

AFRICAN DEVELOPMENT BANK GROUP



REGIONAL INTEGRATION STRATEGIC FRAMEWORK

REVISED

RDRI DEPARTMENT

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TABLE OF CONTENTS

ACRONYMS	i
EXECUTIVE SUMMARY	ii
1. INTRODUCTION	1
1.1 Definition of, Vision and Targets for Regional Integration	1
1.2 Background and Rationale for Regional Integration.....	2
1.3 How the RISF 2018-2025 Will Be Implemented.....	2
1.4 Opportunities and Challenges	3
2. POLICY AND STRATEGIC CONTEXT.....	4
2.1 Continental Priorities.....	4
2.2 Alignment with the New DBDM	5
2.3 Alignment with the Bank's High Fives.....	6
3. LESSONS LEARNED	6
3.1 Background	6
3.2 Harmonizing Terminology	7
3.3 Political Economy	7
3.4 Implementation.....	8
3.5 Effective Work Programs.....	8
4 STRATEGIC PILLARS AND OPERATIONAL PRIORITIES	9
4.1 Principles for Action and Justification of RISF Pillars	9
4.2 Key Pillars	9
Pillar 1: Infrastructure Connectivity.....	9
Pillar 2: Trade and Investment	12
Pillar 3: Financial Integration.....	15
5 IMPLEMENTATION ARRANGEMENTS AND MODALITIES OF THE NEW REGIONAL INTEGRATION APPROACH	18
5.1 Scope of Intervention	18
5.2 Accessing and Leveraging Human Capital	19
5.3 Accessing and Leveraging Financial Resources	19
5.4 Role of the Private Sector.....	20
5.5 Role of the Financial Sector	20
5.6 Public Sector Engagement	21
5.7 RISPs as Drivers of Planning and Implementation.....	21
5.8 Support to Areas of Special Emphasis	21
5.9 Monitoring and Evaluation of Results	22

5.10 Risks and Mitigation Measures	22
6 INTERNAL COORDINATION.....	22
7. CONCLUSIONS AND RECOMMENDATIONS	23
Annex I. Regional Integration and Alignment with the High 5s	I
Annex II. RISF Implementation.....	IV
Annex III. Selected African Economic Indicators and Context for the Regional Integration Strategy Framework	V
Annex IV. Regional Integration Challenges, Lessons Learned, and RISF 2018-2025 Approaches.....	VI
Lessons Learned and Proposed New Approaches.....	VI
Summary of Influence of Lessons Learned on the Bank's RISF 2018-2025	XII
Annex V. Guidelines for Regional Integration Strategy Papers (RISPs).....	XIV
Annex VI. Terminology: Definitions of Regional Operations.....	XVI
Annex VII. Political Economy in Africa and RISF Considerations	XVII
Annex VIII. Regional Context and Sub-Regional Priorities.....	XIX
Annex IX. Map of Isiolo – Moyale A2 Highway Corridor.....	XXIV
Annex X. Technologies for African Agricultural Transformation	XXV
Annex XI. Regional African Trade Insurance Target for 2025	XXVI
Annex XII. Knowledge Management to Support Effective Work Programs	XXVII
General Context for Knowledge Management.....	XXVII
Knowledge Management Research in Support of the VPUs and Regional Offices ..	XXVIII
The Role of Key Performance Indicators in Knowledge Management	XXXI
Annex XIII. Indicative Financing Estimates For RISF 2018-2025	XXXII
Annex XIV. Potential/Indicative KPIs for Monitoring and Evaluation.....	XXXIV
Context for Proposed Impact-based Indicators	XXXIV
KPIs by Activity.....	XXXIV
Indicators of Success	XXXVI

ACRONYMS

ADF	Africa Development Fund
AfDB	African Development Bank
AHVP	Agriculture, Human and Social Development Vice Presidency
AIF	African Investment Forum
ASEAN	Association of South East Asian Nations
AU	African Union
BEAC	Banque des États de l’Afrique Central
BCEAO	Banque Centrale des États de l’Afrique de l’Ouest
BDEV	Independent Development Evaluation
BIAT	Boosting Intra-African Trade
BOAD	Banque Ouest-Africaine de Développement
CFTA	Continental Free Trade Area
CSP	Country Strategy Paper
DAPEC	Delivery, Accountability and Process Efficiency Committee
DBDM	Development and Business Delivery Model
DBSA	Development Bank of South Africa
DFI	Development Finance Institution
DG	Director General
ECVP	Chief Economist Vice Presidency
ESW	Economic and Sector Work
EU	European Union
FAO	Food and Agriculture Organization
FIRM	Finance – Resource Mobilization Department
FIVP	Finance Vice-Presidency
GDP	Gross Domestic Product
ICA	Infrastructure Consortium for Africa
ICT	Information and Communications Technologies
IDEV	Independent Development Evaluation
IPPF	Infrastructure Project Preparation Facility
ISO	International Standards Organization
KM	Knowledge Management
KPI	Key Performance Indicators
MDB	Multilateral Development Bank
NAFTA	North American Free Trade Agreement
NEPAD	New Partnership for Africa
NGO	Non-Governmental Organization
NTB	Non-Tariff Barrier
PEVP	Power, Energy, Climate and Green Growth Vice Presidency
PIDA	Program for Infrastructure Development in Africa
PIVP	Private Sector, Infrastructure and Industrialization Vice Presidency
PPP	Public Private Partnership
RDN	Regional Diagnostic Note
RDRI	RDVP coordination office
RDVP	Regional Development, Integration and Business Delivery Vice Presidency
REC	Regional Economic Community
RI	Regional Integration
RIPoS	Regional Integration Policy and Strategy (2014-2023)
RISF	Regional Integration Strategic Framework (2018-2025)
RISP	Regional Integration Strategy Paper
RMC	Regional Member Country
SNSP	Strategy and Operational Policies Department
UNDP	United Nations Development Program
UNECA	United Nations Economic Commission for Africa
VPUs	Vice President Units
WCO	World Customs Organization
WTO	World Trade Organization

EXECUTIVE SUMMARY

Background

Regional Integration in support of broad-based economic and human development has been part of the Bank's mandate since its creation in 1963. Regional integration is also a key priority for the African Union under the New Partnership for Africa (NEPAD), "Agenda 2063", and the regional economic communities (RECs).

RI brings the Bank's High Five objectives (High 5s) together in support of the African Union Vision for 2063 that supports regional integration and a Continental Free Trade Area (CFTA) to capitalize on opportunities. These include (a) larger, more attractive markets; (b) linking landlocked countries to regional African markets and beyond; (c) support for intra-African trade and investment; (d) an improved business environment for private sector investment and know-how; and (e) broader economic and human development benefits that come from the free flow of people, ideas, cultures, skills development, and general sharing of knowledge and information. This continental approach that builds on a mix of continent-wide initiatives and sub-regional initiatives over a period of decades with a clear end goal reflects the vision communicated by the African Union, and has been designed in concert with other partners (e.g., AU, JSSO, UNECA, World Bank) who share the same vision of the benefits of a unified and prosperous continent.

The Bank's new Regional Integration Strategic Framework (RISF), 2018-2025 is prompted by the Bank's adoption of the High 5s and a new Development and Business Delivery Model (DBDM), both of which were designed and implemented after the Regional Integration Policy and Strategy (RIPoS), 2014-2023. By aligning with the High 5s and DBDM, the new RISF builds on past successes while applying lessons learned to address critical needs in a more strategically coherent manner. This includes a focus on (a) policy dialogue at all levels (e.g., central, regional, local) and across sectors (public and private); and (b) institutional capacity building (e.g., Regional Economic Communities, Regional Member Countries).

Strategic and Operational Context

The RISF accounts for priorities articulated by the African Union, is consistent with the Bank's Ten-Year Strategy, and adapts the Bank's approach based on High 5s and the DBDM accordingly. The AU vision for 2063 sets out an ambitious target that intra-African trade would grow from 10 percent in 2012 to about 50 percent by 2045 as a result of deeper integration. The RISF will support this with an aspirational target of 20% by 2025. Similar priorities and aspirations are set out in several vision and strategy documents prepared by the Regional Economic Communities (RECs). Other key targets of the RISF are: (a) bring the High 5s together in support of AU Vision 2063 by promoting power generation, food security, industrialization, and improved quality of life by enabling the Regional Economic Communities (RECs) to achieve Stages 1-5 of the roadmap towards an African Economic Community, generate positive trends across all trade, investment and people flow measures in the Regional Integration Index, and make functional industrial poles by 2025; (b) enhance infrastructure connectivity by intensifying inter-connectivity of regional power pools by 2020, promoting progress toward an Inter-Continental Power Pool by 2035, and financing road, air and electronic infrastructure that fully connects the continent by 2025 and sustains progress toward AU Vision goals for rail and communications by 2040; and (c) support financial integration and inclusion so that financial services are greater than 5% of African GDP by 2025.

The Bank's effectiveness is expected to be optimized in its new DBDM through the strategic harmonization of the High 5s targets and operations. The new DBDM will improve Bank effectiveness by observing key principles of communication, coordination and efficiency. The DBDM includes (a) better coordination among Vice-Presidencies/complexes; (b) closer proximity to clients through decentralization, with major responsibilities assumed by five Directorates General, one per region; and (c) strong dialogue under the leadership of the Bank's Regional Development, Integration, and Delivery Complex (RDVP) to ensure better alignment between national and regional priorities on the one hand, and implementation through the Regional Integration Strategy Papers (RISPs) and Country Strategy Papers (CSPs) on the other. This approach is intended to better align the critical needs and priorities of Bank stakeholders with outcomes articulated in the High 5s. By working more

closely at decentralized levels, the RISF seeks to ensure that stakeholders have incentives to support these larger Regional Integration objectives in support of national development and the broader High 5s.

Lessons Learned

The Bank's RISF is guided by (a) lessons learned from past experience, including the Bank's analytical works from the Chief Economist and VP for Economic Governance and Knowledge Management (ECVP) and Independent Development Evaluation (BDEV)'s evaluation results; (b) recommendations from Senior Management; (c) feedback from the Board on recent regional integration products (e.g., completion reports of the previous RISPs); (d) Bank-wide inputs from sector complexes; and (e) external consultations with RECs, RMCs, MDBs, private sector actors and other relevant stakeholders. Lessons learned by partner institutions complement Bank lessons learned, and have also influenced RISF design. External consultations with all eight RECs and other institutional partners have confirmed the new RISF is well aligned with our stakeholders' strategies, and that the new partnership-oriented approach in which the Bank enables the RECs and others to be key drivers of RISPs and other RI priorities is sound, fully supported, and provides an appropriate incentive framework for active partnership and participation among the Bank, RMCs, RECs and other stakeholders.

Principles for Action and Justification of RISF Pillars

This RI Strategy focuses on key areas that are targeted for effective impact and outcomes. The RISF will support initiatives across the continent to (a) increase prospects for cross-border economic linkages and value-added; (b) provide access to regional and global markets for landlocked countries; and (c) strengthen corridors that will enable business development, job creation, and increased flows of goods, services and people. The objective is that results under this RISF will serve as useful foundations for subsequent advances and reforms required to achieve economic and human development goals and objectives to ultimately achieve the AU vision for a CFTA by 2063. All of these developments are considered crucial to reduce fragility and vulnerability, to promote food security, to expand inclusiveness of opportunity and reward, and to generally alleviate poverty and elevate quality of life in Africa. The potential gains generated from these advancements will serve as incentives that drive much of the RISF partnerships between the Bank and its stakeholders.

Pillar 1: Infrastructure Connectivity

The Infrastructure Connectivity pillar aims to strengthen regional connectivity and cross-border investment and trade through integrated regional power pools, transport and ICT infrastructure. The pillar will address areas identified by the RECs and other partners by augmenting "hard" regional infrastructure investments with "soft" support such as complementary capacity development, policy and regulatory reforms, and trade facilitation. Infrastructure financing will encompass building/construction as well as operations and maintenance requirements.

Infrastructure connectivity encompassing transportation, ICT, energy and associated environmental prerogatives in the battle against climate change is a core foundation for regional integration that applies regionally and across the continent. Transport integration (hard and soft), power pools and ICT networks are required to develop effective linkages between countries/regions in support of regional and market integration, economic development, rising incomes, and global competitiveness.

Pillar 2: Trade and Investment

Regional integration is fundamental to raising Africa's competitiveness. Improving intra-African trade and private sector investment are important mechanisms for inclusive growth and poverty reduction. Industrialization (including light manufacturing) is essential for small and medium-sized businesses, including women-owned businesses, to capture greater value-added for income growth and development.

Market expansion and trade are integral components of regional integration, as is an improved investment climate. To ensure that market integration takes place, the Bank needs to complement its hard infrastructure projects with logistics, and gender responsive cross-border and trade facilitation policies and measures (soft infrastructure) that enable higher volumes of trade and investment. The Bank

will work with countries and RECs to facilitate implementation of existing Agreements and protocols, design new ones as appropriate, and more broadly address issues that constrain intra-African trade (e.g., rules of origin, non-tariff barriers).

Under the RISF, the Bank proposes to provide a strategic approach to trade and investment. In doing so, the Bank will work with its partners to address important linkages between trade and investment through policy, regulatory and institutional reforms. This will include market integration, economic diversification through value chain upgrading, and movement of people and business environment reforms consistent with movement to CFTA, and supported by the strategies of the regions. Bank efforts will be led by country offices and regional hubs to ensure these priorities are part of the country policy dialogue and ongoing dialogue with RECs, and then integrated into country and regional integration strategies and corresponding project design, preparation and implementation.

Pillar 3: Financial Integration

Financial integration stands as a cornerstone for enhanced regional integration and development of the private sector across the continent. Liquid and robust financial markets powered by well capitalized, properly regulated institutions are needed for economic growth and market connectivity, including for the formation, expansion and competitiveness of cross-border and regional value chains.

Regional financial integration will focus on how financial markets can be strengthened to serve their intermediary role in ensuring resources are properly allocated to priority sectors, companies and initiatives that generate positive returns and yields and expand inclusiveness in support of market integration and development. Examples include (a) a broad range of supply chain financing instruments and services required to maximize resource flows; (b) instruments that assist with risk management; (c) instruments and information that increase the volume of direct investment to help sustain growth, employment, innovation and competitiveness; (d) faster and more convenient payment and transfer mechanisms; and (e) more harmonized and coordinated regional financial regulatory systems for stability.

Accessing and Leveraging Human Capital

The RISF will leverage human capital resources via (a) core RDVP staff assigned to RI; (b) coordinated efforts with other VPUs/Complexes; (c) coordination with RECs and personnel in RMCs as warranted; and (d) coordination with external partners based on strategic convergence and specified division of labor. RDRI will be organized as a decentralized network to be more integrated with RECs and other regional partners, from dialogue and agreed policy work through to project design, preparation and implementation.

Accessing and Leveraging Financial Resources

Conservative estimates of needed Bank financial resources is put at UA 8.9 billion to support Regional Integration for the RISF 2018-2025 time period. This approximates UA 1.1 billion per year, and is roughly consistent with annual allocations by the Bank for Regional Integration from 2007-2017. Additional resources would be mobilized through co-financing to help address financing and investment gaps. Estimates at this juncture are preliminary, and will be better defined and made more precise in 2018 with development of the new RISPs.

Implementation will require substantial new and incremental resources than can be provided through ADF replenishments and the AfDB window. Therefore, the Bank will step up co-financing, especially with regional integration partners in improving regional integration in Africa, as it improves trading activities and reduces market fragmentation. More importantly, the Bank will concentrate on helping RECs become effective economic organizations able to levy and allocate resources in a sustainable way. These will serve as incentives for governments to support regional integration.

Concerted efforts will also be made to ensure effective mobilization of complementary financial resources through local and regional financial and capital markets to support the Bank's other resource mobilization efforts. The financing requirements for the majority of large regional infrastructure projects will be well beyond the current financial resources of the Bank and its syndication and co-financing partners.

The Bank will promote and motivate use of local and regional capital markets to mobilize large scale wholesale and retail savings to finance deserving regional projects. This will include financing for operations and maintenance, not just new construction.

Role of the Private and Financial Sector

The RISF will give significantly more importance to the private sector and the financial sectors as the key drivers for regional integration. The emerging private sector is most interested in regional integration because of the opportunities that will come from reduced fragmentation of markets. Large-scale and mid-sized companies will benefit from economies of scale, while smaller companies (including those owned by women) will benefit from their ability to provide specialized or niche products, and to serve as joint venture partners, sub-contractors, licensees, and franchisees for other firms seeking partners in growing economies. These increased opportunities will intensify demand for skilled labor, helping to define criteria for skills training programs supported by the Bank.

The Bank will actively work with the private sector (inclusive of the financial sector) to support regional integration. For regional integration to succeed, the private sector should play an active role in (a) policy advocacy and dialogue with the public sector; (b) strengthened frameworks for the business environment, including regulation, tax compliance (at reasonable rates), and enhanced trade and investment; (c) infrastructure development for enhanced connectivity and market linkages; (d) resource-sharing agreements that include information dissemination in support of innovative, frontier industries with major potential public benefits (e.g., bio-tech, green technologies for power generation); and (e) use of Public-Private Partnerships where feasible on a regional basis¹ to bring about innovation and value for money.

Public Sector Engagement

The RISF will provide a new approach to Bank support to and for RECs. Special attention will be given to support the RECs in their policy work, planning, and dialogue with the private sector directly linked to the exercise of RECs' mandates. The Bank will also enhance the policy dialogue with member states so that the RECs are given the appropriate resources and level of support to be sustainable in the long run. This will strengthen incentives for active participation in the dialogue process among RMCs and RECs with the private sector, and will help to address some of the issues concerning political will that have been raised in the past.

Internal Bank Coordination

Consistent with the principles of the DBDM, the newly established Regional Integration coordination office under RDVP (henceforth RDRI) will pursue a highly coordinated and interactive approach with the other VPUs/Complexes to ensure Integrate Africa is consistent with their activities, and aligned with the High 5s. Furthermore, RDRI's coordination effort will ensure that there is a continuous feedback loop in the dialogue with RMCs and RECs at the decentralized regional level, guided by the DGs and then back to RDVP operations.

The DGs/Regional Hubs will be expected to work closely together to promote the regional integration agenda as part of the larger objective of establishing greater continental integration. Such coordination will also influence some of the ESW and information dissemination that the RDRI Knowledge Management function will manage as part of its reporting and policy dialogue support function.

Operationally, the Regional Integration coordination office (RDRI) at HQ under RDVP will serve as the organizational "hub" within the Bank to oversee implementation of the RISF. The central unit based in RDVP will retain the critical role of RISF management, administration and coordination of DGs' actions.

¹ Most Public-Private Partnerships are country-specific and not regional. However, in some infrastructure projects that are cross-border in scope, there is no reason to exclude these vehicles as a mechanism for finance, project management and ongoing maintenance based on clearly spelled out contractual terms.

This covers (a) operational aspects, including the ADF prioritization exercise, and more generally (b) the promotion of combined use of AfDB, ADF and other resources the Bank manages or to which it has access. RDRI will also be responsible for the dialogue at the continental level with the AU, UNECA and other relevant bodies. The already established tools like CODA and JSSO will serve as an institutional interface for that purpose.

1. INTRODUCTION

1.1 Definition of, Vision and Targets for Regional Integration

Regional Integration (RI) is defined as or refers to an agglomeration of Member States that cluster on the basis of agreed policies, legal/regulatory frameworks and institutional arrangements to pursue and implement, within defined territory/territories, common, joint, coordinated or harmonized policies, projects and programs in a simultaneous, sequential, or phased manner. Alternatively, RI is the integration of factor and goods markets accompanied by coordination of policy across sovereign jurisdictions within a region to support integration. This can range in depth (the degree of sovereignty surrendered) and scope (focused on one issue or across several topics), as reflected in NAFTA, the EU and ASEAN, the three largest examples by trade and GDP measures of regional integration.

For AfDB (“the Bank”), the vision for RI is aimed at five broad initiatives as part of the AU Vision for 2063² that includes an integrated continent in support of prosperity, inclusive growth and sustainable development. These five initiatives include getting (a) goods to move more easily across borders, namely at a faster pace and at lower cost; (b) transport, energy and telecommunications to connect more people across more boundaries to allow for the exchange of data, information and knowledge as well as person-to-person social exchange; (c) people to move more freely across borders for travel, tourism, trade, and labor market needs; (d) capital and production to move and grow beyond national limits, linked by supply chains and integrated downstream market opportunities; and (e) data, information and knowledge to move more freely to support social welfare (e.g., health, education) needs along with economic development and competitiveness.

Based on the above priorities, the Regional Integration Strategy Framework (RISF) for 2018-2025 has overarching *indicative* targets it seeks to achieve as a result of its support and interventions. These targets are based on a mix of hard and soft infrastructure, with the latter addressing policy work, Economic and Sector Work (ESW), and institutional capacity-building and knowledge-sharing to generate the boost in growth and integration that has been lacking to date in prior RI initiatives.

RISF 2018-2025 indicative or aspirational targets are:

- **bring the High 5s together in support of AU Vision 2063** by promoting power generation, food security, industrialization, and improved quality of life by enabling the Regional Economic Communities (RECs) to achieve Stages 1-5 of the roadmap towards an African Economic Community from the current status in which five of eight RECs are part of a Free Trade Area, two of eight RECs are part of a Customs Union, one of eight functions as a single market, and only a fraction of countries have implemented the freedom of movement protocol; generate positive trends across all trade, investment and people flow measures in the Regional Integration Index, with average REC scores in the Index rising from 0.47 in 2016 to more than 0.70 by 2025; and make functional industrial poles by 2025, as reflected in higher average Productive Integration index scores from 0.38 in 2016 to about 0.60 in 2025;
- **enhance infrastructure connectivity** by intensifying inter-connectivity of the five regional power pools by 2020, encouraging movement towards total net electricity generation of 1,665 terrawatts (TWh) per hour by 2025 (and between 1,800 and 2,200 TWh by 2030), and in the process promoting progress toward an Inter-Continental Power Pool by 2035; financing road, air and electronic infrastructure that fully connects the continent by 2025, as reflected in an increase in the average Regional Infrastructure index score from 0.46 in 2016 to 0.70 in 2025; expanding existing road networks from 10,000 km (2008) to the 60,000 km to 100,000 km estimated by the World Bank to be needed for intra-continental connectivity; increasing Africa's *regional* passenger traffic by 7% from 12.6 million in 2015 to 13.5 million in 2025, and Africa's *regional* air freight carried by 7% from 134 million tons in 2015 to 143 million tons in 2025; and sustains progress toward AU Vision goals for rail and communications by 2040 that will increase rail lines from 90,320 km (2005), only 3.1 km for every 1,000 sq km in Africa, and internet connectivity from only 19% in 2014;

² See African Union, <https://au.int/en/agenda2063>

- **increase market linkages and connectivity** through trade and investment to increase intra-African trade from 10% of total in 2012 to 20% by 2025; and
- **support financial integration and inclusion** so that financial services are greater than 5% of African GDP by 2025 from current levels that are largely unavailable in the data and are likely less than 2% overall.

1.2 Background and Rationale for Regional Integration

RI in support of broad-based economic and human development has been part of the Bank’s mandate since its creation in 1963³. Today, “Integrate Africa” is one of the Bank’s five development priorities as articulated in the Bank’s overarching strategy, as articulated in the High Fives (High 5s)⁴. Regional integration is also a key priority for the African Union under the New Partnership for Africa (NEPAD), “Agenda 2063”, and the RECs.

RI brings the High 5s together in support of the African Union Vision for 2063 that supports regional integration and a Continental Free Trade Area (CFTA) to capitalize on these opportunities. RI is a vehicle to (a) create larger, more attractive markets in Africa that offer potential for economies of scale on the one hand, and niche opportunities for specialization and product differentiation on the other; (b) link landlocked countries to regional African markets and onward to international markets; (c) support intra-African trade and investment; (d) improve the general business environment for private sector investment and know-how; and (e) generate broader economic, gender equality and human development benefits that come from the free flow of people, ideas, cultures, skills development, and general sharing of knowledge and information. (See Annex I for how the RIS aligns with the High 5s.)

