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**REPORT ON THE RATIONALIZATION OF REGIONAL
ECONOMIC COMMUNITIES (RECs)**

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ECONOMIC COMMUNITIES (RECs)**

1. In a bid to contribute to the acceleration of the Continent's integration process, the African Union Commission, in close collaboration with the ECA, held a series of consultative meetings on the rationalization of RECs in order to obtain the contribution of stakeholders in this process which was set in motion nearly four decades ago. The first regional consultation bringing together the Western, Central and Northern regions was held in Accra, Ghana from 27 to 28 October 2005, while the second, involving the Eastern and Southern regions, was held in Lusaka, Zambia from 9 to 10 March 2006. The RECs operating in the regions concerned participated actively in these two consultative meetings.

2. Furthermore, it should be pointed out that in order to stimulate discussions and obtain the contribution of participants in these consultative meetings, the following papers and presentations were prepared:

- Rationalization of RECs: Proposed Measures by the Global Coalition for Africa (GCA);
- Overlapping Membership in COMESA, EAC, the Southern African Customs Union (SACU) and SADC by German Technical Cooperation (GTZ) (presented at the Lusaka Meeting only);
- Rationalization of RECs – by the Economic Commission for Africa (ECA);
- Rationalization using variable geometry. Document presented by the African Development Bank (ADB) at the Accra Meeting; and
- Scenarios for the Rationalization of RECs – by the African Union Commission (AUC).

3. The salient point of these regional consultations is that for the first time in the history of attempts to resolve the institutional cacophony that characterizes the RECs, the Commission presented a series of scenarios on specific configurations with a view to contributing significantly to the ongoing reflection on the rationalization of RECs. Foremost among these scenarios were the following: the status quo; the Abuja Treaty; the Focal Point Community; and the political scenario. The main characteristics of the above-mentioned scenarios, as well as the conditions for their eventual success are contained in the matrix annexed to the present report. It should be stressed that these scenarios constitute our contribution to the resolution of the institutional cacophony in which the RECs have become entangled. Therefore, they are not a universal remedy, but have the advantage of innovating in the constant search for the best configuration to be adopted by the RECs. By and large, these scenarios do not represent outlines or even panaceas for the present configuration of RECs, but they should be considered as a contribution to the solution to be proposed for the structural overlapping of the latter.

I. Consolidated Report of the Accra and Lusaka Meetings

A. Common observations from the two meetings

4. Concerning crucial issues, the following points were raised at the two meetings:

- i) the significant progress made in terms of harmonization and coordination of programmes and activities within the RECs should be taken into consideration. In this respect, a call was made for the strengthening of existing mechanisms and the identification of key areas of harmonization and coordination, particularly in the areas of trade and economic and monetary policies. The need for a cost-benefit analysis on harmonization and coordination was underscored in order to popularize the rationalization process;
- ii) the meetings highlighted the need to make integration the basis of rationalization, which entails giving priority to infrastructure development in the areas of transport and communication, interconnection, power pools for electricity supply, pooling of efforts and enhancing productive capacities for rational and optimal exploitation of natural resources. This will necessitate the convening of consultative meetings between the RECs in order to reach an agreement on intra-regional projects and programmes with a view to optimising the utilization of scarce resources. The meetings also noted that integration is a continuous and lengthy process as reflected in the Abuja Treaty implementation timeframes;
- iii) the meetings stressed that rationalization should focus on an analysis of the mandates of the RECs as well as that of the achievement of their stated objectives. The meetings also highlighted the obstacles encountered by the RECs and the African Union Commission and its Member States in the implementation of integration programmes;
- iv) the consultative meetings indicated that there was a need to ensure effective coordination between the AU and the RECs, and welcomed the proposal for the Chairpersons of the RECs to present reports on the activities of their institutions at the meeting of Ministers in charge of integration scheduled for the end of March 2006;
- v) the two meetings noted that while ongoing multilateral and bi-regional negotiations had an impact on Africa, external partners should not impose the process of rationalization;
- vi) participants called for the revitalization of the Joint AU/ECA/ADB Secretariat to assist in the coordination and harmonization of integration and development efforts at continental level;
- vii) the two meetings did not select specific scenarios for rationalization; however, most of the discussions centred on the harmonization and

coordination of programmes and activities of RECs (an Annex is attached summarizing some of the scenarios).

