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Report on National Mechanisms for Coordination of Economic Cooperation and Integration in Southern Africa

SUMMARY

Regional cooperation and integration in Southern Africa has been increasingly accepted and promoted by all the countries, it being considered as one of the solutions to the limitations of their tiny national economies. The four major building blocks in Southern Africa: COMESA, SADC, IOC and SACU, are tangible examples of member States' determination to create a large and uniform investment, trading and production environment, thereby integrating their economies.

Economic cooperation and integration process in Africa has now evolved into both economic and political arena. The countries, as a result, have adopted different mechanisms for coordination at the national level. It is hypothesized that the coordination mechanism at the national level has direct bearing on the effectiveness of the country in regional cooperation and integration arrangements.

In this regard, the Subregional Development Centre for Southern Africa (UNECA/SRDC-SA) plans to undertake a study to assess existing national mechanisms for coordination of regional cooperation and integration in Southern Africa. The study will be presented to an Ad Hoc Experts Group Meeting in June 2001 and will be an integral part of the regional study, which is coordinated by the Regional Cooperation and Integration Division (RCID) of ECA.

The Committee is called upon to consider the report, brainstorm on the issues raised and recommend appropriate steps so that the Centre, in collaboration with selected national experts, could prepare a technical discussion paper to be presented to the Ad Hoc Experts Group Meeting.

1. BACKGROUND

1. One of the most important lessons of post Cold War era is that the world has become so interdependent that no country, however powerful, however strong, can go it alone. In Africa, regional cooperation and integration is considered as the bedrock for economic and social development. Thus, in an increasingly interdependent world, intra-African cooperation and economic integration has become an imperative necessity. Indeed, economic cooperation provides an opportunity of evolving a collective approach to national survival.

2. African countries, upon the attainment of political independence in the 1960s, chose the economic, rather than political route to regional integration as the best means for achieving the goal of development for the continent. This choice has been consistently underlined in all the major Continental decisions, for example: the Charter of the Organization of African Unity (OAU) in 1963; the Lagos Plan of Action of 1980; the Abuja Treaty establishing the African Economic Community (AEC) of 1991; and the 1995 Cairo Agenda for Action on Re-launching Africa's Economic and Social Development. In this regard, many models have been tried and action plans, strategies, programs and projects implemented to achieve accelerated development. One constant in all these efforts has been the belief in regional cooperation and integration.

3. In pursuit of the above goal, various cooperation and integration groupings have been formed over the years, with varying degrees of success. The Lagos Plan of Action (1980) called for the establishment of an African Economic Community (AEC) by the year 2000. Accordingly, some regional groupings, which were then in existence, adopted the principles of the Plan of Action, while new groupings were also formed. Notable among the former category was the Economic Community for West African States (ECOWAS), while the latter category included the Preferential Trade Area for Eastern and Southern Africa (PTA) and the Economic Community for Central African States (ECCAS).

4. Despite great expectations, efforts to bring about a fundamental socioeconomic structural change in Southern Africa have been often frustrated by domestic and external factors. As a result, the countries of the subregion continue to experience limited structural changes, social transformation and economic growth. Most Southern African countries still lack the necessary resources, the infrastructural base and the required capacity to sustain equitable growth and development. The fact that most countries belong to more than one of the regional groupings may exert further pressure on the already limited resources for deepening the integration process.

5. In this context, the Economic Commission for Africa Subregional Development Centre for Southern Africa (UNECA/SRDC-SA) plans to undertake a study to assess existing national mechanisms for coordination of regional cooperation and integration in Southern Africa. It is hypothesized that the coordination mechanisms at the national level has direct bearing on the effectiveness of the country in regional

cooperation and integration arrangements. The study will be presented to an Ad Hoc Experts Group Meeting in June 2001 and will be an integral part of the regional study, which is coordinated by the Regional Cooperation and Integration Division (RCID) of ECA.

6. The objective of the Ad Hoc Experts Group Meeting is to review existing national mechanisms for regional cooperation and integration in Southern Africa, and make appropriate recommendations to minimize cost and increase the benefits of regional cooperation and integration in Southern Africa. The discussions from the meeting would form the basis for a policy document suggesting appropriate mechanism for coordination of regional economic cooperation and integration at national level.

