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INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT PAPER

ON A

PROPOSED ADDITIONAL GRANT AND RESTRUCTURING

IN THE AMOUNT OF SDR 10.5 MILLION
(US\$15.0 MILLION EQUIVALENT)

TO THE

AFRICAN UNION COMMISSION

FOR A

SUPPORT FOR CAPACITY DEVELOPMENT OF THE AFRICAN UNION COMMISSION AND
OTHER AFRICAN UNION ORGANS

July 10, 2018

Governance Global Practice
Africa Region

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CURRENCY EQUIVALENTS

(Exchange Rate Effective April 30, 2018)

Currency Unit = Special Drawing Rights (SDR)

US\$ 1 = SDR 0.695

FISCAL YEAR

January 1 - December 31

ABBREVIATIONS AND ACRONYMS

AF	Additional Financing
AfCFTA	African Continental Free Trade Area
AfDB	African Development Bank
AFR	African Region
AMU	Arab Maghreb Union
AU	African Union
AUABC	African Union Advisory Board on Corruption
AUC	African Union Commission
AUCIL	African Union Council on International Law
AULA	African Union Leadership Academy
AWP	Annual Work Plan
CA	Constitutive Act
CIDO	Citizens and Diaspora Directorate
CEN-SAD	Community of Sahel-Saharan States
CDC	Africa Centre for Disease Control and Prevention
COMESA	Common Market for Eastern and South Africa
DFIL	Disbursement and Financial Information Letter
ECA	East African Community
ECCAS	Economic Community of Central African States
ECOWAS	Economic Community of West African States
ETB	Ethiopian Birr
EU	European Union
FM	Financial Management
FMP	Free Movement of Persons
FTYIP	First Ten Year Implementation Plan
FY	Fiscal Year
GDP	Gross Domestic Product

GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GRS	Grievance Redress Service
HQ	Head Quarter
HR	Human Resources
IADB	Inter-American Development Bank
IBRD	International Bank for Reconstruction and Development
ICT	Information and Communications Technologies
IDA	International Development Association
IEG	Independent Evaluation Group
IFC	International Finance Corporation
IFRs	Interim Financial Reports
IGAD	Inter-Governmental Authority on Development
IMF	International Monetary Fund
IP	Implementation Progress
IPF	Investment Project Financing
IPSAS	International Public Sector Accounting Standards
ISR	Implementation Status and Results Report
IT	Information Technology
MOOC	Massive Open Online Course
MoU	Memorandum of Understanding
M&E	Monitoring and Evaluation
MTP	Medium Term Plan
MTR	Mid Term Review
NEPAD	New Partnership for Africa's Development
OAS	Organization of American States
OAU	Organization of African Unity
PAD	Project Appraisal Document
PAP	Pan African Parliament
PDO	Project Development Objective
PP	Procurement Plan
PPPs	Public-Private Partnerships
PPSD	Project Procurement Strategy for Development
PRC	Permanent Representative Committee
PTSD	Procurement, Travel and Stores Department
REC	Regional Economic Community
RF	Results Framework
RIU	Reform Implementation Unit
SAATM	Single African Air Transport Market
SADC	South African Development Community

SDR	Special Drawing Rights
SoE	Statement of Expenditures
TA	Technical Assistance
ToR	Terms of Reference
UNSCR	United Nations Security Council Resolution
UN SDGs	United Nations Sustainable Development Goals
USAID	United States Agency for International Development
US\$	United States Dollar
WBG	World Bank Group
WB OLC	World Bank Open Learning Campus

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BASIC INFORMATION – PARENT (Support for Capacity Dev't of the AUC and other African Union Organs - P126848)

Country Africa	Product Line IBRD/IDA	Team Leader(s) Waleed Haider Malik		
Project ID P126848	Financing Instrument Investment Project Financing	Resp CC GGOAS (9749)	Req CC AFCC2 (6546)	Practice Area (Lead) Governance

Implementing Agency: African Union Commission

Is this a regionally tagged project?

No

Bank/IFC Collaboration

No

Approval Date 06-May-2014	Closing Date 31-Dec-2018	Original Environmental Assessment Category Not Required (C)	Current EA Category Not Required (C)
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Situations of Urgent Need or Capacity Constraints

Financial Intermediaries (FI)

Series of Projects (SOP)

Project-Based Guarantees

Development Objective(s)

Strengthen AUC’s capacity to facilitate economic development results and transformation through enhanced institutional efficiency. This will be achieved by means of enhancing the AUC's internal human resources and management systems, and supporting result-oriented external partnerships and collective actions designed to enhance the implementation of regional economic development initiatives in priority areas (e.g. regional trade, energy, infrastructure, governance, natural resource management) relevant to the AFR IDA portfolio for the benefit of African Union member states, the Regional Economic Communities and African citizens.

**Ratings (from Parent ISR)**

	Implementation					Latest ISR
	17-Aug-2015	17-Apr-2016	30-Nov-2016	27-Jun-2017	04-Jan-2018	29-Jun-2018
Progress towards achievement of PDO	S	S	S	S	S	S
Overall Implementation Progress (IP)	S	S	S	S	S	S
Overall Safeguards Rating						
Overall Risk	S	S	S	S	S	S

BASIC INFORMATION – ADDITIONAL FINANCING (Support for Capacity Development of the AUC and Other African Union Organs - P166316)

Project ID P166316	Project Name Support for Capacity Development of the AUC and Other African Union Organs	Additional Financing Type Restructuring, Scale Up	Urgent Need or Capacity Constraints No
Financing instrument Investment Project Financing	Product line IBRD/IDA	Approval Date 31-Jul-2018	
Projected Date of Full Disbursement 30-Jun-2021	Bank/IFC Collaboration No		
Is this a regionally tagged project? No			



<input type="checkbox"/> Situations of Urgent Need or Capacity Constraints	<input type="checkbox"/> Financial Intermediaries (FI)
<input type="checkbox"/> Series of Projects (SOP)	<input type="checkbox"/> Project-Based Guarantees
<input type="checkbox"/> Disbursement-linked Indicators (DLIs)	<input type="checkbox"/> Contingent Emergency Response Component (CERC)
<input type="checkbox"/> Alternative Procurement Arrangements (APA)	

Disbursement Summary (from Parent ISR)

Source of Funds	Net Commitments	Total Disbursed	Remaining Balance	Disbursed	
IBRD					%
IDA	25.00	18.70	3.84		83 %
Grants					%

PROJECT FINANCING DATA – ADDITIONAL FINANCING (Support for Capacity Development of the AUC and Other African Union Organs - P166316)**FINANCING DATA (US\$, Millions)****SUMMARY**

Total Project Cost	15.00
Total Financing	15.00
of which IBRD/IDA	15.00
Financing Gap	0.00

DETAILS**World Bank Group Financing**

International Development Association (IDA)	15.00
IDA Grant	15.00



COMPLIANCE

Policy

Does the project depart from the CPF in content or in other significant respects?

Yes No

Does the project require any other Policy waiver(s)?

Yes No

INSTITUTIONAL DATA

Practice Area (Lead)

Governance

Contributing Practice Areas

Climate Change and Disaster Screening

This operation has been screened for short and long-term climate change and disaster risks

Gender Tag

Does the project plan to undertake any of the following?

a. Analysis to identify Project-relevant gaps between males and females, especially in light of country gaps identified through SCD and CPF

Yes

b. Specific action(s) to address the gender gaps identified in (a) and/or to improve women or men's empowerment

Yes

c. Include Indicators in results framework to monitor outcomes from actions identified in (b)

Yes

**PROJECT TEAM****Bank Staff**

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Samia Melhem	Team Member	ID Specialist	GTD09
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Extended Team			
Name	Title	Organization	Location



AFRICA

ADDITIONAL FINANCING SUPPORT FOR CAPACITY DEVELOPMENT OF THE AFRICAN UNION COMMISSION
AND OTHER AFRICAN UNION ORGANS

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I. BACKGROUND AND RATIONALE FOR ADDITIONAL FINANCING

1. **This Project Paper seeks the approval of the Board of Executive Directors to provide an additional International Development Association (IDA) Grant in the amount of US\$15.0 million to the Support for Capacity Development of the African Union Commission (AUC) and Other African Union (AU) Organs Project (P126848).** The proposed additional financing (AF) (P166316) will scale-up successful activities supported under the parent project, and support new activities related to (i) the AU's institutional reforms and (ii) the AUC's push to deepen regional economic integration. In turn, these activities are expected to enhance the achievement of the Project Development Objective (PDO) **which has been revised to "strengthen the AUC's capacity to facilitate regional integration results and transformation through enhanced institutional efficiency."** This goal is expected to be achieved by enhancing the AUC's internal human resources and management systems, and supporting results-oriented external partnerships and collective actions designed to enhance the promotion of regional economic integration initiatives in priority areas.

2. **The proposed AF will introduce changes to the parent project to adjust the project implementation timeline, and fully reflect new and scaled-up activities.** The PDO has been slightly refined to hone in on the core regional economic integration focus of the project. The two components of the project will, overall, remain the same. However, new tasks have been added to these components and the title of component two has been slightly revised to better reflect the AU's revised priorities. The Results Framework (RF) has been revised to reflect the proposed new and scaled-up activities to be financed by the AF. Project end targets have been updated to reflect the AF and progress to date. Implementation arrangements, including Financial Management (FM) and procurement arrangements are proposed to remain the same, except that the updated World Bank Procurement Regulations for IPF Borrowers (July 2016, revised in November 2017) will be followed. As with the parent project, the AF will be administered by the technical team assigned by the AUC's senior management. The parent project closing date will be extended from December 31, 2018 to June 30, 2021, to align with the proposed closing date of the AF.

A. Regional Context

3. **In recent years, growth in many African countries was adversely affected by the global economic slowdown, collapse of commodity prices and adverse weather conditions.** However, a moderate recovery is now underway although with significant variation across countries. Overall, economic growth in Sub-Saharan Africa (SSA) is estimated to have picked up to 2.5 percent in 2017 from 1.3 percent in 2016. It is projected to accelerate further to 3.1 percent in 2018, and to 3.5 percent in 2019, helped by stabilization of commodity prices, continued expansion in global trade, supportive external financial market conditions, and growth in domestic private consumption and investment on the domestic side. The upswing is also a result of prudent macroeconomic policies, better business environment and improved governance¹ throughout much of the continent. Governments have recognized the imperative of private investment and private sector led growth. African countries have consistently been among the

¹ According to the Africa Region's Country Policy and Institutional Assessment (CPIA) Report, on average, the Cluster D indicator that measures governance and public sector performance in Sub-Saharan Africa (SSA) has improved, from 2.9 in 2012 to 3.0 in 2016. However, there are several variations across countries and across the various elements of cluster D (i.e., property rights and rules-based governance; quality of budget and FM; efficiency of revenue mobilization; quality of public administration; and transparency, accountability and corruption in the public sector). For example, a score in fragile countries is 2.6 as compared to 3.2 in non-fragile countries for the quality of budget and FM area. See Africa CPIA Report 2017.



top ten reformers in the Doing Business Report in the recent past. In the latest report, four of the top ten reformers are African and others come from Asia, Europe and Central Asia, and Latin America². As a result, African countries are increasingly being viewed as investment destinations, and not merely due to the abundance of natural resources. According to the World Bank, flow of foreign direct investments to Sub Saharan Africa amounts to about US\$37 billion³, more than foreign assistance.

