

60782



UNITED NATIONS  
Economic Commission for Africa

**REPORT ON  
AD-HOC EXPERT GROUP MEETING  
ON A PEER REVIEW  
OF THE ARIA REPORT**

**Trade and Regional Integration Division**

April 2003



**UNITED NATIONS**  
Economic Commission for Africa

ECA/TRID/14/03

**REPORT ON  
AD-HOC EXPERT GROUP MEETING  
ON A PEER REVIEW  
OF THE ARIA REPORT**

**Trade and Regional Integration Division**

**April 2003**

ECA/TRID/014/03

**ECA-CEA**



**UNITED NATIONS  
ECONOMIC COMMISSION FOR AFRICA**

---

**REPORT ON AD-HOC EXPERT GROUP MEETING  
ON A PEER REVIEW OF THE ARIA REPORT**

**ADDIS ABABA**

**10 TO 11 APRIL 2003**

**Report on ad-hoc expert group meeting  
on a peer review of the ARIA report**

As a part of the process of production of ARIA, RECs were invited to provide comments and contributions to be incorporated in the final version of the report. To this purpose, an ad-hoc expert group meeting was held in Addis Ababa on 10<sup>th</sup> and 11<sup>th</sup> April 2003. In addition to the staff members of TRID involved in the preparation of the report, the meeting was attended by representatives of SADC, COMESA, IGAD, UMA, and by representatives of the African Union (AU) and UNDP.

10<sup>th</sup> April, morning

Mr. Yousif Suliman, director of TRID, opened the meeting by welcoming all participants. He stressed the importance of having such a peer review with the RECs to ensure that the ARIA reports contain the most up to date and double-checked information.

Mr. Suliman then presented the key objectives of the project, the overall structure of the report and its basic findings. He explained that ARIA's mission is to establish analytical tools, methods and benchmarks to track regional integration in Africa and to assist member states, regional integration organs and other stakeholders in developing their policies and programmes. The report assesses the performance of RECs in major sectors of regional co-operation and identifies critical issues in the further development of the integration process.

The report is structured in two parts. The first part looks at the institutional challenges to regional integration. Quantitative indicators are constructed to provide a systematic picture of progress and patterns of integration across RECs. The analysis leads to identification of critical elements for accelerating the regional integration process in the context of the AU.

The second part contains sectoral analysis on trade, macroeconomic policy, infrastructure development, natural resources and commodity production, human development and labour mobility, and an overview of regional co-operation on cross-cutting issues such as peace and security, HIV-AIDS and gender. The key findings can be summarized as follows:

RECs have achieved some important successes in trade liberalization, macroeconomic harmonization and development of infrastructure. However, the results do not match protracted efforts as protocols are often signed but not implemented, there is little interaction among RECs, and regionalism is not effectively mainstreamed in member countries programmes and operations. Two factors that are particularly relevant in explaining the difficulties encountered by most RECs are the lack of capacity, particularly due to lack of financial resources, and the fact that countries are often members of more than one REC. Multiple membership often reduces the commitment of member states to regional efforts.

Some general issues were raised in the discussion that followed Mr. Suliman's presentation. These issues are summarized below and represent "general comments" on the ARIA report.

- The report is very long (spanning some 300 pages). For this reason some participants proposed to publish it in two different volumes.
- The report needs an introduction to summarize the political and historical background of regional integration in Africa. The introduction should put African regional integration in the context of international integration. It should also explain the purpose of the report and the approach used, including the choice of the sample period.

