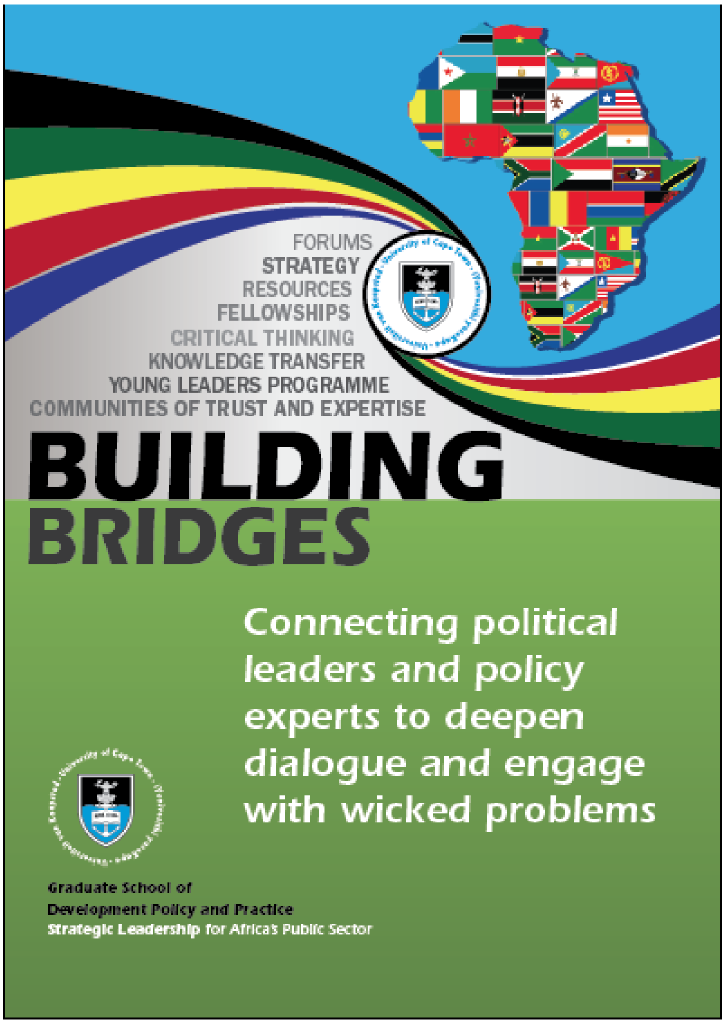
EXPERTS' WORKSHOP

The Political Economy of African Economic Integration: Strategic Reflections

20–22 November 2014, Cape Town



BULDING BRIDGES PROGRAMME

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The Graduate School of Development Policy and Practice (GSDPP) at the University of Cape Town (UCT) hosted an invitation-only experts' workshop on the key challenges to African Economic Integration in Cape Town from 20 –22 November 2014. The event was facilitated by the new Building Bridges programme that aims to connect political stakeholders and research experts to address "wicked problems" in Africa.

The overall impact of African economic integration will benefit all African countries, yet powerful vested interests and challenges that require political capital or a political champion continue to inhibit progress. There is need to mobilize, country by country, especially in the regional hegemons, to broaden support, with particular focus on progressive elements in the private sector, in civil society, in parliaments, among youth leadership and in the media. Mobilization is needed in pan-African horizontal networks and vertical networks within countries. The focus of the experts' workshop was on the political economy of economic integration in Africa, identifying forces favouring and opposing reform, and developing strategies to help drive the integration agenda.

The specific objectives of the workshop were to:

- Bring together leading thinkers and experts on African economic integration to discuss a research agenda that moves integration forward
- Inspire new thinking on the topic informed by critical data, current examples and relevant case studies
- Inform related activities of the Building Bridges programme – the closed political stakeholder meeting and a multi-stakeholder public workshop.

Professor Thandika Mkandawire, Chair in African Development at the London School of Economics and a visiting professor at UCT associated with the Building Bridges programme, gave the keynote address.[1] Mkandawire stressed the need for a deeper understanding of the complex political and economic factors underlying regional integration: initial conditions, ideational factors, the role of powerful individuals, institutions, industrialisation as a measure of development and the international context. This report draws heavily on the original "think pieces" contributed by participants,[2] informed by discussion sessions on the following key themes:

The Big Picture	What is our vision and where are we when it comes to African economic integration?
The Big Question	Why is economic integration not happening?
The Rules of the Game	In what ways have formalized institutions advanced and/or frustrated the pursuit of greater regional integration?
Africa in the World	How are changing global power dynamics impacting economic integration in Africa?
"Trade Follows the Flag"?	What is the role of the private sector in stimulating integration?
Broadening the conversation	How do civil society organizations and other stakeholders such as the media and parliamentarians engage with integration issues?

[1] Watch the keynote address at: https://www.youtube.com/watch?v=d4Y8UgYie_w&feature=youtu.be.
[2] Available at http://www.gsdpp.uct.ac.za/building-bridges-programme/experts-workshop.html

RECOMMENDATIONS

During the final session, participants drafted recommendations and identified key players for taking forward the integration agenda:

1: Deepen a common vision and identity: Promote responsible and strategic leadership across sectors and interests to actively champion and communicate a compelling African narrative around the agenda for and benefits of developmental and economic integration (for example Africa 2063). ***Key actors include: African Union (AU); Regional Economic Communities (RECs); National Governments; Media; Creative artists; Non-govermental organizations (NGOs); Parliaments; Youth organizations; Business; Research community.***

2: Strengthen and deploy monitoring tools: Develop an agreed upon metrics framework on integration that serves as an evidence-base for policy planning and implementation, using empirical studies and indicators (for example, the Regional Integration Index of the United Nations Economic Commission for Africa [UNECA]; African Development Bank [AfDB]Trade Index). ***Key actors include: AU; RECs; National Governments; Development Finance Institutions (DFIs); Continental agencies; Multi-lateral institutions; NGOs***

3: Expand knowledge and research capacities: Establish and strengthen centres of excellence on the study of regional economic integration and find more effective ways to coordinate research initiatives in order to build an African community of thinkers, policy practitioners and experts. ***Key actors include: AU; RECs; National Governments; Universities; Think Tanks; NGOs; Development partners; Research community; DFIs; Multi-lateral institutions.***

