



STATUS OF INTEGRATION IN AFRICA (SIA IV)



HIGHLIGHTS

1. The fourth edition of the report of the Status of Integration in Africa (SIA IV) contains information on the implementation process of the integration agenda by the Regional Economic Communities (RECs) and the African Union Commission. The overall objective of this report is to inform the political decision makers of the Continent on the status of integration in Africa and provide some recommendations on how to speed up the economic and political integration of the continent.
2. The RECs are undertaking various activities and programmes in many areas of integration. The report is intending to capture the progress made in key integration areas, such as, Trade, investment promotion, infrastructure, free movement of persons, macroeconomic convergence, agriculture and food security, peace and security, social affairs, tourism, industry and planning, monitoring and evaluation. In this regard, analysis of the progress, the challenges and the future outlook of each of the abovementioned sectors are presented. The Report is also assessing the status of integration at Continental level, especially at the AUC level by capturing the progress made regarding the implementation of the key African Union Integration programmes and initiatives. Finally, some best practices and experiences in Africa need to be highlighted and major one is the EAC-SADC-COMESA Tripartite Arrangement. In this regard, the report looks at progress made in the tripartite negotiation process as well as implementation of various agreed programmes.

WHAT IS THE STATUS OF INTEGRATION IN THE REGIONAL ECONOMIC COMMUNITIES?

3. The African countries, as an economic bloc, occupy a very low position in the global economic classification. The African continent is home to 14% of the global population; it accounts for less than 3% of the global GDP and receives only 3% of foreign direct investment. As regards to global goods trade, the continent accounts for only 1.8 % of imports and 3.6 % of exports. These rates are even lower in the services sector: 1.7% and 1.8% of imports and exports, respectively. Beyond the relatively unfavorable general positioning, the situation is quite mixed if the countries are considered on individual basis. Intra-African trade stands at around 12 per cent compared to 60 per cent, 40 per cent, 30 per cent intra-regional trade that has been achieved by Europe, North America and ASEAN respectively. 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.
4. The African Union recognises eight RECs, which consist primarily of trade blocs and, in some cases, involve some political cooperation. All these Communities form the 'pillars' of the African Economic Community (AEC). The RECs are moving towards implementing the Abuja Treaty with different rhythms. EAC is the most advanced Community which have launched its Common Market in 2010. COMESA has launched its Customs Union on June 2009. ECOWAS and SADC have made progress in building

their FTAs and planning to launch their Customs Union in 2015 and 2013, respectively. ECCAS have 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.

NON-TARIFF BARRIERS (NTBs)

5. Apart from the problems in implementing the agreed FTAs, RECs are also facing Non-tariff barriers to trade. In this regard, RECs have different approaches in dealing with NTBs. The three RECs composing the tripartite arrangement have adopted one programme on elimination of NTBs which is an internet based system for use by stakeholders in the Member States to report NTBs as well as monitor the processes of their elimination. ECOWAS has put in place National Committees to deal with problems of NTBs and complaint desks in the borders, whereas, the rest of the RECs are yet to establish such a system to eliminate NTBs.

ONE STOP BORDER POSTS (OSBPS)

6. Few RECs have elaborated competition policies and generally these are the Communities either moving towards the Customs Union and Common Market or have reached these stages. One of the main tools for trade facilitation is the initiative of One Stop Border Posts (OSBPs). The concept is used to minimise delays at cross border points on major transport corridors in the region, often as a result of poor facilities, manual processes, lengthy and non-integrated procedures and poor traffic flow. Under the OSBP concept, all traffic would stop once in each direction of travel, facilitating faster movement of persons and goods, and allowing border control officers from the two Partner States to conduct joint inspection. The concept was first used at the Chirundu OSBP between Zimbabwe and Zambia which was judged successful. The establishment of the OSBPs is now widely adopted in various RECs such as, COMESA, EAC, ECOWAS, SADC and ECCAS.

