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AFRICA REGIONAL MULTIDIMENSIONAL INTEGRATION INDEX (ARMII)

EXECUTIVE SUMMARY

DEPARTMENT OF ECONOMIC AFFAIRS
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EXECUTIVE SUMMARY

Context

For several decades, African Heads of State and Government have consistently advocated African integration, as a relevant strategy to achieve the development of the Continent. This vision materialized in the plethora of agreements and treaties adopted sequentially by the Heads of State and Government. From the Organization of African Unity (OAU) to Agenda 2063 today, the will of the Heads of State and Government has never changed, considering the initiatives they have continued to develop.

However, the will was not enough for the initiatives to produce the expected results. Indeed, many of these initiatives have failed for a variety of reasons, including funding, divergence of views with other international institutions, internal conflicts, reluctance on the part of Member States to cede part of their sovereignty. That is in addition to lack of monitoring and evaluation to better achieve the results expected from each of these initiatives.

Thus, with the new initiative of the Heads of State and Government, i.e. Agenda 2063, a special emphasis may be placed on monitoring and evaluation in order to achieve objectives effectively and efficiently. In May 2013, in Mauritius, the African Ministers in charge of Integration, meeting in a conference, requested the African Union Commission (AUC) to design an integration assessment system in order to have not only a clear idea of all the activities undertaken towards African integration, but also to identify the impediments to the integration process in Africa.

It is in this dynamic that the AUC, in collaboration with the African Development Bank (AfDB) and the United Nations Economic Commission for Africa have joined forces to develop the Africa Regional Integration Index (ARII), whose First Report was launched in 2016. Although this was a commendable initiative, it does not make sense to remain deaf to the criticisms made of this index, which is considered an innovation in the African integration process. The following are among the many criticisms of ARII: (i) important dimensions of integration that are not covered, (ii) ARII prioritizes the comparison between RECs and countries, without emphasis on the evaluation of the integration process in accordance with integration initiatives.

The AUC therefore deemed it expedient to develop another index whose objective could address the primary concern of the main integration actors. For the latter, the evaluation of integration does not currently require comparisons between RECs or even between Member States. The new index developed by the AUC is intended to be more inclusive by its production methodology in order to significantly fill the gaps in the ARII.

Objective of the Report

The objective of the study undertaken by the AUC is to propose a coherent, robust and inclusive monitoring and evaluation framework that addresses the monitoring and evaluation concerns of integration actors in Africa.

More specifically, the study should:

- ❖ Determine the dimensions of integration based on the various initiatives defined, which constitute the process of African Regional Integration;
- ❖ Determine SMART indicators for each of these dimensions;
- ❖ Propose methods for calculating these indicators and;
- ❖ Determine thresholds for each of the indicators to serve as benchmarks of the efforts of different RECs.

Relevance and added value of the AMRII index

- ❖ **The index takes into account several dimensions including emerging dimensions of integration**

The changes taking place on a global scale, as well as the emerging issues arising from globalization, make it necessary to take into account new areas that have an impact on the integration process and the future of African populations. These new dimensions include: environment, migration, climate change, culture, governance, peace and security.

- ❖ **The monitoring and evaluation framework index of the implementation of integration programmes and projects**

Unlike ARII, which as demonstrated above, is based on the "MiniMax"¹ method and a logic of comparison between the countries and the RECs, the new index instead facilitates monitoring and evaluation of RECs in accordance with the implementation of the integration agenda. In fact, comparison in no way makes it possible to assess the level of the RECs in the implementation of programmes and does not highlight the efforts made during the implementation of the integration agenda. The new index therefore fills a gap in the Africa Regional Integration Index, which could not forecast the implementation of an integration programme with reference to the objectives, deadlines and implementation action plans fixed.

The new index is therefore a framework for assessing the achievements of RECs in comparison with the objectives and stages of integration initiatives.

¹ The MiniMax method is a standardization method based on the smallest and largest sample values. These values are reduced to 0 and 1; the other values are then classified between 0 and 1

❖ The added value of the new index

The new study carried out by the AUC, following the one undertaken in collaboration with ECA and AfDB in 2016, presents a significant added value. As several voices have questioned the necessity of developing a new index, it appears important to highlight in Table 1 below the comparative elements of this new index in a bid to further underscore the need for this new index. Thus, we have summarized the differences between the two indices as follows:

