



THE AFRICAN CAPACITY
BUILDING FOUNDATION

CHALLENGES FACING AFRICA'S REGIONAL ECONOMIC COMMUNITIES IN CAPACITY BUILDING

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ACBF

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This Occasional Paper examines the role of Regional Economic Communities (RECs) in Africa's regional cooperation and integration. It provides a perspective on the capacity challenges facing African countries and the RECs as well as the strategy required to address them in the context of regional cooperation and integration. The reflections and judgments contained in this paper are those of the author and do not necessarily reflect the position of the African Capacity Building Foundation.

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THE AFRICAN CAPACITY BUILDING FOUNDATION - PROFILE

The African Capacity Building Foundation (ACBF) was established on 9 February 1991 through the collaborative efforts of the African Development Bank, the United Nations Development Program, The World Bank, bilateral donors and African governments. The Foundation represents a response to the severity of Africa's capacity constraints and the challenge to invest in indigenous human and institutional capacity in sub-Saharan Africa. The Foundation's mission is to build capacity for sustainable development and poverty reduction in Africa.

At its establishment, ACBF focused on providing financial and technical support to the building and strengthening of Economic Policy Analysis and Development Management capacity in sub-Saharan Africa. However, since January 2000 the Foundation's mandate has been expanded, following the integration of the Partnership for Capacity Building in Africa (PACT) initiative into its fold. Under the expanded mandate, the Foundation seeks to achieve three main objectives, namely:

- *To provide an integrated framework for a holistic approach to capacity building in Africa.*
- *To build a partnership between African governments and their development partners, which allow for effective coordination of interventions in capacity building and the strengthening of African's ownership, leadership and responsibility in the capacity building process.*
- *To provide a forum for discussing issues and processes, sharing experiences, ideas and best practices related to capacity building, as well as mobilizing higher levels of consciousness and resources for capacity building in Africa.*

The expansion of ACBF's mandate has broadened its intervention into six core competency areas in capacity building as follows:

- *Economic Policy Analysis and Development Management.*
- *Financial Management and Accountability.*
- *Enhancement and Monitoring of National Statistics.*
- *Public Administration and Management.*
- *Strengthening of Policy Analysis Capacity of National Parliaments.*
- *Professionalization of the Voices of the Private Sector and Civil Society.*

So far, ACBF has made a major stride within the limit of its resources in the implementation of its mandate. To date, it has committed more than US\$290 million to capacity building in some 40 African countries and in the strengthening of Africa's regional organizations to take forward more purposefully commitment to regional integration. It is currently implementing a Strategic Medium Term Plan, 2002-2006 with a planned commitment of US\$340 million. ACBF is a significant partner institution to NEPAD with which it signed a memorandum of understanding in January 2004, and of the African Union, the Commission of which it is providing capacity building support.

Beside direct interventions in capacity building, the Foundation serves as a platform for consultation, dialogue and cooperation among development stakeholders and partners and has developed a knowledge management system for the generation and sharing of knowledge in capacity building and development policy management.

Contents

| | |
|--|----|
| Summary | iv |
| Introduction | 1 |
| II. Regional Economic Cooperation and Integration in Africa | 3 |
| III. Achievements and Constraints in Cooperation and Integration | 4 |
| IV. Regional Integration and Challenges of Africa's Development | 7 |
| V. Regional Economic Communities - The Capacity Challenges | 8 |
| VI. Focus of Trade Policy Development Capacity Building | 10 |
| VII. Regional Cooperation and Integration Capacity | 13 |
| VIII. Donors and Institutions Supporting Regional Cooperation and Integration Capacity Building | 16 |
| IX. Some Fundamentals for Effective Long Term Regional Cooperation and Integration Capacity Building | 17 |
| X. Towards a Strategy for Regional Cooperation and Integration Capacity Building in Africa | 19 |
| XI. Conclusion | 21 |
| XII. References | 22 |
| Annex I: Africa's Share in World Trade and Investment | 23 |
| Annex II: Africa's Regional and sub-Regional Integration Groupings | 24 |

CHALLENGES FACING AFRICA'S REGIONAL ECONOMIC COMMUNITIES IN CAPACITY BUILDING¹

Summary

The concern for regional cooperation and integration in Africa predates independence. The period 1960-1980, however, witnessed the emergence of the major regional integration schemes that pushed forward the Continent's economic integration agenda. Post-independence regional economic integration and cooperation efforts resulted in a variety of initiatives with overlapping membership and mandates, making Africa the region with the highest density of economic integration and cooperation arrangements. Yet, these arrangements failed to impact positively on the Continent's economic performance. Inadequate political will and commitment to the process; high incidence of conflicts and political instability; poor design and sequencing of regional integration arrangements; multiplicity of the schemes; inadequacy of funding; and exclusion of key stakeholders from the regional integration process are factors accounting for the ineffectiveness. Despite Africa's unsatisfactory track record in regional integration over the decades, the case for cooperation and integration has become much stronger in recent years, due to the fact that the continent is facing a number of major challenges, notably globalization and the changing global economic and political environments, to which enhanced cooperation and integration constitute an appropriate response. With the emergence of the New Partnership for Africa's Development, Africa's regional economic communities now have a more prominent role to play on the Continent's integration process. Enhanced regional cooperation and integration will provide the Continent with a platform for effective participation in international negotiations. Regional bargaining power and pooling of expertise are crucial to Africa in terms of a meaningful contribution to reshaping the global economic order and protecting the interests of its peoples. This is a challenge with significant capacity dimensions that need to be addressed.

¹ This paper draws heavily on: Sako, S. 2004. "Meeting the Challenge of Enhancing Trade and Investment for Poverty Reduction in Africa" ACBF Newsletter, October-December 2004; Fajana, O. 2004. "Enhancing Africa's Integration in a Globalizing World: A Challenge for the African Union", PASU; and Ogiogio, G. 2002. "Some Issues in the Building of Trade Policy Development Capacity in Africa", ILEAP Launch Conference.