4. **Despite the upturn in economic activity in the region, significant challenges abound.** Growth in the non-oil industrial sectors has yet to pick up, underscoring the low structural transformation in the region; creation of good jobs is lagging; the level of public debt relative to Gross Domestic Product (GDP) is rising and high in some countries; and poverty remains widespread. Sub Saharan Africa's infrastructure is by far the most deficient and costly in the developing world. Only 37 percent of the population has access to energy, inadequate and high-cost transport connectivity reduces competitiveness, and the infrastructure gap acts as a drag on growth. Nearly 60 percent of the labor force and 78 percent of the working poor rely on agriculture for their livelihoods, yet only 5 percent of land is irrigated, crop yields are lower than in the rest of the world, and the impact of climate change is already being felt. While the continent has made great strides in school enrollment, especially for girls, much needs to be done to improve the quality of education and learning outcomes. Stunting remains unacceptably high across the continent, even in countries that have experienced robust economic growth or are relatively prosperous. The adverse impact of stunting on incomes in Africa is estimated at around 9 percent of per capita GDP. Africa is also losing out due to its gender gap. The United Nations (UN) estimates that discriminatory gender policies across SSA cost up to US\$105 billion each year, or 6 percent of its GDP⁴. In addition, despite peace building and conflict resolution efforts, almost one third of the world's displaced persons are located in the Horn of Africa, Great Lakes and Central Africa, and the Sahel⁵. Due to conflicts, the number of violent deaths has risen since 2012.

5. **Overall, sustained higher levels of growth will be needed to accelerate poverty reduction and promote broad-based prosperity.** Most countries need to implement deep reforms to facilitate structural transformation. This requires improving institutions to enable private sector growth, developing local capital markets, enhancing the efficiency of utilities, improving the quantity and quality of public infrastructure, and strengthening domestic resource mobilization. Developing the skills needed for a 21st century workforce is also a priority, especially given the large numbers of young people who enter the workforce each year and the potential impact of technology on jobs.

6. **Provided African countries can put the right policies in place, meeting the challenges can also provide opportunities.** The continent is home to massive untapped renewable energy sources--only about 9 percent of the continent's economically viable hydropower potential is utilized. At the same time, technological innovation and competition among private producers is driving down the price of solar energy. The value of food consumption is expected to triple by 2050, with urbanization resulting in greater

² Doing Business Report captures 264 business regulation reforms across the ten-measured indicator sets. As in previous years, Sub-Saharan Africa is the region with the highest number of reforms (83 in total), followed by East Asia and the Pacific (45) and Europe and Central Asia (44).

³ World Bank – Africa's Pulse 2017

⁴ The overwhelming majority of women in Africa are paid less than their male counterparts. The UN estimates that African women hold two thirds of all jobs in the non-agricultural informal sector, and on average only make 70 cents for each dollar made by men. For details, see The Gender Gap Index (2015), it benchmarks national gender gaps on economic, political, educational and health criteria.

⁵ Displaced persons are estimated at about 15-20 million, and include refugees, asylum seekers, and internally displaced persons. They are often located in the poorest and most disadvantaged borderland areas of countries.



demand for processed food. This presents a huge opportunity along the agricultural value chain. While technology will disrupt jobs, it also brings new opportunities. Just as they moved straight to mobile telephony, bypassing land lines, African countries can learn from others and leapfrog using technology in other areas. Mobile money has already greatly facilitated financial inclusion and mobile phones are providing farmers with real-time price information for crops. In East Africa, drones are being deployed to deliver blood and medicines to remote areas. Africa has the youngest population in the world, offering the potential of a demographic dividend provided economic opportunities can be created through education, skills and enabling entrepreneurship. On the positive side, young people on the continent are more connected to the rest of the world, less risk-averse, and technologically aware than ever before, and increasingly see the private sector as a pathway to progress.

7. **The AU's Agenda 2063 provides a long-term vision for a peaceful and prosperous continent, integrated regionally and into the global economy, and taking full advantage of its natural resources and people.** Its ten-year road map (First Ten Year Implementation Plan – FTYIP) and accompanying five-year Medium-Term Plan (MTP)⁶, are currently under implementation. Agenda 2063 places integration at the heart of its vision and is integral to reducing poverty and achieving sustainable economic growth. At the same time, AU flagship initiatives, such as the Programme for Infrastructure Development in Africa (PIDA) and the Comprehensive African Agriculture Development Programme (CAADP), seek to address major challenges at the continental, regional and national level. In 2017, the AU agreed that institutional reforms were needed to increase its global and continental impact, spur greater collective action to meet challenges and create opportunity, achieve results, and connect with African citizens. H. E. President Kagame of Rwanda was charged with producing a report and recommendations for action, based on which the January 2017 Reform Decision Assembly/AU/Dec/635 (XXVIII)) was made, adopting most of his recommendations.

8. **The Report on the Proposed Recommendations for the Institutional Reform of the African Union⁷ articulates a clear road map for the AU's transformation** (see Figure 1 below for the main institutional reform elements). The Decision tasked the Chairperson of the Commission to lead the implementation of the reform recommendations over a two-year period and report on progress to AU Summits. The process is overseen by the AU leadership troika—the current, former and next Chairpersons of the AU⁸. The AU January 2018 Summit assessed progress to date in implementing the Reform agenda, based on which the Heads of States issued the Decision on the Progress Report on the Status of Implementation of Assembly Decision on the Institutional Reform of the African Union (Assembly/AU/Dec.687(XXX)) highlighting key next steps. The Summit also moved forward on key regional integration priorities, the African Continental Free Trade Area (AfCFTA); the Single African Air Transport Market (SAATM); and the Free Movement of Persons (FMP), as regional integration is one of four key areas that the Reform agenda called for the AU to focus on. The AfCFTA was signed by 44 AU Member States at an Extraordinary session of the Assembly in March 2018 in Kigali. The FMP was signed by 27 Member States. The two legal instruments urge signatories to rapidly ratify, that is incorporate the legal instrument into their domestic

⁶ AU Agenda 2063 was prepared and adopted in 2013. The AUC Strategic Plan process has been renamed Medium -Term Plan (MTP) to advance the implementation of Agenda 2063 in a more organized manner. The MTP for 2019-2023 is currently under preparation and will be submitted to the Heads of State for approval in the next summit.

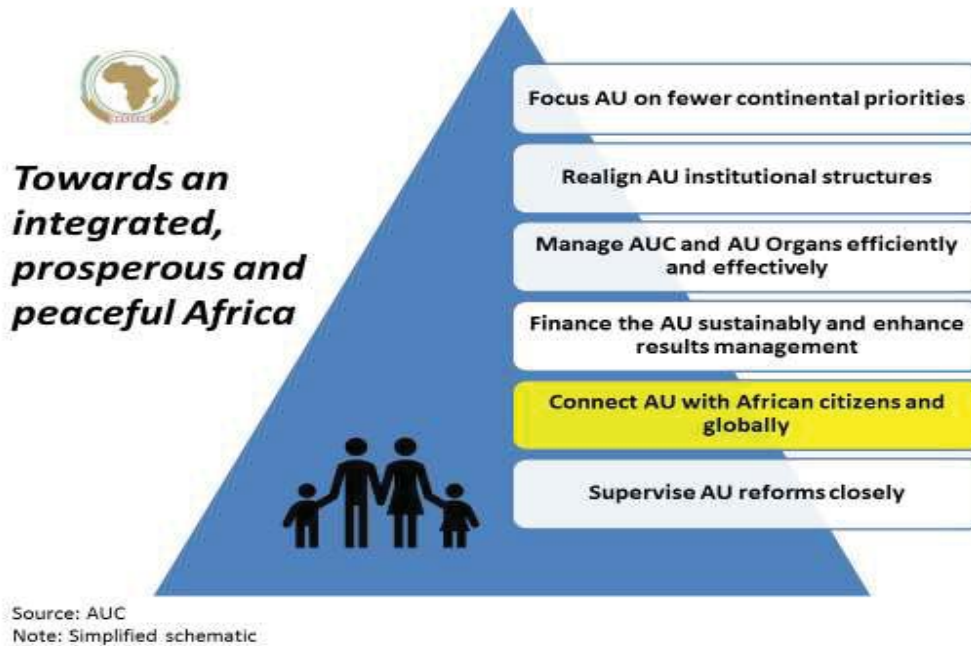
⁷ *The imperative to strengthen our union: report on the proposed institutional reform of the African Union*, by H.E. Paul Kagame dated January 29, 2017.

⁸ Current and former AU Chairpersons: **2016:** H.E. Idriss Deby Itno, President of the Republic of Chad; **2017:** H.E. Alpha Conde, President of the Republic of Guinea; **2018:** H.E. Paul Kagame, President of the Republic of Rwanda.



legal system in compliance with their constitutional provisions, and provide for their entry into force upon ratification by 22 and 15 Member States, respectively. Box 1, Governance Challenges of Treaty Ratification and AUC's Capacity Building Needs, on page 17 below details the process that countries shall follow to sign, ratify and domesticate these legal instruments.

Figure 1: Elements of the AU Institutional Reforms



B. Institutional Context: AU institutional reforms and AUC capacity needs

9. AU institutional reforms have six main features:

- **Focus on fewer continental priority areas and develop a global voice to expedite and improve policy coherence.** Although peace building and political affairs remain core areas of AU operations, in recent years, increased attention has been paid to economic integration. In line with this, the AUC's leadership has identified three key regional priorities, the AfCFTA, the Single African Air Transport Market (SAATM), and the FMP for expedited action. These continental programs are expected to boost the job market across Africa, bring additional revenues to economies, encourage entrepreneurship among women and youth, and help improve the overall enabling environment for peace, conflict prevention, and resilience building on the continent. To build support and spur progress, the AUC plans to a) leverage its convening role with regard to member States, the private sector, media, and civil society; b) position itself institutionally by opening liaison offices in Regional Economic Communities (RECs) and in emerging development partners, such as China; and c) connect with African citizens, in particular youth and women, across the continent.
- **Realign AU's institutional structures and meet targets for gender and youth representation in these institutions.** The AU's institutional architecture is complex, with over 50 institutions and bodies spread across the continent, resulting in inefficiencies and lack of policy coherence.



Realignment would require in-depth review, including with regards to operational efficiency and cost effectiveness and opportunities for pooling of resources and capacity. Much can be achieved through increased use of technology and modernization of information technology (IT) to bring all AU entities under one network, better data management and flow of information, a fully functional e-document system across institutions, and AU Open Data Initiatives. With regards to gender and youth representation, the reforms set targets to increase the ratio of women from 28 to 50 percent among professional staff at the AUC. The youth representation target is set at 30 percent from 15 percent within the AUC and other AU organs.⁹ The two goals will require skills review, gender mapping and proactive recruitment and leadership development efforts.

