Chapter 2
Formal Frameworks and Policies for African Economic Integration

2.1 What was the Lagos Plan of Action (1980)?

The Lagos Plan of Action (LPA) for the Economic Development of Africa (1980–2000) and the Final Act of Lagos was the first major pan-continental initiative, backed by the OAU, to develop a regional strategy for African development.[1]

The LPA was based on an inward-looking, self-reliant and self-sustaining development approach, which sought to utilise fully Africa's abundant resources. It outlined short-, medium- and long-term actions and targets covering a broad range of issues related to the continent's socioeconomic development, including food and agriculture; industry; natural resources; human resource development and utilisation; science and technology; transport and communications; trade and finance; economic and technical co-operation; the environment; LDCs; energy; women and development; and development planning, statistics and population.

Overall, the plan envisioned linking Africa's five main economic regions into a continent-wide economic space, an African common market, by the year 2000. However, the plan failed to deliver on many of its targets and outcomes, since most African countries were focused on the Structural Adjustment Programmes at the time.

2.2 What is the Abuja Treaty (1991)?

The Treaty Establishing the African Economic Community (AEC) – more popularly known as the 'Abuja Treaty' – was the second major blueprint for Africa's economic integration and socioeconomic development, incorporating some of the LPA commitments. It was signed in 1991 and entered into force in 1994, after the requisite numbers of ratifications.

Using a typical linear integration approach, the Abuja Treaty lays out a roadmap to establish the AEC through six stages

Figure 2.1 What are the six stages of the AEC?

Phase 1 (1994–99)	• Strengthen existing RECs and create new RECs in regions where they do not exist.
Phase 2 (2000–07)	• Ensure consolidation within each REC, with a focus on liberalising tariffs; removing non-tariff barriers (NTBs); harmonising taxes; and strengthening sector integration regionally and continentally in trade, agriculture, money and finance, transport and communications, industrial development and energy.
Phase 3 (2008–17)	• Set up in each REC a free trade area (FTA) and customs union (with a common external tariff and a single customs territory).
Phase 4 (2018–19)	• Co-ordinate and harmonise tariff and non-tariff systems among the RECs with a view to establishing a continental customs union.
Phase 5 (2020–23)	• Set up an African common market.
Phase 6 (2024–28)	• Establish the AEC, including an African monetary union and Pan-African Parliament, by 2028 and 2034 for all transitional periods.

extending over a period of 34 years, up to 2028. It was envisaged that the AEC would be achieved through the co-ordination, harmonisation and progressive integration of the activities of existing and future RECs in Africa. Today, the eight RECs that constitute the building blocks of the AEC are UMA, ECOWAS, EAC, IGAD, SADC, COMESA, ECCAS and CEN–SAD (Chapter 1). Some of these RECs have overlapping memberships and are at varying levels of progress and integration. Like the LPA's experience, the Abuja Treaty has raised some concerns for African countries about deep integration and ceding their sovereignty to a regional body.

2.3 What progress has been made implementing the Abuja Treaty?

Implementation of the Abuja Treaty is currently at the third phase, namely establishing regional FTAs and customs unions by 2017. The launch of the Tripartite Free Trade Area (TFTA) on the one hand, and the CFTA negotiations on the other hand, both in June 2015, are indicative of the progress made during this third phase. The 2017 deadline for establishing the CFTA is extremely ambitious, but is mandated in the Abuja roadmap.

Because of the ongoing negotiations, complex technical issues and political economy dynamics in individual African countries, realising this indicative milestone is far from certain. However, the CFTA is the trigger for progressing to the fourth phase, namely an African customs union by 2019. The latter will be even more complex and challenging to achieve.

Although the AU's *Agenda 2063* only mentions the CFTA and does not directly reference the Abuja Treaty, the roadmap towards the AEC remains relevant. *Agenda 2063* is a strategy and aspirational document, whereas the Abuja Treaty is a legal instrument that has been ratified by most African countries. It also has a strong historical and political resonance that most African leaders find difficult to ignore.

Table 2.1 compares the integration calendar of the RECs and the Abuja Treaty. COMESA, EAC and ECOWAS are clearly ahead of the schedule to create customs unions in each REC by 2017.

Seventeen years remain to establish the AEC by the latest date of 2034, including an African monetary union and Pan-African Parliament (PAP). There has been some progress here:

- The PAP was set up earlier than the Abuja Treaty envisaged,[2] with the first parliament running from March 2004 to October 2009. The fourth parliament is currently in session. The PAP's purpose, as outlined in the AU Constitutive Act (Article 17), is 'to ensure the full participation of African peoples in the development and economic integration of the continent'. The PAP is hosted in Midrand, South Africa.
- The establishment of the key continental financial institutions – namely the African Investment Bank (Libya), the African Monetary Fund (Cameroon) and the African Central Bank (Nigeria) – is also being accelerated.

Figure 2.2 Overall deadline for establishing the AEC by the latest date of 2034

Table 2.1 Status of implementation of the Abuja Treaty per REC

	Phase 1 (1994–99)	Phase 2 (2000–07)		Phase 3 (2008–2017)		Phase 4 (2018–19)	Phase 5 (2020–23)	Phase 6 (2028; latest 2034)
	Strengthen existing RECs and create new RECs where they do not exist	Co-ordination and harmonisation of activities	Gradual elimination of tariff and non-tariff barriers	Free trade area	Customs unions	Continental customs union	Establishment of an African common market	Monetary and economic union
UMA	X	X	In progress	In progress	Not yet	This stage will be achieved when all RECs have achieved customs union and harmonised their respective common external tariff (CET), with a view of creating a single continental CET	This stage will be achieved when all RECs have achieved continental customs union as well as free movement of labour and capital	This stage will be achieved when all RECs have achieved African common market, at which time there will be a common currency, issued by the African Central Bank
IGAD	X	X	In progress	Not yet	Not yet			
SADC	X	X	X	X	Not yet			
CEN-SAD	X	X	Not yet	Not yet	Not yet			
ECOWAS	X	X	X	X	X			
COMESA	X	X	X	X	X			
ECCAS	X	X	X	X	No date fixed			
EAC	X	X	X	X	X			

