

GOING PUBLIC

How Africa's integration can work for the poor

By Jeggan C. Senghor *et al.*

In the heyday of African nationalism, the continent's founding fathers plotted their vision of pan-African unity. The twin paths of closer political and economic integration appeared to them as the only means to achieve dignity, prosperity and security. Today, closer integration between African states is once again a priority for the African Union and the regional institutions of southern, East and West Africa.

This panoramic survey investigates half a century of efforts to advance Africa's integration, often hamstrung by a surfeit of competing ambitions and lack of political will. In recent decades, significant economic growth in many countries has been characterised by starkly rising inequality and entrenched poverty. The authors argue, plainly and without jargon, that the *process* of cooperation between states needs new direction.

The overriding *purpose* of integration must be to reduce poverty. Macro-economic targets are important, but for too long policymakers have placed disproportionate emphasis on the creation of larger trading blocs. Priority for regional public goods, whether publicly or privately funded, is a more effective strategy. From pan-African infrastructure to common standards in law and politics, they are a proven means to foster growth – and to distribute its benefits more widely.

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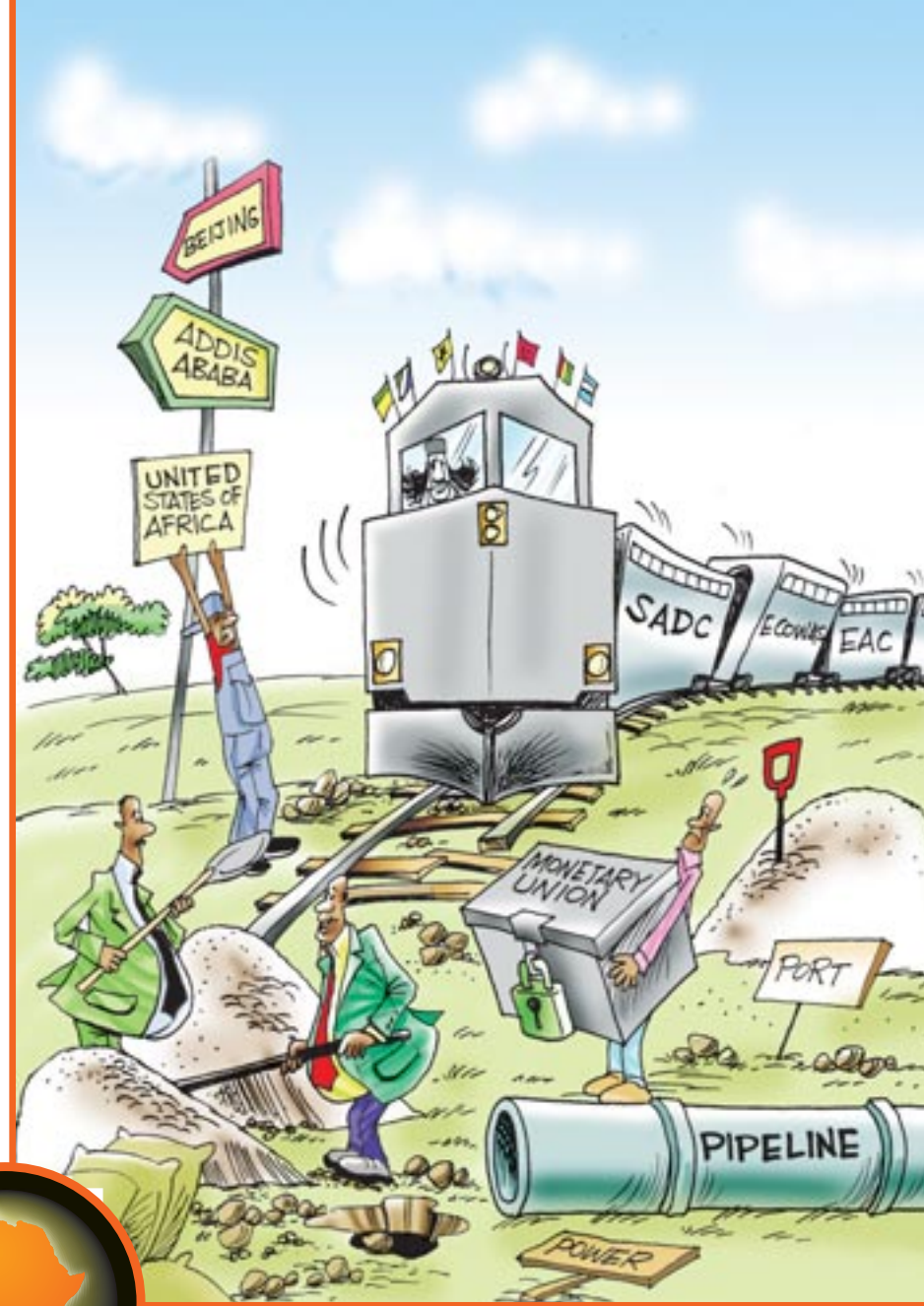


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with

Mark Ashurst

Jonathan Bhalla

Aoiffe O'Brien

Edward Paice

Anthony Rawlinson

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Africa Research Institute, 55 Tufton Street, London SW1P 3QL

THE AUTHORS

Jeggan C. Senghor has been closely involved with regional integration and development in Africa for more than three decades. From 2000-2003, he was director of the ECA Office for West Africa based in Niger. Prior to that, he spent ten years as Director of the African Institute of Economic Development and Planning (IDEP) in Senegal.

Jeggan was the lead author of IDEP's broad study on the Rationalisation of Inter-governmental Organisations in West Africa. He was also a main contributor to the World Bank-funded study National Focal Points for ECOWAS and NEPAD Programmes, and a member of the Committee of Eminent Persons to Review the ECOWAS Treaty, chaired by former Nigerian head of state General Yakubu Gowon.

From 1985 to 1990, Jeggan served with the Economic Commission for Africa in Addis Ababa as Special Assistant to the Executive Secretary, Adebayo Adedeji, and as Secretary to the Commission. He was a founder member of the Development Policy Management Forum.

Jeggan has held fellowships at Makerere, Yale and Dakar universities and is currently a Senior Research Fellow at the Institute of Commonwealth Studies, University of London. His most recent publication is *The Politics of Senegambian Integration, 1958 to 1994* (Peter Lang, 2008).

In 1998, Jeggan was made a Commander of the Order of the Lion of the Republic of Senegal for his contribution to research and policy on regional integration.

Mark Ashurst is director of Africa Research Institute. He spent six years as the BBC's Africa business editor and previously worked as a correspondent in Africa for the Financial Times, The Economist and Newsweek. He is co-editor, with Gugulethu Moyo, of *The Day After Mugabe: Prospects for Change in Zimbabwe* (2007).

Jonathan Bhalla is a researcher at Africa Research Institute. He holds an MSc in Violence, Conflict and Development from the School of Oriental and African Studies, University of London. He previously worked at the British Institute in East Africa and at the Rift Valley Institute.

Aoiffe O'Brien is policy and publications manager at Africa Research Institute. She holds an MSc in State, Society and Development from the School of Oriental and African Studies, University of London. She is co-author, with Blessings Chinsinga, of *Planting Ideas: How fertiliser subsidies are working in Malawi* (Africa Research Institute, 2008).

Edward Paice is managing editor at Africa Research Institute. He is the author of several books on African history, including *'Tip & Run': The Untold Tragedy of the Great War in Africa* (Weidenfeld & Nicholson, 2007).

Anthony Rawlinson is training as a chartered accountant at PricewaterhouseCoopers and was previously a researcher at Africa Research Institute. While studying at Trinity College, Dublin, he wrote a dissertation on the prospects for monetary union in West Africa.

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CONTENTS

| | |
|--|-----------|
| Foreword | 7 |
| By Mark Ashurst, Director, Africa Research Institute | |
| Summary | 11 |
| 1. The 'spaghetti bowl' | 17 |
| The overriding priority | 20 |
| Arrested development | 21 |
| A rising consciousness | 22 |
| Independence and unity | 23 |
| Regional integration, a timeline | 24 |
| Self-reliance | 26 |
| The 'lost decade' | 27 |
| African alternatives to structural adjustment | 28 |
| The road from Abuja | 29 |
| Poverty on the agenda | 29 |
| A countdown to 2034 | 30 |
| A continent of regions | 32 |
| Fewer, stronger institutions | 33 |
| Regional institutions, by membership | 35 |
| The 'spaghetti bowl' | 36 |
| Poverty versus other priorities | 36 |
| 2. Regional public goods | 39 |
| Defining public goods | 41 |
| The price of travel | 42 |
| Tarmac, track ... | 44 |
| The Cape-to-Cairo Express | 45 |
| African ports, by size | 47 |
| ... and harbours | 47 |
| Development corridors | 48 |
| Acting, not talking | 50 |
| Building regional infrastructure in southern Africa | 52 |
| Power-hungry | 53 |

| | |
|---|-----------|
| Power-sharing | 54 |
| The Southern African Power Pool, and Inga | 55 |
| The digital connection | 56 |
| A cautionary tale | 58 |
| Water-sharing | 59 |
| The Senegal river basin | 60 |
| The Nile and Senegal rivers | 61 |
| The Lesotho Highlands Water Project | 62 |
| A duty of care | 63 |
| Common standards | 64 |
| Held to account | 66 |
| Power brokers | 67 |
| Institutions and individuals | 69 |
| 3. The border economy | 71 |
| Borders and bureaucracy | 74 |
| Intra-regional exports | 74 |
| Winners and losers | 76 |
| Ghost trade | 77 |
| Monetary union | 78 |
| Monetary zones in Africa | 79 |
| Foreign direct investment | 80 |
| Race to the bottom | 81 |
| Regional rewards | 82 |
| A giant in the corridor | 83 |
| 4. Conclusions and recommendations | 85 |
| Untangle the spaghetti | 87 |
| Regional public goods | 88 |
| Beware trade-weighted policies | 89 |
| Summary of recommendations | 90 |
| A work in progress | 91 |
| Glossary of terms | 95 |
| Notes and references | 97 |

Foreword

The case for regional integration in Africa is hardly new. Its fundamental precepts have been repeated many times since the first conference of heads of independent African states, hosted by Ghana's president Kwame Nkrumah in 1958. To this day, most proponents of more cooperation among African countries are motivated by a similar conviction of the equality of nations – and by extension, continents.

At times, the rhetoric of such ideas can sound naïve or idealistic or both. The record of the past half-century is mixed, and progress has fallen far short of what is required. For the plethora of regional institutions, plotting the architecture of African unity risks becoming an end in itself. Without a compelling *purpose*, the *process* of closer cooperation will be mired in bureaucracy. That would make Afro-optimists seem as blinkered as the Afro-pessimists.

For Jeggan Senghor, a veteran of Africa's regional institutions, the orthodoxy of regional integration needs revision. Policymakers have placed too much emphasis on an economic agenda, and too little on the urgent imperative to reduce poverty. Their greatest progress has been to reduce tariff barriers within southern, East and West Africa – in parallel with the common markets of Europe, Asia and Latin America.

No doubt trade is important, to fuel economic growth and to nurture more diversified economies. Among the hydra-headed processes of liberalisation, in all its forms, moving towards free trade was a priority of the structural adjustment policies launched in Africa in the 1980s. Their legacy is complex, but still clearly evident. The 'shock therapy' prescribed by foreign creditors has, ultimately, helped to stabilise fragile economies, but at a terrible price. Falling per capita incomes throughout that 'lost decade' compounded the poverty in sub-Saharan Africa today.

More open economies are a necessary condition for development, and a corollary of the global era which followed the Cold War. Even in a downturn, much of the continent is becoming attractive to investors. Yet Africa's share of global trade remains tiny, while the vast majority of its peoples have derived little benefit from rising economic growth.

Jeggan Senghor has worked at the apex of these contradictions. His instincts can be traced to an old school of pan-Africanism. He prizes self-reliance above foreign partnerships, and urges a process of 'indoctrination' for African technocrats. Rather than mimic the methodology of Europe, mapped in Brussels, he argues convincingly that the first priority for regional cooperation in Africa must be to reduce poverty.

My own view is that the appetite for doctrine of any kind has long since faded among Africa's policymakers – although Jeggan observes that new recruits to the World Bank and IMF go through an equivalent induction. The ideas developed in this paper suggest a manifesto of sorts for the next phase of regional integration. One lesson is that big plans come to little unless motivated by a clear and practical purpose.

Regional public goods are the most direct, effective and evenly distributed means to improve the livelihoods of the poor. Sceptics will argue that private capital and the free market are preferable. Some will cite the example of China's burgeoning interests and investment in Africa. Others will doubt that an African Union subsidised by President Muammar Qaddafi of Libya, its chairman until February 2010, and heavily dependent on foreign funds, can give practical meaning to the pan-Africanist vision of the continent's founding fathers.

This paper is a considered reply. Cross-border infrastructure, ‘development corridors’ and shared regional standards deliver scale – and economies of scale – beyond the reach of national ambition. Its definition of public goods is necessarily wide, including both private and public sectors, from the booming mobile phone industry to power-sharing – whether of electricity, or in politics. The evidence is compelling.

Mark Ashurst

Director

Africa Research Institute

Summary

- Greater regional cooperation in Africa can bring significant economic benefits. Many countries are landlocked or have small populations. In the half-century since independence, regional integration projects did not achieve their objectives. Political indifference and a proliferation of regional organisations stymied progress.
- Economic growth has been attended by rising inequality. The principal goal of regional integration must be to improve living conditions and reduce poverty. Three quarters of Africans live on less than US\$2 per day. The vast majority live in rural areas and have negligible access to basic services.
- The creation of the Organisation of African Unity in 1963 marked the formal beginning of the regional integration project. In 1980, the Lagos Plan of Action proposed continent-wide economic unity by 2000. The 1991 Abuja Treaty aimed to establish the African Economic Community. A need to improve cooperation, self-reliance and economic growth was recognised in all these agreements, but none made a specific commitment to reduce poverty.
- The transformation of the Organisation of African Unity into the African Union in 2001 has reinvigorated the process of regional integration. The African Union has demonstrated a clearer commitment than its predecessor to poverty reduction, as distinct from economic growth. Its New Partnership for Africa's Development (NEPAD) lists poverty reduction among its primary objectives.
- The multitude of regional and inter-governmental institutions – the 'spaghetti bowl' – needs to be rationalised to improve effectiveness. Most countries are members of more than one of the eight Regional

Economic Communities. Overlapping memberships, conflicts of interest, a lack of political will and inadequate resources have constrained regional bodies.

- Regional public goods – for example, the provision of shared infrastructure, power, water and health care – are the single most effective means of reducing poverty in Africa. Their potential has been overshadowed by a preoccupation with promoting regional trade and an historical focus on national agenda.
- Regional public goods bring significant economies of scale and distribute benefits more evenly than increased trade or investment. Their potential to attract private and public investment is dependent on more effective regional integration.
- Regional integration is key to the effective delivery of regional public goods. The definition of regional public goods is broad, and spans initiatives from both the public and private sectors. Regional public goods include any commodity, service, system of rules or policy regime that is public in nature and generates shared benefits as a result of collective action by participating countries.
- Improvements to Africa’s regional transport infrastructure are essential. One third of Africa’s population live in inland, landlocked countries where much of the existing transport infrastructure dates from the colonial era. The World Bank estimates the cost of building and maintaining adequate infrastructure for Africa at up to US\$75 billion per year, equivalent to 12% of Africa’s total economic output over the next decade.¹
- Regional road and rail projects such as the Trans-African Highway, first mooted in the 1970s, have not been completed. New plans for

road and rail networks are more ambitious. It is estimated that US\$20 billion invested in improved main roads in sub-Saharan Africa could boost overland trade by US\$250 billion within a decade.² A US\$4 billion high-capacity railway is planned in East Africa.

