

THE POLITICAL ECONOMY OF REGIONAL INTEGRATION IN AFRICA

COMMON MARKET FOR EASTERN AND SOUTHERN AFRICA (COMESA)

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EXECUTIVE
SUMMARY

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Executive Summary

This study presents a political economy analysis of the Common Market for Eastern and Southern Africa (COMESA), focusing in particular on the actors and factors that drive and constrain: i) the implementation of COMESA's trade and economic integration agenda; and ii) cooperation on energy trade through COMESA's specialised institution for electric power trade, the Eastern Africa Power Pool (EAPP). This report is part of a broader study that also includes the African Union and four other Regional Economic Communities in Africa.

Why a political economy analysis of COMESA?

Regional integration is often seen as a way to promote industrialisation and economic development in Africa. While regional integration initiatives in Africa provide important economic opportunities for African countries, numerous obstacles impede the effective implementation of regional integration arrangements. Although these opportunities and challenges are not unique to Africa, they typically arise from complex environments. So stakeholders and policy-makers can benefit greatly from analysis of the specific actors and factors that affect how and why regional integration and cooperation take place. When judged against its own target of becoming a customs union by 2012, COMESA appears to be failing to achieve its objectives. On the other hand, it has made considerable progress on certain elements of its broader regional integration agenda, especially in light of the various challenges it faces. This study provides insights into the performance of COMESA regarding the implementation of its regional agenda, as these may help inform, calibrate and target further reforms or support to regional initiatives.

The study uses a political economy framework to answer two core questions: *how do key actors and factors affect and shape the agenda setting of the COMESA? And how and why do these different actors and factors influence what gets implemented?* This study aims to provide an improved understanding of what is technically desirable and politically feasible, as well as to help identify the types of processes, partnerships and coalitions that support regional cooperation and regional integration in the region. Given COMESA's large and diverse membership, the insights gained could be of relevance to understanding the political economy dynamics of regional integration elsewhere in Africa.

Key findings of the COMESA study

This study finds that *foundational and structural factors* have impacted the development and implementation of COMESA's agenda. In line with its historical origins as a preferential trade area, COMESA has sought to carve a niche for itself as a REC devoted primarily to trade- and economic integration. The COMESA strategic plans emphasise the trade-related programmes and the COMESA Secretariat, member states and donors attach great importance to this agenda. The formal trade integration agenda is complemented by specific programmes, which seek to facilitate intra-regional trade through improving infrastructure and boosting the supply side capacity.

The sheer size and heterogeneous nature of COMESA's membership, however, creates obstacles to the effective implementation of this agenda. The diverse array of development levels, geographic circumstances, resource endowments, political settlements and national interests represented in COMESA makes regional collective action and the identification of

common priorities more difficult (especially given the absence of a genuine regional hegemon willing to underwrite regional cooperation). In addition, this diversity results in different types of engagement by the member states in regional processes. Hydro-rich, but relatively underdeveloped, Ethiopia engages actively in the EAPP, as it seeks to become a significant energy exporter. But at the same time, the country is wary of joining the COMESA Free Trade Area given the effects this might have on its domestic industries. By contrast, Mauritius, a relatively more developed island state, does not participate in the EAPP and has little interest in certain elements of the regional trade facilitation agenda, yet is keen to see progress in other areas of the COMESA agenda pertaining to the business environment.

An important finding of this study has been the fact that formal COMESA *institutions* have been unable to generate sufficient momentum for regional initiatives when their objectives or *modus operandi* have clashed with prevailing norms and practices. While capacity constraints do affect the ability to promote regional integration and cooperation, a far greater obstacle to the implementation of the regional agenda is the fact that formal COMESA institutions are not always supported by the norms and practices of member states. For instance, the lack of implementation of the formal economic integration agenda by member states is partly due to a lack of incentives as well as a lack of sanctions for non-implementation. While the COMESA Court of Justice has been established in order to promote compliance with regional agreements, this mechanism is underutilised in practice, as member states simply do not bring disputes against one another. Similarly, in the context of the EAPP, formal institutions to promote the development of a regional energy market have been established, yet EAPP member states continue to pursue their energy trade objectives through bilateral arrangements and other regional fora. On the other hand, the Regional Integration Support Mechanism (RISM) shows that within COMESA there is some scope for altering practices and regional incentive environments through formal institutions.