- **Manage the AUC and AU organs efficiently and effectively.** Cutting down bureaucratic inefficiencies and becoming a role model in the region is a priority. Within the AU, the AUC has already embarked on this mission with quick wins and positive results from its institutional transformation process supported by the current project and other development partners' assistance.¹⁰ Some of these improvement efforts such as upgrading IT systems, implementation of International Public Sector Accounting Standards (IPSAS) and human resources (HR) modernization are being appreciated by external actors -- e.g. AUC has received visits from representatives of the Southern Africa Development Community (SADC), New Partnership for Africa's Development (NEPAD) and AU specialized agencies who seek to learn from the AUC's experience. Over the coming years, these reforms need to be consolidated at the AUC and expanded to other AU Organs to continue this transformation effort and to enable the institution to meet international standards. Whereby, use of standards and effective accounting practices to generate financial reports that allow effective program steering and accountability, budgeting, SAP modernization, e-recruitment, and procurement reforms at the AUC need to be taken to the next level and rolled out to other AU Organs and entities so that their benefits can spread. Some of the AU Organs such as the African Court, the African Union Advisory Board on Corruption (AUABC), and the Pan-African Parliament (PAP) are at different stages of developing and implementing their strategic plans aimed at strengthening their operations and improving management efficiency. The African Court has developed its strategic plan and is currently implementing measures that enhance its budget management and case monitoring systems. As planning efforts are currently high, support in that area should be expanded to cover all AU Organs and specialized entities, so that their actions are better aligned with the AU's mission and reform priorities¹¹. Since the AU's institutional network is developing, capacity upgrading needs to

⁹ According to the African Youth Charter youth or young people refer to every person between the ages of 15 and 35 years. Source: AUC.

¹⁰ At the AUC, organizational processes and service delivery has been strengthened. Skills training has been instituted to encourage professional development. State-of-the-art data center has been set up along with upgrade to IT infrastructure at headquarters to lay the foundation for better communication and information generation. SAP system, e-recruitment, procurement and training methods have been upgraded to strengthen performance. FM modernization is being pursued to save financial costs and improve quality of reporting. Annual financial statements are now prepared in accordance with IPSAS. Conference management tools have been modernized to facilitate the work of the Heads of State during summits and other key meetings, resulting in time savings and operational costs (e.g. US\$600,000 were saved during the last summit on paper, printing and other costs).

¹¹ The AU architecture is rich and comprises about 50 AU entities generally coordinated by the AUC as the AU secretariat, which are spread across the continent. The AU reforms, in line with Agenda 2063, call for better coordination and operations among the various AU entities, so as to realign priorities and policies. This strategic realignment process has been initiated by the AU to ensure institutional and policy coherence, with the goal to ultimately permit a unified implementation of key regional priorities. The realignment process is currently facilitated by the AUC through better planning, organizational streamlining and coherent



take place in a context of an evolving rather than a stable institutional structure, requiring constant adjustments and refinements.

- **Finance the AU sustainably and enhance results management.** A predictable and reliable budget to fund the AUC and AU Organs' operations and development programs and ensure full ownership by member States is a perennial challenge. The AU's budget, 25 percent of which is allocated to the operating budget and 75 percent to the program budget, has been funded through a mix of member States' contributions and development partners' assistance. The 2016 Assembly Decision on the outcome of the retreat on the Financing of the AU (Assembly/AU/Dc.605 (XXVII)) instituted a 0.2 percent levy on all eligible goods imported into the continent to finance the AU operational, program, and peace support operations budgets. The revenue generated by the import levy would cover the operating costs fully and the development and peace building programs would also be significantly covered over the medium term.¹²
- **Connect the AU with African citizens and expand global outreach.** Since the Agenda 2063 calls for a people-centered AUC, there is an urgent need to connect to citizens and listen to their feedback and opinions. According to the Afrobarometer survey, only about 15 percent of people in Africa know about the work performed by the AU. However, there is no reliable data on citizens' perceptions of the work of the AUC or AU Organs. In addition, although 43 percent of Africans have access to mobile phones¹³, current communication channels are still weak, which contributes to the low social media impact of the AUC. There are no developed channels of engagement using these methods in the AUC or showcasing the work of the AUC or its programs to citizens. Consequently, there is a need to refine and implement a communications, outreach and feedback strategy through an integrated communications platform, with metrics and baselines for systematic engagement and outreach to citizens and stakeholders, so that citizens and other stakeholders can be informed about the AU and its activities. Such stakeholder outreach is also important to feed back into ratification processes of various AU treaties, and to support their effective implementation.
- **Clear supervision mechanism for the implementation of the AU reforms.** The AUC Chairperson is responsible for implementing and coordinating the day-to-day reform activities. To that effect, a Reform Implementation Unit (RIU) has been set up in the Office of the Chairperson. H.E President Kagame leads the supervision of reform implementation and is responsible for updating the AU Assembly (Heads of State) on the reform progress in collaboration with current and outgoing AU Chairpersons. As per AU reform plans, the RIU will receive Member States' resources for carrying out its oversight and supervision responsibilities.

policy development, among other improvements. The AUC offers support to AU organs in advancing this process, while continuously building its own capacity to maintain and sustain efforts, and ensure ownership of participating entities.

¹² As a follow up to the decision, a select group of Ministers of Finance (F15) and the Bureau of the Association of African Central Banks met in July 2017 to discuss modalities for the establishment of accounts at the Central Banks for the revenues from the import levy for financing the AU. The AUC is also pursuing dialogue and collaboration within the AU-UN Partnership so as to operationalize the Peace Fund proposal, which was voted unanimously on November 2016 under the UN Security Council Resolution (UNSCR 2320) and which is a key component for the sustainable financing of AU peace operations, a major portion of AU's budget. The AUC is also undertaking consultations with other regional entities in Africa and beyond to garner lessons about funding their operations, and to inform the process of financing the AU.

¹³ According to *The Mobile Money Sub-Saharan Africa 2017*, at the end of 2016, there were 420 million unique mobile subscribers in Sub-Saharan Africa, equivalent to a penetration rate of 43 percent. The region is expected to have more than half a billion unique mobile subscribers by 2020, by which time around half the population will subscribe to a mobile service.



10. **More ambitious AU collective action requires a strengthened AUC.** According to Article 24 of the Constitutive Act (CA) of the African Union (AU), the AUC is the *de jure* secretariat of the AU. Based in Addis Ababa, Ethiopia, the AUC is responsible for planning, budgeting, coordinating, communicating, overseeing, operating and facilitating the affairs of the AU.¹⁴ AUC's management comprises the Chairperson, the Deputy Chairperson and eight Commissioners. Together, they implement AU policies, coordinate the body's activities and meetings, and manage the AUC staff and other resources. In 2017, the AUC's budget was US\$753 million, of which US\$336 million went to the Peace Fund¹⁵. Some 2,300 professional, administrative and support employees were assigned to various services and portfolio departments and units performing corporate, administration, and program functions. About 28 percent of the professional staff were women, while youth (under age 35) representation was about 15 percent.

11. **In performing its unique convening role to facilitate regional collective action, the AUC works with other AU organs as well as the RECs¹⁶.** While AU policies and programs are implemented by member States, the AUC and RECs have "an important facilitating role, especially with respect to policy and strategy setting, coordination and catalyzing socio-economic and integration agenda, consensus building and advocacy, experience and information sharing, and generally setting the framework and putting in place the enabling conditions necessary for peace, security, political stability and [economic] growth—that is, the creation of continental and regional public goods"¹⁷. In performing its administrative and facilitation functions globally and regionally, the AUC engages with multiple actors—including the media, general public, private sector, civil society, as well as the African Diaspora. The AUC, the United Nations Economic Commission for Africa (also based in Addis Ababa), and the African Development Bank (AfDB) work closely together and form the troika of African continental institutions. The AUC is also engaged with a wide range of development partners for advancing its peace building, humanitarian, military operations and integration programs¹⁸.

12. **Support to the AUC under the AF will build on the ongoing capacity development support under the parent t project, to help operationalize selected areas of the AU's institutional reforms and of regional economic integration.** In addition to the Agenda 2063, its MTP (2019-2023) and the AU's regional transformation priorities, the AF aligns with the World Bank Group's (WBG) Africa Regional Integration and Cooperation Strategy (RICAS) approved on June 5, 2018 which aims to scale up regional economic integration under IDA18, and thereby promote economic development in SSA. The capacity development approach will also draw on lessons reflected in the recent Good Practice Note, the *World Bank's Regional Approach to Promote Sustainable Capacity Building Outcomes in Africa* (2018), which

¹⁴ **AU Vision:** "An integrated, prosperous and peaceful Africa, driven by its own citizens and representing a dynamic force in the global arena", and **AU Mission:** "An efficient, and value-adding institution driving the African integration and development process in close collaboration with African Union member states, the Regional economic communities and African citizens". (Source AUC)

¹⁵ The distribution of budget (after deducting the Peace Fund allocation) is approximately as follows: programs 75 percent; and operating costs 25 percent. Source: AUC.

¹⁶ The RECs include: Common Market for Eastern and Southern Africa (COMESA), Economic Community of West African States (ECOWAS), Inter-Governmental Authority on Development (IGAD), East African Community (ECA), Southern African Development Community (SADC), Community of Sahel-Saharan States (CEN-SAD), Economic Community of Central African States (ECCAS), and Arab Maghreb Union (AMU).

¹⁷ Support for Capacity Development of the AUC and Other AU Organs Project Appraisal Document (PAD) Report no 81618-AFR, April 2, 2014.

¹⁸ For example, the EU has a multi-year Pan-African Program for support to the AUC, the RECs and other AU entities. Germany has a large military and security assistance, and funding for other areas. USA supports peace building and development areas including support for the Power Africa Initiative.



emphasizes the need for sustainable strengthening of institutions, including at regional levels.¹⁹ It will continue to follow a learning process of institutional development (e.g., peer-to-peer learning and consensus building) to facilitate collective actions. In the overall context, support under the AF will encourage AUC knowledge sharing of AU programs and reforms with stakeholders, including member States, AU Organs, NEPAD and other AU entities, Permanent Representative Committee (PRC), RECs, private sector, civil society, media, development partners, the African Diaspora and citizens.

13. **Support under the AF will also help promote learning about other Bank supported regional integration initiatives and is expected to facilitate their implementation.** The AfCFTA and the FMP, whose entry into force and subsequent implementation are supported under the AF, are expected to facilitate other regional Bank projects, including the Great Lakes Region Trade Facilitation (P151083, Credit number 5724-ZR), the Southern Africa Trade and Transport Facilitation Project (P120370, Credit number 5248-TZ) and the East Africa Regional Transport and Trade Development Facilitation Project (P131426, Credit number 5363-SS), among others. Furthermore, the FPM, which will greatly facilitate student travel and make movement easier will benefit the African Centers of Excellence Project that aims to deliver quality post-graduate education and build collaborative research capacity in the region, by granting easier access to students across Africa to PhD education in specialized centers across the continent and beyond.

C. Parent Project Background and Performance

14. **The Support for Capacity Development of the AUC and Other AU Organs Project, financed by an IDA Grant in the amount of US\$25 million, was approved by the Bank's Board on May 6, 2014 and became effective on November 5, 2014.** The original PDO is to strengthen AUC's capacity to facilitate economic development results and transformation through enhanced institutional efficiency. The project has two components. Component 1: Strengthening Institutional Capacity aims to improve budget execution, staff capacity, communication and ICT to provide efficient corporate and functional services. Component 2: Facilitating Economic Development Results with Stakeholders aims to promote regional transformation, partnerships and improve policy standards, and the monitoring of AU Agreements.

15. **The project responds to the AUC's priority to enhance its ability to promote collective action for peace, regional integration and economic development and meet the overall transformation agenda outlined by Heads of State.** To date, capacity development is primarily being achieved by enhancing the AUC's internal management and human resources systems, and by supporting results-oriented external partnerships and collective actions designed to enhance the implementation of regional economic development initiatives in priority areas (e.g., regional trade) for the benefit of African Union member states, RECs and African citizens. This assistance complements capacity development support provided by other development partners, such as the European Union (EU), Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), the United States Agency for International Development (USAID) and others.

