

AFRICAN UNION



UNION AFRICAINE

الاتحاد الأفريقي

UNIÃO AFRICANA

Addis Ababa, ETHIOPIA P. O. Box 3243 Tel.: 51 77 00 Fax: 51 26 22

STUDY

ON

AN AFRICAN UNION GOVERNMENT

TOWARDS

THE UNITED STATES OF AFRICA

TABLE OF CONTENTS

CHAPTER ONE: BACKGROUND ..

CHAPTER TWO: FRAMEWORK OF AN AFRICAN UNION GOVERNMENT

2.1 SHARED VALUES AND COMMON INTERESTS

- 2.1.1 Shared values
- 2.1.2 Common interests

2.2 STRATEGIC FOCUS AREAS OF AN AFRICAN UNION GOVERNMENT

2.3 INSTITUTIONAL AND PROGRAMMATIC IMPLICATIONS

- 2.3.1 The Need for Change
- 2.3.2 Implications for the Non-Financial Organs of Union
- 2.3.3 Implications for the Constitutive Act
- 2.3.4 Implications for the New Partnership for Africa's Development
- 2.3.5 Implications for the Continental Financial Institutions
- 2.3.6 Implications for the Regional Economic Communities
- 2.3.7 Implications at National Level
- 2.3.8 Financing of the Union Government

CHAPTER THREE: TENTATIVE ROADMAP TOWARDS AN AFRICAN UNION GOVERNMENT AND THE UNITED STATES OF AFRICA

3.1. INITIAL PHASE

- 3.1.1. Continental Level
- 3.1.2. Regional Level
- 3.1.3 National Level

3.2. SECOND PHASE

- 3.2.1 Continental Level
- 3.2.2 Regional Level
- 3.2.3 National Level

3.3 THIRD PHASE

CONCLUSION

BACKGROUND

1. Africa¹ has consistently influenced the world community since the very origin of humankind. Africans participated in the growth and development of knowledge, the arts, and spirituality. The Pan-African movement was essentially anchored in this historical legacy and the imperative necessity of the continent and its Diaspora to regain its dignity after centuries of slavery followed by colonial rule.
2. The Pan -African movement, which was spearheaded mainly by the African Diaspora, was based on three main pillars, namely
 - (i) Shared historical and cultural values
 - (ii) Collective self - reliance and self-sufficiency
 - (iii) Political freedom.

The interaction between the movement and African researchers and political leaders has greatly influenced the struggle for independence in Africa, of which the search for unity and collective action was part and parcel.

3. Since becoming politically independent, African countries have made efforts to individually address the economic and social challenges they all face with limited success. This has been partly the result of various impediments, including in particular lack of good governance and an overall unfavourable international economic order. In order to improve their development performance, African leaders are increasingly convinced that they must act collectively.
4. As an expression of the will to act collectively on issues of common interest, the Organisation of African Unity (OAU) was established on May 25 1963, as a result of a compromise between supporters of a full political integration and those preferring a loose cooperation organization. With an initial membership of 35 countries, the OAU remained the only continental organization until its replacement by the African Union in 2002. The OAU made important contributions, mainly through its Liberation Committee, to the freedom fight of countries that were still under colonial rule and to the struggle against apartheid in South Africa and the minority rule in former Rhodesia. Its membership, which includes **all regions of the continent**, amounted to 53 countries in 1994.
5. Africa's search for a collective development strategy and integration schemes, documented in the Lagos Plan of Action (LPA), as well as in the Final Act of Lagos (FAL) and the Abuja Treaty establishing an African Economic Community (AEC), was also an initiative of the OAU supported by the Economic Commission for Africa (ECA). Both the FAL and the Abuja Treaty specifically stressed the role of Regional Economic Communities (RECs) in the establishment of the AEC in six stages over a period of 34 years, from the entry into force of the Treaty. The Treaty also made provision for the establishment of continental

¹ Africa refers to the whole continent, from North to South, from East to West without distinction as to race, language and religion.

institutions including a Pan African Parliament (PAP), an Economic, Social and Cultural Council (ECOSOCC) and an African Central Bank (ACB).

6. Regarding the integration process, the Conference on Security, Stability, Development and Cooperation in Africa (CSSDCA) was established in May 1991. The CSSDCA, advocated for a holistic approach to African development by stressing the inter-linkage between peace, security, good governance and the improvement of economic and social conditions. Also, the principle of popular participation, including the role of women, increasingly gained prominence, with the adoption, in 1990, of the African Charter for Popular Participation in Development and Transformation. Thus all factors that potentially concur to collective and self-sustained development of the continent were clearly spelt out in the early 1990s.
7. In spite of the progress made, particularly in the establishment of RECs in the regions where they did not exist in 1991, the timeframe for the implementation of the Abuja Treaty was found to be too long. This was for several reasons, particularly lack of political will, lack of awareness among large segments of the African people, and overdependence on external assistance. At the same time, tremendous progress was being made in other world regional economic and trading blocs.
8. Against this background, African countries resolved to move towards political union by establishing, in 2002, the African Union (AU) to replace the OAU. The AU was meant to
 - (i) Accelerate the implementation process of the Abuja Treaty
 - (ii) Strengthen the RECs and speed up the establishment of the continental institutions of the AEC.
9. Furthermore, African Heads of State and Government also adopted, by Declaration AHG/Decl.1 (XXXVII) of the Lusaka Summit, the New African Initiative (NAI), which subsequently became the New Partnership for Africa's Development (NEPAD). The main purpose of NEPAD is to place African countries, both individually and collectively, on a path of sustained economic growth and sustainable development at the same time, and transform them into competitive participants in world economic, monetary and political affairs. In launching, almost simultaneously, the African Union and NEPAD, African Heads of State and Government wanted to ensure that the latter would be an essential implementation tool of the former. Thus, as in the early 1990s, Africa was prepared to enter the new millennium with renewed determination for collective action.
10. Today, there is a growing recognition among African countries of the need to provide the African Union with stronger continental machinery in order to work on agreed strategic areas of focus yet to be identified. To that end, the Assembly of the AU set up two *ad hoc* committees of Heads of State and Government which concluded that the "necessity for eventual **Union Government is not in doubt**". The Union Government must be a "**Union of the African people and not merely a Union of states and governments**". It must have "**identifiable goals**" and be based on a **set of clearly identifiable shared values and commonality of interest...and on the principle of strict adherence**".
11. The Heads of State and Government also noted that "the formation of a Union Government must be "**based on a multi-layered approach**" whereby after basic internal contradictions at the national level are reviewed and resolved...the next logical step "**must be to identify and clearly assign specific roles** to states, sub-regional entities and the continental

political framework”. The approach must also be based on the principle of “**gradual incrementalism**”. Finally,” the RECs must be made more effective as the building **blocks for the continental framework** (and) a clear decision must be made on rationalizing the sub-regional economic communities so that investments are made to build synergies between the RECs and the Union Government”.

12. This study was prepared as a follow up to the above decisions and guidelines. Its main objectives are to
 - (i) Elaborate further on the necessity for an African Union Government, based on shared values and common interests of African countries and peoples
 - (ii) Propose strategic areas of focus
 - (iii) Examine the implications of an African Union Government at continental, regional and national levels, in terms of institutions, and programmes where applicable, taking into consideration the present situation
 - (iv) Suggest a ROADMAP for the establishment of a Union Government. It is supplemented by background documents where detailed information is provided on the historical context of the study, continental organs, the RECs and on the financial Institutions.

13. The next chapter provides a general framework for establishing a Union Government. Such framework includes a review of the shared values and common interests of African countries and people. It suggests strategic areas of focus that have been identified in which the Union Government may, progressively, have full or partial responsibility. Thereafter, an assessment is made of the institutional and programmatic implications, first at the continental level, then at the level of the RECs, and finally at national level. Also, a brief review is made of the NEPAD programme as well as the possible financing mechanism for the Union Government.

14. In the final chapter, a tentative Roadmap is proposed taking into account the existing realities on the ground. The Roadmap seeks, first, to establish and then consolidate processes and structures that will be vital in the short and medium term, at various levels (continental, regional and national), so as to give the Union Government the tools and means that are required to achieve the irreversible conclusion of full political integration that, finally, leads to the United States of Africa.

FRAMEWORK OF AN AFRICAN UNION GOVERNMENT

15. The Union Government will be a political transitory arrangement towards the United States of Africa. As such, it should consist of a more focused Assembly, and an Executive Council backed by an effective Permanent Representatives Committee, and result-oriented Specialized Technical Committees as may be required. In addition, the Union Government would have a Commission with an Executive authority on matters totally or partially delegated by Union Members. Finally, it would be supported by more effective parliamentary and judicial systems, as well as efficient continental financial institutions and an adequate participatory framework for non-state actors.
16. The framework of the Union Government would therefore be based on African countries' shared values and common interests, and on strategic focus areas. The rationale of referring to these shared values and common interests are amply documented and need only to be briefly brought to light in the context of the present study. The same applies to the strategic focus areas.
17. All African countries can claim membership of the Union Government based on the principle of strict adherence to its rules. In addition, countries with certain population make up could be given the status of **Associate Members** of the Union Government. In that context, relationships with the **African Diaspora** will be given special attention.

