs on nonmembers. Members may also cede sovereignty to a single customs administration.

Common market—a customs union that allows free movement of the factors of production (such as capital and labour) across national borders within the integration area.

Economic union—a common market with unified monetary and fiscal policies, including a common currency.

Political union—the ultimate stage of integration, in which members become one nation. National governments cede sovereignty over economic and social policies to a supranational authority, establishing common institutions and judicial and legislative processes—including a common parliament.

Countries can start with any of these arrangements, but most begin by removing impediments to trade among themselves. They then introduce deeper and wider integration mechanisms.

Features of regional integration arrangements

Type of arrangement	Free trade among members	Common commercial policy	Free factor mobility	Common monetary and fiscal policies	One government
Preferential trade area	No	No	No	No	No
Free trade area	Yes	No	No	No	No
Customs union	Yes	Yes	No	No	No
Common market	Yes	Yes	Yes	No	No
Economic union	Yes	Yes	Yes	Yes	No
Political union	Yes	Yes	Yes	Yes	Yes

Source: *El-Agraa 1997.*

World Bank 2000b). Integration can also raise returns on investments, facilitate larger investments, and induce industries to relocate. Regional integration can commit governments to reforms, increase bargaining power, enhance cooperation, and improve security. But these benefits are neither automatic nor necessarily large. Regional integration arrangements must be viewed as means to improve welfare in participating countries—not as ends in themselves.

"Regional integration arrangements must be viewed as means to improve welfare in participating countries—not as ends in themselves"

Trade creation and diversion

All formal regional integration arrangements reduce barriers (such as tariffs) to trade among member countries. Economic theory predicts that free trade will improve welfare by enabling citizens to procure goods and services from the cheapest source, leading to the reallocation of resources based on comparative advantage.

It is thus tempting to conclude that regional integration arrangements will generate welfare gains. But because they involve preferential reductions in trade barriers, regional integration arrangements are both trade creating and trade diverting. Trade creation—the displacement of higher cost domestic production by lower cost production from partner countries due to lower barriers within regional integration arrangements—increases welfare. But trade diversion—the displacement of lower cost production from nonmembers by higher cost production from partner countries due to lower barriers—reduces it. Regional integration arrangements generate welfare gains only when trade creation dominates trade diversion—an outcome that cannot be determined in advance.

Regional integration arrangements also generate two other trade effects, whose importance varies among member countries. First, such arrangements reduce government revenue from tariffs, directly through tariff cuts among members and indirectly through a shift away from imports from nonmembers subject to tariffs. The cost of this loss depends on how easily members can switch to alternative ways of raising funds, but it can be high in countries that rely heavily on tariff revenue.

Second, such arrangements may improve the terms of trade of member countries if changes in trade volumes (because of more demand for goods originating from an integration area and less demand for the same goods originating from outside it because tariffs make them more expensive) lower world prices. The greater the regional arrangement's share in the world market, the larger the potential gain will be. But because the terms of trade gain comes at the cost of nonmembers, it has an unclear effect on global welfare.

So, do regional integration arrangements improve welfare in member countries? Econometric studies of changes in trade flows due to membership in regional integration arrangements and assessments of the general equilibrium effects of membership using computable general equilibrium models yield three main findings:[4]

- Trade diversion is a major problem. The best example is the Common Agricultural Policy of the European Union. Empirical estimates suggest that the cost of protection amounts to at least 12% of EU farm income. Other examples are clothing imports in the North American Free Trade Agreement (NAFTA) and capital goods imports in some Andean Pact countries (World Bank 2000b).

- The revenue losses can be substantial. For instance, Zambia and Zimbabwe could lose half their customs revenue if free trade is introduced in the South African Development Community (World Bank 2000b). Customs revenue provides 6% of government revenue for Zambia and 10% for Zimbabwe.
- Trade creation dominates trade diversion, but the gains are unlikely to be very large. The gain has been estimated to be up to 3% of GDP (World Bank 2000b).[5]

"Regional integration can combine markets, enabling firms to expand and markets to be more competitive"

Scale and competition effects

Regional integration arrangements can benefit member countries through increased scale and competition, usually when countries, their endowments, or both are small and market size limited (Fernandez and Portes 1998; Venables 2000; World Bank 2000b). Small markets constrain the number and scale of firms or projects that can be sustained, hindering competition among firms and the development of scale economies.

Regional integration can combine markets, enabling firms to expand and markets to be more competitive. More competition and the increased possibility of bankruptcy may induce firms to eliminate internal inefficiencies and raise productivity. The consequent reduction in staffing and more intense competition can increase worker productivity, an attractive benefit to small and low income countries—including those in Africa.

Several studies have computed potential scale and competition benefits of regional integration, but actual gains have been hard to measure. The impact of regional integration on growth has also been difficult to assess (Vamvakidis 1998; Madani 2001). A study for the Common Market of the South (MERCOSUR) suggests GDP gains of 1.8% for Argentina, 1.1% for Brazil, and 2.3% for Uruguay (Flores 1997).[6] But these predict what might be expected, not what was achieved (World Bank 2000b).

Still, there appears to be a consensus—based on the evidence of the positive impacts that trade liberalization has on efficiency through scale economies and increased competition—that regional integration offers developing countries substantial benefits. But the consensus is qualified by two additional insights. First, many of these benefits can be achieved through unilateral (nonpreferential) trade liberalization. Second, full realization of these benefits requires firms to engage in more direct, intense competition, meaning countries must implement deep integration that removes protection and other barriers created by border frictions—including red tape at national borders and differences in national product standards (World Bank 2000b).

Increased investment

Regional integration arrangements can increase investment in member countries by reducing distortions, enlarging markets, and enhancing the credibility of economic and political reforms. The results can raise the returns to investments, make larger (and lumpier) investments more feasible, and reduce economic and political uncertainty. Moreover, customs unions can encourage foreign investors to engage in tariff jumping—that is, investing in one member country in order to trade freely with all members—expanding investments by local and foreign investors. Apart from its direct impact on production, increased investment—particularly foreign direct investment (FDI)—can promote knowledge and technology transfers and spillovers, raising productivity in member countries (Blomström and Kokko 1997; Fernandez and Portes 1998; World Bank 2000b).

Regional integration arrangements can increase investment

Empirical evidence shows that regional integration arrangements can increase investment. NAFTA substantially increased FDI in Mexico, and MERCOSUR did the same in Argentina and Brazil. The investment and investment-related benefits of regional integration arrangements exceed the costs of tariff jumping—real income losses that arise when the costs of local production, even in foreign-owned firms, exceed the costs of imports (Blomström and Kokko 1997; World Bank 2000b).

Relocation of production

By reducing distortions and altering incentives, regional integration arrangements are likely to induce economic activities to relocate. Industries may relocate based on the comparative advantages of members relative to one another and to nonmembers. In addition, backward (demand-related) and forward (supply-related) links may generate interdependence among the location choices of different firms, triggering cumulative causation and creating agglomeration of activities. Relocation can change income levels and demand for factors of production, generating gains for some members and losses for others (Puga and Venables 1996; Venables 1999, 2000; World Bank 2000a, 2000b).

The European Union shows that regional integration arrangements can lead to income convergence. Ireland, Portugal, and Spain have made progress closing the gap with richer EU members. In the mid-1980s per capita incomes in these three countries ranged from 27% to 61% of the average income of large EU countries. By the late 1990s they ranged from 38% to 91%.

But the East African Community shows that regional integration arrangements can lead to income divergence, with comparative advantages and agglomeration effects concentrating manufacturing in Kenya at the expense of Tanzania and Uganda, leading the community to dissolve in 1977.

These experiences have led to the argument that income divergence is more likely in regional integration arrangements among developing countries, while convergence is more likely in arrangements between industrial and developing countries. But in the second case, the poorer countries must implement economic reforms to realize the potential gains, making it critical that regional integration arrangements—particularly those among low income countries—minimize the risk of income divergence, using compensation schemes or varied adjustment processes attuned to the heterogeneity of members.

Commitment mechanism

Regional integration can enhance the credibility and ensure the continuity of economic and political reforms in member countries because such arrangements function as a collective agency of restraint and provide a framework for coordinating policies and regulations (Fernandez and Portes 1998; World Bank 2000b).

> *Regional integration can enhance the credibility and ensure the continuity of economic and political reforms*

The effectiveness of regional integration arrangements as a commitment device depends on their provisions and on how enforceable those provisions are. High costs for breaking the rules of an arrangement, leaving it, or being expelled from it make agreements more effective. Stronger economic ties among members and more willingness to punish violations of rules also create more effective agreements.

Regional integration arrangements have a mixed record as commitment mechanisms. They have locked in trade liberalization reforms by providing self-enforcing rules, particularly when trade among members has been sufficiently large. Regional arrangements have also contributed to other areas of reform—as with MERCOSUR's success boosting democracy among its members and NAFTA's enabling Mexico to sustain economic reforms. But regional integration arrangements have had less success locking in reforms among small and low income countries that trade relatively little with one another. Some regional arrangements among these countries have collapsed or failed to get off the ground.

Enhanced bargaining power

By banding together through regional integration arrangements, member countries can enhance their international economic bargaining power, especially beneficial for small countries in trade negotiations (Fernandez and Portes 1998; Schiff and Winters 1998; World Bank 2000b). But members must negotiate as a group—an approach not always taken because of divergent national interests. A related goal of regional integration arrangements is to raise the profile of members.

Using regional integration arrangements to enhance bargaining power can have a serious drawback, however. Countries, particularly small and low income ones, try to attract FDI using a variety of incentives, including tax concessions. If an arrangement gives a foreign firm in one member country free access to the markets of all, members may compete against each other using tax concessions, inducing a "race to the bottom" among members as they compete to attract FDI. This outcome can be avoided only if regional integration arrangements regulate such concessions.

Cooperation

Countries, especially small and low income ones, can benefit from cooperation—including resource pooling—to promote regional public goods and combat regional public bads.[7] Regional integration arrangements can promote cooperation in two main ways. First, such arrangements can provide a framework for cooperation on resources (such as rivers, road and rail links, and electricity grids) or problems (such as pollution or transport bottlenecks) shared by members. Embedding regional cooperation in integration arrangements bolsters enforceability. Second, the regular contact and collaboration among policymakers that regional integration arrangements generate can enhance rapport and trust, facilitating cooperation in areas not explicitly covered by an agreement.

The theoretical case for regional cooperation is clear but sometimes difficult to achieve. With the help of regional integration arrangements there have been some successes. An example is the Southern African Development Community's support of the Southern African Power Pool, which provides for regional exchanges of electricity. Power pools offer large gains because each country can meet peak demand while maintaining less generating capacity, since peak loads do not always coincide. The savings from the Southern African Power Pool over 1995–2010 are estimated at $785 million (World Bank 2000b).

> *Regular political contact among members can build trust and facilitate cooperation, including on security*

Implications for security and conflict

Regional integration reduces the risk of conflict in two ways (Schiff and Winters 1998; World Bank 2000b). First, increasing interdependence among members makes conflict more costly. Economic integration may pave the way for political integration, substantially reducing the risk of internal conflict. Second, regular political contact among members can build trust and facilitate cooperation, including on security. Security arrangements and conflict resolution mechanisms are sometimes included in regional integration arrangements.

Considerable direct and indirect evidence indicates that regional integration agreements can promote regional peace and ultimately lead to political union. During the nineteenth century, customs unions paved the way for the formation of Germany and Romania. Similarly, increased trade reduces the likelihood of conflict: doubling trade between two countries lowers the risk of conflict between them by about 17% (World Bank 2000b).

But regional integration can create tensions among member countries, particularly if economic benefits are not shared equitably. Evidence also suggests that integration can lead to conflict. The U.S. Civil War, the separation of western and eastern Pakistan (today Pakistan and Bangladesh), and the tensions in the East African Community—and ultimately conflict between Tanzania and Uganda—all involved bitterness about large income transfers and growing divergence in incomes from common external tariffs.

Regional integration and growth

The theory of endogenous growth suggests that the growth rate of an economy is critically affected by the type of economic policies, the rate of technological progress and knowledge accumulation, and the quality of institutions and governance. Econometric evidence suggests that the correlations between growth and those three factors are statistically significant and robust in large cross-sections of developing and industrial countries (Durlauf and Quah 1998; Temple 1999).

Regional integration can contribute to economic growth by magnifying the impact of the three factors. First, trade is often associated with technological spillovers because a country can import technology and knowledge developed abroad. By stimulating trade, regional integration can increase the rate of technological progress over that under autarchy. FDI also channels technology and knowledge across borders. When regional integration promotes FDI, the technological spillovers grow.

As a part of integration, countries are often required to update and improve their legislative and regulatory frameworks

Second, adhering to specific macroeconomic convergence criteria and forcing countries to create a macroeconomic environment supportive of international competition facilitate sound economic outcomes such as low inflation, low deficits, and consistent exchange rates. Deciding to participate in regional integration can increase the credibility of a government's commitment to macroeconomic stabilization, with additional positive spillovers to growth.

Third, as a part of integration, countries are often required to update and improve their legislative and regulatory frameworks. Integrating with countries that have efficient institutions—bureaucratic procedures, rule of law, enforcement of property rights, efficiency of judicial system, transparency of governance—can stimulate other countries to reform.

There is broad empirical evidence on the growth effects of regional integration (see World Bank 2000b for a survey). Most studies find a positive correlation between trade and growth. Results differ on the correlation between regional integration and growth, though for several regional economic communities trade creation dominates trade diversion. There is thus some evidence that regional integration increases growth by increasing a country's total volume of international trade.

Other research estimates the direct effect of membership in regional integration agreements on growth. Here, there is some agreement that more significant growth effects are generated by North-South integration because technology and knowledge spillovers are stronger when developing countries trade with industrial countries than when developing countries trade among themselves. Studies on the effect of integration on growth through FDI find that membership in a regional economic community is often associated with higher FDI flows, with the effect stronger for North-South integration. Several studies find that FDI flows have a net positive impact on growth, meaning regional integration can effectively generate positive dynamic effects on growth by increasing investments.

A third avenue of research, yet to be fully explored, looks at the role of regional integration in promoting institutional efficiency and sociopolitical stability. The applied political economy literature consistently shows that better institutions and a more stable social and political environment yield a large growth payoff, particularly for African countries (Easterly and Levine 2002). But whether regional integration effectively promotes institutional quality and stability has not been established and requires more work. There is not yet a consensus on the effectiveness of integration as a discipline or commitment device, especially for African countries.

Though most of the preceding effects would be obtained with unilateral or multilateral trade liberalization, regional integration is still likely to contribute positively to growth. The evidence points to North-South integration as the real growth-promoting factor, though South-South integration can still help. First, macroeconomic, institutional, and political effects can generate large dynamic spillovers. Second, South-South integration can be an intermediate step towards integrating African countries with the rest of the world. By joining together, countries can enhance their bargaining power in international economic relations and obtain more favourable terms in trade negotiations.

“For African countries to benefit from regional integration, they must design integration arrangements suited to their needs and capabilities”

A final issue concerns the role of regional integration in fighting poverty. Two arguments are relevant. One is the effect of growth on income distribution within countries. The traditional view is that faster growth might translate into more dispersed income distribution. Some counter-evidence suggests that the growth rate of average income is matched exactly by the growth rate of the income of the poor, meaning that faster growth does not affect income distribution (Dollar and Kraay 2000). Thus regional integration could promote growth and reduce poverty. The other is that regional integration can have an effect on income convergence across countries. Evidence for Europe suggests that poorer countries in a regional community catch up to richer countries (benign convergence). But the evidence is not universal. Downward convergence (malign convergence) or even divergence does occur, especially when regional economic communities are formed among countries at similar levels of development (Schiff and Winters 2003).

The necessity of regional integration in Africa

For African countries to benefit from regional integration, they must design integration arrangements suited to their needs and capabilities. This section shows how integration can help Africa—first by identifying its main development challenges and then by indicating how integration can address them.

The state of African economies

Most African countries are small with low incomes. Their production structures are weak, constrained by a variety of inadequacies. Conflicts are a major problem in some countries, with attendant human and economic costs. Economic and political reforms have only gradually—and sometimes haltingly—taken hold.

Small domestic markets

Of the countries on the continent, 39 have fewer than 15 million people—and 21 fewer than 5 million. Small populations and low incomes limit the size of Africa's domestic markets. Despite decent growth in recent years, incomes remain low, with the bulk of the population in many countries living in poverty. Thirty-two countries have per capita incomes below $500 a year—or 10% of the world average of $5,000. And while Africa contains 12% of the world's population, it produces just 2% of its output.

Weak production structures

Low incomes and widespread poverty reflect the weak production structures and low productivity of many African economies

Low incomes and widespread poverty reflect the weak production structures and low productivity of many African economies. Key weaknesses include inadequate infrastructure, small physical and human capital stocks, and limited diversification in production and trade. These shortcomings have been caused by weak institutions, inappropriate policies, political instability, and widespread conflict, stemming in part from Africa's history and initial endowments.

The average output of an African worker was $2,100 in 2000. But this average masks an enormous range—from $260 in Burundi to $9,900 in Mauritius and South Africa. In 60% of African countries the average was less than $1,000. Worldwide average output per worker is 3–5 times higher in middle income countries and 10 times higher in high income countries.

Africa's agricultural productivity is also low. In 2000 the average cereal yield was 1.4 tonnes per hectare—ranging from 0.2 tonnes in Botswana to 6.6 tonnes in Egypt. The average yield was 4.8 tonnes per hectare in East Asia, 3.1 tonnes in Southeast Asia, and 2.2 tonnes in South Asia. Twenty-nine countries achieved less than the average yield. Contributing to low agricultural productivity are geographical peculiarities, adverse climatic conditions, land tenure systems, land degradation and desertification, inappropriate agricultural practices, and insufficient support systems.

In 2000 Africa's average level of capital per worker was about $5,000—ranging from $440 in Ethiopia to $28,000 in Gabon. Of the 38 countries for which data are available, 28 had capital per worker of less than $4,000. Most high income countries have capital per worker of more than $60,000. Of the world's 30 lowest ranking countries in capital per worker, 28 are African.

Despite advances in recent decades, Africa's stock of human capital is also the lowest in the world. In 2000 the average African had 3.8 years of schooling—a little more than half the world average and about 40% of that in advanced economies. More than 40% of Africans over age 25 have had no schooling, with the highest rate of no schooling in Mali (86%) and the lowest in Mauritius (14%). Only 19% of Africans over age 25 have completed secondary school, with the lowest rate in Niger (2%) and the highest in South Africa (48%). That compares with a worldwide average of 39% in advanced economies. Only 3% of Africans over age 25 have attained higher education—compared with 12% in East Asia and Latin America and the Caribbean.

Despite considerable gains in health, life expectancy remains low in Africa—and mortality rates high. In many countries the human capital base is being eroded by HIV/AIDS, tuberculosis, and malaria. HIV/AIDS reduces the stock of human capital because it kills many young and productive people, and it degrades the quality of human capital because it affects educated people the most. Combined with other socioeconomic effects, the disease has become the greatest development challenge facing many African countries.

Inadequate infrastructure is another major problem in Africa. Telecommunications networks have limited capacity, with an average of just 14 telephones per 1,000 Africans in 2000—ranging from 1 per 1,000 in Democratic Republic of Congo to 120 in South Africa. Twenty-four countries have fewer than 10 telephones per 1,000 people. In most advanced economies there are more than 450 telephones per 1,000 people.

> *Most African countries have failed to shift their exports from primary products towards manufactures*

A limited network of paved roads also constrains economic activity. In 2000 Africa had an average of 4 kilometres of paved roads per 100 square kilometres of surface area—ranging from 0.02 kilometres in Ethiopia to 80 kilometres in Mauritius. Only Mauritius had more than 10 kilometres of paved roads per 100 square kilometres of surface area. Africa also has inadequate air transport services, and it produces and consumes less electricity than other regions.

Many African economies suffer from a lack of diversity in production and exports. Though the average share of agriculture in African GDP fell from 40% in the 1960s to 20% in 2000, it still accounts for more than 40% of GDP in some countries and more than 30% in many. During that period the average share of industry in African GDP increased marginally, from 26% to 30% (ranging from 6% to 60%), and the share of services grew from 34% to 50%.

A number of structural shortcomings remain. First, the falling share of agriculture in GDP was not accompanied by a commensurate increase in employment in other sectors, particularly industry. Nearly 60% of African workers are engaged in agriculture—and if the relatively more advanced economies in Northern and Southern Africa are excluded, that share rises to nearly 70%. Second, the manufacturing sector is small, accounting for about 14% of GDP, and dominated by light industries such as food and textiles. Production of machinery and transport equipment accounts for no more than 20% of manufacturing output. Third, the most important industrial activities in Africa involve mineral extraction, including oil, with small contributions from construction.

Most African countries have failed to shift their exports from primary products towards manufactures, which face more elastic demand and firmer prices. In 1995 primary commodities accounted for 64% of Africa's exports, compared with 49% for Latin America and just 5% for Asia. The world average was about 24%. Manufactured products made up only 28% of Africa's exports, while the share was 50% for Latin America and 37% for Asia (UNCTAD 1995).

African exports are concentrated in a few commodities. For 20 of 47 African countries a single commodity accounts for more than 60% of exports (table 1.1). In 31 of these countries only three commodities account for more than 80% of exports. And 19 of these countries rely on three commodities for more than 95% of their exports (Algeria, Angola, Botswana, Cape Verde, Chad, Democratic Republic of Congo, Republic of Congo, Equatorial Guinea, Ethiopia, Gabon, Guinea, Libya, Mali, Mauritania, Niger, Nigeria, Rwanda, Uganda, and Zambia).

> *"Cross-border and civil conflicts remain a tragic reality or constant threat"*

Widespread conflict and political instability

Cross-border and civil conflicts remain a tragic reality or constant threat in many parts of Africa, the result of weak democratic institutions, poor economic performance, and a lack of political and civil rights. Political instability and conflicts, in turn, erode institutional capacity and worsen economic performance, creating a vicious cycle. Conflict can undermine an economy by:

- Destroying physical and human resources.
- Causing social disorder, which increases the cost of doing business as private citizens divert scarce resources to protection and self-insurance.
- Reducing public spending on output-enhancing activities.
- Encouraging people to move assets (human, physical, and financial) out of the country.
- Misallocating financial and human resources to war efforts rather than to useful production activities.

Africa's poorest economic performers are countries with histories of conflict (ECA 2002).

Slow progress on reforms

Many African countries embarked on significant economic and political reforms in the early 1990s. Markets have been liberalized. Political competition has been institutionalized. Popular participation in social and economic affairs has increased. And leaders have been held more accountable for their actions. Now efforts are shifting towards deeper reforms focused on better economic governance and faster poverty reduction. While the socio-economic impact of these reforms is still unfolding, the need for continuity and enhanced credibility is apparent.

Table 1.1

African countries' dependence on exports of primary commodities, 1995 (number of countries)

		Share of total exports			
		20–40	40–60	60–80	80–100
Number of commodity exports	One	16	11	10	10
	Two	2	12	9	24
	Three	1	4	11	31

Source: *Economic Commission for Africa, from official sources; based on UNCTAD 1995. See annex 1.*

Explaining Africa's slow growth

Explanations for Africa's low economic performance abound.[8] Studies have used different frameworks of analysis and offered different explanations. UNECA (2001) argues that income, institutions, the political environment, and human capital are the most critical contributors to Africa's development. Africa has long been the poorest and most debt distressed continent, with its low initial income putting it far behind the rest of the world. Investment gains have been fragile, limiting the productivity and efficiency gains that would allow African countries to better use their limited resources. Good governance—a foundation of growth—has too often been missing: stronger property rights and regulatory institutions are needed to provide security and spur growth.

"Institutions, the political environment, and human capital are the most critical contributors to Africa's development"

Collier and Gunning (1999) contend that Africa's growth predicament is traceable to bad policies, poor infrastructure, low levels of social capital stock, lack of political rights, poor infrastructure, and lack of openness to trade. Accumulation of human capital is also inadequate, and aid dependency is a crucial constraining factor. Another study (World Bank 2000a) argues that Africa could relaunch development if it acts expeditiously to improve governance, resolve conflicts, invest in people, increase competitiveness and diversify economies, reduce aid dependence, and strengthen partnerships.

How can regional integration help Africa?

Regional integration and cooperation can help overcome some of these problems. First, regional integration arrangements can help African countries overcome constraints arising from small domestic markets—allowing them to reap the benefits of scale economies, stronger competition, and more domestic and foreign investment. Such benefits can raise productivity and diversify production and exports.

Second, the small size of many African countries makes cooperation in international negotiations an attractive option achievable through regional integration arrangements. Cooperation can increase countries' bargaining power and visibility.

Third, the similarities and differences of African countries could make regional integration and cooperation beneficial. Many African countries share common resources, such as rivers—and problems, such as HIV/AIDS and low agricultural productivity. But they also exhibit important differences, particularly in their endowments. Though most have limited resources, some have well-trained workers, some have rich oil deposits, some have water resources suitable for hydroelectric generation, and some have excellent academic institutions and capacity for improving research and development. By pooling their resources and exploiting their comparative advantages, integrated countries can devise common solutions and use resources more efficiently to achieve better outcomes.

Fourth, in many African countries regional integration can help make reforms deeper and less reversible. Regional integration arrangements can provide a framework for coordinating policies and regulations, help ensure compliance, and provide a mechanism of collective restraint.

"Realizing the benefits of regional integration requires strong, sustained commitment from member countries"

Fifth, regional integration arrangements can help prevent and resolve conflict by strengthening economic links among African countries and by including and enforcing rules on conflict resolution. On a continent where political instability and conflict remain major problems, the potential importance of this role cannot be overstated.

Lessons of integration experience

Economic theory and available evidence suggest that the benefits of regional integration are neither automatic nor necessarily large. In this regard, a number of lessons are relevant for African countries:

- Regional integration is just one instrument for advancing African countries. To be effective, integration must be part of an overall development strategy. Thus regional integration arrangements should address problems for which they are better suited than are other means. Their contributions and significance should be regularly assessed to make them more useful. It is also important that members implement domestic policies and build domestic institutions aimed at promoting growth, macroeconomic stability, and poverty reduction.
- The nature and magnitude of the benefits depend on the type of integration arrangement. Before forming a regional integration arrangement, African countries should decide: What countries should be members? Should members adopt common commercial policies—for example, a common external tariff towards nonmembers? How deep and wide should integration be? Answering these questions clarifies expectations for integration and determines whether integration is consistent with the objectives of prospective members.
- Realizing the benefits of regional integration requires strong, sustained commitment from member countries. Leaders should view these arrangements as more than good "sound bite" economics and politics, dedicating the effort required to make them work.
- Regional integration arrangements can create winners and losers, making it essential that members assess the prospective benefits and costs of regional integration to boost gains and minimize losses. Strategies should include a transparent, equitable, rules-based system for sharing gains and resolving disputes.

Africa and the global economy

For Africa, with its small, fragmented economies, regionalism may be a question of survival in the new global economy (UNECA 2000a). More than other regions, Africa needs to integrate subregional markets, promote sustainable development, and build the capacity and competitiveness to participate meaningfully in the emerging multilateral trading system.

But to tackle its development challenges effectively, Africa needs multilateralism as well as regionalism. African countries should promote regionalism to enlarge markets and exploit economies of scale. And they should participate fully in the WTO process to benefit from market access and gain safeguards against unfair protectionist measures.

By strengthening regional integration, Africa would move towards being an integral part of the world economy

Regionalism in Africa can promote multilateralism in several ways:

- By going beyond the narrow issues of trade and global welfare to measures promoting foreign investment, human capital, technological development, infrastructure development, efficient exploitation of natural resources, and effective responses to environmental challenges.
- By acting as a restraint that locks in welfare-enhancing trade reforms.
- By creating larger political economy units that can bargain more effectively in international forums.
- By building pro-export constituencies to counter domestic protectionist constituencies.
- By increasing competition in domestic markets, lowering prices, improving quality, and making products that are more competitive in global markets.

By strengthening regional integration, Africa would move towards being an integral part of the world economy and avoid further marginalization. But much work is needed to ensure that Africa's regional integration arrangements conform to WTO requirements under Article XXIV of the GATT. So, one challenge for Africa is ensuring a harmonious coexistence of subregional arrangements with the multilateral system to which the majority of African countries now belong.

Another challenge is building the capacity of African countries to compete in the multilateral trading system. The expansion of WTO membership, particularly after the recent admission of China, will increase the competition African products face in world markets. To compete effectively, African countries should gear their integration programmes to take advantage of the opportunities opened by globalization, promoting cross-border links among production units to prepare for participation in globally linked production processes. African countries and subregional groups should explore opportunities for expanding exports through export promotion efforts where prospects are promising.

Despite the loss of special preferences due to trade liberalization, African countries should try to maintain export shares in traditional agricultural products, including sugar and tropical beverages, by improving production technology and easing supply constraints. They should also increase exports of processed agricultural goods and raw materials by promoting investment in production improvements and removing bottlenecks to domestic processing, such as inadequate infrastructure, unsatisfactory marketing arrangements, and unattractive foreign exchange regulations.

Integration arrangements between industrial and developing countries can yield substantial benefits to the poorer partners. Industrial countries should help African countries link up with them more effectively and be more effective players in the global economy. International organizations can help by encouraging such integration.

Revitalized regional integration offers the most credible strategy for tackling Africa's development challenges, internal and external

Conclusion

Revitalized regional integration offers the most credible strategy for tackling Africa's development challenges, internal and external. Why? Because of the many weaknesses that overwhelm the limited capacities and resources of individual countries. Collective efforts, with dynamic political commitment to integration, can help overcome the daunting challenges.

Revitalizing integration efforts will require a thorough assessment of integration performance at the national, regional, and continental levels, taking into account new continental and global realities. The assessment should evaluate progress, gauging the performance and capacity of national, regional, and continental institutions for regional integration. The assessment should also evaluate policies on regional integration. Lessons from the assessment will guide future action.

A relevant question is how much—if at all—regional economic communities have helped overcome the development challenges facing African countries. A key objective must be to expand opportunities for investment that increase African incomes and tap unexploited resources—reducing dependence on the outside world and creating conditions for self-sustained, autonomous development. Such development can come about only by transforming Africa's production structures. As things stand it is debatable whether regional economic communities have contributed to these changes, to the socioeconomic transformation of African economies, to the reduction of mass poverty through sustained growth, and to the creation of an African common market leading to an economic community.

Understanding the role of cooperation and integration in meeting the challenges of African development also requires going beyond these issues to objectives not strictly covered by regional economic communities. Peace and security, environmental issues, and Africa's global commitments cannot be divorced from the concerns of regional integration. In some parts of Africa conflicts and instability have stalled regional integration. HIV/AIDS, malaria, and other infectious diseases threaten to thwart integration in much of the continent. And globalization poses enormous challenges to Africa's economic prospects. All these issues must be included in an assessment of regional integration in Africa.

Notes

1. Functional regional cooperation—cooperation among countries to achieve specific tasks such as regional infrastructure development or cross-border natural resource sharing—can generate some of the potential benefits of regional integration. Such cooperation can be viewed as a restricted variant of regional integration and can occur independently or in the context of a formal regional integration arrangement.

2. Such arrangements can be differentiated according to the economic characteristic of the countries in the partnership: among industrial countries, among developing countries or between industrial and developing countries; see El-Agraa 1997 and World Bank 2000b.

3. Viner 1950; DeRosa 1998; Anderson and van Wincoop 2000; Panagariya 2000.

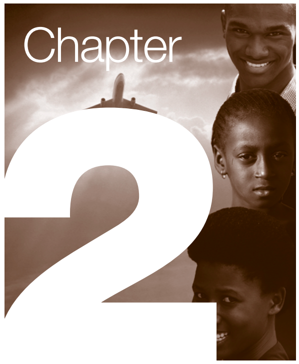
4. For a survey of the empirical literature, see DeRosa 1998; Robinson and Thierfelder 1999; Venables 2000; Lewis and others 2002.

5. The reported gain also includes the scale and competition effects noted later.

6. The gains are computed as the difference between GDP with and without regional integration of the kind specified and expressed as a percentage of GDP without integration.

7. The general case for regional cooperation, and the role of regional integration arrangements in promoting it, are discussed in World Bank (2000b), while Bond (1997) analyzes regional investment in transport infrastructure.

8. UNECA 1989; Sachs and Warner 1997; Easterly and Levine 1997; Collier and Gunning 1999; World Bank 2000a.



Evolution So Far

Regional integration has been part of Africa's strategy for economic transformation for more than three decades—and in some cases for almost a century. The first experiment with integration, the Southern African Customs Union, began in 1910. The Southern Rhodesia Customs Union emerged in 1949 between South Africa and present-day Zimbabwe. The Ghana–Upper Volta Trade Agreement between Ghana and Upper Volta (now Burkina Faso) started in 1962, as did the African Common Market linking Algeria, United Arab Republic (Egypt), Ghana, Guinea, Mali, and Morocco. In 1962 the Equatorial Customs Union, the predecessor to the Customs Union of Central African States, joined Cameroon, Central African Republic, Chad, Congo, and Gabon. The East African Community, comprising Kenya, Tanzania, and Uganda, began in 1967 as perhaps the most far-reaching of early integration attempts in Africa.

Most of these early experiments have been dissolved or transformed. New groups have formed, reflecting African countries' continued desire for economic cooperation and integration. In West Africa three economic communities emerged in three years: the Community of West African States (which became the West African Economic and Monetary Union) in 1973, the Mano River Union in 1974, and the Economic Community of West African States in 1975. Elsewhere, the Central African Economic and Customs Union was transformed in 1974 and the Economic Community of the Great Lakes Countries in 1976.

The Organization of African Unity (OAU) Charter and the Constitutive Act establishing the African Union define the anchoring ideals of African unity (OAU 1963; AU 2000). The Lagos Plan of Action and the Abuja Treaty establishing the African Economic Community (OAU 1980, 1991) spell out the economic, political, and institutional mechanisms for attaining this goal. The treaties establishing regional economic groupings have pan-African dimensions but still reflect the rich geographic and economic diversity of the continent.

Regional economic communities

Africa's current integration landscape contains an array of regional economic communities, including seven considered the building blocks of the African Economic Community (table 2.1):

- The Arab Maghreb Union (UMA), whose five members encompass all of North Africa.

- The Common Market for Eastern and Southern Africa (COMESA), whose 20 members include all East African countries except Tanzania and seven countries of Southern Africa.
- The Community of Sahel-Saharan States (CEN-SAD), whose 18 members are in West, Central, Southern, and North Africa.
- The Economic Community of Central African States (ECCAS), whose 11 members span Central Africa.
- The Economic Community of West African States (ECOWAS), whose 15 members encompass all of West Africa.
- The Inter-Governmental Authority on Development (IGAD), comprising 7 countries in the Horn of Africa and the northern part of East Africa.
- The Southern African Development Community (SADC), whose 14 members cover all of Southern Africa.

Regional communities should evolve into free trade areas and customs unions, eventually consolidating and culminating in a common market covering the continent

Seven geographically more limited regional economic communities are subsets of the above:

- The Central African Economic and Monetary Community (CEMAC), a group of six ECCAS countries.
- The East African Community (EAC), made up of COMESA members Kenya and Uganda and SADC member Tanzania.
- The Economic Community of Great Lakes Countries (CEPGL), consisting of three members of ECCAS.
- The Indian Ocean Commission (IOC), made up of four members of COMESA and one (Réunion) that is a dependency of France.
- The Mano River Union (MRU), consisting of three members of ECOWAS.
- The Southern African Customs Union (SACU), consisting of five members of SADC.
- The West African Economic and Monetary Union (UEMOA), encompassing eight members of ECOWAS.

Recognizing the importance of economic integration for promoting intraregional trade and accelerating development, African leaders established the African Economic Community. The community shows that integration remains key for overcoming economic fragmentation, promoting economic diversification, and building cross-border links among productive entities. The community also reflects Africa's desire to transform itself from a continent of predominantly least developed and developing economies into a strong united bloc of nations, a transformation that is expected to occur in phases over three decades (box 2.1). The first phase, 1994–99, focused on strengthening the regional economic communities as effective building blocks for the African Economic Community. The regional communities should evolve into free trade areas and customs unions, eventually consolidating and culminating in a common market covering the continent. The African Economic Community's treaty includes numerous ancillary protocols on trade, customs, special treatment for certain

Table 2.1

Members and objectives of Africa's regional economic communities, 2001

Community	Members	Specified objective	Current status	Comments
Arab Maghreb Union (UMA)	Algeria, Libya, Mauritania, Morocco, Tunisia	Full economic union	• Free trade area not achieved, but conventions in force for investments, payments, and land transport.	Integration has been moving slowly since 1995.
Central African Economic and Monetary Community (CEMAC)	Cameroon, Central African Republic, Chad, Republic of Congo, Equatorial Guinea, Gabon	Full economic union	• Monetary and customs unions achieved, and competition and business laws harmonized. • Macroeconomic policy convergence in place.	
Common Market for Eastern and Southern Africa (COMESA)	Angola, Burundi, Comoros, Democratic Republic of Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Namibia, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia, Zimbabwe	Common market	• Free trade area among nine members achieved in October 2000. • Customs union expected by December 2004. • Criteria set for macroeconomic policy convergence.	
Community of Sahel-Saharan States (CEN-SAD)	Benin, Burkina Faso, Central African Republic, Chad, Djibouti, Egypt, Eritrea, Gambia, Libya, Mali, Morocco, Niger, Nigeria, Senegal, Somalia, Sudan, Togo, Tunisia	Free trade area and integration in some sectors	• Study on feasibility of free trade area just launched.	
East African Community (EAC)	Kenya, Tanzania, Uganda	Full economic union	• Significant progress on free trade area. • Customs union expected by 2004–06.	
Economic Community of Central African States (ECCAS)	Angola, Burundi, Cameroon, Central African Republic, Chad, Democratic Republic of Congo, Republic of Congo, Equatorial Guinea, Gabon, São Tomé and Principe, Rwanda	Full economic union	• Study on free trade area considered for implementation.	
Economic Community of Great Lakes Countries (CEPGL)	Burundi, Democratic Republic of Congo, Rwanda	Full economic union	• Preferential trade arrangements signed.	Integration at a standstill since 1994.
Economic Community of West African States (ECOWAS)	Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone, Togo	Full economic union	• Tariffs removed on unprocessed goods. • Full elimination of tariffs on industrial goods not yet achieved. • Second monetary zone in progress. • Peace and security mechanism in place. • Macroeconomic policy convergence in place.	
Indian Ocean Commission (IOC)	Comoros, Madagascar, Mauritius, Réunion, Seychelles	Sustainable development through cooperation on diplomacy, environment, and trade	• Vibrant trade programme elaborated. • Virtual University of Indian Ocean created.	Political issues have slowed progress.

(continued on next page)

Table 2.1 (continued)

Members and objectives of Africa's regional economic communities, 2001

Community	Members	Specified objective	Current status	Comments
Inter-Governmental Authority on Development (IGAD)	Djibouti, Eritrea, Ethiopia, Kenya, Somalia, Sudan, Uganda	Full economic union	• Multilateral programmes elaborated in key priority areas (agriculture and environment, political and humanitarian affairs, and regional economic cooperation, including physical infrastructure projects).	Intrastate and interstate conflicts have slowed progress.
Mano River Union (MRU)	Guinea, Liberia, Sierra Leone	Multisectoral integration	• Some training institutions created. • Programmes elaborated in some sectors.	Political issues have slowed progress.
Southern African Customs Union (SACU)	Botswana, Lesotho, Namibia, South Africa, Swaziland	Customs union	• Customs union achieved, as well as monetary agreement among four members except Botswana.	
Southern African Development Community (SADC)	Angola, Botswana, Democratic Republic of Congo, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia, Zimbabwe	Full economic union	• Free trade area launched in September 2000. • Power pool in place. • Peace and security mechanism in place.	
West African Economic and Monetary Union (UEMOA)	Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, Togo	Full economic union	• Customs union achieved. • Business laws harmonized. • Macroeconomic policy convergence in place.	

Source: *Economic Commission for Africa, from official sources. See appendix tables A2 and A3.*

countries, popular participation, dispute settlement, and sectoral and infrastructure development (see box 2.1). Except for the protocol on the relationship between the African Economic Community and the regional communities, none of the protocols has been finalized, adopted, or ratified by member states.

Challenges to Africa's integration

Most of the treaties forming Africa's regional economic communities are sophisticated instruments, similar to those guiding economic integration in other regions. The regional communities have well-functioning secretariats, and they conduct frequent meetings at the summit, ministerial, and technical levels. As the building blocks for the African Union, these communities are expected to move towards closer integration, laying the foundation for their eventual consolidation.

Nevertheless, regional integration has been broadly perceived as having produced few concrete results—despite considerable political rhetoric and protracted efforts by governments, institutions, and other players. One common criticism is that unlike economic integration in Europe (the European Union), North America (the North American Free

Box 2.1

Phases, goals, and protocols of the African Economic Community

Phases and goals

First phase, 1994–99. Strengthening regional economic communities and establishing them where they do not exist.

Second phase, 1999–2007. Freezing tariffs, nontariff barriers, customs duties, and internal taxes at their May 1994 levels and gradually harmonizing policies and implementing multinational programmes in all economic sectors—particularly agriculture, industry, transport, communications, and energy.

Third phase, 2007–17. Consolidating free trade zones and customs unions through progressive elimination of tariffs, nontariff barriers, and other restrictions to trade, and adopting common external tariffs.

Fourth phase, 2017–19. Finalizing coordination and harmonization of policies and programmes in trade and other sectors as a precursor to full realization of the African Common Market and African Economic Community, with all regional economic communities. This phase should result in the free movement of people, with rights of residence and establishment among the regional economic communities.

Fifth phase, 2019–23. Consolidating the continentwide African Common Market resulting from the fourth phase.

Sixth phase, 2023–28. Realizing the vision of the African Economic Community, with complete economic, political, social, and cultural integration and with common structures, facilities, and functions, including a single African central bank, a single African currency, a pan-African parliament, and a pan-African economic and monetary union.

Related protocols

The relevant articles of the African Economic Community Treaty are indicated in parentheses. Some of the articles call for separate protocols to detail their basic provisions.

Protocols on trade and customs (trade liberalization)

Rules of origin (Article 33)
Reduction and elimination of customs barriers (Articles 29 and 30)
Nontariff barriers (Article 31)
Intracommunity transit facilities (Article 38)
Customs operation (Article 39)
Simplification and harmonization of trade documents and procedures (Article 40)
Trade promotion (Article 42)
Reexport of goods (Article 38)
Free movement of persons, right of residence, and right of establishment (Article 43)

Protocols on sectoral and infrastructure development and cooperation

Food and agriculture (Articles 46 and 47)
Industry (Articles 48–50)

(continued on next page)

Box 2.1 (continued)
Phases, goals, and protocols of the African Economic Community

Science and technology (Articles 51–53)
Energy and natural resources (Articles 54–57)
Environment (Articles 58–60)
Transport, communication, and tourism (Articles 61–66)
Education, training, and culture (Articles 68–70)
Human resources, social affairs, health, and population (Articles 71–76)
Standardization, quality assurance, and measurement systems (Article 67)
Solidarity, development, and cooperation fund (Articles 80 and 81)

Protocols on special treatment and exemptions to certain categories of countries
Special provisions in respect of Botswana, Lesotho, Namibia, and Swaziland (Article 78)
Special provisions in respect of least developed countries and landlocked, semilandlocked, and island countries (Article 79)

Protocol on relations between the African Economic Community and others
Regional economic communities, regional continental organizations, African nongovernmental organizations, other socioeconomic organizations and associations, third states, and international organizations (Articles 88–95)

Protocol on full involvement of peoples of Africa in the African Economic Community process
Pan-African Parliament (Article 14)

Protocol on establishing the Court of Justice to ensure adherence to African Economic Community process and settle disputes
Court of Justice (Articles 18–20)

Source: *Economic Commission for Africa, from official sources.*

Trade Agreement), and South America (the Common Market of the South), regional integration in Africa has done little to accelerate growth or even regional trade.

Why has regional integration in Africa fallen short of its goals? Key constraints include:

- Multiple and overlapping memberships. The many regional economic communities with overlapping memberships are perceived as wasting effort and resources. Having multiple groups adds to the work of harmonization and coordination and complicates the eventual fusion of regional economic communities into the African Union. This has prompted calls to rationalize integration. The considerable dialogue on this subject has yielded some tangible results, with clearer definitions of the mandates, objectives, and responsibilities of institutions serving the same constituents.

- Countries' reluctance to adhere to integration programmes (such as eliminating tariffs) because of concerns about uneven gains and losses, and the persistence of barriers to free flows of goods, services, and people across borders.
- Insufficient technical and analytical support (such as cost-benefit analyses) for some integration instruments (such as trade liberalization), which could hamper their implementation or lead to speculation about their effects on different member states.
- Divergent and unstable national macroeconomic policies.
- Inadequate capacity and resources among countries and regional economic communities to spearhead the integration process. Some of the regional communities lack clarity of vision, strategies, and plans, resulting in diffuse activities. Regional institutions, often ignoring the "principle of subsidiarity", have pursued both regional and national activities.
- Lack of coherence and links among sectoral cooperation programmes and macroeconomic policies pursued by regional economic communities.
- Missing or ineffective mechanisms for organizing, implementing, controlling, monitoring, and revising the integration process.
- Lack of national mechanisms to coordinate, implement, and monitor integration policies and programmes.
- Inability to make integration objectives, plans, and programmes part of national development frameworks.

> *"African trade continues to be skewed towards the west, mainly the European Union"*

Questions have also been raised about intra-African trade, which remains low despite decades of experimentation with market integration. African trade continues to be skewed towards the west, mainly the European Union. In addition, there are concerns about whether there is sufficient political will to convert words into action and about the lack of a concerted approach to integration and the daunting financial and investment challenges.

Revitalized regional economic communities can drive change in Africa. But for integration to succeed, efforts must be made to:

- Promote the equitable distribution of integration's costs and benefits.
- Provide technical and financial support to regional integration programmes.
- Make Africa's integration agenda compatible with external obligations, such as arrangements of the World Trade Organization (WTO) and the Cotonou partnership between the European Union and African, Caribbean, and Pacific countries.
- Ensure compatibility among regional integration schemes aimed at the goals of the African Economic Community and the African Union—which also implies eliminating inconsistencies from overlapping memberships.
- Promote interaction among regional economic communities and specialized development institutions.
- Put the private sector at the centre of the integration agenda.

- Foster the competitiveness of regional economic communities and of Africa as a whole, domestically and internationally.

Accelerating Africa's integration

The WTO's liberal rules for the world trade system have further heightened global competition and raised the stakes for Africa

African leaders recognize the urgency of accelerating Africa's integration, especially given the challenges from increasing globalization. The WTO's liberal rules for the world trade system have further heightened global competition and raised the stakes for Africa.

The African Union

In July 2003 the African Union replaced the Organization of African Unity. In establishing the African Union, African countries have committed to realizing their long-standing vision of economic and political unity. The African Union is a fast-track process that will avoid past pitfalls and build on strengths and positive experiences—making a decisive difference in the substance and pace of regional cooperation and integration. Achieving these goals will require political will, skilful planning, and improvements to existing policies and institutions—and enhanced levels of capacities and resources. The African Union should bring renewed dynamism to Africa's integration process, anchoring economic and political unity (box 2.2).

Key institutions—such as a pan-African parliament, court of justice, and African investment bank—will need to be established quickly and designed effectively.

Other players and self-sustaining institutions

Significant contributions and support to African integration are expected from several international institutions and players, such as the African Development Bank, the World Bank, the Economic Commission for Africa, the United Nations Development Programme, the European Union, and the U.S. Agency for International Development. Continuing cooperation between these institutions, regional economic communities, and the African Union is key to advancing integration.

As a result of earlier steps in regional integration, the regional economic communities have also created self-sustaining institutions that provide support to further integration.

The New Partnership for Africa's Development

To move the regional integration process forward, African countries recently adopted the New Partnership for Africa's Development (NEPAD), one of the most important developments of recent times. Its development programme places Africa at the apex of the global agenda by:

- Creating an instrument for advancing a people-centred sustainable development in Africa based on democratic values.

Box 2.2

African Union—main organs and recent decisions

African governments reaffirmed the importance of integration in the Constitutive Act of the African Union of July 2000. The July 2002 assembly of African heads of state in Durban, South Africa, unanimously approved the creation of the African Union based on the Constitutive Act. The African Union maintains the thrust of the African Economic Community, forging an economically—and perhaps politically—unified continent. By strengthening political commitment, the African Union is meant to expedite African integration. A key priority is establishing institutions that can drive progress, such as the Pan-African Parliament, Court of Justice, and investment bank.

Key organs of the African Union are:

- *Assembly of the Union*—the assembly of African heads of state and the supreme organ of the union. It meets at least once a year. (This structure is identical to that in the Organization of African Unity.)
- *Commission*—the secretariat of the union. Headed by a president of the commission, a deputy, and commissioners, it will undertake the daily work of the union. For an interim period of one year from the July 2002 inaugural summit of the African Union, the secretariat of the Organization of African Unity served as the Commission.
- *Executive Council*—the twice yearly meeting of foreign ministers, with powers delegated to it by the Assembly. (This structure is also largely unchanged from that in the Organization of African Unity.)
- *Permanent Representatives Committee*—composed of African ambassadors to the African Union. It prepares meetings for the Executive Council and is responsible for supervising the Commission. (This substantially expands the responsibilities of the ambassadors to the Organization of African Unity.)
- *Peace and Security Council*—consists of 15 ambassadors to the African Union, selected by the Assembly, responsible for promoting regional peace and security and for overseeing conflict prevention, resolution, and management. (This replaces the Central Organ of the Organization of African Unity and inherits the Conflict Management Centre.)
- *Pan-African Parliament*—will ultimately become the highest legislative and representative organ of the African Union. Initially it will consist of five parliamentarians (at least one of whom will be a woman) from each country. It is planned to move towards a directly elected parliament.
- *Court of Justice*—envisaged as the highest judicial authority of the union. Its precise authority has yet to be determined.
- *Economic, Social, and Cultural Council*—a forum representing trade unions, professional associations, and civil society organizations, to give them input into the activities of the union.
- *Financial institutions*—planned to include the African Central Bank, African Monetary Fund, and African Investment Bank.
- *Specialized technical committees*—envisaged for rural economy and agricultural matters, monetary and financial affairs, trade, customs, and immigration matters, industry, science, and technology, energy, natural resources and the environment, transport, communications, and tourism, and education, culture, and human resources.

(continued on next page)

Box 2.2 (continued)

African Union—main organs and recent decisions

During the Durban assembly many decisions were made to advance the development of the African Union, including:

- Setting a one-year interim period, effective July 2002, after which the Assembly (through the Executive Council) will appoint its chair, deputy chair, and commissioners. Until then the secretary-general of the defunct Organization of African Unity served as the interim chair and the assistant secretaries-general as commissioners. (The Assembly of Heads of State of the Union met in July 2003 in Maputo, Mozambique, and elected officials of the African Union Commission: the president and vice president of the commission, and the commissioners for peace and security, political affairs, infrastructure and energy, social affairs, trade and industry, and rural economy and agriculture. The commissioners of economic affairs, human resources, and science and technology remain to be elected.)
- Establishing the Peace and Security Council to serve as new paradigm for conflict prevention, resolution and management.
- Proclaiming 2002–11 as a capacity-building decade for Africa to ensure that local capacity building features prominently in countries' development policies and to secure international support—financial and otherwise—for these efforts.
- Issuing a draft declaration of support for the New Partnership for Africa's Development, reaffirming commitments to the principles of democracy and effective political, economic, and corporate governance.
- Assembling a group of experts to examine all aspects related to a proposal to establish a common defence and security force for Africa.

Source: *Economic Commission for Africa, from official sources.*

- Providing a common African platform to engage the rest of the international community in a dynamic partnership holding real prospects for creating a better life for all.

The primary objective of NEPAD is to eradicate poverty in Africa and to place African countries both individually and collectively on a path of sustainable growth and development, halting the marginalization of Africa in the globalization process. One of the partnership's main priorities is promoting regional integration on the continent, with bridging the infrastructure gap as an important element.

Conclusion

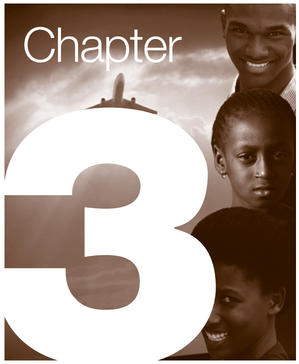
Africa's integration faces enormous constraints and challenges at the crucial juncture of establishing the African Union. Some are due to overly ambitious goals relative to limited resources and capacities. But considering the many obstacles that Africa must overcome to maintain and achieve respectable growth, the lack of significant achievements is unsurprising. The systemic problems that hamper the development of national economies also impede Africa's integration.

Still, regional economic communities represent an important effort at breaking down colonial demarcations. They are largely home-grown, developed through complex negotiations among members. Implementation has not been perfect, and there have been periods of inaction and backsliding. But the communities have created solidarity among their members and contributed to an eventual economic union.

> ***Regional institutions have to be streamlined, better coordinated, and equipped to deal with the complexities of regionalism***

More important is whether regional economic communities can provide a basis for concrete progress and future growth. The enlarged community markets were expected to expand trade within regions, overcome the constraints of small markets, and prompt investments in larger industrial projects—especially manufacturing. That has not happened. Thus it remains to be seen whether regional communities and their member countries can create a supportive environment that leads to increased manufacturing and trade in manufactures within regions.

For the African Union to succeed, an array of institutional issues must be addressed. At the core of these issues are the inadequacies of national and regional institutions for stimulating and managing effective integration. Regional institutions have to be streamlined, better coordinated, and equipped to deal with the complexities of this effort by building the skills, resources, and authority needed as driving forces for the African Union. Parallel measures are needed at the national level to strengthen interaction with regional policies and ensure effective implementation of treaties and protocols by member states.



Subregional Blocs as Regional Building Blocks?

Regional economic communities are expected to act as the nerve centres of the regional integration process. Indeed, they are entrusted with unique responsibility for:

- Conceiving and monitoring the implementation of related policies and programmes.
- Mobilizing necessary resources to support such policies and programmes.
- Reporting periodically on progress.

The key issue is whether subregional groupings serve as building blocks or stumbling blocks to continentwide integration. Does overlap lead to a loss of efficiency and thus call for reconfiguring regional economic communities—to ensure that they serve as building blocks? Should the communities be given supranational authority to enforce common decisions? These questions are worth exploring beyond theoretical conjecture, to evaluate the prospects of realizing continentwide economic integration.

Overlapping integration arrangements—beneficial or wasteful?

Africa currently has 14 regional integration groupings, with two or more in almost all subregions. In West Africa the West African Economic and Monetary Union (UEMOA) and the Mano River Union (MRU) coexist with the Economic Community of West African States (ECOWAS). Central Africa has three groupings: the Economic Community of Central African States (ECCAS), the Central African Economic and Monetary Community (CEMAC), and the Economic Community of Great Lakes Countries (CEPGL). East and Southern Africa share six regional economic communities: the Common Market for Eastern and Southern Africa (COMESA), the East African Community (EAC), the Inter-Governmental Authority on Development (IGAD), the Indian Ocean Commission (IOC), the Southern African Development Community (SADC), and the Southern African Customs Union (SACU). North Africa hosted only the Arab Maghreb Union (UMA) until the Community of Sahel-Saharan States (CEN-SAD) emerged, although CEN-SAD's membership straddles other economic communities and subregions.

Many African countries are members of more than one regional grouping. In East and Southern Africa some countries are members of both SACU and SADC or both COMESA and SADC. In West Africa many countries that belong to ECOWAS also belong to UEMOA.

The overlapping membership of large groups and the existence of smaller groups within large groups have sparked a debate over what is sometimes referred to as the "variable geometry approach". Some argue that the overlap contributes to progress. For example, Lyakurwa and others (1997, p. 196) contend that "in the African context, such an approach of variable geometry could, for example, mean making genuine progress at ECOWAS level while maintazining the achievements and benefits of UEMOA. In similar manner, the concepts of variable geometry and subsidiarity could also be useful in Southern Africa in relation to the PTA [preferential trade area—COMESA], SADC, and SACU". But others argue that multiple memberships hinder regional integration by, among other things, leading to duplication of effort. For example, Aryeetey and Oduro (1996) quote McCarthy as arguing that "it is difficult to envisage how SADC and COMESA, given their convergence to both sectoral cooperation and trade integration, can live and prosper with the overlapping membership of the Southern African countries". This line of thinking, premised on rationalizing membership, seems more consistent with the Abuja Treaty, which aims at continentwide integration.

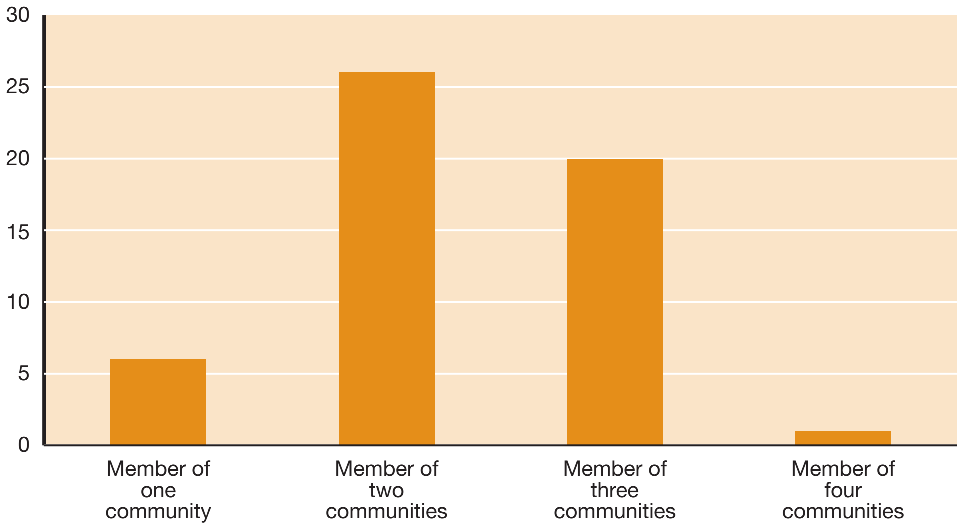
Some argue that the overlap contributes to progress; others argue that multiple memberships hinder regional integration

The overlap extends to the country level. Of the 53 African countries, 26 are members of two regional economic communities, and 20 are members of three (figure 3.1). One country (Democratic Republic of Congo) belongs to four. Only 6 countries maintain membership in just one regional economic community.

African countries chose to belong to two or more regional economic communities to pursue integration on multiple tracks. Some members of a large bloc could proceed at

Figure 3.1

Overlapping membership in regional economic communities (number of countries)



Source: *Economic Commission for Africa, from official sources; see tables A2 and A3.*

a faster pace in a separate, smaller grouping. Smaller groupings could also make coordinating and harmonizing national policies and strategies more manageable and could work towards subregional, and eventually regional, convergence. Moreover, membership in several communities could maximize the benefits of integration and minimize the losses by spreading risks. This could be especially important for countries with weak economies, which could benefit from gains in each regional economic community.

Coordinating and harmonizing the activities of the regional economic communities have been among the key concerns of the African integration agenda

Still, many studies on African integration have pointed to the difficulties posed by multiple regional economic communities and their overlapping membership. In all African subregions several regional economic communities pursue essentially identical mandates and objectives, leading to wasteful duplication of effort. The overlap among regional economic communities also tends to dissipate collective efforts towards the common goal of the African Union. Moreover, it tends to muddy the goals of integration and lead to counterproductive competition among countries and institutions.

The overlap among regional economic communities also adds to the burdens of member states. A country belonging to two or more regional economic communities not only faces multiple financial obligations, but must cope with different meetings, policy decisions, instruments, procedures, and schedules. Customs officials have to deal with different tariff reduction rates, rules of origin, trade documentation, and statistical nomenclatures. The range of requirements multiplies customs procedures and paperwork, counter to trade liberalization's goals of facilitating and simplifying trade.

From many communities to the African Economic Community and the African Union

The Abuja Treaty for establishing the African Economic Community embodies Africa's will to transform itself from a continent of individual least developed and developing economies to a strong, united bloc of nations. The Treaty calls for forming the African Economic Community in six phases over 34 years (see box 2.1 in chapter 2). The first phase rightly focuses on strengthening the regional economic communities to become effective building blocks for the African Economic Community. The communities are expected to evolve into free trade areas, customs unions, and, eventually, a common market spanning the continent.

Coordinating and harmonizing the activities of the regional economic communities have been among the key concerns of the African integration agenda. The African Economic Community Treaty devotes an entire chapter to the need for the communities to march in unison. The recent Constitutive Act of the African Union reiterates the importance of a harmonious approach to realizing the Union. Forging this unity of purpose and action requires a solid political consensus.

With coordination and harmonization imperative for successful regional integration in Africa, bringing the regional economic communities together has become a key challenge. They have taken up this challenge and are consulting regularly among themselves:

- In West Africa the growing rapport between ECOWAS and UEMOA has borne fruit in a common programme of action on trade liberalization and macroeconomic policy convergence. ECOWAS and UEMOA have also agreed on common rules of origin to enhance trade, and ECOWAS has agreed to adopt UEMOA's customs declaration forms and compensation mechanisms.
- In Central Africa ECCAS is adopting a trade regime that takes into account the dispensations in CEMAC.
- In East and Southern Africa IGAD and IOC are applying most of the integration instruments adopted by COMESA, while the EAC and COMESA have concluded a memorandum of understanding to foster harmonization of their policies and programmes. COMESA and SADC have set up task forces to deal with common issues and to invite each other to policy and technical meetings.
- At the continental level, the protocol on the relationship between regional economic communities and the EAC provides for a coordination committee that meets at the level of chief executives.

"Self-driven efforts by the regional economic communities need the support of a strong continental coordinating mechanism"

These initiatives improve the prospects of narrowing discrepancies among the regional economic communities, overcoming the problems of overlapping membership, and accelerating progress towards the African Union. Even so, these self-driven efforts by the regional economic communities need the support of a strong continental coordinating mechanism. At the moment, coordination appears ineffective. Moreover, it is necessary to combine self-driven efforts with international bilateral partisanships, most notably the Cotonou Agreement and the establishment of economic partnership agreements, to complete the evolution of free trade areas into customs unions and deeper forms of economic integration.

Formal relations between the African Economic Community and the regional economic communities are managed through a protocol aimed at strengthening existing communities. The African Economic Community also has numerous ancillary protocols. But with the exception of the protocol governing the relationship between the African Economic Community and the regional economic communities, these protocols have not yet been finalized. Moreover, many regional economic communities have yet to align their treaties with the African Economic Community Treaty or to ensure that their activities and programmes conform with the requirements of continental integration. Several issues need to be addressed:

- More intensified exchange of information among the regional economic communities.
- Greater efforts to coordinate sector policies and harmonize programmes (with a convenor institution for each sector).
- More coordinated national policymaking and African Economic Community provisions, to ensure consistency between government commitments within the

African Economic Community and their commitments within the regional economic communities.

Most of the protocols, decisions, and agreements for economic integration are to be implemented at the national level. National mechanisms are needed to plan, organize, coordinate, and follow up on each country's commitments. Some countries have already established such a mechanism, including specific ministries to deal with integration issues. Others have yet to do so. In some cases the mechanism is too loosely defined or insufficiently equipped with human, material, and financial resources.

"Inadequate financing is one of the main barriers to Africa's integration"

The design of institutions for economic integration directly affects the implementation of regional economic integration agreements. The weaknesses of national mechanisms explain several problems:

- The failure of governments to translate their commitments under regional treaties and arrangements into substantive changes in national policies, legislation, rules, and regulations.
- The unwillingness of governments to subordinate immediate national political interests to long-term regional economic goals (which would have had much higher payoffs for long-term national welfare) or to cede essential elements of sovereignty to regional institutions.
- The absence of monitoring and enforcement mechanisms to ensure adherence to agreed timetables on such matters as reducing tariffs and nontariff barriers or achieving more difficult objectives, such as macroeconomic stabilization.
- The frequent failure of national policymaking to take into account the provisions of the African Economic Community and countries' involvement with regional economic communities.

Financing regional integration in Africa

It is generally recognized that inadequate financing is one of the main barriers to Africa's integration. Financial resources to support the regional economic communities come mainly from assessed contributions, but external assistance has been the prime source of financing their operations. Actual paid contributions have declined over time and external support, in some cases, is no longer as forthcoming and sufficient to meet the needs of the regional economic communities. This disturbing trend needs to be considered against the backdrop of a major shift in the African integration landscape—the advent of the African Union.

The inevitable result has been an unhealthy financial situation. Consider the example of three regional economic communities—CEMAC, COMESA, and SADC (table 3.1). In some years CEMAC and COMESA have collected less than half the assessed contributions of member states. For COMESA and SADC extrabudgetary resources have outweighed member contributions. The gap between the needs of the regional economic communities and member contributions is already large, and projections suggest that it will grow (table 3.2).

The situation of these three regional economic communities is representative of that of most others:

- The regional economic communities that require equal contributions from members have to use the capacity of the smallest contributor to set the standard. For these, the budget cannot match needs and may remain too small for a long time.
- The regional economic communities that base contributions on equity determine members' contributions according to their capacity to pay. While this approach is defensible in principle, over time the major contributors become reluctant to carry

Table 3.1

Rate of collection of assessed contributions by CEMAC, COMESA, and SADC, 1991–98 (%)

Year	CEMAC and COMESA	CEMAC, COMESA, and SADC
1991	100.0	100.0
1992	55.0	77.5
1993	100.0	100.0
1994	80.0	90.0
1995	44.8	73.7
1996	47.4	—
1997	48.1	—
1998	51.9	—

— not available.

Source: *Economic Commission for Africa, from official sources.*

Table 3.2

Projected financial needs and revenue from member states' assessed contributions for CEMAC, COMESA, and SADC, 2000–04 (US$ millions except as noted)

Item	2000	2001	2002	2003	2004
Medium-term financial needs	176.1	180.7	185.7	198.7	204.5
Assessed contributions	22.7	24.8	26.7	28.8	30.0
Share of financial needs covered (%)	12.9	13.7	14.4	14.5	14.7

Note: *The projections of assessed contributions are based on past trends. A flat exchange rate of US$1 = CFAF 700 has been applied to the data for CEMAC. For SADC, whose fiscal year budgets span two calendar years, the data were split into calendar years by combining half of two consecutive budgets have been put together so that the data for all three organizations correspond to calendar years.*

Source: *Economic Commission for Africa, from official sources.*

the main burden of financing the budget. This led to the collapse of the West African Economic Community (CEAO) when Côte d'Ivoire and Senegal retained funds owed to the organization.

Experience shows that these formulas either fail to meet financing needs or become unviable over time.

> *Self-financing mechanisms are reliable, lead to predictable resource flows, and safeguard funds from retention by member states*

To put themselves on a sounder financial footing, some regional economic communities—UEMOA, ECOWAS, CEMAC, SADC, COMESA, and ECCAS—have explored other financing mechanisms. Several have chosen a scheme based on a levy on imports from third countries. UEMOA has already put the scheme into operation. ECOWAS and CEMAC have it partly in place.

Such self-financing mechanisms are reliable, lead to predictable resource flows, and safeguard funds from retention by member states because the funds are deposited in central bank accounts accessible only to the organization. More important, the resources generated by self-financing mechanisms are more likely than member contributions to meet the financial needs of regional economic communities. Projections of the revenue from a community levy under high and low revenue hypotheses show that while this financing mechanism may not always meet the needs of regional economic communities, it would reduce the financing gap significantly (table 3.3).

The financing record of the regional economic communities clearly suggests that assessed contributions are not viable in the long run. For the immediate future the only credible alternative to reliance on external financing appears to be self-financing

Table 3.3

Projected financial needs and revenue from a community levy for CEMAC, COMESA, and SADC, 2000–04 (US$ millions except as noted)

Item	2000	2001	2002	2003	2004
Medium-term financial needs	176.1	180.7	185.7	198.7	204.5
High hypothesis					
Revenue	180.8	188.8	194.9	200.5	207.7
Share of financial needs covered (%)	102.7	104.5	104.9	100.9	101.6
Low hypothesis					
Revenue	143.4	147.7	152.0	156.4	161.6
Share of financial needs covered (%)	81.4	81.7	81.8	78.7	79.0

Note: *Since extrabudgetary resources are by nature unpredictable and do not measure the effort of member states, they are not taken into account in assessing the financing gap.*

Source: *Economic Commission for Africa, from official sources.*

schemes (box 3.1). But these schemes must be carefully negotiated by countries to preserve their unique features:

- The autonomy of accrued resources from national budgets.
- The automatic nature of the levy, to ensure a regular flow of resources.
- The steady growth and sustainability of resources. The flow of resources should at least maintain the capacities of regional institutions and, ideally, support the expansion of integration activities through steady growth.
- The equity of contributions. Self-financing mechanisms must be equitable to ensure long-term viability. Equity does not mean mathematical equality but relative equality, based on countries' capacity to contribute.

"The question of financing regional integration in Africa has been chiefly confined to the functioning of the African Economic Community and the regional economic communities"

So far the question of financing regional integration in Africa has been chiefly confined to the functioning of the African Economic Community and the regional economic communities. With the African Union, the magnitude of the issue has changed. The spectrum of financing requirements goes beyond the operating expenses of the regional economic communities to providing resources for the meetings of the Union Assembly of Heads of State and Government, the Pan-African Parliament, the Executive Council, and the Economic, Social and Cultural Council, and for running the Commission.

If the Union is to make a decisive difference to the African Economic Community, then the financial institutions foreseen in the African Union Constitutive Act—the African Central Bank, the African Monetary Fund, and the African Investment Bank—must become effective, operational, and sustainable. It is imperative that a holistic financing strategy be put in place that takes into account the short-, medium-, and long-term financing needs of the African Union, the regional economic communities, and other ancillary entities and technical arms, including the Pan-African Postal Union, the Union of African Railways, river basin organizations, and the like. By virtue of their specialized functions, such entities must also be strongly supported because they have certain comparative advantages that can complement the activities of the regional economic communities, advancing the African Union and Africa's integration.

Progress on protocols

All the regional economic communities have protocols (also known as conventions or acts) laying out the practical steps for implementing their treaties, which merely set out broad areas of agreement and general objectives, principles, and commitments.

Harmonizing protocols

The Abuja Treaty and the Constitutive Act of the African Union should provide a framework for the convergence of the protocols of the regional economic communities. But in most cases the provisions of such protocols confine the communities to their

Box 3.1

The concept of self-financing

Weaknesses of assessed contributions

One of the major problems facing African regional economic communities is the mobilization of regular and adequate resources to finance integration. The resources mobilized so far—mostly for the operating expenses of secretariats and specialized institutions—have come from national budgets of member states, which are subject to the constraints and priorities of each country. The main implications are:

- Heavy dependency of the regional economic communities on the capacity of member states to pay their dues.
- Low level of resources mobilized, barely covering the operating expenses.
- Accumulation of contribution arrears.
- Nonfunding or irregular funding of the regional compensation or development funds.
- Dependency on international assistance for funding sectoral projects and programmes, while such assistance becomes increasingly uncertain and conditional.

Objectives of the self-financing mechanisms

The prime objective is to make the economic integration process secure, sustainable, and irreversible. The alternative mechanisms being proposed aim at mobilizing more substantial and regular resources that would cover:

- The regular budgets of the secretariats of the regional economic communities.
- Compensatory mechanisms where they exist or are contemplated.
- Regional projects, programmes, and related studies.
- Regional development funds.

The second objective is to make African regional economic communities more autonomous from external aid and the national budgets and treasuries of member states. The current dependency must be significantly reduced, if not eliminated, so that the main concern of the managers of economic integration ceases to be the payment of salaries or other operating expenses.

Basic criteria of self-financing mechanisms

To achieve these objectives, the resources derived from such mechanisms must be:

- Dedicated resources of the regional institutions, distinct from national budgets for the sake of autonomy.
- Permanent, to guarantee a regular flow of the finances of the institution.
- Automatic, to ensure a greater adequacy between the programming and the implementation of regional projects and programs.
- Steadily growing, to maintain in real terms the capacities of the institutions and to sustain the necessary extension of the integration scope.
- Delinked from funds of national treasuries and other government revenues, to protect regional economic communities from the implications of shifts in priorities that may occur at the national level.
- Equitable relative to capacity to contribute.

The above objectives and criteria call for a levy with a wide and easily quantifiable base and the capacity to generate a substantial revenue with a low taxation rate.

Source: *Economic Commission for Africa, from official sources.*

> *The prospective protocol between the African Union and the regional economic communities should clarify the role of the communities in achieving the objectives of the union*

own concerns and make little opening for interaction with other economic groupings. The Protocol on Relationship between the African Economic Community and the regional economic communities tries to address this by bringing the operation of the communities under the umbrella of the African Economic Community through greater coordination and harmonization of their activities. The last summit of the Organization for African Unity passed a decision on the need for the African Union to also sign a protocol with the regional economic communities on their relationship.

At issue is whether the African Economic Community, and now the African Union, have to adopt their own protocols, to provide guidance for the regional economic communities in preparing and adopting theirs. Given the large number of protocols (29) anticipated under the Abuja Treaty, it is unrealistic to expect these protocols to be signed and in force before harmonizing those of the regional economic communities. Moreover, the African Economic Community does not need any protocol in substantive matters for itself before the last two phases of its implementation; until then it will mainly coordinate the activities of the regional economic communities. And the implementation of their protocols should not be disrupted. However, the prospective protocol between the African Union and the regional economic communities should clarify the role of the communities in achieving the objectives of the union.

Weaknesses of adopted protocols

Most regional economic communities have adopted several protocols. These have some important features in common.

Lack of complementarity across regional economic communities. Most regional economic communities now have a protocol on trade,[1] which will eventually aid in adopting a continental trade arrangement. But these protocols differ. Priorities vary from one community to another, and so the protocols emphasize different issues. This compounds the difficulties for countries belonging to more than one regional economic community: They must implement programmes that vary in intensity, schedule, effect on national policies, and other features.