- Almost all of Africa's external trade, and much of its regional trade, is carried by sea. Ten per cent of global cargo volumes is loaded in African ports. Most of the continent's eighty leading ports require modernisation and increased capacity. Substantial new private investments are being made in harbours in Djibouti and Dakar.
- Development corridors – large-scale regional infrastructure developments – are favoured by NEPAD. The US\$5 billion Maputo Development Corridor links Mozambique to the industrialised Gauteng province in South Africa. Its new toll road, deep water port, electricity and a gas pipeline facilitated construction of the US\$2.1 billion Mozal aluminium smelter, the second largest in Africa.
- Unreliable power is a drag on productivity, trade and economic growth. Access to electricity is closely correlated with poverty reduction. Africa has the potential to meet its energy requirements. Regional power pools can be an effective means of improving access, reliability and affordability.
- Africa's mobile telecommunications are the fastest growing in the world. The sector has attracted more than US\$14 billion of investment since 2001, mostly from private sources.³ One in three Africans has access to a mobile phone, with potential to obtain financial services, market information and agricultural advice – often via SMS.
- Clean water and basic sanitation are essential to better health and poverty reduction. Only one in three Africans has access to sanitation, and half have no access to safe drinking water. Regional water projects

such as the Senegal River Basin Development Project address the deficit of safe water and sanitation.

- Malaria, HIV/AIDS and tuberculosis cause millions of deaths in Africa each year. About two thirds of the world's HIV-positive population live in Africa. More regional cooperation can help to mitigate the effects of disease. In 30 years, a US\$500 million initiative to treat river blindness has eradicated the disease from West Africa.
- Cooperation between states can improve and protect the legal rights of the poor and vulnerable. Regional courts, institutions and gender policies are forms of regional public goods. Closer monitoring of political processes and government conduct strengthens democracy.
- Regional integration can encourage higher levels of regional trade and investment. Cooperation in these fields may enhance economic growth, but the distribution of benefits from increased trade and investment is variable. Among the inevitable winners and losers, dominant regional economies – including South Africa and Nigeria – have tended to benefit disproportionately.
- Africa's regional trade accounts for less than 10% of total trade.⁴ The low proportion reflects high costs of doing business. Tariffs, regulations, corruption and poor infrastructure have obstructed growth. Tariff reductions alone have not boosted trade volumes, but lowering the total costs of trade can be beneficial.
- An increase in regional trade has a more pronounced effect on poverty levels than an increase in external trade. Lower trade barriers give an advantage to low-cost producers, but can have a detrimental effect on producers elsewhere. Lower receipts from tariffs and taxes may cause a fall in government revenues.

- Informal cross-border trade is a vibrant sector, and larger in many regions than the formal economy. Informal trade can improve food security and incomes. Regional cross-border initiatives are needed to integrate the informal economy, and to reduce the likelihood of conflict.
- Monetary union is the final proof of regional integration. Common currencies encourage trade by eliminating the risk associated with currency fluctuations. Monetary union demands a shared commitment to a single macroeconomic policy and sound fiscal policy. Progress in regional economies has been mixed.
- Monetary union can reduce risks for investors. Higher levels of foreign direct investment are essential for Africa, given the low levels of domestic saving. Investment rose rapidly over the course of the commodities boom, but Africa's share of global investment remains very low. Foreign investment has tended to target a few large economies.
- Regional cooperation can improve perceptions of the business environment in Africa. Regional investment codes, common accounting policies and uniform legal codes are conducive to external investment. Inflows of capital benefit the wider economy, but may not create new jobs or reduce poverty.
- The benefits of regional cooperation extend beyond narrowly economic gains. By pooling resources, participating states are better able to advance common interests such as transnational infrastructure or research. Cooperation in the delivery of public goods is essential to reduce poverty and to earn popular support for Africa's integration.

1. The 'spaghetti bowl'

The history of regional integration in Africa is a story of frustrations. We have more inter-governmental organisations than any other region in the world. The map of regional institutions resembles a bowl of spaghetti – a plethora of tangled relationships, overlapping memberships and conflicting agenda. We need to make these structures simpler. They need a clear mandate to tackle poverty.

We have seen a resurgence of interest in regional cooperation, at least since the 1990s. At that time, I was director of the United Nations Institute for Economic Development and Planning in Dakar, Senegal. In 1993, we were commissioned by ECOWAS to assess the effectiveness of 26 inter-governmental organisations in West Africa. Our report concluded that resources and funding for regional projects were spread too thinly.

The same problems are still evident. Too many organisations lack capacity. Institutional self-interest is strong, and chief executives are concerned primarily with the survival of their own organisations. This leads to tremendous duplication of functions. Our report called for consolidation and coordination. The findings were accepted by ECOWAS, but very few of its recommendations have been implemented.

The struggle to reform policy within the regions, and at pan-African level, has been long and often bitter. The era of structural adjustment, in the 1980s, set the parameters of a battle with the IMF and the World Bank. At that time, the Economic Commission for Africa (ECA) drafted an alternative policy agenda, the African Alternative Framework to Structural Adjustment Programmes (AAF-SAP).

Some of those ideas have been accepted. The creation of the African Union in 2001 was an important step. I am encouraged by the emphasis on poverty reduction of the New Partnership for Africa's Development (NEPAD). The African Peer Review Mechanism (APRM) has enabled scrutiny of governments' performance by African technocrats. Most people can see that regional organisations need to claim a larger role in policy, and in its implementation.

- J.C.S.

The vision of African unity dates from the dreams of the first pan-Africanists. The founding fathers of Africa's independence were fierce optimists. Freed from the shackles of colonial rule, they believed fervently in the promise of a unified continent following concurrent paths of economic and political integration. For them, unity was the means to achieve dignity, prosperity and security.

Much has changed in the intervening decades. Today, most arguments for regional integration rest squarely on the promise of increased trade, within continents and between them. The carrot of economic growth has led the world's regional blocs to dismantle internal tariffs and harmonise the rules of international trade – among them, the North American Free Trade Agreement, the Caribbean Community and Common Market, the Association of South-Eastern Asian Nations, and Mercosur, the Latin American economic group.

Policymakers have sought to lead African states in the same direction as their peers in the Americas, Asia and the Caribbean. Yet the results to date have fallen well short of most expectations. While the value and volume of trade has grown in absolute terms, Africa's proportion of the vastly expanded global market for goods and services has shrunk. The continent's share of all global trade has fallen from 6% in 1960 to about 2%.⁵

No doubt trade is important. Global trade has been the engine of prosperity in the industrialised nations, and many developing economies appear to be on a similar trajectory. Improved market access, economies of scale and a concerted voice in international trade negotiations are useful priorities for regional integration in Africa – and long overdue. The Southern African Development Community, East African Community and the West African Economic and Monetary Union are committed to precisely those goals. This is necessary, but still far from adequate to address the real dimensions of poverty in Africa today.

The ambitions of the first pan-Africanists remain salient. Regional integration has not fulfilled their vision. Good intentions, expressed in countless treaties and ‘plans of action’, have been hampered by poor leadership and inadequate resources. The lack of political will among national governments has frustrated attempts at cooperation. In barely half a century, Africa has slipped from parity with much of East Asia to languish at the bottom of the world development rankings.

“Efficient regional cooperation allows the economies of Africa to overcome the disadvantages of their relatively small size and, by opening access to larger markets, to realise economies of scale.”

- Alassane D. Ouattara, former deputy managing director, IMF ⁶

Unity remains an imperative for Africa’s development. The regional project has been given renewed impetus by the efforts of a number of African governments. Africans have seen the example of the European Union: its policymakers understand the gains which follow free movement of labour, capital and goods. All are useful, but only as means to an end. Today, the pursuit of dignity, prosperity and security can be concentrated in a single priority. Regional integration must work for the poor.

The overriding priority

Africans are one third of the world’s poor. According to World Bank estimates, the number of people worldwide living in conditions of extreme poverty fell by about a quarter between 1981 and 2005. In Africa in the same period, their number almost doubled. Africa will not meet the United Nations’ Millennium Development Goal of halving poverty by 2015.

The vast majority of the poor in Africa live in rural areas, where 85% depend on agriculture.⁷ Their poverty is a consequence of low

productivity, poor access to markets and inadequate provision of basic services. Only 42% of rural Africans have access to safe, clean water.⁸ In subsistence economies, meeting the basic requirements for survival is a daily struggle.

Migration from rural areas to the city is among the most significant demographic pressures of this century. Half of Africans will live in cities by 2030.⁹ About 72% of urban dwellers in sub-Saharan Africa inhabit makeshift accommodation on city peripheries.¹⁰ Population density, poor access to services, and high unemployment combine to make slum-dwellers more vulnerable to infection and disease than rural peoples.

Arrested development

Poverty is entrenched by a lack of public goods. Infrastructure and utilities create economic opportunities. Regional cooperation can do much to provide essential services: for example, in the equitable management of water resources or the administration of cross-border disease prevention programmes. A narrow focus on economic growth has overshadowed the need to focus regional integration on measures to improve living conditions.

The economic agenda for development is a necessary priority. Africa's population is increasing by 2.5% per annum and its economy must keep pace.¹¹ Higher productivity is essential to the continent's prospects, but it can no longer be assumed that poverty reduction will be achieved solely by means of economic growth. At least until the creation of the African Union in 2001, poverty has been only an implicit concern for the regional project.

The imperatives of the anti-colonial struggle absorbed the energies of regional organisations in the first decades of independence. In the 1980s

A rising consciousness

The genesis of continental unity in Africa was the Pan-African Congress, a series of five conferences between 1919 and 1945 organised in Europe and North America. The first meeting of the Congress was held in France to coincide with the Versailles Peace Conference. It brought together 57 delegates, who petitioned the colonial powers to grant native Africans an active role in government.

Two years later, in London, the Congress demanded self-government for all African countries. Its London Manifesto declared that European colonial rule 'systematically fostered ignorance among the natives'. A third Pan-African Congress was held jointly in London and Lisbon in 1923. A fourth, in New York, followed in 1927.

The fifth and final Congress took place in Manchester in 1945. It was attended by 90 delegates, representing 26 African political movements. They demanded an end to colonial rule and for racial discrimination to be made a criminal offence. Among the attendees were Kwame Nkrumah and Jomo Kenyatta, later the first presidents of independent Ghana and Kenya.

In 1958, a conference of heads of independent African states in Ghana called for closer exchange of technical, scientific, cultural and educational information. A commitment to economic cooperation emerged at their next conference in Léopoldville, at which leaders sought a common position in negotiations with the European Common Market. New African ideologies – African Communalism, Afro-Marxism, Consciencism – emerged alongside older ones like *Négritude*, the philosophy of black history and culture closely associated with Léopold Sédar Senghor, Senegal's first president.

During the independence process, the political path to integration was disputed. The 'Casablanca group', which included Algeria, Egypt, Ghana, Guinea and Mali, called for immediate political and economic unification. The larger 'Monrovia group' including Nigeria, Liberia, Senegal, Cameroon and Côte d'Ivoire favoured a gradualist approach. Both groups were disbanded after the creation of the Organisation of African Unity in 1963.

and 1990s, as the performance of African economies worsened, advocates of integration lost momentum. A proliferation of regional organisations, many with overlapping memberships, added to the confusion. Integration came to be seen as an end in itself.

Independence and unity

The creation of the Organisation of African Unity (OAU) in May 1963 marked the launch of a formal pan-African project for regional integration. The OAU charter stated that member states would 'coordinate and harmonise their general policies' in sectors then dominated by government. They included economic matters, diplomacy, transport, communications, education, culture, health, sanitation, nutrition, science and technology, defence and security.

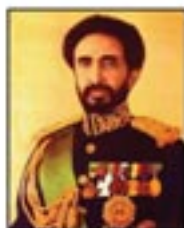
In practice, most of the OAU's attention was focused in its early years on building solidarity with Africa's remaining liberation struggles. The anti-apartheid movement was a dominant concern, as the OAU expressed pan-African support for the African National Congress in exile and its campaign against minority rule in South Africa. The OAU lobbied member states, foreign governments and international organisations to boycott the apartheid regime.

The commitment of OAU members to independence and racial equality was not matched by cooperation in economic and development policy. A collective hostility towards 'neo-colonialist external forces' deepened during the 1970s and 1980s. Although member states gathered to agree resolutions and draft treaties, closer economic cooperation – and the goal of political integration – were often relegated in importance. OAU declarations made in Addis Ababa, in 1973, and Monrovia, in 1979, called for greater economic independence and self-sufficiency.

Regional integration in Africa, a timeline



Kwame Nkrumah,
President of Ghana
(1957-1966)



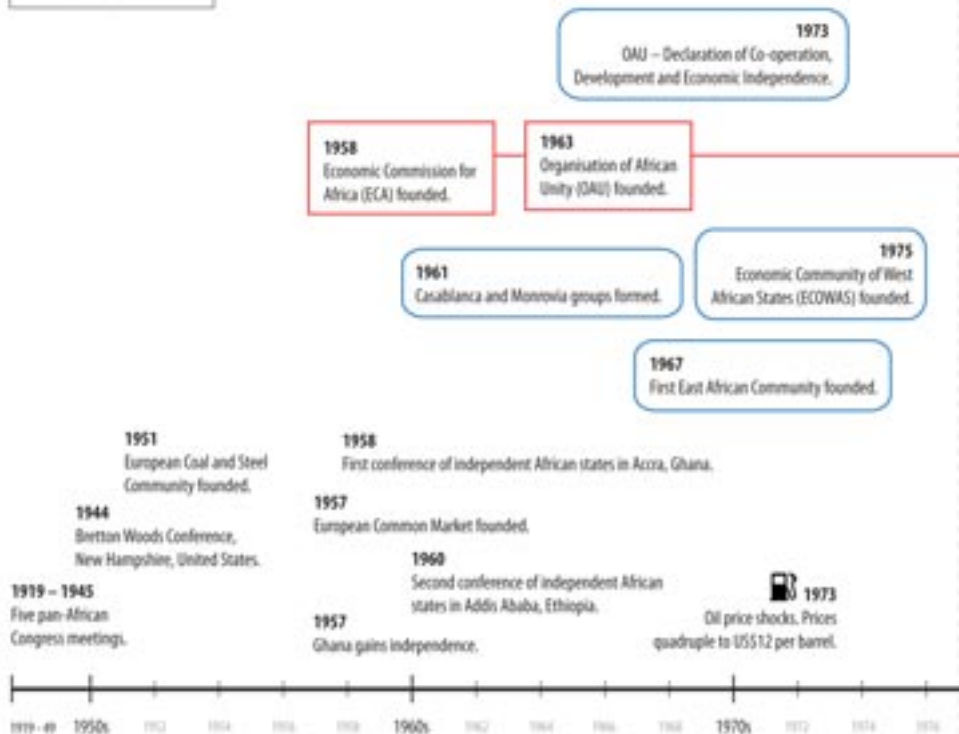
Haile Selassie,
Emperor of Ethiopia
(1930-1974)

Key:

Five key steps towards integration

Regional and institutional landmarks

World historic and economic events

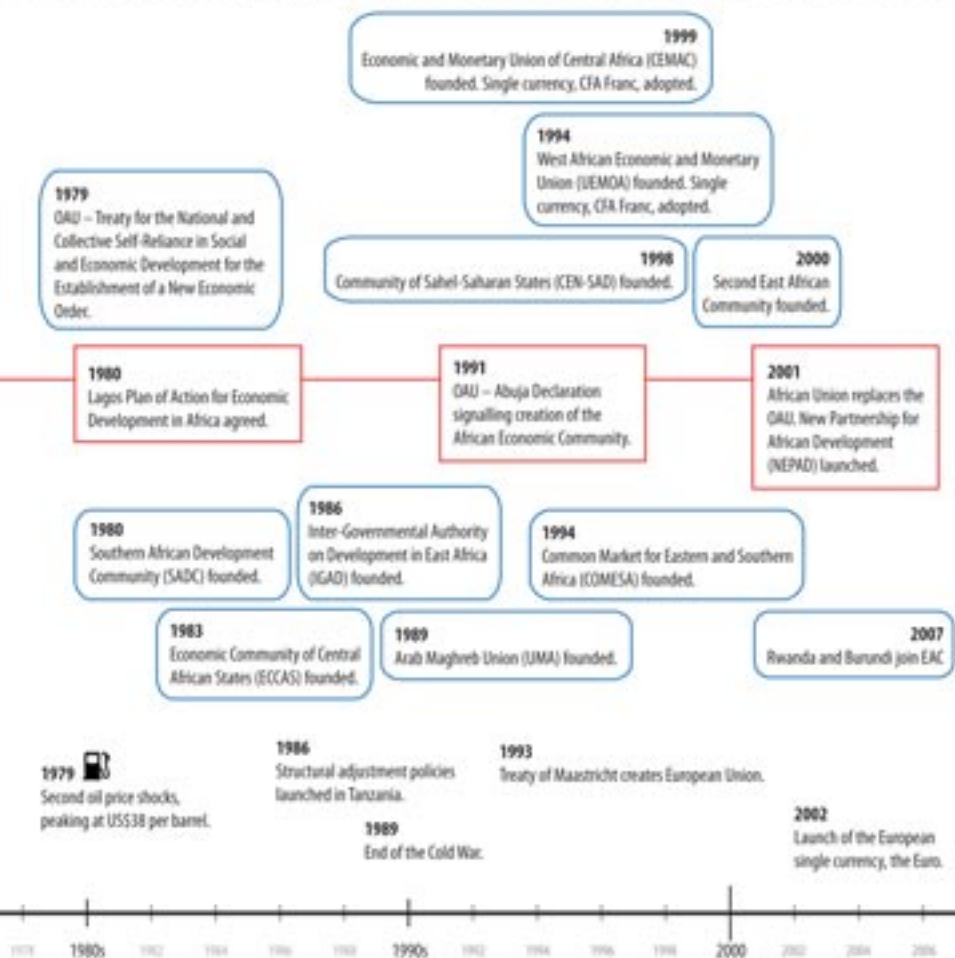




Adebayo Adedeji
Under-secretary-general, United Nations
(1978-1991)



Thabo Mbeki,
President of South Africa
(1999-2008)



Self-reliance

The goal of economic integration was formally adopted in the Lagos Plan of Action for the Economic Development of Africa (LPA). The plan set a 20-year time frame to create a single unified African economy for the next millennium. Self-reliance was a recurrent theme of the LPA. Industrialisation and regional trade were encouraged as a means to reduce dependence on foreign markets.

The LPA did not make explicit reference to poverty, although paragraph 13 stated that ‘the same determination that has virtually rid our continent of political domination is required for economic liberation’. It contained objectives for diverse sectors including food and agriculture, trade and finance, environment and development, education, energy, technical cooperation, transport, and the economic role of women. Five proposals argued for closer integration, namely:

- Strengthening sub-regional and regional cooperation
- Economic and technical cooperation with other developing countries
- More intra-regional cooperation, emphasising intra-regional trade
- Commitment to ‘sustainable economic development’ of member states
- Integration of economies while preserving cultural values.

The LPA mapped two phases for implementation. In the 1980s, priority would be given to harmonising trade within existing regional economic communities. New regional blocs would be created spanning all five sub-regions of the OAU, as a precursor to an African Common Market. In the 1990s, the second phase would lay foundations for a unified African Economic Community. In reality, both decades witnessed a loss of momentum – and further deterioration in conditions for the poor.

The 'lost decade'

Over the course of the 1980s, the trajectory charted at Lagos was obscured by deepening economic crisis. Structural adjustment became the dominant policy agenda in Africa. The term covers a wide range of reforms, championed by the World Bank and International Monetary Fund, to liberalise the political economies of an increasingly indebted continent.

A common premise was that Africa's problems were man-made, and a consequence of mismanagement. Economists reasoned that they could be corrected by better management, which required competition: first, in the economic realm, and later in the form of democratic politics. Markets were seen as a mechanism for reform. Although often imperfect, liberal economists argued that markets were less fallible than people – and certainly politicians.

The lasting effects of structural adjustment are clearly evident in Africa today, for better and for worse. Fiscal discipline and macroeconomic targets brought stability and tamed inflation. Much less attention was paid to the impact of austerity measures, especially on rural populations hit by the adverse effects of drought and tumbling commodity prices.

In return for cheap loans, African governments adopted Structural Adjustment Programmes (SAPs) prescribed by international creditors. Tariff barriers and subsidies for agriculture were systematically dismantled. Privatisation of state enterprises and 'downsizing' Africa's inefficient public sector were seen as key measures of commitment. As government revenues fell, spending on public health, education and food subsidies was sharply curtailed.

Average per capita incomes continued to fall throughout the 1980s in most African states. Rural populations suffered most, in the wake of long under-investment in agriculture by post-independence

African alternatives to structural adjustment

Attempts to liberalise African economies encountered fierce resistance. Critics argued that structural adjustment had been imposed by the World Bank, as a condition for cheap loans from the International Monetary Fund. Julius Nyerere, former president of Tanzania, was scathing in his criticism of the one-size-fits-all prescriptions of multilateral lenders: "I told them have some humility", he said in 1999.¹²

In 1989, the United Nations Economic Commission for Africa in Addis Ababa prepared an African response to SAPs, the African Alternative Framework to Structural Adjustment Programmes for Socio-economic Recovery and Development. The central argument of AAF-SAP, coordinated by UNECA executive secretary Adebayo Adedeji, was that poverty reduction should be at the forefront of reform efforts in Africa.

The modest gains in economic growth and fiscal stability achieved under structural adjustment were mitigated by falling average per capita income and rising poverty. AAF-SAP blamed the plight of African economies on 'a vicious interaction between excruciating poverty and abysmally low levels of productivity'.¹³ Human development – synonymous with tackling poverty – was the motivating principle behind the AAF-SAP initiative, namely 'to ensure the overall well-being of the people through sustained improvement of their living standards'.

AAF-SAP called for more spending on social services, health and education. It proposed that 25% of total public investment should be targeted on agriculture, to promote self-sufficiency in food production. Regional integration – of both physical infrastructure and institutions – was proposed as a means to encourage diversification of African economies. As a response to structural adjustment, the AAF-SAP document was not welcomed by the Bretton Woods institutions in Washington. Yet today, most of its ideas appear uncontroversial and are found in the policies of many international development agencies.

governments intent on industrialisation. The abolition of inefficient and often corrupt subsidies for staple crops increased dependence on emergency food aid. The 1980s became known as a 'lost decade'.

The road from Abuja

Some of the approach and outlook expressed in AAF-SAP was reflected in the Treaty Establishing the African Economic Community adopted at Abuja in 1991. The principles of self-reliance and regional cooperation were re-stated. As foreshadowed in the LPA, Abuja anticipated an African Economic Community founded on an underlying – or 'sub-continental' – structure of regional communities. Its six stages in the creation of a unified African economy included renewed emphasis on the economic process:

- More sub-regional and regional cooperation
- Abolition of internal tariffs and regional free trade areas
- Harmonisation of intra-regional tariffs within new customs unions
- Monetary union and creation of common regional currencies

The Abuja treaty proposed that progress towards unification would generate trade and investment within regions. Larger regional markets would reduce dependence on foreign markets, and encourage new African industries. A balanced process of liberalisation, to allow for protection of vulnerable sectors, would enable diversification – and, ultimately, an end to dependence on donors and external aid.¹⁴

Poverty on the agenda

Political and economic conditions in the 1980s and 1990s placed increasing strain on the OAU. Effective conflict mediation proved beyond its ability at a time of protracted liberation struggles in Lusophone Africa, and regional conflicts in the Great Lakes and West Africa. But in 1999, heads of state and government signed the Sirte Declaration to transform the OAU into a new African Union (AU). The

The countdown to 2034

Plotting an African Economic Community

The Abuja Treaty came into effect on May 12th 1994. The treaty outlines the steps to create a unified African Economic Community by 2027, including:

- A single currency
- Full mobility of capital and labour
- Free trade among the 53 countries.

It sets out a six-phase timetable for integration spanning 34 years, from 1994 to 2027.

In the first stage, to 1999, Regional Economic Communities (RECs) were to be strengthened or new ones created. In the second stage (1999-2007), member states were to encourage integration through two processes.

The initial goal was to rationalise existing tariff and non-tariff barriers to trade, including customs duties and internal taxes. The next goal was to coordinate RECs, in order to harmonise their activities in trade, agriculture, transport and finance.

A third stage (2007-2016) requires the abolition of internal tariffs and non-tariff barriers to intra-regional trade. This stage, in which RECs are to become free trade areas and customs unions, also requires member states to set a common external tariff on imported goods and services from third states.

In the fourth stage (2017-2018), RECs are to eliminate all intra-regional tariffs and other non-tariff barriers to create a single pan-African customs union. The fifth stage (2019-2022) sets out criteria for the creation of an African Common Market. Member states are to adopt common monetary, financial and fiscal policies, with free movement of capital, labour and people, without restrictions on rights of residence.

The sixth stage (2023-2034) inaugurates the African Economic Community and the free movement of capital and labour within a single African market. Pan-African economic and monetary union will introduce a single currency administered by a common central bank.

The Abuja Treaty vested political decision-making within the OAU Assembly but anticipated the creation of a Pan-African parliament, elected by the entire African population. Other institutions would follow, including a Court of Justice, a Secretariat, an Economic and Social Commission and various specialised technical commissions.

Constitutive Act of the African Union was ratified by two-thirds of OAU member states, and signed at the Lusaka Summit in Zambia in 2001.

The AU brought new life to the regional integration process, signalling a shift to a more proactive agenda. Its founding charter emphasises African solidarity, cooperation and development. A common defence policy gives authority to the AU to intervene directly in member countries in cases of crimes against humanity, or to intervene to restore peace and security when requested by a member state.

The Pan-African Parliament, comprising 265 elected representatives from all 53 member states, is designed to extend popular and civil society participation. The adoption of a New Partnership for Africa's Development (NEPAD) as a socio-economic programme of the AU expressed an explicit commitment to poverty reduction.

NEPAD combined two previously existing proposals for African development. The Millennium Partnership for the African Recovery Programme (MAP) was promoted jointly by former South African President Thabo Mbeki, former Nigerian President Olusegun Obasanjo and Algerian President Abdelaziz Bouteflika. It proposed a new partnership between Africa and the industrialised nations based on joint responsibility and mutual self-interest.

The Omega Plan, promoted by President Abdoulaye Wade of Senegal, set an economic growth target of 7% per annum and identified investment in infrastructure, education, healthcare and agriculture as a precondition for growth. The two plans were combined in order to create a truly pan-African development agenda.

NEPAD, like the Omega Plan, has set an annual growth target of 7%. It cites infrastructure as a priority, but attaches greater importance than

Omega to a partnership between African countries and industrialised nations.

The African Peer Review Mechanism is central to the methodology of NEPAD. Member states are required to submit to external evaluation, according to continent-wide criteria for democracy and institutions, economic management and socio-economic development.

A continent of regions

Among the greatest obstacles to effective integration is the plethora of regional institutions – the ‘spaghetti bowl’. Conflicting interests and the lack of concerted political will frustrated the process of regional integration in the post-colonial 20th century. According to NEPAD, institutions tasked with building African unity adopted an ‘ossified, static, protected-fortress approach to integration’.¹⁵

The AU recognises eight Regional Economic Communities (RECs) and a further six regional sub-groups. Most countries are members of two or more such groups. Kenya is a member of four – the East African Community, the Common Market for Eastern and Southern Africa, the Inter-governmental Authority on Development and the Community of Sahel-Saharan States. Each region includes a confusing number of inter-governmental organisations (IGOs), of which there are more in Africa than in any other continent.

The prevalence of overlapping memberships reflects the historical evolution of RECs. In the absence of more coherent structures, RECs have been tasked with diverse responsibilities. Member states are often hard-pressed to meet their financial obligations to these bodies. One third of all states within a regional community failed to honour their funding commitments to regional institutions in 2006. Attendance by national representatives at regional meetings has tended to be poor.¹⁶

In practice, while the process of closer integration is vested in regional bureaucracies, its implementation depends largely on individual member states – where other agenda often take precedence. In disputed regions, for example, conflict resolution has been a greater priority while integration has not been considered an effective mechanism to bring peace and security. National governments often have proved unwilling to cede aspects of national sovereignty to wider cooperative projects.

Fewer, stronger institutions

In 2004, a study commissioned by the Economic Commission for Africa concluded: ‘As things stand it is debateable whether regional economic communities have contributed...to the socio-economic transformation of African economies, to the reduction of mass poverty through sustained growth, and to the creation of an African common market leading to an economic community’.¹⁷ Rationalisation of regional institutions and IGOs is urgently needed.

“You must first set your house in order before you can begin to think of a bigger house to build.”

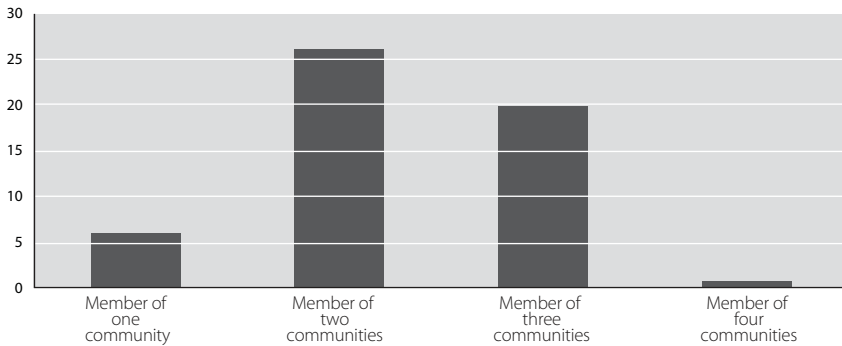
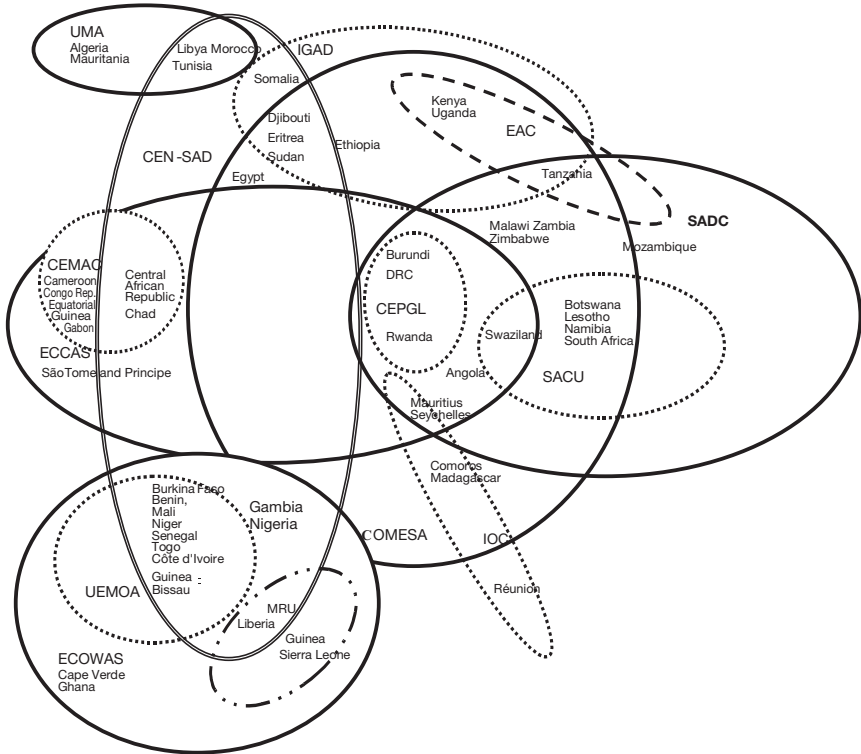
– Professor Adebayo Adedeji, former UN Under-Secretary-General¹⁸

Regional institutions have been under-resourced. Although the correlation between resources and performance is rarely simple, the human and financial capital for regional integration has been ‘minimalist’. A study undertaken in 2003 found that in the Economic Community of West African States (ECOWAS), fifteen national units responsible for managing regional integration were staffed by a combined total of 110 people, of whom half were support staff.

