AFRICAN DEVELOPMENT BANK GROUP

NORTH AFRICA REGIONAL INTEGRATION STRATEGY PAPER (RISP-NA) 2020-2026

NORTH AFRICA REGIONAL DEVELOPMENT AND SERVICE DELIVERY OFFICE (RDGN)
REGIONAL INTEGRATION COORDINATION OFFICE (RDRI)

May 2020

Translated Document

AFRICAN DEVELOPMENT BANK GROUP

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ACRONYMS AND ABBREVIATIONS

ADF	African Development Fund
AfCFTA	African Continental Free Trade Area
AfDB	African Development Bank
AMU	Arab Maghreb Union
AU	African Union
BDEV	Independent Development Evaluation Office
BMCE	Moroccan Bank for Foreign Trade
BMICE	Maghreb Bank for Investment and Foreign Trade
CEMAC	Central African Economic and Monetary Community
CEN-SAD	Community of Sahel-Saharan States
CLT	Trans-Sahara Highway Liaison Committee
COMELEC	Maghreb Electricity Committee
COMESA	Common Market for Eastern and Southern Africa
CSP	Country Strategy Paper
EAC	East African Community
EBRD	European Bank for Reconstruction and Development
ECA	United Nations Economic Commission for Africa
ECCAS	Economic Community of Central African States
ECGLC	Economic Community of the Great Lakes Countries
ECOWAS	Economic Community of West African States
EIB	European Investment Bank
ENP	European Neighbourhood Policy
ESW	Economic and Sector Work
EU	European Union
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
HDI	Human Development Index
ICT	Information and Communication Technologies
IGAD	Inter-Governmental Authority on Development
IMF	International Monetary Fund
ILO	International Labour Organisation
IsDB	Islamic Development Bank
LAS	League of Arab States
MENA	Middle East and North Africa
MIC	Middle-Income Country
NEPAD	New Partnership for Africa's Development
NGO	Non-Governmental Organisation
OAU	Organisation of African Unity
OCP	Office Chérifien des Phosphates (Cherifian Office for Phosphates)
OpsCom	Operations Committee
PAP	Priority Action Programme
PIDA	Programme for Infrastructure Development in Africa
PPP	Public-Private Partnership
PPP	Purchasing Power Parity
RDGN	North Africa Regional Development and Service Delivery Office
REC	Regional Economic Community
RIPS	Regional Integration Policy and Strategy
RIS	Regional Integration Strategy
RISF	Regional Integration Strategic Framework
RISP-NA	North Africa Regional Integration Strategy Paper
RMC	Regional Member Country
SADC	Southern African Development Community
SDG	Sustainable Development Goal
SME	Small and Medium-sized Enterprise
SSA	Sub-Saharan Africa
UA	Unit of Account
UfM	Union for the Mediterranean
UME	Maghreb Employers' Union
WAEMU	West African Economic and Monetary Union
WB	World Bank
WEF	World Economic Forum

EXECUTIVE SUMMARY

1. **The North Africa Regional Integration Strategy Paper (RISP-NA) 2020-2026 has been designed to support the efforts of six regional member countries (RMCs)** of the African Development Bank Group, namely Algeria, Egypt, Libya, Mauritania, Morocco and Tunisia.

2. **RISP-NA 2020-2026 has gone through an unusually long process given the Bank's experience in the area.** Several factors have delayed the RISP-NA finalisation process. Internal reasons, particularly the revision of the Regional Integration Strategic Framework (RISF) 2018-2025, also contributed to delays in RISP-NA preparation as well as the decision in 2019 to adopt a bespoke approach before favouring a formal RISP which incorporates it as a cross-cutting theme. However, the new strategic framework provides a better response to North Africa's regional integration challenges and issues. The proposed approach is pragmatic, progressive and geometrically variable for open regionalism. It is based on the private sector and will enable the Bank to concurrently support North Africa regional integration and integration between North Africa and Sub-Saharan Africa, which the six North African countries have included in their recent priorities.

3. **The principles which guided the preparation of this strategy are in line with those described in the new RISF 2018-2025, as well as with the priorities described in the Country Strategy Papers (CSPs), at different levels of intervention**. It should be noted that RISP-NA 2020-2026 has been prepared using a participatory process and conducting national and regional consultations with the Authorities, civil society, development partners, and the private sector. Over the 2014-2019 period, the Bank organized and participated in several workshops with all regional stakeholders, as well as the Economic Commission for Africa, COMESA and representatives of sub-Saharan African countries.

4. **This strategy is built around two pillars and a cross-cutting theme**: (i) Integrating North Africa through the promotion of regional infrastructure connectivity, (ii) Enhancing inter and intra-regional trade and investment through private sector promotion, and (iii) Building the capacity of existing support structures and developing high-level policy dialogue based on a pragmatic vision of North Africa regional integration. This strategy is built around: (i) the development priorities of the North African countries, (ii) the operational priorities of the AU (Agenda 2063 and PIDA) and COMESA which has three member countries in North Africa (Egypt, Libya and Tunisia) and (iii) the High Five operational priorities of the Bank. Furthermore, the Bank will intensify dialogue with civil society and the private sector in the region so as to support its investments in the sub-region and in the rest of Africa, with the implementation of the African Continental Free Trade Area (AfCFTA).

5. **The intervention areas of the RISP 2020-2026 for North Africa are the result of in-depth analyses conducted as part of the production of several ESWs carried out by the Bank on the region.** Although the new approach for the preparation of Strategy Papers, approved by the Board in December 2018, indicates that a diagnostic note should be produced to guide the Bank's strategic intervention framework in a region, this formal diagnosis was not produced as part of the preparation of the RISP 2020-2026. Not only its preparation process was launched before the approval of the new format, but the Bank had also several recent ESWs on which to base the contextual diagnosis of the RISP 2020-2026 for North Africa (Annex 15).

6. **A bespoke approach has been defined to overcome obstacles due to the weak political commitment of North African countries to implement a regional integration strategy.** The approach is based on: (i) a panel of independent and influential personalities who can conduct dialogue and advise policy makers to increase their commitment level and implement RISP-NA 2020-2026; (ii) the development of a pragmatic vision for North Africa regional integration; and (iii)

building the capacity of existing support structures, with the possibility of creating a regional economic community for the six North African countries.

7. As regards the financing instruments of RISP-NA 2020-2026, the Bank proposes to take into consideration the specificities of the countries in the region. Indeed, the Bank faces two main challenges: (i) the absence of a regional economic community that covers the six countries and can define sovereign regional projects; and (ii) the presence of two non-borrowing countries (Algeria and Libya). Accordingly, the Bank will give priority to regional studies and technical assistance where the intervention sectors are regulatory (*soft* infrastructure) and to national investment projects with a "regional integration dimension" where the intervention sectors are physical (regional connectivity or *hard* infrastructure).

8. **The Boards of Directors** are **invited to approve this North Africa Regional Integration Strategy Paper (RISP – NA) 2020-2026.**

I. Introduction

1.1 This North Africa Regional Integration Strategy Paper (RISP-NA), designed for 2020-2026, covers the following six Regional Member Countries (RMCs): Algeria, Egypt, Libya, Mauritania, Morocco and Tunisia. These countries make up the North Africa Directorate-General (RDGN) of the African Development Bank (AfDB) Group. Since June 2010, several attempts have been made to develop a North Africa regional integration strategy. However, the process has been interrupted on several occasions and at different stages of its preparation[1] for various reasons such as the revision of the Bank's Regional Integration Strategic Framework (RISF) 2018-2025 and the thinking about a bespoke approach for North Africa.

1.2 **North African countries, with the exception of Mauritania, are classified as "Middle-Income Countries (MICs)", with a GDP per capita of over USD 12,571** at purchasing power parity (PPP) in 2018. The six countries, which make up an economic space of nearly 200 million consumers, have significant human, natural and mining resources and a relatively developed economic infrastructure. The region also has a diversified industrial base and occupies a strategic geographical position, open to the Mediterranean Sea, the Atlantic Ocean, and the Red Sea.[2] These advantages could enable the North Africa region to gain more growth points through a more invigorated regional integration process.

1.3 The Bank needs to prepare a RISP for the North Africa region because of: (i) the scale of the common challenges facing the region and, in particular, increased social demands since 2011; (ii) the proven benefits of regional integration in meeting these various challenges for national governments and private economic operators. This was confirmed during the series of national and regional consultations organised by the Bank up to September 2019 (Annex 7); and (iii) the operationalization of the new Regional Integration Strategic Framework (RISF) 2018-2025. The strategic framework is built around the principle of **"open regionalism"**[3], which means that the Bank supports the **regional and global integration** of its RMCs. This flexibility is fully adapted to the North Africa region. The region has neither a Regional Economic Community (REC) for the six countries nor an operational regional integration programme. Depending on the contexts and institutions, some North African countries are included in other regions, such as the Middle East and North Africa (MENA) region or the Mediterranean Basin, which makes it difficult to link them to a North Africa regional integration strategy. Nevertheless, there is renewed interest in regional integration in North Africa and North African countries have placed integration with sub-Saharan Africa (SSA) at the core of their recent priorities, particularly with the creation of the African Continental Free Trade Area (AfCFTA) and the organisation of investment and business forums with other African countries. RISP-NA 2020-2026 will therefore also build on integration with sub-Saharan Africa to give greater impetus to intra-continental integration in the longer term.

1.4 **RISP-NA 2020-2026 has been prepared within a context of**: (i) many political, constitutional and institutional reforms in response to political, economic and social demands; (ii) the adoption of the Sustainable Development Goals (SDGs); (iii) the Paris and Marrakech agreements on climate change (CoP21 and CoP22) and (iv) the recent COVID-19 crisis, which hit the global economy hard in early 2020 and severely impacted the economies of the region. RISP-NA 2020-2026 has also benefited from relevant information gathered from technical notes prepared by the Bank on: "Industrialisation and Value Chains", "Renewable Energy", "Transport Infrastructure", "Financial System" and the outcomes of consultations with public, private, academic and civil society stakeholders.

1.5 **Besides the introduction, this Paper has five chapters.** Chapter II describes the regional context. Chapter III analyses the regional integration agenda and the progress made, as well as regional integration-related challenges and opportunities. It makes some proposals for strengthening regional integration, and presents previous and ongoing support operations, outcomes and lessons learned by the Bank. Chapter IV describes the Bank's strategy for 2020-2026. Chapter V presents the strategy implementation in the region, and Chapter VI presents the conclusion and recommendation.

II. Regional Context

2.1. Political Context

2.1.1 Since 2011, North Africa has been shaken by events that have impacted on the region's long

period of political stability. The social unrest of 2011, successively in Tunisia, Algeria, Morocco, Egypt and Libya, highlighted the people's aspirations with respect to freedom, employment and wealth redistribution. In response to the demands, the countries undertook a number of political actions and organised several elections. In Morocco, the revision, by referendum, of the Constitution in July 2011 was a major step in the implementation of the decentralisation process. The second legislative elections since the adoption of the new Constitution took place on 7 October 2016. Tunisia also adopted a new Constitution in 2014 and held presidential and legislative elections twice, in 2014 and 2019 respectively. In Egypt, the parliamentary elections in 2015 created an enabling climate for reform. The Egyptian President was re-elected in 2018 for a second four-year term. The constitutional referendum held in April 2019 extended the length of presidential terms. Mauritania organised a referendum on constitutional review in August 2017, legislative and municipal elections in September 2018, and presidential elections in June 2019. Two presidential elections were held in Algeria in 2014 and 2019 respectively. The newly elected President was sworn in on 19 December 2019.

Table 1: Country Governance Index in North Africa

Country and Ranking out of 54 Countries	Score /100 Year 2018	Trend since 2013 (%)
9 Tunisia	63.5	0.63
15 Morocco	58.4	0.93
27 Algeria	50.2	-0.40
29 Egypt	49.9	1.88
40 Mauritania	43.4	-0.18
52 Libya	28.3	-3.08

2.1.3 With the exception of Libya, North African countries have improved their security situation. Political instability due to the resumption of conflicts in Libya poses security risks which neighbouring countries, with the commitment of the international community, are trying to contain by stepping up calls for a ceasefire and political dialogue.

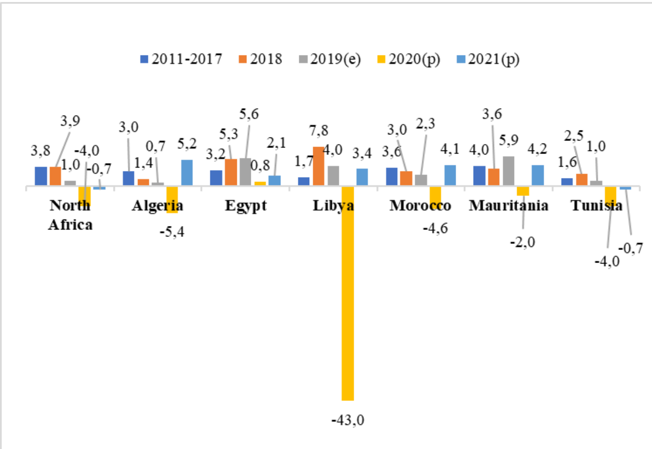
2.1.4 **Economic and political governance continues to be a challenge for North African countries**. According to the 2018 Ibrahim Index of African Governance (IIAG) (Table 1), only Egypt, Morocco and Tunisia have made progress in governance since 2013. More efforts need to be made to improve the scores and rankings of individual countries.

2.2 Economic Context

2.2.1 North Africa is a key economic power on the continent. The region covers 22% of Africa's surface area, with a total population of nearly 200 million inhabitants in 2019 (i.e. about 15.5% of the continent's total population) and an estimated gross domestic product (GDP) of USD 2 505 billion (PPP), just over one-third of the continent's GDP. The Sahara Desert extends across the six countries, sometimes covering more than 90% of the territory of the country.

2.2.2 The COVID-19 crisis will have a very negative impact on the economies of the region. The latest estimates predict that all countries, but Egypt will be in economic recession in 2020 in the worst-case scenario (Annex 8). The health and socio-economic difficulties related to the coronavirus crisis could slow down the process of regional integration, but also underline the need to unite in the face of common challenges.

Figure 1: Real GDP Growth in %, 2011-2021



Source: Statistics Department, African Development Bank

2.2.3 None of the six countries is landlocked, so shipping is predominant in each country's trade with the rest of the world. All the countries, except Mauritania, have access to the Mediterranean Sea. Two countries have access to several shipping routes: Egypt, the largest country in the region in terms of population and GDP (Annex 9), has access to the Mediterranean Sea and to the Red Sea, and Morocco has access to the Mediterranean Sea and the Atlantic Ocean. The region's direct access to the rest of the world gives it a strategic geographical position that could enable it to become a trade platform for the entire African continent.

2.2.4 **Despite some disparities, the export structures of the six countries are not sufficiently diversified**. Three countries are highly dependent on natural resources: oil for Algeria and Libya, and metals and gold for Mauritania.

2.2.5 **Over the past decade, real GDP growth has been volatile for all the six countries, particularly Libya.** The volatility of real GDP growth in the North Africa region is mainly due to the variation in international prices of hydrocarbons and minerals, as well as to a transition period, which was extremely long for some of the countries (Libya and Tunisia) and had considerable impact on their economic activity.

2.2.6 As from 2016, the North Africa region resumed economic growth, as a result of pro-stability economic policies led by governments, stronger prices for certain commodities such as oil and improved security conditions. These three main factors have shaped North Africa's economic performance over the 2016-2018 period: *First*, macroeconomic stabilisation has been necessary. The countries have had to address declining export earnings from natural resources following the fall in commodity prices in 2014-2016. Mauritania has benefited from an International Monetary Fund (IMF) programme. The two main oil exporters, Algeria and Libya, have financed the decline in export earnings by drawing on reserves, thereby curbing increase in the public debt/GDP ratio. All countries in the region have embarked on fiscal consolidation with a combination of higher revenue and lower expenditure. In addition, Egypt and Tunisia have implemented structural reforms and exchange rate adjustments. *Secondly*, the extractive industries started to recover in 2017. Oil prices increased by 70% in 2016 and 24% in 2017. Mineral prices increased by 44% from mid-2016 to mid-2018. As a result, the region's export earnings from natural resources increased to nearly 14% of GDP in 2018. The largest gains were recorded in Algeria, Egypt, Libya and Mauritania. *Thirdly*, part of the economic recovery is underpinned by a rebound in tourism as a result of improved security in Egypt and Tunisia.

Table 2: Contributions of total industries and manufacturing industries to GDP in 2018

	Manufacturing industries, value added as % of GDP (2018)	Total industries (including construction), value added as % of GDP (2018)
Algeria	27.2	39.6
Egypt	16.3	35.1
Libya	NA	NA
Morocco	15.7	25.9
Mauritania	7.4	26.1
Tunisia	14.3	22.7

Source: WDI 2020, World Bank

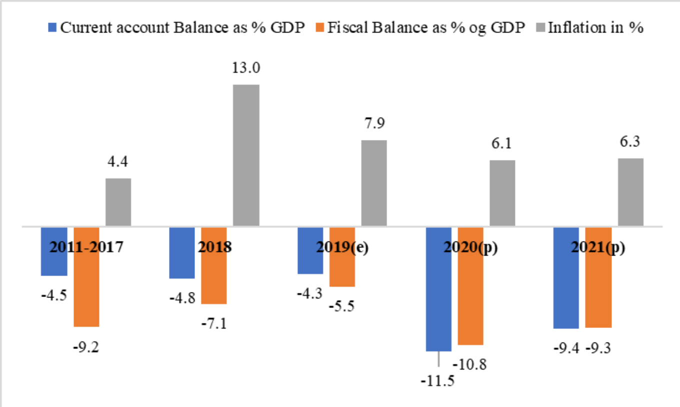
2.2.7 **As regards supply, the services sector has strengthened in almost all the North African countries.** The tourism and transport sectors are expected to be strongly impacted by the COVID-19 crisis (Annex 8). The services sector, which accounts for almost two-thirds of the region's GDP growth, is different from one country to another. Tourism plays a key role in Egypt, Morocco and Tunisia. Furthermore, the financial and telecommunications sectors have grown rapidly in almost all the countries. In 2017, the two sectors accounted for 3.2% of GDP in Algeria, 13.5% in Mauritania, 14.4% in Egypt, 16.2% in Tunisia and 17.4% in Morocco. In countries where the industrial sector's contribution to GDP is significant (Algeria and Egypt), such contribution mainly concerns energy (Table 2). The agricultural sector's contribution to GDP is low and generally volatile due to its dependence on climatic conditions and abundant rainfall. After East Africa, North Africa is expected to record the second fastest growth on the continent in 2019 (4.1%) and 2020 (4.4%).

2.2.8 With respect to demand, domestic consumption accounts for 85% of GDP growth. Household consumption is the main component of growth, but it varies considerably between the countries. Over the past few years, consumer demand has been the main driver of growth in Tunisia. Algeria is at the other extreme, with the lowest contribution from domestic consumption, but very significant contribution from investment in 2014-2017 and net exports in 2018. In Egypt, up to 2017, strong domestic consumption and investment boosted growth. However, in 2018, domestic consumption declined, while investment, driven by public projects and an increase in private investment, made a positive contribution to growth. In the other countries of the region, investment's contribution to growth has been insignificant.