4: Build trust: Convene regular dialogues with multiple stakeholders to serve as credible platforms for knowledge exchange on where bottlenecks exist, how risks could be reduced, and where opportunities could expand, to promote regional integration. ***Key actors include: AU; RECs; National Governments; Media; Parliaments (National and Regional); Think Tanks; Universities; NGOs, Business; Development partners; Labour; Research community.***

5: Align domestic and regional agendas: Develop coherent national planning policies which support regional integration treaties and frameworks. ***Key actors include: AU; RECs; National Governments; Parliaments (National and Regional); Regional Organizations.***

6: Invest in infrastructure for integration: Strengthen human and physical capacity and infrastructure (roads, border posts, irrigation, broadband, ports) to stimulate intra-regional trade, higher productivity and the movement of people. ***Key actors include: AU; RECs; National Governments; Business; Unions; DFIs.***

7: Anchor accountability: Support and strengthen oversight mechanisms and processes (both state and non-state) to ensure greater accountability by decision-makers with respect to progress on national and regional policy commitments that promote integration (for example, the establishment of a parliamentary briefing desk on regional integration). ***Key actors include: National Governments; RECs; Parliaments; Government; Media; Think Tanks; NGOs.***

Session 1: THE BIG PICTURE: Where are we when it comes to integration?

Africa's population of about one billion consumers is a powerful engine for growth, employment and intra-African trade, especially when other markets are contracting or stagnating in the wake of the global financial crisis. UNECA estimates that the successful establishment of a Continental Free Trade Area (CFTA) would result in intra-African trade rising to 22% of total African trade, and add about US$1 trillion to the global economy.[3,4] If the economic benefits are so clear, why does African integration, particularly manifested in thriving cross-border trade between sovereign nations, remain elusive? What are the most important levers – and challenges – that we, and African leaders, need to engage with to promote and achieve economic integration?

The opening session sketched the 'big picture' and identified some key challenges with particular focus on institutions, trade and infrastructure, while the sessions that followed unpacked some of the key factors and actors influencing or shaping regional cooperation and integration in particular cross-country and regional contexts.

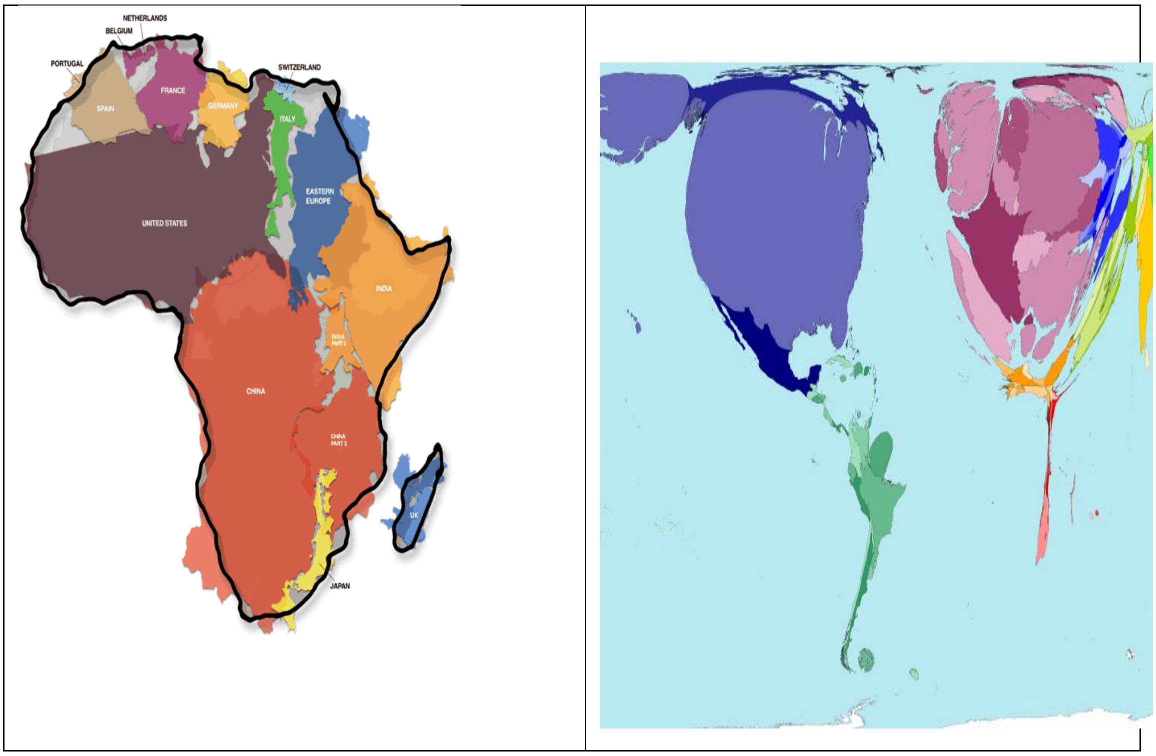

Figure 1: The geographical size of Africa and the relative size of Africa's economy globally (Source: Keynote address by Professor Thandika Mkandawire)

The 1980 Lagos Plan of Action adopted by African Heads of State and Government recognised the centrality of regional integration for socio-economic development. The Abuja Treaty of 1991 set a

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[3] UNECA Press Release September 2013, Stephen Karingi Director Regional Integration, Infrastructure and Trade Division UNECA_ http://www1.uneca.org/ArticleDetail/tabid/3018/ArticleId/2479/Intra-African-trade-and-infrastructure-development-key-to-economic-growth.aspx.

[4] The rationale for the CFTA rests on two factors – static and dynamic; the former refers to resource allocation resulting from changing relative prices associated with the changed pattern of tariffs and the latter refers to the ability to exploit economies of scale and to achieve levels of investment and economic growth due to efficiency and size.

timetable for an integrated African Economic Community (AEC) through Regional Economic Communities (RECs)[5] established to promote: 1) Harmonisation of sectoral policies in infrastructure, natural resources, climate, food and agriculture; (ii) Macroeconomic policy convergence, financial and monetary integration;, (iii) Peace, security, stability and governance; and (iv) Trade and market integration.

