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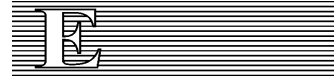
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Assessment of progress on regional integration in Africa

1. Africa's regional economic communities (RECs) are undertaking various activities and programmes in many areas of integration. This report is intended to capture the progress made in key integration areas, such as trade, investment promotion, infrastructure, the free movement of persons, macroeconomic convergence, agriculture and food security, peace and security, social affairs, tourism, industry and planning, and monitoring and evaluation. Progress made, challenges encountered and the future outlook in each of the abovementioned sectors are analyzed. The report also assesses the status of integration at the continental level, especially at the level of the African Union Commission (AUC), by capturing the progress made in the implementation of the key African Union integration programmes and initiatives. Finally, some best practices and experience in regional integration in Africa are highlighted, including the Tripartite Free Trade Area initiative involving the Common Market for Eastern and Southern Africa (COMESA), the East African Community (EAC) and the Southern Africa Development Community (SADC). The report looks at progress made in the tripartite negotiation process as well as the implementation of various agreed programmes.

A. Status of integration in the regional economic communities

2. The African countries as an economic bloc occupy a very low position in the global mainstream. The African continent is home to 14 per cent of the global population; it accounts for less than 3 per cent of the global GDP and receives only 3 per cent of foreign direct investment. Where global trade in goods is concerned, the continent accounts for only 1.8 per cent of imports and 3.6 per cent of exports. These rates are even lower in the services sector: 1.7 per cent and 1.8 per cent of imports and exports respectively. Beyond the relatively unfavourable general positioning, the situation is quite mixed if countries are considered on an individual basis. Intra-African trade, at around 12 per cent of total trade, sales in comparison with the levels of intraregional trade achieved by Europe (60 per cent), North America (40 per cent) and the Association of southeast Asian Nations (ASEAN) (30 per cent). Even if allowance is made for Africa's unrecorded informal cross-border trade, the total level of intra-African trade is not likely to be more than 20 per cent, which is still lower than that of other major regions of the world.

3. The eight RECs recognized by the African Union (AU), which form the "pillars" of the African Economic Community, are moving towards implementing the Abuja Treaty at different speeds. EAC is the most advanced community, and launched its common market in 2010. COMESA launched its customs union in June 2009. SADC and the Economic Community of West African States (ECOWAS) have made progress in building their free trade areas (FTAs) and each plan to launch a customs union, in 2013 and 2015 respectively. The Economic Community of Central African States (ECCAS) launched its FTA in 2004, but is facing enormous challenges in its practical application. The Arab Maghreb Union (AMU), the Economic Community of Sahel-Saharan States (CEN-SAD) and the Intergovernmental Authority on Development (IGAD) are moving slowly, and are still in the early stages of cooperation among their member States.

Elimination of non-tariff barriers (NTBs)

4. Apart from problems in implementing the agreed FTAs, RECs are also facing non-tariff barriers to trade. The communities have different approaches in dealing with such barriers. The three RECs which are parties to the tripartite arrangement have adopted a single programme on the elimination of NTBs, which is an Internet-based system for use by stakeholders in the member States in reporting NTBs as well as monitoring the processes of their elimination. ECOWAS has put in place national committees to deal with problems raised by NTBs and has set up complaint desks at the borders. The remaining RECs have yet to establish such systems.

Establishment of one-stop border posts

5. One of the main tools used for trade facilitation is the one-stop border post (OSBP). The concept is used to minimize delays at cross border points on major transport corridors in the region, often caused by poor facilities, manual processes, lengthy and non-integrated procedures and poor traffic flow. Under the OSBP concept, all traffic stops once in each direction of travel, facilitating faster movement of persons and goods and allowing border control officers from the two States involved to conduct joint inspections. The concept was first used at the Chirundu crossing between Zambia and Zimbabwe, and was judged successful. It has now been widely adopted in various RECs, including COMESA, EAC, ECCAS, ECOWAS and SADC .

Competition policies and investment promotion

6. Few RECs have elaborated competition policies. Generally, they are those which have either established customs unions and common markets or are moving towards at that stage. A COMESA Regional Investment Agency has been created and is located in Cairo, Egypt. Its role is to coordinate and strengthen the activities of the COMESA national investment promotion agencies. Four COMESA investment forums have been held, aiming at promoting the COMESA area as an investment destination and creating business linkages between COMESA and non-COMESA business actors. EAC has a model investment code in place, and plans are under way to upgrade it into legislation or a protocol promoting the Community as an investment destination.

