

# AFRICAN REGIONAL AND ECONOMIC INTEGRATION: CHALLENGES OF DOING BUSINESS

*From the African Community of Practice on Management for Development result at the African Capacity Building Foundation (ACBF)*



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## Synopsis

This discussion was launched as a means of sharing knowledge and documenting perspectives on how the African continent could better foster regional integration through overcoming the challenges of doing business in Africa, including travelling restrictions and visa requirements. It is acknowledged that great potential exists for Africa's socioeconomic transformation, if the regional leadership could sufficiently leverage the advantages of regional integration in the continent. It is argued that, the most reliable and predictable strength for the continent is itself; a charge against the availability of vast natural resources, growing human talent and the demographic dividend that needs to be harnessed through increased regional integration. This knowledge brief summarises the discussions and ideas shared by the African Community of Practice (AfCoP) members with one of the key messages emerging being the need for building capable and effective regional economic communities founded on strong accountability systems. Moreover, the suggested recommendations include the need to increase regional political will and commitment to implementing regional protocol and policies; whereas AfCoP and regional institutions such as the African Capacity Building Foundation (ACBF) and their partners are called to increase capacity building efforts especially around advocacy for management for development results and culture including engaging regional leadership on issues such as the importance of effective regional integration for Africa's transformation.

## Introduction

Regional integration could be defined as a process that brings together neighboring states to enter into agreements aimed at fostering development cooperation through established institutions, rules and regulations.<sup>1</sup> This could cover a range of shared benefits among member states including economic, environmental, and political opportunities. The potential benefits associated with this economic development strategy gives credence to the

growing support for economic integration and regional development in Africa for the advancement of the continent's socioeconomic endeavours. The desire to integrate African economies at the regional and continental level is shared among African governments and their development partners, such as the African Development Bank, the European Union and the World Bank. In particular, the ACBF's 2014 report emphasizes the significance of regional and economic integration for Africa to develop. This strategy is also underscored by the Abuja Treaty of 1991, as well as the AU's 2030 Agenda for Africa's

<sup>1</sup> [https://en.wikipedia.org/wiki/Regional\\_integration](https://en.wikipedia.org/wiki/Regional_integration).

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Industrialization. Effective integration will accord member states tremendous benefits through free trade, fair competition, free movement of people, easy access to wider markets and new technology, better positioning to participate in regional and global supply chains, opportunities to expand markets and foreign direct investment. However, regional and economic integration in Africa has encountered many constraints. Currently, the continent is housing a total of 14 Regional Economic Communities (RECs) among which eight are officially recognized by the African Union (AU). They have memberships ranging from three to twenty-five countries. These are at different stages of integration in terms of free trade agreements, customs union, the common market, economic union, the monetary union, and the political union. Among the factors causing different stages of economic and political integration are: the absence of a common model or strategy for development; differences in stages of economic growth and development; competition for location of industries; intra-country and cross-border conflicts; absence of common currency; unequal distribution of resources; and limited diversification in productions. The RECs face the challenges of overlapping memberships, inadequate funding, as well as restricted free movement of people, goods, services, and capital. Difficulties in doing business among member states have been some of the greatest challenges, especially due to inadequate infrastructure, low household incomes to support financing of infrastructure through taxation and levies, travel restrictions, visa requirements. As such, most of the RECs member countries have been unable to realize gains from established groupings.

Against this background, AfCoP had decided to launch an online discussion on the aforementioned topic as a means of sharing knowledge and documenting perspectives as to how the continent could better foster regional integration through overcoming the challenges of Doing Business in Africa, including travelling restriction and stringent

visa requirements. The general objective is to source ideas and strategies on how integration can catalyze Africa's transformation, with the following specific objectives:

- (i) Identifying best practices and lessons from successful RECs in the region;
- (ii) Identifying and documenting ways to address capacity gaps hindering regional integration in Africa
- (iii) Identifying and defining strategies and approaches that can be used by different partners to enhance capacities of the RECs for improved free movement of people, and goods and services for the full transformation of the African continent.

The following were guiding questions for the discussion:

1. What is the current status of the business environment in Africa's regional and economic groupings?
2. What are the difficulties associated with travel and visa requirements for member countries within RECs and Africa in general?
3. Which are the capacity challenges affecting the ease of doing business in the RECs and Africa at large?
4. What are the lessons that RECs within Africa can borrow from each other, especially from the East African Community (EAC) and Economic Community of West African States (ECOWAS), which have either fully achieved or have made good progress in free trade area, customs union, common market and monetary union?
5. What other challenges are affecting the realization of Africa's full regional and economic cooperation?
6. What are the roles of different stakeholders in addressing the RECs capacity gaps and the other challenges for a successful African Economic Community?

The following sections present results of the discussion, summarized around the issues and ideas identified during the process, supported by relevant research works reviewed (see Annex 1 for discussants).

