

New ECA report on monetary and financial integration in Africa finds serious obstacles on the road to macroeconomic convergence.

ECA Press Release No. 31/2008

Addis Ababa - 14 November 2008 (ECA) - In the midst of the most serious global financial crisis in a century, a new report on monetary and financial integration in Africa will be released on 21 November by the United Nations Economic Commission for Africa (ECA) jointly with the African Union. The report finds that "African countries are experiencing enormous difficulties in achieving the desired macroeconomic convergence criteria set by Regional Economic Communities (RECs)".

"Assessing Regional Integration in Africa" (ARIA III) is the third in a series of reports that provides empirical evidence on the progress and prospects of the African integration process, by measuring the level and rate of convergence of the macroeconomic and financial components on the continent.

The report indicates that the Economic and Monetary Community of Central Africa (CEMAC) and West African Economic and Monetary Union (UEMOA), among others, have done well in maintaining single digit inflation, but the remaining countries performed poorly partly due to negative external shocks, large budget deficit (external debt ratios as a percentage of GDP still remain as high as 70% in some countries), lack of reliable statistics and poor growth performance. The convergence criteria established by the Regional Economic Communities (RECs) include agreed targets such as budgetary balance, inflation and public debt.

ARIA III also assesses the extent to which commitments to monetary unification and the emergence of common regional currencies are being met. Furthermore, the report assesses efforts towards the development of capital and financial markets and other financial intermediation instruments including cross-border securities and stock exchange arrangements, in order to enhance the capital and investment assets for economic activities. At the regional and sub-regional levels, harmonization of monetary, fiscal and payments systems have been an integral part of the treaties of most of the RECs.

The establishment of the African Union, with its strong emphasis on deeper and faster regional integration, underscored the importance and urgency of macro-economic policy convergence and monetary integration, and the need to establish the necessary mechanisms and institutions that facilitate this process. Communities with established convergence criteria are assessed based on their achievements in this regard. All others are assessed with an eye towards the need for macroeconomic convergence. These convergence parameters include low interest rates, low inflation rates, low budget deficits, and high growth rates.

ARIA III shows that regional economic communities exhibit considerable variation relative to both the overall trend and its components. Country performance also varies considerably. On the whole, the report demonstrates that Africa's regional economic communities have done better at controlling inflation and budget deficits. It also notes that they have not done so well at reducing external debt. Economic growth rates are also generally encouraging across Africa. Integration blocs that already exist as monetary unions tend to do better in terms of macroeconomic policy convergence. Overall, African countries are making tremendous efforts towards sound macro-economic policy convergence in areas including inflation, budget deficits, and economic growth rates. A number of RECs are also actively promoting step-by-step approaches towards monetary and financial integration within their communities or sub-regions. The report is rich in examples of such laudable programs and efforts.

As a major recommendation, ARIA III points to the need for African countries to mainstream regional monetary and macroeconomic objectives in their national development strategies. The report calls upon national authorities to have a clear sense of their own development objectives. "They should be more responsible in macroeconomic policy making and set their own priorities for exchange rates, fiscal policies and interest rates", says the report in conclusion.

Background

Enhancing the process of economic cooperation and integration in Africa is at the core of ECA's work, as recommended by the repositioning exercise carried out in 2006. Various studies have been undertaken to analyze constraints and other factors affecting the integration process in Africa, and to help member States and their various integration blocs articulate and implement progressive policies and strategies. Africa's integration process was given a new impetus and urgency with the coming into force of the Abuja Treaty in 1994, the adoption of the NEPAD and the creation of the African Union.

To contribute to the success of these initiatives, ECA mooted the idea of preparing a series of reports beyond past studies, to assess progress on Africa's integration in general as well as analyses thematic issues on a continuous basis.

Two ARIA reports have since been published by ECA. The maiden report (ARIA I), published in May 2004, provides a comprehensive and holistic picture on the status of Africa's integration. ARIA II, published in May 2006, examines the burning issue of rationalization of the multiplicity of integration groupings in Africa and their attendant overlapping memberships. ARIA III, is addressing the issue of macroeconomic policy convergence and monetary integration Africa. A team of experts prepared this report from the African Union Commission and the Economic Commission for Africa.

Copies of the report will be available (for free download) on the ARIA website at www.uneca.org/aria from 11:30 GMT on Friday 21 November 2008.

END.

Issued by the ECA Information and Communication Service
P.O. Box 3001
Addis Ababa
Ethiopia

Tel: 251 11 5445098
Fax: +251-11-551 03 65
E-mail: ecainfo@uneca.org
Web: www.uneca.org

Related Articles

Intra-African trade and infrastructure development key to economic growth(2/7/2013)

Regional integration can boost FDI, experts at AEC say(11/1/2012)

Leadership baton changes hands at ECA as Janneh retires(9/2/2012)

New Publication: 'Reflections on Africa's development' tackles key themes in Janneh's honor(8/31/2012)

Farewell seminar underscores Janneh's legacy in response to Africa's priorities(8/30/2012)

ECA bids farewell to Abdoulie Janneh, promises to build on his legacy(8/29/2012)

New integration report says gains from continental free trade area can sustain Africa's economic growth(7/17/2012)

'Multiple knowledge products' to comprise forthcoming Regional Integration report(7/15/2012)

Development effectiveness report says Africa on right path, urges partners to deliver on aid promises (7/15/2012)

Ministers underscore need to fast-track Continental Free Trade Area(7/14/2012)

© 2012 Economic Commission for Africa