

Knowledge economy

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External Shocks and Africa's Regional Organizations From reaction to Prevention

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The facts

Despite strong growth in recent years, Africa remains marginalized in global perspective...

- The continent share in international trade has declined from over 4% in the 70's to less than 2% today.
- The share of global manufactured exports (0.5%) has hardly changed since the 70's.
- FDI receipts by SSA barely account for 2% of the world total and are skewed toward mining industries and thus concentrated in few countries.

In short, the continent is still lagging behind in terms of progress toward achieving the MDGs...

The challenges

At the roots of Africa's marginal role in the world economy...

Internal competitiveness challenges:

- Small size economies, large proportion of landlocked economy, limited economic diversification...
- Weak physical infrastructure: inadequate connectivity & deficient power supply = constraints to doing business & deter investments.

Regional challenges:

- Poorly developed, limited integrated financial markets, high and unpredictable trade tariffs, limited policies & reg. harmonization...

Moreover; external shocks (i.e. food crisis, econ. & financial crisis and climate change) are worsening the conditions for development...

The options

Regional integration remains the most cost effective to unlock the undisputed potential for Africa

Traditional gains: *Trade gains – increased returns and increased competition- Investment {regional trade arrangement attract FDI}...*

Non-traditional gains: *Lock in domestic reforms – signaling – insurance – coordination and bargaining power- security..*

But African countries were and remain fully cognizant of the gains of regional integration and a strong political commitment to RI manifests in the comprehensive institutional architecture which Africa has constructed...

Africa integration at a glance

- Highest concentration of regional arrangements: Today Africa is Home to some 30 regional or sub regional organizations.
- Evidence of constrained REC's effectiveness in driving regional integration by overlapping membership and chronic shortage of capacity.
- With the NEPAD: The REC's stand to play a more predominant role in the cooperation and integration process.

However, for all this, Africans remain frustrated, overall progress over the last four decades has been sluggish & unlike economic integration schemes in other parts of the world, African RECs have not succeeded in accelerating growth or trade...

Capacity needs...

In the area of infrastructure development...

Cross-border physical connectivity: Critical for the movement of goods, services, capital and people. Unlocks economies of scale and promotes competitiveness.

Capacity needs: Capacity enhancement of RECs to develop common regulations and procedures and harmonize and implement cross border regulatory arrangements.

Capacity needs...

In the area of trade, inv. & financial integration dev.

Trade, investment and financial integration development: Integrated markets promote diversification, economies of scale, and mobilize FDI. A sound and credible financial system facilitates investment flows.

Capacity needs: Rigorous policy studies and capacity are required to design and implement trade policy reforms. Capacity is also needed to comply with WTO requirements and other agreements, as well as, the strengthening of legal and regulatory reform.

Capacity needs...

In the area of regional public goods...

Water: is at the nexus of many risks and is increasingly a scarce resource.

Capacity needs: To develop regional strategies and policies for *trans-boundary water management* and *integrated water resource management* as well as risks related to water shortages.

Agricultural production and productivity:

Capacity needs: Innovation and drought resistant technologies, managing food security and output diversification. Regional food markets and supply side constraints.

Capacity needs...

Continued...

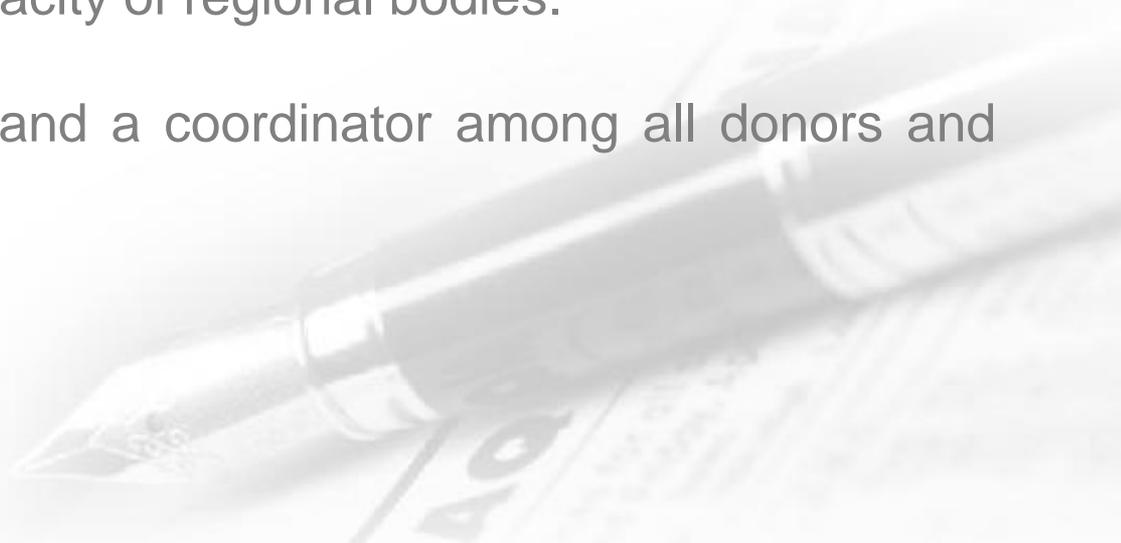
Population dynamics: (urban/rural) is affecting Africa.

Capacity needs: for both decentralized and regional management of growing and mobile population. This implies capitalizing on migration (*remittance policy*) and managing regional migration (*labor policy*).

Communicable diseases: Needs to build readiness to handle emerging infectious diseases, migratory pests...

Capacity needs: to respond to communicable diseases outbreaks thru information sharing and early detection; to anticipate and assess the impact of advances in bio-technology; to support the development of early warning systems; to conduct of environmental impact assessment of projects.

Role & contribution of the EU

- ❖ Provide **funding for priority regional integration projects** along with technical assistance.
 - ❖ **Share its experience and disseminate knowledge** to strengthen the development of regional policies for integration.
 - ❖ Further develop the capacity of regional bodies.
 - ❖ Play a **facilitator role** and a coordinator among all donors and African regional bodies.
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Key messages

- ❖ Efforts at regional integration must be sustained within the framework provided by the RECs.
- ❖ More focus in developing ***institutional capacity*** and aligning regional and national programs.
- ❖ Capacity development is critical to develop ***common regulations and procedures*** and harmonize, to expand trade and investment, and to support financial sector integration.
- ❖ The ***EU is a privileged knowledge partner*** and should play a more important role in capacity development of regional bodies.



Thank you

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