GOVERNANCE REGIONAL INTEGRATION ECONOMICS AGRICULTURE TRADE

GREAT insights

Volume 2
Issue 7
October 2013

online version available at www.ecdpm.org/great

Thematic Focus:

Political Economy of Regional Integration

Regulars

Features

European Centre for Development Policy Management
ecdpm

Regional integration is high on the political agenda of many leaders, in particular in Africa. In many respects, achievements have been quite remarkable, notably in terms of political, economic, security and institutional cooperation and/or integration on the African continent. Yet, disappointment often prevails, as actual implementation of agreements and protocols often does not match the declared ambitions. While the complexity of the regional integration agenda is acknowledged, the resulting implementation gap is most commonly attributed to the lack of political will and leadership, institutional weaknesses and multiple capacity and resources constraints. The credibility of some of the integration processes has also been called into question.

Remedies often focus on the strategy for and design of regional integration, its scope and speed, institutional development and technical constraints, as well as financing. However, insufficient attention is generally devoted to understanding the underlying dynamics of integration, at national and regional levels, and how these interact across and within countries. A more process-oriented approach, notably taking into accounts incentives, driving and blocking forces to the regional dynamics, can help explain not only the perceived mismatched between regional integration expectations and implementation, but it can also help identify possible avenues towards more sustainable and effective regional integration and cooperation.

Bearing such considerations in mind, ECDPM has initiated a stream of work on the political economy of regional integration in Africa, combining forces with the African Development Bank and leading think tanks such as the South African Institute of International Affairs, among others. The objective is to contribute to promoting a better understanding and more systematic assessment of some of the factors driving and constraining regional integration. While many policy makers and interested stakeholders are often fully aware of such political economy dimensions, they are generally discussed only in an informal and ad hoc manner. A more transparent systematisation of this existing information may, however, have significant benefits. It could contribute to remedying some of the asymmetric information problems around the regional integration agenda, generate a broader awareness and debate by involving stakeholders that may not otherwise be included, and ultimately lead to more realistic and therefore effective regional policy design and processes. The role of the private sector, and various vested interests, is a case in point – while some private sector actors can be against potentially increased imports, it is also important to identify potential beneficiaries, the role that the private sector can play in driving the regional process and hold governments to account, and of course the degree to which the benefits contribute to creating more and better jobs.

Understanding the dynamics of economic integration requires not only to identify the drivers and supporters of regional processes, but also those that may be negatively affected by regional competition and thus resist a too ambitious economic integration agenda. The way these actors interact with political processes is then fundamental for how regional integration will take place.

The range of articles in this issue of GREAT Insights illustrate some of the dynamics of integration, to stimulate reflection on the institutional, political, structural and economic processes at play. We hope you enjoy it and welcome further reactions and contributions.

San Bilal

Interview with João Samuel Caholo, former SADC Deputy Executive Secretary

ECDPM: There seems to be a considerable gap in terms of regional integration (RI) commitments and the implementation, which cannot be explained solely by a lack of resources and capacities? What do you see as the main explanation? In what way are factors like history, geography or natural resource endowments determining the shape and progress of RI in Southern Africa?

SADC: The common history of political liberalization processes and the fact that most of the Southern African countries have a population composed of Bantu, are factors that contribute positively to regional integration rather than impede the process.

When I emphasise leadership I do not mean only political leadership but rather leadership coming from the civil society, private sector, NGOs as well as from government.

What is negatively affecting the RI process is the lack of leadership and commitment by the member states (MS). The SADC Free Trade Agreement was launched in 2008, and all member states signed up to the roadmap with the various integration milestones from Customs Union, Monetary Union, and Common Market to Political Federation. But still today the region is preoccupied with implementing the FTA. The last review of the implementation of the roadmap dates from 2012 and shows little progress. The intra-SADC trade remains low, and taking South Africa out of the equation, is less than 10%. This is why the Secretariat is pushing for an industrialisation programme. Because further liberalisation is seen to mainly benefit South Africa as the only MS able to take advantage of liberalisation because of being competitive enough.

When I emphasise leadership I do not mean only political leadership but rather leadership coming from the civil society, private sector, NGOs as well as from government. We find there is too little commitment from the MS to engage within the country and the sub-region to address the impediments to regional trade and integration. One way of addressing this gap is via a regional industrial development programme, and via the SADC Development Fund, as established in Article 26a of the SADC treaty. Ultimately what we need is the establishment of the SADC development bank. That will hopefully speed up the process of RI and make a relevant impact on the continental and even global stage.

You refer to the SADC bank, but isn't there the Development Bank of Southern Africa (DBSA)?

The Development Bank of Southern Africa only exists in name. What does exist is the Development Bank of South Africa. A regional bank is supposed to have regional representation of all SADC member states, or at least the participating members in the governance structure. This is still not the case for DBSA. Until then, we should focus on the implementation of the Southern African Development Fund, which is happening with the support of South Africa and the other member states.

Some argue there was more regional commitment and ownership at the time of SADC than now. Some would argue that the SADC secretariat is not given the means and space by its members to play the role it should be playing as regional organisation. What do you think?

Yes and no.
Yes, as the commitment to regional integration is clearly reflected in the SADC treaty, which was signed in August 1992 in Windhoek. That was a critical turning point at which the majority of the independent countries recognised that the democratisation in South Africa was going to be a reality. We therefore needed to move from political solidarity, cooperation and a loose coordination to a deeper process of cooperation. The treaty itself defines the secretariat as the sole executive arm of SADC having received the mandate by the MS to coordinate RI.

The no is when we look at the deeds, i.e. the actual funding and capacity that is given by the member states. This is largely insufficient for the secretariat to implement the spirit of the treaty. It begs the question why are we not more committed?

The literature refers to political signalling; the signing of treaties at the regional level gives visibility, while non-implementation does not cost much since there are few enforcement mechanisms at regional level.

Indeed, I agree with you. That is why monitoring, accountability, transparency and proper institutional governance are utterly important in the process of RI. The parliamentary institutions are not sufficiently involved and briefed on the process of regional integration. They are just asked to ratify protocols or executive decisions taken at summit or council level. The process of parliamentary scrutiny and of monitoring the countries' compliance with these protocols does not exist. The

SADC tribunal is another case in point. Hence, in my view, issues of governance commitment and institution building both at the regional and national level are very critical. We have to seriously think about how to make progress. Regional integration is about people to people commitment to cooperate, to do trade. This raises the question of how to involve the Southern African population into the process of RI.

Even in Europe that is a challenge. There is probably a need for translating the formal process of RI into concrete examples showing how the Southern African population can actually benefit, without overselling RI as a panacea to all development problems. The task is to build a bigger constituency of people participating in RI dialogue.

RI is the right path to go but you need leadership. Europe has only been able to make progress because there was a small group of countries taking the lead and responsibility to commit. Despite the current challenges, it is obvious how Portugal progressed since its accession to the EU. Why do not we take Europe as an example in Southern Africa?

But there is a complexity with regard to leadership in Southern Africa relating to South Africa...

Well, I do not think that South Africa, the largest economy in Africa, is a disadvantage to regional integration in Southern Africa. It can actually be a real asset for the process. The point is that the leadership is open to all countries. There simply needs to be a small group taking the lead and being committed to support the secretariat to push the RI agenda forward.

Focussing more on regional industrial policy and industrialisation would be an important step in that process?

Yes industrialisation, and secondly, we need to fill in the missing gap of infrastructure. The major emphasis should be on power generation and transmission. Already in 1995, under my stewardship as SADC director of the energy commission, we established the first power pool on the African continent when Angola coordinated the energy sector. We drew a regional grid, which still exists today. However due to lack of leadership and civil war in Angola and Mozambique, some countries could not link to the power grid. But today that is becoming more of a reality in the region. Tanzania and Zambia need to connect to the grid in order to link to the East Africa Power Pool through Kenya. Malawi and Mozambique are making that vital link to tap on the Cahora Bassa and M'panda-Ncua power generation potential. Priority number two is ITC. The lack of basic communication infrastructure and the cost of roaming and cell phones leads to very high cost of doing business in this sub-region. Therefore, infrastructure, resource mobilisation and skills development are essential to industrialisation. That is why our own development fund is so critical and we invite everyone one else who wants to contribute to allow us to make the strategic leap forward towards common future.

For regional integration to be concrete, it means citizens are able to travel and communicate easily within a sub region, as seems to be the case in East Africa. Beyond infrastructure that also means competitively priced services.

No debate about the validity and importance of services, but if you are constrained by resources like we are, you focus on these later. Transport is crucial indeed, but we don't have money. Actually, Southern Africa is the most interconnected region in the continent. Anything you do in transport is a value addition, but you cannot industrialise and become competitive if you don't focus first on energy, secondly on ITC. There is a SADC protocol on trade in services, but it is still hamstrung by the same factors.

What is the role of outside actors in terms of fostering the process?

Absolutely, there is a role for outside institutions but there is a caveat. There is no free lunch in life! Hence the onus of RI should continue to remain with the member states. We have in place a SADC Regional Industrial Development Programme, a Regional Infrastructure Master Plan, and a regional broadband infrastructure project worth US$20billion. Imagine if we had a SADC development fund in place that could drive this process, it would be much easier for any external partner who is willing to take part in the regional integration process, to come to the table. However, let's be realistic. Our major outside partner is the EU, which is facing an enormous financial and economic crisis. Why would they come to support us, given their internal challenges. Therefore SADC must ensure that there is commitment from its own members. But clearly Africa is part of a globalised world and therefore we need external partners doing businesses here in Southern Africa.

Allow me to ask one final question on the Tripartite FTA. Where is the process going? Will this process be able to overcome some of the challenges faced by the sub-regions and be an important step towards continental integration, or is it another over-ambitious plan that is doomed to remain at the level of intention declarations?

> I do not think that South Africa, the largest economy in Africa, is a disadvantage to regional integration in Southern Africa

In my viewpoint, the TFTA can only succeed if we all understand why we set up the mechanism. I fortunately happened to have been part of the process of institutionalising the tripartite cooperation process. And I firmly believed this was the way to go. As SADC we are part of Africa. And for too long we have gone around the Abuja Treaty and the Lagos Plan of action. We need to find a way to fast track continental integration because Africa cannot continue to be marginalised as it is now. The three RECs, COMESA, EAC and SADC, who are faced by overlapping membership, came up with the tripartite to jointly identify challenges, plan ahead and mobilise domestic resources to accelerate the process of RI. As all 3 RECs are engaged in an FTA, the challenge would be to harmonize the missing gaps that exist in the individual FTAs. However, at the 2008 Kampala summit, the member states felt that the TFTA process should lead to the abolishment of the existing 3 RECs and form one tripartite REC. The debate was then how to form this REC, but our proposal to have that process led by the existing RECs was not accepted. Up to today there is still no progress, while we are meant to launch the TFTA by January 2014. We need a debate on why are we not progressing, because as things stand we will give reason to the pessimists. We need to identify the issues that need to be addressed to move forward to build consensus of 26 MS of the AU, approximately 500 million consumers. If only we could leave behind the national interests to prepare the way for a continental FTA. This requires that we all decide whether RI is a process worth pursuing.