I. INTRODUCTION

Africa has no choice but to integrate into world economic and financial systems, if it is to grow sustainably and reduce extreme poverty. This is a major challenge that is being addressed through the New Partnership for Africa's Development (NEPAD) – a vision and strategic framework for Africa's renaissance. A program of the African Union (AU), NEPAD is leading the Continent's efforts to address core development challenges. Within the framework offered by the initiative, African regional economic communities (RECs) have a significant role to play, as they are the main institutions expected to implement NEPAD's programs. To this end, the RECs need requisite human and institutional capacity for effective implementation of the Continent's integration strategy.

Given the nature of the Continent's economies, regional cooperation and integration are important for facilitating the integration process. The success of the European Union (EU) since the 1950s bears a strong testimony to the potential benefits of regional integration. If properly conceived and implemented, regional integration offers numerous advantages to developing economies. Closer trade links among such economies have the potential of strengthening their capacity to participate in world trade. Countries can thus overcome obstacles caused by the relatively small size of the domestic markets, by offering producers opportunities to realize greater economies of scale and benefit from the establishment of regional infrastructure. A regional approach in major structural areas such as tariff reduction and harmonization, legal and regulatory reforms, rationalization of payments system, financial sector reform, investment incentive and tax system harmonization, and labour market reform, among others, enables participating countries to pool their resources and take advantage of regional institutional and human resources. The regional approach also allows countries to have a common front for asserting their interests from a stronger and more confident position in the global market and in international economic relations.

African countries were and remain fully cognizant of the benefits of regional cooperation and integration. This realization at independence made regional integration a core element on the Continent's development agenda. The establishment of the Organization of African Unity (OAU) in 1963 by the newly emerging states was inspired largely by the determination to promote the unity of African countries and coordinate their cooperation efforts for the achievement of improved living conditions for the people of the Continent. Regional cooperation and integration were also seen as vital for safeguarding the Continent's hard-won independence, ridding it of the vestiges of colonialism and apartheid, and overcoming the legacy of external exploitation and domination.

Over the last forty years, the institutional framework for Africa's integration process has evolved through a number of phases, in response to changing realities. The establishment of the African Union (AU) in 2001 constitutes the latest phase in the development of regional cooperation and integration on the Continent. Drawing on lessons from experience with regional integration in the post-independence years and taking account of the challenges facing the Continent in a rapidly globalizing world, the AU is expected to serve as the key instrument for the achievement of a rapid and sustainable development of Africa and the effective integration of the Continent into the global economic and financial system.

II. REGIONAL ECONOMIC COOPERATION AND INTEGRATION IN AFRICA

Africa has a long history of regional economic cooperation and integration. The 1960s and 1980s however witnessed an intensification of the Continent's regional integration and cooperation process. These periods saw the establishment of major regional integration schemes, ranging from the Preferential Trading Area (PTA) at the lower end of the integration spectrum to Economic Union at the upper end. Africa's major regional integration groupings that are currently in operation include the Arab Maghreb Union (AMU), the Community of Sahel – Saharan States (CEN-SAD), the Common Market for Eastern and Southern Africa (COMESA), the Economic Community of Central African States (ECCAS), the Economic Community of West African States (ECOWAS), the Inter-Governmental Authority on Development (IGAD), and the Southern African Development Community (SADC), with memberships of 5, 18, 20, 10, 15, 7 and 14 states, respectively. The sub-sets of some of these major regional integration schemes are also involved in the implementation of Africa's economic integration agenda. Such sub-regional groupings include the Central African Economic and Monetary Community (CEMAC), the Economic Community of the Great Lake Countries (CEPGL), the East African Community (EAC), the Indian Ocean Commission (IOC), the Mano River Union (MRU) and the West African Economic and Monetary Union (UEMOA).

Africa's regional economic integration and cooperation process is characterized by a multiplicity of schemes and overlapping memberships and mandates. Membership of regional integration in Africa has become so pervasive that there is no country on the Continent that does not belong to at least one grouping. Twenty-seven of the fifty-three Member States of the AU belong to two or more integration schemes. Among the major regions of the world, Africa has the highest concentration of economic integration and cooperation arrangements.

In pursuance of the objectives of regional integration and rapid socio-economic development of Africa, the OAU Summit of Heads of State and Government adopted the Lagos Plan of Action in 1980. The main strategy of the Plan for accelerating Africa's development involved collective self-reliance, regional cooperation and integration. Africa's drive towards regional integration was given a further boost in 1991 by the adoption of the Abuja Treaty establishing the African Economic Community (AEC). The primary objective of the AEC as stipulated in Article 4 of the Treaty is "to promote economic, social and cultural development and integration of African economies in order to increase economic

self-reliance and promote an endogenous and self-sustained development". The Treaty provides for the creation of a full Pan-African Economic Community through six stages extending over a period of 34 years, using the RECs as its building blocks. Thus, the post-independence period has witnessed the deepening and broadening of Africa's integration process at both the Continental and regional levels.

III. ACHIEVEMENTS AND CONSTRAINTS IN COOPERATION AND INTEGRATION

With the emergence of NEPAD, which today represents a Continental instrument for advancing people-centred development based on democratic values and principles, the RECs now stand to play an even more prominent role in the regional cooperation and integration process. While internally NEPAD commits African governments to good governance and detailed programs of action for addressing major development challenges on the Continent, externally, the initiative represents a platform for Africa's engagement and equal partnership with the broader international community. It therefore provides a strategic framework for the establishment of partnerships aimed at encouraging development initiatives and programs on the Continent.