- The point was made that regional integration is not just trade, although it is recognized that this is an important component. There are other dimensions that might be emphasized. Thus, the suggestion is to look more carefully at the Abuja Treaty to get a broader picture of trans-boundaries approaches to regional integration.
- Some of the participants argued that the second part should also include an analysis of private sector, investment, and exchange of experiences and human resources. Specifically, issues that should be covered include: environment, sustainable development, and the role of RECs in supporting capacity building. It was also suggested to include boxes to summarize the profile of each of the 14 RECs.
- Some participants asked why there is so little mention in the report of the role ECA has played in the process of regional integration. Similarly, there is little mention in the report of other international institutions that supported the process of regional integration in Africa.
- It would be important to emphasize somewhere (maybe in the introduction) that the objectives of regional integration go beyond trade integration. Benefits at large should be emphasized. Similarly, the issue of the beneficiaries of the process should be addressed.
- Some of the delegates felt that the problem of implementation of protocols should be discussed more extensively.
- It was noted that the issue of overlapping membership cuts across chapters and sectors. Therefore, the report should specifically answer the following questions: what are the incentives, real costs and benefits of multiple membership? Is multiple membership an issue of real concern? Perhaps the best way to deal with it is to harmonize the programmes of the various RECs.
- It would be desirable to mention that there are self-sustaining institutions that have been established as a result of earlier phases of the integration process that now contribute to further enhancement of integration.
- The study should have a general conclusion on regional integration and a discussion of the way forward. To some extent Chapter 4 already serves this purpose. However, as a conclusion the chapter should be placed after the sectoral reports. The alternative is to relocate some of the material in part I to part II, so that part I is the bulk of the study and sectoral chapters become sort of annexes. In that case Chapter 4 should come at the end of part I.
- Finally, a few specific clarifications were required
  - Are RECs assessed against their objectives and treaties?
  - What is the ultimate objective of the study? Are programmes being formulated or policy recommendations being advanced? Is ARIA intended just as reference material?

The actions taken by the team in charge of ARIA in response to these comments are detailed below.

10<sup>th</sup> of April, afternoon – 11<sup>th</sup> of April, full day

Specific sessions on each of the ten chapters of ARIA took place after the general discussion. For each chapter, TRID team members gave a short presentation, focusing on crucial findings and the way forward. Following these presentations, specific comments were received for each chapter. These comments are summarized below.

### Chapter 1

- Table 1.2 page 19.

- Third column should probably read "Targets" and provide a list of sequential steps that the RECs are heading to.
- The UMA representative noted that final objective of UMA is Common Market and Monetary Union and not simply multisectoral integration, as reported in the Table. On "status" the UMA representative stressed that integration in the region slowed down since 1995, not since 1990.
- The IGAD representative pointed out that their ultimate goal is a full economic community, and that they have ongoing efforts in agriculture, food security and regional integration.
- Some contradictions between this table and the information reported in Annex 2 were pointed out.

## Chapter 2

- Page. 27,
  - UMA representative provided updated information to correct the last sentence of third paragraph.
  - The chapter refers to the concept of "variable geometry approach". However, it was argued that this reference might be subtle. It was formulated originally for European Union. A possible interpretation in the context of African countries is as follows. A subset of countries in a REC might decide to go ahead with a programme even if others are lag behind. Once they complete this programme, they will help other countries implement it.
- The SADC representative promised to send information to update Table 2.5.
- SADC and COMESA representatives informed the team that the task force between COMESA and SADC mentioned under the third bullet of page 29 as to be implemented in the future, is now established.

## Chapter 3

- Table 3.3. Page 47. The UMA representative required some clarification on the classification of UMA in the Table. He also required more detailed information on the methodology used to construct the quantitative indicators of integration.

## Chapter 4

- The discussion mostly focused on where the chapter should be located in the report, as already mention under the general comments.

## Chapter 5

- The UMA representatives asked that the Common External Tariff of UMA should be mentioned in the chapter as an important component of the trade liberalization process in the region.
- Participants agreed that the issue of revenue losses is crucial. Empirical studies are necessary to evaluate the effective impact on government's budgets. It would be desirable that the information provided in Table 5.9 on estimated government revenue losses from integration in COMESA were made available also for other RECs.