Lengthy negotiation process. All the protocols took a long time to conclude. This was especially so for trade protocols, because some member states feared prospective losses. The resulting delays have made it difficult to adhere to the provisions of the treaties. For example, a treaty might provide for a regional economic community to reach the stage of a free trade area by a given date. But negotiations on the trade protocol may take so long that the protocol may not even be signed by the target date. Thus many—and perhaps all—trade liberalization schemes had to be rescheduled.

Uneven signing, ratification, and implementation. Protocols are needed to put treaties into effect. But some member states do not sign or ratify them or submit their ratification instruments in a timely way. These member states are "slow integrators", in contrast to the "fast integrators".

Consider the case of SADC. The SADC Summit has reviewed and approved 15 protocols. The Democratic Republic of Congo has neither ratified nor signed any protocol. Seychelles has ratified no protocol, although it has signed three. Angola has signed three and ratified three. No member country except Botswana has ratified more than 11 protocols. All these delays in signing and ratifying agreements contribute to a loss of momentum in integration. For example, for the critical Amendment Protocol on Trade, only 10 countries have deposited their instruments of ratification with the SADC Secretariat (table 3.4).

Slow implementation of protocols on free movement of persons and vehicles. Between 1979 and 1992 ECOWAS members signed a dozen protocols, decisions, and resolutions on the free movement of people, the right of residence, and the right of establishment. These instruments formalized agreements to introduce a range of measures, including abolishing visa and entry permits, introducing an ECOWAS travel certificate,

Table 3.4

Signing and ratification of protocols by SADC member countries as of March 2001

Protocol	Angola	Botswana	Congo, Dem. Rep.	Lesotho	Malawi	Mauritius	Mozambique
Shared Water Course Systems	S	R	—	R	R	R	R
Revised Shared Water Courses	R	R	—	S	S	S	S
Energy	R	R	—	R	R	R	
Transport and Communications	R	R	—	R	R	R	R
Combating Illicit Drugs	—	R	—	R	R	R	R
Trade	—	R	—	R	R	R	R
Trade Amendment	—	D	—	D	D	D	D
Education and Training	—	R	—	R	R	R	R
Mining	—	R	—	R	R	R	R
Tourism	—	R	—	R	—	R	R
Health	—	R	—	—	R	R	R
Wildlife	—	R	—	—	—	R	R
Legal Affairs	S	—	—	S	S	S	S
Tribunal and Rules	S	—	—	S	S	S	S
Immunities and Privileges	R	R	—	R	R	R	R

(continued on next page)

— no action taken.

***Note:** S = signed protocol; R = ratified protocol; D = deposited instrument of ratification.*

***Source:** SADC 2001.*

Table 3.4 (continued)

Signing and ratification of protocols by SADC member countries as of March 2001

	Namibia	Seychelles	South Africa	Swaziland	Tanzania	Zambia	Zimbabwe
Shared Water Course Systems	R	—	R	R	R	R	R
Revised Shared Water Courses	S	S	S	S	S	S	S
Energy	R	—	R	R	R	R	R
Transport and Communications	R	—	R	R	R	R	R
Combating Illicit Drugs	R	—	R	R	R	R	R
Trade	R	—	R	R	R	—	R
Trade Amendment	—	—	D	D	—	—	—
Education and Training	R	—	R	R	R	R	R
Mining	R	—	R	—	R	—	R
Tourism	R	—	—	—	—	—	R
Health	R	—	R	—	—	—	—
Wildlife	R	—	—	—	—	—	—
Legal Affairs	S	S	S	S	S	S	S
Tribunal and Rules	S	S	S	S	S	S	S
Immunities and Privileges	R	—	—	R	R	R	S

— *no action taken.*

Note: *S = signed protocol; R = ratified protocol; D = deposited instrument of ratification.*

Source: *SADC 2001.*

harmonizing immigration and emigration forms and the ECOWAS Brown Card insurance scheme, and setting up a national committee in each member country to monitor the free movement of people.

Little progress has been made on some of these measures (table 3.5). All countries have abolished visa and entry permit requirements for ECOWAS nationals for visits not exceeding 90 days. But the movement of people is less free than it is supposed to be. Travellers in all member countries are subject to harassment at borders and along interstate roads. Some progress has been made in implementing protocols on the right of residence. But the labour market and business environment in some member countries still pose greater difficulties for immigrants than for nationals.

The story is similar for the Protocol on the Establishment of a Self-Financing Mechanism based on a community levy. So far, the protocol has been ratified by only a handful of member states.

Uneven interest in the provisions of protocols. Some countries show little eagerness to join their partners in signing and implementing certain protocols. That has understandably been so for island countries, which have little interest in protocols on rail, road, or inland waterway transport. In other cases countries have signed protocols to show their commitment, but with no intention to ratify them because they stand to gain little, or even to lose. This points to the need to prepare protocols that consider the concerns and interests of all parties.

Regional economic communities and multilateral commitments

Most African countries are party to the multilateral trading system by virtue of their membership in the World Trade Organization (WTO) and thus subject to its core principles of open and liberal trade policies. A key principle is equal treatment of all WTO members, or nondiscrimination (for example, in granting trade preferences such as lower tariffs), embodied in the most favoured nation clause. But an exception to this principle is granted under Article 24 of the General Agreement on Tariffs and Trade (GATT 1994) for WTO members forming regional trading arrangements—customs unions, free trade areas, and interim agreements leading to these.

Most African countries are party to the multilateral trading system by virtue of their membership in the World Trade Organization and thus subject to its core principles of open and liberal trade policies

Table 3.5

Implementation of protocols on free movement of people and vehicles within ECOWAS as of December 2000

Country	Abolished visa and entry permits	Introduced ECOWAS travel certificate	Harmonized immigration and emigration forms	Set up national monitoring committee	Introduced Brown Card insurance scheme
Benin	Yes	No	No	Yes	Yes
Burkina Faso	Yes	Yes	No	Yes	Yes
Cape Verde	Yes	No	No	No	No
Côte d’Ivoire	Yes	No	No	No	Yes
Gambia	Yes	Yes	No	No	No
Ghana	Yes	Yes	No	Yes	Yes
Guinea	Yes	Yes	No	Yes	Yes
Guinea-Bissau	Yes	No	No	No	Yes
Liberia	Yes	No	No	No	No
Mali	Yes	No	No	Yes	Yes
Niger	Yes	Yes	No	Yes	Yes
Nigeria	Yes	Yes	No	Yes	Yes
Senegal	Yes	No	No	Yes	Yes
Sierra Leone	Yes	Yes	No	Yes	Yes
Togo	Yes	No	No	Yes	Yes

Source: *ECOWAS 2000.*

GATT Article 24 allows the members of regional trading blocs to offer more favourable trade terms to other bloc members without extending them to other WTO members. But it also protects the trade interests of nonmember countries by insisting that the regional arrangements:

> *The Enabling Clause provides a much easier option for developing countries, particularly African countries*

- Remove tariffs and nontariff barriers on nearly all trade among members.
- Not result in higher barriers to trade with other WTO members than those in effect before the accord.
- Remove tariffs and nontariff barriers to trade within 10 years or less.
- Be promptly reported to the WTO for review by its members, which can make recommendations to ensure consistency with WTO rules.
- Be subject to dispute settlement provisions.

As long as a regional trading arrangement conforms with Article 24, no compensation need be paid to other WTO members even if imports into the trading bloc are displaced as a result of trade preferences. The General Agreement on Trade in Services (GATS) provides disciplines for preferential agreements covering services similar to the disciplines for those covering trade in goods.

Regional trading arrangements covering trade in goods can be reported to the WTO under Article 24 of the GATT. But those involving only developing countries can instead be reported under the less stringent provisions of Article 2C of the Decision on Differential and More Favourable Treatment, Reciprocity and Fuller Participation of Developing Countries—more commonly known as the Enabling Clause. All preferential agreements covering trade in services must be reported under Article 5 of the GATS regardless of membership. But agreements involving developing countries are allowed to cover fewer services.

Africa's regional economic communities are viewed as regional trading arrangements and thus subject to GATT Article 24 and the less stringent Enabling Clause. Article 5 of the GATS is less relevant for the African regional economic communities, because their trading arrangements generally focus on trade in goods.

Most of the regional trading arrangements reported to the GATT and WTO (about 220) were reported under GATT Article 24 (191, of which 109 are still in force). Of the rest, 18 agreements were reported under the Enabling Clause and 11 under GATS Article 5.

Advantages and disadvantages of the Enabling Clause

The Enabling Clause provides a much easier option for developing countries, particularly African countries. Unlike Article 24, it does not require regional trading arrangements to cover substantially all trade or to achieve free trade in the bloc within 10 years. The only advantage of reporting under Article 24 is that no compensation is required if a WTO member's trade is displaced. Under the Enabling Clause, compensation is due if a WTO member can demonstrate that expected benefits from a tariff binding have been compromised. Since African WTO members have undertaken mainly ceiling bindings and have so few products to trade, this situation is unlikely to occur often, at least in the near future.

The Enabling Clause also provides an avenue for giving special consideration to the least developed countries in making concessions and contributions. It allows automatic exemptions from most favoured nation (nondiscrimination) treatment in favour of developing countries, allowing WTO members to accord more favourable treatment to developing countries in many cases without according such treatment to other WTO members.

"The Enabling Clause also provides an avenue for giving special consideration to the least developed countries in making concessions and contributions"

Even under the Enabling Clause, safeguards protect the trading interests of WTO members. The favourable treatment it allows is meant to promote the trade of developing countries but not to raise barriers to the trade of other countries or to impede the reduction or elimination of tariffs and other trade restrictions.

Many developing countries have reported regional trading arrangements under the Enabling Clause rather than under GATT Article 24. All four of the African regional economic communities that were reported to the WTO were reported under the Enabling Clause: COMESA (29 June 1995), UEMOA (3 February 2000), CEMAC (29 September 2000), and the EAC (11 October 2000). No WTO members requested specific examination of any of these regional trading arrangements for consistency with WTO rules or agreements.

COMESA is considering reporting under GATT Article 24, however, to protect itself from complaints about the displacement of imports. Sri Lanka has contended that its tea imports into Egypt have been displaced by Kenyan imports benefiting from COMESA preferences. Under the Enabling Clause Sri Lanka can claim that it is entitled to compensation, since Egypt has a tariff binding on tea that was undermined by the preferences.

Many other countries have indicated displeasure with the wide-open nature of the Enabling Clause. For example, member countries of MERCOSUR have brought pressure on that organization to report under Article 24 rather than the Enabling Clause. There has also been displeasure with WTO provisions on preferential agreements more broadly. Asian countries believe that their exports are being displaced by trade, largely from Europe and the United States, that benefits from Article 24 preferences. As a result of such pressure, the WTO ministerial meeting in Doha, Qatar, in 2001 agreed to negotiations aimed at clarifying and improving disciplines and procedures under the WTO provisions on regional trade agreements, taking into account their developmental aspects.

Forming a common position on multilateral issues

Much is at stake in these multilateral trade issues. To improve their leverage, the regional economic communities should coordinate their positions in two areas.

First, the regional economic communities should decide among themselves whether reporting under the Enabling Clause or under Article 24 is more beneficial. With only four African regional economic communities having already reported, many more should follow. Without such reporting, communities are vulnerable to challenges in the WTO for violations of Article 1 of the GATT (1947). An immediate issue may be the reporting status of SADC. Its ability to report under the Enabling Clause depends on whether South Africa is considered a developed or developing country.

"The regional economic communities should develop a coordinated position for future WTO negotiations on regional trading arrangements"

Second, the regional economic communities should develop a coordinated position for future WTO negotiations on regional trading arrangements.

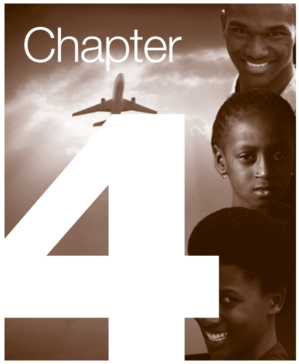
Conclusion

Effective institutional mechanisms and capacities are central ingredients of a successful integration process. The regional economic communities and their member states have a major role to play in developing and sustaining such effectiveness through appropriate policies and the provision of necessary political, material, and human resources support.

This chapter has raised some of the key institutional issues and challenges impinging on regional integration in Africa. These include the multiplicity of regional economic communities and overlapping membership, weak interface between national and regional policies manifested in the failure to enact or adjust national regulations in tune with the integration agreements, slow ratification and implementation of protocols, and poor compliance of regional arrangements with WTO requirements on regional trading blocs. Against this backdrop is the lack of adequate financial resources to implement an array of important integration programs and projects.

On the issue of overlapping regional economic communities, there are differing opinions. Some analysts believe that multiple integration groupings complicate the overall continental integration process and put enormous strains on governments' ability and resources to cope with diverse agendas and exigencies. Others contend that the variety provides groups of countries the leeway to pursue fast track agendas or to maximize their benefits and minimize their losses by not banking their expectations in only one bloc. Many questions about overlapping memberships require further research:

- Do they require radical rationalization through the amalgamation of smaller regional economic communities into larger regional groupings?
- Should the status quo be maintained under mandatory, but not loose, mechanisms to enforce coordination and harmonization of regional economic communities' policies, mandates, and programs?
- Are regulatory principles needed to govern country membership in more than one regional economic community at the same time?



What It Will Take to Accelerate the Region's Integration

Progress in African integration is mixed across sectors, regional economic communities, and member states. There have been some strides in trade, communications, macroeconomic policy, and transport, but integration has lagged in energy, manufacturing, and food and agriculture. Some regional economic communities have excelled in trade liberalization, free movement of people, infrastructure, and peace and security, but others have not.

The regional economic communities have not met their own expectations of greater internal trade and production. Why? Because Africa's regional integration has been hampered by a low level of implementation of treaty obligations, an inability to prevent and resolve conflicts decisively, and a lack of resources to support integration, a long-term, capital-intensive venture. Though member states are eager to achieve tangible success with the African Union, moving forward with integration will require strong political commitment and sustained effort.

Outstanding issues and challenges

Regional integration in Africa is more broadly an instrument of development. So the regional economic communities deal with institutional arrangements and the sectoral dimensions of integration. Assessing the progress of these aspects leads to several broad messages and issues.

Trade and market integration—impact yet to be seen

Most African countries have committed to trade liberalization schemes and treaties (many overlapping, some even conflicting) through their memberships in regional economic communities. But the communities have not integrated markets or established full-fledged free trade areas, let alone customs unions. Failure to rapidly unify subregional markets has slowed the investment growth associated with larger markets and economies of scale. Insufficient progress has harmed trade creation and expansion, especially intracommunity and intra-African trade flows. African trade still remains skewed towards trading partners outside the continent.

Manufacturing—cooperation and private sector participation lag behind

Industrial cooperation in regional economic communities has hardly boosted production, productivity, or value added. The main reasons are weak intersectoral links and a limited range of products across countries. Manufacturing lacks technological sophistication and has an antiquated capital stock. The role of the private sector is still marginal. Overall intracommunity trade in manufactures has remained low (2–7%) and in some cases has declined as a share of total trade. All the regional economic communities have initiated "soft" measures to galvanize growth in industry, mainly support to intra-industry trade through trade liberalization programmes.

"Macroeconomic policy convergence, monetary cooperation and unification, and financial and capital market development are essential"

Policy convergence, monetary and financial integration—still a mirage

Macroeconomic policy convergence, monetary cooperation and unification, and financial and capital market development are essential for effective regional integration (see chapter 6). Integration must occur quickly to provide an enabling environment for trade and domestic and foreign investments. But not all regional economic communities have established macroeconomic policy criteria on which to converge. For communities that have, convergence has been difficult because of differences in economic and political governance, varying degrees of acceptance of the subordination of national policy to supranational oversight, and reversals of policy due to conflicts. And even when policies have converged, outcomes may not necessarily have converged.

Regional financial and capital markets are underdeveloped, while national markets lack subregional outreach and capacity to mobilize savings and investment. Foreign direct investment flows are equally weak. A multiplicity of nonconvertible national currencies in Africa makes trade, cross-border investment, and economic activity in general difficult. Lack of financial integration creates serious difficulties in economic integration. Without similar development in financial markets and institutions, monetary convergence unevenly distributes costs and benefits among member states.

Infrastructure—plagued by missing links and lack of investment resources

Infrastructure poses challenges for integration at all levels (see chapter 7):

- Transport is still affected by disjointed links and inadequate networks in all modes, especially roads, railways, and air transport. For example, the percentage of missing road links on the Trans-African Highway is as high as 46% in one subregion, and many African cities are not linked by air.
- The telecommunication sector is the fastest growing sector in terms of services, but physical connectivity needs to be significantly enhanced.
- Efforts are under way to establish regional power grids and oil and gas pipelines, but many policies and plans to improve regional infrastructure networks have yet to be fully implemented.
- Privatization plans, particularly in telecommunications, lack the coordination of systems, tariffs, and services necessary for integration.
- Above all, the capital costs of infrastructural investment programmes and services remain unaffordable for member states.

Labour mobility—still limited

Removing impediments to free movement of labour and people is important for successful integration (see chapter 9). In many countries restrictions on visas and the right of establishment impede free movement. Removing these restrictions will promote a sense of belonging to the community, increase movement of know-how and skills across borders, and help integrate labour markets.

Without an absolute political commitment to implementing integration policies and programs at the national level, there can be little progress

Cross-cutting issues—peace and security a major concern, health and gender not fully mainstreamed

With few exceptions—such as the Economic Community of West African States (ECOWAS) Monitoring Group and the South African Development Community (SADC)—subregional mechanisms for conflict prevention and peacekeeping are rudimentary and have limited capacity for sustained peacekeeping. Early warning systems for preventive measures have yet to be developed in all regional economic communities. The limited ability of economic communities to prevent conflict and engage in peacekeeping makes continentwide efforts crucial for developing robust peace and security mechanisms. A crucial step is establishment of the African Union Security Council. Sustaining good economic and political governance is key for ensuring peace, security, and stability. The African Union and the regional economic communities need to establish parameters for monitoring performance and to be given supranational authority to deal with conflict.

Regional economic communities are gradually trying to mainstream health and gender issues in their programmes and activities. These efforts need to be broadened and sustained.

Political will—not adequately translated into action

Without an absolute political commitment to implementing integration policies and programs at the national level, there can be little progress at the subregional or regional levels.

Failure to integrate because of inaction or lack of political will is reflected in:

- Inadequate internalization of agreed integration objectives at the national level.
- Delays in ratifying protocols, hampering timely implementation of decisions.
- Reluctance to cede national sovereignty to regional economic communities, leaving them without the supranational authority to enforce decisions.
- Political instability and conflicts.
- Lack of broad-based understanding and support for integration at the national level, with civil society largely a spectator and integration issues a small part of parliamentary discourse and debate.

Rationalization of regional economic communities—imperative, but in need of further research

A heavily debated topic of Africa's integration is countries' overlapping memberships in regional economic communities. Some observers argue that the presence of so many communities spreads limited resources thin, complicates coordination and harmonization, and undercuts unity. Countries often belong to several communities for legitimate reasons—countries may form separate groupings within larger blocs to accelerate integration or they may belong to several blocs to maximize the benefits and minimize the risks of integration. Careful analysis is needed for African countries to make informed decisions on how to handle what is a politically sensitive issue.

> *"The private sector in most African countries is not part of the identification, formulation, and implementation of integration policies and programmes"*

Regional institutional architecture—generally weak

The institutional architecture of the regional economic communities lacks the authority, power, and resources to enforce decisions and see the implementation of programs through to their logical conclusions. Successful integration requires secretariats with the staffing, financial resources, and authority to act for member states. And regional economic communities must be able to sanction indifferent performance or failures to fulfil commitments to protocols and treaty obligations.

Integration agenda—wide in scope, some provisions in need of review

Members of regional economic communities vary in their capabilities and available resources, leaving inconsistency between what is written in treaties and what happens on the ground. Regional economic communities need to set priorities for their activities and focus on concrete, limited, achievable results. Key priorities are addressing backlogs in removing tariff and nontariff barriers and harmonizing markets. Communities also need to balance social dimensions and more directly economic priorities.

Some instruments of integration have become obsolete because of changes in the macroeconomic environment. Free-market reforms have shifted many economies away from the public monopoly model—with government as operator in productive sectors—to private sector-led growth and development. For instance, provisions on industrial cooperation assume that it is the government's role to set up and manage industries. But the new paradigm calls for governments to provide an enabling environment to encourage private investment in industry and cross-border business opportunities.

Private sector involvement in integration—recognized but limited

The private sector in most African countries is not part of the identification, formulation, and implementation of integration policies and programmes—leaving the burden to government bureaucracies. Many policies are needed to place the private sector at the centre of Africa's integration dialogue and agenda, as an active participant in policy and decisionmaking, as the driving force in cross-border investment and production of goods, and as a driving force in development of infrastructure and provision of services. The regional economic communities have yet to fully assess the capabilities and limitations of their private sectors.

The treaties of most regional economic communities do not specifically address the involvement of the private sector. But the private sector can be an important partner in integration by providing finance and human resources to support regional projects. It can increase intra-Africa trade, develop infrastructure (electric power, telecommunication networks, transport services), supply financial intermediation services, and diversify and improve the quality of production. And through its representatives and organization, the private sector can influence policymaking and push for economic reforms.

Regional economic communities need a high potential payoff as an incentive for the private sector to become involved. In addition to including specific provisions in treaties and protocols, communities and national governments need to identify regional risk mitigation systems, stabilize macroeconomic conditions, establish high institutional quality, maintain an efficient and reliable bureaucracy, and provide rule of law. The private sector must be proactive in its own development and adopt a long-term investment perspective—and improve organization.

> *“The communities show too much independence in their integration agendas, and their treaties appear to take precedence over the Abuja Treaty”*

The communities show too much independence in their integration agendas, and their treaties appear to take precedence over the Abuja Treaty

Africa’s regional integration frameworks—a loose or strictly binding blueprint for action?

Once expected to serve as the building blocks of the African Economic Community, the regional economic communities are now expected to form the basis of the African Union. But the communities show too much independence in their integration agendas, and their treaties appear to take precedence over the Abuja Treaty in formulating and implementing policy. No hard and fast rules bind integration agendas to the continental framework, and no supranational authority provides oversight, leaving several broad issues to be addressed:

- The relationship between the Abuja Treaty and the African Union is still ambiguous.
- Continental blueprints for integration have served mostly as loose frameworks, not as rule-based points of reference requiring all regional economic communities and member states to comply. They rely mainly on the “best endeavour efforts” of communities and member states.
- Mechanisms for coordinating, monitoring, and following up on Africa’s integration agenda at the national, subregional, and regional levels are inadequate and ineffective.

Global exigencies—yet to be fully grasped

Globalization and world trade liberalization mean that Africa cannot ignore the requirements of the multilateral trading system while pursuing integration. Most African regional economic communities have yet to be recognized under the World Trade Organization (WTO) rules governing regional trading arrangements (GATT Article XXIV). The impact of trading blocs that will connect some African subregions with the European Union has yet to be fully grasped. The African Growth and Opportunity Act, passed in the United States in 2000, introduces yet another dimension to the North-South equation. African regional economic communities need to respond to changing global realities, preparing their member states to take advantage of the opportunities of global trade—including building the capacity to successfully conduct international negotiations (such as those within the WTO framework) and ensuring that they adequately reflect African interests and concerns.

Launching the African Union on a firmer footing

> *The African Union should provide an impetus for relaunching the integration agenda and positioning Africa in the global economic and political mainstream*

Moving forward on integration requires stronger and unwavering political commitment, more visionary leadership, and more intense effort than have been demonstrated so far. The African Union should provide an impetus for relaunching the integration agenda and positioning Africa in the global economic and political mainstream. It should be the vehicle to help transform Africa and bring hope and prosperity to its people.

For the African Union to accelerate integration, several fundamental questions must be answered immediately. To ensure that the African Union is well anchored, member states must reinforce their institutional foundation and political will and address some of the immediate sectoral challenges.

If the African Union is to succeed at integration, it must act within the next two to three years on these prerequisites—otherwise it risks losing momentum and faith in its ability to change or improve the status quo. For unity to succeed African leaders and people need to demonstrate political will and exercise good governance.

Timing and sequencing of African Union institutions

Mapping out the components and targets of the African Union architecture requires an integrated perspective. Some fundamentals need to be handled first before progressing to other parts of the African Union. A single central vision of the way forward is needed at the outset to clarify and reconcile any duplication or bifurcation of paths. The following are suggestions for how actions can be sequenced:

- Reconcile the African Union with the African Economic Community Treaty and the New Partnership for Africa's Development (NEPAD) to clear any lingering confusion, misinterpretation, and misunderstanding about the link—or lack of it—among these various blueprints.
- Establish the African Parliament to mobilize popular support, spur debate over the African Union, and promote timely democratization and transparency of the process.
- Establish consultative mechanisms to institutionalize involvement of all stakeholders, including the private sector and civil society, at the early stages.
- Establish the African Court of Justice to play a vanguard role with the African Parliament in promoting good governance, human rights, and democratization of the African Union's institutions and organs and in building a strong moral and constitutional foundation for it.
- Establish the Economic, Social, and Cultural Council with relevant technical committees to prepare the groundwork for accelerating regional integration (policy convergence, infrastructure).

- Adopt special concurrent measures to move quickly towards the free movement of people, goods, services, and capital as a precursor to accelerating the amalgamation of Africa's economic and market spaces under the African Union.
- Ensure that the key African Union financial institution, the African Investment Bank, complements existing regional financing institutions and meets the financing needs of the African Union, the regional economic communities, and related programs.
- Establish the African Central Bank after progress has been made towards monetary unions at the regional and subregional levels. Priority should go to strengthening monetary unification enough at the subregional level to create a continental central bank. If the objective is to move rapidly towards a single African currency akin to the euro, it makes sense to set up the African Central Bank promptly. Otherwise, the array of nonconvertible currencies in Africa and weak supranational authority over policy convergence among the regional economic communities would leave a central bank a weak base from which to start.

"The African Union structures need supranational clout to enforce African Union interests first over parochial national interests"

Reinforcing the African Union and regional economic communities with resources and authority

Sustaining a credible framework and system of legal rights and obligations requires strong monitoring and surveillance mechanisms. The African Union cannot simply depend on loose nonenforceable protocols whose implementation depends on best endeavour efforts of member states. Decisions by the African Union and regional economic communities should not be implemented only when a member state is ready and willing to abide by them—they should be implemented as a single legally binding undertaking.

The African Union structures, especially the regional economic communities, the African Parliament, and the Court of Justice, need supranational clout to enforce African Union interests first over parochial national interests. Their decisions should be legally binding on all member states, and they should be able to invoke sanctions for noncompliance. The African Union must also be equipped with a monitoring capacity to review the compliance of member states with visions, obligations, and commitments. Doing so will make it easier to harmonize national policies with the objectives, strategies, and commitments of the African Union and the regional economic communities.

The African Union Commission and the secretariats of the regional economic communities must be fully equipped to participate in the activities of NEPAD. They require human and financial resources to function as centres of excellence. On financial issues, a clearer distinction should be made between financing the secretariat structures and financing development and integration activities.

NEPAD and the African Union. Institutional and functional relationships between NEPAD and the African Union as well as between NEPAD and the regional economic communities were not clearly defined in the NEPAD framework, leading the Heads of State and Government Implementation Committee (HSGIC) to indicate that

NEPAD is the socioeconomic programme of the African Union. NEPAD and its structures will remain separate from the African Union secretariat, and the relationship between the African Union structures and the NEPAD secretariat will be characterized by closer coordination, cooperation, and collaboration. HSGIC will report annually to the African Union Summit. The chair of the African Union and the chair of the Commission of the African Union are ex officio members of the HSGIC. The Commission of the African Union is expected to participate in the NEPAD Steering Committee meetings.

"The African Union Commission and the secretariats of regional economic communities can also help coordinate donor assistance to aid integration"

The current NEPAD secretariat is an interim arrangement, to service the HSGIC pending completion of the transition to the African Union. NEPAD will eventually be fully integrated into the African Union structure and process.

Regional economic communities and NEPAD. The regional economic communities are the building blocks for integrating the continent and are central to promoting ownership of NEPAD—along with national governments that are the drivers and owners of NEPAD programmes. After the Yamoussoukro Summit in May 2002, for example, ECOWAS became the main driver and implementer of NEPAD in West Africa. The ECOWAS secretariat has already approached donors for additional funding to increase its capacity.

Ensuring effective donor coordination to support Africa's integration

The African Union Commission and the secretariats of regional economic communities can also help coordinate donor assistance to aid integration. The African Development Bank, the Economic Commission for Africa, the European Union, the World Bank, and a host of other institutions and countries continue to show interest in supporting Africa's integration agenda. It has been difficult for the African Union Commission and the regional economic communities to prevent overlapping assistance from these sources. But it is in the collective interest of the African Union, regional economic communities, and development partners to ensure that coordination improves the effectiveness of aid.

Rationalizing the regional economic communities. Multiple, uncoordinated, and poorly supported regional economic communities will not be solid enough building blocks to create the much-needed African Union. The Economic Commission for Africa will devote its next report on Africa's integration to rationalizing the regional economic communities—to help member states make informed decisions. In the meantime, creation of additional integration groupings should stop and member states should evaluate the costs and benefits of memberships in multiple regional economic communities, with a view to eventually adhering to only one community.

Anchoring the African Union on a solid financial basis. A flaw in the African Union is the absence of a financial plan for its establishment. The European Union could not have reached its present level of sophistication without innovative, adequate, and sustained financing through various mechanisms, including selected imposition of taxes. Today, the EU-financed budget runs in the billions of dollars, with a significant share used to level the playing field by supporting the economies of weaker countries under the Structural Fund.

Africa's integration and the African Union cannot be funded solely by the traditionally unreliable financial contributions of member states or outside support. Relying principally on assessed contributions has proven unsustainable for regional economic communities. And dependence on external assistance, decreasing lately, is not a viable way to buttress the African Union or integration in general because it is so capital-intensive. Building an effective African Union and ensuring a brighter future for Africa's integration require more than a precarious dependence on these limited traditional sources of financing. They require more innovative and sustainable approaches to achieve an autonomous and self-dependent integration process (box 4.1).

> *External assistance, decreasing lately, is not a viable way to buttress the African Union or integration in general*

Box 4.1

Guiding principles for sustaining financing

It is necessary to identify the key players in Africa's integration process and define or clarify their roles. Any intergovernmental organization or institutional arrangement purporting to advance the course of Africa's integration may have legitimate claims on resources mobilized to finance the process. But such claims have to be scrutinized for what they are worth, implying that the current potpourri of institutional and operational settings should be looked into, streamlined, or rationalized, leaving a core coordinated arrangement for building the African Union and revitalizing Africa's integration.

Only a few critical organizations may be worth retaining and becoming eligible for support from the African Union and related resources. Rationalizing the various entities requires addressing some difficult issues. For instance, clarifying the precise roles of the proposed African Investment Bank and the existing African Development Bank will prevent duplicative mechanisms competing for the same and limited resources, as will clarifying the roles of the organs of the regional economic communities and those of the African Union. Another task is determining what technical bodies (bilateral or subregional intergovernmental organizations) should be retained by the regional economic communities or the African Union and how their interrelationships should be defined.

Once the maze of institutional settings has been navigated, it will be necessary to estimate the short-, medium-, and long-term financial needs (operating expenses and operational activities) of all the core actors, avoiding duplication of effort. The exercise must be as accurate and predictable as possible, with objective criteria for allocating resources, where possible.

The self-financing mechanism approach can, according to technical studies and its application by the West African Economic and Monetary Union (and to some extent by the Central African Economic and Monetary Community and the Economic Community of West African States), be a viable and sustainable formula for overcoming the financial crunch facing regional economic communities. Indeed, even with a very low rate the yield of such a levy would be significant and could grow steadily.

Source: *Economic Commission for Africa, from official sources.*

Countries need to set up an integration ministry, relevant subnational structures, or an appointed coordinator with full authority and capacity

Fulfilling responsibilities by member states. Member states need to demonstrate their political commitment to integration at the national level through serious measures and actions to implement community decisions. They must provide maximum support to the regional economic communities, including endowing them with adequate supranational authority to enforce implementation of such decisions. Specifically, countries need to set up an integration ministry, relevant subnational structures, or an appointed coordinator with full authority and capacity to coordinate and monitor the implementation of the commitments made to regional economic communities and the African Union. This authority should include the ability to ensure more efficient coordination between the objectives and instruments of regional integration and national economic policymaking organs, to ensure payment of assessed contributions on a regular basis, and to follow up on regional programmes and commitments. Each country should also set up a national task force with representatives from the private sector and civil society to map out a strategy to fulfil its responsibilities.

Other subregional and regional actions. As building blocks for the African Union, the regional economic communities must be streamlined and strengthened to ensure that they:

- Avoid engaging in activities in which others—for example, nation states or regional organizations—have comparative advantage.
- Operate as efficiently as possible, with the power to exercise sanctions on countries that fail to fulfil their obligations.
- Set priorities for their activities, striking a balance between social dimensions and economic priorities.
- Develop a coherent approach to working with other stakeholders—including civil society, political parties, women, and youth—in the interest of the common good.
- Meet their obligations under the WTO and position themselves effectively for negotiations with the European Union.

At the continent level, stakeholders need to take steps to:

- Adopt a rule-based system for implementing Africa's regional integration agenda to enforce standards and commitments to integration at all levels.
- Develop a rigorous coordinating and monitoring mechanism to track progress on integration at all levels.
- Build mass awareness of integration among the African people and involve them in the process.
- Hold member states accountable to the common values embedded in the rule of law, constitutionalism, good economic and political governance, and respect for human rights.
- Institutionalize the involvement of the private sector in the structures of the African Union's decisionmaking.

Sectoral actions

In the near term the African Union and the regional economic communities should concentrate on select priorities in line with advancing regional integration and the NEPAD objectives.

Trade and market integration

Important trade-enhancing issues must be addressed with trade liberalization to create a successful programme of trade and market integration in each of the regional economic communities. The following recommendations will move African integration forward:

> *All regional economic communities should adopt common documents for cross-border transactions and clearance of cargo, vehicles, and people*

- All regional economic communities should adopt common documents for cross-border transactions and clearance of cargo, vehicles, and people—including traders and business people—by December 31, 2004. There should be common documentation across Africa by December 31, 2007.
- Targets for completing free trade areas and customs unions need to be fully met. There have been too many postponements, partly due to some countries' inability to fulfil their commitments to tariff and nontariff elimination schedules. Failure to fulfil commitments within agreed timeframes should be fully justified, negotiated, and agreed to with the regional economic communities. Only then can a member state be allowed derogation for noncompliance within a very specific limited time frame.
- The role of the private sector in intraregional trade expansion and market integration in Africa must be encouraged and strengthened. Cross-border private investment in industry, agriculture, and infrastructure should be encouraged through investment-friendly policies—for example, establishing charters on investment that harmonize policies and encourage cross-border investments.
- Because trade and industry go hand in hand, trade and industrial policies should be harmonized not only within each regional economic community but also across communities to focus equal attention on manufacturing as a driving force to trade development and promotion within the communities and in global markets.

Monetary integration and macroeconomic policy convergence

Monetary integration and policy convergence can yield large payoffs for African economies. For the expected benefits to outweigh the expected costs, careful prioritization and design of institutions are required. Integration results in common policies even in the presence of significant cross-country asymmetries. So conflicts are likely to arise over policy objectives and responses, allocation of seigniorage revenues, and equitable distribution of costs and benefits among participants. These conflicts can endanger the sustainability of the process, so the designs of conflict resolution mechanisms, redistribution schemes, and associated rules of enforcement are critical for success.

Several regional economic communities are trying to form a full economic union with a single currency. This requires appropriate supranational monetary institutions (a common central bank) and a specific transition process. The common central bank should be independent from national governments, and its mandate should focus on monetary (price) stability, as other monetary unions have done. A transition phase should allow participating countries to develop a macroeconomic policy mix consistent with the common monetary policy and to adopt such economic reforms as free movement of capital between countries and a fixed exchange rate system. Imposing convergence criteria would help these changes succeed.

> *Some of the regional economic communities have already started to establish deeper monetary integration for the long term*

Some of the regional economic communities have already started policy convergence to establish deeper monetary integration for the long term. Despite some progress, other factors have constrained their ability to achieve low inflation and fiscal stability. Additional efforts to make convergence effective through the credible commitment of countries are therefore needed. Enforcement rules and penalties for noncomplying countries appear to be possible commitment mechanisms.

Integrating financial markets is another important source of economic benefits for African countries. Underdeveloped financial systems limit growth prospects by distorting the mobilization and efficient allocation of resources to profitable projects. Establishing regional capital markets, removing barriers to cross-border investments (current account convertibility, harmonization for regulatory frameworks), and forming regional financial institutions help countries overcome the constraints incorporated in an exclusively national approach to financial development. A regional perspective will facilitate the formation of a critical mass and the realization of productivity and efficiency gains in the financial sector.

Infrastructure

Transport, communications, and energy infrastructure; water resources development; and food and agriculture are important components of regional integration.

Transport and communications. In transport and communications, member states should focus on:

- Implementing the Plan of Action for the Way Forward beyond the United Nations Transport and Communications Decade adopted by the 12th Conference of African Ministers of Transport and Communications in March 2002 in Addis Ababa. Sufficient resources should be provided to implement policy reforms, increase private sector participation, build capacity for human resources and institutional development, complete priority infrastructure of the Trans-African Highway, include infrastructure development in poverty reduction strategies, establish a database to monitor performance, improve facilitation in selected priority corridors of regional economic communities, and develop the use of information and communications technology in operational and traffic management of infrastructure services in Africa.
- Giving priority to the NEPAD Short Term Action Plan.
- Fully liberalizing air transport without delay under agreements such as the Yamoussoukro decision, which comes into full effect in June 2002.

- Implementing the Regional African Satellite Communications project to ensure information and communications technology connections across Africa.
- Strengthening political commitment to implement subregional and regional agreements and conventions on infrastructure development in Africa.

Energy. Accelerating the implementation of power pooling and gas pipeline programs already initiated, such as:

- The West African Power Pool.
- The West African Gas Pipeline.
- The Zambia–Tanzania–Kenya Power Interconnector.
- The Kenya–Uganda Oil Pipeline.

The transboundary nature of most African water resources makes regional cooperation in water management a necessity

Water. The transboundary nature of most African water resources makes regional cooperation in water management a necessity. Such cooperation has occurred mostly through intergovernmental river and lake basin organizations. But the lack of strong political commitment, overly ambitious programs, limited resources (both human and financial), and political instability have significantly reduced the effectiveness of these organizations. While revitalizing river basin organizations is an urgent priority, regional economic communities can play a role in coordinating sectoral policies, mobilizing funds, and building capacity for integrated water resources development.

To avoid the inefficiencies of duplication, the relationship between regional economic communities and river basin organizations needs to be rationalized along the lines suggested by the positive experiences of SADC and by the successful Nile Basin Initiative, both of which show how water sharing can contribute to regional integration.

Food and agriculture. Improving food security, increasing productivity in the agricultural sector, and expanding markets and trade call for regional and national action. Regional economic communities have several roles:

- Establishing joint early warning systems for food security, pests, diseases, and extreme climatic conditions; promoting regional partnerships for the implementation of agrometeorology services; and watching for, preventing, and containing transboundary livestock diseases.
- Removing barriers to trade for creating regional markets to exploit economies of scale to favour increases in productivity and competitiveness, and designing trade policies that take into account seasonal differences and varying states of food security within subregions.
- Pooling resources and competencies to undertake large infrastructure development plans, which can also have positive spillovers that make subregions more attractive for foreign direct investment.
- Disseminating knowledge and building capacity in such areas as processing technologies, trade negotiations, and managing commodity trade unions.

Factor mobility

Factor mobility has yet to be significantly liberalized in regional economic communities. Few countries have liberalized the movement of capital, including access by non-nationals to land or some sectors (banking, insurance, energy). Labour mobility contributes to tension between nationals and migratory labour, particularly in situations of high local unemployment. Security concerns also underlie hesitation to allow factor mobility. But factor mobility is indispensable for achieving the kind of integration almost all regional economic communities are pursuing and on which the African Union is anchored. Pooling markets by removing internal barriers should be accompanied by removing restrictions on factor mobility. Harmonizing investment codes across the subregional space will liberalize markets enough to stimulate a response in domestic and foreign investment, boosting manufacturing and trade.

> *Pooling markets by removing internal barriers should be accompanied by removing restrictions on factor mobility*

Peace and security

Lack of popular participation and official accountability has resulted in widespread social injustice and gross inequalities in many African countries, breeding civil strife (Obasanjo and Mosha 1993). Peace without justice is not sustainable. Alleviation of poverty and broad-based participation in governance will promote regional peace and security.

Regional economic communities need to develop convergence criteria that require member states to be more accountable, responsible, and transparent and that guarantee the independence of the judiciary, that create collaborative mechanisms to promote dialogue and narrow differences between opposition and ruling parties, that put the interests of the nation above personal interests, and that strengthen the ability of parliaments and their legislative committees to be effective instruments of checks and balances.

Continental, regional, and subregional treaties, protocols, and institutional mechanisms on integration need to incorporate provisions allowing for regional and subregional intervention in the internal affairs of member states under certain grave conditions, such as serious human rights abuses, threats to the civilian population, or unconstitutional attempts to overthrow a democratically elected government. And the African Union Security Council should become fully functional without delay and streamline these efforts.

Education and training institutions should play a pivotal role in Africa's quest for durable peace, security, and good governance and in regional integration. The specific function of educational systems was stated succinctly in the United Nations Educational, Social, and Cultural Organization Articles of Incorporation: "As war begins first in the minds of men, so it is first in the mind that peace-making must begin. To this end, educational curricula need to adapt to the imperatives for peace, justice, security, good governance, and regional integration in Africa".

Many conflicts in Africa are based, at least in part, on inconclusive elections and unresolved electoral disputes. Therefore, each regional economic community should establish an elections management and supervisory commission with representatives from media institutions, business groups, civil society organizations, human rights groups, women's organizations, and other interested parties. The functions of the commission should include:

- Collaborating with each country's election commission to manage general presidential and parliamentary elections. Such collaboration should begin at least six months before elections to empower the electorate and add regional legitimacy and credibility to the results of elections.
- Working with international election observers and monitors from such groups as the Organization of African Unity (now the African Union), the European Union, the Commonwealth, and U.S. monitors such as the Carter Center, National Democratic Institute, and the National Republican Institute.
- Mobilizing regional and international resources (expertise, finance, and equipment) for free and fair elections in member states.
- Jointly certifying all member states' general presidential and parliamentary elections in collaboration with international monitors, observers, and state election commissions.

"Regional economic communities need to be rationalized and empowered to act on behalf of their member countries"

Member states of regional integration communities should declare an annual commemorative week on "Regional Integration" to instil a sense of belonging in the population at large. During that week a broad-based national committee of stakeholders and constituencies should plan and implement programs and activities on peace, justice, security, governance, and regional integration. Participants should come from schools, colleges, universities, businesses, ministries and departments of education, youth, and sports, political parties, women's organizations, and other civil society nongovernmental organizations. The support and participation of development partners, donors, and U.N. agencies would also be useful.

Conclusion

Regional integration efforts in Africa, though moving in the right direction and broadly based, are sorely inadequate. Between 1994 and 1996 integration surged across regional economic communities and economic sectors, but since then there has been stagnation—and sometimes backsliding. Lack of significant progress does not bode well for integration and points to the enormous challenge that the nascent African Union faces in boosting Africa's integration to levels comparable to those in other regions.

Regional economic communities, as the main operators of regional integration, have not received the supranational authority required to ensure implementation of collective decisions and enforce policy convergence. They need to be rationalized and empowered to act on behalf of their member countries. Deeper, more coordinated, more effective regional integration means giving these institutions the authority to oversee the implementation, monitoring, and coordination of regional integration activities. By working together under the ambit of the African Union, they could be more successful in their integration efforts.

"Action among regional and international institutions must be coordinated to provide economic integration initiatives with the necessary support and backup"

Financing regional integration is another critical constraint, reflected in the under-funding of regional economic community secretariats and regional and continental integration programmes. Regional initiatives remain financially strapped and lack an effective constituency. The slow pace of regional integration can also be traced to political conflicts and resource constraints. Conflicts dissipate national resources and sow discord among members of regional economic communities, and they complicate the regional political agenda.

Renewed integration efforts are less likely to succeed without decisive steps to remove such institutional, economic, and political constraints. Priorities should be strengthening productive capacity and broadening participation in integration by developing a more prominent role for the private sector. To sustain integration, sectoral and inter-sectoral regional links will be necessary. The African Union should take the initiative in reinvigorating the process, setting priorities for Africa's integration agenda.

Implementation of regional integration schemes raises three broad issues. First, mechanisms must be identified to channel information on the potential benefits from integration to all parties involved, so that a broad consensus for the process can be created. Second, appropriate incentive-compatible schemes are required to lock in the commitment of states to implement agreed treaties. Third, action among regional and international institutions must be coordinated to provide economic integration initiatives with the necessary support and backup.

African countries need to move quickly to sustain the African Union. Africa cannot afford to fail in this noble enterprise of regional integration. African leaders and the African people have a historic opportunity to realize their cherished dream of unity. They must act individually and collectively to advance the agenda of the African Union.

Part 1

References for Part 1

Adebayo, Adedeji. 1991. *Preparing Africa for the Twenty-First Century: Agenda for the 1990's.* Addis Ababa: United Nations Economic Commission for Africa.

African Development Bank. 2000. "Regional Integration in Africa." In *African Development Report*. New York: Oxford University Press.

Alemayehu, Geda. 2002. *Finance and Trade in Africa: Macroeconomic Response in a World Economy Context*. London: Macmillan.

Alemayehu, Geda, and Haile Kibret. Forthcoming. "Regional Economic Integration in Africa: A Review of Problems and Prospects with Case Study of COMESA." Working Paper. Addis Ababa University, Department of Economics, Addis Ababa.

Ali, A.A.G., and E. Thorbecke. 2000. "Poverty in Sub-Saharan Africa: Magnitude and Characteristics." *Journal of African Economies* 9 (Supplement 1).

Amoako, K.Y. 2000. *Perspectives on Africa's Development*. Selected Speeches.

Anderson, James E., and Eric van Wincoop. 2000. "Borders, Trade and Welfare." Paper prepared for the 2001 Brookings Institution Trade Forum on Globalization: Issues and Implications, May 10–11, Washington, D.C.

Aryeety, Earnest. 2001. *Regional Integration in West Africa.* OECD Development Centre, Technical Paper 170. Paris: Organisation for Economic Co-operation and Development.

Aryeety, Earnest, and A. Oduro. 1996. "Regional Integration Efforts in Africa: an Overview." In J.J. Teunissen, ed., *Regionalism and the Global Economy: The Case of Africa*. The Hague: Forum on Debt and Development.

Assante, S.K.B. 1996. *The Strategies of Regional Integration in Africa*. Accra: Frederic Ebert Foundation.

AU (African Union). 2000. "Constitutive Act of the African Union." Lomé.

Balassa, B. 1961. *The Theory of Economic Integration*. Homewood, Ill.: Irwin.

———. 1973. *The Theory of Economic Integration*. London: Allen and Unwin.

Ben-David, Dan. 1993. "Equalizing Exchange: Trade Liberalization and Income Convergence." *Quarterly Journal of Economics* 108(3): 653–79.

Blomström, Magnus, and Ari Kokko. 1997. "Regional Integration and Foreign Direct Investment." Working Paper Series in Economics and Finance 172. Stockholm School of Economics, Stockholm.

Bond, Eric W. 1997. "Transportation Infrastructure Investments and Regional Trade Liberalization." Policy Research Working Paper 1851. World Bank, Washington, D.C.

Brenton, Paul, and Miriam Manchin. 2002. "Making EU Trade Agreements Work: The Role of Rules of Origin." CEPS Working Document 183. Centre for European Policy Studies, Brussels.

Brown, A.J. 1961. "Economic Separatism vs. a Common Market in Developing Countries." *Yorkshire Bulletin of Economic and Social Research* 13.

Coller, P. 1979. "The Welfare Effects of Customs Union: An Anatomy." *Economic Journal* 89: 84–95.

———. 1999. "Explaining African Economic Performance." *Journal of Economic Literature* 37(1): 64–111.

Coller, P., and J. Gunning. 1996. "Linkages Between Trade Policy and Regional Integration." African Economic Research Consortium, Nairobi.

———. 1999. "Explaining African Economic Performance." *Journal of Economic Literature* 37(1): 64–111.

DeRosa, Dean A. 1998. "Regional Integration Arrangements: Static Economic Theory, Quantitative Findings, and Policy Guidelines." Background Paper for the World Bank Policy Research Report Regionalism and Development. Washington, D.C.

Dollar, David. 1992. "Outward-Oriented Developing Economies Really Do Grow More Rapidly: Evidence from 95 LDCs, 1976–85." *Economic Development and Cultural Change* 40(3): 523–44.

Dollar, David, and Aart Kraay. 2000. "Growth *Is* Good for the Poor." World Bank, Development Research Group, Washington, D.C.

Durlauf, S., and D. Quah. 1998. "The New Empirics of Economic Growth." Working Paper 3. University of Wisconsin Madison, Social Systems Research Institute, Madison.

Easterly, William. 2002. *The Elusive Quest for Growth*. Cambridge, Mass.: MIT Press.

Easterly, William, and Ross Levine. 1997. "Africa's Growth Tragedy: Policies and Ethnic Divisions." *Quarterly Journal of Economics* 112(4): 1203–50.

———. 2002. "Tropics, Germs, and Crops: How Endowments Influence Economic Development." Center for Global Development Working Paper 15, Washington, D.C.

ECOWAS (Economic Community of West African States). 2000. "Achievement and Prospects 1975–2000: 25 Years in the Service of Regional Integration." Abuja.

Edwards, Sebastian. 1998. "Opens, Productivity and Growth: What Do We Really Know?" *Economic Journal* 108(447): 383–98.

El-Agraa, A.M., ed. 1988. *International Economic Integration*. Second Edition. Macmillan and St. Martin's: New York.

———. 1989. *The Theory and Measurement of International Economic Integration*. New York: Macmillan and St. Martin's.

———. 1997. *Economic Integration Worldwide*. New York: Macmillan and St. Martin's.

———. 1999. *Regional Integration: Experience, Theory and Measurement*. London: Macmillan; New York: Barnes and Noble.

Elbadawi, I. 1996. "The Impact of Regional Trade/Monetary Schemes on Intra-Sub-Saharan Africa Trade." In A. Oyejide, I. Elbadawi, and P. Collier, eds., *Regional Integration and Trade Liberalization in Subsaharan Africa*. Vol. 2. London: Macmillan.

Erasmus, Hennie, and Frank Flatters. 2003. "Rent-Seeking in Regional Trade Liberalization: Rules of Origin and Other Barriers to Trade in Wheat and Wheat Products." [http://qed.econ.queensu.ca/faculty/flatters/writings/ff&he_wheat_roo.pdf]

Fernandez, Raquel, and Jonathan Portes. 1998. "Returns to Regionalism: An Evaluation of Nontraditional Gains from Regional Trade Agreements." *The World Bank Economic Review* 12(2): 197–220.

Fine, J., and S. Yeo. 1996. "Regional Integration in Sub-Saharan Africa: Dead End or a Fresh Start?" Paper prepared for the AERC project "Regional Integration and Trade Liberalization in SSA." African Economic Research Consortium, Nairobi.

Fischer, Stanley. 2003. "Globalization and its Challenges." American Economic Association Ely Lecture, American Economic Review: Papers and Proceedings, May, Washington, D.C.

Flatters, Frank. 2002a. "Rules of Origin and AGOA: Hard Choices for Textiles and Clothing in SADC." [http://qed.econ.queensu.ca/faculty/flatters/writings/ff_hard_choices.pdf]

———. 2002b. "SADC Rules of Origin: Undermining Regional Free Trade." Prepared for Trade and Industry Policy Secretaritat Forum, September 9–11, Johannesburg. [http://qed.econ.queensu.ca/faculty/flatters/writings/ ff_sadc_roo_tips_forum.pdf]

Flores, R. Jr. 1997. "The Gains from MERCOSUL: A General Equilibrium, Imperfect Competition Evaluation." *Journal of Policy Modeling* 19: 1–18.

Frankel, Jeffery, and David Romer. 1999. "Does Trade Cause Growth." *American Economic Review* 89(3): 379–99.

Hirschman, Albert O. 1958. *The Strategy of Economic Development*. New Haven, Conn.: Yale University Press.

Kennes Walter. 2001. "Strategies for Effective Participation of Developing Countries in the World Trading System." PSIO Occasional Paper 6. Programme for the Study of International Organizations, Geneva.

Krugman, Paul. 1993. "Regionalism Versus Multilateralism: Analytical Notes." In Jaime de Melo and Arvind Panagariya, eds., *New Dimensions in Regional Integration*. Cambridge, New York, Melbourne: Cambridge University Press.

Lewis, Jeffrey D., Sherman Robinson, and Karen Thierfelder. 2002. "Free Trade Agreements and the SADC Economies." Working Paper 27. World Bank, Africa Region, Washington, D.C.

Lipsey, R.G. 1957. "The Theory of Customs Unions: Trade Diversion and Welfare." *Economica* 24(93): 40–46.

———. 1960. "The Theory of Customs Unions: A General Survey." *Economic Journal* 70: 496–513.

Lyakurwa, William M., Andrew Mckay, Nehemiah Ng'eno, and Water Kennes. 1997. "Regional Integration in Southern Africa: A Review of Experiences and Issues." In A. Oyejide, I. Elbadawi, and P. Collier, eds., *Regional Integration and Trade Liberalization in Subsaharan Africa: Framework, Issues and Methodological Perspectives*. Vol. 1. New York: St. Martin's Press.

Madani, Dorsati H. 2001. "South-South Regional Integration and Industrial Growth: The Case of the Andean Pact." Policy Research Working Paper 2614. World Bank, Washington, D.C.

Mayes, D.G. 1971. "The Effects of Alternative Trade Groupings on the UK." PhD Thesis. University of Bristol, United Kingdom.

McCarthy, C. 1996. "Regional Integration, Part of the Solution or Part of the Problem." In Stephen Ellis, ed., *Africa Now*. London: James Currey and Heinemann.

Meade, J.E. 1955. *The Theory of Customs Unions*. Amsterdam: North-Holland.

———. 1964. *Efficiency, Equality and the Ownership of Property*. London: G. Allen and Unwin.

Mistry, Percy S. 1995. "Regional Integration Arrangements in Economic Development: Panacea or Pitfalls?" Forum on Debt and Development Symposium on the Future of Regional Economic Integration, September, The Hague.

———. 2000. "Africa's Record of Regional Cooperation and Integration." *African Affairs* 99(397): 553–73.

Moran, Theodore H. 2001. *Parental Supervision: The New Paradigm for Foreign Direct Investment and Development*. Policy Analyses in International Economics 64. Washington, D.C.: Institute for International Economics.

Mulat, Teshome. 1998. "Multilateralism and Africa's Regional Economic Communities." *Journal of World Trade* 32(4): 115–38.

OAU (Organization of African Unity). 1963. "Charter of the Organization of African Unity," "Protocol of the Commission of Mediation, Conciliation, and Arbitration," and "Functions and Regulations of the General Secretariat." Addis Ababa.

———. 1981. *Lagos Plan of Action for the Economic Development of Africa, 1980–2000.* Addis Ababa.

———. 1991. "Treaty Establishing the African Economic Community." Abuja.

———. 2000. "Constitutive Act of the African Union." Addis Ababa.

Obsanjo, O., and F. Mosha. 1993. "Africa's Agenda and the Role of the USA: A New Approach for a New Era." Africa Leadership Forum, Ota, Nigeria.

Onitri, H.M.A. 1997. "Changing Political and Economical Conditions in Regional Integration in Sub-Saharan Africa." In A. Oyejide, I. Elbadawi, and P. Collier, eds., *Regional Integration and Trade Liberalization in Subsaharan Africa: Framework, Issues and Methodological Perspectives*. Vol. 1. New York: St. Martin's Press.

Oyejide, Ademola, I. Elbadawi, and P. Collier. 1997. "Introduction and Overview." In A. Oyejide, I. Elbadawi and P. Collier, eds., *Regional Integration and Trade Liberalization in Subsaharan Africa: Framework, Issues and Methodological Perspectives*. Vol. 1. New York: St. Martin's Press.

Panagariya, Arvind. 2000. "Preferential Trade Liberalization: The Traditional Theory and New Developments." *Journal of Economic Literature* 38(2): 287–331.

Pangestu, Mari. 2000. "Special and Differential Treatment in the Millennium Round: Special for Whom and How Different?" *The World Economy* 23(9): 1285–1302.

Prebish, Raoul. 1950. "The Economic Development of Latin America and its Principal Problems." New York. UN Sales no. 50.73.9.62. [Reprinted in *Economic Bulletin for Latin America*, 7(1)]

Puga, Diego, and Anthony J. Venables. 1996. "Trading Arrangements and Industrial Development." Discussion Paper 319. Centre for Economic Performance, London.

Robinson, Sherman, and Karen Thierfelder. 1999. "Trade Liberalization and Regional Integration: The Search for Large Numbers." Discussion Paper 34. International Food Policy Research Institute, Trade and Macroeconomics Division, Washington, D.C

Robson, P. 1987. *The Economics of International Integration*. Third Edition. London: Allen and Unwin.

Rodriguez, F., and Dani Rodrik. 2000. "Trade Policy and Economic Growth: A Skeptic's Guide to The Cross-National Evidence." University of Maryland, Department of Economics and Harvard University, J.F. Kennedy School of Government.

Rodrik, Dani. 1992. *The Rush to Free Trade in the Developing World: Why So Late? Why Now? Will it Last?* NBER Working Paper 3947. National Bureau of Economic Research, Cambridge, Mass.

———. 1999. "How Far Will International Economic Integration Go?" Harvard University, J.F. Kennedy School of Government, Cambridge, Mass.

———. 2001a. "The Developing Countries' Hazardous Obsession With Global Integration." Harvard University, J.F. Kennedy School of Government, Cambridge, Mass.

———. 2001b. "The Global Governance of Trade as if Development Really Mattered." United Nations Development Program, New York.

Sachs, Jeffrey, and Andrew Warner. 1995. "Economic Reform and the Process of Global Integration." *Brookings Papers on Economic Activity* 1995(1): 1–118.

SADC (South African Development Community). 2001. "Report of the Extra-ordinary Summit of SADC." Windhoek.

Schiff, Maurice, and L. Alan Winters. 1998. "Regional Integration as Diplomacy." *The World Bank Economic Review* 12(2): 251–70.

———. 2003. *Regional Integration and Development*. New York: Oxford University Press.

Scitovsky, T. 1958. *Economic Theory and Western European Integration*. Stanford: Stanford University Press.

Temple, J. 1999. "The New Growth Evidence." *Journal of Economic Literature* 38: 112–56.

Tinbergen, J. 1954. *International Economic Integration*. Amsterdam: Elsevier.

Tsikata, Yvonne. 2001. *Globalisation, Poverty and Inequality in Sub-Saharan Africa: A Political Economy Appraisal.* OECD Development Centre Technical Paper 183. Paris: Organisation for Economic Co-operation and Development.

U.K. Secretary of State for International Development. 2000. *Eliminating World Poverty: Making Globalisation Work for the Poor*. White Paper on International Development. London: Her Majesty's Stationery Office.

UNCTAD (United Nations Conference on Trade and Development). 1995. *Commodity Yearbook 1995.* Geneva.

UNECA (Economic Commission for Africa). 1989. *African Alternative Framework to Structural Adjustment Programs for Socio-Economic Recovery and Transformation*. Addis Ababa.

———. 2000a. *Economic Report on Africa: The Challenge of Poverty Reduction and Sustainability*. Addis Ababa.

———. 2000b. "Regionalism Versus Multilateralism: An African Perspective." Paper prepared for the WTO Trade Ministers Meeting, Nov 13–15, Libreville.

———. 2001. *Economic Report on Africa: Transforming Africa's Economies*. Addis Ababa.

———. 2002a. *Economic Report on Africa: Tracking Performance and Progress*. Addis Ababa.

———. 2002b. *Third and Final Evaluation Report of the Second United Nations Transport and Communications Decade in Africa (UNTACDA II: 1991–2000).* Addis Ababa.

Vamvakidis, Athanasios. 1998. "Regional Integration and Economic Growth." *The World Bank Economic Review* 12(2): 271–96.

Venables, Anthony J. 1999. "Regional Integration Agreements: A Force for Convergence or Divergence?" Paper prepared for the Annual World Bank Conference on Development Economics, June 26–28, Paris.

———. 2000. "International Trade: Regional Economic Integration." In *International Encyclopedia of Social and Behavioural Sciences*. [www.iesbs.com]

Viner, J. 1950. *The Customs Union Issue*. New York: Carnegie Endowment for International Peace.

Whalley, John. 1999. "Special and Differential Treatment in the Millennium Round." *The World Economy* 22(8): 1065–93.

Winters, Alan L. 1998. "Regionalism Versus Multilateralism." In Richard A. Baldwin, David Cole, Andre Sapir, and Anthony Venables, eds., *Regional Integration*. Cambridge: Cambridge University Press.

Wobst, Peter. 2002. "The Impact of Domestic and Global Trade Liberalization on Five Southern African Countries." Discussion Paper 92. International Food Policy Research Institute, Trade and Macroeconomics Division, Washington, D.C.

World Bank. 2000a. *Can Africa Claim the 21st Century?* Washington, D.C.

———. 2000b. *Trade Blocs*. Washington, D.C.

———. 2002. *Global Economic Prospects and the Developing Countries 2002.* Washington, D.C.

———. 2003. *Global Economic Prospects and the Developing Countries 2003.* Washington, D.C.

Yeats, Alexander J. 1998. "What Can Be Expected from African Regional Trade Arrangements? Some Empirical Evidence." Policy Research Working Paper 4. World Bank, Washington, D.C.

- Are existing continental mechanisms adequate and effective to ensure coordination and harmonization between and among regional economic communities?

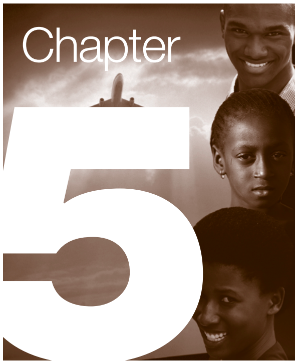
Many African countries have been slow in signing, ratifying, or implementing regional economic community protocols. For this reason some regional economic communities are taking a more expeditious approach: rather than signing protocols that need ratification by national legislative bodies, they adopt "acts" or "decisions" that take effect immediately. This approach, used by UEMOA and CEMAC, could do much to increase efficiency. Perhaps too many protocols are in force to achieve convergence among them. Some may not be absolutely necessary. The African Union could play a role in rationalizing the number and provisions of protocols across the regional economic communities.

The regional economic communities need to align their policies and programmes with continental objectives and the eventual convergence of subregional goals

The regional economic communities would also need to align their policies and programmes with reference to continental objectives and the eventual convergence of subregional goals. To this end, they are required to form their positions under the leadership of the African Union. But to enhance this leverage and to position themselves effectively for the current negotiations with the WTO as well as with the European Union under the Economic Partnership Agreements, the regional economic communities should work together, harmonize their positions and views, and share experiences. In all these endeavours, their efforts could be amply rewarded when they fully involve the private sector in designing the policies and indeed in sharpening the strategies for negotiations.

Note

1. For the sake of consistency and to avoid duplication, some regional economic communities decided to apply the trade protocols of other communities to which some of their members belong.



Trade

International trade theory makes some profound assertions about the welfare of countries in a trading relationship:

- Trade provides an avenue to exchange surplus national production for the products of other countries.
- It encourages resource allocation based on perceived comparative advantage.
- It acts as an engine of economic growth.
- It provides welfare gains even to countries at an absolute disadvantage.

Trade theory recognizes, however, that while free commodity exchange among countries can generate global growth, there is no guarantee that the aggregate benefits will be equitably distributed among trading partners. Some countries may benefit from the trading relationship, and others may lose. Or the trading partners may all gain, albeit in different ways or to different degrees. In practice, many factors determine the benefits a country can derive from a trading relationship—terms of trade, international exchange rates, and the market characteristics of a country's exportable goods.

For most African countries, the structure of trade over the past 40 years can be characterized as follows:

- A commodity structure of exports dominated by primary products in Standard International Trade Classification (SITC) categories 0–4.[1]
- More than 80% of export earnings from primary commodities (ADB 2000).
- A commodity composition of imports heavily weighted in manufactured goods in SITC product categories 5–8.[2]
- A heavy concentration of exports (more than 80%, mostly primary commodities) and imports (a similar share) in markets in Europe, Asia, and North America.

Since the beginning of their modern existence, African countries have produced and exported primary commodities in exchange for manufactured goods. If Africa has any chance of diversifying its production and trade away from dependence on agricultural products and on the northern hemisphere, an integrated continental market offers the best hope for large-scale manufacturing. Developing physical infrastructure, removing commercial obstacles to the free movement of goods and productive resources, and harmonizing monetary, fiscal, and financial policies across the African subregions will vastly improve the operating environment for foreign investors.

The policy challenges of diversifying production and trade help explain why the continent continues to export primary commodities and import manufactures. Individual national markets on the continent are small, whether measured by population or aggregate purchasing power—the main constraint on national economies attempting to diversify the structure of production and trade.

A pillar of almost all integration schemes is fostering intra-Africa trade and unifying each regional marketplace

Another constraint is technological. Underlying the concept of the production function for a manufactured good is the technically determined minimum output that guarantees the lowest average cost of production (or maximum profitability).[3] One well-known economic principle illustrating the diversification dilemma is that specialization is limited by the size of the internal market. Attempts at structural diversification of the economy by most African countries in the 1970s through import-substitution policies failed largely because industrial firms were designed for the small domestic economies. The resulting high-cost ventures were uncompetitive.

For the African continent, market integration is a survival strategy in a global world. The negative economic and social indicators in Africa do not bode well for small countries attempting individually to rise above the growing competition. The 1990s witnessed a renewed tempo of regional integration agreements—even between rich and powerful countries and geographically noncontiguous nations around the world. The concept of a stand-alone nation-state backed by a rigid adherence to national sovereignty is fast disappearing in the new millennium.

So, the drive for regionalism in Africa is rooted in the conviction that most individual countries can accelerate economic growth and development by first overcoming demographic and economic limitations. Of the 53 independent African countries, 38 have fewer than 15 million people, and a third have fewer than 3 million. And of the 46 countries worldwide classified as least developed (in per capita incomes), 31 are in Africa.

Soon after attaining political independence, African countries recognized that regionalism can overcome the limitations of small internal markets. A pillar of almost all integration schemes is fostering intra-Africa trade and unifying each regional marketplace by progressively removing artificial trade barriers within the continent. At issue is whether multilateral trade provides a better avenue for achieving these goals than does regional trade.

Intra-Africa trade and multilateral trade—both important for Africa

An objective of African free trade areas and customs unions is integrating national economies and creating large internal markets that can achieve production efficiency levels comparable to those in industrial countries. The trade and development policy literature provides credible theoretical support for protecting infant industries with tariffs, especially in the developing world.[4] Using common external tariffs for protecting subregional industrial projects is consistent with the findings of this literature.

Benefits of intra-Africa trade

Free trade associations or customs unions can generate other important longer term spinoff effects:

- Enlarged regional markets provide incentives for private cross-border investments and foreign direct investment. The establishment of optimum-sized industrial and service projects, constrained by the limited size of individual country markets, could be facilitated by appropriate trade and macroeconomic policy regimes. For example, the economies of most individual African countries are too small to support a viable steel industry, a sector pivotal to industrialization. The combination of a stable investment climate, transport and communication infrastructure, and sound regional economic policy could provide adequate incentives for large-scale investment in manufacturing and service projects subject to economies of scale.
- Expanded intra-Africa trade should generate faster growth and income convergence in regional economic communities. Integration of subregional markets should create subregional growth poles that can generate sufficient externalities for the less developed member states. The development impact of South Africa on the smaller member states is a case in point.[5] The potential for trade expansion in the regional economic communities to stimulate faster income convergence in the long term is greater than some analysts claim (World Bank 2002b).
- As production structures are diversified away from production and trade of primary commodities, the long-term dependence of African countries on developed market economies for manufactures should weaken.

"Integrating national economies and creating large internal markets can achieve production efficiency levels comparable to those in industrial countries"

Benefits of multilateral trade

While the regional economic communities have adopted policies to create free trade areas and customs unions, they seem to be equally mindful of the potential of multilateralism. Multilateral trade presents a more challenging platform for learning and competing. Succeeding in it requires:

- Constant reliance on new technologies to develop new and superior products. For instance, the automobile industries in the United States and Europe, faced with intense competition from Japan, were compelled to improve their performance by retreating from less competitive models and focusing on new model development. This resulted in strategic and aggressive investments even in regions outside their home markets, and better consumer appeal.
- Development of knowledge-based comparative advantage, coupling new ideas and skills with new technologies to strengthen and sustain competitiveness.
- Use of information technology, such as e-commerce, to facilitate trade, increase consumer appeal, and enhance market share.

- Strategic alliances with other companies in the global market to boost competitiveness and open markets. This is taking place in the aviation industry, with takeovers or mergers reducing costs, improving markets, and increasing profits.

“Full market integration remains impeded by inadequate production of goods and deficient capacities in transport, communications, and energy”

Africa’s total trade averaged 59% of GDP in 1994–2000, with slightly more than half of it multilateral trade (50.6%). Trade within the continent averaged only 8.4% of GDP (table 5.1). Multilateral trade grew at an average of 1.5% of GDP over the period, while intra-African trade grew at only 0.5%. Multilateral trade is thus an important part of Africa’s total trade, but it accounts for only about 2% of world trade, and the share of global manufactured exports is almost zero (World Bank 2000c). Africa must increase this infinitesimal share of global trade while increasing trade within the continent—trading more with the outside world and with itself.

Regional economic communities and market integration

The regional economic communities’ integration process has hinged on market integration with significant, though not quite successful, efforts to introduce various trade liberalization schemes. But full market integration remains an aspiration, its realization impeded by inadequate production of goods and deficient capacities in transport, communications, and energy.

Progress in trade liberalization has been slow, even though some economic communities have made great strides towards free trade and customs union. Progress has been slow because of continual revisions in plans and concerns about the revenue loss implications of trade liberalization. Even if trade liberalization were fully implemented, limited progress on other fronts, particularly infrastructure and productivity, would undermine its effectiveness. The key to unleashing the full potential of trade liberalization and

Table 5.1

Africa’s intra-Africa and multilateral trade, 1994–2000

Item	1994	1995	1996	1997	1998	1999	2000	Average
Trade (% of GDP)								
Intra-Africa trade	8.0	8.5	8.8	8.3	8.3	8.3	8.8	8.4
Multilateral trade	49.3	49.5	49.7	45.6	51.2	50.9	58.0	50.6
Total trade	57.2	58.0	58.5	53.9	59.4	59.2	66.8	59.0
Growth in trade since 1994 (%)								
Intra-Africa trade	na	0.6	0.8	0.3	0.3	0.4	0.8	0.5
Multilateral trade	na	0.2	0.4	–3.6	1.9	1.6	8.7	1.5
Total trade	na	0.8	1.2	–3.3	2.2	2.0	9.6	2.1

na is not applicable.

***Source:** Economic Commission for Africa, compiled from IMF 2001.*

market integration schemes is strong parallel efforts to address infrastructure and production problems. Cooperation needs to be intensified in transport, communications, and energy, as well as in the production sectors.

Eliminating tariffs

Members of the Economic Community of West African States (ECOWAS) began eliminating tariffs on unprocessed goods and traditional handicrafts in 1981 and adopted a scheme for eliminating duties on industrial goods in 1990–2000. But trade liberalization has not been fully implemented in all countries. While all member states except Liberia have eliminated tariffs on unprocessed products, only Benin has done so for industrial goods. Efforts to revitalize trade liberalization have begun with the fast-track initiative between Ghana and Nigeria.

> *The key to unleashing the full potential of trade liberalization and market integration schemes is to have strong parallel efforts to address infrastructure and production problems*

Members of the West African Economic and Monetary Union (UEMOA) committed to creating a free trade area, gradually eliminating tariffs during 1994–2000. All member states are in full compliance with this plan.

The Central African Economic and Monetary Community's (CEMAC) tariff reduction programme was also implemented on schedule. By 1994 all members had eliminated tariffs—fulfilling requirements for the creation of a customs union.

Members of the Common Market for Eastern and Southern Africa (COMESA) began cutting tariffs in 1994, and by 2000 all tariffs were to have been eliminated. Nine of the 20 members of COMESA satisfied this requirement by October 2000, when the free trade area was declared in accordance with the terms of the trade protocol. Some countries have fully liberalized intraregional trade, others only partially. Burundi and Rwanda have already cut tariffs by 80% and 90%, and they plan to join the free trade area by 2004. Ethiopia has cut tariffs by just 10%, while Angola, Namibia, Seychelles, and Swaziland have not cut any tariffs. Namibia and Swaziland were granted a special derogation, however.

East African Community (EAC) members are implementing tariff reductions, with cuts of 90% by Kenya and 80% by Tanzania and Uganda. Coordination and harmonization of trade policies and programmes in the EAC are to be accomplished in tandem, much faster than would have been expected under a free trade area. Negotiations are still under way on a customs union.

The tariff reduction programme for South African Development Community (SADC) members reflects the varying capacities of those economies to face competition from other countries in the community. Unlike in more formal free trade areas, countries were able to choose the products on which to reduce duties so long as the overall goal was attained. Mauritius agreed to allow 65% of imports from South Africa to enter its economy duty free in 2000. But Tanzania could offer only 9% that year, and the removal of its tariffs will be staggered—with 88% lifted by 2008 and 100% by 2012. South African Customs Union (SACU) members of SADC, particularly South Africa, are required to reduce tariffs on intra-SADC trade faster than other members. SACU's offer provides duty-free entry for 77% of non-SACU imports from SADC members by 2000, and 97% by 2008. South Africa will eliminate all tariffs by 2012.

