

# ***African Economic Conference 2013***

## ***Regional Integration in Africa***

***Montecasino Entertainment Complex, Johannesburg, South Africa***  
***28 – 30 October 2013***

### ***Guidance for Panelists***

#### **OPENING PLENARY – Leadership of Regional Integration**

Monday, 28 October 2013 (10:00 – 11:00)

Room: Montecasino Ballroom

The purpose of this Panel is to examine how best Africa should examine its emerging strengths, in terms of human resources, strategic positioning and political will, to raise the socio-economic welfare of its people in a rapidly integrating world.

- What is the most effective way to promote Africa's political and economic needs today and in the years ahead within a fast-changing global economy?

The Panel will also examine the question of the role of leadership (that is informed, steeped in Africa's collective needs and standing, and also visionary) for pushing Africa's role in the emerging multipolar world.

- What are the implications for its leadership of Africa's emergence as a growth pole in its own right?
- Which approaches will ensure the most benefit in international trade negotiations on transparency, tariffs and non-tariff barriers?

It has been said that "all politics is local."

- How is African leadership transcending the local and the national (the so-called temptations of nationhood) in favour of region/continent to enhance competitiveness and growth?
- What role are supranational structures playing in enhancing regional integration?
- How are they helping Africa respond to the challenges and opportunities in the global economy?
- Regional infrastructure and regional public goods are a crucial element of regional integration.
- What role can governments play in extending regional infrastructure—transport, power and telecommunications—as part and parcel of regional economic development?

## **FIRST PLENARY SESSION – Leveraging Regional Integration for Inclusive and Sustainable Growth in Africa**

Monday, 28 October 2013 (11:15 – 13:15)

Room: Montecasino Ballroom

In the last five years, while the global economy struggled, African economies grew consistently at respectable rate of 5%. But, Africa could do better both in terms of growth acceleration and poverty reduction had it put effort to advance economic integration within its borders. The long-drawn recovery and further risk of economic hardships in the traditional trading partners of Africa suggest that policy makers need to refocus their attention to regional integration as a vehicle for sustainable and inclusive growth. Regional integration has multifaceted welfare benefits:

- It could be a source of opportunities in the trading of goods and services particularly those produced by small-holder farmers and small businesses whose growth is crucial for promoting inclusive growth.
- Unimpeded cross-border mobility of people could help large and medium-size firms to compete in the global market which would be the basis for industrial transformation of the African continent.
- Free movement of capital would reduce the cost of borrowing for investors as well as risk by offering diversification opportunities, etc.

Currently the evidence suggests that intra-African trade among regional economic communities is barely 10% which is half of what it is in Asia or Latin American countries. While the bulk of migration in Africa is within Africa, migration rates among Africans is the lowest in the world. This has certainly undermined labour market integration and by implication global competitiveness of firms in Africa. FDI within Africa hardly existed until recently and it is one of the lowest anywhere else in the world. Regional integration has another less emphasized but extremely powerful benefits for some countries: peace and security. Studies have shown that disputes cross borders are the major sources of strife, armed rebellion and low-intensity conflict in the continent. Regional integration could help eventually reduce ethnic tensions, political rivalries and inclusion of remote areas in the development process.

Thus, the session on “leveraging regional integration for inclusive growth and sustainable development” is expected to deepen our knowledge on the benefits and risk of regional integration in Africa, and offer insights into the following key policy challenges:

- How does regional integration facilitate inclusive growth and sustainable development?
- Why so little regional integration in Africa?
- Is there a need for reforming and retooling existing regional economic communities?
- Which dimensions of regional integration need emphasis and policy dialogue?
- What should multilateral and regional development institutions do to advance regional integration?
- Other related issues to regional integration

## **SECOND PLENARY SESSION – Regional Integration for Africa's Transformation: Trans-Boundary Value Chains, Shared Infrastructure and Transformative Development Corridors**

Monday, 28 October 2013 (14:30 – 16:30)

Room: Montecasino Ballroom

Regional cooperation and integration has been among the central concerns of Africa's development essentially as an instrument of faster collective growth and shared prosperity. Utilizing the integration process, African countries hope to create an economic and market space large enough to make it possible to establish viable production capacities in industry and in the primary sector, especially through exploiting complementary resources. It can also make it possible to collectively build transport, communication and energy infrastructure, which would otherwise be too costly for individual countries to undertake. The first generation of integration arrangements focused primarily on promotion of trade, principally through liberalization schemes.

However, currently the Africa region is confronted by an enormous challenge to develop faster and more inclusively, induced by the implacable advance of globalization, liberalization of international trade, and more significantly by the need for eradication of poverty and for enhancing and sustaining human welfare. In view of this, it has become imperative to revamp Africa's integration process – and speed up its tempo through bold and urgent steps.