Source: Adapted and updated from UNECA *et al.* (2012)

2.4 What is the AU's *Agenda 2063*?

Agenda 2063: The Africa We Want was adopted by the Heads of State and Government at the 24th Ordinary Session of the Assembly of the AU, which was held in January 2015 in Addis Ababa. It was prepared through a consultative process involving member states and a wide range of stakeholders, including the African diaspora, faith-based groups, the private sector, young people and women, planning experts, think tanks and the RECs.

Agenda 2063 has three key components: the vision, the transformation framework and the five 10-year plans. The vision consists of seven key aspirations, namely:

1. a prosperous Africa based on inclusive growth and sustainable development;
2. an integrated continent, politically united and based on the ideal of pan-Africanism and Africa's renaissance;
3. an Africa of good governance, democracy, respect for human rights, justice and the rule of law;
4. a peaceful and secure Africa;
5. an Africa with a strong cultural identity, common heritage, shared values and ethics;
6. an Africa where development is people-driven, unleashing the potential of women and young people;
7. Africa as a strong, united and influential global player and partner.

The transformation framework sets out the specific goals, priority areas and targets of *Agenda 2063*, and the strategies for achieving these. Where appropriate, the targets for each priority area have national, regional and continental dimensions. The framework also broadly covers the institutional arrangements for implementation, monitoring and evaluation, financing and partnerships, capacity development, and communication strategies required for their implementation.

The AUC has prepared the *First Ten Year Implementation Plan of Agenda 2063 (2013–2023),* and the AU Summit adopted this in June 2015. The first plan has 20 goals and 35 priority areas (and 289 targets) that contribute towards achieving the seven aspirations. Most of these targets are national, with the continental/regional bodies playing other roles. Under the plan, *Agenda 2063* has 13 fast-track or flagship projects (Box 2.1).

Box 2.1 The first 10-year plan's flagship projects

- Integrated high-speed train network: aims to connect all African capitals and commercial centres.
- Pan-African virtual university: designed to accelerate development of human capital, science and technology, and innovation.
- African commodities strategy: aims to enable African countries to develop a vibrant, socially and environmentally sustainable commodities sector.
- Annual Africa forum: designed to bring together Africa's political leadership, private sector, academia and civil society to discuss *Agenda 2063*.
- Continental FTA by 2017: aims include to double intra-African trade by 2022, strengthen Africa's common voice in global trade negotiations and operationalise the African Investment Bank (2025) and Pan-African Stock Exchange, the African Monetary Fund (2023) and the African Central Bank (2028-34).
- African Passport and free movement of people: aims to fast-track continental integration by enhancing free movement of all African citizens from all African countries by 2018.
- Silencing the guns by 2020: aims to end all wars, conflicts and violations of human rights.
- Grand Inga Dam Project: aims to boost Africa's energy production.
- Pan-African E-Network: designed to transform e-applications and services in Africa.
- African outer space programme: aims to bolster African development in various fields, including agriculture, disaster management, remote sensing, climate forecast, banking and finance, defence and security.
- Single African air-transport market: aims to deliver a single African air-transport market to facilitate air transportation in Africa.
- African continental financial institutions: aims to accelerate integration and socioeconomic development on the continent. The institutions include the African Central Bank, African Monetary Fund and African Investment Bank.
- Great Museum of Africa: the Museum, to be established in Algiers, Algeria, was added to the flagship projects in July 2016.

Source: AUC and New Zealand Ministry of Foreign Affairs and Trade (2017), 14

2.5 What is the New Partnership for Africa's Development (NEPAD)?

NEPAD is the pan-African strategic framework for the socioeconomic development of the continent. It was adopted in 2001 with the objective of promoting and consolidating peace and stability, democracy, sound economic management and people-centred development on the continent (Box 2.2).

Box 2.2 How did NEPAD evolve?

NEPAD is a merger of two plans for the economic regeneration of Africa: the Millennium Africa Recovery Plan (MAP), led by then Presidents Thabo Mbeki of South Africa, Olusegun Obasanjo of Nigeria and Abdelaziz Bouteflika of Algeria; and the OMEGA Plan for Africa developed by President Abdoulaye Wade of Senegal. At an OAU Summit in Sirte, Libya, in 2001, it was agreed that the MAP and OMEGA Plans should be merged. The UN Economic Commission for Africa (UNECA) developed a 'Compact for Africa's Recovery' based on both these plans and on resolutions on Africa adopted by the United Nations Millennium Summit in September 2000, and submitted a merged document to the Conference of African Ministers of Finance and Ministers of Development and Planning in Algiers, May 2001. In July 2001, the OAU Assembly of Heads of State and Government meeting in Lusaka, Zambia, adopted this document under the name of the New African Initiative (NAI). The leaders of the G8 countries endorsed the plan and other international development partners, including the EU, China and Japan, also made public statements indicating their support for the programme. The Heads of State and Government Implementation Committee (HSGIC) for the project finalised the policy framework and named it the *New Partnership for Africa's Development* on 23 October 2001.

Source: Tutwa (2016)

It features sector-specific programmes such as the Comprehensive Africa Agriculture Development Plan (CAADP), Programme for Infrastructure Development in Africa (PIDA) and the African Peer Review Mechanism (APRM).

