Realising Potential:

Connecting Africa
Visa Africa Integration Index

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for Visa Sub-Saharan Africa

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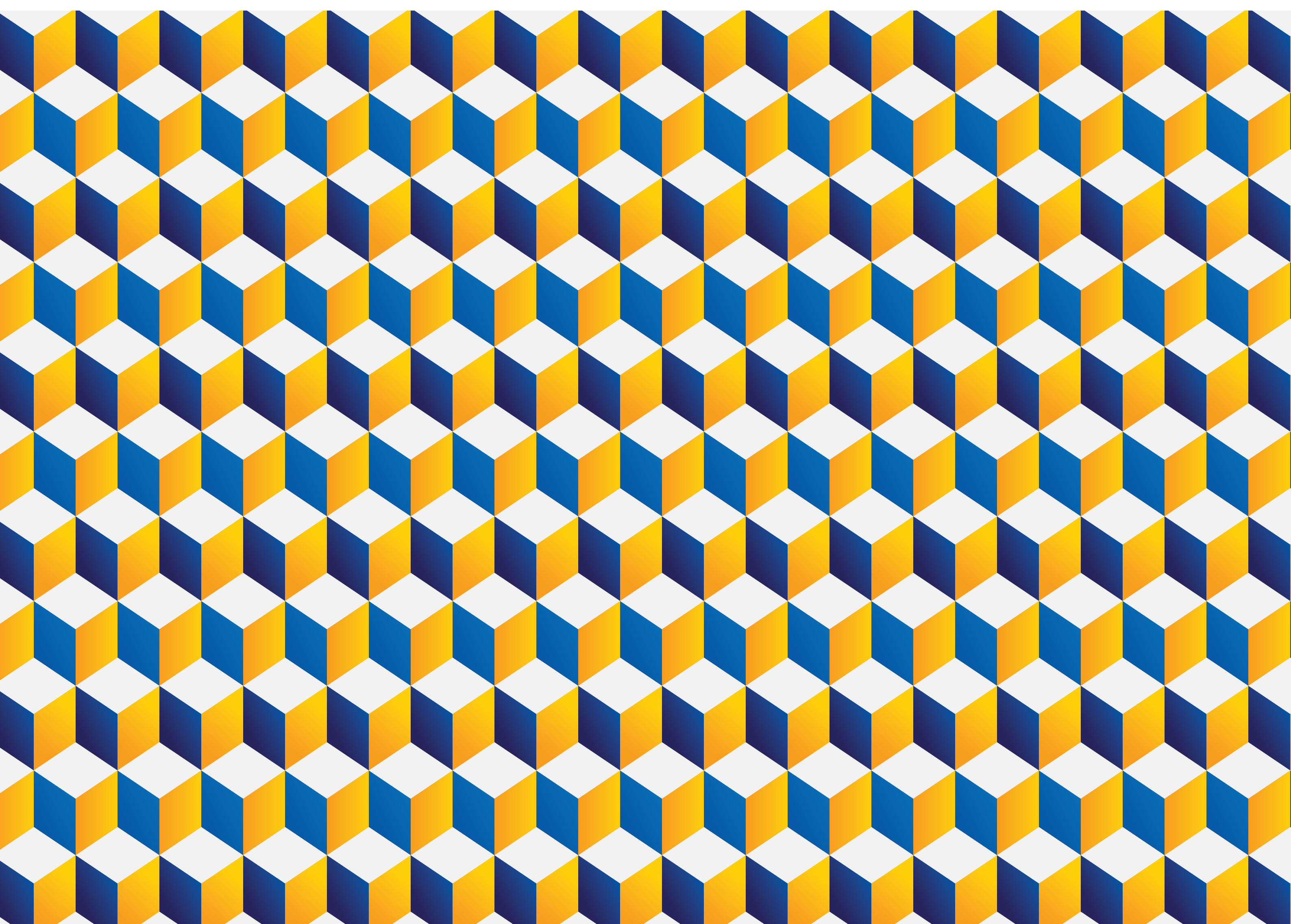

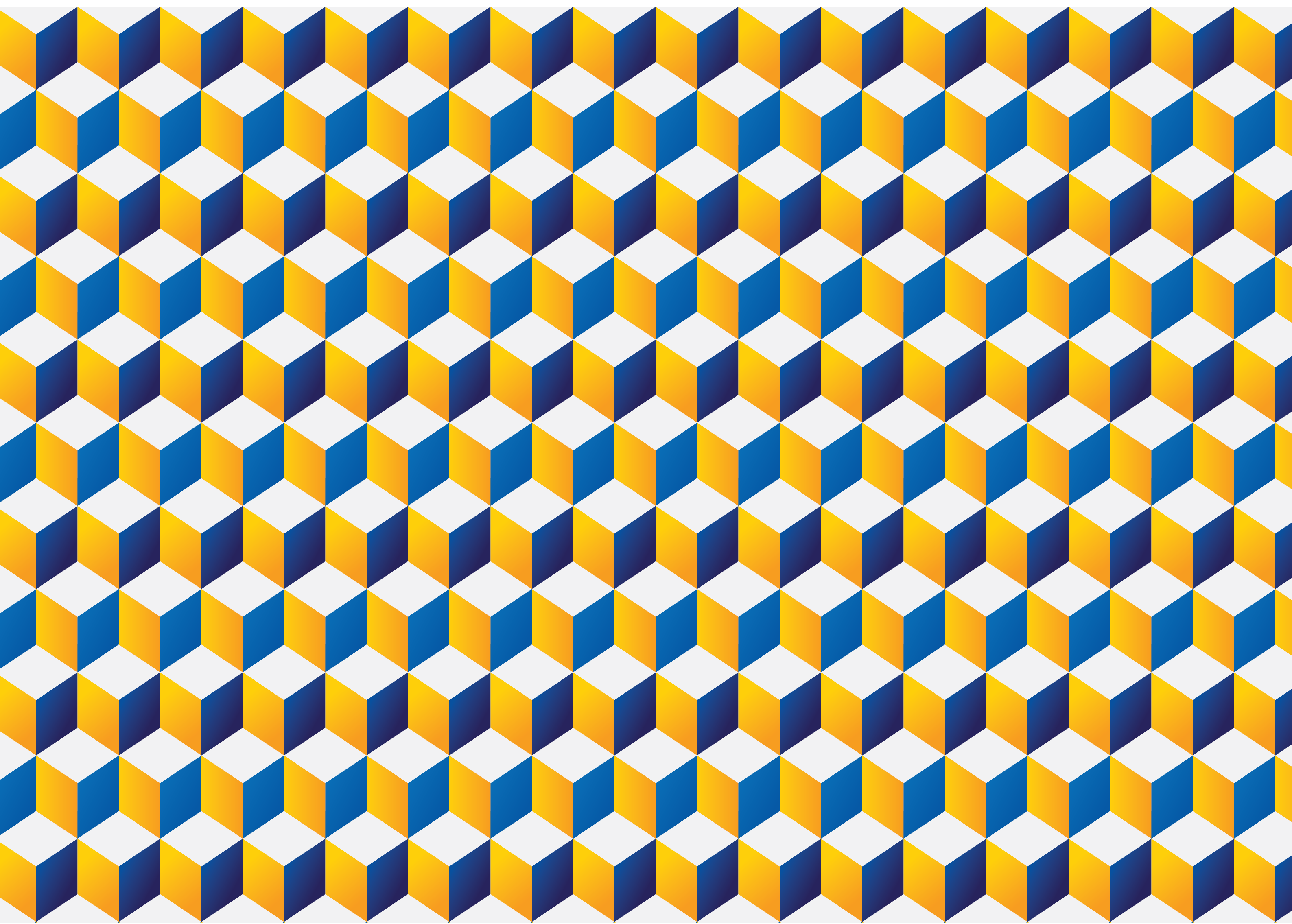

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List of Acronyms

AGOA
African Growth and Opportunities Act

BRIC
Brazil, Russia, India and China

DRC
Democratic Republic of Congo

FDI
Foreign Direct Investment

GDP
Gross Domestic Product

G20
Group of 20

IIAG
Ibrahim Index of African Governance

IMF
International Monetary Fund

REC
Regional Economic Agreement

TCIP
Trade, Capital, Information and People

WTO
World Trade Organization

Foreword

Visa, in conjunction with our partners across Africa, touches the lives of over 500 million people, through our services and innovations. With our electronic payment network across the continent, we are helping to unleash the enormous potential of a rising Africa.

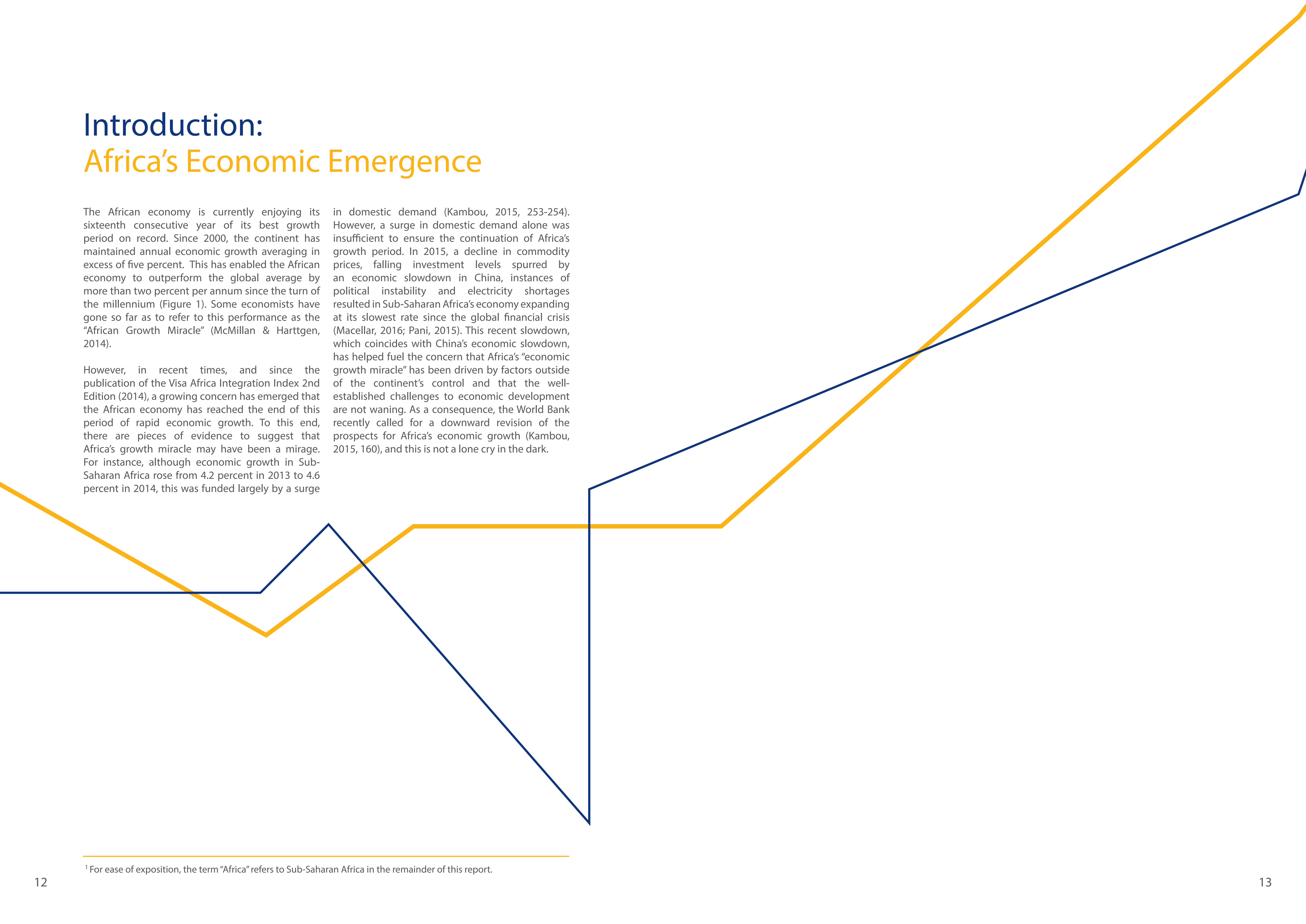
And to better understand where we can serve Africa's payment needs on a country-specific basis, we produced the first Visa Africa Integration Index in 2013. The purpose of this reiteration is to reassess the progress Africa has made in economic integration, a vital ingredient for socio-economic advancement.

The Index measures the degree of economic integration, both regionally and globally, within key trade corridors of Sub-Saharan Africa, namely West Africa, East Africa and Southern Africa. At present, these are Visa's key African markets where we have an established infrastructure and growth strategy.

The Index was instructive in providing insights into areas where Africa is growing rapidly and integrating with the rest of the world. It also highlighted areas of untapped potential. It remains the case that the prospect for African economies' economic growth and development remains sound. And this year the results of the Visa Integration Index are encouraging. The trend of greater integration across Africa continues. Integration is improving in nearly every country in our study.

Visa contributes to improved integration through solutions that provide consistent payment standards. This has always been a cornerstone of our business. Innovations such as cross-border remittances, mobile money and commercial solutions, amongst others, all contribute to greater integration within the African continent and into the global economy. The Index helps provide thought leadership on Africa's regional integration, enables us to track changes and progress over time and ensure we provide Africans with the best way to pay and be paid.

We also hope it can provide policymakers with an insightful and academically sound tool to help shape economic decisions.



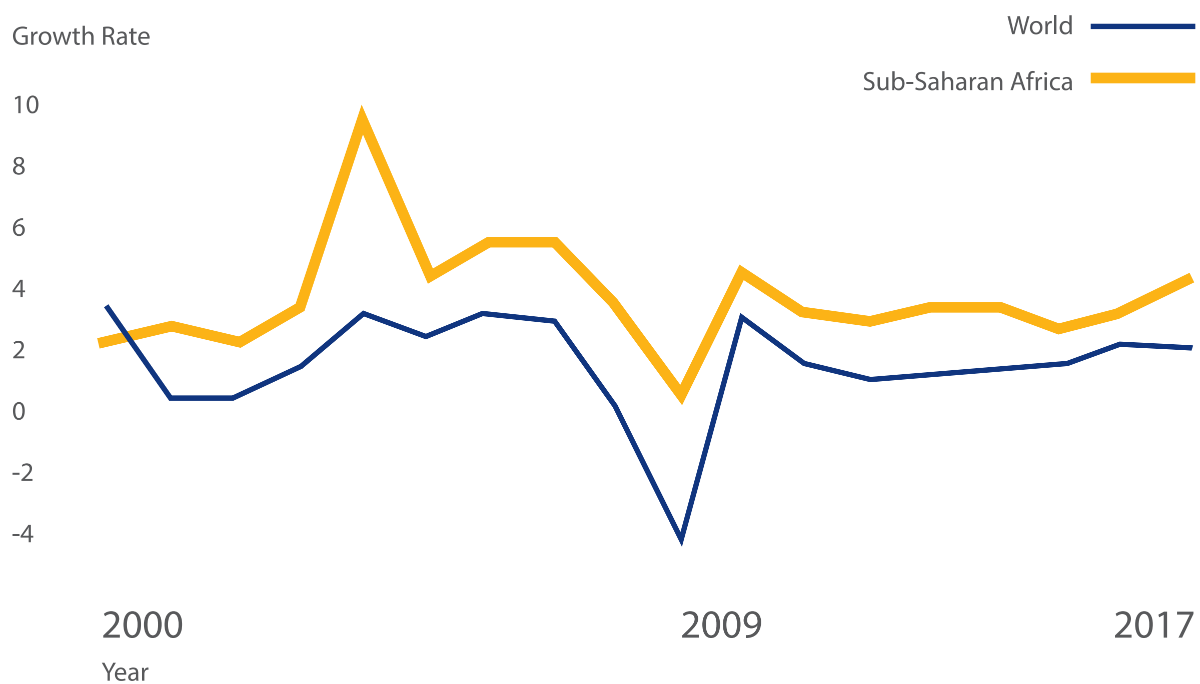
Introduction:
Africa's Economic Emergence

The African economy is currently enjoying its sixteenth consecutive year of its best growth period on record. Since 2000, the continent has maintained annual economic growth averaging in excess of five percent. This has enabled the African economy to outperform the global average by more than two percent per annum since the turn of the millennium (Figure 1). Some economists have gone so far as to refer to this performance as the "African Growth Miracle" (McMillan & Harttgen, 2014).

However, in recent times, and since the publication of the Visa Africa Integration Index 2nd Edition (2014), a growing concern has emerged that the African economy has reached the end of this period of rapid economic growth. To this end, there are pieces of evidence to suggest that Africa's growth miracle may have been a mirage. For instance, although economic growth in Sub-Saharan Africa rose from 4.2 percent in 2013 to 4.6 percent in 2014, this was funded largely by a surge in domestic demand (Kambou, 2015, 253-254). However, a surge in domestic demand alone was insufficient to ensure the continuation of Africa's growth period. In 2015, a decline in commodity prices, falling investment levels spurred by an economic slowdown in China, instances of political instability and electricity shortages resulted in Sub-Saharan Africa's economy expanding at its slowest rate since the global financial crisis (Macellar, 2016; Pani, 2015). This recent slowdown, which coincides with China's economic slowdown, has helped fuel the concern that Africa's "economic growth miracle" has been driven by factors outside of the continent's control and that the well-established challenges to economic development are not waning. As a consequence, the World Bank recently called for a downward revision of the prospects for Africa's economic growth (Kambou, 2015, 160), and this is not a lone cry in the dark.

[1] For ease of exposition, the term "Africa" refers to Sub-Saharan Africa in the remainder of this report.

Figure 1: Real Economic Growth (%): 2000-2017



Source: Kelly Firth (2016); The World Bank data (2000-2017)

By contrast, in the Visa Africa Integration Index 2nd Edition (2014), growth in Africa was predicted to be buoyant "for the forseeable future". The African economy was expected to achieve a growth rate approaching 5.5 percent in 2014, an expectation that was substantially different from the outcome that was realised. For this reason, the expectation in 2015 was for slower economic growth. Further, even though the Sub-Saharan economy continued to grow at a pace that was in line with other emerging economies, and faster than the world economy, the growth of 3.8 percent recorded in 2015 offers support for the view that Africa's fast growth period may be a thing of the past. To a large extent, it is arguable that the position in which Africa finds itself is the consequence of a double-edged sword.

The boundless opportunities in natural resources that were previously the driver of Africa's growth have – ironically – been a cause of its slowdown, following from sharp declines in commodity prices since 2013.

This, coupled with monetary tightening by the United States Federal Reserve, China's economic slowdown, electricity shortages in large economies, including Nigeria and South Africa, security threats in Kenya and Nigeria, and insufficient infrastructural integration throughout the region, could mean that not only is Africa's economy expanding at its slowest rate since the 2009 financial crisis, but also that this slow growth rate is here to stay.

More exactly, even though the African economy is moving forward at a slower rate than in recent times, the continent still finds itself leaps and bounds ahead of its former self.

All of this said, and whilst resources evidently no longer represent the opportunity they did a decade ago, it remains the case that the prospect for African economies' economic growth and development remains sound.

Africa's almost billion-strong young and increasingly urbanised population translates into fast-growing consumer and labour markets that can drive economic growth for years to come, increasingly making Africa's much-vaunted potential a reality. Currently, although African economies are confronted with various growth hurdles, these are not insurmountable. More exactly, even though the African economy is moving forward at a slower rate than in recent times, the continent still finds itself leaps and bounds ahead of its former self.

Over the course of the twentieth century, Africa failed to advance meaningfully, with little or no economic growth or progress for most African countries. Per capita incomes stagnated for most of the 1900s, which resulted in a broad-based developmental decline for the average person in Sub-Saharan Africa. During this period, only a select few countries, including a handful in North Africa as well as South Africa and Botswana on the southern tip of the continent, experienced meaningful economic growth. By and large, the twentieth century was a lost century for Africa from an economic growth perspective, with dire consequences for the region's socio-economic development and health.

During this time, in terms of commercial transfers in trade and transactions and in the formal structures governing these activities, Africa was pushed to the periphery of the global economy. As a consequence, the African economy grew increasingly disconnected from the rest of the world, which was further aggravated as individual African countries followed a similar trend by becoming more and more disconnected from one another.

Indeed, the extent of Africa's economic isolation and socio-economic stagnation led The Economist, fifteen years ago in May 2000, to describe Africa as "The Hopeless Continent" (The Economist, 2000). Since the appearance of that newspaper cover, however, the story has changed dramatically and Africa's reversal in fortune is undeniable.

Even The Economist (2011) retracted its previous statements with a cover five years ago proclaiming "Africa Rising" and, more recently in March 2013, featured the cover story "Aspiring Africa", with a special report on "Emerging Africa". Put simply, over the course of the past twenty years, the African story changed dramatically.

[2] The arguments dealing with the effects and evidence of economic integration are dealt with extensively in the first two Visa Africa Integration Index reports (2013; 2014) and so are not repeated here.

Whilst Africa's recent economic fortune could be attributed to the influence of global conditions, including faster world economic growth and a decade of buoyant commodity prices, it is evident that there is a range of factors behind Africa's improved economic performance since the turn of the century. To this end, a combination of internal and external factors have colluded and contributed to Africa's progress. This combination includes – until recently – robust commodity prices; improved economic management and healthier policy platforms, substantial debt relief followed by fiscal consolidation, increased international trade, and higher and healthier capital flows. These developments have made substantial contributions to the region's positive trajectory. But, as argued and evidenced in the Visa Africa Integration Index reports (2013; 2014), African economies need to be more integrated with each other, and more globalised in general, to benefit meaningfully from these changes and to instill a framework that ensures sustainable economic growth and social development.

That said, the decline in Africa's rate of growth since 2013 has exposed a number of the continent's vulnerabilities. The impact of the fall in the commodity price has exposed the region's over-reliance on natural resources and underscored the urgent need for industrial diversification.

Additionally, as intimated earlier, the impact of China's slowdown on Africa's economy has displayed the region's over-dependence on foreign demand. Ultimately, what has been revealed is the continent's low degree of economic sophistication – or what Ricardo Hausmann et al (2011) describe as a low level of economic complexity. Put simply, as was argued in the first two Visa Africa Integration Index reports (2013; 2014), the path to prosperity for the African economy hinges on the extent to which individual economies are capable of achieving functional and effective economic integration. If anything, the weaker commodity price environment that seems set in place, at least for the near term, highlights why effective economic integration has become even more necessary to ensure the region's path to development continues. Put simply, disconnectedness and low levels of economic integration remain binding constraints on Africa's economic progress that have to be overcome if the region is to achieve and sustain its economic potential.

Against this backdrop, this report provides a second update of the Visa Africa Integration Index, which was last published in 2014. The data released since the second edition of the Index allows us to make three bi-annual updates to the Index, adding observations for the first half of 2014, the second half of 2014 and the first half of 2015, respectively. To give context to the Index and the updated information, a large part of the original report remains intact and offers a detailed consideration of the state of Africa's economic integration and the role that integration – and more correctly absence of effective integration – has played in shaping Africa's economic development. The most important changes to the first two reports arise in the final section of this report, which deals with regional and country-specific evidence.

African economies need to be more integrated with each other, and more globalised in general

The Five Drivers of Africa's Economic Rush Forward

Africa's economic growth since the turn of the century has been shaped and driven by a set of four key factors that include internal (within the continent) elements as well as external elements, where global trends have favoured Africa's natural resources and changing circumstances.

These drivers include a combination of structural changes supported by carefully managed policy adjustment and international developments, which have contributed significantly to the dramatic changes and rise of Africa's economy since 2000.