2.1 SHARED VALUES AND COMMON INTERESTS OF AFRICAN COUNTRIES AND PEOPLE

- 18 Shared values and common interests have both structural and psychological elements which ensure collective self-development of the African people under condition of good governance at continental level and constructive engagement with the rest of the world. They serve as the basis of mutuality and reciprocity in Africa's self-discovery and the strength of a re-invigorated Pan-African institution. These shared values and common interests are contained in such basic documents as the Kampala Document of the CSSDCA, the OAU Declaration on unconstitutional change of government, the Constitutive Act of the African Union and the NEPAD Action Plan.

2.1.1 Shared values

- 19 Shared values are drawn from both African culture and societies, and from articulated commitments of African countries to meet the challenge of coping with historical legacies and current realities. In that connection, it would be important for African countries to be guided by the following values as contained in the CSSDCA Declaration:
 - (a) Adherence to the rule of law
 - (b) Popular participation in governance

(c) Respect for human rights and fundamental freedoms

(d) Transparency in public policy making

Shared values are also based on cultural commonalities among African countries and people.

20 While African societies are diverse, solidarity, humanness, and protection of the weak are their main characteristics at all levels (within the family, among neighbours, and in the community), as well as pride in common African ancestry. These values are translated into strong kindred ties and communal cohesiveness.

21 Although Africa has, for well known historical reasons, lost some of its self-sustaining characteristics, it is of paramount importance to use the shared values as a leverage towards closer unity among and joint purpose of action by African countries and people. They should particularly be used at the national, regional and continental levels to devise and implement developmental policies and programmes that are people centred and well rooted in African traditions. **Thus, through a skillful combination of indigenous and modern knowledge systems, African countries could devise well thought-out and creative strategies for the transformation of their social structures, political systems, and economic organizations to the present world environment so that the continent as a whole would successfully “claim the 21st century”.**

2.1.2 Common interests and constraints

22 Common interests are derived from the challenges facing the continent as a whole, namely its over-dependence on the external world and the under exploitation of its enormous development potentials at national, regional and continental levels. They are clearly elaborated in such seminal documents as the Lagos Plan of Action, the Cairo Agenda for the economic and social development of Africa, and the NEPAD Action Plan. The challenge of over-dependence is critical in areas such as agriculture, human development, science and technology, industry, trade and finance.

23 Over several years, food security has become a matter of great concern for many African countries. Frequent climate-related disasters (drought, deforestation, and desertification), as well as food losses, have led to chronic food shortages in several countries, thus making them dependent on external food supply. Actually, with Africa's several sovereign entities, most of them mini-states, national self-sufficiency in food is not a feasible option for many of them.

24 There is also a strong dependence on expatriate technicians and technology; and an attachment to export-led growth strategy, emphasizing the production and export of raw materials and agricultural primary commodities in exchange for manufactured goods, imported from developed countries, mostly former colonial powers, thus jeopardizing the industrial development prospects of these countries.

25 Trade is another example of Africa's overdependence. The terms of trade are increasingly moving against Africa, which has no alternative but to accept declining earnings from a rising volume of exports while simultaneously having to pay more for its imports. Financing Africa's development is also largely dependent on inflows of financial resources from Official Development Assistance (ODA) and mounting external indebtedness, in spite of recent debt relief measures.

- 26 Over dependence also occurs in the education and health sectors. The education sector is largely dependent on external assistance for such basic requirements as trained teachers, classrooms, textbooks, scientific equipment, and appropriate curricula. The same applies to the health sector when addressing trans-borders chronic diseases, such as malaria, tuberculosis and Acquired Immune Deficiency Syndrome (AIDS), but also regarding attempts to provide safe drinking water and elementary sanitation facilities.
- 27 The challenge of under-exploitation of Africa's development potential is also compelling. In this respect, some studies have shown that because of its geographical position, a **United** Africa would have the unique potential of producing most types of food and agricultural produce throughout the year, thus putting an end to the chronic cycle of drought-related food shortage in some parts of the continent. Africa being well endowed with natural resources, the concerted exploitation of the energy potential of its ecological zones would not only make many countries less energy dependent, but also enable the industrial processing of the huge mineral resources of the continent. Infrastructural development is also a major challenge. Africa being the second largest continent in terms of size and population, the building of the required transport and communications infrastructures would make it one of the most competitive markets and, potentially, the most attractive in terms of returns on investment.
- 28 Finally, given the increasing wave of globalisation, and the emergence of strong regional, political, economic and trading blocs in other continents, the challenges of overdependence and under-exploitation of its potentials have increased the marginalization of the continent in world affairs. Thus, the goal in pursuing development through a common interest perspective is to bring about human progress in Africa; restore human dignity to the African people and give Africa a voice in the global order; promote progressive African social and political values and defend the African personality.
- 29 In doing this, there is need to develop the human potentials of Africa and include the people in the development process. It should be realized that what unites Africans far surpasses what divides them as a people. It pays to speak and act with one voice than with many voices. In unity, Africa can realize and achieve a lot. The global system is such that a dismembered and balkanized continent will have weak bargaining strength on all scores.
- 30 An all embracing common interest of the African continent is, therefore, to **build its collective capability and capacity** to act as a stakeholder and not an outsider in world affairs, and to fully participate in shaping international norms and agenda. This is indeed an important and over- arching objective of the Union Government

2.2 STRATEGIC AREAS OF FOCUS OF AN AFRICAN UNION GOVERNMENT

- 31 Strategic areas of focus and their rationale, which are consistent with the objectives of the Strategic Framework of the African Union Commission, are essentially derived from the shared values and common interests. They are aimed, in the short, medium and long run, at making the process of establishing the Union Government irreversible. A

number of areas are contained in proposals made at the independence of various African countries in the late 50s and early 60s and, subsequently, in the Lagos Plan of Action, the Abuja Treaty, the Constitutive Act of the African Union, the Kampala Document of CSSDCA, and the NEPAD Action Plan.

32 Proposals on areas of focus were also made in the course of the meetings of the two Committees of Heads of State and Government. Overall, consensus seems to have emerged on some areas around which a Union Government could, progressively, be operating at continental level. **It is understood that in each area, a subject matter to be covered could either be at continental level or concurrently with Union Members. The focus areas indicated below are not in any order of priority. Similarly, the suggested subject matters under each area are merely indicative and illustrative. With the above understanding, the suggested 16 strategic areas of focus are as follows:**

a. Continental integration

- | |
|---|
| ▪ Promote cooperation and exchange of experience among the RECs |
| ▪ Liaise with Ministries in Charge of integration in Union Members |
| ▪ Prepare the meetings of the Assembly |
| ▪ Assist Union Members, as may be required, in building national constituencies for the Union Government and the United States of Africa. |

b. Education, Training, Skill Development, Science and Technology

- | |
|--|
| ▪ Undertake, with the support of the RECs, identification and promotion of potential continental centres of higher learning, primarily with an African focus as well as Higher Technical Training and Research Centres, and encourage their specialization |
| ▪ Promote the exchange of students and academic staff among universities and research centres of Union Members |
| ▪ Harmonize curricula at primary and secondary school levels among Union Members |
| ▪ Organize exchange of experiences among Science and Technology Research Centres of Union Members, with a view to identifying and promoting continental specialized centres |
| ▪ Promote research on matters of particular relevance to Africa, such as desertification, coastal erosion, infectious diseases and biotechnology |

c. **Energy**

- Undertake, with the support of the RECs, a consolidated inventory of hydropower resources of Union Members, taking into account their integrated utilization (i.e. electricity, irrigation, navigation, fisheries, etc.)
- Expand, with the support of the RECs, ongoing interconnection of electrical grids in Union Members
- Promote standardization of power supply equipment in Union Members
- Harmonize energy policies and plans among Union Members
- Rehabilitate regional or continental solar energy centres, and promote continental research centres on other renewable energy resources

d. **Environment**

- Organize the exchange of experiences, among Union Members, on environmental issues of particular relevance to Africa, (coastal erosion, desertification, deforestation, etc.)
- Prepare and leading continental campaigns against such natural disasters like flooding, land-slide, volcanic eruption, locust invasion, etc.), and mobilizing international assistance
- Promote Africa's position at world gatherings, on matters already agreed upon by the Assembly, with respect to world environment issues (e.g. ozone layer, biodiversity, Kyoto Protocol, etc.)
- Build consensus on emerging issues, as may be required by evolving matters with respect to environment