The Abuja Treaty proposed the establishment of a CFTA by 2017, and integration into a single customs union with a common currency, central bank and parliament by 2028. Continental economic integration would be achieved through establishing a single trade and investment area, removing tariff, non-tariff and other barriers to the movement of goods, services, capital and people, and achieving competitive trade in goods and services in the global market**.** In 2000, the OAU/AEC Summit adopted the Constitutive Act of the African Union (AU), which reaffirmed regional economic integration[6] and the status of the RECs, while recognising the need for rationalisation. In 2007, the AU adopted a Protocol on Relations between the AU and the RECs aimed at harmonizing policies and ensuring compliance with target timelines. In 2013, African heads of state and government endorsed 'Agenda 2063', which aims to address the structural transformation of output and trade, strengthen infrastructure and human resources, and modernize science and technology:[7][8]

> *"Africa shall be a continent where the free movement of people, capital, goods and services will result in significant increases in trade and investments amongst African countries rising to unprecedented levels, and strengthen Africa's place in global trade."* Agenda 2063 –'The Africa We Want' Document

The OAU and the AU have proclaimed a common African currency as one of the goals for regional integration,[9] but some question the feasibility and desirability of a full African monetary union.[10] Since the early 2000s, interest in sub-regional monetary integration and unions has risen in Africa, stimulated initially by the perceived success of the introduction of the Euro, and remains strong despite the global financial crisis.[11] However, the costs of monetary integration could be substantial, especially during the transition period, and countries would need to agree on a system of fiscal transfers to reduce differences in net benefits from integration. The benefits of monetary union would be further boosted with a credible regional central bank.[12] However, in the light of persistent crises and stagnation in much of Europe since the global financial crisis, the pitfalls of unifying vastly heterogeneous economies within a monetary union are ever more evident.

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[5] The eight RECs considered the building blocks of the AEC are: AMU/UMA, CEN-SAD (the Community of Sahel/, COMESA, EAC, CEEAC-ECCAS, CEDEAO-ECOWAS, IGAD and SADC.
[6] See: Articles 3(a) to 3(n) and Articles 4(a) to 4(p).
[7] Agenda 2063, published by the African Union.
[8] In May 1963, when leaders met in Addis Ababa to form the OAU, the African population was 250 million. Fifty years later, when African leaders met to re-assert their vision of the continent through Agenda 2063, the population was 1 billion, with 75% aged below 25 years.
[9] The OAU was formed to promote cooperation among African states against colonialism; in 1991, the African Economic Community was created, aimed at economic integration by 2025.
[10] See for example, Masson and Pattillo (2004): https://www.imf.org/external/pubs/ft/fandd/2004/12/pdf/masson.pdf
[11] For example, in 2013 the leaders of the West African Monetary Zone (WAMZ) – Gambia, Ghana, Guinea, Liberia, Nigeria and Sierra Leone – announced plans to establish a common Central Bank and currency by 2015. Similarly, 15 members of the Economic Community of West African States (ECOWAS), containing WAMZ, agreed to establish the "Eco" by 2020. While the members of the East African Community moved the targeted date for the joint currency from 2015 (and initially from 2012) to 2023, creation of monetary union remains firmly on the bloc's agenda (Economist, 2013).
[12] UNECA and the AfDB are working together to establish the African Central Bank, the African Monetary Fund, and the African Investment Bank.

"A wide gap exists between political pronouncements, policy actions and economic and social realities in African countries"

Despite such high-level commitments to the goal of African economic integration, there is still slow progress and on-going debate around definitions, strategies, diagnostics and desired outcomes. Resolutions and policy decisions by political leaders at the regional level barely find expression in national policies, while overlapping and multiple membership of RECs means member states often lose policy direction and coherence as they respond to different regional stimuli.

The viability and effectiveness of regional integration is ultimately determined by the internal strengths and weaknesses of member countries and their level of commitment to meeting legal obligations. Regional integration requires effective states that fulfil their core functions. The benefits of regional integration at a domestic level need to be delivered in partnership with the outcomes that investors seek from trade and investment. From a public policy perspective, integration poses challenges, not only at national level, but amongst a group of diverse nation states. Countries are at different levels of development and we have to understand and relate to national interests expressed through states of different capacities and different ideological persuasion. In order to reconcile and align national and regional interests, we need to identify the key drivers and detractors of integration at a national level and spell out clearly and to a wider audience the costs and benefits of integration. This underlines the importance of domesticating protocols within the development equations of national level processes to 'liberate' the resources needed to address related challenges. In addition, we need to re-examine the political underpinnings of the project for integration and rekindle the idea of pan-African solidarity and identity, rather than a narrow focus on purely economic objectives.

"If you don't know where you are going, you don't know when you are lost"

In the past, Africa was held together by the common need for liberation – economic integration and transformation require a consistent trajectory to drive change. The opening session highlighted the need for developing and deepening a shared vision across sectors and interests within and between countries and regions, building trust between multiple stakeholders, and identifying champions to communicate a compelling common narrative around the agenda for – and benefits of – developmental and economic integration in Africa. Given the enormity of the project and limited resources, there was agreement on the need to focus on more realistic priorities and timetables, to engage actively in dialogue with state and non-state actors, and to undertake education and research that builds capacity and support for development and integration objectives at both national and regional level.

Session 2: THE BIG QUESTION: Why is economic integration not happening?

"It is easier for a British, American or Chinese to enter African countries than for Africans to criss-cross their continent"

Geography poses a major challenge to regional integration in Africa – poor infrastructure, transport networks and technological connectivity make the movement of goods and services costly, and doing business across borders highly expensive and non-competitive, discouraging investments and intra-African trade. This problem is compounded by the fact that many landlocked countries are dependent on the infrastructure policies and investments of their coastal neighbours for bulk exports.

In addition, visa restrictions and immigration laws and policies for African citizens to cross many national borders remain harsh and discriminatory. Failure to fully implement Regional Trade Agreements, high trade tariffs, an abundance of non-tariff barriers (NTBs), corruption in state institutions and agencies like immigration, customs and other security forces (especially at border posts) discourage economic interactions and trade flows. The 'in-formalisation' of economic life ensures a culture of cross-border transactions in which 'smuggling' and other informal economic relations flourish, discounted from the 'rules of the game', undermining the object and essence of a formal regional integration project.