COMPETITION POLICIES AND INVESTMENT PROMOTION

7. Few RECs have elaborated competition policies and generally these are the Communities either moving towards the Customs Union and Common Market or have reached these stages. A COMESA Regional investment Agency has been created and is located in Cairo, Egypt. It has a role to coordinate and strengthen the activities of the COMESA national investment promotion agencies. In addition, four COMESA investment fora were held, aiming at promoting COMESA 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 underway to upgrade it into an EAC Legislation/Protocol promoting EAC as an investment destination. The East African Business Council (EABC) is the apex body of business associations of the Private Sector and Corporates from the five East African Countries. The East African Business Directory is the first and the most comprehensive business directory in East Africa.

SADC has finalized a Protocol on Finance and Investment in 2006 and entered into force in April 2010. ECOWAS is working in three areas, namely: creation of the ECOWAS Common Investment Market (ECIM), investment climate promotion and financial market integration. ECCAS is working on putting in place a Regional Strategy on investment promotion and establishing a Small and Medium Enterprises (SMEs) Guarantee Fund

INFRASTRUCTURE

Road transport

8. In order to take care of the current and increasing road infrastructure assets through proper maintenance and management, the COMESA countries had undertaken Road Sector Management and Funding Reforms. Most countries had set up both road funds and road development agencies in order to maintain both the regional and national road networks. Among the countries that had established such funds and road authorities are: Congo DR, Djibouti, Ethiopia, Kenya, Malawi, Rwanda, Sudan, Uganda, Zambia and Zimbabwe. The main source of funding for road maintenance was the fuel levy while construction and rehabilitation were funded through government budget allocations, borrowing from development banks and funds from cooperating partners.
9. ECOWAS established National Road Transport and Transit Facilitation Committees with membership 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 along their respective corridors. ECOWAS is coordinating an AfDB funded multinational highway and transport facilitation programme between Nigeria and Cameroon (Bamenda-Enugu Road Corridor) and the construction of three critical bridges in Sierra Leone (Sewa, Waanje and Moa). The Commission 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 Ghana, Benin and Togo.
10. Although transport projects are dealt at bilateral level, IGAD has continued to lobby for/and mobilize funds for these projects:
 - Nairobi - Addis Ababa Corridor (Isiolo – Moyale – Addis Ababa road): various sections are at various stages of implementation, under procurement, construction and rehabilitation, financing from AfDB & EU);
 - Kampala – Juba Corridor: Nimule – Juba under Construction in South Sudan; Gulu – Nimule (Uganda) under procurement;
 - Berbera Corridor (Somaliland – Ethiopia): feasibility study and detailed engineering design services under procurement; and
 - Djibouti – Addis Ababa Corridor: Remaining section of Arta – Guelile road section in Djibouti under procurement.
11. The EAC has identified five main corridors within the Community (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 are including:

- Feasibility Studies and Detailed Design of the Arusha – Holili – Taveta Road and the Malindi – Lunga Lunga and Tanga – Bagamoyo Road
- Scoping Study on the Civil Engineering Contracting Capacity in East Africa
- Audit Consulting Services for the Arusha – Namanga – Athi River Road Development Project
- Study on the East African Transport Strategy and Regional Road Sector Development Programme and the East African Transport Facilitation Project

12. The progress made in the implementation of the ECCAS Consensus Blue Print on Transport in Central Africa (PDCT-AC) and its priority projects is concerning implementation of the Highway project Fougamou-Doussala- Dolisie (Gabon- Congo) and the Project of development of the road-Ouessou Sangmelima and transport facilitation on the Brazzaville-Yaoundé road corridor.

Rail transport

13. Many of the new railway development projects underway in the Africa are based on the framework of the Union of African Railways which advocates for the construction of standard gauge railways. The networks which are planned to be developed in Eastern and Southern Africa within the adopted corridor approach include the following:

- Rail link for Djibouti, Ethiopia, Southern Sudan and Sudan originating from Djibouti and terminating in Juba;
- Rail link linking Kenya, Southern Sudan and Ethiopia originating from Lamu port and terminating in Juba with a link to the Ethiopia/Djibouti network through Moyale; and
- Kagera Basin Railway linking Tanzania, Rwanda and Burundi and originating from Isaka whose feasibility study was funded by AfDB.