### State of current business climate as related to regional socioeconomic integration

There is increased recognition of the relevance of regional integration for Africa's transformation. The relatively high number of RECs on the continent—14 in total, of which 8 are recognised by the AU—bears testimony to the enormous socio-economic development potential that exists for the region from cross-border cooperation. The RECs have been accompanied by various policy frameworks to ensure that the means and goals of regional integration are realised.<sup>2</sup> Indeed, all discussants—online, as well as offline participants (see Annex 1)—supported the need for Africa to integrate.

However, despite the realization that effective integration is inevitable for the region's transformation and sustainable development, the state of affairs of business and trade related to cross-border cooperation in Africa leaves a lot to be desired. *PW* is an AfCoP participant in this discussion, and he presented the following statistics:

Over the past decade for example, intra-African trade averaged 10 – 12%, whilst the counterpart averages were 40% in North America, 40% in Asia and 63% in Western-Europe. The World Bank report of 2012 on remittances does agree that African countries certainly need to aggressively pursue comprehensive and harmonized regional trade policies as part of their collective development and transformation strategies in the context of regional integration. In the third edition of its Global

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<sup>2</sup> See <http://sa.au.int/en/content/roundtable-intra-regional-migration-and-labour-mobility-within-africa-serena-hotel-kigali-rw> (visited 18<sup>th</sup> November 2015).

Connectedness Index, the German logistics company Deutsche Post/DHL found that sub-Saharan Africa is the least integrated region in the world economy. The index is based on a study of trade, information, people and capital flows in 140 countries representing some 99% of global GDP.

The lacklustre trade performance within Africa amidst increased number of RECs can be associated with a number of problems and challenges facing regional integration. The next section highlights these issues, as pointed out during the discussion.

### Problems and Challenges Preventing Desired Results from Regional Integration

The following list of problems and challenges were reported by most of the discussants whom were participants in this discussion.

One of the participants blamed Africa's slow integration on entrenched poverty and inability to leverage the region's demographic dividend and raw materials to kick-start its version of industrial revolution; and suggested the need to learn from the European Model.

The above point was opposed by the viewpoint of attributing Africa's "inability to integrate" to entrenched poverty and is also not agreeable to the suggestion of creating integration models based on the EU model. Rather, some discussants were of the opinion that the continent had a problem to effectively integrate because there was little investment in self-confidence in the region. He further noted that African leaders cannot pursue regional integration alone; "they need African people to play a vital role in contributing mentally to African Integration."

AfCoP member two provided extended comment on the problems and challenges faced by Africa's integration efforts, summarised as follows:

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- Visas are still generally “a bottleneck for travelling across Africa. It is a shame to see a person from the USA, Britain, or France being provided with a visa upon arrival in most, if not all, African countries, while an African has to wait for weeks or forever to get a visa to travel from Cameroon to South Africa or from Tanzania to Senegal.” Poor infrastructure, such as harsh road condition, is increasingly becoming unbearable and making it “impossible to move across Africa. It is better and cheaper to travel via Dubai to another African country in the continent than using local (African) airlines. Infrastructure (air, railways, roads, communication) are much of the needed capacity for full realization of free movement of people and goods in the continent.”
  - Regional legislatures, such as the East African Parliament, and the African Courts and University Networks are still just a symbol. They are not fully working because of inadequate capacity. Weak political will, human, financial and technological limitations have been among enumerated capacity problems—in some cases there were more programs to be implemented than capacity was available among RECs.
  - The question of ownership of RECs in Africa has been problematic. AfCoP member two was wary that external donors fund a great proportion of development programs for integration. And with the old adage of “who pays the piper causes the tune” still afloat, it leaves doubts as to (i) whether integration funded this way is sustainable; and (ii) whether programs funded from such assistance is truly aligned to regional and national priorities. He noted, additionally, that “...pledges by the member states [of RECs] come late or are partially realized.” Thus, to him, there is lack of the needed passion for Africa’s integration to become meaningful. Duplication of development programs run by RECs and member states create confusion and tensions between regional and national bodies, especially those funded by donors.
  - MCPP had opined earlier that African leaders cannot pursue regional integration alone; “they need African people to play a vital role in contributing mentally to African Integration.” However, AfCoP member two sounded a note of concern and caveat alongside this view that if the citizens do not see the actual fruits of programs implemented by RECs, “they are unlikely to believe in integration, demand integration, and make their leaders accountable.”
  - AfCoP member 2 also pointed out the issue of change of the *mind-set* within RECs. That “Integration doesn’t belong to RECs headquarters. While the RECs are the machinery, the actual implementation should be in the hands of the people. The RECs across the continent claim that they were created and abandoned. AU should create a major role to provide the capacity that RECs require to implement the integration agenda.”
- In addition to supporting the above-outlined problems, AfCoP member three talked about the problems of security, corruption and illicit financial flows as key impediment to effective regional integration.<sup>3</sup> “Successful economic integration can only happen in conditions of stability, security, safety and high degrees of predictability (of behaviour, norms and ground rules),” he noted. Other impediments to integration as being the climatic changes and socioeconomic disparities among African countries.

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<sup>3</sup> For the negative socioeconomic effects of illicit financial flows in Africa see Report by African Union/Economic Commission (2015).