Regional institutions, by membership

| <i>Continental unions</i> | <i>Regional economic communities</i> | <i>Sub-regional groups</i> |
|--|--|--|
| <ul style="list-style-type: none"> • African Union (AU) <i>53 members</i> • Planned African Economic Community (AEC) | <ul style="list-style-type: none"> • Economic Community of West African States (ECOWAS) <i>15 members</i> • East African Community (EAC) <i>5 members</i> • Southern African Development Community (SADC) <i>15 members</i> • Common Market for Eastern and Southern Africa (COMESA) <i>20 members</i> • Economic Community of Central African States (ECCAS) <i>11 members</i> • Arab Maghreb Union (UMA) <i>5 members</i> • Community of Sahel-Saharan States (CEN-SAD) <i>25 members</i> • Inter-Governmental Authority on Development in East Africa (IGAD) <i>7 members</i> | <ul style="list-style-type: none"> • Monetary Community of Central Africa (CEMAC) <i>6 members</i> • Economic Community of the Great Lakes Countries (CEPGL) <i>3 members</i> • Indian Ocean Commission (IOC) <i>5 members</i> • Mano River Union (MRU) <i>3 members</i> • South African Customs Union (SACU) <i>5 members</i> • West African Economic and Monetary Union (UEMOA) <i>8 members</i> |

The 'spaghetti bowl'



Source: Economic Commission for Africa

The same study found that the average delay between the initial signing and eventual ratification of ECOWAS protocols was three years. The AU has recognised that mere lip service to the imperative of sub-regional cooperation is damaging to institutions.¹⁹

The Constitutive Act of the African Union recommends regular summits of regional leaders to speed up decision-making and provide leadership. A new commission and technical committees are tasked with specific aspects of integration. Regional central banks were mandated to assume control of monetary policy, and to oversee the process of creating common regional currencies.

Poverty versus other priorities

The issue of poverty has crept up the agenda of regional economic communities. In 1995, a revised ECOWAS Treaty defined the purpose of regional integration in terms of socio-economic development – ‘the living standards of its peoples’. Amendments to the SADC founding treaty, ratified in 2001, adopted poverty reduction as a new objective – ‘to ensure that poverty eradication is addressed in all SADC activities and programmes’.

The terminology varies, but the mention of living standards and poverty implies a common readiness to revise the priorities of regional institutions. Arguments for integration are dominated by economic policy goals, notably for regional trade. The creation of trading blocs, cross-border initiatives and a move towards monetary union are proposed as the best prospect for winning foreign direct investment.

No doubt the emphasis on an economic rationale for integration has merit. Sustained economic recovery is more likely to bring diversification in industry and other sectors, which in turn may bring more benefits for the poor. But there is – as yet – no evidence that

economic growth alone is sufficient to bring about a reduction in poverty. The orthodoxy of regional integration needs revision in the light of experience.

The key to effective integration is to develop a popular programme and prioritise policies most likely to help the poor. More attention should be given to the developmental role of transport infrastructure, shared utilities and power networks, telecommunications and information technology, managed water supplies and health care. A survey by the United Nations Millennium Project (UNMP) found that public goods such as these have been 'generally overlooked and underprovided'.²⁰

“African countries no longer have the luxury of avoiding the imperatives of integration, which is inescapable for most of them if they are to exit from the trap of growing aid dependency, or to consolidate the small gains made in the mid-1990s. The wider public across Africa must be convinced that their lives will be enhanced by the benefits flowing from integration.”

– Percy S. Mistry, senior adviser, Europa Partners²¹

Regional public goods depend on improved relationships between regional institutions and national governments. Regional projects should not be viewed as in competition with national priorities. Regional infrastructure, for example, brings economies of scale in construction costs and charges levied for services.

Unless regional pronouncements are supported by a parallel process in national institutions, they will amount to little more than platitudes.²² NEPAD's Framework document is significant in recognising that

‘provision of essential regional public goods’ is a key to effective integration.²³ The UNMP recommended that regional public goods ‘be supported internationally and integrated into national Millennium Development Goals-based poverty reduction strategies.’ Neither ambition can be achieved without cooperation between member states, and political will from African leaders.

2. Regional public goods

In Africa, our regional organisations suffer from a lack of institutional direction. Our objectives have not been clear – in stark contrast to, say, the World Bank, which has a very strong institutional culture. If you are with the Bank, the ideological context and purpose of your work are apparent from the outset whether you agree or not. There is a sense of mission. This is something I want to see replicated in Africa. A clear ideology to reduce poverty must be the driving force behind regional integration.

Regional public goods are the most effective way for these institutions to help the poor. This idea has not been widely recognised, and more empirical research needs to be done to convince those with other priorities. In the past, national interests have tended to prevail. Donors preferred to fund national projects, rather than regional ones. The need for regional coordination has been accepted in principle, but its importance as a means to reduce poverty is not reflected in national development priorities.

We need to be clear that regional public goods are not the exclusive preserve of the public sector. Public goods are those which bring a wider benefit beyond merely the interests of their sponsors or protagonists. They include the work of governments, the private sector and development agencies.

Cross-border infrastructure is a regional public good, as is the free movement of peoples, and conflict prevention. Some may be highly profitable, such as foreign investment in telecommunications. Others are not narrowly commercial, such as the eradication of onchocerciasis, or river blindness.

- J.C.S.

The legacy of Africa's liberation struggles has been a preoccupation, among political leaders, with the pursuit of national sovereignty – a prize which, even today, is far from secured. Few African governments can claim either the resources or the institutional capacity to safeguard their national interests by purely national means. The case for a renewed emphasis on regional public goods grows stronger each year.

Certain hard truths stand in the way – and they are best stated bluntly. No government, anywhere, willingly surrenders national sovereignty, even a small part of it. In Africa, none is able to meet the legitimate expectations of its citizens. But a vast majority of the continent's leaders understand that more effective cooperation – sub-regional, regional and pan-African – has become imperative. Greater scale, and economies of scale, are the only effective response to under-capacity in national systems.

It follows that the projects surveyed in these pages are a measure of statesmanship in Africa. Investing national resources in regional public goods is a test of political will. Regional plans depend on commitment from national authorities. They make sense only after an hard-headed assessment of the prospects for smaller scale programmes. A combination of vision and humility is required – an amalgam which at first can seem counter-intuitive for those yoked to a domestic agenda.

Defining public goods

Where the political will is convincing, other actors often follow. Regional public goods are by no means the preserve of governments or the public sector. Where they work well, they have proved to be a catalyst for substantial private investment. The N4 toll road, a highway linking South Africa to Mozambique, is among the best-known examples. Others include the digital mobile phone networks built by multinational companies, and Chinese investment in Africa's railways under the terms of oil-for-infrastructure swaps.

In Mozambique, cross-border infrastructure connected to the rehabilitated harbour capital of Maputo sustains an economic ‘cluster’ known as the Maputo Development Corridor. In Lesotho, the construction of the Highlands Water Project is on course to become the single largest transnational project in Africa, at an estimated cost of US\$8 billion.²⁴ Although aspects of its social and environmental impact have been controversial, the principle of trading Lesotho’s water for South African development funding is a win-win formula. On the other hand, the Chad-Cameroon pipeline is a warning that adherence to poverty reduction measures relies on honest commitment from all involved.

The examples which follow have not been selected with any rhetorical intent. They include instances of regional projects which have under-performed, and others which have failed to help the poor. The lesson is not that African institutions are unequal to the task, but that every intervention of this kind depends ultimately on sound management and informed policy choices. Regional public goods are an unalloyed benefit for the poor, but much scope remains to make them vastly more effective in reducing poverty.

The price of travel

The cost of transporting goods in Africa is the highest in the world.²⁵ Imported capital equipment, for example, can be 70% more expensive in sub-Saharan Africa than for OECD or East Asian countries. The average cost in 2009 of shipping a container from sub-Saharan Africa to the US was US\$7,600, compared with US\$3,900 from South Asia and US\$2,100 from the Middle East and North Africa.²⁶ According to some estimates, a 50% reduction in transportation costs would bring a five-fold increase in Africa’s total volume of trade.²⁷

One third of Africans live in the continent’s 15 landlocked countries. Inland regions tend to have higher rainfall, better soils and a lower

incidence of malaria – but they are isolated by inadequate road networks. Africans are, on average, 50% more distant from economic markets than Europeans.²⁸ Fewer than one in five main roads are paved, and only half of Africa’s rural population lives within two kilometres of an all-weather road.²⁹ Only Latin America, where most people live in coastal areas, has a lower road density than Africa.³⁰

“We need scale and we need that now – not tomorrow, the next year or the year after”

- Mo Ibrahim, former chairman of Celtel cellular phone operator³¹

High transport costs have a direct impact on the poor. Two thirds of Africa’s population depend on agriculture for their livelihood, but without adequate roads farmers cannot readily transport their produce to market. In Malawi, where agriculture accounts for 90% of total export earnings, about 85% of households are smallholder farmers. The cost of exports is an obstacle to raising rural incomes. Transport costs absorbed 53% of the value of all exports from Malawi in 2007.³²

Transport directly affects the availability of preventative and emergency health care, and a patient’s ability to access facilities. In rural Tanzania, 84% of women who gave birth at home say they intended to deliver at a hospital or clinic but were deterred by distance and inadequate transport.³³ Much of Africa’s transport infrastructure dates from the colonial era and has suffered from decades of under-investment. Regional transport networks are geared to the export of raw materials and imports of manufactured goods.

Railway lines, ports and roads have not been adapted to meet new imperatives. From 1973 to 2003, the proportion of development assistance allocated to transport infrastructure fell from 30% to 10%.³⁴ According to one UK aid official: “It is more sexy to lend for a school

than a thermal power plant.”³⁵ In 2007, the African Union identified infrastructure to enhance industrial competitiveness as a priority of its Action Plan for Accelerated Industrial Development of Africa.

Massive investment is required to redress Africa’s infrastructure deficit. In the coming decade, the World Bank estimates that Africa will require US\$93 billion annually for new infrastructure and maintenance – more than double recent levels of expenditure. That figure is equivalent to 15% of Africa’s annual GDP, and comparable to China’s total investment in African infrastructure over the course of the past decade.³⁶

Tarmac, track ...

Regional cooperation in road-building dates from the 1970s when the ambitious concept of a trans-African highway was first mooted. The proposed 59,100 km network comprised three north-south routes and six east-west routes. Progress has been slow. Although substantial work was carried out along some routes, and still continues on others, none has been completed. In the 1970s and 1980s, the value of Africa’s road stock deteriorated by an estimated US\$45 billion – a loss which could have been averted at a cost of about US\$12 billion for maintenance.³⁷

If all connecting roads between the countries of West Africa were paved, intra-regional trade would increase by a factor of three, while simultaneously improving the competitiveness of all other exports. The World Bank estimates that improved road networks in sub-Saharan Africa could increase the value of overland trade by US\$250 billion over a decade. The initial investment required is US\$20 billion, with annual maintenance costs of US\$1 billion.³⁸

Rural infrastructure can reduce the cost of marketing agricultural crops, and encourage smallholder farming. For example, Ethiopia’s Road Development Programme has doubled the reach of tarmac roads among

The Cape-to-Cairo Express

Colonial public goods

In the early 20th century, Africa's best-known infrastructure development was a Cape-to-Cairo imperial highway. Its most ardent proponent, Cecil Rhodes, envisaged a railway, river and telegraph link 'to cut Africa through the centre'.³⁹ Railway 'arteries' to the east and west coasts would deliver and collect goods from landlocked countries and stimulate trade along the routes between Africa's ports.

The combined exports of sub-Saharan Africa were then less than £20 million, or one third of the equivalent figure for India. Imperialists in each of Europe's colonial powers saw a great commercial and political opportunity. But 'general poverty' and the absence of transport infrastructure in Africa were cited as barriers to economic and 'moral' development.

The favoured solution was more railways, river and lake transport, all-weather tracks and a free trade zone spanning the length and breadth of the continent. Precedents were numerous. The Union Pacific line in America crossed an entire continent. A Trans-Siberian Railway connected Moscow to Vladivostok, a distance of 8,581 kms. When Cape Town was linked with Cairo, 8,046 kms away, there would be 'no single point as remote from a port as some of the districts of America.'⁴⁰

By 1900, the railway reached Victoria Falls in the south, and Wadi Halfa in the north. Work was soon completed on numerous east-west lines, including the Uganda railway from Mombasa to Lake Victoria and the Dar es Salaam to Lake Tanganyika route through German East Africa. Railway development proceeded rapidly in Portuguese East Africa (today's Mozambique), Portuguese West Africa (Angola) and in the Belgian Congo.

Completion of the Cape-to-Cairo corridor was stymied by economic constraints after World War I. In the 1970s, Chinese engineers began construction of a 1,770-kilometre Tanzania-Zambia rail and road route – a reminder that the potential of railways in Africa was recognised by post-independence administrations. In 2009, plans were revived for a rail link between southern Sudan and Kenya.

rural populations. About 70,000 km of new roads were built in rural communities within 15 years.

In November 2009, the African Development Bank announced a US\$452 million investment in roads in Kenya, Ethiopia, Djibouti and Uganda. Two-thirds of this sum is earmarked for the Mombasa-Nairobi-Addis Ababa highway. Work on Uganda's roads is expected to improve the livelihoods of 800,000 people in Uganda alone.⁴¹

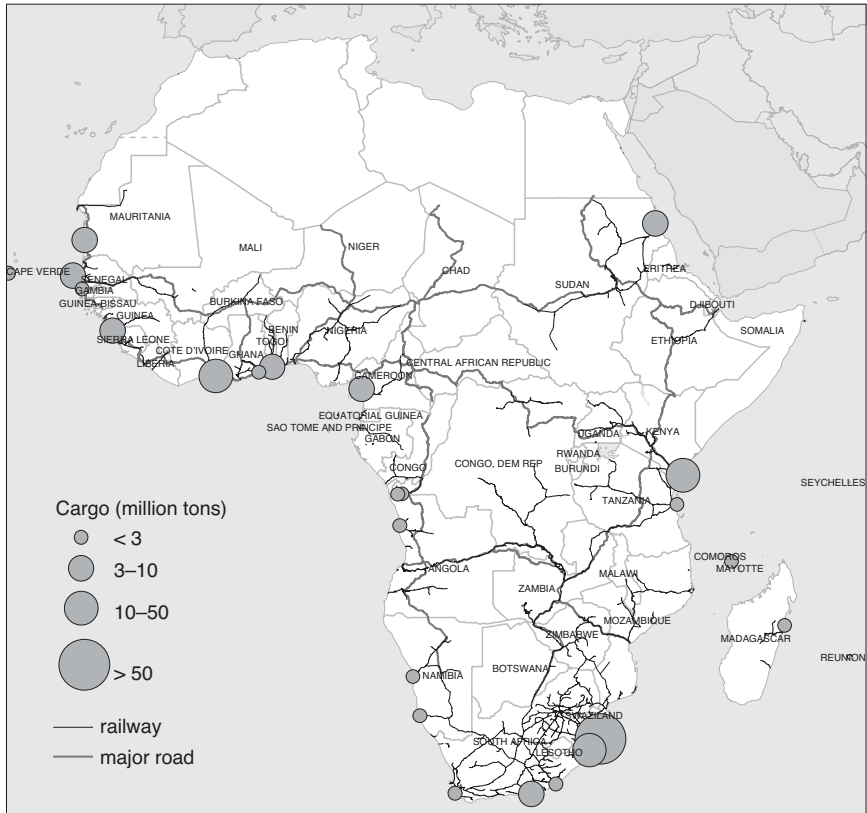
In East Africa, the century-old railway from the port of Mombasa was an important trade route to the hinterlands of Kenya, Uganda, Rwanda, Burundi, Democratic Republic of Congo, Tanzania and South Sudan. The risk of derailment after decades of under-investment has slowed trains to a maximum speed of 40 kilometres per hour. Today, less than 6% of the region's freight is carried by rail.

