12 Regional integration in Africa: Need for a paradigm shift?

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In a speech[2] delivered in Ghana on 12 January 2015, Cristina Duarte, Minister of Finance and Planning of the Republic of Cape-Verde, echoed the thoughts on regional integration of many in Africa when she said that African integration needs a big push to get it out of its current deadlock. She went on to say that "*[t]he importance of regional integration has been debated and settled. In fact, we have been fighting for the idea of integration for the most part of the last five decades and have, arguably, made some successes towards its attainment. Yet, it is clear that a lot remains to be done*."

This chapter reflects on how regional integration could be revitalised through a change in process rather than a change in structure, taking the Common Market for Eastern and Southern Africa (COMESA) as an example of the philosophy and implementation of the African regional integration agenda.

COMESA and regional integration

COMESA came into being in 1994, ten years after the establishment of the Eastern and Southern Africa Preferential Trade Area (PTA). The main achievements, after 34 years of PTA and COMESA, could be summarised as:

- The creation of the COMESA Free Trade Area (FTA) in 2000 and supporting its continuous improvement and the launch of the Tripartite Free Trade Agreement and support provided to the negotiating process.
- The creation and support of regional trade facilitation instruments such as the Simplified Trade Regime, the COMESA virtual trade facilitation system (CVTFS); the non-tariff barriers (NTB) monitoring, reporting and elimination system; and so on.

1 This chapter is a substantially condensed version of longer working paper (Pearson 2019).
2 https://www.tralac.org/news/article/6852-the-importance-of-africa-s-integration.html

- The creation of COMESA trade facilitation institutions including the PTA Bank (now the Eastern and Southern Africa Trade and Development Bank), the Africa Trade Insurance Agency, the COMESA Re-insurance Company (ZEP-RE), Alliance for Commodity Trade in Eastern and Southern Africa (ACTESA), the Leather and Leather Products Institute, the COMESA Clearing House, the COMESA Competition Commission and the Regional Investment Agency.
- The design, support and management of programmes aimed at deepening regional integration such as the Regional Integration Support Programme (RISP); the Regional Integration Support Mechanism (RISM); TradeMark Southern Africa (TMSA); the Regional Maritime Support Programme (MASE); programmes on climate change; etc.
- The design and implementation of transport facilitation instruments such as the COMESA Yellow Card; harmonised vehicle dimensions and axle load controls; harmonised road transit charges; and other instruments.

These are impressive achievements, although each has its qualifications and each has scope for improvement in terms of delivery of services and benefits to COMESA member states. However, if all of these achievements are added up, they do not come close to achieving what the member states of COMESA set out in Article 3 of the COMESA Treaty.

Why is it that COMESA, and its member states, are so far behind in deepening integration, compared to what was agreed and entered into as a Treaty obligation. There could be different answers, or a combination of different answers, including:

- The architects of COMESA were unrealistically ambitious in thinking that there could be free movement of people, a customs union, a common market and a monetary union.
- The top-down approach to achieving economic integration is flawed.
- The targets for COMESA are achievable but not within the time horizons envisaged.
- There were simply not enough resources available for COMESA to reach these targets.

Were COMESA targets unrealistically ambitious?

Based on what has been achieved in other regions in the world, notably Europe, it is difficult to argue that the COMESA integration targets, along with the AEC integration targets were, *prima facie,* too ambitious. What is different in COMESA is the lack of political will and ambition in the COMESA region. African countries have consolidated and 'thickened' the borders that date back to the territorial demarcations drawn up by European powers in the Berlin Conference of 1884-5. Independent Africa maintains, to a large extent, the division created by the European colonial powers at the end of the 19th century, modified by changes in the political hegemony of the colonial powers after WWI and WWII. In essence, the borders of modern African nations were determined by the Europeans and are now fiercely maintained by independent African leaders. The explanation for the relatively poor level of integration of COMESA has more to do with the lack of national commitment to implement the aims and objectives of COMESA and the Abuja Treaty than because these targets were, *prima facie,* too ambitious.

Is the top-down economic integration approach flawed?