The five drivers of Africa's socio-economic advance include:

i. robust commodity prices and new sources of demand;

ii. improved economic management and policy platforms;

iii. debt relief and sustained debt improve ment; and

iv. Africa's "demographic dividend";

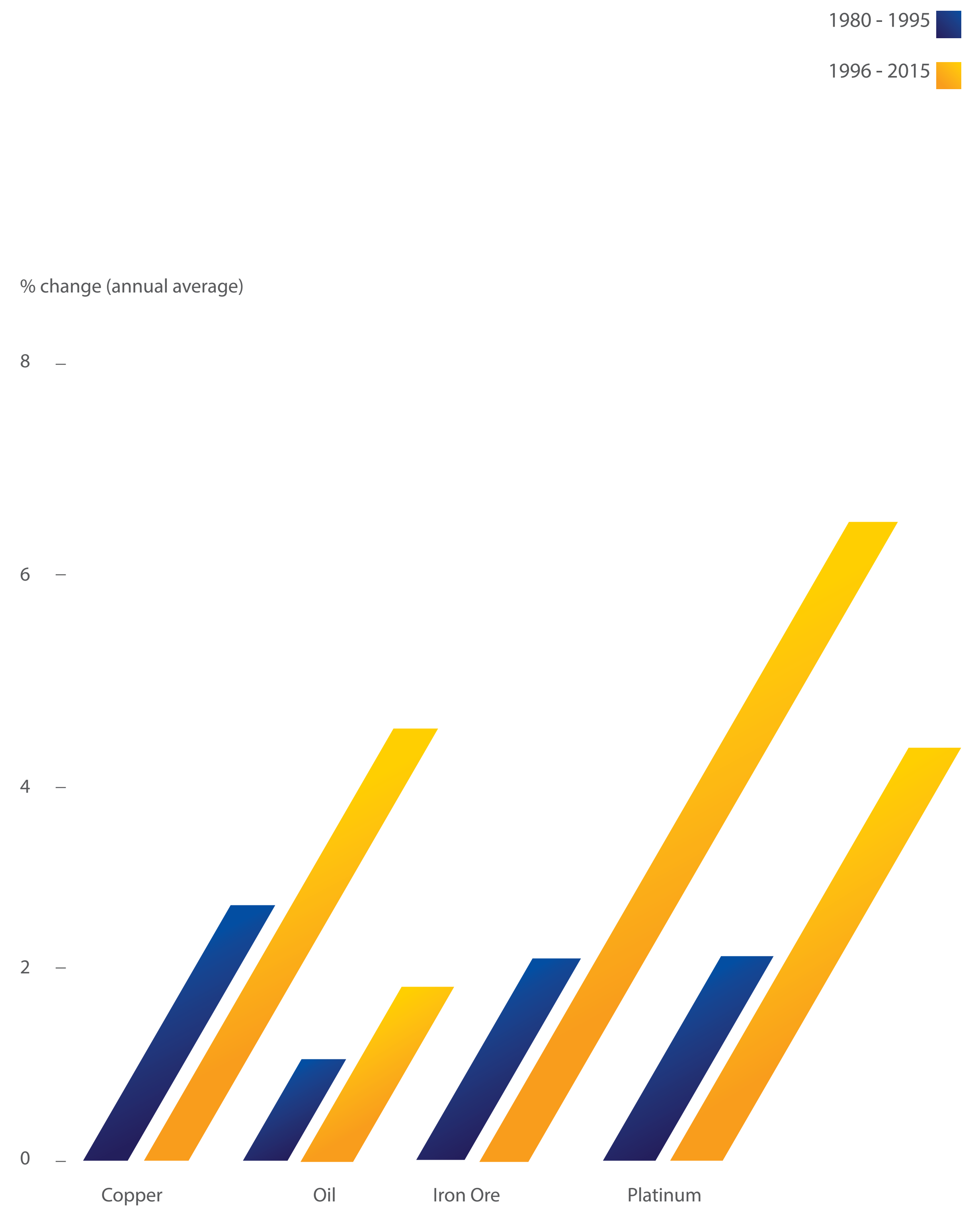
v. tying it together: a fifth factor

i. Robust Commodity Prices and New Sources of Demand

Africa is a continent that is exceptionally resource rich. Of the world's total resources, 12 percent of oil reserves, 40 percent of gold and as much as 90 percent of the world's chromium and platinum is contained in Africa (African Development Bank; Organization for Economic Co-operation and Development & United Nations Development Programme, 2015, 17). Whilst the past decade offers strong evidence of increasing diversification in Africa's economies, along with growing industrial capacity and sophistication, it is unsurprising that Africa is still dominated by resource extraction, the production of commodities and the export of these basic goods to the rest of the world. By one estimate, and ignoring the contribution of related value-added industries, the commodity sector alone still explains roughly one-third of Africa's economic growth in recent years.

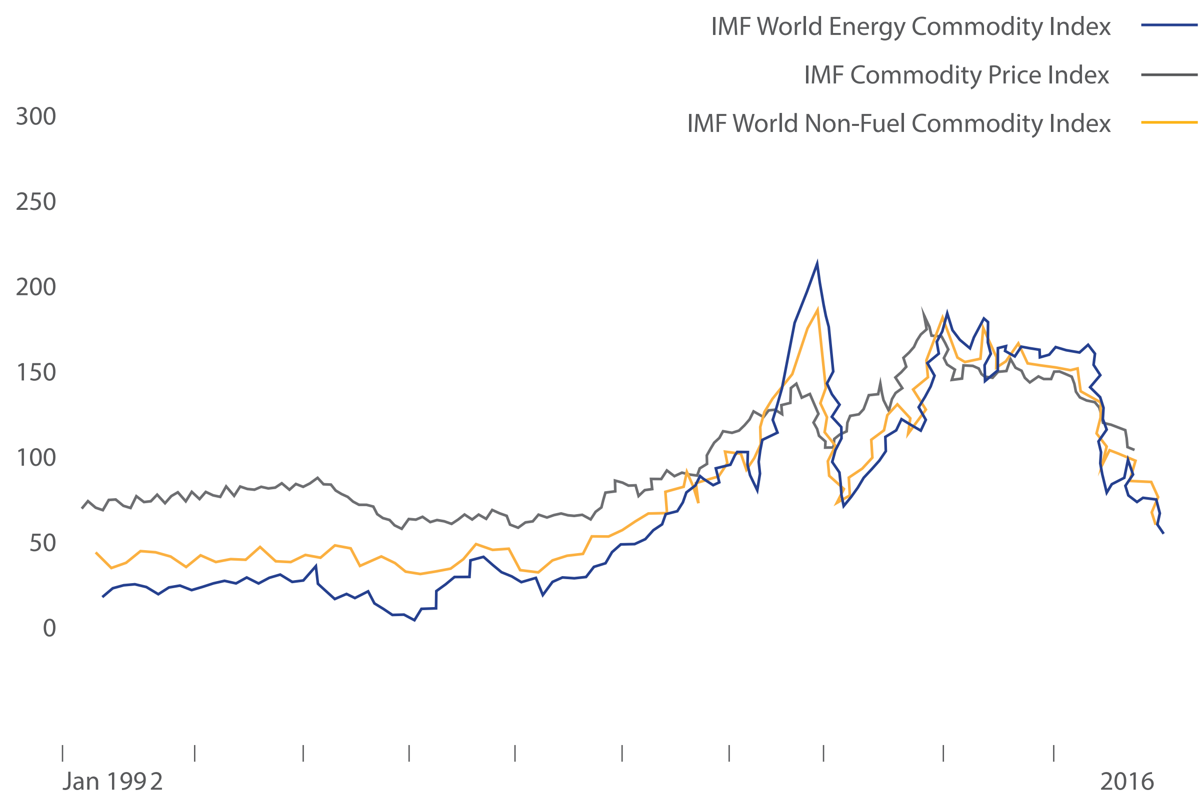
Thus, it is an inescapable result that a first factor that helped kick-start Africa's economic growth at the turn of the century was the strong performance of the global economy and, with this, increasing demand for natural resources (Figure 2). From 1980 through to 1995, global demand for commodity exports, namely copper, oil, iron ore and platinum, grew at a yearly average of 2.02, 0.85, 1.85 and 1.81 percent, respectively. For the proceeding period, from 1996 through to 2015, average growth in global demand for copper, oil, iron ore and platinum has grown impressively to rates of 3.82, 1.53, 6.73 and 3.9 percent, respectively. This exceptional rise in global demand for commodities combined with a robust supply created a rare opportunity for the resource-rich African continent through rising commodity prices.

Figure 2: Average Growth in the World Demand for Base Metals and Oil



Source: Adrian Saville (2016)

Figure 3: Commodity Prices Index: 1992-2016



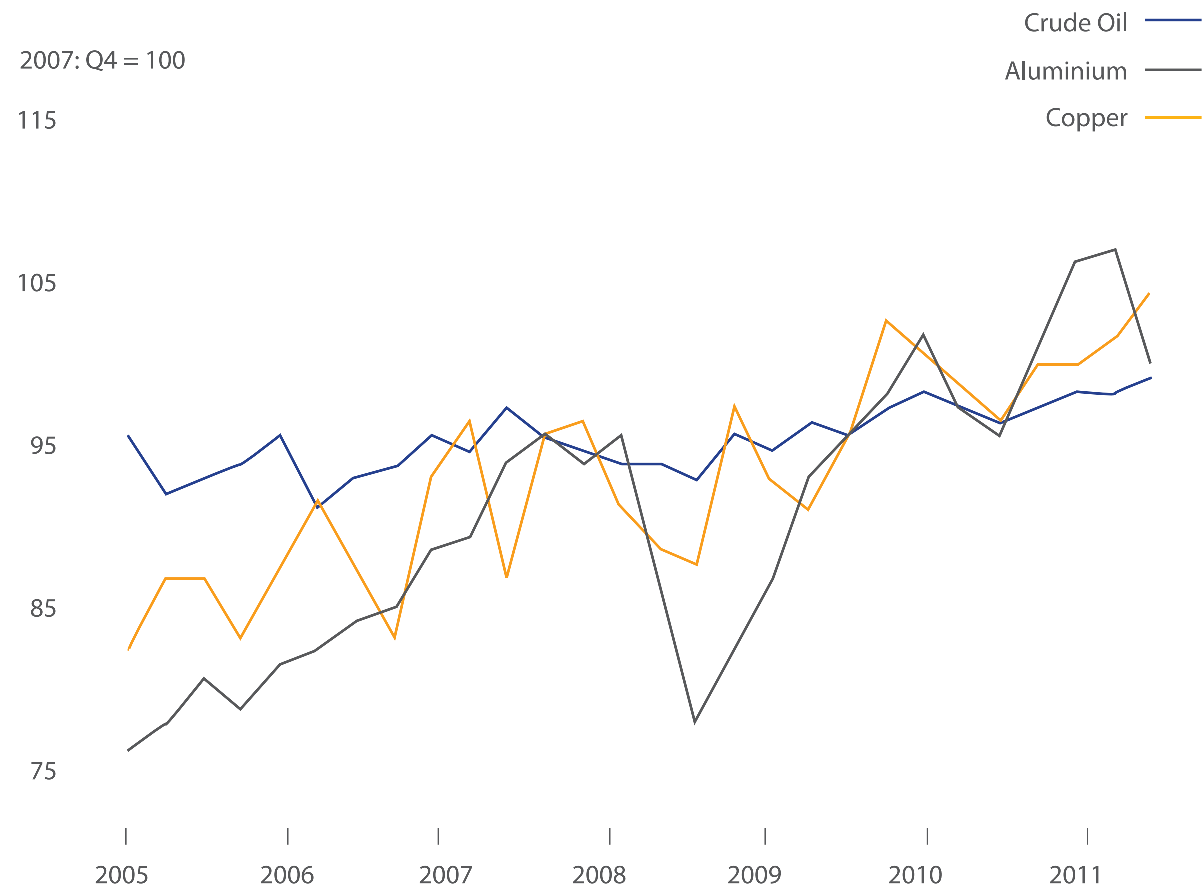
Source: Kelly Firth (2016); The International Monetary Fund Data Bank (2016)

As shown in Figure 3, from 2000 to the onset of the global financial crisis, commodity prices rose significantly across all major commodity groups. As previously mentioned, this came as a result of surging global demand and represented a material windfall gain for Africa's many commodity-rich economies.

During this period, strong growth in world demand for basic commodities spurred export volumes of commodities from Africa. Between 2000 and 2007, world consumption of four important African commodity exports – platinum, copper, iron ore and oil – grew by an average 5.8 percent per annum. Moreover, despite the sluggish state of advanced economies in the aftermath of the global financial crisis, world demand for base metals surpassed pre-crisis peaks during the first quarter of 2010. Similarly, global oil demand increased by more than three percent in 2010 and 2011, a rate close to the previous peak in demand growth in 2004, and grew by a further three percent between the end of 2011 (see Figure 4 on the next page). Since 2011, global oil demand has grown at half of its previous rate, an average rate of 1.4 percent per year.

This evidence suggests that the Global Financial Crisis did not fundamentally change the rising demand pattern that emerged in commodity markets in the late 1990s and early 2000s (as the steady price increases in Figure 3 illustrate). This is because growing per capita incomes in key emerging economies, especially China, were serving to replace demand that had been lost in advanced economies.

Figure 4: Global Demand for Base Metals and Oil



Source: Adrian Saville (2016); Energy Agency (2012); World Bureau of Metal Statistics (2012)

However, in 2014, commodity prices began what would be their greatest decline in over a decade. This was a result of slumping demand due to monetary tightening in the United States, as well as the slowdown of the Chinese economy, Africa's most important export market. With minerals and ores constituting two-thirds of merchandise exports, export volumes fell by 5.8 percent between 2012 and 2013 (African Development Bank et al., 2015, 7). This decline in demand combined with high levels of new supply helped lead to the commodity price fall, some of the consequences of which have been realised already by the continent's slower recent economic growth.

Notably, though, the adverse impact of falling commodity prices on the African economy has been softened by rising levels of industrial. To this end, it would be inaccurate to characterise the continent's growth story of the past decade, and its more recent economic slowdown, as purely commodity based.

Two points explain this argument. First, resource rich and resource poor countries in Africa have displayed similarly impressive rates of growth over the past fifteen years. Second, despite a slowdown in Africa's growth, the recent rate of growth remains above that of the world average and at the top end of growth rates amongst emerging market peers. In short, commodities matter to Africa's economic performance, but the story has moved beyond Africa's progress being explained by resources.

ii. Improved Economic Management and Policy Platforms

A second important contributor to Africa's advance since the turn of the century has been the steady improvement in economic management and policy reforms. In many places, the origins of these improvements lie well before the turn of the century. However, to be certain, the benefits have materialised during the last ten years as African governments increasingly adopted policies that have energised and supported business activity, investment markets and consumer markets. These actions included more prudent fiscal policy, privatisation of state-owned enterprises, reduced barriers to trade, supranational agreements and regional economic agreements (RECs), lower corporate taxes, strengthening of regulatory and legal systems, development of critical physical infrastructure and social capital. While Africa remains the region with the world's most challenging business climate, it also is the region making the most rapid progress globally.

By way of evidence, in the last two years, African countries account for one in every three regulatory reforms worldwide (African Development Bank et al., 2015). Whilst it is evident that policies of many jurisdictions have a long way to go, major policy steps have been taken in recent years, which have enabled a growing private sector at the same time that widespread improvement in macroeconomic factors have materialised, translating into more stable business environments.

For instance, the average ratio of debt to gross domestic product (GDP) for African economies has come down dramatically from more than 66 percent in 1995 to approximately 30 percent in 2010 and since then has stabilised at that level. In turn, fiscal discipline has resulted in the moderation of consumer price inflation rates, the normalisation of interest rates and substantially greater currency stability, although notable exceptions arise, including Nigeria and Angola since the end of 2014. Notwithstanding these setbacks, it would be remiss to overlook the critical contribution of political reforms and consequent stability.

[3] Dumitru, A. & Hayat, R. (2015): Sub-Saharan Africa: politically more stable but still fragile. [Online]. Economic Research. Accessed from economics.rabobank.com/publications/2015/december/sub-saharan-africa-politically-more-stable-but-still-fragile/

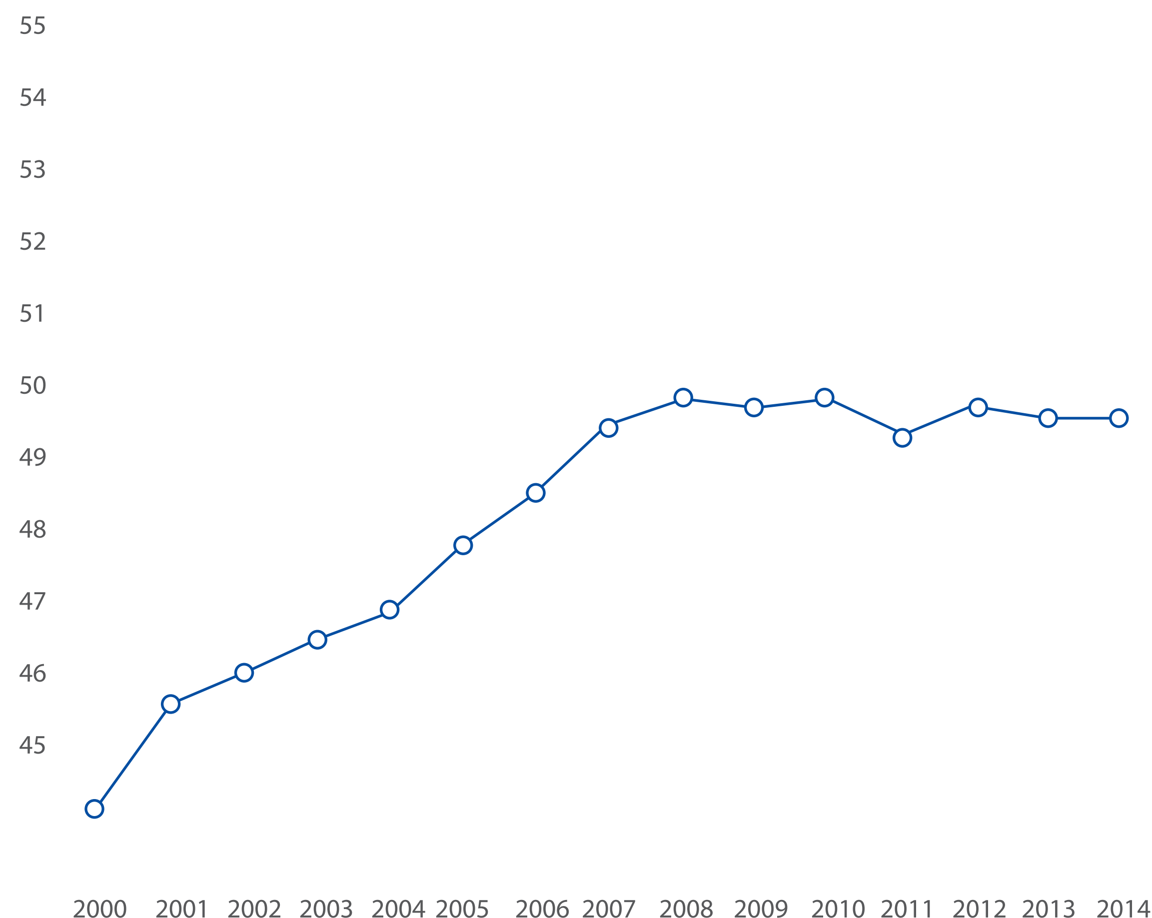
The number of major African conflicts has fallen from more than 30 in the 1990s to eight in 2012, and the number of armed conflicts continues to decline, having fallen a further 14 percent in 2015. In a similar vein, the number of democracies has risen from three in 1989 to reach 20 by 2015, and since 1991, a change in African government has been brought about at the ballot box on 32 occasions, whilst this happened only once between 1960 and 1991. In 2015 alone, a record 266 million people were called to the election polls in Africa (African Development Bank et al., 2015).

All of this noted, although African economies undoubtedly have come a long way in achieving policy reforms and improving governance in the last fifteen years, concern remains that the rate of progress is slowing or, indeed, may have stalled. The Mo Ibrahim Index of African Governance (IIAG) serves as a quantitative measure of good governance scored across four categories, namely: (i) safety and rule of law; (ii) participation and human rights; (iiii) sustainable economic opportunity; (iv) and human development.

Figure 5 shows the movement in the overall governance score since 2000, as measured by the Index. The performance of the IIAG suggests that, since 2000, steady progress in governance has been achieved. However, on closer inspection, it is evident that since 2011 progress has stalled. According to the IIAG 2015, this is a consequence of mixed results within the Index. While participation and human rights as well as human development have continued to improve, sustainable economic opportunity and safety and rule of law have declined. Despite this stall, it is important to note that the average governance score is higher in 2014 than five years earlier.

The observed improvements in governance are an important result, because under all circumstances, advances in economic and political management, with an increasingly stable environment, bode well for doing business in Africa and for drawing ongoing investments that stimulate and sustain economic growth and foster gains in welfare.

Figure 5: Ibrahim Index of African Governance: 2000-2014



Source: Ibrahim Index of African Governance (2015)

iii. Debt Relief and Sustained Debt Improvement

It is against this backdrop that we recognise a third element that has had a large influence in the performance of many African economies in the last fifteen years, namely the substantial debt relief that was afforded around the turn of the century and that has been sustained by fiscal consolidation since then.

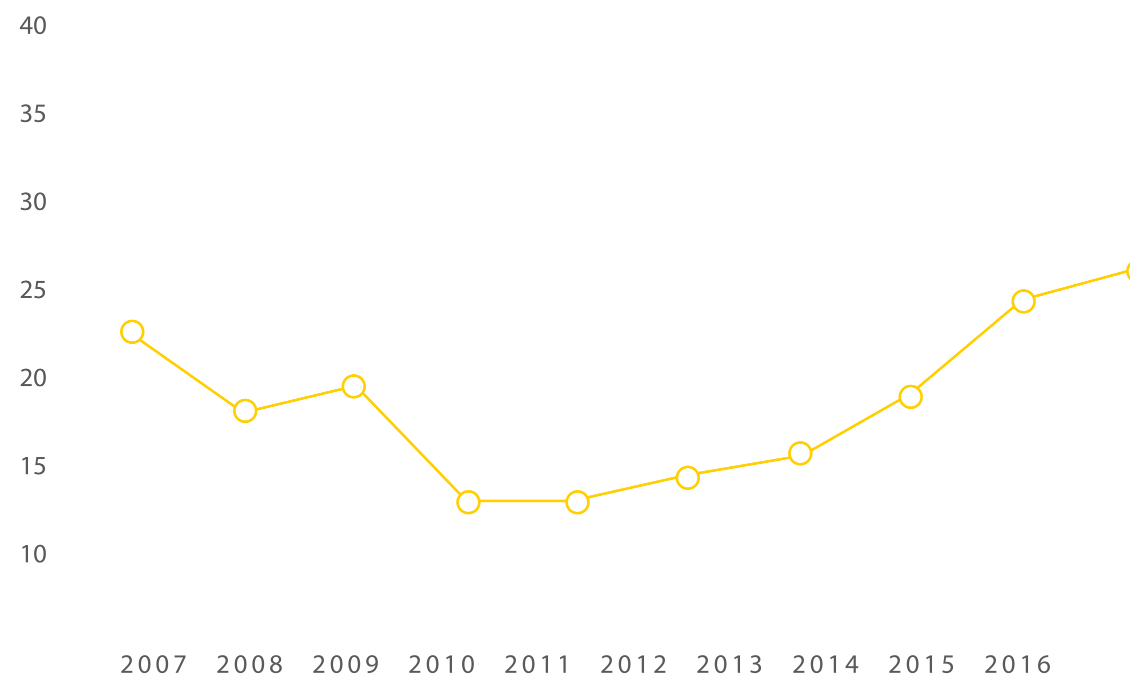
On this score, evidence shows that less indebted countries record higher economic growth rates than those that are relatively more indebted. Reinhart and Rogoff (2009) find that countries with debt-to-GDP ratios below 60 percent are able to sustain annual economic growth of an average 3.6 percent per annum, whilst countries with debt-to-GDP ratios above 60 percent achieve just 2.2 percent per annum. Whilst the exact figures that follow from these results have been drawn into question, the qualitative results hold. More specifically, highly indebted countries are likely to face headwinds as debt-serving costs run away from the ability to service debt and investments in productive assets are crowded out by interest charges.

In Africa in the mid-1990s, 21 out of 48 countries had debt-to-GDP ratios of more than 90 percent. By implication, by mid-1995, almost half of Africa's economies faced a "debt trap". Ten out of these 48 countries had debt-to-GDP ratios above 150 percent in 1995, a figure that was unchanged at the turn of the century, leaving very little room for any hope of sustained economic growth.

Yet, the highly indebted state of Africa in the 1990s has changed materially over the past decade. Debt relief programmes like the Heavily Indebted Poor Countries (HIPC) programme initiated by the IMF and World Bank were a good starting point. This hinged on the dual benefits of the reduced debt burden giving many economies a leg up onto the ladder of socio-economic advance, as opposed to the debilitating grind of debt servicing. However, increasing fiscal discipline and rising tax bases have proved to be even more important contributors to reduced indebtedness. As a consequence, by 2010, the average debt-to-GDP ratio had halved from 1995 levels and the number of African countries with ratios in excess of 90 percent had fallen from ten to three. Importantly, five years later, in 2015, the average debt-to-GDP ratio for African economies remained low at just 30.39 percent.

This reduced indebtedness has had numerous benefits, including lower debt-servicing obligations and a reduced cost of borrowing. As noted, this healthier financial state most often translates into higher economic growth. Critically, whilst debt relief kickstarted the programme, its sustained success is a result of rigorous economic management geared toward meeting a range of performance targets. This clearly ties back to the broader improvements in economic management observed over the past decade.