2.2.9 **With the exception of Mauritania, North African countries have recorded a sharp increase in their budget deficits and a rise in their debt-to-GDP ratios**. The COVID-19 crisis is expected to worsen budget deficits, in particular due to counter-cyclical measures to limit the effects on businesses and households. Before the pandemic, three countries (Algeria, Egypt and Mauritania) were undergoing fiscal consolidation, while Morocco has kept its tax revenue and public debt stable. On the other hand, Tunisia has pursued an expansionary fiscal policy leading to an increase in deficit. The gross public debt increased to 71% of GDP in 2018. In Libya, following the decline in international oil prices in mid-2014 and the reduction in oil production, the budget deficit broadened to 106% of GDP on average in 2014-2016, peaking at 131% in 2015. However, as a result of cuts in fiscal expenditure, recovery of oil prices and resumption of oil production, the budget deficit fell to 43% of GDP in 2017 and to 4.2% in 2018. Libya's deficit was financed mainly from reserves. Algeria's fiscal policy, like that of Libya, suffered from the fall in oil prices, with the deficit attaining 15.3% of GDP in 2015. However, by reducing fiscal expenditure and increasing non-tax revenue, the country limited its deficit to 5.3% of GDP in 2018. The Government used Algeria's oil stabilisation fund to finance its deficit until 2017, when it was exhausted. Since then, the Government has resorted to direct monetary financing from the Central Bank, and the gross public debt fell from 7.7% of GDP in 2014 to 32.9% in 2018, a figure well below the regional average. Egypt launched its major fiscal consolidation programme in 2017, introducing a value added tax and cutting expenditure. As a result, its budget deficit fell from 12-13% of GDP in 2013-2016 to 9% in 2018. The gross public debt dropped from 103% of GDP (its highest level) in 2017 to 92% in 2018. Mauritania increased its tax revenue, generating a positive primary balance as from 2016, but the gross public debt remained high at over 100% of GDP[4].

2.2.10 The external accounts have also deteriorated under the combined effect of falling international commodity prices and declining global demand for the region's products. These two effects, aggravated by the COVID-19 crisis, are expected to further worsen current account deficits in 2020. The region's current account balance, which showed a surplus of 8.7% over the 2006-2010 period, was almost zero in 2011 (0.5% of GDP) and recorded a deficit of 8.9% of GDP in 2016. The external accounts of all the countries that make up the region deteriorated until 2016, with a slight improvement estimated at -4.8% of GDP in 2018 and -4.4 in 2019, and prospects significantly deteriorated in 2020 (-11.5% of GDP) in the worst-case scenario (Figure 2).

Figure 2: Trends in macroeconomic indicators for the North African region

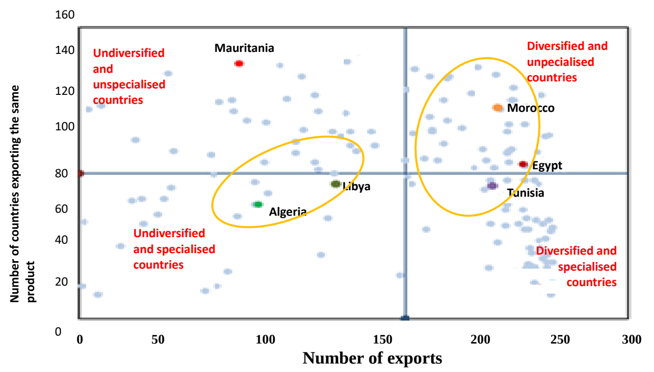


Source: Statistics Department, African Development Bank

2.2.11 Inflation has been relatively contained in the region. The inflation rate fell from 7% in 2006-2010 and 8% in 2011 to 7.5% in 2015. The inflation was brought under control thanks to efforts made by the various countries as regards price control policies (price subsidies for consumer goods) and exchange rate stability. However, since 2016 and as a result of more flexible exchange rate policies, particularly to contain high demand for foreign exchange for import purposes and strengthen the competitiveness of the region's economies (Egypt, Morocco and Tunisia), the inflation rate rose to double digits, attaining 14.2% in 2017. The average inflation rate was impacted by very high rates in Egypt and Libya. Egypt's inflation rose sharply from 14% prior to the adoption of the flexible exchange rate system in November 2016 to 33% in July 2017, before falling to 23.3% on average in 2017 and 20.6% in 2018. Libya has also recorded high inflation due to economic disruptions and a sharp depreciation of the exchange rate, particularly in the informal market. In Tunisia and Mauritania, inflation has been brought under control. Morocco, with an indexed exchange rate, recorded extremely low inflation in 2018 (1.9%), although it increased slightly. In Algeria, inflation remained stable and even slowed down to about 4.3% in 2018. In 2019-2020, inflation in Algeria is expected to remain limited given the Government's active liquidity management under monetary financing of the budget deficit. The outlook for Mauritania and Morocco in 2019-2020 points to moderate inflation. In Egypt, Libya and Tunisia, inflation will remain a major policy challenge.

2.2.12 The economic strategies and models of North African countries are not succeeding in promoting economic diversification. The first group of countries (Algeria, Libya and Mauritania) are mainly exporters of raw materials (oil, gas and minerals and sea products) and highly dependent on imports of finished equipment and consumer goods. The second group (Egypt, Morocco and Tunisia) consists of economies based on export of manufactured goods (intermediate products and industrial sub-contracting) and import of capital goods. These countries stand to gain more from opening their economies to foreign direct investment through incentive policies for export promotion and integration into global value chains.

Figure 3: Export diversification and specialisation, 2018.



2.2.13 Global value chain development has provided an industrial development opportunity for Egypt, Morocco and Tunisia. These countries have been able to build on their comparative advantage to capture value chain links within their territories, thereby establishing a relatively diversified industrial base[5]. However, the historical industrialization patterns in these countries, based on specialization and sub-contracting, have reached their limits. They need to be rethought to capture more segments with higher added value, move up-market and create more skilled jobs. In this regard, it is necessary to abandon separate national approaches and consider a regional approach that would strengthen the region's competitiveness through economies of scale and better produce supply. A number of sectors can form the backbone of a regional industrial integration and complementarity strategy. The main sectors identified are: renewable energy, automobile and aeronautical components, mining and agri-food. The successful experience of regional economic integration in South-East Asia[6] shows that regional trade dynamics are based on intra-industry trade rather than on inter-industry specialisation. Intra-industry trade intensification could serve as an example for North African integration where several economic structures are similar.

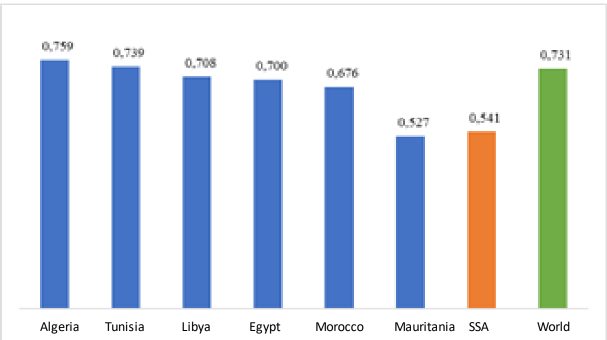
2.2.14 In order to accelerate North Africa's industrialisation, the countries need a developed and diversified financial system to support private investment. North Africa's financial development is booming, with the multiplication and diversification of financial institutions, the increase in the supply of financial products, the development of financial markets, the establishment of regional banking groups and the cross-implementation of North African banks in the sub-region.

The main shortcomings include the delay in financial inclusion and financial digitization, the strong sectoral and banking concentration, the importance of non-performing loans, the weakness of non-banking finance as well as the insufficient credits allocated to the private sector. However, the financial systems in the North African countries have a potential to contribute to regional integration through better cooperation in the face of the challenge of improving access to finance for the promotion of the private sector, the development of FDI and the progress towards regional financial integration. In turn, financial integration should help to densify economic activities throughout the region. Governments have made significant efforts over the past five years, particularly to streamline public banking institutions in Tunisia, strengthen bank supervision and encourage the development of electronic banking in Mauritania, open a central credit register for businesses and households in Algeria, establish an online tracking system for movable assets as collateral in Egypt, and provide access to credit for small businesses and strengthen the legal framework for bank supervision in Morocco. Nevertheless, the transition to a more dynamic financial system is very slow, and the use of both capital markets and non-bank sources of financing is extremely limited, with the exception of Morocco's more diversified and private sector-oriented financial system. Libya's financial sector has been greatly affected by the political context and will require a complete overhaul once stability is restored. Regional financial integration has also been undermined by exchange regulations on capital and financial transactions although they have been recently eased.

2.3 Social Context

2.3.1 North African countries have made significant progress in poverty reduction, access to education, and health care. The social sectors absorb a high proportion of public expenditure in North African countries. Net enrolment rates in primary schools are high, while the incidence of communicable diseases is negligible. Significant efforts have been made over the past decade to expand health care and education services to remote areas, with particular focus on the poor and disadvantaged groups. Initiatives include the granting of scholarships and providing health insurance to the poorest in Morocco, school reform in Tunisia, and sensitisation campaigns and expansion of health service coverage in Mauritania. With an average HDI of 0.684 in 2018, which is nevertheless lower than the average HDI in the world, North Africa ranks ahead of most other African regions. Despite this progress, there are deep disparities and inequalities between regions and income groups with respect to access to services and impact on health and education. Only Algeria and Tunisia score above the global average (Figure 4).

Figure 4: 2019 HDI for countries of the region, SSA and the World



2.3.2 Over the past few years, poverty has declined in several countries in the region, although there are still significant disparities. According to UNDP[7], the proportion of the population living below the national poverty line, estimated on the basis of the most recent data for 2007-2018, is: 5.5% in Algeria, 27.8% in Egypt, 4.8% in Morocco, 31% in Mauritania, and 15.2% in Tunisia. In Libya, even though there are no recent data, poverty has certainly spread due to the ongoing conflict, deteriorating public services, and short food supplies. The key achievements in recent years include increased coverage of public pension and insurance schemes in Morocco, policies that have significantly contributed to reducing social inequalities in Mauritania, and the shift from universal subsidies to more targeted aid programmes in Algeria, Egypt, Morocco and Tunisia. As with access to education and health services, there are still considerable disparities between regions, and between rural and urban areas, in terms of income and poverty levels.

2.3.3 Unemployment, particularly among young people and women, is a major challenge in North African countries. The resumption of growth noted in the region in 2017 and 2018 has not created enough jobs to absorb the high demand. Unemployment rates remain structurally high. In 2018, the unemployment rate in North Africa was about 12%, with 30% among young people and posing a threat to social stability. The large number of job losses linked to the coronavirus crisis, particularly in the informal sector, will weigh more heavily on unemployment statistics.

2.3.4 In its 2017 World Employment and Social Prospects Report, the International Labour Organization (ILO) estimates that 26.1% of young people in North Africa are neither in employment nor in education and training (NEET)[8]. About 68% of NEET young people are women, which is mainly due to social norms that promote inactivity and women's low participation in the labour force. In Egypt, two-fifths of young people are NEET and the rate is extremely high among young women (54% among 15-24 year olds, and 64% among 15-29 year olds).[9] In comparison, the NEET rate among young men is low and comparable to the EU average: 18% among 15-24 year olds and 15% among 15-29 year olds. In 2018, unemployment affected more than 34.8% of young Tunisians and almost 32.6% of young people in Egypt. In Morocco, the unemployment rate among 15-24-year olds stands at 21.9% at national level (38.6% in urban areas compared to 8.5% in rural areas). In Mauritania, the youth unemployment rate is about 16%. The female unemployment rate is higher than that of men, 12.6% as against 8.6%. This situation is mainly due to the low level of women's access to education and their inadequate qualifications to occupy certain positions. The low unemployment rate in Mauritania compared to the other North African countries is due to the relatively big size of the informal sector. Moreover, most young people are underemployed in the informal economy, which accounts for more than 38% of GDP of the countries in the region.[10] Generally speaking, the political, economic and social reforms recently introduced have not led to stronger economic growth, and this could reduce unemployment rates, particularly among young people and women, and thereby increase migration.

2.4 Cross-cutting Themes

2.4.1 Fragile political, economic and security situation. Since 2011, the region has undergone unprecedented socio-political changes that have led to political and security instability and affected development efforts in terms of growth, investment and job creation. The security situation in North Africa has improved significantly over the past two years. However, it is still weakened by the situation in Libya.

2.4.2 **Gender Issues**. The Governments in North African countries continue to make efforts to achieve greater gender parity. The constitutions and several laws guarantee gender parity in human development (schooling and health), in economic opportunities (employment and remuneration), and in law and institutions (representation in institutions, equal rights, etc.). In Tunisia, the Women's Personal Status Code, promulgated in 1956, placed Tunisia at the forefront in the Arab world. The rights defined in the Code were consolidated and strengthened in the Constitution of 2014. However, there are still some disparities, such as the persistence of inequality in inheritance, women's participation in parliament (49 women out of 217 parliamentarians in the Assembly) and their low representation in the diplomatic corps (6 women ambassadors out of 61 in 2015). In Egypt, despite the efforts made, the Global Gender Gap Report ranks Egypt 125th out of 136 countries covered. This ranking, based on 4 dimensions of gender parity, reflects the disparities that persist and hamper women's access to education and their participation in economic and political affairs. In Morocco, progress has been made in reducing gender disparities, particularly with the adoption in 2004 of the Family Code (*Moudawana*), which grants women broader rights such as the right to divorce, sharing of parental authority, and raising the minimum legal age for marriage. Although the 2011 Constitution affirms full gender parity, there are still some inequalities: only 23.6% of rural girls attain secondary education and only 22.7% of women of working age have jobs. In Algeria, the Government is continuing efforts to ensure greater gender parity. For example, improvements have been recorded in political representation with the introduction of quotas for women in elected assemblies. However, as in other North African countries, women's unemployment rate is still high. In 2018, it stood at 19.6% in Algeria compared to a national average of 11.1%. In Mauritania, despite the progress made, including ratification of a significant number of conventions and treaties that guarantee gender parity, there are still inequalities in terms of unemployment and underemployment.

Table 3: World Economic Forum's Global Gender Gap Index

		World Gender Gap index 2020	Economic Participation & Opportunity	Level of Education	Access to Health Care	Participation in Political Life
	Ranking	132	138	109	140	99
	Score	0.634	0.461	0.966	0.962	0.145
	Ranking	134	140	102	85	103
	Score	0.629	0.438	0.973	0.974	0.133
	Ranking	143	146	115	138	123
	Score	0.605	0.405	0.956	0.963	0.095
	Ranking	141	144	137	111	72
	Score	0.614	0.411	0.879	0.97	0,194
	Ranking	124	142	106	107	67
	Score	0.644	0.434	0.97	0,971	0.201
	Ranking	NA	NA	NA	NA	NA
	Score	NA	NA	NA	NA	NA

Source: Global Gender Gap Index Report, WEF (2020)

2.4.3 The results of the World Economic Forum's Global Gender Gap Index for 2020 are presented in Table 3. Egypt has the best regional gender gap scores for education and access to health but ranks only 102nd and 85th globally out of a total of 153 countries covered. In all the North African countries, much still remains to be done to reduce gender gaps, mainly in "economic participation and opportunity" and "political empowerment".

2.4.4 Environmental protection and climate change risk mitigation are major challenges facing the North African region. Several countries in the region are already under water stress[11] and face structural deficits in terms of water resources and food and energy security. The region is also exposed to extreme phenomena (alternating periods of drought and devastating floods), which require the establishment of appropriate management mechanisms and the development of warning systems. The structural reality of climate change needs to be understood in its broad dimensions, as well as its medium and long-term repercussions on desertification, agriculture and the tourism sector. Regional cooperation efforts should be made to develop a space for exchange of experiences and expertise on these crucial issues for the development of the region.

2.4.5 **North Africa is one of the areas most exposed to climate change.** The region is highly vulnerable to the impacts of climate change due to its high exposure to temperature increases, reduced freshwater availability, and population growth. By 2050, temperatures could increase by 3°C and rainfall could decrease by 10-30%. In the agricultural sector, climate-smart practices and more efficient irrigation methods would significantly help to preserve the region's water resources.

2.4.6. The energy sector is the largest contributor to greenhouse gas emissions in the region (60% on average for the region). The availability and abundance of fossil energy resources in the three producing countries have increased greenhouse gas emissions in the region as a whole.

2.4.7. **In efforts to fight against the effects of climate change, the Governments of North Africa have embarked on promoting renewable energy.** They have set ambitious strategic objectives to reduce greenhouse gas emissions:

(a) Tunisia intends to reduce its carbon intensity by 46% in 2030 compared to 2010.

(b) Morocco is committed to reducing its greenhouse gas emissions by 32% in 2030, with 15% energy savings in 2015 and 15% by 2030.

(c) Algeria intends to reduce its greenhouse gas emissions by 7% to 22% by 2030, with a target of 27% national electricity production from renewable energy by 2030.

(d) Mauritania is committed to reducing its greenhouse gas emissions by 22.3% by 2030.

(e) Egypt is committed to comply with the decisions taken by the international community with regard to greenhouse gas emissions by intensifying the use of renewable energy. USD 73 billion will be invested in promoting and developing renewable energy over the 2020-2030 period.

2.4.8 Efforts to develop the agricultural sector in North Africa so as to enhance <u>food security</u> and reduce poverty in rural areas are hampered by two major challenges: water scarcity and low productivity of the agricultural sector. Since the 1970s, food demand in North Africa has been increasing steadily, driven by population growth, rapid urbanisation, changing dietary patterns and rising incomes that have led to demand for more diversified and higher-value food. Consequently, North African countries are forced to import a large proportion of the food they consume and have become the world's leading cereal-importing region. Egypt, the world's largest wheat importer (accounting for 8% of global imports), imported 10.1 million tonnes in 2018. Algeria, the world's third largest buyer, with 6% of world imports (6.2 million tonnes per year), is trying to limit its imports to 4 million tonnes so as to reduce its foreign exchange expenditure. According to projections, Morocco and Tunisia are expected to also increase their wheat imports in the coming years. The upsurge in world food prices in 2008, combined with the political uprisings in North Africa in 2011, provided an opportunity to take stock of food security and reassess food strategies in the six countries of the region. Some governments in the region are moving towards food self-sufficiency as they seek to reduce their dependence on imports. Nevertheless, a region-wide strategy would help to streamline costs and achieve food security for the entire region more quickly and more effectively.

III. REGIONAL INTEGRATION AGENDA: PROGRESS MADE AND LESSONS LEARNED

3.1 Strategic objectives of the regional integration programme

3.1.1. In 2006, the African Union selected eight Regional Economic Communities (RECs)[12] including the Arab Maghreb Union (AMU), in its geographical rationalisation drive. This distribution, which is based on the continental integration vision, was recommended by the Abuja Treaty (1991). The regional integration programme is in line with the African Union (AU) Agenda 2063 and the ambitious AfCFTA project, which will bring together all African countries and which, in Phase I, provides for the African Common Passport, the single African air transport market, and the African high-speed train network.

3.1.2 **The Bank, in accordance with its Charter, is committed to supporting integration efforts across the continent.** This commitment has led to the adoption of a regional integration strategy which, as from 2010, provides for the preparation and implementation of a Regional Integration Strategy Paper (RISP) for each of the operational regions. This approach also operationalizes one of the five priorities of the Bank's Ten-Year Strategy 2013-2022 for the structural transformation of the continent and one of the "High 5s": "Integrate Africa". Although such a framework has not yet been prepared for North Africa, <u>it should be noted that the Bank's intervention and support in the six countries of the region has always sought to promote regional integration (Annex 3).</u>

3.1.3 **All North African countries, with the exception of Egypt, are members of the Arab**

Maghreb Union (AMU). The Union, which was established on 17 February 1989 by the five Heads of State in Marrakech, has the main objective of promoting economic cooperation and adopting common policies and strategies at regional level[13] in the following five countries: Algeria, Libya, Morocco, Mauritania and Tunisia. The focus areas of the Union are political, economic and cultural.