The NEPAD Plan of Action looks to the RECs to become the leaders in regional economic cooperation and integration. Although they are characterized at present by overlapping memberships, inadequate appreciation and underfunding (UNECA, 2002), the RECs have enjoyed some successes. In some of the regions on the Continent, some RECs have been able to transform their economic and monetary cooperation efforts into a powerful driving force for economic policy coordination and integration. As a result, structures required to achieve the objective of creating a genuine single market have been set up with the successful establishment of regional institutions vested with the responsibility of implementing regional integration initiatives. As noted by the UNECA, the various sub-regional commissions such as the West African Accounting System (SYSCOA), the Inter-African Conference on Insurance Markets (CIMA), the Inter-African Conference on Social Security (CIPRES), the sub-regional stock exchanges, the Parliamentary Fora, AFRISTAT, and the Organization for the Harmonization of Business Law in Africa (OHADA), in which 16 African countries participate, point to achievements that are very often inadequately appreciated.

Nonetheless, overall progress over the last four decades has been sluggish. The process has not produced any significant positive impact on the economic performance of the Continent. Unlike the economic integration schemes in other parts of the world, such as the EU in Europe, the North America Free Trade Area (NAFTA) in North America and the MERCOSUR in South America, African RECs have not succeeded in accelerating growth or trade. A fair general assessment of African regional integration arrangements indicates their failure in meeting their stated objectives. Intra-African exports as a proportion of the Continent's total exports amounted to only 7.6 per cent in 2000 as against a ratio of 17.2 for Latin America, a region, which has not been as active as Africa in the promotion of cooperation and integration. In spite of the multitude of regional integration schemes on the Continent, average income per capita is lower today in Africa than at the end of the 1960s.

The factors accounting for the poor performance include:

- Lack of complementarity of member countries' production structures.
- Lack of political will to mainstream regional commitments and agreements into national plans to ensure the success of the process.
- Weak national and regional institutions.
- Lack of coordination and harmonization of economic policies.
- Lack of involvement of other stakeholders – the private sector and civil society - in the cooperation and integration process.
- Inadequacy of human and institutional capacity for the design and implementation of cooperation and integration programs.
- Disproportionate allocation of resources highly skewed in favour of conflict-related issues as against economic cooperation and integration issues.
- Inadequate infrastructure.
- Poor perception and assessment of costs and benefits associated with the process:
 - Public revenue loss due to tariff reduction
 - Lack of assurance of market integration benefits to individual member countries
 - Unequal distribution of integration benefits
 - Long-term benefits as against short-term losses
- High incidence of conflicts and political instability.
- Poor design and inadequate sequencing of regional integration arrangements.

- Multiplicity and overlapping membership of regional integration schemes and mandates.
- Inadequate funding of regional integration process and related institutions.

Thus, the Continent's high enthusiasm for regional integration has not been matched by commensurate political will and commitment of member states to effectively implement agreements reached under various integration arrangements. Few countries on the Continent seem to be prepared for the partial surrender and the pooling of sovereignty, which is critical for the success of any regional integration scheme. Many protocols have been signed but remain unimplemented, due to absence of effective sanctions against defaulting member states and weak enforcement and implementation capacity. Lack of political will and commitment has been reflected in the failure to meet target dates set for the attainment of objectives. The integration process on the Continent is also constrained by the high incidence of conflicts among member states. Conflicts hinder integration and development by curtailing economic activities, destroying infrastructure and constituting a serious barrier to the flow of trade and investment. Effectiveness of the process is also being limited by the multiplicity of schemes, which imposes a huge burden on the limited administrative and financial capacities of the countries concerned and leads to conflicting obligations. This explains why most member states find it difficult to adequately meet financial obligations to integration schemes and the failure of such schemes to effectively implement their programs and policies.

Africa's regional integration process has also been set back by the poor design and sequencing of the arrangements. This is reflected, *inter alia*, in the heavy emphasis of most of the schemes on trade liberalization and market integration without much regard for the fostering of production integration/regional complementarities or the development of regional infrastructure (especially transport and communication) to drive market integration; the inability to adequately handle issues relating to human rights, good governance, accountability, and transparency, which are vital for political stability, peace and security and required for the attainment of economic objectives of integration; the absence of self-financing mechanisms for the regional integration organizations; the inadequacy of mechanisms to ensure that the benefits of integration are equitably distributed among the member states; the lack of involvement of the private sector and civil society in the integration process; and the disproportionate time allocated to conflict-related issues, which has significant implications for the skills and competencies required by the RECs.

IV. REGIONAL INTEGRATION AND CHALLENGES OF AFRICA'S DEVELOPMENT

Despite Africa's unsatisfactory track record in regional integration over the decades, the case for cooperation and integration has become stronger, not weaker. This is due to the fact that the Continent has in recent years been confronted by a number of major challenges to which enhanced cooperation and integration constitutes an appropriate response. Of particular significance in this regard are the challenges associated with globalization and the changing world economic and political environments. There are also some persistent and emerging internal problems, which require a regional approach for their effective solution.

The Continent needs regional integration to broaden its market and attract foreign investment. Africa's failure to attract a fair share of global investment, in spite of its rich endowment of natural resources has been due largely to the perception of the Continent as the world's riskiest place to do business. The high risks of doing business derive not only from the high incidence of conflicts and political instability, and the good governance deficit, but also from high business costs associated with the inadequacy of transport, communications and power infrastructure. A well-designed and effectively implemented regional integration process can help to address these problems.

With the emergence of a new global economic order, regionalism has received a new impetus with countries and regions, including the major industrialized countries, striving to expand their economic space and market size as a means of protecting their interests, strengthening their economic base, and enhancing their importance and relevance in the new order. Thus, the EU, which has achieved a significant deepening of its integration through the recent adoption of a common currency - the Euro - is planning to widen its economic space through the inclusion of some East European countries. Negotiations for EU membership of these countries are nearing completion this year. The other major regional integration initiatives that are currently in the works include the Free Trade Area of the Americas (FTAA) comprising 34 countries from Canada to Argentina, and the Asian Pacific Cooperation Agreement among the US, Japan, China, Canada, Australia, Mexico and a dozen other countries bordering the Pacific. In light of these developments, the strengthening of regional cooperation and integration has become a matter of survival for Africa, which is currently the weakest link in the global economic and political systems. More than ever before, regional integration and cooperation now constitute an indispensable spring board to integrate the Continent effectively into the world economy and share the benefits

of globalization. It is needed to transform the Continent's weak production structures and fragmented markets and improve the competitiveness of the African economies.