Figure 6: Debt-to-GDP ratios: 2007-2016



Source: Kelly Firth (2016); IMF (2016)

The story of debt and development aid in Africa is a complex one related to the need for scarce supplies of capital at the time of independence. This was escalated through economic mismanagement and the nature of relations between newly-independent African states and other countries or supranational providers of finance and capital. Much of this debt was written off or 'forgiven' at the turn of the millennium by those interested in facilitating a fresh start for Africa and seeing the continent grow.

iv. Africa's "Demographic Dividend"

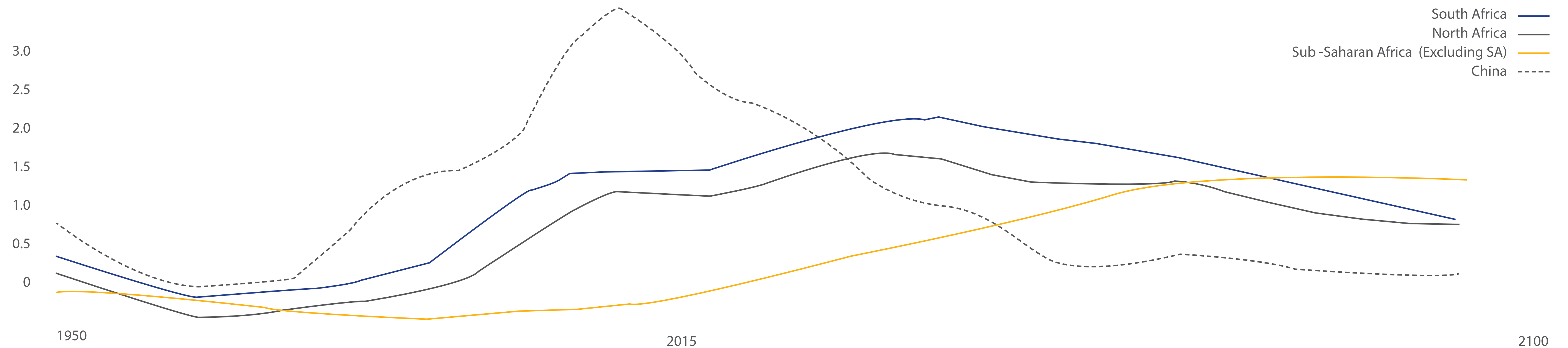
Whilst it may be premature to talk unambiguously of a "demographic dividend", a fourth structural factor that has started to make itself felt in recent times – and that is likely to have a growing effect – is the influence of Africa's relatively young population. To a large degree, the "demographic dividend" hinges on successful economic management because, in the absence of effective social and economic policies, a young and growing population is more likely to be a burden than a boon.

In recognising that African governments have demonstrated rising capacity and capabilities over the past decade or more, it follows that Africa's young and growing population has started to make a positive contribution to socio-economic advance.

Africa's demographic structure is increasingly seen as a positive contributor to the region's growth story. Figure 7 displays Africa's demographic structural transition through the use of activity ratios, which measures the proportion of economically active individuals to those outside the workforce. This demographic transition provides Africa with an exceptional opportunity.

As the working-age population increases, the number of active individuals supporting inactive individuals increases. In order for this opportunity to be realised, it is vital that Africa meets the challenge of ensuring that economic growth translates into stable, wage-paying jobs that support an expanding consumer market (McKinsey Global Institute, 2012, 2). Over the past decade the economic growth experienced by Africa has translated into 37 million new wage-paying jobs whilst the number of households that are members of the "new" consumer class has risen from 60 million to 90 million (McKinsey Global Institute, 2012, 1-2).

Figure 7: Activity Ratios from 1950 to 2100



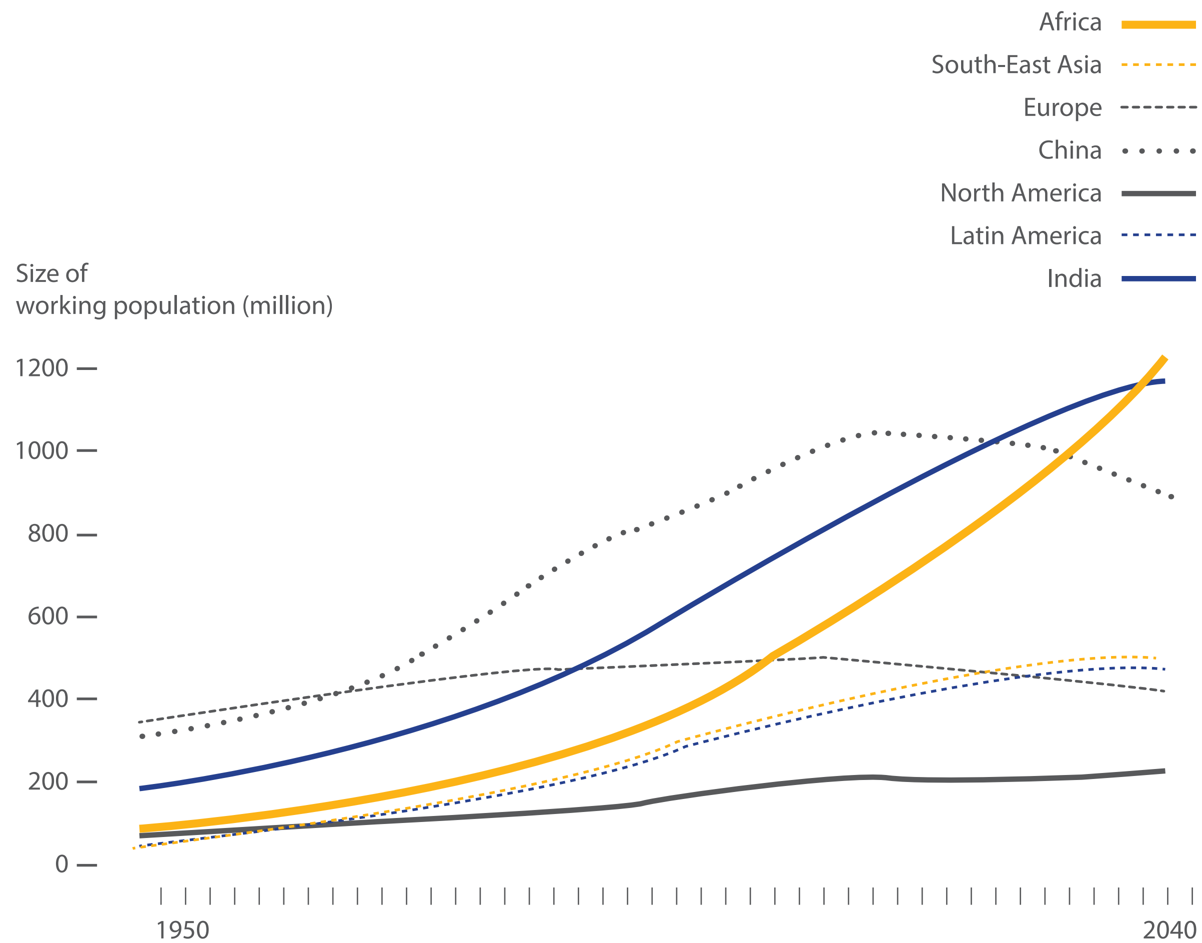
Source: African Economic Outlook (2015)

These features of rising employment and growing consumer households offer the capability to support sustained economic growth by virtue of the region's demographic makeup coupled with rising labour absorption. Currently, more than one-half of the African population is younger than 24 years of age and, as a result, between 2010 and 2020 the continent will add 122 million people to its labour force (Economist Intelligence Unit, 2012, 5). It is estimated that by 2030, Africa's demographic dividend could contribute between an additional 10 percent and 15 percent of GDP growth (African Development Bank et al., 2015).

Whilst the metrics of countries and regions are not strictly comparable, it is worth noting that it is estimated that, by 2035, the continent's labour force will be larger than that of China and India (Figure 8) and by 2050, Africa's population of two billion people in all probability will have over-taken that of India (currently 1.6 billion) and China (currently 1.4 billion) (McKinsey Global Institute, 2012, 2).

Nigeria's population will lead the African pack, followed by Ethiopia, the Democratic Republic of Congo (DRC) and South Africa. It is notable then that Ethiopia, as a case in point, has gone from having two universities to 32 universities in just two decades, the government has put schools and clinics in most villages and, according to foreign donors, infant mortality rates have fallen by 54 percent since 2000 (The Economist, 2013; World Bank data, 2016).

Figure 8: Regional Workforce from 1960 to 2040



Source: Adrian Saville (2016); United Nations (2016)

By another estimate, Africa's population, including North Africa, could reach 2.7 billion people by 2060, with a middle class of more than one billion people (Gernetzky, 2012). Its economically active population could by then have tripled from the current level – providing the basis for consistently high levels of economic growth (Gernetzky, 2012). As such, Africa's demographic configuration, embodying a young, growing population, represents a fourth important structural factor that has impacted the region's economic prospects positively in the last decade and that, if well managed, promises to shape the economy for the foreseeable future.

Along with a youthful population and growing middle class, the prospect of rapid urbanisation across the African continent also spurs demand for modern goods and services while building a more sophisticated skills base, which is all part of the "demographic dividend". Currently, one third of the African region is urbanised. On this front, Africa already represents a substantial consumer population. As shown in Table 1, Africa has as many megacities as Europe, and more than North America. The demographic structure suggests that this "dividend" has the potential to continue to make a substantial contribution to Africa's economic progress. Global businesses – whether based in Asia, Europe or the Americas – as well as homegrown African firms, will strive to meet this demand.

Table 1: Population Headcount and Megacities

	India	Africa	China	Europe	Latin America	North America
Population (Million)	1 270	1 166	1 369	743	630	361
Cities with >10 million people	3	3	6	3	4	2

Source: Kelly Firth (2016); United Nations (2015); United Nations (2014)

v. Tying It Together: A Fifth Factor

The four factors outlined above have individually and collectively played key roles in contributing to Africa's economic growth and development over the past decade and more.

By virtue of their structural attributes, these factors make a strong argument that Africa's economies are set to continue to grow quickly. But there is a growing level of attention being given to a fifth factor that arguably will have a more profound and pronounced effect in sustaining high levels of economic growth and development in Africa, namely rising economic integration or, in the language of the day, "globalisation".

Notably, whilst the first four factors have enjoyed rising acceptance as positive influences in Africa's economic growth story – meaning they are relatively uncontroversial – the fifth factor of rising economic integration has been met with disagreement and uncertainty as to its impact. Africa's rising integration – within Africa and between Africa and the rest of the world – is a fundamental part of understanding Africa's full potential and realising its true economic prospects.

Africa's Growing Integration: Why This Matters

i. Africa's Rising Economic Integration

As shown elsewhere, and as we have demonstrated in earlier editions of the Visa Africa Integration Index (2013; 2014), Africa is the least globalised region of all main economic blocks. However, our findings illustrate that the economy has started opening up to the rest of the world. Furthermore, this increased economic openness and integration that has begun to emerge in recent times evidently has contributed toward Africa's economic rise. To document this, over the past decade Africa has increasingly opened up the spread of exports to international markets. Whereas world export volumes have grown at an average pace of three percent per year since 2000, Africa's export volumes have grown at more than double that pace over the same period. This reflects rising global demand for African products and services. Moreover, given that Africa's export growth exceeded economic growth – albeit modestly – over the period, it follows that exports have become a relatively more important component of the region's economy since 2000 – indicative of the rising importance of economic openness as a component of sustained economic growth. New trade partners like Brazil, Russia, India and China – the so called BRIC economies – have increased their trade and investment flows with Africa substantially over the past decade, which has contributed strongly toward African economic growth. In 2001, African economies exported $24 billion in goods and services to these four economies; by 2015, this figure had grown more than ten-fold.

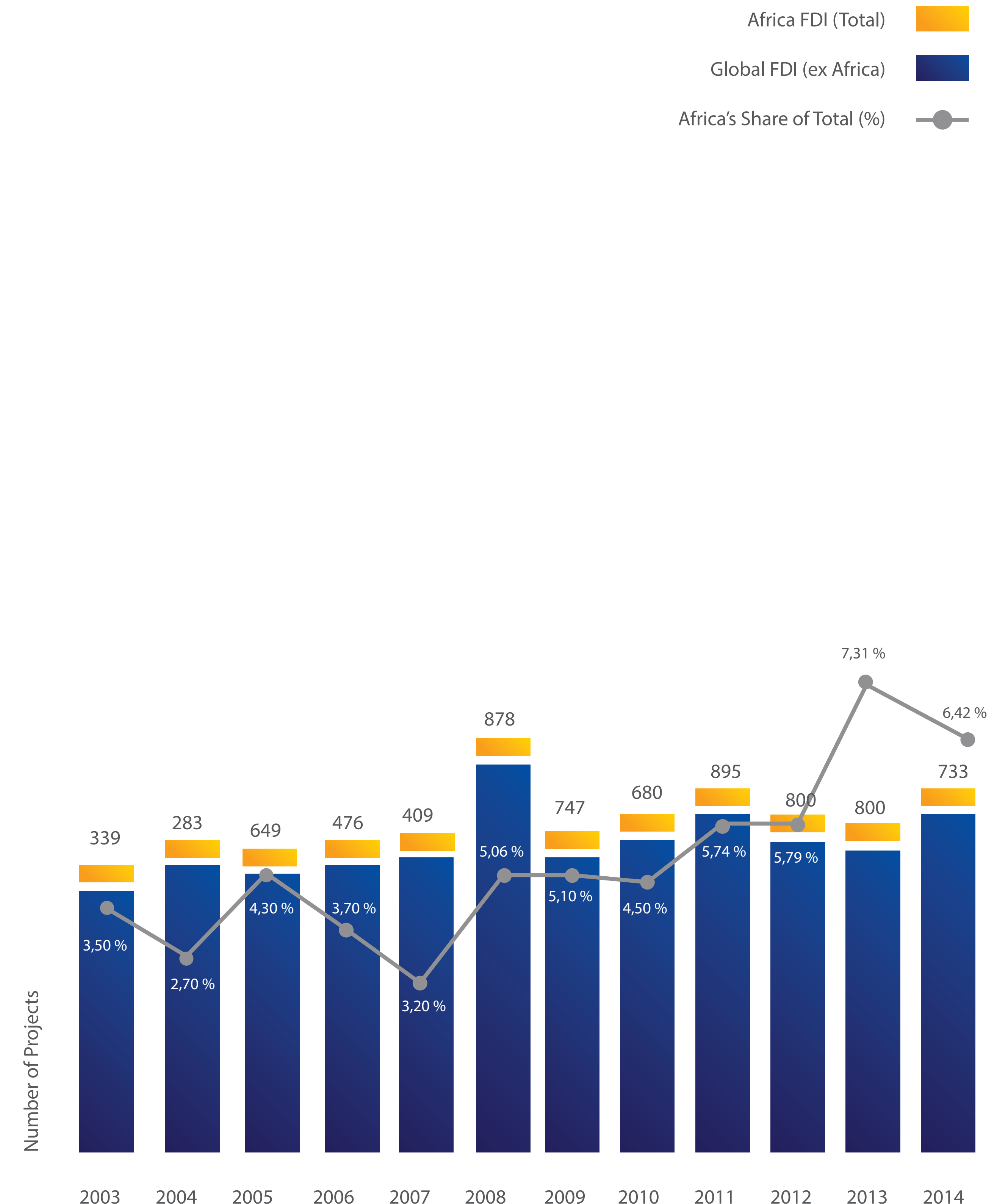
Africa's economic growth and the region's rising competitiveness is evidenced further by the increased trade diversification and sophistication that has come about following important reforms during the 1990s and early 2000s, and subsequent relations with new trade partners who are also the new drivers of global economic growth.

Rising international trade flows have been met by an increased flow of private capital, which provides further evidence of Africa becoming increasingly open. Again, whilst this improvement comes off a low base, the available evidence shows that increased financial openness corresponds with rising economic welfare. Foreign direct investment (FDI) flows to Africa in recent years provide clear support for this argument. From 2003 to 2011 the number of FDI-financed projects increased at a rate of 7.6 percent per year, rising from 339 projects at the start of the period to 857 projects by 2011 (see Figure 9). Although this number declined to 687 by 2014, the value of existing projects has increased significantly, as has the number of jobs created by new projects. In 2014 alone, capital investment in Africa surged to $128bn, an increase of 136 percent and in the same year, FDI created 188 400 new jobs in African economies. This points to Africa's rising openness and growing competitiveness (Ernst and Young, 2013, 6; Ernst and Young, 2015).

In addition to flows of private capital to Africa having deepened in recent years, these flows have also widened. Specifically, FDI flows to Africa are starting to diversify beyond the resource extraction sector. For instance, between 2010 and 2012, Chinese investors committed around $101 billion to commercial projects in Africa, but less than half of this figure was directly toward extractive industries (Stratfor, 2012). It is true that many of these FDI flows are for mega rail, port, road and energy projects that service the extractive industries, but it is equally clear that Chinese FDI flows, along with others, are financing new areas of industrial activity and that these flows are being directed to other areas of the economy beyond resource extraction.

To support this argument, between 2003 and 2011 just 27.6 percent of FDI flows went to extractive industries, with 38.3 percent of FDI going to infrastructure-related investments and 29.9 percent into manufacturing (Ernst and Young, 2012, 7). This surge in investment in the area of manufacturing is a clear effort to build capacity and competitiveness in response to policy initiatives such as the African Growth and Opportunities Act (AGOA), which grants preferential access to markets in the United States for African manufactured products as an incentive to stimulate export-led growth through manufacturing flows which are starting to spill over into other non-traditional investment sectors like agriculture and tourism.

Figure 9: Global and African FDI trends for New Projects (2003-2014)



ii. Integration as a Driver of Economic Growth and Socio-Economic Development

Whilst Africa's economic integration has risen steadily – and substantially – over the last decade, and despite the importance of rising economic integration noted above, the impacts and influence of integration on economic growth and socio- economic development in Africa have received relatively little attention from observers. The reason may be that where integration has been considered, the emphasis amongst strategists, analysts and researchers has been placed on "globalisation", which is defined here as African economies integrating with the outside world – instead of focusing on the collective potential of African countries connecting not just to the rest of the world, but also to each other.

Consequently, deliberations around African economic integration have focused on the influence and impact of relationships with the rest of the world, whilst overlooking the economic potential and role of the neighbourhood. Unmistakably, the economic impacts of globalisation are significant. But neglecting the impact of Africa's internal integration – or simply the exchanges between African countries – has been an oversight that demands careful and detailed consideration. The first edition of the Visa Africa Integration Index (2013) represented a determined effort to redress this deficit. Subsequent editions of the Index are devoted to extending this work.

A holistic assessment of the role that economic integration plays in Africa's socio-economic advance is important. Pankaj Ghemawat (2011) captures the argument effectively: based on hard data, and separating facts from fiction, the evidence shows that rising economic integration can bring large gains in welfare, and more so when integration relates to neighbours. It is against this backdrop that this report and its outputs are designed to contribute to our understanding of the role and potential that economic integration, and particularly regional economic integration, plays in Africa's future.

The relationship between integration and socio-economic welfare is especially important from an African perspective, as the continent's low level of integration – with the rest of the world and, more importantly, with each other – points to a source of potentially large and sustainable gains in prosperity.

AGOA is an example from a growing set of policy initiatives of how to incentivise economic diversity and promote openness and economic integration as drivers of economic growth and development. Initiatives like AGOA serve as important catalysts and stepping stones toward integration and broader-based globalisation for less-developed African countries seeking access to international markets.

The Argument for Economic Integration: The Importance of Connecting Trade, Capital, Information and People

The benefits of global integration are identified by Ghemawat (2011) as flowing through four main channels, namely:

i. the flow of goods and services or trade (T);

ii. financial integration and the movement of capital (C);

iii. the flow of information and knowledge (I);

iv. the movement of people (P).

Consequently, we describe the framework for assessing the impacts and influence of economic integration as the TCIP framework. Below we outline why connecting economies – whether they be in Africa, Asia or Europe – with each other and the rest of the world is a fundamental prerequisite for their economic growth and development.

i. Trade (T)

International trade is made up of the flow of goods – so-called merchandise trade – and the flow of services. Considering the flow of goods, the theory of international trade identifies six ways in which openness contributes to improvements in economic welfare, namely through additional trade volume, decreased costs of production, differentiation, intensified competition, normalisation of risk, and the generation and diffusion of knowledge. These gains are best illustrated through the correlation between levels of intra-regional trade and economic development. Data from the World Trade Organization reveals that in the EU and Asia, intraregional merchandise trade accounts for just under 70 percent and over 50 percent of total trade, respectively. In Africa, while intra-regional trade has been increasing in recent years, it is only 17.7 percent of total trade. International trade and internal trade between regional partners is a crucial part of economic development.

With regard to the breakdown of trade, services account for roughly two-thirds of global GDP but only one-fifth of global trade, leaving trade in services only about an eighth as intensive as trade in merchandise (Ghemawat, 2011). For this reason, trade in services is a relatively unexplored sector compared to trade in goods. However, it is easily illustrated that the channels through which merchandise trade benefits economies extend effectively to trade in services especially since services make up a far greater part of the world economy than goods.

This framework is developed and explained in a global context in Ghemawat, P. (2011) "World 3.0: Global Prosperity and How to Achieve It". Harvard Business Press: Boston, Massachusetts. Our work relies heavily on the framework developed by Pankaj Ghemawat and is detailed in Saville and White (2013).

ii. Capital (C)

Capital is a vital prerequisite for growth and development. This comes in various shapes and forms, most commonly internal savings and foreign investment. In less developed economies where savings are relatively low, foreign investment and credit is a crucial source of capital.

International capital flows thus contribute toward the savings pools, export levels and technological sophistication of recipient economies. They also facilitate access to new and larger foreign markets, provide training for labour, and help upgrade technical and managerial skills of a country's workforce. Evidence suggests that international capital flows, by way of direct and spill-over benefits, help in making the host economy more competitive and improve socio-economic conditions.

iii. Information and Knowledge (I)

The implications of the flow of information are abundant. While Information and Knowledge (I) forms an intricate part of Trade (T), Capital (C) and People (P), such exchanges also involve important components of technology transfer, overcoming distance and circumventing poor or non-existent infrastructure toward greater integration.

Two key implications of improved information and knowledge on basic transactions and socio-economic development are:

First, information flows have the capacity to remove inefficiencies in systems and, in turn, have profound impacts on welfare. Second, even modest information flows can have welfare effects that substantially outstrip the most carefully crafted and well-funded social development policies.

iv. People (P)

The cross-border flows of people, which in the first instance refers to the movement of labour, has the potential to bring enormous economic gains. As with Trade (T) and Capital (C), the movement of People (P) is dependent on and closely linked to the development of infrastructure. Infrastructure, in various shapes and forms but in this case transport by road, railway and ports, is the underpinning enabler for greater integration. The movement of people requires good transport infrastructure, but also spurs the development of connecting roads and railways simply through their movement or "lobbying with their feet". The potential gains from the free movement of people – and liberalising labour in particular – are large and it contributes significantly to the liberalisation of trade and capital, as well as knowledge sharing. Ghemawat suggests the combined liberalisation of these factors could potentially push the gains past five percent of global GDP.

But the movement of people has ramifications beyond labour and consumption. With a growing interest in social, cultural and educational exchanges, the movement of people has become a crucial part of integration. It has proven effective in nurturing talent, deepening cultural awareness and understanding and, most importantly, building confidence between nations which are increasingly connected.

v. The Impact of Openness

The economic gains from further liberalising merchandise trade are potentially large. The gains from liberalising cross-border labour flows are even larger, and those from boosting services trade and information flows have multiplier effects that are potentially significant. Also, it is important to remember that the gains that flow from openness are not only economic in nature: cross-border exchanges also offer, amongst other things, cultural and political benefits, not to mention confidence-building among nations and economic actors.

Findings around openness and increased integration have important implications for the socio-economic advance of African economies based on at least two structural drivers. First, African economies are substantially unconnected to the rest of the world. Second, African economies largely are unconnected to each other.

Africa stands to gain from a sustained structural benefit brought about by the opening up of African economies to each other and to the world at large.

The State of African Integration

As noted earlier in this report, and as illustrated in the first two editions of the Visa Africa Integration Index (2013 2014), over the past decade African economies have become more integrated. Poor integration in the past helps explain Africa's decades of underperformance. But rising integration today could go some way to explaining Africa's economic growth surge over the last decade. Equally, rising integration underpins the region's economic prospects. Since the late 1990s, African economies have become more globally connected. For instance, Africa's exports grew at a rate of around eight percent per year between 2000 and 2015, well above Africa's rate of growth of around five percent over the period, and well in excess of world economic growth of 3.5 percent over the same period.

African exports also are becoming more sophisticated. For example, in 2000, African exports to China amounted to $4 billion, of which almost the entire value was represented by raw materials and fuel. By 2010, not only had the figure grown substantially to just under $60 billion, but about one-eighth of the value was represented by manufactured goods, machinery and chemicals (Rice, 2012).

Ghemawat, P. (2011): "World 3.0: Global Prosperity and How to Achieve It". Harvard Business Press: Boston, Massachusetts. (Pp17)

In terms of capital flows, average annual flows of FDI to African countries increased from $25 billion in the decade of the 1990s to $196.6 billion in the last decade. This constitutes an almost eight-fold increase in FDI in the space of a decade, with the number of FDI-funded projects growing at 9.3 percent per year over the period 2003-2014. In 2014, capital investment in Africa surged to $128bn, an increase of 136% and in the same year, FDI created 188 400 new jobs in Africa (Ernst & Young, 2015, 4). In short, there is a clear and persistent structural opening up of African economies since the turn of the century.