3.1.4 **More than 30 years after its establishment, the results achieved by AMU still fall far short of expectations.** At the political level, the differences of opinion between Algeria and Morocco on the independence of Western Sahara continue to slow down the integration process in North Africa. The land borders between the two countries are still closed to the movement of people and goods. The conflict in Libya is also likely to slow down integration initiatives as it fuels insecurity and promotes the development of the informal economy. At the cultural level, cooperation seems to be more dynamic. Cultural and sporting events are organised regularly between the various countries of the region. At the economic level, trade and investment activities by private operators are limited. However, there are encouraging signs that the integration process is being boosted, particularly fruitful partnerships between private economic operators in the various countries and the establishment in 2015 of the Maghreb Bank for Investment and Foreign Trade (BMICE), which is expected to help reduce shortfalls in regional project financing.

3.2 Evaluation of progress and prospects in regional integration

3.2.1 Operations under the Programme for Infrastructure Development in Africa (PIDA)[14]: The Bank's ongoing regional integration operations in North Africa mainly focus on infrastructure and fall within PIDA. In this connection, a 2012-2040 Programme for North Africa has been designed at the strategic level for an estimated investment of USD 115.5 billion for all sectors, i.e. about 8.9% of the total PIDA (at continental level). PIDA's long-term objectives (2040) for North Africa are threefold, namely: (i) upgrade the existing road network, (ii) close the capacity gap to meet future demand, and (iii) complete the missing sections of the Trans-Africa Highways (TAHs).

3.2.2 **A Priority Action Programme (PAP) 2012-2020 comprising 8 projects has been prepared for an estimated amount of USD 2.25 billion** (3.3% of PIDA). The Transport PAP comprises four (4) projects, two of them continental, for a total amount (excluding continental projects) of about USD 825 million (36.7% of the North Africa PAP). Energy, ICT and water account for 53.4%, 9.1% and 0.8% respectively of the region's PAP.

3.2.3 The transport sector is of key importance in North Africa's economies. The sector, together with the communications sector, accounts for 9.7% of GDP and absorbs 10% of investments in Algeria. In Morocco, these ratios are estimated at 7% of GDP and between 20% and 25% of public investment expenditure respectively. In Tunisia, the sector accounts for 6% of GDP and 15% of the country's investments, with more than 50% private investment. Road transport, for example, accounts for about 90% of goods traffic in North Africa. To achieve more inclusive growth, the sector currently plays a strategic role in North Africa because it is the only mode of transport that can ensure access to rural areas and meet the challenge of reducing regional disparities, which is one of the causes of the Arab Spring. Furthermore, the road transport sector can also increase trade in the region. Rail transport is fast developing in North Africa. There are plans for a high-speed railway line to link Morocco to Algeria and Tunisia. The decision was taken at the meeting of the General Managers of railway companies of Maghreb countries held in Tunis in 2016. Morocco is well advanced, and Tunisia is considering the construction of a high-speed line to link Tunis to the Algerian border. All North African countries have embarked on reforms, although at different paces, to improve the transport regulatory framework, as well as on major public investment programmes to mainly: (i) enhance connectivity in the region, (ii) improve logistics performance, and (iii) liberalise the sector and enable private sector participation.

3.2.4 Energy can be an important component of North Africa's regional integration strategy. Fossil resources account for between 95% and almost all primary energy supply in North Africa. In addition, although the electricity networks of five (5) North African countries have already been interconnected (only Mauritania is not connected), power trade is relatively low due to the absence of a Maghreb power market. The electricity sector already has adequate infrastructure and an institutional framework (Maghreb Electricity Committee or COMELEC), a situation which highlights the economic benefits of integrating the electricity systems of the various countries. A large North Africa power pool would improve efficiency and costs, as well as avoid major power cuts, such as the one that occurred in Tunisia on 31 August 2014 due to the weak interconnection of the cross-border grid between Algeria and Tunisia[15]. In February 2020, COMELEC announced the launch of studies for the establishment by 2025 of an integrated Maghreb electricity market of 100 million inhabitants with a production capacity of around 45,000 megawatts and the possibility of creating common power plants. Such a market would address the growing demand for energy and make full use of the various energy resources within the region, notably solar energy. In addition to this strategy in the electricity sector, the Bank is developing interconnections with European countries through Spain, as well as planning an interconnection with Italy and an interconnection project between Mauritania and Senegal, given the strategic geographical position of the region. Gas interconnections also offer good prospects for integration. Three countries (Algeria, Morocco and Tunisia) are already interconnected through the existing pipelines linking the Algerian gas fields to Europe. In addition, the countries of the region complement each other at all stages of the energy value chain and have experiences that are conducive to greater integration. In this regard, renewable energy constitutes an area of cooperation that should help develop trade in capital goods between North African countries, Europe and other regions of Africa.

3.2.5 Improving the regulatory framework for the rapidly growing ICT sector in North Africa could enhance competitiveness across the region. North Africa has considerable potential for growth in the sector, given the rapid increase in demand, the availability of trained human capital, and the presence of multinational companies with advanced technology. Several North African operators have taken advantage of the liberalisation of the telecommunications sector to invest in North Africa and sub-Saharan Africa. Two North African operators have ventured outside the African continent: *Orascom Telecom Holding* (OTH), of Egyptian origin, has invested in Bangladesh, Pakistan and Italy, and *Tunisie Telecom* has invested in Malta. Despite the availability of the EU "acquis communautaire" as a model for regulatory standards, the weak capacity of national regulatory authorities and lack of harmonised procedures are seen as major obstacles to regional ICT integration in North Africa.

3.2.6 **There is need to strengthen the connectivity of all regional infrastructures.** North African countries have recorded improvements in terms of quality of service, travel time, interconnection and connectivity. The pace of improvements has varied from one country to another, depending on the type of infrastructure (air, maritime, road and rail transport), electricity interconnection, development of renewable energy and ICT, etc. Despite the improvements, there are still many obstacles to greater integration: (i) lack of land infrastructure connectivity, lack of railways and inadequate port infrastructure and logistical platforms which account for the absence of regular direct transport links between North African countries; (ii) lack of paved roads linking neighbouring countries (case of link between the Morocco-Mauritania border posts and case of motorway linking Kef to the trans-Maghreb motorway), (iii) lack of rest areas and border escort services, (iv) lack of convergence of national regulations and harmonised and simplified procedures at border crossings. Efforts to improve infrastructure at national level should be reinforced by a regional vision of infrastructure development.

3.2.7 As the world's water-poorest region, North Africa needs to explore opportunities for regional cooperation to better manage the quantity and quality of water resources. Better management of non-renewable cross-boundary resources shared by Algeria, Egypt, Libya and Tunisia would allow for more efficient use of resources and, above all, better preservation for future generations. Similarly, coordination between Algeria, Morocco and Tunisia in the management of watersheds shared by the countries would make it possible to better manage: (i) rainfall inputs that vary greatly in time and space, through a system of transfer between the countries; (ii) pollution discharged into the natural environment (wastewater discharge) that affects both surface and underground water resources; and (iii) the socio-economic development of border areas where the people are generally more destitute than those on the coasts. The Bank can provide assistance and facilitate exchange of experiences between countries, given its multiple operations and perfect knowledge of the water and sanitation sectors in the six North African countries.[16]

3.3 Evaluation of trade and industrial development

3.3.1 With the exception of Mauritania and Egypt, whose main trading partners are in Asia, North African countries, which are very closely linked to the EU in terms of trade, are struggling to increase their exports within the region and to the rest of Africa. North African countries' trade is more geared towards Europe (50% of their total trade in 2017 compared to 8.4% towards the rest of the African continent). The structure of exports and imports accounts for the predominance of trade with Europe, which meets the supply and demand of North African countries but carries high economic risks when Europe's economic performance is weak. Nevertheless, it is should be noted that for North African countries, with the exception of Mauritania which trades with sub-Saharan African countries, the five main destinations of their exports are countries in the sub-region (Table 4).

Table 4: Top 5 destinations of African exports from the six North African countries, 2018

	Top 5 destinations of exports to Africa, 2018
Algeria	Tunisia (40%); Morocco (28%); Egypt (22%); Mauritania (3%) and Libya (1%)
Libya	Egypt (33.4%); Tunisia (28.7%); Morocco (15.4%); Sudan and Ghana
Egypt	Algeria (18%) ; Morocco (13%) ; Tunisia (11%) ; Libya (9%) ;Kenya (8%)
Morocco	Côte d'Ivoire (10%) ; Mauritania (9%) ; Sénégal (9%) ; Algeria (8%) ; Tunisia (6%)
Mauritania	Mali (30%) ; Cameroon (16%) ; Côte d'Ivoire 13%) ; Angola (10%) ; Nigeria (8%)
Tunisia	Libya (30%) ; Algeria (26%) ; Morocco (14%) ; Côte d'Ivoire (4%) ; Egypt (4%)

3.3.2 In the aftermath of the 2009 financial crisis and the European recession, it became essential for North African countries to accelerate the diversification of their trading partners. Accordingly, several forums were organised between 2016 and 2018 to promote trade between some North African countries (Algeria, Egypt, Morocco and Tunisia) and sub-Saharan Africa. Visits by the King of Morocco, the President of Egypt and the Heads of Government of Algeria and Tunisia were organised to stimulate trade between the two regions. The envisaged membership of Algeria, Morocco, Mauritania and Tunisia in ECOWAS, as well as Tunisia's membership in COMESA in 2018 will enhance cooperation and trade. Morocco's return to the African Union confirms its interest in sub-Saharan Africa. Similarly, within COMESA, Egypt has opened up new opportunities for cooperation with sub-Saharan African countries that are COMESA members[17]. The holding of investment and business forums by Egypt (February 2016), Morocco (February 2016), Algeria (December 2016) and Tunisia (2018) confirms the interest of North African countries in sub-Saharan Africa. There is a potential for trade between North African and sub-Saharan African countries, which could be unlocked by successful regional cooperation.

3.3.3 **With regard to the business climate**, reforms have been introduced in some countries. However, much remains to be done by the countries of the region to improve the business environment and increase private domestic and foreign investment. According to the World Bank's "*Doing Business Report 2020*" on the Middle East and North Africa, the pace of business regulatory reforms has picked up since 2016, with good performance in four areas, namely: dealing with construction permits, getting electricity, registering property and paying taxes. However, there are still some weaknesses, particularly in getting credit, trading across borders, and the cost and time taken to open a new business. Morocco is the top-ranked economy in the region, with a world ranking of 53th out of 190 countries, while Libya, an economy in a special political situation, is among the lowest ranked in the world (186th).

3.4 Main challenges and weaknesses

3.4.1 Strengthening political support for regional integration. In North Africa, country-level priorities as opposed to regional decisions have undermined the regional integration process. Indeed, most decisions taken at regional level are often not implemented at national level. For example, since the establishment of the Arab Maghreb Union (AMU) in 1989, out of the 37 agreements and conventions adopted at regional level, only 6 have been ratified by national parliaments in 26 years[18].

3.4.2 Accelerating the industrialisation of North African economies. The volatility of economic growth in North Africa is mainly due to the low industrialisation of its economies. Accelerating the implementation of reform programmes to develop the private sector is essential to supporting the development of a productive fabric, and thereby sustaining strong, resilient and job-creating growth.

3.4.3 Diversifying energy sources: All North African countries are facing the challenge of rapidly increasing energy demand and an energy mix still dominated by fossil resources. However, there are promising prospects for large-scale deployment of renewable energy.

3.4.4 **Facilitating the movement and transit of goods and people across borders.** One of the major obstacles that largely account for the low level of trade in the region is the lack of so-called "tangible" (road corridors, paved road sections, border rest areas, and port and airport handling equipment) and "intangible" (harmonised and simplified procedures at border crossings) components that should facilitate transport and trade in the region. North Africa is distinguished by particularly high customs duties, even if they have declined over the past decade, and a battery of procedural and regulatory obstacles, on rules of origin and sanitary and phytosanitary requirements. Additional efforts are needed to remove these bottlenecks and harmonize policies at the regional level.

3.4.5 **Preserving water resources**. Water resources are limited, while the concentration of people on the coasts and along water sources is increasing (such as along the Nile in Egypt), with its spill-over effects on rural depopulation and migration. In addition, desert encroachment has a negative impact on arable land, as well as on food and energy security. North African countries are at great risk of water shortages by the end of the 21st century, in terms of both quantity and quality, which could threaten all development efforts. In Algeria, Morocco and Tunisia, the situation is marked by a decrease in annual rainfall and the multiplication of extreme phenomena (droughts and floods). In Egypt, concern about the availability of water resources is increasing with the construction of the new Renaissance Dam on the Nile, as the river provides more than 97% of the country's water needs. Libya is highly dependent on groundwater resources, which are transboundary, non-renewable and abstracted from two aquifers. The two aquifers are shared amongst the North African countries and lie primarily under the Sahara Desert.

3.5 Main strengths and opportunities

3.5.1 North African countries benefit from a common cultural base which can be a real asset for increased cooperation and could act as a powerful integrating vector if all the right conditions are in place, including enhanced political support. The cost of non-integration in North Africa is high (Annex 5). It varies according to the authors, the initial assumptions and the targeted indicators (growth, employment, FDI, trade). According to the latest IMF estimates (2017), the gains from regional integration represent between 5 and 10% of export earnings and between 1 and 2.7 points of growth in each of the countries.

3.5.2 The prospects for greater cooperation with sub-Saharan Africa are promising. Membership in ZLECA and overlapping membership in other RECs can provide a boost to regional integration in North Africa (Annex 4). There is currently renewed interest in regional integration in North Africa, as well as in strengthening cooperation between North Africa and other regions, particularly with the creation of AfCFTA. This continent-wide free trade agreement, launched in June 2015 by the African Union, provides for the elimination of at least 90% of tariff barriers on goods from other African States over a period of 5 to 15 years, with the aim of boosting intra-African trade. All the six North African countries are signatories to AfCFTA which, by the end of 2019, had been ratified by Algeria, Egypt and Mauritania. In addition, the countries of the region have taken bilateral initiatives to strengthen their trade relations with sub-Saharan Africa, through applications for ECOWAS membership by Morocco and Tunisia, as well as Morocco's re-admission into the African Union in 2017. Furthermore, there are a significant number of technical cooperation agreements and experience-sharing initiatives between North African and sub-Saharan African countries in various sectors, particularly energy, transport and finance.

3.5.3 **The prospect of increased cooperation could benefit from the good infrastructure in North African countries, although good connectivity at regional level will be necessary.** In this regard, for example, significant efforts have been made to build the Trans-Maghreb Highway, some sections of which are still to be completed, particularly at the borders. This highway, also known as the *Maghreb Unity Highway*, which is expected to link the five Maghreb countries, comprises an Atlantic road section from Nouakchott to Rabat, and a Mediterranean section from Rabat to Tripoli, through Algiers and Tunis. The highway extends beyond the Maghreb to Egypt, linking Tripoli to Cairo. The improvement of transport and logistics services can create huge business opportunities in the region, with multiplier effects that could unlock North Africa's economic cooperation potential.

3.5.4 North African countries have significant youth and human capital stock with a high level of education. This human capital stock should be better developed and adapted to market needs so as to move the countries of the region towards higher value-added economies.

3.5.5 The six North African countries have established cooperation and partnership ties with several blocks in other regions that should be leveraged. The countries have made enormous efforts to access the European market. The Euro-Mediterranean Partnership (formerly known as the Barcelona Process[19]) was strengthened in 2004 with the signing, by some countries in the region, of the Agadir Agreement[20] and the launching of the European Neighbourhood Policy (ENP).[21] This provided a framework for closer relations, ranging from preferential trade to partnership agreements that cover goods, services and broader sectors of economic cooperation. The Arab League also links all North African countries, particularly through the Greater Arab Free Trade Area established in January 2005.

3.6 Development partner activities and partnership opportunities

3.6.1 A significant number of development partners are active in the region and strongly support political and economic transformation in each of the countries of the region. Job creation, economic diversification, promotion of the private sector, and development of renewable energy are some of the priorities of the development partners. However, it should be noted that at this stage there are no regional projects covering all the six countries.

3.6.2 However, the World Bank, the Islamic Development Bank and the United Nations have prepared a regional strategy to promote peace and stability for development in the Middle East and North Africa. The European Union has also established the Emergency Trust Fund to strengthen stability and tackle the root causes of the various crises and illegal migration in Africa. To date, the resources of the Fund have been mobilised only for national projects.

3.6.3 **AfDB/WB/IsDB Partnership**: One of the guidelines of RISF 2018-2025 is to ensure that RISPs provide for the establishment of partnerships between countries, RECs, development partners, and other stakeholders. This should help to enhance ownership of regional initiatives, as well as each partner's commitment based on its capacity and comparative advantage. During the preparation of RISP-NA, contacts were made to promote tripartite collaboration between AfDB, IsDB and WB. Accordingly, there are plans to continue discussions to finalise partnerships on selected projects and ensure better implementation and coordination. More specifically, the collaboration could begin by focusing on the region's priority areas, as well as those with past experience on cooperation between the institutions. The European Bank for Reconstruction and Development (EBRD) started operations in three North African countries (Egypt, Morocco and Tunisia) in addition to Jordan since 2012. EBRD is interested in collaborating with AfDB in the three countries, which is an opportunity for regional projects in North Africa. Annex 12 presents potential areas for AfDB-IsDB-WB tripartite cooperation.

3.7 Regional Portfolio Performance Review: Outcomes and Lessons Learned

3.7.1 RISP-NA 2020-2026 will be the Bank's first regional strategy for North Africa. However, a number of multinational projects in North Africa were approved in 2010-2018 (Annex 3). As of December 31, 2019, the active multinational portfolio in the North region consisted of 16 projects, including 3 which were flagged 'red' as unsatisfactory. These 3 projects represent 19% of the multinational portfolio, a percentage very close to the maximum rate of flagged transactions at the corporate level of 20%. Continuous monitoring with task managers is undertaken to anticipate key bottlenecks and identify timely solutions necessary to accelerate their implementation.

3.7.2 **An evaluation of the implementation of multinational operations has been carried out by the Bank's Independent Development Evaluation Office (BDEV).** Lessons learnt from this assessment show that to increase the chances of successfully designing and implementing a North Africa regional integration strategy, it is necessary to: (i) take into account soft infrastructure in addition to hard infrastructure in the selection of projects; (ii) strengthen coordination with other partners for the adoption of joint financing programmes and enhance synergy; (iii) take into account the Bank's comparative advantages and strategic priorities, as well as regional and national priorities; (iv) enhance selectivity to achieve greater development impact in the region; (v) strengthen dialogue with the countries for better project ownership; and (vi) enhance the quality of field supervision missions to ensure better project implementation and greater communication and visibility of Bank operations.

3.7.3 Furthermore, the RISP draws on lessons of experience and recommendations outlined in BDEV's latest evaluation of the Central Africa

RISP, as follows: 1) use a tailored approach in regions that are faced with political commitment for regional integration; 2) conduct policy dialogue at the highest level to increase the level of commitment and ownership by the decision makers; 3) use the Bank's leadership position in terms of financing and knowledge to promote countries' mutual cooperation; 4) engage with the private sector to establish long-lasting linkages between markets across borders; and 5) directly involve the relevant actors, including local administrations, informal traders, and civil society organizations.