There are other recent developments on the global scene, which reinforce the case for the enhancement of regional cooperation and integration in Africa. The end of the cold war witnessed a significant shift in the nature of North-South partnerships and economic relations. New relations are emerging replacing the earlier multilateral arrangements, which were influenced by the traditional United Nations development agenda, by partnerships, which are mostly inspired by liberalization policy framework. For example, the ACP-EU partnership, a model for North-South development cooperation, which provided for non-reciprocal trade preferences under successive Lome Conventions, will give way to WTO-compatible trade arrangements, that will be anchored on the reciprocity of preferences and not on the level of development of the partners.

Enhancement of regional cooperation and integration is essential for Africa to deal effectively with other development challenges that are internal in origin. These include the challenges of widespread conflicts which impose enormous costs on the countries involved as well as on neighboring countries and the RECs; the prevention and containment of HIV/AIDS, malaria, livestock diseases, and environmental pollution, which do not respect borders; research and technology development, which have significant economies of scale and are too costly for individual African countries; and the development of basic economic infrastructure (transport, communication and power) in which the scope for cost savings through a coordinated regional investment approach is considerable.

Effective regional cooperation and integration are also required to mitigate the over-reliance on official development assistance. Also, Africa needs greater regional cooperation and integration for a common front and stronger voice to engage the rest of the world for the reshaping of the global economic, financial and political systems.

V. REGIONAL ECONOMIC COMMUNITIES - THE CAPACITY CHALLENGES

Africa faces a number of challenges on its development efforts. If regional cooperation and integration are to be a driving force for Africa's integration into the world economy, the Continent must persevere on this path, while ensuring a balanced distribution of the benefits of the process across countries. Over the

next five years, Africa will need to face up to challenges requiring a common position on trade-related issues. For instance, African countries will be involved in two major multilateral trade negotiations (WTO and ACP-EU) that will have significant implications for their future development. Individual African countries lack the expertise and negotiating capacity to protect their interests in these crucial negotiations. Greater and effective regional cooperation and integration will be needed to provide a platform for the effective participation of the Continent in the negotiations. Regional bargaining power and the pooling of expertise are crucial to Africa in terms of a meaningful contribution to reshaping the global economic order and protecting the Continent's interests. If the EU can speak with one voice in the WTO and in its engagement with ACP countries, it is inconceivable for African countries (whose combined gross domestic product is equal to that of a medium-sized EU country) to speak with many voices.

Regional cooperation and integration are not simply about trade and trade-related issues. Cooperation and integration are vital for the development of regional infrastructure, production and management of regional public goods and services, and to support other developmental programs such as commonly shared water resources and environmental protection. Trade is however central to a successful regional cooperation and integration process. Africa needs to step up intra-regional trade flows, devise a guaranteed payments system Continentally, and seek ways and means of deriving maximum benefits from the present global trade and payments arrangements. To this end, the Continent will have to strengthen RECs and trade-related capacity at national, sub-regional and Continental levels. Capacity for successful implementation of regional cooperation and integration, at the moment, is grossly inadequate. In countries where some of it exists, it is neither optimally utilized nor sufficiently nurtured.

For Africa to effectively participate in the international monetary, financial and trading systems, it needs capacity to, among others:

- Interact meaningfully within the framework of the international structures that govern the international monetary, financial and trading systems.
- Understand the wide range of international trade agreements and obligations
- Negotiate favorable terms of trade for the Continent and enhance value for its exports.
- Provide appropriate environmental incentives to stimulate greater flow of trade and raise the region's share in global trade and financial flows.

Effective integration into the world economy has been one of the distinguishing features of successful developing countries over the past thirty years. This is

evident in the case of the East Asian “Tigers” but is no less true for the relatively more successful countries in South Asia and Latin America. Since 1960, the ratio of world trade to gross domestic product has doubled with rising shares of manufactured goods and trade in services. From the early 1960s to the 1990s, world trade in non-fuel exports increased at almost 12% per annum, but Africa’s exports grew at only 4.8% per annum on average, only one-half the rate for industrialized countries and one-third of the rate for East Asia. During the 1990s, world trade grew at an annual average rate of 6.5%, compared to world output growth of only 2.5% per annum. Developing countries as a group increased their share of global exports of goods to 20%, and services to 16% at the end of the 1990s. However, owing to the below-average growth, Africa’s share of global exports fell steadily over the past 30 years to only 2% at the end of the 1990s.

Africa’s share of trade with the high-income industrialized countries, on which the Continent depends for most of its imports of manufactured goods, followed the same downward trend by declining sharply, from 4.5%-4.8% in 1975-79 to 1.5%-1.6% at the end of the 1990s. This gives a strong indication that trade is increasingly occurring within regional blocks, an area in which Africa is lagging behind despite the treaties establishing the African Economic Community and the various RECs - a development frontier that requires a big push.

Also, worthy of attention is the marginalization or low level of participation by Africa in trade negotiations. Regional trading blocks and non-tariff barriers still discriminate against Africa. Effective participation by Africa in trade negotiations will require the Continent to strengthen requisite skills and institutional capacities at both national and regional levels in the broad area of trade policy development.