However, to better understand economic integration, it is important to recognise that integration can be disaggregated into global integration and regional integration. The first element relates to Africa's connectedness to the world, the second element relates to the connectedness of African economies to each other.

i. Global Integration: Under-Integrated Africa

Despite the rising integration described above, Africa's global economic integration remains extremely low. While Africa has undoubtedly become far more integrated with the rest of the world in recent years – and especially since 2010, following the global financial crisis – the continent is still the least globalised region in the world.

Trade is just one example. The movement of goods and services between Africa and the rest of the world has been slow, with lacklustre flows lagging other regions. Dropping from its peak in 1948 when Africa's contribution (exports and imports) was around 7.7 percent of total world trade, Africa's trade has increased from a low of 2.3 percent in 2003 to 3.3 percent of world trade in 2015. Specifically taking into consideration merchandise trade, one discovers that Africa holds the lowest share of world merchandise trade at 3 percent. While this is not much lower than Latin America, which contributed 3.8 percent towards world merchandise trade in 2014, it is substantially lower than Europe and Asia whose merchandise trade consists of 36.8 and 32 percent of world merchandise trade respectively.

Arguably, Africa's poor trade performance is less about policy and preferential access to key markets than about facilitation. This point is supported by the fact that it remains significantly more expensive for African countries to trade with other African countries than it is to trade with other regions around the world. This is because of poor – or absent – infrastructure, bureaucratic inefficiencies and weaknesses in other enablers that facilitate trade and overall economic integration. Put simply, Africa needs to trade and become more integrated in global value chains if it is to harness its natural potential and stimulate wealth and prosperity. This also means growing integration within Africa – to build economies of scale and competitiveness in global markets, and thus mimic the success of the likes of the so-called Asian tigers.

Similar results are evident in the areas of capital, information and the movement of people. While there are significant signs of improvement in integration and openness, it is clear that Africa still lags behind other regions and that improved integration will have a dramatically positive impact on economic growth and development. To be clear, international capital flows are still low in Africa which, as a region, attracts less than five percent of global FDI projects. Africa is by and large under-banked and under-serviced in terms of conventional financial support and capital provision or insurance facilities, which poses enormous constraints on ordinary transactions. In the same breath, this market void also presents a tremendous opportunity for potential providers of such services. Most Africans have never had access to a landline telephone, historically making day-to-day communication near impossible and seriously hampering the sharing of information and knowledge. Mobile technology and wireless communication have changed this, providing extraordinary business, economic and social impacts.

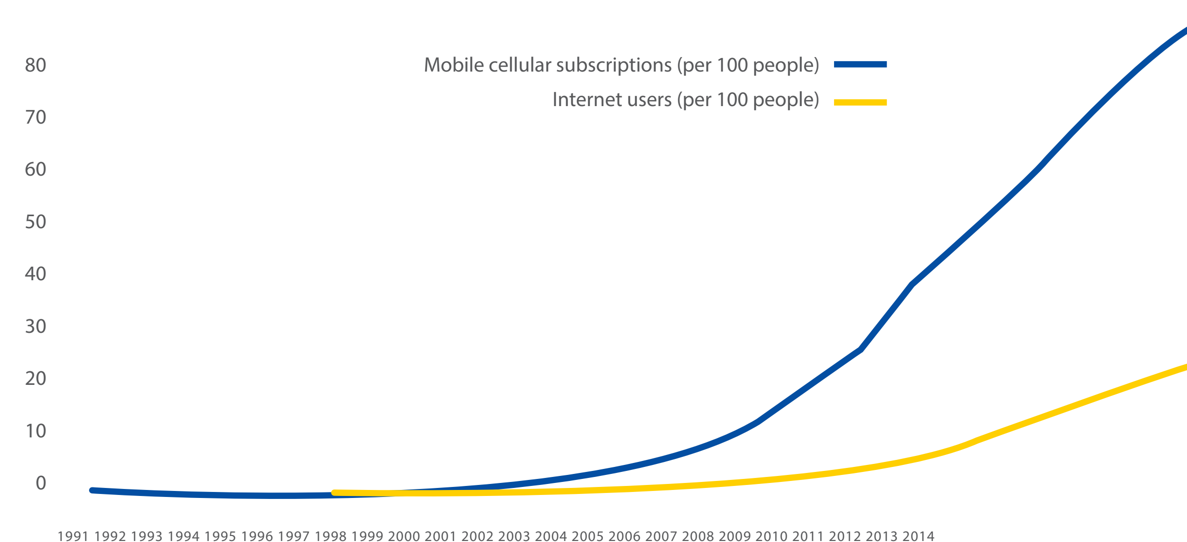
Mobile phones are ubiquitous in Africa today. For the past five years, SSA has been the fastest growing region with regard to subscribers and connections. With the near absence of landlines across the continent, more than one-in-two people in Africa now has a mobile phone. The usage and innovations associated with mobile technology are leapfrogging the west. In the space of just 10 years – from the mid-1990s to 2005 – mobile phone subscribers increased from zero to 88 million. By mid-2015, there were a remarkable 367 million unique subscribers in Africa – representing more than half of the African population, while sim connections reached over 722 million. This is a penetration rate of 77 percent, from a mere 3 percent in 2001. The unique subscriber base is expected to grow at an annual compound rate of 7 percent until 2020, reaching just over half a billion subscribers. Mobile data traffic in Africa has been forecast to increase twentyfold between 2013 and 2019, representing a growth rate that is approximately twice the global growth rate. This has been one of the most dramatic leaps of communication connectedness by any measure in world history.

See The Economist Special Report: "Emerging Africa". 2 March, 2013.

Internet connectivity is expected to follow a similar trend on the back of mobile phones for the foreseeable future. Already one in two Kenyans uses the internet, and with four times the penetration of neighbouring Ethiopia, it is estimated that mobile technology has added at least one percentage point a year to Kenya's GDP growth rate. Mobile phones and internet access are two sides of the same coin in Africa, and also are part of crucial services related to banking and insurance. As with the surge of mobile phones in Kenya, the number of bank account holders has increased from one million to twenty million in ten years, and over one-third of Kenya's GDP now flows through mobile banking solutions. Still, much remains to be done to improve Africa's connectivity.

In sum, considering Africa's integration with the global economy, the region's role and standing in the broader global landscape is low. Whilst this low integration plays an important role in explaining Africa's economic backwardness in the past, it also presents a powerful source of sustained structural growth that contributes to the exceptional latent potential of the broad African economy.

Figure 10: Mobile and Internet Users in Africa



Source: Kelly Firth (2016) adapted from World Bank data (2015)

Statistics from GSMA Intelligence publication. GSMA Intelligence. (2014): The Mobile Economy: Sub-Saharan African 2015. Accessed from gsmaintelligence.com/research/?file=721eb3d4b80a36451202d0473b-3c4a63&download

ii. Regional Integration: African Neighbours Are Not Integrate

The second line of analysis regarding integration relates to how connected African countries are to each other. Once again the evidence points to exceptionally low levels of intra-Africa flows and regional integration that, in the same fashion as low levels of global integration, is an important explainer of Africa's poor economic record whilst, simultaneously, pointing to the substantial economic potential that resides in the prospect of African economies connecting to each other via regional integration.

While Africa has made some progress towards regional integration, the continent still remains largely fragmented. Experts following integration in Africa highlight a set of fundamental reasons for the low level of regional integration, namely low levels of economic and product diversification, historical relationship, poor or inadequate infrastructure, historically small markets with low purchasing power as well as conflicting legal, institutional and regulatory frameworks (Oliphant, 2014). These factors, while restraining regional integration in Africa, impose higher costs on African trade, therefore contributing largely to the continent's low levels of competitiveness.

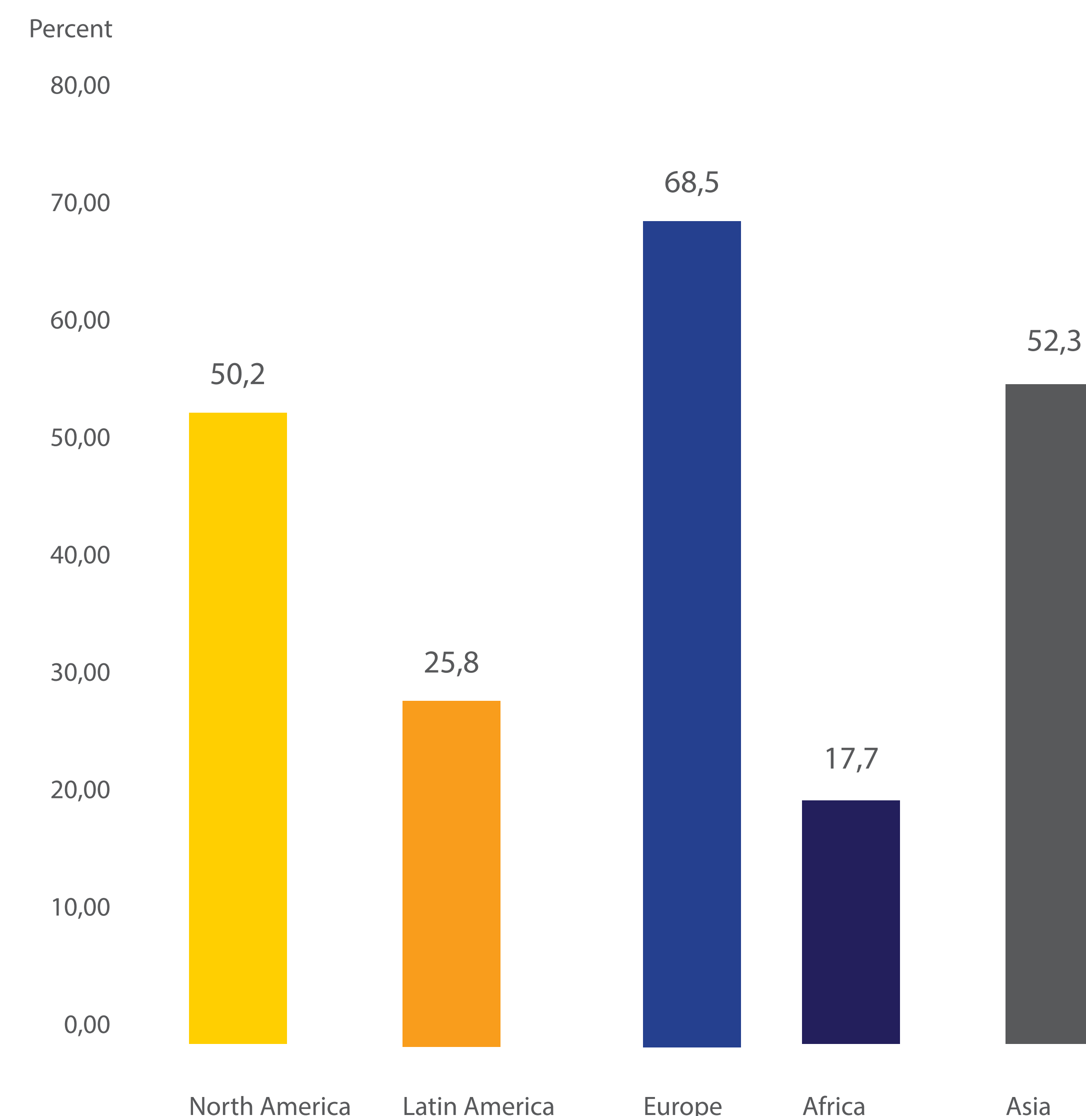
Additionally, there is little history of trade complimentarity between African countries and historically, infrastructure was designed and built to extract resources from the continent to be shipped to other locations and not necessarily to connect one African market to the next. These have hampered bilateral trade among African countries and the development of a lucrative consumer market, while rendering the development of any value chains or productive economies of scale near impossible. In short, this has undermined the overall competitiveness of the African economies.

As a consequence, intra-African trade costs are estimated to be the highest intra-regional trade cost in any developing region, averaging 50 percent higher than in East Asia. Gopaldas (2014) reports that it takes 28 days to move a container from the port of Shanghai, China to Mombasa, Kenya at a total cost of $600. However, it takes 40 days to move the same container Mombasa, Kenya to Bunjumbura, Burundi at a cost of $8,000. As a result of these high costs, Africa has integrated with the rest of the world rather than itself and so, regional trade in Africa is much lower than in other countries as shown in Figure 11.

Data from the World Bank show Africa's intra-regional trade amounted to just 11 percent of its total in 2011 – well below the global average, not to mention the levels of developing Asia, Latin America and Europe where intra-regional trade accounts for over 50 percent, 20 percent and 70 percent, respectively. More recent data shows that in 2014, intra-regional trade in Africa amounted to 16.2 percent of its total. While this is a substantial improvement on just three years earlier, the figure remains well below other regions. This is seen in Figure 10, as per the previous page. Intra-regional trade in Africa is the lower than any other region, at 17.66 percent. This puts intra-regional trade in Africa behind the likes of Europe, Asia and even Latin America, at rates of 68.5, 52.27 and 25.82 respectively.

As previously mentioned, Africa's poor level of regional integration comes as a result of low levels of economic and product diversification, historical relationships, inadequate infrastructure, historically small markets with low purchasing power and little history of trade complimentarity between African countries. Consequently, this has restricted bilateral trade between African countries and the development of a lucrative consumer market, while rendering the development of value chains or productive economies of scale near impossible. Ultimately, this has undermined the overall competitiveness of the African economies.

Figure 11:
Regional Merchandise Trade Relative to Total Merchandise Trade (2014)



Source: Kelly Firth (2016) based on World Trade Organization data (2014)

Africa: Taking the Great Leap Forward and Integrating

Integrating with each other is an essential pre-requisite for African economies to realise their full potential. This forms part of unlocking the burgeoning market opportunities within Africa while building scale and competitiveness for African countries and companies seeking opportunities in global markets. The potential, in this regard, is exponential.

Whilst the low degree of integration forms a key component in explaining Africa's historically poor economic performance, it also underscores the latent economic potential that is released as integration progresses. Seen in this light, it is evident that the potential of African economies hinges critically on effectively integrating with the world economy but, given that the greatest gains from integration relate to local integration, it is essential that African economies connect with each other via intra-Africa trade, capital flows, movement of people and exchange of information and ideas. Such connectivity will serve to bolster Africa's rising prospects and help realise gains in socio-economic welfare.

This suggests substantial opportunity for African economies as they become increasingly integrated, internally as well as with other economies. Against this backdrop, in this report we detail the construction and results of the Visa Africa Integration Index. The Index provides a contemporary measure of integration amongst key economies across the continent and allows for a dynamic study of the evolution of economic integration and how it contributes to Africa's improving socio-economic prosperity.

In this way, the Visa Africa Integration Index constitutes a new instrument in our toolkit that helps us better understand the changes, challenges and opportunities presented by Africa's economic leap forward.

The Visa Africa Integration Index

In this report we argue that economic integration is a vital ingredient for socio-economic advance, and lead evidence to this effect. We recognise that economic integration is multi-faceted – and includes more than just the movement of goods, services and capital, but also the movement of people, information and knowledge. We also recognise that integration can be measured at different levels of aggregation, and we argue that measuring regional integration is at least as important as measuring global integration.

It is against this backdrop that the Visa Africa Integration Index is constructed for a set of 11 countries that are found in three clusters, namely: a Southern African Cluster, which includes South Africa, Angola, Mozambique, Zambia and Zimbabwe; a West African Cluster, which includes Ghana and Nigeria; and an East African Cluster, which includes Kenya, Uganda, Rwanda and Tanzania.

Constructing the Index along these lines is a function of a range of factors including:

i. growing evidence of rising integration amongst these countries;

ii. the role these countries have in contributing to growing business revenues; and

iii. availability of long-term data sets.

Aside from allowing for the construction of a reliable and robust Index, the 11 constituent countries are highly representative of the region, with a combined population of 504 million people, or 55 percent of the total population of approximately 962 million people. The combined GDP of the 11 countries that make up the Index measured $1,405 trillion in 2015, equal to more than three-quarters of the region's total output.

In addition to providing a robust measure of African economic integration, the Visa Africa Integration Index makes an important contribution to knowledge by drawing on proprietary information, represented by more than 4 million data points, to fill in gaps in our understanding and measurement of economic elements in a fast-changing but characteristically data-poor environment. For the purpose of constructing the Index of Economic Integration, we draw on Ghemawat (2011, 32) who defines economic integration as a measure of "the depth and breadth of a country's integration with the rest of the world, as manifest by its participation in international flows of products and services, capital, information, and people".

To measure integration, we measure the depth of economic integration as well as its breadth. In terms of "depth", a country is considered to be "deeply integrated" if the economy is particularly open and highly connected to the rest of the world. However, integration only becomes "deep and broad" if a highly connected economy is engaged with a wide variety of counter parties across the different strands of its global relationships. Measuring economic integration by way of depth and breadth provides for a more granular description and better understanding of the nature of integration beyond conventional economic measures.

As noted, the definition of economic integration adopted here identifies four specific dimensions of economic integration to measure global integration, namely the movement of goods and services, or trade (T), financial integration, represented by the movement of capital (C), the movement of information and knowledge (I), such as access to information, ideas and technology, and the movement of people (P). Within the four pillars of this TCIP framework, individual types of flows become the building blocks of the Index.

The components included in the construction of the Visa Africa Integration Index are shown in Table 2. The final Index has a global element and a regional element, which are assigned equal importance. As shown, the global element rests on the four TCIP pillars which are constructed for breadth and depth using 19 underlying components. Their weights are assigned on the basis of assessed economic significance (Table 2). In some instances scores are meaningless, which results in weights being reassigned. The method and arguments are detailed in Saville and White (2013).

With regard to the regional element, data constraints mean that whilst regional pillars are constructed for breadth and depth, the scores rest on a narrower base of four components. Again, the method and arguments are detailed in Saville and White (2013). The net result is an Index that has four primary elements, namely: (i) global depth; (ii) global breadth; (iii) regional depth; and (iii) regional breadth. Each of the four elements carries a final score of 100, where a score of 100 is equal to the global median. By adding the four elements together and dividing this result by four produces a final Index figure which, by the same convention, should be read against the global median of 100. A country with a score below 100 is achieving economic integration, but to an extent below the global median, and so on. Equally, we can consider the influence of elements, such as regional integration, by comparing a country's score to the median. In this vein, a score for regional integration, say of 30, needs to be compared to the median of 50, made up of regional depth (25) and regional breadth (25). For ease of exposition it generally is easier to interpret sub-scores as being measured out of 100. Full Index weights are displayed in the country section. As noted, the method and inputs for the construction of the Index are detailed extensively in Saville and White (2013).

Table 2: Pillars and Components of the Visa Africa Integration Index

TCIP Global Integration Score

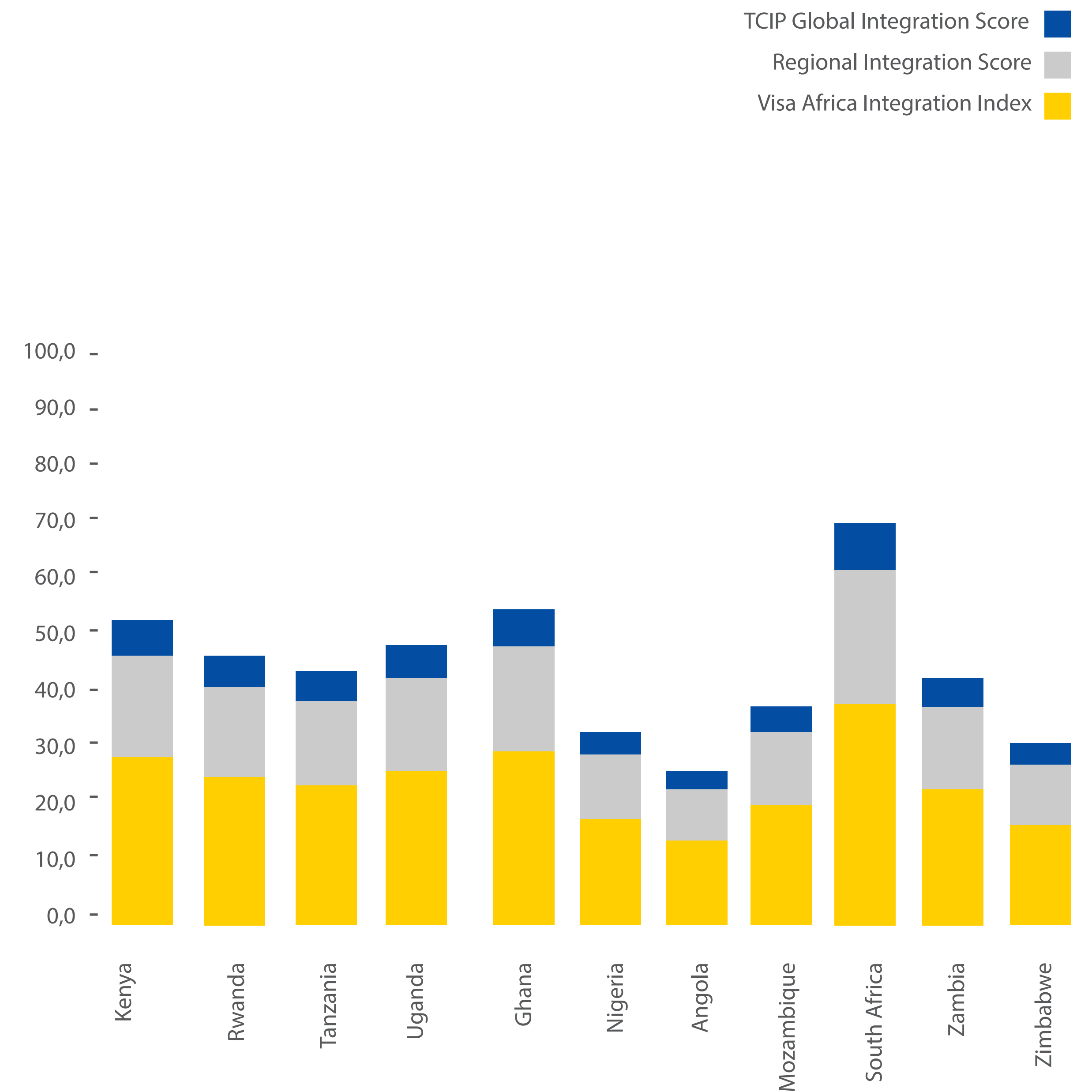
Pillar	Pillar Weight (%)	Component	Depth Weight (%)	Breadth Weight (%)
Trade (T)	17.5	Merchandise Trade	20.0	45.0
		Service Trade	10.0	22.5
		Spend on Logistics and Travel	15.0	0.0
		In-country transactions on foreign bank cards	15.0	32.5
		Road, Rail and Air infrastructure	7.0	0.0
Capital (C)	17.5	Foreign Direct Investment (FDI) stocks	75.0	75.0
		Foreign Direct Investment (FDI) flows	25.0	25.0
Information (I)	32.5	Internet users	20.0	25.0
		Mobile cellular subscribers	20.0	25.0
		Trade in printed publications	10.0	0.0
		Social network users	10.0	0.0
		Spend on data services and information	20.0	25.0
		Education spend	20.0	25.0
People (P)	32.5	Immigrants (foreign born)	30.0	35.0
		Tourists (arrival and departures)	15.0	0.0
		International students	30.0	35.0
		Air transport passengers	12.5	0.0
		Foreign bank cards versus domestic bank cards	6.25	15.0
		Transactions on foreign bank cards	6.25	15.0

Regional Integration Score

Pillar	Pillar Weight (%)	Component	Depth Weight (%)	Breadth Weight (%)
Trade (T)	17.5	Intra-SSA trade	10.0	10.0
Capital (C)	17.5	Intra-SSA card usage (outbound)	22.5	30.0
Information (I)	32.5	Intra-SSA card usage (inbound)	22.5	30.0
People (P)	32.5	Intra-SSA spend	45.0	30.0

The Visa Africa Integration Index: Key Findings

Figure 12: Visa Africa Integration Index (2015)



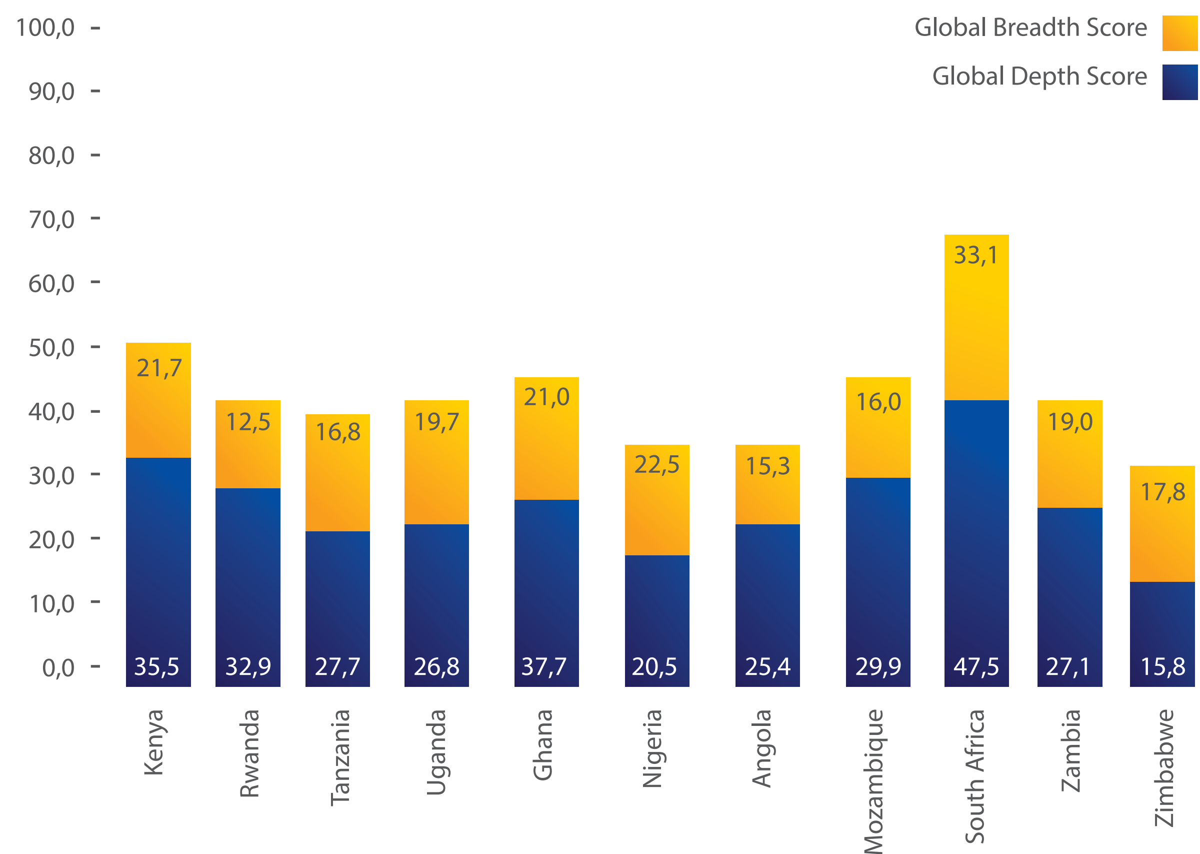
First, whilst improving off a modest base, the countries that make up the Index have undergone positive structural transformation over the past decade. The Index offers both recent and robust evidence of this: all 11 countries show improvements in economic integration over the period measured, namely the ten half-year periods that make up 2011, 2012, 2013, 2014 and 2015.

