



POLITICAL ECONOMY DYNAMICS OF REGIONAL ORGANISATIONS IN AFRICA

PEDRO

ECOWAS Industrialisation and youth employment: Adding value at a regional level?¹

This paper sets out to better inform stakeholders about why the Economic Community of West African States (ECOWAS) and national level stakeholders operate as they do on industrialisation and youth employment. It concludes with implications for support.²

Political traction, member states interests and potential

Industrial policy is a latecomer in the lifecycle of Africa's oldest regional organisation. Despite the mention of industrialisation in the foundational treaty of ECOWAS in 1975, ECOWAS had no comprehensive industrial development policy for the region until 2010, when it agreed the West African Common Industrial Policy (WACIP). This followed the establishment of the ECOWAS Private Sector Department in 2007, responding to an increased appetite from Member States for a more active approach to foster cross-border investments and create an enabling environment for endogenous and foreign direct investments. The 2010 WACIP presented broad objectives to be met by 2030 but did not identify regional priority sectors and lacked a clear operational scheme. ECOWAS therefore revised the original industrial policy in 2015, and prioritised four sectors: food and agro-industry; the pharmaceutical industry; construction materials; and the automotive and machinery assembling industry. The revised policy document, however, was not made public.

Of ten original WACIP programmes, only Standardisation, Quality assurance, Accreditation, and Metrology (SQAM) achieved significant progress. Building on earlier efforts and responding to the needs and demands of private sector actors facing export rejections and hence losses, the SQAM programme led to the harmonisation of regional standards for more than 320 products and certification of local entities for 40 industrial goods.

Beyond the SQAM programme, however, the implementation of the WACIP has been weak. Lack of funding is often cited as a cause, but weak demand seems more plausible. This relates to the perceived lack of clear benefits to private stakeholders and public authorities from regional cooperation in the bulk of the industrialisation programmes, which reduces the incentives for overcoming collective action failures. It also relates to the lack of involvement by the private sector in the original design of the WACIP and hence also a lack of commitment in implementation.

¹ Based on a March 2017 background paper by ECDPM, available at www.ecdpm.org/pedro/backgroundpapers. The Policy Brief and background paper were prepared under the BMZ-financed project on the *Political Economy Dynamics of Regional Organisations (PEDRO)*. Author: Karim Karaki (kka@ecdpm.org). Project team leader: Bruce Byiers (bby@ecdpm.org).

² Four other ECOWAS related PEDRO papers deal with conflict and food security, with governance, with energy and with trade facilitation.

The updated WACIP reportedly did not include a formal consultation process with private sector actors, civil society organisations or even member states due to - among other things - limited funding.

In addition, in the absence of monitoring, evaluation or support mechanisms, member states lack incentives and are not compelled to comply with the regional industrialisation policy. So, national policies continue to be designed independently from the regional policy, with little to no coordination between the two levels. Although ECOWAS does offer technical support to national officials designing their national industrial policy, member states do not seek this support. This raises questions about the added value of a regional approach to a policy area that member states largely consider to be a national issue.

Both at the regional and national level, implementation of the WACIP is hindered by incoherent sectoral policies. For example, while the WACIP aims to strengthen the local manufacturing base and promote small and medium-sized enterprises in the region, the ECOWAS competition policy (2008) has been criticised for favouring Foreign Direct Investment at the expense of the interests and needs of a rather weak local industry. Likewise, there are fears that reciprocal market access through EPAs will entrench West Africa in its role as supplier of raw materials to the European Union as the EU market provides further opportunities for raw material exports, but much less for ECOWAS manufactured products.

Parallel to the WACIP, ECOWAS pursues regional industrialisation through directives and policies on mining, investment and the development of micro, small and medium enterprises. In addition, it aims to ensure access to finance through the ECOWAS Regional Investment Bank (ERIB), the Investment Guarantee Mechanism and the ECOWAS Payments and Settlement System (EPSS).

External actors have influenced industrialisation processes within ECOWAS mainly through trade relations, as touched upon in the case of Economic Partnership Agreements. The US African Growth Opportunity Act (AGOA) has reportedly increased trade flows from Africa to the US primarily in raw materials (oil) and to lesser extent textiles, manufacturing and artifacts. While these have not influenced the WACIP as such, they do create additional export incentives for raw materials and hence may influence member state interests in seeking higher value added from regional cooperation. China exercises a more direct influence at national level by financing infrastructure in exchange for access to natural resources, thus reinforcing incentives for exports of raw materials rather than local processing and transformation activities. Lastly, the international private sector also influences industrialisation. For example, in the cement sector, major European corporations, sometimes supported by their home governments have strongly lobbied West African governments to resist investments from West African business conglomerate Dangote.