IV. BANK STRATEGY FOR SUPPORTING REGIONAL INTEGRATION

4.1 Rationale for Bank Intervention

✓ Methodology for preparing RISP-NA 2020-2026

4.1.1 **The Bank's intervention is justified by the region's significant financing needs to develop projects that will enable North African economies to meet the above-mentioned challenges**. Boosting regional economic integration is a potential source of growth to meet the dual challenge of employment and wealth creation. The recent political commitment of the various governments in the sub-region to strengthen economic and trade cooperation with the rest of Africa is generating fresh impetus for regional economic integration, with greater involvement of non-State actors in the formulation of development strategies.

4.1.2 **The overall approach of the proposed strategy for North Africa addresses the same issues as the CSPs of the countries in the region**. An analysis of the economic context shows that the six countries of the region face common problems. Indeed, despite the efforts made, growth is very modest and not sufficiently inclusive, and trade and investment in the region remain low. The countries of the region continue to face many common economic and social challenges. A study conducted by the Bank in 2012[22] shows that there is a wide range of integration opportunities, but they need to be well exploited. North African countries have a growing private sector, while the sub-region and the rest of Africa constitute an increasingly important market for goods and services. Financial services, ICT and the manufacturing industry are high-potential sectors in North Africa that could benefit immensely from access to regional markets and human capital pools. Food security would be enhanced if excess food products in one part of the region could be easily transported to other areas facing shortages. The development of an integrated energy market could also contribute to unlocking the region's potential by making up its shortfalls, meeting its needs, and linking it to an integrated Mediterranean energy market. The region's diverse resources offer an opportunity to accelerate its industrialisation through better integration. Thus, the development and implementation of a North Africa regional integration strategy will supplement the Bank's commitments in individual North African countries and the few multinational technical assistance operations it finances in the region.

4.1.3 **RISP-NA 2020-2026 was prepared through a participatory process that involved the authorities, civil society, partners and the private sector.** National and regional consultations were held. In each of the countries consulted, the Bank organised workshops with representatives of the public and private sectors, civil society and research stakeholders, as well as Technical and Financial Partners operating in the countries. The process also involved the holding of meetings with key integration organisations at regional level, particularly AMU and UNECA (in Morocco), COMESA (in Egypt), and a delegation of ambassadors from sub-Saharan African countries (in Morocco). The public and private sector representatives of the North African countries adhered to the strategic guidelines of RISP-NA and were unanimous about the relevance of the two strategy pillars, the cross-cutting pillar, the regional themes and the proposed operations (Annex 7).

4.1.4 The intervention areas of the RISP 2020-2026 for North Africa are the result of in-depth analyses conducted as part of the production of several ESWs carried out by the Bank on the region. Although the new approach for the preparation of Strategy Papers, approved by the Board in December 2018, indicates that a diagnostic note should be produced to guide the Bank's strategic intervention framework in a region, this formal diagnosis was not produced as part of the preparation of the RISP 2020-2026. Not only its preparation process was launched before the approval of the new format, but the Bank had also several recent ESWs on which to base the contextual diagnosis of the RISP 2020-2026 for North Africa (Annex 15).

✓ Overall objective, alignment and financing instruments

4.1.5 The analysis made highlights the common challenges of the 6 countries in the region, particularly in terms of political support, structural transformation of the economies, diversification of energy sources, and preservation of water resources. The issue of facilitating the movement and transit of goods and people at borders is also fundamental in North Africa. However, there are good opportunities on which regional integration programmes and initiatives can be built. The opportunities include: the common cultural base enjoyed by the North African region, the cooperation and partnership ties with several blocks on the continent and other regions that should be leveraged, the relatively good infrastructure network in each of the countries in the region, which will need to be better connected at regional level, and the existence of a young human capital stock with a high level of education.

4.1.6 **In this light, the overall objective of RISP-NA 2020-2026 is to support regional integration in North Africa** through: (i) better connectivity of regional infrastructure; and (ii) acceleration of the industrialisation of the economies through support for private sector investment to sustain job creation. The choice of these pillars for RISP-NA has been guided by the following six criteria: (i) an integrated approach to the Bank's High 5s; (ii) an integrated approach to the priorities of North African governments; (iii) an approach adapted to middle-income countries; (iv) strong selectivity within the pillars; (v) the Bank's positioning as a key player in dialogue with a comparative advantage; and (vi) the absorptive capacity of the countries in the region. In addition, this strategy will aim to be gender-sensitive through the integration of the gender dimension in its implementation.

4.1.7 RISP-NA 2020-2026 is aligned with the principles of the new Regional Integration Strategic Framework (RISF) 2018-2025. Indeed, the new RISF seems more appropriate and better adapted to the North African context. More specifically, the proposed strategy is based on the following guiding principles:

(i) **Promote integration through multifaceted and variable-geometry cooperation**: Take advantage of the diverse existing cooperation frameworks and opportunities for partnerships with other regions: sub-Saharan Africa, Europe, Middle East, and the rest of the world;

(ii) **Adopt a gradual integration approach and cooperate on themes of common interest** that foster greater trust and collaboration: Identify action niches and support uncontroversial operations and reforms; and participate in promoting regional public goods of common interest;

(iii) **Promote pragmatic activities**: Prioritise realistic, feasible and effective activities; and leverage to ensure greater impact at least cost;

(iv) **Adopt a bottom-up approach**: Involve non-State stakeholders, particularly the private sector and civil society; and

(vi) **Lay emphasis on knowledge and advisory products**: focus on the role of knowledge adviser and catalyst, select relevant unifying "knowledge products"; support regional dialogue and provide guidance for policies.

4.1.8 **The proposed strategy for North Africa also takes into account: (i) the development priorities of the countries, (ii) the operational priorities of the AU (Agenda 2063 and the PIDA) and COMESA (Libya, Egypt and Tunisia); and (iii) the Bank's Ten-Year Strategy 2013-2022 and its High 5s (Annex 6).** The key High-5 requirements that can foster integration in North Africa are summarized as follows:

- *Light up and power Africa*: The development of the renewable energy value chain and strengthening of electric power and gas interconnections could meet growing energy needs and reduce reliance on fossil fuels.

- *Feed Africa*: North African countries have a huge agricultural potential in terms of arable land (18% in Morocco, 17.4% in Tunisia) and abundant fishery resources.[23] Proper unlocking of this potential and better management of water resources could reduce agricultural imports, strengthen food security, and significantly improve incomes in rural areas.

- *Industrialise Africa*: The countries in the region can develop a common industrial strategy to take advantage of and capture segments of value chains in growth sectors such as renewable energy, automobile components, mining, agro-industry and industry-related services.

- *Integrate Africa*: Although the North Africa region has many resources and a strategic geographical position, it has a strong potential for economic integration that is under-exploited. It is possible to accelerate the integration process through the regional integration strategy by facilitating infrastructure connectivity and establishing business and investment platforms and databases.

- *Improve the quality of life for the people of Africa*: Facilitating the movement of people and goods between the countries of the region could generate stronger and resilient economic growth that creates jobs, especially for young people and women.

4.1.9 As regards financing instruments, the Bank proposes in its RISP-NA 2020-2026 to take into account the specificities of the countries in the region. The Bank faces two main challenges in preparing its RISP-NA with respect to sovereign financing: (i) the absence of a regional economic community covering the six countries and that can define sovereign regional projects; and (ii) the presence of two non-borrowing countries (Algeria and Libya). The Bank will therefore give priority to regional studies and technical assistance where the intervention sectors are regulatory (intangible/"soft") and to national investment projects with a "regional integration dimension" where the intervention sectors are physical (regional connectivity infrastructure/"hard"). In addition, the Bank will intensify dialogue with the private sector in the region so as to support and accompany its investments in the sub-region, the rest of Africa, and the world.

4.1.10 The choice of operations in RISP-NA 2020-2026 has been guided by selection criteria adapted to the region. The selected operations were chosen on the basis of: (i) their contribution to regional integration; (ii) the commitment of the countries and status of the Bank's dialogue with the region on operations in the sectors under consideration; (iii) the relevance of the instrument for achievement of the objective defined under each pillar; and (iv) synergies between the operations and, particularly, strengthening the private sector's role through non-sovereign operations.

4.2 RISP-NA 2020-2026 Pillars and Expected Outcomes

Pillar I: Integrating North Africa through promotion of regional infrastructure connectivity

4.2.1 Under this pillar, the Bank's operations will seek to enhance integration in North Africa by: (i) supporting the connectivity of regional "hard" infrastructure; and (ii) promoting regional "soft" infrastructure. As regards operations, the Bank will support the six countries of the region to strengthen their connectivity infrastructure so as to: (i) enhance trade between the countries of the sub-region and the rest of Africa and the rest of the world; and (ii) facilitate the free movement of goods and people in North Africa. The support will be provided through financing for the following operations: "Project for strengthening electricity interconnection between Egypt and Sudan" and "Feasibility Study on the Trans-Maghreb Train. "Study on the establishment of a navigation line between Lake Victoria and the Mediterranean Sea" and "Feasibility study of the Mauritania-Senegal Economic Corridor". This corridor will complete the missing link in the interconnection of road networks between North and West Africa. In addition, the Bank intends to support the harmonisation of procedures and ratification of agreements and protocols through financing for the following economic and feasibility studies: "Study on Harmonisation of Trade and Transport Procedures in North Africa" and "Study on Trade and Transport Facilitation - Rosso Integrated Economic Zone".

4.2.2 **Under Pillar 1, the Bank's action will mainly contribute to:** (i) the establishment of an automated customs clearance system; (ii) the harmonisation of procedures, policies and standards; and (iii) the strengthening of hard and soft connectivity between the six countries. Consequently, the time taken and cost of transporting goods will be reduced, and mobility of people between the countries will be increased.

Pillar II: Strengthening inter and intra-regional trade and investment through private sector promotion

4.2.3 Under Pillar 2, the Bank will support regional integration through private sector promotion, focusing on: (i) strengthening the industrial fabric and creating jobs; and (ii) developing regional value chains. The Bank's intervention will help promote the industrialisation of North African economies and entrepreneurship by: (i) facilitating access to trade finance and business creation in North Africa; and (ii) promoting the development of regional value chains. As regards facilitating access to trade finance and business creation, the Bank will finance line of credit programmes for international trade financing ("BMCE Risk Participation Agreement") and contribute to regional investment funds ("*AfricInvest* Fund 4" "Bleu Peak Private Capital") for financing business creation. With respect to value chain development, the Bank will support agro-industrial sector in North Africa and its integration with the rest of the continent, by launching a study on the development of an agricultural transformation zone in Rosso (Mauritania and Senegal); the study on improving food security and also through the launch of the initiative to promote cooperation between agropoles and agri-business technopoles in the North African countries. The Bank will support the development of value chains in the energy sector through the study on the renewable energy value chain development.

4.2.4 Under Pillar 2, the Bank's action will mainly contribute to: (i) reducing barriers to inter and intra-regional investment; and (ii) exploring investment and regional value chain development opportunities.

Cross-cutting Theme: Building the capacity of existing support structures and preparing a high-level policy dialogue based on a pragmatic vision of North Africa regional integration

4.2.5 Under the cross-cutting theme, the Bank will adopt a "bespoke" approach. Based on its experience and lessons learned from evaluations by the Independent Development Evaluation Office (BDEV) and taking into account the specific context of North Africa, the Bank will adopt a "Bespoke Approach". This approach is based on the following principles: (i) conduct policy dialogue at the highest level to increase commitment and ownership of policies by policy-makers in the region; (ii) use the Bank's position as a leader in financing and knowledge of regional activities to promote a vision, mutual cooperation of North African countries, and their open-door policy to sub-Saharan African markets; (iii) work closely with the private sector to establish sustainable links between cross-border markets; and (iv) involve other stakeholders, particularly the civil society. The ultimate objective is to develop a pragmatic vision that is accepted and adopted by all stakeholders in the region.

4.2.6 **The cross-cutting theme, which seeks to overcome obstacles due to the need to strengthen political will of North African States to implement a regional integration strategy, will focus on three components**: The Bank will establish high-level dialogue on strategic regional integration issues, develop a pragmatic vision for North Africa regional integration, and build the capacity of existing support structures. North Africa regional integration cannot be achieved without political support and strong commitment from the various stakeholders. Policy-makers need to appreciate the benefits of regional integration so as to provide the required political support and put it high on their development agenda. The bespoke approach uses both a top-down approach (through high-level dialogue) and a bottom-up approach (involving the private sector and other key stakeholders).

4.2.7 The Bank will act as facilitator in supporting high-level dialogue. The dialogue will be led by highly influential personalities working for the benefit of the region, who have recognised experience and will be accepted by all the North African countries. The outreach and consultation approach will target key policy-makers in the region and use focused dialogue that can result in real solutions on the ground. In addition, the dialogue will take into account the diversity of current cooperation and partnership opportunities with other RECs in the sub-Saharan regions (COMESA, ECOWAS, and EAC). The approach will identify AfCFTA Agreement opportunities for countries in the region and raise awareness of its importance for private sector development and inclusive economic growth in the region. Furthermore, the establishment of a regional platform of regional integration champions will allow for effective and continuous dialogue among key stakeholders in the region. The platform will engage the private sector, civil society, academia and governments to discuss pragmatic solutions and address complex political, economic and social issues in North Africa.

4.2.8 The Bank will develop a clear and pragmatic vision for North Africa regional integration. The vision will highlight the benefits of regional integration by proposing different scenarios, depending on the degree of regional integration (low, medium, advanced) and its impact on key economic indicators (trade, investment, jobs, economic growth, etc.). The vision will also propose solutions to overcome political, economic and social obstacles to RISP-NA 2020-2026 implementation. In addition, it will underscore the benefits of regional integration in addressing common challenges facing the region, in particular: (i) youth unemployment (especially among women) and regional disparities; (ii) security, given the evolving situation in Libya; (iii) resilience to climate change; (iv) natural resource management; and (v) food security. Finally, this vision will identify integrating projects, to materialize regional integration between the countries of the sub region and with the rest of the continent.

4.2.9 **The Bank will build the capacity of existing support structures and work towards the establishment of a regional economic community comprising the six countries of the region**. There are knowledge gaps in this component. The studies to be conducted include: (i) a strategic study on AMU governance structure to maximise its effectiveness in promoting regional integration, as well as admit Egypt as a member country; (ii) a mapping study on existing structures and institutions (AMU, UBM, BMICE, Maghreb Employers' Union, Employers' Unions, and Civil Society Organizations) and how to create synergies among these institutions within a reinvigorated economic integration; (iii) a study on the competitiveness of North African countries and economic opportunities under the African Continental Free Trade Area (AfCFTA).

V. STRATEGY IMPLEMENTATION

5.1 A bespoke approach to regional and country dialogue

5.1.1 To operationalise the bespoke approach, the Bank will establish a High-Level Panel of highly influential and credible individuals who have an established track record in the continent. They will conduct high-level dialogue with key policy-makers from the public and private sectors to share the pragmatic vision of North Africa regional integration. The panel will also advise the Bank on this key issue. The panel's main task will be to develop and conduct a comprehensive programme of dialogue and consultations with key stakeholders (policy-makers at the highest level, private sector-employers, business associations, CEOs, local governments, transnational civil society organizations, and academia). The programme will comprise bilateral meetings, workshops, and working groups. A Secretariat will be established within the Bank to coordinate the entire process and provide analytical and logistical support to the High-Level Panel.

5.1.2 **Development of the pragmatic vision of North Africa regional integration and involvement of the various stakeholders will**: (i) allow for open dialogue that will address sensitive issues and result in real solutions on the ground; (ii) provide an overview of all underlying factors hampering North Africa regional integration; (iii) identify the specific needs of the private sector and other stakeholders, resulting in identification of projects for the Bank; and (iv) allow for common understanding of quick-wins that could result in North Africa regional projects.

5.1.3 **The bespoke approach will rely heavily on civil society dynamics.** Civil society has become a key and influential player in North African economies. The various civil society associations participate in economic development and social and environmental transitions on account of their field experience and knowledge. Accordingly, to enhance its operationalisation, the Bank will ensure the participation of North African civil society in RISP-NA 2020-2026 implementation. The civil society's involvement will be consistent with the Bank's Framework for Enhanced Engagement with Civil Society Organizations adopted in 2012[24].

5.2 Internal and External Arrangements

5.2.1 In close collaboration with the six countries of the region, RDGN and RDRI will be jointly responsible for RISP-NA monitoring and implementation. They will receive the active support they require from the Bank's offices in the region.

5.2.2 **The North Africa Country Managers will play a key role in ensuring satisfactory implementation of regional projects**. They will supervise field missions, as well as communication and dialogue with the governments and project beneficiaries.

5.3 Potential Funding Package and Other Instruments

5.3.1 Several sources of financing are available to the Bank for RISP-NA 2020-2026 implementation. Indeed, the six countries of the region could, depending on their priorities, decide to use resources from the public and private windows, within the limits of country commitment envelop, to help finance national projects with regional impacts. The commitment envelop are expected to be increased as from 2020, following approval of the Bank's seventh general capital increase in November 2019. Funding could also be mobilised from the ADF regional envelop (for Mauritania only), ABD regional envelop and regional packages for lines of credit and regional investment funds (equity). Finally, grants could come from the Bank's internal trust funds, such as: the Middle

Income Countries Technical Assistance Fund, Bilateral Trust Funds, Climate Investment Fund, Green Climate Fund, Clean Technology Fund, African Water Facility, and NEPAD Infrastructure Project Preparation Facility (IPPF-NEPAD). In addition, the Bank will play an active role in seeking co-financing from its main development partners (World Bank, Islamic Development Bank, Arab Funds, European Union, Maghreb Bank for Investment and Foreign Trade (BMICE), etc.) and will encourage financing through public-private partnerships.

5.4 Monitoring and Evaluation

5.4.1 Progress in RISP-NA implementation will be evaluated based on the Results-Based Framework presented in Annex 1. Key performance indicators will facilitate the monitoring of performance and evaluation of impacts and outcomes. The Bank, country representatives and the AMU General Secretariat will jointly monitor and evaluate the implementation of the strategy defined in this RISP-NA. Bi-annual meetings will be held to review the progress made. Bi-annual and annual reports, as well as a final report, will be prepared. In addition, periodic evaluations will be conducted in accordance with Bank procedures. The Bank will, in collaboration with regional stakeholders, prepare a mid-term progress report in 2021 outlining the outcomes achieved and adjusting the Bank's strategy for the region accordingly. Reports on achievement of the various outcomes will be prepared regularly and coordinated by RDGN and RDRI and the Bank's offices in the six countries.

5.5 Potential Risks and Mitigation Measures

A fragile political and security context

5.5.1 The security and political fragility in the region could continue. This risk is mitigated by the international community's strong support and commitment to help the region curb the impact of the conflict in Libya by building the capacity of the national security forces and strengthening ongoing regional security cooperation.

Weak political commitment to regional projects

5.5.2 Political support for regional integration has often been lacking in North Africa. Moreover, given the fragile socio-economic context of the region, some countries could review their priorities and regional integration would no longer be a priority action on their development agenda. In this connection, the Bank's response would be to raise awareness and focus regional integration efforts on national projects with a regional impact.