The NEPAD Secretariat initially co-ordinated the implementation of NEPAD programmes and projects. In 2010, the NEPAD Planning and Coordinating Agency (the NEPAD Agency) was established following an AU decision to integrate NEPAD into AU structures and processes. The NEPAD Agency is now an AU technical body that co-ordinates and administers NEPAD activities. It is mandated to facilitate and co-ordinate the implementation of regional and continental priority programmes and projects, and to push for partnerships, resource mobilisation and research and knowledge management.

The governance structure of NEPAD comprises the AU Assembly of Heads of State and Government, the NEPAD Heads of State and Government Orientation Committee (HSGOC), the high-level personal representatives who make up the NEPAD Steering Committee, and the Chairperson of the AU Commission. The NEPAD Agency is financed through the statutory budgets of the AU Commission, voluntary contributions from AU member states, and additional budgetary support from development partners and the private sector.

2.6 How relevant is NEPAD for Africa today?

The AU's *Agenda 2063* is now the pre-eminent common continental framework for Africa's social and economic transformation over the next 50 years. The NEPAD Agency is the implementing arm for this development strategy. It is also widely used by international financial institutions, United Nations agencies and Africa's development partners as a mechanism to support African development efforts.

NEPAD plays a complementary role to *Agenda 2063*, especially through its trade-related investment programmes (Box 2.3), the African Peer Review Mechanism (Box 2.4) and delivering bankable projects through the NEPAD Infrastructure Project Preparation Facility hosted by the African Development Bank. The NEPAD Agency has established four Investment Programmes to address new and emerging opportunities and challenges in Africa:

- Skills, Youth, Employment and Women Empowerment;
- Industrialisation, Science, Technology and Innovation;
- Regional integration, Infrastructure and Trade; and
- Natural Resources, Governance and Food Security.

Box 2.3 Selected NEPAD investment priorities

Industrialisation, Science, Technology and Innovation: A key consideration of the programme is the harmonisation of country- and regional-level industrialisation policies to ensure synergies with continental policy. Capacity enhancement in science, technology, innovation and entrepreneurship, together with the establishment of an industrial development index, are integral components of this programme.

Regional Integration, Infrastructure and Trade: The harmonisation of regional and national policies on infrastructure, market development and trade, and improved regional infrastructure in information and communication technology (ICT), transport, water and energy, are cornerstones of this programme.

The programmes under this area of work are:

- Continental Business Network (CBN);
- Sustainable Energy for All (SE4ALL);
- Infrastructure for Skills Development (IS4D);
- Programme for Infrastructure Development in Africa (PIDA);
- Presidential Infrastructure Champion Initiative (PICI);
- E-Africa Programme;
- Power Africa.

Box 2.4 What is the African Peer Review Mechanism?

Launched in 2003 as part of NEPAD, the African Peer Review Mechanism (APRM) is a voluntary African assessment tool, designed to diagnose governance deficiencies, promote adherence to African and international codes and standards, and develop remedies through a National Programme of Action (NPoA). Under the oversight of a multistakeholder and non-partisan National Governance Council, a Country Self-Assessment Report, guided by a comprehensive questionnaire, must be developed by independent technical research institutions, in consultation with citizens and civil society. The country then hosts a team of experts, led by a member of the APR Panel of Eminent Persons, which conducts its own assessment. The Head of State is then peer reviewed by his or her counterparts in the APR Forum. Thereafter, the final Country Review Report is published and the state pledges to implement its NPoA and report on progress periodically, before undergoing further review cycles.

One of the four thematic areas of assessment focuses on economic governance and management, covering these six broad objectives:

- develop economic policies promoting sustainable development;
- foster public participation in economic policy-making;
- practise sound public finance management;
- fight corruption and money laundering;
- promote regional integration; and
- implement growth-promoting trade and investment policies;

Subsidiary issues include the country's economic blueprint; macroeconomic indicators; economic diversification strategies; resilience to shocks; infrastructure development and maintenance; budget transparency; revenue collection; policy harmonisation with respective RECs; intra-regional trade patterns; and governance of extractive industries. At the time of writing, 35 AU member states had acceded to the APRM, and 20 of these had completed self-assessments and 19 had been peer reviewed by the Forum, most recently Chad and Senegal. Kenya was set to be the first state to complete a second APRM review by January 2017.

Source: Tutwa (2016)

2.7 What is the AU doing to promote greater intra-African trade?

The RECs have all crafted their own plans and strategies to bolster intra-regional trade in goods and services and to facilitate investment. In addition to the regional approaches, there are important efforts at the pan-continental level.

In January 2012, the AU Summit of Heads of State and Government convened under the theme of 'Boosting Intra-African Trade'. The summit endorsed an *Action Plan for Boosting Intra-African Trade* (BIAT). The plan sets the target of growing intra-African trade by 25 per cent or more within the next decade, especially through the establishment of the CFTA (AUC and UNECA 2012).

BIAT revolves around seven priority clusters, which have built-in targets that are aligned to existing milestones and objectives under the Action Plan for the Implementation of the Accelerated Industrial Development of Africa, the Minimum Integration Programme (MIP) and the Programme for Infrastructure Development in Africa (PIDA) (UNCTAD 2015). The seven clusters are trade policy, trade facilitation, productive capacity, trade-related infrastructure, trade finance, trade information and factor market information. Secondary factors include addressing inconvertibility of currencies, promoting the free movement of people and enhanced trade in services (Box 2.5).