This interview was conducted on September 18th by Kathleen Van Hove, Senior Policy Officer for the EconomicTransformation, Governance, Trade and Regional Integration Programme at ECDPM.

Angola - The Reluctant SADC Trader

Louise Redvers

The Southern African Development Community (SADC) Protocol on Trade (PoT) was signed in 1996 with the aim of increasing trade between member states through the elimination of tariffs and harmonisation of customs procedures. Regional tariff phase-downs began in 2000 and the SADC Free Trade Area (FTA) has been in operation since 2008, with 85% of SADC trade among 12 of the 15 member states now duty free. By 2012 all member states were supposed to have joined and be working together towards the next goals of an SADC Customs Union, Monetary Union, and finally a single SADC currency. However, Angola, which is SADC's second-largest economy after South Africa, shows few signs of wanting to enter the FTA, despite having signed the PoT in 2003

The government of Angola (GoA) has attributed not joining the SADC FTA to the country's 'conditions'. It says Angola has only recently emerged from a prolonged period of civil war that began in 1975 and ended in 2002, which destroyed its infrastructure and left it with little productive industry. Therefore, it is careful about opening up the country's borders to its neighbours for fear of an ensuing flood of duty-free imports hampering efforts to relaunch its manufacturing and productive sectors and damaging its economic development. Furthermore, the GoA reportedly intends to introduce a new customs regime that would increase its top tariff from 30% to 50% for some domestically produced items. They argue this is needed to protect nascent local industry, create jobs and diversify the economy away from concentration on crude oil. The effectiveness of these protectionist policies has been questioned as to whether they really protect the economy or merely a few politically connected businessmen. In the longer term, these policies may do more damage than good to local industries, which will lack the competitiveness and efficiency found in more liberal market places. Angola's failure to implement the Protocol on Trade is read by some as an indication of weakness within the SADC Secretariat. This self-imposed exclusion is also highly frustrating for SADC exporters, for whom the country offers tantalising market opportunities, since there is enormous scope for exports to Angola due to its demographic and food market characteristics.

In the long run Angola has ambitions to expand its export market beyond crude oil. But by cutting itself off from SADC with this protective stance, Angola risks damaging regional trade ties that it may, in the future, depend on for its exports. The high cost of living in Angola is well documented and routinely blamed on the dependence on expensive overseas imports, yet the GoA is reluctant to allow lower-cost imports from its SADC neighbours to bring these costs down. Government officials and business leaders across the SADC block are frustrated by Angola's behaviour, yet no one appears to be prepared to publicly challenge the status quo. Instead, there is a tacit acceptance that Angola is a sovereign state, whose position must be respected.

Despite its mandate to promote deeper regional integration, which would surely suggest a responsibility towards driving Angola's entry into the FTA, the SADC Secretariat seems to allow Angola to carry on unchecked. It says that Angola is a sovereign country, whose decisions and positions must be respected, and that the SADC Secretariat is merely an 'enabler' to carry out the work of the member states, of which Angola is one. This apparent hands-off approach is a source of great irritation within regional trade circles, where people refer to the Secretariat as a 'powerless postbox' that is 'weighed down with red tape' and 'lacks capacity or will to hold member states to account'.

Angola formally joined the negotiation process for the "Cape to Cairo" Tripartite FTA in October 2008, attending meetings in various member states and even hosting some SADC-focused discussions in its capital Luanda. However it is very difficult to see Angola joining the TFTA while it continues to maintain that the country lacks the 'conditions' to be a part of the SADC FTA. If Angola is holding back from joining the SADC FTA over fears of being flooded by a large productive economy like South Africa, then what can it think of the TFTA, whose proposed membership will include dynamic actors like Egypt, Sudan, Ethiopia and Kenya? Given that Angola had signed the SADC PoT without seemingly planning to ever implement it, few hold expectations that it will join the TFTA, despite the country appearing to take an active part in the negotiation process.

It is hard to know whether Angola's economic diversification programme would have advanced more quickly – or if its trade with SADC would have increased substantially in volume, given its limited export basket – if it had already implemented the PoT. What is clear though, is that by staying outside the FTA Angola has kept its trade with the region at a minimum (with an exception of South Africa) and is instead maintaining its focus firmly on longer-distance partners like China, Portugal and Brazil, and having everything very much on its own terms.

Article based on SAIIA's Occasional Paper 152, August 2013
http://www.saiia.org.za/occasional-papers/angola-the-reluctant-sadc-trader

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The Political Economy of Regional Integration

Graham Smith

Current discourse in regional integration in the tripartite region, comprising 26 countries who are members of either/ or SADC, COMESA and the EAC focuses on four inter-related themes. These are trade policy, trade facilitation, infrastructure development and economic competitiveness.

Trade policy is designed to enhance the prospects for enlarging a single market for the trade in goods and services and the movement of people. This is supported by improved trade facilitation measures and infrastructure development that lowers the costs of trade, transport, energy and ICT services, which in turn enhances the region's economic competitiveness by inter alia expanding its productive base, notably with respect to the potential to increase intra-Africa trade. In reality, the interplay of these issues results in a range of complex political interactions that provide the context within which regional integration occurs. Whilst there is no single conceptual framework for political economy analysis the OECD-DAC (2005)[1] definition is useful is capturing some of the main elements:

'Political economy analysis is concerned with the interaction of political and economic processes in a society: the distribution of power and wealth between different groups and individuals, and the processes that create, sustain and transform these relationships over time.'

With respect to the political economy of regional integration Asche (2012)[2] has argued that there is only shallow integration of goods, services and factor markets in Africa. However, many development partners argue for deep integration, that is, near complete liberalisation of goods and factor markets, before African industry can become competitive enough to stand on its own in this liberalised environment. As a result, African producers have been left with few opportunities to move up the value-chain, both globally and regionally. As a result, mutual gains are not obvious while immediate gains for some national interest groups are and mostly in a single country where advantages are already clustered.

The question is how does one move and what is the room to manoeuvre from the fundamental problem described. In this respect two visions arise on how to better advance regional economic integration within Africa (and the tripartite region):

- The first is that envisioned by market-liberal trade economists who argue for the pursuit of *light integration,* which focuses on better infrastructure, an improved business environment and the development of 'light institutions' to facilitate regional integration; and,

- The second is that envisioned by *structuralists* who acknowledge that effective industrial policy needs the larger regional market to work, but assert that without a better spatial distribution of new industries, a protected space with heavy institutions is pointless.

The challenges of bringing these two visions together is captured by Asche who concludes that *'reconciling... the paradigms of regional economic integration and of industrial policy can help... support the acceleration of industrial development, which otherwise hardly occurs in Sub-Saharan Africa, despite sustained overall economic growth'.*

The reconciliation of these two approaches in political economy analysis would go some way to improving the incentives for regional integration in Africa (and the tripartite region). By way of illustration this article will draw on some on-going work[3] on how the benefits from a large scale integrated mining project could address the challenges of the 3D's in regional integration in Africa (and the tripartite region), namely, those of Division, Distance and Density, defined as follows:

- Division refers to the 54 countries in Africa, many of whom have small economies that are also land-locked, and therefore isolated;

- Distance refers to the physical distances of travelling in Africa and the time delays encountered due to inefficient borders and poor infrastructure; and,
- Density refers to the narrow economic base of many economies in Africa characterised by overdependence on primary commodity exports with weakly developed economies of scale and agglomeration resulting in poorly developed national economies.

The global mining company Vale is currently constructing a new section and rehabilitating existing sections of railway from their mine at Moatize in Mozambique, to a new terminal at Nacala, a distance of 915 kilometres, routed through Malawi, at an estimated cost of US$4.4 billion. The mine, railway and port is designed with an initial capacity of approximately 22 million tons per annum.

> As a result, African producers have been left with few opportunities to move up the value-chain, both globally and regionally.

This massive investment has presented an extraordinary opportunity to pursue a cluster of hitherto impossible large-scale industrial projects, which hold the potential to transform the region's economy. The central idea of this project is to utilize excess coal at the existing colliery and nearby iron ore (in Mozambique) and heavy minerals sands (in Malawi), both currently under exploration, as feedstock for two proposed industrial clusters, one at Moatize in Mozambique and the other at Liwonde in Malawi.

Each cluster would comprise of a serviced industrial park with an inter-modal logistics hub with a Co-Generation Plant producing Power, Fuel, Sulphur and Clinker, a Urea Fertilizer Plant and an Iron Ore (at Moatize) or Titanium (at Liwonde) Smelter as initial 'anchor' tenants with the envisaged 'core' investment at each cluster estimated at approximately USD 1.8 billion. The primary target markets for the products from the Cogeneration/Urea Plan are local and regional and products from the Smelters, if developed, would be international markets.

Preliminary results from a modelling exercise indicate that power can be produced at the same cost as the cheapest alternative and fuel (diesel and naphtha oils), urea (fertilizer), sulphur (for agriculture and mining applications) and clinker (for cement production) can all be produced at considerably lower than import parity prices. The three main downstream products of power, fuel (notably diesel) and urea fertilizer are in high demand in Mozambique, Malawi and the wider region.

Significantly, an entirely new demand centre is being created by the explosion of mining activity in the TETE province of Mozambique coupled with the on-going exploration of Ilmenite, Rutile and Zircon (heavy minerals sands) in Malawi, which could underpin the required 'off-take' agreements necessary to 'bank' these large-scale cluster of projects. Indeed, the demand for diesel fuel alone from new coal mining operations in the TETE province is conservatively estimated at 400,000 tons per annum, which equates to approximately two-thirds of existing demand in Mozambique.

So what are the political economy complexities associated with originating and advancing large complex industrial clusters, such as those proposed above?