The panel is invited to discuss the following questions:

- What are some of the challenges to faster regional integration for transforming Africa?
- What should Africa do to enhance trans-boundary value chains and enhance faster shared regional growth and transformation?
- What are the impediments to shared infrastructure initiatives?
- What are the impediments to transformative development corridor initiatives?
- What mechanisms (arrangements, policies and strategies) should be in place to address these challenges to enhance Africa's regional integration and transformation?
- Regional integration and transformation: The potential for regional integration to achieve Africa's transformation and shared prosperity is clearly undeniable. How best can Africa exploit and address the emerging opportunities to and mega-trends for accomplishing Africa's transformation?

(Demographic dynamics in Africa; rapid urbanization; greater role of the private sector; increasing pressure on Africa's natural resources, including land and water due to the compound effect of population growth, climate change, and rising demand for primary commodities; and, at a global level, emergence of new "growth poles" – most notably the BRICS and strengthening partnerships with Africa.)

## **THIRD PLENARY SESSION – Towards Implementation: The Political Economy of Regional Integration**

Tuesday, 29 October 2013 (8:30 – 10:30)

Room: Montecasino Ballroom

Intra-Africa integration lags behind the rest of the world as evidenced by movement of goods and services across borders. Despite being home to 14% of the global population, Africa accounts for only 3% of the global GDP and receives only 3% of foreign direct investment, accounts for only 1.8 % of imports and 3.6 % of exports (lower rates for services: 1.7% and 1.8% of imports and exports, respectively). Intra-African trade is only 12% compared to 60%, 40%, 30% intra-regional trade in Europe, North America and ASEAN, respectively. Taking into Africa's unrecorded informal cross-border trade would bring this figure up to approximately 20%, still lower than other regions.

There are eight recognized AU RECs – trade blocs and political – implementing the Abuja Treaty with varying degrees of success, e.g. EAC most advanced Community launched its Common Market in 2010, COMESA launched its Customs Union on June 2009. ECOWAS and SADC have made progress in building their FTAs and plan to launch their Customs Union in 2015 and 2013, respectively. ECCAS has launched its FTA in 2004 but is facing enormous challenges in implementing it. UMA, CEN-SAD and IGAD are moving slowly and still in the stage of cooperation amongst their member states.

- What are some the political impediments to faster regional integration?
- What are the mechanisms in place to address these challenges including best practice?
- What particular issues do regional institutions, member states and civil society need to address?

RECs face significant non-tariff barriers to trade that affect the livelihoods of border communities and also act as a barrier to enhancing food security, agricultural and economic transformation. Responses include tripartite arrangement – 3 RECs have adopted a program on elimination of NTBs including web-based reporting by stakeholders and monitoring elimination. ECOWAS has a National Committees NTBs.

- What is impact of non-tariff barriers on livelihoods, food security, agricultural and economic transformation?
- What are some of the best practices in addressing non-tariff barriers that engage communities and member states effectively?
- What is needed to enhance the effectiveness of regional institutions and deepen the engagement of member states and civil society?

Significant advances have been made in promoting free movement of people and factors of production in some RECs (ECOWAS EAC and AMU), but not in others (SADC, ECCAS, CEN-SAD, IGAD and COMESA).

- What are the institutional and political obstacles and how can these be addressed effectively?
- What is the role of regional institutions, member states and civil society in promoting free movement of people and factors of production?

## **FOURTH PLENARY SESSION – The Role of the Private Sector in Enhancing Regional Integration**

Tuesday, 29 October 2013 (14:00 – 16:00)

Room: Montecasino Ballroom

Regional integration in Africa is often thought of as a political process, involving states and regional institutions. But the outcomes of regional integration rely on private sector involvement and buy-in. Companies are driving cross-border investment and trade, and also some forms of migration and capital flows. In addition, causality between the political and private sector spheres of regional integration can run either way: In Europe, political institutions came first; and regional integration centered on a cross-country agreement, involving states and the private sector, to promote a regional coal industry; in Asia, regional integration has been driven by firms developing regional value chains, with political processes and formal institutions coming only much later.

In Africa, the private sector is already helping to advance regional integration; but this role may be enhanced further. Private sector actors point out important non-tariff barriers in the form of inefficient customs procedures, cumbersome rules of origin, inadequate infrastructure and bottlenecks, and costly shipping. Developing regional production networks in Africa requires regional economic communities (RECs) to focus on these, and other, important non-tariff issues together with the private sector. These enable supply chain trade between countries through agreements on intellectual property protection, free capital movement, regulated competition policy, migration and visas, ICT, trade-related finance, and customs clearance services. Some demand to enhance the role of the private sector by giving it formal access to regional bodies. It is proposed that this way their input and advice on these matters may be more effectively incorporated into regional agendas and policies.

