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Working with the grain of African integration

By Bruce Byiers (ECDPM), **Jaime de Melo** (FERDI) **and Ed Brown** (ACET)

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Summary

This Briefing Note gives an overview of the complexities and challenges facing efforts at regional integration in Africa. Although frustration with progress in regional integration is widespread, ambitions continue to grow with the recent signing of the African Continental Free Trade Area.

Engagement with regional processes should be based on a very explicit understanding of the political economy of regional processes. This means taking account of political interests and incentives both *within* and *between* states to gauge where there is genuine traction for regional initiatives and therefore where external support might be effective.

As part of thinking about furthering the regional agenda, this Briefing Note also points to the importance of effective monitoring, meaning not only following outcomes, but also tracking commitments made towards regional efforts. A more realistic understanding of where and why countries engage in regional integration, and improved monitoring of actual engagement can help identify where to support countries in their efforts. But peer pressure and learning across regions can also play a role. The Pan African Coalitions for Transformation recently launched to play this role across a range of policy areas could help fulfil this role.

Abstract

Regional integration has long been high on the agenda in Africa, with renewed impetus from the recently signed African Continental Free Trade Area. However, progress is often halting, partly due to the lack of means of enforcing implementation of commitments taken. This Briefing Note takes a fresh look at the challenges facing Africa's Regional Economic Communities (RECs) by emphasising the extent of commitments and the political economy aspects of integration along the RECs. Most indicators on regional integration mix policy measures and outcomes, neglecting effective commitments and implementation. Indicators of commitment are proposed and illustrated. Such indicators, supported by the G20, might feed a wider platform for peer learning and momentum for collective action, to overcome some of the political economy challenges around the regional integration agenda.

Challenge

Regional integration, epitomised in the Regional Economic Communities (RECs) has long been on the agenda in Africa, with renewed impetus from the recently signed African Continental Free Trade Area. However, progress is often halting, partly due to the lack of means for monitoring implementation of commitments taken. Monitoring of integration progress within the eight Regional Economic Communities (RECs) has focused on outcome indicators, many measuring changes in the intensity of intra-regional trade (see UNECA, 2017). These indicators are useful and collected relatively easily, but they neglect the diversity of objectives across very heterogeneous members, whose different objectives must be accommodated in the workings of the RECs. While capturing events beyond measures taken to intensify intra-regional trade, these indicators do not capture the changing landscape of regionalism in the 21st Century which is increasingly focussed on trade in services, for which few indicators are available (de Melo et al, 2017). This Briefing Note (BN) argues for monitoring progress in a way that requires:

- Taking into account the different objectives of RECs, reflecting the political economy of regional integration diplomacy;
- Developing and implementing indicators of commitments (in addition to outcome indicators that capture other developments in the economy);
- Experimenting with ways to get collective action underway among countries in the continent.

Proposal

With an eye to how external partners can better support regional integration dynamics, this BN proposes they support efforts to:

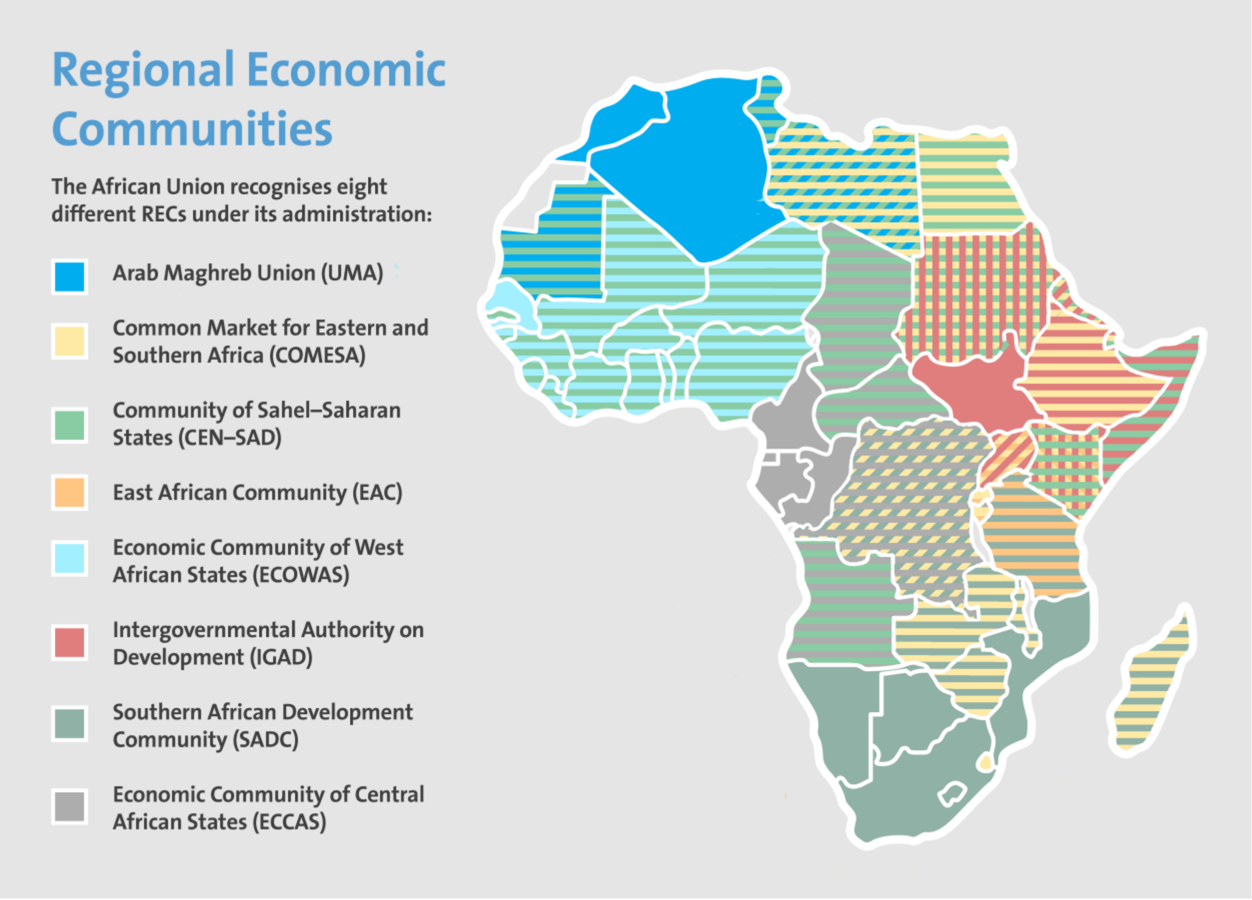
- Develop indices of commitments that give greater recognition to the multiple objectives on the agendas in the RECs (see e.g. Cariolle et al., 2017 and below).
- Incorporate political economy analysis and problem-driven approaches to prioritise specific areas for intervention where interests align within and between countries within regions (see Vanheukelom et al., 2016 and below).
- Develop inter-governmental coalitions such as PACT (see ACET, 2018) to review and monitor progress relying on indicators that reflect a results-based mindset.

1. Introduction

In spite of the rise of economic nationalism around the world, epitomised by Brexit and Trumpian trade policies, African countries appear to be going in the other direction. March 2018 saw the signing of the African Continental Free Trade Area (AfCFTA) by 44 of 55 African Heads of State. It is one of the first flagship programmes outlined in the African Union's (AU) Agenda 2063. Though the agreement signed in Kigali in March 2018 only represents the legal framework for further negotiation, once completed and implemented, the AfCFTA, covering 55 states, a population of 1.2bn, and a market estimated at $3.5tr, would represent the largest free trade area (FTA) in the world.

Regional integration in Africa has been high on the agenda since independence. It has been carried out in earnest since the Abuja Treaty of 1991, yet markets remain poorly integrated with partial implementation of Free Trade Agreements (FTAs) through the eight African-Union recognised RECs (Figure 1). High non-tariff barriers to intra-regional trade and high transport costs continue to hinder market integration across borders (de Melo & Tsikata, 2015; de Melo et al., 2017; UNECA, 2013).

Figure 1: Regional Economic Communities



Source: ECDPM, 2018

Adverse geography, ethnolinguistic fractionalisation, and artificial borders combined with overly ambitious agendas (section 2) have resulted in poor implementation and ineffective monitoring of the many objectives agreed, themselves reflecting the diversity of conflicting interests (landlocked-coastal, resource-rich/resource-poor, large-small) within REC memberships. Moreover, a closer look at commitments and progress highlights the need to understand the political economy – i.e. the actors, interests and incentives - that guide how national positions are shaped and how they play out in negotiations and in implementation (de Melo et al., 2017; Vanheukelom et al., 2016) (section 3).