The Bank’s new RISF is prompted by the Bank’s adoption of the High 5s and Development and Business Delivery Model (DBDM), both of which were designed and implemented after the Regional Integration Policy and Strategy (RIPoS), 2014-2023. The new RISF, 2018-2025 (“RISF”) builds on successes, approaches and lessons learned from earlier or existing initiatives as well as evaluation results by the Bank’s Evaluation Department (BDEV) on assessment of regional operations and regional strategy papers, while improving on design and implementation when warranted. Key lessons are discussed below in Section 3.

The RISF addresses critical needs in a more strategically coherent manner that builds on prior investments, operations and progress. The RISF (a) elevates the role of the private sector (including small and medium-sized enterprises) in the delivery of solutions; (b) increases focus on reducing/removing tariff and non-tariff barriers to trade and investment; (c) strengthens market linkages, including in financial services and the leveraging of cross-border value chains; and (d) addresses cross-cutting issues across the High 5s. It also expands its focus to key “soft infrastructure” needs described above to complement and reinforce growth and benefits from hard infrastructure investment that has traditionally characterized most Bank RI operations.

The RISF complements country-specific initiatives on a regional basis, including in the design and implementation frameworks that will help to protect resources, combat climate change, and prevent environmental degradation where cross-border and regional coordination and cooperation are essential (e.g., water basin management, forestry resources and bio-diversity). The complementarity of RISF initiatives to RMCs’ own national priorities will strengthen incentives for partnerships in support of Regional Integration.

1.3 How the RISF 2018-2025 Will Be Implemented

The RISF represents the cross-border, regional and continental priorities of the Bank in relation to the activities of its other four High 5s. This overarching strategy will be made more programmatic and operational at the regional level as specific priorities of the Bank’s regional partners and stakeholders are specified in the Regional Integration Strategy Papers (RISPs). (More detail on this is provided in Sections 3.1 and 5.7, and in Annex V.)

³ The Regional Integration Policy and Strategy (RIPoS), 2014-2023 currently guides the Bank’s actions on regional integration. This RIPoS is focused on two mutually reinforcing pillars: (a) supporting regional infrastructure development; and (b) enhancing trade and developing industry. Implementation of the new RISF, 2018-2025 builds on these initiatives with additional features linked to the High 5s and DBDM.

⁴ The High Fives are the five priority areas that the Bank will focus on to advance Africa’s transformative agenda over the next 10 years. (See Annex I.)

The Bank will work with the RECs to support them in the design and implementation of their strategic priorities. These priorities and the role the Bank will play in helping with ESW, policy support, project design and preparation, project implementation, knowledge management, and performance monitoring and evaluation will be articulated in the five RISPs. This will include priorities specified by the RECs and other regional partners, the role of the Bank and its partners, budget, financing, technical assistance, program and project targets, performance indicators, timelines, and projected outcomes and impact. As the regions are diverse and face differing challenges, the RISPs will reflect the heterogeneity and variability of the regions' needs, priorities, and preferences for support. However, the Bank's new approach, with considerable focus on institutional capacity building at decentralized levels, is expected to provide improved incentives for active participation and contributions from the RECs and the RMCs that they collectively represent.

The Bank intends to take a decentralized approach in its approach with partners in the regions. However, its approach will be centralized when initiatives focus on continent-wide priorities that transcend the regions. For example, certain transport sector initiatives like air travel are likely to be continent-wide rather than exclusively region-specific. Likewise, certain financial sector initiatives like trade finance and stock exchange linkages may well transcend region-specific scope. On all matters, RDVP will coordinate with the VPU/Complexes to ensure there is appropriate coordination specific to the High 5s, as well as specific to the jurisdiction and degree of centralization or decentralization. Annex II provides a graphic illustration of how the RISF 2018-2025 will be implemented.

1.4 Opportunities and Challenges

Africa abounds in opportunities due to its demographics, resource base, land mass, and potential for growth. Africa accounts for about 16% of the world's population, and is rich in resources and arable land. Therefore, improvement in economic development indicators presents the continent and world with opportunities.

However, African GDP only accounts for 3% of the global total, per capita incomes (purchasing power parity basis) are only a third of the global average, and the continent's share of trade and investment is low and well below all other regions of the world. Persistent poverty and continued under-performance relative to other markets raise the risk of instability in response to hunger, famine, fragile states and peoples, and other human development vulnerabilities. These threats, combined with ongoing environmental risks and catastrophes, serve as a permanent threat to Africa's resilience and ability to sustain itself.

Even modest improvements in fundamental indicators would add significantly to the economic and human development of the continent. For instance, restoring global market share in merchandise exports to 1963 levels (5.7%) would constitute an increase of nearly 1.4 times from 2015 levels, and constitute an increment of \$550 billion in current dollars in merchandise exports. (Refer to Annex III for selected indicators and challenges.) Such growth, powered by (a) strengthened value chains rooted in primary sector comparative advantage, (b) increased share of manufacturing value-added predicated on better developed upstream supply chains, and (c) enhanced distribution of output via modern logistics and efficient downstream marketing would effectively leverage Africa's comparative advantages and generate considerable economic benefits. However, to achieve this, a better environment for trade and investment and more reliable power generation are required. Absent investment in hard and soft infrastructure and an active commitment to market connectivity, Africa will continue to miss out on opportunities.

A virtuous circle would considerably increase inclusive economic growth and incomes, alleviate poverty, and improve the quality of life for Africans. Success will be driven by degrees of (a) macroeconomic stability; (b) structural reforms that culminate in economic diversification and increased value-added; (c) evolution of "smart" infrastructure, including "smart" cities and "smart" housing to accommodate rising populations and urbanization; (d) capacity of businesses, governments and households to absorb and leverage the benefits of new technologies in all areas (e.g., production, distribution, environmental protection, social infrastructure); (e) sustainable and joint exploitation of endogenous natural resources, particularly those shared across several nations to create wealth and jobs, and reduce regional conflicts; (f) harnessing energy resources to ensure modern, efficient, reliable, cost effective, renewable and environmentally friendly energy to all African households, businesses, industries and institutions; and (g) progress in gender equality and inclusiveness.

To capitalize on these vast opportunities, the continent (partly with the Bank's support) will need to overcome challenges that are longstanding, complex and difficult to solve. Achieving success is dependent on (a) progress in the other High 5s that require macroeconomic and political stability, structural reform, physical and social infrastructure development, urbanization and population growth management, resource conservation and management, and capacity to utilize new technologies; (b) willingness and capacity of RMCs and RECs to work together under highly diverse, and often fragile and unstable environments; (c) capacity of the RECs to design policies, projects and programs that can be sustained and effectively implemented with active RMC buy-in; and (d) sustainable funding for commitment and continuity on long-term projects. (See Annex IV for a summary of challenges to execution of regional integration initiatives, lessons learned from past experience, and new approaches undertaken in the RISF.)

Exogenous challenges in the international environment exacerbate these difficulties. These include a flattening of merchandise goods trade as a share of GDP since the 2007-08 financial crisis, looming protectionism in some markets, and a slowdown in commodity purchases in others, all of which threaten economic growth potential. As indicated in the example above, Africa's share of merchandise goods exports has declined significantly since the 1960s. Moreover, intra-African trade remains abysmally low, at about 2-3% per year. On a global scale, South Africa (mining/37th) and Nigeria (oil/50th) are the only African countries among the top 50 national exporters, together only accounting for 0.8% of global exports. In services, no African countries are among the top 40 national exporters.

With global trade in goods leveling off as a share of GDP in recent years, this requires Africa to double down on its own potential for enhancing economic resilience by (a) reducing its dependence on low-value added commodity exports, and instead leveraging value chain output from primary and secondary to tertiary sectors; (b) expanding pan-African markets through closer integration and expanded flows of trade, investment, data and people; and (c) leveraging new technologies, data systems and connectivity points to take advantage of the benefits to economies and societies at large. Focus should be on enhancing production efficiencies, managing costs throughout the value chain to generate positive earnings for incomes and reinvestment, and broadly reducing the cost of doing business in Africa to increase competitiveness.

2. POLICY AND STRATEGIC CONTEXT

2.1 Continental Priorities

The new RISF, which is aligned with the priorities articulated by the African Union, is consistent with the Bank's Ten-Year Strategy, and adapts the Bank's High 5s vision accordingly. These priorities are articulated in the AU's Vision 2063, and focus on (a) a prosperous Africa based on inclusive growth and sustainable development; (b) an integrated continent that is politically united; (c) an Africa of good governance, democracy, respect for human rights, justice and the rule of law; (d) a peaceful and secure Africa; and (e) an Africa with strong cultural identity, common heritage, values and ethics. The Bank's High 5s and RISF are the Bank's articulation of support for this vision.

The AU vision for 2063 sets out an ambitious target that intra-African trade would grow from 10% in 2012 to about 50% by 2045⁵ as a result of deeper integration. Similar priorities and aspirations are set out in several vision and strategy documents prepared by the RECs. Likewise, initiatives such as the open skies objectives expressed in the Yamoussoukro Declaration in aviation serve as an example of how Africa can connect and address long-standing and costly barriers to the flow of goods, services and people on the continent.

The new RISF accounts for major developments in geo-politics and the global economy, and has been designed to address challenges to Africa in an active and forward-looking manner. As noted above, exogenous challenges include a flattening of merchandise goods trade as a share of GDP since the 2007-08 financial crisis, looming protectionism in some markets, and a slowdown in commodity purchases in others, all of which threaten economic growth potential.

The RISF addresses challenges head on by increasing infrastructure and ICT connectivity, trade and investment, and financial market development and integration for Africa to become more resilient and less vulnerable to exogenous shocks. The RISF specifically and actively focuses on

⁵ Agenda 2063 – 1st Edition, August 2014 – Page 5

expanding pan-African markets through closer integration and expanded flows of trade, investment, data and people. Other challenges include the status of development banks/donors, including AfDB, as broadly resource-constrained. Therefore, there is a need to better coordinate and form partnerships to be more effective and efficient. The Bank will work together with other partners to increase access to funds and technical assistance, and to better allocate resources in support of shared objectives. For example, working more closely with the Infrastructure Consortium for Africa could serve as a vehicle to assist with financing, data collection and related requirements to enhance and sustain connectivity.

The Bank intends to partner with other institutions to leverage financial and human capital resources for improved RI outcomes. In areas of regional integration that are often more complex due to cross-border issues and country heterogeneity, RECs and RMCs require institutional support for enhanced policy dialogue, more and better feasibility studies for specific projects and plans, and more effective project preparation and implementation. As one example, the Bank intends to participate in the mid-term review of PIDA to better define (a) how we relate to, engage with and support PIDA; (b) how we use the PIDA priority list and the lists of the various RECs and other bodies to drive the Bank's work in Regional Integration; and (c) to re-set priorities with our partners from a substantive/sector point of view. Another example is mapping out financial integration initiatives where the Bank plans to organize a special session with our financial sector stakeholders (e.g., regional DFIs) to establish an overarching framework for financial sector initiatives that will be integrated into RISPs. Such discussions will (a) clarify and redefine our relationship and synergies with DFIs; (b) articulate clearly the regional and continental dimension of financial sector reform; and (c) identify the key priorities that the RECs, DFIs and other partners will support, and the specific role the RECs and others will play with Bank support. This is the sector where the Bank should be expected to play the lead continental role, and to serve as the lead enabler at the regional level in concert with its partners (e.g., RECs).

The RISF will increase its support to RMCs and RECs to address these challenges, starting with dialogue and coordination at the RISP level via DGs and other enabling mechanisms for Bank coordination and support. The private sector has often been subordinated as a player, which has constrained trade and investment in Africa.

The RISF will focus on reversing this pattern to achieve enhanced trade, investment and industrialization for sustained economic growth and achievement of High 5 economic and human development objectives. New technologies, data systems, and connectivity points have an outsized impact on economies and societies at large, offering great opportunity but also presenting deep threats and challenges for societies, economies, political systems and cultures.

The RISF leverages these modernizing tools, while also assisting with transition challenges for economies and institutions that risk being left behind as a result of the disruption that can occur. In this and other areas, the RISF will be closely integrated with the Bank's other efforts to promote youth employment.

2.2 Alignment with the New DBDM

The new DBDM will improve Bank effectiveness by observing key principles of communication, coordination and efficiency. The DBDM includes institutionalization of High 5 areas and focus areas in dedicated Vice-Presidencies/Complexes, with the Integrate Africa High Five anchored in the Regional Development, Integration and Business Delivery (RDVP). A strong coordination framework under RDVP and guided by the DBDM will ensure coherence of the Bank's Regional Integration initiatives across the regions and continent, rather than independently within the Bank's configuration of "Regions"⁶. A mix of decentralized and centralized approaches has been briefly described above.

The DBDM emphasizes closer proximity to clients through decentralization. Five Directorates General, one per region (i.e., North, South, East, West, Central) plus a strengthened country office for Nigeria have been created to encourage proximity to partners on the continent. The DBDM will foster greater oversight and enhanced country and regional dialogue, both of which are vital for RMC and REC buy-in. The Bank's approach will be to support the RECs by enhancing their capacity to (a)

⁶ For instance, the COMESA/EAC/SADC tripartite Agreement brings together RMCs in three different Bank regions (RDGE, RDGN, and RDGS). Morocco's efforts to seek ECOWAS membership and Tunisia's joining COMESA are examples of how cross-regional integration may also expand links between sub-Saharan Africa and Europe. RDVP will be able to leverage successes achieved in some RECs, such as the EAC, as a basis for promoting strengthened dialogue within other RECs.

implement existing agreements and protocols, as well as (b) conduct needed policy work to better define strategic priorities. Closer proximity and more continuous engagement with clients at decentralized levels should help the Bank to support interventions identified by our partners at the regional level that promote an equitable distribution of opportunities from RI so that RI is viewed as a “win-win” proposition by all the RMCs and RECs. This may entail better understanding of the regional political economy through decentralized structures and staff (e.g., economists, gender, transition and “fragility” experts) to ensure programs linked to skills development, job creation, gender equality and Quality of Life objectives are included in project design and implementation to enable required support during transition periods.

Strong dialogue under RDVP leadership, and in close coordination with the VPUs/Complexes, will ensure better alignment between (a) national and regional priorities on the one hand, and (b) implementation through the RISPs on the other. The RISPs will complement RMC priorities expressed in Country Strategy Papers (CSPs), and focus on areas that are common to the continent and across sub-regions. These include but are not restricted to (a) flows of goods, services and people; (b) the business environment, and reduction/removal of tariff and non-tariff barriers to trade and investment; (c) hard and soft infrastructure investment and connectivity in support of better logistics, etc.; (d) financial sector development, integration and inclusiveness; and (e) governance, legal/regulatory frameworks, standards-setting policy, implementation and oversight, and related preconditions for global competitiveness. Dialogue and strategies will also include measures on inclusiveness and equity in the regional context, and seek to address imbalances that may result from reforms. The RISPs/CSPs will be underpinned by Regional/Country Diagnostic Notes, with complementary roles built into the structure of these Notes. This will include cross-cutting areas of (a) governance; (b) climate change; (c) gender equality; and (d) resilience in transitional states.

2.3 Alignment with the Bank’s High Fives

The Bank’s High 5s vision provides the overarching framework for its activities to accelerate Africa’s economic transformation. (Refer to Annex I for how the RISF aligns with the High 5s.)

The Bank’s effectiveness is expected to be optimized in its new DBDM through the strategic harmonization of the High 5 targets and operations. All RI activities relate naturally to an economic sector. RDVP’s role is to ensure that the Bank’s strategy and activities are coherently focused on the cross-border, regional and continental dimensions of the sector and remaining High 5s, as well as cross-cutting themes to the extent possible and feasible in support of larger Bank objectives as articulated in its Ten-Year Strategy.

As many of these activities will feed into larger integration objectives, such as value chain creation/development and increased intra-African trade and investment, this approach will require considerable coordination. Organizationally, the presence of DGs in regional offices will more closely integrate coordination and support with/through RECs and RMCs, while RDVP will coordinate Africa-wide initiatives and other Vice President Units (VPUs) will lead their specific High 5 initiatives.

3. LESSONS LEARNED

3.1 Background

The Bank’s RISF is guided by (a) lessons learned from past experience, including the Bank’s analytical works from ECVP and BDEV’s evaluation results; (b) recommendations from Senior Management; (c) feedback from the Board on recent regional integration products (e.g., completion reports of the previous RISPs); (d) Bank-wide inputs from sector complexes; and (e) external consultations with RECs, RMCs, MDBs, private sector actors and other relevant stakeholders. Annex IV provides a comprehensive profile of lessons learned, and how these have been incorporated into the RISF 2018-2025. Some of the lessons learned from the Bank’s past experience have highlighted the importance of (a) clarifying terminology and definitions; (b) incorporating key political and economic lessons that promote “ownership” and “buy-in” at all stages of the process; (c) maintaining clear country (RMC) context while weaving this into broader regional efforts; (d) maintaining a “close-to-the-client” delivery model for strengthened dialogue and heightened prospects for effective implementation, particularly in countries where capacity and/or circumstances make these projects intrinsically more difficult to implement; and (e) designing effective work programs as part of the project design and implementation process.

The RISPs are expected to demonstrate more tangible outputs resulting from this process, including (a) more solid consensus among regional partners on shared priorities in support of Regional Integration, backed by Bank and associated partner support; (b) strengthened public-private dialogue to move forward on Regional Integration initiatives based on agreed targets and outcomes; (c) improved project preparation, design and implementation, largely based on enhanced capacity at RECs and other regional entities to support these initiatives; and (d) knowledge sharing of lessons learned to promote knowledge exchange platforms so that RECs can learn from each other, and eventually create inter-regional linkages in support of continental integration. The RISF supports all of these undertakings, and represents a point of departure from earlier approaches in seeking to build stronger partnerships that include the private sector, the need for soft infrastructure investment, and better articulation of the benefits of Regional Integration and the foregone opportunities from not integrating. Annex V describes guidelines for RISPs that will (a) align with the RISF; (b) reflect institutional changes in Bank business processes (e.g., DBDM, DAPEC mandate); and (c) draw on lessons from the BDEV evaluation of 2009-2012 that recommended greater strategic cohesion and better alignment between CSPs and RISPs.

Lessons learned by partner institutions complement Bank lessons learned, and have also influenced RISF design. These lessons include the need for (a) greater strategic cohesion in lending and analytical work; (b) multi-country commitment ex-ante to regional initiatives; (c) policy, regulatory and institutional reforms to complement and more effectively leverage infrastructure investment; (d) less complex project design, more developed project preparation, support for implementation capacity, and more efficient procurement and disbursement; (e) fewer but larger projects that are transformational in impact, while also seeking to include features in project design that will allow for visible progress and benefits for marginalized stakeholders (e.g., outsourcing local food products to feed workers on major infrastructure projects); and (f) better and clearer performance indicators for ongoing monitoring and evaluation purposes.

The RISF incorporates lessons learned from past experiences in the Bank and from partner institutions, and integrates observations and recommendations provided by Senior Management and the Board. Key issues include (a) clearer articulation of the “theory of change” and a results framework attributable to the Bank’s actions; (b) better analysis of political economy issues that impact ownership, commitment and implementation success; and (c) greater recognition and acknowledgement of Africa’s diversity that include (i) transitional vs. stable situations; (ii) island states; (iii) ADF vs. AfDB countries; and (iv) landlocked vs. coastal RMCs.

3.2 Harmonizing Terminology

The concept of “regional integration” can be unclear. An effort has been made to define this in the first paragraph of the RISF. Further clarification of definitions is found in Annex VI to enable the Bank to select the kind of support that should be given to each kind of project. This is even more important when it comes to the allocation of scarce ADF regional operation resources, which should in principle be allocated to priority projects showing significant regional integration impact.

3.3 Political Economy

The RISF gives more attention to the political economy of the Bank’s regional integration activities. An assessment of political will and “ownership” on the part of the RECs and member states is indispensable; without their support and “buy in”, initiatives will not succeed. The Bank will work most closely with those RMCs and RECs seeking to broadly expand and intensify regional integration. As political will is the responsibility of the relevant governments and political bodies, the Bank cannot dictate approaches. However, the Bank will seek to promote the active cooperation and coordination of all RMCs and relevant institutions to accelerate their efforts for more regionally integrated initiatives. By working most closely with those actively interested in accelerating these trends, the Bank will then seek to use positive outcomes in trade, investment, income growth, job creation and other indicators of success as demonstration effects of the benefits of regional integration. In the end, pan-African and continental competitiveness require economies of scale and rising value added, and these are required to achieve broader High 5 objectives. (See Annex VII for an overview of political economy considerations for the RISF.)

In the same vein, recognizing that there will be winners and losers when it comes to reforms and related adjustments is important to reach consensus for win-win solutions, including short-term and long-term impacts and how to mitigate any downside effects. Taking into account the predominance of women in cross-border trade and the need for gender equality is imperative and will require special

attention. More broadly, a focus on skills development and training will be a key priority for productive, income-generating youth employment as the African economy modernizes and closes the gap with international norms. Regional trade and investment corridors powered by commodity-oriented value chains, enhanced by modern logistics and communications, and sustained by a modernized financial sector will serve as the vehicle for such progress to occur.

The inclusion of transition, landlocked and fragile states in regional activities and projects is an absolute necessity; difficult projects will be even more challenging to implement if special attention is not given to these circumstances and needs. The RISF takes the position that innovative approaches to development for transition, landlocked and fragile states represent a solution to persistent challenges. Enhanced connectivity (e.g., power pools, transport infrastructure, ICT, finance) via cloud-based computing and other modernization tools help to provide solutions that were earlier not available for such states.

In the end, country and regional context are important for RI design and implementation due to the variations and diversity of the continent. These have been accounted for in the RISF to ensure positive outcomes aligned with the High 5s, and consistent with the DBDM. (See Annex VIII for Sub-Regional Challenges and Initiatives.)

The RISF looks to the private sector, including NGOs, as part of the solution. This “big tent” definition of the private sector includes national firms and foreign firms (including those owned and led by women) that are resident in the member states, as well as NGOs and other organizations that can play a critical role in boosting private sector participation and inclusion. Their input is essential for two key reasons: (a) practical translation of requirements needed to achieve a sound business and investment climate to energize the effort for regional integration and socio-economic development; and (b) as a needed additional resource to complement public sector capacity, the latter of which is persistently challenged by insufficient resources and data systems. While the Bank recognizes potential conflict of interest challenges in elevating the role of the private sector in project design and implementation, checks and balances will be built into systems of dialogue and planning to ensure initiatives supported by the Bank adhere to broader governance and resource management principles.

Meanwhile, the public sector will benefit from ESW, knowledge management, and performance indicators to set benchmarks for RISF activities and outcomes. These will contribute to the new RISPs, provide a framework for policy dialogue and support, and highlight the Bank’s role as a knowledge broker on RI issues. Robust analytical work will help to mainstream regional integration at the country level through the CSP, by showing the benefits of regional approaches to tackle some of the national developmental challenges. The ADF rule establishing a compulsory allocation of 10% of the cost of regional projects to policy assistance, technical assistance, capacity building, trade and transport facilitation measures, and other “soft” assistance will be of great help in that regard.

3.4 Implementation

RI activities tend to be more complex than country-specific initiatives, risks are often higher, policy issues are frequently more sensitive and complex, and a problem faced in one country may derail projects in another, compromising positive regional impacts. To address these challenges, the RISF supports sustained policy dialogue backed by ESW, political commitment of member states of the RECs to the goal via an MOU, analytical support, and a robust Knowledge Management function during the entire design and implementation process. The RISF will support inclusion of risk management, performance monitoring, and resource management approaches that reduce the risk of delays in project delivery. The DBDM strengthens opportunities for effective design and implementation through the decentralized presence of the DG in the region to encourage deeper collaboration with the relevant RECs and partners. The use of “Big Data” and relevant analytics will be included when possible/feasible. Likewise, the Bank expects to support development or expansion of knowledge platforms so that RECs can learn lessons from other RECs as they identify priorities and prepare programs, projects, operational requirements, budgets, timelines, and performance indicators.

