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Best Practices in Regional Integration in Africa

I. Introduction

1. Regional integration remains a key strategy for advancing Africa's socio-economic endeavours. Regional integration, which refers to the unification of nation States, provides the countries with large economies of scale, increased levels of investment and trade, and maximizes economic welfare. Mindful of these benefits, numerous Regional Economic Communities (RECs)[1] have been formed, and recent times have witnessed an increased level of political will and commitment to the Treaty Establishing the African Economic Community (AEC) also referred to as the "Abuja Treaty"[2].

2. However, progress towards the achievement of the AEC has been unsatisfactory. Many of the milestones expected are yet to be achieved. Twenty-seven of the now 54 Member States of the AU belong to two or more RECs leading to overlapping membership issues. Table 1 shows Africa's current state of play in the implementation of regional integration. The need to share best practices in regional integration is paramount, to help accelerate the overall process of Africa's integration and intra-African trade in general.

3. To this end, the addendum identifies some best practices in four key thematic areas of regional integration (Trade and Market Integration, Free Movement of People and Right of Establishment, Transport and Communication, and Macroeconomic Convergence), as one of the ways of promoting the sharing of experiences. Such sharing helps RECs to benefit tremendously from one another in terms of replicating and adapting best practices.

[1] Africa's major regional integration groupings that are currently recognized by the African Union (AU) include the Arab Maghreb Union (AMU), the Community of Sahel – Saharan States (CEN-SAD), the Common Market for Eastern and Southern Africa (COMESA), the East African Community (EAC), the Economic Community of Central African States (ECCAS), the Economic Community of West African States (ECOWAS), the Inter-Governmental Authority on Development (IGAD), and the Southern African Development Community (SADC), with memberships of 5, 18, 19, 5, 10, 15, 7 and 14 States, respectively. The sub-sets of some of these major regional integration schemes that are also involved in the implementation of Africa's economic integration agenda include the Central African Economic and Monetary Community (CEMAC), the Economic Community of the Great Lake Countries (CEPGL), the Indian Ocean Commission (IOC), the Mano River Union (MRU) and the West African Economic and Monetary Union (UEMOA).

[2] http://www.uneca.org/itca/ariportal/abuja.htm.

Table 1: Current State of Play among RECs and Sub-groups (2011)

	Free Trade Area (FTA)	**Customs Union (CU)**	**Common Market (CM)**	**Economic and Monetary Union**
AMU	Not yet established	Not yet established	Not scheduled	Not scheduled
CEN-SAD	Established	Not yet established	Not scheduled	Not scheduled
COMESA	Established in 2000 with 14 (**74%**) participating countries	Launched in 2009 with three-year transition period	Not scheduled	Proposed for 2018
EAC	Established	Established	Agreement ratified in 2010 with five years transition period	Scheduled for 2012
ECCAS	Established	Established	Not scheduled	Not scheduled
CEMAC	Agreed but implementation delayed	Established	Freedom of capital in place	Monetary union with common currency
ECOWAS	Established	Established	Initial steps to freedom of movement	Eventual merger of UEMOA and WAMZ envisaged
UEMOA	Established	Established	Initial steps to freedom of movement	Monetary union with common currency since 1994
IGAD	Established	Established	Not scheduled	Not scheduled
SADC	Established in 2008	Launch was due in 2010 but postponed	Proposed for 2015	Proposed for 2016
SACU	Established	Established	Postponed for 2015	In progress at practical level

II. Trade and Market Integration

4. Best practices in trade and market integration are noticeable in African RECs through free movement of goods and services, as well as creation of free trade zones and customs unions. This involves the elimination of tariffs and non-tariff barriers (NTBs), and the implementation of trade facilitation measures such as simplification of customs procedures and documentation, and removal of road blocks.

a) Best practices in elimination of tariffs

5. Elimination of tariffs in the EAC member States is in full force, aimed at liberalizing trade and widening markets within the region. The duty- and quota-free trade regime is based on the principles of World Trade Organization (WTO) and has helped to bolster trade in the region to over $ 3 billion in 2010, a 10.6 per cent increase compared to 2009 (EAC Handbook, 2011).