It is difficult to verify the actual performance of members of the regional economic communities in the removal of nontariff barriers

Because the SADC trade protocol is new, the tariff reduction programme has not been finalized. Angola and the Democratic Republic of Congo have not signed the protocol, probably because of their volatile political situations. Seychelles has already committed to COMESA tariff reductions and has few dutiable products to trade with mainland SADC countries. In non-SACU markets that are part of the SADC, imports from Botswana, Lesotho, Namibia, and Swaziland are treated more favourably than imports from South Africa. For these countries this was the price for agreeing to share their preferences in South Africa's market with other SADC members. It also reflected the more rudimentary nature of their production relative to that of South Africa.

SACU activities are limited to implementation of a customs union. Every member has accepted South Africa's external tariff, and there are no duties on trade between group members. Origin rules are similar to, but slightly stricter than, SADC rules and are designed to encourage the use of South African (rather than third country) inputs in production. Duties are distributed based on a formula that favours smaller members. After more than five years of negotiations, this formula was modified to make up for the shortfall in SACU customs collections as the EU–South Africa free trade area is implemented. In addition, a new formula was developed to help Lesotho and Swaziland boost government revenue relative to Bostwana and Namibia.

The Arab Maghreb Union (UMA) had trade liberalization high on its agenda when the organization was established in February 1989. In 1991 UMA countries signed a protocol under which goods originating in and traded among member states would benefit from the elimination of tariffs and nontariff barriers. Tariff elimination has yet to be fully implemented. Members trade more through bilateral arrangements than through the UMA trade protocol.

Members of the Indian Ocean Commission (IOC) initiated a trade liberalization programme under the PRIDE Initiative (an integrated regional program for the development of trade), but so far only Madagascar and Mauritius are applying it. Because most IOC members also belong to COMESA, they are participating in and implementing the COMESA trade regime.

Removing nontariff barriers

It is difficult to verify the actual performance of members of the regional economic communities in the removal of nontariff barriers. Nontariff barriers cover a wide range of trade-retarding policies and activities, most not directly measurable, such as deliberate stalling of customs clearance papers by rent-seeking customs personnel and illegal road blocks to harass cross-border traders. And data on nontariff barriers, unlike data on tariffs, are often not comprehensively published, even at the national level.

However, a recent study by COMESA in some member states found that new nontariff barriers are affecting trade flows in the subregion (COMESA Secretariat 2001). The unsettled position of the nontariff barriers to intra-COMESA trade implies that the COMESA Secretariat must enforce country compliance with this important provision of the protocol on liberalization of intracommunity commodity trade (table 5.2).

Various nontariff barriers also prevail in West Africa, including unofficial fees collected from traders at border crossings, administrative delays at ports, cumbersome customs formalities, and multiple interstate checkpoints and roadblocks (table 5.3).

Table 5.2

Reduction of nontariff barriers in selected COMESA member states, 2001

Country	Indicator
Djibouti	Claimed to have eliminated all target nontariff barriers; COMESA studying compliance.
Ethiopia	Claimed to have eliminated all nontariff barriers; COMESA studying compliance.
Kenya	Kenya study noted existence of quantitative restrictions, import bans, charges, cumbersome duty drawbacks, roadblocks, personnel integrity, administrative charges.
Sudan	Claimed to have eliminated all nontariff barriers; COMESA studying compliance.
Tanzania	Recent study noted the existence of technical, physical, procedural, and immigration restrictions.
Uganda	Recent study noted the existence of border charges, physical, technical, and immigration restrictions, and those related to national policies and laws.
Zambia	Recent study noted the existence of restrictions related to national policies, inspection delays, and road access.

Note: *Target nontariff barriers include quantitative restrictions, import and export licensing, foreign exchange licensing, import source stipulation, import prohibition, import deposit, and charge on foreign exchange.*

Source: *Economic Commission for Africa, from official sources.*

Table 5.3

Official checkpoints on selected routes of West African highways, December 2000

Highway	Distance (kilometres)	Number of checkpoints	Number of checkpoints (per 100 kilometres)
Lagos, Nigeria—Abidjan, Côte d'Ivoire	992	69	7
Lomé, Togo—Ouagadougou, Burkina Faso	989	34	4
Niamey, Niger—Ouagadougou, Burkina Faso	529	20	4
Abidjan, Côte d'Ivoire—Ouagadougou, Burkina Faso	1,122	37	3
Cotonou, Benin—Niamey, Niger	1,036	34	3
Accra, Ghana—Ouagadougou, Burkina Faso	972	15	2

Source: *ECOWAS Secretariat 2001.*

Serious efforts to eliminate nontariff barriers are essential for the eventual success of the free trade area. There is now no sustained regional mechanism for monitoring member country compliance with the provisions of the protocol. A serious drive is required to eliminate these barriers and to overcome tariff hurdles.

Defining rules of origin

The rules of origin should be simple and must be seen to promote investment and trade

By definition, countries that are members of a free trade area facilitate intra-area trade expansion by removing all tariff and nontariff barriers to trade with one another. But each member country maintains an independent commercial policy with respect to nonmembers. Thus, to ensure that members do not cheat on each other and to prevent nonmembers from enjoying the benefits of free trade within the community, rules of origin are needed to identify goods that qualify for free trade treatment. The rules of origin must satisfy General Agreement on Tariffs and Trade (GATT) requirements on barriers to trade with nonmembers. The rules should be simple and must be seen to promote investment and trade. The regional economic communities are conscious of this principle and have striven to make their rules of origin more flexible and conducive to attracting foreign inputs.

In this context, regional economic community programmes to promote trade and market integration are usually accompanied by rules of origin to delineate areas of eligibility for preferential tariff treatment. Origin requirements for products are generally defined by the share of domestic capital and imported inputs used and the share of domestic value added in total product value. But these criteria tend to differ among economic communities—even when they have overlapping membership and originate from the same subregion.

In ECOWAS domestic capital is pegged at 51% of total capital, community raw material at 40% of raw material costs, and domestic value added at 35% of product value. Between 1990 and 2000 the list of industrial products eligible for preferential tariffs jumped from 25 to 1,190.

UEMOA requires domestic value added of 40%, higher than ECOWAS. In the interest of uniformity—given their common membership—the two economic communities have otherwise made stern efforts to adopt the same rules of origin for goods that qualify for reduced or eliminated tariffs. Recently ratified by the Council of Ministers of UEMOA and set to be ratified by ECOWAS by December 2003, a decision of harmonization will align ECOWAS' rules of origin with UEMOA's.

CEMAC requires that domestic inputs account for 40% of the value of total inputs, rising to 50% in 2003 and 60% in 2008. In addition, industrial products should contain locally sourced value added equal to 30% of the factory price, rising to 40% in 2003 and 50% in 2008.

SADC does not appear to have any hard and fast rules in this area, providing that short of products being wholly produced within SADC, there must be a sufficient transformation process. Nonoriginating materials may be used in the manufacture of a product as long as their value does not exceed 10% of the product's factory price.

In the COMESA free trade area, goods must satisfy one of the following criteria: be wholly produced in a member state; contain no more than 60% of imported inputs from nonmember countries; incorporate local value added of at least 35% of total cost; be designated as particularly important to economic development and contain no less than 25% local value added; or be reclassified, after production, under a new tariff heading.

These rules of origin attempt to strike a balance between use of domestic inputs and foreign supplies. The rules fall short of WTO Trade-Related Investment Support Measure requirements on local content restrictions, but there is some merit in encouraging the use of domestic inputs to reduce dependence on imported raw materials and other intermediate inputs while promoting and enhancing value-added activities in the regional economic communities.

"The common external tariff aims to ensure that all producers in the community face the same cost of importing raw materials, components, and capital goods"

Establishing common external tariffs

Removing tariff and nontariff barriers to intracommmunity trade and setting a common external tariff structure for trade with nonmembers of the free trade area would complete the requirements for the establishment of a customs union. Exposure to the same import cost structure ensures fair competition among producers within the economic community. The common external tariff aims to ensure that all producers in the community face the same cost of importing raw materials, components, and capital goods necessary for successful investment and industrialization. A common tariff structure should also encourage foreign investors to locate their production operations in the community to enjoy the cost-reducing benefits of free trade.

Unlike a free trade area, a customs union obliges members to establish a unified tariff structure for third countries. Regional economic communities aspiring to be customs unions cannot avoid establishing common external tariffs. Member states often commission technical studies and engage in intense debates on common external tariffs—to ensure that the common tariff is reasonable, desirably low, and WTO-compatible. Thus, the common external tariff can be seen not as a means of import restriction but as a justifiable industrial policy instrument to diversify subregional production structures. Regional economic communities such as SADC, which have no immediate plans to establish customs unions, are not currently considering a common external tariff.

Having failed to create its customs union as initially scheduled, ECOWAS was forced to postpone the establishment of its common external tariff from 2002 to 2005. But its sister economic community, UEMOA, established common external tariffs in January 2000. For items in category 0, comprising essential social goods, including books and medicines, the tariff is zero. For category 1, which covers raw materials, capital equipment, and certain inputs, the tariff is 5%. Category 2 covers other inputs and intermediate goods and has a 10% tariff. And category 3 contains final consumption goods and other goods not included in the other categories, with a tariff of 20%.

Trade facilitation usually involves simplifying and harmonizing documents and customs procedures and adopting common instruments

In 1994 CEMAC introduced a new common external tariff structure, considered an improvement over the more complicated one in place since 1992. The new tariff covers four categories of goods: items in category 1 (essential goods) face a 5% tariff; category 2 (equipment and raw materials), 10%; category 3 (intermediate goods), 20%; and category 4 (general consumable goods), 30%. A temporary nonrenewable surtax not to exceed 30% was introduced for goods that had been subject to quota restrictions. It was abolished in 2000.

COMESA's common external tariff is expected to go into effect in 2004. Meanwhile, an interim set of common external tariffs has been agreed to, with no tariff on capital goods, 5% on raw materials, 15% on intermediate goods, and 30% on final goods.

EAC hopes to leapfrog into a customs union, bypassing a free trade area. Member states are negotiating the structure of the customs union, particularly the common external tariff. The customs union should be in place within four years of the January 2001 signing of the EAC treaty.

Facilitating and promoting trade

Trade facilitation usually involves practical measures to enhance trade flows among member states, such as simplifying and harmonizing documents and customs procedures and adopting common instruments. A number of regional economic communities have introduced measures to this end.

ECOWAS has introduced Brown Card insurance similar to the COMESA Yellow Card (a vehicle insurance scheme that covers third-party liability and medical expenses) and the Inter-State Road Transit scheme to ease road transit and transport across borders. Some members have not yet ratified the scheme. In addition, ECOWAS adopted the Automated System for Customs Data in 1990, and in 1998 it launched the Trade Opportunity Management System to foster trade and investment by disseminating information on trade and business opportunities and promoting business contacts among economic operators in the community.

CEMAC has adopted a protocol on Inter-State Transit in Central African Countries to facilitate the transit of goods across member states. In most member states, tax and customs administrations in capital cities are equipped with computers for processing import-export operations. And since 1984 an annual trade fair has promoted trade in CEMAC.

SADC's Sub-Committee on Trade Facilitation is responsible for harmonizing trade documentation and procedures. It is studying COMESA rules to minimize confusion for the nine SADC members that also belong to COMESA. Half of SADC members use the Automated System for Customs Data, and the community has set up institutions to eliminate technical barriers to trade, promote quality production, and increase cooperation on standardization, quality assurance, accreditation, and metrology.

Among African economic communities, COMESA has the most extensive programme for trade facilitation and promotion (box 5.1). Because two-thirds of EAC members also belong to COMESA, EAC applies many of COMESA's trade facilitation and promotion measures. EAC has also developed a protocol for cooperation on standardization, quality assurance, metrology, and testing. And EAC is supplementing COMESA's trade facilitation measures with a regional database of trade and investment opportunities, laying the groundwork for a regional investment promotion centre.

Overall intracommunity trade averaged only 10.5% of total exports and 10.1% of imports

EAC is also developing a comprehensive plan to strengthen the role of the private sector and associated bodies such as the East African Business Council. Central to the plan is adopting a common competition policy to promote investment and development in the community. EAC members hope to reach agreement on this policy in tandem with the establishment of their customs union. The collective regulatory framework will also cover harmonized principles to govern investment incentives and promote domestic and foreign investment.

Composition of trade within regional economic communities

Despite an abundance of trade liberalization schemes and reforms to open African markets, intracommunity and inter-Africa trade remains low and undiversified. Despite growing by 7.6% during 1994–2000, overall intracommunity trade averaged only 10.5% of total exports and 10.1% of imports. Inter-Africa trade between regional economic community members and nonmembers fared even more poorly—averaging 7.6% of total exports and 9.0% of imports (figures 5.1 and 5.2). For Africa to attain intracommunity and inter-Africa trade levels comparable to similar trade in other regions, it has to more than double current rates of growth of its internal trade. Thus the continent must deepen and harmonize trade liberalization programmes and address the considerable supply-side constraints. The total picture, however, conceals considerable variations in performance among the regional economic communities.

Table 5.4 shows the shares of Africa's regional economic communities in intracommunity trade, based on the absolute values of exports and imports in 1994–2000.[6] SADC accounts for the largest shares of exports (31%) and imports (30%), partly reflecting South Africa's large economy. Other strong export-oriented economies within SADC, such as Mauritius and Zimbabwe, also contributed. Countries such as Malawi and Mozambique were equally impressive in direct exports to the SADC market. SADC tops the other economic communities despite the fact that it began implementing a trade protocol only in September 2000. As implementation of the protocol gathers momentum, intra-SADC trade will likely increase further.

Box 5.1

Trade facilitation and promotion in COMESA: A model for other regional economic communities

Facilitating and promoting trade requires not only removing tariffs and nontariff barriers, but also simplifying trade and lowering the cost of doing business. Such efforts also promote competitiveness in regional and global markets because they shorten delivery times and cut costs, lowering the price of goods. Unique among African economic communities, COMESA has implemented many measures to facilitate and promote trade:

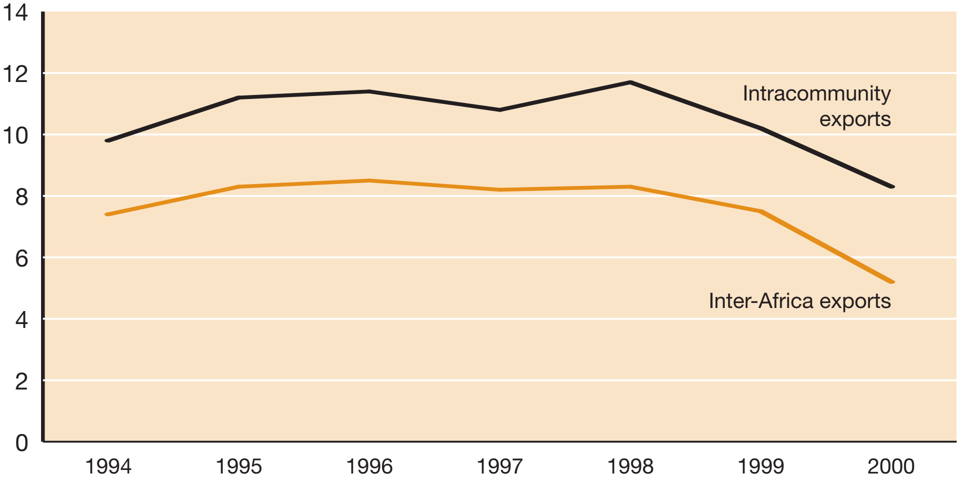
- Harmonized road transit charges in 1991: implemented in at least 10 countries.
- Harmonized axle load limits: operational in 16 countries.
- Carrier license and transit plates: implemented in nine countries by 1998.
- Road transit custom declaration document: in operation since 1986.
- Advance Cargo Information System: a computerized system that tracks the movement of cargo and transport equipment through ports, railways, roads, and lakes.
- Yellow Card vehicle insurance scheme covering third-party liability and medical expenses: operational in 12 countries.
- Customs bond guarantee scheme: meant to eliminate avoidable administrative and financial costs associated with national customs bond guarantees for transit traffic.
- Automated System for Customs Data and Management, a computerized customs data system that records manifests, customs declarations, customs accounting procedures, examination controls, warehousing, import and export licenses and permits, and foreign trade processing procedures: enables faster clearance of goods by customs and generation of accurate, reliable, and timely trade and customs revenue and statistics. EUROTRACE uses foreign trade statistics generated by the system for efficient and effective collection, compilation, and analysis of foreign trade statistics.
- Uniform classification of goods for customs purposes.
- Common statistical rules and regulations: for systematic, comprehensive collection, compilation, analysis, and production of foreign trade statistics.
- Simplification and harmonization of trade documents and procedures: the COMESA customs declaration document is to be used for clearance of exports, imports, transit, and warehousing, replacing all declaration forms being used by member states.
- Common competition rules and harmonization of technical norms and certification procedures.
- Trade information services: facilitate trade through computerized databases, trade directories, trade inquiries, and monthly bulletins.
- Trade support services: to strengthen business organizations such as the Eastern and Southern African Business Organization, chambers of commerce, and other trade promotion and business entities by providing advisory services, organizing trade fairs and seminars, and assisting the private sector to enter into subcontract business.

Source: *COMESA Secretariat 2001.*

ECOWAS ranks second on both exports (almost 20% of the intracommunity total) and imports (21%). The community has made good progress on trade liberalization for unprocessed goods and traditional handicrafts, with all members except Liberia eliminating all tariffs. Less progress has been made on industrial goods, where the tariff reduction schedule has faced problems. Considering that ECOWAS was established

Figure 5.1

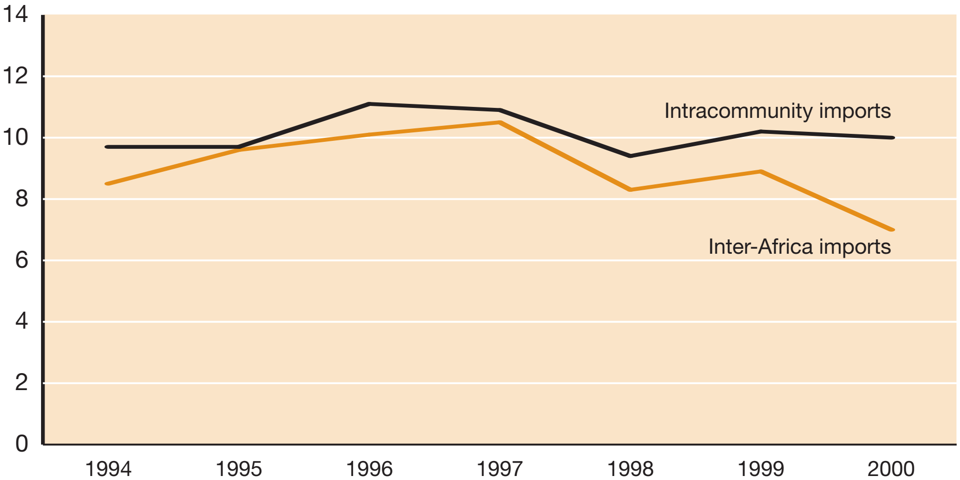
Intracommunity and inter-Africa exports as a share of Africa's total exports, 1994–2000 (%)



Source: *Economic Commission for Africa, compiled from IMF 2001.*

Figure 5.2

Intracommunity and inter-Africa imports as a share of Africa's total imports, 1994–2000 (%)



Source: *Economic Commission for Africa, compiled from IMF 2001.*

nearly three decades ago, its performance ought to be better. Higher trade levels should be possible if ECOWAS makes substantial progress on trade liberalization for industrial goods—and if complete harmony can be achieved between UEMOA and ECOWAS to secure a more unified West African subregional market.

CEN-SAD's share of internal trade ranks third (about 13% of both exports and imports). Of fairly recent creation, with members straddling several regional economic communities, CEN-SAD has yet to develop full-fledged trade. CEN-SAD's imports are concentrated among its UMA members. Libya is the largest UMA exporter to CEN-SAD, followed by Tunisia and Morocco. Non-UMA countries such as Egypt and Nigeria are also important exporters. CEN-SAD appears to offer a broadened market space that most UMA countries can take advantage of and will likely provide a vital trade bridge between the North African subregion (made up primarily of UMA countries) and Sub-Saharan Africa.

COMESA ranks fourth in internal trade (about 9.5% of both exports and imports). The expansion and deepening of its free trade area now under way is expected to generate substantial trade in the subregion. Kenya accounts for almost half of intra-COMESA exports (49%), followed by Zimbabwe (20%). Democratic Republic of Congo, Egypt, Malawi, and Uganda are major destinations of intra-COMESA imports. (See table A5 for more details on country rankings in intracommunity trade.)

Table 5.4

Shares and rankings of regional economic communities in intracommunity exports and imports, 1994–2000 (%)

Regional economic community	Share of exports	Rank	Share of imports	Rank
SADC	31.1	1	30.2	1
ECOWAS	19.8	2	20.9	2
CEN-SAD	12.8	3	13.3	3
COMESA	9.3	4	9.5	4
UMA	8.6	5	8.8	5
UEMOA	5.9	6	5.6	6
EAC	4.7	7	4.2	8
IGAD	4.4	8	4.6	7
ECCAS	1.3	9	1.3	9
CEMAC	1.1	10	1.1	10
IOC	0.7	11	0.3	11
CEPGL	0.1	12	0.1	12
MRU	0.1	12	0.1	12
Total	100.0		100.0	

Note: *Given the significant component of the trade sector in the calculation of the indices, SACU was excluded from this table. SACU's published trade data are usually aggregated and cannot be used for the calculations.*

Source: *Economic Commission for Africa, compiled from IMF 2001.*

Trade in manufactures

Increased capacity to produce and trade manufactured goods is a cornerstone of regional economic communities' integration efforts—and one that should help boost Africa's unenviable 2% share of world trade in manufactures. Ultimately, Africa's regional integration efforts will be judged by the extent to which they help the continent pool its rich, and often rare, resource endowments to enhance economic prosperity, alleviate poverty, and improve its position in the world. The absence of industrial sophistication is one of Africa's greatest weaknesses.

The absence of industrial sophistication is one of Africa's greatest weaknesses

In 1994–99 manufactured output accounted for an average of 12% of GDP in COMESA. Members with shares above the group mean included Egypt, Malawi, Mauritius, Namibia, Seychelles, Swaziland, and Zimbabwe. Industrial performance as measured by growth in manufacturing value added has been deteriorating, with the growth rate slumping from 4.1% a year in 1980–90 to 0.6% in 1990–98. In 1994–98 the communities' manufactured output totalled $111 billion, with Egypt, Kenya, Mauritius, Namibia, Sudan, and Zimbabwe accounting for 86% of the total.

Manufactured output accounts for a similar share of GDP in ECOWAS, where growth in manufacturing value added fell from 3.3% a year in 1980–90 to 1.1% in 1990–98. Manufactured output in ECOWAS is dominated by Côte d'Ivoire, Niger, Nigeria, and Senegal, which accounted for 82% of the region's $33 billion in manufactured output in 1994–98.

In 1994–99 manufacturing accounted for almost 15% of GDP in SADC. The sector's contribution to GDP varied across the region, with strong industrial bases in Mauritius, South Africa, Swaziland, and Zimbabwe. But growth in manufacturing value added fell from 5.3% a year in 1980–90 to just 0.6% in 1990–98. In 1994–98, SADC's industrial output totalled $172 billion, with 92% accounted for by Mauritius, South Africa, and Zimbabwe. South Africa alone accounted for 85%.

Given these examples, it is clear that long-term, concerted efforts will be required for Africa to become an industrial giant in manufactures production and trade. The new African Union should help galvanize a stronger commitment to achieving this goal. Efforts to that end should include:

- Encouraging deeper involvement by private enterprises in formulating and implementing integration programmes.
- Promoting increased investment flows and the acquisition and transfer of high-technology industrial capacity.
- Fostering manufacturing initiatives and networking among African countries—as well as with industrial countries.

In 1994–99 intracommunity exports and imports of manufactured goods, measured in absolute terms, were highest for SADC and CEN-SAD (tables 5.5 and 5.6). The shares

Table 5.5

Intracommunity manufactures exports, 1994–99 average (US$ millions)

Regional economic community	Intracommunity manufactures exports	Top exporting countries
SADC	2,189.9	South Africa (1,817.0), Zimbabwe (264.9), Zambia (28.6), Mozambique (23.0)
CEN-SAD	648.4	Tunisia (194.0), Libya (182.1), Morocco (141.3), Egypt (80.1)
UMA	499.5	Tunisia (233.6), Morocco (152.1), Libya (89.3), Algeria (24.1)
COMESA	401.2	Kenya (152.1), Zimbabwe (96.2), Uganda (79.9), Sudan (18.3)
ECOWAS	371.6	Côte d'Ivoire (194.9), Senegal (70.4), Ghana (44.8), Togo (19.3)
EAC	288.9	Kenya (275.6), Tanzania (8.2), Uganda (5.1)
UEMOA	206.5	Côte d'Ivoire (135.7), Senegal (52.9), Togo (7.4), Mali (5.7)
IGAD	147.0	Kenya (85.7), Uganda (45.2), Sudan (9.2), Ethiopia (6.9)
IOC	69.4	Mauritius (60.9), Madagascar (8.5)
ECCAS	50.0	Cameroon (45.5), Gabon (1.9), Congo Republic (1.5), Central African Republic (1.1)
CEMAC	44.8	Cameroon (41.8) Gabon (1.7), Central African Republic (1.0), Congo Republic (0.3)
MRU[a]	0.2	Guinea (0.2)

a. Manufacturing trade data are not available for Liberia and Sierra Leone.

Source: *Economic Commission for Africa, compiled from UNCTAD data.*

Table 5.6

Intracommunity manufactures imports, 1994–99 average (US$ millions)

Regional economic community	Intracommunity manufactures imports	Top importing countries
SADC	2,146.8	Zimbabwe (860.7), Malawi (215.1), Mozambique (182.9), South Africa (171.9)
CEN-SAD	710.0	Libya (375.8), Egypt (82.4), Tunisia (71.9), Morocco (66.1)
UMA	497.0	Libya (265.7), Algeria (88.4), Tunisia (71.4), Morocco (68.4)
COMESA	400.4	Uganda (144.4), Ethiopia (63.5), Malawi (44.5), Sudan (37.2)
ECOWAS	278.0	Mali (177.7), Benin (28.5), Niger (25.8), Togo (21.0)
EAC	216.6	Uganda (148.1), Tanzania (64.2), Kenya (4.3)
IGAD	206.1	Uganda (138.4), Ethiopia (60.0), Sudan (6.5), Kenya (1.2)
UEMOA	97.3	Benin (27.7), Mali (24.7), Niger (14.8), Senegal (12.4)
ECCAS	30.8	Chad (12.3), Central Africa Republic (9.4), Gabon (5.6), Congo Republic (1.2)
CEMAC	28.9	Chad (12.3), Central Africa Republic (8.2), Gabon (5.5), Cameroon (1.7)
IOC	13.6	Mauritius (7.6), Seychelles (3.0), Madagascar (3.0)
MRU[a]	0.2	Guinea (0.2)

a. Manufacturing trade data are not available for Liberia and Sierra Leone.

Source: *Economic Commission for Africa, compiled from UNCTAD data.*

of manufactured goods in intracommunity exports are shown in table 5.7. Manufactured goods account for 50% or more of intracommunity exports in four groups: IOC (78.9%), SADC (59.8%), EAC (54.0%), and UMA (50.3%). The majority of economic communities have intracommunity exports of manufactures between 16% and 45% of total exports. In ECOWAS, home to seemingly strong economies such as Nigeria, manufactures make up just 16.1% of intracommunity exports.

In most economic communities there are encouraging prospects for significant trade in manufactures among members. These possibilities need to be strengthened through intensified efforts of trade liberalization and targeted industrial cooperation with the private sector. A few countries dominate exports of manufactures. Such domination increases the worries of some member states about imbalances in the gains and losses of the integration process. A much larger number of countries provide the demand for manufactures within economic communities. Sustaining and expanding this demand will stimulate supply and boost intracommunity exports of manufactures.

“In most economic communities there are encouraging prospects for significant trade in manufactures among members”

In the medium to long term the dynamic effects of integration could create opportunities for net importing countries (countries with adverse balance of trade within the community) to exploit their comparative advantages and explore niche markets.

Table 5.7

Intracommunity exports and manufactures exports, 1994–99 average (US$ millions)

Regional economic community	Total intracommunity exports	Intracommunity manufactures exports	Intracommunity manufactures exports as share of total exports (%)
IOC	87.9	69.4	78.9
SADC	3,664.7	2,189.9	59.8
EAC	534.8	288.9	54.0
UMA	992.7	499.5	50.3
CEN-SAD	1,501.5	648.4	43.2
COMESA	1,093.1	401.2	36.7
CEMAC	133.2	44.8	33.7
UEMOA	669.1	206.5	30.9
ECCAS	162.2	50.0	30.8
IGAD	505.7	147.0	29.1
ECOWAS	2,301.8	371.6	16.1
MRU	5.8	0.2	4.2
CEPGL	8.3	—	—

— *not available.*

Source: *Economic Commission for Africa, compiled from UNCTAD data.*

Trade in food

During 1994–99 the value of intracommunity trade in food fluctuated, with no regional economic community showing either steady growth or constant decline. A sharp slump in food trade was often followed by a large increase. Several factors contributed to the erratic nature of food trade, including the changing composition of traded items, climatic variations (resulting in bumper harvests or food deficits), and food aid.

Regional economic communities are highly dependent on trade with the outside world

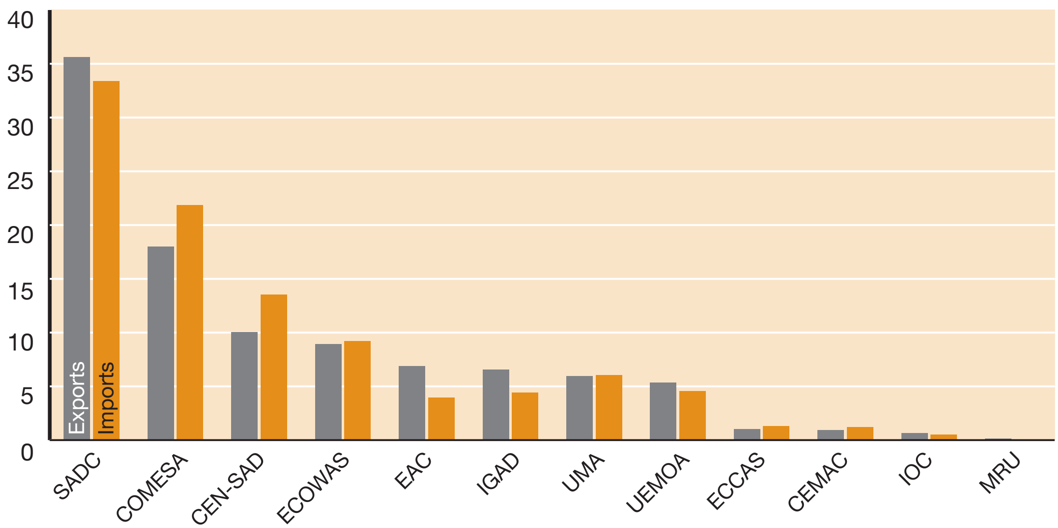
In intracommunity food trade SADC ranks first on food exports and imports, followed by COMESA, CEN-SAD, and ECOWAS (figure 5.3). SADC is home to large food producers, particularly South Africa and Zimbabwe, though recent developments in Zimbabwe have affected its food production capacity. Common culinary preferences drive demand and markets in neighbouring food-deficit countries. And in COMESA and to some extent ECOWAS, the high rankings are partly due to the communities' large numbers of countries and people.

Overall direction of trade—within and outside Africa

The overall direction of trade in 1994–2000 indicates that regional economic communities are highly dependent on trade with the outside world (tables 5.8 and 5.9). Community exports to destinations outside Africa averaged 87.5% of total exports,

Figure 5.3

Shares of regional economic communities in intracommunity food exports and imports, 1994–2000 (%)



Source: *Economic Commission for Africa, compiled from UNCTAD data.*

Table 5.8

Overall direction of export trade, 1994–2000 average (%)

Regional economic community	Intra-community	Rest of Africa	European Union	United States	Other countries
CEMAC	1.9	2.2	41.2	30.5	24.2
CEN-SAD	3.6	3.5	52.7	14.5	25.6
CEPGL	0.6	4.7	64.1	15.4	15.2
COMESA	6.0	8.2	39.3	20.8	25.7
EAC	18.1	12.4	40.5	3.6	25.4
ECCAS	1.9	2.5	45.2	27.7	22.8
ECOWAS	10.3	2.9	39.0	26.1	21.8
IGAD	13.8	13.0	37.4	3.8	31.9
IOC	4.0	3.7	68.5	14.7	9.1
MRU	0.5	4.1	74.4	13.6	7.4
SADC	12.8	4.6	26.6	14.0	42.0
UEMOA	11.2	12.2	45.9	4.9	25.8
UMA	3.1	1.3	71.1	6.3	18.2
Africa average	6.8	5.8	49.7	15.1	22.7

Source: *Economic Commission for Africa, compiled from IMF 2001.*

Table 5.9

Sources of imports to regional economic communities, 1994–2000 average (%)

Regional economic community	Intra-community	Rest of Africa	European Union	United States	Other countries
CEMAC	3.8	9.8	60.2	8.1	18.1
CEN-SAD	3.2	2.9	51.2	8.5	34.3
CEPGL	0.7	33.9	34.9	6.0	24.5
COMESA	3.5	9.7	33.7	10.0	43.1
EAC	9.3	8.9	30.4	5.6	46.0
ECCAS	3.0	16.1	53.4	7.7	19.8
ECOWAS	11.5	2.1	45.8	6.9	33.8
IGAD	7.6	7.3	32.2	5.4	47.5
IOC	1.4	16.4	41.1	3.8	37.3
MRU	0.4	6.0	49.2	4.0	40.4
SADC	10.7	2.1	25.9	6.6	54.7
UEMOA	7.9	12.0	41.7	4.0	34.4
UMA	3.2	1.7	60.8	6.1	28.1
Africa average	5.1	9.7	42.0	6.4	36.8

Source: *Economic Commission for Africa, compiled from IMF 2001.*

while sources outside Africa accounted for an average of 85% of total community imports. So, despite trade liberalization schemes, economic communities still depend on the outside world for trade, for the following reasons:

Regional economic communities should include the informal sector in their policies and activities

- Africa largely produces goods that it does not consume—and imports goods that it does.
- There is limited product diversity since most exports are primary commodities (minerals, timber, coffee, cocoa) that are little used in value-added activities.
- To satisfy demand for many products, particularly for manufactures, countries therefore have to resort to outside markets.
- World trade liberalization and other external initiatives such as the U.S. African Growth and Opportunities Act are encouraging countries to export to world markets. These trends may increase as market access conditions improve.

Informal sector trade

Currently, the integration process focuses on formal economic sectors and activities. The labyrinth of treaties, objectives, plans, and programmes hardly mentions the informal sector. Thus efforts geared towards Africa's integration at the national, subregional, and regional levels have failed to recognize the activities and potential of the informal sector. The success of Africa's integration will depend on its ability to harness the ingenuity, potential, and energy of all segments of society.

The informal sector, which accounts for a significant share of economic activity and the livelihood of large segments of the population, needs greater attention in the integration discourse. About two-thirds of African families are sustained by the informal sector, either directly as operators or indirectly as beneficiaries of the sector's services. A significant level of cross-border trade also occurs within the informal sector. If such trade were captured by official records, intra-African trade would likely be much greater than the current 10%. Moreover, there may be more cross-border movement of capital through informal channels than official records suggest. Capturing the dynamics of the informal sector—particularly in trade—requires reconciling current integration goals, policies, strategies, and programmes with this African reality and adapting research and monitoring of Africa's integration process to include the interaction between the informal sector and the integration process.

Regional economic communities should include the informal sector in their policies and activities. The EAC is beginning to take notice of the informal sector, reflecting the significant cross-border activity within the community at the grass-roots level. For instance, East African borders continue to be penetrated by small subregional traders doing business in Kenya, Tanzania, and Uganda. This reality needs to be considered in policies that target not just big companies and investors, but also small informal traders and economic operators.

Revenue loss after trade liberalization

Reducing trade barriers in economies where tariff revenue is a significant source of government revenue complicates the tradeoff between short-term loss of revenue and expected long-term benefits from regional integration. This issue has been cited by many countries as one of the main problems for regional integration in Africa. In countries that trade a lot within a given community, government revenue losses due to integration could be large because international trade is the main source of tax revenue in many African countries. In countries that trade less with their economic community peers, the static revenue loss due to opening their markets to other community members will be extremely small. But shifting trade from the European Union—the main trading partner for most African countries—to other regional economic community members could mean a considerable loss in tax revenue. Estimating revenue losses requires detailed country studies.

"Shifting trade from the European Union to other regional economic community members could mean a considerable loss in tax revenue"

In a 1997 study assuming full liberalization of intracommunity trade, the estimated revenue loss was less than 0.5% of GDP across the region—not a serious problem. The estimated tax revenue loss from full implementation of the World Trade Organization agreement (that is, complete loss of taxation from foreign trade) is about 2% of Africa's GDP (Mulat 1997). Such aggregate figures, however, may mask large variations across economic community members, as shown by a sample of countries in COMESA (table 5.10).

Table 5.10

Estimated government revenue losses from further integration in selected COMESA member states, 1995–98 (% of total revenue, excluding grants)

Country	1995	1996	1997	1998
Angola	0.01	0.01	0.02	0.03
Burundi	4.46	3.23	1.58	2.47
Comoros	1.05	1.55	2.52	3.18
Djibouti	0.24	0.18	0.18	0.14
Ethiopia	1.00	1.13	0.93	0.90
Kenya	3.80	3.83	5.10	4.65
Madagascar	1.29	1.11	1.14	1.16
Malawi	3.41	4.63	5.31	6.78
Rwanda	14.64	9.55	12.65	5.97
Seychelles	0.52	0.63	0.68	0.56
Tanzania	4.29	4.81	4.36	8.60
Uganda	6.32	6.43	6.81	9.12
Zambia	3.24	5.83	5.35	4.70
Average	3.40	3.30	3.59	3.71
Period average = 3.50				

Note: *The rates are computed as the product of taxes on international trade and the share of each country's trade in total COMESA trade. The calculations ignore the possibilities of shifting to COMESA suppliers and of members institutionalizing a common external tariff (which would be lower than the current rate) on third countries.*

Source: *World Bank African Database 2000.*

The extent of losses in these countries is not as significant as often perceived. The revenue loss averages 3.5% of government revenue (excluding grants) for 1995–98, partly reflecting the low level of intra-Africa trade. But this average hides the possible adverse effect on countries such as Malawi, Rwanda, Tanzania, and Uganda. This may not be a significant problem, given the increasing importance of value-added and income taxes and the already low level of tariffs (especially for capital goods and raw materials). There may also be dynamic gains from growth spurred by integration. But if the loss is pressing, a compensation mechanism could be designed for countries with critical problems.

Trade and industrial policies need to be harmonized both within and across economic communities

Moreover, losses could increase over time, suggesting that liberalization would be cheaper now than later. If all regional economic community members were to shift a large share of their trade towards other members, revenue losses could become a major problem—unlikely in the short to medium term. Finally, the weak competitive positions of firms in some countries could affect not only domestic revenue but also industrial policy—hindering integration.

Ten steps on the way forward

1. The trade liberalization programmes need to be brought up to speed. Regional economic communities that have fallen behind should revitalize their efforts by implementing free trade within a reasonable period, preferably two years. This could involve ECOWAS, UMA, and ECCAS as well as countries not participating in the COMESA fast track. Regional economic communities should also focus on nontariff barriers, increasing transparency in implementing protocols to remove them.

2. Efforts should be intensified to clean up trade agendas by harmonizing policies, removing unnecessary duplication, harmonizing investment codes and factor mobility, and promoting genuine unification of markets. This could provide significant additional cost-saving advantages for multinational corporations operating within the economic community.

3. Huge investments are needed to link entire communities with effective transport, communication, and other physical infrastructure. Such links would substantially cut the cost of doing business in Africa—advancing the goals of trade expansion and market integration within communities. Partnerships with the private sector would help speed construction of these links.

4. Because trade and industry go hand in hand, trade and industrial policies need to be harmonized both within and across economic communities. More countries need to join countries such as Egypt, Mauritius, and South Africa, which have developed capacities to diversify production and export substantial amounts of manufactured products to the rest of Africa. Intersectoral linkages and cross-border private

investment in industry, agriculture, and infrastructure should be encouraged to enhance intracommunity trade.

5. Foreign direct investment has to be encouraged to boost domestic capacity expansion and generate technological spillovers. These can take the form of education and training of local employees, externalities from innovative marketing and management procedures, as well as importation and use of modern machines and equipment incorporating the latest technical innovations.

Foreign direct investment has to be encouraged to boost domestic capacity expansion and generate technological spillovers

6. Becoming competitive should be a core concern of the regional economic communities. The business community could be assisted with ideas for developing new products, new markets, and new ways of doing business. A regular program of monitoring competitiveness, based on developing indicators, guidelines, policies, and capacity-building programs, could identify shortcomings in individual countries and tailor measures to overcome them.

7. Vigorous campaigns should increase awareness of stakeholders and the public at large on the rights and benefits of the regional economic communities' trade liberalization schemes—and intensify the development and dissemination of regular, complete, and accurate information on trading opportunities available within regional markets and beyond. Such mechanisms as EUROTRACE and the Trade Information Network (TINET) could be placed closer to the business community—for example, within enterprise networks rather than governmental structures. These campaigns should also target the elimination of border practices inconsistent with the spirit and letter of trade liberalization schemes. Such measures could go a long way toward reducing informal trade. Economic communities should also study other dynamics of informal trade within their communities and institute measures to help the sector boost formal intracommunity trade and cross-border capital movements.

8. Minimizing peace-shattering disputes within and between member states requires regional economic communities to promote peace, security, and conflict resolution. Each community should put in place an early warning system for the signs of impending conflicts—and institute prompt measures to prevent or minimize their escalation into actual conflicts.

9. Regional economic communities also need to focus attention on multilateral trade, assisting their member states to participate in it effectively. The majority of African countries are members of WTO, and they need to be encouraged to use this avenue to boost their competitiveness and enhance growth. To this end, the communities need to be empowered to lead their member states to successful multilateral trade negotiations.

10. African countries, in future rounds of WTO negotiations, should push for modifications to the principles of the WTO system and the body of agreements,

disciplines, and rules in ways that spotlight the vulnerable position of African and other developing countries. Enforceable statutory provisions are needed to:

- Support efforts for strengthening supply capacities.
- Provide flexibility in the use of instruments to enhance the recovery and transformation of African economies and in the implementation of the global trade liberalization agenda of the WTO.
- Improve market access for products of export interest to Africa.

Notes

1. The SITC categories include food and live animals (section 0), beverages and tobacco (section 1), crude materials except fuel (section 2), mineral fuels (section 3), and animal and vegetable oils and fats (section 4).

2. The SITC categories include chemical and related products (section 5), manufactured goods classified by material (section 6), machinery and transport equipment (section 7), and miscellaneous manufactured articles (section 8).

3. This assumes that all other factors such as managerial efficiency remain unchanged.

4. Bhagwati and Ramaswami 1963; Bhagwati and Srinivasan 1975.

5. These are Botswana, Namibia, Lesotho, and Swaziland.

6. The rankings are based on the percentage shares of intracommunity export and import trade, averaged for all member states within a given regional economic community. Averages are influenced by extreme values within the data series, so poorly performing countries within an economic community drag down overall performance while excellent performers lift overall performance. The regional economic community ranking is calculated from the average score for 1994–2000.

Newly created economic communities like the Community of Sahel-Saharan States (CEN-SAD) appear to be doing better than older economic communities, not because they have sounder programs on trade, but because of the trade flows among the member states and the performance of individual countries rather than the group. Elaborate trade liberalization schemes, while a significant intervention in the right direction, may not earn a correspondingly high rating in intracommunity trade. Members may not be implementing sufficient measures to induce a response to increased trade flows within the community. The IMF and UNCTAD trade data used to calculate these rankings should be viewed in this light.

References

ADB (African Development Bank). 2000. *African Development Report: Regional Integration in Africa.* Abidjan, Côte d'Ivoire.

Ariyo, A., and M.I. Raheem. 1991. "Enhancing Trade Flows within the ECOWAS Sub-Region: An Appraisal and Some Recommendations." Paper Presented at a World Bank Symposium on African Trade Prospects, Washington, D.C.

Aryeetey, E. 2001. *Regional Integration in West Africa.* OECD Development Centre Technical Paper. Paris: Organisation for Economic Co-operation and Development.

Association of Ghana Industries/Confederation of Danish Industries. 2000. "ECOWAS is Dead, Long Live ECOWAS." Accra.

Baldwin, R.E., and A.J. Venables. 1995. "Regional Economic Integration." In G. Grossman and K. Rogoff, eds., *Handbook of International Economics*. Vol. 3. Amsterdam: Elsevier.

Bhagwati, J. 1992. "Regionalism versus Multilateralism." *The World Economy* 15(5): 535–56.

Bhagwati, J., and T.N. Srinivasan. 1975. *Foreign Trade Regimes and Economic Development*. New York: Columbia University Press.

Bhagwati, J., and V.K. Ramaswami. 1963. "Domestic Distortions, Tariffs and the Theory of Optimum Subsidy." *Journal of Political Economy* 71: 44–50.

COMESA (Common Market for Eastern and Southern Africa) Secretariat. 2001. *Annual Report*. Ref. COM/TCM/CT/NTB/1//3 and COM/TCM/NTB/1/4.

DeRosa, D. 1998. "Regional Integration Agreements: Static Economic Theory, Quantitative Findings and Policy Guidelines." World Bank, Washington, D.C.

Dollar, D. 1991. "Outward-oriented Developing Countries Really Do Grow More Rapidly: Evidence from 95 LDCs, 1976–85." *Economic Development and Cultural Change* 40(3): 523–44.

Easterly, W. 2001. "The Lost Decades: Developing Countries' Stagnation in Spite of Policy Reform 1980–98." *Journal of Economic Growth* 9: 135–57.

Easterly, W., and R. Levine. 1997. "Africa's Growth Tragedy: Policies and Ethnic Divisions." *Quarterly Journal of Economics* 112(4).

———. 2001. "It's Not Factor Accumulation: Stylized Facts and Growth Models." *The World Bank Economic Review* 15(2): 177–219.

Easterly, W., and S. Rebelo. 1993. "Fiscal Policy and Economic Growth." *Journal of Monetary Economics* 32 (2-3): 417–58.

ECOWAS (Economic Community of West African States) Secretariat. 2001. "ECOWAS 1975–2000: Achievements and Prospects." Abuja, Nigeria.

Foroutan, F. 1993. "Regional Integration in Sub-Saharan Africa: Past Experience and Future Prospects." In W. J. de Melo and A. Panagariya, eds., *New Dimensions in Regional Integration*. Cambridge: Cambridge University Press.

Foroutan, F., and L. Pritchett. 1993. "Intra-Sub Saharan African Trade: Is it Too Little?" *Journal of African Economies* 3: 74–105.

Frankel, J.A., and A.K. Rose. 2000. *Estimating the Effect of Currency Unions on Trade and Output*. NBER Working Paper 7857. Cambridge, Mass.: National Bureau of Economic Research.

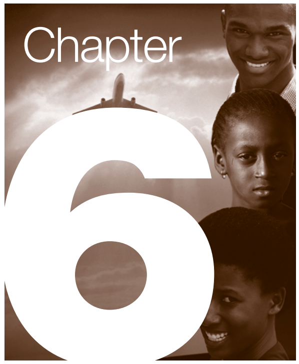
Geda, A., and H. Kibret. 2001. "Regional Economic Integration: A Review of Problems and Prospects with a Case Study of COMESA." Draft Working Paper. University of Oxford, Centre for the Study of African Economies, Oxford.

Goldstein, A. 1999. *Infrastructure Development and Regulatory Reform in Sub-Saharan Africa: The Case of Air Transport*. OECD Development Centre Technical Paper 154. Paris: Organisation for Economic Co-operation and Development.

Goldstein, A., and K. Hamada. 1996. "Regional Economic Integration and Article XXIV of GATT." Discussion Paper. Yale University, New Haven, Conn.

Goldstein, A., and N.S. Ndung'u. 2001. *Regional Integration Experience in the Eastern African Region*. OECD Development Centre Technical Paper 171. Paris: Organisation for Economic Co-operation and Development.

Goto, J., and K. Hamada. 1996. "Regional Economic Integration and Article XXIV of GATT." Discussion Paper. Yale University, New Haven, Conn.
IMF (International Monetary Fund). 2001. *Direction of Trade Statistics, Yearbook 2001.* Washington, D.C.
Jenkins, C. 2001. *Integration and Cooperation in Southern Africa*. OECD Development Centre Technical Paper 172. Paris: Organisation for Economic Co-operation and Development.
Lipsey, R.G. 1957. "The Theory of Customs Unions: Trade Creation and Welfare." *Economica* 24: 40–6.
Lipsey, R.G., and K.J. Lancaster. 1956/57. "The General Theory of Second Best." *Review of Economic Studies* 24: 11–32.
Lipsey, R.G. 1960. "The Theory of Customs Unions: A General Survey." *Economic Journal* 70: 496–513.
Longo, R., and K. Sekkat. 2001. *Obstacles to Expanding Intra-African Trade*. OECD Development Centre Technical Paper 169. Paris: Organisation for Economic Co-operation and Development.
Mayes, D.G. 1978. "The Effects of Economic Integration on Trade." *Journal of Common Market Studies* 17(1): 1–25.
Meade, J.E. 1955. *The Theory of Customs Unions*. Amsterdam: North-Holland.
Moshi, H.P.B., and A.A.L. Kilindo. 1999. "The Potential Role of the Private Sector in Economic Integration: The Case of Eastern and Southern Africa." AERC Series Paper 89. African Economic Research Consortium, Nairobi.
Mulat, T. 1997. " Trade Liberalization and Government Tax Revenue Loss in Africa." *Journal of World Trade* 31(1).
Ogunkola, E.O. 1994. "An Empirical Evaluation of Trade Potential in the Economic Community of West African States." AERC Research Paper. African Economic Research Consortium, Nairobi.
Romer, P. 1990. "Endogenous Technological Change." *Journal of Political Economy* 98: S71–S102.
———. 1994. "The Origins of Endogenous Growth." *Journal of Economic Perspectives* 8: 3–22.
Soloaga, I., and L.A. Winters. 1998. "Regionalism in the Nineties: What Effect on Trade?" CEPR Discussion Paper 2183. Centre for Economic Policy Research, London.
Srinivasan, T.N. 1996. "The Common External Tariff of a Customs Union: Alternative Approaches." Discussion Paper 755. Yale University, Economic Growth Centre, New Haven, Conn.
Suliman, Y. 2000. "Progress of Integration in the ECOWAS Region." Contribution to a Panel Discussion on the Future of Integration in West Africa, presented on behalf of the Executive Secretary on the Occasion of the Silver Jubilee Anniversary of ECOWAS, April, Abuja, Nigeria.
UNCTAD (United Nations Conference on Trade and Development). 1998. *World Investment Report, 1998: Trends and Determinants*. Geneva.
———. 2000. *Handbook of International Trade and Development Statistics*. Geneva.
Viner, J. 1950. *The Customs Union Issue*. London: Stevens and Sons.
Winters, L.A. 1996. "Regionalism versus Multilateralism." Policy Research Working Paper 1687. World Bank, Washington, D.C.
Wonnacott, P., and R.J. Wonnacott. 1992. "The Customs Union Issue Reopened." *The Manchester School* 60(2): 119–35.
World Bank. 1995. *World Tables*. Washington, D.C.
———. 2000a. *World Development Indicators*. Washington, D.C.
———. 2000b. *Trade Blocs*. New York: Oxford University Press.
———. 2000c. *Can Africa Claim the 21st Century?* Washington, D.C.
WTO (World Trade Organization). 1995. *Regionalism and the World Trading System*. Geneva.
Yeats, A. 1995. "Tyranny of Numbers: Confronting the Statistical Realities of the East Asian Growth Experience." *Quarterly Journal of Economics* 110: 641–80.
———. 1997. "Does Mercosur's Trade Performance Raise Concerns about the Effects of Regional Trade Arrangements?" Policy Research Working Paper 1729. World Bank, Washington, D.C.
———. 1998. "What Can Be Expected from African Trading Arrangements? Some Empirical Evidence." Policy Research Working Paper 2004. World Bank, Washington, D.C.



Money and Finance

Monetary integration is crucial in regional economic integration. Strong monetary integration is required if regional integration objectives go beyond free trade agreements or custom unions to a truly unified common market (Eichengreen 1998). International trade increases significantly when countries adopt an advanced form of monetary cooperation such as a common currency (Rose 1999; Glick and Rose 2001; Bun and Klaassen 2002). So does economic performance and output per capita in participating countries (Frankel and Rose 2000).

Different levels of monetary integration impose different constraints on the macroeconomic policies of participants.[1] The most common case is a pegged exchange rate. Pegging mechanisms differ in strength and reversibility. With standard pegs (systems with exchange rate bands) the decision of monetary authorities to realign parity is not subject to formal constraints, but with harder pegs (a currency board), legal and institutional constraints make realignment more difficult and costly. The debate over optimal exchange rate arrangements suggests that countries should go for either flexible exchange rates or for the hardest forms of peg (Obstfeld and Rogoff 1995).[2] Standard pegs pose a problem of credibility for the monetary authority's commitment to maintaining parity, making the domestic currency a potential target of speculative attacks. Monetary unions, together with dollarization and currency boards, represent hard forms of peg—the more relevant policy option. The successful launch of the euro demonstrated that unions can work as an external agency of national fiscal restraint (Honohan and Lane 2001).

Monetary unions in Africa

Formation of a monetary union requires:

- Identifying the objectives, policy rule, accountability, and degree of independence from national governments of the common central bank.
- Allocating responsibility for bank supervision and lending of last resort.
- Establishing mechanisms and procedures for making national fiscal policies consistent with the union's monetary objective.

The success of a monetary union requires the participating countries to adopt sound fiscal policies. As already mentioned in the discussion of costs and benefits, the effect of monetary unions on fiscal policy is twofold. The loss of seigniorage, by hardening the budget constraint, induces fiscal discipline. But the elimination of the risk of currency devaluation reduces the cost of issuing debt and creates the incentive to run larger deficits. Because of this ambiguity, a mechanism to constrain national fiscal polices might be desirable. Fiscal policy rules serve this purpose. They can be specified in terms of upper ceilings on the level of deficit and debt of a country. Monetary penalties can then be determined for noncomplying countries.

The transition towards a monetary union can be gradual or fast

Macroeconomic convergence criteria

The transition towards a monetary union can be gradual or fast. The gradual strategy involves a long transition of macroeconomic convergence among prospective members and the development of institutions. A typical example is the European Monetary Union. A "big bang" strategy entails a much faster transition, without convergence. An example is the monetary unification in Germany in 1990.

Macroeconomic convergence criteria, generally defined as upper or lower bounds for macroeconomic variables, are intended to guide the economic policy of future members in the transition period.[3] Only countries that meet these bounds can enter the union.

Macroeconomic convergence criteria ensure that, prior to the formal start of the union, all prospective members commit to low inflation and prudent fiscal policies. The intention is to avoid the distortionary effects that may arise from the participation of countries whose macroeconomic policy stance and fundamentals are not consistent with the common central bank's monetary objectives. The main variables of concern are the inflation rate, the budget deficit, and the stock of public debt. To meet a low inflation target, countries must commit to tough anti-inflationary policies and bear the associated output loss. Their willingness to pay these real costs will be evidence of their commitment to monetary stability. Budget and debt requirements will force countries to adjust their fiscal policies to maintain an overall balance between spending and revenues. These adjustments, too, can be large and costly (expenditure cuts, increased taxation). A government that carries them out will thus signal its commitment to sound fiscal management.

Feasibility of monetary unions

The traditional view on optimal currency areas is that a high degree of trade integration between prospective members and a strong positive correlation of shocks across countries are the two preconditions for monetary union. On these grounds the case for monetary unions in Africa is not particularly strong. Trade flows within African regional economic communities are still relatively small. Data problems make it difficult to estimate the correlation of shocks across countries. In a study of the CFA franc zone, Fielding and Shields (1999) conclude that the costs of membership in the monetary union stemming from asymmetric shocks are larger the slower the monetary response to those shocks, suggesting that the CFA union should be reorganized.

Recent empirical and theoretical work has highlighted the gaps in the traditional view. Frankel and Rose (1998) and Corsetti and Pesenti (2002) suggest that monetary unions are self-validating. That is, trade integration and shock correlation are endogenous and tend to arise as a consequence of the formation of a monetary union. Frankel and Rose (2000) show that currency unions have positive effects on international trade and growth.

Mundell (2002) makes a strong case for a single common currency in Africa, pointing out the benefits from increased macroeconomic stability. The record of macroeconomic mismanagement in several African countries suggests that a monetary union, working as an agent of fiscal restraint, could produce large gains for its members. Masson and Pattillo (2001) conclude for West Africa that fiscal rules can impose fiscal discipline on national governments. In particular, the fiscal performance of the eight countries in the West African Economic and Monetary Union significantly improved after the 1994 devaluation episode and the introduction of a multilateral surveillance system.[4]

> *The success of monetary integration also depends on the interplay of various political economy factors*

The welfare effects of monetary union in the Economic Community of West African States are investigated by Dupasquier and Osakwe (2002). They consider real demand shock with different cross-country correlations and then compare the costs and benefits arising from two regimes: monetary union and flexible exchange rates. Which is better then depends on the size of the transaction costs associated with currency conversion and hedging of exchange rate risk. For values of transaction costs greater than 1% of GDP, a monetary union is preferable to a floating exchange rate. In a cost-benefit analysis of monetary union in West Africa, Debrun, Masson, and Pattillo (2002) conclude that differences in fiscal policy stance, as represented by different spending levels, are more important than shock asymmetries in determining the net gains of participation into the union. In this sense, real divergence should not prevent countries from joining a union.

Monetary unions are also said to create a bulwark against speculative attacks and contagion. While Africa is probably too small to be included in international portfolios and its low level of financial market development constrains the scale and speed with which speculators can manipulate capital flows, the problem could become relevant as Africa becomes more integrated into international financial markets.

Political economy constraints

The success of monetary integration also depends on the interplay of various political economy factors. The experience of the European Monetary Union, among others, suggests that the balance between the costs and benefits of integration as well as its long-term sustainability are heavily affected by the ability to design institutions that take political economy constraints into account.

Policy conflicts. The basic issue concerns the possibility of policy conflicts. Such conflicts can arise even when shocks are perfectly correlated across countries, to the extent that policy preferences are heterogeneous.[5] A typical case concerns the different preferences that countries have in terms of the unemployment-inflation tradeoff when a symmetric shock hits the region. When policies are evaluated on the basis of different social welfare functions, monetary integration might have welfare reducing effects for countries whose preferred policy from the common policy response.

The heterogeneity of policy preferences can thus pose a threat to the sustainability of monetary integration in the long run. Careful institutional design is needed to prevent this. If decisionmaking power in the common monetary authorities is not equally shared among member countries, then disadvantaged countries will be more likely to drop out. Thus allocating decisionmaking power in the common central bank on the basis of country size might impede monetary integration. Yet a more balanced power distribution is not free of problems. When decisionmaking is shared by actors holding conflicting policy views, stalemates and delays are likely to occur, resulting in slow responses to stochastic environment changes.

> *One way to address policy conflicts is to ensure that countries share substantially similar objectives and evaluate policies on homogeneous grounds*

One way to address the problem of policy conflicts is to ensure that countries share substantially similar objectives and evaluate policies on homogeneous grounds. This is possible if monetary integration is matched by political integration. The formation of supranational political institutions is, however, a long and difficult process that poses clear problems of institutional design. Monetary integration is often regarded as a way to achieve political union. The imposition of macroeconomic convergence criteria during the transition to monetary integration can help push countries to adopt common objectives.

The experience of the European Monetary Union is instructive. Fearing the impact that countries with stronger inflationary bias could have on the common monetary policy, anti-inflationary countries insisted on a long transition process for meeting the convergence criteria. The transition was designed so that countries participating in the union would first show a commitment to low inflation and sound fiscal policy objectives, thus minimizing the risk for policy conflicts in the monetary union.[6]

Fiscal redistribution. Another important political economy dimension relates to seigniorage revenues. When the monetary policy is delegated to a common central bank, seigniorage revenues constitute a common pool of resources to be shared by countries. Conflicts are likely to arise over the splitting rule. The problem can be exacerbated by the probable shrinking of the common pool of revenues if the common central bank takes a tight monetary policy stance. The political economy implications are clear. Countries unhappy with the splitting rule might decide to drop out, while those that remain might experience an underprovision of public goods. Alternatively, the common central bank, if not adequately protected from the pressures of national fiscal authorities, might be induced to take a loose monetary policy stance, thus eliminating most of the benefits expected from monetary integration.

The allocation of seigniorage revenues is an instance of the more general issue of fiscal redistribution in a monetary union. Centralization of monetary policy requires the establishment of compensation mechanisms to transfer resources across countries. The typical case is the one where shock asymmetries imply recessions in some countries and expansions in others. The political feasibility of such mechanisms cannot be taken for granted, however. Rules are required to promote the credible commitment of national governments to the system of cross-country redistribution. Lack of enforcement would put the continuation of the integration process at risk.

Institutional arrangements

To establish the stable macroeconomic environment necessary for economic development in Africa, the common central bank should be independent of national fiscal authorities (requirements for the establishment of an African central bank are highlighted in box 6.1). Considering the small size of the African economy, some analysts argue that an external nominal anchor should be used for monetary policy (Honohan and Lane 2001). The large share of euro countries in African imports from the industrial world and Africa's dependence on industrial country banking systems suggest that the euro would be a good peg. Others emphasize that appreciation of the euro against the U.S. dollar would be unacceptable for most African countries (Mundell 2002) and argue for adoption of a common currency basket.

"The common central bank should be independent of national fiscal authorities"

Mazzaferro (2002) identifies lessons that Africa can draw from the European experience. He emphasizes the importance of price stability as the primary objective for the common central bank, together with mechanisms to ensure the consistency of national fiscal policies with this objective. The transition should be based on the principles of gradualism and convergence; clear and credible deadlines must be set early to force policymakers to adjust national policies without delay. In this sense, deadlines could work as a commitment-reinforcing device.

Five regional economic communities have set macroeconomic convergence criteria and deadlines to guide the transition towards the realization of monetary unions, thus implicitly adopting a Maastricht-type approach. Still there are critical unresolved issues, such as the definition of mechanisms for bank supervision and lending of last resort, the design of decisionmaking procedures to prevent big countries from dominating the union, and the realization of a regional surveillance system to monitor national economic policies (UNECA 2002). The success of any monetary union in Africa will depend on the ability of policymakers to take efficient actions to address those issues and on the commitment by national leaders to monetary integration.

Progress towards monetary, fiscal, and financial integration

This section looks at progress in monetary, fiscal, and financial integration among the regional economic communities in meeting their own macroeconomic convergence targets and in developing and deepening capital markets, regional financial institutions, and investment.

Performance on macroeconomic convergence

The West African Economic and Monetary Union (UEMOA), the Economic Community of West African States (ECOWAS), the Common Market for Eastern and Southern Africa (COMESA), the East African Community (EAC), and the Central African Economic and Monetary Community (CEMAC) have established convergence targets for macroeconomic policies and for monetary, fiscal, and financial integration.

Box 6.1

Requirements for establishing an African central bank

Establishing a common central bank rests on several conditions:

- The successful integration of all African economies into the African Union.
- The existence of an African common currency, which implies that all African countries have fulfilled the conditions for the introduction of a single currency.
- Commitment to a fixed exchange rate system.
- Abolition of capital controls between countries.
- A framework for common foreign exchange operations and maintenance of an "African" foreign exchange reserve.
- Achievement of institutional arrangements and convergence criteria by all countries, including criteria for price stability, fiscal deficits, and government debt ratios.
- A detailed constitution clarifying its objectives and functions.
- Clarification of its role in conducting monetary policy, financial supervision, and lender of last resort functions.
- Details of the institutional arrangements for the system of central banks included in its constitution, with a special focus on the role of national central banks.

Since the design and implementation of a common monetary policy is likely to be the primary function of an African central bank, the details of a common monetary policy strategy for the continent need to be worked out, covering appropriate instruments, policy targets, and policy objectives. Capacity building is also important, including strengthening country frameworks for collecting, compiling, and analyzing monetary and financial statistics, harmonizing formats for financial data, strengthening payment and settlement systems to facilitate the flow of capital across borders, harmonizing accounting rules and standards, and establishing efficient information and communication systems among national central banks.

To function properly an African central bank must be immune from political interference. The effectiveness and credibility of monetary policy also requires ensuring autonomy for the national central banks. National statutes will also need to accommodate the changing role of national central banks within a monetary union.

For a true African Union to emerge, with a common central bank, the multiple regional groupings will need to merge. Although mergers pose substantial technical challenges, the biggest obstacles might be political. Creating an African Union with an African central bank is an enormous undertaking. Difficult choices lie ahead.

Source: *Economic Commission for Africa, from official sources.*

UEMOA and CEMAC, because of their long histories as monetary unions, have considerable experience with convergence of economic and monetary policies. They have been able to put in place the processes and procedures to achieve policy harmonization (box 6.2). Monetary and financial integration policies are the responsibility of community authorities—comprising central bank officials and representatives of member states and the French treasury. The other regional economic communities are moving more slowly. ECOWAS adopted convergence policies in December 1999 (CEDEAO 2001a), COMESA in 1992 (COMESA 2000), and EAC in April 1997 (EAC 1998), all with the goal of coordinating and harmonizing national budgets as well as national macroeconomic and sectoral policies.

Box 6.2

Implications of monetary union for exchange rate arrangements in African regional economic communities

Monetary integration implies a medium- to long-term move towards forms of fixed exchange rates, with countries eventually adopting a common currency. However, exchange rate arrangements are currently fragmented.

CEMAC and UEMOA are monetary unions, with the CFA franc as the common currency. Although formally differentiated, the common currencies are exchangeable between the two communities one for one and are convertible into the euro at a fixed exchange rate. In COMESA two countries (Namibia and Swaziland) are members of the Common Monetary Area, where the South African rand circulates freely as the common currency under a floating arrangement. Currencies in 12 other countries (Angola, Burundi, Egypt, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Rwanda, Sudan, Uganda, Zambia) have floating exchange rates (more or less managed). Zimbabwe has a crawling peg. Seychelles adopted a standard peg against a basket of currencies, and Djibouti has a currency board arrangement against a basket. Comoros, Democratic Republic of Congo, and Eritrea peg their currencies against a single currency. In EAC all three members (Kenya, Tanzania, and Uganda) have floating currencies. Most of the non-UEMOA members of ECOWAS have floating exchange rates (The Gambia, Ghana, Liberia, Nigeria, Sierra Leone). Benin and Cape Verde have standard pegs against a single currency.

This multiplicity of currencies and exchange rate arrangements makes a case for the establishment of clearing mechanisms. ECOWAS and COMESA formally established clearinghouses to promote intracommunity trade with the use of local currencies against a background of exchange control dictated by the scarcity of hard currencies in most countries. Over time, however, the reduction of controls and the move towards current account convertibility have suggested the need to restructure the clearinghouses by introducing new products and recasting their management along private, commercial lines. ECOWAS has transformed its clearinghouse into the West African Monetary Agency, which is responsible for the community's monetary policy, including harmonization of financial and banking policies.

Source: *IMF 2001.*

ECOWAS aims to establish an economic union among its members by creating a monetary union and adopting common economic, financial, social, and cultural policies. ECOWAS members that are not members of UEMOA have agreed to harmonize their monetary and fiscal policies with those of UEMOA, with a view to establishing a monetary union in ECOWAS and preparing the ground for a possible merger with UEMOA. To accelerate the pace of integration, Ghana and Nigeria introduced a Fast-Track Initiative in 2000 to establish a second monetary zone in the region called the West African Monetary Zone (WAMZ), among The Gambia, Ghana, Guinea, Liberia, Nigeria, and Sierra Leone. WAMZ is meant to harmonize the macroeconomic policies of the countries so as to have a common currency in circulation.

“The primary macroeconomic convergence criteria involve cutting inflation, external debt, and budget deficits”

ECOWAS expects to achieve monetary integration through the merger of UEMOA and WAMZ once WAMZ becomes a single monetary zone. The convergence program will be carried out by the Convergence Council, composed of ministers of finance and governors of central banks; the Technical Monitoring Committee, composed of directors of research of central banks and senior ministry of finance officials; the West African Monetary Agency; and national Coordination Committees.

COMESA plans to become a full monetary union by 2024. Agreed convergence targets are used to monitor progress in each member state, based on macroeconomic policy, external debt, and adapted Maastricht Treaty criteria.

EAC adopted a macroeconomic framework in 1997 that includes a real GDP growth rate of at least 6% a year, single digit inflation, a sustainable level of current account deficits, fiscal deficit of less than 5%, gross foreign reserves equivalent to six months' imports, national savings of at least 20% of GDP, market-determined exchange rates and interest rates, and debt reduction initiatives. The EAC Committee on Fiscal and Monetary Policies meets twice a year to evaluate compliance by member states. There are also pre- and post-budget consultations among ministers of finance to harmonize budget formulation and implementation.

How fast and how far have the various regional economic communities moved towards agreed macroeconomic and monetary convergence? The primary macroeconomic convergence criteria involve cutting inflation, external debt, and budget deficits (table 6.1). Secondary benchmarks have been set for such variables as wage bills, public investment, tax revenue, and real exchange rate stability (see box 6.2 on exchange rate arrangements). For Africa as a whole the index for monetary and financial integration over 1994–99 indicates moderate performance, slightly exceeding GDP growth (figure 6.1; see annex). But regional economic communities exhibit considerable variation relative to the overall trend and its components.

Inflation. Between 1994 and 2000 inflation fell in all the regional economic communities considered (table 6.2). While the situation differs by region, overall achievements remain unsatisfactory—particularly in Central and Eastern Africa. Many countries tried to lower inflation by adopting stringent monetary policies and continuing financial sector reforms such as deepening money markets and controlling the money supply and government borrowing.

All countries in UEMOA achieved the community's 3% inflation target for 2000 (except Guinea-Bissau, which joined in 1997), including seven countries that had double-digit inflation in 1994. The 1994 devaluation of the CFA franc explains the high inflation of the mid-1990s. Subsequently, rates started to fall as a result of the monetary and fiscal discipline imposed on members of the community.

Table 6.1

Macroeconomic targets for selected regional economic communities in Africa

Criteria	UEMOA	ECOWAS	COMESA[a]	EAC	CEMAC
Primary criteria					
Inflation rate (%)	≤3	≤10 (2000) ≤5 (2003)	<10	Single digit	≤3 (2002)
Total debt (% of GDP)	≤70 (2002)	na	na	na	≤70 (2004)
External debt payment arrears	0	na	na	na	0 (2004)
Domestic debt payment arrears	0	na	na	na	0 (2004)
Budget deficit (% of GDP)	0	≤5 (2000) ≤4 (2003)	<10	<5 (1998)	0 (2004)
Deficit financed by central bank/ previous year's fiscal revenue (%)	≤20	≤10	≤20	na	≤20
Foreign exchange reserves	na	≥3 months of imports (2000) ≥6 months of imports (2003)	na	Equivalent to 6 months of imports	na
Secondary criteria					
Wage bill/tax revenue (%)	≤35 (2002)	≤35	na	na	≤35
Public investment/tax revenue (%)	≥20 (2002)	≥20	na	na	na
Current account (% of GDP)	≤5 (2002)	na	na	na	na
Tax revenue (% of GDP)	≥17 (2002)	≥20	na	na	na
Prohibition of new domestic arrears and liquidation of existing arrears	na	Yes	na	na	na
Real exchange rate stability	na	Yes	na	na	na
Must maintain positive real interest rates	na	Yes	na	na	na
Capital spending (% of GDP)	na	≥20	na	na	na
Gross domestic investment (% of GDP)	≥20	na	na	na	na

na is not applicable.

Note: *Years in parentheses indicate when targets should be achieved. Targets with no years listed already have been achieved.*

a. The criteria listed are those proposed in the 1995 review of the Monetary Harmonization Programme (COMESA 1995). Criteria also include a 10% ceiling on broad money growth and a 20% ceiling on the ratio of debt service to export earnings. A 2001 report commissioned by the COMESA Secretariat (Harvey and others 2001) recommended further strengthening of the criteria and associated ceilings and thresholds.

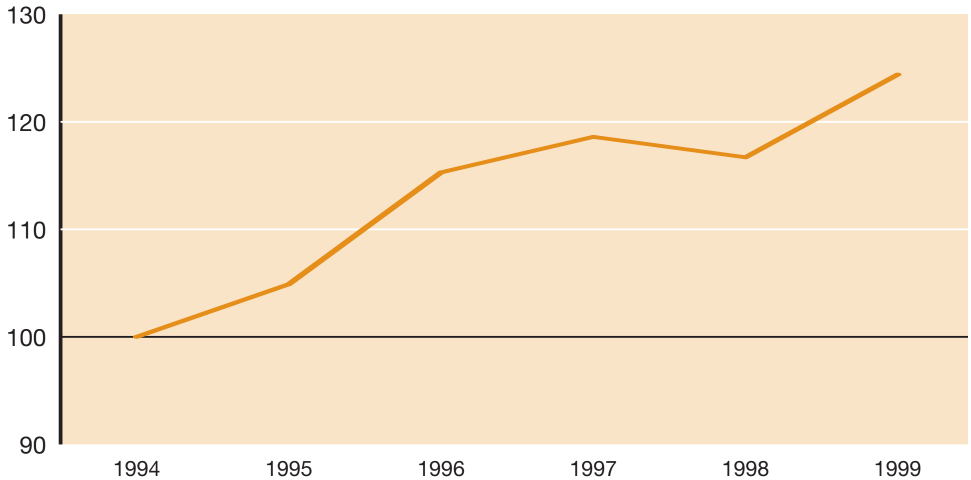
Source: *Economic Commission for Africa, from official sources.*

Most countries in ECOWAS achieved the community's 10% inflation target for 2000, with the exceptions of Ghana (27.2%), Guinea-Bissau (22.6%), Nigeria (22%), and Sierra Leone (21.8%). For Nigeria and some others, high inflation can be explained by the increase in aggregate demand stemming from large fiscal transfers in a context of fiscal decentralization. However, Guinea-Bissau managed to significantly reduce its inflation rates, bringing it down to 3.3% in 2000.