Services does not form a cluster in itself, although elements of trade-enabling services are integrated into some of the seven

Box 2.5 Action Plan for Boosting Intra-African Trade

Priority programme cluster	Programme/activity
Trade policy	• Mainstream intra-African trade in national trade and development strategies. • Enhance the role of the organised private sector, informal private sector and women in trade policy formulation. • Boost intra-African trade in food products. • Undertake commitments to liberalise the trade-related services sectors: transport, professional, financial and ICT services. • Commit to harmonise rules of origin and trade regimes. • Promote 'Buy in Africa' and 'Made in Africa'.
Trade facilitation	• Reduce roadblocks. • Harmonise and simplify customs and transit procedures, documentation and regulations. • Establish and operationalise One-Stop Border Posts. • Integrated Border Management (IBM).
Productive capacity	• Prioritise the implementation of continentally agreed programmes, including Accelerated Industrial Development of Africa (AIDA), African Productive Capacity Initiative (APCI) and African Agribusiness and Agroindustry Development Initiative (3ADI). • Establish integrated and interconnected trade information systems. • Encourage investments/FDI through established frameworks for the strengthening of regional and continental complementarities, and the development of regional enterprises and value chains. • Establish regional centres of excellence for technology development, adaptation and diffusion.

(Continued)

Box 2.5 Action Plan for Boosting Intra-African Trade (*cont.*)

Trade-related infrastructure	• Prioritise the implementation of PIDA. • Mobilise resources for the preparation of multicountry infrastructural projects. • Prepare high-quality multicountry infrastructural projects. • Promote an enabling environment for private sector participation in the development of infrastructure. • Develop innovative legal, financial and other mechanisms for multicountry infrastructure and industrial projects.
Trade finance	• Strengthen/enhance capacity of existing regional and continental financial institutions. • Improve payment systems. • Promote an enabling environment for financial service companies to supply export credit and guarantees. • Speed up the process of establishing the three functional institutions.
Trade information	• Create inter-connected centres of trade information exchange.
Factor market integration	• Operationalise existing policies and protocols on free movement of people and of labour migration. • Encourage and facilitate policies that increase the freedom of movement for business people. • Harmonise rules on cross-border establishment. • Establish agreements on mutual recognition of qualifications.

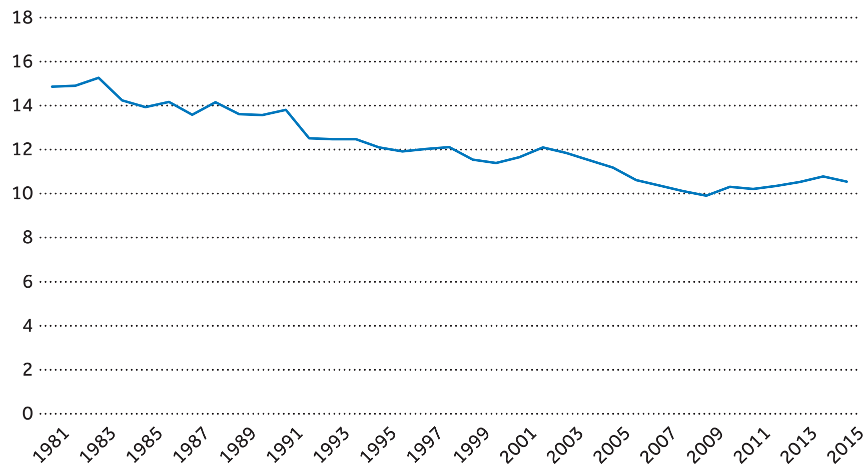
Source: AUC and UNECA (2012)

clusters. While there has been some progress at the continental level to bring a regional dimension into services trade, the AU still lacks a comprehensive services vision document or strategy.

2.8 What are the major initiatives to promote industrial development in Africa?

Africa is the least industrialised continent in the world. After independence in the 1960s, there was a period of industrial growth driven primarily by state investment and import substitution. This growth proved unsustainable and Africa's industrial sector has been on a downward trajectory. The share of manufacturing in total Sub-Saharan African value added over the past three decades has declined from 15 per cent to around 10 per cent (Figure 2.3). African countries that exhibit relatively higher levels of economic complexity, producing (and exporting) manufactured products can be divided into two groups: 1) countries with an established manufacturing base such as Egypt, Morocco, South Africa and Tunisia; and 2) countries with emerging manufacturing sectors such as Kenya, Mauritius and Uganda.

Figure 2.3 Sub-Saharan Africa's manufacturing, value added (% of GDP)



Source: World Bank

Sub-Saharan Africa's rapid economic growth between 2000 and 2010, driven by, among other factors, exports of raw materials and commodities (amid formerly high prices), reinforced the continent's specialisation as a commodity producer.[3] Strong economic growth did not trigger structural transformation onto a more diversified and sustainable industrial development path. Structural transformation involves a decrease in the share of agriculture and an increase in the share of industry and services in output. With 7 to 10 million young people entering the continent's labour force each year, productive jobs and livelihoods for Africa's youth will need to be delivered by the manufacturing and modern services sectors, rather than by traditional primary exports.

Moreover, it is estimated that, by 2025, Africa could nearly double its current manufacturing output to US$930 billion (growth of about 6.4 per cent, triple the rate achieved since 2000). Three-quarters of this growth would come from meeting intra-African demand and substituting imports of manufactured goods (McKinsey Global Institute 2016).

The services sector also has the potential to become a significant driver of sustained economic growth and structural transformation in Africa. However, this requires improved policy co-ordination and alignment to build complementarities between the services sector and other sectors of the economy, especially manufacturing. Several services are likely to exert positive spillover effects on other sectors of the economy (e.g.

ICT, finance and infrastructure, distribution and logistics). For example, Botswana has generated higher benefits from its diamonds industry since it promoted downstream linkages with cutting and polishing activities; similarly, the Nigerian oil industry has created some strong upstream linkages with exploration, project and construction services (UNCTAD 2015).