6. The EAC Customs Union is a unique borrowed practice from COMESA. The protocol of the EAC Customs Union was borrowed from the COMESA Free Trade Area (FTA) and replicated in the EAC. The 14 member States participating in the COMESA FTA are a testimony to the regional trade liberalization regime. All member States in the EAC became a zero tariff zone as of 2010. All COMESA FTA participants are now a zero tariff zone and of the total $ 3 billion regional trade (COMSTAT, 2011); US$ 2.55 billion (85%) is from within the FTA.[3] As related to identifying benefits to mainstream programmes at national level, the above mentioned member States can be considered a best practice.

b) Best practices in elimination of non-tariff barriers

7. *Elimination of NTBs through an online reporting scheme* by COMESA, EAC and SADC is being implemented. This is being done through the NTB Reporting and Monitoring Mechanism (ORM). The mechanism is designed to enable private and public sector operators to register complaints on NTBs which can then be resolved bilaterally. To date, 329 complaints have been registered on the system, out of which about 227 (69%) have been resolved. Table 2 shows a few specific examples of the tripartite NTBs reporting mechanism.

[3] COMESA FTA participants include Burundi, Comoros, DRC, Djibouti, Egypt, Kenya, Madagascar, Malawi, Mauritius, Libya, Rwanda, Seychelles, Sudan, Zambia and Zimbabwe. Ethiopia, Eritrea, Swaziland and Uganda are not participants of the FTA.

Table 2: The tripartite NTBs reporting mechanism

Reported NTBs	Reporting Country	Imposing Country	Type of NTB	Status of elimination	Remarks
Fridges and Freezers	Swaziland	Zimbabwe	**RoO**	Pending	Awaiting final report from Zimbabwe after a second Verification Mission in December 2011
White sugar and LG electronics	Egypt	Kenya	**RoO**	Pending	Kenya requested for verification mission
Milk and Milk products	Kenya	Zambia	**SPS and Standards**	Partially resolved	Yoghurt and other milk products are pending due to standards compliance by Kenya
Soap	Mauritius	Madagascar	**RoO**	Partially resolved	Both countries are yet to agree on costing method; Madagascar is yet to respond to the Secretariat's proposal to engage an international costing expert
Pure palm - based cooking oil	Kenya	Zambia	**RoO**	Pending	The two countries are undertaking bilateral consultations
Tea on transit	Uganda	Kenya	**Border taxes**	Resolved	Kenya clarified that it does not charge any fees on transit cargo and so it was necessary for such cargo to be appropriately declared as such.
Ban on buses to cross Kariba dam	Zambia	Zimbabwe	**Inadequate trade-related infrastructure**	Resolved	The ban has since been lifted to allow buses and small commercial trucks of up to 11 tons to cross the bridge
Border delays at Vic Falls weigh bridge due to incorrect weights at the weigh bridge	Zambia	Zimbabwe	**Inadequate trade-related and mobility infrastructure**	Resolved	The weigh bridge has since been calibrated by Zimbabwean authorities (standardized) and no more reports have been received after the calibration.

Source: Extracted from COMESA-www.tradebarriers.org

8. *Institutional mechanisms as a means of eliminating NTBs:* All EAC partner States are using national and regional committees to monitor and address challenges posed by NTBs. The committees also act as focal points to the tripartite online mechanism for eliminating NTBs. These committees can therefore be considered as a best practice in mainstreaming regional initiatives to national levels and ways that regional initiatives can remain synchronized to those implemented at regional and national levels in other subregions.