- Page 82. The decision of Rwanda to join the COMESA Free Trade Area by 2004 should be mentioned.
- Page 85. The COMESA representative stressed that the paragraph on the rules of origin should be reformulated, because in its present version it seems to imply that those mentioned are in fact a single criterion, while instead they are different criteria. Also, the COMESA representative informed the TRID team that COMESA is rethinking the structure of the common external tariff mentioned in the bottom paragraph.
- It was agreed that specific emphasis should be given to factors that limit the size of intra-regional trade. These include:
  - Low competitiveness of products (supply side bottle necks, low quality, high prices). It was stressed that competitiveness is adversely affected by excessive subsidization of the economy. Furthermore, while RECs and national governments have made efforts to increase competitiveness, producers also need to take steps to improve efficiency, quality and productivity
  - Lack of infrastructure
  - Lack of complementarity and diversification of production structures
  - Existence of non-trade barriers
- The problem of informal trade not captured by official statistics should also be pointed out. Interestingly, the COMESA representative noticed that informal trade has actually benefited from the trade liberalization process.
- It was proposed to give more emphasis to the general concept of Free Trade Areas.
- A conclusion should be added to the chapter highlighting what should be done in terms of practical actions for the future. Some "way forward" is proposed:
  - Standardization of documentation
  - More efforts in data collection
  - Sensitize member states and stakeholders on intra-regional trade issues
  - Definition of a whole strategy for intra-African trade, based on various scenarios and going beyond tariffs removal.

## Chapter 6

- The UMA representative informed that UMA is establishing a Foreign Investment Bank in Maghreb Countries to facilitate trade and investment. This should be mentioned.
- It was asked whether it would be possible to provide a list of the ten "best-performing" banks (commercial banks, off-shore, development banks....) as a reference for investors. The rationale to provide such a list in the report is that often investments in Africa are constrained by the lack of information on efficient financial institutions that can help to mobilize resources.

## Chapter 7

- Evidence should be provided on the effective impact of the Yamoussoukro Decision in civil aviation. Non-African companies seem to be taking monopoly control, whilst national companies are struggling in the face of the process of liberalization.
- Air connections within main cities in UMA are limited because of the relatively low number of flights to Libya. However, this is not much due to low trade volumes, but rather to the consequence of the Lockerbie sanctions.
- The IGAD representative informed the TRID team that IGAD has started a programme of harmonization of transportation policies. Also studies have been undertaken on the status of transportation in IGAD.

- Page 142. A study similar to that whose results are displayed in Table 7.4 has been conducted for IGAD. The IGAD representative offered to make such a study available to the TRID team.
- Comtel programme of COMESA should be mentioned
- The UMA representative provided information on two regional projects: (i) Maghreb motorways and (ii) High-speed train.
- It would be desirable to include a Table providing information on airports, similarly to what is done for road and rail transportation in Table 7.1 and for maritime and inland waterways transport in table 7.2.
- The efforts of Morocco and Tunisia in UMA in the area of communications should be highlighted.

### Chapter 8

- The IGAD representative committed to providing additional information on regional projects in the areas of water management, mining, food and agriculture and manufacturing.

### Chapter 9

- Some of the participants thought that it would be desirable to incorporate more data on both the work force (i.e. working population, unemployment, etc...) as well as human capital.
- The issue of why labour mobility is desirable (or at least pursued) in the presence of very high rates of unemployment should be clarified.

### Chapter 10

- IGAD has an early warning conflict mechanism that might be mentioned. Similarly, initiatives for peace in Somalia and Southern Sudan can be reported in the chapter.
- The IGAD representative noted that, contrary to information in page 219, IGAD has a strong gender programme that has been going on for several years and is driven at ministerial level (annual reports are produced).
- COMESA has produced studies on the roots of conflict in the region and these studies are being circulated among stakeholders and the civil society.
- The COMESA representative informed the TRID team that the committee on gender issues mentioned on page 219 has already been established

#### *Actions taken by TRID team*

The following is a list of the modifications and integrations proposed to incorporate comments that emerged during the peer review with the RECs. These proposals have been implemented into ARIA, together with a few additional other changes that emerged following the peer reviews with the World Bank and the IMF in Washington, and with the European Union in Brussels (see separate Mission Report)

#### *General issues*

- It has been emphasized that the report needs an introduction. The proposal is to write this introduction to address general issues concerning the whole concept of ARIA and the broad

methodology. The introduction should also mention the background of regional integration in Africa. Specific items in the introduction should be as follows:

- Motivate the choice of cut-off points for the sample period used in the assessment.
  - Emphasize that regional integration goes beyond simple trade integration and hence it yields potentially large benefits, but also costs. Furthermore, benefits may be unevenly distributed between participating countries. This in turn makes a case for compensation mechanisms and appropriate design of institutions.
  - Clarify the ultimate objective of the study.
  - Put African regional integration into the context of international integration.
  - Stress the impact of overlapping membership (even though this issue is already tackled in the core of the report).
- RECs also pointed out the need for a concluding chapter. In fact, Chapter 4 to some extent already provides general conclusions and way forward. Some general concluding remarks are also incorporated in the last section of Chapter 3. To answer the comments of the RECs we propose to include the concluding section of Chapter 3 (pages 58 and 59) into Chapter 4 (ideal location would be page 71, after the discussion on Sectoral actions). It is also suggested that the following issues are mentioned:
    - How best the necessary information can be provided to make the benefits of integration clear to all contracting parties
    - How to devise an incentive-compatible scheme that ensures commitment on the part of nation-states to implement agreed treaties
    - How best to co-ordinate the efforts of economic integration initiatives.

Then a short new concluding paragraph should be written for Chapter III. This paragraph will mention that the methodology of using quantitative indicators to measure integration is innovative and, of course, it will be refined over time. It will also briefly restate the core messages obtained from the quantitative analysis.

- Other international institutions and players that contribute to the process of regional integration in Africa can be mentioned in Chapter 1, adding a new paragraph before the conclusions (page 25). Another paragraph to be added to page 25 will also mention the institutions that have been created by RECs as a part of the regional integration process and that now contribute to supporting further integration efforts.
- Some sectors and topics ought to be incorporated into the report. The following were mentioned: (i) the role of the private sector, (ii) investment, (iii) environmental issues and sustainable development, (iv) exchange of experiences and human resources. The proposal advanced is to insert boxes tackling these issues, to the extent that sufficient relevant information is available and/or provided by the RECs.
- A few repetitions have been pointed out and they will be corrected (i.e. the repetition of the paragraph on FDI in Chapter 3 and Chapter 6).

### *Chapter 1*

- We propose to modify Table 1.2 as follows:
  - The title of the third column will read "Main Target as in the Treaty"
  - "Full economic community" is replaced by "Full economic union"
  - The main target of UMA and IGAD is "Full economic union"
  - Niger is to be included among the countries members of UEMOA
- Annex 2 is to be modified according to the information given in Table 1.2 (see also the point on general comments above)
- Proposal to add paragraphs before the section "Conclusion" (page 25) to mention the role of other international institutions and players in the process of regional integration (ADB, World

Bank, ECA, UNDP, EU, USAID). Another paragraph to be added will refer to those institutions (such as Ecobank) that have been created by RECs as a step towards integration and that now support the process of integration itself.

### *Chapter 2*

- To highlight the relationship between RECS and AEC an additional bullet can be inserted, page 29. The sentence should read: "At the continental level, the protocol on the relationship between the RECs and the AEC provides for a Co-ordination Committee that meets at the level of Chief Executives".
- The third bullet, page 29, will be corrected to account for the fact that the task force between COMESA and SADC dealing with common issues is now fully established.
- Table 2.5 is to be updated using information that will be provided by SADC.

### *Chapter 3*

- The proposal is to move the concluding section of this chapter to Chapter 4, so that this latter will actually serve as a general conclusion for the first part of the report. A new conclusion is therefore to be written for Chapter 3. This conclusion should highlight the innovative character of the exercise of measuring the pace of integration through quantitative indicators. The same exercise should be systematically repeated in the future, to improve on the methodology, similar to the process undertaken for several other well known indicators (e.g. the Human Development Indicators).
- For consistency with the information reported in Table 3.3, ECCAS will be deleted from the sentence at the end of the paragraph at page 24.

### *Chapter 4*

- The conclusion from Chapter III is to be brought to page 71.
- We propose to enhance the discussion of sectoral actions (page 69-71). This will serve the purpose of making Chapter IV a "general conclusion" on the issue of integration in Africa. However, Chapter IV is not intended to incorporate lengthy conclusions on sectors, since those are already spelled out at the end of each chapter of part II.
- The fourth paragraph at page 67 will be reformulated to emphasize that the AU commission needs to be fully equipped to play its role in the building of an effective African Union.