The AU's *Agenda 2063* identifies industrialisation as one of the key pillars that will drive social and economic transformation in Africa over the next 50 years. The Action Plan for the Implementation of the Accelerated Industrial Development of Africa (AIDA), which built upon the earlier NEPAD-focused African Productive Capacity Initiative (APCI), was adopted in February 2008. The action plan sets the major priorities for accelerating Africa's industrialisation, namely:

- product and export diversification, natural resources management and development;
- infrastructure development;
- human capital development and sustainability, innovation, science and technology;
- development of standards and compliance;
- development of a legal, institutional and regulatory framework;
- resource mobilisation for industrial development.

The plan lists specific actions and measures at the national, regional, continental and international levels to promote Africa's industrial development. To monitor implementation of the plan, regional high-level panels on industrial development, representing Heads of State and Government, were established and required to report to the AU Summit every two years.

Several RECs, including EAC, ECOWAS (Box 2.7) and SADC, have adopted regional industrial policies and strategies. Industrial development is also one of the three pillars of the Tripartite Initiative. However, to date there has not been much discussion in the TFTA on concrete industrialisation objectives or policies. The focus has been on implementing the TFTA and to a lesser extent pursuing regional infrastructure development (especially along the transport corridors).

The provision of finance is a key aspect of implementing industrialisation initiatives at the regional level. The African Development Bank, the East African Development Bank,

Box 2.6 Four reasons why Africa and LDCs must industrialise

1. Without industrialising, it is unlikely that Africa and LDCs can meet the Sustainable Development Goals by 2030, particularly SDG 9 on industry, innovation and infrastructure.
2. Inclusive and sustainable industrial development is associated with job creation, sustainable livelihoods, innovation, technology and skills development, food security and equitable growth, which are some of the key requirements for eliminating poverty by 2030.
3. Rarely has a country evolved from poor to rich without sustained structural transformation from an agrarian or resource-based economy towards an industrial or service-based economy. This transformation is important to ensure wealth creation through increased economic integration and productivity.
4. Millions of young people enter the labour market in Africa and LDCs every year. Industry, by providing decent jobs and expanding the fiscal revenues needed for social investments, can boost capacity for much-needed inclusive development.

Source: UNIDO (2016)

Box 2.7 Case study: The West African Common Industrial Policy

On 2 June 2010, in Abuja, Nigeria, the ECOWAS Council of Ministers adopted the West African Common Industrial Policy (WACIP) and directed the ECOWAS Commission to take steps to ensure its implementation. The adoption of WACIP was a bold step by ECOWAS member states looking to exploit their comparative advantages and complementarities, and to promote industrial development. The specific objectives of WACIP are as follows:

- to diversify and broaden the region's industrial production by progressively raising the processing of export products by an average of 30 per cent by 2030;
- to progressively increase the manufacturing industry's contribution to regional GDP to an average of more than 20 per cent in 2030, from its current average of between 6 and 7 per cent;
- to improve intra-community trade from the present 13 per cent to 40 per cent by 2030; and
- to expand the volume of exports of manufactured goods from West Africa to the global market from the current 0.1 per cent to 1 per cent by 2030.

Source: UNCTAD (2011, 80)

the Development Bank of Southern Africa, the West African Development Bank and other regional development finance institutions (DFIs) and networks are likely to be important actors in the future. It will be useful to involve DFIs in discussions at an early stage so as to align industrialisation plans with their priorities, such as the development of regional infrastructure.

2.9 What are some of the major infrastructure initiatives in Africa today?

Africa is the world's second largest continent. With a landmass of more than 30 million square kilometres, Africa is as big as India, China, the United States and most of Europe combined. The DRC alone is about half the size of the EU.[4] Connecting Africa's people and markets through reliable, efficient and interoperable transport infrastructure, nationally and regionally, is understandably a mammoth challenge.

Poor infrastructure hinders Africa's regional and global competitiveness and raises trade costs.[5] The World Bank estimates that Sub-Saharan Africa's infrastructure deficit is US$93 billion per year. Power is by far Sub-Saharan Africa's largest infrastructure challenge, with 30 countries facing regular power shortages (Box 2.8). By another estimate, annual infrastructure investment in Africa needs to double to US$150 billion over the next decade (McKinsey Global Institute 2016). However, the funding gap is significant: US$74.5 billion was

Box 2.8 Africa's infrastructure deficit

- Infrastructure has been responsible for more than half of SSA's recent improved growth performance and has additional untapped potential.
- SSA's infrastructure networks increasingly lag behind those of other developing countries.
- SSA's economic geography presents a particular challenge for infrastructure development.
- The continent's infrastructure services are twice as expensive as elsewhere, reflecting diseconomies of scale in production and high profit margins due to lack of competition.
- Power is by far SSA's largest infrastructure challenge, with 30 countries facing regular power shortages.
- SSA's infrastructure needs are costed at around US$93 billion a year, about one-third of which is for maintenance.
- The infrastructure challenge varies greatly by country type – fragile states face an impossible burden while resource-rich countries also lag despite their wealth.
- A large share of SSA's infrastructure investment is domestically financed, driven primarily by central government budget allocations.
- Even if major potential efficiency gains are captured, SSA would still face an infrastructure funding gap of US$31 billion a year, mainly in power.

Source: Foster and Briceño-Garmendia (2009) committed to infrastructure development in Africa in 2014, with the most funding going to the transport sector (US$34.3 billion: 46 per cent) and energy (US$22.4 billion: 30 per cent) (AAPG 2016). Two of the major infrastructure initiatives in Africa are the Programme for Infrastructure Development in Africa (PIDA) and the Presidential Infrastructure Champion Initiative (PICI).

Programme for Infrastructure Development in Africa

PIDA is a framework for meeting Africa's infrastructure demand up to 2040 (2020 for ICT). The African Development Bank is the executing agency for this infrastructure programme.