3.5 Effective Work Programs

The RISF is structured to reflect how the organization of RI activities inside the Bank is changing. The new structure from the DBDM will assign most implementation work to regional DGs, while a limited number of very broad and complex projects will be managed by the relevant sector VPU. Activities directly related to infrastructure development will be managed by the relevant VPU units,

allowing the RDVP coordination office (RDRI) to (a) sustain a high level of dialogue at the regional and continental level; (b) upstream coordination activities on NEPAD, PIDA and on the CFTA; and (c) focus on advocacy and early stages of business development, including coordination and allocation of dedicated resources.

There will also be scope for overarching research to be carried out and in some cases led by RDVP in conjunction with others (including the Chief Economist Complex) on matters such as non-tariff trade barriers and the impact this has on cross-border trade and investment (including on women in informal cross-border trade). The RDRI Knowledge Management function is expected to have a prominent reporting and information dissemination role that will support key ESW, analytical work, and related research relevant to RI. RDRI coordination with ECVP and JSSO, CODA, AU, UNECA and all knowledge and advocacy related institutions will be a regular part of RDRI operations. This will be complementary to the work undertaken by others, and will have a uniquely Regional Integration focus. Therefore, any work in this regard will be closely coordinated with ECVP and the other mentioned stakeholders to be complementary and reinforcing, not duplicative.

4 STRATEGIC PILLARS AND OPERATIONAL PRIORITIES

4.1 Principles for Action and Justification of RISF Pillars

The RISF is based on three pillars:

- Pillar 1: Infrastructure Connectivity;
- Pillar 2: Trade and Investment;
- Pillar 3: Financial Integration.

The pillars are all highly inter-dependent. Regional financial integration remains necessary as a link in the chain for resource mobilization to fund regional infrastructure projects, for businesses to achieve economies of scale, and to promote increased regional trade and investment. Special attention will be given to enabling the mobilization of long-term finance necessary to support investments in capital goods in the formal sector and in infrastructure, as well as working capital and trade finance needs of the entire business sector, including small and medium-sized enterprises. Together, these three pillars serve as a package that is mutually reinforcing.

The RISF focuses on key areas that are targeted for effective impact and outcomes that are core to Africa's sustainable and inclusive growth. The pillars described below have been targeted in the RISF because of (a) their close alignment with the High 5s; (b) consensus with external partners that these pillars represent key priorities in support of RI; (c) capacity of the Bank to play a key role as a knowledge broker as well as a source of financing; and (d) regional commitments with institutional partners (e.g., AU, EAC, various RECs, multilaterals and bilateral donors). These areas of activity all embody principles of regional integration long espoused by the Bank, including regionalism, ownership, fair and transformative trade, reciprocity and subsidiarity. The focus on these pillars and associated principles represent the interventions where the Bank believes it will have the most favorable impact.

Core principles for action focus on building institutional sustainability and capacity so that these undertakings can be implemented effectively over time. The RISF will support initiatives across the continent to (a) increase prospects for cross-border economic linkages and value-added; (b) provide access to regional and global markets for landlocked countries; and (c) strengthen corridors that will enable business development, job creation, and increased flows of goods, services and people. The objective is that results under this RISF will serve as useful foundations for subsequent advances required to achieve economic and human development goals and objectives. In this regard, much of the work proposed through 2025 in this RISF will serve as a key foundation piece for other reforms and actions that will be needed to ultimately achieve the AU vision for a CFTA by 2063.

4.2 Key Pillars

Pillar 1: Infrastructure Connectivity

This Infrastructure Connectivity pillar aims to strengthen regional connectivity and cross-border investment and trade through integrated regional power pools, transport and ICT infrastructure. Infrastructure connectivity encompassing transportation, ICT, energy and associated environmental

prerogatives is a core foundation for regional integration that applies regionally and across the continent. This includes new building and construction, as well as financing for ongoing operations and maintenance.

The pillar will address “soft issues” by augmenting “hard” regional infrastructure investments with complementary capacity development, policy and regulatory reforms, harmonization and trade facilitation. As noted above, key targets include enhancing infrastructure connectivity by (a) intensifying regional power pools and interconnections by 2020, as reflected in greater net electricity generation and transmission, with a steadily increasing share derived from renewable sources; (b) promoting progress toward an Inter-Continental Power Pool by 2035; (c) financing road, air and electronic infrastructure that fully connects the continent by 2025; and (d) sustaining progress toward AU Vision goals for rail and communications by 2040.

Regional Integration activities in this pillar will focus on energy and power, transport corridors, ICT and capacity building, as described below. PEVP will lead the energy and power initiatives, while PIVP will lead the remaining initiatives. RDVP will coordinate with and support all activities where they take on a cross-border, regional and Africa-wide dimension. Each of the major activities is described below.

Energy

Pillar 1 will support the production of clean power production to increase capacity to industrialize, for households to access electricity for fundamental needs, and for social infrastructure to function more robustly in meeting the health, education and related needs of the population. The focus of the Bank will be on clean and renewable energy sources to battle climate change to support the long-term AU target of producing more than half of total energy needs from renewable or clean sources by 2063.

Energy markets, including power interconnection and regional power pools, are essential for industrialization. These initiatives will support capacity to manage regional power pools, trans-boundary basins and basin organizations for improved design and implementation of regional projects that foster cooperation and deepen integration across Africa. Therefore, the RISF will be supporting these initiatives to optimize regional benefits and synergies from joint regional projects. This will have the benefit of (a) harmonizing legal and regulatory frameworks; (b) increasing and connecting power and distribution for added economic benefit; (c) spreading costs by increasing scale; (d) increasing access for households and small businesses with limited or no access to power sources; (e) increasing intensity of use per unit, consistent with environmental objectives; and (f) mobilizing early stage project preparation resources and investment funding (including infrastructure bonds and guarantees for regional projects, including in fragile states and states in transition).

Transport Corridors

Transport, whether by air, land or sea, strengthens regional connectivity and cross-border investment and trade. It is a core foundation for regional integration and has a direct effect on boosting economic development and competitiveness and raising incomes. Transport integration (hard and soft) is required to develop effective linkages between countries/regions. Road transport is essential for the transport of goods and people across borders, and the importance this can play in terms of logistics and support. Work supported by the Bank for regulatory and standards harmonization of road networks in West Africa is one example of how this objective is being supported. The Isiolo-Moyale Highway project (described below) is another example of how Bank support for road infrastructure is designed to link countries within regions, but also multiple regions in support of continental trade. Rail transport is similarly important, with the added dimension of its critical link to transporting output from natural resource-rich areas to ports, production centers and related consumption markets. Water-based transport (including river and lake) is essential, particularly for landlocked countries and regions that may be distant from road and rail, and/or have poor aviation links. Air transport is increasingly important for the movement of goods and people, with considerable time savings built into new networks that crisscross the continent instead of having to rely on travel to other continents to move across the African regions.

Investment in resilient systems that broadly minimize transport and logistics costs, times and uncertainties and result in increasing mobility and connectivity will boost the continent’s competitiveness across cities, countries and sub-regions. Key areas will include: (a) developing and

coordinating regional transport policy, legal and regulatory frameworks; (b) developing growth corridors by combining transport infrastructure (roads, railways, and aviation, and marine if specified in RISPs) development with industrial potential and other economic opportunities; (c) strengthening connectivity between coastal and landlocked countries to improve market access; (d) strengthening sustainable development of credible pipeline of regional infrastructure projects, including planning and prioritization; (e) promoting greater participation of the private sector in regional infrastructure development and maintenance, and efficient management of cross-border roads; (f) strengthening transport/trade facilitation; (g) improving border management and coordination; (h) supporting development of more efficient logistical services, including effective one-stop border posts; and (i) strengthening capacities of corridor development and management authorities.

Box 1: Isiolo-Moyale Highway A2 Corridor Flagship Project (see map in Annex IX)

- ✓ **The project is one contribution to the Bank's effort promote improved transport connectivity via road, rail, air and waterways in support of regional integration and enhanced intra-African trade.**
 - Other projects financed by the Bank to support *road corridor transport* include the Kapchorwa-Suam-Kital project in Uganda and Kenya, Bamako-Zantiebougou-San Pedro in Côte d'Ivoire and Mali, Kampala-Mpui and Kagitumba-Kayonza-Rusomo in Uganda and Rwanda, Mano River Union Road transport in Liberia, *la route communautaire* CU2a in Burkina Faso that leads to the Niger border, and the Coyah-Forecariah-Farmoréah-Pamelap in Sierra Leone and Guinée-Conakry.
 - The Bank has several other projects intended to support rail, air and waterways to enable greater traffic and intra-African trade.
- ✓ **Transport corridors will improve intra-African connectivity in intra-African trade, spatial inclusiveness and the movement of people.** The Bank is supporting road expansion and other transport corridors and modes to:
 - Boost trade;
 - Promote multi-modal transport;
 - Provide affordable means of movement of people and bulk goods;
 - Link landlocked countries to other markets in Africa and abroad.
- ✓ **Good transport infrastructure is a prerequisite to spur economic development.** The main road network in Kenya, which facilitates the regional movement of people and goods, is inadequate in capacity and is insufficiently financed. The Bank has addressed this shortcoming with results to show.
 - Demand for freight and passenger transport is on the rise;
 - The Bank's investment in the Isiolo-Moyale corridor has improved the Cape to Cairo Corridor;
 - As this corridor runs through Nairobi, Moyale on the Kenya/Ethiopia border, and Addis Ababa, the project will increase domestic, regional and international trade in all these areas;
 - Additional targeted benefits are employment opportunities, development of a sustainable economy, and a reduction in poverty.
- ✓ **Isiolo-Moyale Highway A2 Corridor results include:**
 - *Traffic*: Capacity enhancement for highway traffic in terms of load carrying capacity as well as traffic volume and its composition;
 - *Safety*: Safe passage across the road for livestock through the provision of livestock crossing points with appropriate traffic signs erected;
 - *Time*: Reduction of travel time between Marsabit and Turbi from five to 1.5 hours;

Training and Technology Transfer: The contractor trained some of the unskilled but educated Kenyan workers to become mixing plant operators and stone crushing plant operators. Others were trained as operators of excavators, wheel loaders, dozers, graders, rollers and pavers, and foremen. Therefore, the Kenyan workers benefitted from capacity-building activities, while those in supervisory roles learnt from the Chinese staff about new technological innovations and good work ethics.

ICT

Digitization of the economy based on innovations and advancements in fiber connectivity are essential for data and analysis, logistics, services and knowledge transfer. This is an area that is particularly relevant from a regional integration perspective, as investment increasingly requires scale for cost-sustainability and feasibility. Meanwhile, given the importance of data flows in the 21st century economy, ICT and next generation innovations (e.g., artificial intelligence, "Big Data" and data mining) are by definition largely cross-border and free-flowing.

Development of ICT infrastructure (such as land fiber-optic infrastructure, connections to submarine cables, and installation of Internet exchange) will promote spatial, social and financial inclusion. Fiber connectivity is conducted mainly through private sector investment. Therefore, the role of the public sector will be to ensure that the legal, regulatory and institutional framework is sufficiently robust to promote investment and usage in these areas⁷.

Strengthened ICT broadband networks and more developed cross-border broadband interconnections will bring regions and the continent together. Key areas will include (a) developing digital single markets at the regional level; (b) developing coherent regional harmonized ICT policies and a responsive regulatory environment that will create secure competitive regional markets; (c) developing infrastructure ecosystems (with particular attention to the specific needs of landlocked countries) comprising intra-regional and inter-regional broadband infrastructure, domestic backbones/national broadband infrastructure, and access networks, including submarine cable landing points that enables cross-border interconnections; (d) promoting digital technologies to build regional infrastructures (e.g., fiber over power lines, smart grid stems on regional interconnect systems, mobile technologies in regional financial systems); and (e) developing data infrastructure including, Regional Internet Exchange Points and shared data centers, and support for a regional regulatory framework on data fostering regional solutions⁸. These and other initiatives will be particularly helpful in elevating the performance and results of the small and medium-sized enterprise sector, a major potential source of high valued-added employment.

Capacity Building

The Bank will enhance capacity by supporting policy, regulation, and institutional requirements for an effective business environment that promotes and leverages the benefits of enhanced transport and ICT in support of broader economic and human development. Key activities will include (a) enhancing focus on the development of soft infrastructure systems across borders; (b) supporting greater collaboration in the undertaking of regional-based ESW, and information/knowledge sharing among the RECs and with other partners; (c) developing advisory and analytical products that are relevant to addressing recurrent hurdles and challenges; (d) improving programs and project coordination/implementation of RECs and regional institutions responsible for corridor development, cross-border ICT networks and services; and (e) establishing Regional Centers of Excellence in the Transport and ICT sectors⁹.

Pillar 2: Trade and Investment

Regional integration is fundamental to raising Africa's competitiveness. The Bank will work with the RECs and other partners to promote BIAT priorities of market expansion and integration, trade facilitation, transport logistics, transit management, investment linkages, investment competitiveness and industrialization. The Bank's plans of working with the regions to boost intra-African trade as a key performance target (to 20% of total) encompasses the BIAT priorities. The emphasis will be on increasing competitiveness and scale that allows for greater capture of value-added from industrial manufacturing, rather than relying on food and other commodity exports without capturing value added. Specific priorities of the regions will be identified in the RISPs, and more concrete budgeting, timelines, targeted outcomes, performance indicators, and institutions roles and responsibilities will provide detail at the regional level based on the existing or future priorities of the regions. These priorities can then be

⁷ Digitization and ICT advancements (e.g., "internet of things", artificial intelligence, robotics, sensors, machine-to-machine connectivity) also provide unique opportunities to advance social infrastructure via education/training, certification programs, shared research in health, and improved health care delivery in all locations. Such support will take multiple forms, including (a) development and sharing of R&D for application in Africa; (b) higher education and training; and (c) business incubators to promote innovation and the uniqueness of applications on a broad basis across the continent. Likewise, when successes are achieved, the RIS will support (d) platforms for knowledge sharing to offer greater potential to scale up successful innovations. Therefore, the public goods aspect to these activities will be essential for human development, not just economic development.

⁸ Other important areas will include (a) strengthening cooperation in cyber security, including for linked sensors and the Internet of Things (IoT); and (b) promoting innovation in digital technologies to reinforce competitiveness of businesses, including development of ICTs as an enabler for business-to-business and related connectivity that includes regional e-services delivery applications, data infrastructures and harmonized e-identification systems to facilitate movement of people and goods within regional blocks.

⁹ These will also have beneficial effects in Education and Health (e.g., increasing biomedical science capacity in Rwanda, Kenya, Tanzania and Uganda).

focused on critical initiatives identified as part of the BIAT to boost cross-border, regional and intra-African trade levels.

An emphasis on trade, investment and industrialization will enable the RISF (and the sub-regional RISPs) to leverage the Industrialize Africa Strategy and align better with current emphasis of the RECs on Industrial development and Regional Value Chains. It will also enable the RISF to provide more guidance on how the RISPs can support regional value chain development through (a) support for regional industrial clusters, special economic zones, and parks; and (b) harmonization of industrial policy and regulatory frameworks. External consultations have confirmed these are priorities of all the RECs, therefore more active engagement and planning will be a part of the RISPs.

The Bank will work with countries and RECs to address issues related to rules of origin, non-tariff barriers (e.g., Sanitary and Phyto-sanitary and Technical Barriers to Trade), and trade liberalization itself. One of the biggest challenges to intra-Africa trade and, consequently, regional integration, remains non-tariff barriers (NTBs), which encompass a wide range of trade and non-trade policy measures. This is a topic that retains the highest political commitment, and yet receives the least in terms of quality of interventions – creating an intervention opportunity for the Bank and allowing the Bank to leverage its comparative advantage as a source of resources, policy advice, and partnerships in support of economic development objectives. As this effort is highly technical and has to be conducted at the national level in each region, directly with administrations responsible for these NTBs, the DBDM will allow the Bank to carry out these tasks more efficiently. This will be important across all sectors and industries, including industries of the future like pharmaceuticals ¹⁰.

The Bank's current tracking of trade integration and visa openness symbolize its commitment to eradicating obstacles that undermine trade and investment flows. Over time, such tracking of trends will need to include services for enhanced information dissemination across the continent. Efforts by the Bank in support of the African Union's vision for a CFTA will focus on the liberalization of all trade, including services, and not just goods. Therefore, the RISF will support efforts to address trade issues partly by enhancing the quality of data and information available to RMCs and RECs to enable them to make better informed decisions.

In addition to trade, the Bank will work closely with RMCs and RECs to improve the investment climate, with the RECs being particularly relevant to the RI dimension of this challenge. A better investment climate is essential to attract needed private sector investment, including foreign direct investment (FDI) and portfolio capital flows that will be needed to achieve greater market connectivity (e.g., supply chain, distribution networks) for enhanced intra-African trade. More broadly, FDI and portfolio capital flows can stimulate domestic and regional investment, facilitate technology transfer, create employment, promote exports, and increase competitiveness in support of increased economic growth. The Bank can use fora like the annual African Investment Forum to highlight progress.

Rationale

To improve trade and investment, countries need better and more reliable connectivity and enhanced movement of persons, goods and services. Many African countries are too small and fragmented to develop integrated infrastructure that could facilitate market access and connect their economies. Over the years, the Bank has invested massively in the development of high standard transport infrastructure. However, further work is needed in soft infrastructure to generate expected impact and outcomes for businesses (including small-scale and women-owned businesses). Commerce and trade are stifled by delays at border crossings, trade and transport facilitation challenges remain prevalent, and non-tariff barriers and other obstacles have remained pervasive, all combining to undermine the intended impact of the Bank's investment in hard infrastructure. The Bank will work with the RECs to help reduce these obstacles to boost intra-African trade.

The RISF will enable the Bank to work closely with the RECs to design and implement policy, regulatory and institutional reforms that support trade and investment. The Bank will work with the RECs to better support the justification of priorities and operational requirements to support market integration, economic diversification through value chain upgrading, movement of people, and business environment reforms to increase trade and investment for more resilient regional economies. Such

¹⁰ The Bank (AHHD) is supporting development of the pharmaceutical sector in Africa by (a) strengthening the regulatory framework, (b) improving supply chain management, (c) supporting investments in skills, technology and innovation, and (d) promoting public-private partnerships through regional initiatives.

efforts will be led by country offices and regional hubs to ensure these priorities are part of the country policy dialogue and ongoing dialogue with RECs, and are then integrated into country and regional strategies.

Objectives

While building on the Bank's Integrate Africa High 5, the objectives of the Trade and Investment Pillar include: (a) addressing policy, regulatory and institutional issues that continue to undermine Africa's regional trade; (b) deepening market integration through the implementation of the WTO Trade Facilitation Agreement and addressing corridor and transit challenges; (c) tackling Africa's competitiveness by focusing on the business investment climate and competition policy challenges; (d) providing technical assistance to private sector institutions, and supporting the role of SMEs with enterprise and supply/value chain development; and (e) rolling out an Action Plan for Boosting Intra-African Trade and supporting contract enforcement.

As noted, policy and regulatory reforms are required to improve Africa's business environment. The Bank will partner with the RMCs/RECs and other partners to address these issues and to promote effective implementation of these reforms. These include (a) harmonizing investment policies; and (b) strengthening regional communication channels.

Programs/Activities/Initiatives

Trade and investment priorities under Integrate Africa will focus on the following key areas of intervention: (a) trade policy and market integration; (b) trade and transport logistics facilitation; (c) business environment reforms; (d) competitiveness enhancement and value chain development; and (e) knowledge management and cross-cutting issues. External consultations with the AU, RECs, UNECA, NEPAD, the World Bank and other partners have all confirmed these objectives are well aligned with the objectives and strategic direction of the respective organizations. The ultimate goal is to ensure connectivity between/among different economies, consolidate markets (including factor markets), reduce non-tariff barriers, increase investment, and improve logistics performance in support of intra-African trade.

The Bank will support the RECs and RMCs to forge agreements to increase intra-regional trade flows. Such work under the RISF will be coordinated with DGs, and ESW will support policies and frameworks that identify opportunities for increased trade and investment that are beneficial, while also identifying how to strengthen prospects for those who may be adversely affected by more open competition.

To support movement towards food security and enhanced intra-African trade, the Bank will work with the RECs and other partners to address market access issues governing cross-border trade in agricultural commodities, agro-processing and other industrial products. The RISF will support an improved business environment for trade and investment by supporting the RECs and RMCs in their efforts to remove trade-restrictive practices that are currently embedded in *Rules of Origin*, *Sanitary and Phyto-sanitary Measures*, and *Technical Barriers to Trade/Standards*. Progress in these areas is expected to yield considerable benefits in terms of increased output, movement up the value chain, job creation, and income generation. The Bank will support governments and national authorities along with the RECs and other partners to encourage beneficial reforms and policy changes that promote market linkages and the needed investments for successful outcomes and impacts, all the time ensuring public safety on all health-related matters.

The approach of the RISF is based on the Bank building strong partnerships with external stakeholders. The Bank will work closely with RMCs, RECs, and continental institutions (i.e. AU, UNECA) to support these initiatives within the context of movement to the CFTA. Scaling up the Bank's active policy dialogue and ESW with all of these partners will be critical to mobilizing support for policy, regulatory and institutional reforms for the success of the High 5s.

Box 2: Technologies for African Agricultural Transformation (TAAT) Flagship Project (see graphic in Annex X)

- ✓ **TAAT aims to deliver Regional Public Goods (RPGs).** These include:
 - *Harmonized regional and transnational border protocols* to introduce and release improved varieties/breeds and other agricultural technologies;
 - *Synchronization of seed system protocols*, especially those that deal with liberalization of foundation seed production (to include private sector seed companies);
 - *Disease control monitoring and Integrated Pest and Disease Management (IPDM)* of existing and emerging biotic stresses;
 - *Extensive adaptation trials of crop varieties* across the region, including nutrient- dense varieties to combat growing malnutrition.
- ✓ **RPGs prioritized by TAAT are targeted imminent “regional public threats” of destructive pests and crop/livestock diseases that spread across global, continental and regional borders.** A good example is the recent invasion into Africa of the Fall Army Worm (FAW) that currently puts at risk an estimated 13.5 million tons of maize valued at *US \$3 billion* (2017/2018 season). FAW was first spotted in Nigeria in 2016, but has now been confirmed in 40 African countries.
- ✓ **TAAT is a bedrock of *Integrate Africa*, is directly aligned with ‘Feed Africa’ and ‘Improve Quality of the Lives of the People of Africa’, and serves as an Important input into increased value-added in the agro-processing and food industries as part of ‘Industrialize Africa’.** The central infrastructure of TAAT serves as the backbone for cross-regional agriculture technology delivery and deployment. TAAT is an institutional priority and has been included as a priority RPG project for *UA 29 Million* in 2017. Similar amounts may be considered for this project for 2018 and 2019.
- ✓ **TAAT Results include:**
 - *Enhanced food and nutrition security, reduced poverty and improved livelihoods*; targets by 2022 are to reduce hunger by *150 million* people, reduce poverty by 100 million (of which at least 50% women), and restore productivity of 190 million hectares of degraded land;
 - *Increased income inclusivity*; target by 2022 is a 50% increase in household income;
 - *Increased employment inclusivity*; targets by 2022 is 30% increase in employment in target areas;
 - *Increased production*; baseline = 1–9 t/ha, with targets for 2022 = 3–20 t/ha;
 - *Strengthened competitiveness via enhanced input and output markets*; processing targets by 2022 are three value chain-differentiated market linkages per country, and a 30% increase in value added products;
 - *Institutional capacity development*; targets by 2022 are to strengthen five institutions (e.g., extension, NARS, animal health services) per country, and to train at least 50 value chain actors (of which 50% women and youth) per country;
 - *Policy and governance support* to liberalize input markets, develop agricultural infrastructure, free up access to land and land titles, upscale the use of technology, and promote gender equality; targets by 2022 are to implement at least five country-level policy instruments conducive to increased agricultural production and value-added;
 - *Developed strategies to deploy technologies to reach millions of farmers*; targets by 2022 include 10 strategic plans developed and deployed (one per country), and deployment of at least 15 technologies or technological packages based on strategic plans.