7. The East African Business Council is the apex body of business associations in the private sector in the five East African countries (Burundi, Kenya, Rwanda, the United Republic of Tanzania and Uganda). It has published the East African Business Directory, the first and most comprehensive business directory in East Africa. SADC finalized a protocol on finance and investment in 2006, which entered into force in April 2010. ECOWAS is working in three areas, creation of a common investment market, investment promotion and financial market integration. ECCAS is working to put in place a regional strategy on investment promotion and establish a guarantee fund for small and medium-sized enterprises.

Infrastructure

Road transport

8. In order to ensure proper maintenance and management of the current and growing road infrastructure assets, the COMESA countries have undertaken reforms in road sector management and funding. Most of them have set up road funds and road development agencies in order to maintain both the regional and national road networks, including the Democratic Republic of the Congo, Djibouti, Ethiopia, Kenya, Malawi, Rwanda, the Sudan, Uganda, Zambia and Zimbabwe. The main source of funding for road maintenance is the fuel levy, while construction and rehabilitation are funded from government budget allocations, borrowing from development banks and funds from cooperating partners.

9. ECOWAS has established national road transport and transit facilitation committees with membership taken from all key public and private sector actors in trade and transport facilitation in all member States to ensure the free flow of trade and transport. It is also coordinating a multinational highway and transport facilitation programme between Cameroon and Nigeria funded by the African Development Bank (AfDB) (Bamenda-Enugu road corridor) and the construction of three critical bridges in Sierra Leone (Moa, Sewa and Waanje). It is also facilitating the

development of the Abidjan-Lagos road corridor through its Abidjan-Lagos trade and transport facilitation programme. The programme includes the rehabilitation of road sections in Benin, Ghana and Togo.

10. Among the IGAD countries, although transport projects are dealt with at the bilateral level, the Agency has continued to lobby for and mobilize funds for the following projects:

- Nairobi - Addis Ababa corridor (Isiolo – Moyale – Addis Ababa road): various sections are at various stages of implementation, under procurement, construction and rehabilitation, with financing from AfDB and the European Union
- Kampala – Juba corridor: Nimule – Juba sector under construction in South Sudan; Gulu – Nimule (Uganda) under procurement
- Berbera corridor (Somaliland – Ethiopia): feasibility study and detailed engineering design services under procurement
- Djibouti – Addis Ababa corridor: remaining section of Arta – Guelile road section in Djibouti under procurement.

11. EAC has identified five main corridors within the Community, covering a total length of about 12,000 km, which constitute a strategic priority and require rehabilitation and upgrading to complete the road network in the Community. Key achievements to date include:

- Feasibility studies and detailed design of the Arusha – Holili – Taveta road and the Malindi – LungaLunga and Tanga – Bagamoyo roads
- Scoping study on civil engineering contracting capacity in East Africa
- Audit of consulting services for the Arusha – Namanga – Athi River road development project
- Study on the East African Transport Strategy, the Regional Road Sector Development Programme and the East African Transport Facilitation Project.

12. Progress made in the implementation of the ECCAS Blueprint on transport in Central Africa and its priority projects includes to the implementation of the Fougamou-Doussala-Dolisie (Gabon-Congo) highway project, the development of the Ouesso-Sangmelima road project and a transport facilitation project on the Brazzaville-Yaoundé road corridor.

Rail transport

13. Many of the new railway development projects under way in Africa being pursued within the framework of the Union of African Railways, which advocates the construction of standard-gauge railways. Routes planned in Eastern and Southern Africa within the adopted corridor approach include a rail link for Djibouti, Ethiopia, Southern Sudan and the Sudan originating from Djibouti and terminating in Juba; a rail link linking Ethiopia, Kenya and Southern Sudan originating from Lamu port and terminating in Juba, with a link to the Djibouti/Ethiopia network through Moyale; and a Kagera Basin railway linking Burundi, Rwanda and the United Republic of Tanzania and originating from Isaka, the feasibility study for which was funded by AfDB.