14. In addition, Ethiopia, Djibouti and the five East African Community countries namely; Burundi, Kenya, Rwanda, Tanzania and Uganda had decided to develop standard gauge rail networks to replace the existing narrow gauge networks. The main ECCAS Regional project in the area of rail transport is the extension of the railway Leketi-Franceville between Gabon and Congo.

Air transport

15. Regarding the Air transport, various initiatives and programmes are under implementation in the RECs. The EAC Civil Aviation Safety and Security Oversight Agency (CASSOA) have been relocated to its permanent headquarters in Entebbe, Uganda. ECOWAS is focusing on fostering the implementation of the Yamoussoukro Decision on air transport liberalization through the adoption of Community Acts on the establishment of a common air transport legal framework for ECOWAS Member States

by the ECOWAS Authority in February 2012. All ECCAS member countries are currently covered by the various programs of Capacity Building Program of Aviation Safety Oversight (COSCAP). The Code of Civil Aviation of Central Africa was also adopted by the Ministers responsible for Civil Aviation in Bujumbura June 11, 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. The COMESA also has adopted in November 2007, the COMESA Model Energy Policy Framework. In the area of Renewable energy, a baseline renewable energy database was developed for COMESA region. The Eastern Africa Power Pool (EAPP) was established in 2005 and adopted in November 2006 as a COMESA specialized institution and a vehicle for the enhancement of energy interconnectivity in the region and the rest of Africa. The EAPP adopted the 2025 strategic road map and the regional market design. A regional power master plan and grid code were also developed as well as the establishment of an Independent Regulatory Body.
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 Power Master Plan outlines the least cost generation and transmission programme for meeting the region's electricity demand for 2013-2038. The Power Master Plan was developed together with an Interconnection Code which will govern the transmission system design and operational requirements for regional interconnection. The West African Power Pool (WAPP) continued efforts to update the ECOWAS Master Plan for Production and Distribution, which was adopted in November 2011. The WAPP coordinated the actions undertaken in the Emergency Programme for the cities of Bissau and Conakry. The ECOWAS Regional Electricity Regulatory Authority (ERERA) effectively entered its operational phase for the establishment of a regional electricity market in January 2011. ECCAS Member States have established in April 2003, the Power Pool of Central Africa, (PEAC), which became an ECCAS specialized agency by decision 021/CEEAC/2004. One of the main achievements of PEAC is progress made towards the implementation of the Grand Inga project.

FREE MOVEMENT OF PERSONS

18. Regarding the free movement of people, enormous results have been achieved in certain regions such as ECOWAS EAC and AMU; on the other hand some RECs (SADC, ECCAS, CEN-SAD, IGAD and COMESA) are still facing challenges in this regard. Despite the progress made, several obstacles slow down, and even undermine the integration process. In this regard, the movement of people is faced with a number of problems, including 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 evoke security as the main reason for delaying the implementation of decisions on free movement of persons, which have been taken at a regional level.

MACROECONOMIC CONVERGENCE

19. In implementing their Monetary Cooperation Programmes, RECs are at different stages of integration. COMESA has developed Multilateral Fiscal Surveillance Framework; adopted a Financial System Development and Stability Plan; designed an Assessment Framework for Financial System Stability. The COMESA Monetary Institute was also established in 2011 in Nairobi, Kenya, in order to undertake all the preparatory work for implementing all the stages of the COMESA Monetary Cooperation Programme. COMESA also operationalised the Regional Payment and Settlement System (REPSS). The preparatory works for the transition to the EAC Monetary Union (EAMU) is ongoing. The negotiations for the EAMU Protocol are in advanced stages and have covered most parts of the draft Protocol. The review of the EAC macroeconomic convergence criteria is towards completion. According to the roadmap adopted by the ECOWAS, it's planned 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.