Pillar 3: Financial Integration

Financial integration stands as a cornerstone for enhanced regional integration and development of the private sector across the continent. The Bank recognizes that well functioning and diverse financial markets powered by well capitalized, properly regulated financial institutions are needed for economic growth. These are also required for the formation, expansion and competitiveness of cross-border and regional value chains in the form of lending, investment, trade credit, insurance, leasing, factoring, hedging, and other financial tools that fuel growth. In light of the differing currency arrangements that exist on the continent, a more integrated financial sector able to transact safely and soundly will be an essential ingredient for increased cross-border trade and investment.

The Bank recognizes that a one-size-fits-all agenda is not appropriate due to heterogeneous country contexts and financial systems of RMCs and RECs. Therefore, policy dialogue at the RMC and REC level will help to promote a measure of customization in financial sector integration activities. At the same time, the process of increased coordination and policy strengthening at the national and

regional level is expected to facilitate development of financial markets, and to enhance market integration. Key initiatives are expected to include (a) promoting liberalization of financial services at the regional and continental level, backed by appropriate and suitable regulation and self-regulation as required; (b) expanding/integrating markets and strengthening market connectivity, including enhanced participation by non-traditional (e.g., fin-tech, technology companies) lenders/investors willing to provide start-up and working capital resources that banks and other traditional intermediaries have been unwilling or unable to finance in the past; (c) developing regional stock exchanges and cross-exchange listings for bonds, equities, hybrid instruments and other securities; and (d) developing insurance, leasing, factoring, franchising and other non-bank financial institutions' services to support the broader financial ecosystem required by households, businesses and the economy at large.

As one tangible example, the RISF proposes to support the issuance of major bonds to finance regional projects. As such bonds are floated, the Bank will seek to leverage the above reforms (such as cross-exchange listings) to market these securities in Africa to African institutional investors to maximize investor participation in regional project finance. Feasibility would need to be determined, but assuming this can be achieved, the issuance of bonds would be expected to directly support objectives of the RISF. Movement in this direction has been confirmed by the RECs as consistent with their objectives at regional levels.

Regional financial integration's contribution to growth and development is expected to occur through four broad channels. These are (a) providing an enabling environment for domestic financial reforms; (b) increasing the scale of operations and competition, thereby increasing financial system efficiency and productivity, including faster payments to sustain momentum and the pace of business; (c) inducing FDI flows and domestic resource mobilization through suitable vehicles, and in support of upstream and downstream activities; and (d) enabling African intermediary institutions and investors to grow into regional and ultimately global players in financial markets. All of this will support the long-term AU 2063 targets of financial services exceeding 20% of African GDP, and African financial services accounting for at least 15% of global financial services.

Regional financial sector integration will particularly focus on how financial markets can be strengthened to serve their intermediary role in ensuring resources are properly allocated to competitive industries, companies and initiatives that boost intra-African trade and generate positive returns and yields in support of market integration, expansion and development. Examples include (a) banking and capital markets regulations and supervisory frameworks; (b) supply chain financing instruments and services required to maximize resource flows; (c) instruments that assist with risk management, including hedging market risk and providing credit payment (receivables) insurance; (d) instruments and information that increase the volume of direct investment; and (e) faster and more convenient payment and transfer mechanisms. These reforms and efficiencies should also permit financial institutions to then assess and price risk more efficiently, thereby increasing the supply of finance available to small and medium-sized and other enterprises, including women-owned businesses. The Bank will consult with its partners like the RECs and institutions like Afreximbank to coordinate activities to optimize resource flows and economic impact.

The Bank's continued support for regional financial integration should focus on developing a regional financial system capable of mobilizing and directing a much larger share of domestic savings to meet the demands of the productive sector. Four core areas of focus will characterize this effort, as described below. This is particularly important now that many global banks are reducing their exposures to African institutions due to the high costs of implementing Know Your Customer requirements, as well as pressure they are facing to meet rigorous capital requirements under multiple stress scenarios. Therefore, African institutions have to play a more prominent lead role in mobilizing the financial resources required for development objectives. The Bank plans to work with the RECs, DFIs and other institutions to more fully develop diversified, liquid, well capitalized financial markets in Africa so that local savings mobilization accounts for a greater share of lending and investment in Africa.

Financial Institutions and Financial Inclusion

The Bank will assist financial institutions to become regional or pan-African players, and to help businesses grow beyond borders. By investing in non-traditional players, such as fin-tech and technology companies, the Bank will be promoting expanded/integrated markets and market connectivity, while at the same time enhancing financial inclusion. Meanwhile, special attention will be

given to remittances as a means of promoting cross-border banking and strengthening payment platforms to facilitate/accelerate cross-border payments. The Bank will also work with Afreximbank and other trade finance institutions to provide appropriate financial products (e.g., guarantees, insurance, bonding) to increase transactions. Assisting financial institutions which are successful in their domestic markets to become regional or pan-African players will speed up and deepen the economic integration and trading relationships between countries. It will also help other businesses to grow beyond their borders, including women-owned businesses engaged in cross-border trade.

The Bank will work with its partners regionally and globally to ensure African financial systems meet international standards. The RISF will support RMCs, RECs and other relevant players with policy work, ESW and other forms of technical assistance for (a) more harmonized and regionally integrated financial regulatory systems, (b) the adoption of standardized yardsticks to measure the health of cross-border financial operators, as well as (c) the establishment, development and effectiveness of regional dialogue forums between/among regulators. This will help to identify and resolve banking law differences within/among RMCs and RECs necessary for (a) improved supervision of cross-border and pan-African banks, (b) bank governance needs, and (c) uniform adoption of standards of bank soundness and stability indicators such as non-performing loans and liquidity measurements. Bank advocacy and support will also include focus on (a) efficient payment and settlement systems, (b) credit information systems, including comparability of credit information across countries, and (c) dispute resolution and consumer protection mechanisms, as these have all been identified by RECs as priorities for movement forward.

Capital Markets

The Bank will continue to strengthen the capital markets and support capital markets financing of regional integration projects. Capital markets are a powerful tool to mobilize local currency and foreign currency savings to bridge the funding gap required to deliver on the Bank's High 5s. Globalization of capital markets and growth of institutional investors seeking comparatively high yields (returns) present opportunities for greater resource mobilization for Africa. However, African financial markets attract less of this potential investment, partly because of market fragmentation and the absence of scale and depth. Therefore, the RISF will continue to support efforts to (a) promote orderly financial markets integration in Africa as an enabler to scale cross-border trading and investments; and (b) mobilize financing to fund regional integration and industrialization projects. Interventions would include lending and non-lending operations that (a) promote financial markets integration, (b) enhance the regional scale of financial sub-sectors (e.g., insurance, leasing, factoring, mortgage finance), and (c) strengthen regional capital markets financial infrastructure such as central securities depositories and the standardization of credit ratings across regions.

Interventions in the Bond Markets

The Bank will continue to provide guarantees to local currency bonds where the use of proceeds is channeled towards priority projects that aim to foster regional integration and cross-border trade. A global trend can be observed of emerging market securities exchange groups building scale through joint initiatives and greater integration, as investors gravitate towards larger markets because of superior liquidity. Vehicles are needed for African markets to enable pension and insurance companies to diversify their holdings beyond binary choices of listed companies' equities and government bonds in their own countries. Sponsoring multi-jurisdictional capital markets vehicles with the aim of pooling pension and insurance funds to prudently invest in such transformational investments as private equity, venture funds, and asset-backed securities is a key function of regional capital markets.

Trade Finance

The Bank's trade finance operations will continue to support regional integration, particularly as many correspondent banking networks tighten up or diminish due to changes in the international regulatory environment. To date, the Bank has been instrumental in helping to integrate Africa with global value chains, and bridging the trade finance gap in Africa through support to local players (ultimately supporting regional integration). The current share of intra-African trade accounts for about 15% of the value of total African trade, with the gap larger in fragile and low-income countries. The Bank's interventions will continue to address market weaknesses in RMCs and RECs, supporting inclusive growth through SMEs, and "crowding in" private sector resources through risk participation agreements (RPAs) and direct guarantees to confirming banks. Other key initiatives include (a) the introduction of a direct guarantee instrument for single transactions to provide 100% credit risk cover

in favor of international/regional confirming Banks for trade finance payment obligations in Banks in RMCs; and (b) partnering with the Financial Action Task Force, WTO, other MDBs and International Chamber of Commerce to harmonize Anti-Money Laundering and Know Your Customer requirements across jurisdictions. These initiatives will be discussed with partner institutions like Afreximbank to optimize resource allocation.

Box 3: Regional African Trade Insurance (ATI) – Country Membership Programme (RACMP) Flagship Project (see Annex XI)

- ✓ **The project focuses on increasing the capacity of RMCs to attract investment resources.** This should result from an improved political and credit risk environment, enhanced by the ATI. Key aims include:
 - *Strengthen the capacity of Benin, Ethiopia and Côte d'Ivoire to join the ATI;*
 - *Support delivery of an integrated and enhanced trade finance and investment risk underwriting framework for the private sector in the relevant countries by the ATI.*
- ✓ **The ATI increases the institutional capacity of African banks and reduces the perceived risk of doing business with and in Africa to increase global and intra-African trade and investment.** Benin, Ethiopia and Côte d'Ivoire ranked 151, 132 and 147, respectively, out of 189 countries assessed globally in the 2014 (IFC) Ease of Doing Business indicators. Therefore, the situation in these three countries is difficult for business and requires easing. Through their respective CSPs, the Bank is supporting reforms to help improve the business environment in these countries. Cross-border trade finance deepens financial market connectivity in support of regional integration and development.
- ✓ **The RACMP project fosters links with ongoing initiatives and helps integrate them within the RMCs and RECs,** as well as with other initiatives such as the FAPA capacity building support programme. This membership program is crucial to the commercial sustainability of the ATI business model; increases in capital will mean that ATI can retain greater risk and potentially generate higher earnings.
- ✓ **The RECs are closely involved during the implementation of the project as their activities will be integrated into the ATI Work Programme.** The M&E framework will be defined and managed by the ATI as the Executing Agency. Each country will operationalize the relevant aspects of the overall M&E framework. ATI's role is to ensure that each country complies with the M&E framework through targeted training as appropriate.
- ✓ **RACMP Results include:**
 - *Enhanced economic growth, trade and regional integration amongst African countries and regions;* the share of inter-country trade to total trade among African countries will rise from 13% in 2014 to 25% by 2025, and the proportion of regional SMEs' access to trade finance services will increase from 5% in 2014 to 10% by 2015.
 - *Increased participation of private sector in large-scale projects through ATI;* FDI into Africa will increase from a US\$ 48 billion average in 2010-12 to a US\$ 60 billion average in 2015-19.
 - *Trade flows in Africa increase;* trade insurance in Africa increases from a US\$ 15 billion increase (3% growth) in total African trade with the rest of the world by 2019, compared with baseline figures of total African trade with the rest of the world of US\$ 470 billion (exports) and US\$ 469 billion (imports) in 2012

5 IMPLEMENTATION ARRANGEMENTS AND MODALITIES OF THE NEW REGIONAL INTEGRATION APPROACH

5.1 Scope of Intervention

From an operational perspective, **the scope of intervention for RI includes institutional cooperation and Regional Public Goods.** As the Bank leverages its financial support with knowledge-based advisory services, the new approach to regional integration and to preparing RISPs with their corresponding priorities, programs, budgets, timelines, performance indicators, and operational requirements from the Bank and others should reflect this strategic objective.

Much of the support the Bank is expected to provide to the RECs is to compensate for challenges the RECs face with regard to project preparation, financing mobilization and implementation. ESW and policy work (carried out in conjunction with ECVP and others as appropriate, and based on REC priorities) will help to provide context for regional integration requirements, and the relative costs and benefits of pursuing such approaches. Additional support from this context will then feed into project design/preparation, financing and implementation.

RDVP will structure its Knowledge Management and ESW activities (complementary to current ECVP and other complexes' activities) with these strategic objectives in mind. This will be further reinforced through coordinated work with ECVP on CSPs and RISPs. As an example, ESW under Integrate Africa will include focus on the cost of existing and new non-trade barriers (NTBs). Thus, work conducted by ECVP would be the starting point for any further work to be applied for specific RI purposes as required by RECs/DGs or other stakeholders. As these barriers are proving to be a real hindrance to trade in goods and other private sector activity across borders, this is expected to be a high priority across the continent and the RECs. Several protocols have been put in place to reduce NTBs *within* RECs, but fewer have been realized between RECs. Therefore, the Bank has an opportunity to come in, coordinate with its many partners, and advocate/assist national authorities to apply these agreements for regional impact and effectiveness. RDVP, in tandem with ECVP and other VPUs (e.g., PIVP Trade and Investment), would oversee such ESW to help drive this dialogue for implementation of agreements. (Refer to Annex XII for details on the planned RI Knowledge Management function.)

5.2 Accessing and Leveraging Human Capital

The RISF will leverage human capital resources via several vehicles: (1) core RDVP staff assigned to RI; (2) coordinated efforts with other complexes; (3) coordination with RECs and personnel in RMCs as warranted; and (4) coordination with external partners based on strategic convergence and specified division of labor. The Bank will arrange for data sharing or joint initiatives to support relevant ESW and project preparation and implementation, and more broadly establish an RI-focused Knowledge Management function that will serve as a nexus for RI-centric data and analysis. Examples are already in place with the Regional Integration Index and Africa Visa Openness Index. Such examples will be built on, enhanced, and adapted to the specific needs of RI initiatives and support. This will be done in close coordination with the ECVP and sector Complexes, as well as UNECA which has long tracked regional integration trends¹¹.

5.3 Accessing and Leveraging Financial Resources

A conservative estimate of needed Bank financial resources is put at UA 8.9 billion to support Regional Integration for the RISF 2018-2025 period. This approximates UA 1.1 billion per year, and is roughly consistent with annual allocations by the Bank for Regional Integration from 2007-2017. Additional resources would be mobilized through co-financing to help address financing and investment gaps. Estimates at this juncture are preliminary, and will be made more precise in 2018 with development of the new RISPs. Preliminary estimates are based on annual growth rates of 10% from 2016 baselines beginning in 2018, and are measured against historical allocations for Regional Integration and projected investment needs provided in the *African Economic Outlook*. These estimates (and the associated methodology for their calculation) are presented by pillar and activity in Annex XIII.

Implementation will require substantial new and incremental resources than can be provided through ADF replenishments and the AfDB window. Therefore, the Bank will step up co-financing and more importantly concentrate on helping RECs to become effective economic organizations able to levy and allocate resources in a sustainable way.

As noted above, the Bank plans to cooperate with a broad range of donors to enhance resource availability for lending as well as ESW, project preparation, and other required activities. The Bank is strategically leveraging experience and partnerships with other regional players, MDBs, international organizations and bilateral agencies. These include the African Union, NEPAD Planning and Coordinating Agency, UN Economic Commission for Africa, Joint Secretariat Support Office, RECs and other regional organizations, World Bank, UN technical and specialized organizations (UNDP, WTO, WCO, ITC, FAO), European Union, Islamic Development Bank, and many bilateral agencies, and sub-regional financial institutions (DBSA, BOAD, BCEAO, BEAC). As the Bank shares its strategy with other potential partners, it will work with those partners to identify respective roles, synergies, and resource commitments, both human and financial. Institutions like DBSA will also be in a position to assist with project preparation and feasibility studies in major infrastructure activities in Sub-Saharan African, not just the southern African region. This will further help with regional integration and movement to CFTA.

¹¹ See Assessing Regional Integration in Africa VIII, UNECA, 2017 for how this relates to the CFTA.

As part of the above, RDVP expects to utilize Trust Funds to assist with Knowledge Management requirements. This would be applied for ESW, project preparation, and project implementation. The amount and distribution of resources will depend on the outcome of RISPs, and the degree of commitment indicated by RMCs/RECs for RI initiatives that align with the Bank's High 5s and, more specifically, to the pillars elaborated in Section 4.

5.4 Role of the Private Sector

The RIS will give significantly more importance to the private sector and the financial sectors as the key drivers for regional integration. The emerging private sector is most interested in regional integration because of the opportunities that will come from reduced fragmentation of markets. Large-scale and mid-sized companies will benefit from economies of scale, while smaller companies will benefit from their ability to provide specialized or niche products through supply chains, and to serve as joint venture partners, sub-contractors, licensees, and franchisees for other firms seeking partners in growing economies. In this regard, certification of SMEs will be essential for them to enter supply chains as part of the focus on trade and investment. Meanwhile, RI support for financial market linkages and "ecosystem" development will increase their chances to access debt and equity financing.

The RISF will support efforts for small-scale firms to be certified according to ISO or other international standards. This will make them more competitive in export markets, including within Africa, and to qualify as parts of larger firms' supply chains, helping to boost the value chain that has eluded most African enterprises for decades. All of these increased opportunities will intensify demand for skilled labor, helping to define criteria for skills training programs supported by the Bank. Likewise, increased sales and earnings will translate into new investment, adding demand for all kinds of skilled, semi-skilled and unskilled labor, helping to promote employment, incomes and mobility required for global competitiveness. In this regard, the value chain focus of the RISF will help to reinforce the other High 5s, and to encourage opportunities that will facilitate formation and growth of regional and global value chains.

5.5 Role of the Financial Sector

As for the role to be played by the Bank with the African financial sector, the Bank will continue to seek out innovative measures to strengthen its support across agricultural and manufacturing value chains. This will include products such as (a) sector-targeted local currency loans to financial institutions for on-lending; (b) crop insurance schemes; and (c) Partial Risk Guarantees, which will help to mitigate perceived risk and create conditions where the universally financially disadvantaged (youth, women, rural dwellers, small and micro businesses) can receive access to credit. With such incentives and risk mitigation support, the Bank will expect the financial sector to step up and commit more resources for African businesses in support of development, including those that are linked regionally and across the continent. Working closely with Afreximbank and other trade finance institutions will help power these initiatives.

Likewise, the Bank will be looking to investors as well as lenders to take risk on start-ups or small-scale innovative firms that seek to leverage the future digitized economy. Much of the effort described in Section 4 relates to the digitization of the economy, modernization and innovation, and leveraging ICT and connectivity for the rapid transfer of knowledge and data in support of greater competitiveness. This is expected to assist firms in their ability to scale up, render logistical and other services needed for market expansion, and achieve certification milestones to become links in supply chains that will intrinsically seek to scale up and take advantage of economies of scale.

With this market context and potential benefits in mind, the Bank will actively work with the private sector (inclusive of the financial sector, but also linked to real economy issues) to support regional integration. For regional integration to succeed, the private sector should play an active role in (a) policy advocacy and dialogue with the public sector; (b) strengthened frameworks for the business environment, including regulation, tax compliance (at reasonable rates), and enhanced trade and investment; (c) infrastructure development for enhanced connectivity and sustained market linkages; and (d) resource-sharing agreements that include information dissemination in support of innovative, frontier industries with major potential public benefits (e.g., bio-tech, green technologies for power generation). The Bank's support to the RECs with ESW and other policy support will ensure that such active dialogue is not asymmetric.

5.6 Public Sector Engagement

The RISF will provide a new approach to Bank support to and for the RECs. Recognizing their fundamental importance in and support for the integration process, the RISF is focused on enhancing REC capacities for them to more effectively achieve their mandates. The Bank will work closely with them to identify where special attention should be given. The RECs have already communicated in consultations that they would like the Bank to support them with their policy work, planning, and dialogue with the private sector. The RISPs will provide more specific detail on how such support will be provided to each of the regions and RECs, reflecting their specific priorities and needs. The Bank will also promote enhanced policy dialogue with member states so that the RECs are given the appropriate resources and levels of support to be sustainable in the long run. This will be important as part of the movement towards an African Economic Community and the CFTA. For this reason, the RISF has enabling the RECs to achieve Stages 1-5 of the roadmap towards an African Economic Community as one of its key overarching targets for 2025.

As an example, the discussion of cross-border infrastructure projects will require capacity for planning, design, costing, resource sharing, transmission and distribution pricing, and coordinated regulatory frameworks to ensure operational continuity and maintenance, safety, and resource management. The above-mentioned cooperation among multiple states on water basin issues serves as an example of how such engagement can lead to constructive results.

The Bank will endeavor to support these needs through ESW, policy dialogue, project design/preparation, project implementation capacity, and other requirements resulting from discussions with the member states and their RECs. In line with the provisions of the DBDM, the regional directorates will be leading the engagement with the respective RECs.

The Bank believes that RISF support for added capacity will help to marshal needed political will where it has been lacking in the past. In effect, ESW and other support that includes added institutional capacity at the RECs and mobilization of financing into the regions (from the Bank and with external partners) serves as an incentive for governments to support regional integration efforts.

5.7 RISPs as Drivers of Planning and Implementation

The general thrust of the new approach and its operational consequences will materialize in the next generation of RISPs. Structured by the High 5 priorities, they will draw on High 5 linkages to optimize results. As the RECs already have existing strategies, which have all been confirmed through external consultation as aligned with the High 5s, the next steps will be for the Bank to work together with the RECs to determine how the Bank can best support the RECs with their priorities. The next generation of RISPs will focus on this teamwork, which will be reflected in specific programs, targets, budgets, timelines, and impacts/outcomes. (Guidelines for the RISPs are spelled out in Annex V. Also see 3.1.)

The RISF therefore supports the Bank's movement as an enabler of new kinds of relationships with RECs and the private sector so that each one effectively supports and reinforces the other. As distinctively different situations exist in the various regions of Africa, the Bank's support will involve analytical work addressing (a) private sector strengths and weaknesses (e.g., SWOT analysis) specific to the area of focus; (b) REC mandates, authorities, capacity assessments, and opportunities for partnerships; and (c) other areas identified in discussions with the RMCs and the RECs and cross-cutting issues such as gender equality. These will be critical for design and implementation of tailored strategies at regional levels, and will be supported by the Bank's active engagement, knowledge management, and ongoing performance monitoring and evaluation. It is essential to note that the Bank sees itself as an enabler, not a driver of REC priorities.

5.8 Support to Areas of Special Emphasis

Special areas of emphasis and support will include the special needs of (a) small island states (e.g., Seychelles, Mauritius, Comoros); (b) landlocked countries with more difficult barriers to overcome for trade and development; and (c) the most impoverished and environmentally fragile states. This will focus on the core pillars, but also will account for other key needs highlighted in political economy, country-specific context, vulnerability assessments and resiliency needs, the unique challenges of landlocked countries, and related issues that add special challenges and risks.

5.9 Monitoring and Evaluation of Results

Together with the High 5 targets, the KPIs will help to monitor performance and evaluate impact and outcomes of the RISF. Therefore, the KPIs are intended to reflect impact and outcomes specifically related to RI initiatives undertaken. They are also intended to provide useful information for the Knowledge Management function with its responsibilities related to ESW, the Regional Integration in Africa publication, and other information dissemination activities planned. (Annex XIV presents ideas for KPIs that will be determined and be more specific as specific initiatives are designed through the RISPs.)

5.10 Risks and Mitigation Measures

Divergent visions and approaches to regional integration among potentially integrating countries and country groups may undermine the Bank's capacity to successfully implement the RISF. For this reason, the overarching targets in the RISF are aspirational. For RECs, weak organizational and human capacity poses a major risk. The Bank has incorporated capacity building as a major priority of the overall plan, consistent with the DBDM, and this should result in more harmonized vision and policy making. However, the capacity gaps are significant, and closing them may be difficult to fully achieve.

At the country level, long-term programs often compete with national investments that may seem to have higher short-term financial and political payoffs. Policymakers often focus on supporting populist import substitution policies at the expense of regional trade-promoting programs. Regional integration can also disadvantage countries with low capabilities as well as peripheral and lagging regions. Regional integration programs thus need to generate a minimum scale of benefits so that spillovers are big enough to bring RMCs within RECs together. The Bank's interventions take a developmental approach and aim to connect peripheral and lagging regions through measures that induce the structural changes to boost competitiveness in lagging areas.