While each of the 11 countries has shown overall improvement in economic integration over the entire period measured, there is concern regarding the performance of Mozambique and Nigeria since 2013. Since the publication of the Visa Africa Integration Index 2nd Edition (2014), eight of the 11 countries included in the Index have continued to show improvements in their level of economic integration, while two countries have shown deterioration in their economic integration and one country has maintained its same level, showing neither improvement nor deterioration.

Countries that continue to show improvement since 2013 consist of Angola, Ghana, Kenya, Rwanda, South Africa, Tanzania, Uganda and Zambia. In some cases, the improvements are modest. Since 2013, South Africa and Angola record gains in integration that amount to 0.37 percent per year and 0.64 percent per year, respectively. In other cases, the gains are swift and substantial. Rwanda and Zambia's Index score rises by approximately 20 percent over the five years. In contrast, countries such as Nigeria and Mozambique have experienced a decline in economic integration, since 2013, of 2.3 percent per year and 0.73 percent per year, respectively. Zimbabwe has maintained its score of 31.2. These scores are further elaborated on in the country analysis that follows.

Figure 13 and Figure 14, below and on the following page, reflect scores at the country level for global depth and breadth as well as regional depth and breadth.

Figure 13:
Visa Africa Integration Index Global Depth and Breadth (2016)

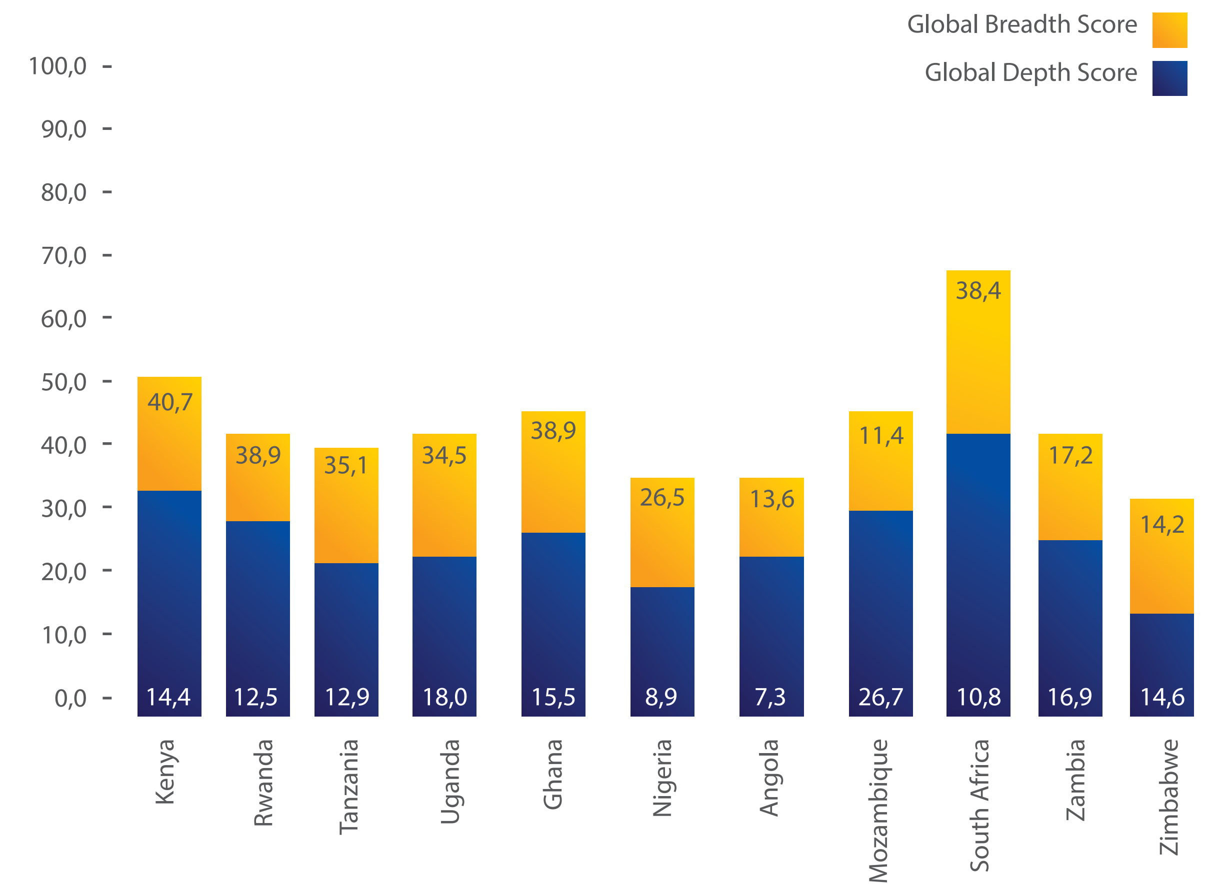


Source: Adrian Saville (2016)

Second, given the rapidly improving economic environment and composition, the socio-economic gains that come with rising integration will translate into rising investment opportunities and prospects for new business relationships in the 11 countries covered. Notwithstanding these improvements, the results of the Visa Africa Integration Index show no African country in the Index scores above the global median of 100 at either the global or regional level. South Africa scores highest amongst the 11 countries for global integration with a score of 40.3 out of 50 (when allocated a 50 percent Index weight). Kenya scores highest for regional integration, scoring 27.6 out of 50. But all of these countries – South Africa, Ghana, Kenya and the remaining eight – are a long way off the global median of 50.

The same observation holds for the underlying depth and breadth pillars that make up the Index. Whilst South Africa scores highest for global depth (47.5 against the global median of 50) and global breadth (33.1), Mozambique scores highest for regional depth (26.7), and Kenya has the highest score for regional breadth (40.7). Notably, none of these scores achieves the global median of 50. Thus, while the economic transformation among these African countries is impressive, the Index results flag the need for further structural improvements.

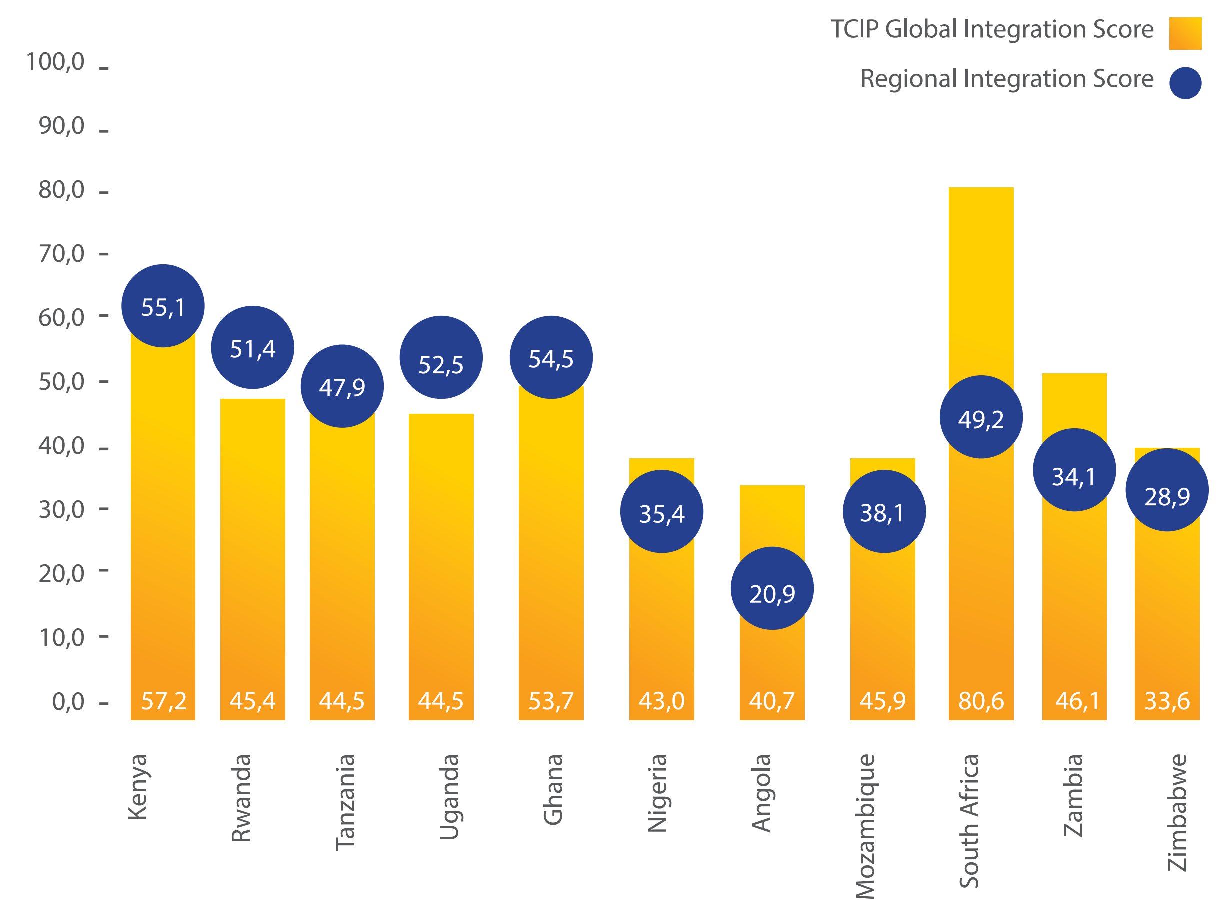
Figure 14:
Visa Africa Integration Index Regional Depth and Breadth (2016)



Source: Adrian Saville (2016)

Third, the drivers of integration have some common elements. For example, over the survey period, regional integration is a consistently more important contributor toward economic progress and social development than global integration. However, the pillars – in the form of contributions made by the TCIP elements – vary. In the East African cluster, the most important driver is people. While in West Africa it is capital and in Southern Africa it is trade and information that make the greatest contributions to rising integration. These variances in the TCIP pillars make for interesting analysis. More notable, though, is that it is regional integration – over global integration – that explains most of the Index gains. Fourth, there are relevant disconnects in some countries that do not follow the anticipated trend results. As a rule, the countries tend to have similar degrees of regional and global integration. However, some notable anomalies arise, in particular the cases of Angola and South Africa, where wide divides exist between global and economic integration, as shown in Figure 15 on the following page. Note that the scores in this table are rebased to 100 to allow for ease of comparison; in the Index each is weighted at 50 percent. That aside, this evidence speaks of the nature, health and consistency of economic integration.

Figure 15:
Global and Regional Elements of the Visa Africa Integration Index (2016)



Source: Adrian Saville (2016)

The fifth aspect that stands out most clearly is that Africa – and more specifically according to these results Sub-Saharan Africa – is not "one country" or "a place". The region is not one amorphous aggregate, distinguished from the rest of the world as "being different". Rather, the findings enforce the point that each of the 11 countries that make up the Index, and their three regions, have unique and discernible attributes that influence and inform the way in which they integrate with the world economy and with whom they connect.

To be sure, each of the 11 countries – and each of the three regions – is made up of unique elements with their own economic, geographic, institutional and structural forces at work. These are informed by their histories, a diversity of resources and contrasting possibilities.

Thus, whilst economic integration is a driver of socio-economic advance, the influence and impact it has, differs from region to region and country to country, which evolves with regional and global integration. This speaks to the value of the Visa Africa Integration Index, emphasising the fact that it is simply not possible to approach Africa with a "one size fits all" mindset. The work done in compiling the Index reveals that each region and every country that makes up the Index presents its own opportunities and challenges, with idiosyncrasies and rewards, and each needs to be assessed in its own right. This is captured in part by illustrating the relative contribution of each component of economic integration to that country's integration index score. Figure 16 helps illustrate this point.

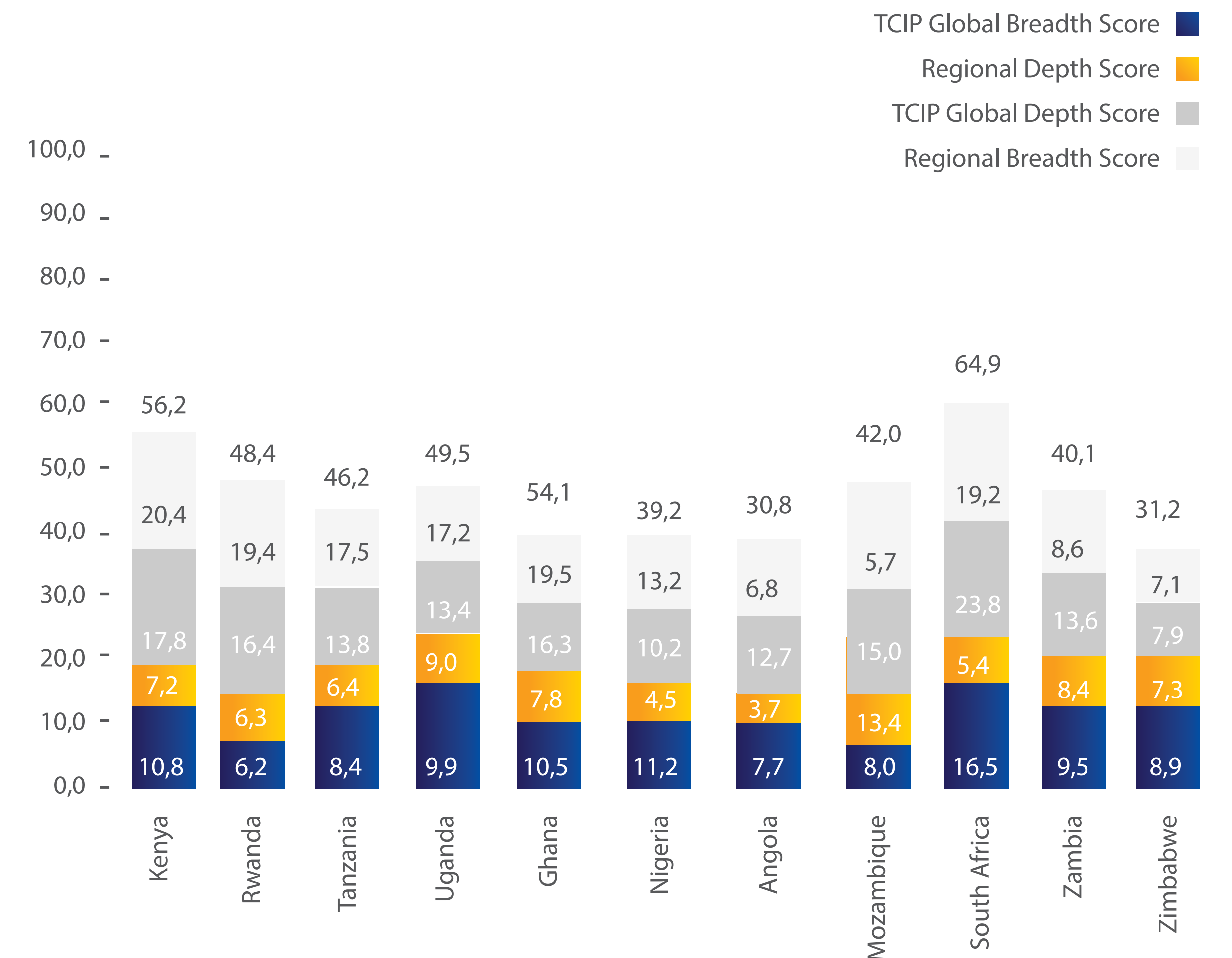
Whilst surging demand for natural resources may have kickstarted the process of rapid economic growth experienced by the countries that comprise the Visa Africa Integration Index, the available evidence and arguments identify structural change as an increasingly powerful driver of sustained socio-economic advance in Africa.

The arguments underpinning the Index and the analysis that follows from its construction show that the countries in the Visa Africa Integration Index are embracing modernity and necessary structural change. The strengthening of institutions like the role of the state, improved legislation, macroeconomic policies, fiscal management and the entrenchment of individual rights are just some of the factors that have helped move these 11 economies in a positive direction, while achieving greater integration with each other and with the world. This has become a driver of socio-economic advance.

On this last point, the results of the Visa Africa Integration Index suggest that much still needs to be done, but the social and economic gains are evidence of steady gains through economic integration. These gains will come through deepening their economic relationships. This means doing more business with the rest of the world as well as with their neighbours, while widening economic relationships and achieving greater breadth through new markets and new partners.

The 11 countries and the three clusters that make up the Visa Africa Integration Index are reported on in detail on the pages that follow.

Figure 16: Component Contributions to the Visa Africa Integration Index (2016)



Source: Adrian Saville (2016)

East African Cluster

To establish an index for the East African cluster we assign equal weights to the four countries from the region that are measured in the Index, namely Kenya, Rwanda, Tanzania and Uganda.

As shown on the following page, the Visa Africa Integration Index for the East African cluster has improved steadily from 45.5 at the start of 2011 to 50.1 by the end of 2015. While the cluster may be integrating at a slower rate, it has maintained steady – albeit modest – progress since 2013. This has extended the gains noticed in the first and second reports. All four countries measured contributed to this steady success. Most notable, however, are the gains recorded by Rwanda, which continuously sustains the largest increase for economic integration out of the three African clusters on the Index. In the period since the first report, Rwanda's regional breadth makes the greatest contribution to Rwanda's ongoing integration. However, this contribution has declined by 1.4 percent since 2013, while the contribution of global depth has increased by 3.4 percent.

In 2013, the overall Index score for the cluster displayed that the country's improved rankings were a result of a marked rise in regional integration along with a steady – albeit small – increase in global integration. While the cluster's regional integration score is still higher than that of global integration, the cluster appears to be integrating globally at a faster rate. The cluster, which displayed an exceptional performance in regional integration prior to 2013, has declined by 0.2 percent. Contrasted to this, the cluster's global integration score has increased by 4.6 percent since 2013. This indicates that it is now global integration that is driving the East African cluster's integration. The rise in the cluster's global integration score in largely explained by the flow of information, which has grown by 15 percent since 2013.

In terms of regional drivers, the depth of integration has continued to improve, which indicates greater activity between the East African countries. But the marked improvement over the entire period is the increased breadth and diversity between the four countries in dealing with each other. In particular, Rwanda's regional integration score improved impressively from 40.3 at the start of the Index series to 51.4 by the end of 2015. However, it must be noted that Rwanda's current regional integration score is a decline from its peak of 53.1 in 2013. Kenya, Tanzania and Uganda also recorded steady gains over the survey period, albeit less pronounced. In 2015, all three countries achieved their highest regional integration score to date, which underscores the robustness of the East African cluster's rising economic integration. It is not simply the case of one country connecting with neighbours, but rather each of the neighbours connecting to the neighbourhood.

The policies behind the East African Community (EAC), which strive to widen and deepen economic, political, social and culture integration in East Africa seem to have kicked in to active practices and real transfers or transactions among the countries of the EAC. These policies are geared toward building competitive economies of scale, value-added production, trade and investment that, in turn, explains the cluster's rising connectedness.

The Visa Africa Integration Index therefore illustrates the effective functioning of the EAC agreement, with a record of increasing flows and activities between those countries.

Table 3 summarises the cluster's Index results and the individual country reports follow.

Table 3: Visa African Integration Index East African Cluster

		2011H1	2011H2	2012H1	2012H2	2013H1	2013H2	2014H1	2014H2	2015H1
3,0	Visa Africa Integration Index	45,5	47,7	48,0	48,8	48,4	49,0	49,3	49,9	50,1
25,0	Kenya	51,5	52,4	53,0	53,9	54,4	55,0	55,3	56,6	56,2
25,0	Rwanda	40,0	46,3	47,1	47,3	46,0	47,1	47,5	48,0	48,4
25,0	Tanzania	43,8	44,7	44,6	45,3	45,2	45,6	45,8	46,0	46,2
25,0	Uganda	46,7	47,4	47,2	48,7	47,9	48,3	48,7	49,1	49,5
3,0	TCIP Global Integration Score	44,7	45,0	44,8	45,3	45,8	46,2	46,6	47,9	48,4
25,0	Kenya	52,2	51,6	51,8	52,9	54,1	55,1	55,4	58,4	57,2
25,0	Rwanda	39,8	40,2	40,4	40,7	41,3	41,2	42,1	43,6	45,4
25,0	Tanzania	42,2	43,9	42,8	43,4	43,6	44,0	44,0	44,1	44,5
25,0	Uganda	44,6	44,4	44,2	44,1	44,2	44,6	45,1	45,6	46,6
50,0	Depth	56,8	57,5	57,3	57,7	58,0	58,5	59,6	60,7	61,4
50,0	Breadth	32,6	32,6	32,3	32,9	33,6	34,0	33,6	35,2	35,3
17,5	Trade	71,2	71,1	70,9	70,4	70,0	70,8	70,5	71,2	71,9
17,5	Capital	55,2	54,4	53,6	53,3	56,2	54,8	55,3	55,9	57,5
32,5	Information	26,7	27,9	27,5	29,2	30,0	31,4	32,8	35,9	36,4
32,5	People	42,8	43,1	43,3	43,6	43,0	43,1	43,0	43,1	42,8
100,0	Regional Integration Score	46,3	50,3	51,2	52,3	50,9	51,8	52,0	51,9	51,7
50,0	Regional Integration Depth	24,5	26,3	26,4	28,6	28,2	28,6	28,7	28,8	28,9
50,0	Regional Integration Breadth	68,1	74,3	76,0	76,0	73,7	75,1	75,2	75,0	74,6

East African Cluster: Kenya

Kenya's Visa Africa Integration Index score has risen consistently over the period of the survey. This has resulted in Kenya achieving the highest score for the region, having moved further ahead of the other three East African countries in the period since the first report. This result follows some improvement in global integration and more robust advances in regional integration as Kenya, the largest economy in that sub-region, drives broader and deeper integration in the EAC.

Interestingly, Kenya's depth of global integration is far greater than the depth of its regional integration. But the breadth of the country's economic relationships with its neighbours is far stronger than its breadth with the rest of the world. This suggests that despite the progress recorded in the EAC in recent years, there is still substantial opportunity for Kenya to deepen its regional economic relationships in all the areas in which it is already active. This bodes well for Kenya and the East African cluster as there appear to be easy wins from pursuing extant relationships.

A greater challenge may be for the country to broaden existing relationships with economies outside of the region through a greater diversification of products and partnerships. Currently, more than one third of Kenya's global merchandise trade is represented by three products: tea, cut fresh flowers and raw coffee. These trade flows are dominated by three countries: the United States, the United Kingdom and the Netherlands. From both a regional and global perspective, Kenya's breadth score is expected to rise soon. This comes with Kenya's increasing product diversification as its first oil cargo is set to reach export handling facilities by September 2016.