VI. FOCUS OF TRADE POLICY DEVELOPMENT CAPACITY BUILDING

Effective capacity building for regional integration and trade policy development and thus to facilitate effective integration of Africa into the international monetary, financial and trading systems is therefore of necessity if the Continent is to successfully implement the priority activities relating to market access and capital flow to Africa. Fundamental to the RECs and trade policy development capacity building is the need for macroeconomic, trade-related policy and legal reforms; skills and institutional development as well as reforms for the growth of key economic sectors. Some of the core areas of focus for capacity building for regional integration and trade policy development consist of the following:

(a) Trade Policy Reform

African countries must undertake major policy reforms to comply with WTO requirements and participate effectively in the global economy. Trade policy reforms that are needed should push for, among others:

- A simplification of regulatory and administrative requirements for trade and investment by identifying and removing regulatory and administrative barriers to private investment and trade.
- A simplification of import clearance and immigration procedures.
- A harmonization of trade-related policies and legislations across African countries, starting at the sub-regional level.

Reforms must be guided by rigorous policy studies and capacity is required to design and successfully implement such reforms.

(b) Reforms for Compliance with WTO Requirements and Other Agreements

Africa needs to build/strengthen capacity to:

- Understand, follow through, and participate effectively in WTO processes.
- Identify and prepare revisions to laws, regulations, policies and procedures that are necessary for compliance with WTO requirements.
- Identify opportunities and constraints in trade agreements and the international trading system.

(c) Strengthening of Legal and Regulatory Reform

The Continent needs to improve capacity to attract foreign investment and generate increased trade flows through the RECs, the success of which depends significantly on the reforms of the legal and regulatory environment in African countries. The environment must be predictable and facilitative while the protective legal instruments must be enforceable by way of a free and fair judicial system to ensure sustainable investment and trade flows.

(d) Enhancement of Technology Acquisition and Application, and Development of Products Standards

Appropriate production technologies and consistent product standards are important for the expansion of trade. Africa needs capacity to:

- Identify and facilitate the transfer of appropriate technologies.
- Encourage the emergence of Internet and electronic commerce.
- Develop and enforce consistent products standards, for instance, through establishment and strengthening of Standards Organizations.

(e) Reform of Customs Laws and Procedures

The ease, effectiveness and efficiency with which firms can move their imports and exports across international borders are vital for enhancing the flow of trade, economic growth and poverty reduction within the region. Africa requires:

- Capacity to reform and monitor customs laws and procedures. Such reform is needed to improve transparency in port operations, reduce corruption and transaction costs, thereby raising economic returns from trade.
- Capacity building interventions to reform urgently and monitor independently customs laws and procedures.

Thus, in the context of customs laws and procedures, capacity-building interventions should support reforms, strengthen internal monitoring, push for the computerization of processes and procedures, and raise information availability on the Internet and other public domain sources so as to improve transparency and minimize transaction costs. To this end, it is desirable to set up independent monitoring teams, which will provide for a significant role for the private sector and civil society in a regular assessment of performance.

VII. REGIONAL COOPERATION AND INTEGRATION CAPACITY

Effective regional cooperation and integration capacity building needs significant support for the building and strengthening of trade-related institutional capacity. Areas of focus could include:

- Strengthening of human and institutional capacity within ministries of trade and industry, other ministries and agencies responsible for trade laws and negotiations.
- Provision of support to autonomous national and regional trade policy centres to strengthen reform of national policies and move towards policy harmonization at the regional level. The regional center will deal largely with issues of policy harmonization, ranking of countries in terms of extent of reform along the various areas that need close monitoring and identifying areas that require interventions. Thus, for instance, it would be desirable to have in place a Regional Integration and Trade Policy Unit or Centre in each of the RECs to deal exclusively with issues of harmonization of trade policy and reforms, and to provide technical support for sub-regional negotiations and inputs to a Continental Regional Integration and Trade Policy Development Centre. At the national level, each country would do well to have a national Regional Integration and Trade Policy Centre to guide its reforms, assist in preparation for its negotiations, maintain trade-related databases, monitor the implementation of reforms and follow-up regional and international trade developments.

There are promising national and regional institutions that can be strengthened to emerge as Regional Integration and Trade Policy Centres. For instance, the Policy Analysis Support Unit of the AU could evolve as a Continental Trade Policy Development Centre. ACBF, the AU, NEPAD Secretariat and the donor community will have to collaborate effectively to ensure its emergence.

(a) Strengthening of Financial Infrastructure

It is common knowledge that a sound financial infrastructure facilitates regional integration, and trade and investment flows. Inefficient financial systems have been a major constraint to growth in regional and international trade in Africa. Effective trade policy capacity building must therefore pay a great deal of attention to the development and sustenance of a sound and credible financial system. Capacity building interventions should thus:

- Support appropriate financial sector reforms on a regular basis and strengthen monitoring agencies.
- Encourage access to finances for exports and imports, especially letters of credit or other forms of export and import financing.
- Contribute to the building of confidence in the national financial systems, which have been shattered in some countries due to weak financial institutions and questionable financial practices.
- Foster the emergence of a regional guaranteed payments system within Africa with a view of reducing the Continent's dependence on international letters of credit and other forms of guaranteed payments, which entail significant transaction costs in international trade.

(b) Infrastructural Development

Beside human and institutional capacity for regional cooperation and integration, the development of physical infrastructure requires particular attention in Africa. Roads, power, water, telecommunication services and transportation need to be enhanced through investment, policy reforms and management capacity that open the sectors to competition and support stakeholders. Emphasis should be placed on public-private sector partnerships to mobilize resources for the financing of infrastructure development and sustenance. Capacity building efforts would be well directed, if they focus on policy reforms in the relevant sectors, the fostering of partnerships and the financing and management of programs for the development of the sectors.

(c) Domestic and Regional Policy Environment

Transparent, effective and predictable domestic and regional policies contribute to trade and investment. Thus, an appropriate macro-economic policy framework, supported by analytical and management capacity, will contribute immensely to the development of trade and investment capacity. Capacity building interventions that support macroeconomic and sectoral policy reforms at the national and regional levels are vital for the emergence of a responsive domestic and regional policy environment. In this connection, policy research and analysis units and centers have significant roles to play.