Civil strife and political weakness remains a risk. Disease outbreaks also pose a major threat to cross-border mobility of people and trade, and undermine business and integration efforts. The Bank will incorporate measures in its integration projects to mitigate such risks as appropriate and feasible.

At the project level, there can be a mismatch between complicated and long-term regional integration projects and the time to assess project effectiveness. The Bank will mitigate these risks with ongoing coordination via DGs at the country and regional level, and intensified ESW to enhance capacity at the local level, all resulting in better programming.

6 INTERNAL COORDINATION

By the very nature of its undertakings, implementation of the RISF will require slightly different approaches from the normal operations of other Bank complexes/departments. This is due to the inherently inter-dependent, multi-country, multi-sector approach that needs to be pursued for effective regional integration in support of AU Agenda 2063 and the goals and objectives of the High 5s.

Consistent with the principles of the DBDM, the newly established Regional Integration coordination office under RDVP (henceforth RDRI) will fill this gap by pursuing a highly coordinated and interactive approach with the other VPUs to ensure Integrate Africa is consistent with their activities, and aligned with the High 5s. This coordination is also to optimize results and impact on the ground, and to ensure that the regions are not working at cross-purposes. RDRI's coordination effort will ensure that there is a continuous feedback loop in the dialogue with RMCs and RECs at the decentralized regional level, guided by the DGs and then back to RDVP operations.

As noted above, the DBDM envisions a cohesively coordinated approach for RI implementation. This starts with a "bottom-up" or decentralized approach via DGs in regional hubs and dialogue with RECs/RMCs. This decentralized approach will apply to both regions and sectors. High 5 VPU leadership on "sector-specific" initiatives will be entrusted to the relevant VPU. Meanwhile, the regions will have clear mandates and scopes, as articulated in the RISPs. RDVP will be responsible for (a) overall coordination and reporting, knowledge management and performance evaluation specific to RI, and (b) leadership on larger continent-wide policy and dialogue initiatives.

With the above division of labor and structure in mind, the DGs/Regional Hubs will also be expected to work more closely together to promote the regional integration agenda as part of the larger objective of establishing greater continental integration. Such coordination will also influence some of the ESW and information dissemination that the RDRI Knowledge Management function will manage as part of its reporting and policy dialogue support function.

7. CONCLUSIONS AND RECOMMENDATIONS

The new RISF coheres with the Bank's High 5s, is organized on the basis of the DBDM, and converges with broader activities that support the Bank's Ten-Year Strategy. This RISF 2018-2025 builds on the foundation of the RISF 2014-2023, and enhances it by observing lessons learned from past activities.

This RISF serves as a basis for cooperating with external partners, while leveraging the Bank's comparative advantages as a source of funds and technical advisor. The RISF also builds on the current focus of the Bank to position itself as a critical knowledge broker for its stakeholders, while aligning itself clearly with its other continental partners such as the AU. The general design and approach has received the endorsement of the eight RECs as well as other partners like the AU, UNECA, and the World Bank.

Annex I. Regional Integration and Alignment with the High 5s

The RISF is one of the High 5 strategies that will serve as an anchor document for the formulation of the Regional Integration Strategy Papers for the respective regions. A brief summary of the other High 5 strategies is presented below.

Industrialize Africa

The Bank's "Industrialize Africa" priorities illustrate the importance of regional inter-connectedness. For industry (including resource-based industries, agribusinesses, and related support services) to scale up and become more competitive, African businesses (and governments) require larger, connected, and well-functioning markets. This means physical infrastructure connections (e.g. road, rail, maritime and aviation transport links; energy/power generation; warehousing) and "soft" infrastructure (e.g. tariff and tax policies; non-tariff trade barriers; business environment, including trade and investment policy, and border crossings; logistical capabilities supported by modern information and communications systems and technologies (ICT)) need to be in place to promote and accelerate market access and linkages, total factor productivity (of land, labor and capital), and the flow of goods and services across countries for rising levels of competitiveness and income generation.

Similarly, financial markets need to be connected to encourage capital flows and trade finance to enable such trade and investment to occur. Weaknesses in these areas impede trade and investment. By extension, the absence of connectivity, insufficiency of infrastructure, and fragmentation of financial markets constrain private sector development. This then limits employment and income opportunities, and shrinks the tax revenues available to the public sector for basic social welfare needs.

Integrate Africa will support this High 5 by focusing on transport connectivity, ICT and digital infrastructure, financial sector integration, and a broad array of interventions that boost trade and investment. The internal operational focus of Integrate Africa will be coordinating with the Industrialize Africa VPU on these and other cross-cutting initiatives that promote connectivity across borders to capture economic potential and alleviate poverty.

Feed Africa

The same inter-dependencies apply to "Feed Africa". The Bank's focus on increasing agricultural productivity partly depends on the ability of producers to benefit from better inputs, technologies and planting/crop rotation techniques. These are partly predicated on local research and effective information dissemination from the laboratory to the field. Likewise, research value is also partly enhanced by coordination with international and regional research entities focused on agronomic and bio-technological advances, highlighting the importance of cloud computing and broad ICT in this area.

Another example can be found in trans-boundary water resource management cooperation, as has occurred in the Niger Basin, Nile Equatorial Lakes, Eastern Nile, Zambezi, and Lake Chad. Without adequate management of water resources, the Feed Africa initiative will be even more challenged.

Yet another key priority of Feed Africa is capturing greater value-addition through agro-processing and exports. Achieving this objective is highly dependent on agro-enterprises becoming contributors to regional and global supply and value chains. Engaging in these kinds of activities, which provide opportunities for as many as 18 key commodity-producing regions with scale opportunities and specialized niche products will allow African producers to expand their position in processed food markets regionally, bringing producers closer to consumers. However, for this to be achieved on a scale that is competitive requires broader and deeper regional/continental integration.

Integrate Africa will support this High 5 by focusing on strengthening resource management, appropriate technologies, financing, marketing and commercialization of cross-border value chains. The internal operational focus of Integrate Africa will be coordinating with the Feed Africa VPU on these and other cross-cutting initiatives that increase productivity, value-added, and Africa's capacity to feed itself and others.

Light Up and Power Africa

The “Light Up and Power Africa” connection with regional integration is even clearer. The huge capital investments needed to generate and distribute required levels of power for industry and households will be achieved through multiple avenues. These can be best achieved by scaling up through regional coordination, cooperation and integration.

One of these avenues will have to be creating or improving regional energy markets to (a) pool capital resources; (b) better utilize natural resources (e.g., solar, wind, hydro); (c) coordinate clean-technology and related initiatives in the battle against climate change; and (d) ultimately reduce per unit costs to help achieve affordable and sustainable tariff structures. Because all of this means sizable power/energy generation investments at the country level and a much higher level of connectivity between countries through transmission lines, regional planning, coordination and integration are essential. By extension, the need for a sound regulatory framework for each regional market will have to be put in place as part of this effort. In this regard, the Bank’s (a) DBDM for design and delivery; (b) decentralized (sub-regional) model that stresses appreciation for regional variations; and (c) commitment to capacity-building enhancements at the REC level will help to achieve this framework.

Integrate Africa will support this High 5 by focusing on power pools and interconnections, regulatory harmonization, investments in renewable and low-emitting power sources, and promoting affordable yet sustainable tariff structures. The RISF will support the PIDA action plan and the New Deal on Energy for Africa regarding actions for accelerating regional interconnectivity and regional power trading, and developing and establishing a basket of funds for supporting regional projects. Along with reforms to harmonize regulatory, legal and technical aspects of regional grid operation and trading, the internal operational focus of Integrate Africa will be coordinating with the Power Africa VPU on these and other cross-cutting initiatives that increase prospects for access to clean and affordable energy.

Improving the Quality of Life for the People of Africa

To a large extent, “Improving the Quality of Life for the People of Africa” will result from successes achieved in the above-described High 5s, supported and scaled up by “Integrate Africa”. On an individual basis, the other three “sector-oriented” High 5s will increase (a) industrial jobs and incomes; (b) agricultural productivity, access to food, rural incomes, and product choice from greater value added; and (c) electricity that will benefit households with improved access to water, sanitation, light, and other fundamental needs.

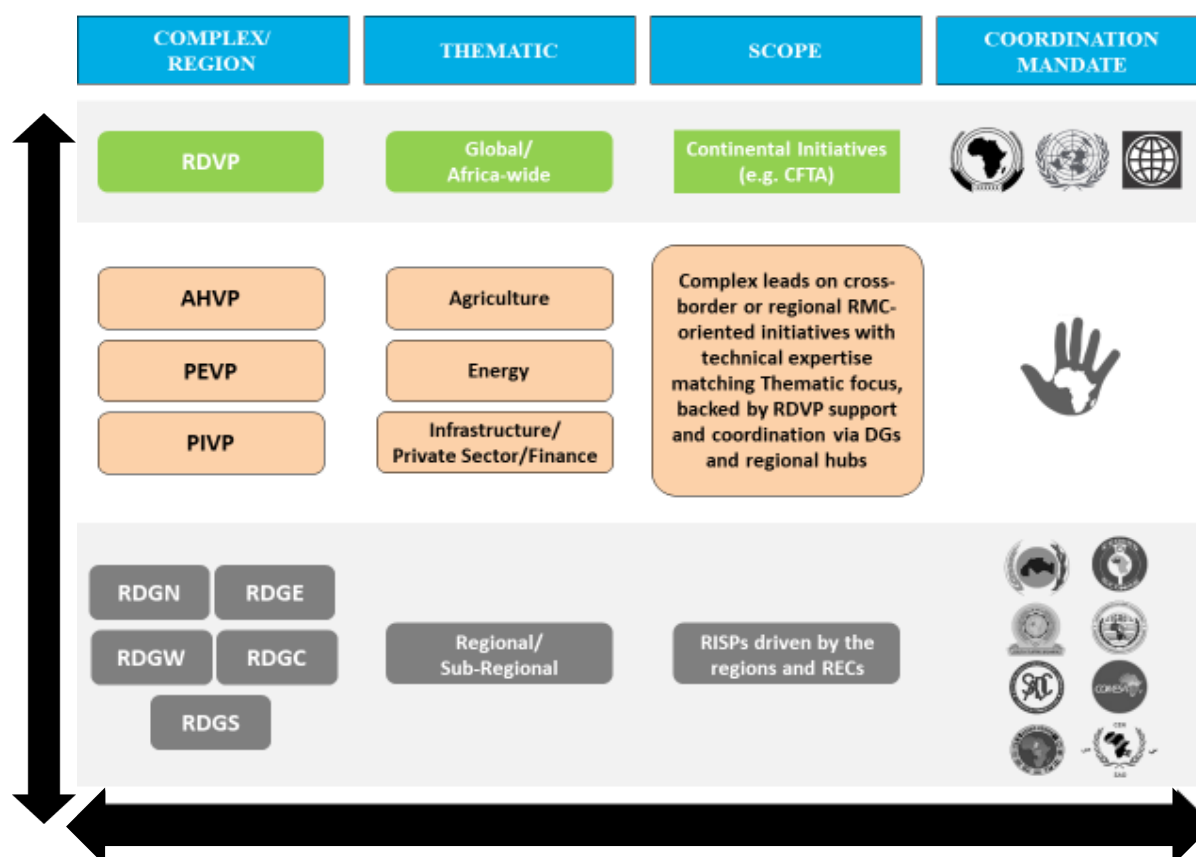
By extension, “Integrate Africa” will more broadly contribute to those benefits via (a) improvement and development of skills across the continent through regional education, training and certification initiatives (e.g., more normalized and mutually recognized curricula and training programs across countries to support standards and certification); (b) through the creation of well-functioning labor markets that help to meet human capital needs for competitiveness in industry, agriculture, services (including finance and logistics, as well as social services) and infrastructure; and (c) investment in better functioning health care systems at all levels, including efforts to foster partnerships between entrepreneurs, investors, RMCs, and the international community to promote public and private investment in health/nutrition and, by extension, skills development.

As just one example, one of the major constraints to African transformation today is the lack of sufficient technicians and engineers, especially with regard to needs in infrastructure (Industrialize Africa), Agriculture (Feed Africa), and Energy (Power Africa). Regional initiatives to elevate standards and more effectively implement training and certification will help to alleviate the impact of these constraints, thereby contributing to the overall impact of the High 5s.

Integrate Africa will also work with RMCs to explore regional initiatives that (a) enhance the use of science and technology; (b) make access to ICT more broadly affordable; and (c) increase connectivity and cross-border movement of talent (e.g., common certification and accreditation). Such efforts are highly interdependent with other High 5s, and will be essential for progress on a continent-wide basis. Again, progress in any of these areas will have beneficial effects on the other High 5s, increasing impact and progress towards economic and human development objectives.

To conclude, each of the High 5s is closely linked. Consequently, progress in one makes success possible in the others. “Integrate Africa” serves as the connection point for scale and competitive advantage that would otherwise not be achieved with a strictly bilateral or country-only approach.

Annex II. RISF Implementation



Annex III. Selected African Economic Indicators and Context for the Regional Integration Strategy Framework

A brief survey of high-level data from the African Development Bank, World Bank, World Trade Organization and UNCTAD reflects the modest position of Africa relative to global economic aggregates and averages. As examples:

- *GDP*: African GDP in current US dollars approximated \$2.25 trillion, or 3% of global GDP¹².
- *Per capita incomes*:
 - On a purchasing power parity basis, African per capita incomes were \$4,870, less than a third of the \$15,673 average;
 - Sub-Saharan African per capita incomes were \$3,714, less than a quarter of the \$15,673 average;
 - An unweighted average for the five North African member states¹³ was \$11,946, about three quarters of the global average.
- *Share of World Merchandise Exports*:
 - 2.4% in 2015, down from 5.7% in 1963;
 - With only 35 million people, Canada exported more goods in 2015 than all of Africa.
- *Share of World Merchandise Imports*:
 - 3.4% in 2015, below all other regions of the world;
 - With only 5 percent of Africa's population, France imported more goods than all of Africa in 2015.
- *Number of African Countries Among the Top 50 Exporters of Goods*:
 - Only South Africa (37) and Nigeria (50);
 - The top 50 accounted for nearly 94 percent of total value, of which South Africa and Nigeria accounted for 0.8 percent.
- *Number of African Countries in the Top 40 Exporters of Services*: zero.
- *Number of African Countries Among the Top 50 Importers of Goods*:
 - Only South Africa (33), Egypt (42), Algeria (49) and Nigeria (50);
 - The top 50 accounted for nearly 91 percent of total value, of which the four African countries accounted for 1.6 percent.
- *Number of African Countries in the Top 40 Importers of Services*: zero.
- *Foreign Direct Investment Flows (proxy for supply/value chain activity)*:
 - FDI inflows in 2014 were \$54 billion, only 4.4% of the global total of \$1.2 trillion;
 - Cumulative FDI inflows from 2009-2014 were \$310 billion, 3.8% of the global \$8.2 trillion;
 - FDI outflows in 2014 were \$13 billion, less than 1% of the global total of \$1.4 trillion;
 - Cumulative FDI outflows from 2009-2014 were \$63 billion, 0.8% of the global \$8.0 trillion.
- *Stock of Foreign Direct Investment (proxy for supply/value chain activity and investor confidence)*:
 - FDI inward stock in 2014 was \$709 billion, 2.7% of the global total;
 - While representing a sizeable increase from \$154 billion in 2000, inward stock of FDI still represents the same share of global total as in 1990;
 - FDI outward stock in 2014 was \$213 billion, less than 1% of the global total of nearly \$26 trillion;
 - While FDI outward stock has increased significantly, it still represents a minor share of the global total, reflecting far less integration of African businesses with the regional and global economy.

¹² On a purchasing power parity basis, African GDP is estimated to be \$5.8 trillion. While higher than current US\$ measures, its share of global GDP is still exceedingly low, and well below the share of population.

¹³ Data from the World Bank for North Africa are aggregated with the Middle East.

Annex IV Regional Integration Challenges, Lessons Learned, and RISF 2018-2025 Approaches

Lessons Learned and Proposed New Approaches

Lessons learned from the Banks and other institutions (e.g., World Bank, African Union, UN) have highlighted successes and failures. These basic lessons have been incorporated into the approach taken by the RISF 2018-2025. Not everyone agrees on all points. For example there are differing points of view on whether to focus (1) “at the top” on policies and institutions vs. “the bottom” on direct measures to alleviate poverty and promote inclusiveness; (2) on efficiencies derived from large-scale infrastructure projects (more funds disbursed per project with broad benefits based on usage, such as road construction) vs. the benefits of small-scale projects (e.g., microfinance) due to the broad distribution of funds, assistance to those in greatest need, and potential to stimulate business growth and jobs in labour-intensive activities, suitability of scale of projects relative to funds available; (3) on broader governance issues that permeate public and private sector activities at all levels, vs. targeted activities in government/public administration to ultimately render services effectively to encourage tax payments and/or targeted activities in the private sector to improve Africa’s reputation for trade and investment; and/or (4) on locally driven priorities and project ideas to respond to Africans’ wishes, rather than from more policy-intensive debates that frequently occur in OECD or other capitals, and among policy makers and officials who do not live in Africa, and may only focus for an interim period on Africa. The list can extend indefinitely, and there are naturally differing points of view on many issues and approaches.

However, there are also areas of broad consensus about what has and has not worked in Africa. In general, one of the key aspects of lessons learned from past operations is that hard infrastructure investment has not generated the economic multipliers expected. This has led to the conclusion that hard infrastructure investment is necessary, but not sufficient. Therefore, “soft” investments like policy work, ESW support, better project design and preparation based on better data and evidence, are needed to improve prospects for success. Likewise, “soft infrastructure” investment is likewise needed. This is largely in the form of ICT to enhance connectivity and logistics to enable businesses to grow and capture more value-added through all stages of production and consumption. **The Bank’s RISF 2018-2025 addresses these issues via all three pillars, with focus on “soft” as additional to the earlier strategy.**

A second key item is approach. As noted above, many past operations have been designed or conceptualized in a “top-down” manner. While there is scope for this in some ways due to the need for strategic coherence with other initiatives, data collection and standardization, etc., there has also been insufficient emphasis on working with stakeholders from the ground up in dialogue, setting of priorities, agreeing on projects, preparing projects, and programming resources (including technical, not just financial) to improve prospects for effective implementation and impact. This has partly been due to capacity constraints at local levels, as well as lack of useful data needed for effective project design and preparation. **The Bank’s DBDM addresses these issues, and the RISF 2018-2025 has committed to optimizing local resources, working through DGs on a decentralized basis on regional matters, and building local capacity through local institutions to improve prospects for successful outcomes in support of Regional Integration. In fact, most of the RISF projects will be driven by the five RISPs, attesting to this approach, rather than being driven by the Bank from headquarters. There will still be scope for centralized activities, such as RDVP focus on continent-wide initiatives, and sector Complexes being involved on a leadership basis where technical capacity is specialized. However, even here, there will be devolution to ensure regional stakeholders are directly involved in policy making (e.g., power pool transmission and pricing, highway weight standards for vehicles, adoption of common phyto-sanitary standards to enable cross-border trade in agricultural products) to promote Regional Integration and market connectivity.**

It is acknowledged that regional initiatives have often failed to achieve stated objectives. While some successes have been achieved (e.g., customs union in East Africa), the overwhelming evidence indicates that Regional Integration is limited. This is symbolized by the low level of cross-border and regional trade and investment among African states. These trends apply in all areas of the economy—agriculture,

industry, infrastructure, services—and thereby constrain prospects for inclusive growth, purchasing power and enhanced quality of life. **The RISF has highlighted its commitment to BIAT and a near doubling of intra-African trade from 12% to 20% by 2025 as a primary aspirational target.**

The Bank's RIPS 2014-2023 was heavily focused on energy, roads, and other large-scale infrastructure and power projects that, essential as they are for future growth and development, also take a long time to come to fruition and generate benefits. **The new RISF 2018-2025 will continue to support these initiatives, but will also focus on banking and financial market development, telecommunications/ICT, and other service sector activities (e.g., professional and technical services, food and hospitality, wholesale trade/warehousing) in support of cross-border and regional value chains.** These will not only be value-adding, but should help agriculture and industry to become more efficient and competitive by enhancing financial intermediation, knowledge transmission, innovation, and marketing/sales. Support for these additional activities should increase prospects for success in achieving H5 targets.

In sum, there is recognition by the Bank that traditional approaches have not been fully successful. By extension, the Bank's RISF 2018-2025 builds on the RIPS 2014-2023, but supersedes it by introducing new/additional approaches for more effective results to be achieved.

Low levels of exchange and integration have many explanations that include and exceed the Bank's mandate and scope. Some which directly apply to the Bank include those presented below. **In bold** are responses to these which serve as lessons learned that have informed the new direction the RISF will take.

Operationally, it will be the responsibility of RDIBD to manage, mitigate and report on these challenges and risks to achieve RISF targets and objectives. This will include accounting for the considerable regional variability that exists across the five main regions of Africa.