PIDA is organised on the basis of short- and medium-term targets running up to 2020 and 2030, and long-term projections to meet demand up to 2040. Short-term projects and programmes are in a Priority Action Plan, which includes 21 programmes broken down into 273 sub-projects in four sectors: energy, transport, trans-boundary water and ICT. The capital cost over 2012–20 is estimated at US$68 billion (about US$7.5 billion annually over the nine years). Mobilising these funds is a major challenge.

Presidential Infrastructure Champion Initiative

PICI aims to accelerate regional infrastructure development, including PIDA projects, through the political championing of projects. The NEPAD Agency is the executing agency for PICI.

The role of the Presidential Champions is to bring visibility, unlock bottlenecks, co-ordinate resource mobilisation and ensure project implementation. PICI has nine projects for which there are eight champions or 'host' countries (UNECA *et al.* 2016):

1. missing links of the Trans-Sahara highway (Algeria);
2. optical fibre link between Algeria and Nigeria via Niger (Algeria);
3. Dakar–Ndjamena–Djibouti rail and road (Senegal);
4. Nigeria–Algeria gas pipeline (Nigeria);
5. Kinshasa–Brazzaville rail, road and border post (DRC);
6. Great Lakes optical fibre network (Rwanda);

7. North–South Corridor rail and road (South Africa);
8. Navigational route between Lake Victoria and the Mediterranean Sea (Egypt);
9. Lamu Port–Southern Sudan–Ethiopia transport corridor (Kenya).

2.10 How can international partners support regional integration in Africa?

The AU's *Agenda 2063* calls upon the international community to respect Africa's vision and aspirations and to align their partnerships appropriately. The Addis Ababa Action Agenda, which mobilises resources to implement the Sustainable Development Goals, furthermore urges the international community, including international financial institutions and multilateral and regional development banks, to increase its support to projects and cooperation frameworks that foster regional and subregional integration, with special attention to Africa. International partners can support and help drive Africa's integration agenda through trade, investment and aid, especially Aid for Trade (AfT).

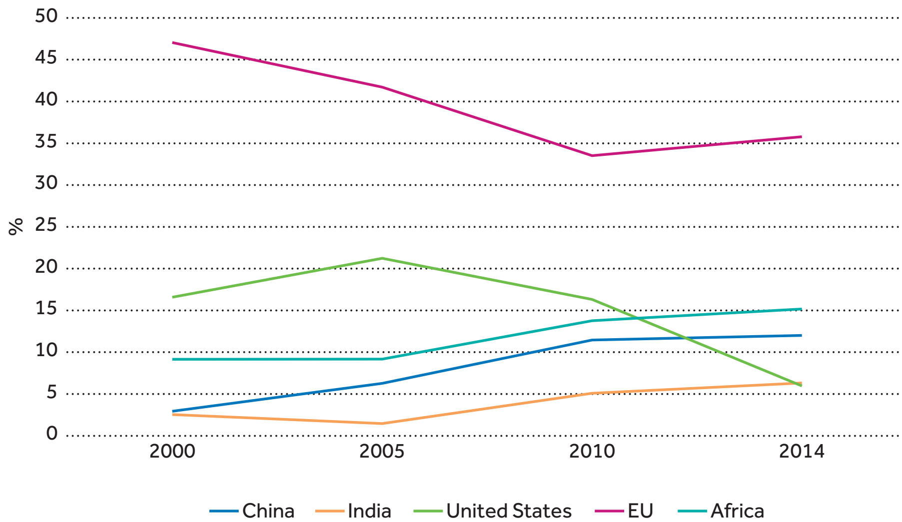
Trade and investment

Besides advancing this continental integration agenda, African countries are also deepening trade and investment relations with their established partners, such as the EU, Japan and the United States, and emerging economies, especially China and India. Distinct shifts in trade flows are taking place in which the relative significance of trading with developing country partners has increased remarkably.

China now accounts for 12 per cent of Africa's total goods exports to the world, although the bulk of these exports are minerals and commodities, which have reinforced Africa's role as a producer of primary rather than processed products. India has doubled its share, from 2.5 per cent in 2000 to just over 6 per cent in 2014. By comparison, the shares of the EU and the United States have both declined over this period. The EU's share of Africa's world exports fell from 47 per cent in 2000 to 36 per cent in 2014, while the share of the United States contracted from 16.5 per cent in 2000 to just under 6 per cent in 2014 (Figure 2.4).

Managing these multiple trading arrangements and external partnerships will be a key challenge for the coming decades.

Figure 2.4 Share of major partners in Africa's exports (2000–2014)



Source: Author's calculations using data from UNCTADStat

African countries can take advantage of the following specific arrangements:

- reciprocal but asymmetrical trade agreements (such as the EU's economic partnership agreements – Box 2.9);
- unilateral non-reciprocal trade preference schemes (such as AGOA-IV [2015–2025] covering about 7,000 tariff lines[6], and the Generalised System of Preferences granted by advanced economies, including Australia, Canada, the EU, Japan, New Zealand and the United States);
- non-reciprocal trade preference schemes for LDCs (such as the EU's Everything But Arms scheme and the duty-free schemes of China and India); and
- co-operation frameworks and strategic partnerships with the AU, RECs or individual countries (such as the Forum on China-Africa Cooperation [Box 2.10], India-Africa Forum, Tokyo International Conference on African Development, and Trade and Investment Framework Agreements and other United States initiatives like Trade Africa and Power Africa).