9. *Best National Performance on Elimination of NTBs:* Rwanda can be considered as a pace maker "best performer" in terms of elimination of NTBs using different approaches including the online reporting mechanism and institutional committees. Further, it has removed all checkpoints after the border compared to an average of 10 checkpoints in Tanzania. Rwanda, therefore, can be considered a best-practice country in eliminating NTBs.

c) Best practices in Rules of Origin

10. *COMESA is already using a regional Rules of Origin (RoO) certificate*. This entitles cross-border traders to preferential trade under FTA. The certificate which is to be held by traders within the subregion upon qualifying, allows a trader to bypass all additional and repetitive bureaucratic processes at a border post to prove eligibility to qualify for COMESA FTA. Once the form is obtained and filled upon proof of eligibility at one border checkpoint, a trader will then only submit the copy of the certificate for authentication at all other border checkpoints within the FTA zone without physically checking the goods. Thus, as a mechanism to foster cross-border trade, the certificate of rules of origin in COMESA is a best practice from which other subregions can draw practical lessons.

11. *To facilitate the implementation of its RoO, COMESA has harmonized and gazetted its criteria.*[4] To waive all indifferences in terms of computation mechanisms used for RoO, COMESA has harmonized all formulae that member States will use when calculating import material content (%)[5] and local material content (%)[6] during production. This approach helps all member States to have harmonized RoO approaches and standards, and serves as a best practice in avoiding controversies in this area. COMESA has further agreed and gazetted a list of costs, charges and expenses that member States should include and/or exclude when calculating ex-factory costs.

d) Best practices in trade facilitation measures

12. *The Chirundu One Stop Border Post (OSBP) between Zimbabwe and Zambia is a best practice in trade facilitation measures.* The pilot trade facilitation project on the North-South Corridor (NSC) launched in December 2009 is the first functioning OSBP in Africa and incorporates a community-based computer system that harbours the information and communication (ICT) platform and accepts the required data from all the border agencies and allows authorized access to limited datasets by different users to enhance establishment of a single-window system at the border. Since its launch in 2009, clearing time at the border post has reduced from 3 days, to 6 hours and 1 day maximum (OSBP Source Book, 2011). It therefore offers practical examples as a best practice from which other RECs can draw practical lessons for similar future initiatives.

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[4]COMESA Rules of Origin have five independent criteria: (a) goods should be wholly produced in a member State; (b) goods should be produced in the member States and the c.i.f. value of any foreign materials should not exceed 60 per cent of the total cost of all materials used in their production, (c) goods should be produced in member States and attain a value added of at least 35 per cent of the ex-factory cost of the goods; (d) goods should be produced in member States and should be classifiable under a tariff heading other than the tariff heading of the non-originating materials used in their productions; (e) goods should be designated by the Council of Ministers as "goods of particular importance to the economic development of member States" and should contain not less than 25 per cent value added.

[5] Import material content = c.i.f. value of imported materials / (cost of local materials + c.i.f. value of imported materials).

[6] Local material content = cost of local materials / (cost of local materials + c.i.f. value of imported materials).

13. *Simplification of customs procedures at border posts*: All COMESA partner States have installed and are using ASYCUDA++ system at all of their customs checkpoints. Djibouti, Seychelles and Zimbabwe are further using the most improved version of the system, ASYCUDA World, which is the latest version of the ASYCUDA system. It offers more flexibility, is a faster and easier processing mechanism and is the most accepted and most used system worldwide. Kenya, however, is using the Simba System which is different from ASYCUDA. In Mauritania, the time required to process a declaration at the airport was cut from 20-48 hours to 30 minutes when the system was installed.

14. ECOWAS is in the process of implementing ASYCUDA systems. Cote d'Ivoire, Liberia and Mali are the only members using ASYCUDA World, thus offering examples of best-practice countries for putting in place better automated systems to facilitate trade in the Community. Senegal, on the other hand, is using a locally developed system.