Operational

- *Traditional Bank Approach to Assistance:* The Bank's (and other multilaterals' and bilaterals') traditional approaches to donor assistance have involved lending to governments, providing balance of payments or budgetary support, and dealing almost exclusively on a country-by-country basis for individual projects. Therefore, normal operations have been largely bilateral in focus, with limited regional emphasis. This has resulted in organizational structures, job descriptions, performance reviews, and related operational norms being focused on bilateral and country-specific approaches, and not on promoting the benefits of Regional Integration as actively as national development. **The RISF is explicitly committed to making Regional Integration a priority to support movement towards AU Vision 2063 objectives, and also to enhance the impact and effectiveness of the other four High 5s.**
 - **The RISF will support efforts to do both, recognizing that many if not most initiatives will be domestic in focus. However, the RISF will also seek to elevate the importance of Regional Integration as a method for achieving commonly held objectives and reinforcing those efforts by reducing market fragmentation (i.e., promoting market connectivity and integration).**
 - **The High 5s will allow the Bank to pursue a variety of these initiatives with greater strategic coherence. The role of Regional Integration will be to complement and enhance other country-specific initiatives.**
 - **The need to improve the quality of the RISP is based on a strengthened commitment to strong analytical work. This will be facilitated by new structures with a critical mass of skills posted in regional DGs, more active coordination in aligning the High 5s and regional/country strategies, and a firm commitment to enhance capacity of regional partners (e.g., RECs) with ESW and other inputs into policy dialogue and project identification, design, preparation and implementation based on priorities specified by the regional partners themselves.**

- **New ADF guidelines stipulate that operations should clearly contribute to Regional Integration, including the provision of regional public goods. This will translate into clear Bank focus on resource allocation and financial instruments to support Regional Integration.**
- *Government Orientation.* The traditional approach by the Bank and many (although not all) others in the donor community has been heavily government-oriented, with a far less prominent role played by the private sector and the build-up of private sector capacity. However, in many cases, the challenge here has been lack of capacity in the public sector, rather than political will to work towards a more conducive environment for the private sector to become more regionally integrated. **The RISF addresses these challenges by boosting public sector capacity, working with the private sector, and promoting more robust dialogue between the two in support of solutions on the ground to promote market integration.**
 - **The RISF will support capacity-building in governments and public sectors as well as with private sector organizations and associations to enhance effective dialogue, and to establish institutional partnerships that foster progress towards High 5 objectives.**
 - **The RISF will particularly focus on improvements in the business environment, largely a public-sector function, by targeting barriers to trade and investment that constrain potential development of regional value chains, competitive advantage, and economies of scale. This will be important as well in all power and infrastructure-related activities, including expanding the electronic platforms needed for enhanced ICT connectivity and logistics.**
 - **The RISF will also focus on key policy issues in regional initiatives. This will be partly addressed through new ADF guidelines which stipulate that 10% of total funding of regional operations should be dedicated to support policy reforms. This will enable transition support for changes that occur as a result of Regional Integration.**
- *Private Sector Performance:* Related to the above, private sector performance has often been disappointing in terms of portfolio performance and outcomes/impact. For instance, a considerable number of loans made to private beneficiaries or through private sector intermediaries have not performed well. Therefore, alternatives to government orientation of lending activities have not always been available, at least for large-scale operations. In some cases, this has been because government has not been an active supporter of policy or program design. In other cases, this has been more the fault of the private sector in failing to band together, organize, and effectively communicate an industry position with constructive proposals to help governments introduce reforms and programs that would actually enable private sector performance and growth. **The RISF is committed to boosting capacity to promote robust dialogue that leads to accepted solutions in support of Regional Integration.**
 - **As noted above, the RISF will support capacity-building with private sector organizations and associations to enhance effective dialogue with government and other partners to strengthen the business environment in a manner that (1) promotes the free flow of goods, services and people, (2) stimulates cross-border investment, (3) increases connectivity, and (4) targets initiatives that support inclusive growth.**
- *Strategic Focus on Infrastructure:* The Bank has traditionally allocated a major portion of its resources to infrastructure projects. While these have shown results and had impact, the allocation of such resources has translated into lower levels of support for other activities and priorities, including Regional Integration. **Rather than an either-or scenario, the RISF will seek to reinforce infrastructure investment by widening the scope of activity, planning and linkages.**

- **The RISF will continue to support infrastructure investment and maintenance as a critical foundation for increased flows of goods and services, strengthened value chains, enhanced competitiveness, all in a manner that supports better environmental stewardship in the fight against climate change.**
- **Much of the RISF will focus on other initiatives as well that have not been major areas of emphasis in the past. These include connectivity via enhanced network industries (e.g., ICT), and utilizing these enhancements for inclusive private sector growth across all sectors. This will be critical for developing and advancing value chains across Africa where comparative advantages exist. Failure to invest in these areas will lead to major opportunity costs and continued fragmentation which has burdened efforts to date.**
- **Strong focus will be put on appropriate technologies in the fight against climate change (e.g., solar power, other renewables, no-/low-emitting energy uses).**
- *Staffing and Human Capital:* In some cases, there have been mismatches between staffing capabilities and the expertise needed for projects. The Bank is able to release people as needed. However, the Bank also appears to be slow in replacing staff and filling vacancies. This slows the lending/credit process, puts an added burden on other employees, and weakens the reputation of the Bank for efficiency. **The RISF will step up human capital management practices to improve efficiency and capacity to deliver meaningful and impactful projects at the regional level.**
 - **The RISF will seek to populate its staffing requirements as ably as possible, and to supplement fixed staff with Trust Fund-supported short-term consultants for specialized requirements.**
 - **The RISF will reinforce efforts to ensure the DGs have adequate capacity for the analytical work required for the RISPs and coordination efforts around all of the High 5s.**
- *Data and Economic Research:* Data are often incomplete, late, and inadequate for effective research and analysis. Data bases and the dissemination of data and analysis are limited. Statistical capabilities are not considered to be as strong as is needed for much of the Economic and Social Work conducted. The web site provides only limited information. There is a general consensus that the underlying effectiveness of the research function at the Bank can be enhanced. Changes are under way, and improvements are expected. These changes and other improvements should ultimately culminate in data, information and knowledge that can be used to assist existing clients, identify potential new clients, and broadly contribute to new/larger projects. **The RISF is committed to building a suitable Knowledge Management function that builds on existing initiatives such as the Regional Integration Index, and establishes platforms for RECs and other local partners to learn from each other. The RISF is also committed to working closely with other institutional partners to build out useful Knowledge Management products to support Regional Integration.**
 - **The RISF will support movement in this direction, and will coordinate closely with the Chief Economist VPU and other institutions like the World Bank and UNECA to make this happen.**
 - **The RISF will also undertake Economic and Sector Work (in conjunction with others within the Bank and with external partners) to ensure movement towards a strengthened Knowledge Management function that informs policy work and promotes effective project implementation.**
- *Relevance of Performance Indicators:* Many of the Board-approved indicators for the High 5s are considered to be aspirational, and not necessarily feasible within the given time line. Data are unlikely to be available for many other indicators and measures that would be more relevant as indicators tied to the desired impact and outcomes of the High 5s.

The RISF has likewise set aspirational targets, although these are linked to AU Vision 2063 targets that provide sufficient time to make up for lost ground (e.g., one-year delay in rail construction in 2023 will not eliminate the possibility of achieving AU Vision targets in 2063).

- The RISF intends to supplement High 5 targets with other Key Performance Indicators (KPIs) as it works with its partners at the *regional* level. Therefore, rather than dictating KPIs from the top, the RISF supports the DBDM approach of agreeing on targets jointly with local partners, and defining these and related KPIs in the RISPs.
- RDVP will incorporate the Regional Integration Index as a tool to measure developments and success. Subsequent work with institutional partners will enhance these indicators and will be broadly disseminated as a function of Knowledge Management. In this regard, the Bank and its partners will serve as knowledge brokers.

Financial

- *Financial Resources and Capital Base:* The Bank has not fully utilized available Trust Funds. An estimated UA 137 million (of a total UA 927 million) was unutilized as of end September 2016 when aggregating available funds from the approximately 40 Trust Funds that have been made available to the Bank. While transactions costs are reported to be high and many complex processing requirements deter interest, Trust Funds still represent sizeable budgetary supplements that Bank staff will need to leverage for project preparation, design and implementation. Likewise, the Bank's available resources and capital base are small compared to major lenders like the World Bank Group. **The RISF is committed to partnerships to ensure sufficient resources are available for all financing as well as technical assistance requirements.**
 - The RISF will support efforts by the Bank to form effective partnerships with others in the donor community, as well as foundations and other sources of finance to overcome limits on its financial resources.
 - The RISF will support efforts to overcome difficulties associated with processing and transactions costs of Trust Funds.
- *Portfolio Performance:* The Bank has a considerable number of sizeable projects and exposures that have been flagged. This weakens cash flow and liquidity, and complicates the Bank's ability to allocate needed resources more efficiently. Such problem portfolios also undermine the reputation of the Bank, although investors also understand that the Bank's risk appetite is greater than deposit-taking institutions and other regulated financial institutions in the market because of its status as a development bank. **The RISF will encourage agreement early on with RMCs and regional authorities to scale projects so that projects can make it to the Project Concept stage and ultimately come to fruition with greater local buy-in.**
 - The RISF will operate within the boundaries approved by the Board in terms of risk appetite. However, while the operating environment is risky, the RISF will make an effort to have parties focus on commercial principles and practices that largely mimic market practices. The objective here is to make initiatives sustainable so that the Bank can move on to other critical needs and initiatives that will also need support.
 - RDVP will work closely with national and regional authorities to ensure commitment early on from central banks and Ministries of Finance that increase the probability of projects being funded and implemented.

Institutional

- *Institutional Coordination:* When regional initiatives have been in place, they have often been co-sponsored due to their lofty ambitions, such as a variety of UN-supported initiatives and others in conjunction with the African Union and the RECs. The degree of success has been

partly limited by (1) challenges of coordination; (2) duplication of effort; and (3) friction regarding leadership roles and recognition. In some cases, (4) sub-regional partners (RECS, others) have lacked capacity to make effective contributions to the effort. **The RISF seeks to reverse past approaches by achieving successful partnerships for collaboration and cooperation. External consultations have received positive responses from RECs and other regional partners.**

- **The RISF will support approaches that assign clear roles and responsibilities that are spelled out and agreed to, to avoid conflict, complacency and/or duplication of effort. This will include performance metrics to make outcomes and impacts more measurable as a basis for reviewing the effectiveness of institutional coordination. The Bank can play a role in building capacity with partners to promote these relationships. Such metrics would be presented in the RISPs.**
- **The RISF will support capacity-building at the RECs and other regional entities (e.g., River Basin organizations) to (1) leverage their support for Regional Integration initiatives that are built into their mandates, and (2) help push through and effectively implement the business environment reforms needed to achieve the aforementioned objectives related to trade and investment, value chains, economies of scale, competitive advantage, and inclusive growth.**
- **The decentralization aspect of the new DBDM should improve the Bank's capacity to assess the critical capacity needs of RECs, and to monitor capacity building initiatives.**
- **Sharper focus on specific REC mandates (instead of providing general capacity building) will also help with execution.**

Political

- ***Political Instability:*** Conflicts and weak governments in many countries/regions impede movement towards Regional Integration, which adversely affects all of the High 5s.
 - **The RISF will support initiatives at all levels that help to stabilize and strengthen the political and economic landscape of Africa.**
 - **The RISF will include approaches that, combined with existing strategies of the other High 5s, help to mitigate the above risks and move towards greater economic opportunity that is broad-based.**
 - **The RISF will seek to reduce instability by supporting initiatives which benefit all parties involved sufficiently to help serve as an incentive to reverse political divisions that impede progress towards Regional Integration.**
- ***Resistance to Regionalization:*** Many national governments have opposed Regional Integration efforts due to their own concerns about increasing vulnerability or loss of influence once barriers are lowered. Such resistance may still occur, although there is broad recognition within the Bank and elsewhere (such as the African Union) that such barriers are harmful to human development indicators, economic development goals, and general levels of competitiveness by global standards. **The RISF will seek to convey a better understanding of the benefits of Regional Integration, and the costs and foregone opportunities of not integrating.**
 - **The RISF will support initiatives that help reinforce the broad direction of the AU's strategic vision for 2063.**
 - **New ADF guidelines which stipulate that 10% of total funding of regional operations should be dedicated to support policy reforms will enable transition support for changes that occur as a result of Regional Integration.**
 - **Capacity-building initiatives and "offsetting" projects that counter the adverse effects of some Regional Integration initiatives on individual countries will be supported to assist with transition and to promote movement in a common direction focused on market expansion, value chains, economies of scale and competitive advantage.**

Gender Issues

- *Constraints to Cross-Border Trade:* About 43 percent of Africa's population derives their main income from informal cross-border trade (ICBT). Female informal cross-border traders make an important contribution to economic growth and government revenues; in the Southern African Development Community (SADC), women constitute about 70% of ICBT, while the share is 60% in Western and Central Africa. **The RISF can support these women by (a) improving the business environment to reduce the array of daunting challenges when trading across the border (e.g., complex customs procedures, high transactions costs, harassment at the border); (b) strengthening transport and connectivity for competitive participation in regional value chains; and (c) tailoring solutions such as having more female customs officials, building decent and affordable accommodation in border towns, enhancing business skills, and disseminating knowledge of standards in agribusiness and niche exports.**
- *Bank Operations and ESW:* To actively identify the context, constraints, and opportunities for effectively promoting gender equality, **the Bank and RISF will make regional and country-level gender studies and ECSW, the production of gender-disaggregated data by national and regional statistical institutions, a priority support. These assessments and analyses will inform the development of Regional Integration Strategy Papers (RISPs) and Country Strategy Papers (CSPs) so that RISPs and CSPs will clearly address gender issues, offer solutions, and include gender equality indicators and targets.**

Summary of Influence of Lessons Learned on the Bank's RISF 2018-2025

From an operational or internal standpoint, RISPs will better reflect the differences in rationale, approach, strategic objectives, and sector priorities that arise from conditions in each of the regions, and among countries within those regions. This includes geographic, historic and economic circumstances, institutional capacity, and the political economy of Regional Integration. Challenges of mainstreaming Regional Integration in CSPs and policy dialogue remain considerable. There is also a need for the RISF and corresponding RISPs to be underpinned by strong analytical work. As noted elsewhere, Integrate Africa and RDVP operations (closely coordinated with ECVP and other VPs) will involve considerable ESW with RECs to strengthen capacity, promote better policy making, and strengthen dialogue with the private sector and other stakeholders. All of this should contribute considerably to effective design and implementation of RI.

RECs and RMCs, as major drivers of Regional Integration on the continent, are recognized as such. Major continental regional economic integration initiatives such as CFTA, BIAT, TFTA, PIDA, and PICI¹⁴ have also informed the RISF and show the Bank is working in partnership with regional and continental bodies that are supportive of RI. The RISF will seek to position the Bank itself as the premier implementation agency for Regional Integration, working closely with the more political or deliberative regional bodies.

In this context, **the Bank intends to strengthen REC capacity and closely coordinate ESW and other activities to strengthen dialogue in support of RI.** This will be done in close coordination with the Office of the Chief Economist (ECVP) and others as appropriate, and will leverage existing reports and knowledge products such as the Regional Integration Index and African Economic Outlook. However, the majority focus will be on (a) policy dialogue with regional partners; (b) inclusion of key priorities in the RISPs, accompanied by initial estimates of resource requirements, responsibilities for financing and technical assistance, budgets, timelines, expected outcomes, and related planning and operational imperatives; (c) ongoing support at all stages for project preparation, design and implementation; and (d) reporting on results based on targets and agreed KPIs.

¹⁴ Continental Free Trade Area (CFTA); Boosting Intra-Africa Trade (BIAT); Tripartite Free Trade Area (TFTA); Program for Infrastructure Development in Africa (PIDA); Presidential Infrastructure Champion Initiative (PICl).

The Bank recognizes that RECs and RMCs often lack the capacity for effective design and implementation. The Bank intends to strengthen capacity by working with RECs when the Bank has identified serious commitment from the RECs on initiatives consistent with the strategic objectives of the RISF. External consultations have already confirmed alignment. This will mean serious commitment, for example, to (a) eradicating trade barriers in support of enhanced trade and investment; (b) agreeing to a common regulatory framework for water basin management and tariff-setting to support regional water management initiatives; (c) likewise with power pools, agreeing on Grid Codes, regulatory policies, interconnection connection frameworks, wheeling tariffs and provision for open access to transmission systems for independent power producers and cross-border power trading; or (d) agreeing to a broadly accepted framework for per capita emissions reduction in power generation to promote environmental resilience as part of power and energy connectivity initiatives. Where support does not exist, the Bank will not support the RECs. Where there is support that aligns with the RISF and High 5s, the Bank will then seek to support these initiatives, subject to resource availability. The Bank will also make a serious effort to encourage convergence of REC initiatives beneficial at the national level. Likewise, the RISF will seek to promote regional initiatives that build on existing national initiatives to reinforce those efforts and add potential value enhancement by introducing a regional dimension.

Building on the above, key innovations in the new RISF therefore include (a) alignment with the High 5s and the new DBDM; (b) harmonization of terminology and specific Bank focus on RI interventions; (c) articulation of the role of the private sector and the financial sector in Regional Integration; (d) design of a more robust implementation framework that clearly delineates roles and articulates specific requirements for internal and external coordination; (e) incorporation of an enhanced theory of change and results framework based on the Bank's new Results Tools; and (f) adoption of new approaches for the resourcing of human capital and financing for Regional Integration initiatives.

Annex V Regional Integration Strategy Papers (RISPs) approach

The approach described in this annex is for the guidelines of the Regional Integration Strategy Papers for the respective regions. The guidelines are based on a more refined approach to corporate operations that are closely aligned with changes at the Bank resulting from the High 5s and the DBDM¹⁵. As noted elsewhere, these and other changes followed recommendations from independent evaluations conducted of Bank operations, and in response to persistent weaknesses identified by the Board. This has resulted in additional refinements to Bank operations to translate Bank priorities (e.g., High 5s) into concrete operations for the benefit of Bank stakeholders (e.g., RMCs, RECs).

BDEV 2009-2012 evaluation lessons identified the need for (a) enhanced strategic focus and alignment; (b) closer linkage between CSPs and RISPs; (c) a strengthened Results Matrix Framework; and (d) simplified processes along the way to accelerate resource flows, activities and impact. Going forward, RISPs will be expected to follow these guidelines. The alignment of CSPs with RISPs will help to ensure that there is strategic cohesion at the RMC and REC levels, with the objective of promoting Regional Integration priorities as a basis for enhancing positive impacts at the RMC level.

The three RISF pillars focused on power generation, transport infrastructure, ICT connectivity, trade and investment in support of industrialization and services, and financial sector market connectivity and integration all provide a broad enough platform for the RISPs to articulate priorities of the RECs in alignment with RMC priorities articulated in CSPs. The Bank's approach will be to support this process by providing institutional capacity support, ESW and other technical assistance, partnership resources with other stakeholders, direct financing, and other support that helps to provide solutions to stakeholders while supporting Regional Integration as one of the High 5s. This support will be provided to the RECs as well as other partners and stakeholders in the private sector, civil society organizations and governments.

By working with the RECs, private sector and civil society organizations on a decentralized basis, the Bank will be able to facilitate evidence-based diagnostics, discussion and dialogue to arrive at priorities that require attention. The focus on the RECs as institutional entities will help build capacity, while working closely with/through the RECs, private sector organizations, civil society organizations and governments will strengthen dialogue, enhance planning and project preparation, and ultimately increase the likelihood of effective implementation and favorable impacts and outcomes. At the same time, specific sector expertise in power, transportation, ICT, finance, business regulations and other technical matters will be relied upon from centralized (Complex/VPU) units that specialize at the technical level. Thus, the combination of decentralized and centralized approaches coordinated via RDVP are expected to position the Bank as an active partner of the RECs to support their dialogue with other parties (e.g., governments, private sector, NGOs) that will likewise be engaged and play an active role in the design and implementation of Regional Integration strategies.

As this evidence-based approach evolves with the active engagement of the RECs, private sector, civil society organizations and governments, the Bank is expected to be able to work with its partners to identify priority project lists for undertakings to support. This will focus on (a) selectively addressing areas that will have the most impact on achieving High 5 objectives; (b) ensuring a sound results framework is in place to optimize development effectiveness and impact; and (c) leveraging the Bank's resources (e.g., financing, technical, partnerships) to ensure that resources are effectively allocated.

The Bank will also work with the RECs and its other partners in the private sector, civil society and governments to include measures on inclusiveness and equity in the regional context. As reforms take hold, there will be winners and losers. While winners are expected to significantly outweigh losers, there will be adverse consequences in some cases resulting from reforms and adjustments. To ensure that

¹⁵ This Annex draws from but does not repeat what is included in the Proposal for a New Framework of Country/Regional Strategies (CSFs) & RISFs, DAPEC, 2017.

these effects do not undermine broader incentives toward progress in Regional Integration, the Bank will work with its partners to identify ways to mitigate these effects. This will include a range of possibilities, including new job creation, training and re-training, credits for business start-ups, etc.

The RISPs will be expected to have a three-year rolling business plan with results targets that will serve as the basis for annual review. Such indicators and targets will (a) define specific project and program needs (e.g., budget, technical support); (b) permit variance analysis for performance review and planning purposes; and (c) help to identify any mid-course corrections that would need to be made. Reporting will be expected to address risks and lessons learned to inform other stakeholders and projects.

One of the outcomes from external consultations with RECs and other stakeholders is demand for information-sharing so that RECs can learn lessons from others. The RISF is expected to support the development of web-based platforms to facilitate knowledge-sharing among the RECs to help derive budget and planning data, assess risks, and broadly adapt lessons learned within the appropriate REC-specific context. As the knowledge base is built, these platforms will also have information and links that will be helpful to the other partners as well in the private sector, civil society and governments. (The Knowledge Management function is more fully discussed in Annex XII.)

Annex VI Terminology: Definitions of Regional Operations

Operations eligible for RO incentive mechanisms:

Integration Operations:

A project taking place in two countries or more with benefits superior to individual projects realized separately. These additional benefits notably result from the inclusion of policy dimensions agreed and implemented with the participating countries or regional institutions.

Above a certain **threshold, i.e. strictly above Marginal development outcomes**, these projects could benefit from an incentive mechanism

Single Country Operations with Cross-border Benefits:

This would define Single Country projects with regional impact by which the benefits would be shared by the neighboring countries through positive cross border effects, in particular if they also include policy dimensions.

Above a certain **threshold, i.e. strictly above Marginal development outcomes**, these projects could benefit from an incentive mechanism. For ADF funded operations however, it will still be necessary to involve at least two countries to be eligible to leverage from the RO envelope.

Definition of pure RPGs:

“Non-rival” when one country’s consumption does not subtract from the amount available to other countries, and;

“Non-excludable” when no country in the region can be excluded from benefiting, except at a prohibitive cost.

The Bank classifies a RPG if it satisfies the following three conditions¹⁶:

Public dimension: the good is of broad public interest and benefit;

Regional dimension: the public good can only be effectively produced if every country involved participates and supports, and the development impact to be achieved through countries’ cooperation is demonstrably superior to what each country could have achieved individually.

Bank’s role: financing targets the *initial stage* of the processes for generating the public good, and aims at *correcting disincentives* that prevent the RPG from emerging or progressing toward the stage of production, i.e., *lack of coordination, aversion to risk, free-rider problem*.

Operations NOT eligible for RO incentives:

National Operation:

These projects, which constitute the bulk of the Bank’s interventions, would NOT be eligible to any incentive framework

Multi-Country Operation:

A Multi-Country Operation is a project taking place simultaneously in several countries which can be in a specific region or not. When these projects offer limited Regional Integration benefits (equal or below a threshold of marginal overall development outcome), they would NOT be eligible to regional incentive mechanism.

¹⁶ AfDB, Criteria for Cost-Sharing Exemption when Financing Eligible Regional Public Goods (RPGs) (ORPD).

Annex VII Political Economy in Africa and RISF Considerations

In view of the heterogeneity of African countries and sub-regions, the Bank recognizes that achieving the High 5s in the universal spirit of the SDGs to ‘leave no one behind’ requires accounting for the substantial diversity of the continent and its 1.2 billion inhabitants. This diversity is highlighted in the RISF. The many challenges posed by this heterogeneity for “Integrating Africa” are reflected in some of the main indicators tracked by the Bank:

- Approximately half the population of the continent is accounted for by seven countries;
- Four (Nigeria, Egypt, South Africa and Algeria) of the 54 African countries accounted for nearly 60% of GDP (PPP basis) in 2015;
- Eleven countries had per capita incomes exceeding \$10,000, more than double the average (\$4,870), but six other member states had per capita incomes below \$1,000; meanwhile, GINI coefficients remain high, indicating that average incomes do not tell the full story of income inequality within countries and regions;
- Population density ranges significantly from only 3 per km² in Namibia to more than 400 per km² in Burundi and even far higher figures on island member states (e.g., Mauritius, Comoros);
- Land area for countries shows considerable variability, with the largest countries (i.e., Algeria, DR Congo) being more than 200 times the size of Gambia;
- Only 14 out of 54 countries offer liberal access (visa free or visa on arrival) to all Africans.

Regional differentiation can also be shown in the varying degrees of integration among the eight RECs recognized by the AU. On one end of the spectrum is the East African Community, where intra-REC trade constitutes a total of 25% of total exports, the highest of any intra-REC trade share in Africa (UNCTAD 2015). On the other hand, intra-REC trade in the Economic Community of Central African States is less than 1% of total exports in that region. This shows us that there is a stark contrast between the pace and degree of integration in the sub-regions. Likewise, in North Africa, there is a lack of integration, and trends show some countries (e.g., Morocco, Tunisia) are forging links with other RECs in Africa outside their home region; while the movement towards cross-regional integration is positive the absence of linkages within the North region is not. Therefore, the Bank will have to tailor its approach to supporting integration on the continent according to different circumstances.

The above highlight a multitude of challenges for the achievement of strategic cohesion. Some of the key considerations will include (a) the fragile state of and vulnerabilities in countries and regions due to socio-political, environmental, security-related and other dimensions that impact capacity to implement; (b) linked to the first point, degrees of resilience and capacity to adapt to exogenous and endogenous shocks triggered by volatility and price changes in commodity markets (and their impact on fuel prices, energy supplies, food security, drawdown on foreign exchange and impact on local prices and supplies, etc.); (c) related to both points, the relatively weak level of diversification in many countries and regions, making them highly dependent on developments in a few key markets, exposing such countries and regions to concentrated risk without having mitigants effectively in place; (d) weak governance structures; (e) political resistance to change, partly due to recognition of the impact this will have on many households/sectors, and the absence of instruments to mitigate the impact of adjustment and economic dislocation; and (f) general resistance in some quarters to broader regional integration for a multitude of political, economic and other reasons

With such variation, the achievement of the High 5s in Africa requires a combination of country-tailored approaches aligned with RMC priorities backed by region-specific enhancements. This includes recognition that the RI agenda ultimately belongs to the continent and its RMCs, as articulated by the AU vision for 2063. Therefore, the approach of the Bank is to be supportive when RMCs actively promote RI. The DBDM accounts for this reality, as does the overall “three-tier” vision of how RI will be implemented (e.g., “bottom-up” via DGs and dialogue with RECs/RMCs, High 5 VPU leadership on “sector-specific” initiatives, and RDVP for larger continent-wide initiatives and related reporting, knowledge management and performance evaluation). Such an approach is expected to culminate in cross-border and regional initiatives supportive of High 5s (e.g., commodity value chains with processing and cross-border transportation, storage and distribution; water basin management and

resource sharing agreements; cross-border power generation, transmission and distribution, and power pools).