7. The purpose of this report is, therefore, to brainstorm on the issues raised so that the Centre, in collaboration with selected national experts, could prepare a technical discussion paper to be presented to the Ad Hoc Experts Group Meeting.

2. REGIONAL INTEGRATION MECHANISMS

8. In coping with the major policy challenges of socioeconomic transformation and structural changes, several regional co-operation and integration agreements have been adopted at the national, subregional and regional levels for years. The major obstacle confronting these integration and cooperation schemes has been the failure of member States to effectively implement agreed policies and strategies. This is due *inter alia* to insufficient capacity at both national and subregional levels (human as well as institutional capacities) for dealing with integration, over-dependency on external funding of integration programs, and the lack or non involvement of the private sector in the integration process.

9. In Southern Africa, regional integration has been increasingly accepted and promoted by all the countries, it being considered as one of the solutions to the limitations of their tiny national economies. The building blocks for regional integration are COMESA, SADC, IOC and SACU. While these institutions are different in their approach, their objective and aims are similar: to contribute to the creation of a full-fledged African Economic Community (AEC) with free movement of people, goods, services and capital.

10. The achievement, challenges and way forward for regional cooperation and integration in Southern Africa presented here are related only to two of the above mentioned building blocks, i.e. COMESA and SADC, others will be dealt with in the technical paper to be prepared for the experts meeting.

2.1 Integration Approach in COMESA

11. COMESA and before it PTA, has considerable experience in integration. During the past decade and half, valuable lessons have been learned. The PTA Treaty allowed progress in regional integration to be made only at the pace of the slowest member. During the first decade of implementation of this Treaty, it became clear that for a variety of reasons, including the different level of development among member States, not all countries were going to move towards integration at a uniform pace. This realization led to the adoption of a variable approach that recognized the asymmetry in the economic levels of member States. Consequently, the COMESA Treaty included a "variable asymmetry" clause, allowing progress to be made at different speeds.

12. The variable asymmetry approach in the COMESA Treaty is complemented by that of subsidiarity which, as this refers to regional integration, means that responsibility for implementing policies are kept as close to the affected people as possible.

2.1.1 COMESA Free Trade Area

13. As a regional economic and trading arrangement notified to the World Trade Organization (WTO), COMESA launched Free Trade Area (FTA) on 31 October 2000 and seeks to establish a Customs Union by the year 2004. Integration in the field of trade encompasses a gradual reduction and eventual elimination of tariffs on intra-regional trade. The agreed tariffs reduction/elimination timeframe is given in Table 1 below .

TABLE 1
COMESA TARIFFS REDUCTION TIMEFRAME

October 1993	October 1994	October 1996	October 1998	October 2000
60%	70%	80%	90%	100%

Source: COMESA Secretariat.

14. As of December 1999, 14 out of the 21 member had effected tariffs reduction of between 60 and 90 per cent. Indeed, Egypt, Kenya and Mauritius published and effected the 90 per cent tariff reduction during 1999, bringing the total number of countries at 90 per cent reduction to four. Eight (8) countries, namely Comoros, Eritrea, Kenya, Mauritius, Sudan, Tanzania, Uganda and Zimbabwe maintained the 80 per cent tariff reduction until the end of 1999. One country, Malawi, maintained 70 per cent reduction and 3 countries (Burundi, Rwanda and Zambia) remained with 60 per cent tariff reduction. As of 31 December 1999 only one country, Angola, had not communicated any action to effect tariff reductions. Fifteen (15) countries had pledged to eliminate all tariffs on intra-regional trade by October 2000.

15. The launch of the first African Free Trade Area, the COMESA FTA, took place in Lusaka, Zambia on 31 October 2000. The COMESA FTA is a culmination of 17 years of systematic tariff reductions by member States. The founding members of the COMESA FTA are Djibouti, Egypt, Kenya, Madagascar, Malawi, Mauritius, Sudan, Zambia and Zimbabwe. These countries managed to introduce national legislation reducing intra-regional tariffs on goods which conform to agreed rules of origin to zero as of 31 October 2000 as expected. Table 2 presents the status of Publishing Tariffs by member States, 1984-2000.