B. Accra Recommendations

5. The meeting adopted the following recommendations:

- i) reaffirming the definition of a Regional Economic Community (REC) as per the Abuja Treaty;
- ii) recognizing the stages of integration enshrined in the Abuja Treaty, while taking into account the recent developments shaping the integration process such as the recent consultations during the Assembly of the African Union in Sirte, Libya in July 2005;
- iii) urging Member States to accelerate the implementation of the Abuja Treaty bearing in mind the Sirte Declaration of 9/9/99 which recommends, *inter alia*, the reduction of the timetable for integration;
- iv) distinguish between regional cooperation and regional integration;
- v) define the modalities for rationalization given that the RECs do not necessarily have the same mandates and therefore should not be grouped in the same category;
- vi) speeding up the rationalization process with caution, taking into account the diversity and peculiarities of RECs and the level of development and vital interests of the concerned Member States;
- vii) conducting a cost-benefit analysis through institutional and management audits for all RECs and IGOs, including capacity building needs, which should provide the AU Assembly in July 2006 with pertinent information on the way forward;
- viii) developing a plan of action for rationalization with a timeframe and measurable indicators of progress, emulating, for example, the ECOWAS/WAEMU action plan for harmonizing and coordinating their programmes and activities as well as their implementation mechanisms;
- ix) defining the focal point community to lead the integration process in key sectors that require strong leadership such as peace and security, and NEPAD;
- x) mobilizing adequate internal financial resources to support the consultative process within the regions in order to avoid depending on external sources;
- xi) revitalizing the Joint AU/ECA/ADB Secretariat to assist in the coordination and harmonization of integration and development efforts at continental level;

- xii) recognizing the impact of international negotiations/commitments on the rationalization process; for example, the Economic Partnership Agreements (EPAs) between African countries and the European Union;
- xiii) underlining the need to consider the development of integration as the basis for rationalization with emphasis on the development of transport and communication infrastructure, power pools for energy supply, pooling efforts and enhancing productive capacities for the rational and optimal exploitation of natural resources.

C. Lusaka Recommendations

6. The meeting adopted the following as a way forward:

- i) in accordance with the Abuja Treaty and the Constitutive Act of the African Union, the AUC should, build on studies already carried out such as the ECA/AU study on “Assessing Regional Integration in Africa”, review and prepare an update on recent progress by RECs towards policy harmonization and coordination for continental integration, and propose, as appropriate, a continent-wide coordination mechanism for consideration by Member States and the RECs;
- ii) the AUC should have a continental oversight role on the harmonization and coordination of the programmes of the Regional Economic Communities. In this regard, the Secretariat should propose how harmonization and coordination will be implemented;
- iii) the Joint Secretariat of the African Union Commission, the Economic Commission for Africa and the African Development Bank should be revitalized to support the integration process. The Joint Secretariat and the RECs should present programmes on harmonization and coordination to the AU policy organs;
- iv) the AUC, in consultation with RECs, the ECA and ADB, should be tasked with preparing a timetable for the attainment of key objectives in all sectors as provided for in the Abuja Treaty;
- v) the rationalization process should be consultative and involve all key stakeholders of the integration agenda, including the private sector, the civil society and women groups; and
- vi) regional summits should be organized to discuss the rationalization process with a view to accelerating the integration process.

II. The Ouagadougou Ministerial Conference

7. At the end of the Accra and Lusaka Meetings, a Conference of African Ministers in charge of Integration was held in Ouagadougou, Burkina Faso from 30 to

31 March 2006. The conference was preceded at the same venue by a Meeting of Government Experts from 27 to 28 March 2006.