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The above challenges suggest the need to sustain and accelerate investment in capacity building in African institutions in pursuit of the regional transformation agenda. This takes us to the suggestions on overcoming RECs problems.

### Overcoming Regional Integration Problems

Among others in this discussion, AfCoP member two, AfCoP member three, and AfCoP member four extensively contributed to proffering solutions to problems outlined above, which are summarised as follows:

- In order to ensure effective and sustained regional integration, it is imperative to generate public resources through more efficient domestic revenue mobilisation; some of the resources can go into supporting and sustaining economic diversification, deepening social welfare provisions and strengthening key institutions.
- Increase the fight against corruption and illicit financial flows; step-up efforts at reducing capital flight in general; and shore-up response to and management of the challenge of adverse climate changes and their impacts in Africa.
- Developing the human capital to its optimum level is critical to widen the pool of talents for increased and sustained regional integration.
- Increasing political will through increased commitment by head of states to implementation of regional policies and plans.
- Prioritizing regional development programs, focusing on implementation of a few with greater and widespread impact at any point in time.
- Emulating the examples of East Africa Community and Economic Community for

West African States who have issued common passports to their citizens

- Increase harmonization of development programs among member states; there is need to understudy the approaches employed by RECs outside Africa, such as the EU, to understand how they got about harmonising their visa requirements over many sovereignties
- Regional institutions and national governments to provide overall oversights to regional program implementation, while the civil service, local councils, the private sector and civil society/non-governmental organizations to take the lead in ground implementation.
- Support monitoring and evaluation of programs of RECs and national governments.
- Africa should develop faster and more sustainably if Africans can begin to see and treat Africans as one. All the nations in Africa are rich in various natural resources and human capital. What is needed is for the region to re-channel its natural and human capital for sustainable development for which regional integration has a great role to play. The starting point should be for Africa to have a Protocol on free movement of African Goods, African persons along African borders and Rights of Residence.

### Lessons to Learn from RECs within the Region

Some lessons were provided during the discussion as to how RECs such as East African Community (EAC) and Economic Community of West African States (ECOWAS) could be emulated by others in the furtherance of socioeconomic and political cooperation in the continent. AfCoP member four made an argument during the discussion in this regard, on the premise that the starting point to

advance regional integration in Africa is to have and effectively implement a Protocol on free movement of African Goods and persons along African borders and Rights of residence. He advanced the following:

- The Africa Union can borrow from the experiences of EAC and ECOWAS who have either fully achieved or have made good progress in free trade area, customs union, common market and monetary union; as well as best practices of the EU.
- For instance, the treaty establishing ECOWAS was signed in Lagos on 28 May 1975. Article 27 of the Treaty affirms a long-term objective to establish a community citizenship that could be acquired automatically by all Member States' nationals. A key objective of the preamble to the treaty is to remove obstacles to the free movement of goods, capital and people in the sub-region. The Phase one of the Protocol on Free Movement of Persons and the Right of Residence and Establishment of May 1979 guaranteeing free entry of Community citizens without visa for ninety days was ratified by Member States in 1980 and put into effect forthwith.
- I was a member of the Research Team that evaluated the implementation and compliance with the terms and provisions of the ECOWAS Protocol on Free Movement of Persons along the West African borders of Nigeria, Republic of Benin, Togo and Ghana in 2006. During our observatory mission, we came to the conclusion that the protocol on free movement of goods and persons had improved the movement across the West African borders without Visa; and traders and other business persons were able to move from one country to the other unhindered.

### Conclusion and Recommendation

Great potential exists for Africa's aspired socioeconomic transformation if the regional leadership sufficiently leverages the advantages of regional integration in the continent. It is clear from the discussion that Africa's first and most reliable and predictable strength is itself. It has got vast natural resources and growing human talents and resources. These need to be harnessed; and attention be paid to the solutions and lessons pointed out in the last two sections. The following recommendations are important for AfCoP, ACBF and partners with regard to their role in fostering regional integration.

- AfCoP, ACBF, regional institutions and partners in the continent should be made more effective in fostering a results culture in the region through continued engagement with regional leadership on watershed development topics such as the inevitability of regional cooperation for sustainable development.
- Goal 17 of the United Nations Sustainable Development Goals (SDGs) envisages a great need for strengthening regional cooperation if the rest of the SDGs are to be achieved in Africa. This draws from the lessons learnt in the implementation of the Millennium Development Goals (MDGs) that have just ended, and particularly building on MDG 9 on promoting global partnership for development.
  - To this end, there would be need for AfCoP/ACBF and partners to commission an in-depth study into what has worked and not worked in the implementation of the various Protocols and Policies of Africa's RECs.
  - There will be need for AfCoP/ACBF to support development of specialized indicators to monitor SDG 17 on implementing the rest of the SDGs, which calls for strengthening regional integration in various development areas. This is

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against the background that, the UN has requested Member States and Regional Organizations *inter alia* to take necessary steps to domesticate and integrate the SDGs in their respective programs.

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