14. Ethiopia, Djibouti and the five EAC countries have decided to develop standard-gauge rail networks to replace the existing narrow-gauge networks. The main ECCAS rail transport project is the extension of the Leketi-Franceville railway between the Congo and Gabon .

Air transport

15. Various air transport initiatives and programmes are under implementation in the RECs. The EAC Civil Aviation Safety and Security Oversight Agency has been relocated to a permanent headquarters in Entebbe, Uganda. ECOWAS is focusing on the implementation of the Yamoussoukro Declaration concerning the Liberalization of Access to Air Transport Markets in Africa through the establishment of a common legal framework for air transport in ECOWAS member States by the ECOWAS Authority in February 2012. All ECCAS member countries are currently covered by various projects under the Cooperative Development of Operational Safety and Continuing Airworthiness Programme (COSCAP) run by the International Civil Aviation Organization (ICAO). The Code of Civil Aviation of Central Africa was adopted by the Ministers responsible for Civil Aviation in Bujumbura on 11 June 2012.

Energy

16. COMESA has recently embarked on an energy programme whose main thrust is to promote regional cooperation in energy development, trade and capacity-building. In November 2007 it adopted the COMESA Model Energy Policy Framework, and a renewable energy database has been developed. The Eastern Africa Power Pool was established in 2005. In November 2006 it became a specialized institution of COMESA and a vehicle for the enhancement of energy interconnectivity in the area and the rest of Africa. A strategic road map for 2025 and a regional market design have been adopted, a regional power master plan and grid code have been developed and an independent regulatory body has been established.

17. The East African Power Master Plan was completed in May 2011 and approved by the EAC Sectoral Council on Energy in June 2011. The master plan outlines a least-cost generation and transmission programme for meeting the region's electricity demand over the period 2013-2038. It was developed together with an interconnection code which will govern the design of the transmission system and operational requirements for regional interconnection. The West African Power Pool continued efforts to update the ECOWAS Master Plan for Production and Distribution, which was adopted in November 2011, and coordinated actions taken under the emergency programme for the cities of Bissau and Conakry. The ECOWAS Regional Electricity Regulatory Authority effectively entered its operational phase for the establishment of a regional electricity market in January 2011. In April 2003, ECCAS member States established the Power Pool of Central Africa, which became an ECCAS specialized agency. One of its main achievements is progress made towards the implementation of the Grand Inga hydroelectric project.

Free movement of persons

18. In this area, enormous results have been achieved by AMU, EAC and ECOWAS, but CEN-SAD, COMESA, ECCAS, IGAD and SADC are still facing challenges in this regard. Despite the progress made, several obstacles are hampering and even undermining the integration process. The movement of people is faced with a number of problems, including those related to infrastructure, especially road transport, such as the very high number of roadblocks erected by security forces as well as illegal barriers and insecurity on the roads. Countries usually invoke security as the main

reason for delaying the implementation of decisions on the free movement of persons which have been taken at the regional level.

Macroeconomic convergence

19. In implementing their monetary cooperation programmes, RECs are at different stages of integration. COMESA has developed a Multilateral Fiscal Surveillance Framework, adopted an Action Plan for Financial System Development and Stability and designed an assessment framework for financial system stability. The COMESA Monetary Institute was established in 2011 in Nairobi, Kenya, in order to undertake preparatory work for implementing all the stages of the COMESA Monetary Cooperation Programme. COMESA has also operationalized a Regional Payment and Settlement System. Preparatory work for the transition to an EAC monetary union is ongoing, and Negotiations for a protocol on the subject are at an advanced stage. A review of EAC macroeconomic convergence criteria is towards completion. According to a road map adopted by the ECOWAS, it is planned to launch a second monetary zone by 2015 and merge it with the CFA (Communauté Financière d’Afrique) zone to create a larger monetary zone by the year 2020.

Agriculture and food security

20. In order to accelerate the implementation of the ECOWAS agricultural policy, the Council of Ministers has adopted key strategic regulations. A strategic plan for the development of the livestock sector has also been prepared and adopted, as an important aspect of ECOWAS agricultural policy at the national and regional levels in the animal resources sector.

