AFRICAN UNION **UNION AFRICAINE**

الاتحاد الأفريقي **UNIÃO AFRICANA**

Addis Ababa, ETHIOPIA, P.O. Box 3243 Telephone: 011-551 7700 Fax: 011-551 7844
Website: www.au.int

FIRST MID-YEAR COORDINATION MEETING
8 July 2019
Niamey, Niger

MYCM/AU/3(I)
Original : English

POLICY BRIEF

REPORT ON THE STATUS OF REGIONAL INTEGRATION IN AFRICA

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2019 African Regional Integration Report

TOWARDS AN INTEGRATED, PROSPEROUS AND PEACEFUL AFRICA

Voices of the RECs

Policy Brief

AFRICAN UNION COMMISSION
ECONOMIC AFFAIRS DEPARTMENT

June 2019

Policy brief

Tracking African integration

African integration is advancing towards the goal of an integrated, prosperous and peaceful Africa, towards becoming a dynamic force in the concert of nations. That is the conclusion of the *2019 African Regional Integration Report,* the first in an annual series produced by the African Union Commission, the African Capacity Building Foundation and eight regional economic communities. The report provides a comprehensive review of the status of integration and sets out innovative policies for accelerating progress.

The report also highlights other key milestones, including the signing of the Lagos Plan of Action, and other initiatives such as the Abuja Treaty, the Sirte Declaration, the Constitutive Act of the African Union and AU Agenda 2063. It presents progress on the status of establishing proposed Pan-African financial institutions, including the ratification processes. And it provides details of the major initiatives by the AU Assembly within the framework of the Abuja Treaty. The focus is on the Pan-African institutions proposed in the Abuja Treaty: the African Central Bank, the African Investment Bank and the African Monetary Fund. Although these institutions are expected to foster Africa's integration agenda, none of them is yet operating because of slow ratification of the relevant instruments.

First, some background

The Abuja Treaty, signed in 1991, lays the groundwork for the creation of African Economic Community (AEC), to fully integrate the economies of AU member states. The goal of the AEC is to transform the 55 African economies into a single economic and monetary union, with a common currency and free mobility of capital and labour.

The Sirte Declaration, signed in 1999, and the Constitutive Act of the African Union aim at fast-tracking Africa's integration through the creation of key institutions such as the African Central Bank, an African Monetary Fund, an African Investment Bank, the African Court of Justice and the Pan-African Parliament. Establishing the three continental financial institutions has been slow because member states have been slow to ratify the relevant instruments. Although the other two institutions—the African Court of Justice and the Pan-African Parliament—are in place, they have limited powers to carry out their mandates specified in the Abuja Treaty.

According to the Abuja Treaty objectives, Africa's integration process is expected to be completed with the creation of the AEC, following a six-step sequential approach over 34 years. With the AU Commission playing a coordination role, the realisation of the AEC is predicated on the progress of regional economic communities (RECs), the key pillars of Africa's integration process.

While some RECs have made significant progress, others are far from achieving their visions and goals, as specified in their founding treaties. Overlapping memberships in many RECs continue to pose a significant challenge and remain an intractable obstacle to deeper regional and continental integration. Overlapping memberships not only exacerbate persistent funding and human capacity problems in support of regional programmes, but also lead to challenges of effective coordination of policies and programmes to foster closer regional and continental integration.

While some progress has been achieved, significant bottlenecks stand in the way of deeper integration, including narrow markets, poor infrastructure networks, cumbersome administrative procedures that impede trade integration, undiversified production bases coupled with weak backward and forward linkages between agriculture and industry, as well as weak institutional and legal mechanisms for implementing regional and continental programmes and projects. The reluctance of member states to cede sovereignty to key organs of the African Union also stands in the way of accelerated African integration. And persistent conflicts in Central Africa, the Horn of Africa, Northern Africa and West Africa only add to the challenges.

A big step in the right direction

Despite these challenges, the launching of the African Continental Free Trade Area (AfCFTA) at the Extraordinary Summit of Heads of State and Government of the African Union on 21 March 2018 in Kigali, Rwanda, was a big step in the right direction. Out of the 55 African Union countries, 44 signed up for this flagship project of Agenda 2063. As of May 2019, the agreement to create the AfCFTA had 52 signatures and 24 ratifications. On May 30, 2019, the African Continental Free Trade Agreement officially came into force.