The creation of a framework based on priorities expressed in RISPs will capture regional context by addressing (a) regional economic standing; (b) RECs' institutional capacities; (c) levels of hard and soft infrastructure needs; (d) shared political will for integration; (e) existence of regional champions; and (f) presence of transition states and conflicts. Design and implementation of initiatives will account for the regional specifics of the above, as well as REC/RMC support for RI initiatives.

Additionally, **by prioritizing the development of highly integrated corridors, "Integrate Africa" has the ability to support and in some cases drive the other four High 5s** by promoting (a) cross-border commodity-based value chains; (b) logistics and connectivity, including various types of transport modes (e.g., road, rail, maritime, aviation), ICT and digital infrastructure, and financial market linkages; and (c) solutions for cross-border coordination and cooperation (including regulatory frameworks) that support increased trade and investment (including improvements in the business environment and reduction/removal of tariff and non-tariff trade barriers) and visa-free travel. Likewise, rather than rehashing other High 5 strategies, Integrate Africa will focus on how to most effectively bring these other High 5 strategies and priorities together on a regional basis for greater impact, driven largely by support from the RECs and RMCs. In this regard, the Bank's RISF will simultaneously promote country, sub-regional, continental and global integration. By extension in these cases, RI may be considered less of a goal in itself, and more of an 'enabler' to achieve the High 5s. Likewise, regional integration can only be achieved when national interventions in the other four High 5s systematically consider the regional dimension, transcending national boundaries when and where appropriate.

Finally, a self-evident challenge has been the resourcing of Regional Integration initiatives. This RISF recognizes limitations in financial, human capital and data resources. Therefore, the recommended approach is to be selective and strategically coherent. The pillars described in Section 4 provide some focus and direction, while cross-cutting themes also point to the multi-dimensional nature of challenges that the RI Strategy will seek to address. ESW and policy dialogue, including between the public and private sectors on RI issues, will highlight the Bank's role as a knowledge broker. The DBDM will help with coordination and collaboration, while initiatives to be supported will be largely influenced by the country and regional strategies where seriousness of purpose and commitment are demonstrated by RMCs/RECs and other key stakeholders.

Annex VIII Regional Context and Sub-Regional Priorities

General RISF Approach to Sub-Regional Challenges

The challenges to each sub-region are major and distinctive, reflecting the heterogeneity of regions and RMCs. At the same time, there is a general set of themes that permeate the list of challenges for all regions.

- **First, the regions do not have adequate physical infrastructure to enable the kind of market connectivity indicative of higher income countries/regions/markets. Likewise, ICT connectivity and usage lags other parts of the world.** For these reasons, all regions require considerable investment in physical infrastructure, both hard and soft, to accelerate progress.
- **Investment in electricity/power is also a key requirement to enable industrialization and broader economic development.** While access varies by country and region, this is generally a weakness for the continent when compared with other regions of the world.
- **The private sector has been largely stymied by an inadequate business environment and investment climate,** as manifested in onerous and inconsistent tax administration, burdensome regulation, arbitrary enforcement, weak legal frameworks, and poorly functioning institutions. With these weaknesses holding down businesses within countries, it has been even more difficult to energize intra-African trade and investment. In this regard, some countries are making more progress than others. Likewise, some RECs are moving ahead with greater integration than others. However, in general, when companies have been in a position to broaden their markets, tariff and non-tariff barriers have constrained cross-border intra-African flows. The unwillingness and/or inability of RMCs and, in some cases, RECs to bring down these barriers has translated into intra-African trade and investment remaining low for years.
- **The lack of financing has likewise varied across countries and regions, but generally remains a common challenge across the continent.** There are many reasons for this, some of which are: (a) inability of tightly regulated banks to meet all credit needs of the market given solvency and liquidity requirements that must be maintained; (b) underdevelopment of non-bank financial institutions to play niche roles in meeting credit and investment requirements; (c) lack of creditworthiness of many if not most enterprises according to conventional criteria; (d) weak legal framework which undermines prospects for contract enforcement and creditor rights by suppliers of finance, making the risk premium too high to be affordable and repayable within cash flows generated by enterprises/projects; (e) insufficiency of information flows to allow for credit risk evaluation without undue time and cost by lenders/investors; and (f) absence of secondary market facilities or alternative market mechanisms to quickly refinance loans (e.g., factoring, asset sales, securitization).

The RISF focuses on the three pillars to address the above weaknesses and challenges. The RISF recognizes that each sub-region has its own challenges, and that performance is variable. Therefore, the decentralized approach of the RISF encourages customization for regions in support of integration to tackle common challenges faced by countries in the region.

Likewise, **the RISF recognizes that some RMCs and RECs want to move faster with reforms to enable regional trade and investment, but that they lack the capacity to do so.** The RISF explicitly focuses on coordination with the Complex of the Chief Economist and other complexes/VPU to conduct ESW that will enhance capacity, support better policy dialogue, initiate more robust feasibility studies, and ultimately culminate in better project design and implementation.

The RISF believes that this added capacity will help to marshal needed political will where it has been lacking in the past. In effect, ESW and other support that includes added institutional capacity at the RECs and mobilization of financing into the regions (from the Bank and with external partners) serves as an incentive for governments to support regional integration efforts. For instance, conducting joint work to better profile the beneficial impact of reduced tariff and non-tariff barriers, while also identifying the costs associated with those whose existing market positions might be challenged.

In the end, the RISF cannot eradicate all the challenges that exist at the country or regional level. However, it can help to mobilize needed investment and transfer critical knowledge to enable economies and institutions to function more efficiently. Companies and economies require both economies of scale and specialization of function to capture sustainable opportunities. With Africa's rich resource base, the RISF is structured to encourage development of prosperous value chains rooted in food and non-food commodities that are linked to processing, marketing and distribution across borders for the capture of value-added through all stages of the cycle. Combined with more integrated financial markets and the transmission of data across the continent related to such commodity-based industrial activity, the RISF is confident that regional integration will help to improve prospects as reflected in the Bank's High 5s.

Challenges by Sub-Region

At “sub-regional” levels within Africa, specific challenges are summarized below, followed by a list of planned initiatives to address these challenges. **The RISF initiatives will help to overcome many of these challenges, or to at least make progress in eradicating these challenges.**

- **Central Region: Key priorities include attention to fragile states, capacity building and advocacy. The RISF will support objectives and initiatives articulated in the planned RISP to reduce fragility and enhance institutional capacity. This can be achieved with increased power generation and a more conducive environment for trade and investment. However, conflict, political instability and natural disasters have made for a very difficult environment in which to promote regional integration. As of now, there are considerable weaknesses and challenges that include:**
 - Lack of ownership of the Regional Integration agenda by some member countries
 - One of the least integrated regions of the Hemisphere, with intra-regional trade not exceeding 4% of total [merchandise] trade
 - Limited ownership and commitments by States towards the Regional Integration agenda (Free Trade Area, common market, freedom of movement of persons/goods/capital, etc.)
 - Institutional and human capacity of the RECs
- **Eastern Region: Key priorities include infrastructure, ICT and market connectivity to accelerate progress as greater awareness of the benefits of scale and regional integration emerge. Some RMCs have moved forward with important business environment reforms, while others have demonstrated commitment at the country level to global trade and investment as an engine of growth. All of these initiatives portend potential for scale and increased value-added if regional integration can be broadened and deepened. Key challenges to overcome include:**
 - Fragility and governance
 - Economic growth has not been transformative and inclusive enough
 - The private sector's importance in the region's economies varies across countries
 - Poor infrastructure increases the cost of production and undermines competitiveness
 - Weak governance of regional integration and trade as reflected by persistent Non-Tariff Barriers (NTB) to trade, insufficient trade facilitation, and lack of appropriate regional policy, legal, and regulatory frameworks for trade and industrialization
 - High costs of credit
 - Low levels of technology and R&D
 - Low skills and capacity for regional project design and implementation
 - Deficiencies in entrepreneurship and skills development
 - Local industries unable to participate in large/regional infrastructure projects (e.g., as suppliers of materials and equipment for power infrastructure projects)
 - Skills for labour force various between countries in the region, coupled with restrictions on labour force movement across borders
 - Inadequate market information to engage in national, regional and global value chains

- **North Region:** There has been considerable movement by some RMCs to integrate more closely with the global economy, some of which has included targeting other regions in Africa. Meanwhile, some important country-specific reforms have increased prospects for trade and investment under more stable conditions. However, intra-regional trade and investment remain low, while political instability in some countries persists and undermines prospects for more horizontal trade and investment. Key challenges to overcome include:
 - Lowest degree of regional integration on the African continent
 - Heavy dependence on European markets for exports
 - Political frictions and instability
- **South Region:** Key priorities include a focus on regional industries as an effort to leverage comparative advantage and to build scale. Such an approach provides opportunity for "hub and spoke" linkages that can serve to expand supply chains for regional and global opportunities. Challenges include:
 - Income disparities across countries
 - Governance weaknesses and resource misallocation in the public sector
 - Weak skills in the labor force
 - Family dislocation due to health epidemics
- **West Region:** With Africa's largest country (by population) now pursuing major structural reforms, there is potential for this region to leverage opportunities to strengthen the regional economy. A key priority is to promote physical infrastructure connectivity, encourage harmonized frameworks, and to reduce non-tariff barriers to trade to help defragment the region. Key challenges include:
 - Fragmented nature of the region's markets; low levels of trade complementarity
 - Inadequate cross-border infrastructure, a binding constraint for trade
 - Duality and multiplicity of integration architecture (ECOWAS, WAEMU, CEN-SAD, Francophone/Lusophone/Anglophone groupings, etc.)
 - Inertia in the Sahel; challenges moving from initiative to action
 - Weak institutional and human capacity of the RECs (funding dependence, etc.)

Alignment with and Support for Region-specific Initiatives

As noted in earlier documentation, the proposed approach to regional integration is a combination of "top down + bottom up". The "bottom up" aspect will be of critical importance as the regional offices maintain their dialogue and contact at this level. In addition to supporting capacity-building initiatives to promote effective implementation, the Bank also plans to focus on initiatives where there is strong support and "buy-in".

As part of that effort, the regional offices have presented current initiatives that are planned for support. These include:

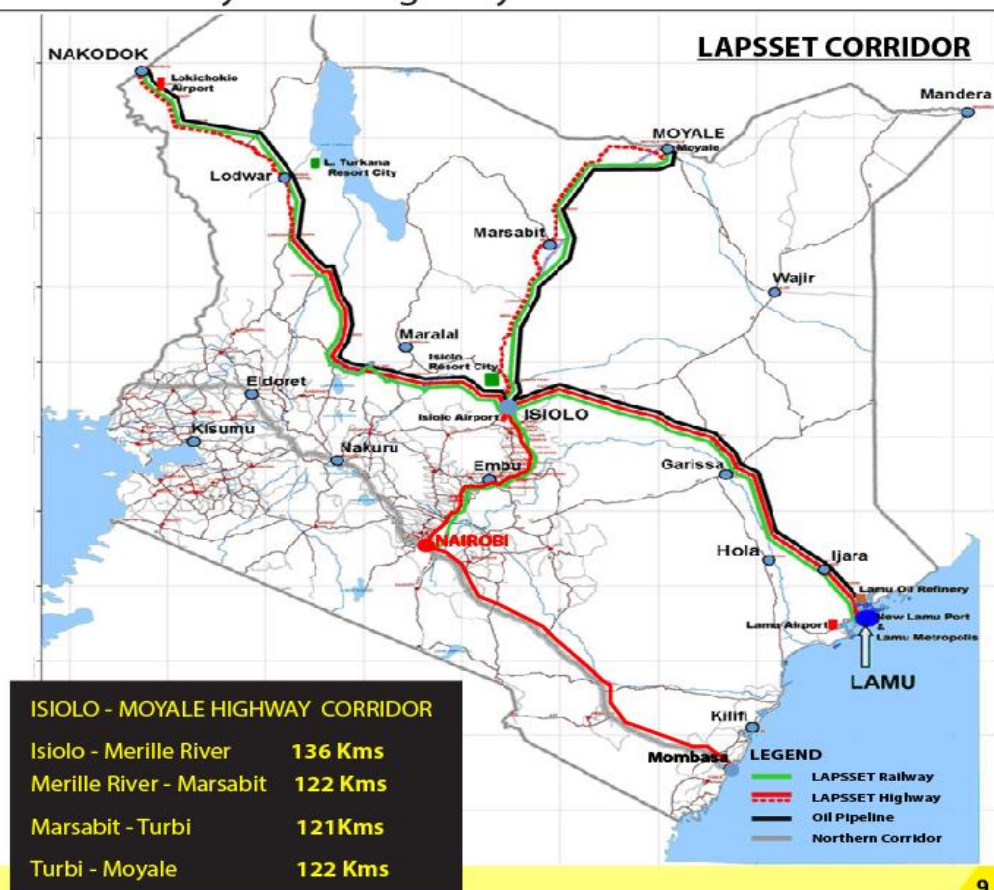
RI Initiatives Planned in the Regions	
Region	Regional Integration Plans/Activities
<i>Central</i>	<p>Outcomes/Results</p> <ul style="list-style-type: none"> • More diversified economies with more inclusive growth • A more dynamic value-adding private sector based on enhanced emphasis on and value-added from raw materials (local content) extraction and processing • Hydropower development and North, South and East power corridors (to the Easter Africa region) • Better managed and integrated economies through market linkages • Make effective the Free Trade Area in line with the agenda of the African Union <p>Operations/Implementation</p> <ul style="list-style-type: none"> • Preparing new strategy/ Master Plans and Management Plans • Increased collaboration with RECs • A healthier portfolio of projects with regional focus • Strengthen high-level dialogue with countries and RECs on regional integration issues • Support to RECs in the formulation and implementation of relevant regional integration strategies (PIDA, PEAC, etc.)
<i>East</i>	<p>Outcomes/Results</p> <ul style="list-style-type: none"> • Effective results from Pillars 1 and 2 below, and proposed dialogue • Commercialization of oil and gas deposits in commercial quantity in some Eastern Africa countries • Development of hydropower and geo-thermal potential to provide cheap base load power in many countries • Implementation of power corridors (to the south and to the West of the Region) • Enhancing skills and capabilities of regional and sub-regional power development agencies to enable better project screening and packaging, fast tracking implementations and providing advisory services to RMCs; • Harmonization of policies and regulations of cross-border electricity trading, Grid Codes and Launching the Eastern Africa electricity market • Development of agro-processing in non-arid countries • Implementation of the Tripartite Free Trade Area (TFTA) Agreement signed in June 2015, with potential for improved intra-regional trade • Effective implementation of the Bank's 'High-5s' Agenda and recently approved corporate strategies (Jobs for Youths, Energy, Industrialization, and Agriculture) <p>Operations/Implementation</p> <ul style="list-style-type: none"> • Pillar 1 – “Supporting regional infrastructure development to enhance inclusive and green growth”: investing in energy infrastructure improvement (generation with emphasis on climate smart energy production, interconnectors and launch and expansion of regional power trade), while also retaining the focus on transport corridors, ICT and water and sanitation • Pillar 2 – “Strengthening the Governance of regional integration and trade to enable value chains development, industrialization and structural transformation”: removal of NTBs and other ‘soft’ obstacles to trade (e.g., custom procedures, controls) and promotion of trade facilitation; development/harmonization of appropriate regional policy, legal, regulatory frameworks and standards for trade and integration; capacity building of regional as well as relevant national authorities in charge of regional integration • Selected Areas of dialogue: <ul style="list-style-type: none"> ○ Coherence between regional and national operations ○ Elimination of NTBs ○ Improving the regional operations portfolio performance ○ Resource mobilization for regional operations ○ Dialogue to ensure progress on the Tripartite FTA
<i>North</i>	<p>Outcomes/Results</p> <ul style="list-style-type: none"> • Facilitating infrastructure connectivity • Establishing business and investment platforms and databases • Improving reception conditions at border crossings <p>Operations/Implementation</p>

	<ul style="list-style-type: none"> • The 1st Regional Integration Strategy Paper for North Africa (RISP-NA) 2017-2021 is ready to: <ul style="list-style-type: none"> ○ Operationalize the Bank’s new Regional Integration Strategy Framework for the whole continent ○ Promote economic cooperation between North African countries especially around common interests (intra-regional trade is less than 4% of the total) ○ To promote economic cooperation between North Africa, Europe, Sub-Saharan African Countries and the rest of the world (the average economic growth in North Africa is less than 3% over the last decade) ○ To address the youth unemployment issue in North Africa (more than 30% of youth are unemployed) ○ To operationalize the Banks’s “High 5s” • The RISP-NA is the Bank’s response to integrate North Africa
<i>South</i>	<p>Outcomes/Results</p> <ul style="list-style-type: none"> • Integrate Africa: North South Corridor, Nacala Corridor, Mtwara Corridor, Walvis Bay Corridor <p>Operations/Implementation</p> <ul style="list-style-type: none"> • Regional Integration Strategy Papers (RISPs) and the Integrate Africa Strategy (under preparation): Aligned to the High 5s and the Country Strategy Papers • Prioritizing: <ul style="list-style-type: none"> ○ Infrastructure ○ Energy trading ○ Centers of excellence ○ Trade facilitation
<i>West</i>	<p>Outcomes/Results</p> <ul style="list-style-type: none"> • Increased intra- and inter- African trade for improved regional value chains • Improved capacity to harmonize and standardize border regulations and policies • Removal of non-tariff barriers • Improved regional infrastructure • Improved quality of regional transit corridors, ports, airports and logistics • Free movement of capital, skills and people – implementation of the visa-free agenda • Implementation of integrated intra- and inter-regional projects for increase in trade-related economic and social benefits • Catalytic projects (Rosso & Trans-Gambian bridges, OMVG) <p>Operations/Implementation</p> <ul style="list-style-type: none"> • Strong political will and champions • Finalizing RISP in 2018 concurrently with Bank’s Integrate Africa strategy in synergy with RDNG • Prioritizing regional integration in CSPs & projects • Effective implementation of current regional integration portfolio

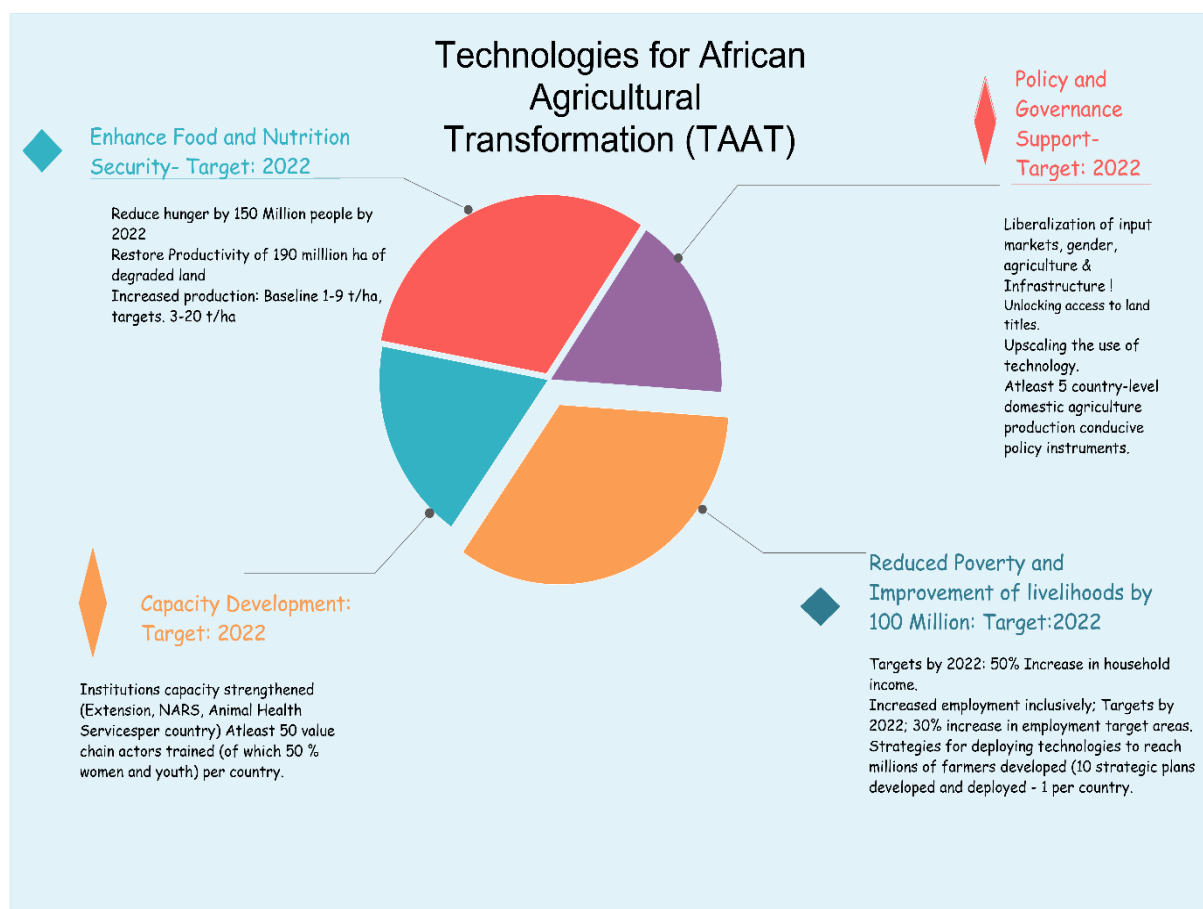
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Annex IX Map of Isiolo – Moyale A2 Highway Corridor

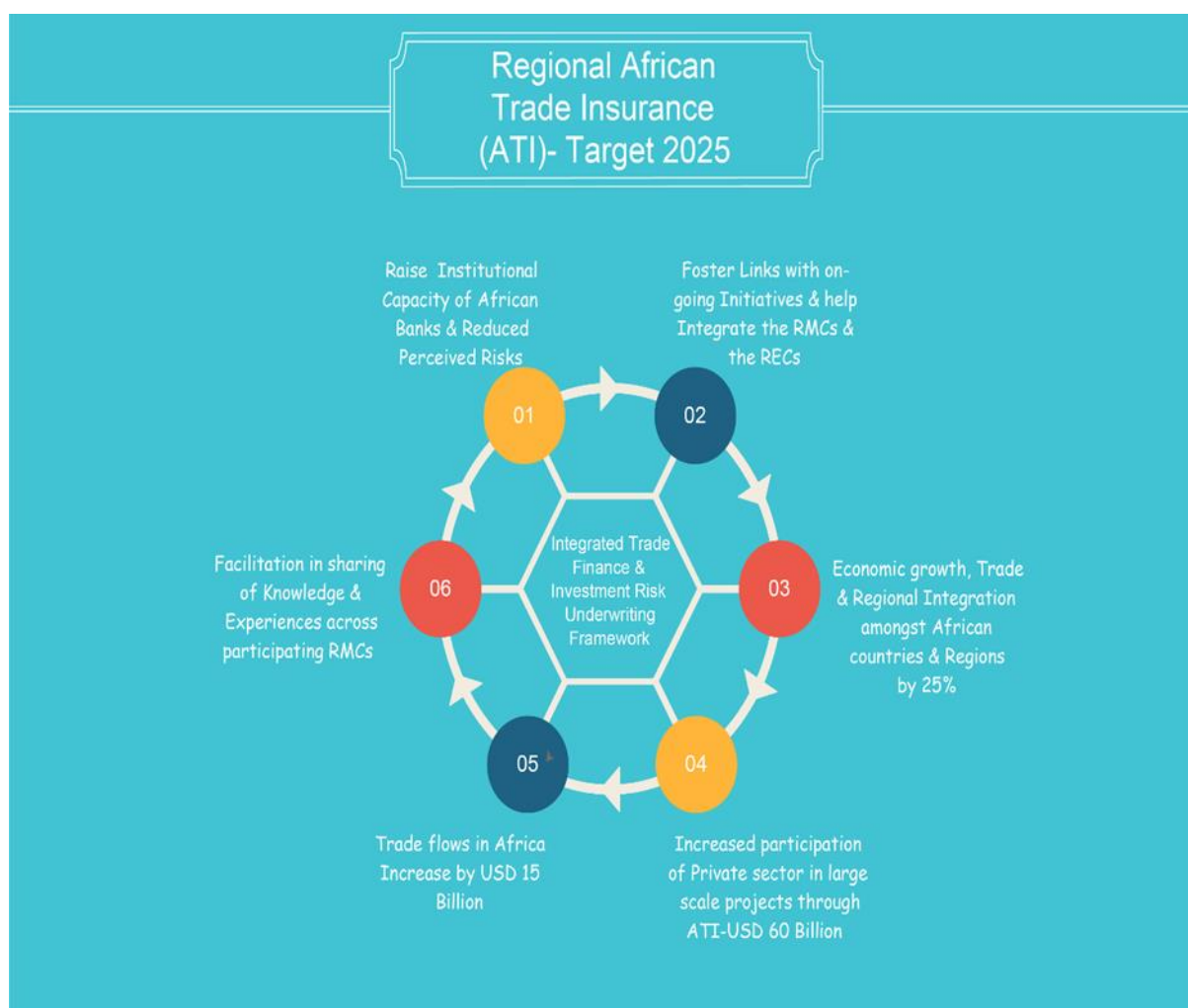
Isiolo - Moyale A2 Highway Corridor



Annex X Technologies for African Agricultural Transformation



Annex XI Regional African Trade Insurance Target for 2025



Annex XII Knowledge Management to Support Effective Work Programs

General Context for Knowledge Management

The assumption in this Knowledge Management design is that the VPU of the Chief Economist is tasked with the major data-related activities of the Bank, as well as with most information dissemination responsibilities. This Annex focuses on how RDRI will coordinate with, complement and reinforce the broader KM and information dissemination activities of the Bank in terms of its specific focus on regional integration. This will involve close coordination with the VPU of the Chief Economist, as well as with the other three VPU offices, regional offices, RECs and other partners (e.g., private sector, civil society, governments).