Table 1 : Summary of differences between the ARII and the new index

	IIRA	New AMRII index
Objectives	Assess the level of integration of RECs and of countries by comparison	<ul style="list-style-type: none"> Asses RECs through the implementation of major integration programmes.
Methodology	The MiniMax method	<ul style="list-style-type: none"> The Objectives Method The Averages Method
The value added of the new index		<ul style="list-style-type: none"> Takes into account emerging areas like social integration, environmental integration and political integration. Use of thresholds
Roles	Compare countries and RECs in their efforts to implement the process.	<ul style="list-style-type: none"> Serve as evaluation tool of integration efforts for a better drafting of the Annual Report on the Status of Integration in Africa

Source: AUC 2018

Methodology

The methodology, based on an inclusive strategy, is divided into 3 main phases:

❖ Selection of integration dimensions and indicators

The selection of dimensions and indicators involved the Experts from the RECs, the Association of African Central Banks (AACB), the Committee of Directors General of the National Institutes of Statistics (CoDG) as well as those from the AUC partner organizations such as ACBF, ECA and AfDB. The coordination was carried out by the Department of Economic Affairs of the AUC. Dimensions and indicators were extracted from the various integration initiatives of the African Union, including Agenda 2063 and the Abuja Treaty. According to Cavoli (2012), integration indicators should be appropriate for measuring the degree of economic integration based on the following properties or principles:

- They must be simple and easy to understand;
- Data should be readily available for all sampled countries;
- They should be derived from economic rather than political considerations; and

- They should be supported by economic intuition about the behaviour of actors.

❖ **Calculation of sectoral indicators**

The indicators selected are either quantitative or qualitative. Quantitative indicators can be measured from relevant variables for each integration dimension while qualitative indicators are assessed on the basis of Community Legal Instruments.

Qualitative indicators are evaluated on the basis of the phases that make up the implementation of the legal instruments they represent. The instruments were considered achievable in 3 phases: (i) adoption and signature, (ii) ratification and (iii) implementation. Then the scores are given to the indicators according to the phase of the evaluated Community.

The quantitative indicators are standardized and calibrated in the interval 0 and 1 to then facilitate the calculation of the sector composite index or the final composite index.

❖ **Sector composite indices**

The sector indices are the indices calculated for each of the dimensions of the final composite index. Their calculation is based on the simple arithmetic mean of the values of the indicators that make up each defined dimension.

❖ **The final composite index (AMRII)**

The final composite index known as the Africa Multidimensional Regional Integration Index (AMRII) is the simple arithmetic mean of the sector indices calculated for each of the selected integration dimensions.

❖ **Calculation of thresholds**

The two main programmes (Abuja Treaty and Agenda 2063) on which the new African Integration Index is based contain both qualitative and quantitative objectives. We must therefore ensure that each of the qualitative objectives is transformed into a quantitative objective. As difficult as it may be, once this exercise of quantification of objectives is successful, it is a very important added value for monitoring and evaluation systems. They enable stakeholders to have access to alerts about implementation delays, identify difficulties and obstacles and make coherent decisions at all times.

That is why the AUC wanted to add this functionality to the new evaluation framework so that it can be used as an evaluation tool to, not only evaluate the results obtained

and to compare RECs but also to alert policy makers and other actors on appropriate measures and policy to achieve the goals set in the various integration programmes. With this in mind, the Report combines two methods in order to define the thresholds. These two methods are: the averages method and the objectives method.

➤ *The averages method*

In statistics, the mean is considered as a measure of central tendency, that is, it helps to capture, with the help of a single number, what is typical of a set of data. Since this method is used to determine the thresholds of the calculated indices, it makes it possible to define the speed with which all the RECs evolve in the implementation of the integration programmes.

The logic behind the mean method is that RECs may not be able to achieve the results expected when the Abuja Treaty and Agenda 2063 were adopted. They could therefore be ahead in certain areas based on their starting position, the resources at their disposal and their priorities. It is therefore necessary to understand the average level of development of RECs in order to challenge RECs below this value on the fact that it is absolutely impossible.

➤ *Objectives method*

For all indicators whose objectives have been defined in terms of instruments or integration tools such as the institutions protocols etc., it is sufficient to implement these instruments in three precise phases: (i) Phase of discussions and exchanges between Member States; (ii) Phase of drafting agreements, treaties, protocols; (iii) Negotiation phase for signature and ratification.

The first two phases represent half (50% or 0.5) of the process of creating the integration instrument, and ratification represents the other half. For instruments that are supposed to be in place before 2018, the reality of the RECs has led to the conclusion that the ratification phase must have been completed by half of the Member States. Thus, the threshold for these integration instruments or tools is 75% (or 0.75). If 2018 is not the end year of the instrument implementation process, then we simply consider the suggested step in the integration agendas and the corresponding threshold. This threshold is evenly distributed over the entire period until expiry.