Structural challenges to economic integration include low levels of income and investment, inadequate infrastructure and undeveloped industrial production capabilities. Similar primary commodity production remains the export base of most African countries, making their goods non-tradable with each other. In addition, history has cemented vertical trading relations between African countries and former colonial rulers, which has been maintained through several mechanisms including objective conditions and 'arm twisting'.

"Policy responses are required to deal with cold and harsh market realities both on the continent and globally"

If regional integration is to be effective in building and promoting competitive African economies, appropriate policy responses are required to deal with cold and harsh market realities both on the continent and globally. Industrial development discussions are gaining ground, prompted to some extent by developments in commodities sectors, where debate about beneficiation and value addition and the promotion of regional value chains is gaining prominence. There is also the need to consider forms of economic liberalization that limit the effects of global competition while enabling African economies to integrate into global markets and value chains. This relates particularly to how product and factor markets can be liberalised alongside the institutional capacity-building and reform required.

"Without economic integration, our grandchildren will have these same debates"

With regard to trade policy designed to promote investment and exports and scale economies that result from regional integration: exporters require easy and reliable access to inputs at world prices; investment must be facilitated; and domestic producers need protection against damaging competition.[13] Some argue that structural defects hampering production need to be addressed first to facilitate industrialization, raise the ante in the value chain and promote a 'supply side' led integration process. However, regional trade liberalization and industrial development could be two sides of the same coin provided appropriate policy incentives are put in place to boost industrial capacity and productivity in the region. In this regard, the recent priority given to the issue of industrialization by some of the RECs is a welcome development, though a concomitant commitment from member states is also required.

"The gaping hole in Africa's infrastructure is a major constraint"

Africa's need for better roads, rail, energy and other infrastructure is incontestable. Infrastructure that supports the process of economic development needs to lower production costs and increase links between people and to markets. Regional infrastructure can facilitate regional trade but national infrastructure will facilitate industrial production and national trade, which is critical for the broader regional project. An emphasis on both national and regional infrastructure is required to scale up production and increase intra-African trade. In July 2012, the Programme for Infrastructure Development in Africa (PIDA) was adopted by the AU for the period 2012–2040.[14] While many of the RECs have developed regional infrastructure plans, with PIDA playing a major role, it is clearly time to move beyond frameworks, conceptualisations and matrices and implement concrete 'shovel-ready' projects that will link goods, services and people across and within regions.

The lack of long-term capital in developing economies was the catalyst for development co-operation and the creation of global international finance institutions (IFIs). During the last two decades of the 20th century, the World Bank and African Development Bank were less engaged with the investment needs for infrastructure as there was an expectation that market forces would compel their production. Despite the growing recognition that this was mistaken, lessons from the financial crisis indicate a lack of political will to recapitalize these institutions on the scale required. The two major alternative sources of global long-term investment finance for infrastructure today are China's surpluses[15] and private investment capital from most advanced economies. Private finance capital from advanced economies is also confronting limited investment opportunities and has an interest in emerging markets where growth levels and returns on investment might be higher. 2014 saw major developments of organizational forms to support improved coordination of global private capital investment and reversal of information asymmetries.[16] However, it is not clear that these resources will be used to anchor both private returns (to the investor) and public returns (to the economy and society). The costs of developing networks in sub-Saharan Africa are very high, and

[13] Integrated markets with limited manufacturing production may lead in fact to the circulation of re-branded foreign goods in the regional economic space, which may not significantly promote economic development and transformation in African countries.
[14] This will require US$68 billion for priority projects until 2020 and another US$300 billion for the other two decades.
[15] China will look for where it has greater control to direct the surplus, eg. the BRICS Bank and the Asian Infrastructure Investment Bank.
[16] The Global Infrastructure Initiative was a major deliverable for the Australian Presidency and comprises: A Global Infrastructure Hub for the development of inter-country networks; and A Global Infrastructure Facility at the World Bank; the purpose is to support the handling of contracts, regulations and prices, all certainties that private investors need to make their projects financially viable or 'bankable'.

investment may lean towards more ‘bankable’ opportunities in infrastructure that supports the export of commodities because extractive industries will pay provided the value or price of the commodity remains high enough.

Prof Thandika Mkandawire giving the keynote address at the opening dinner of the Experts’ Workshop

Session 3: THE RULES OF THE GAME: In what ways have formalized institutions advanced/frustrated the pursuit of greater regional integration?

Multiple *actors* and *factors* influence or shape regional cooperation and integration in cross-country and regional contexts. The reality is that different stakeholders have different interests and desire different outcomes from regional integration.

"The formal 'rules of the game' need to be understood in their multiple relations with informal institutions"

The wide diversity of processes[17] in Africa, driven by a range of actors – including formal regional institutions, state actors, and non-state stakeholders[18] – influence functional cooperation and integration. In order to understand the incentive environment within which political and other elites make choices, and what types of reforms and support measures may be politically feasible, we need to consider:

- Structural or foundational factors
- Formal and informal institutions
- Agency and leadership – in particular the role of political elites, state bureaucrats, civil society and the private sector
- Governance characteristics in particular sectors and sub-sectors[19] and their political implications
- External drivers including globalization in trade, transport, value chain production, climate change and the influence of old and new 'donors'.

The linear model of regional integration is based upon a successive sacrifice of policy space as steps towards integration are taken. For example, progress from a free trade area to a customs union requires sacrifice of tariff policy space. A customs union is defined to have a common external tariff (CET) and a common customs territory. As regards the import tariff, member states decide together on a common position on the import tariff vis à vis third parties, while rules on the management of the CET and the distribution of tariff revenue have to be negotiated and agreed. This may well involve challenging issues associated with the establishment of a supra-national institution ('rules of the game') to manage the CET, especially when integrating unequal partners.