Most COMESA countries were not able to achieve the community's 10% inflation target. Angola and Democratic Republic of Congo, in particular, suffered from hyper-inflation because of accommodating monetary policies, exchange rate realignments, supply bottlenecks, public sector wage increases, and significant increases in food and transportation prices.

Figure 6.1

Money and financial integration index for Africa, 1994–98 (Index 1994 = 100)



Source: *Economic Commission for Africa, from official sources.*

Table 6.2

Inflation in selected regional economic communities in Africa, 1994–2000 (%)

Regional economic community	Target	1994	1995	1996	1997	1998	1999	2000	Simple average
UEMOA	≤3	29.7	14.6	9.4	7.4	3.1	1.0	1.2	9.5
ECOWAS	≤10 (2000)	23.1	20.0	12.5	8.9	4.1	6.0	4.9	11.3
COMESA[a]	≤10	21.6	20.9	20.1	11.6	10.6	11.3	11.8	15.4
EAC	<10	24.4	15.8	11.0	13.3	12.3	5.5	6.4	12.7
CEMAC	≤3 (2002)	35.0	10.1	10.9	7.3	–8.4	12.0	22.9	12.8

a. Data do not include Angola and Democratic Republic of Congo.

Source: *Economic Commission for Africa, from official sources.*

All EAC countries controlled inflation, bringing the community's double-digit inflation during 1994–98 down to single-digit levels in 1999 and 2000. Uganda had the best performance, with average inflation of 6.1% for the period 1994–2000, followed by Kenya at 13.2% and Tanzania at 18.7%. In CEMAC inflation rose in 2000 to a community average of 22.9%, reflecting a surge in prices in Equatorial Guinea and Republic of Congo.

External debt. Some of the regional economic communities set a target value for total debt as a percentage of GDP. However, reliable and consistent data for domestic debt are not available for all the countries. So the discussion focuses on external debt (which represents the bulk of total debt for several countries).

"External debt ratios remain high and systematically above target levels set for the total debt ratio"

Though all regional economic communities made steady progress on reducing external debt between 1994 and 2000—thanks to initiatives on debt cancellation and rescheduling—external debt ratios remain high and systematically above target levels set for the total debt ratio (table 6.3).

Performance varied considerably. In UEMOA only Burkina Faso had external debt below 70% of GDP between 1994 and 2000. In ECOWAS Burkina Faso and Cape Verde registered external debt of around 50% of GDP. The other ECOWAS countries had much higher debt ratios ranging from 73% for Benin to 381% for Guinea-Bissau. The slowdown in growth associated with a sharp deterioration in terms of trade largely accounts for the unsatisfactory performance of countries in the region (for UEMOA countries in particular).

While COMESA has no official debt target, a 50% threshold on external debt has been recommended (Jenkins and others 2001). Egypt, Eritrea, Mauritius, Seychelles, and Swaziland had external debt ratios below 50% of GDP. EAC countries registered steady improvements in their external debt, averaging 87% of GDP for 1994–2000, with Uganda hitting 44.1% in 2000. For several countries adverse international price shocks significantly reduced the value of exports in key sectors, contributing to a worsening in the balance of payments.

Table 6.3

External debt in selected regional economic communities in Africa, 1994–2000 (% of GDP)

Regional economic community	Target	1994	1995	1996	1997	1998	1999	2000	Simple average
UEMOA	≤70 (2002)	134.2	134.8	130.1	118.3	135.8	125.8	113.7	127.5
ECOWAS	a	117.7	119.3	113.3	106.4	118.0	111.9	106.6	113.3
COMESA	≤50 b	110.5	108.6	102.7	99.0	100.6	91.2	87.7	100.0
EAC	a	97.1	95.1	89.0	84.6	85.6	83.2	74.6	87.0
CEMAC	≤70 (2004)	131.4	128.2	117.1	103.1	100.9	96.7	88.1	109.4

a. Not specified.

b. Recommended rather than official target for external debt.

Source: *Economic Commission for Africa, based on World Bank data.*

In CEMAC Chad kept its external debt ratio constantly below the 70% total debt target between 1994 and 2000. The trend for the other countries is also encouraging, particularly for Central African Republic, Equatorial Guinea, and Gabon. Equatorial Guinea kept its debt burden under 70% of GDP between 1998 and 2000.

Budget deficits. Performance on budget deficits has been mixed. All UEMOA countries failed to achieve the community's target for no budget deficits—a difficult goal in the face of high debt service. During 1994–2000 the average deficit in UEMOA countries was 3.7% of GDP (table 6.4). Deficits were lowest in Benin (0.3%) and Senegal (0.8%). Nearly all UEMOA members of ECOWAS met the ECOWAS budget deficit target of less than 5% in 2000, except The Gambia, Guinea, and Guinea-Bissau. In general, UEMOA countries experienced strong financial consolidation between 1994 and 1997, followed by a marked slowdown in fiscal convergence and higher fiscal deficits between 1998 and 2000. Both high spending levels (large stocks of outstanding debt imposed high interest payments and the wage bill remained high in several countries) and generally low tax revenues (for most countries the tax revenues to GDP ratio remained below 17%) contributed.

In COMESA deficits over the period 1994–2000 averaged 5.7% of GDP, and most members achieved the target deficit of less than 10% of GDP, except Democratic Republic of Congo (14.5%), Eritrea (18.9%), and Seychelles (10.2%). For these three countries the cause appears to have been weaknesses on both the revenue and the expenditure sides. Tax revenues are generally low because of inefficiencies in tax legislation and collection, worsened in the case of Democratic Republic of Congo by the combination of hyperinflation and nonindexation of taxes. Capital expenditures (in Eritrea and Seychelles) and sovereign and security expenditures (in Democratic Republic of Congo) were the main causes of high spending, together with inadequate systems of expenditure controls. Angola's average deficit was above the target, but it hit the target in 2000 by cutting its deficit to 7.9% in 2000. EAC countries, particularly Kenya, performed very well in reducing budget deficits.

Most countries in CEMAC are on track to meet the zero budget deficit target set for 2004. Equatorial Guinea and Gabon have already achieved the target.

Table 6.4

Budget deficits in selected regional economic communities, 1994–2000 (% of GDP)

Regional economic community	Target	1994	1995	1996	1997	1998	1999	2000	Simple average
UEMOA	0	5.7	3.2	2.8	3.7	3.5	3.6	3.4	3.7
ECOWAS	≤5 (2000)	6.3	5.0	4.5	4.8	5.1	5.3	3.6	4.9
COMESA	<10	8.2	7.2	6.0	4.7	5.0	5.1	4.0	5.7
EAC	<5 (1998)	2.4	3.1	2.1	0.6	0.5	1.7	1.3	1.7
CEMAC	0 (2004)	7.4	3.9	3.1	1.6	2.4	1.5	3.8	2.3

Source: *Economic Commission for Africa, from official sources.*

Thus Africa's regional economic communities did better at controlling inflation and budget deficits than at reducing external debt (table 6.5). But UEMOA and CEMAC—monetary unions that are more advanced than the other regional economic communities in macroeconomic policy convergence—did not perform significantly better than other communities. Even though UEMOA and CEMAC have better policies and institutions for macroeconomic convergence, they have had difficulty meeting targets for inflation, external debt, and budget deficits.

> *Africa's regional economic communities did better at controlling inflation and budget deficits than at reducing external debt*

Other macroeconomic indicators. Secondary macroeconomic benchmarks can also be used to assess performance in achieving macroeconomic stability and convergence. Other variables include the wage bill, public investment, capital expenditure, current account, tax revenue, domestic arrears, exchange rate stability, and the real interest rate (see table 6.1 and statistical table 10).

- *Wage bill.* All UEMOA, ECOWAS, and CEMAC members met the target for the wage bill—though the target was low (less than 35% of tax revenue).
- *Interest rates.* In UEMOA and CEMAC interest rates are regulated by common monetary authorities. In both communities real interest rates were positive in 1994–2000. ECOWAS members failed to achieve positive real interest rates.
- *Tax revenue.* Among UEMOA members only Côte d'Ivoire achieved the target for tax revenue of 17% of GDP. No ECOWAS member met the community's target for tax revenue of 20% of GDP, though Côte d'Ivoire and Nigeria performed well—probably because they have numerous financial institutions or because of their commodity production.
- *Gross domestic savings and investment.* Savings and investment were low in UEMOA. These results are not surprising, considering the low per capita incomes and small number of banks in these countries.
- *Capital spending.* In ECOWAS Côte d'Ivoire, Sierra Leone, and Togo failed to achieve the community's target for capital spending of 20% or more of GDP. All ECOWAS members performed well on allocations to capital spending.

Table 6.5

Regional economic communities' performance in inflation, budget deficits, and external debt from selected regional economic communities, 1994–2000

Regional economic community	Inflation rate (%)	Budget deficit (% of GDP)	External debt (% of GDP)
UEMOA	9.5	3.7	127.5
ECOWAS	11.3	4.9	113.3
COMESA	15.4	5.7	100.0
EAC	12.7	1.7	87.0
CEMAC	12.8	2.3	108.8

Note: *Simple averages.*

Source: *Economic Commission for Africa, from official sources.*

Financial integration

Well-developed financial markets and institutions facilitate the exchange of goods and services, the mobilization of resources, and their efficient allocation to profitable investment projects, and diversification of risk. There is a strong positive correlation between development of the financial sector and economic growth (Levine 1997; Gelbard and Leite 1999; Rousseau and Sylla 2001).

"Financial integration and development facilitate economic integration at both regional and worldwide levels"

While there is evidence of significant financial development in Africa throughout the 1990s (Gelbard and Pereira Leite 1999), important limitations remain. Commercial banks concentrate lending at the short end of the term structure, other nonbank sources of finance are underdeveloped, and capital markets have low capitalization and liquidity. The relatively high average spread between lending and deposit rates and the high rate of nonperforming loans are also indicators of a weak market structure. Finally, the array of financial products is very limited in most countries, with medium- and long-term financing rarely available.

Empirical evidence confirms that financial integration and development facilitate economic integration at both regional and worldwide levels (Rousseau and Sylla 2001), and some regional economic communities now recognize the limitations of a country-focused approach to financial development, especially for capital markets.[7] Integration (by harmonizing policies and regulatory and legislative frameworks and promoting cross-border investments) will facilitate the formation of adequate financial demand and supply; will enhance competition, and thereby efficiency and productivity; and will facilitate the flow of information. Regional financial integration is also expected to strengthen links with financial systems and capital markets in more developed countries.

Though financial and monetary integration are separate processes, they are linked. The degree of financial market integration affects the transmission of monetary (and other) shocks and monetary policy across countries in a monetary union (Buch 1998; De Bondt 2000; Dornbusch, Favero, and Giavazzi 1998). With low financial integration a common monetary policy will have different effects in different countries. Similarly, lack of financial integration, because of the differences it generates in propagation mechanisms, implies divergent responses to communitywide shocks, increasing the costs of participation in a monetary union. Therefore, there is a clear case for financial integration to match monetary integration.

The discussion of capital markets and stock exchanges, financial institutions, and investment, focuses on the five regional economic communities that have formally established convergence criteria, plus the Southern African Development Community (SADC) and the Arab Maghreb Union (UMA), to provide a more geographically comprehensive picture.

Capital markets and stock exchanges. Capital market development across Africa is aimed primarily at domestic resource mobilization, but also at increasing cross-border investments and foreign direct investment.

Stock markets in Sub-Saharan Africa are relatively small, with low market capitalization. Few companies are listed. With the exception of Nigeria and South Africa, most stock markets have fewer than 100 listed companies—and some have as few as 5. A further weakness shared by markets in several countries is low liquidity, as evidenced by limited turnover mainly due to limited floatation of shares and high transaction costs.

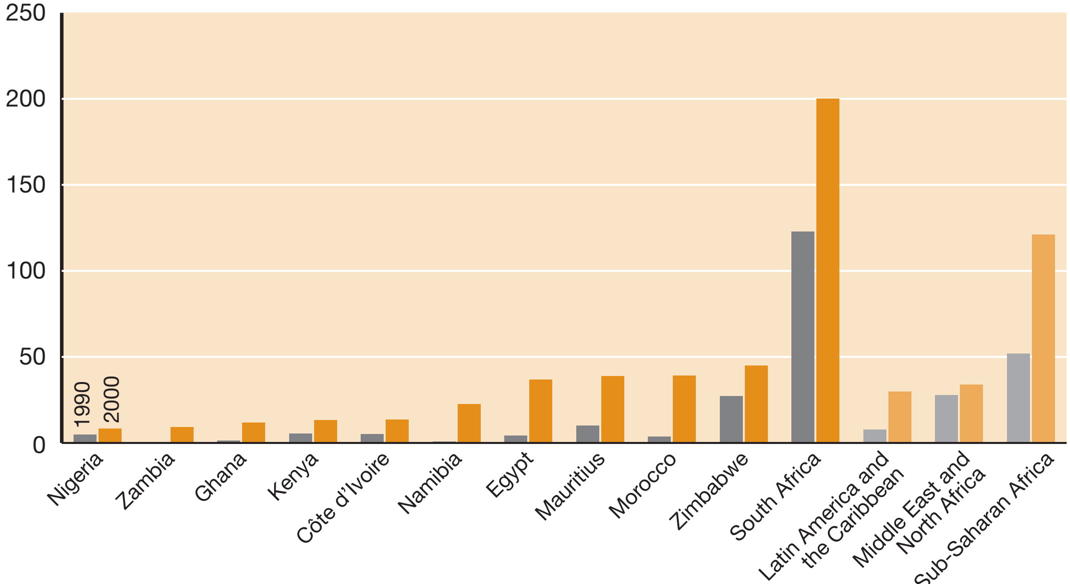
> ***Stock markets in Sub-Saharan Africa are relatively small, with low market capitalization***

South Africa, Morocco, and Egypt stand out in market capitalization, at more than $244 billion combined in 2000, or 88% of the total in Africa (World Bank 2001). South Africa's market capitalization jumped from 122% of GDP in 1990 to 200% in 2000 (figure 6.2), while Morocco's went from 4% to 39% and Egypt's from 4% to 37%. In most Sub-Saharan African countries capitalization remains below 40%—and not much higher than 10% in some countries. By comparison, between 1990 and 2000 market capitalization grew from 2% to 58% in Argentina, from 86% to 182% in the United Kingdom, and from 53% to 154% in the United States.

Stock exchanges exist in all the regional economic communities. SADC has the greatest number of national exchanges, with the most active being the Johannesburg Stock Exchange, which also serves as a subregional hub. Cross-border investments are very high in SADC, particularly among members of the Southern African Customs Union. There are three stock exchanges in ECOWAS: the Nigerian Stock Exchange, the Ghana Stock Exchange, and a regional exchange for UEMOA in Abidjan.

Figure 6.2

Market capitalization of selected stock markets in Africa, 1990 and 2000 (% of GDP)



Source: *World Bank 2001.*

In COMESA the Cairo and Nairobi Stock Exchanges play leading roles. UMA has growing exchanges in Morocco and Tunisia. CEMAC has the Douala Stock Exchange, and there are plans for a regional exchange.

Many capital markets that had been dormant for years have been picking up significantly in recent years

Many capital markets that had been dormant for years have been picking up significantly in recent years, and several new markets have emerged. Privatization, part of structural reform in almost all African countries, has stimulated capital market development when backed by appropriate policies, as in Nigeria. In some countries (Botswana, Côte d'Ivoire, Kenya, Mauritius, Nigeria, South Africa) market efficiency, as evidenced by the degree to which prices efficiently incorporate information on companies and the environment, appears to be approaching that achieved in emerging Asian and Latin American economies (Magnusson and Wydick 2002). These equity markets have facilitated cross-border investments—though investments remain constrained by currency inconvertibility, weak payment systems, and variations in listing procedures.

Some regional economic communities have designed capital market initiatives at the regional level. UEMOA has had a regional capital market serving all member countries since 1998. CEMAC decided to establish a regional capital market in December 2000. In ECOWAS an agreement between the Lagos Stock Exchange and the Ghana Stock Exchange introduces cooperation in such areas as staff training, surveillance procedures, self-regulation, and communication of information, with the intention of merging the two markets in 2004. In SADC the Johannesburg Stock Exchange is heavily involved in cross-border investment. SADC is also contemplating harmonizing listing and other trading requirements with those of the Johannesburg Stock Exchange. COMESA has no regional capital market, but two of its members, Kenya and Uganda, are involved in an interesting regional initiative under EAC. The EAC countries adopted a regional approach to capital market integration in 1997, incorporated in the 1999 EAC Treaty. The initiative includes harmonizing capital market policies and regulatory frameworks, promoting cross-border listing and trading of securities, and developing a regional rating system (World Bank 2002).

EAC's experience shows that while several steps to strengthen capital markets call for action at the national level, there is also wide scope for action at the regional level. Above all, harmonizing legal and regulatory frameworks is very useful. However, even more than full harmonization (possibly not sustainable over time) the more relevant and pragmatic objective appears to be mutual recognition, so that compliance with the regulatory regime in one country constitutes compliance in another country. Harmonization of reporting and disclosure requirements and liberalization of financial services can also be achieved at a regional level.

A key factor in the creation of viable capital markets is the existence of sufficiently large demand and supply of securities. Regional cooperation can help establish links with other markets to achieve critical levels of demand and supply, launch awareness campaigns among investors and potential issuers on the costs and benefits of stock market trading, coordinate capital market development with regional strategies for private sector involvement, and promote cross-border listing.

Finally, the creation of regional markets might not be feasible in some regional economic communities where individual countries wish to retain their own stock exchange. In that case virtual regional markets, based on automated common trading systems and central depository systems, might be feasible (World Bank 2002).

Virtual regional markets, based on automated common trading systems and central depository systems, might be feasible

The development of other capital markets is generally lagging far behind that of stock markets. In particular, debt markets are dominated by short-maturity government securities. These represent the principal investment of commercial banks. Corporate bond markets are also very thin. To some extent this is due to the absence of a credit rating industry, as well as to the more general problem of weakness in the private sector.

Financial institutions. To advance economic integration, regional economic communities have established institutions to support regional financial cooperation. Regional development banks operate in CEMAC, COMESA, EAC, ECOWAS, UEMOA, and UMA. These institutions provide finance to facilitate trade, to undertake projects at the national or regional levels, and to assist poorer members in each region. In SADC the South African Development Bank has taken on responsibility for serving the interests of all community members. UMA is in the process of establishing a foreign investment bank for Maghreb countries.

The COMESA Clearing House was established in 1984 to lessen the effect of foreign exchange scarcity on intraregional trade. With the reduction of exchange rate controls and the liberalization of current accounts since then, the clearinghouse requires restructuring. New priority areas are transferring clearing functions to commercial banks, transforming the clearinghouse into a regional SWIFT centre and hub for electronic money transfer among regional commercial banks, and putting the new clearinghouse in charge of providing regional export guarantees against political risk.

An insurance and reinsurance company (ZEP-RE) also promotes regional economic integration in COMESA. Opened in 1991, its shareholders are the 14 COMESA member states and the Eastern and Southern Africa Trade and Development Bank (PTA Bank), a development bank providing finance for trade and investment projects at the national and regional level through credit, credit guarantees, and minority equity participation in joint ventures. It also aims to supplement the activities of national development agencies of member states by arranging joint financing operations and using such agencies as conduits for financing specific projects. Priority sectors for PTA Bank are manufacturing, agribusiness, tourism, mining, infrastructure, and energy. PTA Bank derives a significant proportion of its funding from relations with international banks, export credit agencies, and other business partners. It has also raised funds using commercial paper, bonds, and other capital market instruments. Since its restructuring in 2001, PTA Bank has intensified its resource mobilization activities, as evidenced by the signing of a master guarantee agreement with the U.S. Export-Import Bank and the Islamic Development Bank, among others.

> *Investments between African countries are contributing to macroeconomic stability and closer integration*

In ECOWAS financial cooperation is reflected in the establishment of several regional banks, beginning with the formation of the ECOWAS Fund for Cooperation, Compensation, and Development in 1975 to provide finance for compensation of revenue losses from trade liberalization and for the development of less advanced areas in the region. Now the ECOWAS Bank for Investment and Development, it has two subsidiaries: the ECOWAS Regional Development Fund, which focuses on the public sector, and the ECOWAS Regional Investment Bank, which focuses on the private sector. The UEMOA countries also established a compensation and solidarity fund. Finally, the ECOWAS Bank Group (Ecobank) is yet another successful model of regional financial cooperation. Ecobank is the parent holding company of subsidiaries in 12 countries of West and Central Africa. It provides commercial banking and other financial services to individuals and to private and public sector organizations. The ECOWAS Regional Development Fund is its major stakeholder.

Common to financial cooperation efforts in ECOWAS and COMESA is the attempt to encourage private participation, especially through communitywide financial associations, including women's groups.

In UMA the Maghreb Bank for Investment and External Trade, headquartered in Tunis with a declared capital of $500 million, $150 million of it paid up, aims at contributing to integration by financing agricultural and industrial projects in which UMA members have a common interest. It also aims to mobilize investments for other bankable projects and to promote trade and related payment arrangements. The bank intends to borrow from international financial markets as well as those in UMA member states and to accept deposits of freely convertible currencies. The bank is overviewed by its general assembly, composed of all of its shareholders or their proxies. It is administered by a board of directors, with two representatives from each of the five member states.

Investment. A stable macroeconomic environment attracts and encourages investment—essential for development. Privatization is also expected to attract foreign investment to Africa. Investments between African countries are contributing to macroeconomic stability and closer integration. For example, South Africa has invested in various African countries' telecommunications, energy, mining, manufacturing, agriculture, and breweries. Kenya has investments in Tanzania. And Royal Air Maroc holds a 51% share in Air Sénégal International, established in November 2000.

Foreign direct investment in Africa grew 1.2% a year between 1994 and 1999. Foreign direct investment represents about 2.8% of GDP in ECOWAS, 2.0% in COMESA, 1.9% in UEMOA, 1.8% in CEN-SAD and SADC, 1.4% in IGAD, 1.0% in ECCAS, and 0.9% in UMA. For Africa as a whole foreign direct investment averaged about 1.5% of GDP.

During 1994–99 SADC and CEN-SAD each attracted about 21% of foreign direct investment in Africa. Other major recipients of foreign direct investment were COMESA (16%), ECOWAS (12%), and UMA (5%). SADC is an attractive investment destination because of its mining and minerals potential and the macroeconomic stability in most of its member countries. South Africa is SADC's most attractive destination for foreign direct investment, with considerable spillover effects on the rest of the community. In CEN-SAD foreign direct investment focuses on petroleum.

Africa's share of global foreign direct investment remains limited, falling below 1% in 2000

Between 1994 and 2000 Africa's 10 largest recipients of foreign direct investment were Nigeria, South Africa, Egypt, Angola, Tunisia, Côte d'Ivoire, Lesotho, Sudan, Uganda, and Zambia (table 6.6).

Still, Africa's share of global foreign direct investment remains limited, hovering just above 1% in the mid- to late 1990s and falling below 1% in 2000 (UNCTAD 2001). By comparison, Latin America and the Caribbean received 10% of global foreign direct investment in 1995 and 11% in 1999. This raises the issue of what regional integration can do to make African countries a more attractive spot for foreign direct investment.

On theoretical grounds there are reasons to believe that the correlation between regional integration and foreign direct investment is positive. First, if the volume of incoming foreign direct investment is constrained by the small size of national markets, integration will create the necessary condition for greater investments from abroad. The resultant surge of inward foreign direct investment might not be evenly distributed among member states, but concentrated in areas with the strongest locational advantages. Second, liberalization of trade among regional economic community members will force outsiders to take action to remain competitive. One option is

Table 6.6

Foreign direct investment inflow to 10 largest recipients in Africa, 1994–2000 (US$ millions)

Country	1994	1995	1996	1997	1998	1999	2000	Average 1994–2000	Average per capita (US$ thousands)
Nigeria	1,959	1,079	1,593	1,539	1,051	1,005	1,082	1,330	11
South Africa	374	1,248	816	3,811	550	1,503	961	1,323	32
Egypt	1,256	598	636	891	1,076	1,065	1,235	965	16
Angola	170	472	181	412	1,114	2,471	1,698	931	77
Tunisia	432	264	238	339	650	350	752	432	47
Côte d'Ivoire	78	212	269	425	380	324	106	255	17
Lesotho	19	275	288	268	265	163	118	199	99
Sudan	–5	0	0	98	371	371	392	175	6
Uganda	88	121	121	175	210	222	220	165	8
Zambia	56	97	117	207	198	163	200	148	15

Source: *Compiled by Economic Commission for Africa from World Bank Africa Database 2002.*

to increase investment in the regional economic community. Third, regional integration can generate dynamic effects such as faster growth in participating countries, making the region more attractive to foreign investors.

Empirical evidence is also available for several regional economic communities on the positive impact of regional integration on foreign direct investment, including NAFTA, MERCOSUR, and the European Union (Blomström and Kokko 1997; World Bank 2000). Thus by strengthening intraregional market links and promoting trade integration, regional economic communities can create the preconditions for increasing the volume of foreign direct investment to Africa.

“Supervision should be coupled with appropriate legislation to enforce prudent lending behaviour”

The way forward

Monetary unions can generate potentially large benefits for African countries through increased trade flows, macroeconomic stability, and economic growth. Their establishment, however, requires facing a broad set of challenges.

On the institutional side countries must realize that a common central bank must be independent of national fiscal authorities and that its mandate must be clearly stated in terms of a nominal anchor (internal or external). Monetary stability will also require appropriate banking supervision. Whether this is the responsibility of the common central bank or of national authorities depends on the degree of segmentation of national banking systems. Supervision should be coupled with appropriate legislation to enforce prudent lending behaviour. This is particularly important in a context where asymmetric information between lenders and borrowers can lead quickly to a deterioration in the average quality of borrowers and so to a rising share of nonperforming loans. A clear decision also needs to be made on what institution will be the lender of last resort, since the shift of this function from national central banks to the common central bank is not automatic. The sustainability of monetary integration will depend crucially on mechanisms for resolving potential political economy conflicts.

For successful transition to a monetary union, participating countries should develop an appropriate policy mix, with specific commitments to low inflation and sound fiscal policies to achieve convergence. Performance so far has been mixed. The failure to hit macroeconomic convergence targets is due both to economic factors and to gaps in the institutional design of the criteria. Criteria constrain the policy choices of national governments only to the extent that they are credible and enforceable, with clearly specified deadlines—not always the case. Furthermore, membership in different regional economic communities with different criteria reduces the pressure to introduce economic policy reforms. The need to monitor economic policy compliance also requires the creation of mechanisms of multilateral surveillance, which can facilitate technical cooperation across countries.

Development of capital markets and deepening of financial intermediation are crucial to the mobilization of resources for growth and development. The progressive integration of financial markets that occurs with monetary integration requires harmonization of procedures across countries. Harmonization also reduces the likelihood of differences arising across countries in the transmission mechanism of the common monetary policy. Integrating local financial markets into the globalized financial system requires that regional standards be raised to meet international standards.

Notes

1. Examples of monetary cooperation include agreements for balance of payments financing, regional payments, limited currency convertibility, mutual currency management, parallel currency unions, and monetary unions.

2. For an exhaustive recent treatment of optimal exchange arrangements see Mussa and others (2000).

3. Thus, macroeconomic convergence is not defined in terms of the degree of symmetry (or asymmetry) of shocks across countries.

4. Dore and Masson (2002) point out that the fiscal consolidation trend reverted in 1998–2001 because of terms of trade deterioration and unfavourable movements in the business cycle. Nevertheless, the overall fiscal performance of countries in the zone can be regarded as positive.

5. Alesina and Grilli (1992) provide a clear example of policy conflicts due to different policy preferences across countries in a monetary union.

6. See Drazen (2000, Ch. 12) for an analysis of the political economy of the European Monetary Union.

7. See, for instance, World Bank (2002) for a discussion of financial integration in EAC.

References

Alesina, A., and V. Grilli. 1992. "The European Central Bank: Reshaping Monetary Policies in Europe." In M. Canzoneri, V. Grilli, and P. Masson, eds., *Establishing a Central Bank, Issues in Europe and Lessons from the U.S.* Cambridge: Cambridge University Press.

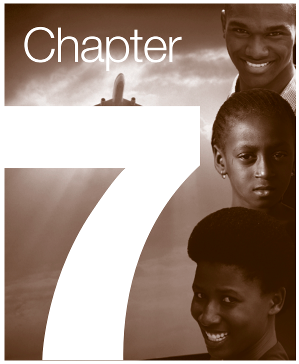
Barro, R. 1997. *Determinants of Economic Growth: A Cross-Country Empirical Study.* Cambridge, Mass.: MIT Press.

Blomström, M., and A. Kokko. 1997. "Regional Integration and Foreign Direct Investment: A Conceptual Framework and Three Cases." Policy Research Working Paper. World Bank, International Trade Division, Washington, D.C.

Borensztein, E., J. de Gregorio, and J. Lee. 1995. *How Does Foreign Direct Investment Affect Economic Growth?* NBER Working Paper 5057. National Bureau of Economic Research, Washington, D.C.
Bruno, M., and J. Sachs. 1985. *Economics of Worldwide Stagflation.* Oxford: Basil Blackwell.
Buch, Claudia. 1998. "Financial Market Integration in a Monetary Union." Kiel Working Paper 1062. Kiel Institute of World Economics, Kiel, Germany.
Buiter, W., G. Corsetti, and N. Roubini. 1993. "Sense and Nonsense in the Treaty of Maastricht." *Economic Policy* 16: 57–100.
Bun, M., and F. Klaassen. 2002. "Has the EURO Increased Trade?" Tinbergen Institute Discussion Paper 02-108/2. University of Amsterdam, Tinbergen Institute, Faculty of Economics and Econometrics, Amsterdam.
Calmfors, L., and J. Driffil. 1988. "Bargaining Structure, Corporatism and Macroeconomic Performance." *Economic Policy* 6: 13–61.
CEDEAO (Communaute Economique des Etats de l'Afrique de l'Ouest). 2001a. "Organisation de la surveillance multilatérale dans le cadre de la CEDEAO." Réunion conjointe des experts des ministères des finances et des banques centrales élargie aux experts statisticiens, Abuja, 5–7 décembre.
———. 2001b. "Rapport annuel 2000 d'exécution de la surveillance multilatérale dans le cadre de la CEDEAO." Dakar, 17 décembre.
CEMAC (Communauté Economique et Monétaire de l'Afrique Centrale). 2001. "Expérience de la CEMAC en matière d'harmonisation et de coordination des politiques macro-économiques." Addis Abéba, 10–11 décembre.
COMESA (Common Market for Eastern and Southern Africa). 1995. "Review Study on the Implementation of the Common Market for Eastern and Southern Africa." COMESA Monetary Harmonisation Programme, Lusaka.
———. 2000. "Vision and Strategy into the 21st Century: Integrating Trade, Investment and Development Regionally." Indian Ocean Press Agency, Lusaka.
Corsetti, G., and P. Pesenti. 2002. *Self-Validating Optimum Currency Areas.* NBER Working Paper 8783. National Bureau of Economic Research, Washington, D.C.
de Bondt, G. 2000. *Financial Structure and Monetary Transmission in Europe: A Cross-Country Study.* Cheltenham: Edward Elgar.
Debrun, X., P. Masson, and C. Pattillo. 2002. "Monetary Unions in West Africa: Incentives and Constraints." Paper presented at the Ad-Hoc Expert Group Meeting on the Feasibility of Monetary Unions in African RECs, October 8–10, Accra.
de Grauwe, P. 2000. *Economics of Monetary Union.* Fourth Edition. Oxford: Oxford University Press.
de Long, J., and L. Summers. 1992. "Macroeconomic Policy and Long-Run Growth." Discussion Paper. University of California at Berkeley, Department of Economics, Berkeley, Calif.
Dore, O., and P. Masson. 2002. "Experience with Budgetary Convergence in WAEMU." IMF Working Paper 00/109. International Monetary Fund, Washington, D.C.
Dornbusch, R., C. Favero, and F. Giavazzi. 1998. "Immediate Challenges for the European Central Bank." *Economic Policy* 26: 17–64.
Drazen, A. 2000. *Political Economy in Macroeconomics.* Princeton: Princeton University Press.
Dupasquier, C., and P. Osakwe. 2002. "Welfare Effects of Monetary Union and Flexible Exchange Rate Regimes in the Economic Community of West African States (ECOWAS)." Paper presented at the Ad-Hoc Expert Group Meeting on the Feasibility of Monetary Unions in African RECs, October 8–10, Accra.
Durlauf, S., and D. Quah. 1998. "The New Empirics of Economic Growth." Working Paper 3. University of Wisconsin–Madison.
East African Cooperation. 1998. "Report of the First Meeting of the Monetary Affairs Committee." Arusha, Tanzania.
Easterly, W., and R. Levine. 1997. "Africa's Growth Tragedy: Policies and Ethnic Divisions." *Quarterly Journal of Economics* 112: 1203–50.
Eichengreen, B. 1998. *Does Mercosur Need a Single Currency?* NBER Working Paper 6821. National Bureau of Economic Research, Washington, D.C.

Fielding, D., and K. Shields. 1999. "Is the Franc Zone an Optimal Currency Area?" University of Leicester, Department of Economics, Leicester.
Frankel, J., and A. Rose. 1998. "The Endogeneity of Optimum Currency Area Criteria." *The Economic Journal* 108(449): 1009–25.
———. 2000. *Estimating the Effect of Currency Unions on Trade and Output.* NBER Working Paper 7857. National Bureau of Economic Research, Washington, D.C.
Gelbard, E., and S.P. Leite. 1999. "Measuring Financial Development in Sub-Saharan Africa." IMF Working Paper 99/105. International Monetary Fund, Washington, D.C.
Glick, R., and A. Rose. 2001. *Does a Currency Union Affect Trade? The Time Series Evidence.* NBER Working Paper 8396. National Bureau of Economic Research, Washington, D.C.
Harvey C., C. Jenkins, L. Thomas, with P. Moepeng and M. Peloentle. 2001. "The Prerequisites for Progress Towards a Single Currency in the Common Market of Eastern and Southern Africa. Medium to Long-Term Perspective Study." COMESA Secretariat, Lusaka.
Honohan, P., and P. Lane. 2001. "Will the EURO Trigger More Monetary Unions in Africa?" World Bank and Trinity College Dublin, Washington, D.C. and Dublin.
IMF (International Monetary Fund). 2002. *International Financial Statistics.* Washington, D.C.
Lensink, R., and O. Morrissey. 2001. "Foreign Direct Investment." Research Report 01E16. University of Groningen, Research Institute SOM (Systems, Organisations, and Management), Groningen, The Netherlands.
Levine, R. 1997. "Financial Development and Economic Growth: Views and Agenda." *Journal of Economic Literature* 35: 688–726.
Magnusson, M., and B. Wydick. 2002. "How Efficient are Africa's Emerging Stock Markets?" *The Journal of Development Studies* 38: 141–56.
Masson, P., and C. Pattillio. 2001. "Monetary Union in West Africa: An Agency of Restraint for Fiscal Policies?" IMF Working Paper 01/34. International Monetary Fund, Washington, D.C.
Mazzaferro, F. 2002. "European Experience with Monetary Union: Lessons for Africa." Presented at the Ad-Hoc Expert Group Meeting on the Feasibility of Monetary Unions in African RECs, October 8–10, Accra.
Mensah, Sam. 2000. "The Promotion of Regional Capital Markets in Africa." SEM International Associates Limited, Accra.
Mundell, Robert. 2002. "Does Africa Need a Common Currency?" Keynote Presentation, African Development Forum III, March 3–8, United Nations Economic Commission for Africa, Addis Ababa.
Mussa, M., P. Masson, A. Swoboda, E. Jadresic, P. Mauro, and A. Berg. 2000. "Exchange Rate Regimes in an Increasingly Integrated World Economy." IMF Occasional Paper 193. International Monetary Fund, Washington, D.C.
Obstfeld, M., and K. Rogoff. 1995. "The Mirage of Fixed Exchange Rates." *Journal of Economic Perspectives* 9: 73–96.
Rose, A. 1999. "One Money, One Market: Estimating the Effect of Common Currencies on Trade." Seminar Paper 678. Stockholm University, Institute for International Economic Studies, Stockholm.
Rousseau, P., and R. Sylla. 2001. *Financial Systems, Economic Growth and Globalization.* NBER Working Paper 8323. National Bureau of Economic Research, Washington, D.C.
UEMOA (Union Economique et Monétaire Ouest Africaine). 2001a. "Expérience des Etats membres de l'UEMOA en matière de convergence." Addis Abéba, décembre.
———. 2001b. "Mécanisme de surveillance multilatérale des politiques économiques : expérience de l'UEMOA." Addis Abéba, décembre.
UNCTAD (United Nations Conference on Trade and Development). 2000. *World Investment Report: Cross-Border Mergers and Acquisition and Development.* New York and Geneva: United Nations.
———. 2001. *World Investment Report: Promoting Linkages.* New York and Geneva: United Nations.
UNECA (United Nations Economic Commission for Africa). 1994. "Promotion of Capital Market in Africa in the Context of Enhancing Domestic and External Resource Mobilisation for Development." E/ECA/TRADE/94/15/Rev.2. Addis Ababa.

Walsh, C. 1998. *Monetary Theory and Policy.* Cambridge: MIT Press.
WAMA (West African Monetary Agency). 1999. "Review of West African Payment/Clearing Mechanisms." WAMA-99/EMAC-6/iv. Freetown.
WAMI (West African Monetary Institute). 2001. "Progress on the Fast Track Approach to West African Monetary Integration." Presentation to the ECOWAS Ministerial Meeting, November 19–23, Bamako.
———. 2002. "Study Reports of the West African Monetary Institute." Accra.
World Bank. Various issues. *World Development Indicators.* Washington, D.C.
———. Various issues. *Africa Database.* Washington, D.C.
———. 2000. *Can Africa Claim the 21st Century?* Washington, D.C.
———. 2001. *World Development Indicators.* Washington, D.C.
———. 2002. *Capital Market Integration in the East African Community.* Washington, D.C.
Wypsloz, C. 1991. "Monetary Union and Fiscal Policy Discipline." In EC Commission, *European Economy*. Special Edition 1.



Transport, Communications, and Energy

Globalization and regional integration require effective regional infrastructure—transport, communications, and energy—to widen and integrate markets, achieve economies of scale, encourage participation of the private sector, and attract foreign direct investment and technology. Infrastructure development is included in the treaties of all the African regional economic communities, which provide the best framework for aligning sectoral policies, designing regional master plans, harmonizing regulatory regimes and investment codes, attracting seed capital, and mobilizing investment resources. Yet despite efforts to integrate transport, communications, and energy, gaps still exist in infrastructure and services across regional economic communities and across Africa—raising the cost of doing business and impeding factor mobility, investment, and competitiveness.

The need is for sustainable infrastructure systems that meet economic demand and provide basic social services, especially for poor people. These infrastructure systems must be safe, reliable, efficient, affordable, and environmentally sound, and they should help the least developed and landlocked countries compete in regional and international markets. To meet these requirements, governments must concentrate on policy and regulation, reduce their interference in the management of infrastructure services, and devise appropriate regulatory frameworks for monitoring performance and liberalizing access to infrastructure service markets.

The regional economic communities want to cooperate on infrastructure and services, but they lack the capacity and resources to do so. Recent initiatives such as the New Partnership for Africa's Development (NEPAD) and the successors to the global programmes of the United Nations Transport and Communications Decade for Africa (UNTACDA) could provide the driving force for more capital-intensive infrastructure development.

Transport

The indicators used to measure the performance of the regional economic communities in transport integration (figure 7.1) are physical integration, policy convergence, operational issues, and the African regional institutions and initiatives.

All the regional economic communities want an efficient, integrated transport system to facilitate national and international traffic and to foster trade and factor mobility.

Despite their efforts, problems remain: missing links, insufficient competition, high transport costs, few harmonized rules and procedures, inadequate safety and security at national and regional levels, little cross-border investment and private sector participation, and failure to ratify and implement conventions and regional policies adopted at sectoral meetings.

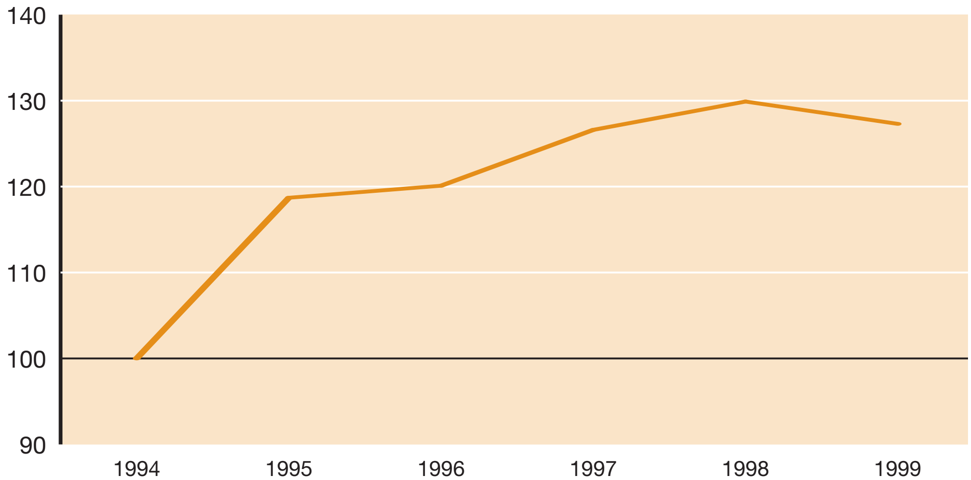
The African network of infrastructure and services is still very disjointed

In general, the physical links in Africa fall well short of expectations: the African network of infrastructure and services is still very disjointed. Transport costs are among the highest in the world, which means a high cost of doing business and products that are not very competitive in international markets. For landlocked countries transport costs can reach as high as 77% of the value of exports. Along the West African road corridors linking the ports of Abidjan (Côte d'Ivoire), Accra (Ghana), Cotonou (Benin), Dakar (Senegal), and Lomé (Togo) to Burkina Faso, Mali, and Niger, truckers paid $322 million in undue costs at police, customs, and gendarmerie checkpoints in 1997, partially because the Inter-State Road Transportation Convention had not been implemented (UNECA 2002a). Shipping a car from Japan to Abidjan costs $1,500 (including insurance); shipping that same car from Addis Ababa to Abidjan costs $5,000.

The last evaluation for UNTACDA II indicated that roads remain the dominant mode of transport in Africa, accounting for 90% of interurban transport. Less than a third (62,000 kilometres, or 27.6%) of Africa's 2 million kilometres of roads are asphalted. At 6.84 kilometres per 100 square kilometres, road density is well below that in Latin America (12 kilometres per 100 square kilometres) and Asia (18 kilometres per 100 square kilometres). And African network distribution is low, at only 2.71 kilometres per 10,000 people.

Figure 7.1

Transport integration index, 1994–99 (Index 1994=100)



Source: *Economic Commission for Africa, from official sources.*

Cumbersome administrative procedures and poor facilities in transit countries have been detrimental to the international trade of Africa's 15 landlocked countries. Several transit corridors have been identified to ease bottlenecks, and landlocked countries have negotiated bilateral and multilateral agreements with their coastal neighbours to facilitate movement of goods and people. Implementation has been slow, however, because some provisions are in conflict with national laws and regulations. For example, there is need to harmonize and enforce axle load limits along the corridors.

> *Cumbersome administrative procedures and poor facilities in transit countries have been detrimental to the international trade of Africa's 15 landlocked countries*

The African rail network is an estimated 89,380 kilometres long, with a density of 2.96 kilometres per 1,000 square kilometres. Network connections are poor, especially in Central and West Africa, and the availability of rolling stock is still very low compared with other regions of the world. In the past decade African countries have introduced railway concessions to reduce the government's role in railway management and to improve performance, but success has been limited. All the railway networks in Africa, including interconnected ones, still need to harmonize their operating rules and technical standards.

Maritime transport accounts for 92–97% of Africa's international trade. The tonnage carried by Africa's merchant fleet decreased from 7.3 million deadweight tons in 1990 (1.1% of the global total) to 6.1 million deadweight tons in 1999 (0.8% of the global total). Over the same period the tonnage carried by the global merchant fleet increased from 618.4 million deadweight tons to 799.0 million deadweight tons. Declines occurred in all categories of African ships except container vessels, whose share has increased since 1995, peaking at 15% of global tonnage carried in 1997. In 2000 the average age of the African merchant fleet was 19 years, compared with the world average of 14 years. But the African container fleet's average age of 11 years is much closer to the global average of 10 years.

Africa has about 80 major ports, with facilities ranging from conventional berths to container, bulk cargo, and white and crude oils. In 1999 African ports loaded 9.8% and offloaded 4% of the 5.2 billion tons of cargo handled in the world. Global container traffic has been growing since 1997 at 6.7%, with developing countries accounting for 1.6%. Only nine countries in Africa have recorded double digit growth in container traffic. Only a few countries have begun to commercialize their port operations and management, and most are still state-owned.

Air transport can create effective links among African countries and between Africa and the rest of the world. Each subregion has a number of national airlines, and jointly operated airlines ensure physical links in some cases. But the links among subregions have been poor because of the lack of appropriate policy for regulating the air transport industry until the 1999 Yamoussoukro Decision of the Conference of the Heads of State and Government. The decision accelerated liberalization of access to the air transport market in Africa and prompted reforms of airport and air space management aimed at boosting competition.

Africa's share of world air traffic was stagnant at about 1% despite a boom in international and intra-African traffic during the 1990s. Africa's passenger load factor exceeded that of Latin America and the Caribbean but remained about 12% below the world average. The freight-loading coefficient is estimated at 20% below the world average. Regional alliances have been formed to improve airline operations, but Africa still has fewer alliances than Latin America. Many countries have created autonomous civil aviation authorities and begun the concession of their airports. Liberalization has prompted private sector interest in investing in airline and airspace management, leading some regional organizations and countries to invest further financial resources in improving air navigation services.

"Regional economic communities are implementing harmonized laws, standards, regulations, and procedures to ensure the smooth flow of goods and services and to reduce transport costs"

Multimodal transport is governed by the United Nations International Convention on Multimodal Transport, signed in May 1981 but not yet in force because only 10 countries, including 5 in Africa, of the required 30 have ratified the convention. The members of the Central African Economic and Monetary Community (CEMAC) have adopted their own multimodal convention for regulating multimodal transport among member states. But CEMAC countries that have signed the convention have not yet incorporated its provisions into their national laws.

The biggest developments in multimodal transport in Africa during the 1990s were the establishment of inland container depots to serve landlocked countries and the growth of containerization, particularly in Southern Africa. Special attention should be paid to ratification and accession to international treaties and conventions on multimodal transport, application and use of international container terminals, support for corridor development initiatives, and establishment of indigenous multimodal transport operators.

To address these transport problems, regional economic communities are focusing on:

- Strengthening physical integration through network coordination to link the main cities of member countries and to cater to the goods and services they produce.
- Preparing and implementing harmonized laws, standards, regulations, and procedures to ensure the smooth flow of goods and services and to reduce transport costs.
- Facilitating the development of human resources and institutions through training.
- Promoting public-private partnerships in infrastructure development and mobilizing resources by creating awareness and organizing investment forums and consultative meetings with donors.
- Exchanging information on best practices and common issues such as technology development by organizing special forums.
- Promoting the development of transit corridors to benefit landlocked countries by adopting measures to facilitate development and raise awareness.

Physical integration

Physical integration of transport systems requires the connectivity of modal links among countries and across subregions. Most regional economic communities are trying to achieve this type of integration in roads, railways, maritime transport, inland waterways, and civil aviation.

Roads and road transport. Measurement of road integration is based on the number of missing links—sections of a road that fail to conform to design standards[1]—in a subregion's section of the Trans-African Highway.

> *Physical integration of transport systems requires the connectivity of modal links among countries and across subregions*

In 2000 the East African Community (EAC) had the most integrated road system, with smallest share of missing links—523 kilometres of the total 3,841 kilometres, or 14% (table 7.1). EAC has two major road and rail corridors, the Northern Corridor in Kenya from the port of Mombassa and the Central Corridor in Tanzania from the port of Dar-es-Salaam, which handle most of the subregion's international traffic. The Common Market for Eastern and Southern Africa (COMESA), the second most linked subregion, with 2,695 kilometres of missing links in 15,723 kilometres (17%), also has the most instruments aimed at facilitating transit transport—including harmonized road transit charges, carrier licence and transit plates, harmonized axle load limits, the Advanced Cargo Information System, the Automated System for Customs Data, and a bond guarantee scheme. Although COMESA countries have accepted these instruments, implementation has been slow. The Economic Community of Central African States (ECCAS) has the least integrated road system, with 4,953 kilometres of missing links in 10,650 kilometres, or 47%. Its road network is unusable under some weather conditions.

The Economic Community of West African States (ECOWAS) and the West African Economic and Monetary Union (UEMOA) have several initiatives to integrate their road systems and facilitate the movement of people and goods, but progress has been impeded by slow implementation of agreements and use of modern technology. Neither

Table 7.1

Road and rail transport in selected regional economic communities in Africa, 2000

	Trans-African Highway			Railways	
Regional economic community	Total links (km)	Missing links (km)	Missing links as a share of total (%)	Total length (km)	Type of gauge in use (mm)
COMESA	15,723	2,695	17	32,558	1,067; 1,000
EAC	3,841	523	14	7,588	1,000
ECCAS	10,650	4,953	47	7,605	1,435; 1,067; 1,000
ECOWAS	10,578	2,970	28	10,190	1,067; 1,000
IGAD	8,716	2,423	28	9,000	—
SADC	11,454	2,136	19	45,321	1,067
UMA	5,923	1,110	21	9,625	1,435

Source: *UNECA 2002b.*

the Convention on Inter-State Road Transportation nor the Convention on Inter-State Road Transit of Goods, both signed in 1982, has been implemented, while implementation has been limited on the brown card insurance scheme and the Automated System for Customs Data introduced by ECOWAS that same year. In 1990 the countries adopted measures to facilitate cross-border movement of traffic. ECOWAS has also begun construction of the West African Highway Network. UEMOA is working with ECOWAS to reinforce institutional capacity and develop regulations for monitoring and developing transportation corridors in West Africa.

"The Southern African Development Community is well connected, with a regional trunk road network and an interconnected regional rail network"

The members of the Arab Maghreb Union (UMA) are working to complete the Trans-Saharan Highway, the Maghrebian Highway, and a link between Africa and Europe though the Strait of Gibraltar. UMA has emphasized building transport links with Euro-Mediterranean countries, connecting member states, and harmonizing policies. Although UMA has agreements on transport, including some that facilitate cross-border transport of goods and services, implementation is incomplete.

The Southern African Development Community (SADC) is well connected, with a regional trunk road network and an interconnected regional rail network. SADC created the autonomous Southern Africa Transport and Communications Commission to implement its transport protocol, though a later restructuring of SADC ended the commission's autonomous status. SADC is the only regional economic community taking a multisectoral approach to transport—an approach based on development corridors and spatial development initiatives. But some critical links between member states are missing, such as bridge connections between Botswana and Zambia and between Namibia and Zambia.

Rail transport. Three railway gauges predominate in Africa—the 1,067 millimetre (Cape) gauge, the 1,000 millimetre (narrow or meter) gauge, and the 1,435 millimetre (standard) gauge. A regional railway system is considered to be integrated when its member states use the same gauge throughout. EAC, SADC, and UMA use a uniform gauge and thus have the most potential for physical integration of their railway networks (see table 7.1). UMA is even considering development of a Maghrebian high speed train. By contrast, ECCAS, with no plans for rail network connectivity, has the least potential for integration. ECOWAS, which has given little attention to its rail transport system, is beginning efforts to connect national railway lines. The African Development Bank has provided $3.3 million to study the feasibility of railway connections in West Africa.

Maritime transport and ports. Integration of maritime transport and ports is based on the number of major maritime ports offering services to landlocked countries and the availability of coastal shipping services and inland container depots. ECOWAS is the most integrated, with seven ports for four landlocked countries (table 7.2). EAC has some connectivity between ports and the hinterland, with two major transit ports—Mombassa, Kenya, and Dar-es-Salaam, Tanzania. With nine major transit ports serving 10 landlocked countries, COMESA also has good connections. UMA, which has no landlocked countries, has common maritime transport policies among its members and with Eastern Mediterranean countries. ECCAS, with two ports serving three of its four landlocked countries, has some maritime connection among its member states.

Inland waterways. Physical integration of inland waterways is measured by the number of countries served by a particular river or lake. Although Africa is endowed with many lakes and rivers, only a few play a role in integrating transport across countries (see table 7.2). Lake Victoria in EAC offers steamer service to its three member countries, giving EAC the most integrated inland waterways system. ECCAS has the second most integrated system—the Congo River provides service to half its 10 member countries. By contrast, the Niger River, which connects Guinea and Mali, offers limited integration to ECOWAS because travel on the river is seasonal. A 1998 initiative by the Senegal River Basin Development Organization is expected to enhance transport on the Senegal River, but it faces competition for resources with the improved Dakar–Bamako railway system and the recently initiated Dakar–Bamako road.

> *"Although Africa is endowed with many lakes and rivers, only a few play a role in integrating transport across countries"*

Civil aviation. Integration of civil aviation is measured by the connectivity of air and navigation services between member states within regional economic communities and between subregions. Kenya has 16 direct connections with other COMESA countries, compared with none for Swaziland (OAG 2000). In SADC most countries have direct

Table 7.2

Maritime and inland waterways transport in selected regional economic communities in Africa, 2000

Regional economic community	Maritime transport: Major maritime ports	Maritime transport: Landlocked countries served	Inland waterways: Navigable lakes and rivers	Inland waterways: Countries served	Inland waterways: Countries served as a share of total countries (%)
COMESA	9	10	Nile River Lake Victoria Lake Malawi Lake Tanganyika	10	48
EAC	2	4	Lake Victoria	3	100
ECCAS	2	4	Congo River	5	50
ECOWAS	7	4	Niger River Senegal	2	13
IGAD	4	2	Nile River Lake Victoria	3	43
SADC	8	6	Lake Victoria Lake Malawi Lake Tanganyika	na	na
UMA	11	na	na	na	na

na is not applicable.

Source: *UNECA 2002b.*

> *Connectivity has been improving since the Yamoussoukro Decision, which allows multiple airlines to operate on a single route*

links to Johannesburg, which has the highest connectivity in the subregion. And with indirect flights, it is relatively easy to link two capitals in the SADC countries, although some connections require more than a day's stopover. The capital cities of UMA member countries are linked by direct or indirect flights taking less than four hours, but the limited number of flights during the week has resulted in a low volume of traffic, especially before the embargo on Libya ended. North Africa and Central Africa's connections with Sub-Saharan Africa are inadequate, often requiring travel through Europe.

ECCAS (which includes CEMAC) is one of the least connected subregions. In 2000 Republic of Congo had only five direct flights to other member countries, and in São Tomé and Principe the weekly frequency of flights was so low that passengers had to wait for days to make their way from some capital cities in the subregion. A lack of financial and technical resources and commercial cooperation combined with protectionist policies has severely hampered connectivity in the subregion.

ECOWAS was relatively well connected before the collapse of Air Afrique, a joint venture of 11 French-speaking countries that provided both direct and indirect connections within the subregion. The most linked countries were Côte d'Ivoire and Senegal, with 14 direct flights, while Liberia had 4 flights and Cape Verde 2. The anglophone countries of West Africa were poorly connected to the francophone countries because of protection of Air Afrique and a lack of cooperation between major carriers. National airlines and new private airlines now provide service between capital cities, but the services are not very well connected (separate tickets are often required to complete a trip).

The creation of Air Afrique for the French-speaking countries and the Banjul Accord grouping English-speaking countries resulted in many missing routes, complicating travel in West Africa. But connectivity has been improving since the Yamoussoukro Decision, which allows multiple airlines to operate on a single route and removes limits on aircraft capacity and flight frequency. The Agency for the Safety of Aerial Navigation in Africa and Madagascar (box 7.1) and the Robert Flight Information Region in

Box 7.1

Integrating air transport operations in Africa

The Agency for the Safety of Aerial Navigation in Africa and Madagascar, established in 1959, is responsible for providing terminal aids and air traffic control for the 24 main airports of 15 African states (Benin, Burkina Faso, Cameroon, Central African Republic, Chad, Congo, Côte d'Ivoire, Equatorial Guinea, Gabon, Madagascar, Mali, Mauritania, Niger, Senegal, and Togo). Its services cover en route navigation as well as approach and landing. Under the Dakar Convention the agency manages aeronautical facilities in signatory states, conducts studies of the operations of airports or technical facilities, and supervises and maintains the facilities.

Source: *ASECNA 2000.*

ECOWAS and CEMAC are also signs of growing integration. In other subregions, however, national organizations manage air space, creating difficulties for integration.

Policy convergence

Although the regional economic communities have all established transport policy frameworks, the clear strategies, benchmarks, targets, and timeframes needed to implement them are lacking. Several regional initiatives have tried to promote policy convergence. The most success has come in harmonizing air transport policies, especially after the adoption of Yamoussoukro Decision (box 7.2). All but five of the African countries that have ratified the Abuja Treaty establishing the African Economic Community have indicated that they will move to full liberalization without delay, and many have started to liberalize access to their air transport markets bilaterally. Implementation of the Yamoussoukro Decision is expected to improve service, increase

> *"Implementation of the Yamoussoukro Decision is expected to improve service and increase the frequency of flights"*

Box 7.2

Liberalizing air transport and promoting regional integration in Africa through the Yamoussoukro Decision

The Yamoussoukro Decision, endorsed by the heads of state and government of the Organization of African Unity in Lomé, Togo, in July 2000, became binding on states that signed the Abuja Treaty in August 2000. The decision establishes a framework among African states for liberalizing air transport services in Africa over two years. It has precedence over multilateral and bilateral agreements on air services between states and provides for fully liberalizing air cargo and removing restrictions on aircraft capacity and traffic rights, including the fifth freedom right (right to carry passengers to one foreign country and then fly on to another). It allows multiple airlines to operate on a specific route and deregulates tariffs.

Following the Yamoussoukro Decision, the 23 ministers in charge of civil aviation in Central and West African countries signed a memorandum of understanding to fully implement it. Subregional organizations translated its objectives into an appropriate protocol and prepared plans and activities for its implementation, including mechanisms to ensure uniform application of the agreement. The Yamoussoukro Decision received strong support from donors, with CEMAC, ECOWAS, COMESA, SADC, and UEMOA the main beneficiaries.

Donors plan to establish units in ECOWAS and CEMAC to help member states implement the agreement. The ministers in charge of civil aviation have agreed to delegate some powers to regulate air transport to a body under the supervision of these units. Similar programmes are being developed for EAC, COMESA, and SADC.

Because of the overlap in membership of ECOWAS and UEMOA, there was some duplication of donor activities, requiring greater coordination among donors, subregional organizations, and countries. This coordination enabled donors to rationalize their support and agree on the allocation of responsibilities, increasing the impact of their intervention and leading to better results. Similar interventions in air transport liberalization in other subregions could benefit from this example.

Source: *Economic Commission for Africa, from official sources.*

the frequency of flights, improve the profitability of African airlines on intra-African routes, increase private participation in the African airline industry, and reduce travel time and cost.

Efficient functioning of integrated transport systems depends on the ease of cross-border movements

Since the Yamoussoukro Decision went into effect, African airlines have established several new routes to provide users more choice. Connectivity between African countries has improved, with daily flights introduced in some regions. But full implementation of the Yamoussoukro Decision is hampered by the lack of firm political commitment from some countries because of concerns about the ability of their national airlines to compete. Protectionist measures remain in place for all airlines, and visa restrictions and inappropriate competition rules also pose major obstacles to the decision's implementation. But with the strong political commitment and support of high-level policymakers the Yamoussoukro Decision could be fully implemented quickly.

Policy convergence is also moving ahead in the maritime sector. The African Maritime Transport Charter, established in 1993 by the Organization of African Unity's Conference of African Ministers of Maritime Transport, provides a framework for maritime transport cooperation among African countries and between African countries and the rest of the world. The policy has been adopted but not fully implemented because of a lack of political commitment and required ratification.

Operational issues

Several operational issues pose challenges for integrating transport in the regional economic communities, including delays at border posts, lengthy transit times, and the high cost of transit operations.

Delays at border posts. Efficient functioning of integrated transport systems depends on the ease of cross-border movements between countries and across subregions. That, in turn, depends on how harmonized customs documentation and procedures are, whether goods may be precleared, how well international border posts are managed, whether there are effective working arrangements between adjacent border administrations, and whether there are such administrative practices as road blocks and security inspection of goods. Considerable delays occur at borders of SADC countries (table 7.3).

Lengthy transit times. Lengthy transit times are still an issue in many transit corridors serving landlocked countries. For example, traffic originating from the Indian Ocean ports of Dar-es-Salaam, Tanzania, and Mombassa, Kenya, experiences unacceptably long transit times despite efforts by authorities in the Northern Corridor in Kenya and the Central Corridor in Tanzania to reduce transit times (table 7.4).

High costs of transit operations. Although African transport systems are improving, they still perform below their potential, facing challenges of accessibility, affordability, viability, and quality of service. Transport costs are high for landlocked African countries—averaging 14% of the value of exports compared with 8.6% for all developing countries—and higher still for many countries, such as Malawi (56%), Chad (52%), and Rwanda (48%) (table 7.5). The high costs are due to noncompliance and incomplete implementation of bilateral and multilateral agreements. The institutions charged with monitoring implementation lack the authority to impose sanctions on countries that do not perform well.

Table 7.3

Delays at selected border posts in Southern Africa, 2000

Corridor	Border post	Countries	Estimated border delay (hours)
Beira	Machipanda	Mozambique and Zimbabwe	24
	Zobue	Mozambique and Malawi	24
	Mutare	Mozambique and Zimbabwe	26
Maputo	Ressano Garcia	South Africa and Mozambique	6
	Namaacha	Swaziland and Mozambique	4
North South	Beit-Bridge	South Africa and Zimbabwe	36
	Chirundu	Zimbabwe and Zambia	24
	Victoria Falls	Zimbabwe and Zambia	36
	Martins Drift	South Africa and Botswana	6
Trans-Caprivi	Kazungula	Botswana and Zambia	24
Trans-Kalahari	Buitepos	Namibia and Botswana	6
	Pioneer Gate	Botswana and South Africa	4
Tanzam	Nakonde	Zambia and Tanzania	17

***Source:** World Bank 2000.*

Table 7.4

Transit times in the East African Community, 1997 (days)

Transit route	Port transit	Journey time	Transshipment off-loading	Total
Uganda				
Malaba (rail)	13	4	5	22
Kisumu (rail and lake)	13	13	5	31
Mwanza (rail and lake)	22	6	7	35
Malaba (road)	13	4	6	23
Burundi and Rwanda				
Kigoma (rail and lake)	22	4	14	40
Isaka (rail and road)	22	8	2	32
Dar-es-Salaam (road)	22	5	2	29
Isebania (road)	13	15	2	30
Malaba (road)	13	10	2	26
Kemondo Bay (rail, lake, and road)	13	13	5	31

***Source:** Adapted from Anyango 1997.*

African regional institutions and initiatives

African countries have created several regional institutions and training centres to facilitate integration of the transport sector, including the African Airlines Association, the African Civil Aviation Commission, the Multinational Training Centre of Civil Aviation for French speaking countries, the East and Southern Africa Management Institute, the Maritime Organization of Western and Central Africa, the Southern Africa Railways Association, and the Union of African Railways, among others. Some of them have dissolved, however, because of financial difficulty and lack of support from member states. The performance of the remaining institutions is sometimes below expectations.

"African countries have created several regional institutions and training centres to facilitate integration of the transport sector"

At the request of African countries the United Nations General Assembly declared 1978–88 the first Transport and Communications Decade for Africa (UNTACDA I) and 1991–2000 the second Transport and Communications Decade for Africa (UNTACDA II). The declarations focused the attention of development partners on Africa's infrastructure. Two programmes were developed to establish an efficient integrated transport and communications system as a basis for physical integration and trade. In March 2002 African countries adopted the successor arrangement of UNTACDA II with the assistance of the Economic Commission for Africa, but it still needs to be implemented.

Table 7.5

Transit costs in selected African countries and world country groups, 2001

Country or country group	Transport and insurance payments (US$ millions)	Exports of goods and services (US$ millions)	Transit costs as a share of the value of exports (%)
Botswana	230	3,030	8
Burkina Faso	70	272	26
Burundi	23	96	24
Central African Republic	59	179	33
Chad	99	190	52
Ethiopia	240	979	25
Lesotho	43	283	15
Malawi	214	385	56
Mali	229	644	36
Rwanda	70	144	48
Swaziland	30	1,085	3
Uganda	269	757	36
Zambia	216	1,255	17
Zimbabwe	379	2,344	16
Landlocked countries	3,706	26,314	14
Least developed countries	4,277	24,840	17
Developing countries	109,055	1,268,581	9

Source: *UNCTAD 2001.*

In 2002 the African Development Bank, the technical advisor for the NEPAD infrastructure programme, developed a short-term action plan to bridge the gaps of infrastructure and services in African countries. The plan contains physical projects linking African countries and includes measures to facilitate trade and tourism within and outside Africa.

African leaders need to build on successes of the past decade and emulate best practices elsewhere in the world

The Sub-Saharan African Transport Policy programme, a joint partnership between donors and African countries, also aims to promote and facilitate integrated policies and strategies for transport sector capacity building. The programme defined a long-term development plan for 2004–07 to boost the infrastructure integration agendas of the regional economic communities and NEPAD and to support poverty reduction and economic growth objectives.

These initiatives will help foster regional integration, but their implementation is the responsibility of the African countries with the assistance of the development partners.

The way forward

For the transport sector to achieve its potential of regional integration, African leaders must review their role, ensure implementation of regional and subregional initiatives, and fulfil their commitments under common decisions and regional projects and policies.

Regional and subregional efforts. To reposition Africa's transport systems, the regional economic communities need to actively support other regional efforts to foster transport integration in Africa. With the support of such pan-African bodies as the Economic Commission for Africa, the African Union, and the African Development Bank, the regional economic communities and African leaders need to build on successes of the past decade and emulate best practices elsewhere in the world.

African leaders should pursue regional initiatives already launched, to remove non-physical barriers and political constraints. They should exercise their power individually, bilaterally, and under NEPAD. This will require good governance, improved peace and security, and compliance with agreements reached at the regional and subregional levels. It will require adjusting policies, building physical and human capacity, modernizing management, attracting more private sector involvement, improving transport facilitation, adopting appropriate corridor approaches, reducing transport costs and delays, improving safety and security, introducing new technologies, and ensuring that infrastructure development policies take poverty reduction into account. Efficiency requires concentrating on the most critical actions:

- *Refocusing the actions of the regional economic communities.* The regional economic communities have limited human and financial resources to address transport integration. Focusing their activities on high priorities and setting appropriate benchmarks and parameters for measuring success and achievement should come first.

- *Designing and building an integrated transport network.* African leaders and regional economic communities need to work towards an integrated transport network by improving coordination among regional economic communities, accelerating implementation of agreed integration programmes, and reaching agreement on design and construction standards, training and certification guidelines, and equipment, technical, and operational standards. They need to improve the sustainability of transport systems by adopting policies for maintenance and measures for recovering costs and to develop rural transport and travel, empowering women to participate in that development. They also need to ensure that transport systems comply with international norms and to develop common positions in international negotiations affecting infrastructure services.
- *Improving the physical integration of transport.* Africa's roads carry more than 80% of the continent's freight and passenger traffic, making them a clear priority for integration. A framework for integrating regional road systems has already been approved within the Trans-Africa Highway Programme proposed by the Economic Commission for Africa. Accelerating integration of road transport requires building on past successes and adopting new measures, strengthening railway interconnection, developing maritime transport, and fully implementing the Yamoussoukro Decision for air transport. The missing links of the Trans-Africa Highway must be addressed at the national and subregional levels, and appropriate maintenance procedures must be elaborated.
- *Improving transit facilitation of goods and people.* Facilitating transport along Africa's major international transport corridors is also a priority. The frameworks already in place in regional economic communities need to be rationalized and consolidated. The first step is to select a few priority corridors in each subregion for pilot schemes and then to build on the successes. The Northern Corridor Transit Agreement could serve as a model. Visa restrictions should be abolished, and procedures for issuing visas should be harmonized.
- *Building capacity.* African countries and subregional organizations need to strengthen their capacity to manage, develop, plan, and implement regional training programmes and projects in infrastructure development.
- *Setting up an African infrastructure fund.* Mobilizing investments and resources to improve infrastructure links is necessary. An African infrastructure fund could help improve the coordination and targeting of donor support to transport integration efforts across Africa. Such a fund should have two components: a capital component to enhance the viability of projects that may be attractive to the private sector only as public-private ventures with the risk shared by governments, and a technical assistance component to support efforts by regional economic communities and governments to push implementation of reforms and agreed policies for transport integration. The infrastructure fund could take advantage of lessons from similar experiences at international and subregional levels.

"An African infrastructure fund could help improve the coordination and targeting of donor support to transport integration efforts"

National efforts. Actions are also needed at the national level, especially in national policy reform. The member states of regional economic communities need to adopt transparent policies and strategies to liberalize access to infrastructure markets and to move to market-based provision of infrastructure services. Reforms need to strengthen private participation and empower the private sector by involving it in policy dialogue and advocacy for improvements in operational efficiency. Countries also need to increase their political commitment to implementing the decisions adopted at regional and subregional levels, such as the Yamoussoukro Decision.

Regional integration efforts in communications focus on policy convergence and integration of physical facilities

In addition, countries need to:

- *Mobilize investment.* UNTACDA shows that African countries need innovative approaches to finance infrastructure and appropriate policies to encourage private participation. National budgets need to give priority to infrastructure, including allocations for maintenance and rehabilitation. Countries also need a conducive environment to attract private participation in infrastructure development projects, particularly through public-private partnerships.
- *Address environmental and safety concerns.* The environmental impact of transport is becoming a major concern in Africa. The socioeconomic costs of road safety problems alone amount to around 2% of African GDP. Measures are needed to reduce the environmental and health impacts of infrastructure—phasing out leaded fuel, improving equipment maintenance, training appropriate personnel, setting up regional safety organizations, and ensuring better management of traffic and land use. Infrastructure development projects should be supported by an environmental impact assessment addressing any adverse environmental effects, such as air pollution and global warming.
- *Adopt technological innovations.* Infrastructure development in Africa needs to take advantage of the information technology revolution. That will require developing the capacity to apply appropriate technology, manage traffic, and create databases.

Communications

Africa's regional integration index for communications, measured by the increase in the number of cross-country telephone calls, rose steeply through 1997, moderating but remaining firm thereafter (figure 7.2). This improvement occurred across as well as within regional economic communities.

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

The treaties of the regional economic communities call for modernizing equipment and harmonizing policies, standards, tariffs, and communications laws—all actions geared towards improving the policy and investment environment of the sector. A large part of the effort has been the drive to facilitate intra-African transit through the physical integration of networks and the coordination of activities and policies at the regional and subregional levels.

> *The ECOWAS network has developed significantly under the Pan-African Telecommunications Network*

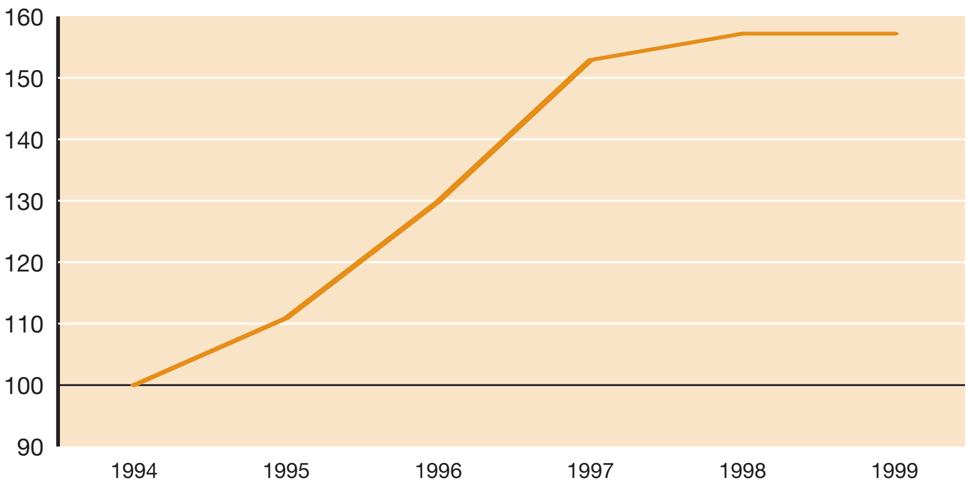
Physical integration

The communications networks of the regional economic communities are at different stages of physical integration. The ECOWAS network has developed significantly under the Pan-African Telecommunications Network (PANAFTEL) programme of the Organization of African Unity and the African Union, and ECOWAS Intelcom. PANAFTEL, which failed to achieve all its objectives, was designed to offer an entirely interconnected interstate network, with a wide range of options for routing facilities. While this would make it possible to avoid routes outside ECOWAS for interstate traffic, communications within ECOWAS depend almost entirely on outside operators. Only 2.8% of transit traffic relies on routing facilities within the subregion, while the rest uses Canadian, European, and U.S. operators. Transit traffic represents 29% of total traffic and 41% of direct traffic. Only two countries (Benin and Mali) have transit traffic below the recommended threshold of 10% of total traffic. Reducing transit traffic in favour of direct traffic is a high priority.

