

# **Monitoring regional integration in Southern Africa**

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**By Dirk Hansohm**

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## **1 Introduction**

Regional integration (RI) is seen by many policy makers all over the world as an important policy instrument. This is in particular true for developing countries. The interest in RI has risen lately. Notably the European Union (EU) has elevated RI to a key pillar of its development cooperation. This makes it important to measure the progress in RI. However, as the meaning of RI remains elusive, as there are many understandings of RI, there is not yet any accepted system of monitoring it. This paper aims to contribute to the development of systems of RI monitoring by looking at the Southern African region. The Monitoring Regional Integration in Southern Africa Initiative, on which this article is based (Hansohm et.al. 2001-04), has set out to develop quantitative indicators to measure progress of RI. However, in face of the complexity of such a venture and the scarcity of data, the approach was changed to a mainly qualitative approach. However, perhaps the time has come, as the interest in monitoring RI has surged world-wide, to revisit this theme again.

Section 2 reviews briefly the 'new regionalism' and the new interest in RI, while section 3 looks briefly at ways to monitor RI. Section 4 looks at what has been done until now in the area of monitoring the RI in Southern Africa. Section 5 starts, based on the preceding discussion, to develop a system of RI indicators for the Southern African region.

## **2 The new interest in regional integration**

Regional integration has long been seen as a major instrument for economic progress world-wide and has been studied widely, both in general terms as well as with respect to developing countries (e.g. Tinbergen 1954, Balassa 1961, El Agra 1999). While the interest in RI had been part of the development discourse since the Second World War, there is a new wave of interest in regions in the development process since the 1990s. The questions 'Why do countries form regions?' and 'How do they affect their members, those excluded, and the international system?' are back on the agenda (Page 2000). This can be understood on the background of wide-ranging changes on the international, regional and national level. On the global level, the multilateral trading system has been extended (to new issues such

as competition, intellectual property rights, non-tariff barriers, subsidies, investment) and strengthened following the establishment of the World Trade Organisation (WTO). On the national level, governments changed the way they intervene and regulate. On the regional level, we see rising intra-regional trade, more formal regional organisations, and evolving other forms of co-operation.

The international structure is becoming more diverse with a mix of countries and groups at various stages or degrees of integration. Both regionalisation and globalisation are evolving in parallel. Many economists see RI as contradicting and undermining global integration, as a second-best solution that is at best a 'stumbling bloc' on the way to that first-best situation. Often multilateral rules are by-passed when new protections are built into regional designs. However, others see RI more positively, as complementing global integration, as being a stepping stone to global integration, or as helping to reduce possible negative consequences of globalisation.

Although many share the view that the world tends to be carved up into regions, this cannot be taken for granted. While the benefits of global integration are questioned by many presently - the stalled talks on multilateral trade negotiations are an indication - so is the progress of RI. Furthermore, the depth of RI varies widely. On one extreme, the integration of the EU has grown very far, the EU now speaking as one unit in international trade negotiations and using one currency in much of Europe. Nevertheless, the integration process of the EU as it is planned is far from completed and how far it will actually go is uncertain. As the discussions and divisions on the EU constitution show, deep economic and political RI is not at all certain. More importantly, this vision of deep RI is not the one pursued by other regional blocs who see RI more as an open process. At the other end, Africa's progress in RI has not reached far. One can argue that the political and social conditions for RI seem no easier to meet than those for global integration (Page, 2000).

The 'new regionalism' takes a comprehensive view of RI, going beyond economics to refer to politics, security, culture and diplomacy as well. Furthermore, it goes beyond the focus of government and looks at other actors such as business and the civil society as well, complementing the 'top-down' with the 'bottom-up' perspective. The new regionalism can also be described as more spontaneous, and as open and thus compatible with an interdependent world economy. Regions are also emerging phenomena, less defined - they cannot be defined in a very precise way (e.g. Hettne 1999).

The new regionalism is more dynamic, as it is also driven by the private sector. On the negative side, this implies a danger of polarisation and the locking-in of inequality. This provides a legitimisation for state intervention (Oden 1999, 2000).

Although the advocates of RI and the general public see RI as positive, this cannot be taken for granted. Empirically the questions whether RI has positive or negative results for economic growth, how this growth is distributed, how poverty is affected, and others are not conclusively answered. The concept of 'new regionalism' has not been discussed in the Southern African region.