16. In general terms, COMESA member States have, in the main, liberalized their economies such that there are now few economic impediments to investors, including infrastructure inefficiencies and excessive regulations, particularly with regard to labour market. The COMESA FTA and its move to a customs union; the common investment area; the Africa Trade Insurance scheme; and the cross border payments and settlement system are expected to assist to boost investor confidence which, in turn, would translate into higher levels of economic growth in the subregion.

TABLE 2
PUBLISHING COMESA TARIFFS, 1984-2000

Country	Initial PTA Tariffs 1984	First Further Tariffs Reduction 1988	Second Further Tariffs Reduction 1990	Third Further Tariffs Reduction 1992	PTA tariffs for the 319 Commodities 1989	PTA Tariffs for the 43 Commodities 1990	60% Tariffs Reduction 1993	70% Tariffs Reduction 1994/5	80% Tariffs Reduction 1996/7	90% Tariffs Reduction 1998	100% Tariffs Reduction 2000
Angola	D	D	D	D	D	D	X	X	X	X	X
Burundi	P	P	P	P	P	P	P	X	S	X	X
Comoros	D	D	D	D	D	D	D	P	P	X	X
DR Congo	N/A	N/A	N/A	N/A	N/A	N/A	N/A	X	X	X	X
Djibouti	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	X	P
Egypt	N/A	N/A	N/A	D	N/A	N/A	N/A	N/A	N/A	P	P
Eritrea	N/A	N/A	N/A	N/A	N/A	N/A	N/A	P	P	X	X
Ethiopia	P	P	X	X	X	X	X	X	X	X	X
Kenya	P	P	P	P	P	P	X	P	P	P	P
Lesotho	D	D	D	D	D	D	D	D	D	D	X
Madagascar	N/A	N/A	N/A	N/A	N/A	N/A	N/A	X	X	P	P
Malawi	P	P	P	P	X	P	X	P	X	X	P
Mauritius	P	P	P	P	P	P	P	P	P	P	P
Namibia	N/A	N/A	N/A	N/A	N/A	N/A	D	D	D	X	X
Rwanda	P	P	X	X	X	X	P	X	X	X	X
Seychelles	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	X
Sudan	P	P	P	P	P	P	P	P	P	X	P
Swaziland	D	D	D	D	D	D	D	D	D	D	X
Tanzania	P	P	X	X	X	X	X	X	P	X	N/A
Uganda	P	P	P	P	P	P	X	X	P	X	X
Zambia	P	P	P	P	P	P	P	X	X	X	P
Zimbabwe	P	P	P	P	P	P	P	P	P	X	P

Source: COMESA Secretariat, COM/TCM/CT/V/12 p. 14
D = Derogation; P = Tariffs reduction published; N/A = Not applicable; S = Publication of tariffs reduction suspended;
X = Tariffs reduction not published.

2.2. Integration Approach in SADC

17. The strategy adopted by SADC is to achieve regional integration through regional cooperation. The SADC strategy for integration is, of course, consistent with the actions at the regional level. The Abuja Treaty establishing the African Economic Community (AEC), which was signed by the Heads of State and Government of the OAU, is predicated on the Regional Economic Communities (RECs) constituting the building blocks for the regional body.

18. The private sector was invited for the first time in 1994 to participate in SADC activities. The governments, which had hitherto been the only players in SADC, realized that government's role was seen to be more effective as a facilitator, rather than active participant in development. The civil society was invited much later in 1997 when the women's groups pushed for the adoption of the SADC Declaration on Gender. The formal participation by NGO's in SADC activity has not yet been formalized, however.

2.2.1 SADC Sector Protocols

19. Sector protocols were formulated to form legal bases for regional cooperation and integration upon which national policies would be developed. A total of eleven (11) protocols have been signed, out of which seven (7) have come into force having been ratified by the required two-thirds of signatories (see Table 3). These ratified protocols, however, have been unable to achieve structural transformation, bring about an increase in agricultural and industrial production, or make any notable contribution to the alleviation of poverty in the member countries. There is still room for improvement in the harmonization of sector policies in agriculture, industry, transport, water, energy, etc. at country levels.