The AfCFTA represents a commercial area of nearly 1.2 billion consumers and a GDP of nearly $ 1.6 trillion.

A new way for tracking integration

In 2018, the New Multidimensional Index of African Integration was developed and adopted by the RECs, central banks and national statistical institutes. It will monitor and evaluate the level of regional integration achieved by each REC. Its eight dimensions are trade integration, free movement of persons, infrastructure integration, political and institutional integration, monetary integration, financial integration, social integration, and environmental management.

Regional achievements

The achievements of RECs are laudable, but the successes remain mixed. All eight RECs recognised by the AU face teething challenges of funding and human capacity constraints, overlapping memberships, weak implementation of key regional integration programmes and projects, and a lack of focus and institutional alignment. Persistent conflicts, insecurity and infrastructure bottlenecks remain pervasive obstacles to deeper integration. And devising innovative mechanisms for funding is paramount.

Arab Maghreb Union

AMU has great potential and, based on its treaty objectives, has made commendable progress. For example, AMU ministers of trade have signed a free trade agreement. The AMU region, however, faces challenges of insecurity, political instability, limited infrastructure links and limited cooperation among member states. Another key challenge is that AMU has for many years had limited cooperation with the AUC. AMU member states thus need strategies to address these challenges, and this includes working closely with other RECs to emulate their lessons, such as ECOWAS's method of self-financing.

Community of Sahel-Saharan States

Since its creation, CEN–SAD has worked to improve the climate of peace and security among its member states. It has a charter for peace and stability, a protocol on conflict prevention, management and resolution, and a security cooperation convention. Owing to environmental threats to CEN-SAD countries, the focus is on environmental protection and management. The Great Green Wall initiative, agreed to by the heads of state and governments of both the ECOWAS and AU, promotes the fight against desertification and the socio-economic development of vulnerable areas.

But CEN-SAD lacks the funds to finance its ambitious regional integration programmes and projects. Donor funding of key projects is unpredictable and disruptive. The ongoing security challenges in Libya, and the terrorist incidents caused by Boko Haram and ISIS, pose serious challenges to deepening integration within the region. So, the need is urgent to address protracted security problems and to redefine CEN-SAD's five- and ten-year priorities in line with its vision and the region's new dynamics.

Common Market for Eastern and Southern Africa

COMESA established a free trade area removing exchange restrictions and foreign exchange taxes, eliminating import and export quotas and roadblocks, simplifying customs formalities and extending working hours at borders. It has programmes to facilitate cross-border trade and transit, including coordinating border management through one-stop border posts, adopting an automated system for customs data and simplifying customs documentation. It also has a customs union and a common external tariff to deepen intra-COMESA trade.

COMESA has made good progress in financial integration, with such arrangements as the COMESA Trade and Development Bank, the Africa Trade Insurance Agency, a clearing house and regional payment system, and a reinsurance company. It has also implemented a regional plan for financial system development and stability.

But COMESA still faces donor dependence in funding key regional integration programmes, poor infrastructure networks, persistent macroeconomic vulnerability, limited policy coordination and human capacity constraints. So, COMESA should borrow a leaf from ECOWAS's book in developing sustainable sources of financing. Given that COMESA is a huge market, member states should focus on improving value chains and investing in industries that can improve value addition.

East African Community

EAC is the most advanced REC, having achieved a common market, with the goals of a monetary union and ultimately a political federation remaining. Since 2005, EAC partner states have progressed in implementing a customs union, including the application of a common external tariff, the application of EAC rules of origin criteria, the internal removal of tariffs for goods meeting those criteria, and the elimination of non-tariff barriers. In 2010, the EAC established a common market, and EAC partner states have continued to facilitate the free movement of persons, workers, goods, services and capital, and the rights of establishment and residence.

To facilitate the movement of goods across borders, 15 one-stop border posts have been earmarked for development, and 13 have been constructed and are operating. This has reduced the average time to cross borders by about 84%.

The customs union and common market protocols contributed to boosting intra-EAC trade from USD 2.7 billion in 2016 to USD 2.9 billion in 2017. In addition, infrastructure development has advanced with a focus on regional roads, railway lines and air and water transport.