“A mega project can happen because we saw it happen during the old East Africa Community days, when all regional haulage was by rail and EAC countries were virtually borderless.”

- George Wachira, Business Daily ⁴²

Kenya Railways, the state rail operator, has announced plans to build a new US\$4 billion high-capacity rail line from Mombasa to Malaba, on the Ugandan border – Kenya's biggest infrastructure project since the 1970s. Further extensions to the line are under discussion. The government of South Sudan has announced its intention to build a rail link from Juba to the new line and to lobby for membership of the East Africa Community.

African ports, by size



Source: Mundy, M., Penfold, A., *Beyond the Bottlenecks: Ports in Sub-Saharan Africa*, Background Paper 8, Africa Infrastructure Sector Diagnostic, World Bank, 2008.

... and harbours

A long period of neglect of African ports – on which whole regions rely – is drawing to a close. Hopes of reviving East Africa’s rail network are driven in part by plans to double the cargo capacity at Mombasa by 2030. In 2009, the government of Tanzania announced its intention to expand five ports to handle increased volumes of trade with Uganda, Rwanda, Burundi, Malawi, Zambia and DR Congo. Greater competition

among regional ports will reduce transport costs and provide a choice of trade routes for landlocked states.

Other East African ports have attracted private investment. DP World, a Dubai-based marine terminal operator, has invested US\$800 million in Djibouti, creating the largest port in East Africa. The investment has improved facilities for handling Ethiopia's imports and exports, including an oil terminal, an expanded container terminal and an industrial 'free zone' to attract business.

Increased capacity in Djibouti is due largely to construction of the Doraleh Container Terminal. Situated on an artificial island, a new deep-water channel enables the terminal to accommodate the largest container ships with a draft of up to 18 metres. A causeway of 1,050 metres can handle 1.2 million containers annually. In both 2007 and 2008, annual cargo volumes increased by more than 20%.⁴³

Under its 30-year concession to manage the port of Djibouti, DP World plans a second phase of new construction at Doraleh Container Terminal to extend the causeway to 2,000 metres, creating sufficient capacity to receive three million containers each year. In 2007, DP World also signed a US\$700 million agreement to extend the existing container terminal at Dakar, Senegal to treble existing capacity.

Development corridors

Development corridors are large-scale infrastructural projects, often along historic trade routes, to foster regional trade and economic growth. A flagship initiative of the New Partnership for Africa's Development (NEPAD), they may include regional power pools, water resources and information technology. In 2005, NEPAD commissioned a study of 12 possible development corridors in Africa. Of these, seven were shortlisted for further evaluation from the NEPAD Spatial

Development Programme:

1. Bas-Congo – DRC, Republic of Congo, Angola. A triangular corridor to link the coastal town of Bas Kouilou in the Republic of Congo-Brazzaville to Kinshasa, Brazzaville and Quindonacaxa on the Angolan coast.
2. Maghreb Coastal – Morocco, Algeria, Tunisia, Libya, Egypt. From Agadir in Morocco, the corridor follows the Mediterranean coast through Algiers, Tunis, Tripoli to Cairo.
3. Niger – Senegal, Gambia, Mali, Niger, Nigeria. From the Senegalese capital, Dakar, through Banjul in the Gambia, east via Timbuktu and Bamako in Mali, through Niger to Port Harcourt.
4. Conakry-Buchanan – Guinea, Liberia, Côte d’Ivoire. A U-shaped infrastructure from Conakry, through Côte d’Ivoire to the Liberian port of Buchanan.
5. Gulf of Guinea – Nigeria, Benin, Togo, Ghana, Côte d’Ivoire, Liberia. From Port Harcourt, west along coastal Benin, Togo, Ghana and Côte d’Ivoire to Monrovia.
6. Mombasa – Kenya, Uganda, DRC, Sudan. From Mombasa port, west via Nairobi and into Uganda. From Uganda, two corridors diverge: west to Fort Portal, and northwest to north-eastern DRC and Juba in South Sudan.
7. Madagascar. From Ambovombe on the south-east corner of the island, north along the coast to Manakara, inland via the capital of Antananarivo, to the coastal town of Fenoarivo Atsinanana.

Acting, not talking

China's appetite for resources is a new kind of opportunity

As the largest investor in Africa's new infrastructure, China has changed the way that roads, dams, railways and power stations are commissioned and funded.⁴⁴ Annual investment from China in African infrastructure reached US\$7 billion in 2006, a seven-fold increase within five years. The terms of engagement are varied, and evolving fast.

The deals brokered by Chinese investors range from oil-for-infrastructure swaps to cost-recovery contracts, priced on commercial terms. Some may be more expensive than the discounted financing traditionally favoured by western multilateral lenders such as the International Finance Corporation, a subsidiary of the World Bank.

About one third of China's energy is sourced from Africa, where oil-producing states have traded long-term concessions for African oil in exchange for new infrastructure. State companies led by PetroChina, China National Petroleum Corporation and China National Offshore Oil Company are at the forefront of the new 'scramble for Africa'.

The terms of China's multi-billion dollar concessions in Angola, Nigeria and Sudan have prompted reports of a new geo-strategic rivalry between China and western nations in Africa. But on price alone, Chinese state companies often can outbid other multinationals in Africa. "While the West is talking, China is acting," said a spokesman for the Congolese president, Joseph Kabila.

An existential appetite for energy

China's domestic energy security is a foreign policy priority for the Beijing government, which commands more than US\$2 trillion in foreign reserves. Electrification is the single most visible benefit which the Chinese state can deliver to its billion-strong rural population. "Only a party which came to power by rural unrest knows what it means to live in fear of rural unrest," suggests ambassador Richard Williamson, a former US special envoy in Africa.⁴⁵

In 2005, for example, Angolan state oil company Sonangol – China's largest supplier of crude oil – agreed a US\$2 billion syndicated loan from China's

Exim Bank. The arrangement ousted a consortium of western banks, which had sought to attach 'transparency' conditions to the loan in response to pressure from anti-corruption campaigners. As a leading financier of China's foreign acquisitions, Exim bank is largely insulated from such concerns by Beijing's policy of 'non-interference' in the affairs of sovereign African states.

Political leaders on both sides prefer expressions of South-South solidarity, often backed by symbolic Chinese 'gifts' of new national parliaments and stadiums. Yet most African governments are keen to exploit external funding from both China and traditional donors. A significant difference has emerged between the so-called 'Beijing model' for Africa's development and the complex 'good governance' criteria touted by Western institutions.

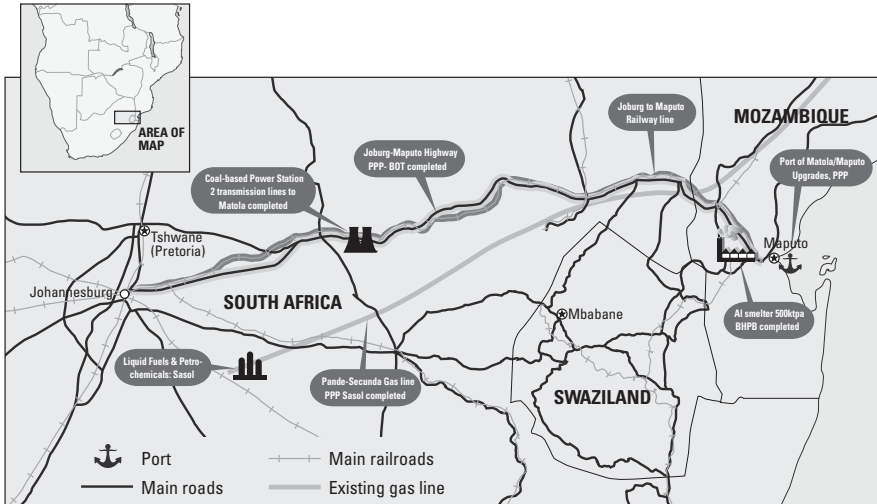
In November 2009, the Democratic Republic of Congo watered down a US\$9 billion concession for copper and cobalt in exchange for Chinese-built infrastructure, including 31 hospitals and 250km of new roads. By trimming a third from the price-tag for China's contract with the state-owned Congolese mining group, Kinshasa will qualify for a renewed IMF aid package.

Next to its own energy security, Chinese investment is critical to address Africa's under-capacity in power generation. In Ethiopia, Chinese companies will invest US\$12 billion over 25 years in two hydro-electric power plants to meet soaring demand from Addis Ababa and export surplus electricity to Ethiopia's power-starved East African neighbours.

By setting commercial terms to recover its investment, analysts speculate that China's new role may prove more sustainable over the long term than concessionary funds from western agencies.

Building regional infrastructure in southern Africa

The Maputo Development Corridor



Source: Mintek, South African National Mineral Research Organisation, for World Bank, *World Development Report*, 2009.

The Maputo Development Corridor (MDC) was the first project of this kind in Africa, and has attracted over US\$5 billion in private investment. A partnership between post-apartheid South Africa and post-conflict Mozambique, it revived an historic trade route linking the landlocked Gauteng province, the industrial hub of South Africa, to its closest port in the Mozambican capital, Maputo.

The tonnage of cargo transported via this corridor increased by 185% between 2000 and 2006, while cargo volumes handled by the port rose by more than a quarter in the two years to 2006.⁴⁶ The key components of the MDC are:

- The N4 toll road, 630km in length, privately funded at a cost of US\$400 million
- Rehabilitation of the port in Maputo
- Improvements to the Lebombo border post
- Construction of two high voltage electricity lines from South Africa to Maputo
- Development of the Pande-Temane gas field in Mozambique and construction of a US\$1.4 billion pipeline to South Africa
- The US\$2.1 billion Mozal aluminium smelter, the second largest in Africa.

Power-hungry

Access to electricity and poverty reduction are directly correlated. In countries with an annual per capita consumption below 1,000kWh, average literacy rates are below 50% and fewer than 40% of people have access to clean water. In countries where per capita consumption of electricity reaches 2,000kWh, the same indicators are 85% and 90% respectively.⁴⁷

"Infrastructural development is not merely about erecting giant structures but providing vital services, such as affordable energy for cooking, heating and lighting."

– Ina Urua, industrial engineer, African Development Bank⁴⁸

African firms report losing 5% of their sales as a result of power cuts. In the informal sector, the main source of employment for Africa's poor, power cuts are estimated to reduce turnover by 20%.⁴⁹ In Nigeria, which operates only one third of its installed energy capacity due to neglect and under-investment, a typical company suffers seven weekly power cuts, each lasting about two hours on average.⁵⁰

Electricity generating capacity has lagged behind population growth. In sub-Saharan Africa – with a population of 800 million – generating capacity is roughly equivalent to that of Spain, with a population of 45 million. Eskom, the state-owned utility in South Africa, generates half of all electricity in Africa. Excluding Eskom, generating capacity in sub-Saharan Africa is comparable to that of Argentina.⁵¹

Africa's population has tripled since the 1960s, while its energy output has stagnated. Demand for energy is expected to grow by 5% per annum over the next 20 years. In 1970, sub-Saharan Africa had three times as much power-generating capacity per 100 million people as South Asia. Thirty years later, generating capacity in South Asia per 100 million people was double that of sub-Saharan Africa.⁵²

Poor power generation is matched by low levels of electrification. Less than a quarter of the population of sub-Saharan Africa has access to electricity, falling to 2% in rural areas. Under-capacity pushes up the cost of energy and damages the environment. Many poor households continue to rely on kerosene, wood or charcoal, which account for 90% of energy consumption. Africa is the world's largest consumer of these biomass fuels.

Power-sharing

In spite of power shortages at home, Africa is a net exporter of energy. The continent produces 7% of the world's commercial energy, but consumes only 3%.⁵³ The power sector is singled out for almost half of the US\$93 billion in new infrastructure investment recommended by the World Bank. It calculates that if the regional market for trading power between states were fully efficient, then 16 African countries could source more than half of their power from regional suppliers.⁵⁴

The potential for hydroelectric power, in particular, remains untapped. Almost half of African countries could profitably generate hydropower,

The Southern African Power Pool, and Inga

Regional power pools can improve access to reliable, affordable energy by unlocking substantial economies of scale. The Southern Africa Power Pool was created in 1995 after years of persistent energy shortages. Eight of the fifteen member states of the Southern African Development Community (SADC) are connected to the regional grid: South Africa, Botswana, Lesotho, Mozambique, Namibia, Swaziland, Zambia and Zimbabwe.

Power transmission lines enable neighbours to share power. The Matimba-Phokoje-Insukamini transmission line, for example, links Eskom of South Africa with the Botswana Power Corporation and the Zimbabwe Electricity Supply Authority. A Southern African Power Pool Coordination Centre, located in Harare, coordinates electricity trading among members of the pool in the form of both long term bilateral agreements and short term energy contracts.

Plans to connect Angola to the Southern African Power Pool grid require a substantial increase in supply, to be met by a new hydroelectricity plant at Inga in the Democratic Republic of Congo. After years of neglect and under-investment, two existing power plants at Inga, built in 1972 and 1982, are unable to meet the needs of the power pool.

The third plant, Inga-3, is intended to provide new capacity of 3,500 megawatts for distribution throughout the SADC region. Construction, expected to begin in 2010, will comprise eight new tunnels each with two turbines. The expansion plan is sponsored by Western Power Corridor (WestCor), a consortium of five national power companies: South Africa's Eskom, Namibia's NamPower, Angola's *Empresa Nacional de Electricidade*, Botswana's Power Corporation and the *Société Nationale d'Electricité* from Democratic Republic of Congo.

but only 7% of this potential has been exploited to date. A substantial proportion lies in fragile states, notably the Democratic Republic of Congo, Guinea and Ethiopia.⁵⁵ For example, investment in new hydroelectric dams and modernisation of the Inga hydroelectric plant on the Congo river could transform the market for electricity trading in sub-Saharan Africa.

China has become a significant investor in new energy and power generation. Between 2001 and 2006, the average annual investment from China in African energy projects was US\$1.7 billion.⁵⁶ Among those under construction, eight Chinese-backed hydroelectric dams – in Sudan, Zambia, Ethiopia, Mozambique, Nigeria, Ghana, DRC and Gabon – will generate a combined capacity of more than 7,000 megawatts, an increase of 40% in Africa’s total hydroelectric capacity.

‘Power is Africa’s largest infrastructure challenge by far’ – The World Bank⁵⁷

The natural distribution of coal, oil, rivers, biomass, solar and wind resources has created energy ‘imbalances’ between countries, and regions. Oil and gas reserves are mostly situated in North and West Africa. Hydrothermal power is concentrated in Central and East Africa, while coal is the largest source of energy in southern Africa.

Power-sharing at the regional level can redress these imbalances and bring down the cost to consumers. The average price of power in Africa is double that of other developing regions. Governments in sub-Saharan Africa spend just 3% of their combined gross domestic product on energy, while development aid to the sector remains far short of the World Bank’s estimated requirement for generating capacity.⁵⁸

The digital connection

The use of mobile phones has grown at an unprecedented rate in Africa. Between 2001 and 2006, the sector became a magnet for US\$14 billion in new investment, mostly from private companies. Africa became the fastest growing mobile phone market in the world. Since 2003, the tally of mobile phone subscribers has increased more than seven-fold to 350 million in 2008.⁵⁹

One in three Africans has access to a mobile phone. Only five countries have rates of access lower than 10% – Burundi, Eritrea, Djibouti, Ethiopia and Somalia. The commercial market is forecast to continue its exponential growth. Regional operator MTN anticipates average mobile penetration rates of 80% by 2012 in its 15 African markets.⁶⁰

To date, Africa is the only continent where revenues from mobile phones are higher than those from fixed land lines. The transformative potential of new mobile networks is immense. In Kenya, for example, a mobile banking service, *Mpesa*, has extended banking services beyond the 10% of Kenyans with formal bank accounts. *Mpesa*, a joint venture between donors and Vodacom, enables people to use mobile phones to send money or airtime to friends or relatives, and to pay for utilities or instalments on a microfinance loan.