16. **According to the recent Implementation Status and Results Report (ISR, dated June 29, 2018), the project performance in terms of achievement of the PDO and implementation progress (IP) is rated satisfactory.** Initially, the project faced some start-up challenges related to budget approvals necessary for development partner support to the AUC and the setup of the technical implementation team assigned by the AUC. Considering that this was the first time the AUC received Bank support and the Bank

¹⁹ <http://workgroup.worldbank.org/org/units/AFR/AFTOS/QP/AFTDE/SitePages/Capacity-Building.aspx>.



provided financing to a regional entity, learning occurred on both sides, discussed further below. After overcoming initial difficulties, the project has shown good performance results. The FM and Procurement performance, as well as overall compliance with the financing agreement, are all judged satisfactory.

17. **The project has achieved significant results in enhancing the AUC's institutional efficiency.** The AUC's new organizational structure has been designed and endorsed by the AU, and the HR and procurement division structure is now being realigned. Improvements in FM and procurement functions have contributed to increasing the AUC's budget execution rate from 55 to 74 percent, enhancing compliance with procurement regulations from 60 to 85 percent, and aligning AU financial reporting to international standards (IPSAS), with subsequent publication of AU's audited financial standards²⁰. Staff recruitment time has been reduced from over nine months to 90 days; compliance with human resources recruitment rules and regulations has increased from 50 to 85 percent over the last two years; a code of ethics for AU staff has been developed; and the number of staff grievances has dropped by 80 percent compared to 2014. The AU learning and development website has been launched and several events have been organized to share lessons learned, and about 90 percent of AUC staff have received training offered by the AULA (AUC's training unit). A state-of-the-art AUC data center and a paperless conference management IT system is operational for use in statutory meetings, and resulted in cost savings of about US\$600,000 in the first year of operation. All Heads of State decisions under the OAU and AU from 1963 to date are now accessible online, as is a published report on the ratification of AU agreements by member States.²¹ The number of AU organs (e.g., African Court and AUABC) having strategic plans as per the AU vision and mission, and the Agenda 2063 requirements, has increased from two to four, after planning support was provided by the AUC and close collaboration with AU organs and the PRC.²² The AUC has also designed an innovative partnership framework through a participatory process for the engagement of RECs and other stakeholders for priority regional integration and institutional collaboration projects²³.

18. **Lessons learned to date regarding capacity development support to the AUC.** Since the project has been the first Bank support to AUC, several lessons have been learned both by the Bank and the AUC in the course of its implementation²⁴. In particular:

- **Traction and progress of developing the AUC's capacity has been possible despite its somewhat sprawling and evolving institutional structure, facilitated by ownership, and by leveraging technology, both of which were supported by peer-to-peer learning and knowledge sharing at key implementation steps:**
 - The strategic deployment of technology, including for the use by Heads of State at AU Summits, has had transformational impacts on the regional standing and image of the AUC, and on other IT investments within the institution given their positive demonstration effect.

²⁰ <https://au.int/en/financial-reports-and-financial-statements-african-union-commission>

²¹ <https://au.int/en/treaties>

²² Said strategic plans are pivotal in aligning the work of the various organs to the AU vision and mission, the Agenda 2063 and the AUC strategic priorities, in addition to setting forth the respective organ's expected achievements, and the steps and efforts it will pursue to reach them. Planning and capacity support under the project to AU organs is triggered when a select AU organ submits its request for strategic plan preparation support, as per the AUC and participating organ's procedures. Implementation support under the project is subsequently provided to the AU organ once the plan is adopted as per AU vision and mission and Agenda 2063 and AUC strategic priorities.

²³ This collaboration framework would be deployed in the AF to advance support for the dissemination and popularization of regional economic integration flagships (e.g. AfCFTA, SAATM, FMP) see component 2 for details.

²⁴ The Bank has earlier supported sub-regional bodies through small TFs and IDFs.



- The establishment of the state-of-the-art data center promotes synergy among departments and provides well needed accessibility to data for policy decision making across all sectors of AU engagement and a strong foundation for further scale-up;
- A collaborative approach in project implementation has facilitated ownership and enhanced effectiveness and potential for sustainability;
 - Once the AUC officials engaged the PRC through informed knowledge sharing on the AUC improvement efforts, it enhanced trust and reduced delays in their approvals;
 - A comprehensive change management strategy that creates incentives for behavioral adjustments is necessary to implement reforms that transform the modus operandi of an institution through the use of technology, especially given the complexity of doing so in a multilingual and multiagency organizational structure such as the AUC;
 - For complex institutional tasks, engagement of junior staff in tandem with expert support is beneficial, as demonstrated by the success of the treaty status reporting exercise where AUC engaged young professionals to navigate the complex institutional setting. This exercise helped unbundle the hidden barriers to information collection and reporting;
 - A peer-to-peer learning model whereby AUC officials were paired with Bank staff and staff within the AUC departments, AU Organs and RECs, encouraged information flow and building of mutual understanding and inter-departmental collaboration which has been essential for strong partnerships from within the institution; and
 - Support for capacity development used a flexible model of annual work planning; the inherent flexibility allowed for just-in-time adjustments and avoided rigidities in the context of complex processes and procedures of the AUC.
- **Progress with internal capacity building has demonstrable payoffs in terms of the overall functionality and potential for impact of the AUC and collaboration with development partners.**
- Skills development of both professional and administrative staff is equally important for enhancing institutional efficiency and service delivery standards, especially where a majority staffing pertains to the administrative category;
 - Modernization of the FM and procurement systems not only contributes to internal efficiency, specifically in terms of cost savings and transparency, but also enhances the credibility of the AUC with regards to member States and development partners;
 - Showcasing the results of the client (AUC) permits development partners to coalesce around its achievements and encourage and strengthen collaboration.
- **Project implementation with a regional entity differs in some important respects from national operations and this must be taken into account.**
- Expanded information and dissemination is required in multiple languages on a continuous basis, to manage expectations of senior AUC officials, PRC members to facilitate timely decision making with respect to the project and build consensus.
 - A typical national model of project planning does not squarely apply to the AUC, as it



spans across multiple geographical areas and has to cater to long-distance travel of staff and experts engaged in the project. In view of which better implementation planning requires multiple consultation activities (e.g., for lessons learned, inventory management and procurement);

19. **The project disbursement is currently at US\$18.7 million (83 percent).** The project's undisbursed amount will be used for remaining committed activities, including the preparation of the first AUC scorecard, completion of the feasibility study for the introduction of e-procurement, design and implementation of the SAP budget module for the AUC, and for advancing consultations with stakeholders on workplan development for the regional economic integration priorities outlined for the AF.

D. Rationale for Additional Financing

20. **The recent approval of AU reforms offers a unique opportunity for the AUC to push for deeper regional economic integration, in collaboration with African and other stakeholders, including the WBG and other bilateral and multilateral institutions.** Both the AUC and the WBG consider that greater integration would strengthen the peace-security-development nexus on the continent. In addition, challenges like climate change and pandemics require regional responses. Enhanced collaboration between the AUC and WBG would support the integration process, in that the institutions each bring different, but complementary, strengths. The AUC supports the WBG's twin goals of eradicating extreme poverty by 2030 and promoting shared prosperity, which are fundamental to its own vision of a prosperous and peaceful Africa as outlined in Agenda 2063, and to the United Nations Sustainable Development Goals (UN SDGs). The AUC's leadership and convening power to bring stakeholders together and promote consensus is essential for sustained progress. However, as the AU reforms clearly indicate, the AUC needs to strengthen its capacity to deliver results, lead by example and become more people-oriented. For this purpose, the proposed AF will consolidate the ongoing institutional improvements supported under the current project and significantly expand capacity support efforts that help AUC leverage its convening role and promote collective action around regional economic development priorities, such as AfCFTA, SAATM, and FPM. It will offer timely support to the AUC at this important juncture in the continent's economic transformation.

21. **The proposed AF for Support for Capacity Development of the AUC and Other AU Organs Project is consistent with the World Bank Investment Project Financing (IPF) Policy and Directive,** under which IDA may provide AF for investment lending for (i) the scaling up of the development effectiveness of a project that is performing well; and (ii) address exchange rate differences experienced during implementation. About US\$2 million were reduced from the current project resources due to losses from the exchange between the SDR (currency of commitment) and US\$, partially affecting some partnership, IT and communication support tasks. The progress toward the achievement of the PDO and the IP ratings have remained satisfactory for the past three years of project implementation. In addition, the project has complied with all legal covenants, FM and procurement guidelines stipulated in the IDA Grant Agreement. Project audits have been completed on time and have been found to be satisfactory. The AF will use the World Bank Procurement Regulations for IPF Borrowers (dated July 2016, revised in November 2017); the World Bank's Anti-Corruption Guidelines on "Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006 and revised as of July 1, 2016; and the provisions stipulated in the Legal Agreement. By providing support for the consolidation and expansion of ongoing organizational efficiency and system improvements, and the strengthening of partnerships with RECs for collective actions, the proposed AF will contribute towards enhanced development effectiveness of the project and alignment of all project activities with AU's



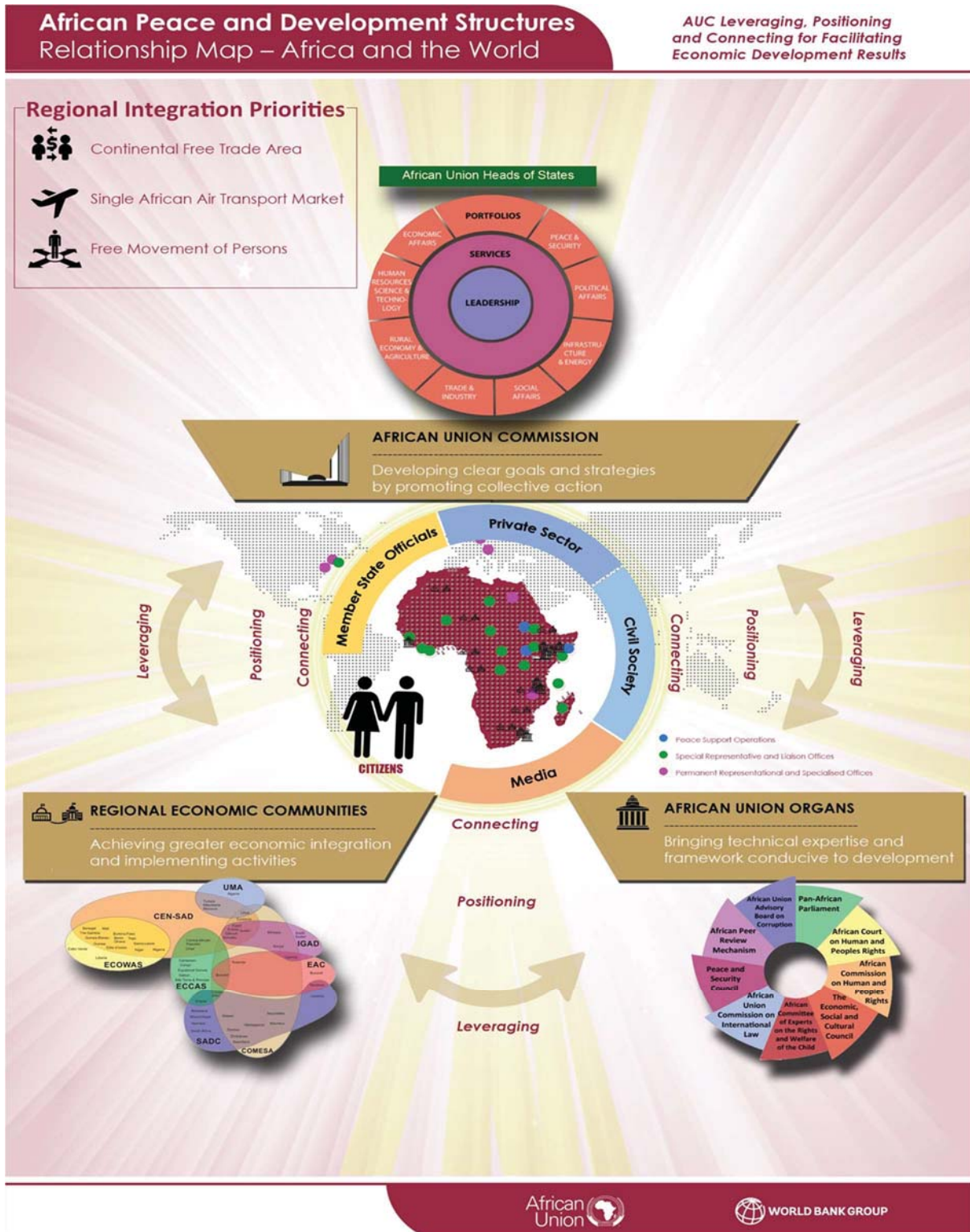
revised priorities.