(d) Regional Integration and Trade Facilitation Capacity

There is a broad range of activities for which capacity is to be built/ strengthened to enhance Africa's participation in the global economy, such as trade information, knowledge of trading systems and arrangements, trade and contract negotiation skills, and advocacy. Africa needs to be able to negotiate trade arrangements from an informed position in order to participate effectively in the international trading system.

(e) Addressing Challenges facing Sectoral Growth

Capacity building interventions to strengthen the growth of key productive sectors is important to the building of regional integration and trade capacity. Agriculture, industry, mining and the services sectors need to be strengthened to raise productivity, increase output and boost trade. In this context, trade policy development capacity building would be well served, if, among other issues, it simplifies the complex regulatory and administrative requirements for trade and investment, supports the reform of the telecommunications sector and harmonizes policies and legislations across the regions in Africa. There are dire needs in these areas, just as much as there are ongoing efforts to address some of them.

(f) Other areas:

Other areas of needs include the following:

- Capacity building interventions that seek to anticipate or effectively assess the impact of advances in bio-technology.

- Programs that support the development of early warning systems as well as the prevention, monitoring and management of natural and man-made disasters, and enhance reconstruction efforts.
- Capacity for the conduct of socio-economic analysis and environmental impact assessment of physical investment projects and programs.
- An operational audit of the RECs for reform of systems, processes and procedures.

VIII. DONORS AND INSTITUTIONS SUPPORTING REGIONAL COOPERATION AND INTEGRATION CAPACITY BUILDING

Although there are enormous gaps in the building of regional integration and trade policy development capacity in Africa, laudable efforts have been underway to meet some of the capacity needs for effective participation of Africa in the global trading and financial systems. Institutions and programs that are geared towards enhancing trade policy capacity development in Africa include the following, among others:

- Under the Integrated Program (JITAP), WTO, UNCTAD and ITC are involved in trade policy development program, which has implications for trade negotiations capacity building.
- USAID, DFID and the Commonwealth Secretariat are supporting trade policy reforms. USAID has spearheaded the development of enterprise networks in Africa, which are emerging as a strong private sector voice in policy dialogue. It has also promoted policy reforms to reduce barriers to open connectivity, and facilitate low-cost high-speed access to Internet by assisting private sector internet service providers to develop the industry. Benin, Eritrea, Guinea-Conakry, Madagascar, Mali, Mozambique and Rwanda have all benefited from this intervention.
- EU and CIDA are assisting to strengthen African trade ministries to meet WTO requirements and obligations.
- ACBF is supporting trade negotiation capacity building at the sub-regional

level through ECOWAS, CEMAC, COMESA, the Policy Analysis Support Unit at the AU and other regional institutions. Government and independent policy units are provided support to improve the quality of macroeconomic policies and programs, the responsiveness of the domestic policy environment, and to strengthen the voice of civil society and the private sector. There are 103 policy centers and specialized training institutions in some 40 countries across the Continent. The regional institutions provide training and technical advisory services in debt, financial and macroeconomic management capacity building.

IX. SOME FUNDAMENTALS FOR EFFECTIVE LONG TERM REGIONAL COOPERATION AND INTEGRATION CAPACITY BUILDING

While the foregoing interventions represent significant efforts, they are grossly inadequate relative to the capacity needs for successful regional integration. Worse still, the interventions provided within the framework of the traditional technical assistance program tend to undermine the building of sustainable national and regional capacity. It is therefore important to note that the building of long-term regional integration capacity must meet some basic fundamentals to ensure the sustainability of the capacity building process. Among these are the following:

- The capacity building process must avoid donor bias – it should be undertaken by African institutions. Technical assistance should be used wisely and should not be substituted for indigenous capacity building efforts.
- The process must be driven by carefully assessed needs of beneficiary countries and RECs, and not by needs perceived by donors and other development partners. Capacity needs assessments are therefore vital, so also is a medium term capacity profiling exercise.
- Capacity building programs must cover in a balanced way the four main actors – the RECs as well as individual countries’ government, private sector and civil society. And emphasis should be placed on Training, Research, Information and Knowledge sharing. Thus, resources for capacity building must be optimally allocated to meet the needs of the four actors.

- Capacity building interventions must seek to balance support between immediate needs of the integration process and the management of medium to long-term costs and benefits to countries. The immediate needs should focus on the following, among others:
- Human and institutional capacity for designing and implementing cooperation and integration policies and programs.
- Training for the development of international negotiation skills and consensus building strategies. Capacity building for trade negotiations should necessarily be an integral part of trade policy development.
- Conduct of policy analysis and research studies that are of direct relevance to cooperation and integration issues.
- Strengthening of national and regional framework for consultation on and effective participation of all three stakeholders – the government, private sector and civil society - in cooperation and integration issues. The framework must be sufficiently independent to allow for free expression of views and discussion of issues.
- Organization of working sessions, seminars and conferences to raise awareness and share information and knowledge.
- Development of a roster of national and regional specialists in integration issues, including trade lawyers and economists who can be called upon at short notice to provide technical support.
- The allocation of time highly skewed to conflict-related issues as against core regional cooperation and integration matters will need to be revisited. To enhance focus on integration matters, RECs may have to be encouraged to cede conflict-related issues to institutions and agencies established specifically for conflict prevention, monitoring and management.