With respect to the challenges posed by division the project developer has negotiated participation in a cross-border concession agreement(s) with the governments of Malawi and Mozambique, which deals with, inter alia, traversing rights through sovereign territories, to create a seamless transport corridor from pit to port. This has unlocked the significant investment in the coal mine, the railway and the port and thereby removed infrastructure as a major supply-side constraint in realising the proposed industrial clusters. New advancements in cogeneration technologies and the participation of multi-national corporations (MNCs) with strong balance sheets, either as off-takers or developers, address other significant supply-side concerns relating to appropriate technologies and affordable financing. Securing 'off-take' agreements with MNCs for the power and fuel would go a long way to dealing with concerns about market size and composition but a considerable harmonisation is still required to allow for the seamless intra-regional trade of fertilizer, in particular, fuel, to a lesser extent and power, which will ease once the on-going integration of the regional grid is completed.

> This massive investment has presented an extraordinary opportunity to pursue a cluster of hitherto impossible large-scale industrial projects, which hold the potential to transform the region's economy.

Similarly, the agreements referred to above have addressed some of the primary challenges posed by distance for the principal transport corridor from the mine(s) at Moatize, Mozambique through Malawi, to the port of Nacala in Mozambique. However, the opportunity now exists for sub-corridors from the industrial clusters at Moatize north to Zambia and south to Zimbabwe. Similarly, at Liwonde, located south of lake in Malawi, a sub-corridor to the north up to the Great Lakes region via a proposed Lake-to-Lake corridor, stretching as far as Bujumbura in Burundi could be opened up, south down to the port of Beira in Mozambique and east to the rail head at Chipata in Zambia, are currently both being addressed. In spite of these potentials significant investments, notably in transport infrastructure and logistics platforms, are required to develop these sub-corridors as competitive options for the movement of bulk commodities, such as fuel and fertiliser.

Finally, in spite of the key supply-side constraints having been addressed and a line-of-sight framed on some of the key market size and composition concerns, it will take a herculean effort and require strong directed support from the governments of Mozambique and Malawi to address the key challenges posed by the current lack of density in both economies. The need to leverage benefits to ordinary people participating in the real economy, notably agriculture, from large-scale mining projects, possibly remains the most difficult and sensitive political economy issue to deal with. The configuration of the projects so that it makes both national (in Mozambique and Malawi) and regional sense (other countries such as Zambia, Zimbabwe, Tanzania, DRC and Burundi) will require 'pioneer investors'[4], who have the support of government behind them, as the risks associated with these kinds of projects are largely unknown as these kinds of projects have not been developed in the past.

Notes

1. OESC-DAC (2005): *Lessons Learnt on the Use of Power and Drivers of Change Analyses in Development Co-Operation.*
2. Asche, Helmut (2012): 'Reconciling Two Paradigms in African Economic Integration' that appeared in *GREAT Insights* V01, Issue 9, November.
3. This example is taken from some early stage research that TMSA is conducting under the Economic Competitiveness work stream on 'Regional Growth-Poles', specifically looking at the upstream value-addition and downstream beneficiation prospects of selected minerals (oil, gas, coal, ferrous, non-ferrous and phosphates) in the Tripartite countries.
4. This is a term borrowed from Professor Paul Collier of Oxford University that was first encountered by the author in his thought provoking article entitled *'Aid as a catalyst for pioneer investment'*, published as a WIDER Working Paper No. 2013/004, 16p.

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African Infrastructure Rising

Michele Ruiters

African infrastructure projects require project preparation to make them bankable. Currently, Africa can define the rules of engagement and take advantage of the infrastructure boom for its own economic prosperity.

This is an exciting time in Africa's history. Africa is now more connected to global markets than before with massive urbanization driving the development of economies. Investors see the continent's linkages to the markets of Europe, the United States and emerging markets like Brazil, China and India. This places Africans in a strong position where African countries could identify areas requiring development, define the rules of engagement and define the benefit of their partnerships their collaborations, and trade and investment in goods and services.

Africa is doing that through the creation of comprehensive development plans such as the African Union's Vision 2063, the Southern African Development Community's 2027 plan and the proposed development of a Tripartite Regional Economic Community plan for 26 countries from South Africa to Egypt. Interaction with international investors and development partners has become focused on what Africa needs rather than what investors think Africa needs.

One such area that has shown significant improvement in the last five years is the infrastructure sector. Across Africa, infrastructure is growing at a rapid rate with roads, ports and ICT infrastructure gaining the most traction. Rail still lags behind but is gaining ground as the costs of transport drive the choice of the mode of transport for users, and transportation costs for rail have decreased over time as the cost of road transport increases. Overall, transport costs are expensive in Africa for many reasons, among which are long overland distances and poorly maintained infrastructure, a lack of harmonisation of regulations and policy between countries and long processes and corruption at border posts.

On a positive note, infrastructure on the continent is being highlighted, financed and developed faster in a more cohesive way than before. We hear about inter-connectivity between countries and regions to boost intra-African trade and to open up landlocked countries to regional and world markets. It is now necessary to identify the infrastructure projects that will facilitate regional trade and add value to our economies. Thus far, our economic growth has relied on the export of mineral-based and agricultural commodities that have not been beneficiated. If we continue to do so, we will remain at the bottom of the economic ladder.

The Development Bank of Southern Africa, like other development finance institutions, has become more focused on value-add infrastructure that could promote regional integration and economic development. We recognize that due to the economic crisis, our investments have to have high development impact, add value to commodity-based extractive industries and provide infrastructure that will improve intra-African trade and regional integration. Industrialisation, the next step to Africa's growth trajectory, requires joint planning and development through collaboration amongst developers and financiers for real results and broad- based economic growth.

For this reason, the DBSA is looking for infrastructure projects that will meet the needs of the continent. But the main difficulty we face is that projects are not ready for finance, or what we refer to as not being 'bankable'. The onus then lies on the sponsors, with the assistance of DFIs and donors like the World Bank, to prepare projects for investment. Project preparation usually costs between 3 - 5% of total project costs, which could be unaffordable especially for transnational development corridors such as the North South Corridor, Walvis Bay Corridor, the Dakar to Djibouti Corridor, among others. These projects require significant project preparation finance that would need to be cobbled together from various project preparation facilities (PPFs), each with their own criteria and regulations.

What is needed is the consolidation of PPFs and a streamlining of regulations that will facilitate preparation finance. Without this process, financing institutions such as the DBSA will continue to search for projects that are bankable. Fortunately, there are a number of initiatives that have begun to look at creating PPFs of sufficient scale to address the project predation backlog. For example, after the 2013 World Economic Forum summit in Cape Town, the African Development Bank with NEPAD and the World Economic Forum is in the process of exploring Early Stage Project Finance and Transnational Project Management that would assist in the development of projects. SADC is also looking at strengthening its Infrastructure Project Preparation Facility (IPPF), which the DBSA manages and hosts.

It is still premature to determine the scale of these facilities or how well they will function in the region. Suffice to say, this is a timely response to a need that is growing on the continent. Projects abound, development and investment finance is available, but projects that need to be made bankable need more support. In addition to this process, African RECs need to be strengthened and capacitated to make binding decisions. Political will is important in the identification, support and development of projects. Without the championing of projects by our leaders, projects will remain in a concept stage, not be realized and regional integration will continue to be hobbled by missing infrastructure links. That said, many stakeholders working in infrastructure development are more positive about the future of infrastructure development on the continent than ever before.

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Towards Successful Deeper Regional Integration?

The role of the African Development Bank

Christian Kingombe

How can the African Development Bank (AfDB) assist the process towards deeper regional integration in Africa? This article briefly addresses the concept, dynamics and major drivers of regional integration before presenting some of the features of the Bank's forthcoming New Regional Integration Strategy and its role in the rapidly changing regional landscape

State of Regional Integration in Africa

'Pan-Africanism' through its different shades is a political vision for a unified African continent. Following the effervescence of the immediate post-independence era, it was eventually the economic arguments for regional integration that gained the upper hand. Africa has a number of unique growth-retarding constraints including the continent's fragmentation into many small domestic markets coupled with low purchasing power, landlocked national economies often with insufficient access to major markets etc. Africa's leaders therefore quickly recognised the importance of regional integration as a tool to capture its own regional market; to exploit economies of scale; and to pool resources for investments.

Notwithstanding the fact that this realisation has been dawning on Africa's policy makers, at least since the signature of the Abuja Treaty adopted in 1991 with its proposed ambitious time frame, the eight Regional Economic Communities (RECs) recognised by the African Union (AU) and forming the "pillars" of the African Economic Community (AEC) are moving towards implementation at different speeds.[1] East African Community (EAC) is the most advanced community with an estimated Intra-REC trade share of total exports of 23% in 2009, and with a Protocol on the Establishment of a Common Market which entered into force on 1st July 2010. COMESA, which launched its customs union in June 2009, only has an intra-REC trade share of 8.9% in 2011. Southern African Development Community (SADC) (with a share of 9.9% in 2011) and the Economic Community of West African States (ECOWAS) (6.3% in 2011) have made progress in building their free trade areas (FTAs) and each plan to launch a customs union, in 2013 and 2015 respectively. The Economic Community of Central African States (ECCAS) with the lowest share of intra-REC trade at 0.6% in 2011 launched its FTA in 2004, but is facing enormous challenges in its practical application.[2]

Steps to foster intra-regional trade

The RECs and their member States are moving at different speeds in the integration process. Not only has the implementation of the agreed FTAs been problematic, the RECs are also facing non-tariff barriers (NTBs) to trade. The RECs have different approaches in dealing with such barriers with some RECs yet to establish a NTB monitoring systems.

One of the main tools used to facilitate trade is the one-stop border post (OSBP) widely adopted to minimize delays at cross border points on major transport corridors in various RECs, including in COMESA, EAC, ECCAS, ECOWAS and SADC. Moreover, ECOWAS has for example established national road transport and transit facilitation committees to ensure the free flow of trade and transport.

Other areas of progress include the many new railway development projects under way in Africa; various air transport initiatives and programmes under implementation such as COMESA's recent energy programme. In the area of free movement of persons, some results have been achieved by AMU, EAC and ECOWAS, less so in CENSAD, COMESA, however, ECCAS, IGAD and SADC are still facing considerable challenges in the implementation of decisions on the free movement of persons which have been taken at the regional level.

Finally, at its 18th ordinary session, held in January 2012 in Addis Ababa, Ethiopia, on the theme of "Boosting intra-African trade", the Assembly of Heads of State and Government of the AU adopted a decision and a declaration that reflect the strong political commitment of African leaders to accelerate and deepen the continent's market integration through the establishment of a continent-wide FTA.