This study finds that despite the rhetoric COMESA member states do not appear to prioritise regional integration and cooperation through COMESA and COMESA institutions. They provide relatively little financial support to COMESA and its institutions, and this lack of support contributes to limited capacity in these institutions and an overreliance on donor funding (conversely, donor funding could be said to allow for member states to free ride on the benefits provided by regional organisations). Member states also appear somewhat disinterested in engaging with COMESA on certain issues (e.g. gender) and have not consistently transposed and implemented COMESA decisions and agreements. COMESA member states also engage in regional issues through other regional organisations and processes. For example, most COMESA member states are active members of other RECs, while some EAPP member states engage on regional energy cooperation through other regional organisations such as the Nile Equatorial Lakes Subsidiary Action Programme (NELSAP) or Energie des Grands Lacs (EGL). This suggests that member states participate in COMESA in order to pursue particular (usually trade-related) strategic interests, rather than with the aim of region building, and that they are more than happy to engage in other regional fora on issues which they believe to be better addressed there.

The impact of private sector and civil society actors on COMESA's regional integration agenda is found to be relatively minimal. There is some evidence of effective private sector engagement with COMESA, especially through the COMESA Business Council (CBC), but overall, the private sector in COMESA is still weakly organised at the regional level and private sector engagement on regional issues tends to take place through national channels.

Furthermore, such engagement tends to be issue-, country- or industry-specific, and as a result, it is difficult to identify a regional private sector position in COMESA. The same can be said of civil society engagement with COMESA, which has been characterised as piecemeal.

Donors play a prominent role in supporting COMESA, not least by providing the bulk of funding for regional institutions and programmes. Donor support has not, however, sufficiently addressed capacity constraints and organisational shortcomings within the COMESA Secretariat and associated COMESA institutions, and has arguably contributed to challenges relating to the tendency of particular COMESA units to work in silos. Donor funding has also been widely criticised for diluting member state ownership of the COMESA agenda – by encouraging COMESA to develop programmes in line with donor funding priorities and providing member states with an opportunity to free ride on donor-funded regional programmes – and for establishing potentially unsustainable regional programmes and processes. Donors, for the most part, appear to be aware of these challenges and keen to address them, even if they are yet to solve them.

Implications

This analysis suggests that the diversity of interests represented by the COMESA membership and the lack of member state support to the regional organisations, institutions and processes have been significant factors behind the slow and uneven implementation of the regional integration agenda. Based on the implementation record of the regional commitments by COMESA member states and the level of donor dependency, the argument could be made that many COMESA programmes owe their continued existence largely to donor support. It could further be argued that this support has allowed COMESA member states to free ride on donor-sponsored regional public goods. On a more positive note, regional cooperation is taking place in eastern and southern Africa, if not always within the context of formal COMESA institutions. Furthermore, progress on COMESA's integration agenda has been made where regional institutions and processes have been aligned with specific national interests. For instance, the RISM has been able to improve monitoring and reporting of transposition and implementation by member states, because it provided financial incentives to member states, which they are able to use for specific national objectives. Aligning such interests more broadly nevertheless remains a challenge.

Two important implications can be drawn from this analysis. First, in order to be effective, formal institutions and processes established to promote regional cooperation and/or integration within COMESA need to work with the national interests of COMESA member states and/or to shift the incentive environment these member states operate in towards being more conducive to regional cooperation. Formal mechanisms to promote regional integration and cooperation in COMESA are unlikely to be successful unless COMESA member states genuinely believe such action to be in their national interests. Second, the focus of efforts to promote regional cooperation within COMESA should not fall exclusively on COMESA institutions. COMESA member states are active across a wide array of formal and not-so-formal regional organisations and initiatives and tend to view such organisations and initiatives in very instrumental terms, preferring to engage in whichever fora offers the best means for achieving an intended objective. Focusing exclusively on COMESA institutions risks missing out on the opportunities that other, potentially more flexible, regional arrangements could provide for, facilitating mutually beneficial regional cooperation.

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