X. TOWARDS A STRATEGY FOR REGIONAL COOPERATION AND INTEGRATION CAPACITY BUILDING IN AFRICA

An effective capacity building strategy is needed to take forward Africa's regional cooperation and integration capacity needs. The strategy will comprise a number of component elements, namely:

- **Capacity Needs Assessment.** A comprehensive capacity needs assessment is required to fully document the capacity gaps and devise a priority action plan in the implementation of regional cooperation and integration schemes and mandates on the Continent. The needs assessment exercise will include a Mapping Study to identify the current initiatives of each donor or institution in terms of regional cooperation and integration capacity building. The study would provide guidance for rationalizing the support for capacity building in regional cooperation and integration. ACBF could be requested to draw up the Terms of References (TORs) for the exercise, lead the task and approach potential donors for collaboration in its conduct.
- **Centre for Integration, Trade Policy Development and Negotiations.** Africa needs a regional Centre for Integration, Trade Policy Development and Negotiations. The centre, which could be located in an existing institution, should have convening power with respect to Ministers responsible for regional cooperation and integration as well as for trade and other high officials responsible for trade policy development and negotiations. It should guide a common African perspective and position in trade policy development and negotiations as well as spur regional integration. It should coordinate or undertake, the following, among others:
 - Technical advisory missions to countries and regional organizations and provision of legal expertise where required
 - Legal and advisory support to RECs in the drafting of necessary legislations to strengthen integration and trade issues
 - Research studies and internships for research
 - Specialized training for professionals in areas including trade policy, environmental law, TRIPS, trade in services, competitiveness assessment, and negotiations techniques

- Training of trainers to build national and regional networks or pools of trainers and experts in the multilateral trading system
 - Sponsorship of postgraduate studies in trade and payments system, and trade law
 - Establishment of a Regional Integration and Trade Fellows Program
 - Attachment of negotiating teams to trade-related institutions
 - Organization of regional workshops, conferences, economic summits and expert working groups on integration and trade-related issues
 - Serving as a regional platform for interactive dialogue in trade negotiations.
- The strategy should encourage the emergence of a National Trade Policy Development and Negotiations Centre. At the sub-regional levels, each REC should be encouraged, where it does not exist, to house an Integration and Trade Policy Development Unit or Centre.
 - Within the framework offered by national and regional Networks of Integration and Trade Policy Development Units or Centres, experts comprising professionals drawn from the public sector, private sector, civil society and research institutions should meet regularly for information and knowledge sharing and to serve as mechanisms for monitoring developments in regional integration and trade policy.
 - The strategy should provide for a platform for the AU, ACBF and the NEPAD Secretariat to add their voices to efforts to strengthen financial infrastructure and push for the establishment of a Regional Guaranteed Payments System in Africa to support regional and international trade and payments.
 - The strategy should take regional cooperation and integration beyond trade and trade-related issues. It must support investment in physical infrastructure and the development of requisite management capacity.
 - And lastly, it should, while looking on to the longer term benefits of integration, address the issue of short-term losses that might affect smaller countries and devise appropriate mechanisms for compensation.

XI. CONCLUSION

The present global monetary, financial and trading systems do not favor Africa and the developing world. The Continent must make conscious effort to be an effective participant in the global economy. Part of this effort will require the Continent to revisit more vigorously its regional cooperation and integration schemes, as well as capacity to trade and raise its benefits from global trade and financial flows. The Continent must sustain its efforts at regional cooperation and integration within the framework provided by the RECs and the AU. Given the lackluster performance of regional cooperation and integration schemes thus far, efforts must be geared towards strengthening the immediate to long-term capacity needs of the RECs to step up the effectiveness of their operations. The intervention will need to address internal capacity requirements of the RECs as well as focus on cooperation, integration and trade-related issues. Since disproportionate time is allocated by most RECs to resolving conflict-related issues, it might be advisable for them to cede such matters to the AU and its existing organs, in order for them to direct their full attention to economic cooperation and integration issues. A successfully implemented cooperation and integration strategy holds enormous benefits for the Continent and will place it as a respectable partner in the global economy.

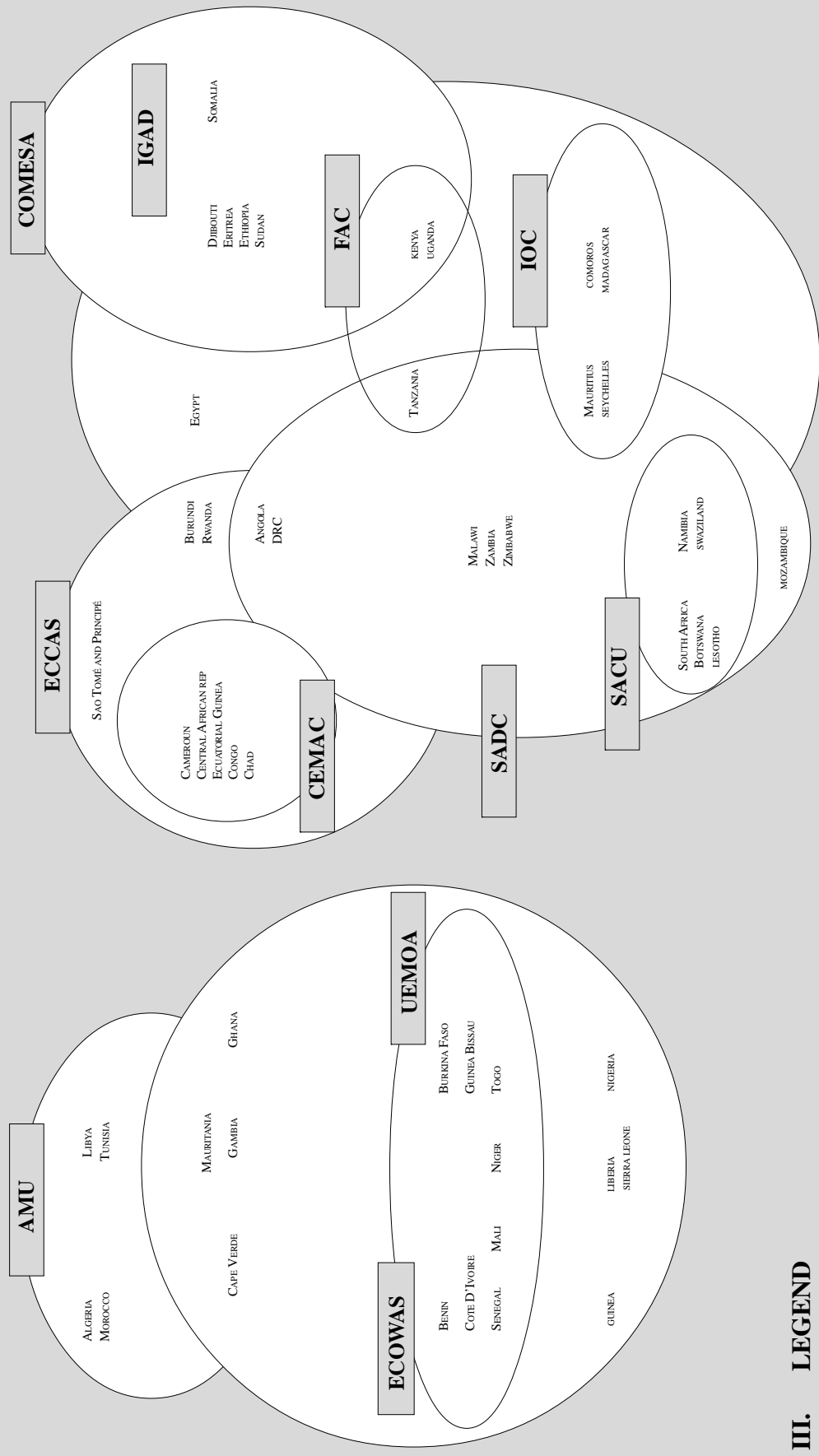
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Annex I: AFRICA'S SHARE IN WORLD TRADE AND INVESTMENT