UEMOA makes low use of interstate connection possibilities, lacks adequate direct links between many member states, routes significant interstate traffic through operators outside the subregion, and has a wide range of tariffs for interstate communications. COMESA is pursuing a regional telecommunications network (COMTEL) to facilitate trade among its members. The network will cost about $172 million and will be capable of transmitting voice, data, and television programmes.

Figure 7.2

Communications integration index, 1994–99 (Index 1994=100)



Source: *Economic Commission for Africa, from official sources.*

In SADC demand for cellular and fixed line telephone service has risen sharply in recent years, and the number of Internet service providers and the use of electronic mail are growing strongly. In December 1999 SADC approved a regional backbone, the SADC Regional Information Infrastructure, to link SADC countries through high-capacity digital land and submarine routes using microwave and fibre optic cables.

In CEMAC much of the subregional traffic is channelled through a satellite circuit. EAC is planning to set up a fibre optic transmission system to link major cities in the subregion. UMA also plans to use a fibre optic cable to link the Maghreb countries. A joint Morocco-Tunisian company has begun a communications project in Mauritania, a good example of regional cooperation in infrastructure development.

"UEMOA has launched a study on a common telecommunications policy for its members"

The IGAD secretariat has helped member states establish an effective information network and system using modern information technology. The Internal Connectivity Project among member states aims at human resources capacity building to improve communication technology skills. It also aims to develop a comprehensive IGAD strategy for acquisition and use of information and communication technology.

Policy convergence

Policy convergence focuses on tariff and regulatory coordination among countries. ECOWAS has drawn up convergence criteria aimed at establishing a regulatory framework with homogeneous technologies and equipment and a limited number of systems and manufacturers. The ECOWAS model emphasizes separating posts and communications, transforming public corporations into commercial units, separating operating and regulatory functions, setting up a regulatory body, and privatizing and liberalizing mobile technology and value added services. This model has provided the framework for policy reforms in almost all ECOWAS members. To foster harmonized regional development of telecommunications, ECOWAS set up a technical group to develop criteria for the West African Regulators Association. The association will formulate regulations on interconnection, convergence of tariffs, and standardization and harmonization of policies. It will also assist member countries in drawing up legislation and setting up independent regulatory bodies.

UEMOA has launched a study on a common telecommunications policy for its members. Harmonization of national policies has been impeded by differing market structures (for example, some countries limit the regime of exclusive agents to telephone and telex services, while others extend it to data transmission), the lack of rules on exchange rights (making it difficult to harmonize commitments under World Trade Organization agreements), and differences in the tasks of national regulatory bodies.

In COMESA a private limited liability company, COMTEL, was registered in May 2000 for national telecommunications operators and other partners to promote investment in communications. Partners from countries outside COMESA are welcome to participate. So far, 10 national telecommunications operators have signed on. The company's goals are attracting investment, building institutional capacity, ensuring efficient telecommunications services, introducing new technologies, and helping establish regional operators. COMESA also has an ongoing project on information and communication technology policy and regulatory matters, but COMTEL has not been able to raise the necessary funds to support it.

The Southern African Telecommunications Association is coordinating technical standards, tariffs, and public-private partnerships to improve connectivity

In SADC the Regional Telecommunications Restructuring Programme, the main organ for implementing reforms, ended in September 1999, and the Telecommunications Regulatory Association of Southern Africa is now working to make SADC part of the global information society. Many countries—including Angola, Lesotho, Malawi, Mauritius, Mozambique, Tanzania, and Zimbabwe—are working to harmonize their national communications legislation using the SADC model. The Southern African Telecommunications Association is involved in coordinating technical standards, tariffs, and public-private partnerships to improve connectivity among SADC member states.

CEMAC has focused on harmonizing telecommunications networks and services and improving interconnection by establishing a backbone network. The regulatory focus has been on filling gaps in the regulatory framework for network interconnection. An intergovernmental agency, the Central African Subregional Centre for Telecommunications Maintenance in Africa, was created to assist some of these efforts.

Telephone and Internet connectivity. In most of the regional economic communities fixed line telephone connectivity has increased markedly as policies on foreign investment have been liberalized. The use of mobile telephone services has also increased dramatically with the greater openness of markets and cross-border investment in service provision. Egyptian and South African telephone companies have been active in establishing mobile telephone companies in other African countries.

By the end of 2000, 25 African countries had established an independent regulatory authority for telecommunications. Only in 17 countries is the post and telecommunications office the sole provider of mobile telephone service, and only in 13 countries is it the only Internet service provider. Only 7 countries remain without mobile telephone service.

ECOWAS and UEMOA have the highest level of telephone connectivity, followed by SADC, UMA, the Indian Ocean Commission (IOC), and the Mano River Union (MRU). All have shown steady growth in integration indices for telephone connectivity. The trend has also been positive in other regional economic communities, except CEMAC, the Economic Community of the Great Lakes Countries (CEPGL), and ECCAS, where growth in integration indices has fluctuated.

IOC has the highest mobile telephone connectivity, with nearly 16 subscribers per 100 people, followed by SACU with 11 and SADC with 10. The least connected are CEPGL and IGAD, with less than 1 mobile subscriber per 100 people (table 7.6).

Internet connectivity has increased rapidly in Africa. The key indicators for Internet connectivity are the number of Internet hosts and the number of Internet users as a share of the population (table 7.7). SACU had the highest number of Internet users per 10,000 people in 2001 (491), followed by SADC (147) and IOC (115). CEPGL had the lowest, at less than one Internet user per 10,000 people.

Internet connectivity has increased rapidly in Africa

Postal services. Many African countries have worked to improve postal service, adopting strategies for modernizing and developing postal services. Yet despite some positive results, the quality of service remains poor.

These programmes sought to improve the quality of service and to integrate the African postal network. Hubs were created in Abidjan, Addis Ababa, Cairo, Johannesburg, Lagos, and Nairobi for receiving and dispatching mail to and from different subregions, and a regional centre on postal technologies was established in Dar-es-Salaam to support the development of postal technologies in East and Southern Africa. Apart from SADC, few regional economic communities are engaged in activities relating to postal services.

Radio and television broadcasting. All the transmission infrastructure of subregional telecommunications projects can also be used for radio and television broadcasting, which generally use hertzian transmission mode (wire or, more often, satellite transmission). This makes physical integration readily achievable. As part of ongoing

Table 7.6

Mobile telephone connectivity in Africa by regional economic community, 2001

Regional economic community	Estimated population (thousands)	Mobile network operators	Cellular telephone subscribers	Cellular subscribers per 100 people
CEMAC	31,705	9	766,087	5.2
CEN-SAD [a]	339,092	31	9,369,216	2.5
CEPGL	67,331	3	24,5687	0.5
COMESA	436,824	36	5,260,998	5.8
EAC	88,722	11	1,302,998	1.5
ECCAS	99,186	14	1,011,774	3.6
ECOWAS	226,888	21	2,262,752	2.0
IGAD	166,835	10	1,010,380	0.8
IOC	18,603	7	692,332	15.6
MRU	15,620	5	84,565	0.5
SACU	51,249	8	11,317,000	11.3
SADC	284,115	26	12,955,247	10.1
UEMOA	71,635	12	1,397,822	1.9
UMA	77,900	9	5,423,671	5.2

a. Excludes North African countries except Mauritania and Sudan.

Source: *Economic Commission for Africa, compiled from ITU 2001.*

democratization in Africa, the regulatory framework for the audiovisual sector is being liberalized. While the management and functioning of government-controlled radio corporations and the exchange of programmes among regions have not improved, more than half of African countries have opened their audiovisual sector, and others are following. New regulatory bodies have been set up in some countries to grant licences and monitor the content of broadcasts. Liberalization is benefiting mainly Western media, although a few domestic private companies are among the new radio and television corporations that have emerged. Cultural cooperation programmes within multilateral frameworks (such as Francophonie) are promoting the exchange of radio and television programmes, as is the Union of National Radio and TV Corporations in Nairobi.

"Several continentwide initiatives are enhancing the effectiveness of communications at the national level and promoting regional integration"

Continentwide initiatives

Several continentwide initiatives are enhancing the effectiveness of communications at the national level and promoting regional integration. These include the African Telecommunication Union, the Regional African Satellite Communications Organization, and the African Information Society Initiative.

African Telecommunication Union. The African Telecommunication Union, established in 1999, seeks to foster the rapid development of information and communication technology in Africa to improve service, access, and interconnections between African countries. It has a wide range of objectives covering such issues as joint capacity building,

Table 7.7

Internet connectivity by regional economic community, 2001

Regional economic community	Estimated population (thousands)	Internet hosts	Internet users	Internet users per 10,000 people
CEMAC	31,705	467	69,000	21.8
CEN-SAD	339,092	8,009	1,950,300	57.5
CEPGL	67,331	—	6,000	0.9
COMESA	355,006	19,123	1,241,300	35.0
EAC	88,722	4473	210,000	23.7
ECCAS	99,186	468	75,000	7.6
ECOWAS	226,888	7,203	617,520	27.2
IGAD	166,835	3,305	209,300	12.5
IOC	17,493	3,622	202,000	115.5
MRU	15,620	523	22,000	14.1
SACU	51,249	245,107	2,514,000	490.5
SADC	202,297	254,608	2,976,000	147.1
UEMOA	71,635	55,68	410,000	57.2
UMA	77,900	3450	1,007,000	129.3
Total	1,810,959	555,927	11,509,420	63.6

Source: *Economic Commission for Africa, compiled from ITU 2001.*

regional policy convergence, financing of joint projects, exchange of information, and harmonization and standardization of tariffs and technology.

Regional African Satellite Communications Organization. The Regional African Satellite Communications Organization (RASCOM), created in the early 1990s by African telecommunications ministers, has as its main objective to extend affordable telecommunications service to the entire population of Africa—particularly those in rural and remote areas, who constitute more than 80% of the population. It aims to set up telecommunications infrastructure based on satellite technology that can meet all telecommunications needs in Africa at very low cost—thanks to economies of scale.

RASCOM has as its main objective to extend affordable telecommunications service to the entire population of Africa

The RASCOM system also aims to:

- Reduce high annual transit costs incurred by African telecommunications operators on traffic that leaves Africa through foreign operators.
- Establish direct links between all African countries—and enhancing income opportunities through the growth of African traffic generated by these direct links.
- Support international connectivity.
- Improve and develop service links among cities in each African country.
- Provide the potential for affordable national coverage of radio and television broadcasting to enhance national unity and the political, cultural, and socioeconomic integration of Africa.
- Facilitate the emergence of a local telecommunications industry or of telecommunications equipment adapted to operating conditions in Africa.

Forty-four African countries are members of RASCOM. Its second phase centres on launching and operating a dedicated satellite system for Africa through a strategic partnership and a build-operate-transfer scheme.

African Information Society Initiative. Launched by the Economic Commission for Africa in 1995 and adopted by African heads of state at their summit in Yaoundé in 1996, the African Information Society Initiative was designed to bridge the digital divide between Africa and the rest of the world. It is intended to provide a guiding framework for African countries in modernizing and interconnecting their information and communications infrastructure and services. Since the first African Development Forum on "The Challenge to Africa of Globalization and the Information Age," convened by the Economic Commission for Africa in 1999, many project proposals have emerged for implementation by African countries in cooperation with their development partners and the private sector under the Partnership in Information and Communication Technology in Africa established in 1997. Among these are:

- The Pan-African Telecommunications Network (PANAFTEL) was to set up a continentwide telecommunications network directly linking neighbouring countries. The project proved unsuccessful, however, due to political diversity, concentration on international links instead of national networks, cultural differences, and financial constraints.

- Africa ONE was intended to "ring" Africa with an undersea cable to improve connectivity by offering every African country a direct connection to other African countries and to 280 cities around the world. The project did not progress beyond its planning stages because of a lack of government regulatory approval and buy-in.
- The South Atlantic Telephone/West African Submarine Cable/South Africa Far East (SAT3/WASC/SAFE) submarine cable was conceived as a regional project to expand broadband connectivity for Africa. Thirty-four global telecommunications operators have invested in the project, which involves laying state of the art fibre optic cables along the west coast of Africa, linking it to Europe and Asia.
- NEPAD has identified information and communications technology infrastructure development and roll-out facilitation projects and exploitation and utilization initiatives, which member states will need to implement.

"The national information and communications infrastructure development programme provides a framework for integrating information and communications technologies into national and sectoral development plans"

National information and communications infrastructure programme. The national information and communications infrastructure development process, initiated in 1998 by the Economic Commission for Africa, also has its roots in the modernization vision of the African Information Society Initiative. The programme provides a framework for integrating information and communications technologies into national and sectoral development plans. An ongoing process, it involves the planning, implementation, and regular evaluation and monitoring of programmes and projects developed in accordance with the needs and priorities of each country.

Its objectives are to:

- Develop national information and communications policies and strategies to enhance the role of information and communications technology in socioeconomic development and improve connectivity in Africa.
- Promote subregional and regional activities in information and communications technology.
- Establish a legal and regulatory environment conducive to the development of information and communications technology.
- Formulate strategies to develop information and communications infrastructure.
- Promote knowledge creation.
- Harness information and communications technology in health, commerce, education, government services, and other sectors of the national economy.

The programme is taking root in a growing number of African countries, with the guidance of the Economic Commission for Africa and the support of regional, bilateral, and international agencies.

Among the key challenges in developing a national strategy for information and communications technology are identifying a central institution to coordinate activities, creating broad public and private sector consensus on the national strategy, and developing government capability to manage and monitor implementation of the strategy and respond to the industry's needs. Countries where strategies are backed by strong national commitment and financial and executive support have made tangible progress.

The way forward

The regional economic communities have made measurable progress in several areas of communications, especially telephone connectivity and information and communications technology. ECOWAS, COMESA, and SADC have serious programmes for policy convergence and enhancements to regional communications infrastructure. Other regional economic communities need to become more involved in such efforts.

"The regional economic communities could intervene most usefully by establishing regulatory frameworks for cooperation among member countries"

Given the advances in information and communications technology and the growing commercialization and privatization of services at the national level, the regional economic communities could intervene most usefully by establishing regulatory frameworks for cooperation among member countries, leaving operational aspects to individual countries.

Postal services remain a serious concern at the national and subregional levels, despite recent efforts to develop express mail service. African countries could boost the quality of postal service by establishing regional dispatching centres for the distribution of mail throughout Africa.

Continentwide initiatives offer much promise for modernizing and opening up the African communications sector to private investors, both domestic and foreign. Continentwide radio and television broadcasting services are in early development, with the Union of National Radio and TV Corporations taking the lead. A new environment for common broadcasting and exchange programmes has emerged with the opening up of the African society and the strong drive of the African Union.

Efforts to promote the development of telecommunications need to emphasize the convergence of national policies and actions to strengthen connectivity and improve the quality of service. Achieving convergence of national policies requires:

- Harmonizing market structures, including laws in force or under preparation.
- Establishing conditions guaranteeing interconnection among operators in different countries.
- Setting up national committees of African telecommunications regulators, network operators, and service suppliers to ensure cooperation and coordination among actors in the sector and to monitor development of the sector.
- Establishing a community database on telecommunications and a continentwide entity to promote data management in African countries.

Actions to strengthen connectivity between countries and improve the quality of service could include:

- Coordinating projects to modernize telecommunications technology, helping to avoid partial or isolated actions that often lead to operational difficulties in connectivity across countries.
- Establishing demand-assigned multiple-access communications terminals by satellite in all member states, to strengthen connectivity by providing the first and second transmission channels in conjunction with land transmission.
- Creating subregional projects, such as RASCOM and SAT-3, to strengthen connectivity within a regional economic community and between the regional economic communities and the rest of the world.
- Harmonizing tariff principles and reducing the costs of telecommunications services.
- Promoting the development of information and communications technology.

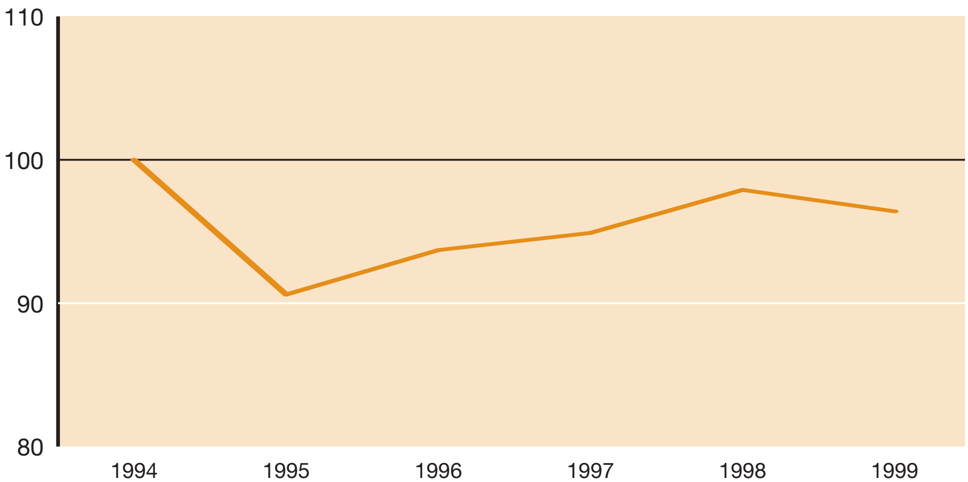
> *Electricity trade is heavily influenced by generation capacity and inflow from such power giants as South Africa, Democratic Republic of Congo, and Nigeria*

Energy

While there have been efforts to cooperate in the energy sector, particularly in infrastructure, the flow of services across regions does not match these efforts, especially in electricity trade, which is used to measure regional integration in the sector. Trade is heavily influenced by generation capacity and inflow from such power giants as South Africa, Democratic Republic of Congo, and Nigeria. Declines in electricity trade in Algeria, Democratic Republic of Congo, Kenya, and Nigeria in 1995 accounted for a sharp drop in overall continental electricity trade that was not compensated for by other less prominent electricity exporters (figure 7.3).

Figure 7.3

Energy integration index, 1994–99 (Index 1994=100)



Source: *Economic Commission for Africa, from official sources.*

Africa has abundant energy resources—oil, coal, hydroelectricity, natural gas, and biomass and other renewable energy sources. But the resources are unevenly distributed and are often located far from demand centres. Africa's commercial energy resources are still underdeveloped, and its commercial energy infrastructure—gas pipelines and electricity transmission and distribution networks—is unable to deliver reliable and cost-effective services to consumers. Realizing the potential for energy exchange across Africa is key to guaranteeing a sufficient, sustainable supply of commercial energy and ensuring efficient use of Africa's energy resources.

"The search for cheap, abundant energy in Africa should focus on rationalizing the territorial distribution of energy resources"

What does the energy situation in Africa look like? Africa is a net exporter of energy, thanks to rising production (production has nearly doubled since 1970) and low consumption of commercial energy. Despite its abundant commercial energy resources, Africa accounts for only about 3% of the world's commercial energy consumption. Most of Africa's electricity generating capacity (about 80% of its total installed capacity of 94 gigawatts in 1997) is thermal, despite considerable unexploited hydropower potential. The reliance on thermal generation is highest in North and Southern Africa. Africa lags behind other developing regions in energy intensity (energy consumption per dollar of GDP), using about 200% more energy than the world average to create each dollar of income.

Widespread and severe poverty in Africa, particularly in Sub-Saharan Africa, means that many people cannot afford commercial energy and must instead rely on biomass—firewood, charcoal, animal waste, and agricultural residues—for fuel. As a result, Africa is the world's largest consumer of biomass energy, with biomass accounting for nearly 90% of final energy consumption in Sub-Saharan Africa (excluding South Africa) and 5% in North Africa.

The search for cheap, abundant energy in Africa should focus on rationalizing the territorial distribution of energy resources through greater regional cooperation in expanding networks of gas pipelines and electricity transmission lines. Africa continues to waste energy resources through natural gas flaring because it lacks pipeline infrastructure for the gas associated with oil production. The regional economic communities would provide a framework for cooperative approaches to extending this infrastructure and creating larger and more efficient energy markets.

Physical integration

Expanding regional cooperation in the energy sector to further regional economic integration has been a concern of most regional economic communities. They seek to promote energy pooling and cross-border energy flows to minimize the cost of supply through economies of scale and to enhance the security and reliability of supply. Notable achievements in regional integration and cooperation in energy include joint development of hydropower generating facilities, establishment of subregional power pools, interconnection of electricity grids, energy pooling through cross-border gas pipeline projects, expansion of cross-border oil pipelines, and promotion of cooperation in such cross-cutting issues as capacity building, management of energy information systems, and sharing of experiences and best practices. In addition, some programmes are being implemented by continentwide organizations, such as the African Energy Commission and the Union of Producers, Conveyors, and Distributors of Electrical Energy in Africa.

> *Several hydropower generating facilities have been jointly developed*

Joint development or use of hydropower generating facilities. Most regional economic communities in Africa want to promote regional cooperation in the development of hydropower resources. Several hydropower generating facilities have been jointly developed by two or more countries:

- The 666 megawatt Kariba South Power Station in SADC, between Zambia and Zimbabwe.
- The 40 megawatt Ruzizi II hydroelectric station in the Great Lakes region, among Burundi, Democratic Republic of Congo, and Rwanda.
- The 65 megawatt Nangbeto hydroelectric station of the Communauté Electrique du Benin in West Africa, between Benin and Togo.
- The 200 megawatt Manantali hydroelectric project of the Senegal River Basin Development Organization in West Africa, among Mali, Mauritania, and Senegal.

Other hydropower generating facilities have been participating in electricity exchanges between two or more countries under bilateral agreements, playing a key role in cross-border electricity trade at the subregional level:

- In East Africa, Uganda's Owen Falls Hydroelectric Dam has been supplying electricity to Kenya and Tanzania.
- In West Africa, Ghana's Akosombo Hydroelectric Dam has been supplying electricity to Côte d'Ivoire and to Benin and Togo through the Communauté Electrique du Benin.
- In Southern Africa, Mozambique's Cahora Bassa Hydroelectric Dam is supplying electricity to South Africa and Zimbabwe.
- In Central Africa, Democratic Republic of Congo's Inga hydropower facilities have been supplying electricity to Republic of Congo for decades and more recently have started to supply other countries in Southern Africa.

Subregional power pools and interconnection of electricity grids. Most of the regional economic communities are considering the establishment of subregional power pools and the interconnection of national electricity grids to promote cross-border electricity trade and foster regional economic integration. SADC has been a pioneer, with 12 of its members creating the Southern African Power Pool in August 1995 (box 7.3). The power pool aims to link SADC member countries into a single electricity grid and provides a framework for regional electricity trading and coordination. The arrangement could serve as a model for establishing free trade zones for energy in other parts of Africa.

Interconnecting national electricity grids within a subregion can be a decisive step toward establishing an integrated power system and a power pool. In SADC the 1995 completion of the 400 kilovolt Matimba–Insukamini power line linking South Africa to Zimbabwe was the cornerstone for a high-voltage grid and ultimately a power pool in the region. The high-voltage direct current connection between the Cahora Bassa Hydroelectric Dam and the South African power grid has significantly increased the generating capacity of the Southern African Power Pool. A 900 kilometre, 400 kilovolt Aries–Kokerboom (Windhoek) line linking South Africa to Namibia forms an important part of the future transmission link for wheeling power generated at Grand Inga in Democratic Republic of Congo to South Africa along the pool's western corridor (Democratic Republic of Congo–Angola–Namibia–South Africa).

Box 7.3

Promoting regional power trade through the Southern African Power Pool

The 1992 drought provided an incentive to strengthen regional power cooperation and led to the creation of the Southern African Power Pool. In August 1995 a majority of the members of the Southern Africa Development Community (SADC) signed an intergovernmental memorandum of understanding on forming an electricity power pool. Later in the year their national utilities signed an interutility memorandum of understanding. And Democratic Republic of Congo, before its admission to SADC in February 1998, signed a cooperation agreement on energy with the SADC countries.

The Southern African Power Pool is governed by four agreements: the intergovernmental memorandum of understanding, which provided for its establishment; the interutility memorandum of understanding, which established its basic management and operating principles; the agreement among operating members, which established rules of operation and pricing; and the operating guidelines.

Three key factors supported the development of the regional pool agreements: the availability of complementary power sources (hydroelectricity for the northern system and coal-based thermal generation for the southern system), an active regional organization for economic cooperation (SADC and its predecessor, the Southern African Development Coordination Conference, or SADCC), and the political will to support greater regional energy trade. SADC (and SADCC before it) served as a focal point for promoting regional integration, facilitating investment in projects that increased regional power trade. The momentum for regional integration was further strengthened by the emergence of more democratic governments in several countries and the cessation of hostilities in others. South Africa's role as a driver has also been helpful.

The pool would benefit from broadening its membership to institutions that control or significantly influence generation or transmission, such as Hidroelectrica de Cahora Bassa, the Copperbelt Energy Consortium, the Mozambique Transmission Company, the Zambezi River Authority, and the new private owner of the power division of the Zambia Consolidated Copper Mining Company. This would mean developing voting rules and other procedures to give voice to these players and other new entrants, such as independent power producers and independent transmission projects.

Source: African Energy *1999 1(2); Institute for Global Dialogue 2000.*

In ECOWAS the interconnection between Benin and Nigeria and the strengthened connections among Benin, Côte d'Ivoire, Ghana, and Togo are the most important links of the West African Power Pool. The power pool took into account lessons learned in establishing the Southern African Power Pool (box 7.4).

EAC member countries have begun an East African master power plan with support from the World Bank, and plans for connecting the Kenyan and Tanzanian grids to the

Box 7.4

Promoting regional electricity cooperation and integration: The West African Power Pool

The Energy Policy and Energy Programme of 1982 provided the framework for regional energy cooperation and integration among countries of the Economic Community of West African States (ECOWAS). But not until the late 1990s did cooperation become a reality. First, the ECOWAS heads of state and government approved a master plan for the development of energy production facilities and the interconnection of electricity grids, including a regional electricity market, the West African Power Pool. In September 2000 the ECOWAS energy ministers signed an intergovernmental memorandum of understanding on the establishment of the West African Power Pool. This was followed by the adoption of a memorandum of understanding between the transmission system operators in member states in March 2001. ECOWAS member states agreed that the two major areas of focus for the West African Power Pool would be development of interconnected infrastructure in the region and institutional design and governance.

Due to differences in infrastructure development across the region and to facilitate implementation of the power pool, ECOWAS member countries were divided into two zones: Benin, Burkina Faso, Côte d'Ivoire, Ghana, Niger, Nigeria, and Togo in zone A, and The Gambia, Guinea, Guinea-Bissau, Liberia, Mali, Senegal, and Sierra Leone in zone B. The development of interconnected infrastructure is based on a master plan with generation and transmission components. The generation component consists of rehabilitating thermal power plants and constructing new combined-cycle power plants (8,879 megawatts) and new hydropower plants (1,010 megawatts), for a total estimated investment of $10 billion. The transmission component consists of transmission lines to connect all member states, for a total investment of $590 million.

The West African Power Pool implementation structure consists of three groups. Institutional and technical working groups, comprising experts from member states and national utilities, develop institutional and technical aspects of power pool implementation and report their findings to the Project Implementation Committee. The Project Implementation Committee, consisting of the chief executives of power utilities, analyzes findings and recommendations of the working groups and reports and submits recommendations to the Steering Committee. The Steering Committee, consisting of member states' ministers of energy, endorses recommendations of the Project Implementation Committee and adopts implementation plans for all countries.

Source: *Diaw 2003.*

Southern African Power Pool are at an advanced stage. In North Africa a link between Egypt and Libya became operational in 1998, and there are plans for upgrading the connections among Algeria, Libya, Morocco, and Tunisia.

Cross-border gas and oil pipelines projects. Regional cooperation and integration in the development and utilization of natural gas have long been limited to North Africa because of the lack of gas pipeline infrastructure in Sub-Saharan Africa. In North Africa gas pipeline infrastructure was first developed to export Algerian gas to European markets through the Trans-Mediterranean (Transmed) gas pipeline through Tunisia and the Maghreb–Europe gas pipeline through Morocco.

Southern Africa has two cross-border oil pipelines, but these do not contribute to cross-border energy trade because transit countries do not benefit from the petroleum supply

But projects for developing natural gas resources are now under way in Sub-Saharan Africa. In West Africa a gas pipeline project is being designed to supply Benin, Ghana, and Togo with Nigerian gas by 2004–05. In Southern Africa the Mozambique–South Africa gas pipeline is expected to bring natural gas from the Temane and Pande fields in Mozambique to Secunda, South Africa, by early 2004.

Southern Africa has two cross-border oil pipelines: the Tanzania–Zambia (Tazama) pipeline transporting crude oil from Dar-es-Salaam, Tanzania, to Ndola, Zambia, and the Petrozim pipeline to transport petroleum products from Beira, Mozambique, to Msasa, Zimbabwe. But these do not contribute to cross-border energy trade because transit countries do not benefit from the petroleum supply.

In other regions new oil pipeline projects under construction will promote cross-border energy trade. In East Africa, for example, the extension of the Mombassa–Nairobi–Eldoret pipeline to transport petroleum products from Eldoret in western Kenya to Kampala, Uganda, will reduce the cost of petroleum supply for Uganda and the land-locked countries of Burundi, Democratic Republic of Congo, Rwanda, and Tanzania. Construction of the 320 kilometre pipeline is projected to be completed in 2005. In Central Africa the Chad Petroleum Development and Pipeline Project will develop the oil fields at Doha in southern Chad and construct a 1,070 kilometre pipeline to off-shore oil-loading facilities on Cameroon's Atlantic coast at Kribi. Cameroon and Chad are expected to benefit from oil revenues over a 25-year production period.

Cooperation in cross-cutting issues. Most regional economic communities in Africa aim to promote cooperation in capacity building and human resources development, but little has been achieved in the energy sector. SADC is the only regional economic community with an active programme of technical training and support for energy planning and management. IGAD initiated the Household Energy Project to help solve major energy and environmental problems confronting the region, to assist member states in diversifying their energy sources and promoting rational energy use through the transfer of appropriate energy-efficient technologies, and to train decision-makers, government officials, and other stakeholders (particularly women) on household energy use through workshops and seminars.

More has been achieved in management of energy information systems. The World Energy Council has developed an African energy information system to assist African countries in collecting information on energy. The system will promote the exchange of information, facilitate the formulation of national and regional energy policies, and create and manage a continental energy database.

Promoting cross-border energy trade would reduce the cost of energy, while improving the reliability of supply

Continentwide initiatives

The African Energy Commission was established in July 2001 with a mandate to map out energy development policies and strategies based on subregional, regional, and continental development priorities and recommend their implementation. It will also design and update a continental energy database and facilitate rapid exchange of information among regional economic communities and member states.

Created in 1970, the Union of Producers, Conveyors, and Distributors of Electrical Energy in Africa is a nonprofit, nongovernmental institution that brings together 30 member utilities and some 20 affiliated members. Its most notable achievement was the creation of the Inter-African Electrical Engineering College in Bingerville, Côte d'Ivoire, to train high-level scientific and electrical engineers for immediate work in operations. The organization also fosters cooperative relationships between African power utilities and manufacturers of electrical materials, promotes the interconnection of power networks, and maintains a database on the African power sector.

Fostering regional cooperation in the integration of transmission grids and natural gas pipelines to facilitate cross-border energy flows is one of the major objectives of NEPAD. The changing shape of daily and seasonal demand and the diverse locations of the primary sources of energy in Africa provide a good economic basis for a pan-African interconnected grid. Development of the huge hydropower potential of Grand Inga in Democratic Republic of Congo, with its 40,000 megawatts of exploitable hydropower and its connection to Aswan Hydropower Dam in Egypt, would enable the optimum utilization of the hydroelectric potential of Central Africa. Coordinated in a hydrothermal generation mix, it could be transmitted via an ultra-high voltage network connecting the different regions and power pools.

The way forward

Promoting cross-border energy trade would reduce the cost of energy, while improving the reliability of supply. The regional economic communities should receive support in developing regional power pools, harmonizing regulatory regimes and investment codes, and developing and executing training programmes and other capacity building activities. Specific actions include:

- Re-examining objectives in light of NEPAD, realigning them with NEPAD's energy infrastructure initiative.
- Contributing to a continental energy database. Data are critical in developing energy master plans and planning investments in energy infrastructure. The African

Energy Commission should maintain a continentwide energy database to which the regional economic communities could contribute data, and disseminate case studies of successful energy sector integration in Africa.
- Cooperating with the African Energy Commission. The commission, in close cooperation with the regional economic communities, will have to assume a central role in coordinating the equitable distribution of Africa's energy resources and identifying regional projects.
- Encouraging more African models of regional integration of energy supply and delivery. The Southern African Power Pool in SADC was the model of regional electricity integration for a similar project in ECOWAS. And once the West African gas pipeline project in ECOWAS is completed, it can serve as a model of regional gas integration for other regions.

Note

1. In the "Review of Implementation Status of the Trans-African Highways and the Missing-Links" by the African Development Bank and Economic Commission for Africa, January 2003, transportation experts defined *missing link* as a section for which a contract has been signed and the expected completion year is indicated is not considered missing, a section for which financing has been secured but no contract signed is considered missing, all other sections that are not paved all-weather road are considered missing.

References

Aboulnasr, S.T. 1999. "Potential for Regional Energy Integration in Africa—Analysis of Production and Utilization Patterns." Paper presented at African Member Committee Meeting, September, Krakow.

African Development Bank. 1999. *African Development Report 1999.* Washington, D.C.

———. 2000. *African Development Report 2000.* Washington, D.C.

African Civil Aviation and Uganda Civil Aviation Authority. 2001. Air Transport Users' Workshop *Air Transport Development in Africa*. July 27. Dakar.

Anyango, Gordon. 1997. "Comparative Transportation Cost Analysis in East Africa." Technical Paper 22. The Management Centre, Nairobi.

ASECNA (Agency for the Safety of Aerial Navigation in Africa and Madagascar). 2000. *Annual Report*. Dakar.

Bergesen, C. 2001. "Electrification and Population Growth." *Global Energy Business* May/June 2001. [http://www.platts.com/business/issues/0105/0105geb_lastword.shtml].

CEA (Commission Economique pour l'Afrique). 1998. "Accélérer la mise en oeuvre du programme de la deuxième Décennie : créer des systèmes efficaces et efficients de transport et de communication en Afrique pour le XXIe siècle." Addis Abeba.

CEDEAO (Communauté Economique des Etats de l'Afrique de l'Ouest). 1996. "Premier programme d'infrastructure des télécommunications (Intelcom 1) Post-évaluation du programme Intelcom 1." Lagos.

CEMAC (Communauté Economique et Monétaire de l'Afrique Centrale). 1994. "Traité instituant la CEMAC," "Additif au Traité de la CEMAC," "Convention régissant l'Union Economique de l'Afrique Centrale," and "Convention régisssant la Cour de Justice de la CEMAC." Mars 16, N'Djamena.

———. 2000a. “Décision n 50/00/UEAC-033-CM-05 portant adoption du Programme d’actions 2001 du Secrétariat Exécutif de la CEMAC.” Decembre 11, N’Djamena.

———. 2000b. “Réunion des ministres en charge des télécommunications de l’Afrique centrale.” Juillet 3–6, Bangui.

COMESA (Common Market for Eastern and Southern Africa). 1993. “Treaty Establishing the Common Market for Eastern and Southern Africa.” COMESA Secretariat, December, Lusaka.

Cooper, C.J. 2000. “A Proposed Framework for an African Energy Information System.” World Energy Council African Regional Workshop, February, Cairo.

de la Grave, Maude-Isabelle. 1995. “La politique des télécommunications de la Communauté Européenne, de l’ Allemagne, de la France et du Royaume Uni.” Un travail de Centre pour l’étude des industries réglementée. Université McGill, Faculté de droit, Montreal.

Diaw, Issa Mare. 2003. “West African Power Pool.” Presentation by the technical advisor to ECOWAS at the Ad Hoc Expert Group Meeting on Assessment of Power Policy Arrangements in Africa, June 24–26, Addis Ababa.

Direction des transports et telecommunications. 2001. “Rapport final de la Réunion du Pool d’experts en télécommunications de la CEMAC.” Février 13–15, Bangui.

EAC (East African Community). 1999. “Treaty for the Establishment of the East African Community.” EAC Secretariat, November 30, Arusha.

ECCAS (Economic Community of Central African States). 1983. “Treaty for the Establishment of the Economic Community of Central African States.” ECCAS Secretariat, October 18, Libreville.

ECOWAS (Economic Community of West African States). 1973. “Revised Treaty.” July, Abuja

EEEOA (Echanges d’Energie Electrique Ouest Africain). 2000. “Accord Cadre Relatif au Système d’Echanges d’Energie Electrique Ouest Africain.” Septembre, Lomé.

EIA (Energy Information Administration). 2000. “Energy in Africa.” U.S. Department of Energy, Energy Information Administration, US Dept of Energy, Washington, December 1999. [www.eia.doe.gov]

ESCAP (Economic and Social Commission for Asia and the Pacific). 1999. “International Conventions for the Facilitation of Land Transport.” Paper presented by M. Rahmatullah, Director, at Regional Technical Workshop on Transport and Transit Facilitation. April 19–21, Bangkok.

Eskom Enterprises. 2001. *Eskom Enterprises Annual Report 2000.* Johannesburg.

———. 2002. *Eskom Enterprises Annual Report 2001: Focused Partnership for Growth*. Johannesburg.

Farinelli, U. 1999. “Energy as a Tool for Sustainable Development for African, Caribbean and Pacific Countries.” European Commission and United Nations Development Programme, New York.

Goulden, Brian. 2000. “Bridging the Digital Divide: The Regulatory Environment in Southern Africa.” Report for the Commonwealth Telecommunications Organisation, September, London.

Hamdi, M. 2000. “Potential for Regional Energy Integration in Africa—Analysis of Production and Utilisation Patterns: The Case of the UMA Countries.” World Energy Council African Regional Workshop, February, Cairo.

ICAO (International Civil Aviation Association). 1999. *The World of Civil Aviation—1999-2002.* Quebec.

———. 2000. “Strategic Action Plan: Guiding International Civil Aviation for the 21st Century.” [www.icao.int/icao/en/sap2000]

ICC (International Chamber of Commerce). 2001. “Negotiations on Maritime Transport in the WTO General Agreement on Trade in Services (GATS)” Issues paper prepared by the Commission on Maritime Transport, Paris. [www.iccwbo.org]

InfraAfrica Consultants. 2001. “An Overview of the Southern African Regional Development Corridors.” Southern Africa Transport and Communications Commission—Proceedings of the SADC Transport Investment Forum, April 24–26, Windhoek.

Inoue, Satoshi (Secretary General, International Association of Ports and Harbors). 2001. “Towards the New Framework of Port Industry for the 21st Century.” [www.iaphworldports.org/trade/inoue.htm]

Institute for Global Dialogue. 2000. *The Southern African Power Pool: Meeting the Subcontinent’s Electricity Needs*. Global Insight 3, Braamfontein, South Africa [www.igd.org.za]

IOC (Indian Ocean Commission). 1986. “A. Accord général; B Protocole additionnel; C Protocole d’adhésion des Comores; D Protocole d’adhésion de la France (Reunion); E Accord de Siegen; F Règlement Intérieur; Règlement Financier.” January, Mauritius.

Isotalo, Jukka. 2001. "Need for New Approaches to Road Financing." Paper prepared for the 14th International Road Federation (IRF) World Congress. July, Paris.
ITU (International Telecommunication Union). 1997. "Regional Project of Assistance for the Development of Telecommunication Industry in Africa." Lagos.
———. 1999. *African Telecommunication Indicators 1998.* Geneva.
———. 2000. *Trends in Telecommunication Reform: Interconnexion Regulation 2000–2001.* Third Edition. Geneva.
———. 2001. *Yearbook of Statistics, Chronological Time Series 1992–2001.* 29th Edition. Geneva.
KPLC (Kenya Power & Lighting Company Limited). 2002. *Annual Report and Accounts 2000/01.* Nairobi.
Laporte, Geert. 1993. "L'intégration: De la théorie à la pratique." Texte intégral d'un article paru dans le Courrier ACP-UE N° 143: 60–62. Bruxelles.
Murray, J. 2001. "Appropriate Energy Mix for Africa." Workshop of the Nigerian Institute of Engineers. March 22, Lagos. [www.worldenergy.org]
OAG (Official Airline Guide). 2000. Flight Guide, Worldwide. June. [www.oag.com]
OAU (Organization for African Unity). 1991. "Treaty Establishing the African Economic Community." June 3, Abuja.
———. 1999. "Traité instituant la Communauté Economique Africaine." ECA briefing papers serie n 4.
———. 2000a. "Constitutive Act of the African Union." July 11, Abuja.
———. 2000b. "Yamoussoukro Decision." July, Lomé.
Pan African Postal Union. 2001. "Report of Activities of the Secretary General." 20th Ordinary Council, Doc n 02/papu/CA/XX/2001. June 20–24, Cape Town.
PAPC (Pan-African Association for Port Cooperation). 2001. "Conakry Declaration on the Creation of the Pan-African Association for Port Cooperation." June 29, Lomé.
Pinard, M.I., and S.M.A. Kaombwe. 2001. "Pilot Survey of Country Stakeholder Views of the RMI Vision, Strategy and Indicators of Progress in Implementation and Impact—The Road Management Initiative –Facilitating Implementation of Reforms for Sustainable Financing and Management of Roads." World Bank, Washington, D.C.
Plane, Patrick. 2001. "Nouvelles formes de coopération et d'intégration en Afrique émergente la reforme des telecommunications en Afrique subsaharienne." Réalise dans le cadre du programme de recherche portant sur l'intégration et la coopération en Afrique subsaharienne. Mars, Paris.
PNUD (Programme des Nations Unies pour le développement) et CEA (Commission économique pour l'Afrique). 1992. "Détermination des besoins en formation pour les télécommunications dans les pays membres de la CEEAC." Etude réalisée par un consultant de l'UIT. Addis Ababa.
Regional Conference of African Ministers Responsible for Civil Aviation. "Adapting African Air Transport to the Needs of a Changing World." November 13-14, Yamoussoukro.
SADC (Southern African Development Community). 1992. "Declaration, Treaty and Protocol of the Southern African Development Community." August, Gaborone.
———. 2000. *SADC Energy Sector Review*. Mbabane.
SAPP (Southern African Power Pool). 2000. *SAPP Annual Report 1999: Annual Review Report April 1977–March 1999.* Harare.
———. 2001. *SAPP Annual Report 2001.* Harare.
Sasol. 2001. *Annual Report 2000: Adding Value to Life*. Johannesburg.
SATCC (Southern Africa Transport and Communications Commission). 1998. "SADC Protocol on Transport, Communications and Meteorology." Maseru.
———. 2001. *SATCC-TU Annual Report 2000–2001.* Maputo.
Sithole, M. 2000. "The Southern African Power Pool." Workshop on Regional Regulatory Cooperation, March, Gaborone.
Swidan, S. 1998. "Towards a Pan-African Power Grid." World Energy Council Expert Group Meeting, Transfrontier Energy Cooperation in Africa, February, Cairo.
Tamiru, Channie. 2001. "Final Evaluation Report on UNTACDA II—Railway Sub-Sector." UNECA/RCID, Addis Ababa.

Thompson, L.S (World Bank Railways Adviser). 1998. Quoted in Journal of Commerce September 10. Extracted from American Association of Railroads Website, from quotes on "What Others are Saying about Railroads and Railroad Re-regulation."

UEB (Uganda Electricity Board). 2000. *Report and Accounts for 1999.* Kampala.

Uganda, Ministry of Energy and Mineral Development. 2001. *Annual Report 2000.* Kampala.

Ugoh, S. 2000. "West African Gas Pipeline Project Moves Steadily to Fruition." *The West African Bulletin* 8.

UIT (Union internationale des telecommunications) and CEDEAO (Communauté Economique des Etats de l'Afrique de l'Ouest). 2000. "Deuxième programme prioritaire de développement des telecommunications (Intelcom II)." Etudes préliminaire de faisabilité, Juillet, Genève.

UMA (Arab Maghreb Union). 1989. "Treaty of Marrakech." February 17, Rabat.

UNCTAD (United Nations Conference on Trade and Development). 2000. "Review of Maritime Transport 2000." New York and Geneva.

———. 2001. "Transit Systems and Landlocked and Transit Developing Countries: Recent Developments and Proposals for Future Action." Trade and Development Board Fifth Meeting of Governmental Experts from Landlocked and Transit Developing Countries and Representatives of Donor Countries and Financial and Development Institutions. July 30–August 3, New York.

UNCTAD (United Nations Conference on Trade and Development) and InfraAfrica (Pty) Ltd. 2001. "Transit Transport Situation of Eastern and Southern Africa." New York.

UNDP (United Nations Development Programme). 1999. *Compendium of Development Organisations in Africa*. New York.

———. 2000. *Bioenergy Primer. Modernised Biomass Energy for Sustainable Development*. New York.

UNDP (United Nations Development Programme), UNDESA (United Nations Department of Economic and Social Affairs), and WEC (World Energy Council). 2000. *World Energy Assessment: Energy and the Challenge of Sustainability*. New York.

UNECA (United Nations Economic Commission for Africa). 1991. "UNTACDA II: La Deuxième Décennie des Nations Unies pour les Transports et les Communications en Afrique 1991–2000 Tomé II Programme." October, Abuja.

———. 1997. "Report on Second Regional Conference of African Ministers Responsible for the Development and Utilization of Mineral and Energy Resources in Africa." November, Durban.

———. 1998a. "Emerging Trends in the Negotiations under WTO: Pertinent Issues of Concern to African Countries—Globalisation and Liberalisation of Markets: Prospects for African Exports." Briefing Paper Series 2. Addis Ababa.

———. 1998b. "Globalization and Liberalization of Markets: Prospect for African Exporters." Briefing papers series 2. Addis Ababa.

———. 1999a. "African Integration: Lessons from The EU, NAFTA, MERCOSUR, ASEAN and APEC." ECA/RCID/078/99. Addis Ababa.

———. 1999b. *Financing Regional Integration in Africa: The Role of Private Sector and International Finance*. Addis Ababa.

———. 1999c. "General Agreement on Trade in Services: Financial Services." ECA Briefing Paper Series 3. Addis Ababa.

———. 2001a. Annual Meeting of African Advisory Committee (ATAC), May 10–12, Addis Ababa.

———. 2001b. *Terms of Reference for Annual Report on Integration in Africa (ARIA).* Regional Cooperation and Integration Division, Addis Ababa.

———. 2002a. "Operations de Transports sur les Corridors de l'Afrique de l'Ouest." Addis Abeba.

———. 2002b. "Third and Final Evaluation Report on UNTACDA II." Addis Ababa.

U.S. Agency for Information. 1999. "Promoting Trade and Investment in Africa" *Economic Perspectives: Promoting Trade* 4(3). [http://usinfo.state.gov/journals/ites/0899/ijee/ijee0899.htm]

VRA (Volta River Authority). 2000. *VRA 38th Annual Report 1999.* Lagos: Academy Press Plc.

WAGP (West African Gas Pipeline). 2000. *West African Gas Pipeline Project Newsletter* 1 (2).

WEC (World Energy Council). 2000. *Energy for Tomorrow's World—Acting Now!* London. [www.worldenergy.org]

WEC (World Energy Council) and FAO (Food and Agriculture Organization of the United Nations). 1999. *The Challenge of Rural Energy Poverty In Developing Countries*. London.

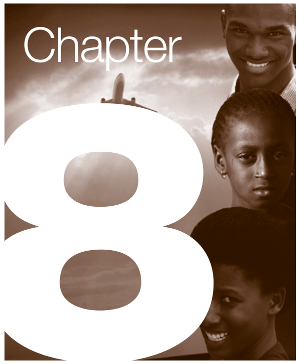
WEC (World Energy Council) and UN (United Nations). 2001. "Topic (1): Achieving Equitable Access to Sustainable Energy." UN Conference on Sustainable Development. April, New York.

West African Economic and Monetary Union. 1994. "Treaty Establishing the West African Economic and Monetary Union." January 10, Dakar.

World Bank. 2000. "Transport Corridor Agenda." World Bank–Southern Africa Transport and Communications Commission. July, New York.

———. 2001. *World Development Indicators 2001.* Washington, D.C.

Yeats A. J. 1998. "What Can be Expected from African Regional Trading Arrangements? Some Empirical Evidence." World Bank Policy Research Working Paper 2004. World Bank, International Trade Division, Washington, D.C.



Natural Resources and Production

Africa is well endowed with natural resources—including fertile soils, large water resources, and rich mineral deposits. These resources have anchored national development efforts and been a focus of regional integration efforts. But with discredited import substitution strategies (which rely on the production of raw materials and minerals) and intensified global competition, more emphasis is being placed on knowledge-based production and less on Africa's traditional comparative advantages.

This chapter examines the potential role of natural resources and other productive sectors in regional integration, including cooperation in water, mining, agriculture, and manufacturing. It also suggests ways of enhancing the competitiveness and efficiency of natural resources production, as well as the contribution of these resources to regional integration.

Water

Water is essential to development. But because Africa is one of the world's driest continents, the diminishing availability of usable water in the face of rising demand creates the potential for disputes and conflicts over water resources, both within and between countries. Moreover, the uneven distribution of water resources—the result of erratic rainfall and varying climate—has stratified the continent into areas of abundant water resources and areas of extreme water scarcity and stress.

Central Africa and parts of East and West Africa have abundant water resources, while North Africa, the Sudano-Sahelian region, and Southern Africa suffer chronic shortages, with very erratic rainfall. Recurring cycles of long droughts, sometimes followed by floods, accentuate water scarcity and imbalances across the continent. Water originates outside the borders of many countries—such as Egypt (almost the entire flow), Mauritania (95%), Botswana (94%), and The Gambia (86%)—and most of Africa's water resources cross borders. Thus regional cooperation and integrated water management are vital.

Ample opportunities exist for advanced cooperation on water. Africa has some 80 transboundary river and lake basins, and the catchment areas of the 17 largest exceed 100,000 square kilometres each. Large transboundary rivers flow through many countries. For instance, the Nile has 10 riparian countries, the Congo (which holds almost

30% of Africa's freshwater resources) has 9, the Niger 9, the Zambezi 8, the Volta 6, and Lake Chad 5. Moreover, many countries are crossed by several international rivers—12 rivers traverse Guinea alone. And in 14 African countries almost all the landmass falls within transboundary river and lake basins. The increasing water intensity of modern development (including irrigation) has raised the stakes on the sharing, common use, and environmental protection of these resources.

> *"The increasing water intensity of modern development has raised the stakes on the sharing, common use, and environmental protection of these resources"*

Recognizing this potential, and to promote regional cooperation, African countries began making transboundary river agreements in the 1960s. But these cooperation efforts focused on the joint development and use of transboundary river and lake basins as sources of freshwater. With few exceptions, such as the Southern African Development Community (SADC), little attention was paid to the development of legislative instruments and common visions for sharing water. Sharing the economic and social benefits of joint actions should in many cases receive priority over sharing water resources in quantitative terms.

Over the past decade, however, new urgencies have driven new approaches to regional cooperation, as reflected in the 1992 adoption of the principles of the UN Conference on Water in Dublin, the 2000 adoption of the African Water Vision for 2025, the institutionalization of the African Ministers Council on Water in 2002, and the 2002 adoption of the Accra Declaration on Water and Sustainable Development. These actions have brought water issues to the fore of Africa's development concerns. The New Partnership for Africa's Development (NEPAD)—with its emphasis on regional cooperation and integration—is another landmark in this process, offering a rare opportunity to link national and subregional approaches to managing water resources. Finally, the heads of the Global Environment Facility (GEF) and its implementing agencies and the World Bank launched the Africa Land and Water Initiative, calling on African subregional organizations to take the lead in implementing the initiative. The objective is to develop a coordinated action programme to address land and water management in an integrated way.

The need to move from analysis to action is recognized by all stakeholders in Africa. Under the aegis of the African Ministers Council on Water, the UN Water/Africa group, in collaboration with other regional bodies such as the African Development Bank and the African Union, convened the First Pan African Implementation and Partnership Conference on Water at Addis Ababa, Ethiopia, in December 2003 to conclude the International Year for Freshwater. The conference concluded that water resources shared by communities and countries must be jointly managed on an equitable and sustainable basis:

- To prepare and adopt national integrated water resource management plans or begin to prepare them by 2005.
- To strengthen joint management of shared waters as a basic element of African development and integration.

- To promote the effective and sustainable management of rivers, lakes, and aquifers in line with a shared vision emphasizing reliable and accessible data for effective management, effective participation by civil society, equitable sharing of benefits, not just resources, and interbasin water transfer and desalination as options, when feasible and cost effective, considering the disparities of water distribution in Africa.

Role of river basin organizations

Historically, African cooperation on water issues has occurred through intergovernmental river and lake basin organizations. There have also been bilateral agreements between countries, including the Senegal Basin Agreement (1963), Niger River Basin Agreement (1963), Lake Chad Basin Agreement (1964), Gambia River Basin Agreement (1965), Mano River Union (1974), Kagera Basin Agreement (1977), and Okavongo River Basin Agreement (1980s). Attempts are being made to institute similar agreements for integrated, basinwide development of natural resources in other transboundary river and lake basins, including the Nile, Congo, Zambezi, and Lake Victoria. These basins have enormous potential for hydropower generation, large and medium-scale multicountry irrigation, inland navigation, and many other joint functions.

"Some river basin organizations harness water for irrigation, energy production, and water supplies for communities and mining operations"

Some river basin organizations harness water for irrigation, energy production, and water supplies for communities and mining operations. Some cooperate with other stakeholders to manage ports and improve navigation by incorporating such needs in dam designs. For example, the Senegal River Basin Organization has implemented a number of projects—such as river control, irrigation, and hydropower generation—using the Manantali dam. It has also constructed antisalinity barrages and engaged in small-scale agricultural projects, and has plans to construct hydropower dams in The Gambia, Guinea-Bissau, and Senegal. Similarly, the Mano River Union (MRU) planned two major projects for harnessing the Mano River for irrigation and hydropower generation, but political instability and strife among members have affected its operations. In addition, SADC and other stakeholders are working to establish a Zambezi River Commission. SADC is also promoting cooperation among its members for integrated development of other transboundary river and lake basins.

Bilateral efforts have also been made to harness and share the water resources of African rivers. Notable among these are the agreements between Zambia and Zimbabwe on the Zambezi River and between Egypt and Sudan on the Nile. The most ambitious recent effort for cooperative management of water resources is the Nile Basin Initiative, designed to manage water resources for the 300 million people living in that basin (box 8.1).

In their early years some river basin organizations drew up ambitious plans for developing natural resources, including shared water resources. Responses from external support agencies were positive, and there were some noteworthy accomplishments. But over the years most river basin organizations have encountered serious problems, including:

- Lack of strong, sustained political commitment from member states, which contributed to diminishing confidence in the organizations' abilities and effectiveness and to difficulties in mobilizing external resources and implementing programmes.

Box 8.1

How water sharing can support regional integration: The Nile Basin Initiative

Rivers respect no national boundaries. People living in a river basin can have interests that are conflicting or complementary. Water resources planning at a national, subbasin level rarely generates optimal socioeconomic benefits—while basinwide planning and use can result in benefits that exceed the sum of those resulting from fragmented national efforts. The Nile Basin Initiative is an example of water sharing as an instrument of regional integration that merits emulation by other riparian states in Africa.

The Nile is the world's longest river (nearly 6,700 kilometres) and has long been one of the world's greatest natural assets. The river has nourished a rich diversity of livelihoods, ecosystems, and cultures since ancient times. It is a transboundary river shared by 10 African countries (Burundi, the Democratic Republic of Congo, Egypt, Eritrea, Ethiopia, Kenya, Rwanda, Sudan, Tanzania, and Uganda), with some 300 million people—about 40% of Africa's population. Its catchment area covers 10% of Africa's landmass.

Today, the Nile Basin faces the challenges of poverty (4 of its riparian countries are among the 10 poorest in the world), instability (conflicts in the Great Lakes, Sudan, and the Horn of Africa), rapid population growth, and severe environmental degradation (especially in the East African highlands). But joint regional development of the Nile offers significant opportunities for cooperative management and development that will catalyze greater regional integration for socioeconomic development, making it possible to meet these challenges. These socioeconomic benefits will exceed the direct benefits from the river alone.

Recognizing this, the Council of Ministers of Water Resources launched the Nile Basin Initiative in February 1999. The initiative includes all riparian states and provides an agreed basinwide framework to fight poverty and promote socioeconomic development through the equitable use of and benefits from the Nile's common water resources.

This vision is to be realized through a strategic action programme of basinwide and subbasin joint investment projects involving collaborative actions, experience and information sharing, and capacity building. The first international meeting on the Nile was held in June 2000 to solicit funding for seven initial projects and to support the Nile Basin Initiative secretariat. The projects are the Nile Transboundary Environmental Action, Nile Basin Power Trade, Efficient Water Use for Agricultural Production, Water Resources Planning and Management, Confidence Building and Stakeholder Involvement, Applied Training, and Socioeconomic Development and Benefit Sharing. In addition to these projects groups of riparian countries—one in the eastern Nile and one in the Nile Equatorial Lakes—have identified mutually beneficial investment opportunities at the subbasin level.

Source: *Economic Commission for Africa, from official sources.*

- Overly ambitious programming and lack of focus on priority areas. Many programmes were not perceived to correspond to the priorities of external support agencies.
- Administrative, managerial, technical, and financial problems, which led to internal and external pressures that forced a number of river basin organizations to change senior managers.
- Political instability and civil strife, which adversely affected some river basin organizations (Kagera Basin Organization, Lake Chad Basin Commission, Mano River Union).

Consequently, most river basin organizations failed to live up to the expectations of their member states, and some seem to have lost their momentum.

Revitalizing Africa's river basin organizations is an urgent priority, requiring political and financial support. Organizations should strive to achieve managerial excellence and commitment and better cooperation and collaboration with other river basin organizations—exchanging expertise, information, best practices, and success stories. The more successful river basin organizations (such as the Senegal River Basin Organization, Gambia River Basin Organization, Mano River Union, Zambezi River Authority, and Komati Basin Water Authority) could help less successful ones by providing technical assistance, possibly through exchange programmes.

"Revitalizing Africa's river basin organizations is an urgent priority, requiring political and financial support"

Role of regional economic communities

Several of Africa's regional economic communities have water resource management and coordination programmes. But only four—Economic Community of the Great Lakes Countries (CEPGL), MRU, SADC, and the Economic Community of West African States (ECOWAS)—have significant activities in the water sector. MRU and CEPGL made some impressive achievements before hostilities between members disabled them. Stability is only gradually returning to the subregion.

SADC has the most advanced water sector integration of all African regional economic communities. It is the only community with a special protocol for addressing water issues. All members except the Democratic Republic of Congo signed the protocol in August 2000. The protocol led to 44 projects, of which 31 projects form a regional strategic action plan for integrated water resources development and management among member states. While SADC still has a way to go, especially in harmonizing national water laws and policies, the protocol shows that members are committed to integrated water management. The negotiations, though difficult, strengthened mutual trust, equity, and ownership.

SADC's experience offers a model for cooperation between river basin organizations and regional economic communities across Africa. The activities of regional economic communities and river basin organizations sometimes overlap, requiring rationalization of relationships and coordination of activities within and between organizations (table 8.1).

Table 8.1

River basin organizations in Africa: Members, objectives, and activities

River basin organization	Member states	Objectives and major activities	Regional economic communities covered
Gambia River Basin Organization	The Gambia, Guinea, Guinea-Bissau, Senegal	• To implement accord on use of water of the Gambia River including navigation. • To promote and coordinate studies and works for development of the basin. • To conduct technical and economic studies at the request of member states. • To implement common works and direct agencies responsible for their operation and management.	ECOWAS, MRU, UEMOA
Kagera Basin Organization	Burundi, Rwanda, Uganda, Tanzania	• To undertake multicountry development projects in agriculture, technical education, environment conservation, hydroelectric projects, transport and communication, and documentation and information dissemination.	COMESA, CEPGL, ECCAS
Komati Basin Water Authority	South Africa and Swaziland	• To plan and regulate the sharing and use of Komati Basin waters. • To execute and operate Driekoppies Dam and other major works on behalf of the two riparian states.	SADC and SACU
Lake Chad Basin Commission	Cameroon, Chad, Central African Republic, Niger, Nigeria	• To plan and execute basin projects of both regional and national character in agriculture, irrigation, road transport, telecommunications, fisheries, and livestock. • To collect and disseminate data. • To conserve lake flows and regulate navigation. • To promote rational use of water.	CEMAC, ECCAS, ECOWAS, UEMOA
Mano River Union	Liberia, Sierra Leone, Guinea	• To promote regional links via transport and communication. • To promote interstate trade and commerce, customs, excise, and tariff harmonization. • To promote training in forestry and marine sciences. • To promote development of regional hydropower generation and interconnection and irrigation projects.	ECOWAS, UEMOA, MRU
Niger River Basin Authority	Benin, Burkina Faso, Chad, Côte d'Ivoire, Guinea, Mali, Niger, Nigeria	• To promote interstate cooperation for integrated development of natural resources of the river basin. • To harmonize national development policies related to water resources. • To prevent environmental damage and support conservation, including prevention and control of water pollution and promotion of human health.	ECOWAS, MRU, UEMOA
Nile Basin Initiative	Burundi, Democratic Republic of Congo, Egypt, Ethiopia, Eritrea, Kenya, Rwanda, Sudan, Tanzania, Uganda	• To develop the water resources of the Nile Basin in a sustainable and equitable way to ensure prosperity, security, and peace for all its peoples. • To ensure efficient water management and optimal use of the resources. • To ensure cooperation and joint action among riparian countries. • To target poverty eradication and promote economic integration.	COMESA, ECCAS, SADC, EAC, CEPGL, IGAD COMESA, SACU,
Okavongo Basin Commission	Angola, Botswana, Namibia	• To promote and foster close intercountry cooperation for achieving environmental and other developmental needs of the concerned countries, with particular emphasis on equitable and sustainable development of water resources of the Okavongo River. • To support technical assistance and advisory services, water resources conservation, equitable allocation, conflict resolution, environmental protection, and alleviation of short-term water shortage.	SADC

Table 8.1 (continued)

River basin organizations in Africa: Members, objectives, and activities

River basin organization	Member states	Objectives and major activities	Regional economic communities covered
Senegal River Basin Organization	Senegal, Mali, Guinea, Mauritania	• To promote intercountry cooperation. • To coordinate technical and economic studies and other activities related to the Senegal River development (navigation, irrigation, hydropower generation, environmental protection, conservation). • To regulate river flow for irrigation, flood control, power generation, and other purposes.	COMESA, ECOWAS, MRU, UEMOA, UMA
Zambezi River Authority	Zambia and Zimbabwe	• To operate, monitor, and maintain the Kariba complex. • To investigate the desirability of constructing new dams and to do so if approved. • To collect and store hydrological and environmental data for its functions and benefit of contracting states. • To regulate water level in the dams. • To ensure efficient use of the waters and other resource of the Zambezi. • To monitor water quality, flood forecasting, environmental protection, and conservation.	COMESA, SACU, SADC

Source: *UNECA 1996, 1998, 2000b.*

SADC overlaps with three river basin organizations (Zambezi River Authority, Okavango Basin Commission, and Komati Basin Water Authority), all of which function fairly well. These organizations participated in the conferences and contributed to the project ideas that make up the regional strategic action plan. The Nile Basin Initiative is another model (see box 8.1).

The way forward

The main challenge in water resources management is to create an enabling environment that encourages joint management of transboundary water resources. To ensure the availability and effective use of water resources, today's multiple arrangements should be rationalized—guided by the principles of equitable rights and sustainable and efficient water use. The weaknesses of river basin organizations should be addressed in line with best practices in Africa and elsewhere. And cooperation should not be limited to countries with shared water basins: it should extend to cooperation between subregional groups as well. Regional economic communities overlapping with river basin organizations should work together to achieve the goals of the African Water Vision for 2025 and the New Partnership for Africa's Development. Moreover, interaction between those groups and national water structures would ensure that national goals are aligned with development possibilities—including those for increased hydropower.

Mining

Regional cooperation and integration in Africa's mining sector are being driven by several realizations:

- Most countries lack the critical mass required to develop the sector.
- A larger, unified market would foster downstream value added and help develop regional financial systems (such as stock exchanges), easing dependence on foreign investment.
- Only by exploiting economies of scale will countries be able to attract and retain the resources (financial, technical, and human) needed to promote growth in the sector.

> *Mining plays a crucial role in many African economies*

Mining plays a crucial role in many African economies, accounting for more than half of export earnings in seven—from 50% in Sierra Leone to 85% in Guinea (World Bank 2002). In some countries (such as Botswana) mining accounts for a third of GDP. Africa produces 77% of the world's platinum; 62% of aluminum silicate; more than 50% of vanadium and vermiculite; more than 40% of diamonds, palladium, and chromite; and more than 20% of gold, cobalt, uranium, manganese, and phosphate rock.

Regional integration in mining is not a new concept in Africa. Many of the regional road and rail networks constructed in Southern Africa during colonial times were designed to support and integrate mining activities. For example, a railway was extended to the copper belt in Zambia to ensure that mineral products could be economically hauled to ports, and national energy grids were extended to meet the needs of the copper industry.

More recently, cooperation in mining was articulated in the early 1980s with adoption of the Lagos Plan of Action. During the 1980s and 1990s regional conferences of ministers responsible for mineral resources were held under the auspices of the Economic Commission for Africa. These forums embraced country collaboration schemes ranging from simple information networks to more complex attempts to adopt common policies and harmonize legislation, standards, procedures, and practices. Recommendations tended to reflect the state-dominated nature of the mining sector: advocating stronger subregional public institutions, allocating additional resources to the sector, and promoting mineral-based industries. While these efforts increased awareness of important issues affecting mining in Africa, to succeed, regional cooperation needs to be based on action plans with time-bound tasks.

Role of regional economic communities

SADC has the most active cooperation and integration programme for mining. The West African Economic and Monetary Union (UEMOA) and ECOWAS have also made important efforts in regional cooperation. The Inter-Governmental Authority on Development's (IGAD) development objectives involve natural resources, but this has not been translated into policies and action plans. CEPGL and MRU had relatively active programmes in the mining and mineral sectors, but activities were significantly affected by the instability that prevailed in these regions until recently. Most of the other regional economic communities do not have clear-cut policies or action plans for integration of the mineral sector.

Despite the relative inactivity of many regional economic communities in the mining sector, most countries in West and Central Africa have adopted modern mining legislation and adequate fiscal policies—including Burkina Faso, Chad, Côte d'Ivoire, Ghana, Guinea, Mali, Niger, and Togo. Other countries are preparing or introducing new legislation, including Benin, Central African Republic, Cameroon, Democratic Republic of Congo, Gabon, Guinea-Bissau, and Nigeria. New legislation has been one of the main factors contributing to the increase in exploration, new mine development, and mineral production since the mid-1990s.

Few efforts have been made to harmonize mineral policies, laws, and regulations and to adopt common safety and environmental standards

Still, most regional cooperation and integration efforts in the mining sector have failed to achieve their goals. Among the reasons:

- Many regional economic communities have a broad framework for cooperation, but no specific provisions for cooperation on mining. Thus they lack regional institutions and mechanisms for developing mineral resources.
- Supportive infrastructure is lacking, including for research and development.
- Information flows are weak.
- Cooperation is inhibited by the perceived strategic nature of mining, the emphasis on protecting information, and competition among countries and private firms.

Few efforts have been made to harmonize mineral policies, laws, and regulations and to adopt common safety and environmental standards. Most African countries compete against each other by trying to offer potential investors the most attractive investment terms. Mining codes and regulations are constantly being reviewed, with no attempt to harmonize them within regions.

One of the most glaring deficiencies has been the failure to develop common investment policies and fiscal codes. For example, fiscal data for Mauritania and Morocco, in UMA, show that while corporate tax rates are similar (40% and 35%), import duties on mining equipment are zero in Mauritania but can reach 10% in Morocco. In the Common Market for Eastern and Southern Africa (COMESA) corporate taxes are exempted for 15 years in Egypt but can reach 45% in Ethiopia. Government participation in mining ventures can be up to 60% in Egypt (with 50% free carried interest), but is zero in Ethiopia, Kenya, and Rwanda. There are also disparities in the fiscal codes of member states in ECOWAS. Government participation ranges from zero in Guinea to 33% in Niger. In contrast, fiscal codes in SADC are more harmonized, with similar corporate tax rates and royalties.

Regional economic communities do a better job on exchanging mining information than in harmonizing policies because 31 African countries are members of the Pan-African Network for a Geological Information System (PANGIS) and PANFACT, both data exchange networks. But performance is poor on cross-border projects and joint exploration and exploitation of mineral resources.

SADC is the only regional economic community with a protocol on mining. The protocol provides a framework for cooperation and integration on mining activities, identifying specific areas for cooperation, including harmonizing national policies, facilitating the development of human and technological capacities, promoting private sector participation in the region's mineral industry, and observing international standards for health, safety, and environmental protection.

> *Regional cooperation arrangements need to consider how to involve private operators in the institutional framework*

In a number of areas, particularly geology, SADC can be an example for other regional economic communities. Perhaps its greatest contribution has been the creation of a common geological infrastructure in Southern Africa for the use of common geological survey technologies for data processing and harmonized standards for map publishing.

The way forward

Although mining investments in Africa have increased in the past decade, mining continues to be export-oriented, with few local benefits and little value added. While the Lagos Plan of Action and the treaties of several regional economic communities call on African countries to process raw materials to create a self-sustaining industrial base, this has not happened in most African countries. Many mineral-based economies have been unable to harness the economic power of mineral exports as a means of economic diversification and sustainable growth.

Africa's dependence on foreign direct investment is pronounced in mining because of the sector's capital-intensive nature and the lack of domestic financial systems capable of mobilizing enough risk capital to facilitate the creation of indigenous medium-size mining companies. Regional cooperation arrangements need to consider how to create this "missing middle" and how to involve private operators in the institutional framework for regional cooperation and integration. Other stakeholders too—local communities, nongovernmental organizations, labour groups, environmental groups, and civil society in general—are becoming active in shaping the new agenda for mining and also need to be involved in the institutional frameworks.

In building partnerships for programme delivery and implementation, the focus should be on:

- Harmonizing mining policies, laws, and regulations to ensure that they are competitive and that the investment climate is attractive to investors—while preserving the state's rights to equitable returns.
- Making Africa a more competitive exploration destination. Africa should benchmark itself against its competitors (such as Latin America), encourage investments in national geological surveys, promote the creation of digital archives at the national and regional levels, and harmonize standards and procedures with a view to improving national and regional connectivity and reducing data procurement and other transaction costs. In addition, cross-border projects should be

undertaken to map the continent's mineral resources and produce joint regional thematic maps.

- Strengthening government institutions to ensure better management of the mineral sector, particularly licensing mechanisms and enforcement of safety, labour, and environmental standards.
- Strengthening links between mining and other sectors to ensure greater mineral resource development and better management of mineral rents.
- Facilitating entrepreneurship and the development of the "missing middle" by introducing new regional vehicles for investment and by revitalizing and bringing the Johannesburg Stock Exchange up to the level of capital markets in the developed world with a view to creating enough liquidity and volume of trade to attract investors.
- Transforming small-scale mining by ensuring that mining laws and regulations protect the security of tenure of small miners and that institutional actions are strengthened in the areas of technical and marketing support, business and technical training, and access to finance.

> *The reform agenda in food and agriculture has focused mainly on price reforms*

Food and agriculture

Food and agriculture-related activities are the backbone of most African economies, contributing significantly to GDP and employment. Increased globalization in agricultural trade and growing concerns about food security make it important to consider the production chain as a continuum from primary agricultural production through processing to trade. Efficient operation of such a food supply chain requires considerable coordination among institutions and people, both within and across countries and regions. There is thus a clear case for a regional approach to food and agriculture.

In recent years, some countries have experienced strong agricultural growth, but for the continent as a whole growth in food and agricultural activities has been neither high nor sustained enough to spur overall growth or poverty reduction in rural areas. Contributing to the weak performance of the food and agriculture sector are poor land quality, extreme climatic conditions—with erratic rainfall, droughts, and water scarcity—and endemic livestock diseases. Human-induced land degradation is severe in Africa, where about 30% of agricultural land is degraded. Policies and institutional factors also explain much of the poor performance of African agriculture. Rural public investment has typically been low, and high explicit and implicit taxes have been imposed on the agricultural sector (World Bank 2000, chapter 6).

To date the reform agenda in food and agriculture has focused mainly on price reforms. Other areas still require attention. There are many obstacles to trade in food and agriculture that must be removed. These include bureaucratic red tape and harassment, protective nontariff barriers, and legal and institutional inadequacies. Both input and output markets must be enlarged to stabilize prices, reduce transaction costs, and increase competition. Lack of credit, land scarcity, insufficient input supplies, and poor infrastructure still limit private entry in the market.