AfDB's new Regional Integration Strategy

Regional Integration has been part of the Bank's mandate since its creation in 1963.[3] To give impetus to this mandate, in 2000 a policy on economic cooperation and regional integration was adopted. Regional integration gained added prominence with the establishment of a new dedicated department responsible for regional integration in 2006. This was followed by the development of the Regional Integration Strategy (RIS 2009-2012 extended to 2013) that places emphasis on rationalisation to overlapping regional integration initiatives, harmonised REC policies, investment and industrial development and capacity building; and four Regional Integration Strategy Papers (RISPs 2011-2015), only temporarily excluding the Northern Africa.

The Bank's newly approved Ten Year Strategy (TYS) (2013-2022) identifies regional integration as one of the five core priority areas that the Bank will focus on creating larger, more attractive markets, the structural transformation of African economies that could enhance intra-African trade and inclusive growth. It builds on the Bank's comparative advantages centred on its financing capacity, its widespread country and regional presence, research and analytical expertise and its multi-sectoral capacity and reach.

The new RI Strategy will operationalise the TYS and will thereby be geared at unlocking Africa's potential through regional integration. The AfDB will substantially scale up infrastructure investment aimed at increasing productivity and competitiveness, at deepening spatial, economic and social integration, at creating opportunities and promoting inclusion and thereby contributing to sustainable structural transformation. Within this broad spectrum of ambitions, the RIS will focus concretely on coordinating policy dialogue at the national, REC and continental levels, on reducing transaction costs, on improving the speed and flow of goods and services, on improving connectivity of people and of systems, on adopting appropriate policies to harmonise and simplify complex customs procedures and regulations, on rules of origin and other forms of barriers. The AfDB will scale up operations, especially in the private sector with a greater operational selectivity focusing on its competitive advantage in infrastructure financing. The RIS will adopt a differentiated approach for fragile states to middle income economies, which is necessary to address diverse challenges and opportunities for inclusive growth.

> The combination of the current growth dynamism and the development challenges ahead make the time right for a renewal of the AfDB's strategy for Africa

The new regional strategic framework, which is to guide interventions in regional integration, will benefit from insights from the internal and external review processes on the Regional Operations as contained in the Operations Evaluation Report 2012, the Development Efficiency Report 2012 (dedicated to regional integration); the review of the achievements of the RIS 2009-2012; and the mid-term reviews of the RISPs.

What Role the AfDB sees for itself in the changing landscape?

The combination of the current growth dynamism and optimism on the continent and the development challenges ahead—not to mention changes in the global economy and in Africa make the time right for a renewal of the AfDB's strategy for Africa. The AfDB in line with its status as Africa's premier development institution has invested significant resources, both financial and non-financial in supporting regional integration initiatives.

Looking forward, the Bank, as already stated in the Strategy 2013 – 2022, acknowledged the need to respond to fundamental changes in Africa's development landscape with a new strategic orientation, drawing upon the long established tradition as a partner of choice, catalyst, adviser and knowledge broker.

COMESA, EAC and SADC are pursuing a tripartite FTA arrangement which will unify their combined market space of over 500 million people, thus providing a stepping stone and impetus towards realising the continental FTA. At their second summit, held in Johannesburg, South Africa in June 2011, the heads of State and government of the three RECs signed a Declaration Launching the Negotiations for the Establishment of the Tripartite Free Trade Area (TFTA), and adopted a road map for establishing the TFTA as well as a set of negotiating principles, processes and an institutional framework. In order to support this Tripartite process, the Bank has designed a multi-year Tripartite Capacity Building Project (TCBP), to support the Tripartite negotiation processes, the development of trade facilitation instruments and industrial cluster action plans in the TFTA. The TCBP will focus on (i) the software development of a comprehensive non-tariff measures (NTMs) database at the national and regional levels facilitating operators to register complaints about such barriers; (ii) statistics and information database; (iii) improved capacities for private sector in the market integration negotiations and implementation; and (iv) enhanced capacity for industrial development through actions plans for value chain development.

The Bank's strengthened field presence, through its on-going decentralisation process, will allow it to have full engagement in shaping the Tripartite regional integration agenda.

> The AfDB's could play an important role in strengthening a more rigorous monitoring and evaluation of the integration process

Another important role of the AfDB is to encourage Member States to give adequate priority to mainstreaming agreed regional integration programmes and projects at the national level and rigorously implementing them, while ensuring that there is collective dialogue with the private sector and civil society in order to strengthen their engagement in the process.

Finally, the AfDB's could play an important role in strengthening a more rigorous monitoring and evaluation of the integration process. There is a major need to develop a clearer understanding of the outcomes and impacts of Africa's various regional integration processes, particularly progress made with the implementation of the AU Action Plan for Boosting Intra-African Trade. The AfDB has developed a system of indicators to more effectively monitor and evaluate the regional integration activities. The system aims at monitoring the level of integration of a given regional grouping and shall be utilised to compare regional integration processes in different regions across Africa. The system of indicators will respond to the question: 'Are the resources achieving the desired outcomes and impacts?' 'What progress are we making with the implementation of the various AU initiatives?'

Notes

1. See Ajumbo. 2012. *Economic Integration: To Expand or to Deepen?* AfDB African Economic Brief. Volume 3, Isssue 11, November 2012.
2. Source: AfDB, AUC, and UNECA. 2013. *African Statistical Yearbook, 2013*.
3. See Article 2 of the Agreement establishing the AfDB (1963).

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More Realism in Africa's Regional Integration

Jan Vanheukelom

"Why do I sit in the dark for four days? Regional Integration is the cause of our darkness." This pointed and enlightening remark was heard at a Pretoria workshop on regional integration in Southern Africa[1]. One participant highlighted some of the difficulties posed by a combination of ill-justified trust in a powerful neighbour and overreliance on that neighbour's energy production capacity.

For years Botswana bought some of the world's cheapest electricity from South Africa's Electricity Supply Commission. While Botswana disposes of bigger coal reserves than South Africa, the country declined to develop sufficient production capacity of electricity to keep its own mines running and to service its households. So when ESCOM reduced electricity supplies to its northern neighbour, recurring power cuts were the direct result.

This anecdote summarised well some of the sentiments, difficulties and dilemmas facing supporters of improved regional integration in Africa. A dialogue event was facilitated by ECDPM/SAIIA as one stocktaking moment in a programme to gather more evidence on political and economic drivers and obstacles to regional integration in the Southern African region. The workshop brought together representatives or practitioners from the private and public sectors, as well as academia, intermediary organisations engaging in facilitation of regional or cross-border initiatives, and donors.

While regional integration comes with many promises of developmental outcomes, the actual practice on the ground is more sobering. There is a big diversity in national interests and the distribution of power and resources between and within states is vast. Trust levels are shaky as there are insufficient formal and informal institutions that can guarantee essential functions such as planning, contract enforcement, conflict and dispute resolution, project preparations, etc. Hence the gulf between what the protocols of the formal regional institutions promise and what the member states (of the African Union and its eight Regional Economic Communities) deliver.

The regional integration agenda is complex and unwieldy involving multiple economic and other (sub)sectors and stakeholders with even more (open or hidden) agendas. To cut through these complexities ECDPM/SAIIA narrowed the scope of the workshop agenda and their research. Instead of measuring the gap between regional policies and their actual implementation, both organisations preferred to focus on more or less successful examples of cross-border cooperation. Sector specific examples of bottom-up regional integration involving multiple state and non-state actors were prioritised. The workshop discussions revolved around the economic and political actors and factors that contribute to success or obstruct it, and cross-border processes such as infrastructure development (especially transport corridors), water, energy, etc.

Regional integration policies, compacts, statements and protocols are being debated and agreed at the level of formal regional institutions. Yet it is at the country level that most of the real life drivers and obstacles for policy implementation can be found. The lively exchanges during this workshop encouraged ECDPM to probe further. We recycled five lenses from existing political economy tools and from political economy research programmes and studies. Some donors have developed analytical tools for country and sector level analysis. The OECD has designed a tool[2] to help unravel and understand how global drivers influence key stakeholders and the domestic political economy in particular countries and sectors. Furthermore, political economy research programmes on growth, the investment climate, ruling elites and political settlements, state-business relations, specific governance features of specific sectors, etc. further contributed to sharpen the focus and the use of these five lenses, and to help answer key questions about when and why political elites, state bureaucrats and key sector actors engage purposefully in cross-border (and eventually in formal regional) cooperation.

These five lenses include: 1. Structural and foundational factors; 2. Formal and informal institutions; 3. Actors and Agency; 4. Zooming in on sector characteristics and 5. Zooming out to global and regional drivers. Using these five political economy lenses may help structure information (that often is already implicitly or randomly available) by analysing the interactions between context specific structural factors, political incentives and institutional settings. It may contribute to a better understanding of the resolve of political elites, state bureaucrats and key sector actors to engage in specific forms of cross-border cooperation or more ambitious regional integration. This approach can be helpful in basically three ways. It helps to move away from the orthodoxy of best practice models of regional integration as it invites to look more carefully into the context specifics that influence reform processes. Secondly, it offers some conceptual handles to be more explicit and transparent about certain assumptions, especially assumptions about who or what matters in driving particular change or reform processes. And thirdly, this type of diagnostics can be helpful for key stakeholders, reformers or external supporters of processes of functional or formal regional integration.

Notes

1. High-level Dialogue on the Drivers and Politics of Regional Integration in Southern Africa, 2-3 July 2013, Pretoria, www.ecdpm.org/perisa
2. OECD (2011) *International Drivers of Corruption: A Tool for Analysis*, Paris: OECD

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ECDPM and SAIIA conducted a joint research and dialogue project on the Political Economy of Regional Integration in Southern Africa, including the dialogue mentioned above. The support of the Dialogue Facility of the South-Africa EU Strategic Partnership is greatly acknowledged. The various outputs of this activity will be coming soon. Please see: www.ecdpm.org/perisa

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Private Sector Steering African Regional Integration

Lesley Wentworth and Cynthia Chikura

Regional integration in Africa, as in most other regions, is founded on the Aristotelian principle that collective economic, political and security development across the continent is more desirable than the individual development of 54 sovereign states. Many of them are small economies and 15 are landlocked; hence, economic integration towards market unification, enhanced trade and freer movement of factors of production must make sense.

These are many of the arguments put forward by proponents of the regional integration agenda in the Southern African Development Community (SADC). However, there is the perception that progress towards achieving regional development has been very slow, and frustrations abound. The shortage of physical infrastructure (rail and road) and infrastructure linkages (especially air links and ICT networks) between the SADC countries is severely exacerbated by lack of capacity in institutions, inefficient communications, and often subverted transactional procedures.