Table 4: Visa Africa Integration Index for Kenya

		2011H1	2011H2	2012H1	2012H2	2013H1	2013H2	2014H1	2014H2	2015H1
100,0	Africa Integration Index	51,5	52,4	53,0	53,9	54,4	55,0	55,3	56,6	56,2
100,0	TCIP Global Integration Score	52,2	51,6	51,8	52,9	54,1	55,1	55,4	58,4	57,2
50,0	**Depth Component**	**68,9**	**67,7**	**68,1**	**68,6**	**70,1**	**70,6**	**72,2**	**72,7**	**71,0**
17,5	(T) Trade	38,4	37,8	37,0	35,5	35,1	35,8	34,0	34,0	33,9
17,5	(C) Capital	40,8	40,8	41,5	41,5	41,0	41,0	41,0	40,0	38,9
32,5	(I) Information	33,5	32,0	32,4	33,8	36,1	36,2	39,6	40,7	40,0
32,5	(P) People	29,8	29,9	30,2	30,2	30,8	31,1	31,1	31,2	30,0
50,0	**Breadth Component**	**35,6**	**35,5**	**35,4**	**37,2**	**38,0**	**39,6**	**38,6**	**44,1**	**43,3**
17,5	(T) Trade	32,8	32,9	33,2	33,4	33,3	33,3	33,2	33,3	33,3
17,5	(C) Capital	22,2	20,8	19,9	19,5	24,4	20,9	19,4	18,0	19,5
32,5	(I) Information	7,7	8,2	8,4	11,1	9,9	14,3	13,5	22,6	20,7
32,5	(P) People	17,4	17,5	17,4	17,6	17,5	17,5	17,5	17,5	17,5
100,0	Regional Integration Score	50,8	53,1	54,3	54,9	54,8	55,0	55,1	54,9	55,1
50,0	**Depth**	**21,5**	**23,8**	**26,2**	**28,6**	**28,1**	**28,2**	**28,7**	**28,3**	**28,9**
50,0	**Breadth**	**80,1**	**82,4**	**82,4**	**81,2**	**81,5**	**81,8**	**81,6**	**81,5**	**81,4**

East Africa Cluster: Rwanda

With a Visa Africa Integration Index score increasing from 40.0 to 48.4, Rwanda has shown substantial improvements in its integration over the period, making it the most improved integrator of the 11 countries measured since 2011. Despite evidence of a stall in 2012 and 2013, Rwanda appears to have recovered its lost gains. This recovery has occurred as a result of its consistent, robust improvement in global integration, which has increased by 9.9 percent since 2013. Rwanda's progress in global integration has enabled the country to improve its Index score, despite a continuing decline in regional integration. This makes global integration Rwanda's current key driver in integration. Underpinning Rwanda's global integration is the depth of its relationships, which has increased by an impressive 13.6 percent since 2013.

Global integration has not always been the key driver of Rwanda's integration. Over the broader period, the climb in integration has been driven by a remarkable rise in regional integration over a relatively short time. This could perhaps be attributed to Rwanda's accession to the EAC in 2007. This rise has been explained predominantly by Rwanda's diversity of partners and products, more than its depth of relationships. At the end of 2013, Rwanda scored highly for breadth of regional integration – the second highest in the East African region and the third highest of the 11 countries measured, after Kenya and Ghana. This is evidence of the impact from progressive integration and healthy regional partnerships.

Whilst Rwanda continues to hold the title for the third highest regional breadth score in Africa, it has been unable to maintain its exceptional pace of regional integration. Since 2013, regional integration has faced a decline of 3.2 percent, which is predominantly explained by a decline in regional depth of 5.6 percent.

Rwanda is demonstrating gains from regional flows of goods, services, capital, information and people. Recently, these gains have been extended to global flows. Rwanda no longer holds the lowest scores for global integration in the region. However, it continues to be held back by shallow regional integration.

There are significant "catch ups" that the economy needs to achieve, not just with its existing business partners – dominated by Germany, the United States and China – across existing industries like agriculture and tourism – but also with new partners in new industries. The shallow nature of Rwanda's integration, however, may be the result of its level of industrialisation and degree of economic diversity in the country, where it still produces a limited range of products and services – in fact, just a handful – which it successfully manages to export to all its regional partners, but not to a broad range of international markets.

At the end of 2013, Rwanda scored highly for breadth of regional integration – the second highest in the East African region

Table 5: Visa Africa Integration Index for Rwanda

		2011H1	2011H2	2012H1	2012H2	2013H1	2013H2	2014H1	2014H2	2015H1
100,0	Visa Africa Integration Index	40,0	46,3	47,1	47,3	46,0	47,1	47,5	48,0	48,4
100,0	TCIP Global Integration Score	39,8	40,2	40,4	40,7	41,3	41,2	42,1	43,6	45,4
50,0	**Depth Component**	**55,9**	**56,4**	**56,9**	**57,2**	**57,3**	**57,5**	**59,5**	**62,6**	**65,7**
17,5	(T) Trade	33,0	34,1	35,0	35,2	34,8	35,4	36,1	38,5	40,7
17,5	(C) Capital	17,7	17,5	17,3	17,1	18,9	18,9	23,5	28,8	34,1
32,5	(I) Information	14,6	14,5	14,5	14,5	15,3	15,3	16,1	16,4	17,0
32,5	(P) People	44,1	44,5	44,9	45,3	43,9	44,0	43,5	43,8	43,8
50,0	**Breadth Component**	**23,7**	**24,0**	**23,9**	**24,2**	**25,3**	**24,8**	**24,6**	**24,6**	**25,0**
17,5	(T) Trade	29,1	29,3	29,2	29,6	29,5	29,6	29,7	29,8	29,9
17,5	(C) Capital	10,9	11,0	10,9	11,2	14,2	12,4	11,4	10,9	11,2
32,5	(I) Information	2,2	2,1	2,1	2,1	2,3	2,4	2,7	2,9	3,2
32,5	(P) People	12,7	13,1	13,1	13,1	13,0	13,1	13,1	13,1	13,1
100,0	Regional Integration Score	40,3	52,3	53,9	53,9	50,7	53,1	52,9	52,3	51,4
50,0	**Depth**	**23,2**	**26,9**	**24,9**	**25,9**	**26,2**	**26,5**	**25,9**	**25,7**	**25,0**
50,0	**Breadth**	**57,3**	**77,7**	**82,9**	**81,9**	**75,1**	**79,7**	**79,8**	**78,9**	**77,7**

East African Cluster: Tanzania

With a Visa Africa Integration Index reading of 46.2, Tanzania is the least integrated of the East African countries in our survey. The low score comes about despite a steady (but very slight) improvement in the country's integration during the measurement period.

Whilst coming off a modest base, the depth of Tanzania's global integration is rising, led by improvements in the flow of people and information. The increasing contribution of the tourism sector to the Tanzanian economy is a key element in this regard. However, Tanzania's economy still depends largely on agriculture, which accounts for more than half of the country's GDP and about three-quarters of its exports. Thus, the narrow portfolio of traded goods dominated by primary products traded with a small number of partners explains the low score Tanzania achieves for global breadth. This narrow portfolio does not appear to be expanding. This is supported by the fact that Tanzania has achieved the same global breadth score for three consecutive half years.

Tanzania has achieved growth, albeit modest, in its breadth of regional integration. Some evidence suggests that this is a result of its membership of the EAC. However, Tanzania's regional integration is compromised by very low regional depth, which is a notable aspect given the potential of Dar es Salaam to serve as a key port for Tanzania's landlocked neighbours. Therefore, recent announcements of investments in regional road and rail infrastructure should contribute toward lifting Tanzania's low regional depth score. Included in this is a $350 million upgrade and modernisation of Tanzania's railway network; a $5 billion investment in rail infrastructure with Rwanda and Burundi and a $400 million expansion of the Port of Dar es Salaam. There is some evidence of improving infrastructure since the first report, helped by a 17 percent increase in fixed investment spending – aimed especially at transport and communications. However, Tanzania has important improvements to make to infrastructure, including improving the extent and stability of power supply. Notably, the government's 2013/14 budget emphasised increasing availability of electricity, developing transport infrastructure and strengthening information and communication technology. All of these factors are likely to aid economic integration, and help turn economic headwinds into economic tailwinds.

Table 6: Visa Africa Integration Index for Tanzania

		2011H1	2011H2	2012H1	2012H2	2013H1	2013H2	2014H1	2014H2	2015H1
100,0	Visa Africa Integration Index	43,8	44,7	44,6	45,3	45,2	45,6	45,8	46,0	46,2
100,0	TCIP Global Integration Score	42,2	43,9	42,8	43,4	43,6	44,0	44,0	44,1	44,5
50,0	**Depth Component**	**50,5**	**54,1**	**52,1**	**53,3**	**53,2**	**53,7**	**54,4**	**54,6**	**55,3**
17,5	(T) Trade	43,9	44,1	44,1	43,8	42,8	43,5	44,1	43,8	43,3
17,5	(C) Capital	39,7	39,3	38,9	38,6	39,3	39,3	39,9	40,5	41,1
32,5	(I) Information	20,2	25,4	22,1	24,0	24,3	24,5	24,9	25,1	26,0
32,5	(P) People	12,6	13,0	13,3	13,7	13,4	13,5	13,5	13,5	13,6
50,0	**Breadth Component**	**33,9**	**33,7**	**33,5**	**33,5**	**34,1**	**34,4**	**33,6**	**33,6**	**33,6**
17,5	(T) Trade	32,9	32,5	32,6	32,3	32,9	33,1	33,2	33,4	33,6
17,5	(C) Capital	24,0	23,7	22,9	23,1	23,3	23,1	23,2	23,2	23,1
32,5	(I) Information	4,6	4,7	4,7	4,8	5,3	5,7	4,5	4,3	4,3
32,5	(P) People	16,9	16,9	16,9	16,9	16,9	16,9	16,9	16,9	16,9
100,0	Regional Integration Score	45,3	45,5	46,4	47,1	46,8	47,2	47,5	47,9	47,9
50,0	**Depth**	**22,3**	**22,4**	**23,4**	**23,2**	**24,0**	**24,5**	**24,8**	**25,3**	**25,7**
50,0	**Breadth**	**68,3**	**68,6**	**69,5**	**71,0**	**69,5**	**69,9**	**70,2**	**70,4**	**70,2**

Eastern Africa Cluster: Uganda

Uganda boasts the second highest Visa Africa Integration Index score of the East African cluster. However, at 49.5, it is some way off Kenya, the region's most integrated economy at 56.2. Uganda's integration has improved since the start of the survey period, driven mostly by increased depth and breadth of regional integration on the back of the country's EAC membership. In 2013, volatile Index scores suggested that Uganda's integration had stalled. This was explained by a modest gain in global economic integration being offset by a pullback in regional depth and regional breadth. It appears that since then, integration has recovered. This is evident in the 2.4 percent rise in Uganda's integration score since 2013, which is supported predominantly by continuous improvement in global integration.

Uganda's global integration score has risen by 4.4 percent since 2013. This comes as a result of a 6.2 percent rise in the breadth component and 3.1 percent rise in the depth component. Uganda's relationships with foreign economies tend to be characterised by their depth rather than their breadth. However, the country's rise in global breadth is an indication of the much needed diversification of products and partnerships between Uganda and economies outside of the African continent. Specifically, it is underpinned by modest improvements in trade flows and exceptional improvements in information flows. Uganda's rise in global depth is a result of impressive improvements in information flows, represented by growth in spending on data services, information and education. That noted, Uganda's depth of global integration is the lowest score in the East African cluster.

Oil discoveries in Uganda, which are yet to be exploited, could have a dramatic impact on its integration, especially with regard to trade flows and depth of global interaction. As a cautionary note, powerful single commodities, such as oil, run the risk of causing a concentration in integration toward a narrower cross section of partners and more shallow range of products or transfers.

While Uganda appears to be integrating with global economies at a faster rate than regional economies, its integration with its neighbours is still stronger than its integration with the rest of the world. This is based primarily on a high score for regional breadth in contrast to the low score in global breadth. Within the East African cluster, Uganda's depth of regional integration is the weakest in the group, while its breadth is the strongest. This outcome is explained in a large part by the significant roles that Kenya, Rwanda, Burundi, the DRC and Southern Sudan carry in Uganda's economic relationships. With ongoing economic reforms, Uganda's economy is growing steadily, allowing for increased investment in infrastructure and education, which augers well for rising economic integration and positioning Uganda – a landlocked country – to take advantage of growing market opportunities among its many neighbours.

Table 7: Visa Africa Integration Index for Uganda

		2011H1	2011H2	2012H1	2012H2	2013H1	2013H2	2014H1	2014H2	2015H1
100,0	Visa Africa Integration Index	46,7	47,4	47,2	48,7	47,9	48,3	48,7	49,1	49,5
100,0	TCIP Global Integration Score	44,6	44,4	44,2	44,1	44,2	44,6	45,1	45,6	46,6
50,0	**Depth Component**	**51,7**	**51,9**	**52,1**	**51,7**	**51,6**	**52,1**	**52,4**	**52,8**	**53,7**
17,5	(T) Trade	39,2	38,2	37,8	37,0	36,5	37,4	36,5	36,8	37,2
17,5	(C) Capital	40,7	40,1	39,5	38,9	40,2	40,2	39,3	38,9	38,5
32,5	(I) Information	19,7	20,7	21,8	22,1	22,3	22,5	24,0	24,7	26,0
32,5	(P) People	16,9	16,9	16,8	16,7	15,7	15,8	15,8	15,8	15,8
50,0	**Breadth Component**	**37,4**	**37,0**	**36,3**	**36,5**	**36,9**	**37,1**	**37,8**	**38,4**	**39,4**
17,5	(T) Trade	35,6	35,3	34,6	34,9	35,1	35,2	35,3	35,4	35,6
17,5	(C) Capital	25,0	24,3	23,3	23,2	23,6	23,4	23,4	23,4	23,4
32,5	(I) Information	4,1	4,1	4,1	4,2	4,5	4,8	5,8	6,7	8,2
32,5	(P) People	20,7	20,7	20,6	20,7	20,7	20,7	20,7	20,7	20,7
100,0	Regional Integration Score	48,8	50,3	50,3	53,3	51,5	52,1	52,3	52,5	52,5
50,0	**Depth**	**31,0**	**32,0**	**31,2**	**36,8**	**34,4**	**35,2**	**35,5**	**35,9**	**36,1**
50,0	**Breadth**	**66,6**	**68,6**	**69,3**	**69,7**	**68,6**	**69,0**	**69,1**	**69,1**	**68,9**

West African Cluster

For the West African cluster we assign equal weightings to Ghana and Nigeria, the two West African economies measured in the Index.

Up until 2013, West Africa's integration improved at a similar rate (albeit off a lower base) to East Africa, from 43.4 in 2011 to 46.5 by the end of 2013. Since 2013, integration in the West African cluster appears to have stalled. This is indicated by the very low year-on-year growth rate it has achieved since 2013 of 0.17 percent. At the of 2015, the West African cluster attained an Index score of only 45.6. While Ghana contributed progressive improvements to the global scores, this contribution was offset by Nigeria's decline. Despite a poor performance in integration, the West African cluster still finds itself trailing East Africa but ahead of Southern Africa on the overall Visa Africa Integration Index. In 2013, improvements in both East Africa and West Africa were attributed to a marked rise in regional integration (a significant increase from 40.6 to 44.5 over the period measured). Consequently, West Africa's slow-down in regional integration has had a significant impact on its Index score. Since 2013, the West African cluster has improved regional integration by less than one percent, while global integration has declined by 0.3 percent. Neither of these performances bode well for integration in West Africa.

In 2013, the marginal increase in global integration for the West African cluster was attributed almost entirely to a slight increase in the breadth score, which was offset by a lacklustre performance in depth over that period. In 2015, the breadth score reached 21.8, an increase of 8 percent since 2013. Despite this impressive performance, it was not enough to offset the 6.6 percent decline in global depth, which fell from 28.5 in 2013 to 26.6 by the end of 2015. This decline is evidence of further narrowing of global market linkages.

Where West Africa is different to the East African experience, is around the key driver behind rising regional integration over the period measured. While West Africa recorded a small increase in breadth, the real impact is seen in the increased depth of integration. This is to be expected given there are only two countries measured in the West African cluster, and the results indicate a higher degree of activity between Ghana and Nigeria during that period as well as growing activity with other African countries, such as South Africa in the case of Nigeria.

Table 8 summarises the cluster's Index results and the individual country reports follow.

Table 8: West African Cluster

		2011H1	2011H2	2012H1	2012H2	2013H1	2013H2	2014H1	2014H2	2015H1
100,0	Visa Africa Integration Index	43,4	45,3	45,2	46,3	46,1	46,5	46,3	46,6	46,6
50,0	Ghana	49,1	51,1	50,7	52,1	52,2	52,5	53,2	53,6	54,1
50,0	Nigeria	37,7	39,4	39,6	40,6	40,0	40,5	39,4	39,6	39,2
100,0	TCIP Global Integration Score	46,1	46,7	46,8	47,3	48,2	48,5	47,9	48,4	48,3
50,0	Ghana	47,8	48,5	48,5	49,2	50,5	50,7	52,0	52,8	53,7
50,0	Nigeria	44,5	45,0	45,1	45,4	45,9	46,3	43,9	43,9	43,0
50,0	Depth	54,4	55,0	55,1	55,1	56,6	56,9	54,6	54,4	53,2
50,0	Breadth	37,9	38,5	38,5	39,5	39,8	40,2	41,3	42,4	43,5
17,5	(T) Trade	59,6	59,7	60,0	60,0	59,3	60,0	57,3	56,4	55,3
17,5	(C) Capital	85,3	86,0	85,9	87,4	88,6	88,0	82,1	81,3	79,9
32,5	(I) Information	29,6	30,5	30,1	30,4	33,3	34,1	36,8	38,9	40,4
32,5	(P) People	34,3	34,9	35,3	35,8	35,5	35,5	35,6	35,8	35,6
100,0	Regional Integration Score	40,6	43,8	43,5	45,4	44,1	44,5	44,7	44,8	44,9
50,0	Regional Integration Depth	18,2	21,6	21,3	25,4	23,1	23,5	23,9	24,1	24,4
50,0	Regional Integration Breadth	63,0	66,0	65,8	65,4	65,0	65,5	65,4	65,5	65,4

West African Cluster: Ghana

Ghana has one of the highest levels of integration overall among the 11 countries measured – trailing only South Africa and Kenya – and is the more integrated of the two economies measured in the West African cluster. With a Visa Africa Integration Index score of 54.1, Ghana is above the West African average but well below the global median of 100. It has made substantial progress in recent years – especially toward its global integration, where it has increased from 47.8 to 53.7 in the period measured. Regional integration has also performed well, despite increasing more moderately in recent years. It has increased from 50.4 to 54.5 in the period measured.

Ghana's success in global integration is attributed to its recent acceleration in its depth score. Since 2013, Ghana has improved its global depth score by 7.7 percent, a result of improved flows in capital and information. In contrast, Ghana's breadth score has increased by less than half that amount in the same period. This growth is solely a result of increasing information scores, as there has been little to no change in the breadth of Ghana's people, capital or trade flows. Global and regional integration contribute almost evenly to Ghana's relatively strong Visa Africa Integration Index. Regional integration has increased marginally in recent years from 27.15 in 2013 to 27.3 by the end of 2015. While Ghana's regional breadth score is substantially larger than its depth score, it has been the increase in its depth score that has carried the marginal rise in regional integration. The depth of Ghana's regional integration has increased notably from 11.4 to 15,7 over the period measured. This comes as Ghana forges deeper relationships with local economies, such as its growing linkage with Nigeria. This is a good indication of growth in diversity and exchanges with Nigeria, in particular, as the Ghanaian economy grows and develops.

Table 9: Visa Africa Integration Index for Ghana

		2011H1	2011H2	2012H1	2012H2	2013H1	2013H2	2014H1	2014H2	2015H1
100,0	Visa Africa Integration Index	49,1	51,1	50,7	52,1	52,2	52,5	53,2	53,6	54,1
100,0	TCIP Global Integration Score	47,8	48,5	48,5	49,2	50,5	50,7	52,0	52,8	53,7
50,0	**Depth Component**	**57,8**	**58,3**	**58,1**	**58,0**	**60,3**	**60,6**	**62,7**	**64,2**	**65,4**
17,5	(T) Trade	40,9	40,6	41,1	40,8	41,3	41,9	42,0	41,8	41,2
17,5	(C) Capital	42,2	42,6	43,0	43,4	46,0	46,0	48,5	51,8	55,1
32,5	(I) Information	19,8	20,5	19,7	19,5	21,9	21,9	23,5	23,9	24,6
32,5	(P) People	24,3	24,4	24,4	24,5	23,9	24,0	24,2	24,4	24,1
50,0	**Breadth Component**	**37,7**	**38,7**	**38,9**	**40,3**	**40,7**	**40,9**	**41,3**	**41,5**	**42,1**
17,5	(T) Trade	19,5	20,1	20,0	20,3	20,1	20,1	20,1	20,1	20,1
17,5	(C) Capital	39,9	41,2	41,7	43,9	44,2	43,3	43,6	43,1	43,3
32,5	(I) Information	8,0	8,3	8,5	9,0	9,8	10,4	11,0	11,5	12,4
32,5	(P) People	18,0	18,2	18,2	18,4	18,2	18,3	18,3	18,3	18,3
100,0	Regional Integration Score	50,4	53,7	52,9	55,1	54,0	54,3	54,3	54,4	54,5
50,0	**Depth**	**22,7**	**27,6**	**27,0**	**31,7**	**29,3**	**29,7**	**30,3**	**30,5**	**31,1**
50,0	**Breadth**	**78,1**	**79,7**	**78,9**	**78,5**	**78,6**	**78,8**	**78,3**	**78,3**	**77,8**

West African Cluster: Nigeria

Nigeria's Visa Africa Integration Index score of 39.2 is the lowest score it has achieved since 2011 and it is substantially below the average of 46.2 recorded for the 11 countries. By far the largest economy in West Africa and, as recently reported, the largest economy in Sub-Saharan Africa, prospects of Nigerian integration are relevant to the entire continent. Nigeria has made significant strides in regional integration efforts where its score increased from 30.8 to 35.4 during the period measured. This is likely to translate into broader integration across the continent and further afield in global integration.

Nigeria's gains in the country's global integration score were relatively more muted from the start of 2011 to the end of 2013 (44.5 to 46.3), with the only real movements arising in the flow of people and information, albeit off a low base. Since 2013, Nigeria has failed to make any meaningful advancement in global integration. This comes as a consequence of a sharp decline in global depth. Nigeria's global depth score, which rose from 22.3 in 2011 to to 26.6 2013, fell to 20.5 by the end of 2015. This has resulted in a 22.9 percent decline in its score for global depth since 2013. Driving this decline in depth is, unsurprisingly, a concerning decline in trade flows.

India, China and the United States are three of Nigeria's top trade partners. Consequently, the United States' decision to engage in fiscal restraint as well as China's slumping demand has had detrimental effects on trade in Nigeria. This is noted in the rapid decline of Nigeria's depth in trade flows. Nigeria's decline in depth of trade flows has also been a result of the commodity price fall. Of Nigeria's total exports, oil exports constitute 96 percent (Workman, 2015). This has exposed the fragility of the Nigerian economy and demonstrated just how vulnerable it is to the performance of global economies.

The country's regional integration score improved markedly until 2013, after which improvement has been more moderate. There is still significant room for gains in broader and deeper integration.

The size and influence of Nigeria in Africa cannot be overstated. While the country's levels of regional and global integration still are relatively low, Nigeria is likely to be one of the key drivers of integration in Africa and one of the primary forces of African integration with the rest of the world. While the Nigerian economy is diversifying, aided by an increasing number of Nigerian multinationals emerging and expanding across the continent, it will be Nigerians themselves that will be the true catalysts of integration, which is evident by the improving depth of the people component.

Nigeria will benefit enormously from greater integration, as its growing market matures and modernises, and the demand for capital and a diversity of trade partners rises to address the needs of increasing industrialisation, a rising appetite for production and services and growing sophistication in lifestyles.

While Nigeria's integration score has declined, the country has performed better than was predicted in the previous Index. Revisions made regarding the size of the Nigerian economy were expected to cause a decline in the integration score by as much as five points. Fortunately, so far this decline has been limited to 1.3 points.