International market access is a potentially pivotal factor in African agricultural development

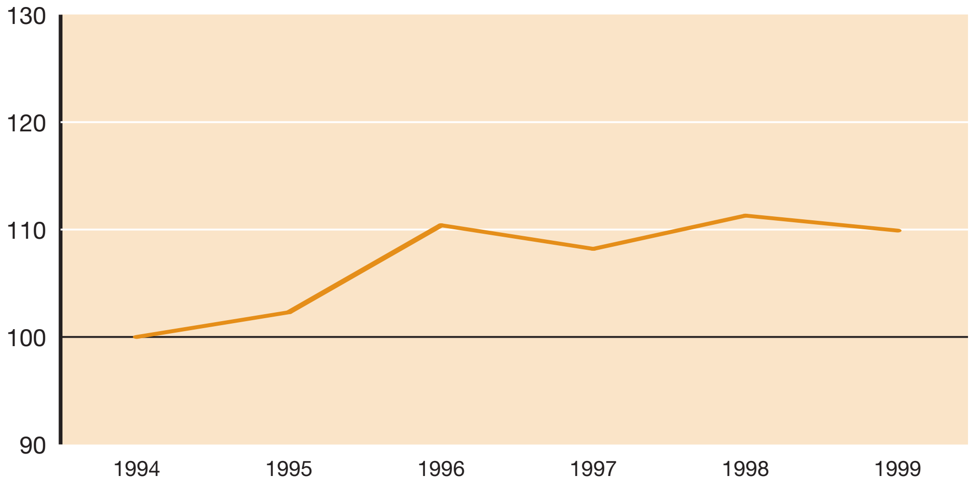
International market access is a potentially pivotal factor in African agricultural development. However, African agriculture has long remained isolated from major global markets, in part because of domestic policies and institutional deficiencies such as persistently overvalued real exchange rates. Even more important, however, have been the policies of high-income countries, which have limited access to their markets. Large transfers to farmers in developed countries have imposed significant welfare costs on developing countries.

Achieving growth and food security will require a sustained flow of investment. Areas with potentially high payoffs are agricultural research, extension, and education. Investments are also needed to reverse the process of environmental degradation and to improve marketing structure and infrastructures. Both the public and the private sector ought to contribute to investment in agriculture. Resources for increased public investment can be freed by ending the urban bias of economic policies. Public-private partnerships can be stimulated through public investment that improves the environment for the private sector.

In the absence of detailed and reliable cross-country data on agricultural inputs, intraregional food flows are used for the integration index for agriculture (figure 8.1). Reflecting the disappointing performance of integration in the sector, the index grew barely 2% a year on average between 1994 and 1999. Only SADC's agricultural integration index

Figure 8.1

Food and agriculture integration index, 1994–99 (Index 1994=100)



Source: *Economic Commission for Africa, from official sources.*

had growth above 3%. Several regional economic communities, including the Central African Economic and Monetary Community (CEMAC), the Economic Community of Central African States (ECCAS), the East African Community (EAC), and the Indian Ocean Commission (IOC), had negative growth.

Role of regional economic communities

The main objectives pursued by African regional economic communities in food and agriculture are to ensure collective food security and sufficiency; to increase production and productivity in agriculture, livestock, fisheries, and forestry; and to reduce post-harvest losses. To achieve those objectives, regional economic communities have focused on:

> *There has been some progress in the establishment of international research institutes that cut across different countries and regions*

- Harmonizing agricultural policies and strategies as a step towards the realization of a common agricultural policy.
- Rationalizing production and promoting intraregional agricultural trade.
- Implementing joint early warning systems for plant pests and diseases and for extreme climatic conditions.
- Developing regional markets for agricultural products.
- Setting up common research and capacity-building institutions.

While performance across regional economic communities is quite diverse, some general considerations apply. First, there has been some progress in the establishment of international research institutes that cut across different countries and regions. In West Africa the International Institute of Tropical Agriculture is active in all aspects of food production and food security. In ECOWAS and ECCAS the Permanent Inter-State Committee for Drought Control in the Shael and the Centre International de Recherche et de Development sur l'Elevage en zone Sub-humide study desertification control and livestock issues. Other international research centres operate in EAC, ECCAS, COMESA, SADC and ECOWAS, trying to bring scientific knowledge and modern solutions closer to farmers. Also, the Desert Locust Control Organisation of Eastern Africa is active in combating migratory pests in the region. The Forum for Agricultural Research in Africa is working to coordinate activities Africa-wide, to avoid duplication of efforts.

Second, despite trade liberalization, intraregional trade remains low in all regional economic communities, with adverse implications for Africa's food self-sufficiency and general food security. No regional economic community has recorded a steady growth in intraregional trade between 1994 and 2000. Often, sharp declines are followed by equally steep increases in trade. Reasons range from variations in the composition of traded food items, climatic conditions, and external food aid to currency fluctuations, poor trade recording systems, and inadequate storage facilities. SADC, the only regional economic community with a positive trend in the volume of intraregional trade between 1994 and 1999, is also the only regional economic community with a mechanism for regional food security.

Third, while most countries have established early warning systems, several of them lack qualified personnel and equipment. They need to be revitalized and expanded into regional warning units.

Early warning systems need to be revitalized and expanded into regional warning units

Fourth, difficulties in finding appropriate financial resources and cost considerations appear to have slowed the implementation of regional initiatives in the field of food and agriculture in several regional economic communities. This observation calls for increased efforts to mobilize funds through the re-orientation of public investment, the exploitation of rural savings, the involvement of the private sector, and foreign direct investment. More specifically:

- In COMESA agricultural strategy and policy have recently been revised with the assistance of the Food and Agriculture Organization. New initiatives include a review of phytosanitary and sanitary requirements to make them consistent with WTO requirements, a seed treatment project to develop and disseminate environmentally friendly biopesticides, and the establishment of a regional mechanism for coordinating the collection and circulation of agriculture and trade-related information.
- In EAC seasonal differences in production and the varying state of food security in member countries make liberalization of commodity markets and trade an important component of the economic development strategy. Studies on trade liberalization and policy harmonization will guide EAC in adopting a common agricultural policy.
- In ECOWAS ministers of agriculture have endorsed a new common agricultural policy aimed at ensuring food security and national policy harmonization. The Secretariat is working on a mechanism for consultation with agricultural professional associations, as a means of involving the private sector in agricultural development, production, and trade.
- In SADC external funding has allowed the implementation of several regional initiatives on food security through the Food, Agriculture, and Natural Resources Development Cooperation Unit. The regional strategy includes a regional information system for food security; a regional food, agriculture, and natural resources policy analysis network; and regional food security programmes and drought mitigation programmes.
- In UMA member states are working toward a common agricultural policy. Maghreb countries are planning to promote regional trade in food and to coordinate policies on food production and consumption, desertification control, and locust eradication.
- IGAD had its origins in agricultural and environmental concerns, focusing on ensuring food security while preserving the environment. IGAD has initiated projects to address the problems of food scarcity, extreme climatic conditions, desertification, and land degradation that affect most areas of the region. A food security strategy, adopted in 1990, needs to be reformulated to reflect major changes in the region.

The way forward

Not all activities in food and agriculture need to be tackled by the regional economic communities. However, regional initiatives can help to ensure food security, boost productivity and competitiveness, expand markets and trade, disseminate knowledge, and build capacity in several areas.

Improving food security. Key measures to promote food security include:

- Promoting cost-effective sharing of best practices, such as by developing Web sites, rural radio programmes, and reader-friendly pamphlets. SADC is a model of best practice in promoting agriculture and food security, and other regional economic communities could learn from it.
- Creating and improving markets and strengthening market links and information.
- Assessing the adequacy of data collection for agriculture and food security at the regional economic community level and designing programmes and projects to fill any gaps.
- Strengthening information networks on agriculture and food security, including through the use of geographic information systems.
- Improving early warning systems for food security and expanding coverage to all regional economic communities.

> *To expand agricultural production, regional economic communities should collaborate with other entities in intensifying extension services*

Harmonizing agricultural policies. Efforts to harmonize agricultural policies should emphasize three areas. The first involves migration, employment, and worker skills, and the objective is to allow the free movement of labour and the right to work across each regional economic community. The second area involves policies on land tenure and management. And the third involves protecting the interests of small and subsistence farmers—the majority of people in most African countries. Thus efforts to harmonize policies must anticipate adverse effects on livelihoods and include safety nets or poverty alleviation programmes to offset such effects in the short term—along with long-term solutions.

Rationalizing production and promoting intraregional agricultural trade. Rationalizing agricultural production is among the most common objectives of Africa's regional economic communities. Because farming is driven largely by the private sector and food production is essentially a national issue, the need to rationalize production strategies at the regional economic community level is not obvious. But it is critical for expanding markets and boosting production and competitiveness.

Two strategies are critical for expanding agricultural markets: fully exploiting comparative advantages and reducing trade barriers within regional economic communities and developing trade policies that take into account seasonal differences and differences in food security within regional economic communities. In EAC, for example, food trade is stimulated by seasonal differences and different demand patterns among Kenya, Tanzania, and Uganda. Such beneficial effects can be fully harnessed only through rationalized policy implementation at the regional economic community level.

To expand agricultural production, regional economic communities should collaborate with other entities in intensifying extension services such as research, education, and seed dissemination, focusing on raising the productivity of subsistence farmers. In addition, national support mechanisms for agricultural marketing, inputs, and credits should be harmonized within regional economic communities. Support mechanisms help eliminate distortions in production and marketing and allow full exploitation of comparative advantages within regional economic communities.

Investments in irrigation are critical for increasing production and contributing to long-term food security

Investments in irrigation are also critical for increasing production and contributing to long-term food security. Because most major rivers, lakes, and aquifers cross national and regional borders, regional irrigation projects will require considerable cooperation and integration. Overly dependent on rainfall, African agriculture has developed no means to mitigate droughts, which seem to have become permanent in some parts of the continent. Vulnerability to climatic conditions has caused erratic movements in food trade: no country has been able to achieve lasting surplus production that could be a potential source of exports to food-deficit countries.

Improving rural infrastructure. Increasing aggregate food production at the farm level is not enough to ensure food security at the national, regional, and continent levels. Three stages of African farming need special attention to improve productivity: provision of inputs (fertilizer, veterinary services, and the like), harvesting and storage, and marketing. All three depend on the quality of rural infrastructure—including roads, railways, rural energy systems, processing facilities, communications (such as radio), agricultural extension systems, and credit facilities.

Weak rural infrastructure has led to many food shortages coinciding with food surpluses within countries and regional economic communities. Improving rural infrastructure can boost food production and marketing. In Ghana investments in rural roads and electricity under a World Bank programme in the 1980s and 1990s stimulated food production and marketing to such an extent that it led to an economic boom in the mid-1990s, with GDP growing by 7–10% a year. Similar effects have been observed in Ethiopia, Uganda, and other countries.

Eliminating tariffs and facilitating trade in agricultural goods. To improve subregional agricultural trade, regional economic communities need to work towards eliminating all tariffs and trade barriers and improve instruments for facilitating trade. Although official data show very low intra-African trade, these figures capture mainly trade in nonagricultural goods. Agricultural trade tends to be informal. The way forward is to open borders and legalize this trade, as many African countries have done with foreign exchange in the past decade. While most regional economic communities have eliminated tariffs on raw agricultural materials, nontariff barriers remain a serious hindrance to the smooth flow of agricultural products—especially perishable goods.

Promoting the private sector. Promoting the private sector as the engine of economic growth is critical in agriculture. Governments should facilitate the establishment of private "incubator" centres to improve agricultural commodities and provide marketing information. Incubators enable farmers to get information easily and cost-effectively and to obtain training cheaply. At the regional level cooperation to establish a good business environment and favourable investment climate is crucial. This calls for appropriate macroeconomic policies to avoid overvaluation of exchange rates and high interest rates and for reforms of regulatory systems, to make them less cumbersome and more effective.

Industrial expansion has a vital role in transforming economies from overwhelming dependence on production and exports of primary commodities to technologically advanced manufacturing

Disseminating information and building capacity. Coordinating national actions through regional economic communities is also important in generating and disseminating knowledge about processing technologies and in building capacity for trade negotiations and management of commodity trade unions.

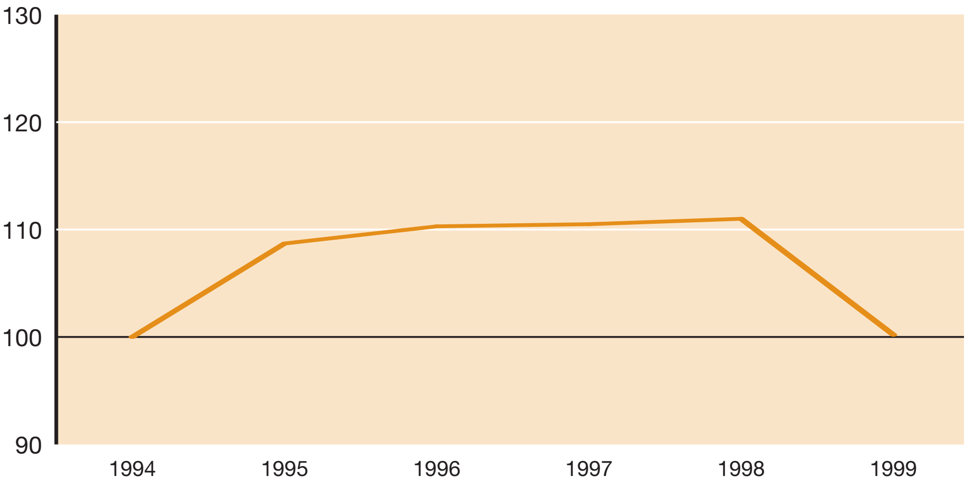
Manufacturing

The index for regional integration in the manufacturing sector, as measured by cross-national industrial input, rose in 1995 then settled into indifferent performance through to 1998 before sliding downward thereafter (figure 8.2). Only UEMOA and ECOWAS have shown growth rates close to that of the overall composite integration index for the continent.

African countries recognize that industrial expansion has a vital role in transforming their economies from overwhelming dependence on production and exports of primary commodities to technologically advanced manufacturing. Yet most African countries have rudimentary, fragile manufacturing capacity. During 1994–99 manufacturing

Figure 8.2

Manufacturing integration index, 1994–99 (Index 1994=100)



Source: *Economic Commission for Africa, from official sources.*

accounted for less than 14% of GDP in most African countries—and in many regional economic communities it accounted for much less (figure 8.3). Moreover, growth in manufacturing value added has been slow over the past decade, indicating weak industrialization. In general, progress on manufacturing—including private sector participation and investment—has been disappointing.

"Growth in manufacturing value added has been slow over the past decade, indicating weak industrialization"

Regional economic communities have promoted industrial growth by including in their treaties objectives related to integrated industrial development. These objectives generally aim at:

- Achieving cooperation on industrial development policies.
- Promoting industrial development and cross-border links among industries.
- Creating specialized financial institutions for industrial development.
- Promoting private sector participation in industrial development.
- Establishing regional industries and industrial research and development institutes.

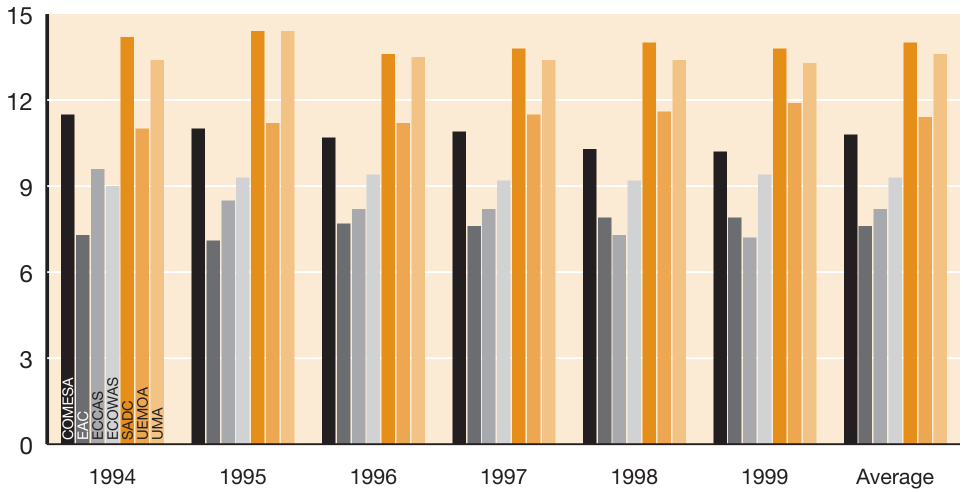
To date, however, industrial cooperation in regional economic communities has done little to boost production, productivity, and manufacturing value added. The most visible efforts have been support measures to encourage intraregional trade in manufacturing through trade liberalization programmes. Cooperation to improve commodity-producing sectors remains more of a goal than a reality.

How have the regional economic communities performed?

The following assessments highlight the regional economic communities' performance on industrial development and cooperation.

Figure 8.3

Manufacturing as a share of GDP (%)



Source: *Economic Commission for Africa, from official sources.*

- *COMESA.* COMESA seeks to promote links among industries, develop agro-industry and basic capital and intermediate goods industries, foster joint industrial research and development, integrate resource-based core and basic industries across countries, and promote joint exploitation of shared resources. A regional industrial strategy has been created to achieve these goals. COMESA has also facilitated the formation of two regional industrial financing institutions: the Eastern and Southern Africa Trade and Development Bank and the Africa Insurance Guarantee Agency. And it is implementing a three-year programme (with European Union assistance) to harmonize standards for 80–100 products under the auspices of the African Regional Organization for Standardization.
- *EAC.* EAC's industrial objectives emphasize identification and elimination of constraints to industrial development, development of industrial comparative advantage, promotion of resource-based small industries and agro-processing industries, promotion of balanced industrial growth, increased exports of industrial goods, and introduction of environment and quality standards. A model harmonized investment code is being prepared.
- *ECCAS.* ECCAS's objectives include harmonization and coordination of industrial development policies, balanced distribution of industries among member states, adoption and application of a common investment code, and establishment of regional industrial enterprises. Industrial cooperation will require more emphasis on the private sector.
- *ECOWAS.* ECOWAS adopted a five-year industrial development plan for 1987–91, followed by a broader master plan in 1994 to transform the region's industrial sector from a protected, state-oriented environment, to one paving the way for private initiative, and to promote a sound business climate and encourage the emergence of a new class of entrepreneurs. A protocol on regional enterprise was expected to facilitate the establishment of joint community industries, but to date joint enterprises have been limited to a Benin-Nigeria cement production plant and a sugar production plant.
- *SADC.* SADC's targets for industrial development include increasing manufacturing's share of regional GDP, increasing intraregional trade in manufactures, diversifying manufacturing exports, and developing capital goods industries. A database on industry and trade has been established, with tariff and trade data from member states and tariff liberalization offers from SADC trade protocol negotiating parties. A programme for developing small and medium-size enterprises has also been created.
- *UEMOA.* UEMOA's treaty provides for the adoption of a common industrial policy to guide industrial development in the region. The policy focuses on industrial competitiveness, links with the agriculture sector (especially livestock and fisheries), industrial information exchange, harmonization of investment codes, and balanced industrial development in the region. UEMOA's relatively well-developed trade liberalization programme provides good catalytic support to industrial growth in the region.

"Industrial cooperation in regional economic communities has done little to boost production, productivity, and manufacturing value added"

The way forward

A significant increase in systematic support for industrialization—including adequate industrial investments—is imperative. Without it, trade liberalization will have minimal impact. Several steps should be taken to boost regional economic communities' industrial cooperation efforts.

> *A significant increase in systematic support for industrialization—including adequate industrial investments—is imperative*

Redefining industrial development objectives

Regional economic communities need to reevaluate their industrial development frameworks, focusing on strengthening cooperation and relying on the private sector as a driving force in industrialization. As part of the ongoing shifts in their policy orientations, most African governments are pulling out of productive sectors, leaving them to the private sector. Frameworks for cooperation should adjust to this trend. Regional economic communities also need to adjust their approaches to industrial development to address industrial polarization, low intra-regional trade in manufactures, and lack of industrial competitiveness.

Industrial polarization has long been a grievance among "left out" countries, which see it as denying them opportunities to benefit from cooperative arrangements. Should polarization be seen as defeating the spirit of integration and equitable distribution of its benefits? Can it be regarded as a means of enhancing competitiveness, since less efficient industries will stop their activities? In terms of competitiveness, overprotection through high tariffs has helped to maintain inefficiency. But by focusing on tariffs, governments have addressed only price competitiveness. They have not tackled product quality. Regional economic community programmes on standardization and metrology are a first step towards quality assurance. But much remains to be done to improve the competitiveness of African products in terms of quality, domestically and regionally.

Regional economic communities should draw up strategic plans for all aspects of industrial cooperation as redefined, with time-bound goals for output, resources, and creation of needed institutions. Every regional economic community should have a specific unit to guide industrial cooperation programmes and periodically assess industrial performance.

Increasing intraregional trade in manufactures will require trade promotion programmes targeting industrial output. The programmes should include trade information systems and trade fairs focused on specific products or subsectors to guide the business community on potential trade opportunities in each region.

Policies to support industrial competitiveness are imperative. Policy options for making local industries more competitive include zero tariffs on manufactures traded within regional economic communities and on imports of raw materials for manufacturing and national schemes for refunding value-added taxes, allowing manufacturing companies that use local raw materials to claim such refunds. Also essential in efforts to promote industry is meeting macroeconomic convergence targets. Doing so can help create an enabling environment for local and domestic industrial investment.

Promoting research and development

The most cost-effective way for regional economic communities to promote industrial research and development is to elevate national industrial research and technology institutions to regional centres of excellence. A pilot scheme worth replicating is COMESA's arrangement with the University of Zimbabwe to conduct research and tests on metallurgical products. Regional economic communities have done little to exploit the capacity of the many national industrial research organizations in Africa.

> *"An important challenge is to promote Africa as a destination for foreign direct investment"*

Harmonizing standards and metrology

To harmonize product standards—essential to expanding trade—regional economic communities should work with the African Regional Organization for Standardization. All African countries should be members (19 are), because it is the only continentwide forum for addressing product standards.

Promoting investment

The undesirable effects of industrial polarization can be addressed only through investments targeting unexploited industrial potential. In the short to medium term these investments will have to come through foreign direct investment. Export processing zones, industrial development zones, and tax holidays have been critical in attracting foreign direct investment to countries such as Mauritius and Mozambique (Odenthal 2001).

Steps should also be taken to promote cross-border investment through bilateral investment treaties and by developing the legal frameworks needed to grant companies "regional enterprise status", to encourage them to establish branches within regional economic communities, and by reviewing labour and investment laws, including patent and property rights laws.

Another important challenge is to promote Africa as a destination for foreign direct investment—critical given the increased global competition for such investment. Because the resources required exceed the budgets of most national investment agencies, regional economic communities should assume responsibility for promoting entire regions as investment areas.

Addressing nontariff barriers to trade

High-cost eco-labelling requirements may hamper regional industries' efforts to penetrate global markets. Most African countries lack the infrastructure and technical capacity to certify products (UNIDO 1995). Regional economic communities should lobby for internationally agreed labels to replace the multiple schemes now in force, with mutual recognition of national labelling schemes. Another approach would be to argue for accepting environmental regulations in exporting countries as equivalent to importers' environmental criteria.

Protecting against dumping

Any gains in industrial development risk being reversed by the dumping of goods. Most African countries lack the capacity to protect their industries from dumping or from the flooding of their markets with imports produced by regional industries. Thus regional economic communities need to establish regional or continental capacity for member states to invoke the provisions of the World Trade Organization Agreement on Antidumping, Safeguards, and Countervailing Measures, which requires a rigorous process of proving that dumping has occurred and caused injury (or poses the threat of injury) to domestic industries.

"Structural deficiencies need to be addressed to achieve significant growth in intra-African trade"

Summary

Africa's productive sectors have not yet acted as an engine for growth in regional trade. Low agricultural productivity and production coupled with insufficient and uncompetitive industrial output do not provide opportunities for boosting trade within or between regional economic communities. These structural deficiencies and others—such as the high costs of doing business—need to be addressed to achieve significant growth in intra-African trade.

References

Abassa, K. P. 1995. "Improving Food Security in Africa: The Ignored Contribution of Livestock." Joint ECA/FAO Agriculture Division Monograph 14. Economic Commission for Africa, Addis Ababa, and Food and Agriculture Organization, Rome.

Abou-Ali, Hala. 1998. *The Integration and Trade Liberalisation Programme of the Economic Community of West African States (ECOWAS)*. Organization of African Unity, Addis Ababa.

AEC (African Economic Community). 1995. "Agricultural Growth: The Key to Poverty Alleviation in Low-income Developing Countries 2020." Vision Brief 15. Lusaka.

———. 2001. "Report of OAU Council of Ministers." Lusaka.

ADB (African Development Bank). 1999. *African Development Report 1999.* Oxford: Oxford University Press.

———. 2001. *African Development Report 2001.* Oxford: Oxford University Press.

Asante, S.K.B. 1986. *The Political Economy of Regionalism in Africa—A Decade of the Economic Community of West African States*. Poraecer, N.Y.: Greenwood Publishing Group.

Ashton, Peter. 2001. "Challenges for Water Sharing in a River Basin." *Stockholm Water Front* 2: 8–9.

Badiane, O., and C.L. Delgado. 1995. "A 2020 Vision for Food, Agriculture, and the Environment in Sub-Saharan Africa." 2020 Discussion Paper 4. International Food Policy Research Institute, Washington, D.C.

Bradshaw, M., and B. Belovay. 1996. "West Africa—An Emerging Gold Producing Region." CIBC Wood Gundy Securities Inc., Toronto.

Broesse, U. 1996. *Industriepolitik*. Munich/Vienna: Oldenbourg.

Buigues, P., and A. Sapir. 1993. "Community Industrial Policies." In Phedon Nicolaides, ed., *Industrial Policy in the European Community: A Necessary Response to Economic Integration?* Dordrecht: Martinus Nijhoff Publishers.

Cawood, F.T., S. Kangwa, A.S. Macfarlane, and R.C.A. Minnitt. 2001. *Mining, Minerals and Economic Development and Transition to Sustainable Development in Southern Africa*. MMSD Southern Africa Research Topic 5. International Institute for Environment and Development, Mining, Minerals and Sustainable Development, Johannesburg. [http://www.iied.org/mmsd/mmsd_pdfs/164_cawood.pdf]

Chamber of Mines of South Africa. 2001. “Mining as a Foundation for Economy.” University of Pretoria, Bureau for Economic Policy and Analysis, Pretoria.
Chambers, Robert, and Gordon R. Conway. 1992. “Sustainable Rural Livelihoods: Practical Concepts for the 21st Century.” Discussion Paper 286. University of Sussex, Institute of Development Studies, Brighton.
Chopak, Charles. 2000. “Early Warning Primer: An Overview of Monitoring and Reporting.” United States Agency for International Development, Famine Early Warning System Project, Washington, D.C.
COMESA (Common Market for Eastern and Souther Africa). 1999. *Annual Report*. Lusaka.
———. 2002. “Minutes of the Sixth Summit of the COMESA Authority of Heads of State.” May 22–23, Cairo.
Cour, J-M, and S. Snrech. 1999. *Preparing for the Future—A Vision of West Africa in the Year 2020: West Africa Long-Term Perspective Study*. Paris: Organisation for Economic Co-operation and Development.
CSIR (Council for Science and Industrial Research). 2000a. *The CSIR Technology Impact 2000.* Pretoria.
———. 2000b. *Millennium Technology Brief*. Pretoria.
CTA (Technical Centre for Agricultural and Rural Cooperation). 1998. “Regionalisation: A Stepping Stone to Integration?” SPORE 78: 1–3.
Delgado, C.L. 1995. “Africa’s Changing Agricultural Development Strategies: Past and Present Paradigms as a Guide to the Future.” 2020 Discussion Paper 3. International Food Policy Research Institute, Washington, D.C.
Delgado, C.L., M. Rosegrant, H. Steinfeld, Ehui Simeon, and Courbois Clande. 1999. “Livestock to 2020—The Next Food Revolution.” 2020 Discussion Paper 28. International Food Policy Research Institute, Washington, D.C.
DeRosa, Dean, and Kumaresan Govindan. 1997. “Agriculture, Trade, and Regionalism in South Asia.” 2020 Vision Brief 46. International Food Policy Research Institute, Washington, D.C.
Development Bank of Southern Africa. 2000. *Annual Report 2000.* Johannesburg.
DfID (U.K. Department for International Development). “Sustainable Livelihoods Guidance Sheets.” London. [www.livelihoods.org/info/info_guidancesheets.html]
DSE (German Foundation for International Development). 2001. “Facts on Africa.” [www.dse.de/aktuel/facts-e.htm]
Ebersohn, F. 2001. “GDP Data Puts Growth Target of 3% at Risk.” *Business Report*. May 30.
ECOWAS (Economic Community of West African States). 1993. “Revised Treaty 1993.” July, Abuja.
———. 1994. “ECOWAS Industrial Masterplan: Orientations and Action Programme.” Abuja.
European Commission. 2000. “The European Community’s Development Policy: Statement of the Council and the Commission.” November 10, Brussels.
Evlo, Kodjo. 2001. “West Africa Subregion Report.” United Nations Economic Commission for Africa, Addis Ababa.
Ezenwe, U. 1981. “Equitable Distribution of the Benefits and Costs of Integration in West Africa.” Paper presented at “Deuxième Colloque sur l’Integration Economique de l’Afrique de l’Ouest,” July, Conakry.
———. 1983. *ECOWAS and the Economic Integration of West Africa*. New York: St. Martin’s Press.
———. 1997. “Regional Dimensions of Structural Adjustment in West Africa.” *Intereconomics* 32(3): 134–43.
FAO (Food and Agriculture Organization). 1995. *Water Report 7—Irrigation in Africa in Figures*. Rome.
———. 1996a. *The Sixth World Food Survey.* Rome.
———. 1996b. *The State of Food Insecurity in the World*. Rome.
———. 1997. *Agriculture, Food and Nutrition for Africa: A Resource Book for Teachers of Agriculture*. Rome: Publishing Management Group.
———. 2001a. “The Impact of HIV/AIDS on Food Security.” Paper presented at the Committee on World Food Security, 27th Session, May 28–June 1, Rome.
———. 2001b. *The State of Food Insecurity in the World*. Rome.
FAO–GIEWS (Food and Agriculture Organization, Global Information and Early Warning System). 1996a. “Food, Agriculture and Food Security: Developments Since the World Food Conference and Prospects.” Background paper for the World Food Summit, November 13–17, Rome.

———. 1996b. "The State of Food Agriculture Conflicts." Agriculture and Food Security World Food Summit Plan of Action, November 13–17, Rome.

———. 2001a. *Food Crops and Shortages* 1 (March). [ftp://ftp.fao.org/docrep/fao/003/x9786e/x9786e00.pdf]

———. 2001b. *Food Crops and Shortages* 2 (April). [ftp://ftp.fao.org/docrep/fao/003/y0380e/y0380e00.pdf]

———. 2001c. *Food Crops and Shortages* 3 (June). [ftp://ftp.fao.org/docrep/fao/003/y1090e/y1090e00.pdf]

———. 2001d. *Food Crops and Shortages* 4 (September). [ftp://ftp.fao.org/docrep/fao/003/y1913e/y1913e00.pdf]

———. 2001e. *Food Crops and Shortages* 5 (November). [ftp://ftp.fao.org/docrep/fao/005/y8131e/y8131e00.pdf]

FAO (Food and Agriculture Organization) and WHO (World Health Organization). 1992a. *Final Report of the International Conference on Nutrition*. Rome and Geneva.

———. 1992b. "Nutrition and Development—A Global Assessment." International Conference on Nutrition, December 5–11, Rome.

Fraser, Malcolm. 1989. *Africa's Commodity Problems: Towards a Solution*. New York: United Nations.

Gijsbers, G., and R. Contant. 1996. "Regionalization of Agricultural Research: Selected Issues." ISNAR Briefing Paper 28. International Service for National Agriculture Research, The Hague.

Global Water Partnership Technical Advisory Committee. 2000. "Integrated Water Resources Management." TAC Background Papers. Stockholm.

Granville, Arnold. 2001. "Baseline Survey of the Mining and Minerals Sector." MMSD Southern Africa Research Topic 6. International Institute for Environment and Development, Mining, Minerals and Sustainable Development, Johannesburg. [http://www.iied.org/mmsd/mmsd_pdfs/SthAfrica_word_PPT/08_Baseline_Survey.doc]

Harrigan, J., R. Loader, and C. Thirlte. 1992. *Agricultural Price Policy: Government and the Market*. Training Materials for Agricultural Planning 31. Rome: Food and Agriculture Organization.

Hassan, R., D. Fairbank, G. Magagula, and H. Faki. 1997. "Analyzing Comparative Economic Advantage of Agricultural Production and Trade Options in Southern Africa: Guidelines for a Unified Approach." Technical Paper 100. United States Agency for International Development, Africa Bureau, Office of Sustainable Development, Productive Sector Growth, and Environment, Washington D.C.

Hassan, R., H. Faki, and D. Byerlee. 2000. "The Trade-Off between Economic Efficiency and Food Self-Sufficiency in Using Sudan's Irrigated Land Resources." *Food Policy* 25: 35–54.

Hay, Roger W., and M. Rukuni. 1988. "SADCC Food Security Strategies: Evolution and Role." *World Development* 16: 1013–24.

Helleiner, G. K. 1972. *International Trade and Economic Development*. Harmondsworth: Penguin.

Imani Development. 2001. "SADC Industrial Development Strategy." Consultancy report prepared for Southern Africa Development Community. Durban.

Ingco, M.D. 1997. "Has Agricultural Trade Liberalization Improved Welfare in the Least Developed Countries? Yes." Policy Research Working Paper 1748. World Bank, International Economics Development, International Trade Division, Washington, D.C.

International Trade Centre. "Trading Opportunities in Southern Africa: A Statistical Analysis." Geneva. [http://www.intracen.org/iatp/surveys/stat.htm]

Jaber, T.A. 1971. "The Relevance of Traditional Integration Theory to Less Developed Countries." *Journal of Common Market Studies* 9: 254–67.

Jourdan, P.P. 1992. "Provisional Implications for SADCC Mining Sector of a Post-Apartheid South Africa." Report prepared for the SADCC Mining Sector Co-ordinating Unit. Southern African Development Co-ordination Conference, Lusaka.

Kagira, B.M. 1997. "The Effects of Regional Integration on the Performance of Intra-Industry Trade in Eastern and Southern Africa." COMESA/IDRC Research Network on Regional Integration. Common Market of Eastern and Southern Africa, Lusaka, and International Development Research Centre, Ottawa.

Kangwa, Sam. 2001. "Report on the Privatisation of Zambia Consolidated Copper Mines." MMSD Southern Africa Topic 5. International Institute for Environment and Development, Mining, Minerals and Sustainable Development, Johannesburg. [http://www.iied.org/mmsd/mmsd_pdfs/SthAfrica_word_PPT/07_ThePrivatisationofZambiaConsolidatedCopperMines.doc]

Kennedy, E., and L. Haddad. 1992. "Food Security and Nutrition, 1971–91: Lessons Learned and Future Priorities." *Food Policy* 17(1): 2–6.

King, F.S., and A. Burgess. 1993. *Nutrition for Developing Countries*. Third Edition. Oxford: Oxford Medical Publications, Oxford University Press.

KOBWA (Komati River Basin Authority). 1998. "Commemorative Information Brochure on the Driekoppies Dam Opening." Piggs Peak, Swaziland. [http://www.kobwa.co.za/driekoppies_menu.cfm]

Koester, U. 1984. "Regional Cooperation among Developing Countries to Improve Food Security." *Quarterly Journal of International Agriculture* 23(2): 99–115.

———. 1986. "Regional Cooperation to Improve Food Security in Southern and Eastern African Countries." IFPRI Research Report 53. International Food Policy Research Institute, Washington, D.C.

———. 1990. "Agricultural Trade Among Malawi, Tanzania, Zambia and Zimbabwe." Paper presented at Workshop on Trade in Agricultural Products among the SADCC Countries. International Food Policy Research Institute, Washington, D.C.

Lall, S. 1995. "Industrial Adaptation and Technological Capabilities in Developing Countries." In T. Killick, ed., *The Flexible Economy*. London/New York: Routledge.

———. 1995. "Structural Adjustment and African Industry." *World Development* 23(12): 2019–31.

Lombard, J. A., and J. J. Stadler. 1980. "The Role of Mining in the South African Economy." Bureau for Economic Policy and Analysis, University of Praetoria.

Loxton, L. "Minister Worries over Mining's GDP Input." *Business Report*. May 31.

Macfarlane, Alistair S. 2001. *The Contribution of the Mining and Minerals Sector to the Economic Development of Southern Africa*. Johannesburg: University of Witwatersrand Press.

MacGaffey, Janet. 1991. *The Real Economy of Zaire: The Contribution of Smuggling and Other Unofficial Activities to National Wealth*. Philadelphia: University of Pennsylvania Press.

Mano River Union. 1999. "Status Report of the Mano River Union." Report presented at the Meeting of Chief Executives of Existing River/Lake Basin Organizations in Africa, July 8–9, Addis Ababa.

Maphanyane, E.M. 2000. "Rationalization of Regional Institutions: SADC." Global Coalition for Africa, Washington, D.C.

Mellor, J.W. 1988. "Global Food Balances and Food Security." *World Development* 16(9): 997–1011.

Membrate, Mengistu. 2001. "Report on Regional Integration in Eastern and Southern Africa." United National Economic Commission for Africa, Addis Ababa.

Minerals Bureau. 1985. *South Africa's Mineral Industry 1984.* Washington, D.C.: United States Bureau of Mines.

———. 2000. *South Africa's Mineral Industry 1999/2000.* Washington, D.C.: United States Bureau of Mines.

Morris, Gayle A., and John A. Dadson. 2000. "Ghana Cross-Border Trade Issues." African Economic Policy Paper Discussion Paper 22. United States Agency for International Development, Washington, D.C.

Msonda, Flora M. 1997. "Intra-Industry Trade between Members of the PTA/COMESA Regional Trading Arrangement." AERC Research Paper 64. African Economic Research Consortium, Nairobi.

NBI (Nile Basin Initiative). 2001. "Nile Basin Initiative Strategic Action Programme." Entebbe. [http://www.nilebasin.org/nbiprocess.htm]

OAU (Organization of African Unity). 1998. "Report on the Proceedings of the Trade Liberalisation and Regional Integration Workshop." July 7–10, Abidjan.

———. 2000. "Conference on Security, Stability, Development and Cooperation in Africa." May 8–9, Abuja.

Odenthal, Nudger. 2001. *New Forms of Co-operation and Integration in Emerging Africa: FDI in Sub-Saharan Africa*. OECD Development Centre Technical Paper 173. Paris: Organisation for Economic Co-operation and Development.

Ogunrinade, A., R. Oniang'o, and J. May, eds. 2000. *Beyond Bread: Food Security and Governance in Africa*. Johannesburg: University of Witwatersrand Press.

Oyebande, L., and Ayoade, J.O. 1986. "The Watershed Unit for Planning and Land Development." In R. Lal, A. Sanchez, and R.W. Cunnings, Jr., eds., *Land Clearing and Development in the Tropics*. Rotterdam: Balkema.

Panafrican News Agency. 2000. "UEMOA Adopts Joint Mining Policy." November 18.

Penders, C.L., T.M. Staatz, and J.F. Tefft. 2000. "Agricultural Development and Child Nutrition—What Do We Know?" Food Security II Policy Synthesis 52. United States Agency for International Development, Global Bureau, Economic Growth and Agricultural Development Center, Office of Agriculture and Food Security, Washington, D.C., and Michigan State University, Department of Agricultural Economics, East Lansing, Mich.

Pinstrup-Andersen, Per, Rajul Pandy-Lorch, and Mark W. Rosegrant. 1997. "The World Food Situation: Recent Developments, Emerging Issues, and Long-Term Prospects." Food Policy Statement 26. International Food Policy Research Institute, Washington, D.C.

———. 1999. *World Food Prospects: Critical Issues for the Early Twenty-First Century*. Washington, D.C.: International Food Policy Research Institute.

Radelet, S. 1999. "Regional Integration and Cooperation in Sub-Sahran Africa: Are Formal Trade Agreements the Right Strategy?" African Economic Policy Paper Discussion Paper 20. U.S. Agency for International Development, Washington, D.C.

Readon, T. 1997. "African Agriculture: Productivity and Sustainability Issues." In C. Eicher and J. Staatz, eds., *Agricultural Development in the Third World*. Third Edition. Baltimore: John Hopkins University Press.

Reutlinger, S., and D. Bigman. 1976. "Should Developing Nations Carry Grain Reserves?" Staff Working Paper 244. World Bank, Washington, D.C.

Rwelamira, J.K., and T.E. Kleynhans. 1996. *SADC Agricultural Potential Assessment: Country Profiles*. Midrand: Development Bank of South Africa.

Saasa, O.S. 1998. "Economic Scenarios for Regional Cooperation in Southern Africa." *Food Policy* 23(6): 519–27.

SADC (Southern African Development Community) Mining Sector Co-ordinating Unit. 2001. "Review of the Performance of the Mining Industry in the SADC Region." Gaborone.

Segal, N. 2000. *A Perspective on the South African Mining Industry in the 21st Century.* University of Cape Town.

Sen, A. 1981. *Poverty and Famines: An Essay on Entitlement and Deprivation*. Oxford: Clarendon Press.

Sharma, R.P. 1992. "Monitoring Access to Food and Household Food Security." Paper presented at Food and Agriculture Organization Committees on World Food Security, 17th Session, March 23–27, Rome.

Smith, K.D., K. Pearson, and M. Curran. 1997. *West African Gold Companies*. Toronto: Midland Walwyn Equity Research.

Soule, Bio Goura, and Cyril Obi. 2000. "Prospects for Trade between Nigeria and its Neighbours." Organisation for Economic Co-operation and Development, Club du Sahel, Paris. [http://www.oecd.org/dataoecd/40/24/2351171.pdf]

Syrquin, Moshe, and Hollis Chenery. 1989. "Three Decades of Industrialisation." *The World Bank Economic Review* 3(2): 145–81.

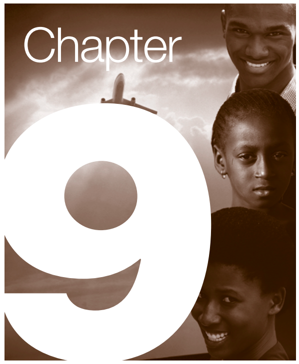
UEMOA (West African Economic and Monetary Union). 2001. "Objectifs, Bilan et Perspectives." UEMOA Commission, Journées d'Information sur les chantiers de l'UEMOA, June 30.

UNCTAD (United Nations Conference on Trade and Development). 1997. "Regional Experiences in the Economic Integration Process of Developing Countries." Geneva. [http://www.unctad.org/en/docs//poitcdtsbd1.en.pdf]

UNDP (United Nations Development Programme). 1999. *Compendium of Development Organizations in Africa*. New York: United Nations.

UNECA (United Nations Economic Commission for Africa). 1992. "United Nations Development Agency Assistance to ECOWAS in Developing a Strategy to Promote Industrial Integration." Addis Ababa.

———. 1996. "Integrated Management of Transboundary Freshwater Resources—Problems and Prospects." Addis Ababa.
———. 1997a. "Liberalisation of World Trade, Globalisation and African Economic Integration." Addis Ababa.
———. 1997b. "Issues for an Action Plan to Develop Africa's Mineral Industries During the Period 1998–2007 through Sub-Regional and Regional Cooperation." Addis Ababa.
———. 1998. "Existing Transboundary River/Lake Basin Organization in Africa: A Background Overview and Assessment." Addis Ababa.
———. 1999a. "African Integration: Lessons from the EU, NAFTA, MERCOSUR, ASEAN and APEC." Addis Ababa.
———. 1999b. "Economic Integration in Africa and ECA's Role: A Reflection Note." Addis Ababa.
———. 1999c. "Report on the Follow-Up of the Implementation of the Actions Recommended at the Second Conference of the African Ministers Responsible for the Development and Utilisation Mineral Resources and Energy in Africa." Paper presented at the First Meeting of the Committee on Natural Resources and Science and Technology, November, Addis Ababa.
———. 2000a. "The State of Cooperation on the Continent." Paper presented at the Ministerial Conference of the Organization of African Unity on Security, Stability, Development and Cooperation in Africa, May 8–9, Abuja.
———. 2000b. "Transboundary River/Lake Basin Water Development in Africa: Prospects, Problems and Achievements." Addis Ababa.
UNIDO (United Nations Industrial Development Organization). 1995. "Cluster Development Programme." Vienna.
———. 1996. *The Globalization of Industry: Implications for Developing Countries Beyond 2000.* Vienna.
———. 2000. *African Industry 2000: The Challenges for Going Global*. Vienna.
USAID–FEWS (United States Agency for International Development, Famine Early Warning System). 1997. "Regional Trade Important for Increasing Food Security." FEWS Special Report 97-1. Washington, D.C. [http://www.fews.org/fb970225/fb97sr1.html]
Verheye, Willy H. 2000. "Food Production or Food Aid? An African Challenge." *Finance and Development* 37(4): 38–41.
Viner, J. 1950. *The Customs Union Issue*. London: Stevens and Sons.
WHO (World Health Organization) and UNICEF (United Nations Children's Fund). 2000. *Global Water Supply and Sanitation Assessment Report*. Geneva and New York.
Woodward, B., J. Brink, and D. Berger. 2001. "Can Agricultural Biotechnology Make a Difference in Africa?" *AgBioForum* 2(3,4): 175–81.
World Bank. 1998. *Commodity Market and the Developing Countries*. Washington, D.C.
———. 1999. "Road Map for Investment Facilitation." Paper presented at the Cross Border Initiative Ministerial meeting, October, Grand Baie.
———. 2000. *Can Africa Claim the 21st Century?* Washington, D.C.
———. 2001a. *African Development Indicators*. Washington, D.C.
———. 2001b. *World Development Indicators*. Variable List: F. Washington, D.C.
———. 2002. *World Development Report 2002.* Washington, D.C.
WRC (Water Research Commission). 2001. "Assessment of Surface Water Resources." WRC Report 1112/1/01. Pretoria.
Yade, M., A. Chohin-Kuper, U. Kelly, J. Staatz, and J. Tefft. 1999. "The Role of Regional Trade in Agricultural Transformation: The Case of West Africa Following the Devaluation of the CFA Franc." Paper presented at the Workshop on Agricultural Transformation, June 27–30, Nairobi. [http://www.aec.msu.edu/agecon/fs2/ag_transformation/atw_yade.pdf]
Young, H. 1992. A Rapid Rural Appraisal of Household Food Security. Rome: Food and Agriculture Organization.



Human Resources and Labour Mobility

Building human capital by strengthening people's abilities as productive agents is a central objective of development policies. A skilled, healthy, mobile, and educated labour force, combined with sufficient entrepreneurial capacity, is indispensable for sustainable development. For African countries, developing and enhancing the skills and capabilities of their people have been a major challenge.

The Abuja Treaty establishing the African Economic Community committed African countries to cooperation in various sectors of their economies, including human resources development and labour markets. The main areas of cooperation are education and training, labour mobility, health, employment, and labour standards. This chapter evaluates the integration of African regional economic communities in all these areas except health, where the regional economic communities have made almost no strides in cooperation except for the fight against onchocerciasis (river blindness) in West Africa.

There are good reasons for regional economic communities to cooperate in education and training for human development. Most African countries lack the resources to sufficiently invest in training teachers, managers, and education planners, but by cooperating they can pool resources, harmonize education systems, and benefit from economies of scale and the sharing of experience. Cooperation and integration in human development also contribute to regional economic integration—by creating a common cultural identity, helping achieve free movement of people and capital, contributing to the development of science and technology, and advancing implementation of the Education for All initiative in the 21st century.

Almost all the treaties of the regional economic communities have detailed objectives and provisions on the development of human capital as the centrepiece of integration. The key shared goals are improving education systems, strengthening common institutions and developing new ones, promoting participation of the private sector in training and education, and harmonizing and coordinating education policies.

To assess the intensity of regional integration in human capital, spending on education is used as a measure of potential for human development and labour mobility (because there are no statistics on cross-country labour flows). Spending on education has had low priority, with far-reaching consequences for skilled labour mobility and capacity building for regional integration at large (figure 9.1).

Performance in human resources development

Improving the efficacy of education systems and contributing to human capital development in the regional economic communities and in Africa has been broadly perceived as the shared responsibility of national governments, regional economic communities, and the private sector.

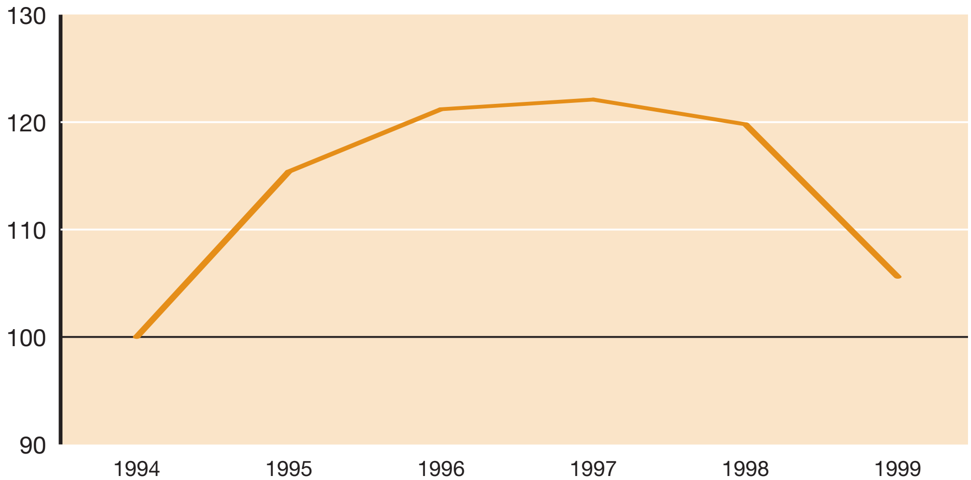
A few countries devote an average of 30% of national spending to education, but most spend 10–20%

National governments

National governments are expected to invest in education with adequate budgetary allocations. A few countries devote an average of 30% of national spending to education, but most spend 10–20%. The governments of regional economic community member states recognize the need for investment in education. They have numerous national policies promoting free primary education and support to secondary and higher education, but competing demands on governments' limited (and declining) budgetary resources have reduced investments in education and other social sectors in favour of defence and military expenditures. For example, in 1997 military spending in the Southern African Development Community (SADC) amounted to 41.4% of central government expenditure in Democratic Republic of Congo, 36.3% in Angola, 13.3% in Botswana, and 11.9% in Zimbabwe. In the Economic Community of West African States (ECOWAS) military spending was 13% of central government expenditure in Guinea, 12.3% in Nigeria, and 11.6% in Togo. In the Economic Community of Central African States (ECCAS) it was 27.7% in the Central African Republic, 25.8% in Burundi, 22.2% in Rwanda, and 17.7% in Cameroon. And in the East African Community (EAC) the share was 23.9% in Uganda, 10.7% in Tanzania, and 7.2% in Kenya.

Figure 9.1

Human development integration index, 1994–99 (Index 1994=100)



Source: *Economic Commission for Africa, from official sources.*

Regional economic communities

The efforts of the regional economic communities to develop human resources have been marginal, with much work remaining to fulfil various treaty provisions. The most visible efforts have focused on harmonizing and coordinating education policies, including those on curricula, certificates, and accreditation.

> *Efforts of the regional economic communities to develop human resources have been marginal*

In West Africa and Central Africa the francophone member states of the West African Economic and Monetary Union (UEMOA) and the Central African Economic and Monetary Community (CEMAC) have cooperated at all levels of education—particularly in higher education. The Conseil africain et malagache de l'enseignement supérieur has been driving cooperation, including implementation of programmes on the recognition and equivalence of diplomas. In ECOWAS the West African examination system provides a good platform for anglophone member states to coordinate and harmonize policies, particularly policies on curriculum development, examinations, and certificates. The general certificate of education ("O" and "A" levels) has been adopted by almost every member country as a standard secondary school-leaving certificate.

In East Africa and Southern Africa several efforts are under way to promote educational exchange and harmonize education policies. SADC's inventory of training institutions, scholarships, and training awards programmes and its initiative in education policy development, planning, and management allow students from SADC countries to attend universities in South Africa and Zimbabwe on the same basis as national students. The University of South Africa is an important hub of higher education for the subregion and for the rest of Africa, especially in distance education. In the Common Market for Eastern and Southern Africa (COMESA), close cooperation in the harmonization of higher education policies is evident among EAC members (Kenya, Tanzania, and Uganda) in the framework of the EAC-sponsored Inter-University Council of East Africa.

In North Africa, Maghreb University is promoting regional educational development for teachers and students in the Arab Maghreb Union (UMA). The university's superior council, made up of member countries' education ministers or secretaries of state, sets the standards for higher education in UMA countries.

Private sector

The adoption of free market principles in many African countries has enabled the private sector to participate in all areas of economic activity—including education and training. As public monopolies recede, the private sector should have a larger presence in education and training.

Continentwide and external efforts

At the continentwide level the Conference of Ministers of Education in Africa created the "Africa Framework of Action for Education for All in the 21st Century" to promote education and harmonization of education policies, strategies, and priorities. The

Association of African Universities has also been active in coordinating policies and programmes in higher education. The group recently produced the "Declaration on the African University in the Third Millennium".

There are few common institutions of education across regional economic communities because the tendency has been to promote continentwide cooperation. But several common institutions have been established to build capacity in areas critical for development: the African Regional Centre for Technology, the African Regional Centre for Engineering Design and Manufacturing, and the United Nations African Institute for Economic Development and Planning. Some of these institutions lack the support needed to become truly effective, however.

"The free flow of people, labour, and services and the right of residence and establishment are enshrined in the Abuja Treaty"

Other important initiatives to harmonize education policies and human capital development include the African Virtual University, a "university without walls" that uses modern information and communications technology to give students direct access to high-quality faculty and learning resources from throughout the world. The Association for the Development of Education in Africa, a partnership of ministries of education of African countries, development agencies, education specialists and researchers, and nongovernmental organizations, develops consensus on policy issues facing education in Africa and promotes the exchange of successful strategies. The International Institute for Capacity Building in Africa is a United Nations Educational, Scientific, and Cultural Organization programme to develop the capabilities of African institutions that work with teacher education, curriculum development, and education policy, planning, and management. Other institutions include the African Digital Library, the African Capacity Building Foundation, and the Association for the Development of Education in Africa.

Performance in labour mobility

The free flow of people, labour, and services and the right of residence and establishment are objectives enshrined in the Abuja Treaty and the treaties of the regional economic communities, with the aim of achieving these objectives in phases.

Free movement of people and labour and the right of residence and establishment

COMESA, EAC, ECCAS, ECOWAS, SADC, and UEMOA have protocols, articles, or objectives in their treaties for the free movement of people and right of residence and establishment. ECOWAS has ratified its protocol, and EAC established a committee in January 2001 to look into implementation of this objective. The strong reservations of some member countries have prevented SADC from adopting a protocol and COMESA from ratifying its protocol. Still, some SADC countries allow citizens of specific SADC countries visa-free entry for 90 days, while South Africa and some other countries are reluctant to do so.

Abolishing requirements for entry visas has been one of the most important achievements of ECOWAS. Still, the provision has limits: citizens of ECOWAS member states may enter and reside in any member state for up to 90 days, but they must obtain permission to stay longer. Member states generally respect the provisions of the protocol on free movement of people, which has been further advanced by the introduction of the ECOWAS travel certificate and Brown Card Motor Vehicle Insurance Scheme. The ECOWAS passport for international travel, which bears the organization's insignia, is currently in force.

> *Common employment policies and standards allow greater opportunities for skills, entrepreneurial know-how, technology, and professional services to move freely across borders*

A common EAC passport, valid only within the community, entitles the holder to an automatic six-month multiple visa for travel to any EAC member state. There are plans to upgrade the passport for use beyond EAC borders. For now, though, the EAC passport is used alongside national passports and other travel documents.

Under the agreement establishing the Inter-Governmental Authority on Development (IGAD), free movement of goods, services, and people and the establishment of residence are the aims of regional cooperation. Reciprocal visa-free entry for limited stays is granted bilaterally by some member states.

One of the objectives of the free movement of people in regional economic communities is the free flow of labour. But most regional economic communities exercise caution. While supporting the idea of labour mobility within their regional economic communities, member states do not want to put the limited employment opportunities available to local workers under undue stress. Instead, countries believe that the gradual, targeted introduction of labour mobility is the best way to move towards a regional policy on general labour mobility.

Common employment and labour policies and standards

Common employment policies and standards allow greater opportunities for skills, entrepreneurial know-how, technology, and professional services to move freely across borders. For most regional economic communities, achieving these objectives remains a distant goal and requires a redoubling of efforts, although some communities, such as EAC, provide a good model (box 9.1).

The way forward

So far the most significant results in human development and labour mobility have come from efforts to harmonize education policies in the regional economic communities and measures to promote the free movement of people. Some regional economic communities have abolished entry visas and begun issuing common travel documents, with ECOWAS and EAC leading the way.

But cooperation and integration in labour mobility and right of residence have not taken off. Free mobility of labour has been obstructed by security considerations, lack of employment opportunities, and competition for limited job openings.

Many other obstacles to cooperation on human capital issues remain. Political commitment to implementing agreed objectives is often insufficient. Resources are inadequate for meeting what often appear to be overly optimistic objectives. Other obstacles include linguistic barriers (in the case of education), lack of expertise in the regional economic communities, uneven compliance with international obligations, and persistent economic crises and high unemployment in many countries. Rapid population growth and lack of effective population control exacerbate these problems by further straining resources for educational development and social assistance, especially in health.

> *"Regional economic communities should redouble their efforts to achieve cooperation and integration in education"*

Agenda for human resources development

Regional economic communities and other relevant institutions should redouble their efforts to achieve cooperation and integration in education, based on their mandates and roles. These efforts should focus on:

- Harmonizing education policy. Aligning policies across countries would facilitate the exchange of students and teachers and, later, the mobility of skilled workers.
- Developing curricula. Africa's needs should guide the effort to create focused curricula, which will require adapting existing curricula and developing new ones.
- Jointly designing, producing, and distributing teaching materials and textbooks at all levels of education. Not all African countries have the capacity to develop textbooks, and those that do find it too costly to produce textbooks solely for the domestic market. Large-scale production for an expanded market would reduce costs significantly.
- Establishing distance education at all levels. Many people wish to enhance their skills, but not all have access to adequate facilities. Distance learning can reach students in remote areas and offer more flexibility in timing. Some African institutions

Box 9.1

Establishing common labour standards in the East African Community

The East African Community (EAC) adopted a general policy to facilitate regional integration: relevant municipal laws must be harmonized in all areas in which EAC has made decisions. The community has a standing task force of experts from member states to promote harmonization of laws. Its functions include:

- Reviewing and updating relevant municipal laws in light of related international labour conventions as a first step towards harmonizing the laws.
- Identifying core regional labour issues that need harmonization.

The EAC member states have also been asked to carry out labour force surveys and establish national data and labour market information systems, which will form part of a general database system being developed by the EAC secretariat.

Source: *EAC 2001.*

of higher education are equipped to provide instruction to remote students, but cooperation among African countries could bring learning opportunities to a larger audience.

- Establishing centres of teacher training. Teacher training centres are especially useful for countries that have developed joint curricula. The Association for the Development of Education in Africa, International Institute for Capacity Building in Africa, and Ministers of Education of African Member States could head up this effort.
- Establishing centres for training education managers and planners. The regional economic communities, Association for the Development of Education in Africa, Ministers of Education of African Member States, and International Institute for Capacity Building in Africa could work together on this.
- Building digital libraries to improve outreach through affordable remote access. The regional economic communities, Association of African Universities, Conseil africain et malgache pour l'enseignement supérieur, and African Digital Library could combine efforts on this.
- Creating databases of African theses and dissertations. Such databases could be reference sources for researchers, teachers, and students. The Association of African Universities could lead this effort.

The regional economic communities need to develop convergence parameters for national education investments

Beyond these actions, the regional economic communities need to develop convergence parameters for national education investments like those developed for macroeconomic policy—to help secure adequate national resources for human capital development. The regional economic communities could also take steps to promote private investment in education, by introducing special incentives and inducements. Member states need to improve their support to common institutions. Most important is regular payment of their full assessed contributions, essential to boost the institutions' effectiveness and their ability to serve the needs of the community.

Agenda for labour market integration

Cross-border investment and foreign direct investment in Africa require harmonizing investment and labour laws among regional economic communities. Support for this effort could come from the African Union, Organization of African Trade Union Unity, and Confederation of Pan African Employers, working together with the International Labour Organization. These organizations should also encourage member states to ratify international labour conventions. The International Labour Organization, with its broad expertise and wealth of international experience, could take the lead, subject to a clearly defined and agreed role.

To improve labour mobility all regional economic communities should gradually relax visa requirements, working up from certain categories of people to include all community citizens. They should also pursue bilateral or multilateral agreements across regional economic communities on free movement of skilled workers, eventually granting rights of residence and establishment. Progressive change would help smooth the transition, as in Europe. Maintaining today's restrictive laws will only perpetuate the massive illegal flows of migratory workers—a source of tension in receiving countries and countries of origin.

Some countries have not yet complied with their regional economic community's provisions on free movement of people. This situation needs to be corrected immediately, with exemptions granted only to countries facing special difficulties.

References

AAU (Association of African Universities). 2001. *Declaration on the African University in the Third Millennium*. Nairobi.

Bourenane, Naceur. 1977. "Theoretical and Strategic Approaches." In Réal Lavergne, ed., *Regional Integration and Cooperation in West Africa*. Asmara: Africa World Press.

EAC (East African Community). 2001. "Status of Implementation of Commission Decisions as at March 2001." Arusha, Tanzania.

ILO (International Labour Organization). 2000. *HIV/AIDS: A Threat to Decent Work Productivity and Development*. Document for Discussion at the Special High-Level Meeting on HIV/AIDS and the World of Work, June 8, Geneva.

ILO–SAMAT (International Labour Organization, Southern Africa Multidisciplinary Advisory Team). 1992. "Labour Migration to South Africa in the 1990s." SAMAT Policy Paper 4. Harare.

OECD (Organisation for Economic Co-operation and Development) Development Centre. 2001. *New Forms of Co-operation and Integration in Emerging Africa: FDI in Sub-Saharan Africa*. Technical Paper 173. Paris.

SADC (South African Development Community). 2000a. *Health Annual Report 1999–2000*. Gabarone.

———. 2000b. *Labour and Employment Sector Report*. Gabarone.

———. 2001. *Report on the Review of Operations of SADC Institutions*. Gabarone.

SAMP (Southern Africa Migration Project). *Making Up the Numbers: Measuring "Illegal Immigration" to South Africa*. Migration Policy Brief 3. [http://www.queensu.ca/samp/publications/policybriefs/brief3.pdf]

UNESCO (United Nations Educational, Cultural, and Social Organization). 1998a. "Lifelong Education for All in Africa: What Strategies for the Twenty-First Century?" Paper prepared for MINEDAF VII (Conference of the Ministers of Education), April 20–24, Durban.

———. 1998b. *Culture Link Review* No. 24. Network of Networks for Research and Cooperation in Cultural Development, Zagreb. [http://www.culturelink.org/publics/index.html]

———. 2000a. *World Education Report 2000: The Right to Education*. Paris.

———. 2000b. *World Culture Report 2000: Cultural Diversity Conflict and Pluralism*. Paris.

UNESCO–IICBA (United Nations Educational, Cultural, and Social Organization, International Institute for Capacity Building in Africa). 1999–2001. *IICBA Newsletter*. Vols. 1–4. Addis Ababa.

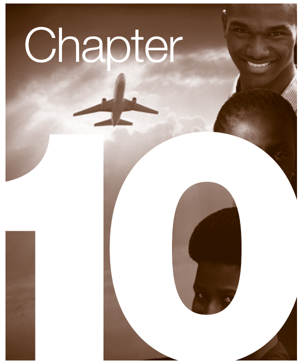
WHO (World Health Organization). 2000. *The Work of WHO in the African Region*. Annual Report of the Regional Director. Geneva.

WHO–ROA (World Health Organization, Regional Office for Africa). 1998. "Health for All for the 21st Century." Policy Document. Brazzaville.

———. 2001. "Integrated Disease Surveillance in the African Region." Harare.

World Bank. 2000a. *African Development Indicators*. Washington, D.C.

———. 2000b. *World Development Indicators*. Washington, D.C.



Cross-Cutting Issues: Peace and Security, HIV/AIDS, Gender, and the Private Sector

Four cross-cutting issues appear to be vital for effective regional integration: fostering peace and security, combating HIV/AIDS, mainstreaming gender issues, and involving the private sector. This chapter assesses efforts made in these areas by Africa's regional economic communities.

The persistent absence of peace, security, and stability has serious consequences for Africa's development and integration. Conflicts and wars have slowed integration in some regional economic communities—and brought it to a standstill in others. Conflicts have also diverted resources from development efforts and prevented countries from participating fully in regional economic community activities. Moreover, unrest in one country can reduce foreign investment in neighbouring countries and throughout a subregion—particularly damaging since such investment is linked to much of the development of infrastructure and productive capacity in regional economic communities.

Instability and insecurity are exacerbated by Africa's devastating HIV/AIDS pandemic. HIV/AIDS is not just a public health problem: It is an economic development problem with disastrous consequences. An estimated 10% of the people in the Common Market for Eastern and Southern Africa (COMESA) subregion are infected with HIV/AIDS (UNDP 2001). In 10 countries that share is above 10%, in 5 above 15%, and in 2 above 20%. By 2005 six COMESA countries will have lost 10% of their productive workers to the disease, and by 2010 it will be eight countries—with enormous effects on economic growth (ILO 2000). Recent data suggest that the Southern African Development Community (SADC) subregion has the world's highest levels of HIV prevalence (UNAIDS 2002). Botswana, Swaziland, and Zimbabwe have HIV prevalence rates higher than 30%, and Lesotho, Namibia, South Africa, and Zambia have prevalence rates higher than 20%. In countries with high prevalence rates, HIV threatens to reduce the rate of economic growth by an estimated 25% over the next two decades.

Because HIV/AIDS transcends borders, its spread can be accelerated by the population mobility facilitated by regional integration. In particular, migrant workers—common in regional economic communities such as SADC—have contributed to the cross-border transmission of the disease. Conflict also plays a role. In 2002 Côte d'Ivoire had an HIV prevalence rate of 9.7%, substantially higher than rates in neighbouring countries (3% in

Ghana and 1.7% in Mali). The flow of refugees from the conflict in Côte d'Ivoire could spread HIV to these countries. But regional integration can also contribute to control of the disease through coordination of policies across countries, synchronization of interventions, and pooling and scaling up of resources. Regional mechanisms can also facilitate access to global resources in the fight against HIV/AIDS.

"The commitment of every African government to these norms is a prerequisite for establishing lasting peace and stability in regional economic communities and in Africa"

HIV/AIDS-related illness and death are undermining the capacity of institutions across the African continent. In a number of countries, teachers and health professionals are dying faster than they can be replaced, contributing to crises in education and health. Government agencies are experiencing similar losses, affecting many public services including important institutional capacities to promote and manage regional integration. Replacing experienced and qualified staff can be difficult and time consuming. Maintaining and expanding institutional capacities is an additional reason for taking a regional approach to HIV/AIDS.

There is widespread support for gender-sensitive policies that include women's regional, subregional, and national concerns in Africa's development and integration agenda. This is particularly important because women are engaged in many economic activities, including production and marketing (such as in food and agriculture), and they share major household responsibilities. And women's involvement in maintaining peace and security and fighting HIV/AIDS can be an important contribution to development.

Governments today recognize the private sector as an important partner in development. For regional integration this includes involvement in the development of infrastructure and diffusion of banking and financial services, among others. The potentially large payoffs from private sector involvement are an incentive for all stakeholders to design and strengthen mechanisms that facilitate private sector participation in regional initiatives.

Peace and security

Among the main principles of the Abuja Treaty establishing the African Economic Community are the peaceful settlement of disputes among member states and the promotion of peace as a prerequisite for economic development. Most regional economic community treaties affirm those principles and add that peace and security are crucial for effective cooperation and integration.

Broad objectives and agreed principles for peace and security are the same at the subregional and regional levels. They include:

- Establishing and strengthening mechanisms for the timely prevention and resolution of intrastate and interstate conflicts.
- Promoting peace, security, and stability among member states.

- Fostering peaceful coexistence and good neighbourliness.
- Encouraging peaceful settlement of disputes.
- Advancing good governance, including principles of democracy, rule of law, accountability, transparency, social justice, and promotion and protection of human rights and equal opportunities.
- Adhering to the fundamental rights defined in the 1948 Universal Declaration of Human Rights and the 1981 African Charter on Human Rights and People's Rights.

The commitment of every African government to these norms is a prerequisite for establishing lasting peace and stability in regional economic communities and in Africa.

Regional economic communities have begun to establish formal institutional frameworks and to develop peacekeeping mechanisms

Efforts by regional economic communities

Regional economic communities have begun to establish formal institutional frameworks and to develop peacekeeping mechanisms. The best-known and perhaps best-developed are those of the Economic Community of West African States (ECOWAS) and SADC, in addition to the overall regional mechanism under the Organization of African Unity—now the African Union. Peacekeeping mechanisms in other regional economic communities are relatively new or evolving, including the Inter-Governmental Authority on Development's (IGAD) Conflict Early Warning and Response Mechanism and the Economic Community of Central African States' (ECCAS) Council for Peace and Security in Central Africa. The Community of Sahel-Saharan States (CEN-SAD) is also developing a peacekeeping mechanism.

ECOWAS. ECOWAS established the Economic Community of West African States Monitoring Group (ECOMOG) as a military force for conflict resolution and peacekeeping interventions within the community (box 10.1). ECOWAS has fielded operations in Liberia (1990–99), Sierra Leone (1997–2000), and Guinea-Bissau (1998–99).

SADC. The SADC subregion has had its share of conflicts, from those during the apartheid era to the long-standing war in Angola, the conflict in the Democratic Republic of Congo, and the 1998 coup d'état in Lesotho. The end of apartheid was perceived as a turning point for peace, stability, and security in the SADC subregion, but this was not to be. Thus in 1996 SADC established the SADC Organ on Politics, Defense, and Security to handle conflict prevention, management, and resolution.

Through this mechanism SADC members have fielded operations in Lesotho (1998–99) and the Democratic Republic of Congo (1998–present). SADC members have also implemented capacity-building and other measures such as the Regional Peace-Keeping Training Centre in Harare, Zimbabwe, which coordinates peacekeeping training in the subregion under the aegis of the Zimbabwe Staff College, and the Southern Africa Police Chiefs' Cooperation Organization, which is the primary instrument for preventing and combating cross-border crime and small arms trafficking within SADC and the key regional link with Interpol. Several SADC members, such as Malawi and Namibia, also offer peacekeeping training to other countries in SADC.

SADC is also implementing regional training in peacekeeping. In 1997 Zimbabwe, with the support of the United Kingdom, hosted some 1,500 troops from 10 SADC states for an exercise in the tactics and techniques of international peacekeeping called Blue Hungwe. Similarly, South Africa hosted a brigade-level exercise in 1999 called Blue Crane, also with U.K. support, that brought together 5,000 troops from

Box 10.1

Economic Community of West African States Monitoring Group: A model for other regional economic communities

The Economic Community of West African States Monitoring Group (ECOMOG) was established by the Economic Community of West African States (ECOWAS) in August 1990. Its core functions are combat intervention, peace enforcement, and peacekeeping. Combat interventions involve the deployment of ECOMOG at the request of a legally constituted government to prevent an internal situation from degenerating into anarchy, as when rebel factions are trying to usurp power or resist the authority of the legal government. Such missions could aim at securing a cease-fire between belligerent parties, promoting a climate for negotiations, and protecting civilians. In its peace enforcement activities, ECOMOG sometimes uses sticks and carrots to get armed factions to the negotiating table, as in Liberia and Sierra Leone. Sometimes peace enforcement involves monitoring and enforcing a cease-fire, even applying force if necessary to get recalcitrant parties to adhere to the cease-fire. Peacekeeping activities include contributing to the smooth functioning of humanitarian operations for refugees and displaced persons and providing security and proper treatment for prisoners of war.

Because regional economic communities generally lack resources, additional external backing—whether through the African Union or the United Nations or other development partners—can reinforce the logistical, equipment, and other ancillary aspects of operations. Such support proved invaluable to ECOMOG's interventions in Sierra Leone.

Following a review of ECOMOG's experience with conflict resolution, ECOWAS leaders decided in 1998 to maintain ECOMOG as the basis for a future peacekeeping structure for the community. ECOMOG operates under directives from the heads of state of ECOWAS members. Day-to-day issues and political directives are handled by the ECOWAS Secretariat. Military operations are entrusted to the force commander. There are also two other supervisory political structures: the Defense Council and the Defense Commission. The Defense Council is composed of the ministers of defence and foreign affairs of member states and is headed by the chairperson of the community. The council examines the situation on the ground and decides on the strategy and means of intervention. The chiefs of defence staff of the armed forces of member states constitute the Defense Commission, which serves a purely technical advisory role on military operations.

Source: *Economic Commission for Africa, from official sources.*

13 SADC states. Lessons included disarming and separating combatants, patrolling areas, setting up checkpoints, providing humanitarian assistance, and dealing with the media. Also in 1999 Madagascar organized Exercise Tulipe with the support of France, allowing 1,700 troops from France and 10 SADC states to train together.

IGAD. Since 1997 the IGAD Secretariat has embarked on activities in conflict prevention, management, and resolution. The region is prone to intermittent intrastate and interstate conflicts, which have slowed the momentum for regional integration. IGAD is pursuing peace processes in Somalia and Southern Sudan, with a view to restoring lasting peace. In January 2002 the ninth summit of IGAD heads of state adopted a resolution reaffirming IGAD's commitment to peace and reconciliation in Somalia and creating a technical committee of members bordering Somalia (Djibouti, Ethiopia, Kenya) to promote dialogue with and among the Somali people. The resolution extended a plea to the international community to join IGAD in establishing peace in Somalia.

> *"The East African Community has created the Interstate Security Committee and the Judicial Affairs Committee to focus on prevention"*

In addition, several projects aiming at mitigation and conflict resolution are being implemented. These include Control of Illicit Trafficking of Small Arms in the IGAD and Great Lakes Region and development of a conflict early warning and response mechanism. The mechanism is intended to enhance regional capacity for advance warning on conflicts and early response using a variety of means to diffuse or resolve conflicts. A Protocol on the Conflict Early Warning and Response has been ratified by IGAD member states. IGAD is also developing a disaster risk management capability with the objective of establishing capabilities to mitigate the impact of disasters.