Viewing regional integration through the political economy lens implies the consideration of how various players influence the national and regional decision-making context, and what impact their actions (or lack of action) have on the integration agenda. Improved infrastructure; skills development; and better policies which are better implemented are definite ways of promoting long-term sustainable development of the region. The success of this relies on willing and competent institutions, political support at the highest level, a community of citizens who understand the rationale for integration and the need for private-sector partners and investors who come to the table with greater ambitions than making profits.

The private sector as a whole plays an interesting role within the Southern African region. At times private-sector actors can hamper the process when strong lobby groups manage to influence governments in favour of certain outcomes, preferred by them but not necessarily of benefit to all actors, or to regional integration generally. Yet they can also be the implementers and drivers behind integration processes, not only insofar as their contribution to financial capital, or business and entrepreneurial know-how. Given that it is the private sector, by and large, that trades and invests, it should be accorded a central role in African regional integration processes.[1]

The continent does not have an imposing record of intra-African trade, with estimates[2] of 11% between 2007 and 2011 on average, as compared with Latin America's 21% and developing Asia's 50%. The picture for intra-regional trade is much better, with 78% of SADC's trade being amongst its own member states of that REC. This may bode well for the future of the 'Grand' Tripartite Free Trade Area (TFTA) bringing together the 26 countries[3] which make up the three Southern and East African regional economic communities (RECs) – the Common Market of East and Southern Africa (COMESA); the East African Community (EAC) and SADC.

The area of the planned TFTA comprises about 57% of the total population and is just over half of the African Union (AU) country membership. The 26 countries cumulatively contribute 58% in terms of African GDP. It is anticipated that a number of the challenges of overlapping REC membership, including duplicated financial obligations and differing trade tariffs will eventually be eliminated with implementation of the TFTA. It is also expected that an expanded market will also attenuate the challenge of small and fragmented economies.

The proposed free trade agreement is founded on three pillars: *Market integration based on the Tripartite Free Trade Area (FTA); Infrastructure Development to enhance connectivity and reduce costs of doing business [and] Industrial development to address the productive capacity constraints.*[4]

At face value there seems to be a strong intended focus on facilitating trade processes to accommodate the private sector doing cross-border business. Private players, for their part, should help identify the barriers and bottlenecks inhibiting inter-regional trade. The draft roadmap for the establishment of the TFTA, identifies the "active and meaningful participation" of the private sector in all stages (from pre-negotiation to implementation) as a "necessary key success factor" to the tripartite integration process.[5]

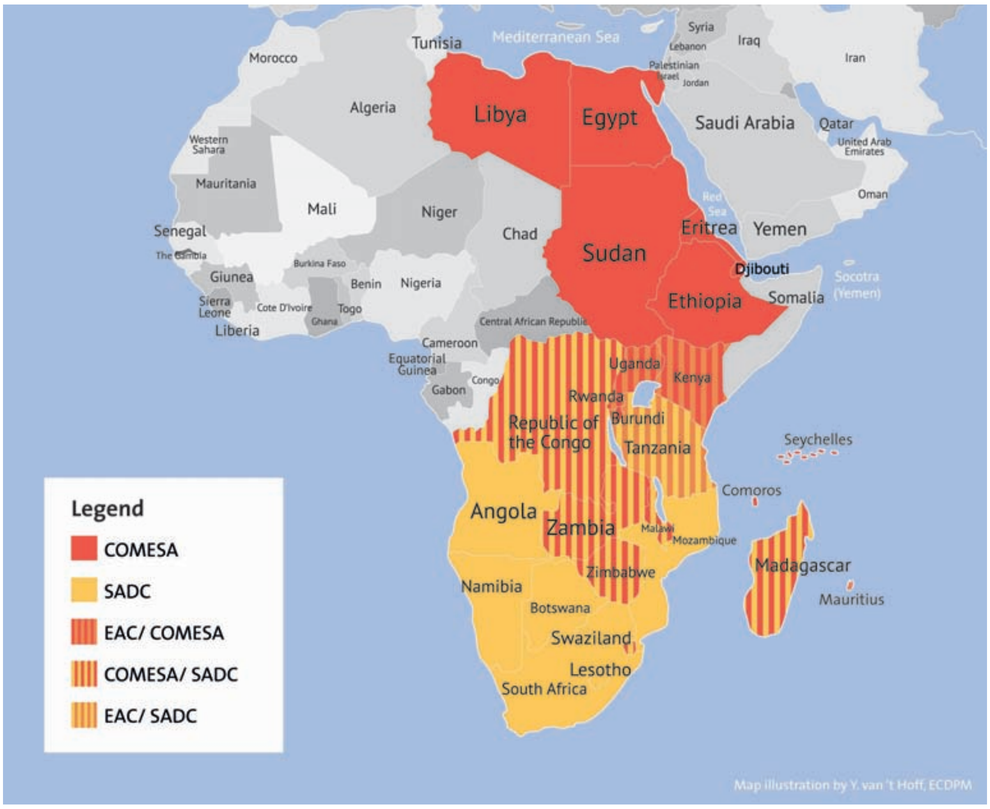
Support programmes for private-sector development in Southern Africa are legion and are especially supported by the European Union and bilateral development agencies. These agencies have recognised the role played by the private sector in regional initiatives. One such initiative is the recently established COMESA-EAC-SADC non-tariff barrier (NTB) monitoring mechanism,[6] supported by TradeMark Southern Africa, an agency of the UK Department for International Development. The NTB monitoring mechanism is a regional instrument aimed at monitoring, reporting, and eliminating NTBs within and across the three RECs.

NTBs are restrictions imposed by government policies, private sector practices or protectionist industry actions against foreign companies. They include import bans or product specific quotas; complex or discriminatory rules of origin; complex procedures and administrative requirements; unreasonable technical standards; multiplicity of foreign exchange controls; and lack of adequate physical infrastructure. These impediments increase the cost and complexity of trading and doing business across borders.

Trade tariffs are being addressed more transparently in a rules-based multilateral context and harmonisation is being approached more resolutely by the three RECs. While rules exist to eliminate existing NTBs and to prohibit the creation of new ones in COMESA, EAC and SADC, there is broad consensus that alternative mechanisms are necessary to supplement rules-based arrangements to minimise NTBS in each region.

The NTB monitoring mechanism is one such complementary instrument which has also mainstreamed the participation of the private sector into regional NTB reduction processes. Each of the 26 country participants of the proposed TFTA has both a government and a private sector focal

Figure 1: Countries negotiating the Tripartite Free Trade Agreement



point within the mechanism. The public and private focal points simultaneously receive the complaints that are logged against their countries, with details of the nature of each complaint and by whom it has been logged. In addition, private sector focal points attend annual focal point meetings as part of their country delegations.

There is wide-ranging utility in a cooperative mechanism for reducing NTBs at the regional level. A facility such as the NTB monitoring mechanism not only has the capacity for moral suasion upon governments, it can also counteract domestic pressures on governments to maintain or erect specific barriers.[7] Through the mechanism of yearly focal point meetings, the NTB monitoring mechanism has exercised a high level of oversight over the establishment of national monitoring committees (NMCs). NMCs strengthen consultations with the private sector in member states where these might not have previously been effective. In the process, they level the quality of domestic consultations processes within the context of NTBs in the 26 member states. NMCs also strengthen the domestic institutions that are finally responsible for operationalising the elimination of the NTBs.

The resolution of specific NTBs is ultimately dependent on the responsible governments to remove the barriers that have resulted in trade restrictiveness. This is sometimes done in an interventionist manner – in which case domestic structures, within which the private sector may lobby for a case to be initiated, are important. More often, in Southern and East Africa, cooperative and participatory approaches to integration are seemingly preferred. This lends space for shared engagement and responsibility, supporting government efforts to overcome these NTB challenges to regional trade.

Notes

1. As noted by the World Trade Organisation panel in US – Section 301 Trade Act, the multilateral trading system is "per force, composed not only of states but also, indeed mostly, of individual economic operators" (own emphasis). The panel adds that the security and predictability that is a hallmark of rules-based trading arrangements is of particular value to private economic operators. Panel Report, US – Section 301 Trade Act, WT/DS152/R, supra, par 7.73 - 7.75.
2. UNCTAD, 2013. *Economic Development in Africa - Intra-African trade: Unlocking private sector dynamism.*
3. Angola, Botswana, Burundi, Comoros, Democratic Republic of Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Lesotho, Libya, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Rwanda, Seychelles, South Africa, Sudan, Swaziland, Tanzania, Uganda, Zambia and Zimbabwe.
4. Communiqué of the Second COMESA-EAC-SADC Tripartite Summit, 12 June 2011, Sandton Convention Centre, Johannesburg.
5. Paragraph 9 of the Draft Roadmap for the Establishment of a Free Trade Area between COMESA, EAC and SADC (version 07-11-09). Available at: http://www.comesa-eac-sadc-tripartite.org.
6. Much of the detail on NTBs is taken from the case study on the NTB monitoring mechanism by Chikura, C (2013) under the joint ECDPM-SAIIA programme, the Political Economy of Regional Integration in Southern Africa (PERISA).
7. Particularly in member states where domestic consultations are robust, and certain lobby groups hold considerable sway. It is worth noting, however, that it is important that regional consultations processes are underpinned by robust ones in all member states. The SADC, Regional Indicative Strategic Development Plan (2003) It further observes (at p. 49) that countries that do so tend to have 'better regulated and developed [...] business environments [that are] more attractive to both internal and external investors'.

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Dominican Republic-CARICOM: Unfinished Business

Ivan Ogando Lora

During the last CARICOM Heads of Government meeting held in Trinidad & Tobago last July, President Danilo Medina of the Dominican Republic (DR) reiterated the request of his country to access to full membership of CARICOM.

It was not a new request, since it was originally made back in the late eighties, when the DR was seeking CARICOM's support to join the Lome IV Convention. Since then, it has been officially reiterated at least twice, but no formal reply from the group has been made.

However that does not mean that the DR and CARICOM have not been working together. As a matter of fact, in the last twenty-five years, the relationship between these two has been a history of ups and downs, characterised by periods of both intense cooperation and plain indifference.