Rationale for the Knowledge Management Function

The High 5s include Integrate Africa, which is the most inter-dependent and cross-sectoral of the major strategic initiatives undertaken by the Bank. The KM function is designed to serve as a critical input into the African Union's vision for 2063 for a continent-wide Free Trade Area to add meaning to the concept of regional integration.

With specific focus on regional integration initiatives (e.g., projects and ESW focused on cross-border trade and investment, value chains, information- and resource-sharing), KM will be in a position to keep the continent and other stakeholders informed of progress made. This will be carried out through its many external information dissemination roles, as well as the contribution that it makes for enhanced quality in Bank operations.

Key Outputs of the Knowledge Management Function

First, KM will be responsible for quarterly reviews of the Regional Integration Index. This will include summary statistics of the 28 indicators, as well as regional summaries of developments, trends, and comparative strengths and weaknesses by region. The analysis applied will be focused on the Index, but will also be reported in relation to the High 5s.

A second key task for KM is production of the annual Regional Integration in Africa Publication. This report will provide a comprehensive empirically-based evaluation of progress (or lack of) in relation to regional integration. Specific benchmarks include (1) intra- and inter-African trade and investment; (2) tariff and non-tariff barriers; (3) border crossing data, regional transit corridors, ports, airports and logistics; (4) power generation and distribution; (5) resource sharing (e.g., water basins); (6) movement of people and implementation of the visa-free agenda; and (7) other benchmarks to be determined will be presented in the report to evaluate how regional integration efforts are proceeding. The paper will focus on outcomes, meaning tangible progress that directly contributes to the AU Vision for 2063 and the economic and social development goals and objectives of the Bank. In this regard, the annual publication will complement the Bank's annual African Economic Outlook publication by providing insights into cross-border, regional and continent-wide developments.

A third key function will be ESW. KM will produce quarterly Regional Information Briefs for each region, with a special sixth report covering Nigeria. Indicators will be standardized to enable cross-regional comparison. At the same time, each Regional Information Brief will also have customized indicators specific to the activities undertaken and expected outcomes (impact). This work will be expected to assist the DGs in the regional offices with their ongoing work with clients. Likewise, such ESW will be expected assist the RECs with institutional capacity building and support for regional initiatives.

A fourth key function will be to work closely with the VPU offices on sector-oriented basis. The KM function will complement the work undertaken by the VPUs by contributing support for cross-border, regional and continent-wide activities. While internal organizationally, KM would be providing support that involves activities with external counterparts and stakeholders in support of the respective High 5s for which the other VPUs are responsible.

The Role of the Data Repository

To manage internal and external responsibilities, KM will need to design and build a data repository with relevant indicators for regional integration. Many of the data sets from the Key Performance Indicators serve as a starting point. The Bank's annual African Economic Outlook report also serves as a reference point.

The KM data repository will be structured to enhance the data offerings of the African Economic Outlook, and to meet the data needs required for KM to effectively deliver on its operational responsibilities. Initial data sets will correspond to the Regional Integration Index and requirements for the Regional Integration in Africa Publication. However, as discussed below, these data sets will be added to as requirements come in from the regions. Therefore, the data repository is expected to be an ongoing work in progress that evolves to enhance the usefulness of aggregated data, and sharpen the analytical capacity of KM to disseminate useful information for internal and external purposes.

Research capacity for *ad hoc* requirements of the Board and the Executive would also be in place, subject to resource constraints. The data repository would be a tool to be used for these purposes as well.

Knowledge Management Research in Support of the VPUs and Regional Offices

Alignment with High 5 Sector Strategies

Consistent with being aligned with the High 5s and region-specific initiatives, the KM function will work with the VPU offices to strengthen data gathering, information dissemination and knowledge sharing in support of regional integration initiatives. Much of this would fall under ESW, and would inform the annual Regional Integration Publication. Examples or illustrations are presented below of how Knowledge Management might be able to enhance design and implementation through its information collection, data dissemination and analysis.

Agricultural Transformation (Feed Africa)

- Tracking regional or bilateral crop production initiatives involving pooled research, extension and testing;
- Assessing regional investments in the production and distribution of farm inputs (e.g., seedlings, fertilizers, farm implements);
- Reviewing regional investments that target and promote regional trade (of such products) through conducive regional agreements and/or regulatory framework;
- Monitoring regional agro-processing ventures and investments, including appropriate technologies that are locally produced;
- Evaluating regional transportation programs and projects to improve warehousing, market information exchange, logistics and infrastructure targeting trade in agricultural products and commodities;
- Monitoring and reporting on investments by the public and private sector to promote agricultural regional value chains and estimating their impact on the economy;
- Profiling "soft" interventions to promote regional agriculture production and cross-border trading;
- Summarizing regional financing trends on agricultural lending, investment, insurance, and trade finance;
- Establishing a continent-wide inventory of appropriate technology initiatives for small-scale manufacturers/processors that are effective in observing sustainable permaculture practices;
- Maintaining a directory and description of business organizations, NGOs and Others active in promoting regional value chains.

Industrialize Africa

- Monitoring and reporting on the trade finance market and summarizing data in support of regional trade, investment and supply/value chains and clusters;
- Synthesizing data on regional infrastructure investments (e.g., energy/power, long-haul railway transportation, high-capacity standard gauge railway for freight and passenger

transport, inland water transport and marine transport, ICT, water storage and the management of water on a joint regional basis) that directly improve industrial productivity and efficiency at a regional level;

- Profiling international certification initiatives of relevance to regional value chains;
- Analyzing programs and initiatives that promote free and efficient movement of business persons across Africa and into African countries based on specified skills requirements;
- Assessing the business environment and investment climate based on a compilation of business scores and indicators (e.g., lending/bond market spreads, insurance premiums for political/country risk) from various sources to reflect potential for regional successes;
- Reporting on equity-based investment trends and patterns (wholly-owned, joint ventures) versus non-equity-based (alliances, licensing, exports) to assess perceptions/risk of the business environment.

Light Up and Power Africa

- Presenting regional data and analysis on power generation and transmission projects that (1) supply regional power grids or off-takers across borders; (2) link two or more countries to enable or enhance power trading and/or access to cheaper electricity; and/or (3) feed into regional power pools;
- Increasing the level of funding for early stage regional project preparation and downstream investments;
- Developing/establishing an efficient framework for accessing Trust Funds earmarked for regional investment projects (e.g., EU-AFIF);
- Evaluating energy sector reforms for regional/sub-regional organizations and national level institutions to facilitate regional power trading;
- Monitoring pipeline transportation for the distribution of oil, natural gas and related products;
- Supporting power sector reform where they promote integration of the electricity networks and facilitate power trade;
- Summarizing investment trends and methods of financing into solar energy and other renewable forms of power generation, and fuel supplies that counter deforestation and other critical natural resource depletion;
- Evaluating and analyzing pricing policies that are effective in reducing the use of high-emitting resources (e.g., coal) and encouraging the use of no-emitting and low-emitting resources;
- Analyzing agricultural initiatives that capture carbon emissions and/or re-use waste/by-products as an energy/power source;
- Summarizing initiatives and efforts by business associations, universities, research institutes and other institutional partners on the effectiveness of efforts to educate users on energy and environmental initiatives in support of sustainable practices and the fight against climate change;
- Strengthening the capacities of regional organizations (e.g., power pools, specialized energy institutions, River Basin investment agencies, national initiatives with regional reach) to facilitate technical, legal and regulatory harmonization, and transform them into effective tools to fast track regional projects, and to provide advisory services to RMCs.

Quality of Life Africa

- Summarizing innovation initiatives that help to foster regional trade and investment, employment and sustainable businesses via incubators, information labs, entrepreneurship programs, skills development and training, and other requirements of the private sector as well as owner-operated businesses;
- Profiling regional centers of excellence and training and how these are contributing to cross-border value chains;
- Profiling programs and initiatives that promote training and skills development, codify and

verify standards, and enable free movement of labor and skills across African countries (for job opportunities);

- Reporting on the use of information and communications technologies (ICT) to promote better health care delivery (e.g., regional medical facilities, medical research centers/institutions, information exchanges to assist decentralized clinic networks), and increased access to and quality of water and sanitation services (e.g., trans-boundary water resources development, shared water and waste water).

Alignment with Region-specific Initiatives

The Knowledge Management function is designed to play a major role in helping to boost institutional capacity at decentralized regional levels. This will translate into support for policy development, project design, and use of effective implementation modalities. The objective here is to encourage strong “buy-in” from all parties for more effective design and implementation of regional integration initiatives. Much of this would fall under regional ESW. Some examples or illustrations of how KM could support the regions’ initiatives are presented below.

Central Region

- Supporting the RECs in the formulation and implementation of relevant regional integration strategies (PIDA, PEAC, etc.);
- Monitoring data and trends on private sector value-added from raw materials (local content) extraction and processing, and how the Central Region compares with other regions (and global norms);
- Profiling success stories on market linkages, trade and investment, and making recommendations on how to expand these in the Central Region.

East Region

- Cataloguing Non-Tariff Barriers in the East Region and presenting economic cost-benefit analyses to prioritize which ones could be reduced/eliminated in support of the Tripartite Free Trade Area (TFTA) Agreement signed in June 2015;
- Assessing regional infrastructure development potential with emphasis on climate-smart energy production, interconnectors and expansion of regional power trade;
- Evaluating the economic benefits of transport corridors.

North Region

- Contributing to the establishment of business and investment platforms and databases to promote regional trade, investment and cross-ownership;
- Evaluating leading international practices of reception conditions at border crossings and working on binational bases to improve two-way flows of goods and people;
- Profiling youth unemployment programs in international markets and mapping features to North Region markets that might be suitable for replication.

South Region

- Supporting efforts to integrate the region through the North-South Corridor, Nacala Corridor, Mtwara Corridor, and Walvis Bay Corridor;
- Contributing to specific ESW requirements in discussions with RECs and other stakeholders for infrastructure, energy trading, centers of excellence, and trade facilitation on a regional basis.

West Region

- Assisting with general efforts to strengthen/forging new partnerships with ECOWAS and regional bodies in West Africa;
- Cataloguing methods to improve capacity to harmonize and standardize border regulations and policies;
- Conducting economic cost-benefit analysis on a list of non-tariff barriers, and proposing a list of priorities with time lines for removal or reduction.

The Role of Key Performance Indicators in Knowledge Management

The role of Level 1 and 2 indicators of the High 5 objectives and longer list of potential Key Performance Indicators (KPIs) have been described in other documents and are not repeated here. The Level 1 and 2 indicators and KPIs serve as initial building blocks for data aggregation, information analysis and dissemination, and broader knowledge management activities.

As specific data are requested from the regions, an effort will be made to assemble these on a regional basis, Africa-wide, and globally for comparative performance purposes. These data will be incorporated into analyses of trends in relation to the Regional Integration Index, as well as contribute to the Annual Regional Integration in Africa Publication.

The potential KPIs all broadly adhere to the goals and objectives of the RISF. Therefore, the KPIs are consistent with themes that will shape the Knowledge Management function, most specifically with regard to breaking the long-standing cycle of economic fragmentation that has impeded African growth and competitiveness. As such, KM research will focus on RISF objectives by utilizing KPIs and other relevant information that help to measure the economic and social impact of these initiatives. These will broadly focus on (1) value chains that culminate in rising levels of trade and investment across borders; (2) capitalization of opportunities resulting from increasing economies of scale; (3) and progressive advancement of competitive advantage for the private sector, all in support a greatly enhanced social and environmental profile.

Annex XIII Indicative Financing Estimates For RISF 2018-2025

Pillar	Activity	Aspirational RISF Target	2016 Baseline	2025 RISF Target
	Overarching	Regional Economic Communities (RECs) achieve Stages 1-5 of the roadmap towards an African Economic Community		
	Overarching	Positive trends across all trade, investment and people flow measures in the Regional Integration Index		
	Overarching	Industrial poles made functional by 2025		
1	Power Infrastructure*	Establish regional power pools by 2020, and promote progress toward an Inter-Continental Power Pool by 2035	UA 200 million	Cumulatively, the Bank will invest UA 2.5 billion
1	Transport Infrastructure	Finance road and air infrastructure that fully connects the continent by 2025, and sustains progress toward AU Vision goals for rail by 2040	UA 350 million	Cumulatively, the Bank will invest UA 4.4 billion
1	ICT	Finance electronic infrastructure that fully connects the continent by 2025, and sustains progress toward AU Vision goals for communications by 2040	UA 102 million	Cumulatively, the Bank will invest UA 1.2 billion
2	Trade and Investment	Intra-African trade grows from 10% of total in 2012 to 20% by 2025	UA 50 million	Cumulatively, the Bank will invest UA 60 million
3	Financial Integration	Support financial integration and inclusion so that financial services are greater than 5% of African GDP by 2025	UA 2.5 million	UA 31 million

* **Note:** Power sector estimates are also included in the New Deal on Energy.

Assumptions:

1. 2016 Baseline figures are actuals.
2. Growth is conservatively projected at 10% per annum.
3. Minor adjustments are made from 2022 on to reflect sector distributions of Regional Integration allocations within AEO infrastructure investments.

	2016 Baseline	2018	2019	2020	2021	2022	2023	2024	2025	Total
Power	200	220	242	266,2	292,82	322,1	354,31	389,71	428,61	2 515,75
Transport	350	385	423,5	465,85	512,35	558,85	614,65	676,15	743,75	4 380,10
ICT	102	112,2	123,42	135,76	149,33	164,23	180,63	198,63	218,43	1 282,63
Trade & Investment	50	55	60,5	71,5	78,2	86,02	94,62	104,12	114,52	664,48
Financial Integration	2,5	2,75	3,02	3,322	3,652	4,012	4,412	4,852	5,332	31,35
										8 874,31

Based on the above, the Bank would invest UA 8.9 billion in Regional Integration by 2025. This compares with UA 10.4 billion invested by the Bank in Regional Integration from 2007 to 2017, with additional UA 5 billion mobilized through co-financing.

Overall, investment needs in Africa's Infrastructure, as provided in the AEO, are estimated to be between 130 and 170 billion per annum¹⁷. The estimates assume Regional Integration allocations to Energy 15%, Transport 22%, Water 5%, and ICT 10%. The mid-point of the range at UA 150 billion leads to a per annum estimate of UA 18.3 billion for Regional Integration in Africa.

This assumption better reflects the totality of Regional Integration needs, which by no means is limited to infrastructure. In fact, one of the reasons for the RISF is to account for other areas of activity that were not given sufficient attention in earlier policy or strategy.

¹⁷ PIDA figures estimate priority regional infrastructure needs between 2011 to 2020 to be 68 billion, or 6.8 billion per annum. However, the AEO figures are more recent.

Annex XIV Potential/Indicative KPIs for Monitoring and Evaluation

Context for Proposed Impact-based Indicators

Potential or indicative KPIs will be determined when more specific initiatives are designed. The categories presented below are based on the broad list of activities and interventions communicated in the RISPs for each region.

These categories and bullet points are intended as a starting point for fundamental targets. They would be expected to be developed and refined over time based on performance.

KPIs will help to monitor performance and evaluate impact and outcomes of the RISF. Therefore, KPIs will reflect impact and outcomes specifically related to regional integration initiatives undertaken. They will also provide useful information for the Knowledge Management function with its responsibilities related to ESW, the Regional Integration in Africa publication, and other information dissemination activities planned.

Potential KPI considerations are discussed below by category of intervention. Because of the interdependencies and crossovers, some KPIs will be suitable for multiple activities. When the Bank moves to specific operations, it will develop the specific KPIs and note how they apply.

KPIs by Activity

Physical Infrastructure KPIs

RISF activities supporting **physical infrastructure**, include (but are not restricted to):

- Financing physical infrastructure connections and sustained maintenance for increased trade across countries and internationally;
- Financing long-haul railway transportation;
- Supporting construction and plans for a high-capacity standard gauge railway for freight and passenger transport;
- Financing pipeline transportation for the transportation of oil and related products;
- Financing inland water transport and marine transport;
- Promoting and financing water storage and the management of water basins on a joint regional basis;
- Encouraging investment into and financing of solar energy and other renewable forms of power generation.

Network Industry (ICT) KPIs

RISF activities supporting **network industries** for strengthened information and communications flows and enhanced logistics capacity include (but are not restricted to):

- Expanding network industries on a cross-border basis;
- Sharing knowledge, information and R&D across borders;
- Supporting joint R&D and the application of patents/trademarks to increase the value and stock of intellectual property;
- Strengthening capacity and competition to increase coverage of network industries (e.g., ICT) across the continent;
- Promoting cross-border and regional agreements to reduce tariffs;
- Encouraging cross-border and regional connectivity to promote B2B linkages;
- Working with business associations to obtain wholesale services for members;
- Increasing the availability of mobile telephony and other ICT resources to enhance connectivity;
- Working with business associations, schools and others to increase connectivity once capacity is in place;

- Promoting pricing structures that increase market participation at all levels, including households;
- Ensuring added security is in place to encourage internet and other ICT access while reducing risks of business continuity, piracy, violations of intellectual property, and related ICT risks;
- Working with research institutes, universities and other institutions to form networks that pool resources to pay for enhanced ICT protection.

Energy Efficiency, Environmental and Climate Change KPIs

RISF activities supporting **energy efficiency, environmental stewardship, and the fight against climate change** include (but are not restricted to):

- Promoting rising levels of efficiency in both production and consumption;
- Investing in power and fuel supplies to counter deforestation and other critical natural resource depletion;
- Supporting tariff structures and access to energy resources that alters behavior and consumption patterns in favor of environmentally sustainable resource management and stewardship;
- Supporting policy positions that add pricing disincentives to the use of high-emitting resources (e.g., coal) and encourage pricing and related incentives to use no-emitting and low-emitting resources;
- Increasing investment in renewables and no/low emitting energy sources and processes;
- Encouraging investments in solar and other renewable sources of energy, including transmission and distribution networks;
- Promoting cross-border linkages in the transmission of power from solar and other renewable sources;
- Supporting agricultural and industrial initiatives that capture carbon emissions and/or re-use waste/by-products for additional production;
- Establishing environmental and energy efficiency performance measures as targets of incremental capacity and consumption gains in power generation, transport, and other sources of environmental degradation;
- Supporting appropriate technology initiatives for small-scale manufacturers/processors that stress sustainable practices;
- Working with business associations, universities, research institutes and other institutional partners to educate users on energy and environmental initiatives in support of sustainable practices and the fight against climate change.

Trade, Investment and Regional Value Chain KPIs

RISF activities supporting **trade, investment and cross-border and regional value chains** include (but are not restricted to):

- Harmonizing regional trade and investment policies/frameworks in support of the AU Agenda for 2063 and the CFTA;
- Supporting infrastructure initiatives that reduce transport, power and other costs and sustain ongoing operations;
- Encouraging increased information-sharing by companies to identify specialization of function that will encourage competitive advantage, leveraging ICT;
- Expanding capacity of enterprises to identify:
 - Opportunities to process raw materials and intermediate goods;
 - Critically needed services and support that meet other firms' requirements;
- Reducing tariff and non-tariff barriers to promote regional integration of trade in goods and services;
- Continuing to invest in infrastructure that powers production (e.g., energy, electricity grids) and distribution (e.g., roads, rail, maritime, air) and enables regional trade, investment and integration;

- Promoting information-sharing to accelerate discovery of B2B and other relevant opportunities;
- Encouraging business associations to disseminate information on investment opportunities in neighboring countries.

Private Sector (Business Environment) KPIs

RISF activities supporting **private sector** development include (but are not restricted to):

- Strengthening the business environment with targeted interventions that help promote trade and investment;
- Encouraging capacity of business associations;
- Supporting policy work that strengthens the general business climate, focused on targeted interventions;
- Promoting public-private sector dialogue so that all parties are working together towards common objectives;
- Developing/expanding global supply/value chains via international certification initiatives;
- Integrating knowledge management and R&D with private sector activities for enhanced competitiveness.

Financial Sector KPIs

RISF activities supporting **financial sector** development include (with an emphasis on, but not restricted to):

- Increasing use of trade finance to facilitate cross-border and intra-Africa trade and investment;
- Broadening and deepening market connectivity and linkages;
- Developing and expanding capital markets issuances (bonds and equity), related information systems platforms and “ecosystem” requirements;
- Mobilizing investment and other financing facilities that support the High 5s and the initiatives described above.

Indicators of Success

High-level indicators will serve as a foundation for performance evaluation of impact resulting from RISF interventions. These will reinforce and broadly overlap with performance indicators identified in the High 5s.

As noted above, RDVP will incorporate the Regional Integration Index as a tool to measure developments and success. Noteworthy themes will include:

- Increased investment in land, maritime and aviation transport to facilitate faster flows of goods and people;
- Increased investment in water management and storage systems, water treatment, and waste water usage with direct effects on human sanitation;
- Increased investment in network industries to enhance logistics and facilitate the flow of data, information and services;
- Increased investment in power generation, renewable energy sources, and no-/low-emitting technologies to battle against climate change;
- Improved business environment based on “doing business” indicators specific to trade and investment (e.g., time and money spent to move goods across borders, investment climate to foster direct investment flows into upstream and downstream supply/value chain activities);
- Enhanced cross-border cooperation on regional areas of interest based on improved policy dialogue between governments, and between governments and private sector/industry;
- Increased investment into commodity-based value chains identified by the Feed Africa initiative;
- Increased employment, incomes and value-added from trade and investment in commodity-based value chains identified by the Feed Africa initiative;
- Increased value of capital markets activity resulting from cross-listings, stock and bond

issuances, and other forms of securities market activity resulting from stock exchange linkages across the continent;

- Increased value of trade finance activity in support of regional trade and investment.