e. **External Relations**

- Promote Africa's views at world gatherings on matters already agreed upon by the Assembly
- Build consensus among Union Members on emerging subjects, as may be required by the evolving world situation
- Establish formal relationships between the Union Government and the African Diaspora
- Establish and/or strengthen Union Government Permanent Representations to other selected countries, international and regional organisations

f. **Food, Agriculture and Water resources**

- | |
|---|
| ▪ Formulate a continental food policy and self-sufficiency programme and encourage food trade among Union Members, with the support of RECs |
| . Implement the existing strategy for water resources development and management. |
| ▪ Organize exchange of experiences and information on agricultural production techniques, including water resources development and irrigation schemes, agricultural equipment and inputs |
| ▪ Make an inventory of agricultural equipment production centres and facilitate the trade of such equipment among Union Members |
| ▪ Harmonize Agriculture policies among Union Members |

g. **Gender and Youth**

- | |
|--|
| . Promote gender mainstreaming, |
| . Promote youth employment, |
| . encouraging the participation of the youth in activities of direct relevance to the Union Government |
| . organize continent-wide campaign against child labour, particularly in military activities |

h. **Governance and Human Rights**

- | |
|--|
| . Strengthen the existing legal and regulatory systems in all Member States. |
| . Promote economic and corporate governance |
| . Promote political governance |
| . Promote the independence of the African Court for Human rights |

i. **Health**

- | |
|---|
| ▪ Coordinate the continent-wide fight against major trans-borders diseases (Malaria, HIV-AIDS, Tuberculosis, Cholera, etc.) |
| ▪ With the support of the RECs, identify and promote specialized medical centres |
| ▪ Harmonize Health policy among Union Members |
| ▪ Promote research on tropical diseases |

j. Industry and Mineral Resources

- | |
|--|
| ▪ Implement, with the support of the RECs, identified continental projects in the First United Nations Industrial Decade for Africa with respect to basic industries (i.e. metallurgical industries, mechanical industries, and chemical industries) |
| ▪ Facilitate, with the support of the RECs, Intra-African trade in basic and intermediary industrial products |
| ▪ Harmonize industrial policies of Union Members |

k. Money and Finance

- | |
|---|
| ▪ Manage the Finance of the Union |
| ▪ With the support of RECs, harmonize custom duties and taxes among Union Members |
| ▪ Organize consultations with Central Banks, the African Development Bank (ADB), and the Private Sector on modalities for setting up An African Investment Bank |
| ▪ Organise consultations, in collaboration with the African Association of Central Banks (AACB), national and multinational Central Banks, on modalities for achieving a Monetary Union, creating an African Monetary Fund and establishing an African Central Bank |
| ▪ External borrowing |
| ▪ Domestic borrowing |
| ▪ Mobilise support for the return to Africa of flight capital |

l. Peace and Security

- | |
|--|
| ▪ Coordinate the work of the existing Peace and Security Council |
| ▪ Constitute an African Stand-by Force (ASF), the establishment of which is currently underway. |
| ▪ Oversee the use of the ASF on the basis of the existing Non-aggression Pact and Common Defence Policy of the Union, as may be decided by the Chief Executive of the Commission and/or the Assembly; including for the purpose of United Nations Peace Keeping Operations |

m. Social affairs and solidarity

- | |
|--|
| . Promote the establishment of social security systems in member states |
| . Put in place support systems for the most vulnerable segments of the society |
| . Encourage continent-wide research on African traditional solidarity |

n. **Sport and Culture**

- | |
|---|
| ▪ Encourage research on culture and development in the African context |
| . Strengthen African participation in world sport bodies and events, and promote Union flag |
| . Implement the African Language Action Plan of 1987 |
| ▪ Organise cultural exchanges among Union Members |
| ▪ Encourage cultural exchanges with the African Diaspora |
| ▪ Promote African Culture outside the continent |

o. **Trade and Custom Union: Free Movement of Persons, Rights of Residence and Establishment**

- | |
|--|
| ▪ Identify existing bottlenecks in RECs on the unification of external (i.e. non African) custom tariffs, with a view to removing them in order to pave the way for increased intra- African trade |
| ▪ Promote Africa's position at world gatherings, including World Trade Organization (WTO), on matters already agreed upon by the Assembly, with respect to international trade |
| ▪ External Trade |
| ▪ Build consensus among Union Members on emerging issues, as may be required by the evolving international economic situation, by liaising with Trade Ministers of Union Members |
| ▪ Immigration into the Union |
| ▪ Immigration within the Union |
| ▪ Rights of Residence and Establishment |

p. **Infrastructure, ICT and Biotechnology**

- | |
|--|
| ▪ Implement, with the support of the RECs, transcontinental transport and communications projects already identified in the programmes of the two United Nations Transport and Communications Decades for Africa (1978-1988, and 1989-1999 respectively)-UNTACDA, and in the NEPAD Action Plan; including the mobilization of resources from within or outside the Union |
| ▪ Organize experiences sharing platforms for Union Members on the dissemination of the Use of NICTs as an essential development tool |
| ▪ Harmonize Transport and Communications Policy of Union Members |
| ▪ Promote, with the support of the RECs, the creation of continental Air and Maritime transport companies |

2.3.1 The Need for Change

- 33 The design and functioning of a Union Government as a tool for integration would have far-reaching implications for existing institutions and programmes of the African Union. It would affect their orientation, structures, powers and functions, their inter-linkages and boundaries of activities as well as their respective mandates. The changes would first and foremost impact on all the existing organs of the African Union. These include the Assembly, the Executive Council, the Commission, the Permanent Representatives Committee (PRC), the Pan-African Parliament (PAP), and the Economic, Social and Cultural Council (ECOSOCC). It would also affect institutions currently in gestation such as the Specialized Technical Committees (STCs), the Courts of Justice and Human Rights. It will, accordingly, require a revision of the Constitutive Act.
- 34 The requirements of a Union Government would call for an early establishment and functioning of the pan-African financial institutions. The changes would impact on other institutions and programmes at regional, national and sub-national levels particularly, the Regional Economic Communities (RECs) and the New Partnership for Africa's Development (NEPAD). The establishment of the Union Government would also require a sustainable financing mechanism.

2.3.2 Implications for the Non-Financial Organs of the Union

a) The Assembly

- 35 The Assembly of the Union “composed of Heads of State and Government or their duly accredited representatives” should retain its present structure. Therefore, it should continue to exercise its current functions as the **highest decision-making organ**. Under the Union Government, the main responsibility of the Assembly would be to review the state of the Union in the strategic areas of focus. Special sessions may be needed to discuss issues arising from emergency situations.
- 36 In addition, in view of the imposing demand on the Union Government, there may be need to consider allowing a longer tenure (about 3 years for example) for the **President of the Assembly**. The functions of the President of the Assembly will be to promote and facilitate the establishment and consolidation of the Union Government, and to coordinate the work of the Assembly with the Commission. **The President of the Assembly would also be the unique spokesperson of the Union at world or other special summits**. In that regard, it would be desirable that the function of President be on a full time basis and could be assigned to a Former Head of State or any distinguished African with necessary background and track record for the job.

b) The Executive Council

- 37 Under a Union Government, the Executive Council should prepare decisions on the strategic areas of focus for the Assembly. Thus, the character and nature of the Council would depend on the main thrust of the agenda of the Assembly. The Council will thus have different thematic configurations depending upon the issue under

consideration. Consequently, depending on the prevailing circumstances in individual Union Members, the Executive Council would not be composed exclusively of Ministers of Foreign Affairs, the main objective being to ensure an adequate preparation of the meeting of the Assembly around the agreed strategic focus areas.

c) The Specialized Technical Committees (STCs)

- 38 Specialized Technical Committee should be established as and when strategic focal areas are dealt with at the level of the Union Government. They will work in close collaboration with the departments of the Commission. They should provide **inputs to the Executive Council on their areas of specialisation and should meet at least once a year**. They should also, on behalf of the Executive Council, **monitor programme development and implementation**. It is recommended that the STCs be composed of **senior officials with relevant expertise in the areas concerned**. Consideration could also be given to **different locations of the STCs**.

d) The Permanent Representatives Committee (PRC)