Trade agreements and preference schemes can support regional diversification initiatives by: aligning with existing REC plans and priorities; providing 100 per cent free market access for all LDC

Box 2.9 Sub-Saharan Africa and the economic partnership agreements

The economic partnership agreements are reciprocal but asymmetrical agreements between the EU and five Sub-Saharan African regional groupings: Central Africa, EAC, Eastern and Southern Africa (ESA), SADC and West Africa. These groupings and their member states do not correspond to the official AU RECs, thereby undermining regional integration (Chapter 1). Under these agreements, the EU undertakes to grant immediately 100 per cent free market access to Sub-Saharan African countries (with the exception of South Africa), whereas African economies are required only to progressively make free of duties not less than 75 per cent of their imports from the EU. The agreements are expected to deliver benefits to both sides but the gains for Africa are expected to be concentrated in just a few non-industrial sectors (for example rice, milk, sugar and meat) and to accrue mainly to African non-LDCs. Gains for the EU would be more generalised, largely owing to initial asymmetrical protection structures. The projected increase in Africa's exports to the EU would also come at the expense of intra-African trade, and African governments would suffer a sharp drop in tariff revenues. Compensation to African countries under the EPA Development Programme is expected to offset at least some of the possible costs of the agreement's reforms. In addition, deepening African economic integration in the context of the CFTA prior to the full implementation of the economic partnership agreements could offset the adverse impact of those agreements on intra-African trade.

Source: UNECA *et al*. (2016)

Box 2.10 The Forum on China-Africa Cooperation Johannesburg Action Plan (2016–2018)

The Johannesburg Summit and the 6th Ministerial Conference of the Forum on China-Africa Cooperation (FOCAC) were held in South Africa from 3 to 5 December 2015, with 50 African countries represented. The resulting action plan covers six broad areas: political co-operation; economic co-operation (including agriculture and food security, industry partnering and industrial capacity co-operation, infrastructure development, energy and natural resources, ocean economy, tourism, investment, trade and finance); social development co-operation; cultural co-operation and people-to-people exchanges; security co-operation; and international co-operation.

The trade-related actions and targets include, among others:

- increasing China-Africa trade from US$220 billion in 2014 to US$400 billion by 2020, including through concessional loans and export credit lines;
- providing duty-free market access for most commodities exported by African LDCs to China, provided they have diplomatic relations with China;
- implementing 50 trade promotion programmes to showcase African products in the Chinese market;
- scaling up Chinese investment in Africa and increasing the stock of direct investment from US$32.4 billion in 2014 to US$100 billion by 2020;
- encouraging Chinese enterprises to process minerals and commodities and manufacture goods in Africa in order to ensure local employment, technology transfer and human capacity development;

(Continued)

Box 2.10 The Forum on China-Africa Cooperation Johannesburg Action Plan (2016 -2018) (*cont.*)

- improving co-operation on food safety and phytosanitary measures and promoting the entry of food and agricultural products into each other's markets;
- co-operating to strengthen Africa's capacity in the services sector, including the outsourcing industry;
- establishing customs co-operation mechanisms to facilitate bilateral trade, combat smuggling and fraud, and improve the quality of goods exported from China to Africa; and
- co-operating on e-commerce, including developing electronic certificates of origin.

In addition, China undertakes to enhance co-operation with the African Development Bank and sub-regional development finance institutions by utilising the China-Africa Development Fund, which will be gradually expanded from US$5 billion to US$10 billion, as well as the Africa Growing Together Fund and Special Loans to Support Small and Medium Sized Enterprises in Africa.

Source: The Forum on China-Africa Cooperation Johannesburg Action Plan (2016-2018), available at: https://www.focac.org/eng/ltda/dwjbzjjhys_1/hywj/t1327961.htm (accessed 10 February 2017.

exports; extending product coverage to include agro-processing and manufactured goods in the case of non-LDCs; relaxing and simplifying rules of origin; eliminating unnecessary NTBs; and integrating and mainstreaming development-friendly provisions (e.g. 'regional cumulation' in rules of origin to trigger regional value chains, AfT, capacity-building and technical assistance).

A major priority for Sub-Saharan African countries in their relations with the emerging economies is to shift the structure of trade, reducing their dependence on primary commodities and natural resources for exports. Sub-Saharan African countries should seek to attract investment that refines and processes minerals and commodities at source and develops value chains in the continent. Many African governments have already signed trade, investment and development co-operation agreements or entered into deals that 'barter' infrastructure for minerals, although these are not without controversy. Some Sub-Saharan African countries already attract export-oriented manufacturing investment from China to take advantage of EU and United States trade preferences. China is now preparing to relocate millions of light manufacturing jobs from higher-income East Asian economies to Africa. African countries should set in place the foundations to attract these jobs and factories (Chapter 1).

Aid

Official development assistance (ODA) provides an important source of financing, particularly for LDCs and Sub-Saharan African countries. Although every high-income country is committed to contributing the agreed international target of 0.7 per cent of its GDP as ODA, so far only a few have met this. One particular component of ODA, AfT, has become increasingly important for reducing the cost of trading and increasing trade capacity, income and growth in recipient countries. The main components of AfT support include trade policy and regulation; trade development; trade-related infrastructure; productive capacity; and trade-related adjustment.

AfT can be disbursed through bilateral or regional projects and programmes (Box 2.11) or through multilateral channels

Box 2.11 Case study: The United Kingdom's AfT initiatives

The United Kingdom (UK) is one of the few high-income countries to achieve the international target of providing 0.7 per cent of its GDP as ODA. The UK is also a strong advocate and a leading donor of AfT as a means for helping developing countries with supply-side capacity-building. The Department for International Development (DFID) released a new Economic Development Strategy in 2017, which prioritises and seeks to strengthen the UK's approach to AfT.

The UK has contributed over US$1 billion a year to help developing countries and LDCs to boost their regional and world trade. UK bilateral AfT disbursement to Africa has increased from US$497 million in 2011 to US$790 million in 2014. The top three UK AfT recipients (2011–2014 average) were Nigeria, South Africa and Kenya, which collectively account for around 45 per cent of the UK's exports to Africa. While not the top bilateral donor, the UK has consistently had the highest level of AfT disbursements to Africa through multilateral channels (APPG 2016).