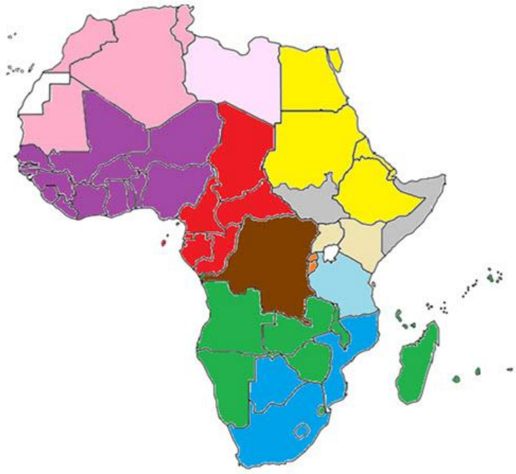
"Progress cannot be measured only by the signing of treaties, protocols and accords"

Regional institutions have played a major role in reducing conflict and promoting security in Africa. The question now is how to use the RECs as meaningful vehicles for economic transformation? Their very establishment can be seen as a sign of commitment to – and progress – towards the integration agenda.[20] Some RECs have already established free trade areas,[21] while others are in the process of

[17] These may include cross-country or regional problem-solving in a wide range of areas – peace and security, regulatory harmonisation, financial services, agriculture transformation, infrastructure development, water management, transport, removal of NTBs etc.
[18] Work by the South African Institute of International Affairs (SAIIA) and the European Centre for Development Policy Management (ECDPM) illustrates this point, see http://ecdpm.org/perisa-political-economy-regional-integration-southern-africa/
[19] For example, the visibility of cross-border management, road construction and road rehabilitation provide different benefits and implications for accountability for political elites.
[20] See the speech by Zambia's Former Ambassador to Switzerland and WTO, Africa LDC Group Meeting 2008.
[21] Most of the RECs have regional trade agreements (RTAs) in force (eg. COMESA, SADC, EAC)

doing so, and some plan to become fully-fledged customs unions.[22] In addition, there are encouraging moves towards harmonizing programmes of action between regional bodies – in West Africa (ECOWAS and UEMOA), Central Africa (ECCAS and CEMAC), East Africa (EAC and COMESA) and Southern Africa (COMESA and SADC). Agreement on a tripartite FTA between COMESA, EAC and SADC concluded in 2008 will bring together 26 African countries, with a combined population of 530 million, and a total GDP of US$ 630 billion, representing over 50% of Africa's economic output, but progress towards implementation remains slow.

Map 1. Regional Economic Communities: Building Blocks of Regional Integration in Africa



Key	REC	Members
	AMU-Arab Monetary Union	Algeria, Libya, Mauritania, Morocco, and Tunisia
	ECOWAS-Economic Community of West African States	Benin, Burkina Faso, Cape Verde, Ivory Coast, The Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone, and Togo
	ECCAS-Economic Community of Central Africa States	Burundi, Cameroon, Central African Republic, Chad, Democratic Republic of the Congo, Equatorial Guinea, Gabon, Rwanda, and São Tomé and Príncipe
	COMESA-Common Market for Eastern and Southern Africa	Angola, Burundi, Comoros, Democratic Republic of Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Libya, Madagascar, Malawi, Mauritius, Namibia, Rwanda, Seychelles, Sudan
	EAC- East African Community	Burundi, Kenya, Rwanda, Tanzania, Burundi
	SADC-Southern African Development Community	Angola, Botswana, Democratic Republic of the Congo, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe
	IGAD-Inter-Governmental Development Authority	Djibouti, Ethiopia, Kenya, Somalia, South Sudan, Sudan and Uganda
Overlapping Memberships		
	AMU/COMESA	Libya
	ECCAS/COMESA/SADC overlap	Democratic Republic of the Congo
	ECCAS/COMESA/EAC overlap	Burundi, Rwanda
	SADC/EAC overlap	Kenya
	SADC/COMESA overlap	Angola, Botswana, Namibia, Madagascar, Malawi, Mauritius, Seychelles, Zambia
Not marked	IGAD/EAC overlap	Kenya, Uganda
Not marked	IGAD/COMESA overlap	Djibouti
Not marked	CEN-SAD overlap	Benin, Burkina Faso, Central African Republic, Chad, Ivory Coast, Djibouti, Egypt, Eritrea, the Gambia, Ghana, Guinea-Bissau, Liberia, Libya, Mali, Morocco, Niger, Nigeria, Senegal, Sierra Leone, Somalia, Sudan, Togo, and Tunisia.

Source: Presentation by Amadou Sy, senior fellow in the African Growth Initiative, Brookings Institute, available at: http://www.brookings.edu/research/testimony/2014/01/09-african-economic-community-sy

[22] COMESA launched a Customs Union in June 2009 with an implementation framework of 3 years; EAC has an operational Customs Union.

Despite these and other achievements, regional integration still faces key institutional challenges:

- Ambiguous legal frameworks, often far removed from reality, particularly with regard to levels of poverty, unemployment, and inequality;
- Diverse RECs with complex institutional configurations, overlapping membership and a lack of enforceable norms, rules and practices;
- Lack of desire to empower and resource supranational REC institutions; and
- Over-dependence on donor funds.

"Regional integration is not seen as an integral part of a national development strategy by African states"

Resolutions and policy decisions by political leaders at the regional level hardly find expression in national policies, while the 'spaghetti bowl' of overlapping and multiple membership of RECs means member states often lose policy direction and coherence as they respond to different regional stimuli.

The vertical relationship between RECs and multilateral treaties – and ambiguity over their requirements – poses legal and institutional challenges. The effort to streamline and encourage rationalization by the RECs by the AU is a major step forward. However, at the level of the AU itself, there is also somewhat of an institutional vacuum, particularly with regard to driving key areas of integration on agricultural, industrial, energy, environmental, transport, human capital, and competition policy. Structures and systems to support implementation and ensure accountability by member states are needed, along with harmonization of policy/legal frameworks to leverage mainstreaming of the regional integration and trade agenda within national government development plans. Efforts by the AU, the African Union Commission (AUC) and its aligned agencies such as the New Partnership for Africa's Development (NEPAD) Planning and Co-ordinating Agency, the RECSs and the African Development Bank are critical to ensure the removal of hurdles, blockages and bottlenecks and progress in driving implementation across the continent. We need to find ways and means to achieve greater success in implementation of the various AU Summit resolutions and accelerate the delivery of continental infrastructure as designed and championed by the AU. The reality is that there are various continental institutions that have been established, and that exist, at the pan-African level to support in the co-ordination, planning and execution of high impact infrastructure projects. We need to agree on and develop a metrics framework on integration that can provide evidence to inform policy planning and implementation, using empirical studies and existing indicators such as UNECA's Regional Integration Index and the AfDB Trade Index.