- 39 According to the provisions of the Constitutive Act, the PRC “composed of Permanent Representatives to the Union and other plenipotentiaries of member States “, with the responsibility of preparing the work of the Executive Council and acting on the Executive Council instructions. In practice, however, the PRC has been increasingly involved in additional tasks. This evolution was the result of the infrequency of meetings of the Executive Council and the fact that the STCs are not yet in place. **Under the Union Government arrangement, the PRC would concentrate more on the substantive preparation of the meetings of the Executive Council.**

e) The Commission

- 40 While the legislative and judicial functions of the Union Government are clearly assigned to the PAP and the Courts of Justice and Human Rights respectively, the executive one is shared among the Assembly, the Executive Council and the Commission. Under the Union Government, the Commission will be entrusted with the implementation of decisions, programmes and projects in the Strategic focus areas, which will constitute the **“Community Domain”**. This would represent a clear departure from the prevailing situation, whereby the Commission functions as a Secretariat, contrary to the intended objective when establishing the African Union. **There is therefore need, besides its functions, to review the Governance framework of the Commission.**
- 41 In order to implement the already approved Strategic Framework of the Commission, the sharing of competencies between the Union Government and Member States would be based on the principles of subsidiary and incrementalism. Consequently, the Union Government will concentrate exclusively or concurrently with Union Members on the **“Community Domain” and the Commission should accordingly be assigned the executive authority and responsibility to effectively implement the related activities.**
- 42 Within the **“Community Domain”** a strengthened Commission would function with delineated and reserved or exclusive competencies in areas of continental action, which will form the core of its mandate. **The Commission should, therefore, be**

restructured according to the strategic focus areas, and the office of the Chairperson should be strengthened accordingly. By and large, the Commission should have the following functions:

- (i) initiate laws by drawing up proposals and draft legislations for the consideration of the Assembly, The Court of Justice and Human Rights, the Executive Council, Pan African Parliament (PAP) and regional or national Parliaments,
- (ii) manage and implement AU policies and programmes,
- (iii) manage and report on AU programmes and budgets,
- (v) promote the strategic objectives of the Union at the continental and international levels and act as a vehicle for the acceleration of social and economic integration in the continent, and
- (vi) monitor and report on the implementation of decisions of the Union Government, and on the state of integration on the continent on a periodic basis

43 In order to perform these activities effectively, the Commission must strengthen its linkages to other contributors to the integration process, particularly the RECs. Furthermore, the Chairperson, as accounting officer and legal representative of the Union Government for the implementation of the decisions and programmes in the “Community Domain” should have non-renewable fixed term tenure of seven years. This would enable him/her to focus on performance and avoid any possible distraction.

44 Similarly, the Chairperson should be involved in the process of appointing his/her Deputy and the Commissioners, together with the Assembly, in order to lend authority to his/her position and foster cohesion in support of unity of action. In this perspective, for a given higher level position, a regional list of 3 or 4 names should be proposed by the Council to the Assembly, taking into account the rules of geographical representation, gender balance and skills profile, with the Chairperson allowed to participate in the process. For the Union Government to have maximum impact in the Community Domain, the Chairperson should exercise full managerial functions with respect to all high level personnel.

45 The new functions of the Commission will require (i) its strengthening, particularly by providing the appropriate skills and adequate resources, (ii) streamlining its relations with other organs, (iii) improving its Governance framework, (iv) strengthening its relations with RECs and Union Members, and (v) establishing appropriate relations with relevant non African countries, institutions or organizations, including granting special status and relationship to states and groups of African descent, as indicated earlier.

f) *The Pan-African Parliament (PAP)*

46 Article 25 of the Protocol of the Pan-African Parliament provides for a review of the protocol five years after its entry into force regarding its operation and effectiveness and the system of representation in the Pan-African Parliament, with a view to ensuring that the objectives and purposes of the protocol, as well as its underlying vision, are being realized and that the protocol meets the evolving needs of the continent. The requirement of a Union Government anticipates this waiting period and the review should be carried out as soon as possible.

47 **Provisions for direct elections to the PAP must thus be put in place and the Protocol must be reviewed to allow for forms of proportional representation.** The PAP should have broad powers in exercising democratic oversight over the institutions of the Union Government and share with the Assembly and the Executive Council usual parliamentary functions with respect to the budget of the Union Government..

48 **Appropriate mechanisms should be devised for the PAP to liaise closely with Regional and National Parliaments.** This will build solidarity and bring the regional and national representatives aboard, especially with respect to vital issues for the continent. In addition, the PAP should also be provided with adequate financial and human resources, including the use of NICTs so as to set up a viable parliamentary mechanism.

g) *The Economic, Social and Cultural Council (ECOSOCC)*

49 The status, powers and functions of the Economic, Social and Cultural Council, and its relationship with other organs of the Union, especially the Pan-African parliament would allow for greater participation of the people in the activities of the Union Government. Within this context, ECOSOCC must be a bridge not only between the three levels of the Union. It must also play its full consultative role in the decision making process of the Union Government. With that role, it would, no doubt, foster a more inclusive, participatory and democratic society.

50 **Specifically, the provisions with respect to the advisory function of ECOSOCC must be revised to ensure that the organ is consulted before vital decisions are made.** ECOSOCC should guarantee diversity in the memberships of various bodies of this organ. Elections and representation in ECOSOCC should reflect and guarantee the broad diversity of social and economic interests required to support the Union Government.

h) *The Peace and Security Council (PSC)*

51 As a continental organ, the PSC should also be provided with adequate resources in the framework of Union Government. The Union Government, as provided for in the Solemn Declaration and a Common African Defense and Security Policy, shall seek to facilitate the current initiatives of the Peace and Security Council (PSC), particularly in the development of an effective holistic Conflict Prevention Mechanism through the establishment of a viable Conflict Early Warning and Early Response System for the whole continent. In this area, the thrust shall also include the harmonization of on-going national and regional initiatives. In furtherance of this quest for a peaceful and stable Africa, the Assembly of Heads of States preparatory to the emergence of the United States of Africa should approve all pending policy instruments, framework and guidelines that will enhance the operationalization of the PSC Protocol.

i) *The African Commission for Human and People's Rights (ACHPR)*

52 The role of ACHPR should be re-affirmed as an organ of the African Union. **In that context, the current aspects of complementarities between the Commission and the African Court of Human Rights should be retained and highlighted.** It is further recommended that adequate support to the regular meetings of Commissioners be provided and that their appointment should be based on skills that are commensurate with their continental mandate.

j) The Courts of Justice and Human and People's Rights

- 53 **The Union Government requires the immediate establishment and empowerment of a judicial system of the Union.** The Union Government will require an effective and independent court system to provide the necessary institutional synergies needed for the institutionalization of democracy, accountability and good governance. To that effect, the envisaged Court of Justice (Article 18 of the Constitutive Act) and the Court of Human Rights are essential organs. It is envisaged that Union Members would have access to the Court of Justice, while the African Court of Human Rights would be accessible to individuals.
- 54 With respect to the African Court of Human Rights, it should be noted that its efficiency will depend greatly on the effectiveness of the **African Commission on Human and Peoples' Rights**. *The two institutions play a complementary role, with the Commission processing the cases to be tried by the Court, and the Court exercising its authority to issue legally binding judgments. Their complementary nature was firmly reinforced in the protocol that established the Court of Human Rights, particularly in its Articles 4, 5(3) and 6.*

k) Specialized Institutions

- 55 Existing specialized technical institutions of the African Union and their activities will be fully integrated into the mainstream of the commission. They include the African Civil Aviation Commission, the African Rehabilitation Institute, the African Telecommunications Union, the Pan-African Institute of Education for Development, the Pan-African Postal Union, the Supreme Council for Sports in Africa and the Union of African Railways. Adequate financial and personnel resources should be provided for in the budget of the Union government to enhance the capacity of these institutions.

2.3.3 Implications for the Constitutive Act

- 56 The Constitutive Act is the basic law of the organization that embraces the constitutive and regulative rules of the organization. All organs and institutions of the Union derive their structure, powers and functions from this enabling law. Currently, the Constitutive Act, shares much in common with the previous OAU Charter as an enabling framework for intergovernmental cooperation. Some organs of the AU play more or less the same role in the AU as did their equivalent in the OAU.
- 57 In the framework of a Union Government, the revision of the Constitutive Act should first aim at **facilitating the establishment of a "Community Domain" in which Union Members have agreed to delegate, partially or totally authority to a continental body**, and the endorsement of these principles by Union Members. The revised Constitutive Act must reflect this common understanding. The revision should also reflect the implications on the organs and institutions. With the exception of the Assembly, the Constitutive Act easily lends itself to adaptation as it gives the Assembly the mandate to, where appropriate, delegate to or modify the powers, structures and functions of the Executive Council, the Specialised Technical Committee and the PAP.

2.3.4 Implications for The New Partnership for Africa's Development (NEPAD)

58 African leaders in their decisions and pronouncements have consistently maintained that NEPAD is the socio-economic programme of the AU. However, the relationship between NEPAD and other AU organs and instruments has persistently been characterized by ambiguity and uncertainty, and NEPAD operates as an institution rather than a programme, with its own structures, including the Heads of State and Government Implementation Committee (HSGIC). The overall impression is that of co-existence rather than integration.