COMESA, along with the other Regional Economic Communities in Africa, adopts a top-down approach to regional economic integration. The COMESA Treaty was formulated by its member states with agreed time-lines for implementation that without reference to the specific actions needed to be undertaken to achieve a customs union, the common market and the monetary union. In contrast, the 1985 European Commission White Paper that set the date for the launch of the Single Market as the start of 1992 contained over 300 actions that were already programmed with the required technical assistance and budgets that were different for each country. The White Paper was a mapping exercise that identified exactly what needed to be done by each country for it to achieve inclusion in the single market from its position in 1985 to be a member of a fully functioning customs union by 1992. In addition, the actions that needed to be taken, ranging from changes in regulations to capacity building, were financed by the European Commission from a budget that was funded by its Member States. The European Commission also had the power to monitor implementation and to sanction countries that fell behind in the implementation process. The end result was that the Single Market, under an extremely challenging political environment, where many predicted the total collapse of the European integration experiment, was launched on time and the results are reflected in the growth of the economies that constitute the Single Market.

A top-down planning approach has its flaws but if the implementing states have the political will to implement what has been agreed, and sufficient resources are made available, and the rule of law can be applied to the implementation process, a top-down approach can be an effective method of achieving integration.

Is the timing too ambitious?

To prove that the timing was too ambitious we would need to show that member states had put activities required to achieve integration into motion and that there was not enough time allocated to allow due process to take place. This would mean, for example, that a bill (draft act) had been prepared and that the bill was making its way through the required readings and the select committees. This can take two to three years but there is no indication that any COMESA trade liberalisation policy is going through these processes necessary for domestication.

Parallels can be drawn with the process of introducing the COMESA-EAC-SADC Tripartite Free Trade Agreement (TFTA). The 2015 Tripartite Summit gave member states 12 months from the launch of the TFTA to conclude outstanding negotiations which included issues on rules of origin, trade remedies and tariff offers. However, the deadline of June 2016 was not met, and the commencement of Phase II negotiations – covering trade in services and other trade related matters – has been delayed, pending the conclusion of negotiations on Phase I issues. Ten years from the launch of the TFTA, the FTA is still not implementable because the rules of origin have not been agreed and there is no agreement on a tariff phase-down.

Economic theory tells us that there will be short-term winners and losers in the process of regional integration, although the long-term result should be beneficial when all the wins and losses are netted out.[3] The challenge is to manage the process and manage the losers on all sides. Larger firms in the bigger economies in Africa have already carved out dominant positions without being offered trade preferences[4] and would naturally probably not want to see their positions of dominance eroded through provision of trade preferences to their competitors. Conversely, smaller companies in all COMESA member states may fear competition from larger companies and economies when preferences come in. In the long run all will benefit from free trade, but unless these smaller, more vulnerable companies and economies are protected, they will not survive to see the long run. This mitigation is necessary but not easy and it is always difficult to strike the right balance between interventions that protect vulnerable groups in society while not reducing the benefits of free movement of goods, capital and services.

3 Between 1948 and 2004 the volume of world trade (in US dollars) increased by a multiple of about 150 and international trade has grown by 4% each year on average since 1920. In the same period, worldwide GDP has grown by an average year-on-year of 2.7%. So it is true to say that trade has driven economic growth and raised millions of people out of poverty.

4 Take, for example, the growth of Shoprite from a small grocer in the Western Cape of South Africa to a company that operates out of 2843 outlets in 14 African countries. Shoprite achieved this despite the lack of preferences and it is unlikely that it will want to make it any easier for its competitors to wrestle away the mantle of being Africa's largest food retailer.

Are there insufficient resources?

Over the period 2008 to 2017, COMESA's donors and international financing institutions have contributed just under $300 million to COMESA integration programmes (Table 1). Over the same period, the COMESA member states contributed about US$116 million. This means that although most member states have been independent for 50 years or more, they still rely primarily on European donors to finance their integration agenda.