TABLE 3
STATUS OF RATIFICATION OF PROTOCOLS IN SADC, 1992-2000
(Years from Signing to Ratification)

Country	A	B	C	D	E	F	G	H	I	J	K	Total Ratified/Signed
Angola	1	X	1	0	X	n.a.	x	X	n.a.	.x	X	3/9
Botswana	6	2	1	1	1	2	0	0.	1	1	1	11/11
DR Congo	n.a.	n.a.	N/A.	N/A.	N/A.	N/A.	N/A.	N/A.	N/A.	x	X	0/2
Lesotho	1	1	1	2	1	3	1	2	X	x	X	8/11
Malawi	1	2	2	1	2	3	x	X	X	x	X	6/11
Mauritius	N/A.	N/A.	0	0	0	0	1	1	1	x	X	7/9
Mozambique	1	X	X	X		4	x	2	x	x	X	3/11
Namibia	0	3	2	1	2	2	1	1	x	x	X	8/11
Seychelles	N/A.	N/A.	N/A.	N/A.	N/A.	N/A.	N/A.	N/A.	N/A	x	X	0/2
South Africa	N/A.	2	3	1	2	2	1	1	x	x	X	7/10
Swaziland	1	3	1	1	3	3	1	X	x	x	X	7/11
Tanzania	1	4	3	2	3	1	3	3	x	x	X	8/11
Zambia	0	3	2	X	2	X	x	1	x	x	X	5/11
Zimbabwe	0	3	2	2	2	2	2	2	2	x	X	9/11
No. Ratified/No. Signed	**10/10**	**9/11**	**11/12**	**10/12**	**10/12**	**10/11**	**8/12**	**9/12**	**3/11**	**1/14**	**1/14**	

A = Protocol on Immunities and Privileges, 1992
B = Protocol on Shared Water Courses, 1995
C = Protocol on Energy, 1996
D = Protocol on Transport, Communications and Meteorology, 1996
E = Protocol on Drug Trafficking, 1996
F = Protocol on Trade, 1996
G = Protocol on Education and Training, 1997
H = Protocol on Mining, 1997
I = Protocol on Tourism, 1998
J = Protocol on Health, 1999
K = Protocol on Wildlife, 1999

n/a = Not signed.
X = Not ratified

2.2.2 SADC Free Trade Area

20. Eleven Member States signed SADC Trade Protocol in 1996. It came into force upon ratification by ten (10) member States in January 2000 and implementation commenced from 1st September 2000.

21. The negotiations on tariff reduction to liberalize intra-SADC trade have involved member States making offers on how far they could open up their markets and on that basis improve market access for other member States. The Southern African Customs Union (SACU) made a combined offer, which took into account the principle of asymmetry, which means that SACU will liberalize faster than non-SACU countries, while the non-SACU member States have made individual offers. The offers takes into account the level of economic development of the corresponding member States. The tariffs schedule offers are divided into three categories. Tariffs will be reduced to zero on category A products on the launch of the implementation phase. Category B products will be liberalized gradually over an eight-year period, while category C or sensitive products will be liberalized by year 2012.

22. It is expected that when the SADC FTA comes into force by the year 2008, 85 per cent of all SADC trade will be at zero tariffs and this would increase to 100 per cent by 2012. However, this would require sufficient productive and export base, as well as efficient financial and human capital to support effective trade expansion.

23. The delay in ratifying the key protocols is partly due to legislative and constitutional technicalities in some member States that did not permit immediate ratification and domestication of those instruments as countries need to consult with their respective parliaments. Moreover, effective implementation of some of the protocols involves the establishment of trust and biding commitment among contracting parties. The implementation of the Southern African Power Pool (SAPP), for example, required that the suppliers risk investing large amounts of capital in excess generation capacity with the expectation that the energy deficit countries would abandon their costly policies of self sufficiency and enter into binding contracts to draw electricity from the surplus countries. Although this was overcome in the case of the SAPP, such arrangements are usually fraught with risks and uncertainties that could prevent early implementation of the energy protocols.