AGRICULTURE AND FOOD SECURITY

20. In order to accelerate the implementation of the ECOWAS Agricultural Policy (ECOWAP), the Council of Ministers adopted the key strategic regulations. In addition, the ECOWAS strategic plan for the processing and development of the livestock sector was prepared and adopted. This constitutes an important aspect of ECOWAP implementation at the national and regional levels in the animal resources sector. The Alliance for Commodity Trade in Eastern and Southern Africa (ACTESA) is a regional Alliance organization and a Specialized Agency of COMESA. From its side, SADC is continuing with the monitoring and implementation of the Dar Es Salaam Declaration and Action Plan on agriculture and food security as well as the RISDP priorities on food security and natural resources. Further, SADC is implementing the SADC Seed Security Network (SSSN) which intends to facilitate the creation of a regional seed market. In addition, SADC is facilitating the implementation of the harmonized seed system in all SADC Member States. IGAD has developed a regional Disaster Risk Management (DRM) Programme and has been endeavoring in implementing it. Currently IGAD is engaged in the initiation of establishing a regional Disaster Fund and developing map and atlas of the mains hazards that cause disasters in the IGAD region. An EAC Food Security Action Plan (2011 -2012) was developed and approved by EAC Summit in April 2011 for implementation. EAC has several initiatives to facilitate and accelerate

development of the agricultural sector. ECCAS is implementing its Regional Programme on food security and Common Agriculture Policy.

WHAT IS THE PROGRESS MADE AT THE AFRICAN UNION COMMISSION?

THE PROGRAMME FOR INFRASTRUCTURE DEVELOPMENT IN AFRICA (PIDA)

21. At Continental level, the PIDA yielded a macro-outlook for infrastructure demand in each sector through 2040 (or 2020 for ICT), the projected gaps and bottlenecks created by mismatched supply and demand, the institutional inefficiencies previously highlighted and the options for identifying, preparing and funding projects. The programme is organized for the short and medium term (through 2020 and 2030) with a long-term view to meet demand through 2040. Given Africa's urgent infrastructure needs, the projects and programme list for short term implementation is included in the Priority Action Plan (PAP) of PIDA. The currently PIDA cost is estimated at more than \$360 billion, the overall capital cost of delivering the PAP from 2012 through 2020 is expected to be nearly \$68 billion or about \$7.5 billion annually for the next nine years. Mobilizing funds for the implementation of the PIDA continue to be challenge.

COMPREHENSIVE AFRICA AGRICULTURAL DEVELOPMENT PROGRAMME (CAADP)

22. Significant progress is registered in CAADP implementation in relation to agricultural spending and sectoral growth aimed at attaining the Maputo targets of allocating at least 10 percent annual public sector budget to agriculture and at least 6 percent annual sectoral growth respectively. Recent statistics show that up to 9 countries stand out as having reached or surpassed the 10% target. Nine countries are spending between 5 and 10 percent and 29 countries have devoted less than 5 percent of their total budgets to agriculture. The number of countries that have signed their national CAADP compacts has risen to Twenty Nine. Out of these 29 Country Compacts, 21 have completed the formulation of CAADP-based country investment plans which have also been independently reviewed.

AFRICAN FINANCIAL INSTITUTIONS

23. The Commission is working closely with the Association of the African Central Banks (AACB) on producing a Joint Strategy for the establishment of the African Central Bank (ACB). The strategy is expected to be submitted to the Conference of African Ministers of Economy and Finance in March 2013 for consideration and to the Assembly of Heads of State and Government in July 2013 for adoption.

24. 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 who recommended that it be reviewed by Ministers of Justice before adoption. The Commission is working with the IMF 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 Summit for adoption.