- AMU's weak capacity to implement integration projects

5.5.3 The Study on the Establishment of a Maghreb Economic Community, approved in 2007, recommended strengthening the capacity of AMU's General Secretariat. Following that recommendation, the first phase of the AMU General Secretariat Institutional Support Project was approved in 2009. It improved the functioning of the institution and established an electronic document management system. Phase 2 of the project, launched in 2015, is a continuation of the previous interventions and aims to carry on with activities initiated during Phase 1 to build the capacity of AMU's General Secretariat and explore the possibility of admitting Egypt as a regional member.

VI. CONCLUSION AND RECOMMENDATIONS

6.1 Few regions and groups of countries in the world have the natural resources and synergies found in North Africa. With nearly 200 million inhabitants, the region has enormous opportunities for economic and social development and a strategic geographical position whose commercial challenges go beyond the region. North Africa offers great opportunities for creating wealth, jobs, and synergies to build an integrated and prosperous region that is open to other countries and regions of the world.

6.2 **Towards gradual economic integration**: The new RISF 2018-2025 adopted by the Bank, the implementation of NEPAD and the AfDB-WB-IsDB strategic partnership, the "High 5s" and the renewed interest expressed by public and private stakeholders are all factors militating in favour of Bank support for reinvigorated regional integration in North Africa. The adopted strategy proposes gradual integration that allows for an open, variable-geometry, and bottom-up approach to regionalism.

6.3 Enhanced role of the Bank: In light of the foregoing, the Bank will support the efforts of North African countries under two main pillars and a cross-cutting pillar as follows: (i) ***Pillar I***: *Promoting regional infrastructure connectivity and addressing missing links*; (ii) ***Pillar II***: *Trade and investment promotion*; and (iii) **Cross-cutting Pillar**: *Building the* *capacity of existing support structures and developing high-level policy dialogue based on a pragmatic vision of North Africa regional integration.*

6.4 In light of the foregoing, the Boards of Directors are invited to approve the proposed strategy for this North Africa Regional Integration Strategy Paper (RISP-NA) covering the 2020-2026 period.

ANNEXES

ANNEX 1: Results Monitoring Framework for RISP-NA 2020-2026

TABLE 1: STRATEGIC ALIGNMENT MATRIX FOR RISP 2020-2026

PILLAR 1: INTEGRATING NORTH AFRICAN THROUGH PROMOTION OF REGIONAL INFRASTRUCTURE CONNECTIVITY				
Regional and continental			**African Development Bank**	
Continental			**2013-2022 Strategy and High 5s**	
AU Agenda 2063			**High 5s**	
Aspiration 2: An integrated continent, politically united and based on the ideals of pan-Africanism and the vison of Africa's renaissance. - World-class infrastructure across the continent			*Integrate Africa:* Support connectivity infrastructure to facilitate economic transformation *Light up and power Africa:* Ensure access to electricity for all by 2025, with particular focus on encouraging solutions that promote clean and renewable energy	
AU Programme for Infrastructure Development in Africa (PIDA)			**2013-2022 Strategy**	
- Promote the socio-economic development of the Continent through integrated regional and continental infrastructure networks			*Operational Priorities:* infrastructure development and regional integration	
Regional			**Sector Strategies**	
COMESA- Medium-term Strategic Plan 2016-2020			**Regional Integration Strategic Framework 2018-2025**	
Strategic Objective 5: Strengthen economic infrastructure (Transport, Energy and ICT)			*Pillar 1 RISF:* Connectivity infrastructure	
			Bank Group Strategy for the New Energy Deal 2016-2025	
			Theme #6 : Accelerate major regional projects and foster integration	
			Africa's Industrialisation Strategy 2016-2025	
			Flashlight Output #2: Attract and channel financing to infrastructure and industrial projects *Flashlight Output #6* : Develop efficient industrial clusters across the continent	
Regional development outcomes and indicators			**Bank intervention**	
Indicator	**Baseline (2020) ***	**Target (2026)**	**Interventions by type of instrument**	**Amount in UA million**
Energy			Investment projects	140
Increase in electricity exports (%)	0	25	Technical Assistance Operations (Feasibility studies, economic studies and capacity building programme).	6
Transport Infrastructure Connectivity				
A navigation line from Lake Victoria to the Mediterranean Sea through the Nile (Yes/no)	No	Yes		
Travel time by train between Maghreb capitals (hours)	• Casablanca-Tunis: 48 hours	• Casablanca-Tunis : 25 hours		

PILLAR 2: STRENGTHENING INTER AND INTRA-REGIONAL TRADE AND INVESTMENT THROUGH PROMOTION OF THE PRIVATE SECTOR	
Regional and Continental	**African Development Bank**
Continental	**013-2022 Strategy and High 5s**
AU Agenda 2063	**High 5s**
Aspiration 2: An integrated continent, politically united, and based on the ideals of pan-Africanism and the vision of Africa's renaissance. - United Africa (Federal / Confederal)	*Integrate Africa:* Support connectivity infrastructure to facilitate economic transformation. *Industrialise Africa:* Support the transformation of African economies and build backward and forward linkages with regional and international value chains. *Improve the quality of life for the people of Africa*: Promote an enabling human development environment and strengthen institutions that provide basic services.
Action Plan for Accelerated Industrial Development of Africa (AIDA)	**2013-2022 Strategy**
- Mobilise financial and non-financial resources to improve the continent's industrial performance **Action Plan to Stimulate Intra-African Trade (BIAT)** - Strengthen the integration of African markets and significantly increase current trade among African countries	*Operational Priorities:* Regional integration and private sector development
Regional	**Sector Strategies**
COMESA- Medium-term Strategic Plan 2016-2020	**Regional Integration Strategic Framework 2018-2025**
Strategic Objective 1: Enhance market integration *Strategic Objective 2:* Attract more investment *Strategic Objective 6*: Industrialise COMESA region	*Pillar 2 RISF:* Trade and investment. *Pillar 3 RISF:* Finance integration. **Human Capital Development Strategy** - Create jobs for young people and women - Promote private sector development **Africa's industrialisation strategy 2016-2025** *Flagship Output #3* Develop liquid and efficient financial markets *Flagship Output #4* : Promote and stimulate business development *Flagship Output #5* : Promote strategic partnerships in Africa
Regional development outcomes and indicators	**Bank Intervention**

Indicator	Reference (2020) *	Target (2026)
Youth unemployment rate (%)	30	**25**
Intra-regional trade and credit to the private sector		
Share of intra-regional trade (%)	5	8
Share of domestic credit to the private sector (% of GDP)	50	65

Interventions by type of instrument	Amount in UA million
Investment Funds (Equity)	100
Technical Assistance (Capacity building studies and programmes)	3

TABLE 2. PERFORMANCE MATRIX

Performance Areas	Monitoring Indicators	Baseline (2020)	Target (2026)	Source of Data
1. Operational Outcomes *1.1 Outcomes*	Harmonisation of trade and transport formalities and procedures between the countries of the region (Yes/No)	No	Yes	Agreements ratified
	Initiative for the promotion of cooperation between agropoles and agribusiness technopoles in the North African countries (Yes/No)	No	Yes	Completion Report of the AN-RISP 2020-2026
	Harmonization of renewable energy regulations in the various countries of the region	0	Yes	Completion Report of the AN-RISP 2020-2026
1.2 Outputs	Increase in trade flow between the six countries of the region (%)	5%	8%	UNCTAD
	Digital platform of agropoles, technical support structures and agribusiness companies in the North African region (Yes/No)	No	Yes	Completion Report of the AN-RISP 2020-2026
	Trade flows between Mauritania and Senegal in million USD	37	50	UNCTAD
	Digital platform of 2800 North African compagnies and a catalogue of 5600 products and a web site of business opportunities (Yes/No)	No	Yes	Completion Report of the AN-RISP 2020-2026
2. Advisory services and knowledge	Dissemination of the study on pragmatic vision of North Africa regional integration (Yes/No)	No	Yes	Mid-term Review Report of RISP-NA 2020-2026 (Q4 2023)
	Dissemination of the study on competitiveness of North Africa region countries, identification of opportunities in AfCFTA (Yes/No)	No	Yes	
3. Co-financing	Co-financed projects (#)	0	2	Completion Report of RISP-NA 2020-2026
	PPP project/transaction (#)	0	1	
6. Coordination with the six countries of the region and development partners	Regional seminars organised and chaired by the Bank (#)	0	4	Completion Report of RISP-NA 2020-2026
	Projects of the RISP 2020-2026 registered as part of the deepdive exercises with development partners (#)	0	3	
	RISP 2020-2026 projects under deep-dive exercises with development partners (#)	0	3	

ANNEX 2: List of projects identified for RISP-NA 2020-2026

Strategic Objectives	Strategic Challenges for the Region	Problems hampering achievement of strategic objectives	Project Objective	AfDB operations that can be implemented during RISP-NA 2020-2023		
For North Africa				Main High 5	Potential Technical Assistance	Potential Loans
Pillar 1: Integrating North Africa through promotion of regional infrastructure						
Strengthen integration and infrastructure interconnection in North Africa	Strengthen the capacity and flexibility of national electricity grids of Egypt and Sudan	Lack of access to sustainable and affordable electricity supply in Sudan and many other East African countries, with negative socio-economic implications on the countries	Broaden access to electricity in Sudan Creation of jobs, both permanent and temporary, during the construction and operational phases of the project	Light up and power Africa, and Integrate Africa		Electricity Interconnection Reinforcement Project between Egypt and Sudan **Amount:** UA 140 million **Year:** 2021 **Country:** Egypt & Sudan
	Support the economic development of Nile Basin by increasing trade and improving transportation of goods and people	Five of the 10 countries in the Nile Basin are landlocked, and this increases their transport costs and hampers the development of their export markets	Construction of a shipping line linking Lake Victoria and the Mediterranean Sea through the Nile River Establishment of river navigation management training centres in some of the Footprint States, based on the Egyptian experience	Integrate Africa	Study on the establishment of a navigation line between Lake Victoria and the Mediterranean Sea (VICMED) **Amount:** UA 0.5 million **Year:** 2020 **Country:** Egypt and countries in the Nile Basin	
	Reinforce border infrastructure to facilitate the movement of goods and merchandise between North African countries	Lack of a railway line connecting North African countries	Launch of a railway line connecting the 3 North African capitals: Tunis-Algiers-Rabat	Integrate Africa	Institutional study - Trans-Maghreb Train **Amount:** UA 0.4 million **Year: 2020-2021** **Country:** Algeria-Morocco-Tunisia	
		Lack of harmonised trade and transport procedures	Launch of discussions for a harmonization of trade and transport procedures between the 6 countries.	Integrate Africa	Study on Harmonization of Trade and Transport Procedures (the 6 countries) **Amount:** UA 3 million **Year:** 2020-2021 **Country:** Algeria, Egypt, Libya; Morocco, Mauritania and Tunisia	

	Create an integrated economic development pole in Rosso Bridge area based on South-South cooperation and stakeholder complementarity to build joint prosperity and win-win cooperation between Mauritania and Senegal	Rosso passage on the Senegal River is a border and load break. A missing link in the interconnection of the road networks between North and West Africa. Enormous economic potential remains undeveloped on the corridor and around the bridge	Strengthen cooperation and integration in Africa by reducing the missing links of the Trans-African Corridor No. 1 (Cairo-Dakar) which will be a catalyst for fundamental change in the economic landscape around a major trade route between the North and West African regions	Integrate Africa; Industrialise Africa; Improve the quality of life for the people of Africa; Feed Africa	Mauritania-Senegal Economic Corridor **Amount:** UA 1 million **Year:** 2020 **Country:** Mauritania-Senegal	
			Facilitate intra-African trade, strengthen trade and economic integration between North Africa and West Africa.	Integrate Africa; Industrialise Africa; Improve the quality of life for the people of Africa; Feed Africa	Study on Trade and Transport Facilitation - Rosso Integrated Economic Zone **Amount:** UA 0.5 million **Year:** 2020 **Country:** North Africa-Ouest Africa	
Pillar 2: Strengthening trade and investment through promotion of the private sector						
Strengthen the industrial fabric and promote job creation and regional value chains development.	Access to financing for SMEs with weak integration into the local economy and value chains	Lack of strategic support and knowledge for developing the technical know-how of local enterprises	Improved access to capital markets for small and medium-sized enterprises, and stimulation of their growth and value creation through regular support for business management	Industrialise Africa		Africinvest Fund 4 **Amount:** UA 28.9 million **Year:** 2020 **Country:** Africa
	Weak regional integration			Integrate Africa		
			Support established and growing African, particularly North African, enterprises operating in various sectors driven by domestic demand and benefit most from the growth of the African middle class	Industrialise Africa		Blue Peak Private Capital **Amount:** UA 18 million **Year:** 2020 **Country:** Africa
				Integrate Africa		
	Finance intra-African trade	A strict bank policy for financing intra-African trade. The banks reject trade financing mainly because of poor creditworthiness and lack of required collateral.	Reduce the trade finance gap in Africa and promote inclusive growth and job creation through support for industrialisation	Integrate Africa; Industrialise Africa		BMCE Risk Participation Agreement **Amount:** UA 37 million **Year:** 2020 **Country:** Africa
	Lack of harmonised renewable energy regulations in the various countries of the region	(1) Various regional market regulations limiting the development of renewable energy	(1) Sustainability of techniques and technologies	Light up and power Africa	Study on renewable energy value chain development **Amount:** UA 1 million **Year:** 2020 **Country:** Algeria, Egypt, Libya; Morocco, Mauritania and Tunisia	
		(2) Obstacles to trade between the countries of the region: high customs tariffs	(2) + (3) Business sustainability and RE capacity	Industrialise Africa		

		(3) World competition in production (China, etc.)	4) Increased sales as a result of additional market channels, diversification of the supplier/customer base	Improve the quality of life for the people of Africa		
				Integrate Africa		
	Cereal imports represent more than 28% of the value of imports of agrifood products	Significant agricultural potential and fishery wealth unexploited in the region	Reduce the bill for food imports in the region	Feed Africa	Study on improving food security in North Africa* **Amount:** UA 0.4 million **Year:** 2022 **Country:** Algeria, Egypt, Libya; Morocco, Mauritania and Tunisia	
			1) Development of value chains, 2) Improvement of competitiveness and enhancement of agricultural products; 3) Promoting the development of local and regional agricultural trade; 4) Improved food security and nutritional status	Integrate Africa Feed Africa	**Amount:** UA 0.4 million **Year:** 2022 **Country:** Mauritania and Senegal	
	Weak cooperation (trade, investment and technology transfer) between agropoles and agribusiness companies in the North Africa region.	Lack of cooperation between agribusiness structures and companies in North Africa	Establishment of a regional platform for the promotion of agropoles; and agribusiness technopoles developed and operational.	Feed Africa Industrialise Africa Integrate Africa	Initiative to promote cooperation between *agropole*s and agri-business technopoles in the North African countries* **Amount:** UA 0.2 million **Year:** 2022 **Country:** Algeria, Egypt, Libya; Morocco, Mauritania and Tunisia	
Cross-cutting Pillar: Building the capacity of existing support structures and developing high-level political dialogue on a pragmatic vision of North Africa regional integration						
Place regional integration as a development priority on the economic agenda of the six North African countries	Strengthen advocacy on the economic benefits and opportunities for reinvigorated North Africa regional integration	Weak political commitment of the 6 North Region countries to regional integration	Formulate a vision that: (i) proposes solutions to overcome political, economic and social obstacles in North Africa to RISP-NA 2020-2026 implementation; and (ii) Highlight the benefits of regional integration in addressing common challenges in the region	Integrate Africa	Preparation of a pragmatic vision of North Africa regional integration	
			Maximise AMU's effectiveness in promoting regional integration and admitting Egypt as a member country	Integrate Africa	Strategic study on UMA's governance structure	

			Strengthen regional dialogue and cooperation	Integrate Africa	Creation of a regional platform of regional integration champions	
			Boost economic integration in North Africa and increase trade between North Africa and sub-Saharan Africa	Integrate Africa; Industrialise Africa	Study on competitiveness of North African region countries, and identification of opportunities in AfCFTA	

Note: * Production of these studies will depend on resources availability from trust funds.

TableA2.1 : List of projects under discussion

Nom du projet	Sector	Amount in million UA
Tripoli - Niamey - N'Djamena corridor project (Libya)	Transport	TBD
Africa Trade Platform Project (Egypt)	Trade	TBD

ANNEX 3: List of multinational or regional integration projects approved in 2010-2019

Table A.3.1: Multinational Projects

Project Name	Sector	Amount in UA	Approval Date
AFREXIMBANK – Lines of credit to finance trade in Africa	Finance	108 683 051	May-14
COMMERZBANK – Risk Sharing Agreement	Finance	72 455 367	May-13
Trans-Maghreb Train	Transport	1 237 075	Nov.-14
Support for AMU General Secretariat - Phase 2	Institutional support	495 365	May-15
AFREXIMBANK- Lines of credit to finance trade in Africa	Finance	217 366 102	March-17
AFREXIMBANK – Risk Sharing Agreement II 2016	Finance	108 683 051	March-17
CAFRAD Transformation Support Project (PAT-CAFRAD)	Institutional support	479 000	March-17
Banque centrale populaire du Maroc	Finance	36 227 684	July-17
AFREXIMBANK-Lines of credit to finance trade in Africa	Finance	21 736 610	Oct.-17
COMMERZBANK- Risk Sharing Agreement (USD 50 million)	Finance	36 227 684	March-18
Rosso Bridge Construction Project (Senegal-Mauritania)	Transport	8 080 939	June-18
Natixis - Risk Sharing Agreement	Finance	36 227 684	Oct.-18
Grant to Maghreb Bank for Investment and External Trade	Institutional support	356 000	Dec.-18
Regional Entrepreneurship Platform	Entrepreneurship/Employment	726 242	March-19
TELL MAGHREB FUND (Algeria-Morocco-Tunisia)	Finance	14 000 000	Oct.-19
Feasibility study for a North African Regional PPP on the construction of a Broadband Fibre Optic Telecommunication Network	Transport	850 000	Oct.-19

Table A.3.2: Regional integration projects

Suez Thermal Power Project	Egypt	Energy	359 491 000	USD	Jan.-10	Territorial and regional integration
Road Project VI	Tunisia	Transport	210 040 000	EUR	March-10	Territorial and regional integration
Construction of Gabes-Ras-Jedir Highway Link (Tunisia- Libya)	Tunisia	Transport	116 230 842	EUR	Sept.-10	Regional integration
Ouarzazate Solar Complex - Noor I	Morocco	Energy	87 000 000	UAC	Nov.-10	Territorial and regional integration
Gas Pipeline Project in Southern Tunisia – Tunisia	Tunisia	Energy	46 674 000	USD	July-11	Territorial and regional integration
Natural Gas Transmission and Distribution Network Development Project	Tunisia	Energy	42 011 134	EUR	Nov.-12	Regional integration
Ouarzazate Solar Complex - Noor III	Morocco	Energy	25 000 000	UAC	Jan.-13	Territorial and regional integration
Ouarzazate Solar Complex – Noor II	Morocco	Energy	65 000 000	UAC	Jan.-13	Territorial and regional integration
Nador West Med Port Complex Construction Project	Morocco	Transport	89 912 176	EUR	May-14	Regional integration
Sharm El-Sheikh Airport Project	Egypt	Transport	62 119 800	USD	Jan.-15	Regional integration
Rabat Airport Extension and Modernisation Project	Morocco	Transport	63 660 207	UAC	Nov.-18	Regional integration
Road Infrastructure Modernisation Project (PMIR)	Tunisia	Transport	115 787 273	UAC	Oct.-15	Territorial and regional integration
Maroc Export Support Project	Morocco	External Trade	630 000	UAC	July-16	Regional integration
Support project for the General Confederation of Moroccan Enterprises for preparation of a study on Morocco's import and export comparative advantages in Africa	Morocco	External Trade	400 000	UAC	May-2019	Regional integration

ANNEX 4: How Multi-membership in Various Regional Economic Communities (RECs) Impacts Regional Integration and the AfCFTA

Multi-membership is not a restrictive institutional problem and may even offer advantages.