22. **The AF is fully aligned with the WBG Africa Region’s Regional Integration Strategy, the AU’s institutional reforms adopted in 2017 and the AUC’s MTP (2019-2023)** (see Figure 2 below). Regional integration and regional approaches to development are priorities of both the WBG and the AU/AUC. The recently-revised WBG regional integration strategy for Africa underscores that integration supports growth and prosperity on the continent by helping to improve macroeconomic stability; increase resilience; enhance trade, competitiveness and economic diversification; improve access to services and economic opportunities; deepen financial intermediation and inclusion; and foster cooperation among countries. The strategy adopts a comprehensive approach that also seeks to involve the private sector and promote private investment. Through this approach, it aims to support trade and investment, and improve regional markets in finance, power and skills by complementing investments in physical infrastructure and connectivity with increased focus on “soft” policy and regulatory reforms, trade facilitation and capacity development. It will intensify support for policy coordination and harmonization among African countries to facilitate the effective implementation of regional agreements, and promote innovation to generate new regional approaches and solutions. The WBG strategy is closely aligned with the AfDB’s regional integration strategy, and has been endorsed by both the AU and RECs.

23. **The AF is also fully consistent with the Bank’s corporate and regional partnership approach of engaging client countries and regional stakeholders.** The current project is an integral element of the WBG’s strategic partnership with the AU in support of peace, security and economic development on the continent. This partnership brings WB technical expertise and financial resources together with AU political legitimacy around broadly aligned policies and principles, while WBG lending directly and indirectly furthers AU priorities and flagship programs. Collaboration is across most sectors and covers policy dialogue, analytics, technical assistance (TA) and information exchange. Priorities include adaptation to climate change and disaster risk reduction; universal health coverage including African centers for disease control; climate-smart agriculture and agribusiness; infrastructure and energy; identity, documentation and data management; gender and youth empowerment; trade; and regional integration. Apart from small trust-funded grants for specific activities, the only direct financing provided by the WB to the AUC is through the current Project.



Figure 2: AUC Promoting Collective Action to Facilitate Priority Regional Economic Integration





24. **The AF will continue to complement assistance provided by other development partners and contribute to the AUC's efforts to promote coordination.** The AUC holds regular consultations with development partners on the status of their assistance, through the different partners' working groups,²⁵ and the periodic review of annual work plans. Information sharing with other development partners (e.g. EU, GIZ, USAID) presently carried out under the current project will be continued for the AF to ensure complementarity and continuity, and to help build synergies and strengthen partnerships. Project progress and accomplishments will be shared on a regular basis with development partners in collaboration with the AUC. For example, under the current project, several learning events on financial and procurement modernization have been organized. In addition, field visits to observe the operation of the new AUC data center and network control room have been arranged. Furthermore, video conference knowledge-sharing events on good practices in developing balanced scorecards were also organized in collaboration with development partners and the AUC. Under the AF, efforts will be made to promote collective action on regional economic integration priorities and related capacity building tasks, so that AUC can harness broader stakeholder engagement for the dissemination of recent AU institutional reforms.

II. DESCRIPTION OF ADDITIONAL FINANCING

25. **As part of the proposed AF, the parent project (P126848) will be restructured** to (a) refine the PDO to hone in on the core regional economic integration focus of the project; (b) revise the RF to allow for measuring progress against the revised PDO, updated and new activities (expected project outputs and outcomes on medium and longer run are captured in Annex 3 on Theory of Change); and (c) extend the closing date of the parent project date by two and half years, from December 31, 2018 to June 30, 2021, to allow for successful implementation of the scaled-up and newly introduced project activities.

26. **The revised PDO is to strengthen AUC's capacity to facilitate regional integration results and transformation through enhanced institutional efficiency.** In line with the AU reform and AUC strategic plan requirements, the proposed AF will scale-up the ongoing support as follows:

27. **Component 1: Strengthening Institutional Capacity (US\$7.0 million equivalent AF, SDR 4.9 million).** The aim of this component is to further strengthen and consolidate the systems that underpin the AU reform agenda by providing scale-up support to improve (i) strategic realignment; (ii) planning and management systems; (iii) budget execution and procurement; (iv) ICT; and (v) reinforce staff capacity. Through these various actions, the component will provide efficient functional knowledge, corporate services, and improved accounting and reporting within the AUC, the NEPAD Planning and Coordination Agency and other AU organs, AU Specialized Agencies and Representational Offices, as well as improving

²⁵ With about 40 developed and developing member countries, the AU's Partners Group (AUPG)'s membership has substantially increased over the last decade. The AUC's partnership team regularly organizes consultation meetings with development partner representatives based in Addis Ababa to discuss their support to the AUC's peace building and security, humanitarian, and regional integration programs. The AUC uses several transparency tools for development partner coordination and information sharing, including: (i) the Annual Workplan preparation exercise where development partners participate and share their annual programs and financial pledges; (ii) the publication of an Annual Report of the Chairperson where the status on development partner support is included; and (iii) the publication of audited financial statements. Key donors over the past years include: the EU; Germany; China; the United Kingdom; Denmark; Sweden; Japan; South Korea; Spain; Norway; Turkey; and Canada. Development partners generally use parallel finance modalities to support the AUC and its programs. Other modalities include: joint financing arrangements, in-kind assistance, and budget support. In addition, significant support is provided by AfDB, the United Nations Economic Commission for Africa (UNECA), and other UN agencies and partner institutions. Overall, in 2017 the AUC received about US\$423 million from development partners for the peace and security and other regional programs. (Source: AUC)



AU visibility.

28. **The following scaled-up activities will serve to consolidate capacity in support of the reform agenda:**

29. **(a) Realigning and Enhancing Corporate Governance and Management Systems in line with AU reforms (US\$2.0 million equivalent AF).** This will include (i) **Realignment** support for undertaking institutional coherence reviews to identify areas of operational overlaps and gaps, and to design appropriate institutional reforms. This will be considered as a next step of the bottlenecks assessment called for by the reform recommendations. Under the current project, the initial phase was done for administration and finance functions at the AUC. The AF will support the design and implementation of realignment plans approved by Heads of States for the AUC; and select AU entities including the NEPAD Planning and Coordination Agency.²⁶ (ii) **Corporate and Management Systems.** The AF will also support the consolidation and expansion of key reforms implemented under the parent project within the AUC, and the scaling-up and expansion of some of those improvements including policies, processes and procedures, and tools, to select AU organs and some specialized agencies. Areas to be supported include: strategic planning, FM, and budgeting;²⁷ recruitment and talent management, administration and other corporate services. Support will also include further strengthening systems and procedures for administration of partnerships and resource mobilization through the deployment of the SAP grant management module and standardized reporting. In addition, an e-procurement system for the AUC will be designed and tested. Furthermore, the AUC's procurement system will be assessed so that it could be accepted for implementation of projects financed by the World Bank. This assessment will be carried out in accordance with the procedure and requirements for Alternative Procurement Arrangements as defined under the Bank's New Procurement Framework. Space management and security of personnel and visitors will be further upgraded to meet international standards.²⁸ In addition, document management and historical archives will be digitized by the Knowledge Management Division, AFM Division, the MIS Division and others to meet AU Open Data requirements and to conform to international standards. Finally, the project will support change management, which is essential for the roll out of the AU institutional reforms and for effective and sustainable systems' strengthening.

30. **(b) Improving Operational Efficiency (US\$3.0 million equivalent AF).** (i) **Technology backbone for the AU "Data-for-Development" Initiative.** This will involve continued support to the data center at the AUC headquarters (HQ), as well as SAP expansion to AUC regional offices and other agencies. The HQ data center will be linked to all AU Organs and institutions, complete with a "Mirror" center to be hosted within the NEPAD Planning and Coordination Agency in Midrand, Johannesburg. This IT scale-up will also contribute to harmonizing one AU system, which will enable the launch of the AU Data-for-Development Initiative described in component 2 as a new area of support under the project²⁹. (ii) **Human Resources**

²⁶ As noted, in addition to the AUC, the current project has provided capacity support to two AU entities, namely, the African Court and the AUABC, for the development and roll out of their strategic plans.

²⁷ For example, AUC is considering the design of a new budget framework. This includes potential introduction of more modern budget principles and techniques, such as a top-down approach, a medium-term framework, focus on results and budget transparency, which will help AU transition to a multi-year budget and eventually achieve results/program-based budgeting.

²⁸ Review of the use of office space, archive storage, and security and logistical needs is underway to determine next steps.

²⁹ As per the AU Open data policy, the HQ and Mirror centers will house data and information generated across the AUC and AU organs, such as regional trade, macroeconomic, infrastructure, peace and security, human rights, governance, gender, health and social statistics. It will also support the systematization and digitization of data and documents, and consolidate information that is currently fragmented and disbursed across about 100 separate data sources, applications and systems. It will include a cyber-security component to ensure data safety.



and Leadership Development. This will involve the re-evaluation of the size, competencies and capabilities of AU human resources to fulfill quotas for women and youth in professional categories (P grades)³⁰, and support for continuous improvement, peer-to-peer learning, and skills training, to be monitored on a gender and age breakdown basis. A specific emphasis will also be put on developing an AU way for staff leadership development, taking into consideration a forward-thinking approach built from an 'inside out' and an 'outside in' perspective³¹. The AF will also serve to upgrade the level and the expertise of the recruitment unit team to become a credible partner in acquiring talent, and to support talent development more effectively.