59 This led the HSGIC in the Abuja meeting in November 2002 to clarify the situation as follows:

- (a) Although NEPAD Secretariat could, through the African Union, seek copyright and trademark protection for NEPAD's name and logo, this would not necessarily confer parallel legal status on NEPAD, **since it is not a separate organization from the African Union.**
- (b) The relationship between the AU and the NEPAD Secretariat was to be characterized by closer coordination, cooperation and collaboration. **NEPAD Secretariat was to be regarded as an interim arrangement, especially to service the HSGIC, pending the completion of the transition processes at the African Union.**
- (c) **Pending the eventual take-over of NEPAD by the African Union structures, African countries and development partners should continue to make financial and other contributions to support the NEPAD Secretariat to enable it to discharge its mandate.**
- (d) At the appropriate time in the future, NEPAD should be fully integrated into the AU structures and processes.

60 Consequently, a study was prepared on the "Integration of NEPAD into the African Union Programmes and Processes". The conclusions of the Study were further reformulated in a Draft Decision that was submitted to the AU Summit of July 2003 in Maputo, Mozambique and was subsequently adopted as the Maputo Declaration.

61 The Declaration mandated the Heads of State and Government Implementation Committee of NEPAD, supported by the NEPAD Steering Committee and the NEPAD Secretariat, to continue their vital work of ensuring the implementation of NEPAD programmes. Furthermore, it mandated the Chairperson of the Commission of the African Union, in consultation with the Chairperson of the HSGIC, to undertake the following, with such flexibilities as may be required:

- i. establish appropriate linkages between the NEPAD Steering Committee with the relevant organs of the African Union, including the Permanent Representatives Committee and the Executive Council in order to ensure integrated inputs into the work of the HSGIC;
- ii. enter into a temporary host agreement with the Government of the Republic of South Africa with a view to providing the NEPAD Secretariat with legal status of an AU office operating outside the African Union

Headquarters for a transitional period of three (3) years with effect from July 2003, or until such time as the relevant structures of the African Union are fully operational, whichever comes first

- iii. formalize the working relations between the AU Commission and the NEPAD Secretariat, especially for programme co-ordination and harmonization
- iv. align and harmonize the conditions of service, rules of recruitment and accountability with those of the AU Commission
- v. Develop a sustainable funding mechanism for NEPAD after its complete integration into the AU structures and processes.

62 The Chairperson of the Commission was also requested, in consultation with the Chairperson of the HSGIC, to appoint the Executive Head of the NEPAD Secretariat during the transitional period of three years during which, the integration process would be completed. In addition, the Chairperson was authorized to encourage voluntary contributions from all Member States of the African Union towards the operational budget of NEPAD and its structures during the transitional period.

63 Despite the above-mentioned decisions of the HSGIC and the mandate given to the Chairperson of the African Union Commission, the status quo remains. In the meantime, NEPAD has developed more or less independently, with marginal reference to the Commission and other AU organs.

64 Obviously, the Union Government Project imposes the early implementation of the Maputo Decision. NEPAD must be part of the executive competence of the Commission either integrally or as a subsidiary organ. The lines of authority must also run through the Executive Head of the Commission in consultation with the HSGIC. To that effect, **NEPAD programme should be aligned with the strategic focus areas, and its content should be derived from what will be delegated by the Commissioners responsible for these areas. With this arrangement, NEPAD would become a Specialized institution of the Commission for the execution of projects in the “Community Domain” as may be delegated by the Commissioners concerned.**

2.3.5 Implications for the Continental Financial Institutions

a) Background and Justification

65 In all the 53 Member States of the African Union, national or multinational Central Banks conduct monetary policy. Invariably, the stated objective of these central banks has been the achievement of “price stability”. To that end, they:

- i. issue national or multinational currencies
- ii. act as banker to member states’ governments
- iii. act as banker to domestic commercial banks, including being the lender of last resort;
- iv. manage international reserves; and in some cases
- v. Supervise and regulate the financial systems.

Unfortunately, **available data suggest that the majority of African central banks have difficulties to influence the creation, the allocation and the cost of bank**

credit by commercial banks. Given that situation, collective efforts are being made to strengthen the conduct of monetary policy at the regional and continental levels.

- 66 Part of Africa's current efforts to accelerate the creation of an appropriate institutional framework for monetary and financial integration includes the establishment of an African Central Bank. These efforts are in line with a request by African leaders, which has been a recurrent theme since the creation of the OAU in 1963. The request to establish an African Central Bank with the introduction of a single currency in Africa was reiterated in the Abuja Treaty. **The Article 19 of the Constitutive Act of the African Union** goes further and requests not only the establishment of a continental central bank, but also the establishment of an African Monetary Fund and of an African Investment Bank.
- 67 Since the early 1980s, bank financing of government deficits in Africa has, in most cases, led to a crowding out of the private sector. With limited access to bank credit, private sector activity has remained low in most African countries. The lack of bank credit has also been a limiting factor to the development of rural economic activities and the building of economic and social infrastructures. According to a World Bank Report², with the exception of Botswana, Africa has the majority of countries where "getting bank credit is most difficult" in the world. Because of that, **credit to the private sector averages 20% of GDP in Africa**, while in the top ten countries (including Botswana) Bank credit is relatively easy to obtain and **tops 120% of GDP**.
- 68 The following factors may have contributed to low levels of credit in African countries: First, government-owned development and commercial banks, created after independence are either closed or privatized, following a request by the multilateral organizations, including the Bretton Woods institutions . Second, commercial banks claim that bank credit remains low in Africa mainly because of weak corporate governance and poor regulatory and supervisory structures. In addition, the banks claim that the size of non-performing loans explains also why they do not provide credit to the private sector in African countries. Other factors that limit access to credit in African countries include:
- (i) the underdevelopment of the financial sector;
 - (ii) the lack of saving deposits resulting from the large spread between the lending and the deposit interest rates and;
 - (iii) capital flight. Moreover, in most African countries, the non-banking financial institutions such as pension funds and insurance companies have had so far no significant impact on the total supply of financial services. Reflecting all these factors, African financial systems are presently unable to finance long-term projects for the majority of their customers.

b) Ongoing efforts at promoting Policies towards Monetary Integration in Africa

- 69 **Monetary cooperation arrangements** already exist in the West African Economic and Monetary Union (UEMOA), and the Central African Economic and Monetary

² Doing Business in 2006

Community (CEMAC). In addition, the Common Monetary Area (CMA), to which Lesotho, Swaziland and Namibia belong, uses the South African Rand, as common currency for its members. The Common Market for Eastern and Southern Africa (COMESA) and the Economic Community of West African States (ECOWAS) are also working towards monetary integration. To that end, they have already established macroeconomic “convergence criteria”. COMESA has also developed guidelines for the harmonization of procedures in the capital and money markets.

- 70 **The African Development Bank (ADB)** plays an important role in the financing of important development projects in Africa. Because of that, it is an encouraging example of financial cooperation among African countries. There are also development banks, which are supporting the development efforts of all regional groupings in Africa. Despite the existence of some monetary cooperation arrangements and development-oriented financial institutions in Africa, **there is still an important financing gap that must be filled. The creation of the above-mentioned continental financial institutions is expected to fill at least part of that gap.**
- 71 **The Association of African Central Banks (AACB)** has made considerable efforts to accelerate the process of the establishment of the African Central Bank. In that context, a number of technical meetings have been organized to determine the requirements for Africa’s full monetary union. It is important to recognize that this is not an easy task as there is empirically, with the exception of the European monetary union, no other example of such a union among politically independent countries. Borrowing from the European example, the AACB has recommended that the establishment of a continental central bank be preceded by the existence or of well-functioning regional monetary authorities. Furthermore, prior to the achievement of full regional monetary integration, Member States are required to have met a set of macroeconomic “convergence criteria”. It is also required that each region creates conditions for the formation of “optimum currency areas” before a continental central bank can be established. In this respect, it should be noted that the conditions for the formation of an “optimum currency area” are achieved when there is total **factor mobility** between countries
- 72 The main convergence criteria spelt out by AACB, as a set of conditions for a successful monetary union in Africa by 2015 or thereafter include:
- (i) Fiscal criteria: outstanding stock of public debt to gross domestic product (GDP) ratio not exceeding 60% and no use of monetary expansion for government deficit financing;
 - (ii) Price stability criteria: inflation target of 5% provided GDP growth is over that percentage;
 - (iii) Labour market flexibility;
 - (iv) Exchange rates criteria: Setting up regional Exchange Rates Mechanisms (ERM) and liberalisation of current and capital accounts before fixing the exchange rates irrevocably; and
 - (v) International reserves: Adequate international reserves to cover a minimum number of months of imports.