### *Chapter 5*

- It has been suggested that the concept of Free Trade Areas should be given more emphasis in this chapter. To this purpose we suggest to provide a box.
- According to the comments of COMESA, we integrate the description of tariffs elimination in COMESA (page 82) by providing information on the tariff cuts operated by Burundi and Rwanda, also mentioning their intention to join the FTA by 2004.
- We also update the information provided in the first paragraph of page 85 on the rules of origins for COMESA. The new paragraph will mention all the five criteria currently in use (rather than only three).
- The concluding section is to be expanded to highlight some critical issues emerged in the discussion:

- Factors that contribute to limiting the size of intra-regional trade: (i) lack of products competitiveness due to supply side bottle necks, low quality and high prices; (ii) lack of infrastructure and obstacles to physical integration; (iii) lack of complementarity and diversification of production structures; (iv) persistence of non trade barriers.
- Way forward: (a) standardization of documentation; (b) improvements in the process of data collection; (c) sensitization of member states and stakeholders on intra-regional trade issues; (d) definition of a whole strategy for intra-African trade, based on various scenarios and going beyond tariffs removal; (e) also emphasize other issues in addition to a trade-driven concept of integration (such as production, cross border investment, macroeconomic policy harmonization, project specific coordination).

#### *Chapter 6*

- Following the information provided by the UMA representative, we will update the paragraph on financial institutions (page 124) to include the information on the establishment of a Foreign Investment Bank in Maghreb Countries.
- Regarding the list of ten best-performing banks, consultation with the World Bank is required to see whether it is possible to provide such information (i.e. which criteria should be used to assess banks' performance, what data are available, etc...).

#### *Chapter 7*

- The second paragraph at page 134 is extended to incorporate the information that UMA has developed the Maghreb highway, which is now more or less completed.
- The second paragraph at page 138 and the first paragraph at page 139 are both modified to take into account the information provided by the UMA representative on air transportation within the region and from the region and SSA.
- The section on physical integration is to be extended to include a paragraph on UMA. This will mention that a joint Morocco-Tunisian company realized a communication project in Mauritania. This can be regarded as a good example of infrastructure development since two countries are combining forces to develop infrastructure in a third partner country.
- Information on additional studies on transit times (Table 7.4 page 142) is to be included once relevant information is provided by IGAD.
- We propose that the chapter should also mention regional initiatives that have been established in the field of communication and infrastructures (i.e. Union of African Railways).

#### *Chapter 8*

- IGAD will provide additional information that will be incorporated in the chapter.
- A decision has to be made on whether data on the mineral sector should be included, as required by UMA. This would serve the purpose of enlarging the data-set associated with the report.

#### *Chapter 9*

- The discussion highlighted that while human development and labour mobility are crucial items in the integration agenda, relatively little information is provided, especially with respect to human development. The chapter should incorporate more data on the work force and

perhaps also explain why labour mobility is desirable in a context where national unemployment rates are almost uniformly high. We advance two proposals to tackle this issue. First, maintain the chapter as standing by itself. In that case the title should be changed to "Human resources development and labour mobility" and more elements on the capacity building of RECs should be given. Second, merge the chapter with Chapter 10 under a general heading "Social dimensions and cross-cutting issues". This new chapter would be divided into two parts: part A dealing with human resources and labour mobility (this is Chapter 9 in its current version) and part B dealing with cross-cutting issues (this is Chapter 10 in its current version).

#### *Chapter 10*

- At page 212, the paragraph on IGAD will be corrected to mention that the Conflict Early Warning and Response Mechanism is now effectively in place.
- We will also integrate the paragraph on COMESA (page 212) to report that COMESA has produced studies on the roots of conflict in the region. These studies are being circulated among stakeholders and the civil society
- We correct the information provided at page 219 on regional gender policies in IGAD. The proposed new last sentence of the first paragraph should read: "IGAD has developed regional gender policies aimed at mainstreaming gender issues into its regional programmes and activities".