COMESA. COMESA only recently became involved in conflict prevention and resolution. A Committee on Peace and Security was established in 2000 to develop ways to complement other efforts in the subregion. The committee has engaged in a consultative process aimed at engaging civil society, nongovernmental organizations, other regional economic communities, the African Union, and the United Nations in developing a peace architecture for COMESA that will add value to ongoing initiatives in the region. Meanwhile, the COMESA Court of Justice was created to deal with disputes involving the COMESA treaty. COMESA has also produced studies on the roots of conflict in the region and has circulated them among stakeholders and civil society.

East African Community. The East African Community (EAC) has created the Interstate Security Committee and the Judicial Affairs Committee to focus on prevention. Among the issues being dealt with are surveillance of cross-border movements of terrorists, smuggling of arms and illicit substances, violations of immigration laws, and document forgery. The Interstate Security Committee is also charged with monitoring borders with third countries. Regional associations such as the East African Law Society and the East African Inter-University Council are invited to participate in the deliberations of both committees. EAC also made giant strides in 2001 by establishing the East African Parliament and Court of Justice, which should help EAC to implement its peace and security agenda.

Other regional economic communities. The Arab Maghreb Union (UMA) has established a Council of Common Defence. ECCAS members have been active in establishing peace and security structures and have expressed a desire for peacekeeping training.

"Though crucial, the Peace Fund suffers from excessive dependence on external financing"

Though limited such initiatives reinforce the potential for regional economic communities to serve as vectors for peace and stability in their communities. Such efforts deserve all the support that can be mustered to consolidate, expand, and strengthen them.

Continentwide initiatives

The Organization for African Unity (OAU), now the African Union, established the Mechanism for Conflict Prevention, Management, and Resolution in 1995. A Central Organ serves as its decisionmaking body and a source of financing for its activities through the Peace Fund. The Central Organ has the authority to launch peacekeeping operations. Its decisions are reached through consensus and are binding on member states. It meets annually with heads of state, twice a year with ministers of foreign affairs, and monthly with ambassadors accredited to the OAU.

The Peace Fund has provided an important source of financing—essential to any successful peacekeeping effort, as shown by the problems encountered by resource-starved OAU peace and security initiatives in Chad and Rwanda. The Peace Fund was designed to support Central Organ initiatives and to develop the Secretariat's Conflict Management Centre. Most of the roughly $40 million contributed to the fund has been used to underwrite OAU observer missions.

Though crucial, the Peace Fund suffers from excessive dependence on external financing. Almost two-thirds of its funding comes from sources outside Africa, mainly the United States. Contributions from the 53 OAU member states total $2 million a year. U.S. support appears to be dwindling, and African responses to this initiative have fallen below expectations. A lack of adequate resources has impeded the OAU from undertaking robust, large-scale peacekeeping operations.

The OAU has embarked on a few modest peacekeeping missions. Following its initial failures in Chad in the early 1980s, the OAU has deployed missions in Rwanda (1990–93), Burundi (1993–96), Comoros (1997–99), the Democratic Republic of Congo (1999–2000), and Eritrea and Ethiopia (2000–present).

Still, the OAU framework, especially in the context of the new Peace and Security Council of the African Union, provides a basis on which a committed continent can marshal its forces and resources to resolve conflicts and promote peace. This is the hope and vision of all peace-loving Africans—and only Africans can make such a vision come true for the benefit of present and future generations.

External support

African countries are working to promote peace and security on the continent and to develop their capabilities to mount peacekeeping missions. Nonetheless, such capabilities remain limited, and all the African initiatives depend on external support.

African countries are working to develop their capabilities to mount peacekeeping missions

Five ECOWAS countries have received training from the U.S. African Crisis Response Initiative, and the United States recently began providing training on peace enforcement—under Operation Focus Relief—to three ECOWAS member states. Through its Strengthening of African Peacekeeping Capacities (Renforcement des capacités africaines de maintien de la paix) initiative, France has supported several peacekeeping exercises, including in Guidimaka, Mauritania, in 1998 and Kozah, Togo, in 2001. Liberia and Sierra Leone are the only ECOWAS members that have not participated in French-sponsored exercises. The U.K. capacity-building program, consisting primarily of a small, regionally based British Military Advisory and Training Team, is a modest initiative focused on training trainers. Within the framework of SADC peacekeeping training, the first such exercise was held in Zimbabwe in 1997 with 1,500 troops from 10 SADC countries in Blue Hungwe.

The United Nations has sponsored some peacekeeping operations in Africa, but many observers believe that these operations are inadequate relative to similar missions elsewhere in the world. Still, some UN operations (such as in Sierra Leone) have had positive impacts. Without the UN presence and strong backing by U.K. forces, it would have been extremely difficult for Sierra Leone to rise from the chaos that had consumed it. The United Nations is playing a similar role in the Democratic Republic of Congo and was also instrumental in achieving peace between Eritrea and Ethiopia.

External support to promote peace and security is important—even crucial at times. But much depends on Africans themselves—in creating a continent that no longer requires external interventions to rescue it from human-caused conflicts and insecurity. To that end, Africa requires honest, altruistic, and committed leaders, enabling it to reserve the United Nations as an instrument for preventing the violation of principles of human dignity.

The way forward

Translating political will into action. Political will and consensus are crucial for effective conflict resolution and peacemaking mechanisms in Africa. Political will needs to be manifested in the allocation of needed resources to peacemaking and peacekeeping and in the full payment of assessed contributions to the Peace Fund. And it will entail developing African capabilities to undertake robust peacekeeping operations without having to rely on outside help, which may be too little or too late.

Ensuring full compliance with the African Charter on Human and Peoples' Rights. No conflict resolution mechanism in Africa can be effective without addressing attendant issues such as good governance, adherence to democratic principles, promotion of human security through efforts to combat poverty, and protection of civil and human rights. These issues must be addressed through continuous efforts by governments individually and collectively, as well as through full adherence to the principles of the African charter.

The success of regional integration and sustained peace and sociopolitical stability are closely related

Enhancing preventive measures and diplomacy. Effective prevention requires strengthening early warning systems to ensure timely interventions that prevent conflicts from getting out of control. Such mechanisms also ensure greater attention to human rights monitoring and education. The dilemma in conflict prevention is that political will to allocate the necessary resources is often lacking because decisionmakers are not convinced of the seriousness of a situation until it has progressed too far. In many cases, the political leadership in a country or subregion on the verge of conflict is unwilling or unable to read the early warning signs.

Improving peacekeeping. African peacekeeping efforts are complex. The various protocols and mechanisms must have adequate capabilities to deploy military, police, and civilian assets; to monitor and facilitate cease-fires; and to assist with implementation of comprehensive peace agreements. Such readiness also implies the continued development and financing of capacity-building measures to train and deploy the right people on short notice, and with much greater effect than in current arrangements. Equally important is the need to improve cooperation, preparation, planning, and resource allocation to these efforts.

The success of regional integration and sustained peace and sociopolitical stability are closely related. Conflicts significantly slow integration, while regional integration can promote peace in two important ways. First, by stimulating intraregional trade, integration creates economic interdependences that reduce the likelihood of conflicts. Second, cooperation at the level of regional economic community is a form of diplomacy among member states that helps to strengthen friendly relations between neighbours. Furthermore, conflict prevention and resolution mechanisms established by the regional economic communities are potentially important tools for addressing regional instability. Integration does not automatically generate peace and security. On the contrary, policy conflicts and the fear of unequal distribution of costs and benefits can seriously obstruct the route to peace. For this reason, in addition to sustained efforts in developing effective mechanisms for peacekeeping as well as for prevention and resolution of conflicts, regional economic communities should devote attention to the design of internal, supranational institutions (both economic and noneconomic), including compensation mechanisms.

HIV/AIDS

Regional economic communities engage in limited cooperation on health matters, mainly because their priorities involve economic issues—particularly trade liberalization. Because regional economic communities are not equipped to handle health issues, there is a tacit agreement to rely on specialized institutions such as the World Health

Organization as a resource centre for regional economic community initiatives on health matters.

Efforts by regional economic communities

SADC appears to be the only regional economic community that has adopted a protocol on health. ECOWAS does not have a common program on health matters, but it has signed a protocol with Algeria and Chad on fighting epidemics. Cooperation on health matters is handled largely through the West African Health Organisation.

Collective strategies have been put in place at the continent level to galvanize efforts for addressing the pandemic

Within COMESA there is some cooperation among EAC members on controlling communicable and endemic diseases such as HIV/AIDS and malaria. A medical research council was created to spearhead research on some of these diseases. The West African Economic and Monetary Union (UEMOA) does not have a protocol on health, but its ministers of health have approved a plan for future cooperation on health. The IGAD Secretariat, with the support of the World Health Organization regional office in Addis Ababa, plans to mainstream health issues with a transboundary dimension into its priority programmes and activities. A cooperation agreement between IGAD and the World Health Organization has already been established.

Continentwide initiatives

In view of the far-reaching implications of HIV/AIDS across the African continent, collective strategies have been put in place at the continent level to galvanize efforts for addressing the pandemic.

Under the auspices of the World Health Organization's regional office in Africa, a strategic plan was developed for accelerating support to countries through the International Partnership against AIDS in Africa, taking into account the World Health Organization's regional programme on HIV/AIDS and sexually transmitted diseases. At a July 2000 summit in Lomé, Togo, African leaders adopted a declaration on policy guidance for accelerating the response to HIV/AIDS. Multicountry meetings were held on HIV/AIDS, surveillance and case management of sexually transmitted diseases, and laboratory requirements for providing safe antiretroviral therapy and integrated care of HIV/AIDS and tuberculosis. At an April 2001 summit, African heads of state developed the Abuja Framework outlining an action plan for the fight against HIV/AIDS and related opportunistic infections. The framework aims to:

- Develop policies and strategies for preventing HIV/AIDS, tuberculosis, and related infectious diseases and for controlling their impact on Africa's socioeconomic development.
- Establish sustainable mechanisms for national and external resource mobilization for prevention and treatment of people living with HIV/AIDS.
- Attend to the needs of vulnerable groups such as children, women, the disabled, workers, and mobile populations.

The African Union Conference of Ministers of Labour and Social Affairs in Mauritius in April 2003 also adopted a resolution on the impact of HIV/AIDS on the labour force and social welfare. To protect peacekeepers from contracting the disease and prevent them from spreading it to the local population, the Joint United Nations Programme on HIV/AIDS (UNAIDS) and the United Nations Department of Peacekeeping Operations have established guidelines for peacekeeping forces for the prevention of HIV/AIDS. Additional efforts in this direction ought to be undertaken. Yet another continentwide endeavour is the Commission on HIV/AIDS and Governance in Africa (box 10.2).

The way forward

The Abuja Framework for the fight against HIV/AIDS and related opportunistic infections provides an important framework for developing strategies and mechanisms to

Box 10.2

The Commission on HIV/AIDS and Governance in Africa

In 2003 the Economic Commission for Africa launched the Commission on HIV/AIDS and Governance in Africa. It was convened by the United Nations Secretary General and chaired by the Economic Commission for Africa Executive Secretary K.Y. Amoako in response to the threat to Africa's governance and development posed by the HIV/AIDS epidemic. Over its two-year lifetime, the Commission on HIV/AIDS and Governance aims to conduct research and develop policy tools for African governments and regional and subregional organizations to keep governance and development processes on track despite the human capacity losses caused by the epidemic. It also aims to find ways to overcome the capacity and governance constraints to scaling up health care, especially antiretroviral therapy.

The Commission on HIV/AIDS and Governance builds on the Economic Commission for Africa's experience with HIV/AIDS, notably the African Development Forum's 2000 conference on "AIDS: Africa's Greatest Leadership Challenge". It aims to power up existing African initiatives in the field, including the International Partnership against AIDS in Africa and the AIDS Watch Africa group of heads of state formed at the 2001 Abuja Summit on AIDS, Malaria, and Other Infectious Diseases. This work will bring the agenda of overcoming HIV/AIDS and mitigating its economic and governance impacts into mainstream forums, such as the Joint Conference of Ministers of Finance, Planning, and Economic Development and the African Union's mechanisms for peace and security.

The Commission on HIV/AIDS and Governance will work with specialized UN agencies including the Joint United Nations Programme on HIV/AIDS (UNAIDS), the United Nations Children's Fund (UNICEF), the United Nations Department of Peacekeeping Operations, the World Food Programme, and the Food and Agriculture Organization, as well as the World Bank. It will also use regional and subregional forums, including the African Union and regional economic communities, to promote the agenda of HIV/AIDS and governance.

Source: *Economic Commission for Africa, from official sources.*

combat this dreadful pandemic. It must not be allowed to languish, like other protocols that have been signed and ratified but never fully implemented because of lack of commitment and resources. Regional economic communities could develop monitoring systems for tracking progress by member countries in implementation of the Abuja Framework. Regional economic communities could establish HIV/AIDS coordination units similar to SADC's health sector unit, ensuring that they receive adequate skilled staff and resources. These units could advance the fight against HIV/AIDS by working in close collaboration with the UN Commission on HIV/AIDS and Governance in Africa, based in the Economic Commission for Africa.

“A number of regional economic communities have established gender units to promote gender equality”

Gender

The objective of gender equality is enshrined in the treaties, protocols, and constitutions of regional economic communities and African states. The Abuja Treaty establishing the African Economic Community calls on member states to establish and harmonize policies and mechanisms for the full participation of African woman in development by improving their economic, social, and cultural conditions. To that end, several regional women's associations have been established to promote gender development.

Other mechanisms promoting gender equality include the action plans issued at the 1995 UN Conference on Women in Beijing, China, and the UN Convention on the Elimination of All Forms of Discrimination against Women. At a November 1999 conference in Addis Ababa, Ethiopia, reviewing progress on the Beijing and Dakar action plans, African governments were urged to ratify the UN convention if they had not done so, to remove reservations by June 2000, and to accelerate its implementation. They were also urged to make the provisions of the convention part of their domestic laws so that women could claim and enforce their rights within national courts.

The 1995 Beijing conference urged government and civil society action in 12 areas of concern to women: poverty, education and training, health, violence, conflict situations, economic empowerment, power and decisionmaking, institutional mechanisms for advancement, human rights, the media, the environment, and girls. Governments were urged to create mechanisms at the highest levels for the advancement of women, to give this machinery a clear mandate and authority, and to provide adequate resources and ensure its ability to influence policy and formulate and review legislation. The third African Development Forum also emphasized the importance of mainstreaming gender concerns in Africa's integration process (box 10.3).

A number of regional economic communities have established gender units to promote gender equality and ensure implementation of various conventions on gender equality. But the main gender concern of most regional economic communities is enterprise development for women.

In 1997 SADC heads of state established a policy and institutional framework for mainstreaming gender in the community. The leaders committed their countries to:

- Achieving a target of at least 30% women in political and decisionmaking structures by 2005.
- Promoting women's control over productive resources, to reduce poverty.
- Repealing and reforming laws, amending constitutions, and changing social practices that discriminate against women.
- Taking urgent steps to prevent and deal with increasing violence against women and children (SAM/SADC 2001).

Various activities have been developed around these commitments in individual SADC countries. In 1998 SADC established a gender unit to advise all SADC structures on

Box 10.3

Gender and regional integration

Gender mainstreaming is essential to the success of Africa's regional integration. Although regional economic community treaties are often silent on this issue (with the possible exceptions of SADC, COMESA, EAC, and ECOWAS), there has been a general awakening across the continent on the need to place gender firmly on the development and integration agenda.

The consensus statement adopted at the third African Development Forum on Priorities for Regional Integration—sponsored by the Economic Commission for Africa and held in Addis Ababa, Ethiopia, in March 2002—calls for women to be involved in all aspects of regional integration, to ensure that organizational cultures, structures, and processes do not conflict with goals for women's empowerment. The statement notes that women account for a majority of African microentrepreneurs—and have the potential to expand their involvement in all types of business activities. Measures proposed to promote women's participation in the private sector include enhancing their participation in decisionmaking structures, providing training adapted to their needs, and eliminating discriminatory laws and cultural practices. In addition, the statement calls for mechanisms to protect women from sexual harassment at border crossings.

The statement also cites the need for gender-sensitive policies that reflect women's concerns at the regional, subregional, and national levels, including special attention to the gender impacts of macroeconomic policies. Gender-based analysis of budgets and monitoring of the gender-differentiated impacts of macroeconomic policies could be especially useful. In addition, special consideration should be given to women's needs for efficient infrastructure to reduce their time burden, particularly as it relates to informal cross-border trade.

Finally, the statement emphasizes the importance of gender equity and women's empowerment and representation in all aspects of the process establishing the African Union, in its representative institutions, and in its programmes.

Source: *Economic Commission for Africa, from official sources.*

gender issues and to ensure that a gender perspective in the SADC Programme of Action and Community Building Initiative.

Table 10.1 summarizes the state of women's participation in political life in SADC in 1999. That year nearly 30% of parliamentarians in Mozambique and South Africa were women, and South Africa had eight female cabinet ministers and eight female deputy ministers. In Botswana 18% of parliamentarians were women, as were two of the four deputy ministers. Botswana's Ministry of Labour and Home Affairs has a Women's Affairs Department, and new laws have been enacted to protect the rights of women—especially married women.

Several SADC countries are putting in place laws, policies, and programmes to empower women

In addition, several SADC countries are putting in place laws, policies, and programmes to empower women. Notable examples are the strict enforcement of affirmative action in Namibia; legalization of women's rights to own land in Tanzania; and introduction of a development programme, child support grant for unemployed mothers with children under five, and implementation of an entrepreneurial development programme for women in Mauritius. In addition, governments and nongovernmental organizations in the region are helping women access funding for micro-projects at low or no interest.

Table 10.1

Women in parliaments and cabinets in the Southern African Development Community, 1999 (%)

Country	Share of women in parliament	Share of female cabinet ministers	Share of female deputy ministers
Angola	15.1	12.9	13.6
Botswana	18.0	14.5	50.0
Lesotho	10.3	8.3	0.0
Malawi	8.3	9.0	12.9
Mauritius	7.6	8.0	
Mozambique	28.4	14.2	12.1
Namibia	19.0	14.2	22.7
Seychelles	21.0	25.0	[a]
South Africa	29.8	29.6	61.5
Swaziland	7.3	13.3	
Tanzania	16.3	13.0	13.0
Zambia	10.1	8.3	7.1
Zimbabwe	14.0	14.2	18.7

na is not applicable.
a. No such positions.
Source: *SADC 2000.*

ECOWAS is also putting increasing emphasis on gender issues. Its revised treaty requires member states to establish and harmonize policies and mechanisms for enhancing women's economic, social, and cultural conditions. The West African Women's Association is responsible for helping the community develop instruments to promote gender equity and development. UEMOA is also preparing community policies on women and young people. A policy recommendation adopted in 1999 will eventually lead to a regional policy on women.

"Growth and economic development call for specific attention to gender issues"

The treaties establishing COMESA, EAC, and IGAD provide for cooperation on gender matters. COMESA adopted a gender policy at its summit in May 2002, and a technical committee is to be established to facilitate implementation of the policy and mainstream gender into all integration programmes and activities. Efforts have also been made to promote the interests of female entrepreneurs, including through trade promotion activities such as trade fairs and relaxation of the COMESA rules of origin for small-scale informal border trade. EAC is also working on a detailed programme to address the issue. In IGAD, a gender desk was established at the Secretariat in 1999, with financial support from the United Nations Development Fund for Women (UNIFEM). Gender considerations are mainstreamed into IGAD priority programmes, policies, and strategies. The Secretariat has established close working relationship with UNIFEM and African Union gender directorates. IGAD is also developing a gender policy and strategy with the active participation of all member states and other stakeholders in the region.

ECCAS does not have a specific gender policy in its treaty, but certain provisions indicate that promotion of gender issues is an important concern of member states. In the field of social development there is a commitment to developing policies for improving the social, economic, and cultural well-being of women in both rural and urban areas. Women are also considered a formidable force that needs to be fully harnessed in the development activities of member states.

At the continent level, the African Plan of Action was adopted during the 6th African Regional Conference on Women in Addis Ababa in November 1999 as a framework for accelerated implementation of the Dakar and Beijing conference action plans. At the 1999 conference reviewing progress on the plans, it was noted that African governments lacked functional institutional mechanisms, realistic resource allocations, clear policy frameworks, and effective tools for audits and monitoring—all essential to implementing strategic actions. The weaknesses of many African countries in addressing the 12 areas of concern mentioned earlier gave rise to the African Plan of Action. The plan contains guidelines for monitoring and evaluating activities and calls for the use of indicators to measure progress in concrete, numerical terms.

In 1999 a report of a study commissioned by the Economic Commission for Africa on gender development recommended the establishment of subregional enterprise development centres to assist female entrepreneurs by:

- To serve as centres for the creation, collection, processing, storage, and dissemination of technological, scientific, trade, and other business information on food processing and textiles.
- To strengthen women's entrepreneurial capacity in technology, information, communications, business development, and management.
- To assist in formulating gender-sensitive policies for women in business and to help translate policies into action.
- To serve as focal points for establishing and strengthening networks among female entrepreneurs working in food processing and textiles at the subregional, regional, and international levels within and outside Africa.
- To strengthen cooperation among African and non-African developing countries in food processing and textiles.

> *African governments are seeing the private sector as a partner in the development process*

The way forward

In the fight against poverty, the quality of growth and economic development are also important. This calls for specific attention to gender issues. Income is often unequally distributed between men and women, thus creating an unequal distribution of opportunities for human development, both within and across countries. But gender inequalities go beyond income and wealth to embrace legislative protection of rights and participation in political, social, and economic life. There are also cross-cutting issues that relate health and gender inequalities, such as the gender dimension of HIV/AIDS. Regional economic communities should multiply their efforts to mainstream gender issues in their initiatives. This in turn requires support from international institutions. Dissemination and sharing of information on gender issues in the form of indicators is an avenue of future action that should be explored.

Private sector

Regional integration in Africa has been almost exclusively driven by governments and nongovernmental institutions. But the realization is growing that the private sector can be a vehicle for strengthening the process. After decades of state-dominated economic activities, African governments are increasingly seeing the private sector as a partner in the development process and relying on it to foster economic growth. Its role in regional integration is also gaining momentum.

The private sector can play its role along two dimensions. One relates to its contribution to political decisionmaking at national and regional levels. A well organized private sector can participate in policy formation, providing advice to governments and lobbying for continued implementation of reforms, along with many different stakeholders in civil society. The second dimension relates to the private sector's practical contribution to regional initiatives. The private sector is a potentially critical provider of human and financial resources for implementation of regional projects such as the development of infrastructure. Economic benefits from the expansion of the regional activities of private companies also include job creation, increased market size, savings mobilization, and externalities such as the diffusion of management knowledge, expertise, and technological spillovers. This section surveys some of these issues, with specific focus on current practices and examples of private sector involvement in regional integration.

Few regional economic communities have specific protocols on the private sector

Current practices of interface between regional integration and private sector

Few regional economic communities have specific protocols on the private sector. EAC is a notable exception. Despite the lack of formal provisions, however, there are specific examples of private sector involvement in regional integration. An important and innovative case is the Africa Cross-Border Initiative for facilitation of trade and investment. Its actions are driven by the needs of the private sector rather than by public sector plans. The EAC experience, the key features of the Cross-Border Initiative, and some other specific examples of private sector contributions to regional integration are surveyed below.

The EAC experience. The private sector has been instrumental in reviving EAC in recent years. In EAC, cooperation in private sector development is seen as a vital instrument for generating economic growth and development in the region (box 10.4).

Box 10.4

Private sector involvement in the East African Community

A conducive environment for the effective participation of the private sector is a major priority of the East African Community (EAC). The EAC treaty emphasizes the major role that the private sector should have in the construction of EAC, especially in chapter 12 "Cooperation in investment and industrial development" and chapter 25 "The private sector and the civil society". The EAC treaty calls for the formulation of:

- An East African industrial development strategy to create an enabling business environment for the establishment of an internationally competitive single market and investment area. The strategy is expected to promote self-sustaining and balanced industrial growth, improve the competitiveness of the industrial sector, and encourage the development of indigenous entrepreneurs. The strategy was formulated against the background of obvious disparities in levels of industrial development in the member states.
- A Private Sector Development Strategy to enhance the harmonization needed for private sector–driven development of the region.

The overall goal of these two strategies is sustainable economic and social development in East Africa. The strategies aim to create an enabling business environment for the establishment of a single market and investment area that would be internationally competitive and operate in conformity with World Trade Organization rules and regulations.

Source: *Economic Commission for Africa, from official sources.*

EAC is creating several instruments to promote the participation of the private sector in regional integration:

- A common competition policy and law to protect and promote free competition and permit harmonization of trade and investment laws and regulations throughout the region.
- The East African Business Council, a regional body of all apex national private sector organizations in the three member states, to promote cross-border trade and investment and to influence policies at the national level, to ensure that they are business friendly.
- The East African Development Bank, which is being restructured to strengthen its role as a resource mobilization organization, especially for investment projects, by allowing broader purchasing of shares within East Africa and enhancing its capacity to issue international bonds.

"The Cross-Border Initiative is a framework of harmonized policies to facilitate a market-driven concept of regional integration in Eastern and Southern African and Indian Ocean countries"

The Cross-Border Initiative

The Cross-Border Initiative is a framework of harmonized policies to facilitate a market-driven concept of regional integration in Eastern and Southern African and Indian Ocean countries. Fourteen countries are participants—Burundi, Comoros, Kenya, Madagascar, Malawi, Mauritius, Namibia, Rwanda, Seychelles, Swaziland, Tanzania, Uganda, Zambia, and Zimbabwe. The African Development Bank, the European Commission, the International Monetary Fund (IMF), and the World Bank are cosponsors.

Launched in Kampala, Uganda, in August 1993, the initiative has two key objectives: to dismantle barriers that create high cross-border transaction costs by reforming and eliminating intraregional tariffs, liberalizing exchange and payments systems, and deregulating investment, and to promote a new integration approach based on competition and efficiency in regional markets with low external tariffs. In May 2000, the participating countries transformed the initiative into the Regional Integration Facilitation Forum, with the aim of sustaining its achievements and building on its strengths.

The impacts of the Cross-Border Initiative are:

- *Trade openness.* The trade openness ratings (based on the IMF methodology, with zero most open and 10 least open) of participating countries has improved from an average of 8.3 in 1993–95 to 5.9 in 1998 (compared with an average of 6.2 for all nonparticipating countries undergoing economic reform in Sub-Saharan Africa and 4.4 for the rest of the world, excluding Africa). A few countries (Uganda, Zambia) have made substantial progress, with openness ratings of 2, which are in line with some global good practice countries (Chile, Colombia, Singapore).
- *Private investment and exports.* High performing participatory countries have achieved growth rates in private investment and exports that are in line with the experience of nonparticipatory high performing countries.

- *Demonstration effects.* Some of the front-runners (Mauritius, Uganda, Zambia) have demonstrated to their less active partners the viability and benefits of fast-paced reform.
- *Open regionalism.* The initiative has been successful in moving participatory countries away from past regional integration efforts based on import substitution with high protection to integration based on low effective rates of protection. This success has also increased the credibility of open regional schemes among partner organizations. For example, in the World Bank open regionalism was a subject of intense debate in the early 1990s, whereas its 2000 report, *Can Africa Claim the 21st Century?* supports open regionalism.
- *Knowledge sharing and learning.* The Cross-Border Initiative has fostered a forum for the active participation of the private and public sectors in debating critical issues of policy in an informal and transparent manner and sharing lessons of experience to increase cross-country learning.

"Ecobank Transnational Incorporated is an important example of private sector participation in regional financial integration"

Other examples of private sector participation in regional integration

Ecobank Transnational Incorporated (ETI) is an important example of private sector participation in regional financial integration. The bank has a presence in 12 countries: Benin, Burkina Faso, Cameroon, Côte d'Ivoire, Ghana, Guinea, Liberia, Mali, Niger, Nigeria, Senegal, and Togo. ETI was established in 1985 as a bank holding company with the approval of ECOWAS member states and the support of the Federation of West Africa Chambers of Commerce and Industry and the ECOWAS Fund for Cooperation. At the time, there were virtually no commercial banks owned and controlled by the private sector in West Africa. ETI offers financial intermediation services for the mobilization of savings and the allocation of resources on a regional scale. Efforts are under way to implement an efficient payment system, which will help to overcome one of the key limitations constraining the development of intraregional trade. ETI is also becoming a gateway for facilitating the inflow of capital from international investors.

Another important example is Telecel International, an African multinational group based in South Africa and Geneva and focused on the establishment of cellular networks in Africa. For all of its operations, Telecel associates national private investors in the shareholdings of its companies. It is the first private operator of mobile telephony on the continent, and to date it holds cellular licenses in 13 countries: Benin, Burkina Faso, Burundi, Central African Republic, Chad, Congo, Côte d'Ivoire, Gabon, Niger, Togo, Uganda, Zambia, and Zimbabwe. It is also a major supporter of liberalization of the telecommunications sector in the countries in which it operates. Allowing additional market entrants will help to boost growth, as countries with more than one licensed operator have demonstrated.

The contribution of the private sector to regional integration is particularly important in regional infrastructure development. One example is the Maputo Corridor N4 Toll Road connecting Mozambique and South Africa. The South African Minister of

Transport awarded Trans African Concessions a 30-year contract to design, construct, and operate the N4 Toll Road on May 1997. This 440 kilometre road links Witbank in South Africa to the port of Maputo in Mozambique. It is part of the larger and more ambitious Maputo Development Corridor, which aims to link Gauteng in South Africa to Maputo. The concession contract involved the rehabilitation of existing road sections and the construction of a new 36 kilometre section in Mozambique.

> *"Regional integration will help to remove some of the key constraints to increasing the size and efficiency of the private sector in Africa"*

Another example of infrastructure development driven by the private sector is the Maputo Rail Network. A concession has been awarded to South African rail utility Spoornet, which runs the line from the South African border with Mozambique to Gauteng. This is a landmark decision because a single operator now runs the whole line from Gauteng to Maputo. Spoornet will pay the Mozambique Rail Authority about $67 million over the initial 15-year period of concession. Spoornet and its partner, New Limpopo Bridge Project Investment, which is partly owned by South Africa financial institutions, plan to invest 100 million rand to upgrade the section between the border and Maputo.

Private sector as a beneficiary of regional integration

Regional integration will help to remove some of the key constraints to increasing the size and efficiency of the private sector in Africa. In this sense, the private sector will be a primary beneficiary of further regional integration.

One set of constraints relates to the instability of the macroeconomic environment, the small scale of markets and businesses, and the lack of appropriate finance for investment projects. Most regional economic communities are engaged in a process of macroeconomic policy harmonization. By adhering to the convergence criteria incorporated in these harmonization frameworks, member states commit to low inflation, fiscal stability, and exchange rate stability. This will reduce economic uncertainty and risk, stimulating private sector activity.

The regional integration process also facilitates the formation of larger markets through trade liberalization. This increase in the potential scale of business is essential to enlarge profit opportunities and thus to attract entrepreneurs. The associated increased competition will stimulate productive efficiency, benefiting final consumers.

The lack of finance is the result of underdeveloped financial systems. Inefficient banking and weak capital markets distort the allocation of already limited resources. Long-term finance is practically unavailable. That means that many potentially profitable projects are not undertaken and that existing businesses cannot expand. The result is that private entrepreneurs are often condemned to operate on a small, inefficient scale, barely above subsistence level. Inefficient payment services and insufficient provision of risk management services further impede the private sector. Since the financial system is very sensitive to macroeconomic conditions, the efforts being made to enhance macroeconomic stability should facilitate resource mobilization and allocation. Financial integration is proceeding along with macroeconomic integration, and regional capital markets should be able to generate finance to an extent that small and undercapitalized national markets cannot. The banking sector is expected to benefit from increased competition, knowledge sharing, and integrated supervision. Among the regional economic communities, COMESA is reasonably advanced in regional initiatives to strengthen the financial sector. A framework for harmonizing bank supervision and regulation is under discussion, studies have been conducted on the design of a regional payment and settlement system, the Eastern and Southern Africa Trade Development Bank provides business capital and trade finance to the private sector, and reinsurance is made possible through the COMESA reinsurance company.

"The private sector in Africa can generate the wealth needed to stimulate growth and participate in the financing of regional projects"

A second set of constraints that can be eased through greater regional integration relates to the political and institutional environment. Sociopolitical instability, lack of rule of law, and cumbersome and inefficient legislation all increase investment uncertainty and limit the extent of private initiative. These political and institutional inefficiencies are also often the major force driving economic instability and policy mismanagement. Recognizing that peace and security are indispensable for building a united community of nations, regional economic communities and their member states have made these issues a top priority. Efforts include the establishment of regional peacekeeping forces and conflict prevention and resolution frameworks. Regional integration also extends to harmonization and rationalization of legislation, which are expected to lift some of the constraints on private sector development, as well as create a more rational system of rules and procedures that will improve the efficiency of public administration.

Finally, regional integration will contribute to the removal of constraints that arise from poor infrastructure development. In fact, private activities and entrepreneurship cannot be expected to advance regional integration in a context of inadequate infrastructure. Production and trade require physical and telecommunication connections and a regular supply of energy. Deficient infrastructure raises the cost of doing business. Regional cooperation can be an effective instrument for modernizing and expanding infrastructure. The private sector can both benefit from this regional approach to infrastructure development and reinforce the outcome by contributing its resources and skills.

The way forward

With the right conditions and support the private sector in Africa can generate the wealth needed to stimulate growth and participate in the financing of regional projects. Integration in Africa has long been a matter of government-to-government decisionmaking, with the private sector left out of the process. The same has been true in the financing of regional projects, which is fundamental to accelerated growth and integration in the region.

As African governments continue to disengage from nonstrategic economic activities, there will be a crucial need to tap private sector resources to finance some projects, especially those whose investment needs exceed the financial capacity of a single country.

There are many areas in which private sector participation can have a large impact. One is municipal utilities. As privatization progresses, the private sector is expected to become involved in the financing of regional projects and service provision such as electric power. Activities related to the processing of primary products for domestic and regional markets constitute another avenue for growth and diversification in which the private sector can play a major role.

With an estimated 40% of professionally trained Africans based outside the continent, there is a huge pool of talent to be drawn on from the diaspora

Another potential area of private sector involvement is the provision of infrastructure. The telecommunications sector is especially open to private sector participation, ownership, and management. Banking and finance for savings mobilization and for financing development can also be profitably tapped by the private sector. And new and interesting possibilities are emerging in information technology, including accounting, data entry, and back-office operations—contractual services that can easily be provided over the Internet.

The government and the private sector can also work together in some areas, such as skills development. Many businesses consider lack of skills as the number one obstacle to growth. Governments need to be more flexible in allowing necessary skills to be imported, and the private sector must contribute by ensuring that these skills are transferred to local citizens, creating knowledge spillovers and generating technological progress. With an estimated 40% of professionally trained Africans based outside the continent, there is a huge pool of talent to be drawn on from the diaspora.

For the private sector to participate effectively in regional integration requires that several conditions be met.

- The private sector must take a proactive role in its own development and adopt a long-term investment perspective. This highlights the need for well developed financial systems that can provide long-term business finance.
- Product quality and competitiveness must be increased. The private sector needs to become more multifaceted, catering to domestic, regional, and international markets.
- Good practices for corporate governance must be undertaken, and companies must refrain from involvement in or contributing to corrupt practices.
- The private sector needs to be organized. Regional associations of entrepreneurs such as the West African Entrepreneurs Network, Southern African Entrepreneurs Network, and Eastern African Entrepreneurs Network should be revitalized. This would include building solid dialogue on policy between the government and private sector.

Regional and subregional institutions should develop additional mechanisms to facilitate private sector participation, such as private-public partnerships. These partnerships bring the public and private sectors into joint ventures to raise capital. In SADC, build, operate, transfer (BOT), and finance, rehabilitate, operate, and maintain (FROM) systems rely on private finance to design, construct, and maintain roads. Once the roads are built, private operators charge tolls to recover costs and realize a reasonable return on investments before transferring ownership to the state. In other parts of Africa, road funds overseen by public-private boards have been established. Run independently, they include road users on their boards and are subject to external audits. Money is raised from vehicle licenses and user fees and jobs are contracted out to private developers. Public-private partnerships are emerging in health, the environment, and transport and are spreading through new initiatives such as the New Partnership for Africa's Development. The spirit of such partnerships should be clearly demonstrated in infrastructure development, since neither the public nor the private sector alone can provide the needed financing for the huge task of infrastructure development and rehabilitation that lies ahead for Africa's integration process.

"Regional economic communities should make provisions in their treaties for involving the private sector"

Also important, regional economic communities should make provisions in their treaties for involving the private sector in the conceptualization, adoption, and implementation of trade policies and other regional agreements dealing with issues of interest to private sector development. The same logic applies to the African Union. There is a need to give effect to the statutory provisions in the Constitutive Act of the Union on the status of the private sector as a major component of economic integration and to ensure its participation in specialized technical commissions. To make the most of private sector potential, clear codes of conduct need to be issued, to prevent the distortions caused by illegal behaviour.

References

Abdul-Raheem, T., ed. 1996. *Pan-Africanism: Politics, Economy and Social Change in the 21st Century*. London: Pluto Press.

Abdul-Raheem, T. 1999. "Democracy and Development: Are They Inseparable? Notes on the Contradictions of Recent Democratic Processes in Africa." Paper presented at the Development Policy Management Forum Conference on Democratization, Development Management and Conflicts in Africa, November 23–26, Addis Ababa.

ACCORD (African Center for Constructive Resolution of Disputes). Various years. *Conflict Trends.* [http://www.accord.org.za/web.nsf]

Adedeji, Adebayo, ed. 1993. *Africa within the World: Beyond Dispossession and Dependence.* London/New Jersey: Zed Books.

Akinrinade, Sola. 2001. "Sub-Regional Security Co-operation in Africa: Towards a Model for a Continental Security Community." King's College, Centre for Defence Studies, Conflict Security and Development Group, London.

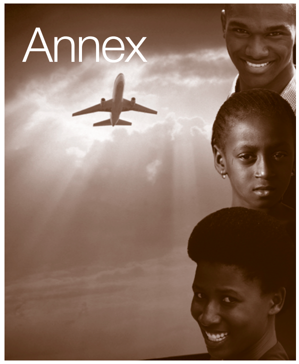
Annan, Kofi. 1998. "The Causes of Conflicts and the Promotion of Durable Peace and Sustainable Development in Africa." Report of the U.N. Secretary-General to the United Nations Security Council. New York.

———. 2000. "Durable Peace and Sustainable Development in Africa." *South Africa Journal of International Affairs* 7(1): 73–84.

Evlo, Kodjo. 2001. "West Africa Subregion Report." United Nations Economic Commission for Africa, Addis Ababa.

George, Klay Kieh, Jr. 1999. "ECOWAS, Peacekeeping and the Liberian Civil War." *African Journal on Conflict Prevention, Management and Resolution* 1(2): 1–24.

Gordon, D., D. Miller, and H. Wolpe. 1998. *The United States and Africa: A Post-Cold War Perspective.* New York: W.W. Norton.
ILO (International Labour Organisation). 2000. "HIV/AIDS: A Threat to Decent Work, Productivity and Development." Document for discussion at the Special High-Level Meeting on HIV/AIDS and the World of Work, June 8, Geneva.
IIED (International Institute for Environment and Development). 2002. *Mining, Minerals and Economic Development and Transition to Sustainable Development in Southern Africa.* Johannesburg. [http://www.iied.org/mmsd/mmsd_pdfs/169_mmsdsafrica.pdf]
Mengistu, Mebrate. 2001. "Report on Regional Integration in Eastern and Southern Africa in General and Eastern Africa in Particular." United Nations Economic Commission for Africa, Addis Ababa.
Mills, G. 2000. "Editor's Note." *South African Journal of International Studies* 7(1): v.
Mwanasali, Musifiky. 1998. "War, Peace, and Reconciliation in Africa." Paper presented at the Organization of African Unity–International Peace Academy Seminar on Peacemaking and Peacekeeping, November 29–December 3, Addis Ababa.
Nyerere, Julius K. 1993. "Statement by J.K. Nyerere on Security, Stability and Development in Africa." In O. Obasanjo and F. Mosha, eds., *Africa: Rise to Challenge.* New York: Africa Leadership Forum.
OECD (Organisation for Economic Co-operation and Development). 1997. "Conflict, Peace, and Development Co-operation on the Threshold of the 21st Century." Policy Statement. Development Assistance Committee, Paris.
SADC (Southern African Development Community). 2000. *Annual Report 1999/2000.* Gaborone.
SARDC (Southern African Research and Documentation Center). 2000. *Annual Report.* Botswana.
UNAIDS (Joint United Nations Programme on HIV/AIDS) and WHO (World Health Organization). 2002. *AIDS Epidemic Update.* Geneva.
UNDP (United Nations Development Programme). 2001. *Human Development Report 2001: Making New Technologies Work for Human Development.* New York: Oxford University Press.
UNECA (United Nations Economic Commission for Africa). 1996. "Economic Empowerment of Women: Progress Report on the Proposed African Bank for Women and Promotion of Women Entrepreneurship." Paper presented at the Sixteenth Meeting of the Technical Thirtieth Session of the Commission, April 24–28, Addis Ababa, and the Preparatory Committee of the Twenty-First Meeting of the Conference Whole of Ministers, May 1–4, Addis Ababa.
———. 1999. "First Preparatory Meeting for the Sixth Regional Conference on Women for the Mid-Decade Review of the Implementation of the Dakar and Beijing Platforms for Action." January 26–27, Addis Ababa.
———. 2000. "Report of the Feasibility Study on the Establishment of Subregional Enterprise Development Centres for Women Entrepreneurs." Addis Ababa.
WHO (World Health Organization). 2000. "The Work of WHO in the African Region." In *Annual Report of the Regional Director.* Geneva.
World Bank. 2001. "Swaziland: Selected Development Impact of HIV/AIDS." Sector Report 22044. Africa Region, Macroeconomic Technical Group, Washington, D.C.



Measuring Progress on Integration

The treaties creating Africa's regional economic communities set wide-ranging goals in many areas, with an emphasis on trade and macroeconomic integration. To assess regional integration, research for this report examined how close each regional community has come to achieving those goals and the pace of their progress—both individually and relative to each other. The research also gauged the direction and momentum of regional integration. The assessment points to measures needed to strengthen and deepen regional cooperation and integration in Africa.

The research went beyond conventional methods, which measure integration based primarily on trade creation and diversion. Instead, the research covered all sectors involved in regional integration. This complex task required a thorough understanding of how African economies work, the constraints they face, and the forces influencing integration. Because such analysis must be both quantitative and qualitative, a significant part of the exercise entailed developing technically and statistically sound methodological approaches.

The evaluations, based on indicators, measured progress for each sector, for each regional economic community, and for all of Africa. An important part of the analysis involved compiling indicators of integration for each sector. This exercise produced a comprehensive list of indicators—quantitative measures of the effects that various activities, policy measures, and programmes have on regional integration in Africa. The indicators measure the integration of each sector and should not be confused with the sectoral macroeconomic indicators used in aggregate economic analysis. These indicators were used to construct indices of integration for each sector, for each regional economic community, and for all of Africa. The present exercise focuses primarily on quantitative aspects because of data limitations on the qualitative dimensions of regional integration, such as institutions, policy, and process issues. However, the quantitative outcomes are partially the result of qualitative interventions.

The indices are intended to facilitate comparisons of outcomes and performance based on common denominators. The indices help identify and explain reasons for progress on the stated goals of the regional economic communities and assess the overall trends of regional integration in Africa. The indices also help compare efforts and results among member states and regional economic communities.

Constructing such indices is an arduous task, both technically and because of Africa's data constraints (box A1). To facilitate the assessment, the indicators are designed to be simple, measurable, consistent, and comparable over time. Because the main goal is evaluating progress in regional integration, the assessment focused on the eight sectors covered most often by the treaties of the regional economic communities: trade, money and finance, transport, communications, energy, agriculture, manufacturing, and human development and labour markets. (Not every treaty covers every sector explicitly or thoroughly.) Thus the performance of the regional communities is assessed based on both the efforts of their member states and the interventions of the communities. What is being assessed is the overall movement towards regional integration as either a direct result of community programmes or an indirect result of steps taken by other actors.

The exercise assesses the overall movement of the regional economic communities toward achieving the goals and objectives of the African Economic Community, hence its broad coverage. Therefore, it does not limit its focus to comparing the performance of communities towards their specific objectives. The base year for the exercise is 1994—the year the Abuja Treaty establishing the African Economic Community entered into force.

The methodology will benefit from further improvements and refinements. Think of the human development index, launched in 1990 as a complement to GNP per capita as a measure of development. The human development index started from modest beginnings. But continually refined, it was soon regarded as a useful basis for comparing the performance of countries and even parts of countries. The same is hoped for the integration indicators and indices. Even though they are new and have some limitations, they provide a useful basis for discussion, and with time they will be refined to make them even more useful (see annex attachment on methods for details on future refinements). Given this caveat, the next sections present the results obtained from the application of the methodology in its current version.

How is integration proceeding?

Regional integration in Africa has proceeded weakly and unsteadily across sectors, countries, and regional economic communities. During 1994–99 the average weighted annual increase in the composite regional integration index was 4.5%. But this average conceals significant variations in annual performance. Moreover, the overall rate of integration for this period was heavily influenced by the choice of the base year: 1994 may have been a low-performance year, setting the stage for recoveries in 1995 and 1996. Taking those factors into account, the real increase in the regional integration index was just 1–2% a year between 1995 and 1999. Moreover, there was backsliding between 1997 and 1999.

This lacklustre performance in integration resulted from divergent trends at the regional and sectoral levels. However, the Central African Economic and Monetary Community

Box A1

Calculating indices of integration

This assessment of Africa's integration measures progress after the Abuja Treaty establishing the African Economic Community went into effect in 1994. Progress by regional economic communities in the main areas of cooperation and integration is measured on both an annual basis and on average. Communities are ranked by performance on both criteria, though the emphasis is on overall progress.

The indices of integration are based on data collected from member states, secretariats of all 14 regional economic communities, and regional and international organizations. Detailed questionnaires covered integration in eight sectors: trade, money and finance, transport, communications, energy, agriculture, manufacturing, and human development and labour markets. Attention was also paid to water, mining, and cross-cutting issues (such as peace and security, HIV/AIDS, and gender). The questionnaires requested quantitative and qualitative information, including institutional, policy, and process dimensions of integration. In addition, missions on sectoral issues and subregional concerns were mounted to these countries and communities. Significant data gaps in responses had to be filled from other sources, such as the United Nations Conference on Trade and Development and other international organizations. Because the qualitative information was incomplete and not comparable across countries, the analysis focused only on the quantitative data. Future refinements of the indicators will address the qualitative dimension.

Sectoral integration indices were calculated as weighted composites of sectoral indicators—chosen to reflect the intensity or impact of regional integration in each sector. The indicators and subindicators for each sector are in the attachment to this annex. The eight sectoral indices were used to obtain composite integration indices for the regional economic communities and for all of Africa.

Progress by the regional communities during 1994–99 was estimated as a weighted measure of performance in the eight sectors using standard statistical techniques. The weights were the result of intuitive though fairly objective judgements about the relative importance of indicators to Africa's integration agenda. Where a sectoral indicator was constructed from several other indicators, the trend in that sector was calculated as a weighted average of the subindicators. For example, the money and finance indicator is a weighted average of inflation rate, external debt, investment, and budget deficit. In this way a single weighted composite index for the communities is developed as a single time series, with the base year value taken to be 100.

The composite index for Africa is an average, weighted by GDP, of the integration indices for the regional economic communities. It measures the continent's total integration effort, assessing progress towards the integration goals of the regional communities, the Abuja Treaty, and other regional, subregional, and national integration initiatives and policies.

In some cases the base year levels and scores appear low (in trade, for example), which tends to amplify progress in the following years. Thus the indices often show an initial spurt in performance—but this does not affect the rankings. Annual changes in the index measure progress or retrogression and permit comparison among the communities.

An insistence on robust indicators meant that the exercise had to rely on fewer indicators than was desirable. But the indices are a start—and they will be refined as better databases permit more sophisticated analysis. Limited as the data may be, every effort was made to validate the information.

Source: *Economic Commission for Africa, from official sources.*

(CEMAC), the Community of Sahel-Saharan States (CEN-SAD), the Inter-Governmental Authority on Development (IGAD), and the Economic Community of Central African States (ECCAS) made good progress on integration in 1995–97, though after that their momentum slowed along with the rest of the continent (table A1).

Such growth was also observed for groups such as the Common Market for Eastern and Southern Africa (COMESA) and the West African Economic and Monetary Union (UEMOA) until 1998. UEMOA, an advanced form of integration, appears to have been consolidating and building on earlier successes, particularly in macroeconomic convergence. Expectations were for it to demonstrate yet stronger commitment on the implementation of agreed decisions. Two other strong performers have been the Southern African Development Community (SADC) and the Economic Community of West African States (ECOWAS). Lagging behind were the Mano River Union (MRU) and the Economic Community of the Great Lakes Countries (CEPGL). Both had erratic and generally weak performance—understandable given the serious instability affecting these regions in recent years. The Indian Ocean Commission (IOC) and the East African Community (EAC) experienced periods of growth and decline, making their close to average returns somewhat unsteady. The Arab Maghreb Union (UMA) showed stagnant performance.

Table A1

Integration indices for Africa's regional economic communities, 1995–99 (Index 1994=100)

Regional economic community	1995	1996	1997	1998	1999
CEMAC	129.7	135.7	136.0	134.8	128.4
CEN-SAD[a]	122.9	130.8	133.7	121.2	121.0
CEPGL	90.6	89.5	93.7	91.2	86.6
COMESA	110.1	123.0	125.2	127.2	119.4
EAC	114.7	120.3	118.5	120.5	119.2
ECCAS	124.6	128.1	132.0	126.8	121.7
ECOWAS	117.2	130.8	130.3	136.6	133.9
IGAD	113.0	114.1	120.8	119.8	119.7
IOC	116.2	126.2	118.3	123.8	109.6
MRU	90.2	96.4	119.3	109.3	117.1
SADC	115.6	131.5	131.0	137.2	136.9
UEMOA	117.4	132.3	133.4	138.6	137.1
UMA	101.4	100.4	101.3	99.5	100.4
Simple average	112.6	119.9	122.6	122.0	119.3
Weighted average	114.9	124.7	126.1	125.5	123.6

Note: *Given the significant component of the trade sector in the calculation of the indices, SACU was excluded from this table. SACU's published trade data are usually aggregated and cannot be used for the calculations.*

a. CEN-SAD was formed recently and its results reflect primarily actions of members participating in overlapping regional economic communities.

Source: *Economic Commission for Africa, from official sources.*

At the sectoral level, integration in trade and communications showed encouraging performance. Reasonable progress was also made on transport and macroeconomic policy convergence. But sectors involving production (food, agriculture, and manufacturing) and trade in electricity lagged behind. This pattern points to an area of major concern in African integration—one that should be addressed as a critical priority.

The best-performing regional economic communities had well-developed integration programmes, implemented steadily and effectively by member states. In addition, some of these programmes mitigated financing problems by introducing self-financing mechanisms. By contrast, performance was poor in regional economic communities where activities were disrupted or programmes failed to take off for various reasons—including weak implementation by member states. Moreover, some regional communities exhibited very erratic performance, possibly indicating their high sensitivity to political, economic, and social factors.

On the basis of the integration indices, Africa's regional economic communities can be placed into five groups based on their performance measured in terms of average growth in integration indices in 1994–99:

- Above-average (6% and higher)—UEMOA, ECOWAS, and SADC.
- Average (between 4% and 6%)—CEMAC, CEN-SAD, and ECCAS.
- Close to average (between 2% and 4%)—EAC, IGAD, and COMESA.
- Stagnant (2% and lower)—UMA.
- Volatile (erratic returns)—CEPGL, IOC, and MRU.

Strong trade expansion and above-average performance in the money and finance, transport, and telecommunication sectors explain the faster integration of the top three performers. Besides, their sectoral performances have been steady and broad based. The runner-up groups, showing average or close to average performance, have a differentiated record in sectoral behaviour. Still, they too generally display reasonable growth of intraregional trade, with some (such as CEMAC) showing progressive macroeconomic convergence. Within these groups, COMESA posted particular progress in transport and communications. Extreme volatility characterized the sectoral performances of CEPGL and MRU. As noted earlier, this is closely related to the political instability that engulfed these regions in recent years.

The composite regional integration indices are strongly correlated with the economic policies of individual member countries (table A2). Regional integration is also strongly correlated with robust economic growth, as reflected in the correlation between integration and per capita income. Moreover, integration moves faster when regional economic communities harmonize their efforts—as with ECOWAS and UEMOA, and with COMESA, EAC, and SADC. In such cases broader consensus on regional integration emerges, strengthening results. Political stability is a deciding factor in regional integration, as shown by the lagging performance of CEPGL and

MRU. These differences in performance suggest a need to strengthen efforts to align the protocols of regional communities with those of the Abuja Treaty.

Furthermore, African countries have generally made slow and uneven progress integrating with the world economy, with several countries reversing policies of openness or making weak attempts at liberalization. Table A3 reinforces this point by categorizing a sample of African countries as strong, intermediate, or weak liberalizers. The weak liberalizers have maintained high tariffs and substantial import restrictions. The intermediate liberalizers have histories of limited liberalization, policy reversals, or both.

Progress on integration by sector

The assessment of integration performance in this section is based on overall trends in sectoral indices. The sectoral objectives in the treaties of Africa's regional economic communities are integral to achieving regional integration and establishing the African Union, especially those related to trade, money and finance, infrastructure, labour mobility, and peace and security.

Table A2

Correlations between composite regional integration indices, economic policy stance indices, and per capita incomes, 1994 and 1999

Indicator	Medium-term change in composite integration index	Composite integration index, 1994	Composite integration index, 1999	Economic policy stance index, 1999[a]	Per capita income, 1994	Per capita income, 1999
Composite integration index, 1994	–0.52		0.67			
Composite integration index, 1999	0.17[b]					
Economic policy stance index, 1999[a]	0.04[b]	0.28	0.94			
Per capita income, 1994	–0.03[b]	0.54	0.46	0.64		
Per capita income, 1999	–0.32[b]	0.86	0.32	0.55[b]	0.88	
Five-year per capita income growth[c]	0.76	0.26[b]	0.77[b]	0.31[b]	0.27	0.56

Note: *Correlation coefficients are significant at the 5% level or less.*

a. Indicator of general soundness of macroeconomic policy, including inflation and fiscal policy. Computed by ECA (see ECA 2002).

b. The correlation coefficient is not significant at the 5% level.

c. Average annual growth in real GDP per capita over 1994–99.

Source: *Economic Commission for Africa, from official sources.*

The fastest average growth in integration in 1994–99 occurred in communications (9.7%) and trade (7.6%) (table A4). Growth was moderate in transport (5.2%) and money and finance (4.5%). Lagging were agriculture (2.0%), manufacturing (0.2%), human resources and labour markets (–0.1%), and energy (–0.6%).

Table A3

Progress on trade liberalization in selected African countries, 1980s and 1990s

Liberalization category and country	Main liberalization episode	Policy reversals?	Trade restrictiveness index[a] 1993–95	Trade restrictiveness index[a] 1998	Current mean unweighted tariff (%)	Tariff bands	Overall pace of liberalization
Strong							
Ghana	1985–91, 1994	No	—	4	12.5	4	Rapid
Uganda	1987–95	No	6	2	9.2	2	Gradual
Zambia	1991–present	No	7	2	13.6	3	Rapid
Intermediate							
Côte d'Ivoire	1994–present	Yes	—	9	14.0	3	Stop and go
Kenya	1988–89, 1993–94	Yes	10	6	18.4	8	Stop and go
Mauritius	1983–85, 1991–present	No	10	8	29.1	4	Gradual
South Africa	1994–present	Yes	—	6	15.0	Multiple rates	Gradual
Tanzania	1995–present	Yes	—	7	22.1	4	Gradual
Weak							
Nigeria	1986–90, 1995–present	Yes	—	—	23.5	Multiple rates	Stop and go
Zimbabwe	1991–96	Yes	10	10	24.0	17	Stop and go

— not available.

a. A composite index of tariff rates and nontariff barriers that ranges from 1 to 10, with 10 the most restrictive. For details on the methodology used to calculate the index, see Sharer and others (1998).

Source: *Tsikata 2001.*

Table A4

Integration indices by sector, 1995–99
(Index 1994 = 100)

Sector	1995	1996	1997	1998	1999
Communications	110.9	129.9	152.9	157.2	157.2
Trade	127.9	149.0	147.1	138.2	139.6
Transport	118.7	120.1	126.6	129.9	127.3
Money and finance	104.9	115.3	118.6	116.7	124.4
Agriculture	102.3	110.4	108.2	111.3	109.9
Manufacturing	108.7	110.3	110.5	111.0	100.2
Human resources and labour markets	115.4	121.2	122.1	119.8	105.6
Energy	90.6	93.7	94.9	97.9	96.4

Note: *Data are weighted by GDP.*

Source: *Economic Commission for Africa, from official sources.*

Sectors with fast growth

Communications. Though Africa's communications sector started with poor technology and weak services in 1994, over the following five years its infrastructure capacity and policy environment improved significantly, attracting greater investment from local and foreign investors. As a result, its performance on integration was the strongest of all sectors.

The ultimate aim is to create a network that connects all African countries and strengthens the continent's information and communications technology—to help bridge the vast digital divide between Africa and the rest of the world. This effort requires the commitment of countries, regional economic communities, and their development partners. Many regional communities are promoting growth in communications capacity and services. Many such initiatives are also being promoted or implemented at the continent level, as part of efforts to alleviate poverty and enhance Africa's global connectivity:

- The Regional African Satellite Communication Project, launched in 1992, provides telecommunications services to all parts of Africa, establishing direct links between all African countries and supporting international connectivity in areas where others cannot go.
- The African Information Society Initiative, launched in 1996 by the Economic Commission for Africa, aims to create a continentwide information and telecommunications network and to link Africa with the rest of the world by increasing its use of new technologies.
- The African Telecommunications Union launched the African Connection Initiative to help member states be part of the information society through accelerated development of regional information infrastructure.
- COMESA has COMTEL Communications Company to build a regional telecommunications network, and ECOWAS is setting up telecommunications regulators to share experiences and harmonize regulations.
- IGAD has been upgrading PANAFTEL links in the IGAD region to digital standard and is installing a modern telecommunications system.

The international community is also supporting the development of communications in Africa. The Digital Opportunity Task Force, created by the Group of Eight Countries (G-8), brings together governments, the private sector, nonprofit organizations, and international organizations to address the challenges of information and communications technology in Africa.

Despite these efforts, the communications situation varies sharply by region and country. Some regional economic communities (SADC, ECOWAS, COMESA, UMA) show increasing connectivity, while others (CEMAC, ECCAS, CEPGL) lag far behind. South Africa has considerably increased capacity and inter-African traffic, while many Central African countries have yet to exploit the potential of information and communications technology.

More encouraging are trends in communications policies. About 20 countries have established independent regulatory agencies—up from just 2 in 1990—reflecting more liberal policy environments. By early 1998 some 17 national telecommunications operators had allowed some private participation or foreign ownership (or both), compared with 8 in 1995. Today most of the African continent is covered by cellular service.

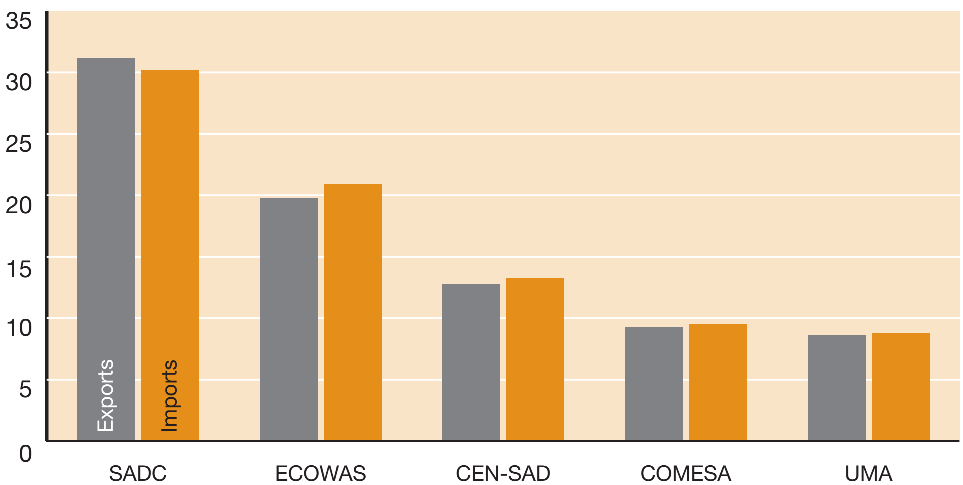
Trade. Regional integration has been significantly aided by a stronger effort among regional economic communities to implement their agendas on trade and market integration. They have focused on increasing trade among member states by removing barriers and promoting trade facilitation measures. Efforts to create free trade areas and customs unions have occupied a large part of the communities' integration endeavours and investments.

During 1994–2000 several regional economic communities showed impressive performance on trade and market integration, while others lagged behind. SADC accounted for the largest share of intracommunity trade (in value terms), with its members accounting for 31.1% of exports and 30.2% of imports, reflecting in part the influence of the South African economy (figure A1). UMA rounded out the top five performers with 8.6% of exports and 8.8% of imports. Overall, however, intracommunity trade accounted for only 10.5% of Africa's total trade—reason for concern.

But these variations in performance should be viewed against the range of efforts and levels of progress by the communities in trade and market integration—bearing in mind that the scheme for realizing the African Economic Community anticipated

Figure A1

Intracommunity trade as a share of total trade for selected regional economic communities, 1994–2000 (%)



Source: *Economic Commission for Africa, based on data from IMF 2001.*

that all the regional communities would satisfy the requirements of a free trade area by 2017. COMESA has already achieved the legal requirements of a free trade area, and some communities have made substantial progress ahead of the implementation timetable. Similarly, UEMOA, SACU, and CEMAC are already fully functioning customs unions—while COMESA, ECOWAS, ECCAS, and UMA need to intensify their efforts in this area. SADC has no immediate plans to establish a customs union.

Agriculture, food, and manufacturing trade, which together account for 41.2% of intra-African trade, failed to grow in line with total intra-African trade. Most of the growth in such trade during 1994–2000 came from agriculture, which grew an average of 9.7% a year, and oil and minerals, which grew an average of 5.6% a year. While indepth research is required to understand the precise reasons in each sector, country, and regional economic community, the following factors often played a role:

- Industry had limited productive capacity and inflexible production lines.
- Agriculture had rigid crop patterns and farming cycles.
- Member states failed to remove trade barriers, even after signing community protocols.
- Member states failed to exploit opportunities for intracommunity trade, even when barriers were removed.
- Markets were not sufficiently integrated, resulting in high costs of doing business.
- High-quality goods were not widely available.
- Information about markets was poor.
- Member states may have preferred to use international markets.

To enhance intracommunity trade, exporters and importers should actively explore liberalizing regional markets. Sustained efforts on liberalization of trade and integration of regional markets could have dynamic long-term effects—stimulating long-term investments in productive sectors by both domestic and foreign investors, motivated by larger markets and economies of scale.

Sectors with moderate growth

Transport. Growth in integration in transport—measured by the amount of air freight and traffic and by the length of paved and new roads—has slightly exceeded growth in the overall regional integration index. Transport integration has been fastest in SADC and COMESA. Transport connectivity remains relatively weak in ECCAS and IGAD, partly because of difficult topography and debilitating conflicts.

An evaluation of the second United Nations Transport and Communication Decade programme carried out by the Economic Commission for Africa in 2002 found the transport sector to be plagued by missing links and inadequate networks, policies, and operations. Complicating matters are roadblocks and other impediments, including cumbersome procedures at border crossings on the main transit corridors. These constraints contribute to the high cost of doing business in Africa.

On the positive side, however, regional economic communities and their members have made substantial efforts to promote infrastructure links and harmonize policies to facilitate smooth cross-border transport. For example:

- Several missing links of trans-African highways—designed to connect countries within and between regional economic communities—have been completed. Still, a number of gaps remain—especially in ECCAS, where missing links (sections of the road that fail to conform to the designed standards for that road) affect 46% of the total network.
- Railway interconnection projects have been conceived in West and East Africa, and resources are being mobilized for feasibility studies.
- The continent's road network has been improved through efforts to strengthen road management and establish appropriate institutions. SADC's development corridors and spatial development initiatives view transport in a holistic manner. Such efforts should be replicated in other regions to open up landlocked countries.
- In air transport, thanks to the 2000 Yamoussoukro decision by African heads of state to liberalize African air space, new routes have been opened, competition has been encouraged, private participation has been promoted, and consumers have more and better choices.

Money and finance. Most regional economic communities see macroeconomic stability and convergence—to be achieved through the harmonization of fiscal, monetary, debt, and investment policies—as key instruments of regional integration. Indeed, monetary, fiscal, and financial integration are among the most important areas of the communities' integration efforts.

Macroeconomic convergence criteria differ among regional economic communities, partly because of different development levels and partly because of historical reasons. For example, UEMOA and CEMAC have been monetary unions for more than four decades, while COMESA only recently adopted convergence criteria. UMA and SADC have not yet established convergence parameters. Such parameters—ranging from reducing inflation and budget and fiscal deficits to lowering external debt—are usually meant to help member states achieve and maintain macroeconomic stability.

Many countries are having trouble complying with the stringent requirements of macroeconomic convergence. Still, the composite integration index for the money and finance sector has grown at the same pace as the composite regional integration index, and generally at a steadier pace. Performance on convergence criteria varies among the regional economic communities, with generally encouraging trends for inflation but more worrisome ones for government deficits and external debt. When all countries with or without convergence criteria are considered, the following picture emerges:

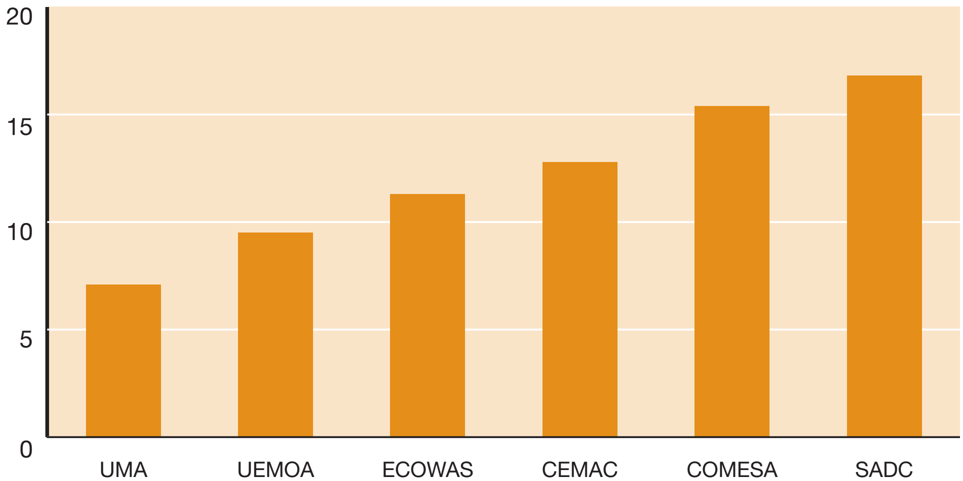
- For inflation, available data for 1994–2000 show that UMA posted the lowest average level, 7.1%, while SADC experienced the highest average, 16.8% (figure A2). UEMOA has reduced its average inflation rate from double digits in 1994–95 to 4% for the period 1998–2000.
- UMA was the only community to post an average budget surplus (0.2%). All other communities experienced budget deficits (figure A3).
- For external debt, IOC was followed by CEN-SAD, EAC, IGAD, UMA, and COMESA.
- Foreign direct investment (FDI) in Africa grew by an average of 1.2% a year between 1994 and 1999. It represented 2.8% of GDP in ECOWAS, 2.0% in COMESA, 1.9% in UEMOA, 1.8% in CEN-SAD and SADC, 1.4% in IGAD, 1.0% in ECCAS, and 0.9% in UMA. For Africa as a whole, FDI accounted for 1.5% of GDP. SADC and CEN-SAD led the communities, each drawing about 21% of Africa's FDI (figure A4). ECCAS trailed, receiving only 2%. Stock exchanges exist in every regional economic community, and capital market development across the continent is expected to increase cross-border investment and catalyze FDI.

Lagging sectors

Agriculture. Integration in agriculture has been very disappointing. The composite regional integration index for the sector—estimated based on trade in food—grew just 2% a year in 1994–99, even though the treaties of most regional economic communities include food security and joint agriculture programmes. Still, there is visible cooperation in food trade, early warning systems, agricultural research, and capacity building.

Figure A2

Average inflation rates for selected regional economic communities, 1994–2000 (%)

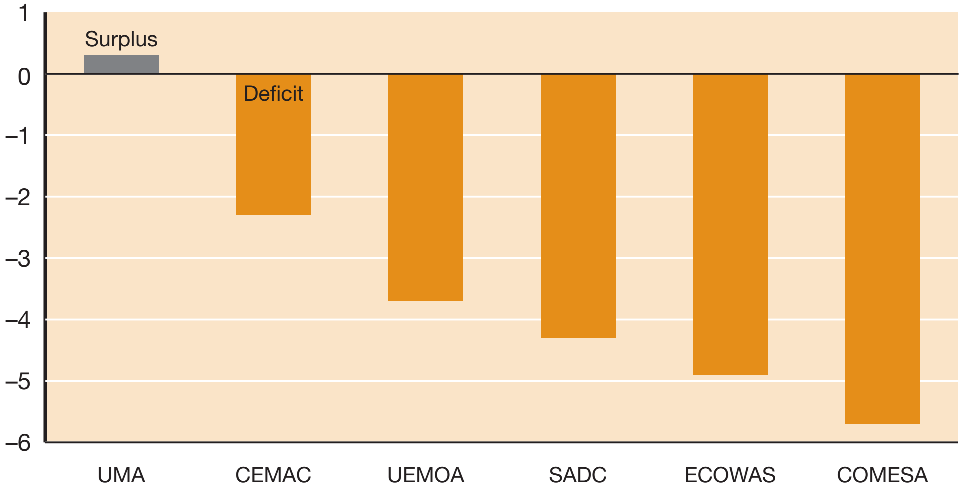


Note: *SADC and COMESA data do not include Angola and Democratic Republic of Congo.*
Source: *Economic Commission for Africa, from official sources.*

Formal food trade is most extensive in SADC. Informal food trade is most evident in regional economic communities where areas that traditionally suffer food deficits are close to areas of surplus. This type of informal food trade is strongest in East and West Africa.

Figure A3

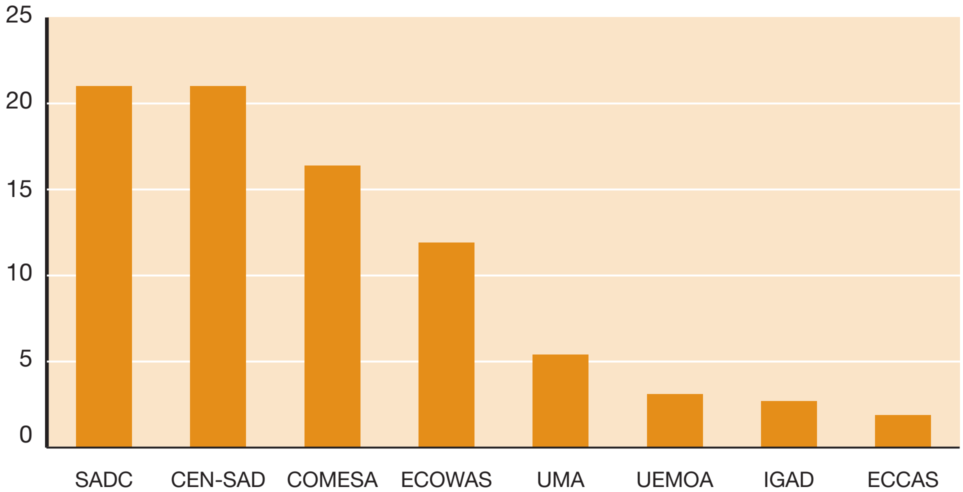
Average government deficits for selected regional economic communities, 1994–2000 (% of GDP)



Source: *Economic Commission for Africa, from official sources.*

Figure A4

Share of total foreign direct investment inflows to Africa for selected regional economic communities, 1994–99 (%)



Source: *Economic Commission for Africa, from official sources.*

Cooperation on early warning systems has been strongest in East and Southern Africa, where famine early warning systems (initiated by the U.S. Agency for International Development) and food insecurity and vulnerability information mapping systems (initiated by the Food and Agriculture Organization) are at advanced stages of implementation. In West Africa the monitoring system of the Inter-State Committee for Combating Drought in Sahel has helped countries prepare for adverse weather and drought. To function well, such systems require strong regional cooperation in collecting, analyzing, and forecasting data on food. Thus the effectiveness of such early warning systems serves as a qualitative indicator of regional integration.

Agricultural research and capacity building are linked in most regional economic communities, though not necessarily directly to community secretariats. The most visible research institutions are the Southern African Center for Cooperation in Agricultural Research and Training in Southern Africa, which directly serves SADC, and the Association for Strengthening Agricultural Research in Eastern and Central Africa, which works with the EAC and other regional communities but is not part of any of them. Also promoting regional integration in research are programmes supported by the Consultative Group on International Agricultural Research—the International Institute for Tropical Agriculture, the International Maize and Wheat Improvement Center, the International Crops Research Institute for Semi-Arid Tropics, and the International Water Management Institute.

Although these are global institutions, they contribute to African integration by sharing regional knowledge, helping to build research capacity, and promoting the exchange and adoption of best practices within and among regional economic communities. Still, to enhance their relevance and efficacy, the activities of these research networks need to be better coordinated. There is also a need to invest in irrigation and other infrastructure—particularly transport—that are essential to achieving long-term food security.