“The first generation of mobile phone operators in Africa were really buccaneers. What we are seeing now is a quiet revolution”

– Strive Masiyiwa, chief executive, Econet ⁶¹

Access to information within rural communities has improved substantially. For example, the Kenya Agricultural Commodities Exchange, a private company, sends daily SMS text alerts to update farmers on movements in commodity prices. Kenya’s Health Plant Inspectorate Service, a government regulatory body, provides an SMS-based service to advise farmers on the best variety of maize for different regions.

The boom in mobile telephony followed the introduction of pre-paid services supported by the digital Global Systems for Mobile (GSM) standard. Previously, analogue networks were concentrated in suburban areas, and funded by private borrowing. Analogue handsets sold for up

A cautionary tale

The World Bank and the Chad-Cameroon oil pipeline project

The US\$4.2 billion project to build and operate a 1,070 km oil pipeline from southern Chad to the Atlantic is the largest private sector investment yet in sub-Saharan Africa. But attempts to ensure that windfalls from large scale infrastructure projects are deployed in poverty reduction were frustrated.

The consortium of oil companies developing the pipeline comprised Exxon Mobil, Petronas Malaysia and Chevron. The World Bank became involved as an investor and 'moral guarantor'. A series of disputes between the government and the Bank became public soon after oil began to flow in 2003. The main bone of contention was the Chadian government's handling of the revenues. It had agreed to channel the windfall into education, health, rural development, infrastructure and water, and to place a further 10% in a Future Generations Fund.

In December 2005, the Chadian parliament amended its Revenue Management Law 001 to increase the proportion of revenue which could be allocated to 'non-priority' sectors from 13.5% to 30%. The World Bank responded by suspending all new loans and grants to Chad, and freezing oil revenues held in an escrow account in London. After a *coup d'état* in April 2006, Chad resumed negotiations and agreed to spend 70% of revenues on poverty reduction.

In August 2006, a dispute between the Chadian government and the oil companies arose over the non-payment of taxes. The consortium was ordered out of the country, just as Chad renounced its diplomatic recognition of Taiwan in favour of China. The dispute was resolved when Petronas Malaysia and Chevron agreed a tax settlement. In August 2008, the World Bank reiterated concerns about Chad's use – or misuse – of oil revenue. The Chadian government responded by repaying all outstanding loans to the bank, and the bank's role as 'moral guarantor' to the project ended.

Source: Pegg, S., 'Chronicles of Death Foretold: The collapse of the Chad-Cameroon pipeline project', *African Affairs*, Volume 108, April 2009.

to US\$1,000 each. The high costs of operating a tiny network for a small subscriber-base were passed on to consumers.

The second generation of regional digital networks in Africa has attracted billions of dollars in new investment from multinational operators. Encouraged by the prospect of licensing fees and tax revenues, governments revamped regulatory authorities and introduced competitive auctions for aspirant operators. Fierce competition has forced down prices, while pre-paid phone cards have brought mobile phones within reach of people without bank accounts or credit records.

Water-sharing

The poor suffer most when water services are managed badly. Safe water, sanitation, and irrigation are essential to health and livelihoods. Improved sanitation reduces morbidity from diarrhoeal diseases by 32%, while clean drinking water reduces the incidence of diarrhoea by a further 35% to 39%, according to the World Health Organisation. Schistosomiasis, an intestinal parasite also known as bilharzia, which kills tens of thousands every year, and trachoma, which causes blindness, are linked to unsafe water.⁶²

Regional approaches to managing water resources are essential. Africa has more international rivers spanning three or more countries than any other continent. The 15-member Southern African Development Community spans 15 river basins which cross state boundaries. Competition for water resources can delay construction of much-needed infrastructure, such as irrigation or hydropower plants. In the Nile basin, a dispute over right of access to the river's water has been a longstanding barrier to growth and development.

Water infrastructure in most of sub-Saharan Africa is fragile or under-developed. Only 4% of arable land is irrigated, compared with 29%

in East and South-East Asia and 41% in South Asia.⁶³ Improved storage capacity is another priority: the variability of climates in Australia and Ethiopia is similar, but per capita storage capacity in Australia is 5,000 cubic metres, compared to Ethiopia’s 45 cubic metres.⁶⁴ Even in South Africa, water storage capacity is one seventh of that in Australia.

In rural areas, poor irrigation slows agricultural productivity – a significant cause of poverty. Farmers who depend on rain to water their crops are vulnerable to changing weather patterns and restricted to a limited range of seasonal crops. Women and children suffer disproportionately from inadequate water supplies, as they are often responsible for fetching water and can spend many hours each day walking to and from water sources. Girls often miss school during menstruation, due to inadequate sanitation.

The Senegal river basin



Source: Organisation for the Development of the Senegal River, Senegal River Basin, Guinea, Mali, Mauritania, Senegal, in *The United Nations World Water Development Report*, UN, 2009.

The Nile and Senegal rivers

The Nile Basin Initiative, launched in 1999, has achieved some success in promoting small scale development programmes in areas dependent on shared usage of Nile river waters. But Egypt and Sudan have been reluctant to cede any of their historic treaty rights. Both countries depend on the Nile for agricultural irrigation, for drinking water, and for much of their supply of electricity. In Ethiopia, more equitable distribution of water rights remains an urgent concern. Rapid population growth in the Nile's ten riparian countries has intensified demands for the river's resources.

Senegal, Mali and Mauritania have secured a greater degree of cooperation under the auspices of the Organisation for the Development of the Senegal River. The Manantali Dam in Mali, for example, is owned jointly by all three countries. Its new hydroelectric capacity has brought access to power, at lower prices. The incidence of flooding has been reduced. After an initial sharp decline, fish stocks have recovered from changes in the flooding cycle.⁶⁵

Cooperation has improved and expanded the reach of irrigated agriculture in the river basin, but at a high price to the environment. The water is more polluted, and diseases such as bilharzia and malaria are more prevalent. In common with many large dams, local populations have been displaced by the construction effort. On balance, however, UNESCO concluded that the consequences of cooperation and investment were 'positive' and 'demonstrated its effectiveness'.⁶⁶

Road construction to allow access to the dam has helped to stimulate trade within the region, and villages near the dam have gained access to new dispensaries and health clinics. New infrastructure has provided local populations in a mostly desert region with all year-round fresh water for agriculture, agro-industry and households. The trend of immigration to the cities has been reversed.⁶⁷

The Lesotho Highlands Water Project

Lesotho has water in abundance. Available water exceeds average national consumption by a factor of 75. The South African province of Gauteng, to the north of Lesotho, is semi-arid. Its ten million residents make up 40% of South Africa's urban population, while its mining and industry generate 60% of South Africa's economic output.

By the mid-1980s, South Africa's Vaal River and other water resources in Gauteng could no longer meet the demand from residents and business. Construction of the Katse Dam and channels to transfer water from Lesotho to the Vaal River began in 1984. By 2006, a third of Gauteng's population had gained access to water from the Lesotho Highlands Water Project.

LHWP is the largest water transport construction in African history. By 2020, total investment in the project will exceed US\$8 billion. South Africa financed infrastructure to divert the water, and pays annual water royalties to Lesotho equivalent to 75% of the mountain kingdom's national budget. A portion of the proceeds also funded construction of Lesotho's Muela hydroelectric plant, which has supplied 90% of Lesotho's power since 1993.

Revenue generated by the LHWP from South Africa was intended to revive the rural economy. In the initial stages, that hope was largely disappointed. Little was done to ease the plight of the many thousands displaced from their homes during the first phase of construction.

The administration and disbursement of revenues improved in subsequent phases. In 2003, the South African Institute of Civil Engineering named LHWP as its 'project of the century', citing economic benefits in both countries and an 'immense impact on the betterment of the lives of South Africans and Basotho.' Construction of a new dam at Metolong is expected to provide access to clean water for more than a million people in Lesotho's lowlands.

Sources: World Bank., *Lesotho Highlands Water Project Phase 1B: Implementation, Completion and Results Report*, 2007. Brown, C., "Let it flow: reducing the environmental legacy of dams", *World Rivers Review*, June 2008.

A duty of care

Regional cooperation is essential to combat the spread of infectious diseases. Malaria, tuberculosis and HIV/AIDS cause millions of deaths each year. Two thirds of the world's HIV-positive people are in Africa, of whom half are in southern Africa.⁶⁸ Malaria absorbs up to 40% of public spending on health in some African countries, a vastly higher proportion than in other regions, although malaria is prevalent in parts of Asia, Latin America, Middle East and Europe.⁶⁹

The incidence of infectious diseases is closely linked to poverty. One in four African households falls into poverty as a result of HIV infection.⁷⁰ In Botswana, every income-generating adult is expected to acquire, on average, one additional dependent within the next ten years as a result of the AIDS epidemic.⁷¹ The economic impact of chronic disease is greatest among households which are dependent on subsistence agriculture.

The African Union has recognised the scope for more regional health initiatives. In 2003, its Maputo Conference of health ministers pledged to cooperate in developing a regional public health policy. Among sub-regional groups, only the SADC has adopted a Protocol on Regional Health Policy. Its Corridors of Hope project is an international programme to raise awareness among groups at high risk from AIDS, such as migrant, transport and sex workers.

In West Africa, public-private cooperation has provided a model of disease control in the form of a US\$500 million River Blindness Control Programme to distribute Mectizan, a treatment for the *onchocerca volvulus* parasite which causes blinding eye lesions and debilitating skin conditions. Mectizan was discovered in 1987 by a veterinary scientist at Merck, then the world's largest pharmaceutical company. Merck donated supplies of the drug, for which no commercial market existed in the industrialised world, for distribution by the World Health Organisation.

A survey by the John Hopkins Bloomberg School of Public Health estimates that 19 million people in Africa will have received treatment with Mectizan by 2010. In West Africa, the WHO programme was closed in December 2002, when officials claimed to have eradicated the disease. A parallel programme to eradicate the disease in 14 central and southern African countries is expected to conclude in 2010. About 25 million hectares of formerly evacuated arable lands have been made safe for settlement and agriculture.

“Controlling river blindness is one of the great public health success stories. It is the benchmark for all other disease prevention efforts in the developing world.”

– Dr Gilbert Burnham, Johns Hopkins Bloomberg School of Public Health⁷²

In border regions, informal arrangements indicate the scope for pooling resources and health services. For example, Zimbabweans who cross the Mozambican border can obtain free anti-retroviral treatments from health clinics. Similarly, Mozambicans from Ressano Garcia near the South African border travel to Komatipoort in South Africa, rather than Maputo, for health care. In the Karakoro region of Mali, health centres cater for patients from neighbouring Mauritania.

Common standards

Regional public goods are not limited to physical infrastructure or services such as health care. Cooperation between states can entrench and defend the rights of vulnerable people. Regional institutions have implemented policies to protect the rights of individuals and groups. Regional courts have made bold decisions to uphold the rule of law. Where national governments have been accused of failing their citizens, regional institutions have intervened to express disapproval, to negotiate local settlements, and on occasion to impose legal penalties.

The Court of Justice of the East African Community came into effect in 2001, but was slow to take on cases. It has since made some brave decisions. In 2006, the court found that nine Kenyan parliamentarians could not be admitted to the East African Legislative Assembly because Kenya's electoral law was at odds with the EAC Treaty. When EAC member states subsequently modified the treaty to suspend the court's two Kenyan judges and to revise the electoral standard, the court ruled that the treaty amendment itself was illegal.⁷³

In West Africa, the Community Court of Justice of ECOWAS has acted against loopholes and weakness in national laws. In October 2007, the court ruled that Niger had failed to protect one of its citizens from slavery. Slavery was made illegal in the country in 2003, but is still practised in Mali, Burkina Faso and Mauritania – contrary to denials from national governments.

“For 17 years we have been working towards bringing slavery to the attention of the authorities. The verdict means that the state of Niger will now have to resolve this problem once and for all.”

– Ilguilas Weila, anti-slavery campaigner⁷⁴

Hadijatou Mani, who was sold into slavery in Niger at the age of 12, was granted a 'liberation certificate' in 2005. When she subsequently married, Mani was sentenced to six months imprisonment for bigamy after her former 'master' claimed that she was already his wife. The ECOWAS court ordered Niger to pay Mani US\$19,000 in damages.

Policy developed at a regional level is an impetus for improvements in gender rights and employment practices. The African Union has made a creditable effort to promote gender equality by working towards a fair gender distribution of posts in its institutions. Five of the ten AU

commissioners are female, and women have held key portfolios in political affairs, trade and industry, and rural economy and agriculture.

A gender quota requires every AU member state to include at least one woman among its five representatives in the Pan-African Parliament. The AU has also adopted policies to protect women's rights in Africa, although these can be difficult to enforce. The 2003 Protocol on the Rights of Women in Africa includes a ban on female genital mutilation, a minimum age for marriage of 18, and guaranteed rights to abortion in cases of rape, incest, or to save the life of the mother.⁷⁵

Held to account

Just as regional courts can become a powerful defence of the rule of law, other regional institutions can assume an important role to both support and sanction national institutions. Regional training programmes to facilitate exchange of knowledge and skills have reinforced national institutions tasked with execution of policies or oversight of government spending.

For example, regional treaties and institutions have enabled closer oversight of public accounts. In Senegal, the *Cour des Comptes* – an administrative court of specialised magistrates set up to audit government spending – was created in 1999 to comply with the West African Economic and Monetary Union (UEMOA) treaty. The court has struggled to maintain its autonomy from a parallel body which reports to the president's office, but has made significant progress in clearing a large backlog of national accounts for consideration by parliament.

The Southern Africa Development Community Organisation of Public Accounts Committees (SADCOPAC) promotes common standards among the parliamentary accounts committees of different SADC member states. SADCOPAC serves as a forum for sharing information

and advice on accountability and transparency. In 2008, at its conference in Malawi, SADCOPAC agreed common recommendations for member states, including:

- A minimum term of five years for Auditor-General, the chief public auditor
- Parliamentary approval for all appointments of Auditor-General
- Legislation to protect the administrative and financial autonomy of national parliaments.⁷⁶

Effective oversight of government spending requires a combination of independent auditing and assiduous parliamentary scrutiny. Regional organisations support common standards of training for national audit institutions and parliamentary accounts committees. The African Organisation of English-speaking Supreme Audit Institutions (AFROSAI-E), formed in 2005, has fostered improvements in professional standards and auditing techniques among its members. Its institutional support has encouraged national auditors to develop strategies to build human and technological capacity, such as standardised software for auditors.

‘A regional public good is any good, commodity, service, system of rules or policy regime that is public in nature and that generates shared benefits for the participating countries and whose production is the result of collective action by the participating countries.’

- Kea Wollrad, Inter-American Development Bank⁷⁷

Power brokers

Regional groups can exert some leverage to defend democracy in fragile states, or to reinforce a constitutional process where national leadership is in flux. While external institutions have limited influence on political

leaders in countries with no democratic precedent, regional organisations have brokered transitional power-sharing arrangements with some success in situations where national leadership is disputed. Such settlements may fall short of a democratic outcome, but they reinforce a process on which prospects for democracy depend.

The unity government in Zimbabwe, formed in February 2009 in the wake of discredited presidential elections, was vigorously promoted by mediators from the SADC. Former South African president Thabo Mbeki was often criticised for his adherence to ‘quiet diplomacy’, and for his reluctance publicly to criticise President Robert Mugabe’s Zimbabwe African National Union – Popular Front (ZANU-PF). In the absence of a credible democratic result, however, only the SADC was able to negotiate with the regime when the top military and political leadership of ZANU-PF refused to cede power.