The private sector can also play an important role in advancing the type of institutions which African RECs need to ensure that regional agreements are more effectively implemented. “Rules-based” institutions can promote member state accountability through creating mechanisms within a legal architecture capable of enforcing agreements and penalizing derogations from them. A prominent proposal is to bring the private sector into regional dispute resolution forums in order to hold REC member states to account without politically fraught State involvement.

Others are more cautious about the role of the private sector in regional integration, and point to its role in lobbying in the interests of individual pressure groups, thereby derailing regional tariff reductions and regional industrial policy. Recent work also shows the role they can play in aggravating non-tariff barriers through collusive practices.

This raises a number of vital questions panelists should address:

- What should the role of the private sector play in regional integration? How may the private sector “push” for regional integration? Which outcomes does this bring about?
- What successful examples can we learn from? Which instances of private sector involvement in regional integration – be they from Africa or beyond – may be named as best practices?
- What kinds of institutions are necessary? Which institutions may allow the private sector to participate more fully in regional integration? In which cases are institutions needed to limit the activities of the private sector?
- Is there a case for regional industrial policy? Is it possible for competing private sector interests from member RECs to work together to advance a regional industrial policy (as promoted by the Tri-Partite Agreement)?

## **FIFTH PLENARY SESSION – Making Industrialization and Trade Transform Africa**

Wednesday, 30 October 2013 (8:30 – 10:30)

Room: Montecasino Ballroom

Despite the high and sustained growth during the past decade, most Africa economies are still driven by commodity production and export of agricultural and mining products. There is a growing consensus that for Africa's sustained economic growth over the last decade to be inclusive and sustainable over the long term, there is need for diversification of Africa's production and export base, reduced dependency on few commodities, addition of value to particularly main exports, and regional integration for expanding intra-African market-base. These, among other measures, will lead to transformation of Africa, expansion of trade volumes and opportunities and bring about shared prosperity for all Africans. African leaders have declared industrialization and trade to be key strategies to achieving these aspirations, and even adopted the Action Plan for Accelerated Industrial Development of Africa (AIDA) to seize emerging opportunities to foster industrial development as an effective, socially responsible and sustainable means to economic transformation. Furthermore, Africa is pursuing an integration agenda as a collective development and transformation strategy leading to the eventual creation of a continental market. Regional integration helps develop larger markets, foster greater competition and improve policy stance in many areas of the development agenda. And indeed, the pressure of globalization is forcing firms and countries to seek efficiency through larger markets and enhanced competition. A modern manufacturing plant will have to produce a larger output than the low level of domestic demand that a single underdeveloped country can absorb. Pooling economies and markets together through trade and regional integration thus provides a sufficiently wide economic and market space to make it possible for trade to exploit economies of scale.

The panel is invited to discuss the following:

- What are the key constraints to industrialization and trade for Africa's transformation – and what role should Governments and other non-State actors play in addressing those binding constraints to trade and industrial development?
- What lessons can Africa draw from previous experience including East Asian to inform Africa's industrialization drive, especially in addressing the key challenges (in terms of policy and implementation)?
- How best can Africa deal with the opportunities and challenges presented by globalization – in particular, harnessing the growing cooperation with its Southern partners like the BRICs and others?
- With regard to FfD, how can African countries reinvigorate the role of DFIs, as well as improve the mobilization of domestic resources to promote trade and industrial development – at the national, regional and continental levels?

## **SIXTH PLENARY SESSION – Transboundary Management of Regional Public Goods and Natural Resources**

Wednesday, 30 October 2013 (14:00 – 16:00)

Room: Montecasino Ballroom

Africa's rich renewable and non-renewable natural resources that fuel growth and development traverse national boundaries, as such effective joint management arrangements are critical in promoting sustainable and equitable utilization in the context of increasing populations and changing climate. Africa's approximately 80 transboundary water basins cover approximately 64% of the continent's land area, which contain 93% of the water resources and are inhabited by 77% of the population (Africa Water Atlas, 2010). The water basins include forests, biodiversity, serve as carbon sinks and support agricultural productivity and food security. Climate change already impacts Africa's water resources through recurring droughts and floods. The increasing drying of some regions contributes to the arid land area that currently covers 60% of total land in Africa. Droughts in Africa affect over 30% of the population while floods have severe impacts on the livelihoods of the communities.

There are increasing water demands on transboundary rivers and lakes due to increasing populations, settlement patterns that could lead to loss of biodiversity and diminished ecosystem services which would affect livelihoods. Examples include recent droughts experienced in the Horn of Africa and the Sahel that impacted livelihoods and reduced the ability to cope with consecutive dry years as a result of reduced recovery time between the events.