31. **(c) Enhancing Information and Communication Channels (US\$2.0 million equivalent AF).** The AU needs to improve its visibility. Indeed, the Afrobarometer reports that only 15 percent of the African people have any knowledge of the role played by the AU in the region. For that reason, the AU Reform called for a move towards a people-centered AU. In this context, this subcomponent will aim to support the design, development and operationalization of an integrated communications platform focused on "change" and "integration" for dissemination of real time information on AU activities, outcomes and challenges. The platform would target citizens (especially youth), member States' governments, media (including African State broadcasters), youth and women organizations, NGOs, media, private sector, government officials, African diaspora and global opinion formers. It will be supported through various channels, including the leveraging of messaging to mobile phones,³² social media and other modern communication methods (podcasts, radio, TV, webcasts). This would include undertaking user/stakeholder satisfaction online surveys aimed at obtaining evidence-based data to inform institutional reform and process improvement initiatives. This support will also include a major upgrade to the AU's web-portal and adoption of tools that can enable greater direct feedback from citizens about what matters most to them, and how they may have benefitted from AU's peace and economic development and integration efforts. This effort will also involve capacity support for internal communication tools and skills building within AUC, AU other Organs and the NEPAD Planning and Coordination Agency in a manner that will enhance communication and exchange of data. It will also involve external skills building³³ on corporate communications roles and responsibilities, production and distribution of information materials, and the design and delivery of media briefings. It will also support activities of the Chairperson through dissemination of news and articles on progress attained on the regional integration and reform implementation as well as efforts from the NEPAD Planning and

³⁰ Presently, about 2300 staff work for the African Union Commission, of which 30 percent are women, and 15 percent are less than 35 years of age.

³¹ The AU has developed and approved a three-year learning and development strategy and a plan of action that would be rolled out as part of the transformation of the organization skills, competencies and leadership behavior. While leadership development is an important component of the new AU learning strategy, technical competencies also need to be upgraded through learning ('inside out') but also targeted talent acquisition ('outside in') strategy.

³² 93 percent of Africans have access to mobile telephony.

³³ Communication capacity building needs have been recently prioritized through the staff retreat in Johannesburg and management consultations. These include the need to build a common approach so that the AU can speak with one voice. There is a need to articulate the current situation and a path forward to demonstrate success, whereby AU is perceived to have a brand that is people-centered. The approach needs to be founded on solid analytical basis, clear coordination pathways with milestones, and having strategic messages with content and innovative features such as digital footprint. Communication functions need strengthening at the level of strategic leadership (e.g. political mandate, core message, current affairs dynamics, and policy and protocol announcements), research and evaluation (e.g. international benchmarking, baseline surveys and technical expert opinions), message content development (e.g. creative content development, production, and events organization), stakeholder engagement (mapping of stakeholders, relationships management, institutional agenda planning), and administrative support (policy repository, supplier management, contracting and budget management) areas.



Coordination Agency and other organs and pertinent specialized agencies in disseminating AU's development efforts' results and achievements. This project element is closely linked to the AU Data-for-Development and accompanying data center, which will be the primary repository of AU information³⁴.

32. **Overall, Component 1 will provide funds for scale-up of TA, consultancy services, training, including peer-learning, outreach and dissemination materials**, as well as for ICT equipment and systems, cybersecurity and software applications for e-procurement, e-learning, FM modernization, related office refurbishing, and the AUC data and mirror center to support the AU Data-for-development initiative promoted under Component 2. This Component will also fund dissemination and communication programs to improve internal communication, change management and AUC's external visibility.

Box 1: Governance Challenges of Treaty Ratification and AUC's Capacity Building Needs

Context and Challenges: Since the establishment of the OAU in 1963, 60 AU legal instruments have been adopted to date. It is important to note, however, that such legal instruments are at different stages of ratification and implementation. For instance, the Treaty Establishing the African Economic Community (Abuja Treaty), which was adopted on June 3, 1991, came into force on May 12, 1994 – i.e. , three years later. Similarly, the African Youth Charter that was adopted in June 2, 2006 entered into force on August 8, 2009. In contrast, neither the African Maritime Transport Charter adopted in 2010, nor the Protocol on the Establishment on the African Monetary Fund adopted in 2014, have yet entered into force due to the lack of a quorum of Member States' individual ratification.

According to the latest analysis carried out by the AUC, less than half of the Heads of State decisions adopted at AU Summits have been implemented to date. This is largely due to factors including insufficient budget resources, lack of political will, and a slow ratification process of AU legal instruments (e.g. Treaties, Charters, Protocols). Said ratification processes start with the signature of an instrument by Member States, and ends once the quorum of Member States that have domestically ratified the instrument³⁵ is met. Therefore, a lack of quorum of Member States' individual ratification delays the formal ratification of AU's legal instruments at the regional level, and impedes the timely entry into force and subsequent implementation of AU legal instruments.

In view of these governance and institutional difficulties, the Continent's regional economic integration effort has been much slower than anticipated. Assessments have shown that on average, 6.5 years elapse between the signature of AU legal instruments and their entry into force. Nevertheless, where the decisions were not controversial, such as the African Youth Charter, the timeframe was shorter (about 3.9 years). In instances where the political will and/or the urgency were high, for example the Protocol relating to the Establishment of the Peace and Security Council of the African Union, the process has proved to be even shorter (about 1.5 years).

Capacity Support. The project is currently providing support to the AUC, which the AF will significantly scale-up, in addressing these ratification and implementation challenges through two main avenues:

First, the project aims to improve reporting on AU legal instruments by improving the database and disseminating status reports online. The AUC's Office of the Legal Counsel, in collaboration with the

³⁴ The AUC will leverage Cloud technology to rationalize inhouse investments costs, expand data opportunities and better manage sustainability risks.

³⁵ Typically, each legal instrument sets forth the requirements for its entry into force. For instance, Article 23 of the Agreement on the African Continental Free Trade Area provides that it "shall enter into force thirty [30] days after the deposit of the twenty second [22nd] instrument of ratification" by Member States.



various portfolio departments, the Office of the Secretary General, the Conference Services Department, the Department of Information and Communication, and the Department of Administration and its Unit of IT and Management Information System, has prepared treaty ratification status reports and developed a comprehensive database for public information and sharing with Member States. The reports are also being disseminated through the AU's website to show which countries have completed all their ratification formalities (signature, ratification and deposit of legal instruments) and which ones are lagging (see <https://au.int/en/treaties>). The current project, in collaboration with the RECs, is also supporting the development of an AUC scorecard to better document and subsequently disseminate the performance of its flagship projects as outlined in the AU Agenda 2063, its First 10-year implementation plan and corresponding MTP. The AUC's capacity to monitor and report will be further strengthened under the AF by pursuing the upgrade of online systems and the development of additional AUC scorecards.

Second, capacity support is being provided to identify both the governance and technical reasons for the lack of implementation of AU legal instruments and adequately equip the AUC to facilitate the work of member States in addressing these problems. These include "the lack of political will, lack of the necessary bureaucratic coordination, as well as issues of technical capacity such as difficulties in drafting the legal conditions for implementation and trained personnel capable of resolving ratification issues are barriers that prevent or delay the ratification process of legal texts." (see concept note, "the Challenges of ratification and implementation of treaties in Africa", 2015, 4th Forum of the AUIL). Furthermore, issues problems and delays in the operation of parliamentary committees in Member States are additional hurdles that prevent ratification, and delay the implementation of treaties that have entered into force.

The way forward. AUC has carried out pilot consultation workshops and coordination meetings with the PRC, RECs, PAP and other stakeholders to outline a capacity building framework. It has engaged legal associates and other experts to help draft model documents and undertake training of member state officials on good practices so that technical deficiencies could be addressed. This area of capacity and advocacy support will be expanded under the AF in collaboration with RECs, PAP, and Member States with increased emphasis on the recent AU reform priorities, namely AfCFTA, SAATM, and Free Movement of Persons (AU Passport and ID systems). Capacity support will include assistance for AUC facilitated ministerial committee set up for addressing the challenges of ratification/accession and implementation of OAU/AU treaties. Efforts will also be made to share experiences of other international organizations on the ratification of treaties. The AUC through the AULA will also develop hands on training courses to mainstream this skills-building and expand coverage to parliaments and Member States' officials engaged in treaty drafting on the continent, including for the revisions to the Constitution of the African Civil Aviation Commission (AFCAC), and key actors in the effective implementation of the SAATM.

Source: AUC, AUC's Concept Note: The Challenges of ratification and implementation of treaties in Africa" 4th Forum of the Africa Union on International Law and Africa Union Law 19-20 October 2015 Cairo, Egypt and current project files.

33. **Component 2: Facilitating Regional Integration Results with Stakeholders (US\$8.0 million equivalent AF, SDR 5.6 million).** On a pilot basis, this component aims to leverage the AUC's unique convening role and to support results-oriented external partnerships and collective actions designed to



enhance the implementation of key regional economic development initiatives³⁶. This would be largely achieved by “leveraging” the AUC’s convening role to advance priority economic integration programs through consensus building, policy harmonization, and advocacy in collaboration with RECs and other stakeholders; “positioning” of the AU globally for the voice and agency, through partnerships and representation in multinational institutions and global fora and diaspora engagement; and “connecting” the AU to its citizens especially women, youth as well as to civil society more broadly.

34. The following scaled-up activities will be supported under Component 2:

35. (a) Leveraging the AUC’s unique convening role to facilitate collective action and promote priority regional economic integration (US\$4.0 million equivalent AF). The AU Reform recommendations called for focusing on fewer priority areas including regional integration. Subsequently, in January 2018, Heads of States identified three regional priority programs that are cornerstones of regional integration, namely the AfCFTA; the SAATM; and the Protocol on FMP. These are to be implemented with the active involvement of AU Champions,³⁷ and a strong partnership with the RECs by deploying the AUC-RECs Institutional Partnership Framework³⁸. As noted, the parent project has helped the AUC develop the participation framework. Although the RECs have long been seen as the building blocks for continental integration, both the AU and the RECs depend on national level action to move the integration agenda forward. According to the AUC, less than half of regional integration decisions adopted by heads of state are subsequently implemented. Reasons for this include (i) complex and overlapping roles and responsibilities of RECs and AU Organs, (ii) weak policy and institutional coherence and technical quality, (iii) lack of clarity on funding and implementation arrangements and (iv) variable political commitment and variation in interests. For helping to address especially these bottlenecks, the project would support activities to (i) deepen the understanding of the strategic importance of integration among a wide range of stakeholders; (ii) advance and monitor key integration priorities³⁹; (iii) enhance and harmonize key functions across AU and RECs; (iv) enhance regional value chains; and (v) deepen and improve the functioning of regional markets. As noted, the current project has helped the AUC develop the participation framework.

³⁶ As per the AUC mandate, the main actions to facilitate regional integration results would include collective actions for policy definition, advocacy and sensitization assistance, signing and treaty ratification capacity support, and stakeholder outreach for creating an enabling environment for endorsing and adopting regional priority programs (e.g. AfCFTA, SAATM and FMP).

³⁷ AU Champions: (i) H.E. Issoufou Mahamadou of Niger, President of the Republic of Niger is the African Union Champion for the African Continental Free Trade Area (AfCFTA); and (ii) H.E. Faure Essozimna Gnassingbé Eyadéma, President of Togo is the Champion of the Single African Air Transport Market (SAATM). <https://au.int/en/pressreleases/20180129/africa-opens-its-skies-au-gathers-leaders-summit> <https://au.int/en/pressreleases/20180320/afrochampions-initiative-will-work-side-side-african-union-promote-african>

³⁸ Based on extensive consultations with AUC and RECs, a comprehensive collaboration framework has been elaborated to provide guidelines for effective partnerships at various levels of project design and implementation. It has five levels of collaboration: (1) defining aspirations; (2) strategic planning; (3) implementation planning; (4) enablers; and (5) ways of working for joint promotion of results. Several distinct elements ranging from agreeing on shared ambition and priorities to enabling an organizational culture among all stakeholders are identified to create a flexible framework that can be applied differently based on specific needs, whether from a selective (e.g. focus on an individual element that would be relevant to a specific project) or holistic approach (apply the tools sequentially for all the different elements).