AFRICAN CHARTER ON STATISTICS (ACS) AND STRATEGY FOR THE HARMONISATION OF STATISTICS IN AFRICA (SHaSA)

25. The use of quality, reliable and comparable statistics is a must for any monitoring and evaluation process. In this regard, 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 Heads of State and Government in February 2009. To date, the Charter has been signed by 22 countries and ratified by only six countries. The strategy for the harmonization of statistics in Africa (SHaSA) was adopted by Heads of State and Government in July 2010 and is under implementation by the concerned stakeholders.

CONTINENTAL FREE TRADE AREA (CFTA) AND BOOSTING INTRA-AFRICAN TRADE (BIAT)

26. At its 18th Ordinary Session, held on 29-30 January 2012 in Addis Ababa, Ethiopia, on the theme “Boosting Intra-African Trade”, the Assembly of Heads of State and Government of the African Union adopted a Decision (Assembly/AU/Dec.394 (XVIII)) and a Declaration (Assembly/AU/Decl.1(XVIII)), 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 Roadmap for the establishment of a CFTA by the indicative date of 2017. During its 19th Ordinary Session of the Assembly of the Union, African Heads of State and Government adopted Decision Assembly/AU/Dec.426(XIX) highlighting, among others, the major achievements made in implementing the CFTA 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 Committee of seven Heads of State and Government on the challenges of low levels of intra-African trade, infrastructure, and productive capacities to the fast tracking of the CFTA and the boosting of Intra-African trade.

THE MINIMUM INTEGRATION PROGRAMME (MIP)

27. The MIP has been elaborated by the AUC in close cooperation with the RECs and was adopted as “dynamic strategic continental framework for the integration process”. The AU Commission developed an implementation Action Plan for the MIP which was adopted by the fifth COMAI and endorsed by the Heads of State and Government during the January 2012 AU Summit. The AUC was mandated to estimate the necessary funding

requirements (costing) 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 US\$ 110,950 million. The AUC is working with UNDP to develop a mobilization strategy for the MIP Action Plan as well as on setting up an Integration Fund.

BEST PRACTICES: THE EAC-COMESA-SADC TRIPARTITE ARRANGEMENT

28. The COMESA-EAC-SADC Tripartite arrangement represent best practice that the other RECs are encouraged to emulate in order to accelerate the harmonization of their programmes and activities. During their second Summit held in Johannesburg, South Africa on 12th June 2011, the Tripartite Heads of State and Government signed the Declaration Launching the Negotiations for the Establishment of the Tripartite Free Trade Area; adopted the Roadmap for Establishing the Tripartite FTA and also adopted the Tripartite FTA Negotiating Principles, Processes and Institutional Framework. The Tripartite FTA comprise of three Pillars; Market Integration, Infrastructure Development and Industrial Development. The Movement of Business Persons shall be negotiated under a separate track.

CHALLENGES AND CONSTRAINTS

29. Despite the progress achieved in all sectors, Africa is still faced with several difficulties, among others, difficulties stemming from harmonization of policies; inadequate political will to implement integration decisions; apprehension on the part of States to cede some of their competencies; the absence/ inefficiency of compensation mechanisms for the temporary losers in the integration process; the inadequacy of the 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 programmes with poor involvement of the private sector and civil society organisations; lack of ownership of Regional programmes at national level; inadequate financial resources; and inadequate Human resources.

WHAT IS THE WAY FORWARD?

30. The RECs are moving at different rhythms in the integration process. Whereas some RECs have achieved very good progress in various sectors, others are still hanging behind and struggelling. As way forward, the report recommends that: The NEPAD Planning and Coordinating Agency (NPCA) role as a “think tank” needs to be strengthened; the long and medium terms planning should be emphasized in translating the Community strategies and policies into a real comprehensive development programme; the RECs role

of monitoring and evaluation of the integration process should be strengthened; Member States should prioritize the implementation of Regional programmes at national level; Member States need more assistance in implementing regional policy frameworks through increased advocacy and technical assistance at the national level; need to stream the at various levels. The Member states should commit them selfs to the governance of integration by implementing the agreed regional and continental programmes and projects; the ongoing work on the AU alternative sources of financing 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, also should start reflecting on putting in place their own alternative sources of financing.