The monetary union, signed in 2013, is expected to be in place by 2024. To establish institutions to support it, the East African Legislative Assembly passed bills for the East African Monetary Institute and East African Bureau of Statistics. The EAC registered a key milestone in political integration with the adoption of the EAC Political Confederation as a transitional model for the EAC Political Federation. The Council of Ministers has since approved the nomination of constitutional experts, with drafting of the confederation's constitution expected to start in 2019.

But challenges persist. For instance, the customs union and common market are not yet fully operational. And EAC faces significant challenges of human capacity and funding its own programmes.

Economic Community of Central African States

ECCAS has been strengthening regional integration, particularly for political integration through the peace and security architecture, as well as for environmental integration and natural resource management through a system for promoting the green economy and a regional mechanism for reducing disaster risk and preventing climate change. The region is also making progress in infrastructure integration (particularly land transport and ICT) and in the free movement of persons.

Despite the region's rich resource potential, intra-ECCAS cooperation remains weak, due to restrictive customs and immigration procedures, as well as persistent conflicts. There are also difficulties with policy coordination because of huge financial and human constraints.

For resource mobilisation, ECCAS has a mechanism similar to that of ECOWAS, but it awaits implementation, thus slowing many integration projects.

Economic Community of West African States

Implementing the protocol on the free movement of persons, goods and services has increased intra-regional trade. By June 2018, all ECOWAS member states, except Cabo Verde, had implemented a common external tariff. In 2017, member states adopted a common customs code to strengthen the regulatory architecture of the customs union and to streamline customs procedures. They have also implemented several key infrastructure projects including major regional roads, railways and oil pipelines. And they pioneered a self-financing community levy to support regional integration programmes, reducing heavy reliance on donors.

Challenges include insecurity and terrorist attacks, macroeconomic policy harmonisation, poor infrastructure networks, limited funding for regional integration and human capacity constraints. Mobilising funding to address these challenges is critical, and addressing persistent security problems caused by Boko Haram and ISIS requires urgent attention.

Intergovernmental Authority on Development

IGAD has been establishing an effective peace and security architecture to resolve conflicts—and making progress in regional infrastructure, including the LAPPSETT corridor, Djibouti international free zone and Ethiopian reconnaissance dam. Progress has also been registered in environment and food security. A number of IGAD member states still face vulnerability to conflicts, refugees, and internally displaced persons. Extreme weather conditions threaten agriculture and the sustainability of biodiversity.

Southern African Development Community

The SADC region achieved FTA status in 2008, and intra-regional trade has grown to about 22% of total trade. SADC has pursued a developmental approach to integration that focuses on sectoral cooperation including: the free movement of people, goods and capital; human development, macroeconomic convergence and financial integration; industrialisation and infrastructure development; climate and the environment; and peace and security to enable sustainable natural resource exploitation and value addition; and competitiveness for meaningful trade and regional integration.

Given this developmental approach, SADC has been implementing programmes and projects across the sequential stages of integration, fostering trade and deepening integration. It also has a macroeconomic convergence framework and surveillance mechanism. But it faces multiple and overlapping memberships, the issue of state sovereignty versus regionalism and limited involvement of national stakeholders and the citizenry.

Going forward, SADC should resolve multiple and overlapping membership to avoid confusion, competition and duplication. It should also ensure that member states commit more to the regional integration agenda and to ratify and tailor protocols, harmonise their policies and legal systems and align their national strategies, policies and priorities with the regions. To oversee the integration agenda, it needs to agree to a regional parliament, court of justice and central bank. And to increase awareness and ownership of the integration agenda and process, it has to engage national stakeholders and the citizenry.

What all RECs need to do

Cede some power to extranational bodies

Most protocols, directives, regulations and decisions passed by the African Union Assembly, as well as other key organs, are either not ratified, ratified slowly or not implemented at all. Key institutions such as the AU Commission, the African Court of Justice and Human Rights and the Pan-African Parliament have been established to accelerate Africa's integration process. But none has been given the appropriate powers to enforce decisions. One big reason: the reluctance of member states to cede their sovereignty over national powers to an extranational body.

Much can be learned here from the EU's integration process. The European Council, European Court of Justice, European Parliament and European Central Bank accelerated regional integration thanks to their powers to set agendas, settle disputes, pass laws and design prudent macroeconomic policies to ensure a successful monetary union. Their role and powers to address emerging challenges have continued to increase over the years, with the full support of European governments, enhancing their credibility and effectiveness.