24. The importance of regional integration as a strategy for meeting SADC's objectives of growth, development and poverty reduction are well articulated in the various protocols that have been established to meet these objectives. Moreover, the economic and social benefits that have been summarized above are well known. The question for the SADC region is, therefore, not whether regional integration is important or beneficial to member countries. The main issue is how to ensure effective implementation in order to reap the full benefits for all the members. This constitutes the most important challenge for SADC governments in the quest to realize the goals and objectives of economic growth, development and poverty reduction.

25. As noted above, one of the key issues for the weak implementation of the protocols of the SADC integration program is the fear of domination by the relatively stronger economies, which would lead to marginalization of the smaller economies. As noted earlier, the widening of the trading and investment environment in the SADC region would attract increased investment as the rate of return on investment would be

higher and the environment would be perceived as relatively more stable and predictable. Although FDI is expected to increase, there are concerns that as private investment flows into the region, industries would be drawn into the country with the larger market and away from the smaller countries as centripetal forces operating through demand and cost linkages will dominate the centrifugal forces. It is therefore important to ensure that regional integration benefits are widely spread in each country in order to enhance the chances of reducing poverty.

3. CONSTRAINTS IN THE IMPLEMENTATION PROCESS

3.1 Implementation of Agreed Strategies

26. The slow pace of African regional integration is explained in part by: non-tariff barriers, including physical impediments to the smooth flow of goods; the reluctance by many countries to dismantle tariff barriers because they perceive that the benefits may be too unevenly distributed; overlapping country membership of RECs; as well as weak political commitment.

27. In Southern Africa, the implementation of protocols has been very slow as indicated in Tables 2 and 3. Table 2 indicates that in COMESA the timetable agreed upon by member States with respect to tariff reduction has not been respected for several reasons. Table 3 shows the status of SADC protocols in terms of the years it took member countries from signing of each protocol to its ratification. While most countries have ratified more than three-quarters of the eleven SADC protocols, only one country (Botswana) has been able to ratify all of them. Moreover, for most of the countries, it took an average of two years to ratify the protocols. Yet, these protocols are the foundation for establishing an integrated SADC economy and without their ratification, the process is undermined.

28. The main factor for the slow implementation of protocols is that the regional integration initiative in Southern Africa is founded on economic structures based on the import substitution model that emphasized production for the local market by protected industries, which could not compete in the world markets. In addition, most of the countries were economically dependent on the protected industries for employment and the fiscal revenues derived from the protective tariffs. Under such circumstances, implementing the protocols meant opening up their markets to outside competitors from the region and most countries are concerned that this would lead to significant losses in fiscal revenues and employment. This is one of the reasons why the implementation record has been slow as governments had to find alternative sources of revenue.

29. Moreover, there has been concern by some members that by opening up their markets to other member States, weaker economies would be dominated by stronger ones and thereby result in uneven distribution of the regional integration benefits. In this regard, failure to address the distributional issues associated with integration has been

another constraint to the success of the regional integration efforts. Furthermore, regional integration was also constrained by structural factors especially the similar economic structures such as factor endowments, low incomes and small markets that have limited the scope for trade creation.

30. While the fears of domination and marginalization are not unfounded, this need not be the case in the SADC region. As evidence from the North American Free Trade Area (NAFTA) shows, all countries can benefit from integration even when there is a dominant partner. For example, following the creation of NAFTA, FDI flows into Mexico increased substantially from US$ 4.3 billion in 1991 to US$11 billion in 1994. In the case of SADC there are indications of increased FDI flows from the stronger economies, especially South Africa and Mauritius, to the weaker ones. The challenge here is therefore to devise policies that encourage investors to locate in the smaller disadvantaged countries. The Maputo Development Corridor project is another example of how the benefits of integration can be spread to all the participating countries.

31. Another important challenge is to identify compensatory mechanisms for the losses that are likely to be incurred by some countries as they implement the protocols for cooperation. Of particular importance is the revenue loss that is likely to adversely affect some members as they remove tariffs. This is likely to destabilize their macroeconomic frameworks and therefore threaten the sustainability of the integration program. In the short to medium term, there is therefore need to identify mechanisms for compensation to help cushion the fears.