8. Following in-depth discussions, the Ouagadougou Ministerial Conference made the following recommendations to the different stakeholders, namely, Member States, RECs and the African Union Commission:

1. *Member States*

- a) Speed up the rationalization process taking into account the diversity of RECs and the level of development as well as the interests of Member States;
- b) build the capacities of existing RECs and national institutions in order to render them more effective and ensure that they implement the community programmes;
- c) urge Member States to honour their financial and other obligations to RECs to enable them to carry out their mandates with particular reference to the integration process.

2. *African Union*

- d) Retain the configuration of the eight RECs and harmonize their policies and programmes within the framework of the Abuja Treaty;
- e) adopt a moratorium to halt the recognition of new RECs;
- f) the integration agenda should not be limited to rationalization but should be considered in a holistic manner and address all other related issues such as peace and security and NEPAD. Within the framework of the rationalization of RECs, the process should be informed by the role played by the RECs in conformity with the Protocol establishing the Peace and Security Council of the African Union, and in particular the African Standby Force based on five brigades;
- g) elaborate a clear definition, criteria and action plans for the various scenarios for rationalization that would assist Member States in taking appropriate decisions on the way forward in that regard;
- h) convene continental consultative meetings involving stakeholders such as the civil society, the private sector, parliamentarians, tax and customs officials for their inputs in the discussion on the rationalization process;
- i) convene a Ministerial Conference in 2007 to examine the outcome of these consultations;

- j) the meeting of African Ministers in charge of integration should be institutionalized and held annually;
- k) strengthen the Joint AU/ADB/ECA Secretariat and revitalize the coordination between the Joint Secretariat and the RECs in order to assist the RECs in the harmonization and coordination of policies and programmes towards continental integration;
- l) finalize the new Protocol on Relations between the AU and the RECs for signature in the shortest possible time;
- m) revisit the Abuja Treaty to streamline the calendar for its implementation taking into account the provisions of the Sirte Declaration of 9/9/99;
- n) speed up the establishment of the AU financial institutions as provided for in the Constitutive Act and the Sirte Declaration of 9/9/99 as a means of accelerating integration;

3. *Regional Economic Communities*

- o) In order to enhance integration, RECs should be encouraged to promote free movement of persons, goods, capital and services;
- p) the rationalization issue should be included on the agenda of statutory meetings of the RECs and wider consultations held with stakeholders such as the civil society, private sector and parliamentarians;

4. *AU and RECS*

- q) Harmonize and coordinate policies and programmes of RECs as important strategies for rationalization;
- r) put in place mechanisms to facilitate the process of harmonization and coordination within and among the RECs;
- s) carry out an institutional audit of the RECs to assess the challenges and efficiency constraints in implementing the Abuja Treaty. In this regard, the AUC should, in consultation with the RECs and in collaboration with the ECA, provide a clear timetable and benchmarks for the implementation of the Treaty taking into account the Sirte Declaration of 9/9/99.

III. The Way Forward

9. At the end of regional consultations on the rationalization of RECs, which culminated in a Ministerial Conference, the Commission intends to adopt the following roadmap to translate the recommendations of the Ministerial Conference into facts.

A. Quantification of the Scenarios

10. The Commission intends to quantify the scenarios, particularly overlapping memberships, in terms of cost and benefits, in relation to the budgets of the countries concerned. This approach is aimed at, among other things, quantifying the benefits and losses linked to each scenario in order to provide technical arguments which in turn will help the decision-makers in their selection of the scenario most suitable for our Continent's integration process. These different studies will be validated by workshops organized for that purpose.

B. Involvement of the Civil Society, the Private Sector, Tax and Customs Officials as well as Parliamentarians

11. The Commission, through the workshops and seminars, will seek the input of the above-mentioned stakeholders on the proposed solutions to the institutional cacophony of RECs.

C. The Conference of African Ministers in charge of Integration in 2007

12. This second Conference is aimed at:

- evaluating the implementation of the Ouagadougou Recommendations;
- considering the recommendations of the consultations at the level of the civil society and the private sector; and
- consequently proposing a clear and coherent approach to the policy organs of the African Union, particularly the Assembly of Heads of State and Government.