### 3 Monitoring of regional integration

As argued above, the importance of RI is rising, while there is little data on its benefits or otherwise. It is, however, arguably especially important for developing countries to know about the effects, as they face the challenges of catching up with the industrialised world. The importance is enhanced by the attention the EU gives to RI - it intends to link the flow of aid to the success of RI initiatives. Monitoring RI is also important in order to allow assessing the success of different models of RI.

With this background, it is astonishing that the systematic monitoring of regional integration is only an emerging field of study. Many questions are open (see de Lombaerde 2003 for an overview). There is not as yet an accepted way of monitoring RI. In particular the institutional dimension of integration has been little studied in a systematic way. The European Union appears to be most advanced in developing instruments for monitoring integration (e.g. Council of Europe 1997). Other regional and international bodies as the Inter-American Development Bank (IADB) and World Bank are also considering or developing tools to monitor RI.

The Centre for Regional Integration Studies (CRIS) of the United Nations is spearheading the development of systematic monitoring of the process of RI. De Lombaerde (2002) proposes the development of a global system of indicators of regional integration (SIRI). He discusses the criteria of good indicators in general and various dimensions of indicators.

Referring to economic indicators, Anderson (1991: 48-51) provides criteria for good and bad indicators. As negative criteria he suggests:

1. Indicators should not carry with them an automatic evaluation (they should limit themselves to description of reality).
2. Indicators need not necessarily be linked to a policy instrument (again they should limit themselves to description of reality).
3. Indicators do not have to be new.
4. Indicators should not be based on particular theories of economic, human and social development.

He lists the following seven positive criteria for selection of indicators:

1. Indicators or the information they are calculated from should be already available or else able to be made available easily and cheaply.
2. Indicators should be relatively easy to understand.
3. Indicators must be about something measurable.
4. Indicators should measure something believed to be important or significant in its own right.
5. There should preferably only be a short time-lag between the state of affairs referred to and the indicators becoming available.
6. Preferably the indicators should be based on information which can be used to compare different areas, groups etc.
7. Preferably the indicators should be internationally comparable.

Key points of de Lombaerde's discussion of RI indicators are:

1. The distinction between traditional indicators (permitting a direct comparison between regions on their score on a particular variable) and benchmark type indicators (comparing first the performance of each region with its own objectives);
2. An indicators system can be conceived as an ordered presentation of the values of the selected relevant variables (allowing comparison of regions), but without explicit weights for the variables; alternatively, the system can be designed in function of the calculation of aggregate indicators per country/region/sector. This simplifies reading, but involves weighting and aggregations procedures that are to some degree arbitrary.
3. Quantitative data can be supplemented by qualitative assessment. This may make abstract data (in particular aggregate indices) more understandable. However, qualitative assessments are more difficult to implement in international and intercultural contexts.
4. Indicator systems can confine themselves to descriptive measurements of observable variables or combine them with analytical information and estimates. The second option is again richer, but faces the problems of non-standardised methods of analysis concerning data collection and complexity of interpretation.
5. Other problems relate to the availability, generation, frequency, sustainability, and manageability of data.
6. A core issue for designing a RI indicator system is the underlying concept of integration (however, note that this appears to contradict the advice of Anderson – see above negative criterion 4).
7. A quantitative approach will not be able to capture the fact that integration processes are not linear and continuous, but characterised by ‘significant qualitative steps, breakpoints, accelerations or crises’ that should be addressed. Evaluations of the ‘before-after’ type are regarded as useful.
8. An indicator should be sufficiently flexible.
9. Formal (based on formal agreements and discourses) and informal or ‘real’ integration need to be distinguished.
10. Actors other than governments on different levels, e.g. the sub-national level, need to be recognised.
11. Positive and negative integration (Tinbergen 1954) should be distinguished.
12. An open and flexible theoretical framework is necessary to be widely applicable.
13. It is important to involve the users of RI indicators in their development.

#### **4 Approaches to monitoring regional integration in Southern Africa**

In Africa, the United Nations Economic Commission of Africa (ECA) is planning annual reports on integration in Africa (ECA 2002, 2004). It proposes African integration indicators and African integration indices (constructed from the former). These are based on data assembled for 8 sectoral clusters: trade and market integration, monetary, fiscal and financial integration, transport, communications, industry, energy, food and agriculture, and human

development and labour markets. A composite integration index is calculated as weighted average of clusters. This is a systematic approach. However, it is not transparent how the indices are constructed.