3.2 Coordination at National Level

32. Economic cooperation and integration process in Africa has now evolved into both economic and political arena. The countries, as a result, have adopted different mechanisms for coordination at the national level as illustrated below:

1. Botswana

OAU	Foreign Affairs
SADC	Finance and Planning
SACU	Finance and Planning
UN General Assembly	Foreign Affairs
ECOSOC	Finance and Planning
ECA	Finance and Planning
UN Agencies	Finance and Planning

2. Malawi

OAU	Foreign Affairs
COMESA	Commerce and Industry
SADC	Economic Planning and Finance (Pending shift to Foreign Affairs)
UN GA	Foreign Affairs
UNECA	Economic Planning and Finance
Other UN Agencies	Foreign Affairs

3. Mauritius

Mauritius has created a new Ministry for Regional Cooperation and Integration. The Ministry is the focal point for all international cooperation activities of the country.

4. Mozambique

OAU	Foreign Affairs
SADC	Foreign Affairs
SACU	Foreign Affairs
UN in general	Foreign affairs

5. Namibia

OAU	Foreign Affairs
COMESA	Trade and Industry
SADC	Trade and Industry
SACU	Finance, Trade and Industry
UN GA/ECOSOC	Foreign Affairs
ECA	National Planning Commission
Other UN	National Planning Commission.

6. Swaziland

OAU	Foreign Affairs and Trade
COMESA	Foreign Affairs and Trade
SADC	Foreign Affairs and Trade
SACU	Finance
UN GA	Foreign Affairs and Trade
UN ECA	Finance
Other UN	Foreign Affairs and Trade

7. Zambia

OAU	Foreign Affairs
UN Agencies	Foreign Affairs
SADC	Foreign Affairs
COMESA	Commerce, Trade and Industry

33. The advantages of and difficulties arising from the different schemes mentioned above will be discussed in the technical paper.

3.3 Procedures

34. Unlike assigning responsibilities at national level, member States differ considerably in their procedures with respect to pre- and post-meeting preparedness. National mechanisms are in most cases considered as intergovernmental affairs, not involving Civil Society and the Private Sector. Coordination is done among various Ministries, with the relevant focal Ministry.

35. In some cases, participation in activities (summit, conference, meeting, etc.) of any of the organizations is cleared by Cabinet Office. In other countries, before the meeting, coordination of national position and selection of the delegation is coordinated by the Coordinating Ministry. In either case, due consultations are undertaken among all concerned ministries/organizations to consolidate national position. However, the level of those consultations is not clearly stated: Minister, PS, Director, Experts, etc. Furthermore, while the cost of participation is borne by each participating Ministry, the criteria and process of selection of participants are not clearly stated in most cases (how, when and by whom is this made?).

36. Preparation of the reports after Conference/meeting: Member States again differ as to who prepares or coordinates the preparation of the report, who presents it to whom; and whether it is presented, for what purposes (information, action, etc.). The Coordinating Ministry is, in most cases, in charged of the follow-up and implementation of decisions.

4. ISSUES FOR DISCUSSION

38. From the above analysis, the rationale, advantages and benefits of economic cooperation and integration are well known and documented. The four major building blocks in Southern Africa: COMESA, SADC, IOC and SACU, are tangible examples of Southern African countries' determination to create a large and uniform investment,

trading and production environment, thereby integrating their economies. For this reason, regional cooperation and integration in Southern Africa is seen as a complement to, rather than as substitute for, sustained economic development.

39. In terms of coordination arrangements at national level, it appears that the establishment of a Coordinating Ministry for each cooperation institution is the most common practice in Southern Africa. In the light of the above, the following questions should be addressed:

- Should all the countries aim at having a single mechanism for regional cooperation and integration? If yes, what is the best possible approach to ensuring effective coordination at country level?

- Pre- and Post-meetings preparedness, though different in most countries, seem to be important and necessary for coordination of national positions. What is the best approach to ensuring these consultations?

- Follow-up actions are not properly stated. What is the best approach for effective implementation of agreed positions?

- Preparation and presentation of the meeting reports is also not clearly stated. Who should prepare these reports? How should the report be prepared? Where should the report go? And for what purposes?

- In most of the preparatory processes the Civil Society and private Sector have no specific roles whereby they can also participate and discus issues pertaining to integration and the way they affect their operations. What is the best approach to ensuring effective private sector participation in decision-making processes for regional cooperation and integration?