- Present economic growth rate in Africa is about 3.6% as against a desired rate of 7-8% to make a visible dent on poverty
- FDI flows to Africa was 1.7% of global flows in 2002
- Africa's share in world exports declined from 3.5% in 1970 to 1.5% in 1999
- This loss was equivalent to US\$70 billion per annum, about 5 times the level of ODA
- Africa's exports are still concentrated on natural resource-based products, unlike the situation in most other developing regions.
- Unfavorable export prices since 1970 have offset the increase in ODA for many African countries.
- Since 1997, the prices of non-oil commodity exports have fallen by about 35%
- Trade barriers (including excessively demanding standards, which *de facto* constitute non-tariff barrier) and subsidies are the major constraints to Africa's export growth.
- Farm subsidies in G8 countries – about US\$310 billion per year – equals 23 times total aid flows to Africa
- Africa's unsatisfactory performance in trade can be attributed to a number of factors, prominent among which are:
 - Protectionism in the markets of the industrialized countries, compounded by the strong growth of regionalism in the OECD countries, which has had severe repercussions on African exports competing with those from countries that are members of regional arrangements with free-trade access. Regional trade arrangements in the OECD include the European Union (EU), the European Free Trade Association (EFTA), and the North American Free Trade Areas (NAFTA).
 - Export subsidies, especially farm subsidies by industrialized countries
 - Inappropriate domestic policies
 - Uncoordinated and inadequately sequenced trade liberalization programs not accompanied by requisite policy measures and programs
 - Policies constraining private sector development
 - High transport costs
 - Poor infrastructure – electricity, water supplies, telecommunications, transportation networks and facilities, etc.
 - Bureaucratic red tape
 - Political instability
 - Inadequate supply response capacity
 - Inadequate access to trade information and weak negotiations skills of private and private sector officials in charge of trade policy
 - Lack of integration of trade and investment policies onto countries' overall development policies and programs
 - Ineffectiveness of regional cooperation and integration strategy and schemes.

Annex II: AFRICA'S REGIONAL AND SUB-REGIONAL ECONOMIC INTEGRATION GROUPINGS



III. LEGEND

- CEMAC Communauté économique et monétaire de l'Afrique Centrale
- COMESA Common Market for Eastern And Southern Africa
- EAC East African Cooperation
- ECOWAS Economic Community of West African States
- ECCAS Economic Community of Central African States
- AMU Arab Maghreb Union
- IOOC Indian Ocean Commission
- SACU Southern African Customs Union
- SADC Southern African Development Community
- UEMOA Union économique et monétaire Ouest -africaine
- AMU Arab Maghreb Union
- IGAD Intergovernmental Authority on Development

ACBF OCCASIONAL PAPER SERIES

The ACBF Occasional Paper Series (AOPS) was launched in August 2002 as one of the instruments for exchange of information and knowledge on issues relating to capacity building and development management in Africa. It offers a means by which the African Capacity Building Foundation seeks to highlight lessons of experience, best practices, pitfalls and new thinking in strategies, policies and programs in the field of capacity building based on its operations and those of other institutions with capacity building mandates. AOPS also addresses substantive development issues that fall within the remit of the Foundation's six core competence areas well as the role and contribution of knowledge management in the development process.

Objectives: AOPS is published with a view to achieving a couple of objectives. Fundamental among these are the following:

- To bridge the gap in knowledge in the field of capacity building and development management within the African context.
- To provide analytical rigor and experiential content to issues in capacity building and the management of development in Africa.
- to highlight best practices and document pitfalls in capacity building, the design, implementation and management of development policies and programs in Africa.
- to systematically review, critique and add value to strategies, policies and programs for national and regional economic development, bringing to the fore pressing development issues and exploring means for resolving them.

Focus: AOPS focuses on capacity building and development management issues. These are in the following areas:

- Capacity building issues in the following six core competence areas and their relevance to development management in Africa:
 - *Economic Policy Analysis and Development Management.*
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- Engendering of development
- Development challenges, which comprise issues in poverty reduction, HIV/AIDS crisis, economic and political governance.

Orientation: Papers published by the Series are expected to be analytical and policy-oriented with concrete guide to strategies, policies, programs and instruments for strengthening the capacity building process and enhancing growth and development. In line with the objectives of the Series, such papers are expected to share experiences, information, and knowledge, disseminate best practices and highlight pitfalls in capacity building processes and/or the management of development policies and programs.

Contributions: AOPS welcomes contributions from policy analysts, development practitioners, policymakers, capacity building specialists, academics and researchers all over the world, but with a focus on the African context.

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