In Africa's integration approach, by contrast, the powers of making, monitoring and enforcing decisions are still attributed to the Assembly at its political Summit. The African Union Commission serves only as a Secretariat and has limited agenda-setting powers. All strategic issues are referred to the Council of Ministers, through the Permanent Representatives Council.

Install champions at the top

Champions are needed to popularise flagship projects and programmes from the highest political level and to cascade to key technocrats and private sector players and then to the entire population. The African Union political leadership has done a commendable job in this area, but more continuity, follow-up and effective monitoring and evaluation are essential to ensure effective implementation. For example, the AU political leadership has identified a champion for the African Continental Free Trade Agreement, but the benefits of flagship projects have yet to be more broadly popularised.

For meaningful economic integration, member states and their leaders have to invest their time, energy and resources. African member states have to compromise to support the collective gains associated with belonging to a community. Examples include larger markets, common defence and free movement of goods, services, labour and capital, while providing special support to smaller and poorer economies.

Execute projects efficiently

One common feature of Africa's integration process is weak conceptualisation of programmes and projects, coupled with the propensity to initiate some new ones even when resources are lacking. The result: project implementation stalls for many years, wasting resources. African member governments should be flexible enough to change course and pursue feasible and efficient options. For this, they may thus need to amend treaties, laws and decisions.

Permit variable implementation speeds to match demands to capabilities

The principle of variable geometry can fast-track Africa's integration. Member states belonging to a community face varied and unique challenges, calling for flexibility in the demands on them. Pacesetters can maintain accelerated momentum with the hope that others will follow at a later stage when they are ready.

The report’s main recommendations

Member states should:

- Sign, ratify and tailor the AU legal instruments related to the integration tools of the Abuja Treaty and Agenda 2063.
- Be fully involved in the mobilisation of domestic resources and accelerate the implementation of the Kigali decision on the 0.2% for AUC funding, to be able to finance the implementation of Agenda 2063 and the African Integration Fund.
- Align their national development plans with regional and continental programmes to maximise effectiveness.
- Rationalise some RECs by merging institutions that perform basically the same functions and by converting some to specialised institutions to avoid waste, conflict and duplication of effort.

The regional economic communities should:

- Align their programmes and action plans with the continental agenda for Integration, which includes the Abuja Treaty, Agenda 2063 and its ten-year implementation plan.
- Strengthen their cooperation to share experiences and best practices.
- Develop their local capital markets to raise funds for the efficient funding of infrastructure.
- Become organic structures of the African Union, rather than just building blocks. Permanent liaison offices at both the AUC and the RECs should be established as soon as possible.

The African Union Commission should:

- Continue to coordinate the implementation of the African Integration Agenda while conducting, in collaboration with RECs, annual evaluations based on the newly developed and adopted African multidimensional regional integration index.
- Devise a minimum integration programme that can be implemented over one or two years in order to increase accurate implementation with specific objectives and timeframe.
- Set up an awareness mechanism to sensitise African citizens to integration issues through an annual integration forum that would include professional, academics, women, the private sector, the diaspora and other African stakeholders.
- FastTrack implementation of the Kigali decision on the 0.2% for AUC funding to create financial autonomy for the RECs, AUC and other continental and regional institutions.
- Intensify advocacy efforts aimed at AU member states, for them to ratify, tailor and implement AU legal instruments such as treaties, protocols related to financial institutions, the AfCFTA, and the pan-African institutions for statistics—as well as the AU passport.
- Strengthen cooperation between the AUC and RECs by improving information sharing and data collection.
- Strengthen collaboration between the AU and members states by nominating a specific focal point (ministry, department or other structure).
- Propose a champion REC in the area of integration the REC has made significant progress for emulation by other RECs.
- Align policies according to priorities, financing capacities and emerging issues.

In sum

Most RECs have completed milestones in compliance with the various stages of the Abuja Treaty. The free movement of people is now a reality in most RECs. The landmark signing of the AfCFTA and Free Movement of Persons in March 2017 by the AU Heads of State and Government is a good move. However, although key institutions have been established in line with the Abuja Treaty, their powers remain limited owing to the reluctance of member states to cede sovereignty. Multiple memberships are costly in both financial and human terms and prevent advancing to deeper forms of regional and continental integration. Decision-making based on consensus is problematic because decisions signed are not legally binding, and countries that do not implement decisions face no sanctions in any form.