Probably the most comprehensive and rigorous study of evaluating RI in Sub-Saharan Africa is the 4-volume study on 'Regional integration and trade liberalisation in sub Saharan Africa' sponsored by the African Economic Research Consortium (AERC) in the late 1990s (Oyejide et al. 1997). This study is limited to economic aspects and concentrates on trade as the principal field of integration. The study discusses the methodological problems of measuring economic integration and its effects. One of these is the lack of a counterfactual to the actual developments, another the difficulties of disentangling the impact of policies of integration and liberalisation from that of other economic reform policies. A third complication relates to the issue of timing, while another concerns appropriate performance indicators (Collier, Greenaway and Gunning, 1997). The study finds that trade expansion in Southern Africa has been slow, and intra-group trade has increased modestly, if at all. In addition, it states that policy co-ordination in SADC has been negligible.

In the Southern African region, there are several noteworthy activities. One is the *SADC Regional Human Development Report*, issued for the years 1998 and 2000 (UNDP/SADC/SAPES 1999 and 2001). While the first report on 1998 focused on the interface between governance and human development, the second published in 2001 deals with regional integration. A statistical measure has been developed: the SADC Integration Index (SII). This index measures the level of intra-SADC activities in the goods, capital, and labour markets. The measure ranges from 0 (no integration) to 1 (full integration), and constitutes a start to the quantitative and therefore comparative measuring of the state of integration. However, the value of the indicator is qualified by the highly deficient data situation and by the arbitrary nature of the definitions of full integration. Furthermore, the indicator does not yet allow a comparison over time. The series was discontinued.

There are a number of other institutions and initiatives that aim to monitor aspects of RI and SADC (see Isaksen 2002 for an overview). These include:

- The Southern Africa Research and Documentation Centre (SARDC). This runs, among others, a regional economic development and integration programme and publishes various publication series.
- The SADC Electoral Support Network producing among others the Election Chronicle. This network has SARDC as one of its members.
- The Electoral Institute of Southern Africa, another strong NGO in this network.
- The Institute of Global Dialogue a South African foreign policy think tank. The Institute published the so far most comprehensive overview of SADC.
- The Institute for Security Studies in Pretoria follows matters of security and security policy and publishes among others the African Security Review.

- The South African Institute of International Affairs hosted a number of conferences dealing with various aspects of monitoring regional integration and recently published the SADC Barometer.

NEPRU organises annual workshops on the monitoring of economic, political and institutional aspects of regional integration with experts from the region and beyond. Since 2001, NEPRU publishes the Monitoring Regional Integration in Southern Africa Yearbook to provide an empirical basis to the process of regional integration (Hansohm et al. 2002-2004). The Yearbook deals with the economic, political and institutional dimensions of RI. In addition to monitoring the state of integration it assesses the pace and direction in key economic, political, and institutional areas of integration by covering key topics such as macro-economic trends, trade, democracy, and security annually and looks at more specialised topics as monetary policy, transport, investment, natural resources, institutional restructuring, occasionally. Case studies of critical countries as Zimbabwe, Angola, and the DRC are examined as well. From 2005 onwards NEPRU will particularly monitor the progress of regional integration within SADC. Papers presented at the workshops and the yearbooks are published on NEPRU's website [www.nepru.org.na](http://www.nepru.org.na), as well as the call for papers for next year's workshop.

Although the possibility of a quantitative approach to monitoring RI in the Southern African region had been dismissed in 2000 by this initiative due to lack of data, recent developments suggest reconsidering this. On the one hand, the recently accelerated dynamics of RI both in SACU and in SADC create a more significant demand for quantifiable indicators both from the institutions and the donor side (notably EU). Secondly, the availability of data has improved due to recent developments in the information and communication technologies.

## **5 A proposal for monitoring regional integration in Southern Africa**

The review above of both general and specifically regional issues suggests the following points as a basis for the development of a system of RI indicators:

- Quantitative indicators should be combined with qualitative indicators. The belief that only quantitative data are 'objective' is too narrow. Objectivity is relative and will be established through openness.
- So as to be useful, the indicator system should be developed with involvement of stakeholders.
- In the first place, the indicator system should be of use to regional bodies, in particular SADC. This means that the indicators should take the plans of the RI bodies as benchmarks.
- At the same time, RI monitoring experiences from other regions should be looked at to benefit from. A second type of indicators allowing comparison to other regions also needs to be utilised.