Table 1 Contributions to COMESA by member states and donors (US dollars)

Year	Donors/IFIs	Member states	Total	Percentage contribution from member states
2008	11,495,378	5,721,491	17,216,869	33%
2009	36,254,505	9,364,825	45,619,330	21%
2010	15,794,134	12,205,283	27,999,417	44%
2011	38,867,731	11,950,661	50,818,392	24%
2012	32,239,878	12,192,452	44,432,330	27%
2013	46,189,702	13,770,631	59,960,333	23%
2014	32,835,426	10,360,456	43,195,882	24%
2015	27,224,730	14,344,161	41,568,891	35%
2016	24,001,896	11,685,773	35,687,669	33%
2017	16,697,021	7,866,388	24,563,409	32%
Total	291,311,845	116,074,509	407,386,354	28%

Source: COMESA Secretariat

One of the objectives of the Africa Union and its building blocks, including COMESA, has been to get Africa as a continent to stand on its own two feet and to be self-sufficient. There has been a lot of debate recently at the Africa Union level about how the Union can be self-sufficient and the current idea is to implement a trade levy that will finance its activities and so lessen, and then remove, Africa's donor dependency.

Options on how COMESA can become self-sufficient have also been explored, in line with the Treaty provisions, and these have been presented to the policy organ meetings over the years but the policy organs have preferred to maintain the status quo and rely on donor funding to finance COMESA's integration agenda. This is despite the fact that, under Article 168 of the COMESA Treaty, member states have undertaken to establish the Common Market Levy.

There is no doubt that although COMESA countries are either least-developed countries (LDCs) or lower- or middle-income developing countries, they could pay more to support African economic integration. The average expenditure of COMESA, including staff costs and programmes, varies by year but the annual budget is about $40 million per year. A conservative estimate of the combined GDP of the now 21 COMESA member states (with Tunisia and Somalia joining in 2018) is $800 billion. The annual expenditure of COMESA is, therefore, about 0.005% of the total GDP of its member states. Conversely, at the G8 meeting in Gleneagles in 2005, the then 15 EU member states committed to spend 0.7% of their gross national income (GNI) on development budgets to help low income countries grow economically and reduce poverty. This means that the EU countries are willing to commit over 100 times the percentage of their GNI to development of other countries that COMESA member states are willing to commit to COMESA and its integration programmes.

The challenges of donor dependency for regional integration is further compounded by COMESA member states' unwillingness to pay their own portion of the COMESA budget in full and on time.

Paragraph 6 of Article 166 of the Treaty provides that "Fifty percent of contributions due from member States shall be paid into the budget of the Secretariat within one month from the beginning of the financial year [which for COMESA is January] and the remainder shall be paid within six months from the beginning of that financial year". Two members consistently pay their annual contribution in full to COMESA by the end of January. The rest of the member states are equally consistent in delaying payments, so much so that some members are in constant arrears.

There are two reasons why COMESA member states should want to become self-sufficient in terms of financing their own integration agenda. The political reason is that it would seem contradictory to want to break the chains of colonialism and dependency but to continue to rely, unnecessarily, on handouts, which do not come free of all commitments, from the very same political powers that Africans have fought to be free of. The practical reason is that donors are fickle and necessarily answerable to their own tax-payers, who are also fickle, and so the rules of donor aid change continuously. The largest donor to COMESA, by far, has been the EU through the European Development Fund (EDF). Support from the EDF has changed over time, including that up until the late 1990s, regional programmes were defined as programmes that benefitted two or more countries.

The challenge with this approach was that member states of COMESA were able to define what regional projects were, with no reference to a prioritised regional integration programme. There was, therefore, no central focus or common goal to aspire to in terms of regional integration targets, except in the Southern African Development Community (SADC), whose member states agreed that SADC would programme regional EDF funds. COMESA, through its Secretariat, successfully lobbied for a redefinition of regional projects under EDF so that the funds went to COMESA (after COMESA had been assessed[5] by the EU as having the required financial, procurement and governance systems in place to manage EDF funds) and were then disbursed to member states on the basis of a Regional Integration Programme (RIP), as designed by the member states themselves. This was in line with the Paris Principles that acknowledged that donors would support the development agendas that were designed by the developing countries themselves.

Perhaps because of pressures from EU member states' electorates for the EU Commission to be more accountable for funds disbursed as grant aid, the European Commission (and member state administrations) are now demanding a greater say in where EDF grant aid is assigned. They now involve themselves in programming and directing funds through specific countries to specific projects that have been identified by the European Commission. It is unclear whether this new approach will support the regional integration agenda of COMESA but initial indications are that this new approach is not going to be as effective, from the regional perspective at least, as the previous approach. The lesson for the COMESA member states should not be that grant aid should be administered in a more flexible way, but that they should not rely on donor support to implement COMESA's regional integration agenda. This is the only way that COMESA and its member states can take control and own its regional economic agenda and its own development.