The current method of financing regional and continental integration is both unpredictable and unsustainable. That donors fund most of these programmes requires a major shift. The division of labour between the AUC and RECs has not been clarified—and remains a work in progress. And persistent conflicts slow the pace of integration and divert limited resources earmarked for development.

The reforms started under the auspices of Rwanda President Paul Kagame offer an opportunity to inject new life into the African Union. Indeed, as the pioneering institution of African integration, the AU should be more results-oriented and have all the resources needed to implement Agenda 2063. The proposed 0.2% tax on imports from outside the continent, an outcome of the Kigali summit in 2016, aims to guarantee the AU's financial autonomy. But today's numbers speak for themselves: more than 50% of the AU budget is from foreign donors, and 97% of its programmes are funded by donors. To overcome this dependence, the proposed 0.2% levy on certain imports needs be implemented.

In an ever-changing international context, it is urgent to accelerate the continent's progress towards the African Economic Community (AEC). The first mid-term coordination meeting between the AU and the RECs was set for 30 June and 1 July 2019 in Niamey, Niger, to review the integration and development process. It refocuses the continent's attention on the stakes and the expected benefits of regional integration as a development strategy capable of driving structural change.

Stay tuned.

Major integration initiatives

In the wave of independence for most African countries 60 years ago, Africa found itself with countries too fragmented and weakened to assert themselves in the concert of nations. The first African Heads of State and Government relied on integration to build an integrated Africa for the continent's development.

Organization of African Unity

The Organization of African Unity (OAU) was one of the first pan-African initiatives for African integration. Indeed, the OAU was borne out of the will of 32 Heads of State and Government with the signing of the OAU Charter by 30 member states in May 1963. Although divided over issues such as federalism and an Africa of States, they opted for an organisation that would consolidate the foundations of real unity on the continent and establish itself as an institution for cooperation, which would gradually evolve into a dynamic force for integration.

The OAU was for many years subject to criticism for its inefficiency in dealing with decolonisation and conflict management. Nearly 40 years after its creation, the recurring criticism led the Heads of State and Government to transform the OAU into a new organisation capable of reconciling the realities of the new millennium by endowing itself with a more efficient organisational structure. Thus, the OAU was dissolved in 2002 and replaced by the African Union (AU).

The Abuja Treaty

Adopted in June 1991 and entered into force in May 1994, the Abuja Treaty is endowed with the vision of the Heads of State and Government—the realisation of integration to kick off meaningful economic development in the continent. To enhance its effectiveness, the Abuja Treaty was condensed into six main stages: creating and strengthening the regional economic communities, eliminating tariff and nontariff barriers, creating the free trade area, creating a continental customs union, creating an African common market and creating an African economic and monetary union.

The African Union

In September 1999, a declaration emerging from the resolutions of the Fourth Extraordinary Session of the OAU was adopted by the Heads of State and Government in Sirte, Libya. It laid down the principle of transforming the OAU into the African Union, a new giant organisation that would contribute to consolidating peace and stability in the world. Its objective was to accelerate implementation of the Abuja Treaty through shortened periods for implementation and speedy establishment of all the institutions specified.

Agenda 2063

Fifty years after the creation of the OAU, the Heads of State and Government, in reaffirming their desire to pursue integration, developed a new strategy while maintaining the same vision of an integrated, prosperous and peaceful Africa, an Africa capable of asserting itself in the concert of nations. This initiative saw the birth of Agenda 2063.

Divided into 10-year programmes, this integration plan takes into account the vision expressed in the Abuja Treaty by integrating emerging areas as well as new global dynamics. Since 2015, when Agenda 2063 was adopted, the African Union has been pursuing its activities on the basis of the agenda.

African Continental Free Trade Area

In January 2012, the Heads of State and Government decided to launch the AfCFTA, and negotiations began in June 2015 in Johannesburg defining the objectives, principles and roadmap. The AfCFTA was officially launched in March 2018.

Of the 55 African Union countries, 44 signed up for this flagship project of Agenda 2063. By March 2019, the agreement to create the AfCFTA had 52 signatures and 22 ratifications.

2019-07-08

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African Union

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