The accession of the DR to the Lome IV marked the beginning of a new chapter with CARICOM, which back then was composed only by Anglophone States. Thanks to the regional cooperation under Lome IV, the two parties had no choice but to cooperate and work together in order to coordinate the design and implementation of regional programs funded within the framework of the 7th EDF. As a result, intensive contacts and functional cooperation flourished between the two, starting with the creation of the Caribbean Forum of ACP States (CARIFORUM) Secretariat in 1992. The Caribbean Export Development Agency, which previously was a CARICOM program, was established as the first CARIFORUM institution by an intergovernmental agreement as a development agency of the Caribbean ACP States in order to promote exports and the intra and interregional trade. The closer cooperation as a result of several 7th EDF regional funded projects, also indirectly contributed to a better understanding and mutual recognition of the parties that led to the launching of the negotiation of a free trade agreement in 1996 and which was signed in 1998. This FTA represented the first reciprocal trade agreement signed by CARICOM and the second one for the DR. Also the DR agreed to work under the direction of the Caribbean Regional Negotiating Machinery (CRNM), which was a CARICOM organization, during the post-Lome IV negotiations. The DR also opened embassies in Kingston and Port of Spain in the late nineties and hosted the only CARIFORUM Heads of Government meeting so far, as part of a policy to seek closer cooperation with its Caribbean counterparts.

However, with the turn of the new century, what had been an intensive relationship became more distant since each party focused on other priorities. Despite the positive experience in coordinating negotiations under the CRNM umbrella, the DR pursued the negotiations of the Free Trade Area of the Americas (FTAA) on an individual basis, as well as the World Trade Organization negotiating round. Eventually, it also concentrated its negotiating efforts on finishing a free trade agreement with the US, which resulted in the signing of the DR-CAFTA in 2004. CARICOM in the meantime was dealing with the Revised Treaty of Chaguaramas (2001), the formal accession of Haiti to the group, and the implementation of the Caribbean Single Market and Economy (CSME). During this time, the regional cooperation under CARIFORUM also took the back seat, since the regional package had been cut from an average of € 100 million under the 7th EDF (1990-1995) and 8th EDF (1995-2000), to only € 57 million under the 9th EDF (2000-2006).

> Throughout the years, the CARICOM-DR relationship has had its ups and downs but one significant characteristic is that the EU was always part of the background.

The wheel started moving again, when both parties 'were forced' to jointly negotiate an Economic Partnership Agreement with the European Union in 2004. As a result, trade officials started regular encounters in order to agree on common positions vis a vis the EU. Little by little, confidence was restored as part of the negotiations led by the CRNM. Paradoxically, in the context of the CARICOM-DR trade agreement, the negotiations and implementation of the agreement failed to move forward after a frustrating Joint Council meeting in 2005. Almost in parallel, within CARIFORUM Secretariat, difficult talks were taking place in order to review its institutional arrangements given the fact that the EU, which so far had been funding CARIFORUM's operation, was pushing to merge it with the CARICOM Secretariat. This was not only aimed at forcing for a closer relationship but also to reduce its cost by having Caribbean countries contributing to the funding of CARIFORUM's Programming Unit. After difficult negotiations, a political agreement between CARICOM and DR was reached and the CARIFORUM Secretariat was merged into the CARICOM Secretariat in 2006, creating the CARIFORUM Directorate and reserving the post of Assistant Secretary General for CARIFORUM to a national of the Dominican Republic for a period of five years, funded by the DR.

In the meantime, the EPA negotiations within CARIFORUM were not exempted from some tensions either, particularly when it came to the issue of the regional preference which was being pushed by the EU. The regional preference was another mechanism used by the EU to put pressure on the regional integration process to move forward. Originally the EU had emphasized the need for a custom union in order to guarantee a free movement of European goods among CARIFORUM countries. Since a Caribbean customs union was obviously not a realistic pre-condition for the EPA, it was dropped and towards the end of the negotiation process the regional preference was put on the table.

The regional preference basically stated that any trade preference given by CARIFORUM Member States to the EU in the EPA, should be also given to the rest of CARIFORUM Members. This was one of the main issues that really threatened the conclusion of the EPA negotiations since the DR was in favor but most of CARICOM countries were not quite convince about it. Many critics went as far as stating that regional preference would undermine the process of the CSME and that the DR was looking to enter into CARICOM via the "back door".

Eventually, after long and intensive negotiations, the regional preference was included as article 238 in the CARIFORUM-EU EPA signed in October 2008, but not without leaving some bitter taste among the parties.

The signing of the EPA and the coordination of its implementation at the regional level also raised concerns on the side of the DR regarding the management and coordination of the regional cooperation assigned under the 10th EDF to assist the region with the implementation. The DR felt that not being a full Member of CARICOM, would undermine its possibilities to have access to the cooperation as well as effectively participate in the EPA Institutions. Furthermore, questions were raised as to the continued role of the CARICOM Secretary-General serving as Secretary-General to CARIFORUM.

Within this context, concerns over the existing CARIFORUM governance structure were highlighted and opened the door for new negotiations at the 18th CARIFORUM Ministerial Meeting held in Belize in April 2010. As a result, the compromise was to appoint a national of the Dominican Republic as Director General of CARIFORUM for a period of two years who would report directly to the Secretary-General. The compromise also covered a new CARIFORUM Directorate structure which would provide for both the EPA Regional Implementation Unit (which was part of the CARICOM Secretariat) and the traditional programming and development cooperation unit. The CARIFORUM Directorate maintained its role as the regional interlocutor with the EU for policy dialogue.

Throughout the years, the CARICOM-DR relationship has had its ups and downs but one significant characteristic is that the EU was always part of the background. Unfortunately, more often than not, the main incentive for the CARICOM-DR relation is linked to dealing with the EU as a single group. The fact that CARICOM-DR have been unable to work together vis a vis interlocutors other than the EU speaks for itself. In this regard, the trade negotiations with Canada come to mind, in which both parties are negotiating separately with the Canadians. Furthermore the cooperation beyond EDF regional resources has been quite limited. As a result, CARIFORUM's recognition as a Caribbean regional body its mainly limited to the European Commission. Even most of the individual European member states channel their financial cooperation to the region through the CARICOM Secretariat or directly to the Dominican Government separately. For some people, after almost twelve years of DR absence at the CARICOM Heads meetings, the renewal of the request for CARICOM Membership made by the Dominican president to his counterparts and the enthusiastic support of some CARICOM countries like Trinidad & Tobago, may indicate a positive change in the bilateral dynamic. However, while this may be a positive thing, there is a lot of room for skepticism and the DR accession to the group is far from being a done deal given the fact that the process is quite long and not all CARICOM Members are convinced of the feasibility of a Dominican Membership in the short, middle or even long term. It seems like the perception that the DR's goods could flood CARICOM's market is still quite strong and more efforts should be done to identify and exploit the potential complementarities that enhance the productivity of the region.

Furthermore, it does not make sense to invest time and political resources planning an accession when significant commitments between both parties remain pending implementation. For example, the implementation of Art. 238 of the EPA remains a thorny issue and advancing on the implementation and coverage of the bilateral Trade Agreement has proven quite difficult and frustrating. It is obvious that if they cannot agree in the implementation of these things it would be far more difficult to agree on the commitments that a full membership imply.

Also the DR recently joined the Central American Integration System (Spanish: SICA) as a full member and there may be concerns about the compatibility of commitments in both integration schemes.

In view of the above, it is expected that the CARICOM-DR relationship will continue to be seen mostly through CARIFORUM and the EDF regional cooperation in the short and mid term. Particularly now that, as a result of the new approach implemented by the EU to deliver the development cooperation, the EU puts significant emphasis on regional cooperation. In this regard, while most National Indicative Envelopes for individual Caribbean ACP States have been significantly reduced under the 11th EDF, the regional envelope has gone from € 165 million under the 10th EDF to an expected sum of over € 300 million.

This means that the competition for accessing regional resources will be more intense than in previous programming of EDF resources. This will require significant efforts, both technical and diplomatic, from both parties, as well as from the EU, to guarantee a certain political balance.

In this regard it is imperative to move forward with the initiatives that had been put in place to reinforce the institutional arrangement of the CARIFORUM Directorate. Among these initiatives are the updating of its rules of procedure and defining the institutional relationship between the Directorate and the CARICOM Secretariat, as well as its funding aside from EDF support.

> ...it does not make sense to invest time and political resources planning an accession when significant commitments between both parties remain pending implementation.

In conclusion, while the European regional development cooperation has played, plays and will play for the next few years, a key role in bringing CARICOM and DR together, today it is unlikely that CARIFORUM would survive without EDF support. A DR Membership in CARICOM is not eminent and, political rhetoric aside, it seems that both parties have not yet fully realised that they need to go beyond EU cooperation and learn to rely on their own efforts and initiatives to guarantee a sustainable and mutual beneficial relationship among themselves.

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Dynamics of Regional Action in Peace and Security in Africa – Four Drivers

Andrew Sherriff[1]

What are the drivers behind regional action in the realm of peace and security in Africa? The political economy of violent conflict and peacebuilding in Africa is complex. Violent conflict occurs on the local, national, regional, continental and international level and these various levels interact.

Indeed the challenges of the Sahel, Horn of Africa and African Great Lakes regions are enduring examples of complexity. Since 2002 Africa has designed and enacted a complex and comprehensive system in its African Peace and Security Architecture (APSA) involving the African Union (AU), member-states, regional economic communities (RECS), civil society and international partners to respond to this. This article chooses four drivers of action and inaction within Africa on African Peace Support Operations to explore the dynamics of responding to peace and security challenges.[2]

1. Continental political dynamics

Given that the AU's Peace and Security Council (PSC) has to authorise African action on peace and security issues, it is clear that the interests of member states on the PSC are the main 'gatekeeper' or 'door opener'. 'Decisions regarding the deployment of an African Peace Support Operation (PSOs) will therefore depend, among other things, on the interests and political dynamics of members of the PSC [at the time] and the strength and diplomatic skills of the Chairperson of the PSC in any given crisis situation'.[3] While the PSC draws its legitimacy from the way its members are elected, some commentators have questioned the ability of members to act in the best interests of the AU's collectively agreed norms, given their own domestic agendas.[4] Competition between individual member-states, RECs and the AU has also in the past led to competition for leadership in response to conflicts.

2. Regional political dynamics

The RECs have been pioneers in the area of peace and security, especially ECOWAS in terms of peacekeeping, SADC in terms of mediation and IGAD in terms of early warning related to pastoralist conflict. Yet, the role of countries shines through even in those areas for which the RECs are renowned. ECOWAS peacekeeping was championed by Nigeria, SADC's mediation by South Africa, and IGAD's early warning doesn't cover issues sensitive for its member-states. RECs are only as powerful as their member-states are willing to make them. The lack of a REC for North Africa is a result of the historic rivalry and deep mistrust on security issues between North African countries. This resulted in a much weaker African response to the Arab spring generally and current crisis in Egypt.