- 73 Nobody can dispute the importance of harmonizing the conduct of macroeconomic policies before achieving full monetary integration. Nonetheless, it is also important to admit that even in Europe, for example, macroeconomic convergence was not achieved before the introduction of the creation of the Euro-zone in 1999. Furthermore, in the situation prevailing currently in Africa, **particularly the lack of factor mobility**, it is not realistic to require the different African regions to create the conditions for optimum currency areas in the medium to long-term. Such a requirement might postpone the achievement of Africa's full monetary integration indefinitely.
- 74 There are convincing arguments for the justification and the acceleration of the establishment of the continental financial institutions. First, in **the current- world economic and financial order**, characterized by the free movement of capital, the conduct of an independent monetary policy by **small open economies** whose currencies are pegged to a convertible or a basket of convertible currencies at a fixed exchange rates, has become totally ineffective. Second, there are clear indications that, in Africa, the **transmission mechanism** between monetary policy decisions taken by the national or multinational central banks and the **provision and control of bank credit** is almost inexistent. This implies that the instruments of monetary policy used by national or multinational African central banks are ineffective.

c) Steps towards the Creation of the African Financial Institutions

(i) **African Central Bank (ACB)**

- 75 **The functions of the African Central Bank (ACB)** will evolve over time. The **ACB will first have limited functions** during an initial period of approximately 7-10 years, during which it will be entrusted with the **supervision of national and multinational central banks** of Union Members. It will also manage a **pool of international reserves, assisting countries with balance of payments problems, including those resulting from the sharp increase in the prices of oil products**. With respect to the **supervision of the national and multinational central banks**, the ACB will be involved in the formulation of monetary policy of national and multilateral central banks with a view to accelerating the process of financial sector reform in Union Members. The ACB will work concurrently with national and/or multinational central banks, in the financing of budgetary deficits of the governments. The ACB will encourage a close co-operation among Union Members in the formulation of budgetary and monetary policies so as to contribute to the improvement of overall macroeconomic management.
- 76 The ACB will take measures to **increase the volume of bank credit** in Member States of the Union. To that end, national and multinational central banks will be encouraged to pursue their efforts towards making more effective their financial systems. It will also require that the national and multinational central banks are influenced, through a combination of actions aimed at mobilizing domestic saving, as well as granting and distributing bank credit in the economies. The development of capital markets, which is embryonic in various parts of the continent, will also receive special attention.

- 77 The ACB will assist all the national and multinational central banks in their efforts at maintaining a stable exchange rate between their respective currencies and those of the main trading partners. The objective here will be to increase or maintain the competitiveness of the African economies. For member states to continue to benefit from external finance, the ACB will give a particular priority to the effective management of the external public debt. To this end, the ACB will work concurrently with Union Members for **the management of multilateral and private debt**. The bilateral debt will continue to be the exclusive responsibility of national and multinational central banks.
- 78 A common **pool of international reserves** will be put in place by the ACB which will accept deposits from national and multinational central banks representing annually 5% of the coverage of total money supply in foreign exchange. This coverage will increase every year up to 35% of total money supply during the seventh year. The objective will be to maintain it constantly at that level. After the initial period of 7-10 years, the degree of progress achieved in the physical and economic integration of African countries, in particular in factor mobility, will be assessed.
- 79 **Once an African common market has been created and factor mobility fully achieved, the ACB will become a full-fledged central bank responsible for other central banking functions, including that of currency issue.** The ACB will then issue a single African currency to be called **AFRIC**. At the same time, however, the ACB will continue to share certain functions with national and multinational central Banks. For example the determination of the needs for liquidity, or more precisely bank credit, will be shared with the national or multinational central banks. Before the introduction of a single currency in Africa and the transfer of other functions to the ACB, a technical assessment would have been undertaken by the African Monetary Fund (AMF) to determine the **exchange rates** between the various national or multinational currencies and the single African currency.
- 80 **The capital of the ACB** will come from the subscriptions of the African national and multinational central banks, which will be its shareholders. The central banks, which would like to open "**Special Accounts**" at the ACB, will be authorized to do so. The resources maintained in these Special Accounts will be used to provide financial assistance to member states in emergency situations. For example, countries experiencing short-term balance of payments problems resulting from sudden fluctuations in commodity prices could benefit from such assistance under conditions to be determined.

(ii) The African Monetary Fund (AMF)

- 81 The AMF will be created at the same time as the ACB. Its **principal function** will be to **coordinate the payments and settlements** of the transactions resulting from commercial exchanges between the national and/or multinational central banks. It will thus act as a multilateral system of swap arrangements between central banks. Thus, debts and claims between Union Members will become debts and claims between them and the AMF. In practice, this will make the AMF a continental

"Clearinghouse ". Within the framework of its operations, the AMF will create a "Unit of Account" called the **AFRIC**, which will be used as a basis for the calculation of the **exchange rates** at the time of the introduction of an African currency. This will constitute the basis for the convertibility of African currencies against one another.

- 82 To carry out its activities, the AMF will have a fund consisting of **"subscriptions to the capital"** by Union Members in national currencies. The amount of each country's subscription will be determined on the basis of a formula, which will take into account the GDP, the level of net foreign assets (available international reserves) and the size of the population. Apart from these subscriptions, the AMF will be authorized to receive grants, which will be held in separate accounts. With its resources, the AMF will grant loans to Member States that may have difficulties of payments vis-à-vis other African countries. The conditions for AMF lending operations will be determined in the context of a feasibility study to be conducted during the months ahead.
- 83 The AMF will also be responsible for the **macroeconomic surveillance (monitoring)** and the **supervision and regulation** of financial institutions operating in member states. As regards the function of macroeconomic surveillance, the AMF will evaluate annually the evolution of all the macroeconomic aggregates of Union Members. The principal objective will be to liberalize the movements of goods, people and capital among all Union Members. The AMF will recommend measures to solve balance of payments problems of member countries, which are not related to their external debt servicing obligations.
- 84 For the **supervision and regulation of the banking system**, the AMF will be responsible for the authorization of establishment to African banks as well as to foreign banks desiring to conduct business in Africa. In that context, the AMF will redefine the standards, which should govern the operations of the financial institutions in the continent. During an initial period of about seven years, the AMF will share its supervision function of the banking systems with the existing national or regional institutions. Once the ACB begins to issue a common currency for all African countries, the AMF will become solely responsible for all activities related to macroeconomic surveillance and the supervision and regulation of the financial institutions.

(iii) The African Investment Bank (AIB)

- 85 The creation of the **AIB is intended to meet**, to the extent possible, **the existing financial needs of Africa's economic integration process**. Its objective would be to make the African private sector more competitive. To that end, it will give priority to the African enterprises, which have a multinational vocation. To accelerate the process of physical and economic integration of the African economies, the AIB will finance projects which facilitate intra-African trade and, in general, enhance mobility among African countries. In particular, **the AIB will finance the multinational projects for the development of transport and communications, energy and other infrastructures**. The AIB will also finance private sector projects having a regional or continental impact and aiming at promoting economic integration and the creation of employment at a large scale (e.g. basic industries projects).

- 86 The AIB will **provide guarantees to the African private sector** if it enters into "**joint-ventures**" with foreign investors. This will hopefully contribute to attracting an increased volume of Foreign Direct Investment (FDI) into Africa. The AIB will also support the modernization of small farming activities by granting credit lines to micro-finance institutions operating in rural areas or to groups of small farmers.
- 87 **To finance its activities, the AIB will have a capital** to which all Union Members will voluntarily subscribe. With the participation of the African private sector in its capital, the AIB will have promoted private and public sector **partnership**. Efforts would be made to mobilize resources from the African Diaspora at the time of the establishment of the AIB. During an initial period of about five years, the AIB will, as much as possible, restrict its capital to shareholders from Africa and the African Diaspora only. After that period, the possibility of allowing foreigners to participate in the capital of the AIB will be examined.

2.3.6. Implications for the Regional Economic Communities

- 88 In the 1980s and 1990s, different models of RECs were attempted in the regions, following the adoption of the LPA and the Abuja Treaty. The advent of the African Union has given new energy to this Pan-African quest for continental integration, and, inevitably, as has been the case in the past, the role and contribution of the RECs come under scrutiny.
- 89 Over the years, the objectives of regional integration came to entail the following elements: the integration of social, institutional and physical infrastructure of member countries; the integration of African markets through, for example, the establishment of free trade areas, custom unions or even a common market; the integration of the production structures of member countries; the opening of borders among member countries through measures for "free movement of people", the coordination of policies of member countries in areas targeted for integration effort. The instruments, programmes and activities of the RECs, are all aimed, in one way or another, at advancing integration in some or all of these areas, based on the principles of collective self-reliance and self-sustenance which, like the RECs phenomenon, also evolved in the course of the 1970s.
- 90 There is currently a number of bodies at sub-regional level that could qualify as RECs, but the AU only recognizes eight as its building blocks: the Economic Community of West African States (ECOWAS), the East African Community (EAC), the Common Market for Eastern and Southern Africa (COMESA), the Southern African Development Community (SADC), Arab Maghreb Union (AMU), the Community of Sahel-Saharan States (CEN-SAD), the Economic Community of Central African States (ECCAS), and the Inter-Governmental Authority on Development (IGAD).
- 91 Efforts to establish the RECs in the 1980s based on the Final Act of Lagos were successful as five of such bodies were created in that period. The problem in the 1990s was that instead of rationalizing and harmonizing these bodies, which in some cases were already duplicating one another, the status quo was reinforced and consolidated, resulting in the problem of duplication and overlapping of membership. On the positive side, however, the 1991 Treaty *Establishing the African Economic*

Community (known as the Abuja Treaty) re-energized the RECs, resulting, among others, in ECOWAS revising substantially its founding statute. The Southern African Development Cooperation Conference (SADCC) refocused from “cooperation” to integration in the form of SADC, the PTA transformed into COMESA, and IGAD emerging from the Inter-Governmental Authority on Drought and Desertification (IGADD) whose primary briefs were the challenges of drought and desertification.