“Since early 2009, the government has broadly adhered to cash budgeting, achieved a significant improvement in budget revenue, established a multi-currency system, and largely liberalised prices.” – International Monetary Fund, October 2009 ⁷⁸

In Zimbabwe, the SADC maintained that power-sharing was preferable to a monopoly of state institutions by ZANU-PF. After long stalling, a coalition government was installed in Harare. In practice, the arrangement has proved uncomfortable for all three main political parties. Detention of opposition activists, curbs on the freedom of the press and reporting by foreign journalists, and human rights abuses are an ongoing concern. Yet a constitutional review is underway and internal power struggles within ZANU-PF have intensified. Dollarisation of the economy has banished hyper-inflation, and the economy is showing signs of recovery.

Regional organisations have been tested by *coups d'état* in Mauritania, Guinea and Madagascar. In March 2009, Malagasy president Marc Ravalomanana was ousted by the mayor of Antananarivo, Andry Rajoelina, in a military-backed coup. African leaders refused to recognise the change of government, and Madagascar was suspended from both the AU and SADC. After three months, Rajoelina agreed to participate in SADC-mediated negotiations. In November 2009, both Ravalomanana and Rajoelina joined an interim power-sharing government pending a general election in 2010.

In Mauritania, a prompt commitment to hold elections ensured that AU sanctions imposed on military leaders were short-lived. In Guinea, the military regime failed to convince regional institutions of its commitment to hold free and fair elections. Guinea was suspended from ECOWAS, which set criteria for the country's re-admission, including security sector reform and voter registration for elections.

Institutions and individuals

The response from regional institutions to the *coups d'état* in Guinea and Mauritania demonstrated that an institutional process can take precedence over the will of national leaders, and even over that of the chairman of the AU. Both countries were suspended from the AU after their governments were toppled in military coups. ECOWAS and the AU defied the publicly expressed opinions of, respectively, President Abdoulaye Wade of Senegal and of Libyan president Muammar Qaddafi in his role as incumbent AU chairman. The collective will of the institution and its councils prevailed, in defiance of individuals.

In December 2008, President Wade of Senegal endorsed Captain Moussa Dadis Camara, leader of the military junta which had seized power in neighbouring Guinea: "He is a young man who seemed sincere in what he said. My feeling is that this group of military men deserves

support," said President Wade.⁷⁹ In response, ECOWAS chairman Umaru Musa Yar'Adua, the Nigerian president, convened an extraordinary summit of ECOWAS heads of state.

Nigeria's foreign minister, Ojo Maduekwe, criticised the stance adopted by the Senegalese president: "If any member of the AU steps outside the ranks to now fraternise with the military junta...such a government is guilty by complicity," he warned.⁸⁰ Four days before the ECOWAS emergency summit in January 2009, President Wade restated his support for the junta and claimed support from four other, unnamed African heads of state. He did not attend the summit in Abuja, where ECOWAS voted to suspend Guinea and impose sanctions.⁸¹

In Mauritania, Muammar Qaddafi endorsed the coup leaders during a visit to the country in March 2009: "I have assured myself that the military authorities are determined to organise presidential elections on June 6th, so this file is closed from now on," said the AU chairman.⁸² In the same month, sanctions were imposed on Mauritania by the AU Peace and Security Council (PSC).

Benin's ambassador to the AU, Edouard Aho-Glele, explained its determination to press ahead with sanctions: "The PSC is an organ which makes informed decisions and ensures their implementation... President Qaddafi has taken his own steps. He has no doubt undertaken a mediation whose outcome could clear the current regime. In that case, and if the junta brings back constitutional order, there will be no sanctions. But we have not been informed of such a state of affairs for the moment," he stated.⁸³

3. The border economy

As regional projects have gained momentum, the agenda for cooperation has been driven largely by economic arguments. Trade and investment have been the dominant concerns. Efforts to boost regional trade – particularly within the southern, East and West African blocs – have received disproportionate attention from policymakers. The effect is that national governments have been preoccupied with short term economic measures rather than strategies to reduce poverty for the long term.

Nobody should be surprised. The emphasis on trade is part of a larger preoccupation with gross domestic product (GDP) as the key measure of economic growth. Clearly, trade is important for growth. Regional integration is an economic project. Currency union – culminating in the creation of a single currency, perhaps the Afro – is a logical direction, over time. But economic criteria are not the only measure of policies to reduce poverty.

Regional infrastructure, utilities and transport, for example, are cost-effective means to make scarce resources go further. The benefits of regional public goods reach a far greater number of people than those of most other initiatives. At best, regional infrastructure can be instrumental in creating conditions for more efficient and diversified economies in Africa. As far back as 1989, the Economic Commission for Africa (ECA) made this argument in the African Alternative Framework to Structural Adjustment Programmes, or AAF-SAP.¹

We were concerned that structural adjustment had been imposed from outside. We argued for a new emphasis on social services, more economic diversification and regional infrastructure. At the time, these were dissenting ideas. ECA officials were denied a seat at the table in negotiations between the World Bank and African governments. Today, many of our recommendations, and the emphasis on poverty, are accepted by donors and by national policymakers alike.

- J.C.S.

Africa's regional economic communities (RECs) have focused on promoting economic growth. Increased trade and investment have been seen as the best means to that end, and the economic performance of most regions has improved since 2000. Buoyed by high commodity prices, the continent's GDP growth was 6.1% in 2007 and 5.7% in 2008.⁸⁴

Africa's growth has been encouraging, but it has brought rising inequality. While increased trade and investment are welcome, RECs need to recognise that their impact on poverty reduction has been slight. The global financial crisis has created considerable uncertainties for all countries, particularly those dependent on high commodity prices and net importers of oil. Africa's growth rate will fall by at least half in 2009.⁸⁵

RECs must build on their efforts to date by encouraging an improvement in the low levels of intra-regional trade and investment. But they must also recognise that without a significant improvement in regional infrastructure, for example, the costs of trade cannot fall significantly. Regional public goods are essential to drive economic growth. Tackling poverty in an era of lower growth demands that the potential of regional public goods must be widely acknowledged.

“If the next half-century of efforts at African political union are no more successful than the last, then Africa's structural undersupply of public goods will need to be addressed internationally.”

- Professor Paul Collier, Oxford University⁸⁶

Trade and investment can improve livelihoods by creating employment. Their tax revenues finance government expenditure. But trade and investment tend to create winners and losers at a regional, national and community level. This is a paradox which RECs and their member states must address in developing monetary union and common investment

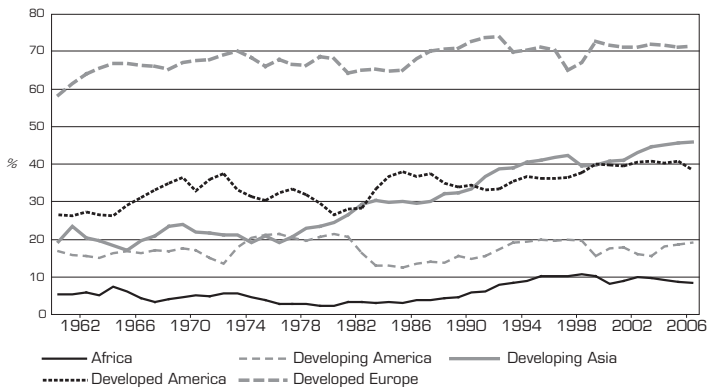
codes. Regional public goods distribute benefits more evenly. The key to sustainable development, with poverty reduction as a priority, is supporting trade and investment through the provision of regional public goods.

Borders and bureaucracy

In 2008, Africa’s exports of manufactured goods grew by 29% and imports by 27%.⁸⁷ But the continent’s share of global trade remains very low. In 2008, Africa accounted for 3.5% of global exports and 2.9% of imports.⁸⁸ Primary products – fuel, agricultural commodities and minerals – make up more than 75% of the exports of half of the countries in Africa.⁸⁹ Fuel is 60% of the continent’s total exports.

African economies are particularly exposed to volatile global commodity markets. High commodity prices have boosted exports and GDP, but few countries have taken advantage of ‘windfalls’ to decrease dependence on agricultural commodities or to invest in facilities which add value before export. Africa is dependent on the rest of the world for three-quarters of its manufactured goods.

Intra-regional exports
as a proportion of total exports, 1960–2006



Source: United Nations Conference on Trade and Development, *Economic Development in Africa*, 2009.

Trade between African countries accounts for less than a tenth of the continent's total exports and imports. By contrast, 68% of exports and 71% of imports in the European Union are intra-regional.⁹⁰ The proportion of regional to total trade in the Economic Community of West Africa States (ECOWAS) countries was about 10% in 2003. In the Southern African Development Community (SADC) and the Central African Economic and Monetary Community (CEMAC) it was about 6% and 2% respectively.⁹¹

The importance of boosting regional trade is well understood. But there are substantial variations between countries. Nineteen African states generate more than a quarter of total trade from intra-regional exports.

'The linkages between trade and rural incomes can be hard to trace but are often of profound importance.'

- Thomas Lines, author of *Making Poverty: A History*⁹²

In November 2009, the Common Market for Eastern and Southern Africa (COMESA) announced its intention to bring about a tripling of trade between member countries, from 7% to 25% of the community's trade. Tariff reductions are one measure that has been tried before. Within SADC, the average tariff levied by the fifteen member states was reduced from 20% in 1997 to 15.9% in 2006. Average tariffs within ECOWAS and the West African Economic and Monetary Union (UEMOA) have been cut by similar amounts.⁹³ To date, these reductions have not led to any significant increase in regional trade.

Growth in regional trade is hampered by more than high tariffs. Trade within regions suffers from a lack of diversity of goods as many neighbouring countries produce the same primary products. Poor infrastructure constrains trade, and drives the costs of trade far above the global average. Commitments to the free flow of goods across borders

have been compromised by a plethora of regulations and licensing requirements.

Winners and losers

Trade between African countries can have a more pronounced effect on poverty reduction than external trade. The poor are more likely to participate in trade within their region. In Tanzania, reducing the cost of regional trade has improved local incomes, employment and school attendance in areas producing cash crops for export to the region.⁹⁴ An overall rise in exports to SADC and the East African Community (EAC) brought a 50% drop in Tanzania's current account deficit between 1998 and 2005.⁹⁵

More regional trade does not produce uniform benefits. Higher exports of processed sugar from south-east Africa, facilitated by a reduction of tariffs within SADC, benefited sugar producers in Swaziland, Malawi and South Africa. In Swaziland, revenues from sugar pay a third of agricultural wages. But in Kenya and Tanzania, many producers found it difficult to compete. Kenya, although not a member of SADC, was affected by traders importing large quantities of cheap sugar through Tanzania. Employment in Kenya's sugar industry fell by 80% between 1995 and 2005, causing the loss of 32,000 jobs.⁹⁶

In South Africa, increased regional trade has prompted a shift towards more capital-intensive manufacturing with a concomitant loss of manufacturing jobs. Rising exports of manufactured goods to other countries within SADC coincided with a general increase in unemployment between 1993 and 2005. Economic growth has coincided with falling human development indicators.⁹⁷

Lower tariffs and other export taxes introduced to stimulate trade may result in lower government revenue, with a detrimental effect on

government expenditure. In Côte d'Ivoire, incomes have improved as exports of cocoa and cotton to other countries in the region have increased. But lower tariff receipts have coincided with job losses among unskilled, low-income public sector employees.⁹⁸

Ghost trade

Africa's regional trade is higher than official statistics reflect. Much of the trade which takes place across African borders is informal – that is, carried out by unrecorded businesses and individual traders. In 2006, Uganda's informal trade with its five neighbours was equivalent in value to 86% of official exports.⁹⁹ More than one million metric tons of maize, rice and beans were traded informally across borders in East Africa between 2004 and 2006.¹⁰⁰ In West Africa, unregistered trade in agricultural products accounts for 30-50% of all trade.¹⁰¹

Staple foods and consumer goods are the most commonly traded items. The trade in food is particularly important to people living in border regions, and in times of drought or crop failure. Cross-border trade in maize, beans and pigeon peas between southern Malawi and northern Mozambique provided a lifeline for Malawi during the drought in 2002/03.¹⁰² In West Africa, Togo, Benin and The Gambia have become *entrepôts* for informal trade in consumer goods from outside Africa.

In the short term, informal cross-border trade can boost incomes, provide employment and improve security. But the long term effects of tax evasion can be detrimental to government revenues. Attempts have been made to secure long-term benefits. The Cross-Border Initiative, launched in 1992 in East and southern Africa, and the Zambia-Malawi-Mozambique Growth Triangle, started in the mid-1990s, were among projects directed at formalising cross-border trade. Neither made much progress.

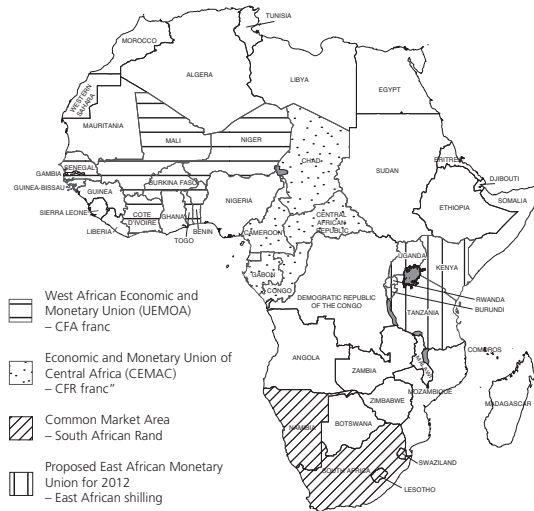
The West African Borders and Integration Initiative (WABI), set up in 2003, is a more recent attempt to promote cross-border cooperation and improve regional economic integration. WABI was designed to increase representation of border communities in formal political processes, and to support cross-border projects within communities. Monitoring stations along the borders of West African countries observe patterns of cross border trade, in the hope of preventing potential famine in the region. In conjunction with ECOWAS, the WABI Cross-Border Initiatives Programme launched three pilot operations in 2007:

1. A survey of the role of informal trade in improving food security in border regions between the Côte d'Ivoire, Mali and Burkina Faso.
2. In the *Sénégal méridionale* zone between the Gambia, Guinea-Bissau and Senegal, firms on either side of the borders are encouraged to cooperate in the production of goods.
3. In the Karakoro (or Great Lake) basin between Mali and Mauritania, cross-border cooperation is focused on land management and services including health care.¹⁰³

Monetary union

Currency union is the final step – and the ultimate test – of regional integration. Africa has two CFA franc monetary unions – UEMOA and CEMAC – in which the currency is pegged to the euro. Eight members of ECOWAS belong to UEMOA. Five others belong to the West Africa Monetary Zone (WAMZ), which did not meet its objective of a single currency – the ‘eco’ – in 2009, after failing to achieve convergence of the necessary economic criteria. In the southern African Common Monetary Area the rand circulates alongside domestic currencies.

Monetary zones in Africa



Source: Africa Research Institute, 2009

A new target for the introduction of the eco has been set for 2015. Convergence between the WAMZ and the two CFA franc unions is the ultimate objective, but looks a distant prospect. In SADC, the date set for monetary union is 2016. This also appears ambitious, given the enormous disparities between member economies. The East African Community (EAC) has set 2012 as its stated target for the introduction of a single currency.

The creation of a common currency between members of a regional community can help to encourage trade by removing the costs and risks of variable exchange rates. Monetary union can foster stable macroeconomic policies, reducing risk for investors. But meeting economic convergence criteria set by RECs is proving complex and difficult. A pan-African union with a single currency is a laudable objective, but remains a long way off.

“Africa has had a chequered experience of monetary and financial cooperation, dating back to the pre- and post-colonial eras.”

- Economic Commission for Africa¹⁰⁴

Foreign direct investment

Foreign capital has been keenly sought by most African countries. It can generate incremental tax revenue, improve skills and capacity, and generate employment. In Mauritius, more than 400 foreign firms contribute to a diversified and labour-intensive economy. Only 1% of Mauritians live below the international poverty line.¹⁰⁵ Where poverty in Africa is closely linked to dependence on agricultural production, developing alternative sources of employment and income is essential.