³⁹ This would include, in collaboration with the UNECA (who periodically issues a regional integration index for Africa) and the RECs, a benchmarking assessment of the status of regional integration across a few select dimensions. The data and information provided would be updated into the AU Data Initiative and used for the periodic AU-RECs Balance Scorecard exercise presently under development by the AUC through the current project. The assessment would result in an integrated report outlining challenges and recommendations, and could also serve as a policy advisory instrument, and a planning tool at a national, regional and continental level.



36. Specifically, the AF would encourage the AUC to develop and disseminate evidence of the social and economic benefits of the AU's priority regional economic integration programs in member States. For instance, the AF will support the scope expansion of the 2014 InterVISTAS study⁴⁰, which documented the economic benefits of SAATM, in order to bring forward up-to-date evidence of the benefits of SAATM and use the study as a strong advocacy and dissemination tool for the benefit of member States. This approach will also promote greater involvement of the private sector, civil society and other stakeholders, in collaboration with the RECs:

- **AfCFTA (US\$2.0 million equivalent AF):** After the necessary phase 1 negotiations on the basic agreement and the Protocol on Trade in Services, the AfCFTA was signed in an extraordinary Heads of States Summit in Kigali on 21 March 2018. The next step is for member states to ratify the Protocol so that it can enter into force. Phase II negotiations will focus on the Protocol for trade in goods as well as standards for good economic governance. Capacity building to facilitate the delivery of AfCFTA includes: support through TA and training to enable ratification, in particular through capacity building of negotiators, consultations with member governments and parliaments, etc. The AUC further needs to champion capacity building that will assist member States in conducting nationwide sensitization to promote ownership by African citizens.⁴¹ Capacity building is also needed to support Member States to develop tariff liberalization schedules and schedules for commitments related to trade in services. See Box 2 below for details.
- **SAATM (US\$1.0 million equivalent AF):** In January 2018, Heads of States established the Single African Air Transport Market (namely 'African open skies') and endorsed its launch. The Decision also affirmed the commitment of 23 African countries to the implementation of the Yamoussoukro Decision towards the establishment of the SAATM, which will entail the abolition of provisions in existing Bilateral Air Services Agreements that are contrary to the provisions of the Yamoussoukro decision. The Decision also approved the appointment of regional champions for SAATM to enable greater buy-in and easier domestication of the instrument. Capacity building will enable AUC and the regional champions to increase the number of countries that are members of SAATM through advocacy. Support will also be provided to update the 2014 IntraVISTAS study on the Africa Air Transport Market by expanding its scope to cover all member states that have signed SAATM. Thereby, it will contribute to advocating the economic benefits of SAATM to member States, as stated above, and to inform decision making at the AUC and RECs level with respect to the air transport sector major value added for the economic development of Africa⁴².

⁴⁰ See InterVISTAS, *Transforming Intra-African Air Connectivity: The Economic Benefits of Implementing the Yamoussoukro Decision*, 2014, available at http://www.iata.org/whatwedo/Documents/economics/InterVISTAS_AfricaLiberalisation_FinalReport_July2014.pdf

⁴¹ For example, the AfCFTA is estimated to boost intra-African trade by about 53 per cent and generate important profits for member States and regional entities. This economic benefit and other positive impacts on jobs, and services need dissemination.

⁴² The African air transport industry is currently not effectively contributing to either the job market or tourism and economic growth. Such difficulties could be addressed through better policy frameworks both regionally and domestically, adequate safety and security standards, enhanced market connectivity to raise productivity and encourage investment and innovation, and improved attention to air-transport related fees for a more affordable air transport in Africa. In that regard, the fees, charges and taxes related to a single air transport operation can sometimes constitute over 50 percent of the ticket price. In addition, the accident rate is 12.9 per million departures compared to a world average of 2.8 (ICAO Safety Report 2016). For more details, see also See Challenges and Opportunities in West Africa Aviation Market presentation, IFC, 2013 and the Concept Note on Air Transport Policy Reforms West Africa (P161128), The World Bank.



- **FMP (US\$1.0 million equivalent AF):** The Protocol to the Treaty establishing the African Economic Community relating to the Free Movement of Persons, Rights of Residence and Right of Establishment and its Implementation Roadmap were adopted by Heads of States in January 2018 as legal texts, and were signed by 27 Member States in an Extraordinary Summit in Kigali in March 2018. It will enter into force upon ratification by 15 Member States. The Protocol gives a formal framework to reflect a reality on the Continent according to which more countries are opening their borders to Africans through either no-visa or visa-on-arrival systems as indicated by the AfDB's Visa Openness Index.⁴³ Capacity building under the Project would provide support to the AUC to better manage the signature and ratification by Member States of the Protocol on the Free Movement of Persons and raise awareness on the benefits of the FMP through advocacy. In addition, considering that the full implementation of the FMP is dependent upon the operationalization of the African Passport for a visa-free Africa, capacity support will be provided to the AUC for the online dissemination of technical options and good practices of streamlined identity and civil registration systems in Member States and the modernization of ID technologies that are needed to increase the number of persons with government issued proof of identity.⁴⁴

37. **Illustrative activities would include the organization of hands-on training of AUC staff and other key stakeholders that are needed to promote regional integration along the lines mentioned above,** as well as on strategic and governance issues affecting integration, including carrying out of studies, support to AUC for facilitating the ratification of AfCFTA and FMP in member states (see Annex 2 for key approval milestones and Box 1 above for capacity building needs of the AUC) and research on how to address specific constraints.

Box 2 - The African Continental Free Trade Area (AfCFTA)

Context

The Framework Agreement establishing the African Continental Free Trade Area (AfCFTA) was signed by 44 countries out of 55 during an exceptional summit of the African Union (AU) held in Kigali, Rwanda, on March 21st, 2018. This decisive moment marked the conclusion of the first phase of the AfCFTA negotiations which were launched by the AU Heads of State and Government in June 2015. The AfCFTA Agreement is the first step towards an effective continental free trade arrangement and will serve as a general framework for the AfCFTA. Indeed, the first phase of negotiations of the AfCFTA led to the adoption of the following three protocols, along with the Agreement itself: (i) *Protocol on Trade in Goods*, whose key features include the elimination of duties and quantitative restrictions on imports, the elimination of non-tariff barriers, trade remedies, non-discrimination against import provision and TA capacity-building and cooperation, among others; (ii) *Protocol on Trade in Services*, which defines the regime for trade in services and includes the following key features: the transparency of service regulations, the mutual recognition of standards, licensing and certification of services suppliers, the progressive liberalization of services sectors and a non-discrimination against foreign service suppliers provision, among others; and (iii) *Protocol on Rules and Procedures for Settlement of Disputes*, which sets out the procedures for the settlement of disputes that may arise out of the implementation of the

⁴³ AfDB. Africa Visa Openness Report (2017)

https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/2017_Africa_Visa_Openness_Report_-_Final.pdf

⁴⁴ Roughly 40 percent of SSA lack's official proof of identification. With a few exceptions, African countries lack adequate legal frameworks to support and regulate modern official identification systems. For details see Identification for Development IDA 18 (FY18-20) Africa Business Plan, World Bank. <http://pubdocs.worldbank.org/en/447811520525042276/ID4D-Africa-Business-Plan-Web.pdf>



Agreement. The second phase of negotiations, will cover investment, competition and intellectual property rights.

The adoption of the Agreement marked a pivotal milestone for regional economic integration in Africa, and reflects the work achieved by the AUC in advocating for deeper trade integration and cooperation to member States, in collaboration with RECs.

The AfCFTA will cover a market of 1.2 billion people and a GDP of \$2.5 trillion across all 55 member States of the AU. Once ratified by member States and entered into force, the AfCFTA will be the world's largest free trade area. It will cover a highly dynamic market, with the population of Africa projected to reach 2.5 billion by 2025, at which point it will comprise an estimated 26 percent of the world's working age population.

Benefits and Opportunities

The AfCFTA is expected to bring about numerous economic and social benefits, including the removal of tariffs and non-tariff barriers to the trade of goods and services, the expansion of Africa's market thereby driving more diversified trade operations and support poverty reduction, foster private sector investment, accelerate industrial development and ultimately reduce Africa's reliance on external resources.

African trade actors will no longer have to pay tariffs on a wide variety of goods when the Agreement enters into force. The Agreement requires members to remove tariffs on 90 percent of products. However, member States have not yet specifically identified the goods concerned by the removal of tariffs. Further, trade in select sensitive sectors is expected to be liberalized over a longer period, and other goods are likely to remain excluded from liberalization.

Non-tariff barriers (NTBs) such as "red tape" are deemed to be a bigger obstacle to trade than tariffs themselves. UNECA, the AU, and ADB (2017) estimate that the agreement has the potential to increase intra-African trade by 52.3 percent by 2022 by eliminating import duties which average 6.1 percent, and to more than double trade if non-tariff barriers are also reduced. Non-tariff barriers, including customs clearance times, poor logistics and the variation of standards and licenses across Africa¹, will be removed through specific mechanisms.

Intra-African trade will drive sustainable growth and jobs by diversifying and expanding Africa's trade. The AfCFTA holds potential to diversify Africa's export base and pivot it away from volatile primary commodities, such as oil and gas, which will help reduce vulnerability to prices fluctuations and encourage a shift towards a more inclusive, labor-intensive trade. As a result, the AfCFTA is forecast to boost the job market in the continent, specifically benefiting Africa's youth and female population by further investing in manufactures, and industrial and agricultural activities which are relatively more labor intensive than extractive activities, and by moving away from informality. Therefore, a successful AfCFTA could be a stimulator of economies of scale, given the small size of many of the continents' markets, and could support the development of regional value chains by reducing trade costs and facilitating investment.

Next Steps and the AUC's Capacity Needs

Regional integration will boost Africa's potential as significant barriers to goods and services persist. The AfCFTA could open the way for further integration in Africa, but its success will depend on how



pending provisions shape up and the quality of its implementation of the first phase is facilitated by the AUC, among other factors. *A second phase of negotiations is expected to begin later this year and will focus on investment, competition and intellectual property rights, with a potential for deepening the AfCFTA.* Yet, the capacity of the AUC to facilitate the process and promote collective action needs strengthening. The role of other stakeholders (beyond government officials) in the process, especially the private sector, is therefore important to develop a constituency that will help identify priorities and push for implementation.

It would be important to seize the momentum and support the AUC exercise its unique collective action role and promote regional integration through these measures:

- (i) support training of AUC, RECs, member states' officials and stakeholders on the policy and technical features of the AfCFTA to facilitate policy development;
- (ii) carryout advocacy in member states so that ratification can be expedited and the agreement can be entered into force in the near future; and
- (iii) conduct studies that help identify no-tariff barriers and measures to overcome these obstacles to inform the second phase negotiations of the AfCFTA.