21. The Alliance for Commodity Trade in Eastern and Southern Africa is a specialized agency of COMESA. Meanwhile, SADC is continuing with the monitoring and implementation of the Dar es-Salaam Declaration on Agriculture and Food Security, as well as the Regional Indicative Strategic Development Plan on food security and natural resources. SADC is also setting up a Seed Security Network to facilitate the creation of a regional seed market. It is also facilitating the introduction of a harmonized seed system in all SADC member States. IGAD has developed a regional disaster risk management programme and is currently initiating the establishment of a regional disaster fund and developing a map and atlas of the main hazards that cause disasters in the IGAD region. An EAC Food Security Action Plan for 2011-2012 was developed and approved by an EAC summit in April 2011. EAC has taken several initiatives to facilitate and accelerate the development of the agricultural sector. ECCAS is implementing a regional programme on food security and a common agricultural policy.

B. Progress at the continental level

Programme for Infrastructure Development in Africa (PIDA)

22. PIDA contains a framework for meeting infrastructure demand in each sector up to 2040 (2020 for information and communication technologies). It has components addressing projected infrastructure gaps and bottlenecks based on supply and demand forecasts, institutional inefficiencies and options for identifying, preparing and funding projects. The programme is organized on the basis of short-term and medium-term targets running up to 2020 and 2030, as well as long-term projections to meet demand to 2040. The list of projects and programmes for short-term implementation is included in a Priority Action Plan. PIDA is currently estimated to cost more than \$360 billion. The overall capital cost of delivering the Priority Action Plan from 2012 up to

2020 is expected to be nearly \$68 billion, or about \$7.5 billion annually for the next nine years. Mobilizing funds for implementation of PIDA continues to be a challenge.

Comprehensive Africa Agriculture Development Programme (CAADP)

23. Significant progress has been registered towards the targets set out in the Maputo Declaration on Agriculture and Food Security in Africa allocating at least 10 per cent of annual public-sector budgets to agriculture and achieving at least 6 per cent annual growth in the sector. Recent statistics show that 9 countries stand out as having reached or surpassed the 10 per cent target, 9 others are spending between 5 and 10 per cent and 29 have devoted less than 5 per cent of their total budgets to agriculture. The number of countries that have signed CAADP compacts has risen to 29, 21 of which have completed the formulation of CAADP-based country investment plans, which have also been independently reviewed.

African financial institutions

24. AUC is working closely with the Association of African Central Banks to produce a joint strategy for the establishment of an African Central Bank. The strategy is expected to be submitted to the joint meeting of the AU Conference of Ministers of Economy and Finance and the ECA Conference of African Ministers of Finance, Planning and Economic Development in March 2013 for consideration, and subsequently to the AU Assembly of Heads of State and Government in July 2013 for adoption.

25. The Steering Committee for the African Monetary Fund has finalized its work on the Protocol and Statute establishing the Fund. The Protocol was considered by the January 2011 AU Summit, which recommended that it be reviewed by Ministers of Justice before adoption. AUC is working with the International Monetary Fund to review the text before submission to member States' experts for consideration in February 2013 and to the Joint AU/ECA Conference of Ministers of Finance in March 2013. It is envisaged that the final text will be submitted to the July 2013 AU Summit for adoption.

African Charter on Statistics and Strategy for the Harmonization of Statistics in Africa

26. The use of good-quality, reliable and comparable statistics is imperative for any monitoring and evaluation process. The African Charter on Statistics, which urges providers, producers and users of statistical data to collaborate more closely and effectively in order to enhance the quality and usefulness of statistical information, was adopted by African heads of State and government in February 2009. To date, the Charter has been signed by 22 countries but ratified by only 6. The Strategy for the Harmonization of Statistics in Africa was adopted by heads of State and government in July 2010, and is under implementation by stakeholders.

Establishment of a continental free trade area and boosting of intra-African trade

27. At its eighteenth ordinary session, held in January 2012 in Addis Ababa, Ethiopia, on the theme of "Boosting intra-African trade", the Assembly of Heads of State and Government of the African Union adopted a decision and a declaration that reflect the strong political commitment of African leaders to accelerate and deepen the continent's market integration. The heads of State and government agreed on a road map for the establishment of a continent-wide FTA by the indicative date of 2017. At its nineteenth ordinary session, the Assembly adopted a decision highlighting the major achievements made in implementing the FTA and boosting intra-African trade, especially the

progress made in the operationalization of the High-Level African Trade Committee and the outcomes of the consultations of the committee of seven heads of State and government on the challenges posed by low levels of intra-African trade, poor infrastructure and inadequate productive capacities to the fast-tracking of the continental FTA and the boosting of Intra-African trade.