Against this backdrop, this BN recommends that policymakers and their external partners support efforts to produce a more effective description and monitoring of *commitments* to regional integration that recognises better the *political economy motives* of integration within the RECs. Better monitoring would help inform negotiators and civil society, of challenges and alternatives, thereby providing a clearer picture of feasible implementation of increasingly complex regional agreements such as the AfCFTA (section 4).

2. Ambitious agendas

The RECs are seen by some as an adaptive, post-independence, response to the challenges faced by new States (Juma & Mangeni, 2018). Their wide range of objectives reflects the heterogeneity of historical and contemporary contexts across members. These include: (i) political solidarity (the anti-apartheid basis of the Southern African Development Community (SADC)); (ii) addressing drought and desertification (the Intergovernmental Authority on Development (IGAD)); (iii) balancing past colonial influences (the francophone, anglophone divide in the Economic Community of West African States (ECOWAS)); (iv) resurrecting past configurations (the East African Community (EAC)); (v) promoting trade (the Common Market for Eastern & Southern Africa (COMESA)); (vi) promoting the political agendas of key states and individuals (the Community of Sahel-Saharan States (CEN-SAD)).[1]

The basis for most AU-recognised RECs has been a treaty and roadmap to integration based on the 'linear' model (Figure 2). This foresees progressive integration from an FTA to a customs union, to a common market and ultimately to a political federation with a large role for supra-national institutions (Juma & Mangeni, 2017). The development of supra-national institutions inspired by European integration has been key to this roadmap.

Figure 2: The European 'linear' model

Source: ECDPM, 2018

[1] Though not the focus here, multiple additional regional organisations exist beyond those recognised by the AU, reflecting post-colonial monetary and market arrangements (the Central African Economic and Monetary Community (CEMAC), the West African Economic and Monetary Union (UEMOA)) but also attempts to manage cross-border natural resources and security, such as the Niger Basin Authority, the Commission of Central African Forestry, COMIFAC, and the Lake Chad Basin Commission, now active in security issues. The multitude of organisations reflects a complex environment of interlocking and overlapping cross-border issues.

Wide and ambitious agendas combined with varying member state interests and institutional forms that have difficulty playing their proposed functions (Bach, 2015) has led to slow progress towards the integration targets and the spectre of implementation capability traps (de Melo et al., 2017; Pritchett et al., 2010). Further, all African countries are members of more than one REC (see Figure) as well as being members of other regional organisations not recognised by the AU, including economic bodies such as the Central African and West African Monetary and Economic Unions, CEMAC and UEMOA, respectively. This is not to mention the range of additional organisations covering river basins, power pools and peace-keeping initiatives.[2] All of these organisations have limited enforcement of provisions. Although membership of two or more RECs (and their associated FTAs) is not necessarily incompatible, the multiple objectives of integration beyond trade imply a dispersion of limited resources across multiple regional initiatives, undermining potential progress.

The recently signed AfCFTA is an attempt to overcome some of the challenges of overlapping memberships (Figure 3) and is relatively narrow in scope, focused as it is on elimination of tariffs on 90% of tariff lines.

Figure 3: Africa: Continental Free Trade Area

Source: ECDPM, 2018

Nonetheless, unless the AfCFTA drastically alters the incentives countries face, it seems likely to suffer from the same difficulties identified in progress reports on integration along the Abuja road map. Not least among these is that indicator values for trust and for the quality of domestic institutions, both important for trade in contract-intensive goods, are lower among REC members compared with those of other developing-country regional integration agreements (RIAs) such as the Andean Community, the Association of Southeast Asian Nations (ASEAN) and Mercosur (de Melo et al., 2017). The United Nations Economic Commission for Africa (UNECA) 2013 report on integration along the RECs underscores the related difficulties in harmonising, monitoring, and assessing projects and programmes designed to boost integration (UNECA, 2013), with further challenges and difficulties documented in UNECA (2017) that include:

[2] One can explore country memberships of regional organisations at: http://www.ecdpm.org/regionalmap

- Regional market integration is increasingly multi-dimensional with strong complementarities (goods trade, services trade) and other policies — regulatory, labour mobility — that are not on the multilateral agenda at the World Trade Organization (WTO). This is likely to reduce the enforceability of provisions.
- Institutional setups, largely influenced by the European experience with integration appear overly ambitious. For example, at relatively early stages of integration, ECOWAS has six regional institutions, ten specialised agencies, and two private sector organizations; COMESA has 11 institutions; and EAC has eight institutions. By contrast, the 13 European institutions were developed over a 50-year period.
- Following the European approach, institutions in the RECs were built on the expectation that different populations and policy-makers, by learning to interact and cooperate on economic and institutional matters would generally converge on values, norms and preferences leading to an "endogenous" reduction in "heterogeneity costs" to facilitate further integration in more sensitive political areas.
- Whereas in the European case, the building of supra-national entities rested on a high level of implementation capability, the attempt at accelerated integration along the RECs via transplanted best-practices appears symptomatic of a 'capability trap' "where [systems] adopt organisational forms that are successful elsewhere to hide their dysfunction" (Pritchett et al., 2010).

The establishment of supranational entities to carry out this integration requires a delegation of authority that, in turn, requires trust and implementation capabilities. Trust is difficult to build under any circumstance, but particularly so in Africa's landscape of great diversity. This must be acknowledged. This BN makes a plea for a more realistic approach to integration, with further monitoring of progress and challenges ahead.

3. Thinking and working regionally, politically and economically

One way of bringing a more realistic approach to regional integration is to explicitly recognise and take account of the incentives facing different actors and stakeholder groups engaged in regional integration processes.

Using the lens of political economy analysis, it is apparent that 'political survival' is a key motivation for political leaders, where an ability to manage rents becomes paramount (Whitfield et al., 2015). Under this logic, policies are only implemented at the national level when they reinforce, or do not undermine, current systems of distribution and power relations. This can translate into regional 'club diplomacy' and 'regime boosting', where national leaders simply seek to reinforce their domestic political legitimacy through posturing at regional *fora* (Bach, 2015) and deal-striking with other Heads of State. ECCAS in particular is sometimes referred to in these terms. Beyond these narrow political motivations, there is also a geographical logic of joining multiple RECs to ensure links with contiguous countries: the DRC is in both ECCAS and SADC but also borders the EAC. Further, different RECs can offer different benefits – Kenya was reportedly better able to defend its market from sugar and wheat dumping under COMESA than it could through the EAC trade remedy regime (Gathii, 2011) which would have pushed for more competition, at least at the regional level.

National interests (however defined) generally trump regional ambitions and commitments, with a rising recognition across regions that trade liberalisation must be accompanied by support policies on the supply side. This has led to a (re-)emergence of regional industrial strategies across most RECs, once again widening regional agendas (ECDPM, 2018). Most regional industrialisation strategies essentially translate national industrial policy ambitions to the regional level. For example they talk in terms of raising manufacturing value added *for the region*, diversifying production and exports *for the region*, and promoting employment *in the region*. Though most regional industrialisation strategies also refer to the need for balanced growth, there is a risk that benefits are concentrated in one country or area, undermining the incentives to effectively implement the policy.

Relatedly, there are questions about the real added value of a regional approach to industrialisation given the frequent conflicts created with national industrial objectives, and the broader desire to participate in value chains that push countries away from balanced growth. This also puts the role of regional organisations into question. Therefore, similar challenges hold back the industrialisation strategies that are intended to complement and support the regional trade agenda. These tensions are especially strong in the REC environment where integration is among very heterogeneous countries with limited trust. Absent functioning compensation funds at the REC level, implementation is very weak.

Underpinning much of the above is that, with weak enforcement, it is easy for countries to sign agreements and then renege, either at the stage of ratification, or, even if ratified, at the point of implementation. For example, at the recent conference of African Ministers of Finance in May 2018, the African Capacity Building Foundation (ACBF) noted that so far, only 25 of 46 Treaties and Agreements signed by the Organisation of African Unity and the AU between 1963 and 2014 have been ratified. Likewise, the 2014 report to the council of ministers of COMESA noted that 13% of the 217 decisions over the period 2009-2014 were addressed to no one (de Melo et al., 2017). More systematic reporting of implementations is needed, since weak implementation is likely to continue in a context of weak monitoring. Better monitoring might also help alter perceived incentives.