- For example the objectives relating to banking, financial, monetary institutions etc., are automatically retained. This is the case for the convergence criteria set by the AU and the Association of African Central Banks (AACB).

Key Results

1. The dimensions of the index

- Dimension 1: Social Integration (free movement of people, gender, humanitarian affairs)
- Dimension 2: Productive Integration (Agriculture, Industry, Mining, Investment, etc.)
- Dimension 3: Trade Integration;
- Dimension 4: Infrastructure Integration;
- Dimension 5: Monetary and Financial Integration;
- Dimension 6: Environmental Integration;
- Dimension 7: Political and Institutional Integration.

2. The indicators

Indicators by integration dimension are:

- **SOCIAL INTEGRATION**
 - ❖ Protocol on Free Movement of Persons;
 - ❖ Community Passport;
 - ❖ Visa between REC countries;
 - ❖ Right of Establishment;
 - ❖ Right of Residence;
 - ❖ Access to the labour market;
 - ❖ Access to land.
- **PRODUCTIVE INTEGRATION**
 - ❖ Share of intra-regional intermediate goods exports (% of intra-regional exports);
 - ❖ Share of intra-regional intermediate goods imports (% of intra-regional imports);
 - ❖ Existence of a regional plan for agricultural/ industrial/ mining development.
- **COMMERCIAL INTEGRATION**
 - ❖ Common External Tariff;
 - ❖ Value of intra-community goods imports (As % of total goods imports);
 - ❖ Value of intra-community goods exports (As % of total goods exports)
 - ❖ Value of intra-community services imports (As % of total services imports);

- ❖ Value of intra-community services exports (As % of total services imports).

➤ **INFRASTRUCTURE INTEGRATION**

- ❖ Proportion of intra-community trade in electricity
- ❖ Proportion of intra-community flights
- ❖ Roaming cost
- ❖ Number of cross-border roads
- ❖ Regional Interconnection Infrastructure Index (United Nations)

➤ **FINANCIAL AND MONETARY INTEGRATION**

- ❖ Existence of a Regional Payment System;
- ❖ Existence of a Regional Stock Exchange;
- ❖ Clearing House;
- ❖ Differential of Inflation Rate;
- ❖ Existence of Macro Prudential Standards;
- ❖ Number of recognized currencies (including foreign currencies) in circulation in your REC;
- ❖ Proportion of intra-community trade for which payments are made in regional currencies;
- ❖ Regional network of correspondent banks;
- ❖ Regional Investment or Development Bank.

➤ **ENVIRONMENTAL INTEGRATION**

- ❖ Regional Environmental Management Plan;
- ❖ Regional regulatory institution for environmental protection activities.
- ❖ Community carbon tax;
- ❖ Regional Integrated Water Resources Management Programme (IWRM);
- ❖ Regional Integrated Water Resources Management Institution (IWRM);
- ❖ Regional centre for collection of geo-spatial data on water resources.

➤ **POLITICAL AND INSTITUTIONAL INTEGRATION**

- ❖ Regional Parliament;
- ❖ Regional Court of Justice;
- ❖ Regional Armed Forces;
- ❖ Regional Central Bank;
- ❖ Regional University.

Conclusion and Recommendations

For several decades, integration has been recognized as a sine qua non for the development of the African Continent. The plans and programmes developed have

not produced the expected results for a number of reasons, including lack of monitoring and evaluation tools that make it possible to recap the actions undertaken, identify the gaps and propose corrective measures in terms of programming, implementation and financing.

In 2016, at the request of the Ministers in charge of Integration, the first index was created. However, this ARII index has a few limitations that have been raised on several occasions.

The AUC has therefore decided to develop a new index known as the African Multidimensional Regional Integration Index (AMRII). AMRII is composed of 7 dimensions and 39 indicators, which are both qualitative and quantitative. One novelty is the presentation of thresholds for assessing the RECs and identify those lagging behind in the implementation of integration plans and programmes such as the Abuja Treaty and Agenda 2063.

This new index was adopted at the technical meeting, organized in Kampala (Uganda) by the AUC from 17-21 September 2018, which brought together Experts from RECs, Central Banks, National Statistical Institutes and Independent Experts.

The Experts' meeting made the following recommendations:

- (i) Submit the recommendations to the AU Organs for consideration and adoption.
- (ii) Also requests the AU to evaluate the performance of the RECs in the implementation of the Abuja Treaty and Agenda 2063 on the basis of the Africa Multidimensional Integration Index and
- (iii) Further requests all the RECs to cooperate closely with the AUC in the monitoring and evaluation process based on this new index for a better implementation of regional and continental integration programmes.