Minimum Integration Programme (MIP)

28. The MIP was drawn up by AUC in close cooperation with the RECs and adopted as a “dynamic strategic continental framework for the integration process”. AUC developed an action plan for the implementation of the MIP which was adopted by the fifth Conference of African Ministers in charge of Integration and endorsed by African heads of State and government at the January 2012 AU summit. The Commission was mandated to estimate the necessary funding requirements for the implementation of each activity and project contained in the MIP Action Plan. The overall cost of implementing the MIP Action Plan is estimated to be \$110,950 million. AUC is cooperating with the United Nations Development Programme to develop a mobilization strategy for the MIP Action Plan and working on setting up an Integration Fund.

C. Some best practices in regional integration

29. Some best practices in RECs are making a difference worth noting. On trade and market integration, for instance, COMESA, EAC and SADC are implementing an online non-tariff barrier reporting and monitoring mechanism designed to enable private-sector and public-sector operators to register complaints about such barriers. To date, 329 complaints have been registered on the system, out of which about 227 (69 per cent) have been resolved. The three RECs are also vigorously pursuing the tripartite FTA arrangement which will unify their combined market space of over 500 million people, thus providing a strong springboard and impetus towards realizing the continental FTA by 2017. At their second summit, held in Johannesburg, South Africa in June 2011, the heads of State and government of the three RECs signed a Declaration Launching the Negotiations for the Establishment of the Tripartite Free Trade Area, and adopted a road map for establishing the tripartite FTA as well as a set of negotiating principles, processes and an institutional framework. The tripartite FTA will comprise three pillars-market integration, infrastructure development and industrial development. The movement of business persons will be negotiated on a separate track. Other RECs are encouraged to pursue similar consolidation efforts to help advance the process towards a continental FTA, a continental customs union and an African common market.

30. Concerning the free movement of people and the right of establishment, the ECOWAS regional passport is one of the best examples of a common regional travel document used as a means to improve the free movement of people. The passport, bearing the ECOWAS emblem on the cover, can be used to travel internationally, and is currently used in Benin, Guinea, Liberia, the Niger, Nigeria and Senegal. As of 1 January 2013, Rwanda is issuing visas on arrival for all African nationals. In the EAC, Kenya and Rwanda are implementing a bilateral agreement to allow citizens from each country to freely establish in the other. The agreement also waives all work permit fees. Kenya is implementing a similar agreement with Uganda.

Payment systems

31. M-Pesa is a branchless banking service designed to enable users to complete basic banking transactions without the need to visit a bank. Customers can deposit and withdraw money from a

network of agents that includes airtime resellers and retail outlets acting as banking agents. Currently, M-Pesa has over 10 million subscribers and carries out over 2 million daily transactions, facilitating over \$415 million per month in person-to-person transactions in Kenya alone. Using the public-private partnership model, M-Pesa is a significant best practice for regional financial systems that deliver affordable, safe and efficient financial services to cross-border traders, including those in the unbanked and rural population.

D. Conclusion and recommendations

32. The RECs and their member States are moving at different speeds in the integration process. There has been notable progress on various fronts. Nonetheless, addressing some key areas highlighted in the following recommendations can make a tremendous difference in moving the integration agenda forward.

(a) Member States should give adequate priority to mainstreaming agreed regional integration programmes and projects at the national level and rigorously implementing them, and should ensure that there is collective dialogue with the private sector and civil society in order to strengthen their engagement in the process;

(b) The RECs' role of rigorous monitoring and evaluation of the integration process should be strengthened;

(c) There are many best practices in the continent, and they are increasing. Member States and RECs need to have a platform to share and emulate these practices in order to move the regional integration process forward;

(d) The ongoing work on alternative sources of financing through the AU should be supported by the RECs and member States in order to finance integration programmes and translate them into reality, and RECs which have not done so should also start reflecting on how to put in place their own alternative sources of financing.