4. Towards a closer monitoring of effective commitments

Though monitoring is no panacea, it can help with identifying where efforts might be directed to encourage collective action and pressure exerted to improve implementation.

A range of indicators are available to monitor progress at integration along the RECs. The best known is the UNECA index, though others have been produced by e.g. Visa. Useful as they are, these indicators often mix measures of integration and outcomes (e.g. trade intensity indices). They rarely cover the political ground, the Design of Trade Agreements (DESTA) project (Baccini et al, 2014) being an exception. Three useful approaches that could benefit from G20 encouragement and support would be welcome.

A first alternative and complementary approach is to dig into the texts of recorded steps taken in regional integration processes. FERDI (Cariolle et al, 2017) has developed one such index for UEMOA. The index establishes the chronology of implementation of measures taken at the UEMOA level. It records regulatory activities (protocols, deeds, juridical acts, directives, decisions) by thematic area (trade integration, public procurement, fiscal coordination) and further, by sub-thematic area (tariffs, non-tariff measures (NTMs), competition policy). The EAC "scorecard" approach (EAC, 2016) developed by the IFC might be extended along similar lines. Even though these do not explicitly reflect political-economy motives, such indices of effective commitments can serve as useful devices to highlight the gaps between agreements and potential impacts, helping to forge a politically more realistic approach to feasible integration paths.

Second, to ensure that indices are not simply adding another technocratic layer to the essentially political approach to integration, unrelenting scrutiny by a range of government and non-government stakeholders is required to interpret where countries are lagging and why. If this scrutiny can detect underlying political motivations and blockages, the index will help policymakers and external partners to better target efforts to further the integration agenda.

Third, the two elements above can be combined through dialogue to zoom in on efforts where there are alignments of interests and incentives. This is the proposed focus of the Pan African Coalitions for Transformation (PACT) ACET launched in Kigali at the African Economic Transformation conference in 2017 (ACET, 2018). The PACT approach is meant as a platform for willing governments and local policymakers to gain information and support as they design and implement innovative policies for economic transformation, in this case towards regional market creation. Such an approach would be well informed by the types of indices described here, and allow for political realities and trade-offs to be discussed in an open and explicit form.

Bringing together key actors from different regions to better understand the shared challenges and potential lessons from a more political and realistic understanding of what is taking place may be a way to overcome collective action challenges through a regular platform to harness initiatives, knowledge, policies, and reforms and turn individual success into collective progress (Byiers, 2017; Gathii, 2011). The PACT platform further aims to have a portal where all key monitoring indicators, as proposed in this BN, will be posted and reviewed on a regular basis.

5. Conclusions and recommendations

This BN gives an overview of the complexities and challenges facing efforts at regional integration in Africa. While frustration with progress is widespread and with ambitions continuing to grow, the paper proposes that engagement with regional processes be based on a more explicit understanding of the political economy of regional processes. That is, it is important to take account of within and between state political interests in order to gauge where there is genuine traction for regional initiatives and therefore where support might be effective.

As part of thinking about furthering the regional agenda, this BN also points to the importance of effective monitoring, meaning not only following outcomes, but also tracking commitments made towards regional efforts. While a more realistic understanding of where and why countries engage in regional integration, and though improved monitoring of actual engagement can help identify where to support countries in their efforts, peer pressure and learning across regions can also play a role. The Pan African Coalitions for Transformation recently launched to play this role across a range of policy areas may help to fulfil this role.

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HEAD OFFICE
SIÈGE
Onze Lieve Vrouweplein 21
6211 HE Maastricht
The Netherlands *Pays Bas*
Tel +31 (0)43 350 29 00
Fax +31 (0)43 350 29 02

BRUSSELS OFFICE
BUREAU DE BRUXELLES
Rue Archimède 5
1000 Brussels *Bruxelles*
Belgium *Belgique*
Tel +32 (0)2 237 43 10
Fax +32 (0)2 237 43 19

info@ecdpm.org
www.ecdpm.org
KvK 41077447