PERFORMANCE ASSESSMENT OF THE RECS

- 92 Progress in African integration is mixed across sectors, regional economic communities, and Member States. There have been some strides in trade, communications, harmonization of macroeconomic policy, and transport and communications. Some RECs made significant progress in trade liberalization and facilitation (COMESA); in free movement of people (ECOWAS); in infrastructure (SADC and EAC); and in peace and security (ECOWAS and SADC). Overall, however, there are substantial gaps between the goals and achievements of most RECs, particularly with respect to the degree of intra-community trade, macroeconomic convergence, production, and physical connectivity.
- 93 Seven of the eight RECs have as their objective the establishment of some form of an economic community (with some putting more emphasis on the free trade and common market dimensions of this objective). The EAC, by contrast, intends to culminate in a political federation of its three member states (Kenya, Uganda and Tanzania).
- 94 When it comes to performance, it would seem that ECOWAS, COMESA, SADC and the EAC are the most advanced of the eight, with IGAD, CEN-SAD and ECASS somewhere in the middle, and UMA trailing behind. Not only do the key organs of the four best performing RECs meet regularly; they also have strategic plans in place, and publish their annual reports, which seem to suggest some institutional stability and commitment on their part with respect to their obligations and programmes. As for IGAD, CEN-SAD and ECASS, it would seem that they are just beginning to take institutional shape, with legislative instruments and programmes being put in place to give direction to their work. UMA, by contrast, is still battling to find shape as a REC.
- 95 There are some factors which account for these variations in the performances of the eight RECs. They include, among others, political stability in member countries, interstate rivalry, capacity of key institutions in member countries, the degree of openness of society and democratic participation at national level, and common language in some cases (EAC with Swahili for example).
- 96 Finally, even where there is no common language, culture or historical experience among the member states, shared values and common interests can and should hold the REC together.

- 97 However, some challenges have been identified which require some attention if the RECs are to succeed in their mission as building blocks towards deep continental integration. Almost all RECs are inward-looking and consider their objective (economic union or political federation) at regional level as the ultimate goal. There is no road-map at the level of the RECs for their eventual integration into a continental union; there are duplications of some AU organs at the level of RECs, notably the parliament, development/investment bank, and the ECOSOC. More importantly, there seems to be no vision in the RECs for a continental agenda. Because of that, there is need for the AU to take the lead in the promotion of the integration agenda at the continental level.
- 98 Another challenge is related to the rationalization debate that is currently underway. Currently, for example, Southern and East Africa are covered by SADC, COMESA, EAC, IGAD and CEN-SAD; some countries belong to up to four RECs. Besides the eight RECs recognized by the AU, there are a number of customs and/or monetary unions whose mandate and work somehow duplicate what the eight RECs are expected to do. For example, five of the SADC members belong to the Southern African Customs Union; while eight of ECOWAS members belong to the West African Economic and Monetary Union (UEMOA) which has economic union as an objective, and the six members of the Central African Economic and Monetary Community (CEMAC) an organization that also has economic union as an objective, are members of ECCAS.
- 99 In spite of the shortcomings in terms of the objective of rational regional economic integration, the logic of using the RECs as building blocks for the eventual deep, continental integration remains valid. The challenge is in aligning, synchronizing and harmonizing the integration efforts of member states, the RECs themselves, and the AU. Therefore, a road-map for the attainment of deep continental integration and the establishment of Union Government should learn, first, from the difficulties experienced in the implementation of the two previous road-maps (i.e. the Lagos Plan of Action and the Abuja Treaty); second, from the experience of the RECs as the building blocks; and, third, from the past four years of the existence of the AU. Hence to facilitate the Union Government project, it is important to also address the current problems faced at the regional level.
- 100 And whereas the RECs are considered “building blocks” towards deep continental integration, in practice, however, the approach has been multilayered and multidimensional, with integration efforts attempted, simultaneously, at the level of the RECs, the AU and its organs, in sectoral areas, and in policy and programme harmonization and convergence. Efforts are being engaged, simultaneously, in all the three spheres of the continent: the national, sub-regional, and regional. The RECs, the AU, and member states, are engaged, symbiotically, in a triangular relation in their actions in the three spheres.
- 101 The AU, in Article 3(l) of the Constitutive Act, has, as one of its objectives to “coordinate and harmonize the policies between the existing and future Regional Economic Communities for the gradual attainment of its objectives. However, co-ordination between the AU and the RECs has not been an easy and uncomplicated

challenge, even with the 1998 protocol in place.

- 102 The 1998 *Protocol on Relations between the African Economic Community and the Regional Economic Communities* has been revised into a Draft protocol which tries to take on board this challenge by introducing three new articles not contained in the 1998 Protocol. These articles provide for the establishment of AU-RECs liaison offices, the joint mobilization of resources, and the incorporation of some of the provisions of the Peace and Security Council protocol. The other provisions in the Draft Protocol build on what is already contained in the 1998 version on the AEC - RECs relations. The Peace and Security Council (PSC) Protocol and the Protocol Relating to the Establishment of the Pan-African Parliament (PAP), also define the relations between these two AU organs and the RECs.
- 103 So far, it is arguably NEPAD which has been actively engaging the RECs in its programmes and supporting their capacity building efforts. The RECs are considered central particularly in the implementation of NEPAD's Infrastructure programme through the Short-Term Action Plan (STAP), the Action Plan for the Environment Initiative, and the Comprehensive Africa Agriculture Development Programme (CAADP).
- 104 For the Union Government, to have force and be effective, it must be able, not only to oversee the work of the Union, but must also be able to enforce decisions. At regional level, its institutional content (i.e. the building blocks) are already being made operational by the RECs. For the African Economic Community as a goal, some RECs are already progressing in this domain. The PSC mechanism (i.e. the Non-Aggression Pact) is advancement towards integration in defence and security matters; and progress in enacting measures for free movement of people could soften borders among member states and lay the basis for the emergence of a single citizenship.
- 105 The continent is, therefore, not very far from realizing the Union Government project. Also, the experience of the RECs seems to point to challenges in accelerating integration in the economic domain. Some steps - at the level of RECs, the AU and member states - are necessary, if this challenge is to be grabbed by its horns. The starting point should be the implementation of OAU decisions already taken between the 1991 Abuja summit and the 2001 Lusaka summit that kick-started the transition from the OAU to the AU. For the RECs, the following are the elements and implications of these decisions:
 - 1 Rationalization of the RECs
 - 2 Harmonization of RECs with AU's recognized regions
 - 3 Self-financing mechanism for the RECs
 - 4 Harmonization of RECs instruments, institutions, programmes and operations with the Union objective and road-map
 - 5 Regular reporting by RECs on progress with respect to the Union roadmap
 - 6 Development of continent-wide projects aimed at promoting cooperation among the RECs
 - 7 Popularization of the Union objective and road-map
 - 8 Development of a monitoring mechanism for the implementation of the Union road-map