The pace of integration is set by Member States, not by an executive body of the REC. In all African regional or continental integration structures, it is Member States that set the integration policy, direction and agenda. The inadequacy of regional structures or multi-membership in various RECs do not feature among the main obstacles to regional integration.

Multi-membership may generate additional costs for member states and cause problems when it comes to the formation of a customs union, but it can also be beneficial, especially when the REC leverages the experience of another REC that has completed a regional integration process. This may be the case for **customs duties**, with the development and implementation of a common tariff nomenclature or a tariff phase-out process; for a **plan**, such as a regional infrastructure master plan; or for an **instrument**, such as the design and implementation of overload controls or axle load limits.

Table A.4.1 Progress in the Implementation and Status of Agreements according to RECs

REC	Date of creation	North African Member Countries	Free trade area	Customs union	Common Market	Monetary union
AMU	1989	Algeria, Libya, Morocco, Mauritania, Tunisia				
CEN-SAD	1998	Egypt, Libya, Morocco, Mauritania, Tunisia				
COMESA	1994	Egypt, Libya, Tunisia				
ECOWAS	1975	Applications under consideration: Algeria, Morocco, Mauritania, Tunisia				
Agadir Agreement	2004	Egypt, Morocco, Tunisia				
Greater Arab Free Trade Area	2005	Algeria, Egypt Libya, Morocco, Mauritania, Tunisia				
Euromed	1995	Algeria, Egypt Libya, Morocco, Mauritania, Tunisia				
AfCFTA	2018	Algeria, Egypt Libya, Morocco, Mauritania, Tunisia				

Source: AfDB.
Notes: Achieved (green), scheduled (blue) and unscheduled (white).

Multi-membership is both a challenge and an advantage for Member States: they have to deal with multiple and various ways of deepening regional integration; moreover, simultaneous integration *through* several RECs requires a flexibility to adjust to various requirements and time frames if the country is to retain its membership. A country that has acceded to two free trade agreements from two different RECs will be required to implement both agreements, which will have different rules of origin and different schedules for the elimination of customs duties. The challenge is to put in place an administrative system that allows the private sector to use both systems and to choose the trade regime that it deems to be most advantageous. Table A.4.1 illustrates the need to deploy approaches that guarantee a flexibility to adjust to various requirements and time frames for the implementation of multiple REC programmes.

The AfCFTA which seeks to gradually eliminate tariffs on intra-African trade, will enable North African companies to meet the demands of the African market. The AfCFTA is a market of 1.2 billion consumers, comprising all 55 member states of the African Union with a GDP of USD 2.5 trillion. In terms of number of participating countries, it is the largest free trade area in the world since the creation of the World Trade Organization (WTO). The African continent is also a very dynamic market, with economic and population growth rates that are much higher than in developed economies. The growth of sub-Saharan

African countries opens up prospects for increased exports of manufactured goods and expansion of value chains in North Africa (automobile, fisheries, food processing, pharmaceuticals, textiles, etc.) as products could be highly valued in these markets due to a better adapted level of quality and greater price competitiveness. However, with average tariffs of 6.1%, companies pay higher tariffs when the export within Africa rather than outside the continent.

According to the Economic Commission for Africa (ECA), the AfCFTA has the potential to increase the GDP of North African countries by 2-3%, due to increased intra-regional trade in North Africa and increased exports from North African countries to the rest of Africa. Nevertheless, North African countries should coordinate their policies to promote the subregion's capacity to benefit from the AfCFTA by facilitating trade, finance and investment; eliminating tariff and non-tariff barriers; and improving the regional road network and port services. Regional financial sector integration could help to strengthen competitiveness in countries, with regional payment systems to reduce the cost of cross-border transactions and manage the risks arising from greater integration. The AfCFTA opens up great opportunities for North African private companies with a diverse product offering to meet demand across Africa and access new markets, create jobs and build resilience in the event of a slowdown in growth in the Euro area. The ECA estimates that the AfCFTA could increase intra-African trade by 52.3% by eliminating import tariffs, and even double it if non-tariff barriers are also reduced.

Such multi-membership could drive the formulation of the continental free trade agreement. Membership in RECs that have overlapping mandates is beneficial to States belonging to RECs whose regional integration process is slow. With such overlap, it will not be essential to accelerate the creation of free trade areas for RECs that are lagging behind. This will be the case for AMU following the establishment of the AfCFTA.

All six North African countries are signatories to the AfCFTA, which by the end of 2019 had been ratified by Algeria, Egypt and Mauritania. In March 2020, the Assembly of Representatives of the People (ARP) in Tunisia postponed ratification of the AfCFTA agreement for want of a quorum to adopt the bill needed to complete the requirements for the country's membership in the Area. However, deepening regional integration will also require improving the degree to which member States comply with the decisions they have taken and possibly promoting rules-based governance such that non-compliance becomes legally punishable. Some RECs have already established rules-based control/enforcement mechanisms, but are not yet using them.

ANNEX 5: The Cost of Non-Integration in North Africa

There is a wealth of literature on econometric modelling that focuses on assessing the impact of regional integration on macroeconomic indicators such as employment and growth. These impact estimates are based on (1) strong assumptions, notably concerning various scenarios, viz: Does regional integration result in the dismantling of tariff or non-tariff barriers? What is its magnitude and impact on regional integration variables? How do you measure the impact of regional infrastructure development on trade?; (2) parameters to be estimated such as elasticities from the social accounting matrices of each of the countries; and (3) a readjustment of nested computable general equilibrium models for multi-region assessment of trade (of the Mirage type), partial equilibrium models or gravity models to estimate the potential loss of trade. These particularly advanced technical developments are often the subject of research articles. Regarding the North African region, the economic literature shows that the cost of non-integration is significant for North African economies and that it varies depending on the authors and the initial hypotheses. The authors have often considered the AMU and not the North African region as defined by the Bank.

According to the AfDB (2019), Africa as a whole loses between 1.2 and 3.3 million jobs each year due to trade barriers. Since regulatory barriers are particularly significant in North Africa, the slow process of regional integration is generating huge losses in terms of economic growth and employment for every country in the region. According to the AMU (2009), the delay in the Maghreb integration process costs each country in the region 1.5% to 2% of its annual growth rate, and a loss of 200,000 to 300,000 additional jobs per year in the region as a whole. The Economic Commission for Africa (ECA, 2013b) estimates that the existence of a Maghreb union would increase the five countries' combined GDP by the equivalent of 5 percentage points. The World Bank (2006, 2010) asserts that deeper Maghreb integration and block negotiation of trade agreements with the European Union would increase real GDP per capita over a decade or so by between 24 and 34 points, depending on the country. In addition, the removal of barriers to intra-Maghreb investment would lead to an average increase of about 8.9% of GDP in the volume of FDI entering the area. According to Bchir et al. (2007) and Achy (2006), the liberalization of intra-Maghreb foreign trade in goods would produce an overall trade gain of around USD 350 million. Hufbauer and Brunel (2008) estimate that intra-Maghreb trade liberalization would produce average potential trade growth of 4.5% per annum and that export-led productivity gains would induce a cumulative average overall growth of 7% over five years in the region, i.e. an additional average growth of 1.4% per annum. The AfDB (2012) and Morocco's Directorate for Financial Studies and Forecasts (DEPF, 2008) estimate the loss in non-oil trade earnings at almost USD 980 million annually and at USD 2.1 billion (1% of GDP) when energy products from Algeria and Libya are taken into account. Oueslati and Brini (2013) demonstrate the low level of intra-Maghreb trade relative to its potential and the magnitude of each country's sectoral comparative advantages, estimating that the cost of non-Maghreb trade is very high. Other recent studies by the IMF have yielded similar conclusions. According to the IMF (2017), the liberalization of intra-Maghreb foreign trade would imply a cumulative increase in export revenues of 5 to 10% over a period of 5 to 10 years per country in the region. The average annual growth gain over the 2018-2023 period would amount to 1% in each country as a result of trade openness, plus 0.7 points if participation in global value chains was strengthened and 0.6 points with better export diversification.

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ANNEX 6: The Bank's High 5s in North Africa

The objective of the Bank's Ten-Year Strategy 2013-2022 is to achieve inclusive and sustainable growth. In order to accelerate the implementation of this strategy, the Bank lays emphasis on the Bank's top five operational priorities or "High 5s". The strategy proposed for regional integration in North Africa seeks to contribute to the countries' efforts to boost the region's economic transformation through the five priorities, namely:

- **Light up Africa**: All the North African countries are facing the challenge of rapid increase in demand for energy and an energy mix dominated by fossil resources (which account for between 95% and almost all of primary energy supply). However, there are bright prospects for renewable energy. North Africa's energy gap sharply contrasts with the potential of the region that has abundant fossil fuel and renewable energy reserves[xxv];

Table A.6.1: Main Features of Renewable Energy Deposits in North African Countries

Algeria	Average **solar energy** received: 1 700 KWh/m^2/year according to region
Egypt	**Wind energy**: The Suez Gulf is considered one of the best sites in the world because of the speed of winds (8m to 10 m/s) and their regularity. Other sites (East and west Banks of the Nile) are also promising, with wind speeds of 7 m to 8 m/s. **Solar energy**: High intensity with direct solar radiation of 2,000 to 3,200 kWh/m^2/year. (Egyptian Electricity Holding Co. 2013/14).
Libya	Solar energy: 7.5 kWh/m^2/day in sunniest areas, with 3,000 to 3,500 hours of sunshine per year.
Morocco	**Solar energy**: 5 kWh/m^2/day, with 3,000 hours of sunshine per year
Mauritania	**Solar energy**: 4.5 to 9 kWh/m^2/day, with about 3,000 hours of sunshine per year
Tunisia	Solar energy: 1,800 kWh/m^2/year in the North to 2,600 kWh/m^2/year in the South

Source: Structural Transformation of North Africa through Economic Integration – Casablanca Workshop – February 2016

National strategies with ambitious objectives have been designed to develop the renewable energy (RE) value chain. In the electricity sector, the RE objectives are as follows:

Country	Objectives
Algeria (2030)	40% of electricity generation
Egypt (2017)	4 300 MW
Libya (2020)	10% of electricity generation
Morocco (2020)	42% of electricity generation
Mauritania (2020)	20% of energy mix
Tunisia (2030)	30% of electricity generation

Box 1: AfDB helps Morocco to implement Large Solar Projects

The Ain Ben Mathar Thermosolar Plant Project in Morocco was the Bank's first experience in solar power. The project enables the national electricity and water utility, *Office National de l'Electricité et de l'Eau Potable* (ONEE), to increase its power generation capacity by 470 MW (20 MW from concentrated solar power and 450 MW from thermal power). The plant supplies nearly 3 540 additional GWh per year, connecting 100% of Moroccans in urban areas and 98% in rural areas. Each year, the plant saves more than 12,000 tonnes of fossil fuel and reduces CO_2 emissions by 33,500 tonnes. The lessons learned about concentrated solar power technology in particular (cost, storage, local manufacturing, and maintenance) helped the Moroccan authorities design and obtain financing for the Ouarzazate Solar Complex Project - the world's biggest solar power complex - with a total capacity of 500 MW. AfDB approved financing for the two phases of the Ouarzazate project in 2012 and 2014.

Source: AfDB (2016) Annual Development Effectiveness Review

- **Feed Africa**: The agricultural sector continues to contribute significantly to the economy of North African countries, with the exception of Libya. North African countries therefore have great agricultural potential in terms of arable land (18% in Morocco and 17.4% in Tunisia) and huge fishery resources. However, this potential is not properly unlocked. Value chains can be developed, particularly for agri-food products and other sub-sectors such as grains, beef and mutton, fish, olive oil, oranges, and dates. Proper unlocking of this potential could:

  - reduce the volume of imports, especially of grains which account for nearly one-third of the value of agri-food product imports;
  - enhance food security, which largely depends on world markets; and
  - improve incomes in rural areas, create jobs, and reduce rural depopulation.

Trade in agri-food products between the countries of the region is very low and undiversified, and currently stands at nearly USD 1.3 billion. The development of such trade depends on the harmonisation and coordination of agricultural policies and the prices of agri-food products;

- **Industrialise Africa**: All countries that have structurally transformed their economies have significantly increased the contribution of industry. For example, China, South Korea and Japan created a competitive environment for domestic and foreign investors, especially for regional and local development. Industrialisation in North African countries is progressing, but it is still not part of the global value chain integration drive and high-employment, production and export-potential sectors. There are two global value chain (GVC) integration models in North Africa. The first group comprises Algeria, Libya and Mauritania which have the same pattern of global value chain (GVC) integration through extremities (export of raw materials and mineral ores, and import of finished capital and consumer goods), and the second group comprises Morocco, Egypt and Tunisia which have a common pattern of GVC integration through the processing of raw materials (phosphate), the development of agro-industry, the manufacture of intermediate products, and the assembly of finished products. All North African countries have several sectors with great potential for regional industrial integration through integration into regional value chains. The sectors include renewable energy, automobile, mining, agro-industry and industrial services. In these sectors, several countries are already well positioned. The countries of the region can benefit from experience feedback from their neighbours by capturing value chain segments.

- **Integrate Africa**: Although the North Africa region has natural resources and occupy a strategic geographical position, it is the least integrated region on the African continent. The opening of borders and free movement of people and investments will considerably stimulate economic growth. Trade is geared towards Europe (more than 50% of total trade). Diversification of trading partners in the region and towards the south will be very beneficial and reduce dependence on Europe. North African countries could strategically benefit from opening up to sub-Saharan Africa, whose economic outlook is buoyant. The integration process can be accelerated through the regional integration strategy by facilitating the establishment of trade platforms and databases, improving border crossing reception conditions, and developing free trade areas. The Bank can help the countries of the region to strengthen their trade relations in sub-Saharan Africa.

- **Improve the quality of life for the people of Africa**: Youth unemployment and regional disparities are some of the major challenges to be addressed by the countries of the region. The top priority is to create jobs and promote the development of micro, small and medium-sized enterprises, particularly in underprivileged areas. Rapid, more inclusive and sustainable economic growth will help to create jobs and improve the people's quality of life.

ANNEX 7: Outcomes of Country Consultations

Between 2014 and 2019, the Bank conducted consultations with various organisations and stakeholders in the countries of the region, including representatives of governments, the private sector, civil society, academia and development partners. The events include:

1. **National consultations on RISP-NA preparation:** (i) Nouakchott, from 2 to 5 June 2014 and from 19 to 23 February 2016; (ii) Cairo, from 15 to 18 June 2014; (iii) Rabat, from 24 to 26 June 2014; and Tunis, from 2 to 5 September 2014. The Algerian authorities did not respond to the request to hold consultations, and the current socio-political context in Libya is not conducive to the holding of such national consultations. In each of the countries visited, the Bank organised workshops with the public and private sectors, civil society and research stakeholders, as well as technical and financial partners working in the countries. The consultations also involved meetings with key regional integration organisations, particularly AMU and the Economic Commission for Africa (ECA) (in Morocco), COMESA (in Egypt), and a delegation of ambassadors from sub-Saharan African countries (in Morocco). The objective of the meetings was to exchange views with all stakeholders and, through a participatory process, come to a common understanding of the issues, challenges, priorities, initiatives and potential partnerships for AfDB assistance to North Africa regional integration**.**

2. **A regional consultation** was organised at the end of February 2016 in Casablanca, Morocco, on the theme: "North Africa's structural transformation through economic integration". Technical Notes were presented on the following themes: (i) *Industrial development and promotion of regional value chains in North Africa;* (ii) *Energy integration in the Maghreb and Egypt: status, prospects and guidelines*; (iii) *Transport and infrastructure development for regional integration in North Africa;* and (iv) *North African financial systems: towards financial integration*. During the consultation, the RISP-North Africa approach and a summary of the outcomes of the preliminary national consultations were presented, highlighting the approach based on a strategy adapted to the North African context. The consultation was also an opportunity to pursue the tripartite discussions between AfDB, IsDB and WB on financing integration in the region to propose a pragmatic programme for AfDB assistance to regional integration**.**

3. **A brainstorming workshop on the theme: "How can the economic integration process in North Africa be boosted and what role can be played by the private sector?"** Following the Casablanca regional workshop, the African Development Bank's Regional Development and Service Delivery Office for North Africa (RDGN) held a brainstorming workshop in Tunis on 14 July 2016 with more than 14 participants from Algeria, Morocco and Tunisia. AfDB offices in Algeria, Côte d'Ivoire and Morocco were connected by video and were able to intervene during the discussions. The main objective of the meeting was to exchange views and, through a participatory process with private sector representatives, come to a common approach on the priority areas of AfDB assistance to North Africa regional integration**.**

4. **Presentation of the Bank's strategic approach to North Africa regional integration in several conferences and events, in particular:**

   - EUMedRail Conference on National Action Plans (April 2018), with focus on transport operations;
   - Study Day - African Integration and Regionalism: Where does the AU stand today? (November 2018)
   - Inter-Governmental Committee of Experts (November 2018);
   - Presentation on "The Banking and Financial Sector: AfDB's Role in African Economic Integration" (July 2018) before the Economic Affairs and Strategic Projects Commission and the Economic, Social, Environmental and Cultural Council of Côte d'Ivoire (CESEC) in Morocco;

- Round Table on the Trans-Maghreb Train (March 2019) - This event, organised by AMU and financed by AfDB, discussed the findings of the feasibility study on the rehabilitation and modernisation of the Trans-Maghreb Railway Line (Algiers - Casablanca - Tunis);

- Building Maghreb Economic Integration Together - Initiatives for the Maghreb Economic Community - ICEM" (September 2019) - The event brought together experts, civil society and business stakeholders to present the economic benefits of synergy among Maghreb countries for the entire region; and

- Centre for Mediterranean Integration - High-level meeting on strengthening Mediterranean cooperation.

5. Organisation of a conference on "Integrating the Maghreb - Unlocking the Economic Potential". In June 2019, AfDB, "Union des Banques Maghrébines" and AMU jointly organised a high-level event. The one-day event provided an opportunity for all stakeholders to discuss: (1) a strategic and pragmatic approach to promote economic integration in the Maghreb; and (2) potential flagship projects in the region. The conference held discussions with speakers and over 100 participants on the following themes:

- Challenges and opportunities of regional integration in the Maghreb;

- Flagship projects in the region and funding mechanisms for the projects, particularly the Trans-Maghreb Train; and

- Concrete solutions and avenues on which partners could work together to achieve real progress and quick wins in regional integration.