The hegemonic roles of South Africa and Nigeria have been instrumental in the effective implementation of sub-regional peace and security initiatives in SADC and ECOWAS. In addition, IGAD's weakness has been put down partly to the absence of a dominant regional hegemon and the rivalry between IGAD member states who view each other as equals. Another sub-region where the absence of an uncontested leader has undermined common dynamics for peace and security is Central Africa. Yet South Africa and Nigeria's roles may also be seen as sources of tension which could hamper APSA.[5] South Africa's role in Africa is central: its military is well equipped and trained, and it has the economic resources needed to conduct major missions.[6] South Africa supplied large numbers of troops to the African Mission in Burundi (AMIB) and African Mission in Sudan; "even though AMIB was an AU mission on paper, it was completely dependent on one single troop-contributing country [South Africa]".[7] At the same time, there is a certain reluctance to rely on South Africa, due to fears of South African dominance in the region and intra-regional competition for influence.[8]

Certain regional 'middle powers' in the SADC region have sometimes managed to bypass South Africa and launch military missions that were more robust than simply peacekeeping. Angola, Namibia and Zimbabwe intervened militarily in the DRC in 1998 in response to the government's request to SADC. This military involvement was at odds with the position of the South African government, which preferred negotiation to solve the conflict. More fundamentally some analysts have cast doubts as to whether the collective SADC Standby Force would ever be deployed in the region as a whole because states interests rarely align fully.[9]

> The RECs have been pioneers in the area of peace and security, yet they are only as powerful as their member-states are willing to make them.

3. Prestige, visibility and risk

Prestige and visibility also provide incentives for participation, particularly for smaller states or those recovering from conflict themselves in African Peace Security Operations (PSO). Tanzania for example actively championed 'Operation Democracy' in the Comoros, without much prior or subsequent engagement in APSA. This can be explained to a certain extent by the fact that the Tanzanian President was chairing the AU.[10] A Burundian diplomat described his country's engagement in AMISOM in the *East African*; 'we are taken seriously in several international forums these days' and, 'we are sitting at tables that we might not have been allowed even to lay for others a few years ago'.[11] For Uganda too, it would appear that there was prestige in being the lead military contingent in AMISOM, 'if other African countries were to contribute to AMISOM, Uganda would probably also boost its numbers, so that it can maintain its head honcho status in Mogadishu.'[12]

Strategic national interest is a key driver of costly political and military engagement in regional initiatives. For example, ECOMOG's (the Economic Community of West African States Monitoring Group) intervention in Liberia in 1989, broadly considered as the first African regional security initiative, was driven by several motivations, the dominant one being the desire to minimise the risk of the conflict spreading to neighbouring states. Avoiding spillover was also behind the creation of the African-led International Support Mission to Mali in 2013. The 'interests' of political decision-makers in receiving states in having African PSOs rather than the alternative of a UN operation or none at all is a key part of dynamics. The AU's second PSO, AMIS followed in response to the Sudanese government's denial of a UN peace operation after a cease-fire agreement was signed in 2004.[13]

While prestige and visibility may bring political rewards, the heightened danger of missions may also be a political risk. Outside of AU or UN authorization the domestic political risk is even higher if things go wrong. South Africa discovered this in the Central African Republic in March 2013, where some accused SA of more direct economic interests for its military deployment.[14] Yet even within AU sanctioned PSO there is a significant domestic political risk in deploying forces. If circumstances are unclear in terms of the success of a mission, the resources needed and the potential casualties, countries may renege on their commitment to deploy. This was the case with Nigeria, Ghana and Senegal with AMIB and with South Africa, Nigeria, and Senegal with regard to AMISOM,[15] using the high risk factor as argument to renege. The dramatic events in Nairobi's Westgate mall in September 2013 also illustrate the domestic risks of the fallout of being involved in PSOs – yet the counter argument can also be made that not engaging in Somalia is more risky. In contrast, the relatively limited AU mission in the Comoros had strong sponsorship from the AUC and engagement by AU member states (particularly Tanzania and Sudan) largely because the degree of risk and the regional fall-out was low.

> Although APSA always has to navigate the political economy of various states interests in the continent it would almost certainly be the poorer and more violent without it.

4. Financial means

It is fair to wonder how much progress would have been made in African regional integration in peace and security without external financial support. For AMISOM, Uganda has made it clear that the Ugandans would be ready to deploy if the US is prepared to pay for the deployment.[16] The African Chief of Defence Staff noted with regard to the APSA and African PSOs: '[the] lack of central funding and reimbursement of peacekeeping costs have severely inhibited the full participation of less endowed member states. This situation has undermined multinational efforts of the region and engendered sub-regional polarisation.'[17] Yet 'African states contribute less than 1% of their defence budgets to fund the ASF and support staff.'[18] The current Chair of the AUC has made African financing for peace and security one of her top priorities. Beyond the aspect of institutional funding is the financial gain received by individual soldiers or battalion commanders taking part in African PSOs which is another factor in participation: 'The average tour of duty for a Burundian soldier in Somalia is one year, so he comes out of there $9,000 richer. If he had stayed home, he would have earned only a miserable $240 in the same year.'[19]

Conclusion

Given these drivers and difficult dynamics that affect African responses to peace and conflict, the development of the regional and continental architecture through APSA is hugely impressive. Other regions like Latin America, Eurasia, North East and South East Asia, and the Middle East have been unable to develop such capabilities precisely because the political economy of state interests would not allow it. Even the EU's Common Defence and Security Policy itself has many of the same operational challenges of APSA with member-states committing on one level but being unwilling to really integrate to the level where decisions on military deployment are taken collectively. Although APSA always has to navigate the political economy of various states interests in the continent it would almost certainly be the poorer and more violent without it.

Notes

1. Thanks to Volker Hauck and Damien Helly for comments on this article and also to Eleanor Koeb, Simone Goertz and Faten Aggad who provided input to earlier pieces from which this is drawn.
2. There is obviously also a strong international dynamic which is beyond the scope of this short article.
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5. Center for Security Studies, op cite, page 1
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12. ibid.
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17. ASF Policy Framework p.12.
18. Burgess, S. 2009. *Stabilization, Peacebuilding, and Sustainability in the Horn of Africa.* Strategic Studies Quarterly. 3(1):81-118: p. 102
19. Onyango-Obbo op.cite

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Monthly highlights from ECDPM's Talking Points

www.ecdpm-talkingpoints.org

Bananas and bottlenecks: Piloting regional value chain cooperation for food security, Talking Points, Francesco Rampa, 18th October 2013,
After decades of protocols and high-level declarations without implementation, regional integration is slowly happening in many parts of Africa, often driven by commercial moves. More recently, regional markets and especially public-private-partnerships (PPP) are becoming fashionable approaches to promote food security. Many bottlenecks remain, however, both in policy reform follow-up and asymmetric benefits for entrepreneurs along the food value-chains. RECs, their member states and interested stakeholders should pilot concrete results to show that regional integration can become more credible and effective, and contribute to food security. As part of ECDPM's support to RECs and the Comprehensive (...)

Challenges in 2014: the Post-2015 agenda, Talking Points, James Mackie, 17th October 2013 ECDPM Challenges blog series. Post number one. The negotiations on the next post-2015 international development framework will not be easy. This time around there is a lot of interest and many different voices need to be heard. An inclusive process that promotes ownership are seen as key to success. A major challenge is therefore to get as much preparatory work done as possible before the negotiations start in earnest. Over the year ahead the debate will continue to gain pace. Given the success of the Millennium Development Goals in mobilizing international efforts on (...)

Political Economy: will Africa's leaders finally walk the talk?, Talking Points, ECDPM Editorial Team, 7 October 2013
Guest blog by Christian Kingombe The citizens of the African continent have been introduced to one grand vision of development after the other – from OAU to AU since the well-known debate between Kwame Nkrumah and Nnamdi Azikiwe. However, there is a tendency by some of the African Development Bank's regional member countries to retreat from fulfilling regional treaty commitments, which, in some cases, would entail losing a degree of sovereignty. What is the biggest stumbling block to achieving the African Integration Vision? But after more than 50 years of solemn regional integration declarations these (...)

Polarised discussions in EU Member States contradict the European Commission's stance on migration, Talking Points, Anna Knoll, 2 October 2013
The upcoming UN High-level Dialogue on International Migration and Development. Is it not the dream of all people to have the right to move and live where they want? , Owen Barder thinks so. However Paul Collier suggests, in a short article, that people who do move for a better life incur substantial psychological costs that may broadly offset their economic gains through higher wages. He argues that migrants may become wealthier but not always happier and that tensions may rise within countries of destination the more migrants are admitted. This notion was described as (...)

Monthly highlights from ECDPM's Weekly Compass Update

www.ecdpm.org/weeklycompass

Preparing the December European Council on Security and Defence: Report by the EU High Representative, Weekly Compass, No 164, 18th October 2013
The report calls to extend the use of conflict analysis across the EU system. The HR calls for the Comprehensive Approach – the use of the various instruments at the disposal of the EU in a strategically coherent and effective manner – to apply to capability development and to further develop the comprehensive approach to conflict prevention, crisis management and stabilisation. The report also calls for a Joint Communication on the EU Comprehensive Approach - a policy document to lock in progress achieved and provide the basis for further concrete work. Lessons learned with regard to joint programming and New Deal (fragile states) country compacts should also be built upon. The report also calls for further impetus to be given to the peace and security partnership between the EU and the African Union at the EU-Africa summit in April 2014.

Blending EU grants with loans: a good mix for development?, Weekly Compass, No 163, 11th October 2013
The EU is planning to combine more EU grant aid with loans and other non-grant resources, i.e. blending. ECDPM takes a closer look at the opportunities and challenges of this development financing method, as well as the EU's experience and future plans with blending. For the 2014-2020 budgetary period, the intention is to use EU aid to incentivise private sector loans. While blending can offer many advantages, including leveraging over 20 times the grant aid in loans, the EU still needs to refine the targeting, flexibility and governance of its existing blending methods. In clarifying the rationale for blending, its opportunity cost should be carefully assessed, and EU tools should ensure that additional funding leveraged should have a beneficial development impact.

Africa Rising? Little change in grassroots poverty despite a decade of growth, Weekly Compass, No 162 , 4th October 2013
Economic growth in Africa appears to benefit only a few according to new findings from the Afrobarometer, based on surveys conducted with ordinary citizens in an unprecedented 34 African countries between October 2011 and June 2013. The survey reveals that Africans overwhelmingly reject their governments' management of their economies, giving failing marks for job creation, improving the living standards of the poor, and narrowing the gaps between the rich and poor.Popular opinion is thus increasingly out of sync with the "Africa Rising" narrative that has been gaining traction among government officials and international investors. The evidence also suggests, however, that investments in infrastructure and social services are strongly linked with lower levels of lived poverty.