Related to industrialisation, youth employment first gained attention at the regional level in 2003 with the Abuja Youth Development and Empowerment Strategy Communiqué. The issue rose further with the launch of the ECOWAS Youth Employment Action Plan 2013-2018, the Youth Empowerment and Development Fund, the Employment Programme and the ECOWAS Youth Council.

Though several member states, such as Nigeria, have designed policies and strategies supporting youth employment that align with the ECOWAS Youth Policy, policies are yet to be translated into concrete action. This is partly due to institutional factors. The Department of Social Affairs and Gender is responsible for youth employment, but has little authority and coordination capabilities over other departments such as the Department for Industry and Private Sector Promotion. In addition, national implementation of the ECOWAS youth policy is impeded by contradicting practices in related fields, such as industrialisation, trade and migration. While free movement of citizens, for example, is deemed crucial for improving youth employment by the ECOWAS Youth Development Policy, migration policies are poorly implemented by member states.

ECOWAS youth policy gains even less interest from private sector actors than regional trade and transport policies. These actors don't seem directly concerned with youth employment issues. Or put differently, they may not feel directly affected by the negative spillovers of youth unemployment. Limited awareness of ECOWAS and its policies - for example relating to the free movement of people - among young people doesn't stimulate bottom-up demands or potential mobilisation.

In sum, the regional industrialisation and youth employment policies in ECOWAS primarily reflect aspirations rather than commitment to translate policy into implementation arrangements. Limited interests of both national governments and private sector actors in a regional approach toward industrialisation and youth employment are obvious explanators. The relative success of the regional policy on harmonisation of standards seems to confirm the importance of traction from private sector actors. Where private sector interests align, such as around access to export markets, ECOWAS has demonstrated a commitment and ability to turn regional policy into practice.

Implications for support

1. Support to the ECOWAS industrial policy must take account of the overriding national focus of industrialisation processes

- There appears to be little traction for a regional approach to industrialisation among ECOWAS member states, which tend to view industrial policy as a national issue.
- ECOWAS could adapt to member state interests, with more limited regional ambitions. This might include lesson-sharing and support to national processes in willing countries with private sector engagement.
- Industrialisation in the region is shaped by policies related to trade, trade facilitation, infrastructures and access to energy among others. Support to ECOWAS on industrialisation must focus on ways to strengthen and complement these agendas and alter or adapt to incentives to invest at a national level.

2. Support to ECOWAS in the area of youth employment must carefully assess the potential value added and traction for a regional organisation to address development challenges that are primarily national level challenges.

Behind the formal structures of regional organisations is a messy world of regional power and politics. This messiness is often difficult to capture in the language of development cooperation and institutional development. Working with regional organisations and their programmes therefore implies engaging with complex, multi-level power and interest dynamics.

PEDRO, the Political Economy Dynamics of Regional Organisations, is an ECDPM project that looks at the politics behind regional organisations, and the structural factors, institutions and incentives that ultimately define the way in which countries and different stakeholders engage at a regional level. PEDRO covers 17 African regional organisations and 11 policy areas. For each of these, ECDPM has applied a political economy approach to help understand the dynamics and their effects in different regions and policy areas.

The studies are framed around three key questions: the first relates to the political traction of the regional organisation as this helps assess whether the regional organisation has enabled regional decision making and if it has contributed to implementation. The second focuses on the member state interests in engaging with the regional organisation, especially the more resourceful and powerful ones (the so-called 'swing states'). The third looks at the areas with most traction where regional and national level interests seem to be most aligned for regional outcomes.

The reports aim to present information and insights that can help regional stakeholders navigate the obstacles and better respond to reform opportunities. Rather than providing specific operational recommendations, the political economy approach encourages more reality-based discussions among practitioners and reformers about feasible ways to address regional challenges. It is hoped that this may help tailor the ambitions and approaches of donors and reformers and help identify ways to support national or regional champions or coalitions to take regional cooperation and integration forward.