"Countries are increasingly concerned about loss of policy space and protective of their sovereignty"

While there is clearly high-level political will to pursue the dream of African integration, the commitment to collective rules-based integration solutions is on the wane. The emerging discussion on 'developmental regional integration' has not yet resulted in a practical integration agenda. The interesting question is, can developmental regional integration be achieved without rules-based governance? In reality African countries are increasingly concerned about loss of policy space and protective of their sovereignty, focusing much more on inward-looking development options. The fact is that regional integration is not seen as an integral part of a national development strategy by most African states. Ultimately, the most important deficit is the weak and fragmented support at the national level for African economic integration.

Trevor Manuel former Minister of Finance and Senior Fellow at the Graduate School of Development Policy and Practice (GSDPP), Prof Alan Hirsch Director of the GSDPP and Dr Marianne Camerer Programme Director of Building Bridges.

Session 4: AFRICA IN THE WORLD: How are changing global power dynamics impacting economic integration in Africa?

The demise of the Cold War in 1989 ushered in a world with major structural developments, changes and readjustments. In recent years, the global financial crisis has persisted, regional orders have endured volatile changes and international relations have undergone further realignments. As China, India, Turkey, Brazil and other emerging market economies gain more traction in the international investment space, the role of more traditional trade partners appears to be diminishing. How do we capitalize on changing global dynamics to effect a smoother, more balanced and inclusive process of regional integration in Africa?

"Both advanced and emerging economies exercise influence through policy and economic forces"

The *policy forces* that existing and emerging powers exercise on African economies are different. Existing powers exercise direct influence over priorities leveraging development cooperation to secure a focus on the non-income dimensions of development, especially health and education, complemented by an emphasis on 'good governance' as indicative or predictive of increased interest from private external investors. However, the existing powers seem to have been caught out by current fiscal pressures, and have retreated from engagement in middle income countries (MICs) to focus more narrowly on the needs of low income countries. While aid will remain vital to low income countries and fragile states, for those economies with potential for dynamism, trade and investment forces are shaping or redefining aid.

As MICs do not have transferable grant resources, they are very focused on strong bilateral relationships to anchor their trade and investment interests and returns, with potentially positive and negative implications for institutional forms in recipient countries. New economic powers are stepping into that gap, engaging MICs and pursuing strong bilateral relationships. They are less concerned with forms of government and administration in African economies than with finding ways to manage their risk exposure. Internal dynamics and imperatives within new economic powers may be stimulating *economic forces* that support a stronger rationale for regional economic integration – and hold more promise for the development of new incentives in economic organization.

The diversification in development models, wrought by China's varied bilateral trade and investment interactions with Africa, is increasing demand for creative development solutions that combine and blend development grants and tied aid with concession loans and multilateral trade. The potential opportunities (and challenges) for DFIs, – AfDB, DBSA, BRICS Bank etc and the private sector – are immense in steering continental and regional infrastructure frameworks towards inclusive, coordinated and harmonised regional infrastructure frameworks with master plans, effective resource mobilisation, regional balance, and equity in infrastructure delivery, effective monitoring and evaluation, and implementation of cross-border or trans-boundary infrastructural programmes and projects.

"We need to mobilize domestic resources to cover the 'gap' between savings and investment"

The boom of Africa in the 1960s had similar features to the Asian scenario of high-saving, high-investment economies. The super performers of the time, like the Ivory Coast, were exporting capital. However, the current 'boom' is a low-savings, high-investment boom. The economies of countries cited as examples, like Ethiopia and Rwanda, are heavily dependent on foreign aid economies and cannot be replicated on a continental basis. Africa needs to take the lead in mobilizing adequate resources, both human and financial, with particular focus on domestic resources.

The fastest growing investment in Africa is from the new economies, with South Africa the second biggest new investor, but 65% of the investment stock remains with the traditional investors of the United Kingdom, France and the United States. In 2000, the European Union introduced Economic Partnership Agreements (EPAs) to replace earlier trade agreements with African, Caribbean and Pacific Group countries, shifting the emphasis to European trade interests rather than development priorities. America's renewed interest in Africa, as shown in the Africa Growth and Opportunity Act (AGOA) and the recent African Leaders Summit, is as a result of increasing bandwagoning and balancing behaviour among states, including emerging powers, to assert global influence in their regions as well as in the global system. While the 2014 Summit to highlight the potential of expanded US–Africa relations concluded with promises and pledges, the actual outcomes remain uncertain as decisions are constrained by difficulties characterising domestic US politics.

"We need concrete strategies to 'capitalise' on changing global dynamics and their impact on regional integration"

It is unrealistic to assume that we have consensus on one development path that promotes inclusion and regional integration as there are divergent and sometimes conflicting interests in outcomes. Countries should be encouraged to reflect on the rapid changes to global dynamics and the impact for strategies of engagement. Multilateral and bilateral agreements are necessary but these need to be firmly anchored in domestic objectives if the institutional context is to evolve to support them. Countries able to do so should interrogate their public expenditure planning and decision-making for both inputs and outputs, for both sustainability and demonstrable effect on the evolution of the domestic economy and inclusion, including through better linkages and networks with neighbours and external actors. Regional and international organizations can help by scaling back language and expectations of an all-encompassing regional integration, and support increased agency and accountability from capitals.

If the nation state is the basic unit of regional integration, we need to give proper attention to issues of sovereignty and explain how regional integration will benefit nation states. The existence of the nation state is an issue in terms of the architecture of the problems that we are trying to resolve as globalized community – climate change, inclusion, inequality. However, the fact that the world is not unified in terms of governance and response to issues creates opportunities for Africa, as a continent, to negotiate for better value against a multiplicity of players that have come to the fore.