Manufacturing. The Lagos Plan of Action identified industrialization as the primary instrument for self-sustained growth and deeper regional integration. But with entrepreneurs continuing to focus on national markets—where they benefit from excess protection and barriers to entry—industry has been unable to play a decisive role in national development and regional integration. In recent years the sector has failed to grow, diversify, or attract foreign investment. Lacking capital renewal and supporting services, industrial technology has become obsolete, and in most countries the sector has deteriorated. Where cross-border investment occurs, it remains limited by inappropriate fiscal and incentive regimes.

Although regional economic communities have supported intra-industry trade through trade liberalization programmes and other measures, the sectoral integration index for manufacturing barely improved in 1994–99. Manufactured goods accounted for an average of just 19% of exports and 6% of imports in regional economic communities. Moreover, in some cases intracommunity trade in manufactures declined as a share of total trade. Only in IOC and SADC did manufactures account for more than half of intracommunity trade.

Efforts to liberalize trade, create free trade areas, and harmonize standards and metrology—as in COMESA, SADC, and EAC—should increase trade in manufactured goods. And the development of national and regional stock exchanges will help catalyze cross-border investments and attract foreign investment. But progress in both areas has been slow and uncertain.

Human resources and labour markets. Regional economic communities have introduced various measures to strengthen cooperation and harmonization of policies on human resources and the free movement of people, recognizing the importance of these issues to socioeconomic development and regional integration. But the integration index for this sector, based primarily on education indicators, lags far behind those for other sectors. This shortcoming calls for urgent action. None of the regional economic communities has achieved full integration in education and training. But the communities are not the sole actors in promoting cooperation and integration in this sector.

More visible progress has been made in liberalizing regional labour markets. Here, efforts focus on harmonizing labour laws, allowing the free movement of people across borders, and establishing rights of residence and establishment. ECOWAS has ratified its protocol on these issues, and EAC is close to reaching agreement on the free movement of people and the rights of residence and establishment. SADC and COMESA have not ratified their protocols in these areas.

Energy. Regional economic communities aim to minimize energy costs by exploiting economies of scale through large regional supply systems—while also enhancing the reliability and security of supply and minimizing adverse environmental effects. The most notable developments have involved establishing regional power pools and interconnected electricity grids, formulating master plans for regional power development, and developing environmentally benign power sources, including hydropower and natural gas.

Cross-border electricity trade and most interconnection projects have been based on the development of hydroelectric resources. Indeed, hydroelectric dams play a key role in regional power supplies:

- In East Africa the Owen Falls Dam in Uganda supplies electricity to Kenya and Tanzania.
- In West Africa the Akosombo Dam in Ghana supplies electricity to Benin, Côte d'Ivoire, and Togo.
- In Southern Africa the Cahora Bassa Dam in Mozambique supplies electricity to South Africa and Zimbabwe.
- In Central and Southern Africa the Inga Dam in Democratic Republic of Congo supplies electricity to the Republic of Congo and other countries.

Ongoing hydropower projects include the Kariba South power station for Zambia and Zimbabwe; the Ruzizi II station for Burundi, Democratic Republic of Congo, and Rwanda; the Nangbéto station for Benin and Togo; and the Manantali project for Mali, Mauritania, and Senegal.

Most regional economic communities are considering regional power pools, seeing them as the best framework for promoting cross-border electricity trade among member countries. In 1995, 12 SADC countries created the Southern African Power Pool, aimed at linking SADC members in a single electricity grid. This initiative serves as a model for electricity free trade zones in other parts of Africa. Drawing on its lessons, ECOWAS and UEMOA are implementing the West African Power Pool. EAC countries are considering an East African power pool, including interconnection of the electricity grids in Kenya, Tanzania, and Zambia to link EAC and SADC.

Interconnecting national power systems is considered a decisive step toward regional electricity integration and a competitive regional power market. The master plans for regional power development being prepared by various regional economic communities have emphasized installing missing links in power transmission and strengthening existing interconnection lines. Major interconnection lines have been constructed in the SADC region, including the South Africa–Zimbabwe interconnector (1995), the Mozambique–Zimbabwe power line (1997), the South Africa–Namibia interconnector (2000), and the South Africa–Mozambique transmission line (Motraco) with supply for Swaziland (2000). In ECOWAS and UEMOA an interconnection project between Benin and Nigeria and the upgrading of the transmission link between Benin, Côte d'Ivoire, Ghana, and Togo will increase the transit capacity for electricity interchange within the West African Power Pool.

For oil and gas pipelines, energy pooling has already been developed—with the Algeria–Tunisia–Italy Trans-Mediterranean Natural Gas Pipeline linking Algeria to Italy through Tunisia and the Maghreb–Europe Gas Pipeline linking Algeria to Spain through Morocco. The West African Gas Pipeline is to supply Benin, Ghana, and Togo with natural gas from Nigeria by 2004–05. The Mozambique–South Africa Natural Gas Project is expected to be completed by early 2004. The Mombasa–Nairobi petroleum products pipeline will be extended from Eldoret (in western Kenya) to Kampala (in Uganda), significantly lowering prices for petroleum products in Burundi, Rwanda, and landlocked regions of northwestern Tanzania and eastern Democratic Republic of Congo.

The energy sector integration index, measured by trade in electricity, was erratic during 1994–99. This instability reflects several factors affecting the amount of electricity traded, including difficulties faced by importing countries in securing foreign currency to pay for electricity imports (Zimbabwe in 1999), lower hydroelectric output due to drought in exporting countries (Ghana in 1998), and increased demand for electricity in exporting countries due to rapid economic growth (Uganda).

Conclusion

The regional integration process, after an initial phase of fast progress between 1994 and 1997, slowed through 1999, though the picture is mixed, with significant differences across economic communities. Some important integration goals have been achieved, however, such as the creation of free trade areas in most communities. There were also significant efforts toward macroeconomic convergence and the establishment of the African Economic Community and the African Union. Yet, several problems and shortcomings will need to be addressed. The lack of further significant progress does not bode well for prospects for regional integration and points to the enormous challenge that the nascent African Union faces in boosting Africa's integration to levels comparable to those in other regions.

The level of intra-African trade is still very low, accounting for only 10.5% of Africa's total trade. Major reasons for that are the lack of complementarity between countries and diversification of production structures. High costs of doing business, especially high transport costs, and inadequate finance for regional trade are also factors that hampered trade. Trade liberalization schemes need to be accompanied by the implementation of policies to support the cross-border mobility of inputs (labour, finance), the removal of nontrade barriers, and the harmonization of the macroeconomic stance.

Limited and unequally distributed gains from regional initiatives have reduced the appeal of integration. The consequence is that regional projects are not top priorities in the agendas of national governments. Protocols are not ratified by member states, and national policies crowd out resources for regional integration. Furthermore, because integration trades short-term national goals for long-term regional goals, strong political commitment of national authorities will be required. If such commitment is not adequately provided, efforts to deepen regional integration will be seriously constrained.

A relaunching of the regional integration process on firmer footing would therefore call for the deployment of maximum efforts in policy and institutional reforms and sectoral actions. This requires effective incorporation of integration goals and targets into national development plans.

Annex Attachment: Method for constructing regional integration indices

This attachment provides readers with a nontechnical explanation of the method used to generate indices to support the analysis of the report. The main objectives of the indices are:

- To assess each country's performance and relate it to the goals and objectives of each regional economic community and that of Africa as a whole, as well as to assess the performance of each economic community to that of Africa.
- To compare the contributions of each member country in a regional economic community towards the realization of such goals and objectives, in addition to the contributions that each regional economic community has made towards the realization of goals and objectives of the continent at large.
- To monitor the performance of each country, regional economic community, and the continent as a whole for regional integration efforts over time.
- To enhance the quality of the analysis by providing indices for scores and rankings at country, regional economic community. and continent levels.

Indices are estimated at four levels:

- Country.
- Regional economic community.
- Sector.
- Continent.

Constructing an index

Indices are constructed to enable comparisons of observed changes in a variable. For example, the most common index used in economics is the price index (an example is the Consumer Price Index), which is used to measure changes in the price level for different categories of goods or in the aggregate price level for an economy. Among other things, index numbers have to satisfy the following criteria:

- Because aggregation is required, variables have to be additive—the attributes must comprise an identical unit of measurement.
- Because aggregation is required, weights have to be attached to individual variables to reflect their relative importance.
- Index numbers must have a reference point with which all others are compared—a base period. The index indicates a period change relative to the base period.

An index that satisfies all three criteria can be used to compare changes in an attribute over time and used to rank attributes of different entities at a point in time.

For the integration indices, annual indices were first calculated for each country and each indicator, with 1994 as the base year, as follows:

Let $X_{ij,t}$ be the actual value of indicator i for country j at time t, and

let $I_{ij,t}$ be an index calculated for indicator i for country j at time t, defined as:

$$(1) \quad I_{ij,t} = \frac{\text{Value of the } i\text{th indicator at time } t \times 100}{\text{Base year value of the same indicator}}$$

$$= \frac{X_{ij,t}}{X_{ij,0}} \times 100$$

Where $Xij,0$ = the value of Xij at time $t = 0$ (the base year value; in this case 1994)

$i = 1,2,\ldots, N$ indicators

$j = 1,2,\ldots, J$ countries

$t = 0,1,2,\ldots, T$ years

The indices as defined in expression 1 are generated for all countries within a regional economic community or within Africa. These indices measure the relative changes over the base year of a particular indicator

Aggregating indices

Aggregation is important since comparisons are also made at the regional economic community level and the continent level. For example, for comparing regional economic communities, the indices are calculated using aggregated community-level data as follows.

$$(2) \quad I^*_{ir},t = \frac{\text{Aggregate value of indicator } i \text{ at time } t \times 100}{\text{Base year aggregated value}}$$

$$= \frac{X^*_{ir,t}}{X^*_{ir,0}} \times 100$$

Where I^*ir,t is an index for the ith indicator for the rth regional economic community at time t, and X^*_{ir},t is the aggregate value of the ith indicator (aggregated over all countries in a regional economic community) for the rth regional economic community at time t, and $X^*_{ir,0}$ refers to the aggregate value of the same indicator in the base year ($t = 0$). Thus I^*ir,t is used to measure changes over time at the regional economic community level.

Comparing performance

Comparing performance (between countries within a regional economic community, between countries within Africa, or between regional economic communities within Africa) requires three additional calculations: the norm or yardstick, scoring, and ranking.

The norm or yardstick. A norm or yardstick is a value against which performance is measured at all levels of comparison. Since there are no pre-determined targets for most of the indicators, a yardstick is determined using one of the following two approaches:

Case 1

- A predetermined target (such as a target budget deficit as a percent of GDP, used as a convergence criterion). If the indicator is target-driven, the target itself (for example, a budget deficit to GDP target of 4%) is considered to be the yardstick.

Case 2

- The average of the best performers of the regional economic community:
  - If a regional economic community has more than six members, the average of the top four performers is taken as the yardstick.
  - If a regional economic community has fewer than six members, the average of the top two performers is taken as the yardstick.
  - For continental level comparisons the average of the top six African performers is taken as the yardstick.

Case 1 is straightforward. However, most indicators (for example, exports and imports) do not have a predetermined target that can be used as a yardstick, so the approaches under case 2 are used to generate a yardstick for each indicator. The average for the top four (or two or six) performers is calculated as follows:

Step 1. Calculate a simple average index for each country within a regional economic community (or each country within Africa or each regional economic community within Africa):

$$\text{(3)} \qquad \bar{I}_{ij} = \sum_{t=1}^{T} \frac{I_{ij,t}}{T}$$

where $\bar{I}_{ij}$ is the average index for indicator i in country j over t=1,2,...,T time periods. That is, a single value is calculated for each country for a particular indicator over the time periods (years) covered.

Step 2. Sort the average indices for all countries within a regional economic community (or countries within Africa or regional economic communities within Africa) in descending or ascending order. Suppose that the average indices are sorted in descending order. And suppose that a regional economic community has more than six members.

That is, let the average indices be $\bar{I}_1, \bar{I}_2, \ldots, \bar{I}_c$, where $c > 6$.

Given these ordered indices, calculating the average of the top performers (in this case, the top four performers) depends on the particular indicator's contribution towards regional integration.

If an increase in an indicator (for example, exports and imports) contributes positively to regional integration, then the yardstick is given by the average of the first four indices:

$$(4) \qquad b = \sum_{i=1}^{4} \frac{I_i}{4}$$

where b stands for best performance (or yardstick).

If a decrease in an indicator contributes positively to regional integration, then the b value is taken as the average of the last four values:

$$(5) \qquad b = \sum_{j=c-4}^{c} \frac{I_j}{4}$$

Constructing scoring intervals

Once the b value is calculated, the standard deviation of the indices of countries within a regional economic community (or countries within Africa or regional economic communities within Africa) is generated in order to construct intervals or borders around the given b value. The standard deviation measures the spread of performances of countries or regional economic community around the average performance within a given set of indices. The standard deviation, which is the square root of variance, is defined as:

$$(6) \qquad s = \sqrt{\sum_{k=1}^{n} \frac{(I_k - \bar{I})^2}{n-1}}$$

Where $\bar{I}$ is the mean of all indices within a regional economic community (within Africa or for all regional economic communities),

I_k is the kth index, and n represents the total number of indices within a regional economic community.

The standard deviation is typically used to construct an interval around the mean. This would mean comparing the performance of countries against the average performers. This, however, is inconsistent with our definition of "best performance". Thus, instead of using the mean, this comparison employs the *b* value as a point of reference for best performance and constructs intervals around this value.

Thus, intervals are defined around the *b* value with a radius of 1/5 the standard deviation, meaning the length of the interval will be 2/5 the standard deviation. Eleven distinct intervals are constructed for each indicator within a regional economic community for which scores are assigned depending on the interval.

Scoring and ranking

Scores are assigned for each index for all time periods, depending on where the index lies within the given intervals. A maximum score of 10 is assigned for the best performance and zero for worst performance.

These scores are averaged over the given period (1994–99) to obtain an average score for each country (or each regional economic community).

Finally, a ranking is given to each country or regional economic community based on the average scores, where the best performer receives a rank of 1.

Components of sectoral indices

To capture the breadth and depth of regional integration efforts and outcomes, a questionnaire outlining the various specificities of each regional integration sector was developed and used to establish the basis for the data to be collected. As outlined in box A1, computation of the indices focused on quantitative aspects because of data limitations and inadequate responses to questions about qualitative aspects. However, the sectoral chapters contain significant qualitative information on the institutional, policy, and process aspects of regional integration. Among quantitative items, indices were built from indicators that are more credible and measurable across countries and regional economic communities. Again, as better data become available, there will be further scope for refinements on the quantitative indicators.

Sectoral indicators cover the following variables, to which relevant weights are attached. For trade the indicator of integration is the weighted average of exports and imports within each regional economic community. Human development is approximated by the share of the budget spent on education. For money and finance the index covers indicators for inflation, external debt, investment, and the budget deficit. For industry the indicator is measured by cross-border industrial inputs. For agriculture and food security intraregional food trade flows, both exports and imports, are used. For transport the indicators are air transport freight, air passengers carried, number of aircraft departures, and length of the paved roads network and of the total roads network. Integration in the energy sector is measured by electricity exports and imports across countries. Finally, integration in telecommunications is assessed by the number of intracountry and intracommunity telephone calls.

Computing the composite integration index performances of regional economic communities over time

On the basis of the scores obtained for each regional economic community over time, average scores for each year using the regional economic community level indices over the number of regional economic communities were calculated to obtain the average score of the regional economic communities in the various years. An index of the scores (with the 1994 base year) was then calculated on a year-by-year basis showing the change in performance over the given period of time for the regional economic communities. This is the composite integration index.

The weighted composite integration index is the total of the average regional economic community indices multiplied by the corresponding GDP weight of each regional economic community. The composite integration index measures relative performance of a regional economic community (or regional economic communities within the continent) but does not take into account the size of each regional economic community in relation to the others.

Data collection

As outlined in box A1, several data sources were used to build the database and to generate the time series data for the various sectoral indicators covered by the analysis. Most of the data were collected through a structured questionnaire designed to collect both quantitative and qualitative data and information on the indicators at the country and regional economic community levels. Responses were obtained through field missions to 51 countries and to all 14 regional economic communities. These data were supplemented by secondary data from such sources as the UN organizations, including the United Nations Conference on Trade and Development and the United Nations Industrial Development Organization; the World Bank; International Monetary Fund; U.S. statistical sources; specialized sectoral institutions; research bodies; various web sites; and other published and unpublished data sources.

Future refinements

This innovative method for measuring integration efforts will be refined in the future to take into consideration qualitative information covering such areas as integration processes, institutional dimensions of policy issues, and other qualitative aspects of regional integration. Such refinements will make the indicators more reflective of both quantitative and qualitative aspects, while broadening the coverage of regional integration.

Statistical tables

Table 1

African countries' dependence on primary commodities for export earnings, 1995 (%)

Country	Single commodity	Two commodities	Three commodities
Algeria	72	98	98
Angola	83	87	99
Benin	35	63	84
Botswana	78	87	95
Burkina Faso	48	63	75
Burundi	87	91	92
Cameroon	38	61	81
Cape Verde	65	81	97
Central African Republic	33	64	87
Chad	29	87	96
Comoros	56	86	87
Congo	91	96	99
Congo, Dem. Rep.	58	77	95
Côte d'Ivoire	35	58	69
Egypt	61	81	85
Equatorial Guinea	54	95	100
Ethiopia	66	88	96
Gabon	82	88	96
Ghana	59	83	91
Guinea	—	91	99
Guinea-Bissau	29	53	66
Kenya	30	54	75
Liberia	64	81	88
Libya	100	100	100
Madagascar	39	56	69
Malawi	55	75	84
Mali	57	96	98
Mauritius	65	67	70
Mauritania	45	87	98
Morocco	23	33	42
Mozambique	27	43	52
Niger	85	97	98
Nigeria	96	99	99
Rwanda	73	85	97
Sâo Tomé and Principe	61	70	—
Senegal	32	52	62
Seychelles	69	80	86

Table 1 (continued)

African countries' dependence on primary commodities for export earnings, 1995 (%)

Country	Single commodity	Two commodities	Three commodities
Sierra Leone	32	49	62
Somalia	76	86	96
Sudan	42	56	68
Swaziland	39	52	54
Tanzania	40	53	61
Togo	47	60	72
Tunisia	41	45	47
Uganda	95	97	98
Zambia	98	99	99
Zimbabwe	20	27	31

— *not available.*

Source: *Economic Commission for Africa, from United Nations 1990 and UNCTAD 1995.*

Table 2

Profiles of the African Economic Community and regional economic communities

Regional economic community	Date of establishment	Ultimate aim	Status
AEC	1994	Political union	All countries have signed the treaty, but only about 35 have ratified it. Free trade area not yet achieved across Africa. Common external tariff to be achieved by 2017, common market by 2023, and political union by 2028. The timetable should speed up with the African Union.
CEMAC	1998	Full economic union	Customs union with a common external tariff since 1964 (when its predecessor, UDEAC, was established). Common external tariff reformed in 1994.
CENSAD	1999	Free trade area and integration in some sectors	
CEPGL	1976	Full economic union	Currently inactive due to political conflict.
COMESA	1993	Common market	Partial free trade area (nine of its members eliminated all tariffs at the end of 2000). Common external tariff expected in 2004.
EAC	1967 [a]	Full economic union	Not yet a free trade area. Common external tariff planned for 2004.
ECCAS	1983	Full economic union	Inactive since 1994, but recently revived. Trade tariff reduction programme soon to be put into place.

(continued on next page)

Table 2 (continued)

Profiles of the African Economic Community and regional economic communities

Regional economic community	Date of establishment	Ultimate aim	Status
ECOWAS	1975 [b]	Full economic union	Partial free trade area (for unprocessed goods and handicrafts). Customs union objective pushed back to 2005.
IGAD	1986	Full economic union	Partial free trade area.
IOC	1982	Sustainable development through cooperation on diplomacy, environment, and trade	Two members (Mauritius and Madagascar) have achieved free trade areas.
MRU	1973	Multisectoral integration	Inactive due to political conflict.
SADC	1992	Full economic union	Aim to establish a partial free trade area by 2010 and full free trade area by 2012.
SACU	1910 [c]	Customs union	Customs union.
UEMOA	1994	Full economic union	Currently a customs union with a common external tariff in operation since January 2000.
UMA	1989	Full economic union	Free trade area (due in 1992) not yet achieved.

a. Disintegrated in 1977 and reestablished in 1994.

b. Treaty was revised in 1994.

c. Current SACU agreement was signed in 1969.

Source: *Economic Commission for Africa, from official sources.*

Table 3

Membership in the African Economic Community and regional economic communities

Country	AEC	CEMAC	CENSAD	CEPGL	COMESA	EAC	ECCAS	ECOWAS	IGAD	IOC	MRU	SACU	SADC	UEMOA	UMA
Algeria	✓														✓
Angola	✓				✓		✓						✓		
Benin	✓		✓					✓						✓	
Botswana	✓											✓	✓		
Burkina Faso	✓		✓					✓						✓	
Burundi	✓			✓	✓		✓								
Cameroon	✓	✓					✓								
Cape Verde	✓							✓							
Central Afr. Rep.	✓	✓	✓				✓								
Chad	✓	✓	✓				✓								
Comoros	✓				✓					✓					
Congo, Dem. Rep.	✓			✓	✓		✓						✓		
Congo, Rep.	✓	✓					✓								
Côte d'Ivoire	✓							✓						✓	
Djibouti	✓		✓		✓				✓						
Egypt	✓		✓		✓										
Eritrea	✓		✓		✓				✓						
Equatorial Guinea	✓	✓					✓								
Ethiopia	✓				✓				✓						
Gabon	✓	✓					✓								
Gambia	✓		✓					✓							
Ghana	✓							✓							
Guinea	✓							✓			✓				
Guinea-Bissau	✓							✓						✓	
Kenya	✓				✓	✓			✓						
Lesotho	✓											✓	✓		
Liberia	✓							✓			✓				
Libya	✓		✓												✓
Madagascar	✓				✓					✓					

(continued on next page)

Table 3

Membership in the African Economic Community and regional economic communities

Country	AEC	CEMAC	CENSAD	CEPGL	COMESA	EAC	ECCAS	ECOWAS	IGAD	IOC	MRU	SACU	SADC	UEMOA	UMA
Malawi	✓				✓								✓		
Mali	✓		✓					✓						✓	
Mauritania	✓														✓
Mauritius	✓				✓					✓			✓		
Morocco	✓		✓												✓
Mozambique	✓												✓		
Namibia	✓				✓							✓	✓		
Niger	✓		✓					✓						✓	
Nigeria	✓		✓					✓							
Rwanda	✓			✓	✓		✓								
São Tomé & Pr.	✓						✓								
Senegal	✓		✓					✓						✓	
Seychelles	✓				✓					✓			✓		
Sierra Leone	✓							✓			✓				
Somalia	✓		✓						✓						
South Africa	✓											✓	✓		
Sudan	✓		✓		✓				✓						
Swaziland	✓				✓							✓	✓		
Tanzania	✓					✓							✓		
Togo	✓		✓					✓						✓	
Tunisia	✓		✓												✓
Uganda	✓				✓	✓			✓						
Zambia	✓				✓								✓		
Zimbabwe	✓				✓						✓				

Source: *Economic Commission for Africa, from official sources.*

Table 4

Regional integration indices, 1995–99, by country
(Index 1994 = 100)

Country	1995	1996	1997	1998	1999
Algeria	98.1	99.5	96.8	95.6	96.3
Angola	101.7	134.4	120.7	106.6	110.5
Benin	126.8	133.3	130.9	138.8	126.1
Botswana	97.7	106.8	114.2	111.1	111.2
Burkina Faso	107.4	114.4	105.0	114.1	117.9
Burundi	84.8	81.5	73.6	77.7	81.9
Cameroon	132.3	145.2	143.9	141.1	144.0
Cape Verde	120.0	118.2	149.5	134.7	124.5
Central African Republic	117.3	134.9	114.3	112.0	114.8
Chad	99.7	185.4	112.9	125.1	118.1
Comoros	110.0	111.1	99.9	96.0	92.1
Congo	106.6	124.2	128.7	119.4	116.8
Congo, Dem. Rep.	108.7	118.0	101.9	86.4	87.2
Côte d'Ivoire	107.7	114.6	111.6	119.1	121.4
Djibouti	100.7	101.5	108.6	102.9	109.9
Egypt	109.6	119.6	124.0	120.3	124.1
Equatorial Guinea	152.4	174.2	169.8	140.1	127.8
Eritrea	99.7	111.1	129.1	128.3	117.0
Ethiopia	96.0	104.8	107.0	102.3	107.1
Gabon	106.9	104.3	130.8	127.9	125.0
Gambia	94.8	94.3	90.6	97.6	88.9
Ghana	105.0	110.7	111.9	120.0	120.2
Guinea	100.6	108.1	105.9	100.9	109.1
Guinea-Bissau	102.5	106.2	112.7	135.1	118.2
Kenya	104.4	100.1	113.0	110.1	108.6
Lesotho	102.2	99.3	110.2	108.6	104.3
Liberia	171.6	108.9	149.5	158.4	207.9
Libya	106.2	104.2	105.1	101.8	102.8
Madagascar	128.1	124.6	117.2	116.0	108.0
Malawi	101.9	109.2	97.9	117.2	120.6
Mali	107.6	114.4	112.5	121.1	119.1
Mauritania	115.5	106.5	125.2	124.7	118.8
Mauritius	108.3	109.4	122.7	125.4	125.1
Morocco	106.0	113.2	107.1	96.5	108.0
Mozambique	108.2	112.1	120.4	122.8	127.7
Namibia	107.3	108.1	116.2	106.1	106.1
Niger	127.4	132.3	130.1	135.3	137.6
Nigeria	102.2	102.9	102.1	102.4	106.0

(continued on next page)

Table 4 (continued)

Regional integration indices, 1995–99, by country
(Index 1994 = 100)

Country	1995	1996	1997	1998	1999
Rwanda	100.1	101.0	136.9	115.9	116.6
São Tomé & Principe	99.1	97.6	84.1	99.0	—
Senegal	117.1	124.2	124.2	134.7	136.4
Seychelles	103.7	137.5	117.7	120.2	120.0
Sierra Leone	108.8	103.1	95.2	87.1	86.0
Somalia	91.1	91.1	91.1	91.1	—
South Africa	107.6	108.3	118.0	114.0	116.7
Sudan	107.4	115.6	118.0	107.0	125.3
Swaziland	107.2	109.7	108.2	108.9	112.8
Tanzania	110.6	111.7	101.2	108.0	110.1
Togo	102.7	113.0	115.5	116.4	128.2
Tunisia	107.3	108.2	113.1	109.6	113.9
Uganda	114.9	122.4	127.6	127.5	127.2
Zambia	110.3	133.2	122.1	129.7	126.3
Zimbabwe	103.0	104.8	115.8	106.3	101.7

— is not available.
Source: *Economic Commission for Africa, from official sources.*

Table 5

Rank of countries on integration effort since 1994, within regional economic communities

Regional economic community/country	Rank
CEMAC	
Cameroon	2
Central African Republic	6
Chad	3
Congo	4
Equatorial Guinea	1
Gabon	5
CENSAD	
Benin	2
Burkina Faso	11
Central African Republic	6
Chad	3
Djibouti	14
Egypt	5
Eritrea	7
Gambia	17
Libya	15
Mali	9
Morocco	13
Niger	1
Nigeria	16
Senegal	4
Somalia	18
Sudan	10
Togo	8
Tunisia	12
CEPGL	
Burundi	3
Congo, Dem. Rep.	2
Rwanda	1
COMESA	
Angola	8
Burundi	20
Comoros	18
Congo, Dem. Rep.	19
Djibouti	16
Egypt	4
Eritrea	7

(continued on next page)

Table 5 (continued)

Rank of countries on integration effort since 1994, within regional economic communities

Regional economic community/country	Rank
COMESA *(continued)*	
Ethiopia	17
Kenya	14
Madagascar	5
Malawi	12
Mauritius	6
Namibia	13
Rwanda	10
Seychelles	3
Sudan	9
Swaziland	11
Uganda	2
Zambia	1
Zimbabwe	15
EAC	
Kenya	3
Tanzania	2
Uganda	1
ECCAS	
Angola	7
Burundi	11
Cameroon	2
Central African Republic	6
Chad	3
Congo	4
Congo, Dem. Rep.	9
Equatorial Guinea	1
Gabon	5
Rwanda	8
São Tomé & Principe	10
ECOWAS	
Benin	3
Burkina Faso	11
Cape Verde	4
Côte d'Ivoire	9
Gambia	15
Ghana	10
Guinea	12

Table 5 (continued)

Rank of countries on integration effort since 1994, within regional economic communities

Regional economic community/country	Rank
ECOWAS *(continued)*	
Guinea-Bissau	8
Liberia	1
Mali	7
Niger	2
Nigeria	13
Senegal	5
Sierra Leone	14
Togo	6
IGAD	
Djibouti	5
Eritrea	2
Ethiopia	6
Kenya	4
Somalia	9
Sudan	3
Uganda	1
IOC	
Comoros	4
Madagascar	2
Mauritius	3
Seychelles	1
MRU	
Guinea	2
Liberia	1
Sierra Leone	3
SADC	
Angola	5
Botswana	11
Congo, Dem. Rep.	14
Lesotho	13
Malawi	8
Mauritius	4
Mozambique	3
Namibia	9
Seychelles	2
South Africa	6

(continued on next page)

Table 5 (continued)

Rank of countries on integration effort since 1994, within regional economic communities

Regional economic community/country	Rank
SADC *(continued)*	
Swaziland	7
Tanzania	10
Zambia	1
Zimbabwe	12
UEMOA	
Benin	2
Burkina Faso	8
Côte d'Ivoire	7
Guinea-Bissau	5
Mali	5
Niger	1
Senegal	3
Togo	4
UMA	
Algeria	5
Libya	4
Mauritania	1
Morocco	3
Tunisia	2

Note: *Lower number indicates better performance.*
Source: *Economic Commission for Africa, from official sources.*

Table 6

Value of intracommunity exports and imports by regional economic community and country, 1994–2000 (US$ millions)

Regional economic community/ country	Exports				Imports			
	1999	2000	Average 1994–2000	Rank	1999	2000	Average 1994–2000	Rank
CEMAC	119.00	102.42	128.77	na	133.00	130.00	140.29	na
Cameroon	97.00	86.00	95.86	1	12.00	4.00	21.57	4
Central Afr. Rep.	1.00	1.00	2.00	5	23.00	21.00	20.00	5
Chad	2.00	2.00	1.57	6	32.00	32.00	19.57	6
Congo	3.00	4.00	2.57	4	25.00	27.00	27.14	2
Equatorial Guinea	8.00	8.42	21.63	2	14.00	20.00	23.43	3
Gabon	8.00	1.00	5.14	3	27.00	26.00	28.57	1
CENSAD	1419.27	1733.29	1615.7	na	1673.8	1975.45	1723.03	na
Benin	13.6	15.0	23.2	11	90.0	87.0	49.8	10
Burkina Faso	6.00	5.00	4.86	14	37.00	27.00	31.00	13
Central Afr. Rep.	1.00	1.00	1.00	17	4.00	4.00	3.29	16
Chad	5.00	8.00	6.14	13	16.00	20.00	16.29	15
Djibouti	70.00	80.18	58.45	8	4.00	5.45	2.64	17
Egypt	105.00	129.00	118.00	5	120.00	149.00	121.71	5
Eritrea	—	—	—	—	—	—	—	—
Gambia	0.6	0.2	3.2	15	5.3	33.9	18.5	14
Libya	322.00	391.00	470.29	1	422.00	494.00	428.43	1
Mali	7.00	9.00	11.00	12	55.00	62.00	57.57	9
Morocco	161.00	199.00	190.43	4	179.00	209.00	213.43	3
Niger	47.00	58.00	37.43	9	34.00	41.00	34.00	12
Nigeria	217.00	234.00	225.71	3	66.00	72.00	61.57	8
Senegal	81.00	89.00	76.43	6	140.00	172.00	105.00	6
Somalia	1.07	2.31	1.20	16	77.00	87.00	64.00	7
Sudan	39.00	45.00	27.00	10	30.00	30.00	156.57	4
Togo	9.3.1	109.6	72.5	7	34.5	42.1	35.8	11
Tunisia	343.00	358.00	288.86	2	360.00	440.00	323.43	2
CEPGL	9.00	10.00	8.57		10.00	12.00	9.57	
Burundi	1.00	1.00	1.57	3	3.00	3.00	2.14	2
Congo, Dem. Rep.	6.00	6.00	5.29	1	1.00	2.00	1.57	3
Rwanda	2.00	3.00	1.71	2	6.00	7.00	5.86	1
COMESA	1,056.25	1,108.26	1,095.30	na	1,164.00	1,242.16	1,150.02	na
Angola	0.20	0.20	2.70	14	8.00	8.73	10.10	15
Burundi	1.00	1.00	4.33	13	18.00	21.00	20.57	13
Comoros	0.05	0.06	0.16	17	6.00	6.23	7.03	16
Congo, Dem. Rep.	6.00	6.00	9.14	11	80.00	90.00	85.14	5
Djibouti	5.00	5.00	16.29	9	58.00	66.20	51.46	9

(continued on next page)

Table 6 (continued)

Value of intracommunity exports and imports by regional economic community and country, 1994–2000 (US$ millions)

Regional economic community/ country	Exports				Imports			
	1999	2000	Average 1994–2000	Rank	1999	2000	Average 1994–2000	Rank
COMESA *(continued)*								
Egypt	37.00	37.00	30.29	6	140.00	149.00	129.29	2
Eritrea	—	—	—	—	—	—	—	—
Ethiopia	65.00	72.00	54.14	5	27.00	31.00	49.43	10
Kenya	562.00	624.00	539.00	1	31.00	30.00	33.57	12
Madagascar	10.00	11.00	13.29	10	7.00	8.00	6.71	17
Malawi	18.00	20.00	27.86	7	115.00	130.00	106.14	3
Mauritius	32.00	28.00	58.86	4	30.00	22.00	44.57	11
Namibia	—	—	—	—	—	—	—	—
Rwanda	2.00	3.00	2.14	15	63.00	69.00	57.14	7
Seychelles	1.00	1.00	0.58	16	15.00	12.00	11.57	14
Sudan	37.00	43.00	21.14	8	79.00	86.00	65.00	6
Swaziland	—	—	—	—	—	—	—	—
Uganda	3.00	3.00	5.57	12	341.00	386.00	322.57	1
Zambia	85.00	59.00	90.86	3	92.00	92.00	95.14	4
Zimbabwe	192.00	195.00	219.57	2	54.00	35.00	54.57	8
EAC	586.00	675.00	554.86	na	467.00	538.00	505.57	na
Kenya	546.00	628.00	517.71	1	11.00	13.00	17.86	3
Tanzania	37.00	43.00	32.57	2	113.00	131.00	162.86	2
Uganda	3.00	4.00	4.57	3	343.00	394.00	324.86	1
ECCAS	154.01	142.15	148.74	na	178.00	154.00	162.00	na
Angola	4.0	4.0	3.5	7	10.0	10.0	7.0	8
Burundi	1.00	1.00	1.86	8	3.00	3.00	2.14	10
Cameroon	100.00	89.00	98.14	1	12.00	4.00	21.57	3
Central Afr. Rep.	2.00	2.00	4.43	6	24.00	23.00	21.14	4
Chad	2.00	2.00	1.57	10	32.00	32.00	19.57	7
Congo	11.00	14.00	9.43	4	26.00	29.00	19.71	5
Congo, Dem. Rep.	8.00	9.14	7.17	5	23.00	4.00	19.71	5
Equatorial Guinea	8.00	8.00	23.83	2	14.00	15.00	22.71	2
Gabon	16.00	10.00	12.57	3	27.00	26.00	28.57	1
Rwanda	2.00	3.00	1.71	9	6.00	7.00	5.86	9
São Tomé & Principe	0.01	0.01	0.01	11	1.00	1.00	1.00	11
ECOWAS	2,650.00	2,613.00	2,346.26	na	2,895.00	3,387.76	2,562.39	na
Benin	10.00	12.00	14.57	8	189.00	222.00	100.43	8
Burkina Faso	16.00	18.00	28.43	7	221.00	254.00	166.57	6
Cape Verde	8.00	8.00	5.43	11	3.00	2.76	3.68	15

Table 6 (continued)

Value of intracommunity exports and imports by regional economic community and country, 1994–2000 (US$ millions)

Regional economic community/ country	Exports				Imports			
	1999	2000	Average 1994–2000	Rank	1999	2000	Average 1994–2000	Rank
ECOWAS *(continued)*								
Côte d'Ivoire	1,036.00	797.00	819.43	2	371.00	437.00	421.29	2
Gambia	1.00	1.00	3.33	12	13.00	6.00	22.86	13
Ghana	346.00	363.00	286.86	3	808.00	956.00	680.57	1
Guinea	21.00	25.00	13.83	9	65.00	75.00	79.29	10
Guinea-Bissau	2.00	1.00	0.69	14	13.00	15.00	10.57	14
Liberia	4.00	4.00	3.00	13	37.00	43.00	25.86	12
Mali	7.00	8.00	7.14	10	301.00	342.00	263.86	4
Niger	56.00	68.00	51.14	6	96.00	112.00	81.43	9
Nigeria	887.00	1,079.00	905.29	1	218.00	267.00	223.43	5
Senegal	150.00	110.00	140.00	4	166.00	199.00	129.86	7
Sierra Leone					18.00	23.00	30.14	11
Togo	106.00	119.00	69.57	5	376.00	434.00	322.57	3
IGAD	544.00	621.00	522.14	na	582.00	656.00	555.43	na
Djibouti	75.00	87.00	74.71	2	54.00	52.00	47.71	3
Eritrea								
Ethiopia	51.00	58.00	46.71	3	26.00	30.00	43.86	4
Kenya	411.00	469.00	394.29	1	4.00	4.00	7.00	6
Somalia	1.00	1.00	1.00	6	112.00	127.00	101.71	2
Sudan	5.00	5.00	3.29	4	51.00	58.00	39.57	5
Uganda	1.00	1.00	2.14	5	335.00	385.00	316.57	1
IOC	26.50	31.00	79.80	na	30.00	28.00	37.57	na
Comoros	0.06	0.06	0.17	4	2.00	2.00	4.14	4
Madagascar	10.00	11.00	22.43	2	6.00	7.00	5.43	3
Mauritius	16.00	19.00	57.00	1	10.00	11.00	21.14	1
Seychelles	0.50	1.00	0.37	3	12.00	8.00	6.86	2
MRU	8.00	9.00	6.29	na	17.26	20.39	12.83	na
Guinea	7.00	8.00	5.29	1	7.26	8.39	4.69	2
Liberia	1.00	1.00	1.00	2	8.00	9.00	6.29	1
Sierra Leone					2.00	3.00	1.86	3
SADC	3,599.45	3,793.13	3,683.02	na	3,769.15	3,875.95	3,668.24	na
Angola	19.00	22.00	21.71	9	216.00	239.00	222.57	8
Congo, Dem. Rep.	5.00	7.00	64.14	7	196.00	224.00	239.14	7
Malawi	89.00	104.00	95.00	4	364.00	417.00	349.29	5
Mauritius	187.00	210.00	73.29	5	487.00	547.00	331.57	6
Mozambique	121.00	52.00	71.86	6	358.00	27.00	353.14	4

(continued on next page)

Table 6 (continued)

Value of intracommunity exports and imports by regional economic community and country, 1994–2000 (US$ millions)

Regional economic community/ country	Exports 1999	Exports 2000	Exports Average 1994–2000	Exports Rank	Imports 1999	Imports 2000	Imports Average 1994–2000	Imports Rank
SADC *(continued)*								
South Africa	2,489.45	2,669.13	2,585.31	1	509.15	594.15	484.99	2
Seychelles	1.00	1.00	1.00	10	56.00	59.80	49.54	10
Tanzania	21.00	18.00	25.14	8	195.00	222.00	178.71	9
Zambia	134.00	122.00	132.86	3	506.00	562.00	429.29	3
Zimbabwe	533.00	588.00	612.71	2	882.00	984.00	1030.00	1
UEMOA	828.00	901.00	702.26	na	910.00	1,041.00	690.29	na
Benin	10.00	11.00	8.00	6	158.00	184.00	77.00	3
Burkina Faso	8.00	9.00	22.29	4	200.00	229.00	142.57	2
Côte d’Ivoire	626.00	720.00	522.29	1	42.00	45.00	30.71	7
Guinea-Bissau	1.00	1.00	0.54	8	12.00	14.00	9.86	8
Mali	5.00	5.00	4.86	7	300.00	341.00	263.29	1
Niger	6.00	7.00	10.00	5	65.00	74.00	50.57	5
Senegal	113.00	86.00	107.00	2	50.00	58.00	40.29	6
Togo	59.00	62.00	27.29	3	83.00	96.00	76.00	4
UMA	917.00	1,071.00	1,003.86	na	998.00	1,233.00	1,057.43	na
Algeria	171.00	164.00	195.14	4	62.00	83.00	113.86	4
Libya	252.00	327.00	268.14	2	376.00	436.00	360.29	1
Mauritania	1.00	2.00	2.00	5	62.00	75.00	48.57	5
Morocco	153.00	191.00	204.29	3	144.00	168.00	181.86	3
Tunisia	340.00	387.00	334.29	1	354.00	471.00	352.86	2

na is not applicable.
— is not available.
***Source:** Economic Commission for Africa, from official sources.*

Table 7

Shares of intracommunity exports and imports by regional economic community, 1994–2000 (%)

Regional economic community	Individual intracommunity exports in total Africa intracommunity exports		Intracommunity exports in total Africa REC exports		Individual intracommunity exports in total individual REC exports		Individual intracommunity imports in total Africa intracommunity imports		Intracommunity imports in total Africa REC imports		Individual intracommunity imports in total individual REC imports	
	Share	Rank	Share	Rank	Share	Rank	Share	Rank	Share	Rank	Share	Rank
CEMAC	1.1	10	0.1	10	1.9	11	1.1	10	0.1	10	3.8	6
CENSAD	12.8	3	1.3	3	3.6	8	13.3	3	1.4	3	3.2	8
CEPGL	0.1	12	0.0	12	0.6	12	0.1	13	0.0	13	0.7	12
COMESA	9.3	4	1.0	4	6.0	6	9.5	4	1.0	4	3.5	7
EAC	4.7	7	0.5	7	18.1	1	4.2	8	0.4	8	9.3	3
ECCAS	1.3	9	0.1	9	1.9	10	1.3	9	0.1	9	3.0	10
ECOWAS	19.8	2	2.1	2	10.3	5	20.9	2	2.1	2	11.5	1
IGAD	4.4	8	0.5	8	13.8	2	4.6	7	0.5	7	7.6	5
IOC	0.7	11	0.1	11	4.0	7	0.3	11	0.0	11	1.4	11
MRU	0.1	13	0.0	13	0.5	13	0.1	12	0.0	12	0.4	13
SACU	—	—	—	—	—	—	—	—	—	—	—	—
SADC	31.1	1	3.3	1	12.8	3	30.2	1	3.1	1	10.7	2
UEMOA	5.9	6	0.6	6	11.2	4	5.6	6	0.6	6	7.9	4
UMA	8.6	5	0.9	5	3.1	9	8.8	5	0.9	5	3.2	9
Total	100.0	na	10.5	na	na	na	100.0	na	10.1	na	na	na

na is not applicable.

— is not available.

Note: *REC is regional economic community.*

Source: *Economic Commission for Africa, from official sources.*

Table 8

Value of intracommunity trade in manufactures exports and imports, by country and regional economic community, 1994–99 (US$ millions)

Regional economic community/ country	Manufactures imports				Manufactures exports			
	1998	1999	Average 1994–99	Rank	1998	1999	Average 1994–99	Rank
CEMAC	29.3	28.6	28.9	na	17.7	12.4	44.8	na
Cameroon	2.2	1.8	1.7	4	13.9	8.7	41.8	1
Central African Rep.	6.7	6.5	8.2	2	1.4	1.4	1.0	3
Chad	13.5	13.5	12.3	1	—	—	—	—
Congo	1.1	1.1	1.1	5	0.3	0.3	0.3	4
Gabon	5.9	5.8	5.5	3	2.1	2.0	1.7	2
CENSAD	733.7	613.2	710.0	na	654.9	662.7	648.4	na
Central African Rep.	0.8	0.8	1.1	11	0.3	0.3	0.3	10
Chad	2.1	2.1	1.9	10				
Egypt	85.3	64.8	82.4	2	98.8	75.5	80.1	4
Libya	376.6	294.7	375.8	1	166.3	146.7	182.1	2
Mali	29.3	30.5	28.6	6	6.2	6.3	4.3	7
Morocco	74.7	68.9	66.1	4	116.6	142.9	141.3	3
Niger	11.7	10.9	12.4	7	2.7	44.3	8.6	6
Nigeria	11.4	5.9	8.4	9	0.4	3.1	1.1	9
Senegal	15.6	18.6	12.1	8	46.3	34.2	33.7	5
Sudan	36.4	22.2	49.3	5	0.1	13.8	3.0	8
Tunisia	89.9	93.9	71.9	3	217.4	195.6	194.0	1
COMESA	419.5	371.0	400.4	na	439.5	405.7	401.3	na
Egypt	3.6	2.1	2.8	11	12.1	10.8	8.2	8
Ethiopia	64.5	64.3	63.5	2	10.5	11.7	10.2	7
Kenya	14.4	24.1	14.6	8	180.5	164.8	152.1	1
Madagascar	8.2	5.2	4.4	10	2.8	2.1	2.9	10
Malawi	43.7	51.0	44.5	3	10.6	10.6	10.5	6
Mauritius	18.0	10.9	20.3	7	8.0	6.0	6.8	9
Seychelles	7.9	7.8	6.8	9	0.1	0.1	0.2	11
Sudan	36.7	22.4	37.2	4	17.0	24.8	18.3	4
Uganda	144.8	118.7	144.4	1	74.4	77.9	79.9	3
Zambia	36.8	39.8	32.9	5	16.3	15.7	16.0	5
Zimbabwe	40.8	25.0	28.9	6	107.2	81.2	96.2	2
EAC	214.3	188.3	216.6	na	305.3	253.3	288.9	na
Kenya	5.0	4.7	4.3	3	278.6	227.2	275.6	1
Tanzania	56.4	66.5	64.2	2	19.9	21.8	16.4	2
Uganda	152.9	117.1	148.1	1	6.8	4.3	5.1	3

Table 8 (continued)

Value of intracommunity trade in manufactures exports and imports, by country and regional economic community, 1994–99 (US$ millions)

Regional economic community/ country	Manufactures imports				Manufactures exports			
	1998	1999	Average 1994–99	Rank	1998	1999	Average 1994–99	Rank
ECCAS	31.5	31.3	30.8	na	19.8	14.2	50.0	na
Cameroon	2.2	1.9	1.7	5	14.5	9.0	45.5	1
Central African Rep.	8.1	8.4	9.5	2	1.4	1.4	1.1	4
Chad	13.5	13.5	12.3	1	—	—	—	—
Congo	1.8	1.8	1.8	4	1.7	1.7	1.5	3
Gabon	5.9	5.9	5.6	3	2.2	2.1	1.9	2
ECOWAS	284.1	290.9	278.0	na	570.5	717.8	371.6	na
Benin	23.4	19.4	28.5	2	2.4	6.3	3.5	8
Cape Verde	2.3	2.2	2.3	11	0.6	0.7	0.2	12
Côte d'Ivoire	9.7	10.6	9.17	9	385.3	398.4	194.9	1
Gambia	9.8	7.4	8.7	10	0.5	0.7	2.7	10
Ghana	21.3	31.9	19.4	5	24.3	102.9	44.8	3
Guinea	10.7	13.9	15.6	6	7.5	8.0	3.0	9
Guinea-Bissau	0.8	0.8	0.7	12	1.7	2.0	1.2	11
Mali	121.1	126.3	117.7	1	7.9	8.1	6.5	7
Niger	27.5	25.5	25.8	3	2.9	45.4	9.0	6
Nigeria	14.5	10.3	14.4	8	13.4	11.1	16.1	5
Senegal	15.2	22.3	14.7	7	92.9	95.5	70.5	2
Togo	27.8	20.3	21.0	4	31.1	38.6	19.3	4
IGAD	203.0	179.0	206.1	na	162.1	148.2	147.0	na
Ethiopia	60.4	60.2	60.0	2	7.4	7.5	6.9	4
Kenya	1.0	2.5	1.2	4	91.2	75.1	85.7	1
Sudan	4.5	2.7	6.5	3	8.8	12.8	9.2	3
Uganda	137.1	113.7	138.4	1	54.8	52.9	45.2	2
IOC	18.2	11.0	13.6	na	77.6	80.0	69.4	na
Madagascar	4.0	4.7	3.0	3	6.3	7.6	8.5	2
Mauritius	10.0	6.3	7.6	1	71.3	72.4	60.9	1
Seychelles	4.2	—	3.6	2	0.0	0.0	0.0	3
MRU	0.1	0.2	0.2	na	0.7	0.7	0.3	na
Guinea	0.1	0.2	0.2	1	0.7	0.7	0.3	—
SADC	2,002.6	1,819.7	1,838.3	na	2,200.9	2,150.8	2,189.9	na
Malawi	210.0	244.8	215.1	2	21.9	21.8	22.0	5
Mauritius	127.8	150.7	131.9	6	22.0	18.7	19.6	6
Mozambique	232.4	205.0	182.9	3	29.1	29.0	23.0	4
Seychelles	35.3	35.3	29.2	8	0.0	0.0	0.0	8

(continued on next page)

Table 8 (continued)

Value of intracommunity trade in manufactures exports and imports, by country and regional economic community, 1994–99 (US$ millions)

Regional economic community/ country	Manufactures imports				Manufactures exports			
	1998	1999	Average 1994–99	Rank	1998	1999	Average 1994–99	Rank
SADC *(continued)*								
South Africa	110.5	137.7	171.9	4	1,766.7	1,816.0	1,817.0	1
Tanzania	118.3	133.6	103.7	7	39.8	23.2	14.9	7
Zambia	155.0	210.0	142.9	5	29.0	28.5	28.6	3
Zimbabwe	1013.4	702.6	860.7	1	292.4	213.4	264.9	2
UEMOA	102.8	101.7	97.3	na	334.3	350.1	206.5	na
Benin	22.0	18.2	27.7	1	2.2	5.1	2.7	5
Côte d'Ivoire	7.9	8.6	7.4	6	244.1	252.4	135.7	1
Guinea-Bissau	0.0	0.0	0.4	7	0.8	0.9	0.6	7
Mali	26.5	27.7	24.7	2	7.7	7.9	5.7	4
Niger	18.7	17.4	14.8	3	2.3	4.5	1.5	6
Senegal	13.4	21.3	12.4	4	67.2	71.5	52.9	2
Togo	14.3	8.6	9.9	5	10.1	7.9	7.4	3
UMA	456.4	401.2	497.0	na	416.1	413.2	499.5	na
Algeria	22.5	32.1	88.4	2	19.6	18.2	24.1	4
Libya	266.2	208.3	265.7	1	81.6	71.9	89.3	3
Mauritania	3.6	3.5	3.2	5	0.95	0.9	0.5	5
Morocco	71.0	67.8	68.4	4	106.5	128.8	152.1	2
Tunisia	93.0	89.5	71.4	3	207.5	193.3	233.6	1

na is not applicable.
— is not available.
Source: *Economic Commission for Africa, based on UNCTAD data.*

Table 9

Shares of intracommunity manufactures exports and imports, by regional economic community, 1994–99 (%)

Regional economic community	Individual intracommunity manufactures exports in total Africa intracommunity manufactures exports		Intracommunity manufactures exports in total Africa REC manufactures exports		Individual intracommunity manufactures exports in total individual REC manufactures exports		Individual intracommunity manufactures imports in total Africa intracommunity manufactures imports		Intracommunity manufactures imports in total Africa REC manufactures imports		Individual intracommunity manufactures imports in total individual REC manufactures imports	
	Share	Rank	Share	Rank	Share	Rank	Share	Rank	Share	Rank	Share	Rank
CEMAC	0.9	11	0.2	11	17.0	7	0.7	10	0.0	10	1.5	10
CENSAD	13.3	2	2.6	2	6.8	9	16.5	2	1.0	2	2.3	8
CEPGL	—	—	—	—	—	—	—	—	—	—	—	—
COMESA	8.2	4	1.6	4	10.6	8	9.3	4	0.6	4	2.3	7
EAC	5.9	6	1.1	6	50.1	1	5.0	6	0.3	6	5.9	2
ECCAS	1.0	10	0.2	10	19.3	5	0.7	9	0.0	9	1.6	9
ECOWAS	7.4	5	1.4	5	28.1	3	6.5	5	0.4	5	2.6	5
IGAD	3.0	8	0.6	8	25.6	4	4.8	7	0.3	7	4.8	3
IOC	1.4	9	0.3	9	5.9	11	0.3	11	0.0	11	0.5	11
MRU	0.0	12	0.0	12	0.1	12	0.0	12	0.0	12	0.0	12
SACU	—	—	—	—	—	—	—	—	—	—	—	—
SADC	44.4	1	8.6	1	17.2	6	42.5	1	2.5	1	9.0	1
UEMOA	4.1	7	0.8	7	28.2	2	2.3	8	0.1	8	2.8	4
UMA	10.3	3	2.0	3	6.4	10	11.6	3	0.7	3	2.3	6
Total	100.0		19.3				100.0		5.9			

— is not available.

Note: *REC is regional economic community.*

Source: *Economic Commission for Africa, from official sources.*

Table 10

Shares of intracommunity food exports and imports, by regional economic community, 1994–99

Regional economic community	Individual intracommunity food exports in total Africa intracommunity food exports		Intracommunity food exports in total Africa REC food exports		Individual intracommunity food exports in total individual REC food exports		Individual intracommunity food imports in total Africa intracommunity food imports		Intracommunity food imports in total Africa REC food imports		Individual intracommunity food imports in total individual REC food imports	
	Share	Rank	Share	Rank	Share	Rank	Share	Rank	Share	Rank	Share	Rank
CEMAC	0.9	10	0.1	10	4.9	10	1.2	10	0.1	10	3.2	8
CENSAD	10.0	3	1.5	3	7.6	4	13.5	3	1.0	3	2.1	9
CEPGL	—	—	—	—	—	—	—	—	—	—	—	—
COMESA	18.0	2	2.6	2	8.1	3	21.9	2	1.7	2	6.0	4
EAC	6.9	5	1.0	5	8.1	2	3.9	8	0.3	8	7.3	2
ECCAS	1.0	9	0.1	9	5.6	7	1.3	9	0.1	9	3.3	7
ECOWAS	8.9	4	1.3	4	5.6	8	9.2	4	0.7	4	3.9	6
IGAD	6.5	6	1.0	6	6.9	6	4.4	7	0.3	7	6.5	3
IOC	0.6	11	0.1	11	2.2	12	0.5	11	0.0	11	1.5	10
MRU	0.1	12	0.0	12	7.4	5	0.0	12	0.0	12	0.1	12
SACU	—	—	—	—	—	—	—	—	—	—	—	—
SADC	35.6	1	5.2	1	15.5	1	33.4	1	2.6	1	12.9	1
UEMOA	5.4	8	0.8	8	4.7	11	4.6	6	0.4	6	4.2	5
UMA	5.9	7	0.9	7	5.6	9	6.1	5	0.5	5	1.3	11
Total	100.0		14.6				100.0		7.7			

— is not available.

Note: *REC is regional economic community.*

Source: *Economic Commission for Africa, from official sources.*

Table 11

Macroeconomic convergence criteria established by African regional economic communities

Macroeconomic criterion	COMESA[a]		ECOWAS	EAC	CEMAC	UEMOA
	Group adapted	Maastricht adapted				
Inflation (%)	< 10% average of three lowest inflation rates (5.4% in 1999)	Less than twice the ≤ 5% (2003)	≤ 10% (2000)	Single digit	≤3% (2002)	≤ 3 %
Fiscal balance[b] (% of GDP)	nc	nc	nc	nc	nc	= 0 %

Table 11 (continued)

Macroeconomic convergence criteria established by African regional economic communities

Macroeconomic criterion	COMESA[a] Group adapted	COMESA[a] Maastricht adapted	ECOWAS	EAC	CEMAC	UEMOA
Budget deficit / GDP	< –10%	< –3% ≤ –4% (2003)	≤ –5% (2000) < –5% (1998)	= 0% (2004)	= 0%	
External debt / GDP	nc	nc	nc	nc	nc	≤ 70 %
External debt payment arrears	nc	nc	nc	nc	0 (2004)	0
Annual debt service / exp. earnings (% of GDP)	< 20%	nc	nc	nc	nc	nc
Total debt (domestic and external)	nc	< 100% of GDP	nc	nc	≤ 70% (2004)	nc
Domestic debt payment arrears	nc	nc	nc	nc	0 (2004)	0
Revenue / GDP	nc	> 10% of GDP	≥ 20%	nc	nc	≥ 17%
Wage bill (% of tax revenue or % of GDP)	nc	nc	≤ 35%	nc	≤ 35%	≤ 35%
Capital expenditure (% of GDP)	nc	nc	≥ 20%	nc	nc	nc
Central bank finance of budget[c]	≤ 20%	nc	< 10%	nc	≤ 20%[d]	≤ 20 %
Real lending rate	> 0; positive	nc	> 0; positive	nc	nc	nc
Real deposit rate	> 0; positive	nc	> 0; positive	nc	nc	nc
Broad money growth (M3)	< 10%	nc	nc	nc	nc	nc
Public investment / tax revenue	nc	nc	≥ 20%	nc	nc	≥ 20% (2002)
Gross domestic investment / GDP	nc	nc	nc	nc	nc	≥ 20%
Net claim on govt. by banks	< 10% of GDP	nc	nc	nc	nc	nc
External current account (% of GDP)	nc	nc	nc	nc	nc	≥ –5%
Currency convertibility period	nc	Full convertibility by 2014	nc	nc	Already convertible	Already convertible
Exchange rate stability period	nc	3 years; against US$	Jan. 2003	nc	nc	nc
Current account liberalization	nc	Fully liberalized	nc	nc	nc	nc
Capital account liberalization	nc	Fully liberalized	nc	nc	nc	nc
Gross foreign exchange reserve (in months of imports)	nc	nc	> 3 (2000) ≥ 6 (2003)	Equivalent to six months of imports	nc	nc

nc is not covered.

a. For COMESA, the criteria indicated under the heading "Group adapted" are those specified in the 1995 study on the review of the Monetary Harmonisation Programme. The criteria indicated under the heading "Maastricht adapted" refer to a modified set of Maastricht Criteria spelled out in the 2001 study on progress towards a single currency in COMESA .

b. Defined as total revenue (excluding grants) minus total expenditure excluding foreign-finance investment.

c. Percentage of previous year's fiscal revenue.

d. Institutionally determined by agreement with French Treasury.

Source: *Economic Commission for Africa, from official sources; Masson and Pattillo 2001.*

Table 12

Value traded in African stock markets, 1989–98 (US$ millions)

Market	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Botswana	—	—	8	15	20	31	38	31	74	70
Côte d'Ivoire	5	18	7	4	6	12	14	19	24	39
Egypt	81	126	—	195	170	757	677	2,463	5,859	5,028
Ghana	—	—	0	0	5	75	22	17	47	60
Kenya	229	10	11	12	14	62	65	67	104	79
Mauritius	—	6	5	10	39	85	70	78	137	102
Morocco	16	62	49	70	498	788	2,426	432	1,048	1,385
Namibia	—	—	—	—	—	18	3	41	24	13
Nigeria	4	11	9	14	10	18	14	72	132	161
South Africa	7,095	8,158	8,051	7,767	13,049	15,607	17,048	27,207	44,893	58,444
Swaziland	—	—	0	0	0	2	—	2	378	0
Tunisia	32	19	30	33	46	296	663	281	285	188
Zambia	—	—	—	—	—	—	—	3	9	—
Zimbabwe	36	51	77	20	53	176	150	255	532	166

— is not available.
Source: *International Finance Corporation 1998.*

Table 13

Performance on selected macroeconomic convergence criteria, 1994–2000 (simple averages)

Regional economic community/ country	Inflation rate (%)			Budget deficit (% of GDP)			Debt (% of GDP)		
	Average	Within-REC rank	All-Africa rank	Average	Within-REC rank	All-Africa rank	Average	Within-REC rank	All-Africa rank
CEMAC	12.8	na	na	–2.3	na	na	108.8	na	na
Cameroon	5.7	1	12	–2.8	3	18	105.9	4	29
Central African Republic	6.0	2	14	–3.3	4	25	79.3	2	23
Chad	9.4	3	28	–4.9	5	35	65.5	1	15
Congo	19.0	5	36	–7.3	6	40	214.7	6	46
Equatorial Guinea	25.6	6	41	2.2	2	3	106.5	5	31
Gabon	11.2	4	29	2.3	1	2	80.9	3	24
CENSAD	10.0	na	na	–3.5	na	na	80.9	na	na
Benin	9.5	12	24	–0.3	1	6	73.0	8	20
Burkina Faso	4.6	5	7	–2.8	7	19	44.8	2	10
Central African Republic	6.0	7	14	–3.3	11	25	79.3	11	23
Chad	10.2	14	28	–4.9	15	35	65.5	7	15
Djibouti	3.2	2	2	–4.2	13	31	57.8	6	13
Egypt	6.1	8	15	–0.7	3	8	47.0	3	9
Eritrea	9.8	13	26	–18.9	17	50	19.7	1	4
Gambia	3.4	3	4	–4.5	14	33	108.2	14	32
Libya	—	—	—	—	—	—	—	—	—
Mali	7.4	9	18	–3.0	9	20	112.2	15	33

Table 13 (continued)

Performance on selected macroeconomic convergence criteria, 1994–2000 (simple averages)

Regional economic community/ country	Inflation rate (%)			Budget deficit (% of GDP)			Debt (% of GDP)		
	Average	Within-REC rank	All-Africa rank	Average	Within-REC rank	All-Africa rank	Average	Within-REC rank	All-Africa rank
CENSAD *(continued)*									
Morocco	2.1	1	1	–3.2	10	23	56.4	5	12
Niger	7.9	10	19	–2.4	6	17	78.5	10	22
Nigeria	22.0	15	39	–0.5	2	7	106.2	13	30
Senegal	5.7	6	13	–0.8	4	9	74.8	9	21
Somalia	—	—	—	–3.9	12	29	—	—	—
Sudan	49.7	16	47	–1.5	5	12	213.3	16	45
Togo	9.1	11	23	–5.1	16	38	102.8	12	28
Tunisia	3.9	4	6	–3.0	8	16	54.3	4	11
CEPGL	14.2	na	na	–6.8	na	na	129.7	na	na
Burundi	14.5	2	33	–5.9	2	39	115.4	2	34
Congo, Dem. Rep.	—	—	—	–14.5	3	50	200.9	3	43
Rwanda	13.9	1	32	–4.9	1	36	72.9	1	19
COMESA	15.4	na	na	–5.7	na	na	100.0	na	na
Angola	—	—	—	–14.1	18	49	195.8	17	42
Burundi	14.5	13	33	–5.9	14	39	115.4	12	34
Comoros	6.5	7	17	–4.2	9	30	93.6	11	27
Djibouti	3.2	1	2	–4.2	10	31	57.8	7	13
Congo, Dem. Rep.	—	—	—	–14.1	19	50	200.9	18	43
Egypt	6.1	5	15	–0.7	1	8	47.0	5	9
Eritrea	9.8	8	26	–18.9	20	51	19.7	2	4
Ethiopia	4.8	3	8	–5.1	13	37	139.9	14	38
Kenya	13.2	11	31	–1.9	3	13	72.6	9	18
Madagascar	19.6	15	37	–4.7	11	34	127.2	13	35
Malawi	38.0	18	46	–8.2	16	43	154.7	15	40
Mauritius	5.1	4	10	–3.6	7	27	47.0	4	8
Namibia	9.9	9	27	–3.8	8	28	—	—	—
Rwanda	13.9	12	32	–4.9	12	36	72.9	10	19
Seychelles	3.9	2	5	–10.2	17	45	30.1	3	5
Sudan	49.7	19	47	–1.5	2	12	213.3	19	37
Swaziland	12.1	10	30	–2.2	4	14	19.0	1	3
Uganda	6.1	6	16	–2.3	5	15	57.2	6	7
Zambia	30.1	16	44	–3.3	6	26	176.3	16	41
Zimbabwe	31.1	17	45	–7.9	15	42	60.3	8	14
EAC	12.7	na	na	–1.7	na	na	87.0	na	na
Kenya	13.2	2	31	–1.9	2	13	72.6	2	18
Tanzania	18.7	3	35	–0.9	1	10	131.3	3	36
Uganda	6.1	1	16	–2.3	3	15	57.2	1	7

(continued on next page)

Table 13 (continued)

Performance on selected macroeconomic convergence criteria, 1994–2000 (simple averages)

Regional economic community/ country	Inflation rate (%)			Budget deficit (% of GDP)			Debt (% of GDP)		
	Average	Within-REC rank	All-Africa rank	Average	Within-REC rank	All-Africa rank	Average	Within-REC rank	All-Africa rank
ECCAS	17.5	na	na	–6.5	na	na	172.6	na	na
Burundi	14.5	6	33	–5.9	7	39	115.4	7	34
Cameroon	5.7	1	12	–2.8	3	18	105.9	5	29
Central African Republic	6.0	2	14	–3.3	4	25	79.3	3	23
Chad	10.2	3	28	–4.9	5	35	65.5	1	15
Congo	19.0	7	36	–7.3	8	40	214.7	9	46
Congo, Dem. Rep.	—	—	—	–14.1	9	50	200.9	8	43
Equatorial Guinea	25.6	8	41	2.2	2	3	106.5	6	31
Gabon	11.2	4	29	2.3	1	2	80.9	4	24
Rwanda	13.9	5	32	–4.9	6	36	72.9	2	19
São Tomé and Principe	51.4	9	48	–29.9	10	52	527.0	10	49
ECOWAS	11.3	na	na	–4.9	na	na	113.3	na	na
Benin	9.5	10	24	–0.3	1	6	73.0	3	20
Burkina Faso	4.6	3	7	–2.6	5	19	50.6	2	10
Cape Verde	5.1	4	9	–12.4	15	48	43.3	1	6
Côte d'Ivoire	9.0	8	22	–3.0	7	21	147.1	13	39
Gambia	3.4	2	4	–4.5	9	33	108.2	10	32
Ghana	27.2	14	43	–7.9	11	41	89.5	7	26
Guinea	3.2	1	3	–3.1	8	22	83.1	6	25
Guinea-Bissau	22.6	13	40	–12.2	13	46	381.1	14	48
Liberia	—	—	—	–12.4	14	47	—	—	—
Mali	7.4	6	18	–3.0	6	20	112.2	11	33
Niger	7.9	7	19	–2.4	4	17	78.5	5	22
Nigeria	22.0	12	39	–0.5	2	7	106.2	9	30
Senegal	5.7	5	13	–0.8	3	9	74.8	4	21
Sierra Leone	21.8	11	38	–9.3	12	44	135.8	12	37
Togo	9.1	9	23	–5.1	10	38	102.8	8	28
IGAD	14.5	na	na	–5.0	na	na	92.7	na	na
Djibouti	3.2	1	2	–4.2	4	31	57.8	3	13
Eritrea	9.8	4	26	–18.9	7	51	15.5	1	4
Ethiopia	4.8	2	8	–5.1	7	37	139.9	5	38
Kenya	13.2	5	31	–1.9	2	13	72.6	4	18
Somalia	—	—	—	–4.9	6	29	—	—	—
Sudan	49.7	6	47	–1.5	1	12	213.3	6	45
Uganda	6.1	3	16	–2.3	1	15	57.2	2	7
IOC	8.8	na	na	–5.7	na	na	74.7	na	na
Comoros	6.5	3	17	–4.2	3	30	93.6	3	27
Madagascar	19.6	4	37	–4.7	4	34	127.2	4	35

Table 13 (continued)

Performance on selected macroeconomic convergence criteria, 1994–2000 (simple averages)

Regional economic community/ country	Inflation rate (%)			Budget deficit (% of GDP)			Debt (% of GDP)		
	Average	Within-REC rank	All-Africa rank	Average	Within-REC rank	All-Africa rank	Average	Within-REC rank	All-Africa rank
IOC *(continued)*									
Mauritius	5.1	2	10	–3.6	2	27	47.0	2	8
Seychelles	3.9	1	5	–10.2	7	45	30.1	1	5
MRU	12.5	na	na	–6.7	na	na	109.5	na	na
Guinea	3.2	1	3	–3.1	1	22	83.1	1	25
Liberia	—	—	—	–12.4	3	47	—	—	—
Sierra Leone	21.8	2	38	–9.3	2	44	135.8	2	37
SADC	16.8	na	na	–4.3	na	na	102.7	na	na
Angola	—	—	—	–14.1	13	49	195.8	11	42
Botswana	9.6	5	25	1.9	1	4	10.7	1	1
Congo, Dem. Rep.	—	—	—	–14.5	14	50	200.9	12	43
Lesotho	8.8	4	21	–1.4	3	11	65.7	7	16
Malawi	38.0	12	46	–8.2	11	43	154.7	11	40
Mauritius	5.1	2	10	–3.6	7	27	47.0	4	8
Mozambique	26.3	9	42	–3.2	5	24	227.6	12	47
Namibia	9.9	6	27	–3.8	8	28	—	—	—
Seychelles	3.9	1	5	–10.2	12	45	30.1	3	5
South Africa	7.9	3	20	–4.4	9	32	15.5	1	2
Swaziland	12.1	7	30	–2.2	4	14	19.0	1	3
Tanzania	18.7	8	35	–0.9	2	10	131.3	11	36
Zambia	30.1	10	44	–3.3	6	26	176.3	12	41
Zimbabwe	31.1	11	45	–7.9	10	42	60.3	2	14
UEMOA	9.5	na	na	–3.7	na	na	127.5	na	na
Benin	9.5	7	24	–0.3	1	6	73.0	2	20
Burkina Faso	4.6	1	7	–2.8	3	19	50.6	1	10
Côte d'Ivoire	9.0	4	22	–3.0	5	21	147.1	7	39
Guinea-Bissau	22.6	7	40	–12.2	7	46	381.1	7	48
Mali	7.4	3	18	–3.0	5	20	112.2	5	33
Niger	7.9	4	19	–2.4	4	17	78.5	4	22
Senegal	5.7	4	13	–0.8	3	9	74.8	4	21
Togo	9.1	5	23	–5.1	7	38	102.8	5	28
UMA	7.1	na	na	0.2	na	na	97.4	na	na
Algeria	16.8	4	34	0.7	2	5	68.9	3	17
Libya	—	—	—	—	—	—	—	—	—
Mauritania	5.5	3	11	3.9	1	1	210.0	4	44
Morocco	2.1	1	1	–3.2	4	23	56.4	2	12
Tunisia	3.9	2	6	–3.0	3	16	54.3	1	11

na is not applicable.
— is not available.
REC is regional economic community.
***Source:** Economic Commission for Africa, from World Bank Africa database, 2002.*

Table 14

Mining legislation and fiscal issues, by regional economic community

Regional economic community	Investment code date	Corporate tax rate (%)	Royalty (%)	Government interest (%) Free carried	Participation	Maximum	Sales tax/VAT Basis	Rate (%)
UMA	1995–99	35–45	Negotiable or none	0	Negotiable or none	Negotiable or none	FOB value or none	16–20 depending on goods
COMESA	1991–95	30–45	3.5–15	Negotiable or 0–50	Negotiable or 0–60	0–60	Sales revenue or gross value net profit	Exempt or 17
ECCAS	1990–98	35–45	0.5–5	na or 25	na or 25	na or 25	Value of mineral production at mine gate or ad valorem	Exempt or minerals produced
ECOWAS	1983–95	30–45	0–15	0–33	0–33	Negotiable or 0–30	Ad valorem; value of mineral production; FOB value; or final selling price of the commodity	0; exempt during exploration; 10 on imported equipment; or other
SADC	1982–97	30–40	2–10	0	Negotiable or none	Negotiable or none	Gross market value; gross sales revenue; volume of run of mine of concentrate; net book value of minerals ex-mine; or other	0–20

na is not applicable.

Source: *Economic Commission for Africa, from Resource Service Group of Australia.*

Import duties (%)	Withholding tax (%) Dividends	Interest	Services	Profits	Royalties	External retention accounts	Other taxes (%)
0–10	10	—	—	Yes and negotiable	—	—	Numerous, but concessions for investment
0–10	0–15	0–15	na–15	—	—	Yes; capital gains tax and others	0–10
Exempt or applicable to certain products	na	na	na	na	na	na	na
Exempt for mining equipment; 0.5 or 5 (typical)	0–18	10–18	na or 15	na	na or 15	na or yes	Additional profit tax of 25–50 over 20 return; 10 capital gains tax; or other
0–5	10–20	0–20	3–20	na or 18 in Mozambique	0–50	Yes	Mining development fund; undistributed profit tax (33.3); branch profits tax (8.4); development levy (5)

References

International Finance Corporation. 1998. *Emerging Stock Markets Factbook 1999.* Washington, D.C.

Masson, P., and C. Pattillo. 2001. "Monetary Union in West Africa (ECOWAS): Is It Desirable And How Could It Be Achieved." Occasional Paper No. 204. International Monetary Fund, Washington, D.C.

Tsikata, Yvonne M. 2001. "Globalisation, Poverty, and Inequality in Sub-Saharan Africa: A Political Economy Appraisal." Technical paper no. 183. December. OECD Development Centre, Paris.

UNCTAD (United Nations Conference on Trade and Development). 1995. *Commodity Yearbook.* Geneva.

UNECA (United Nations Economic Commission for Africa). 2002. *Economic Report on Africa: Tracking Performance and Progress.* Addis Ababa.

United Nations. 1990. "Report on Africa's Commodity Problems: Towards a Solution." UN General Assembly 70th plenary meeting, December 19, New York. A/RES/45/178.