Table 10: Visa Africa Integration Index for Nigeria

		2011H1	2011H2	2012H1	2012H2	2013H1	2013H2	2014H1	2014H2	2015H1
100,0	Visa Africa Integration Index	37,7	39,4	39,6	40,6	40,0	40,5	39,4	39,6	39,2
100,0	TCIP Global Integration Score	44,5	45,0	45,1	45,4	45,9	46,3	43,9	43,9	43,0
50,0	**Depth Component**	**51,0**	**51,6**	**52,0**	**52,3**	**52,9**	**53,1**	**46,4**	**44,6**	**41,0**
17,5	(T) Trade	36,6	36,2	36,5	36,5	34,9	35,7	30,1	28,6	27,0
17,5	(C) Capital	50,6	50,1	49,6	49,1	48,6	48,6	33,2	27,5	21,8
32,5	(I) Information	23,1	23,8	23,8	23,7	25,6	25,6	26,6	27,5	26,1
32,5	(P) People	8,4	9,2	9,9	10,6	10,8	10,8	10,7	10,8	10,7
50,0	**Breadth Component**	**38,0**	**38,4**	**38,1**	**38,6**	**38,9**	**39,5**	**41,3**	**43,3**	**45,0**
17,5	(T) Trade	22,2	22,5	22,4	22,4	22,3	22,4	22,3	22,3	22,3
17,5	(C) Capital	38,0	38,1	37,5	38,3	38,2	38,0	39,0	40,2	39,7
32,5	(I) Information	8,2	8,4	8,3	8,6	9,3	10,2	12,5	14,9	17,8
32,5	(P) People	17,9	18,0	18,0	18,1	18,0	18,0	18,0	18,0	18,0
100,0	Regional Integration Score	30,8	33,9	34,1	35,7	34,2	34,8	35,0	35,2	35,4
50,0	**Depth**	**13,7**	**15,6**	**15,6**	**19,1**	**17,0**	**17,3**	**17,5**	**17,7**	**17,8**
50,0	**Breadth**	**47,9**	**52,2**	**52,7**	**52,3**	**51,4**	**52,3**	**52,5**	**52,7**	**53,0**

Southern African Cluster

The Southern African cluster comprises Angola, Mozambique, South Africa, Zambia and Zimbabwe. As with the other clusters, we assign an equal weighting among the five countries to construct a cluster Index.

The Southern African cluster's Visa Africa Integration Index improved modestly from 39.0 to 41.8 over the period, having shown consistent gains year-on-year. These incremental gains are explained by improvements in the Zambian Index score, with a modest contribution made by South Africa. Still, the region lags East Africa and West Africa on the Index score. This is remarkable because Southern Africa has some of the most impressive outliers when it comes to Index components. For instance, the region has the most integrated country (South Africa) and the least integrated countries (Angola, Zambia and Zimbabwe), which display some of the most interesting dynamics as a result of history and resources, not to mention potential.

These individual countries in Southern Africa – most notably Angola and South Africa – do not follow the trend of regional integration in Africa that dominates the Index, and are testimony to the idiosyncratic nature of individual countries and – in that vein – the varying sub-regional characteristics on the continent.

The cluster is substantially more globally integrated than it is regionally. There is therefore large potential for Southern African countries to integrate with one another.

Table 11: Southern African Cluster

		2011H1	2011H2	2012H1	2012H2	2013H1	2013H2	2014H1	2014H2	2015H1
100,0	Visa Africa Integration Index	39,1	40,1	40,3	40,5	41,0	41,2	41,5	41,7	41,8
20,0	Angola	28,5	30,4	29,6	28,9	30,5	30,5	30,7	30,6	30,8
20,0	Mozambique	40,8	41,3	41,7	42,4	42,1	42,5	42,3	42,1	42,0
20,0	South Africa	61,7	63,0	63,7	63,9	64,9	64,5	65,2	65,5	64,9
20,0	Zambia	33,8	34,6	35,3	36,4	36,5	37,2	38,0	38,7	40,1
20,0	Zimbabwe	30,7	31,4	31,4	31,1	30,9	31,2	31,2	31,3	31,2
100,0	TCIP Global Integration Score	46,0	46,7	47,0	47,4	47,9	48,1	48,7	49,2	49,4
20,0	Angola	37,1	38,5	38,2	38,8	39,9	40,0	40,8	40,8	40,7
20,0	Mozambique	43,5	44,0	44,3	44,6	44,6	44,8	45,2	45,6	45,9
20,0	South Africa	77,6	78,5	79,6	79,5	81,4	80,7	81,7	82,6	80,6
20,0	Zambia	38,1	39,0	40,1	42,4	41,9	42,6	43,4	44,0	46,1
20,0	Zimbabwe	33,5	33,5	32,6	32,0	31,9	32,2	32,5	33,1	33,6
50,0	Depth	54,3	55,4	55,8	56,0	56,6	57,0	57,5	58,2	58,3
50,0	Breadth	37,6	38,0	38,1	38,8	39,3	39,1	39,9	40,3	40,5
17,5	Trade	57,3	57,9	58,6	60,2	59,4	60,2	61,1	61,8	62,1
17,5	Capital	74,9	75,7	75,7	76,3	79,8	79,3	81,8	83,0	82,0
32,5	Information	32,2	33,4	33,7	33,5	34,0	34,1	34,6	35,1	36,4
32,5	People	38,0	38,3	38,5	39,0	38,5	38,7	38,3	38,4	38,0
100,0	Regional Integration Score	32,2	33,6	33,7	33,6	34,1	34,3	34,3	34,1	34,2
50,0	Regional Integration Depth	26,3	28,2	28,8	30,2	29,8	30,3	30,4	30,5	30,5
50,0	Regional Integration Breadth	38,1	38,9	38,6	37,1	38,3	38,3	38,1	37,7	37,9

Southern African Cluster: Angola

Angola's Visa Africa Integration Index is the lowest of all 11 countries measured, with a score of 30.8. Angola's score increased at an accelerated pace in 2012, rising from 28.9 to 30.5 in only one year. This accelerated pace was short lived however, and Angola's score has increased slowly since, rising by only 0.3 points in three years.

Angola's low levels of global and regional integration are a result of history and the country's high reliance on commodity exports, almost exclusively oil and, to a very modest degree, diamonds. But as one of the fastest growing economies on the continent over the past decade, and with a real interest in developing closer linkages and infrastructure with its neighbours, Angola is expected to integrate with its region and the world at a rapid pace. In turn, this will fuel Angola's next phase of growth as it attracts capital from new partners and emerging powers, like China and Brazil, and develops alternative sectors beyond natural resources in the areas of agribusiness, renewable fuels and services.

Global integration drives Angola's Visa Africa Integration Index score. This is no surprise given oil is Angola's principal export, which goes to international markets beyond the region. That said, Angola's oil importing partners are growing more diversified, which is evident in the increased breadth component of global integration from 14 to 15.4. The depth component of global integration has stalled since 2013. Considering the importance of oil and commodities for the Angolan economy, this is unsurprising. As is the case with Nigeria, the declining demand for commodities has negatively impacted Angola, reducing the depth of global integration.

Regional integration has exhibited great volatility, however it appears to have recovered after its second decline.

This recovery is a valuable component of Angola's economic development. However, the very low level of Angola's integration is concerning, especially given the levels and increases in other regions. But much of this can be attributed to the lack of infrastructure and poor connectedness between Angola and its neighbouring economies. Massive infrastructure projects linking Angola with the region – and especially Angola to the copper belt between Zambia and the DRC – are underway. This, along with the ongoing modernisation of the Angolan economy, where we are seeing increasing flows of people and information, is likely to dramatically alter the dynamic in the region and materially shift Angola's current levels of integration.

Table 12: Visa Africa Integration Index for Angola

		2011H1	2011H2	2012H1	2012H2	2013H1	2013H2	2014H1	2014H2	2015H1
100,0	Visa Africa Integration Index	28,5	30,4	29,6	28,9	30,5	30,5	30,7	30,6	30,8
100,0	TCIP Global Integration Score	37,1	38,5	38,2	38,8	39,9	40,0	40,8	40,8	40,7
50,0	**Depth Component**	**46,4**	**48,3**	**48,0**	**48,0**	**50,2**	**50,5**	**50,9**	**50,9**	**50,7**
17,5	(T) Trade	33,0	32,6	33,6	33,8	33,5	34,2	34,3	34,8	35,2
17,5	(C) Capital	48,0	48,1	48,2	48,4	50,7	50,7	51,6	50,9	50,2
32,5	(I) Information	17,0	20,1	18,9	18,8	20,9	21,0	21,2	21,1	20,7
32,5	(P) People	10,7	10,7	10,8	10,8	10,9	11,0	11,0	11,1	11,4
50,0	**Breadth Component**	**27,9**	**28,6**	**28,5**	**29,5**	**29,6**	**29,5**	**30,6**	**30,6**	**30,7**
17,5	(T) Trade	14,5	14,9	15,7	16,2	15,8	15,8	15,8	15,9	15,8
17,5	(C) Capital	39,1	39,9	38,7	40,1	40,5	39,9	42,7	43,3	42,0
32,5	(I) Information	4,2	4,5	4,6	5,0	5,2	5,3	5,6	5,2	6,1
32,5	(P) People	9,9	10,0	10,0	10,1	10,0	10,0	10,0	10,0	10,0
100,0	Regional Integration Score	19,8	22,3	21,0	19,1	21,2	21,1	20,6	20,5	20,9
50,0	**Depth**	**11,3**	**13,2**	**14,2**	**14,9**	**14,6**	**14,5**	**14,6**	**14,6**	**14,6**
50,0	**Breadth**	**28,2**	**31,4**	**27,8**	**23,3**	**27,8**	**27,6**	**26,7**	**26,4**	**27,2**

Southern African Cluster: Mozambique

Mozambique has made great strides in terms of economic growth and development over the past two decades. Boasting impressive levels of economic growth since the mid-1990s, Mozambique is set to sustain current annual growth rates in excess of seven percent for the next decade. The country has benefitted enormously from targeted integration since the early 2000s, however much of Mozambique's anticipated growth has been based on natural resources, including coal and new oil discoveries off its northern coastline. Consequently, Mozambique's Index score has declined moderately in recent times, from 42.5 at the end of 2013 to 42 by the end of 2015.

Mozambique's global integration score has continued to increase at a moderate rate. This has been driven largely by a surge in interest from the likes of China, Brazil and India in the resource boom that is underway in Mozambique. This is bringing with it new capital and an influx of expatriate workers as well as new technologies. In turn, as the results indicate, Mozambicans are being trained and employed and are becoming increasingly mobile in conjunction with their rapidly changing economy. Mozambique's global integration score is predominantly made up of Mozambique's global depth component, which at 29.9 is almost twice that of its global breadth. The global depth score has increased year-on-year by 1.2 percent since 2013.

Despite global breadth being the smaller share of global integration, Mozambique's global breadth score has increased more quickly since 2013, at a rate of 2.6 percent year-on-year. This indicates that Mozambique is diversifying its products and partnerships with foreign economies. It is the regional integration component for Mozambique that is particularly interesting. The regional integration score increased from 38.1 to 40.1 in 2012 and has declined back to 38.1 since. The depth comprises the bulk share of regional integration while breadth of partners is relatively small. This is based on at least two features. First, Mozambique's regional integration benefits enormously from mega-projects like the Mozal aluminium smelter, which links into the Maputo Development Corridor and provides an effective agent of integration between Mozambique and South Africa. This contributes to the depth of regional integration in Mozambique.

Secondly, Mozambique's regional integration is very narrow, with a limited breadth score of just 11.4 lower than in the first report. This suggests a regional concentration of transfers and activities that happen to be with South Africa, which accounts for a large majority of the flows from Mozambique.

Table 13: Visa Africa Integration Index for Mozambique

		2011H1	2011H2	2012H1	2012H2	2013H1	2013H2	2014H1	2014H2	2015H1
100,0	Visa Africa Integration Index	40,8	41,3	41,7	42,4	42,1	42,5	42,3	42,1	42,0
100,0	TCIP Global Integration Score	43,5	44,0	44,3	44,6	44,6	44,8	45,2	45,6	45,9
50,0	**Depth Component**	**56,3**	**57,0**	**58,0**	**58,5**	**58,4**	**58,8**	**59,1**	**60,1**	**59,8**
17,5	(T) Trade	40,4	40,5	40,6	40,7	39,2	39,9	42,1	44,2	44,8
17,5	(C) Capital	46,0	46,0	44,3	44,3	53,2	53,2	55,3	55,4	55,5
32,5	(I) Information	17,7	17,8	19,2	18,8	17,2	17,2	15,7	16,0	15,8
32,5	(P) People	22,3	23,4	24,4	25,4	22,9	23,1	22,7	22,9	22,3
50,0	**Breadth Component**	**30,8**	**30,9**	**30,6**	**30,7**	**30,9**	**30,9**	**31,3**	**31,2**	**32,1**
17,5	(T) Trade	33,7	33,9	33,7	33,4	32,8	32,7	32,4	32,0	31,7
17,5	(C) Capital	18,8	18,7	18,2	18,5	18,6	18,5	18,5	18,4	18,5
32,5	(I) Information	1,9	1,8	1,8	1,9	2,5	2,6	3,4	3,4	5,0
32,5	(P) People	17,3	17,4	17,3	17,4	17,3	17,3	17,3	17,3	17,3
100,0	Regional Integration Score	19,8	22,3	21,0	19,1	21,2	21,1	20,6	20,5	20,9
50,0	**Depth**	**52,2**	**52,7**	**51,2**	**54,6**	**54,0**	**54,5**	**53,9**	**53,6**	**53,4**
50,0	**Breadth**	**23,9**	**24,4**	**26,8**	**25,7**	**25,4**	**25,8**	**24,9**	**23,6**	**22,8**

Southern African Cluster: South Africa

At 64.9, South Africa has the highest score on the Visa Africa Integration Index, leading 8.7 points ahead of runner-up, Kenya. South Africa's Visa Africa Integration Index rose at a moderate pace for most of the period, from 61.7 in 2011 to 65.5 by the end of 2014. The score faced a two-point decline in 2015, a consequence of declining global integration scores.

The gains experienced until 2014 are explained by increased depth in global trade, information and people flows and increased breadth in global information flows. The improvements in information flow's depth and breadth until 2013, were explained by improvements in telecommunications infrastructure however, it should be noted that the increased trade score was a result of a rising trade deficit. This attribute is not a positive element. The performance of global depth and breadth scores has been substantially different since 2013, as depth scores in global trade, information and people flows have faced a gradual decline. In the revised Visa Africa Integration Index, it was predicted that changes in legislation and regulation would likely reverse 2013's improved Index scores for people flows. This prediction has evidently been accurate.

That aside, like Angola, South Africa is an outlier that does not follow the conventional trend of matched regional and global integration seen elsewhere in the Visa Africa Integration Index. Instead, South Africa has significant imbalances between the spread of global integration and regional integration. Arguably, this is a result of history, higher levels of infrastructure development around ports and rail that support relationships with historically advanced economies (compared with other locations in Africa) and the types of markets South African firms and citizens traditionally pursued. Despite a historically low score, South Africa has managed to make some meaningful progress in regional integration. This is predominantly driven by rises in regional breadth scores.

South Africa is by far the most globally integrated economy in Africa. With a global integration score of 80.6, South Africa is slowly converging toward the global median of 100. South Africa's impressive depth and breadth component is indicative of the country's long process of liberalisation dating back to the early 1990s, higher levels of industrialisation and economic diversification and pursuit of trade agreements and use of preferential market access arrangements around the globe – from the European Union to the common markets of South America, such as Mercosur, and AGOA with the United States.

But South Africa's regional integration score is lower than expected at 49.2, bringing down its overall Visa Africa Integration Index score. This is somewhat concerning and relevant to both South Africa's economic growth prospects and African development. As one of the primary sources of investment on the African continent, South Africa's integration with its region is important for future provisions of capital, skills and other developmental elements. Africa, in turn, is an essential part of South Africa's economic growth prospects. Improving its regional integration is an important part of connecting Africa with the world, while also using South Africa's position more effectively in forums such as BRICS and the Group of 20 (G20) to elevate Africa on the global agenda.

Table 14: Visa Integration Index for South Africa

		2011H1	2011H2	2012H1	2012H2	2013H1	2013H2	2014H1	2014H2	2015H1
100,0	Visa Africa Integration Index	61,7	63,0	63,7	63,9	64,9	64,5	65,2	65,5	64,9
100,0	TCIP Global Integration Score	77,6	78,5	79,6	79,5	81,4	80,7	81,7	82,6	80,6
50,0	**Depth Component**	**91,6**	**92,4**	**93,5**	**93,3**	**95,6**	**95,8**	**95,4**	**95,4**	**95,0**
17,5	(T) Trade	40,4	40,8	41,4	41,8	42,1	43,0	43,5	43,3	42,8
17,5	(C) Capital	47,5	48,8	50,1	51,3	52,8	52,8	53,1	54,1	54,4
32,5	(I) Information	46,1	46,3	46,8	45,4	47,0	47,0	46,2	45,8	45,5
32,5	(P) People	47,4	47,7	47,8	47,9	48,9	48,8	48,7	48,5	48,4
50,0	**Breadth Component**	**63,6**	**64,6**	**65,8**	**65,7**	**67,2**	**65,7**	**68,0**	**69,8**	**66,1**
17,5	(T) Trade	34,9	35,3	35,6	35,9	35,7	35,8	35,8	35,8	35,8
17,5	(C) Capital	44,8	47,8	49,4	49,1	52,6	50,5	57,1	62,0	51,5
32,5	(I) Information	31,2	30,8	31,6	31,2	32,0	30,7	30,8	30,8	30,8
32,5	(P) People	23,7	23,8	23,9	24,0	23,8	23,9	23,9	23,9	23,9
100,0	Regional Integration Score	45,8	47,4	47,7	48,4	48,5	48,3	48,7	48,5	49,2
50,0	**Depth**	**15,8**	**18,9**	**20,6**	**22,9**	**21,3**	**21,5**	**21,6**	**21,7**	**21,6**
50,0	**Breadth**	**75,7**	**75,9**	**74,7**	**73,9**	**75,7**	**75,2**	**75,8**	**75,3**	**76,8**

Southern African Cluster: Zambia

With a Visa Africa Integration Index score of 40.1, a steady increase from 33.8 at the start of the period measured, Zambia's level of integration is at the low end of the 11 countries sampled. Showing potential in new sectors like manufacturing, agribusiness and renewable fuels, Zambia's integration with the Southern Africa region and the world is essential to boosting this new-found diversity of exports and investment, and escape the traps associated with being landlocked and a single commodity exporter. That commodity, in the case of Zambia, is copper.

Zambia's overall integration score is based predominantly on its global integration, which climbed from 38.1 at the start of 2011 to 46.1 at the end of 2015. This was the result of an improving depth component (from 21.8 to 27.1), an indication of the progressive shift toward a greater diversity in exports along with Zambians benefiting from the growth and modernisation of their economy through increased flows of information.

Zambia's lacklustre regional integration score of 34.1 is significant to the economic development of the country, given Zambia's dependence on its neighbours due to its landlocked status. But, like Angola and other countries in the region, large infrastructure development initiatives planned to link the eastern seaboard of Africa with the west and – more specifically – the rich copper belt to nearby ports in Angola would have a real impact on Zambia's socio-economic progress. This, along with the ongoing improvements in border posts and crossings, promises to contribute enormously toward Zambia's integration with its Southern African neighbours. Some of this impact has already been realised, as Zambia's regional depth score increased by 14.1 percent from 2013 to 2015.

Table 15: Visa Africa Integration Index for Zambia

		2011H1	2011H2	2012H1	2012H2	2013H1	2013H2	2014H1	2014H2	2015H1
100,0	Visa Africa Integration Index	33,8	34,6	35,3	36,4	36,5	37,2	38,0	38,7	40,1
100,0	TCIP Global Integration Score	38,1	39,0	40,1	42,4	41,9	42,6	43,4	44,0	46,1
50,0	**Depth Component**	**43,5**	**45,5**	**47,6**	**50,2**	**48,7**	**49,4**	**51,3**	**52,5**	**54,2**
17,5	(T) Trade	27,8	29,9	32,1	34,3	32,2	33,0	33,8	34,2	34,3
17,5	(C) Capital	32,9	33,0	33,1	33,1	33,5	33,5	35,1	36,8	38,4
32,5	(I) Information	17,0	19,2	21,4	23,6	23,0	23,5	25,4	26,2	28,3
32,5	(P) People	17,2	17,0	16,7	17,3	16,5	16,8	16,4	16,4	16,0
50,0	**Breadth Component**	**32,6**	**32,5**	**32,6**	**34,7**	**35,1**	**35,7**	**35,6**	**35,5**	**38,0**
17,5	(T) Trade	14,7	14,4	14,1	19,4	20,3	21,1	21,8	22,6	23,3
17,5	(C) Capital	50,0	49,5	49,8	49,8	49,6	49,7	47,2	44,8	48,5
32,5	(I) Information	4,3	4,5	4,6	5,1	5,3	5,7	6,4	7,2	8,7
32,5	(P) People	11,1	11,1	11,1	11,1	11,1	11,1	11,1	11,1	11,1
100,0	Regional Integration Score	29,5	30,2	30,5	30,4	31,1	31,9	32,6	33,3	34,1
50,0	**Depth**	**25,0**	**26,0**	**26,5**	**26,6**	**27,8**	**29,2**	**30,7**	**32,1**	**33,8**
50,0	**Breadth**	**34,1**	**34,4**	**34,4**	**34,1**	**34,4**	**34,5**	**34,5**	**34,5**	**34,5**

Southern African Cluster: Zimbabwe

Zimbabwe's Visa Africa Integration Index score of 31.2 is hamstrung by relatively poor results across global integration and regional integration, and the economy's inability to record gains since our first report was released. That said, there remain some signs of moderate progress in the country's regional integration, especially with Southern Africa.

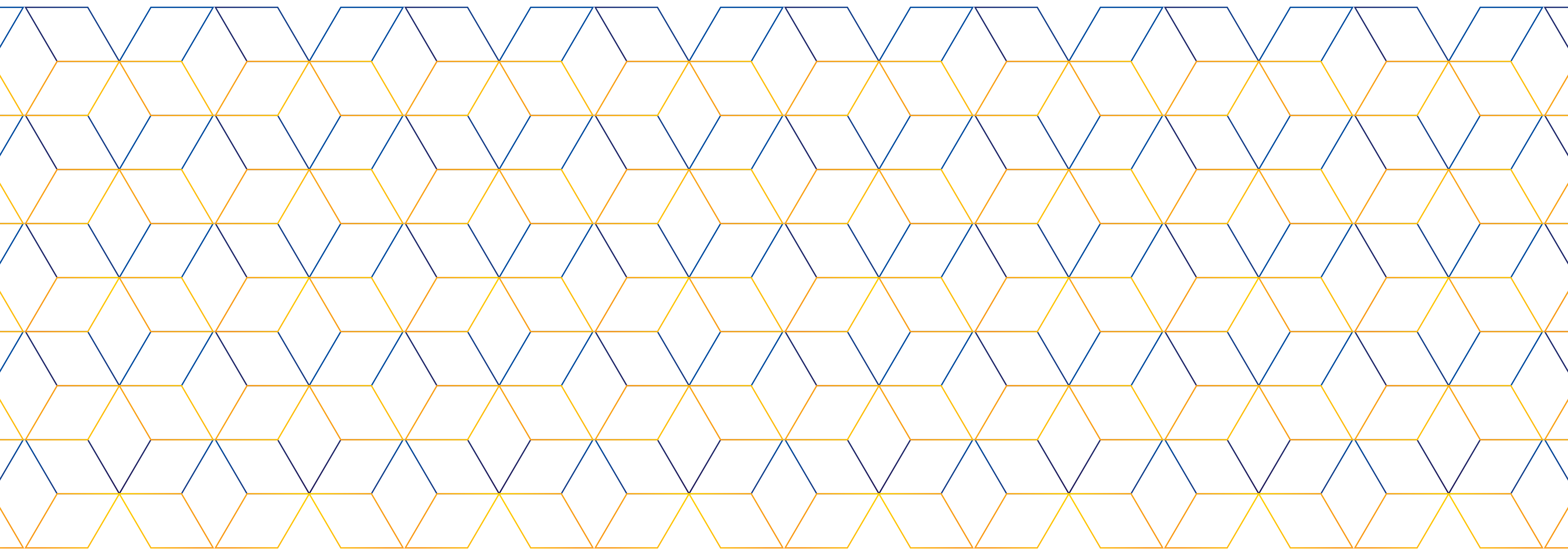
On this front, Zimbabwe's degree of global integration declined from 33.5 at the start of 2011 to 31.2 at the end of 2013. This was on the back of a marked decline in the depth of information (from 4.8 to 3.0) and, along with that, a small drop in the trade pillar. Zimbabwe's global integration has since recovered, reaching 33.6 by the end of 2015. However, information flows remain low at 3.2.

In 2013, Zimbabwe's regional integration showed some signs of advance. This is no longer the case. Since 2013, regional integration has declined from 30.1 to 28.9. This is predominantly a result of a decline in regional depth. This decline suggests slowing productivity and a possible decline of trade growth in the Zimbabwean economy. This is likely to be a result of South Africa's (Zimbabwe's largest exporter) currency weakening, which has reduced the rand's purchasing power relative to the dollar and negatively impacted Zimbabwe's trade flows to South Africa. As a landlocked country, dependent on its neighbours for economic connections, Zimbabwe's regional integration with Southern Africa is an important part of its socio-economic development and a prerequisite "stepping stone" toward global integration. It is therefore imperative for Zimbabwe to resurrect its regional integration.

Increased depth of regional integration is an important development for Zimbabwe on which to build. Whilst much needs to be done, when coupled with greater breadth in neighbouring partners, and followed by deeper and broader global integration, this bodes well for Zimbabwe's economic future.