In all, the Bank conducted dialogue with several key partners, including UMA, ICEM, BMICE and Maghreb Economic Forum (MEF) on the strategic approach to North Africa regional integration, regional flagship projects, and avenues for future cooperation. In addition, the Bank conducted regional and government-to-government consultations on regional integration through mid-term reviews of the Country Strategy Papers of Egypt, Morocco and Mauritania. The outcomes of the consultations can be summarised as follows:

- All stakeholders (State and non-State) and representatives of regional and national organisations expressed interest in the formulation and implementation of a regional integration strategy that could contribute to strengthening integration in North Africa;

- Stakeholders generally agreed with the Bank's diagnoses, strategic orientation, and guiding principles;

- Stakeholders confirmed their agreement on the objectives, key expected outcomes, and the implementation of the identified regional projects;

- Stakeholders gave their consent on the proposed strategic lines of action and priority pillars selected:

    - Pillar 1: Promoting connectivity of regional infrastructures;

    - Pillar 2: Promoting the private sector; and

    - The cross-cutting theme of capacity building and high-level dialogue.

ANNEX 8: Implications of the COVID-19 Crisis on North African Economies

The COVID-19 pandemic has completely changed the medium-term (2020-2022) growth prospects of the North African region. Prior to the outbreak and spread of COVID-19, economic growth in North Africa was expected to rebound to 4.4% and 4.5% in 2020 and 2021 respectively, according to African Development Bank forecasts.[1] However, in the wake of the coronavirus pandemic, the global environment has become uncertain and global demand has plummeted, particularly in developed economies, with borders and most businesses closing. The COVID-19 crisis will have excessively huge direct and indirect consequences on the region's growth forecasts and will lead to the deterioration of various macroeconomic and social indicators. The five main channels through which the pandemic has affected economies are: (i) a reduction in trade, particularly with China and European countries and a fall in the international market prices of raw materials like oil; (ii) a decline in both foreign and domestic investments; (iii) a halt in tourism following the closure of borders, restaurants and hotels, and the reduction in workers' remittances from abroad; (iv) the poor performance of financial markets, the tightening of lending conditions and a reduction in available financial resources; and finally, (v) health systems which could come under heavy pressure. Among all African regions, North Africa had the highest number of COVID-19 cases in April 2020 (12,629 confirmed cases and 927 deaths). The latest projections for 2020 indicate a loss of 6.7 growth points in the region, from a growth rate of 4.4% to -2.3% in the worst-case scenario. In 2019 and for the second consecutive year, North Africa was the second-best performing region in Africa with an estimated average growth rate of 3.7%. The services sector will be heavily impacted by the COVID-19 epidemic due to travel bans, disruptions in transportation and distribution, and closures of hotels, restaurants and entertainment venues, although the impact is likely to be concentrated in the first half of 2020. In Egypt, Morocco and Tunisia, tourism is of paramount importance. In 2018, the sector accounted for 25% of total exports in Egypt, 20% in Morocco and nearly 15% in Tunisia.

Table 1 shows the new real GDP growth rate projections for April 2020 after the COVID-19 pandemic compared to the initial December 2019 projections for the worst-case scenario. All North African countries except Egypt will record negative growth rates in 2020.

Table A.8.1 - Pre-COVID-19 and post-COVID-19 Economic Growth Projections North African Countries (%)

	2020 (p) Initial Projections December 2019	**2020 (p) Worst case scenario April 2020**
Algeria	2.2	-5.4
Egypt	5.8	0.8
Libya	4.8	-43.7
Morocco	3.7	-2.0
Mauritania	5.7	-4.6
Tunisia	2.1	-4.0

Source: AfDB Department of Statistics

The COVID-19 epidemic and its negative impact on commodity prices and macroeconomic stability are expected to increase fiscal and current account deficits in North African economies. Pre-COVID-19 regional fiscal deficit forecasts projected an improvement to -6.1% of GDP in 2020 relative to -7.1% in 2019. However, due to the counter-cyclical and fiscal measures announced to mitigate the impact of the coronavirus crisis on the North African private sector, increased fiscal deficits are expected in 2020. The worst-case scenario forecasts a budget deficit of -10.8% of GDP in 2020 for the region, with large deficits in Algeria (-17% of GDP), Egypt (-8.7% of GDP) and Libya (-22.5% of GDP). On average, North African countries recorded high current account deficits in recent years, averaging 6% of GDP in 2019. The pre-

[1] African Development Bank (2020) *African Economic Outlook*, AfDB: Côte d'Ivoire

COVID-19 outlook indicated a slight improvement in the regional current account deficit to -5.6% of GDP. However, the strong impact of the crisis on commodity prices and trade will seriously affect trade in goods and services. Most North African countries have strong trade relations with China and European countries and also receive substantial inflows of tourism revenues and workers' remittances from abroad. The worst-case scenario, which assumes a 7.9% contraction in world demand and an international oil price of USD 20 per barrel in 2020, forecasts a current account deficit of 11.5% of GDP in 2020, mainly driven by a double-digit deficit in oil-exporting countries (-20% of GDP and -19.8% of GDP in Algeria and Libya respectively) but also in Mauritania (-17.3% of GDP) and Tunisia (-12.2% of GDP).

Lastly, reduced access to financial resources a key channel through which the coronavirus crisis affects economies. Over the last decade, the public debt of all North African countries, except Libya, has increased. Where the public debt comprises external debt or bond issues on financial markets, the possibility of a global financial crisis stemming from the COVID-19 pandemic exposes countries to a major exogenous shock.

The COVID-19 pandemic could increase poverty and reduce inclusive growth. Social discontent could undermine economic prospects. Over the last decade, most North African countries have experienced socio-political instability. In all countries, economic growth has not been inclusive while social and regional disparities have remained significant. Overall, the negative effects of the COVID-19 crisis will depend on the magnitude and duration of the pandemic, the effectiveness of policy responses to the crisis, and the volume of resources devoted to containing it and maintaining social peace. Confined people cannot go to work, may eventually lose their jobs or be temporarily unpaid, such that many individuals and families are driven into poverty. Small businesses or self-employed persons, including in the informal sector, lose their customers and income. Oxfam estimates that the pandemic could plunge more than 500 million people into poverty worldwide if no policy actions are taken. In North Africa, the risk is that the pandemic could set back the poverty-control drive by 30 years[2]. Accordingly, socio-economic stability will be paramount for the countries of the region. The countries will also need to undertake major structural reforms to boost public sector efficiency and private sector competitiveness and to create jobs in a region plagued by high unemployment (12% on average in the region). Countries face the challenge of providing equal access to social and economic opportunities in all regions and particularly in remote and rural areas. At the same time, it will be crucial to maintain macroeconomic stability and implement economic diversification measures. Countries should also explore opportunities in terms of regional integration and commercial openness towards sub-Saharan Africa, within the framework of the African Continental Free Trade Area (AfCFTA).

Conclusion and Implications for Regional Integration in North Africa.

The coronavirus crisis risks turning North African economies inward and away from regional integration. This applies to all sudden exogenous shocks that create a climate of uncertainty and risk. In the short term, the priority will be to address the health crisis by curbing the spread of the virus and supporting first-rate social and productive activities. When the health crisis is over, governments will need to revive the social and economic sectors. Accordingly, socio-economic stability will be paramount for the countries of the region. They will need to initiate major structural reforms to boost public sector efficiency, promote economic diversification, strengthen private sector competitiveness and create jobs. Countries face the challenge of providing equal access to social and economic opportunities in all regions and particularly in remote and rural areas. At the same time, they will need to explore opportunities in terms of regional integration within the region and commercial openness towards sub-Saharan Africa, within the framework of the AfCFTA. The high-level panel will be able to help communicate the importance of regional integration to revive economies and emerge from the crisis.

[2] https://www.oxfam.org/en/press-releases/half-billion-people-could-be-pushed-poverty-coronavirus-warns-oxfam

ANNEX 9: Macroeconomic and environmental aggregates of North African Countries

Countries	2016	2017	2018	2019(e)	2020(p)	2021(p)
Algeria						
Real GDP growth rate	3.2	1.3	1.4	2.3	2.2	1.8
Inflation rate	6.4	5.6	4.3	2	4	5.4
Budget deficit as % of GDP	-13.6	-6.6	-7.0	-7.9	-6.9	-6.2
Current account as % of GDP	-16.4	-13.1	-9.6	-12.6	-11.6	-10.8
Egypt						
Real GDP growth rate	4.3	4.3	5.3	5.6	5.8	6
Inflation rate	10.6	23.3	21.6	13.5	7.2	6.1
Budget deficit as % of GDP	-12.5	-10.6	-9.6	-8.7	-6.3	-5.1
Current account as % of GDP	-6.5	-5.8	-2.4	-2.3	-1.8	-1.2
Libya						
Real GDP growth rate	-7.4	64.0	7.8	4	4.8	4.9
Inflation rate	25.9	28.5	9.3	10.2	8.8	8.9
Budget deficit as % of GDP	-113.3	-43.0	-7.4	-10.9	-14.9	-20.2
Current account as % GDP	-24.7	7.9	2.0	-0.2	-7.8	-7
Morocco						
Real GDP growth rate	1.1	4.2	3.0	2.9	3.7	3.9
Inflation rate	1.6	0.7	1.9	0.4	1	1.2
Budget deficit as % of GDP	-4.4	-3.5	-3.7	-3.6	-3.5	-3.3
Current account as % of GDP	-4.4	-3.6	-5.5	-4.6	-3.9	-3.7
Mauritania						
Real GDP growth rate	1.9	3.7	3.6	6.7	5.7	5.9
Inflation rate	1.5	2.3	3.1	3	2.9	2.5
Budget deficit as % of GDP	-0.1	0.0	1.6	-0.1	-0.7	-1.2
Current account deficit as % of GDP	-15.1	-14.5	-18.6	-13	-14.5	-13.8
Tunisia						
Real GDP growth rate	1.1	1.9	2.5	1.5	2.1	2.6
Inflation rate	3.6	5.3	7.3	7.1	6.7	6.1
Budget deficit as % of GDP	-6.0	-6.0	-4.6	-3.9	-3.7	-3.5
Current account deficit as % of GDP	-8.8	-10.2	-11.1	-10	-9.9	-8.4

Source: African Economic Outlook, AfDB 2020.

Country/Year	GDP (PPA)	Per capita GDP (PPA)	Real GDP Growth Rate (in %)		Total Population in 2018
2018	(millions USD)	(USD)	2018	Average 2010-2018	(million inhabitants)
Algeria	660 757	15 647.21	1.4	2.9	42.228
Egypt	1 296 973	13 177.46	5.3	3.9	98.424
Libya	70 322	10 529.50	7.8	3.3	6.679
Mauritania	18 117	4 114.40	3.6	4.4	4.403
Morocco	315 441	8 755.16	3.0	3.5	36.029
Tunisia	144 222	12 470.34	2.5	2.2	11.565
Total North Africa	**2 505 838**	**12 571.41**	**3.9**	**3.9**	**199.328**
Total Africa	**6 764 685**	**5 259.41**	**3.4**	**4.0**	**1 286.206**

Sources: AfDB and World Bank database (https://databank.worldbank.org/indicator/SP.POP.TOTL/1ff4a498/Popular-Indicators#) for population.

Unemployment rates in North Africa, 2011-2019									
	2011	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Algeria	10.0	11.0	9.8	10.2	11.2	10.2	12.0	12.2	12.4
Egypt	11.9	12.6	13.2	13.1	13.1	12.4	11.8	11.4	11.3
Libya	19.6	19.0	18.3	17.1	16.1	16.2	17.1	17.3	17.3
Mauritania	10.3	9.9	10.0	10.2	10.8	10.4	10.3	10.3	10.3
Morocco	8.9	9.0	9.2	9.7	9.5	9.3	9.1	9.0	9.0
Tunisia	18.3	17.6	15.9	15.1	15.2	15.5	15.4	15.5	15.5
North Africa	11.6	12.1	12.0	12.0	12.2	11.6	11.7	11.6	11.5

Source: ILO Estimates

Key Environmental Indicators	Morocco	Algeria	Tunisia	Egypt
Renewable freshwater resources potential in m3/inhabitant/year	**878**	**297**	**423**	**1057**
% of freshwater withdrawal from the total renewable resources	**43.5%**	**48.9%**	**61.7%**	**96.6%**
Fossil fuel supply rate	**93.6%**	**99.9%**	**85.3%**	**96.5%**
Forest area as % of total area, 2011	**11.5%**	**0.6%**	**6.6%**	**0.1%**
Trend in forest size and annual forest area, 1990-2010	**0.9%**	**0.35%**	**5.88%**	**2.98%**
Protected areas as % of land area, 2013	**1.5%**	**6.2%**	**1.3%**	**6.1%**
% of population living on degraded land, 2010	**39.1%**	**28.8%**	**36.7%**	**25.3%**
CO_2 emissions in tonnes per capita	**1.6**	**3.3**	**2.5**	**2.6**
Household waste recycling rate	**8%**	**7%**	**4%**	**10 -15%**

Sources: Aquastat, FAO, 2013, FAO, 2011, Human Development Report, UNDP, 2014, Key World Energy Statistics, 2014 IEA

ANNEX 10: Intra-regional Trade of Goods in North Africa

Table A.10.1: Top 5 products exported by the six North African countries

		Partner					
		Algeria	Egypt	Libya	Mauritania	Morocco	Tunisia
Exporters	Algeria	-	Liquefied propane and butane (75%); Natural gas, whether or not liquefied (24%); Cast iron, sponge iron, iron and steel powders (1%).	Sweet vegetable fats and oils (54%) Sugars, molasses and honey (13%) Preparations; cereals, fruit or vegetable starches (10%) Household appliances and equipment (6%) Food products and preparations (4%)	Sugars, molasses and honey (92%); Fruits (except oilseeds), fresh or dried (3%); Preparations; Cereals, fruit or vegetable starches (1%); Margarine and culinary fats (1%); Medicinal products for human or veterinary medicine (0%)	Liquefied propane and butane (51%); Natural gas, whether or not liquefied (35%); Electric power (4%); Petroleum oils or bituminous minerals > 70%; (3%) Inorganic chemicals: elements, oxides, salts (2%)	Natural gas, whether or not liquefied (80%); Petroleum gases and other gaseous hydrocarbons, n.e.s. (8%) Liquefied propane and butane (4%) Petroleum oils or bituminous minerals > 70% (2%); Glass (1%)
Exporters	Egypt	Copper (15%); Food products and preparations (8%); Vegetables, fresh, chilled, preserved, dried (7%); Essential oils, perfumes, confectionery (6%); Household goods of base metals, n.e.s. (4%)		Limestone, manufactured building materials (except clay, glass) (13%) Non-alcoholic beverages, n.e.s. (8%) Refractory building materials, clay (7%) Cheese (6%) Vegetable preparations or preserves, n.e.s. (5%)	Milk and dairy products (except butter, cheese) (27%); Floor coverings, etc. (14%); Food products and preparations (10%); Fruit juices, unfermented, non-alcoholic (10%) Limestone, manufactured building materials (except clay, glass) (7%)	Paper and paperboard cuttings (11%); Televisions, whether or not combined with other apparatus (7%); Animal fodder (except unmilled cereals) (5%); Aluminium (5%); Glassware (4%)	Petroleum oils or bituminous minerals > 70% (56%); Cotton fabrics (except narrow or special widths) (6%); Soap, cleaning products and detergents (3%); Ingots and other primary forms of iron or steel (3%) Food products and preparations (3%)

	Libya	Hydrocarbons, n.e.s. and halogen derivatives, nitrosated (42%); Heating and cooling equipment (17%); Flat-rolled products of iron or non-alloy steel (16%); Fertilizers (15%); Paper and paperboard cuttings (3%)	Liquefied propane and butane (27%); Cast iron, sponge iron, iron and steel powders (17%) Hydrocarbons, n.e.s. and halogen derivatives, nitrosated (17%) Flat-rolled products of iron or non-alloy steel (9%); Unroasted sulphur and iron pyrite (4%)		Floor coverings, etc. (77%); Articles of rubber (6%); Articles, n.e.s., of plastics (6%); Synthetic organic colouring matter; preparations, lacquers (6%) Pigments, paints, varnishes and related products (4%)	Hydrocarbons, n.e.s. and halogen derivatives, nitrosated (41%); Flat-rolled products of iron or non-alloy steel (14%); Cast iron, sponge iron, iron and steel powders (9%); Fertilizers (other than those of Group 272) (9%); Unroasted sulphur and iron pyrite (8%)	Crude petroleum oils or bituminous minerals (31%); Petroleum oils or bituminous minerals > 70% (15%); Flat-rolled products of iron or non-alloy steel (10%); Pulp and paper waste (7%); Flat-rolled products of alloy steel (7%)
	Mauritania	Fresh, live or dead, chilled or frozen fish (97%)	Animal feed (except unground cereals) (87%); Fish, fresh, live or dead, chilled or frozen (10%); Appliances for electrical circuits (3%)	Fish, fresh, live or dead, chilled or frozen (81%) Hides and skins (except furskins), raw (12%)		Wooden structures, n.e.s. (54%); Crustaceans, molluscs and aquatic invertebrates (10%); Rubber tyres (8%); Raw materials of vegetable origin, n.e.s. (5%); Electrical rotating equipment, spare parts, n.e.s. (5%)	Animal feed (except unmilled cereals) (69%); Fish, fresh, live or dead, chilled or frozen (17%); Oils and fats of animal origin (8%); Hides and skins (except furskins), raw (5%); Crustaceans, molluscs and aquatic invertebrates (1%)
	Morocco	Flat-rolled products, iron, non-alloy steel, zinc plated (13%); Manufactured tobacco (including tobacco substitutes) (12%); Textile clothing, n.e.s. (9%); Women's textile clothing (9%); Metal containers for storage or transport (5%)	Motor vehicles for the transportation of persons (71%); Coffee and coffee substitutes (6%) Sugars, molasses and honey (5%); Prepared or preserved fish, n.e.s. (5%) Animal feed (except unground cereals) (2%)	Sweet vegetable fats and oils (25%) Sugars, molasses and honey (20%) Fertilizers (18%) Margarine and cooking fats (16%) Electricity distribution equipment, n.e.s. (4%)	Limestone, manufactured building materials (except clay, glass) (11%); Vegetables, fresh, chilled, preserved, dried (9%); Electricity distribution equipment, n.e.s. (6%) Prepared or preserved fish, n.e.s. (4%); Fats and sweet vegetable fats and oils (4%)		Motor vehicles for the transportation of persons (14%); Cotton fabrics (except small widths or special) (11%); Automatic vehicles, transport of goods, special uses (9%); Coffee and coffee substitutes (8%); Metal containers for storage or transport (6%)

	Tunisia	Trailers and semi-trailers (6%); Machinery, equipment for civil engineering and construction (6%); Measuring, controlling, n.e.s. (5%); Constructions and parts, n.e.s., of iron, iron, steel (4%); Limestone, manufactured building materials (except clay, glass) (4%)	Metal salts and persalts of inorganic acids (60%); Trailers and semi-trailers (5%) Paper and paperboard (5%) Electricity distribution equipment, n.e.s. (4%) Iron or steel wire (3%)	Paper and paperboard cuttings (15%) Fats and sweet vegetable oils (11%) Preparations; cereals, fruit or vegetable starches (6%) Sugars, molasses and honey (5%) Prepared or preserved vegetables, n.e.s. (4%)	Sugars, molasses and honey (35%); Fruits (except oleaginous), fresh or dried (10%); Pigments, paints, varnishes and related products (7%); Medicinal products for human or veterinary medicine (7%); Margarine and culinary fats (6%).	Fruit (except oilseeds), fresh or dried (27%); Paper and paperboard cuttings (7%) Electricity distribution equipment, n.e.s. (7%); Fats and sweet vegetable oils (5%); Perfumes, toiletries; preparations (4%)	

Table A.10.2: Intra-regional Exports of Goods, in USD thousand

		Partner					
		Algeria	**Egypt**	**Libya**	**Mauritania**	**Morocco**	**Tunisia**
Exporters	**Algeria**		456 828	18 940	50 068	450 368	753 422
	Egypt	360 563		222 205	12 102	369 016	327 602
	Libya	6 341	817 163		167	45 299	26 635
	Mauritania	141	682	252		185	1 470
	Morocco	221 790	62 617	54 362	141 099		102 144
	Tunisia	466 527	42 150	393 624	22 185	184 888	

ANNEX 11: Business Environment and Competitiveness

1. **Business Environment**: According to the World Bank's *Doing Business Report 2020* on the Middle East and North Africa, business regulatory reform has been accelerated despite conflict and unrest in the region. However, there is still great scope for improvement, particularly in the areas of getting credit, trading across borders, and the cost and time taken to open a new business. Morocco is the top-ranked economy in the region, with a world ranking of 53th, while Libya, an economy in a situation of conflict and violence, is among the lowest ranked in the world, (186th). The table below shows the *Doing Business 2020* ranking.