#### *List of participants*

1. COMMON MARKET FOR EASTERN AND SOUTHERN AFRICA (COMESA)  
Ms. Tidnekialesh Asfaw  
Co-ordinator  
Technical Co-operation and  
Resources Mobilization  
Ben Bella Road  
P. O. Box 30051  
Lusaka 10101  
Zambia  
Tel.: (260-1) 229726/30  
Fax: (260-1) 225107/231751  
E-mail: [tasfaw@comesa.int](mailto:tasfaw@comesa.int)
2. INTERGOVERNMENTAL AUTHORITY ON DEVELOPMENT (IGAD)  
Mr. Gerald W. Mbuthia  
Chief, Trade, Industry and Tourism  
IGAD  
P. O. Box 2653  
Djibouti, Djibouti  
Tel.: (253) 35 40 50  
Fax: (253) 35 69 94/35 62 84  
E-mail: [Gerald.mbuthia@igad.dj](mailto:Gerald.mbuthia@igad.dj)

3. UNION DU MAGHREB ARAB (UMA)

Mr. Jamel Boujdaria  
Chief Division in charge of economic  
affairs, Secretariat General  
UMA  
Rabat, Morocco  
Tel.: 037671280  
Fax: 037671253  
E-mail: [boujamel@yahoo.com](mailto:boujamel@yahoo.com)
4. SOUTHERN AFRICAN DEVELOPMENT  
COMMUNITY (SADC)

Dr. A. Mondlane  
Principal Economist  
Gaborone, Botswana  
Tel.: (267) 71311555  
E-mail: [amondlane@sadc.int](mailto:amondlane@sadc.int)
5. AFRICAN UNION (AU)

Mr. E. B. Akpan  
Economic Advisor, Office of the  
Interim Chairperson  
AU Representative  
Addis Ababa  
Tel.: 51 93 85  
E-mail: [e.b.aupan@telecom.net.et](mailto:e.b.aupan@telecom.net.et)
6. UNITED NATIONS DEVELOPMENT  
PROGRAMME (UNDP)

Ms. DeeDee Angagaw  
UNDP  
Addis Ababa  
Tel.: (251-1) 51 00 32  
Fax: (251-1) 51 25 99  
E-mail: [DeeDee\\_Angagaw@undp](mailto:DeeDee_Angagaw@undp)
7. UNITED NATIONS DEVELOPMENT  
PROGRAMME (UNDP)

Ms. Hannah Gutema  
UNDP  
Addis Ababa  
Tel.: (251-1) 51 59 19  
Fax: (251-1) 51 25 99  
E-mail: [hanna.gutema@undp.org](mailto:hanna.gutema@undp.org)
8. UNITED NATIONS DEVELOPMENT  
PROGRAMME (UNDP)

Mr. Ahmed Keita  
UNDP  
Addis Ababa  
Tel. : +44 790 080 2450  
E-mail : [keitaas@hotmail.com](mailto:keitaas@hotmail.com)
9. ECA Secretariat

Mr. Yousif A. Suliman  
Director

- TRID
10. ECA Secretariat Mr. Hakim Ben Hammouda  
TRID
11. ECA Secretariat Mr. Hachim Koumaré  
Senior Economic Affairs Officer  
TRID
12. ECA Secretariat Mr. Antonio Pedro  
Senior Economic Affairs Officer  
TRID
13. ECA Secretariat Mr. N. Blayo  
Economic Affairs Officer  
TRID
14. ECA Secretariat Mr. Daniel Tanoé  
Economic Affairs Officer  
TRID
15. ECA Secretariat Mrs. Rawda Omar Clinton  
Economic Affairs Officer  
TRID
16. ECA Secretariat Mr. A. Mahamat  
Economic Affairs Officer  
TRID
17. ECA Secretariat Mr. Pancrace Niyimbona  
Energy Affairs Officer  
TRID
18. ECA Secretariat Mr. Fabrizio Carmignani  
Associate Economic Affairs Officer  
TRID
19. ECA Secretariat Mrs. Marie Thérèse Guiebo  
Programme Officer  
TRID
20. ECA Secretariat Mr. Berhanu Hailemichael  
TRID
21. ECA Secretariat Ms. Dalia Osman  
TRID
22. ECA Secretariat Ms. Namakau AkaPelwa

23. ECA Secretariat

TRID

Mr. Kahoui Isodor  
TRID

24. ECA Secretariat

Mr. Robert T. Lisinge  
TRID

25. ECA Secretariat

Almaz Negussie  
Secretary  
TRID

26. ECA Secretariat

Loulé Balcha  
Secretary  
TRID

27. ECA Secretariat

Amdemichael Worku  
Document Collector