15. *Simplification of documentation at customs check points*. The COMESA Customs Declaration Document (COMESA CD) is a standardized document for customs transit traffic control. Angola, Burundi, DRC, Egypt, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Rwanda, the Sudan, Uganda, Zambia and Zimbabwe are using the COMESA CD and the document takes into account the data elements required for the ASYCUDA systems. Holders of COMESA CD get to minimize time spent at border checkpoints significantly. The document caters for imports, exports, transit and warehousing and is said to have replaced on average 32 documents in some member States (COMESA Cross Border Trade Bulletin, 2010).

16. Once data are entered at an initial customs checkpoint, automatically it becomes available on the system at all other customs checkpoints. Since the document is harmonized, the holder of the document only has to confirm with the next checkpoint if the document matches the one on the system and get clearance. In this regard, the document is a best example of how customs procedures can be simplified at border posts.

III. Free Movement of People and Right of Establishment

17. There is general consensus that countries that manage to create a favourable environment for the free movement of people within their respective subregions also pave the way for their economies to benefit from a wide array of available skills.

a) Best practices in relaxation of visa requirements

18. COMESA is granting a 90-day visa upon arrival to all COMESA member States who are members of the FTA under protocol CM/XI/60. The same is true within ECOWAS under protocol A/P/.1/5/79 on free movement of persons and rights of establishment. In SADC on the other hand, different member States are granting 90 days visa free stay to other member countries through bilateral agreements. The bilateral agreements between South Africa-Zimbabwe, Mozambique-Lesotho, and Angola-Namibia, for example, are some approaches and best practices from which the member States of other subregions and from within SADC can draw lessons for future initiatives. Although it is in the process of drawing up a protocol on free movement of people and drawing experience from ECOWAS, CEN-SAD exempts students, businessmen, athletes and academicians from visa obligations while travelling in its member States. The same is true for diplomatic passport holders.

b) Use of regional passports as a tool to facilitate free movement of people

19. *In addition to removing all visa requirements to its citizens, all member States in EAC are further granting 3 months visa free stay for national passport holders and 6 months for EAC passport holders.* The passport is valid for 5 years and is recognized by all partner States. This regional passport has been pivotal to encouraging members of partner States to travel in the subregion.[7]

20. The ECOWAS regional passport is one of the best examples of a common regional travelling document used as a means to improve the free movement of people. The passport is currently used in Senegal, Nigeria, Niger, Benin, Guinea and Liberia, and has the ECOWAS emblem on the front cover. The ECOWAS passport can be used to travel internationally unlike that of EAC which is only operational in the subregion. The ECOWAS passport is also expected to replace the current system of national passports used by other member States in the subregion. CEMAC is also using a regional passport "CEMAC Passport" and has improved free movement within the subregion since it was introduced in 2008.

c) Right of Establishment

21. *Kenya and Rwanda in the EAC are implementing a bilateral agreement to allow citizens from either country to freely establish in the other*. The agreement also waives all work permit fees. Furthermore, Kenya is already implementing a similar agreement with Uganda. In AMU, Mauritania guarantees freedom of establishment and capital investment, freedom to transfer foreign capital, the ability to transfer the professional income of foreign employees and equal treatment of Mauritanian and foreign individuals, as well as of legal entities. In that respect, foreigners in the country receive the same treatment as Mauritanians subject to the provisions of treaties and agreements concluded between the Government of Mauritania and other countries (principle of reciprocity). This is a progressive and innovative best practice to promote the free movement of people, and the right of establishment and residence in Africa.

IV. Transport and communication

22. African RECs are stepping up efforts to improve transport and communications in line with the vision of boosting intra-African trade and regional integration in general. Several salient practical examples can be mentioned.

Best practices in transport and communication

23. *Standardized Load Limits in COMESA.* In the effort to facilitate free movement of goods and vehicles along its corridors, COMESA is using the harmonized axle load limit as a mechanism. In this regard, all its member States are implementing the standards. The standards help truckers travelling within the subregion to reduce the costs of transporting goods. Previously, the charges incurred were high, due to the different standards set by different countries. The standards also help to safeguard the roads against overloading.