A related issue is whether the money available to COMESA was used efficiently and effectively, whether the programmes were well designed to meet the objectives intended and whether the projects were effectively implemented. To assess this would require a full value-for-money study using, for example, the methodology used by the UK's National Audit Office to measure the economy, efficiency and effectiveness of a project and the relationships between resources, inputs, outputs and outcomes. However, a cursory observation would indicate that the answer would be mixed, from projects and programmes being designed and implemented very effectively, such as the COMESA FTA, the COMESA 3rd party vehicle insurance scheme (Yellow Card) and the creation of COMESA institutions which were not well designed and implemented and did not

5 The Financial Regulation (FR) applicable to the General Budget of the European Union (EU) sets out that under indirect management the Commission can entrust budget implementation tasks to certain countries, organisations and bodies ('Entities'). These entities must meet requirements in up to seven areas relating to the internal control system, the accounting system, an independent external audit and rules and procedures for providing financing from EU funds through grants, procurement and financial instruments and Sub-Delegation.

achieve their expected results, including the Trade and Development Bank (formerly the PTA Bank), ZEPRE (PTA Reinsurance Company) and the African Trade Insurance Agency (ATI).

In summary, it is clear that there are insufficient resources from the COMESA member states themselves to achieve the COMESA regional integration agenda set out by the member states themselves in the treaty. The donors have financed almost all COMESA programmes, with resources of its member states used to finance costs of established staff. The lack of resources from member states to finance regional integration programmes is further exacerbated by delayed payments from member states, which, in recent years, has necessitated the use of the Reserve Fund to meet the costs of established staff. In terms of efficient use of resources, there are no indications to suggest that the resources available were not used efficiently, although it is also the case that there is, as always, room for improvement.

Conclusions and way forward

The regional integration agenda in Africa is under threat mainly because of complacency, donor dependency and lack of ownership of the integration agenda by African countries themselves. The COMESA-EAC-SADC Tripartite Free Trade Agreement, followed by the Africa Continental Free Trade Agreement (AfCFTA), is regarded as a renewed attempt by African countries to deepen economic integration through trade policy. Certainly, it is a very positive and encouraging development for those who believe that integration, and the creation of larger internal markets, is key to Africa's economic development. However, it is too early to celebrate any achievements except expressions of good intent. The TFTA has, after a very promising start, stalled and member states have yet to implement the two very basic components of a free trade agreement: rules of origin and a tariff phase-down mechanism. The AfCFTA negotiations, by entering into line-by-line negotiations on tariffs, could be embarking on the same path as the TFTA, hopefully not leading to the same place as the TFTA negotiations have got to, 10 years after the member states of COMESA, the East African Community (EAC) and SADC agreed, in October 2008, to negotiate the TFTA.

It would not be difficult for COMESA member states to re-invigorate COMESA and for COMESA to, once again, be one of the foremost regional economic integration organisations with a good track record of integration instruments and, in the process, create additional momentum for the AfCFTA. For this to happen, COMESA member states may want to consider the following:

Revisit why regional economic integration is important. As is mentioned above, Africa follows a Balassa model of integration, a model the EU also follows. The EU integration driver, as described in the Schuman Declaration, is to make war "not merely unthinkable but materially impossible", and the EU has successfully met this overall objective. Africa, or its Regional Economic Communities (REC) building blocs, do not have a similar powerful integration driver where the risk of the counterfactual is too high a price to pay. Most African countries would probably view integration as a useful tool, but not an absolute necessity to achieve sustainable economic growth and poverty alleviation. This results in a lack of commitment to regional integration and so an unwillingness to cede power and authority from the national level upwards to a regional level.