Other concrete strategies to 'capitalize' on changing global dynamics include:

- Building political consensus and trust – to balance national priorities with regional normative objectives, agreements and goals
- Recognition of structural, historical and institutional factors that preclude regional cooperation and integration
- Development of realistic regional integration agenda with targets that are achievable and implementable
- Alignment of donor support with existing and domestic incentives and development mechanisms within African Think Tanks and DFIs for regional integration.

"Being present at the table and having a voice are two different things"

Africa is not only struggling to integrate regionally, it is also integrating at a slower rate to the global economy. Africa has been under-represented in the G20, the Financial Stability Board and the Basel Committee, making it challenging for the continent to contribute to global financial regulations, which they are expected to implement. Advancing Africa's voice and membership in global fora would add impetus to the broader integration agenda.

Session 5: "TRADE FOLLOWS THE FLAG": What is the role of the Private Sector in stimulating integration?

Many of the benefits of regional integration are achieved through trade, enabling countries to benefit from their own and their neighbours' comparative advantages. For the benefits of trade to be realised, it must be physically practicable (requiring adequate communications and transport infrastructure) as well as institutionally supported (through appropriate policies and regulatory frameworks).

Intra-African trade and external trade remain low two decades after signing the Abuja Treaty;[23] intra-African trade rose from 9.7% in 2000 to 12% in 2012, but remains low when compared with figures for Western European countries (60%) and intra-North American trade (40%).[24] This is in contrast with a surge in regional trade agreements in Africa which portrays the desire to trade among each other. There are significant differences in the levels of intra-regional trade across the continent, with the highest levels recorded for the five countries that constitute the EAC – Kenya, Uganda, Rwanda, Burundi and Tanzania. Between 2005 and 2010, levels of intra-regional trade in the EAC increased by 16%, largely due to manufactured products benefiting Kenya. In West Africa, formal and informal intra-regional trade comprised 10% and 15% respectively of total trade in 2013. In 2012, Africa's exports were still largely dominated by fuels and unprocessed or semi-processed minerals.[25] The financial landscape is characterised by inconvertible currencies and the underdevelopment of regional institutions providing finance and credit for cross-border trade. It could be argued that intra-African trade is as high as can be expected given the low levels of productive capacity, industrial diversification and infrastructural development.

"It is easier to bring a container from China or Japan than to move goods from Durban to Maputo"

For regional integration on a continent as diverse as Africa, the only way forward is to 'walk on three legs': expand market size through market integration, collaborate in building productive and industrial capacity, develop affordable, effective infrastructure and services to lower the cost of doing business. This requires broadening policy perspective on what it means to be successful in regional integration and focusing on factors that enhance competitiveness: innovation, skills and labour market policies. Another factor is global value chains. About 80% of all global trade happens within or in relation to global value chains. How they operate is very important – the issue is how best to position ourselves in relation to these value chains to obtain the maximum positive developmental impact, because positive outcomes are not a given. In the past it was about building value chains, and then benefitting hugely from the rewards; today it is about joining value chains, with far smaller rewards.

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[23] UNECA – 2012: Chapter 3 - The Theory of Free Trade Areas: The Case for an African Continental Free Trade Area

[24] See: Can Africa Trade with Africa? Yes, but… http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/AFRICAEXT/0,,contentMDK:22730595~pagePK:146736~piPK:226340~theSitePK:258644,00.html

[25] See: EU-COMESA EDF (2014) Support Discussion documents; in specific regions like COMESA, of the top 20 export commodities in 2012, only four underwent value addition within the COMESA region and value-addition was very low.

"Regional financial integration and cross-border banking could raise finance for pressing development needs"

With regard to financial policy as a critical element of regional integration, liberalization must be accompanied by price stability and fiscal discipline; sound financial institutions and corporate finance; as well as prudential regulation of high or unstable interest rates, unfair competition, and accumulation of public debt. Well-functioning cross-border banking supervision is central to sound financial integration, the viability of monetary unions and liquidity risk management because cross-border banking brings both benefits and substantial risk in the context of Africa's under-developed financial markets. Regional financial integration and cross-border banking could go a long way towards raising finance for pressing development needs.[26] UNECA and the African Development Bank are working together to establish the African Central Bank, the African Monetary Fund, and the African Investment Bank.

Carl Manlan, Mo Ibrahim Fellow at UNECA makes a point

[26] Several African banks are already operating as 'Pan-African banks' – eg. South Africa's Standard Bank, Togo's Ecobank, Morocco's Attijariwafa Bank, or Nigeria-based United Bank for Africa. They facilitate cross-border trade and payments, and are involved in financing infrastructure – for example, the Attijariwafa Bank's loan for the Mali airport.

Session 6: BROADENING THE CONVERSATION: How do civil society structures and other stakeholders such as the media, business structures, and parliamentarians engage with integration issues?

The idea of African regional integration was first introduced by philosophers and social activists. With the formation of the OAU in 1963, and the shift from a civil project to a state-centric project, it became the domain chiefly of technocrats and officials involved in negotiating highly technical trade agreements, far removed from topical issues that attract public interest. How do civil society organizations and other key stakeholders such as the media and parliamentarians engage with integration issues? The current status of integration initiatives on the continent is mixed in this regard, but what is clear is the need to broaden the conversation. So how do we link civil society and researchers into policy processes and implementation?

"It's not the way we do business that changes us, it is we who must change the way we do business"

The integration agenda comprises individual agendas that culminate in a continental project through national and regional steps. We need to embrace African diversity in order to turn perceived differences into cultural, intellectual and trade opportunities. It may be useful to disaggregate civil society and identify roles and responsibilities for different actors within the integration landscape.

Civil society, broadly defined, includes citizens linked by common interests and civil society organizations require a common cause, as was clearly demonstrated in relation to the HIV/AIDS epidemic. African integration offers an obvious cause to link civil societies across Africa. Linking civil society and parliament will stimulate a national dialogue that can continue in regional and continental forums and help to advance the regional and continental integration agenda.

Governments and regional bodies need to strengthen their consultation mechanisms to enable stakeholders from civil society and the private sector to participate actively in the regional integration project. Unless we change the way that the executive arm of government works with the legislature on issues of regional integration at the national level, it will remain difficult to advance the agenda of regional integration. Parliaments in member states need to have a regional integration desk in order to facilitate the dissemination of information in their constituencies, and we need to understand the role and potential of regional parliaments such as the Pan African Parliament and ECOWAS Parliament.