Higher investment in Africa is necessary to compensate for low levels of national savings – equivalent to about 9% of GDP. In East Asia, savings are double that level.¹⁰⁶ Development aid from donors can help to supplement low levels of domestic saving, but the direct benefits of foreign direct investment (FDI) are potentially greater and can play a much more important role in boosting economic activity.

FDI in Africa has increased exponentially in the 21st century, from US\$9.1 billion in 2000 to US\$88 billion in 2008.¹⁰⁷ Most investment originates from industrialised countries, and is concentrated in natural resource sectors such as metals, minerals or oil. The top ten countries absorb more than 80% of Africa’s FDI. Southern Africa was the leading region, attracting a third of total inflows. East Africa received just US\$4 billion.

Despite the recent increase in FDI, the continent’s share of global FDI has stagnated at about 3%.¹⁰⁸ Low rates of growth, macroeconomic and political instability, poor infrastructure, skills shortages, small markets,

'Race to the bottom'

The need for a regional approach to investment

Most African governments have reformed investment legislation, and signed bilateral investment agreements intended to attract more foreign capital. The Kenya Investment Authority, for example, was created in 2004 to encourage investment in agriculture, manufacturing, tourism and telecommunications. Sierra Leone's 2007 Business Registration Act reduced the time required to set up a business from 24 days to 3 days, and the average cost from US\$1,580 to US\$54.

One difficulty with national investment codes is that they frequently offer similar incentives and opportunities. Competition between countries can become a 'race to the bottom', with damaging consequences. In 2001, the Namibian government announced that its bid for a US\$133 million investment in the textile industry had prevailed ahead of those of South Africa and Madagascar. Incentives offered to a Malaysian textile company include a 99-year tax exemption on land use, subsidised water and electricity, and an US\$8 million grant to prepare the site.

Greater regional cooperation can help prevent a 'race to the bottom' while integrating national development strategies. Many RECs have drawn up regional investment codes. In 2007, COMESA created a common investment area to harmonise investment policies, laws and procedures between member states. In 2009, ECOWAS launched its common market investment book, setting out common regional criteria for investors. Nine SADC member states have signed a protocol on finance and investment, intended to harmonise the policies of member states, with a view to establishing a SADC investment zone.

Regional investment codes create larger markets for investors. Common accounting policies and legislation make those markets more attractive, and reduce the variation in costs and risks of doing business. Adherence to common goals and standards is essential for RECs to achieve long term, sustainable economic growth and reduction of poverty.

Source: Jauch, H., 'Export Processing Zones and the quest for sustainable development: A southern African perspective', *Environment & Urbanisation*, Vol. 14, April 2002.

and scepticism on the part of African governments have deterred investors in the past. But Africa's economic climate has improved and a more proactive approach is evident from many countries. By 2008, African countries had agreed 715 bilateral investment treaties.¹⁰⁹ Investors' perceptions of potential returns are improving despite the global financial crisis.

Regional rewards

Amid intense global competition for external capital, RECs must assist in attracting inflows of foreign funds. Tariff agreements, customs unions and sound investment codes encourage access to larger regional, as opposed to national, markets. Similarly, investors are likely to prefer regions with good, or improving, transport infrastructure. Greater efforts should be made to generate intra-regional investment, which in 2008 accounted for just 13% of Africa's FDI.¹¹⁰

Most REC treaties acknowledge the importance of domestic and foreign investment to their economic objectives. But a tendency of regional approaches to FDI has been to focus on regional infrastructure projects. New attention to opportunities in the manufacturing and services sector is required to diversify regional and national economies, and capitalise on growing international interest in these sectors.

Foreign direct investment contributes to the reduction of poverty when, for example, it provides employment for unskilled workers, or generates demand for goods and services from small local businesses. Capital-intensive industries, which rely on high-tech machinery, tend to employ relatively few unskilled workers. Some involve no transfer of knowledge or skills.

A giant in the corridor

Mozal: The Mozambique aluminium smelter

The Mozal aluminium smelter, outside Maputo, is an example of regional cooperation as a catalyst for foreign investment in a new value-adding African industry. A joint venture between the World Bank, mining group BHP-Billiton, Mitsubishi of Japan and the South African and Mozambican governments, Mozal relies on new infrastructure within the Maputo Development Corridor.

Construction of the first phase of the smelter began in 1998, at a budgeted cost of US\$1.18 billion – the largest private investment in Mozambican history. It was completed six months ahead of schedule, and US\$120 million under budget. A second phase of expansion, to double Mozal's capacity, began in 2001. This was completed in August 2003, costing a further US\$650 million.

Mozal is among the largest smelters in the world, producing more than 500,000 tonnes of aluminium each year. In contrast to the traditional colonial economic model, Mozal imports raw material and exports ingots of processed aluminium. Raw material in the form of bauxite is shipped from Australia to a new deep-water harbour facility in Maputo.

Mozal's initial contribution to Mozambique's GDP was about 7%, rising to 10% in 2001. According to the World Bank, 'blistering' growth in the national economy sustained further development in local infrastructure. The smelter requires large quantities of electricity from two 400 kilovolt power lines constructed by Motraco, a consortium of foreign investors and national power utilities from Mozambique, South Africa and Swaziland.

Mozal was criticised for failing to generate local employment in its first phase. Subsequent expansion favoured local employees and businesses. In 2006, the World Bank reported that: 'The positive impact the project has had on the region has been remarkable. Quality of life has been improved on virtually every level, and in such a way that the advantages can be sustained over time.' The Mozal Community Development Trust (MCDT) supports a variety of education, training and health services.

Source: World Bank, website. World Bank, *Mozambique Country Report*, 2005. Business Action for Africa, Mozal – *Enabling business by doing business*, 2006.

4. Conclusions and recommendations

In the 21st century there is evidence of renewed political will to advance regional integration. The formation of the African Union and the New Partnership for Africa's Development (NEPAD) recognises the importance of cooperation between states. The regions are at the centre of this larger project, and regional secretariats have been active in promoting collaboration in transport infrastructure, power and even social services. We need to sustain the momentum.

There is still a problem of complexity – the 'spaghetti bowl'. The African Union is admirable for its ambition, but this is reflected in any number of agreements and protocols. NEPAD, as the name suggests, places great emphasis on developing partnerships with external actors. My view is that regional organisations should think in terms of what Africa can do for itself, rather than what others can do for Africa.

The African Union is a sincere compliment to Europe. Its objectives mirror the experience of Europe, and its institutional architecture is in many respects modelled on that of Brussels. But we risk making some new mistakes in Africa. Integration has benefited larger economies disproportionately. Kenya has gained most from the East African Community. South Africa dominates the Southern African Development Community. Nigeria is the leading beneficiary of integration within the Economic Community of West African States.

I am not against investment or assistance from outside, but we need to refine our own approach. The realities on the ground in Africa today are very different from Europe after the Second World War. In the 1950s, the impetus for European integration was the need for coal and steel, and fear of a return to war. The absolute priority for African countries is to reduce poverty. A single-minded focus on poverty is still lacking.

- J.C.S.

Efforts to advance regional integration in Africa have been designed to further too many objectives simultaneously, from increased trade to political union. Although there has been significant progress in some directions, the inevitable tendency is for policymakers at regional level to see closer integration as an end in itself. Every effort to increase trade, improve rights or develop infrastructure must be designed with the primary objective of reducing poverty.

The African Union (AU), ratified by member states in 2001, represents a move in that direction. A shared sense of purpose among disparate institutions is long overdue, but the breadth of the AU's mandate risks becoming counter-productive. Poverty reduction is an explicit objective of the New Partnership for Africa's Development (NEPAD), a programme adopted by the AU, but it vies for attention against other priorities. The hard work of policy implementation is liable to drift.

Untangle the spaghetti

It is a simple reality that different regions evolve at varying speeds, and hence that regional institutions must juggle different priorities. Their member states respond to different incentives. Yet the 'spaghetti bowl' of Africa's regional economic communities includes many groups whose memberships overlap. Rationalisation of regional projects will signal the real start of the next era of integration.

Proposals to simplify overlapping structures have often provoked scepticism and resistance. In West Africa, every member of the West African Economic and Monetary Union (UEMOA) is also a member of the Economic Community of West African States (ECOWAS). Duplication could be reduced if UEMOA were merged or absorbed into ECOWAS, but responses to this proposal in the past have varied from initial defensiveness to outright hostility.

The history of integration in each region has been characterised by the same recurring obstacles: lack of political will from national governments, lack of resources, and a top-down approach to policy. Problems of this kind are difficult to isolate from the larger confusion of overlapping memberships. They reflect the uneven trajectory of integration in Africa – and the distance still to travel.

Regional public goods

The most effective way for regional institutions to reduce poverty is to provide regional public goods. Cross-border infrastructure, regional utilities, and improved access to power, water and health care can deliver significant economies of scale. By pooling resources, a regional approach can reduce poverty in ways which are beyond the capacity of national governments.

Policymakers need to adopt a broad working definition of public goods. Regional public goods are, by definition, the result of regional cooperation – whether formally, or in the informal sectors. They may be provided by governments, or business, or other non-state actors. They may involve public, private and external capital. Narrow definitions of public goods which refer only to the state sector or governments are too restrictive.

The impact of regional public goods is wider, more immediate and less ambiguous than the benefits of increased trade and investment. Examples surveyed in these pages range from infrastructure to pooled utilities to institutional reforms prescribed by regional treaties. For instance, improvements to the supply of electricity from a regional power pool are useful both to industry and to the public.

Similarly, new roads reduce the time and costs of transport for all. Public goods which facilitate industry or commerce are also likely to

foster increased trade. Neither priority is mutually exclusive, but the benefits from regional public goods are likely to be more direct than those from policies to boost trade.

Beware trade-weighted policies

Regional public goods have been a marginal concern relative to other issues. The process of regional integration has been dominated by an economic agenda, with the expansion of regional trading blocs as its overriding priority. The relationship between trading blocs and patterns of investment, especially foreign investment, is often emphasised.

Trade and investment are vital to economic growth and the pursuit of long term prosperity, but their direct impact on poverty is often slight. For the poor, increased trade is most useful where it brings new jobs or fosters downstream industries. Much of the available evidence on trade indicates that the benefits of closer integration have been concentrated disproportionately in larger economies.

South Africa, Kenya and Nigeria have gained most within their respective regions. Yet in each of those countries, almost every measure of social inequality has increased sharply. Trade is the engine of economic growth, but to date the distribution of the benefits from larger economic communities has been narrow. More diversification of African economies may spread the revenue from trade more widely, but too much emphasis on trade has obscured other factors which would encourage economic diversification.

Summary of recommendations

The methodology of regional integration must be revised to ensure that poverty reduction becomes a guiding principle. A sharper focus on poverty will remove confusion caused by competing and divergent priorities.

- The ‘spaghetti bowl’ must be untangled. Rationalisation of inter-governmental organisations will allow them to pursue clear goals more effectively. Multiple, overlapping memberships of regional communities dilute energy and funds.
- Regional public goods are the most effective means of reducing poverty in Africa. They enable regional organisations to exploit economies of scale, and distribute benefits more widely than improved trade or investment.
- Regional institutions, foreign investors and development agencies should recognise the potential of development corridors to reduce poverty. Development corridors are a proven mechanism for delivering regional public goods.
- Investment in power is Africa’s single most pressing infrastructural need. Unreliable power is a drag on productivity and economic growth. Africa is a net exporter of energy, and more can be done to harness the potential of its resources.
- Supra-national authority to act in cases of national unrest or *coups d’état* must be consolidated and defended. In recent years, Africa has made great progress in negotiating peaceful outcomes to national political disputes.
- Increased trade and investment bring economic growth, but in Africa they have not brought significant reductions in poverty. Concerted

regional approaches can foster cross-border trade and labour-intensive industries.

- Regional investment codes can enable development of regional public goods by creating simpler, standardised terms for investment. Adherence to regional codes mitigates the risk of a ‘race to the bottom’ among national rivals.
- Monetary union is the ultimate test of economic integration, although not wholly within the ambit of regional institutions. A firm commitment from national leaders is necessary for local economies to satisfy the economic criteria for convergence.

A work in progress

The vision of a united Africa is rooted in the pan-Africanist movements which emerged during the nationalist era, before and after independence. Yet the mechanisms of regional integration under the AU owe much to a parallel process in post-war Europe, directed from Brussels. Both projects are complex. The work of the AU, for example, ranges from new infrastructure to social programmes and a new African Standby Force tasked with regional security.

Whether African institutions, charged with such responsibilities, will become truly accountable to Africa’s peoples is moot. Direct elections to the Pan-African Parliament are intended to foster democratic participation by civil society and non-state actors. Yet in many African states, the capacity and the political will of incumbent politicians for building a rights-based democratic culture is doubtful. The discrepancy is thrown into relief by the domestic record of some AU leaders – and not least by Libyan president Muammar Qaddafi, AU chairman to February 2010. But the intitutional mechanism of the AU has prevailed over the will of individuals and politicians.

The structure and methodology adopted by the AU beg comparison with China, whose involvement in Africa has expanded exponentially in the 21st century. For the most part, Chinese actors on the continent are not much concerned with questions of governance or democratic participation. In consequence, they have moved with unprecedented speed to secure access to Africa's oil, gas and other resources. Such is China's need for energy security that, in exchange for long-term concessions, Beijing has become the leading sponsor of new infrastructure in Africa.

To work effectively, regional institutions need a more hard-headed and practical focus on reducing poverty. Their architects have shown laudable ambition, for which they should not be faulted. The overall direction of AU policy is firmly within the traditions of Africa's liberation movements, many of which imbibed the precepts of European social democracy and were staunchly committed to constitutional rule. If they are to avoid becoming another generation of over-reachers, advocates of Africa's integration must strike a tough and hard bargain for more regional public goods.

Glossary of terms

| | |
|-----------|---|
| AAF-SAP | African Alternative Framework to Structural Adjustment Programmes |
| AEC | African Economic Community |
| AFROSAI-E | African Organisation of English-speaking Supreme Audit Institutions |
| APRM | African Peer Review Mechanism |
| AU | African Union |
| CEMAC | Monetary Community of Central Africa |
| CEN-SAD | Community of Sahel-Saharan States |
| COMESA | Common Market for Eastern and Southern Africa |
| CEPGL | Economic Community of the Great Lakes Countries |
| EAC | East African Community |
| ECA | United Nations' Economic Commission for Africa |
| ECCAS | Economic Community of Central African States |
| ECOWAS | Economic Community of West African States |
| FDI | Foreign direct investment |
| GDP | Gross domestic product |
| GSM | Global System for Mobile communications |
| IGAD | Inter-Governmental Authority on Development in East Africa |
| IGO | Inter-governmental organisation |
| LPA | Lagos Plan of Action for the Economic Development of Africa |
| MAP | Millennium Partnership for the African Recovery Programme |
| MCDT | Mozal Community Development Trust |
| MDC | Maputo Development Corridor |
| MRU | Mano River Union |
| NEPAD | New Partnership for Africa's Development |

| | |
|----------|---|
| OAU | Organisation of African Unity |
| OECD | Organisation for Economic Cooperation and Development |
| REC | Regional economic communities |
| SACU | South African Customs Union |
| SADC | Southern African Development Community |
| SADCOPAC | Southern Africa Development Community Organisation of Public Accounts Committees |
| SAP | Structural Adjustment Programmes |
| UEMOA | West African Economic and Monetary Union |
| UMA | Arab Maghreb Union |
| UNESCO | United Nations Educational, Scientific and Cultural Organisation |
| UNMP | United Nations Millennium Project |
| WABI | West African Borders and Integration Initiative |
| WAMZ | West Africa Monetary Zone |
| WestCor | Western Power Corridor |
| ZANU-PF | Zimbabwe African National Union – Popular Front |

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