There is, therefore, a need to redefine the aims and objectives of African regional integration with targets that can be measured and which have a stronger, and more direct, causal relationship to regional integration. The stages of the African Economic Community (AEC) attempted to do this but made the assumption that the instruments, commitments and finances to be used to advance from one stage to the next would be in place, given sufficient time, which was, in hindsight, a mistake. African governments might wish to lower the level of ambition to a trade facilitation ambition rather than a free trade agreement ambition. If, for example, the level of ambition was for all African countries to implement the WTO Trade Facilitation Agreement (TFA) this, in itself, would increase the amount of trade taking place between African countries. It would also provide a firm base, or stepping stone, for the negotiations to conclude the AfCFTA. The role of the Regional Economic Communities would be to assist their members in initially planning the core requirements to implement the TFA in each country and then to assist each country to secure the necessary financing and subsequently implementation.[6]

Moving to an implementation by law integration process. Currently, the decision-making process of COMESA is that technical discussions take place in sectoral meetings of experts (and possibly meetings of sectoral ministers), and a recommendation is made to the senior officials (permanent secretary level) of COMESA, who make a recommendation to the Council of Ministers (usually national ministers responsible for the trade portfolio), who then make a recommendation to the heads of state and government. If the heads of state and government decide to proceed, they issue a

6 There seems to be a commonly held misconception that as most African countries, who are WTO members, have ratified and notified the TFA that they are on course to implement its provisions. However, over 70% of Category C notifications of African Countries are "to be advised" which means that not only has the particular country not started implementation of that particular provision, they are not even able to articulate their technical assistance requirements. This is not surprising, giving the technical complexity of some of the Articles, but their implementation would greatly improve the trading environment.

directive, which is binding on all COMESA member states. The next step is for all member states to 'domesticate' the directive by passing this decision into national law.

The challenge for COMESA is the very low level of domestication of these directives into national law and there are no sanctions imposed for not domesticating. The result is that the decision is not implemented, and the regional integration programme the Summit decision is made on behalf of, does not get implemented. In theory, a member state that does not comply with a Summit directive can be taken to the COMESA Court of Justice, who has the authority to sanction said member state. But in practice, one member state has never taken another member state to arbitration through the COMESA Court of Justice. If, however, there were automatic sanctions imposed for no domestication this would not only improve the level of domestication, and so the level of implementation, it would also ensure that member states paid more attention to technical proposals and not simply wave them through because they know they don't need to domesticate and implement.

Use different approaches that combine a political (top-down) decision approach with a more pragmatic bottom-up approach. One approach is that of the EU model, illustrated by the European Economic Community's Single Market mechanism noted above, where a political decision on the passing of an Act and its timing are taken only after interventions have been planned in detail and resourced, systems to monitor implementation are in place, and there is a rules-based system to identify and address non-performance. Another approach is a bottom-up one, where each member state moves at its own pace in implementing a decision by a Regional Integration Organisation at its highest level and is responsible for securing its own resources to implement programmes decided on regionally. In this model, member states would plan regionally and implement nationally. This has the advantage of allowing those member states who want to move forward not to be held back by other countries. The disadvantage is that the slow movers will have to accept the decisions of the fast movers, as they will be joining a system that is already in place and operational.

Create an administration that is fit for purpose. Currently the COMESA Secretariat is responsible for coordinating implementation of the COMESA regional integration agenda but has difficulty in carrying out its mandated responsibilities because it is under-resourced and heavily reliant on donor financing. In order to reverse this situation COMESA member states could:

- Assess the level of staffing of the COMESA Secretariat needed to allow it to achieve the agreed programmes, the compensation needed to attract the necessary qualified staff, and introduce and implement (without political interference) a rigorous system of performance-based contracts for staff.

- Reassess their contributions to the COMESA budget, taking into account the need to attract highly qualified technical staff that could not only administer, but provide the technical assistance to implement integration programmes, rather than relying on short-term consultants.
- Pay their budget contributions as per the provisions of the COMESA Treaty and make an effort to move away from their donor dependency.
- Consider other ways of financing the Secretariat. For example, COMESA has set up several profitable companies and instruments over the years, but these do not contribute to the cost of running the Secretariat.

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Mark Pearson is an economist who has been living and working as a consultant to African governments, regional economic organisations, donor organisations and the private sector in Africa over the last 38 years, mainly in the Eastern and Southern Africa region and the Horn of Africa but also with experience in West Africa and Sudan. He has been working on trade, transport, infrastructure and regional integration issues since the 1990s. He has managed large donor-funded projects and led multi-disciplinary teams of professionals working on infrastructure, trade negotiations, trade facilitation and trade policy in a regional context.