The slow progress in regional integration is often blamed on national governments and civil servants for their lack of political will to transpose regional principles and agreements into national law and implement these. National parliaments of member states have a critical role to play in this process and yet they are conspicuous by their absence on the regional integration debate. There is seldom a push factor from parliaments to advance regional integration and they rather react to regional developments.

"Is it time to make it compulsory for firms to belong to private sector structures in Africa?"

The private sector is an important player in enhancing regional integration and promoting growth in terms of resources, knowledge and institutional capacity. Organized business structures have long existed as a way to maximise networking opportunities for the private sector and facilitate engagement with governments. They provide an efficient and structured way for a diverse range of firms to participate in public-private dialogue, including through the sharing of information and the coordination of positions. The existence of an umbrella private sector organization in a developing country is one of the key variables used to determine the effectiveness of interactions between government and business.[27] At the national level there has been a proliferation of organized business structures in all countries in Africa[28] with varying degrees of effectiveness.

There have also been attempts to put in place regional structures that can support integration initiatives. Regional business associations tend to mirror those found at the national level with different structures, including chambers of commerce and industry, employer organizations, and industry bodies. A number of RECs have also designated or created private sector structures that are an integrated part of their activities,[29] and work is underway at the continental level to bring together regional structures into the African Union Business Council. More could be done by the business community to streamline organized private sector structures to avoid unnecessary competition, credibility deficits, and spreading limited human and financial resources too thinly between overlapping bodies.

"Africa does not tell its own stories"

A more deliberate strategy to recognise and use the 'soft power' of the media could be beneficial for regional integration. The media – both private and publicly owned operators – plays a role both directly and indirectly: through dissemination of information about implementation (or not) of regional commitments at a national level; providing information about developments in neighbouring countries; and fostering a sense of identity and belonging. We need to learn how to tell our own African 'stories' in ways that capture the public's imagination and how to use existing media platforms more effectively and strategically.[30] The challenge for public officials and other stakeholders is learning to communicate in a way that makes the information accessible and appealing. User-friendly and comprehensive online resources are needed to link debates that take place at a high level or in technical terms to the interests of everyday citizens in Africa. This is a skill that needs to be fostered among media practitioners, public officials and REC representatives. Social media platforms offer an innovative, interactive opportunity to start debates, share information and lobby decision makers at all levels, especially in countries with high penetration rates – and are key in efforts to engage with and reach youth.

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[27] Sen, K., & te Velde, D. (2009). State business relations and economic growth in sub-Saharan Africa. *The Journal of Development Studies*, 45(8), 1267–1283, p.1279. Retrieved from http://www.tandfonline.com/doi/full/10.1080/00220380902863307#.Uw4ess7iM_A.
[27] Maxfield, S., & Schneider, B. (1997). *Business and the state in developing countries*. Ithaca: Cornell University Press.
[28] African Development Bank. (2011). *Development of a framework to enable key Africa business associations to participate more in effectively in trade policy issues*. Manuscript submitted for publication.
[29] For example, the East African Business Council is an institutionalized arrangement set up in both the legal structures of the organization and practically located with the EAC to facilitate greater engagement of the private sector.
[30] For example, Brand South Africa has done some research in Nigeria, Kenya and Ghana into perceptions about South Africa, which showed high levels of knowledge about South African affairs - considered to be as a result of the influence of DSTV Multichoice, a media platform watched by elites and the broader community.

"We need an African research agenda that prioritises political economy challenges"

With 200 million people currently aged between 15–24 years, and the figure projected to double by 2045, Africa has the youngest population in the world.[31] Given this burgeoning 'youth bulge', it is important to sow the seeds of African identity and integration early. African learning institutions could become a central pillar of discussion on regional integration. The education system has a vital role to play in developing curricula that educate our youth about the 54 countries that constitute the continent, and the benefits of integration. At the level of higher education, we need to establish and strengthen centres of excellence on the study of regional economic integration and find more effective ways to coordinate research initiatives in order to build an African community of thinkers, policy practitioners and experts equipped to tackle political economy challenges**.** While there is a body of literature and research on political economy that can be applied to facilitate regional integration in Africa, there is still little work showing the link between country to country negotiating stances, how those are affected by internal national politics and how that relates to cross-border situations.

"Regional integration will only be successful when it is embraced by the people of Africa"

Regional integration will only be successful when it is embraced by the people of Africa and is not only a top-down, politically driven initiative. This underlines the need for dialogue with multiple stakeholders to build trust and a common vision and identity, and to seek innovative ways to develop momentum for the regional integration agenda through champions in all sectors – civil society, national and regional parliaments and institutions, youth organizations, and the private sector.

Group photo of Experts' Workshop participants on the final day

[31] According to 2012 *African Economic Outlook* report prepared by experts from the AfDB, UNDP, ECA and OECD,

ACRONYMS

AEC	African Economic Community
AfDB	African Development Bank
AGOA	Africa Growth and Opportunity Act
AU	African Union
AUC	African Union Commission
BRICS	Brazil, Russia, India, China, South Africa
CEN-SAD	Community of Sahel-Saharan States
CET	Common External tariff
CFTA	Continental Free Trade Area
COMESA	Common Market for Eastern and Southern Africa
DFI	Development Finance Institution
EAC	East African Community
ECDPM	European Centre for Development Policy Management
ECOWAS	Economic Community of West African States
ECCAS	Economic Community of Central African States
EPA	Economic Partnership Agreement
FTA	Free Trade Area
GSDPP	Graduate School of Development Policy and Practice
IGAD	Intergovernmental Authority on Development
IFI	International Finance Institution
MIC	Middle Income Country
NEPAD	New Partnership for Africa's Development
NGO	Non-Governmental Organization
NTB	Non-Tariff Barrier
OAU	Organization of African Unity
PIDA	Programme for Infrastructure Development in Africa
REC	Regional Economic Community
RTA	Regional Trade Agreement
SADC	Southern African Development Community
SAIIA	South African Institute of International Affairs
UCT	University of Cape Town
UMA	Arab Maghreb Union
UNECA	United Nations Economic Commission on Africa

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			Analyst/Consultant	
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