Table: Scenarios for Rationalization: principles, merits, demerits and prerequisites for success

SCÉNARIOS	MAJOR FEATURES	MERITS	DEMERITS	PREREQUISITES FOR SUCCESS
Scenario 1: Abuja Treaty approach	<ul style="list-style-type: none"> An IGO is described as a REC if it covers a region as defined in Resolution CM/Res.464 (XXVI) of the 26th Ordinary Session of the Council of Ministers 5 RECs, one for each region; Economic cooperation RECs rather than integration RECs. 	<ul style="list-style-type: none"> Proliferation of RECs prohibited Specific stages and calendar for continental integration (Article 6 of the Treaty Establishing the AEC) Rationalization will become evident during the 5th stage with the establishment of Customs Union at regional level. 	<ul style="list-style-type: none"> Absence of support policy for transition from one stage to another Implementation not binding; Uncertainty about successful establishment of the AEC (35-40 years counting from 1994) 	<ul style="list-style-type: none"> Binding political decision to impose one REC per region; Dual membership prohibited; Democratized implementation Strict adherence to the implementation stages
Scenario 2 : The Status Quo	<ul style="list-style-type: none"> In addition to the 5 RECs defined in Resolution CM/Res.464 (XXVI); 3 other RECs (CEN-SAD, IGAD and EAC) have been politically recognized. Thus there exist: <ul style="list-style-type: none"> 8 RECs and 21 Inter-Governmental Organizations W. Africa (8); Central Africa (7); East Africa (5); North Africa (3) and Southern Africa (2) 	<ul style="list-style-type: none"> Does not disrupt the existing order; Fosters proliferation; Internal dynamics generates natural solution; Promotes the natural emergence of a lead REC. 	<ul style="list-style-type: none"> Hampers the integration process; Weakens African economies; Makes partnership ineffective; Each REC has its own policies and programmes 	<ul style="list-style-type: none"> Do nothing to obstruct the development of internal dynamics; Promote healthy competition among economic players; Harmonize policies and programmes.
Scenario 3: Focal Point Community approach	<ul style="list-style-type: none"> An integration REC for each region; Each region to go through all the stages of establishment of Economic and Monetary Union through one integration REC only 	<ul style="list-style-type: none"> Obligation to belong to one REC only (partial or full transfer of sovereignty); Acceleration of the integration process; Efficient use of human and financial 	<ul style="list-style-type: none"> Destabilizes the existing order; Dismantles previous agreement; Possible loss of some advantage; 	<ul style="list-style-type: none"> Unflinching political will; Spirit of solidarity among countries; Discipline on the part of economic officials;

		resources; <ul style="list-style-type: none"> • Harmonization of integration programmes; • Large regional market 		Political decision to prohibit all dual membership
Scenario 4: Political approach	<ul style="list-style-type: none"> • Advance study not necessary to adopt a scenario • Political decisions binding on all States • The States are stakeholders of the imposed configuration 	<ul style="list-style-type: none"> • All administrative bottlenecks bypassed • Promotes qualitative leap in the integration process • Cheaper because it is cost saving: costs incurred on studies and organization of meetings • It is time saving 	<ul style="list-style-type: none"> • Disrupts the existing order 	<ul style="list-style-type: none"> • Express political will for its implementation

Observations: Coordination and harmonization are a common denominator of all the scenarios for the plausible reason that they constitute the key tools for attaining the objectives defined under each of the scenarios. Consequently, coordination and harmonization cannot constitute a scenario as such.

None of these scenarios are self-sufficient. In other words, whatever the scenario selected, there are always merits and demerits. The impacts on national economies are not the same. Therefore, each scenario necessitates additional in-depth studies to better understand the practical framework for its implementation. Furthermore, each scenario requires a relatively long transition period to enable countries to control the adjustment costs involved in its implementation.

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