At the regional level, DFID has operated or participated in three key AfT programmes supporting trade reforms, regional integration and trade facilitation in Africa: TradeMark Southern Africa (2010–2014), TradeMark East Africa and support to the West African Regional Integration Programme (2010–2016). DFID's Regional Infrastructure Programme for Africa aims to increase the supply of priority regional project preparation studies and encourages financiers to take them to implementation stage. The Trade Advocacy Fund provides support for trade policy formulation and trade negotiations.

In 2011 the UK Coalition Government of 2010–15 launched the Africa Free Trade Initiative (AFTi). The AFTi programmes focused on cutting tariffs, harmonising regional trade arrangements, improving both hard and soft infrastructure, and cutting red tape by modernising customs systems, procedures and facilities. Assistance has been provided both to individual African governments and to RECs. DFID and the AFTi are both supporting the ratification of, and notifying commitments under, the WTO Trade Facilitation Agreement.

Source: AAPG (2016); Department for International Development at: https://www.gov.uk/government/organisations/department-for-international-development (accessed 10 February 2017).

Box 2.12 The WTO's Trade Facilitation Agreement

National and regional trade facilitation programmes have helped African countries reduce trade costs by simplifying customs procedures and upgrading border systems, including through one-stop borders (Chapter 1). A number of SSA countries ranked on the World Bank's Logistics Performance Index improved their overall scores between 2014 and 2016. These countries include Botswana, Kenya, Mozambique, Rwanda, South Africa and Tanzania.

The WTO's Trade Facilitation Agreement (TFA), adopted at the Bali Ministerial Conference in December 2013, is the first multilateral agreement successfully negotiated at the WTO. Having entered into force on 22 February 2017, the TFA will anchor and support the implementation of national and regional trade facilitation initiatives. According to one estimate, the TFA has the potential to increase global merchandise exports by up to US$1 trillion per annum, while also reducing WTO members' trade costs by an average of 14.3 per cent, with most of the gains to developing countries. African countries and LDCs are expected to see the biggest average reduction in trade costs (in excess of 16 per cent) from full implementation of the TFA.

The TFA focuses on 'soft' procedures and processes rather than 'hard' trade-enabling infrastructure. It contains approximately 35 technical measures that aim to expedite the movement, release and clearance of goods, including goods in transit. It also sets out measures for effective cooperation between customs and other appropriate authorities on trade facilitation and customs compliance issues. The TFA is unique in the history of multilateral trade agreements in that it allows each developing country and LDC member to self-determine when it will implement the respective provisions and what it needs in terms of related capacity building support. To ensure that developing countries and LDCs receive the support they need to implement the Agreement, the Trade Facilitation Agreement Facility was established in 2014. The TFA Facility acts as a focal point to provide trade facilitation-related technical assistance and capacity-building support for implementation efforts, complementing existing efforts by regional and multilateral agencies, bilateral donors, and other stakeholders.

Source: WTO (2015)

such as the AfDB, the International Development Association and the World Bank. Bilateral donors extensively support the regional integration process in Africa, although some RECs have been criticised for being overly dependent on non-African donor funding. Traditional partners include, among others, Australia, Belgium, Canada, France, Germany, Japan, Netherlands, Norway, Sweden, the United Kingdom (DFID - Box 2.11) and the United States. The EU is also a major donor through facilities like the European Development Fund, EU-Africa Infrastructure Trust Fund and the EPA development programmes.

Emerging donors, especially Brazil, China (Box 2.10) and India also support Africa's regional integration initiatives. In addition, these countries could mobilise support for regional industrial capacity and infrastructure development under new institutional and policy initiatives such as the BRICS New Development Bank (with an Africa Regional Centre in South Africa), Asian Infrastructure Investment Bank and China's Belt and Road Initiative, with first bilateral agreements signed with South Africa in 2015 and Egypt in 2016.

Notes

1 Other landmark strategies over this period included Africa's Priority Programme for Economy Recovery (APPEC) 1986–1990, which became the UN Programme of Action for Africa's Economic Recovery and Development (UNPAAERD), the African Alternative Framework to Structural Adjustment Programme for Socio-Economic Recovery and Transformation (AAF-SAP) 1989, the African Charter for Popular Participation for Development (ACPAD) 1990 and the UN New Agenda for the Development of Africa in the 1990s (UN-NADAF) 1991.

2 The PAP originated with the Abuja Treaty (1991), which called for the establishment of a parliament to ensure that the peoples of Africa were fully involved in the economic development and integration of the continent. The Sirte Declaration (1999) repeated the call for early establishment. The Protocol Establishing the Pan-African Parliament was adopted at the 2001 OAU Summit in Sirte, Libya.

3 Overall, the African continent achieved average real annual GDP growth of 5.4 per cent between 2000 and 2010, adding US$78 billion annually to GDP (in 2015 prices). Since 2010, there has been a deceleration of growth, largely among oil exporters and North African countries still rebuilding after the political convulsions of the Arab Spring. Growth slowed to 3.3 per cent, or US$69 billion, a year between 2010 and 2015. See World Economic Forum (2016).

4 The standard Mercator map projection of the world belies the actual geographic size of the African continent.

5 The Africa Infrastructure Development Index (AIDI) presents selected indicators that comprise the index's major components, namely transport, electricity, ICT, water and sanitation.

6 AGOA-IV directs the United States Trade Representative to begin the process of negotiating reciprocal trade agreements with SSA countries. However, given the domestic political environment in the United States, the short-term prospects for any new trade agreements are not auspicious.

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