Doing Business: 2020 Ranking for North African Countries

Countries	Algeria	Egypt	Libya	Morocco	Maurit.	Tunisia
Overall ranking	**157**	**114**	**186**	**53**	**152**	**78**
Starting a business	**152**	**90**	**164**	**43**	**49**	**19**
Dealing with construction permits	**121**	**74**	**186**	**16**	**109**	**32**
Getting electricity	**102**	**77**	**142**	**34**	**166**	**63**
Registering property	**165**	**130**	**187**	**81**	**103**	**94**
Getting credit	**181**	**67**	**186**	**119**	**132**	**104**
Protecting investors, minorities	**179**	**57**	**183**	**37**	**147**	**61**
Paying taxes	**158**	**156**	**130**	**24**	**177**	**108**
Trading across borders	**172**	**171**	**129**	**58**	**144**	**90**
Enforcing contracts	**113**	**166**	**145**	**60**	**48**	**88**
Resolving insolvency	**81**	**104**	**168**	**73**	**168**	**69**

2. **Competitiveness of North African Countries**: According to the Global Competitiveness Report 2019, three North African economies continue to be among the least competitive economies in the world. Competitiveness refers to the set of factors, institutions and policies that determine a country's level of productivity. The ranking is based on the *Global Competitiveness Index* (GCI) developed by the World Economic Forum[xxvi].

Countries	Algeria	Egypt	Libya	Morocco	Mauritania	Tunisia
Ranking by Global Competitiveness Index 2019	89	93	NA	75	134	87

Source: World Economic Forum, Africa Competitiveness Report 2019

ANNEX 12: Potential Areas for AfDB-IsDB-WB Tripartite Cooperation

1. During RISP-NA preparation, contacts were initiated for tripartite collaboration between AfDB, IsDB and WB. In this connection, a working meeting was organised in Casablanca on the sidelines of the regional workshop. The meeting brought together representatives of AfDB and the World Bank who discussed: (i) their respective programmes on regional integration and convergence areas; (ii) how they could work together to develop potential regional projects in North Africa, in line with AfDB's approach to regional integration (more open regionalism); and (iii) how they could co-finance regional projects.

2. AfDB briefed participants on the overall thrust of its Concept Note on the North Africa Regional Integration Strategy (RISP-NA). RISP-NA has adopted an approach to regional integration that promotes more open regionalism, multi-geometry and variable cooperation not only within North Africa (two or more countries), but also with sub-Saharan Africa, Europe, the Middle East, and the rest of the world. The proposed RISP-NA pillars are: (i) regional infrastructure connectivity; and (ii) private sector, industrial development and trade; underpinned by a cross-cutting theme of knowledge sharing.

3. The World Bank informed participants that it supports the approach, and that it fully agrees with AfDB's approach to North Africa regional integration. The World Bank also indicated that its North Africa regional integration strategy focuses on three main areas, namely: energy, education and water. Indeed, given the importance of energy in the region's economy, the World Bank will focus on supporting the development of the regional and sub-regional electricity and gas market. As regards education, the focus will be on improving education and its contribution to growth, enhancing competitiveness, and developing skills and employability. With respect to water, the focus will be on addressing the serious issue of water security by supporting urban and agricultural water management and strengthening cooperation on transboundary water resources. The representative of the World Bank also indicated that they are open to other sectors, such as transport.

4. The World Bank also mentioned its willingness to work with AfDB and other multilateral partners, such as the IsDB and bilateral donors.

5. The meeting closed with discussions on the following points:

- AfDB and the World Bank agreed to continue their collaboration, and called for a meeting with IsDB participation. The date and venue would be agreed upon.

- Three areas of common interest for cooperation were identified: energy, transport, and education (knowledge platform). The water sector could also be selected (integrated water resources management, non-conventional water resources, etc.).

- Selectivity and priorities: Priority should be given to regional projects with: (i) Government commitment to participate in the projects (buy-in policy); (ii) availability of funds; and (iii) the capacity to achieve concrete outcomes and produce measurable impacts.

ANNEX 13: Consistency between CSP and RISP-NA Pillars

Countries	CSP Pillars	RISP-NA	
		Pillar 1 Integrating North Africa through promotion of infrastructure connectivity	**Pillar 2** Strengthening trade through the private sector
Algeria	Pillar 1: Support for industrialisation, improvement of competitiveness, and development of value chains	✓	✓
	Pillar 2: Support for Energy Sector Transformation	✓	✓
Egypt	Pillar 1: Infrastructure development to foster sustainable and inclusive growth and improve the business environment	✓	✓
	Pillar 2: Governance for greater transparency, efficiency, equity and private sector involvement		✓
Morocco	Pillar 1: Support for industrialisation and value chains	✓	✓
	Pillar 2: Improvement of living conditions for all		
Mauritania	Pillar 1: Promotion of agricultural sector transformation	✓	✓
	Pillar 2: Strengthening of economic infrastructure	✓	
Tunisia	Pillar 1: Industrialisation and support for value chains		✓
	Pillar 2: Regional development and improvement of living conditions	✓	✓

ANNEX 14: Note on fragility in North Africa Region

I. INTRODUCTION

The North African region comprises six countries, namely Algeria, Egypt, Libya, Morocco, Mauritania and Tunisia. These countries share a common cultural and linguistic identity specific to the region. Given its strategic geographical position, North Africa is at the core of various political and commercial issues, which make the regional integration process meaningful.

The North African region has a strong and under-exploited potential for economic integration. Indeed, the region remains one of the least integrated regions on the continent. Little progress has been made in financial integration and the free movement of goods and people, although the six countries belong to three regional integration organizations, namely AMU, COMESA, and CEN-SAD. This is mainly due to lack of political support for enhanced regional integration.

Thus, while none of the six above-mentioned countries is on the harmonised list of countries in fragile situations, the fact remains that the region faces a number of political, social, environmental, and security challenges that could destabilise any region whose social fabric has been weakened by the Arab Spring protest movements. The challenges include: (i) an uncertain security situation with the ongoing armed conflict in Libya; and (ii) the socio-economic situation of young people, especially women.

II. KEY FRAGILITY FACTORS

The conflict in Libya and implications for the region

Since July 2014, two rival governments have been claiming international legitimacy and control over State institutions and resources in Libya. After the overthrow of the Gaddafi regime, Libya's political transition began smoothly. However, in the summer of 2014, fighting between rival political factions intensified due to disagreements over the results of the parliamentary elections. This led to the emergence of two governments: the Government of National Unity (GNA) of Prime Minister Fayez El Saraj, based in the west of the country supported by the former parliament, the General National Congress (GNC) in Tripoli, and the other in the east supported by the House of Representatives (HoRs) and the Libyan National Army, headed by General Khalifa Haftar. The armed conflict between these two factions has created a fragile security environment. Indeed, increased insecurity has been compounded by the growing power of militias and extremist groups. The Libyan National Army (LNA) in the east and the security forces in the west are fighting separately against terrorism with the aim of restoring security and ensuring security for the population.

Several attempts to negotiate a ceasefire agreement have failed in recent months, including the Berlin conference of January 19, 2020 on Libya as well as the negotiations sponsored by Turkey and Russia in mid-January 2020. The talks hosted by the United Nations in Geneva in February 2020, also stopped with the withdrawal of the GNA delegation.

The conflict in Libya has also facilitated a wave of illegal migration in the region. Thus, since 2014, transit migrants continue to use the country as their main area of departure to migrate to Europe through the Central Mediterranean. In addition, due to continued fighting, the United Nations Refugee Agency estimates that more than 217,000 people have been internally displaced and approximately 1.3 million people are in need of humanitarian assistance in Libya.

Aggravating factors such as Libya's porous borders and lack of public services in some parts of the country exacerbate the conflict. Thus, the conflict in Libya is a potential destabilising factor for the entire region due to its regional fragile security situation. The Bank should consider the possibility of supporting regional dialogue or developing strategic partnerships with the competent institutions so as to develop a regional crisis exit programme.

2.1 *Socio-economic situation of young people*

The social and political unrest that spread across North Africa during the Arab Spring was an expression of a young population demanding more freedom, justice and jobs. However, the ensuing instability, compounded by the declining global economy, has deepened decent work shortage, particularly among young people. According to the International Labour Organisation (ILO), the youth unemployment rate in North Africa is now 5% higher than in 2011 and was close to 30% in 2018. Young people in the region face declining economic activity (with young people leaving or postponing their entry into the labour market), underemployment, precariousness and informal work. North African governments recognise this major challenge. The measures taken in the aftermath of the Arab Spring have fallen short of expectations because they have not been accompanied by economic growth strong enough to reduce unemployment rates in general, and that of young people, especially women, in particular.

The female unemployment rate remains high despite the adoption of legislation guaranteeing gender parity in human development, as well as the legal and institutional framework in the region. Indeed, the gender parity situation in the region is mixed. Progress in the implementation of policies varies from one country to another. In Mauritania, for example, progress in human development and gender parity is evident. It is the outcome of a strong political will reflected in the Government's ratification of the major international conventions in favour of human rights and gender equity, as well as in efforts to harmonise national legal provisions with the conventions. The progress is underpinned by the efforts of an increasingly committed civil society and international community support. The Bank should explore the possibility of providing support to national institutions responsible for the implementation of laws and instruments guaranteeing gender parity to facilitate women's access to the labour market and credit.

III. RECOMMENDATIONS

The North Africa region is facing a number of political, social, environmental and security challenges that could destabilise any region where people, especially young people, are waiting for the socio-economic benefits of the Arab Spring. The challenges include: (i) an uncertain security situation with the ongoing conflict in Libya; and (ii) the socio-economic situation of young people, especially women. The region also offers many opportunities such as developed infrastructure and young, skilled and available workforce to carry out national and regional investment programmes, and an agricultural potential that has not yet been sufficiently unlocked. The intervention pillars proposed by the Bank, namely: (i) Integrating North Africa through promotion of regional infrastructure connectivity, and (ii) Strengthening inter and intra-regional trade and investment through private sector promotion to support job creation. Emphasis should also be laid on diversifying the region's partnerships with sub-Saharan Africa, Europe and the Middle East so as to develop investment opportunities and regional value chains. Finally, given its credibility on the continent, the Bank should position itself as a privileged facilitator in high-level regional dialogue, particularly as regards security and gender parity.

ANNEX 15: List of Economic and Sector Works

- BMICE / AFDB (2019) Regional Integration in Maghreb – Challenges and Opportunities for the Private Sector.
- AFDB (2017) Measuring Inclusive Growth: From theory to applications in North Africa
- AFDB (2016) The Role of Nascent Entrepreneurship in Driving Inclusive Economic Growth in North Africa
- AFDB (2016) The Renewable Energy Sector and Youth Employment in Algeria, Libya, Morocco and Tunisia
- The AfDB in North Africa 2016 - Addressing Together the Bank's High 5 for transforming North Africa
- AfDB (2016) Common Solutions to Common Challenges: Addressing the Employment Problem in Europe and North Africa
- AFDB (2016) Public Investment and Growth in the Maghreb Countries
- AFDB (2016) Agricultural Production, Food Security and Higher Value in North Africa
- AFDB (2016) From Resource Curse to Rent Curse in the MENA Region
- AFDB (2016) Trade Diversification and Intra-Regional Trade in North Africa, Working paper.
- AFDB (2015) Promoting North African Women's Employment through SMEs
- AFDB (2015) Fundamentally changing the way we educate students in the Middle East and North Africa (MENA) region
- The African Development Bank Group in North Africa 2015 – Taking the pulse of North Africa
- AFDB (2015) Modélisation du choc pétrolier de 2014 dans les pays importateurs de pétrole en Afrique du Nord
- AFDB (2015) Enhancing North Africa's Infrastructure for Improved Competitiveness
- AFDB (2015) Does Foreign Direct Investment Improve Welfare in North African Countries?
- AFDB (2015) Social Protection and Social Policies in North Africa: Taking Stock and Moving Forward
- AFDB (2015) Trade Volume and Economic Growth in the MENA Region: Goods or Services?
- AFDB (2014) Regional Integration in South-East Asia: Lessons for the Southern Mediterranean Countries
- The African Development Bank Group in North Africa 2014 – Looking for inclusion
- AFDB (2014) Innovation and Productivity Empirical Analysis for North African Countries
- AFDB (2014) Labour market reforms in post-transition North Africa
- AFDB (2014) Promoting crisis-resilient growth in North Africa
- AFDB (2013) The Real Exchange Rate and External Competitiveness in Egypt, Morocco and Tunisia
- AFDB (2013) Intifadat and Negotiations in Transitions: A Conceptual Framework
- The African Development Bank Group in North Africa 2013 - Resilient Growth and Integration
- AFDB (2013) The Growth of International Trade in Health Services Export Prospects in North Africa
- AFDB (2013) Capital Market Development in North Africa: Current Status and Future Potential

ANNEX 16: End notes

1 The RISP-NA preparation process, which was initiated in 2010, led to the submission of the first Concept Note to the Bank's Operations Committee (OpsCom) in June 2010 and the preparation of a draft RISP-NA. The process was suspended by the advent of the Arab Spring at the beginning of 2011 and the ensuing socio-political instability. In June 2014, the second Concept Note was finalised and validated by the Bank's Vice President's Complex in charge of Regional Operations, but was not submitted to OpsCom for consideration, given the expected adoption of RIPoS 2014-2023. Following the adoption of RIPoS 2014-2023 in November 2014, the preparation of RISP-NA 2016-2020 resumed. The Concept Note was approved by OpsCom and CODE, but with the definition of the High 5s, the new Development and Service Delivery Model (DBDM) and the Bank's Regional Integration Strategic Framework 2018-2025, the decision was taken to further delay the submission of RISP-NA. In 2019, Management decided to adopt a bespoke approach rather than a formal RISP and undertook consultations in this direction. At the end of 2019, the decision to develop a complete RISP-NA was finally taken, integrating the bespoke approach as a cross-cutting theme.

2 Several North African countries have also: (i) developed economic (transport, ICT, renewable energy, etc.) and socio-economic (health, education) infrastructure that meet international standards; (ii) built an industrial base for moving up the global or regional value chains; and (iii) trained a critical mass of skilled labour.

3 Open regionalism includes two integrations: The first (regional integration) enhances inter-regional and intra-continental trade and investment, and the second (global integration) strengthens Africa's participation in global markets and provides access to technology transfer, thereby improving economic competitiveness.

4 This ratio includes the debt owed to Kuwait, which is currently being negotiated for cancellation.

5 For example, Morocco and Tunisia have succeeded in developing phosphate and fertilizer value chains and automobile components. They are well positioned at the global level.

6 African Development Bank (2014) "Regional Integration in Southeast Asia: Lessons for Southern Mediterranean Countries", AfDB.

7 http://hdr.undp.org/en/content/database

8 ILO (2017) "Global Youth Employment Trends", ILO.

9 European Training Foundation [ETF] (2015) "Policies and interventions on youth employment in Egypt", ETF.

10 OECD (2008) "Study on the Informal Economy", OECD. See also AfDB's North Africa Report 2014: "Looking for Inclusion", AfDB, 2009.

11 For more information on water scarcity, low yields and increased risks due to climate change, see AfDB Working Paper (2016) "Agricultural Production, Food Security and Higher Value in North Africa".

12 In 2006, the African Union selected eight RECs: SADC, ECCAS, ECOWAS, AMU, CEN-SAD, COMESA, IGAD and CEPGL.

13 The AMU Constitutive Treaty defined the following objectives: (i) strengthen brotherly ties that bind Member States and their peoples; (ii) achieve progress and prosperity of their societies and defend their rights; (iii) work gradually towards achieving free movement of persons, and transfer of services, goods and capital between Member States; and (iv) adopt a common policy in all areas.

14 The African Union Commission, in partnership with the United Nations Economic Commission for Africa, AfDB and NEPAD Planning and Coordination Agency, formulated the Programme for Infrastructure Development in Africa (PIDA). PIDA comprises the following programmes: the Energy Infrastructure Programme, the Transport Programme, the Transboundary Water Programme, and the ICT Programme, which are also reference frameworks for RISP-NA.

15 North Africa grid interconnection weakness: Impact on the Tunisian PES emergencies, October 2019. K. Ben Kilani et al.

16 The Bank has been involved in key activities and transformative operations in the water sector in North Africa. These include: the Aftout Essahli Project in Mauritania, the Water Sector Support Programme in Morocco, the development of a water resources information system in Algeria, the preparation of the water strategy for 2050 in Tunisia, the preparation of an appraisal note and draft water strategy in Libya, and the Major Sanitation and Treatment Project in Egypt (Abu Rawash, Gabal El Asfar).

17 African Development Bank (2014), "Draft Report on Enhancing Trade between Egypt and COMESA: Leveraging Egypt's African Roots".

18 African Development Bank. 2010b. "Study on the Project to establish a Maghreb Economic Community."

19 The Barcelona Process is a broad framework governing political, economic and social relations between EU Member States and countries of the southern shore of the Mediterranean.

20 As a prelude to the future Euro-Mediterranean free trade area, the Agadir Agreement, which was signed in 2004 and entered into force in 2007, was aimed at strengthening cooperation between the European Union and Egypt, Jordan, Morocco and Tunisia.

21 The European Neighbourhood Policy (ENP) is the European Union's external relations instrument that seeks to bring countries to the east and south of the EU closer to the European Union.

22 See Bank study (2012), "Unlocking North Africa's Potential through Regional Integration: Challenges and Opportunities".

23 According to FAO statistics, fish catches in 2013 amounted to 1,824,894 tonnes or 9.9 kg per capita in North Africa.

24 https://www.afdb.org/fileadmin/uploads/afdb/Documents/Policy-Documents/Cadre_d_engagement_consolid%C3%A9_avec_les_organisations_de_la_soci%C3%A9t%C3%A9_civile_-_06_2015.pdf

xxv According to an AfDB study (2016) "The Renewable Energy Sector and Youth Employment in Algeria, Libya, Morocco and Tunisia", solar and wind energy account for barely 1% of the total primary energy mix.

xxvi This ranking is based on 114 indicators grouped into 12 different categories (including macro-economic environment, education and health, institutions, efficiency of goods and labour markets, financial market development and innovation) which together provide a comprehensive picture of a country's competitiveness.