2.3.7. Implications at National Level

- 106 In the Constitutive Act of the AU, Member States have already committed themselves to accelerate the integration process at national level. Under the Union Government, a major requirement at national level would be to build the necessary constituency for advancing political integration. In this regard, some countries have already set up Ministries in charge of Integration which could be an important conduit for involving the public sector.
- 107 There is also need to devise appropriate mechanisms for legislative implications at national level, either from within individual Union Members, through the PAP or through regional parliaments. Also, national Economic and Social Councils, where they exist could establish appropriate links with ECOSOCC and serve as conduit to involvement of the Civil society Organisations (CSO). Other potential constituencies include professional associations, trade unions and private sector associations. The direct involvement of the people in promoting the Union Government could also be in the form of **national associations or commissions for the United States of Africa.**
- 108 For these associations to prosper, and for the idea of the African Union to nurture grow and develop, it is critical to see national political spaces as laboratories for incubating, testing, advancing, and accelerating the conditions necessary to sustain the shared values and common interests on which the Union Government is anchored, as a viable one. For this reason, **the Union Government must show interest in ensuring that political developments and processes within national political spaces support and complement its (i.e. Union Government) principled objectives.** This perspective on the intersecting link between the AU and national spaces occupies a central place in the Constitutive Act of the AU, in its emphasis on democracy and good governance, participation, and accountability.
- 109 The Union Government must advance this perspective concretely by encouraging the following AU-related processes within national political spaces:
- (i) **Broad, all-inclusive participation in the consultation and ratification processes for the Constitution of the United States of Africa;**
 - (ii) Strengthening of oversight institutions at the governmental (e.g. separation of powers between branches of government) and non-governmental levels, to foster democracy and good governance;
 - (iii) **Encouraging the idea of partnership or a social contract between the state and non-state actors—citizens, the private sector, the civil society, NGOs and community (ethno-linguistic) groups to demonstrate that they are all interlocking stakeholders;**
 - (iv) Pursuit of people-oriented social and economic development goals and policies, to deepen collective self-reliance and self-development; and
 - (v) **Inculcating a culture of public debate at various levels—state, provincial, local government, community—on public issues relating to national, Union Government and wider world spaces.**

2.3.8. Financing the Union Government

- 110 The success of the Union Government, in line with the principle of African leadership and ownership, especially with respect to the full operationalisation of its various organs and institutions and effective delivery on its programmes, will, to a large extent, require the development, on the part of member states, of a comprehensive and sustainable financing mechanism for the Union. The current system of assessed contributions of member states is indeed able to reduce the AU's dependency on donor funding of its operational costs, but, it has the disadvantage of having the responsibility and burden not evenly shared among the member states.
- 111 While, because of budgetary constraints and difficult economic situations, meeting financial commitments towards organisations they have established has proven difficult for most African countries. Under the Union Government, it is nevertheless essential for Union Members to endeavour to finance by themselves both the operational and programme expenditures. This would require a review of the mechanism of assessed contributions as well as indirect taxation systems.
- 112 When the African Union was established, several proposals were made with respect to possible financial sources. In 2004, the Chairperson of the AU Commission had made suggestions with respect to contributions from Member States' annual budgets. With respect to indirect taxation schemes, two proposals were made on import levy and on insurance tax respectively. These proposals were discussed at the meeting of the Conference of African Ministers of Finance in May 2005 in Dakar, Senegal. The conference decided that the proposal on import levy be studied further at expert level.
- 113 The Economic Social and Cultural Council (ECOSOCC), at its meeting in March 2005 in Addis Ababa, Ethiopia, adopted Resolution 01/ECOSOCC/AU/05 requesting the Assembly to "impose five US Dollar tax on each air ticket bought for inter-state travels and 10 US Dollars on each ticket for travellers between Africa and other continents. All these proposals were submitted to the Assembly at its session in Khartoum, Sudan. Subsequently, several expert meetings were held on the subject.
- 114 Given the importance of the issue of financing, a final decision should be made at the next session of the Assembly, in order to move forward the process of the Union Government. The principle of **strict adherence to the purpose and objectives of the Union Government** calls for action at two levels. First, the Union Members should decide to **finance both the operational and the programme costs**. Secondly, they should decide on the proposals of **import levy and airline ticket taxes**, bearing in mind that the later proposal is already being implemented in some countries. Thirdly, they should **review the existing mechanism of assessed contributions, taking into account the experiences in the RECs (e. g. ECOWAS)**.

TENTATIVE ROADMAP OF THE UNION GOVERNMENT

- 115 The proposed Roadmap is divided into **three phases of equal timeframe**. The **Initial Phase** commences immediately after the decision of the Assembly at the next session of the African Union summit, will be devoted to **establishment of the Union Government** (i.e. steps and processes that are necessary for the immediate operationalisation of the Union Government). The **Second Phase** will be devoted to making the Union Government fully operational in all its components and to laying the constitutional ground for the United States of Africa. The **Third** and final **Phase** will aim at the facilitation of all required structures of the **United States of Africa** at the levels of the states, the regions and the continent.
- 116 The proposed Roadmap also takes into account the principles of **gradual incrementalism and multi-layered approach**. In this respect, all proposed strategic areas of focus need not be covered at the same time or all items of a given area. Also, during the three phases, actions are required **simultaneously** at national, regional and continental levels. The actions indicated in each phase represent those that are essential in the process leading to the achievement of the final objective of the United States of Africa. They do not include regular activities carried out at various levels within and outside the Union.
- 117 Finally, the timeframe of the ROADMAP would depend on several factors, including first and foremost, **the political will and commitment of Union Members**. It will also depend on particular circumstances of individual potential members of the Union. In this regard, all segments of the population in Union Members should first be made to understand the importance of the Union Government project, and then encouraged to participate effectively in its realization. Also, the Union Government should be fully operational in all its components before it is transformed into the United States of Africa.
- 118 Taking into account these factors, a **3- year period is recommended for each phase, so that the United States of Africa would be formed by the year 2015**. Thus, African countries, acting collectively and with solidarity, would endeavour to **reach the Millennium Development Goals (MDGs)** set in the Millennium Declaration of the General Assembly of the United Nations. The three phases of the ROADMAP are outlined below.

3.1.1. Continental level :

- Selection of strategic areas of focus of the Union Government
- Decision on the mode of finance for the Union Government
- Adoption of the revised functions of the Assembly, the Executive Council, the Specialised Technical Committees, the Commission and the Permanent Representative Committee
- Decisions on the establishment of the Courts of Justice and Human Rights
- Decision on the revised Constitutive Act
- Decision on the launch of the studies on financial institutions
- Decision on the establishment of the AIB
- Decision on the final status of NEPAD in the Commission
- Decision on the representations of the Union Government in other parts of the world, including in particular in the African Diaspora;
- Consultations and decisions on the Free Movement of Persons, Rights of Establishment and Residence

3.1.2. Regional Level

- Rationalization and harmonization of the RECs
- Harmonization of RECs' instruments, institutions, programmes and operations with the Union Government objectives and Road-Map
- Popularization of the Union Government project in the region
- Development of a monitoring mechanism for the implementation of the Union road-map at regional level

3.1.3 National Level

- Harmonization of Union Members' instruments, institutions, programmes and operations with the Union Government objectives and ROADMAP
- Guiding national constituencies for the Union Government
- Popularisation of the Union Government Project
- Development of national monitoring mechanisms for the implementation of the Union road-map,

3.2.1 Continental Level

- Creation of the ACB and AMF
- Restructuring of remaining continental organs
- Initiation of the process of consultation for and preparation of a Draft Constitution of the United States of Africa

3.2.2 Regional Level

- Adoption of measures towards effective Free Movement of Persons, Rights of Residence and Establishment
- Consultation on the draft Constitution of the United States of Africa

3.2.3 National Level

- National conventions on the draft Constitution of the United States of Africa

3.3 THIRD PHASE: ESTABLISHMENT OF THE UNITED STATES OF AFRICA	2012 -
	2015

119 **The period would be devoted to the adoption by Union Members of the draft Constitution of the United States of Africa.** During the period, all continental institutions would be fully operational, including in particular the financial institutions.

120 Finally, elections at all required levels (continental, regional and national) would take place during this period. The United States of Africa would be officially constituted and recognised as such in the world community of Nations.

CONCLUSION

- 121 This study has shown that, in spite of the difficulties encountered in the process of the search for unity and purpose of action by African countries over the years, **the continent is uniquely poised to achieve this objective through the Union Government project.** This is so because of the shared values and common interest of African countries, as well as the holistic approach to its development challenges since the LPA and the FAL to the Union Government project, through the Abuja Treaty, the African Union and NEPAD.
- 122 The proposed architecture of the Union Government is such that it would enable Africa, through its own organs and institutions, **to look for solutions to its development first from within the continent.** This would make its participation in international affairs more effective and productive, for the benefit of the world community. It would also strengthen the partnership in which Africa has been entering for past several years with various world regions
- 123 The framework is also flexible as it would enable all potential Union Members to participate in the Union Government soon after its adoption. Indeed, both the principle of incrementalism and the multi-layered approach are such that all **potential Union Members could participate in the Union Government at all levels (national, regional and continental).** Thus, the need for consensus would not be required since potential members could become active members at any level as and when they are ready. **In September 9, 2009, an evaluation of the progress achieved in Africa's integration process should be conducted.**
- 124 The ultimate objective is to achieve, through political, economic, social and cultural integration, a strong multi-racial and multi-ethnic United Africa, based on the principles of justice, peace, solidarity, and the judicious exploitation of its human and natural resources. This United Africa would thus be in a position to promote its values and interests, and take advantage of the opportunities of a rapidly globalising world. It will represent the concretisation of the vision of the African Union.