Table 16: Visa Africa Integration Index for Zimbabwe

		2011H1	2011H2	2012H1	2012H2	2013H1	2013H2	2014H1	2014H2	2015H1
100,0	Visa Africa Integration Index	30,7	31,4	31,4	31,1	30,9	31,2	31,2	31,3	31,2
100,0	TCIP Global Integration Score	33,5	33,5	32,6	32,0	31,9	32,2	32,5	33,1	33,6
50,0	**Depth Component**	**33,7**	**33,7**	**32,0**	**30,3**	**30,1**	**30,4**	**30,9**	**31,8**	**31,6**
17,5	(T) Trade	23,4	23,0	22,8	22,5	22,1	22,3	22,5	23,0	23,4
17,5	(C) Capital	17,2	17,2	17,1	17,1	17,8	17,8	19,9	21,4	22,8
32,5	(I) Information	14,8	14,8	12,4	9,9	9,2	9,2	9,5	9,8	9,7
32,5	(P) People	15,2	15,3	15,3	15,4	15,7	16,0	15,2	15,2	14,0
50,0	**Breadth Component**	**33,2**	**33,3**	**33,2**	**33,6**	**33,6**	**33,9**	**34,0**	**34,4**	**35,6**
17,5	(T) Trade	23,8	23,9	23,6	23,3	23,4	23,4	23,4	23,4	23,4
17,5	(C) Capital	30,1	29,7	29,4	30,1	29,7	29,7	28,5	28,1	28,3
32,5	(I) Information	6,9	7,1	7,2	7,6	7,9	8,3	9,1	9,9	11,6
32,5	(P) People	15,2	15,3	15,3	15,4	15,3	15,3	15,3	15,3	15,3
100,0	Regional Integration Score	27,9	29,3	30,1	30,2	30,0	30,1	30,0	29,5	28,9
50,0	**Depth**	**27,3**	**30,2**	**31,2**	**32,0**	**31,6**	**32,0**	**31,3**	**30,4**	**29,2**
50,0	**Breadth**	**28,5**	**28,3**	**29,0**	**28,3**	**28,4**	**28,3**	**28,7**	**28,6**	**28,5**



A Spotlight on Remittances

A growing feature of the people (P) and the trade (T) components of the Visa Africa Integration Index is the rising incidence of remittance payments. Remittance payments involve the transfer of money between individuals in different geographies, and are particularly prevalent amongst migrant workers. Historically, payments have been sent physically in the form of cash through the mail or via a person. These are known as informal remittance transactions. Increasingly, though, remittances are made through the banking system, with a growing incidence of online transfers. However, the majority of transfers are still made informally (Radlicki, 2015).

Regardless of how funds flow, remittances form the financial lifeblood of many families in poor countries, as they enable higher-income earning migrant workers to send money to their families and friends in their home country, despite residing in a different location.

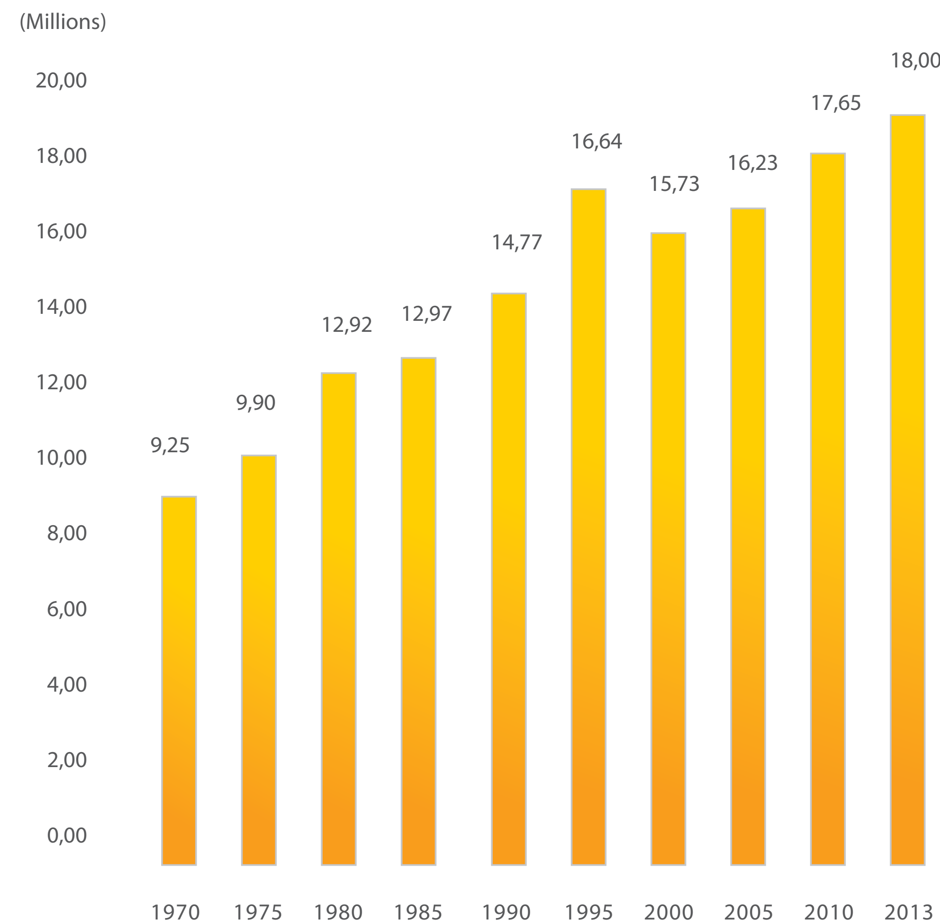
Cash remittance payments are particularly popular among low-income individuals, as these individuals often do not have access to financial institutions, which tends to be the consequence of high banking costs, poor accessibility because of absent infrastructure or high travel costs, and institutional barriers, such as lack of identification documents. As a consequence, the true value of remittance transfers is exceptionally difficult to record.

This is a reflection of the large number of migrant workers employed in South Africa's mines from Lesotho

The P component in the Visa Africa Integration Index captures remittance payments in the form of the number of people working across borders. Whilst Lesotho is not a member of the Index, it makes for a particularly useful illustrator of the extent of remittance payments in low-income countries with high incidence of labour migration. To this end, data shows that remittance payments from South Africa to Lesotho averaged more than 20 percent of Lesotho's gross domestic product for the period 2011-2014. This is a reflection of the large number of migrant workers employed in South Africa's mines from Lesotho (Kambou, 2016).

In 2013, Africa's stock of emigrants amounted to 23.2 million people, which accounts for 2.5 percent of the population. This means that 23.2 million individuals left their country of residence, to live elsewhere. Data obtained from the World Bank show that of those individuals who leave their home country, 26.1 percent go to high-income OECD countries, 5.0 percent go to high-income non-OECD countries, and 65.6 percent move to another African country (KNOMAD, 2016).

Figure X: Africa's migrant stock (1970-2013)

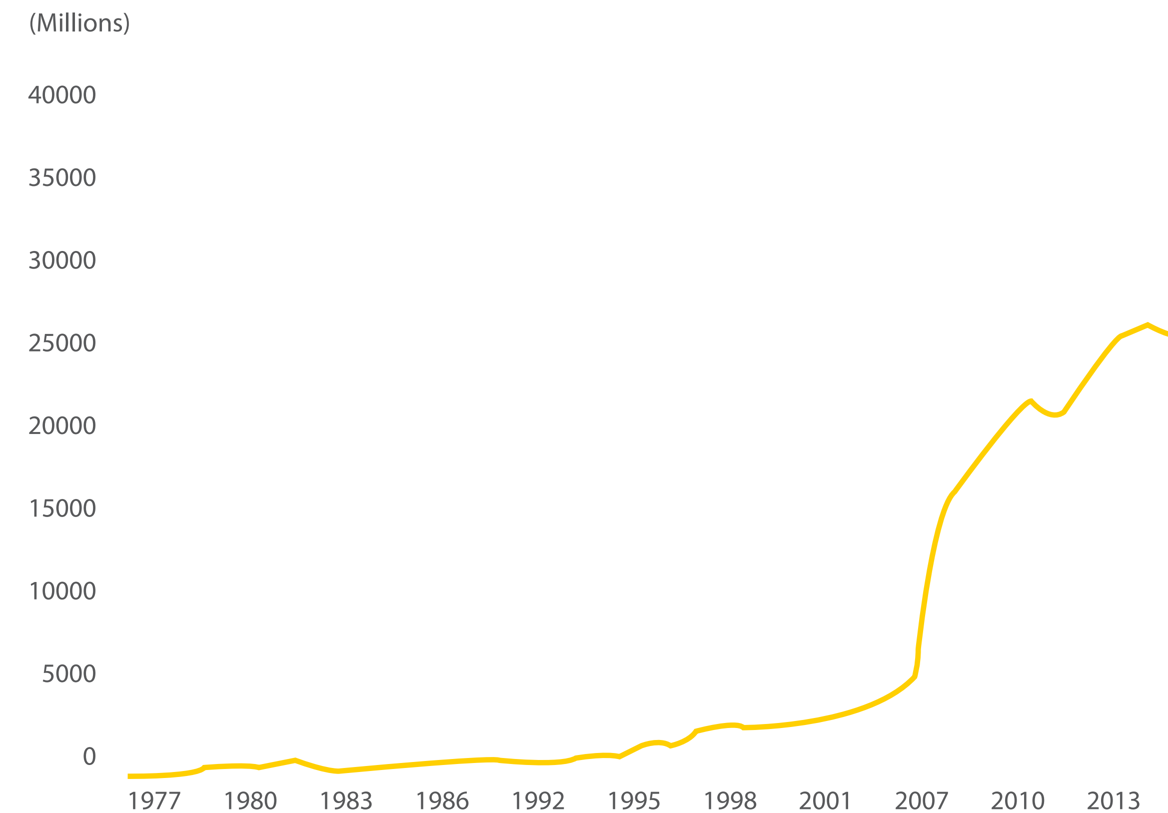


Source: Kelly Firth (2016) adapted from World Bank data (2015)

In the same year, Africa's stock of immigrants was 18.0 million people, equal to 1.9 percent of the population. Data obtained from the World Bank show that of those individuals who moved to Africa 4.2 percent came from high-income OECD countries; 0.7 percent came from high-income non-OECD countries, and 84.6 percent came from another African country (KNOMAD, 2016). In sum, African immigration and emigration is made up chiefly of the movement of people between African countries. Figure X displays Africa's migrant stock for the period 1970-2013. There is an evident rising trend in migrant stock, with the increase in the movement of people across African borders serving as evidence of rising integration on the continent. To complete the argument, the aggregate low-income status of African economies, coupled with a growing flow of people, suggests that remittance payments are likely to remain an important factor running alongside this movement of people.

The T component of the Visa Africa Integration Index captures, amongst other things, remittance payments made across borders. Figure Y, displays the value of Africa's total personal remittances received in United States' dollar prices for the period 1977-2014. The figure displays an overall rising trend in the value of remittances received, which concurs with the evidence set out in the Index. Between 2004 and 2011, remittances received grew at a particularly fast pace, explained by the rising movement of people, growing incomes, improvements in financial access and advances in technology.

Figure Y: Personal remittances, received (current US $)



Source: Kelly Firth (2016) adapted from World Bank data (2015)

In 2011, a period of turbulence ensued, which resulted in remittance payments growing at a slower rate throughout 2011 and declining slightly in 2012. A contributing factor to the turbulence endured, was a decline in remittances received from advanced economies. This decline points to evidence of weak growth and austerity budgets in these economies (World Bank, 2014). Since 2013, the decline in remittances from advanced economies has been exceeded by a rise in intra-regional, cross-border remittances in Africa. As a result, since 2013, remittance payments have resumed their growth. The persistent increase in remittances received, despite stagnant growth among advanced economies, points to evidence of improving regional integration on the African continent.

In 2014, a report published by published by McKinsey & Company (2014) revealed that 54 percent of adults in Africa make one or more long-distance payments in any given month, which adds to five billion transactions annually. This underscores the importance of remittances as an income channel for Africa's population. As noted, cash remittances are particularly popular among low-income individuals.

Taking into consideration Africa's socio-economic context, it is unsurprising that around half of all remittance transactions are made in cash. That said, a consequence of cash remittances is that they are difficult to record. The World Bank Data are only able to measure formal channels of remittance transactions, which means that the reported figure is substantially undervalued. Academic researcher, Adam Bodomo, estimates that diaspora remittances would grow by a factor of three or four if we could account for informal transfers. This would bring the value of diaspora remittances to anywhere between $120 billion and $160 billion (Radlicki, 2015).

Data from the World Bank (2011), show that the majority share of remittances sent home by African migrant workers is spent on consumption activities (such as food and healthcare) and investment activities (such as education, buying land, building houses, starting businesses or improving farms). In Kenya and Nigeria, physical investment activities account for more than half of remittance money spent.

Remittances therefore enable individuals to make investments in their home countries, thus stabilising irregular household incomes and contributing to their home country's economy (Ratha, Mohapatra, Ozden, Plaza, Shaw & Shimeles, 2011).

Remittance payments are therefore an exceptionally important source of finance and foreign exchange in Africa, as they enable recipients to stabilise irregular incomes and build human and physical capital. Remittance payments also have import effects on a national level, as they have a substantial impact on consumer demand, human capital development and the balance of payments (Maimbo & Sander, 2005).

In 2013 and 2014, Africa's remittance receipts contributed to GDP in the order of 1.5 percent and 2.0 percent, respectively. That said, this figure is thought to be under-estimated because of difficulties in accounting for informal remittance flows. Regardless, the evidence still points to remittances as an important aspect of Africa's social and economic makeup.

Conclusion

The past fifteen years has been witness to a collective rush forward amongst African economies which, for a long time, had lagged the advances made by the world economy. Whilst cyclical factors play some role in explaining the economic gains that have been achieved, there is an increasing body of evidence that points to structural factors as being the key ingredients in this "rush forward". Whilst the influence of factors vary from country to country, there is a growing recognition of at least four structural factors that have played – and continue to play – an important role in this regard. These factors include robust commodity prices (although less so in recent times) and new sources of demand coming out of dynamic markets, material improvements in economic management and policy platforms, debt relief and substantial, sustained debt improvement amongst many economies, and early evidence of Africa's "demographic dividend". Notably, in recent times a fifth structural factor has begun to make its influence felt, namely economic integration which refers to the economic connections that are made through international trade (T), cross-border capital movements (C), information and knowledge flows (I) and the movement of people (P). The so-called TCIP framework which describes the nature and influence of these connections identifies economic integration – oftentimes simply labelled "globalisation" – as a key driver of material improvements in a country's economic and social welfare. Yet, in the case of African economies this element of economic integration largely has been ignored. Arguably, this is because of an uneven understanding of the true role and influence that economic integration plays, compounded by the low level of economic integration historically displayed by African economies as well as large gaps in our access to data and information that measures such relationships. Moreover, cross-border economic relationships have many dimensions, including their intensity, makeup, geographic nature and degree of sophistication. Thus, the multi-dimensional nature of economic integration compounds the problem of achieving reliable and robust measures of such relationships. However, by virtue of having access to proprietary data, that represents more than 4 million observations across each of the elements identified above, we are able to develop the Visa Africa Integration Index as a reliable and robust measure of economic integration for 11 of Africa's largest and fastest growing economies. As such, the Visa Africa Integration Index makes a new – and arguably important – contribution to our understanding of the nature and extent of economic relationships amongst some of Africa's largest economies. Amongst other things, by developing the Index we achieve a sophisticated measure of economic integration that incorporates the four pillars of economic connectedness, namely trade, capital, information and people (TCIP) flows. In addition to measuring these pillars at the country level, the granularity of the data to which we have access allows us the ability to measure economic integration at global and regional levels, and also to measure the depth and breadth of these relationships. Whilst the results provide for rich, varied and detailed insights into the nature of economic integration amongst Africa's biggest economies, there are five key findings that stand out. First, whilst improving off a modest base, the countries that make up the Index have undergone positive structural transformation over the past decade. Second, given the rapidly improving economic environment and composition, the socio-economic gains that come with rising integration will translate into rising investment opportunities and prospects for new business relationships in the 11 countries covered. Third, regional integration demonstrates itself to be one of the more powerful drivers of integration. This is an important outcome given that regional integration is a consistently more important contributor toward economic progress and social development than global integration. Fourth, there are cases of material disconnects in some countries that do not follow the anticipated trend results. This allows for useful insights into country dynamics, economic challenges and prospects. Fifth, Africa – and more specifically, according to the results of this study, Sub-Saharan Africa – is not "one country" or "a place". The region is not one amorphous aggregate. Rather, the findings enforce the point that each of the 11 countries that make up the Index, and their three regions that we measure, represent a rich tapestry of economies that have unique and discernible attributes that influence and inform the way in which they integrate with the world economy and with whom they connect.

However, regardless of how we approach the results produced by the Visa Africa Integration Index, our findings are unambiguous in at least two regards. First, whilst coming off a modest base, the economies that we measure are rising in terms of the degree and sophistication of economic integration. Second, although the economies to a case have some way to go in terms of catch up, they are catching up with the aid of structural – or entrenched – drivers. As such, while the leap forward that has been taken by so many African economies over the past fifteen years is a significant one, they have a long way to go still. These attributes represent remarkable social, economic, business and investment prospects for Africa and her citizens.

About the Authors

Prof. Adrian Saville

Adrian Saville's qualifications include a Bachelor of Arts (Honours) (cum laude) degree and M.Com (cum laude) from the University of Natal. He completed his PhD (Economics) at the University of Natal in 1997, for which he was awarded the Economics Society of South Africa's Founders Medal. He is a UNESCO laureate and a matriculant of Linacre College (Oxford).

In 1994, while completing his doctorate in economics, Adrian formed an investment vehicle which became the forerunner to Cannon Asset Managers where, today, he is an executive director and serves as the chief investment officer. Adrian has successfully combined teaching and business over the years, having lectured at the University of the Witwatersrand, the University of KwaZulu-Natal, the University of Pretoria and the Estonian Business School. Currently, he holds a Visiting Professorship of Economics and Finance at the Gordon Institute of Business Science (GIBS), where he also teaches competitive strategy.

Adrian's career has encompassed consulting widely to government and the corporate world, including serving as an economic consultant to Visa South Africa. Adrian has published widely in peer-reviewed journals and books, and is a member of the Investment Analysts Society and Economics Society of South Africa.

Kelly Firth

Kelly Firth is a graduate from the University of Cape Town. Her qualifications include a Bachelor of Social Sciences degree in Economics and Psychology and a Bachelor of Commerce (Honours) degree in Economics. She intends to further her knowledge of economics through completing her Masters degree in the future.

Kelly is a senior research assistant and co-author of the Visa Africa Integration Index. She has previous experience regarding indices, including a contribution to the development of the Investec-GIBS Savings Index. Kelly has a keen interest in economic research, with a particular emphasis on research relevant to the African context. Two of her focus areas include country competitiveness and financial inclusion.

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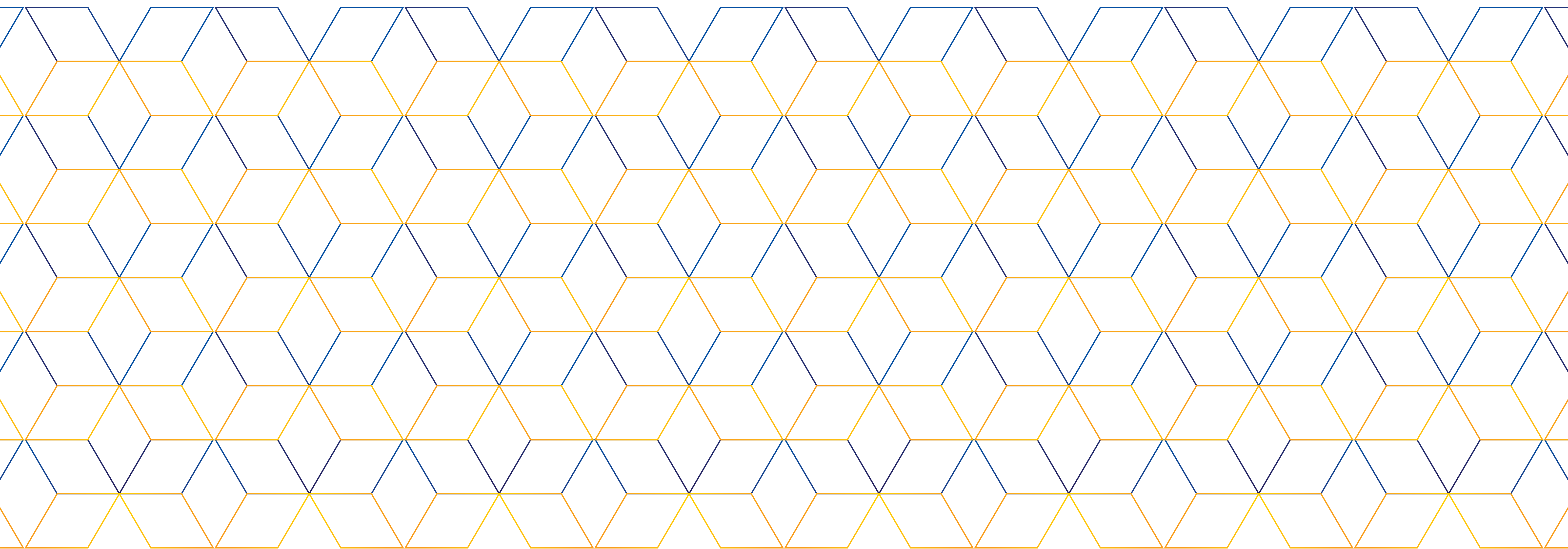

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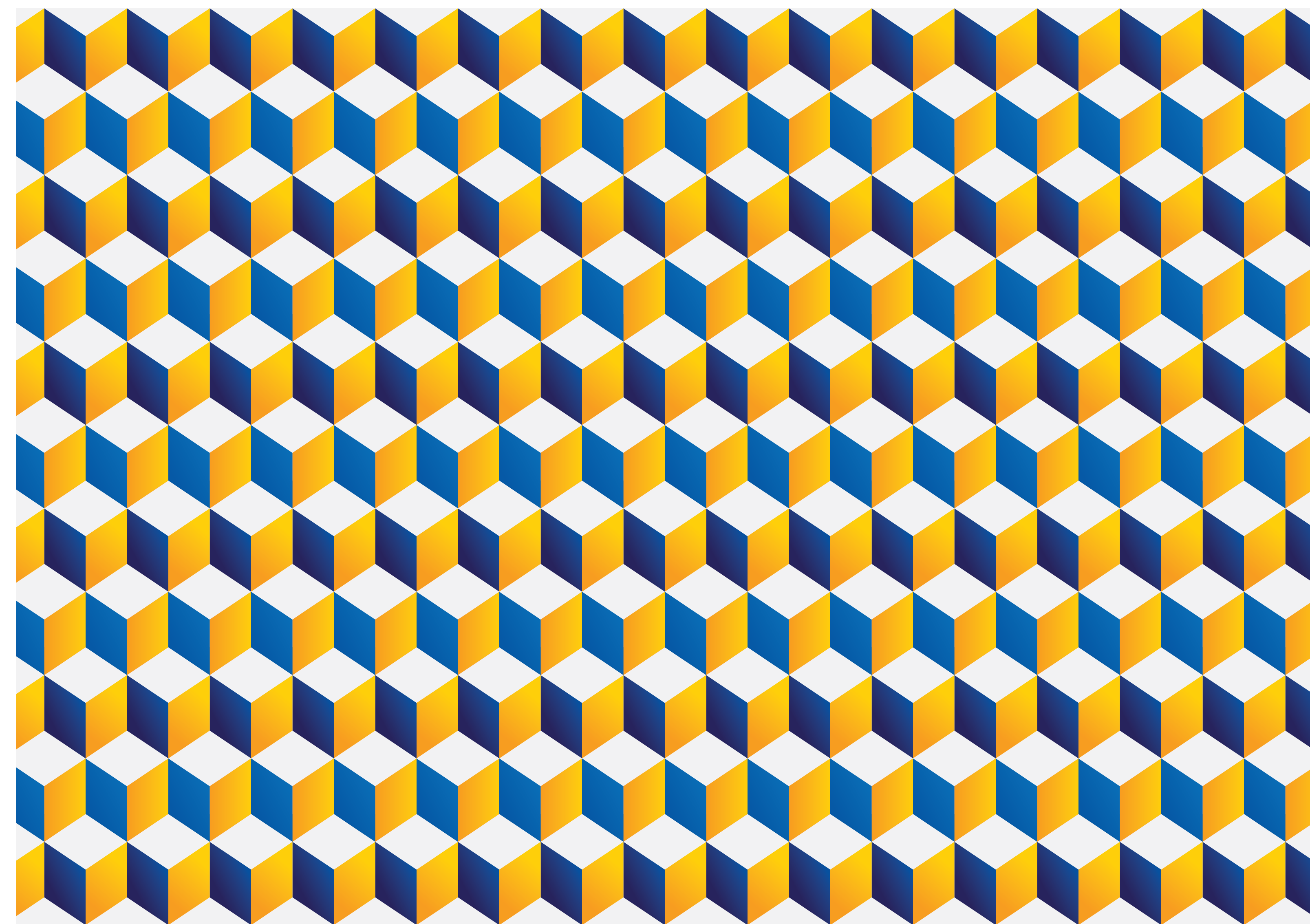

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