The following areas are important to be looked at:

- The production of and subscription to relevant treaties, memoranda of understanding (e.g. on macroeconomic convergence, co-operation on taxation), strategic documents, creation of institutions etc.).
- The implementation of these and obstacles: adherence to agreed principles and actions, functioning of created institutions, tendencies of bureaucratisation. While policy makers are very keen to sign new RI agreements, there is often not enough commitment to carry through this process. Commitment has to do with incentives (to apply limited resources to implementation) and perceptions (of commitment).
- The relationship to domestic policies is important. At some stage, RI does imply a loss of sovereignty - a transfer of sovereignty to the regional level. This may result in the loss of a comparative advantage. Potential benefits are traded in against potential losses. In this context, time horizons play a role. While benefits often need time to materialise, losses may result immediately.
- Financing of SADC: sufficiency for present and planned activities, dependence on donors, distribution of membership fees.
- Relation to continental and other regional initiatives, especially the African Union (AU) and NEPAD, but also to SACU, CMA and COMESA: the progress or otherwise of other inter-state initiatives in which Members States of SADC are participating may strengthen SADC (SADC as a stepping stone to African integration, SACU as a building block for deeper integration within SADC), but it may also direct scarce human and financial resources away from SADC.
- Relation to the private sector and civil society (including trade unions, churches, media, NGOs, etc.): the degree of their knowledge of and participation in the process of regional integration as well as the real and perceived impacts the process will have on civil society.
- Effects of regional integration on economic and human development: the promise and test of the success of regional integration is convergence of SADC with the richer world ('catching up'), but also of the poorer countries within SADC with the richer members.
- Cost and benefits of the process of regional integration and the perceptions of these on countries and various interest groups. This is believed to be a key driving force for the speed and sustainability of regional integration. An interesting aspect in this context is investment location decisions.

The following box gives an overview of categories, sub-categories, indicators, and data.

<b>Category</b>	<b>Sub-category</b>	<b>Indicator</b>
Institutionalisation	Formal framework of RI	No. and content of agreements & commitments
		Relation to various RI agreements
		Relation to/consistency with

		domestic policy framework
	Existing organisations	No. of institutions
		Involvement of parliament
Implementation	Adherence to commitments	Commitments are met
	Finance	Sufficiency
		Contributions by government, donors, other (absolute, %)
	Institutional implementation capacity	Institution building
		HR level
	Conceptual development	Conceptual awareness
	Monitoring and evaluation	Existence of M&E, feedback channels
	Policy coordination	Necessity of regional dimension
		Delegation to national or sub-national levels
	Compensation mechanisms	Existence of mech. to counter unequal effects of RI
		Social safety nets
Relation to domestic actors	Private sector, labour, NGOs, interest groups	Perceived effects on economic and social indicators
		Knowledge, perceptions
		Participation
		Market pressure for RI?
Effects	Structural factors	Proximity
		Structural complementarities, asymmetries
		Historical patterns of co-operation, integration and conflict
		Policy framework: labour market, social security net, fiscal policy, degree of distortions
		Factor endowments
	Economic	Growth
		Employment
		Fiscal
		Social indicators: education, health
		Structural change: diversification, comp. Adv.
	Convergence in region, global	Income level
		Inflation, interest rates, currency
		Budget deficit/GDP public debt/GDP
		Price convergence

	Regional and global interaction	Regional & international trade barriers
		Volume & structure of international and reg. trade
		Financial flows, FDI, equalisation of prices & returns
		Migration
		Information flows
		Infrastructure
		R&D cooperation in region
		Cross-border mergers & acquisitions
	Distributional	Between countries
		Within countries
	Policy convergence	Arrangements on common policies and policy co-ordination
		Gradualism, exemptions and differential treatments
	RI, regional awareness, coherence, trust	Regional Awareness & identity
		Trust between nations (gov., business, civil society)
		Interaction of pol. Agencies
		Interaction of civil society
		Regional Cohesion
		Policy cooperation
		Reg. rules & standards

## Abbreviations

AU	African Union
CMA	Common Monetary Area
COMESA	Common Market of Eastern and Southern Africa
CRIS	Centre for Regional Integration Studies
ECCAS	Economic Community of Central African States
ECOWAS	Economic Community of West African States
EU	European Union
FTA	free trade area
ICT	information and communication technologies
LPA	Lagos Plan of Action
NEPAD	New Partnership for Africa's Development
OAU	Organisation of African Unity
PAEC	Pan African Economic Community
PTA	Preferential Trade Area
RI	regional integration
SACU	Southern African Customs Union
SADC	Southern African Development Community
SARDC	Southern Africa Research and Documentation Centre

SIRI	system of indicators of global integration
SSA	sub-Saharan Africa
WTO	World Trade Organisation

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