- What are best practices in managing transboundary natural resources around water basins? What are the challenges and how can these be effectively addressed?
- What are some of the successful (and unsuccessful) experiences in transboundary natural resources management from Africa and beyond, in the face of climate change?
- How can the sharing of benefits be ensured for all the actors and the local communities living adjacent to the transboundary resources?
- How can financing be secured for the proactive management of the shared resources? What role can the private sector play?
- What is the role of land use planning in transboundary resources management considering the capacity of the regulatory authorities?
- What are the most pressing institutional support actions for regional institutions?

Addressing physical infrastructure deficit at national, regional and continental levels is critical for enhancing the pace of economic transformation. Several regional and sub-regional infrastructure development initiatives are currently being rolled out that engage two or more countries, e.g. power generation, roads and railway networks, as well as oil refining.

- What are the impediments to the implementation of RECs infrastructure development programs and how can these bottlenecks be effectively addressed?
- What are the prospects for including renewable energy in RECs infrastructure priorities?

Regional financial infrastructure and integration has an important role to play in promoting regional integration and mobilization of resources for regional initiatives. RECs are at different stages of Monetary Integration Frameworks Cooperation integration, e.g. COMESA has a Multilateral Fiscal Surveillance Framework; a Financial System Development and Stability Plan; an Assessment Framework for Financial System Stability; the COMESA Monetary Institute towards implementing the COMESA Monetary Cooperation Programme. Preparations for the transition to the EAC Monetary Union are underway including negotiations for the EAMU Protocol and review of the EAC macroeconomic convergence criteria. ECOWAS plans to launch the second monetary zone (WAMZ) by 2015 and launch the larger monetary zone by merging the CFA and the WAMZ zones by the year 2020.

- Define the important role of financing integration, regional and domestic resource mobilization in advancing regional integration and transboundary management of public goods.
- What are some of the best practices in promoting financial integration at regional level?

The role of collaboration in enhancing the quality, reliability and comparability of statistics for monitoring and evaluation process is emphasized by the African Charter on Statistics, adopted by Heads of State and Government in February 2009. But only 22 countries have signed and only six have ratified. A strategy for the harmonization of statistics in Africa (SHaSA) was adopted by Heads of State and Government in July 2010

- Define the role of enhanced quality of statistics in promoting effective management of transboundary resources.
- What are the barriers to improving the quality of statistics at regional level and how can these be effectively addressed?

Significant progress is registered in CAADP implementation related to attaining Maputo targets of allocating at least 10% annual public sector budget to agriculture and at least six percent annual sectoral growth respectively. So far nine countries have reached or surpassed the 10% target, nine are spending between five and 10 percent and 29 countries have devoted less than five percent of their total budgets to agriculture. Twenty-nine countries have signed national CAADP compacts, of these, 21 have completed the formulation of CAADP-based country investment plans which have also been independently reviewed.

- How can regional institutions act as a catalyst to enhance implementation of CAADP?

Some issues highlighted in AU Report on Status of Regional Integration moderator could use to follow up/guide discussions:

Regional integration challenges:

- Harmonization of policies;
- Inadequate political will to implement integration decisions;
- Apprehension on the part of States to cede some of their competencies;
- Absence/ inefficiency of compensation mechanisms for the temporary losers in the integration process;
- Inadequate physical integration infrastructure;
- Lack of ownership of regional projects at the grassroots level: this could be explained by the top-down approach used in developing the various regional and continental policies and programs with poor involvement of the private sector and civil society organizations;
- Lack of ownership of regional programs at national level;
- Inadequate financial resources; and
- Inadequate human resources.

Recommendations:

- RECs' role as a thinktanks needs to be strengthened;
- Long- and medium-terms planning should be emphasized in translating the community strategies and policies into a real comprehensive development program;
- RECs' role of monitoring and evaluation of the integration process should be strengthened;
- Member states should prioritize the implementation of Regional programs at national level;
- Member states need more assistance in implementing regional policy frameworks through increased advocacy and technical assistance at the national level;



- Ongoing work on the AU alternative sources of financing should be supported by the RECs and member states in order to finance integration programs and translate them into reality; and
- RECs, which have not done so, also should start reflecting on putting in place their own alternative sources of financing.

#### Sources

- Status of Integration in Africa V (African Union Commission, 2013)
- Water and Sustainable Development in Africa: An African Position Paper. Africa Water Task Force. August 2002.
- Africa Water Atlas (UNEP)
- Transboundary Natural Resources Management in a Changing Climate – The Case of Shared Watersheds in Africa, CoP-18 Side Event Concept Note, AfDB 2013