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[7] EAC is currently in the process of finalizing and authenticating the documents from member States to upgrade the EAC passport to an international readable and acceptable document. The new EAC passport will comply with the International Civil Aviation Organization (ICAO) document 9303 "the national readable zone" and will in future, allow citizens using the EAC passport to travel internationally.

24. *Institutional mechanisms as a tool for trade facilitation*. SADC member States are using the Corridor Management Committee (CMC) concept as a strategy to facilitate trade in the subregion. The CMC has the responsibility for regularly reviewing the condition along the corridors and making recommendations for improvements in terms of physical infrastructure and other related bottlenecks that hinder mobility. To this end, the CMC on the Trans-Kalahari Corridor (TKC), the North-South Corridor (NSC) in Botswana and the corridor through Nacara, Beira, Mtwara and Dar es Salaam, can be considered as best practice.

25. *The Yellow Card Scheme as a mechanism to facilitate trade* in COMESA. The scheme is regarded as a useful mechanism to facilitate free cross-border movement of goods and vehicles in the subregion. The countries for which the Yellow Card is operational include Burundi, DRC, Eritrea, Kenya, Malawi, Rwanda, Uganda, Zambia and Zimbabwe. The card basically is an insurance scheme that covers third party liabilities and the medical expenses for drivers of vehicles and of their passengers should they suffer any bodily injury as a result of an accident to the insured vehicle. The card also helps transporters and motorists avoid buying insurance cover at each border post they cross. There are currently 180 private insurance agencies involved in the scheme issuing about 50,000 cards annually. The scheme has also increased the traffic of trucks between 500 and 600 annually. Drawing lessons from countries using the Yellow Card system, Tanzania and SACU member States are also participating in the scheme.

26. ***ECOWAS and UEMOA are implementing the Brown Card insurance scheme*** which is similar to the COMESA Yellow Card as a vehicle insurance programme that covers third-party liability and medical expenses. ECOWAS is also using the Inter-State Road Transit scheme to ease road transit and transport across borders. On physical infrastructure, it is fundamental to the integration agenda funding and commitment to infrastructural programmes are increased. Under its corridor approach, for example, EAC progress on the East African Road Network Project, in particular the Arusha-Nmamanga-Athi River Road which is 70 per cent complete (200 km of 240 km) is another best practice.

V. Macroeconomic Convergence

27. *Monetary and fiscal policies are key instruments that help to propel the integration agenda.* In this regard, salient best practices in areas of harmonization of inflation rates, macroeconomic policies in exchange rates, institutional monitoring mechanisms, and payment systems are notable across the RECs.

a) Best practices in macroeconomic convergence

28. *Monetary Integration (CEMAC and UEMOA experience*). CEMAC and UEMOA are already monetary unions in terms of having a single currency. Monetary integration, especially in terms of monetary union, helps to remove exchange rate uncertainty, reduces transaction costs and deepens the integration process. Unlike in other RECs characterized by different local currencies, most of which are non-convertible within and across RECs, CEMAC and UEMOA form a single CFA currency zone which is pegged to the Euro.

29. The CFA zone comprises 14 sub-Saharan African countries.[8] To manage the currencies, the two subregions have set two regional central banks, Central Bank of West African States (BCEAO) in Dakar, Senegal, and the Bank of Central African States (BEAC) in Yaoundé, Cameroon. The CFA zone is unique in the world as a monetary union with a fixed exchange rate to the anchor currency country, France, guaranteeing convertibility of the CFA Franc with the Euro. France participates in the executive boards of the two regional central banks, and provides extensive financial and technical assistance to the member countries of the zone. With the CFA franc zone, cross-border traders between CEMAC and UEMOA members can trade easily without difficulties of currency convertibility thus offering a best practice which other subregions can draw lessons from.