How do European donors engage with emerging development partners?, Weekly Compass, No 161, 27 September 2013
This Discussion Paper from ECDPM provides a concise overview of how some traditional donors interact with "emerging donors" on development issues. Amongst the donors surveyed, France, Germany, the United Kingdom, and to some extent Portugal and Denmark appear to be most active. The importance of emerging economies in defining future frameworks on Global Public Goods is a key driving force behind the efforts to engage with new development partners. What differs is the way in which these strategic goals are pursued. The way dialogue and cooperation is institutionalised also differs widely. The shape of this institutionalisation is highly dependent on the architecture of development policy-making in the traditional donor country.

EPA Update

This section covers recent EPA developments to all ACP and EAC regions.
Stay tuned for coverage of negotiations in other regions.

Quentin de Roquefeuil and Isabelle Ramdoo

All ACP

ACP ministers meet in Brussels, Joint Ministerial Trade Committee to address joint trade concerns

The 97th ACP Ministerial Trade Committee met in Brussels on 9 – 10 October 2013 to discuss trade issues of common interest to the African Caribbean and Pacific (ACP) group. The meeting was preceded by two days of talks amongst senior ACP trade officials. The following issues were discussed: (i) preparation for ACP's participation at the 9th World Trade Organization (WTO) Ministerial meeting; (ii) state of play of Economic Partnership Agreements (EPA) negotiations and implementation; (iii) ACP-EU trade regime issues, in particular update of EC negotiations with third parties; non-tariff measures including Sanitary and Phyto-Sanitary Standards (SPS) issues; and commodities; (iv) EC forthcoming initiative regarding responsible sourcing of minerals from conflict-affected and high-risk areas; (v) trade-related capacity building programme; and (vi) enhancing intra-ACP trade relations.

Ministers issued the ACP position in a declaration on the 9th Ministerial Conference where they emphasised the critical dimension of development, and in particular the importance of special and differential treatment (SDT) as laid out in the Doha Development Agenda. They called on Ministers to expedite work to conclude the modalities on the Monitoring Mechanism for SDT and to take stock of the agreement-specific proposals in Annex C of the Cancun Text. Ministers also urged WTO members to realise their commitments towards Least Developed Countries (LDCs), namely regarding Duty Free Quota Free (DFQF) market access to LDCs, improved rules of origin, and implementation of the LDC waiver on services and outstanding proposals on cotton. The declaration also reaffirmed the need to address the concerns of small and vulnerable economies, land-locked developing countries, small island developing states and low-lying coastal developing countries.

> The declaration also reaffirmed the need to address the concerns of small and vulnerable economies, land-locked developing countries, small island developing states and low-lying coastal developing countries.

Agriculture and trade facilitation were also key elements of the declaration. Regarding agriculture, Ministers showed strong commitments in support of a package that would support the interests of the ACP countries, in particular by addressing the imbalances in the WTO rules on agriculture that would ensure their own food security, while taking fully into account the concerns of net food importing countries. Finally, on trade facilitation, Ministers confirmed that although they were not demandeurs of the Trade Facilitation initiative in the WTO Doha Development Agenda, they remained firmly committed to a satisfactory and balanced outcome in the current negotiations, given the potential benefits of trade facilitation. Yet, the declaration also goes on to stress the "mandatory" Special and Differential Treatment and "required" technical and financial assistance.

On Friday the 11th, ACP Ministers held an exchange of views with the European Commissioner for Trade, Karel de Gucht, for the Joint Ministerial Trade Committee (JMTC), an ACP-EU institution that meets on a yearly basis. The JMTC provides an ACP-EU-wide forum for discussion on trade matters of common concern. This year's meeting is the 38th JMTC to be held. An earlier side event was organized by the African Union in Brussels, as a follow up to the African Union (AU) coordination meeting in Gabon (see our September edition of the EPA update).

EPAs naturally feature on this year's JTMC agenda. As we have reported in these columns, the pace of negotiations and regional concertations have picked up in view of the October 1st 2014 deadline for the withdrawal of temporary preferences for countries deemed not to be implementing their interim EPAs. A draft report of ACP senior officials seen by GREAT Insights highlights the demand to "sensitise" the EU "on the need to relax the implementation of the regulation", while acknowledging that the deadline is real.

Commissioner de Gucht, for his part, seemed to want to lower expectations that the October 2014 deadline could be relaxed or that an alternative arrangement could be found when he stated "I want to be clear on one point: there will be no new bridging measure" during his speech on Friday. Commissioner de Gucht also outlined the state of regional negotiations, describing them as "in much better shape than they are sometimes perceived to be".

Also on the agenda were other issues of interest to the group in its trading relations with the European block. These include EU relations with third parties, commodity issues, and Non-Tariff Barriers to trade including Sanitary and Phyto-Sanitary Standards. The European Commission gave a presentation on their initiative regarding the responsible sourcing of minerals from conflict-affected and high-risk areas.

> Commissioner de Gucht seemed to want to lower expectations that the October 2014 deadline could be relaxed or that an alternative arrangement could be found.

West Africa

Region holds extraordinary Ministerial meeting, all eyes on Heads of State and Government

The West African region seems headed for a restart of Economic Partnership Agreement (EPA) negotiations on the basis of a new Market Access offer, nearly two years after the last meeting between West African negotiators and their European counterparts. This is the impression after the Economic Community of West African States (ECOWAS) held an Extraordinary Meeting of Ministers that ended late in the night of Monday September 30th in Abidjan, Cote d'Ivoire.

The outcome document of the meeting, revealed by the koaci.ci website, mandates negotiators to go ahead with negotiations "on the basis of the new market access scenario", which contains additional flexibility to break the current deadlock regarding the degree of liberalisation. Regular readers of these columns will recall that the region had been debating for many months whether to move from 70% market access opening to an offer standing around 75%. The EU has, up to this day, argued that 80% is the minimum threshold it will accept. Anything less could, in its eyes, be challenged at the WTO for being inconsistent with article XXIV of the General Agreement on Tariffs and Trade (GATT), which specifies that regional trade agreements should liberalise "substantially all trade".

The final decision, however, rests with ECOWAS Heads of State, who are scheduled to meet at the end of October in Dakar for an Extraordinary Summit of ECOWAS Heads and State and Government. The minister's meeting in Abidjan was meant to lay the groundwork for Heads of State, and their decision could be altered come October 25th. Observers describe the Summit, which is supposed to seal a regional position on EPAs and the region's Common External Tariff (CET), as a crossroads for ECOWAS.

Regarding the CET, the outcome of the minister's meeting give a few clues where that compromise might lie. Countries in the region have found it hard to harmonise their tariff rates in order to set up a CET. Wide differences exist between countries like Senegal and others like Nigeria which are, in comparison, more protective of their economies. As of a few months ago, negotiations were reportedly focusing on a handful of goods where the region could still not agree on harmonised rates.

The conclusions from the meeting float the idea of allowing countries to maintain diverging rates on 3% of their tariff lines for five years. The divergence from CET rates should not exceed 70%. This would allow countries to start implementing the CET, and, essentially, put off implementation for the most sensitive products for a later date. Further, the implementation date seems to have been pushed back to 2015. It was originally conceived that the CET would be implemented by 2014.

Another issue concerns the harmonisation of the two import taxes financing the functioning of the two regional Commissions (the ECOWAS Commission and the Union Economique et Monétaire Ouest Africaine Commission). The outcome document foresees the continued existence of two separate taxes for the two commissions, and engages in a review towards possible harmonisation in five years time. Previous documents and discussions had envisaged the creation of a single, harmonised tax set ECOWAS-wide.

The EPA/CET process in the region has been unfolding at a rapid pace in the past months. With some countries alarmed at the removal of temporary European preferences for countries having signed Interim EPAs, the region has put all its efforts into finalising its CET and laying the basis of a compromise to renew negotiations on a regional EPA.

It remains to be seen how the European Commission will receive the new West African offer. Apart from the offer itself, other problematic issues are still hampering progress in the negotiations towards a regional EPA. These include the MFN clause, and the "additionality" of financing the European Union would provide as part of the development package accompanying the EPA.

> It remains to be seen how the European Commission will receive the new West African offer.

Eastern African Community (EAC)

GREAT had previously reported that the EAC and the European Commission were liaising on the possibility of organising a ministerial level meeting to consider "political" issues that have been left to the decision of ministers during the course of the negotiations.

During his speech to the Joint Ministerial Trade Committee in Brussels, however, de Gucht hinted that the negotiations still required "political guidance" on some technical questions: "I would be delighted to find time to travel to East Africa for a conclusive round when our respective teams have resolved most of the open technical issues based on the expected political guidance".

Karel de Gucht further stressed that the main bottleneck to advancement of negotiations was to find time to organise a "stock taking" ministerial in Brussels or East Africa, in light of the fact that his "diary is filling up faster than I would like it to" ahead of the WTO ministerial and meetings with other trade partners.

Southern African Development Community (SADC)

Southern African Development Community (SADC) and EU negotiators held a weeklong negotiating session during the final week of September, but at the time of writing GREAT Insights could not get information on the substance of negotiations. Check our November issue for more information.

Notes

1. See http://trade.ec.europa.eu/doclib/docs/2013/october/tradoc_151849.pdf
2. See http://koaci.com/articles-86083. To our knowledge, the new offer stands at 74.19% of liberalisation.

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GREAT *insights*

Calendar and resources

ACP-EU Trade Calendar

October 2013

25th ECOWAS Extraordinary Summit of West African Heads of State and Governments, Dakar

(TBC) SADC- EU Negotiating Round

November 2013

23-27 ACP-EU Joint Parliamentary Assembly, Addis Ababa

(TBC) SADC- EU Negotiating Round

Resources

Fiscal Opportunities and Challenges Derived from the Management of Extractive Resources Revenues, Alexander Kwame Archine, ECDPM Discussion Paper 151, October 2013, Maastricht: ECDPM

Blending Loans and Grants for Development: An Effective Mix for the EU? Sanoussi Bilal, Florian Krätke, ECDPM Briefing Note 55, October 2013, Maastricht: ECDPM

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GREAT Insights is published by ECDPM

Editor: Sanoussi Bilal

Co-editors: Anna Rosengren, Kathleen van Hove

Production: Claudia Backes, Yaseena Chiu-van 't Hoff and Yasmine Medjadji (YM Design)

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This publication benefits from structural support by ECDPM's following partners: The Netherlands, Belgium, Finland, Ireland, Luxemburg, Portugal, Sweden, Switzerland, Austria and the United Kingdom.

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