30. *Use of the Harmonized Consumer Price Index (HCPI) as a mechanism to harmonize inflation rates*. COMESA is implementing the HCPI as a mechanism to facilitate cooperation in the field of statistical development towards ensuring the provision of regular and timely statistical information for monitoring performance in areas of price stability and macroeconomic convergence. The HCPI is based on a harmonized methodology and conceptual approaches across COMESA member States. As a best practice, the HCPI, which is part of the Monetary and Fiscal Policies harmonization programme (1992) also acts as a tool offering information on the attractiveness of the business environment for the participating member States[9].

31. SADC is also implementing its HCPI whose methodologies and approaches are similar to those applied in COMESA. The HCPI of participating countries in SADC is reported and gazetted on a monthly basis. The SADC countries participating in the HCPI include Botswana, DRC, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe.

32. *Institutional Monitoring Mechanisms for macroeconomic convergence integration.* ECOWAS has already set up an institutional framework for multilateral surveillance for the harmonization of macroeconomic policies, promotion of macroeconomic stability and convergence, as well as promotion of harmonization of national economic and financial policies towards the establishment of an economic and monetary union. The directorate works closely with the West African Monetary Agency (WAMA), which is a specialized agency of ECOWAS established to promote monetary cooperation among the member States and also works closely with the West African Monetary Institute (WAMI) to promote the establishment of a second West African Monetary Zone (WAMZ)[10].

b) Payment systems (the M-Pesa experience)

33. Kenya launched its M-Pesa[11] initiative, a mobile-based money transfer service for Safaricom which is a Telkom Kenya and Vodafone affiliate in 2007. The initiative was jointly funded by the UK Department for International Development (DFID) and Safaricom. M-Pesa allows people and traders to send, receive from their cell phones and withdraw money at any authorized M-Pesa stations anywhere in the country.

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[8] Countries in West Africa using the CFA Franc include Benin, Burkina Faso, Cote d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal and Togo. Countries in Central Africa using the CFA Franc include Cameroon, Central African Republic, Chad, Republic of the Congo, Equatorial Guinea and Gabon.
[9] Member States participating in the COMESA HCPI include Burundi, DRC, Egypt, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, the Sudan, Swaziland, Uganda, Zambia and Zimbabwe.
[10] Member States in the WAMZ programme are the Gambia, Ghana, Guinea, Nigeria, Liberia and Sierra Leone.
[11] Vodacom Tanzania and Rwanda's MTN have also launched their mobile money initiatives in their respective countries.

34. M-Pesa is a branchless banking service designed to enable users to complete basic banking transactions without the need to visit a bank. Customers of the programme can deposit and withdraw money from a network of agents that includes airtime resellers and retail outlets acting as banking agents. Currently, M-Pesa has over 10 million subscribers and over 2 million daily transactions facilitating over $ 415 million per month in person-to-person (P2P) transactions in Kenya alone. M-Pesa is a significant Public-Private Partnership (PPP) best practice for regional financial systems that deliver affordable, safe and efficient financial services to cross-border traders, including those in the unbanked and rural population. Box I shows the remarkable success story.

Box 1. Kenya's M-PESA: The Unbelievable Success Story in Numbers (2011)

- It is less than five years old.
- One-quarter of Kenya's GDP flows through the mobile payment system.
- It has 11.9 million registered customers, of which the majority is active. This corresponds to 73 per cent of Safaricom's customer base, 54 per cent of Kenyan adults, and 31 per cent of the entire population.
- Has 19,500 retail stores (privately owned) at which M-PESA users can cash-in and cash-out, of which nearly half are located outside urban centres.
- Hosts $ 415 million per month in person-to-person (P2P) transfers. On an annualized basis, this is equal to roughly 17 per cent of Kenyan GDP.
- There are 27 companies using M-PESA for bulk distribution of payments. Safaricom itself used the system to distribute dividends on Safaricom stock to 180,000 individual shareholders who opted to receive their dividends into their M-PESA accounts, out of a total of 700,000 shareholders.

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