38. **(b) Positioning the AU globally for voice and agency, through partnerships, and representation in multilateral institutions and global fora (US\$1.0 million equivalent AF).** The Decision of the Assembly of Heads of State and Government of January 2017 adopting the AU Reform agenda indicated that the AU will focus its scope on four key thematic areas including Africa's global voice and representation. What constitutes Africa's Voice and Global Representation will be adopted during the Summit of July 2018 in Nouakchott in the form of a strategy, and will continue to evolve as world affairs change over time. At a minimum, the strategy will include three essential elements: **(i)** Strengthening partnership guidelines: Currently the AU is developing a strategy for international strategic partnerships with major world blocs, which would become a component of the overall strategy for Africa's Voice and Global Representation. Skills development within the AU is essential for successful implementation of the strategy and will form part of this capacity building plan. This will also involve the development of resource mobilization guidelines, and grant management standard of AUC, NEPAD, and other organs, and harmonizing them with the partnership management principles, while strengthening respect for the Busan aid effectiveness principles; **(ii)** Strengthening select AU representational missions around the world to enable them to perform their full range of duties. This includes skills development for officials and personnel filling key positions; deploying technology to strengthening communication between AUC and reporting functions, its organs and representational offices; strengthening communication and collaboration between representational offices of AU and RECs; and **(iii)** Strengthening Africa's voice through piloting of diaspora engagement. Under Citizen and Diaspora Directorate of the AUC (CIDO), the AU has developed a diaspora engagement kit, which describes how the AU can benefit from diaspora volunteerism and how the organization can benefit African diaspora. Capacity building will enable the piloting of the engagement kit with the objective of empowering diaspora to represent the Continent abroad and to support/volunteer for AU activities.

39. **Illustrative capacity building activities will include** the support for strategy and policy development; training and skills enhancement; deploying communication technology with select representational offices and diaspora networks; and conducting consensus building activities to achieve the stated objectives.

40. **(c) Connecting the African Union to its citizens, especially women, youth and civil society**



(US\$1.5 million equivalent AF).

41. **(c.1) Piloting of Voice, Agency and Leadership Development on Governance and Regional Integration (US\$1.0 million equivalent AF).** Actions that strengthen current and future AU leadership and work methods are considered a key priority for AU transformation. This would involve initial support to the AUC's Learning and Development Teams as well as the African Union Leadership Academy to organize side events and training courses in collaboration with AUC departments, AU organs, and partner institutions. Illustrative topics include raising awareness on corruption, anti-corruption and integrity initiatives in collaboration with the AU Advisory Board on Corruption (AUBC); Good Governance Standards, in collaboration with the others international organizations specialized on governance; the Gender Gap in Trade-in-Services, in collaboration with relevant AU departments and Organs; Good Technological Practices in Telemedicine, in collaboration with Africa CDC; and Legal Impediments (both African and International) to Regional Integration, in collaboration with the AU Council on International Law (AUCIL) and the African Court.

42. **Given the focus on youth in Agenda 2063 and the AU Reform Agenda, multiple measures could be implemented to support both female and male youth leaders.**⁴⁵ Illustrative options include the expansion of the AU Young Professional Associates Program by the NEPAD Planning and Coordination Agency to various technical areas (e.g. online communication); an AUC-RECs led, internationally certified, Africa Regional Integration Development Course (e.g. ARID101) delivered by AULA through a distance learning program via an online or MOOC format platform, and the introduction of a Model AU program for African youth and diaspora, similar to the Model UN. In addition to targeted leadership development efforts, mass impact courses would also be promoted through the AUC's Learning and Development Division and AULA's e-learning platform. These courses will be modeled on, and if possible in partnership with, the world renowned Khanacademy⁴⁶ educational program, the World Bank Open Learning Campus (WB-OLC); and the Organization of American States (OAS)-*Tec-de-Monterey*-Inter-American Development Bank (IADB) led Municipal Leadership Financial Accountability Program, and other good practice public and private entities.

43. **(c.2) Designing and Testing of the AU Data-for-Development Initiative: Innovation and Civil Society (US\$0.5 million equivalent AF).** Traditionally, the AU has been a paper-based, silo-culture institution. It is gradually evolving towards a digital-based institution as noted in the results section of the project paper (paragraph 17) and under component 1 (paragraph 29). In order to harness the advantages of the global data revolution for the benefit of African citizens, the AUC plans to launch the AU Data-for-Development initiative targeted at civil society, especially youth, the media, and development professionals⁴⁷. The design and launch of an open data initiative would help the AUC promote its programs and contribute to development efforts. Illustrative AF activities would include initial assistance for the design and implementation of an AU open data policy, showcase of innovations, and encourage cross-fertilization of ideas within the AUC and consolidation of data within the institutions. The AU open data

⁴⁵ Current youth population in Africa stands at about 65 percent (about [600] million).

⁴⁶ <https://www.khanacademy.org/>. Several million receive distance education courses at little or no cost. Launch of a similar initiative via smart phones, in main AU languages (English, French, Arabic and Portuguese) can have a major transformational impact on the continent.

⁴⁷ The way data is collected, analyzed and used for information to citizens and development practitioners is changing. Increasingly, policy makers are using data generated online (that is mobile phones, satellites, remote sensors, social media etc.), in combination with traditional survey and administrative data – whether FM/procurement, civil service, or eServices – for better decision making. New technologies are increasing citizens' access to information, and data-driven innovation is changing work methods and creating opportunities, while at the same time disrupting traditional models of development.



could help promote AU's DotAfrica.com initiative, inform the AU e-learning programs and enable development partners to share data for the benefit of Africa⁴⁸.

44. **(d) Support to AUC in the Improvement of Monitoring and Evaluation (US\$1.0 million equivalent AF).** A recent review indicates that development of the AUC's M&E capacity is nascent. In view of this, the AF scale-up support will focus on two overarching actions: **(i)** improving and consolidating core systems supported by the current project thus far to ensure that the progress made is sustained and become entrenched; and **(ii)** moving beyond core systems to strengthen interfaces and impact areas for actual results monitoring in the three above noted priority areas under component 2.b. Illustrative support will systematically review existing M&E arrangements at the AU, assess gaps and develop an AUC and NEPAD Planning and Coordination Agency-wide medium term M&E capacity development plan, including the monitoring of the recently launched sustainable financing initiative, whereby an import levy of 0.2 percent has been approved to fund the AU. The skills building work will be carried out in collaboration with specialized agencies and M&E units in development partner entities (e.g. the Independent Evaluation Group (IEG) of the WBG, AfDB and IADB).

45. **(e) Support for Project Management, Coordination and Implementation (US\$0.5 million equivalent AF).** The project continues to provide implementation, learning, coordination, FM, procurement, audit and dissemination support. The Annual Work Plans (AWP) will continue to serve as the basis for ongoing project M&E, lessons learning exercises and adjustments.

46. **Overall, Component 2 will provide funds for the piloting of innovative capacity development tasks that help utilize the AUC's evolving capacity to facilitate regional economic integration with stakeholders.** This component will also provide experts, consultants, training, logistics and workshop support. It will also offer support for project management and coordination, as per Bank procurement, disbursement, FM and operational reporting requirements and procedures.

III. KEY RISKS

47. **The overall risk rating for the AF is considered substantial, as for the parent project, on account of the following factors (all rated substantial):**

- **Political and Governance:** Although AU institutional reforms have been approved with high political support, there are several governance and political economy challenges that need to be addressed during implementation by the AUC. For example, AU entities are based in several member states and would need to be reorganized and reformed to meet new AU priorities. Depending upon their local member state contexts, expanded dialogue would be needed between member states and the AUC to successfully advance the planned changes so that they are well understood and not resisted. Support to the AUC for the expanded consultation with stakeholders and support for appropriate change management programs will help to mitigate these risks. Expanded engagement with AU champions, i.e., Heads of State that have been assigned special roles to facilitate AU reforms, would be encouraged. The periodic presentation of progress reports by the AUC to the AU summit and the RIU would help inform the reform process and enable decision making with respect to reforms.
- **Sector Strategies and Policies:** The AUC seeks to upgrade its capacity to leverage its unique collective action role to push regional integration programs such as AfCFTA, SAATM, and FMP. Many

⁴⁸ For example, it will help GIZ supported AU civil society lab project which consolidates NGO data for policy decision making, among other objectives.



stakeholders, including internal AUC staff and external stakeholders, such as public officials, media, and civil society, are not fully aware of the benefits and requirements of these programs, which could slow down implementation. To mitigate such risks, the project will support expanded dissemination and awareness raising to inform all stakeholders about these initiatives, the rationale for them, and the expected benefits, in particular for job creation. The AUC will also help member states in the ratification process and encourage local parliaments to advance requisite legislations to help fulfil policy reforms.

- **Technical Design of the Project:** AUC is well underway to improving its financial and procurement management systems, including IT systems. Several technical assessments have been carried out, but additional assessments and strategic reviews are needed to consolidate and roll out these reforms in terms of scope, depth, and coverage. For example, for full IPSAS implementation, specialized technical assessments would be needed to expand the AUC data center to assist launch AU Open Data and introduce e-procurement. To mitigate the risk pertaining to the technical design, the project will provide specialized assistance to the AUC to navigate these complex areas and help advance these important institutional reforms. Furthermore, optimal use of existing IT solutions for improved sustainability requires expanded use of SAP, cloud technologies as well as increased attention to staff development. Accordingly, the AF will support the preparation of a comprehensive sustainability strategy for the operation, maintenance and renewal of IT infrastructure, including the related budget allocations. This is also part of the budget reform process that the AUC is advancing, including through a multi-year budgeting system, and the securing of the basic operation functions. Budget provision for IT maintenance over the last few years has already improved, and the IT function is being upgraded to a Division Level, with a Division Head and technical staffing. Regarding the prioritized economic integration activities, support for the drafting of legal instruments would also be provided to the AUC.
- **Institutional Capacity for Implementation and Sustainability:** Although the AUC leadership has assigned dedicated experts to plan and implement capacity building efforts, the scale-up would put increased pressure on these teams. To mitigate this risk, efforts will be made to continue peer-to-peer learning to enhance their capability, and the AUC has committed that additional experts will be added to shoulder responsibilities related to the expanded and new tasks to be supported by the proposed AF. In addition, this risk will be mitigated by closely reviewing annual work plans and keeping them manageable and making adjustments as appropriate.
- **Stakeholders:** AUC must bring together its stakeholders—both internal (such as AUC staff) and external (such as the PRC, the RECs, the member state officials and the development partners representatives)—to implement AU reforms for institutional improvements. These stakeholders have particular interests and expectations with respect to the AU reform process. To mitigate this risk, the project will support the mapping of stakeholders' expectations to better deploy change management programs. Dedicated communications efforts, as well as the introduction of incentives such as training offerings and the reward and recognition of successful or collaborative teams would help address these risks. The ultimate stakeholders for AU reforms are African citizens, so expanded AUC outreach and communications capabilities that leverage radio and social media would be promoted to manage risks by sensitizing the public to demand and appreciate the reforms and their positive impacts.

IV. APPRAISAL SUMMARY

A. Economic and Financial (if applicable) Analysis



48. **The project has undergone an economic analysis using the least-cost approach needed for public financing.** This method matches the project's regional integration approach, institutional development and capacity building focus, the need for public sector financing and the value-added of Bank support. The key question is whether the combination of activities selected to achieve the PDO is likely to represent the least cost solution. Concurrently, as AUC is the pre-eminent continental institution covering economic development, citizen participation and peacekeeping and security, it is the only institutional choice. The least cost approach has been considered in terms of (i) alternative solutions, (ii) efficiency gains, (iii) programmatic gains, (iv) leveraging and (v) proof of absorptive capacity. The AUC, being the Secretariat of the AU and the manager of its programs, receives financial contributions from the member states, as well as the development partners for its institutional, administrative, development and peace building programs and operations. At this time, budget and normative structures of this Pan-African public body are not fully geared towards private or loan financing of its programs. The AUC coordinates the Financing the Union initiative, geared towards self-reliance. As part of which, many member states are in different stages of introducing 0.2 percent levy on eligible goods imported into the continent, as per a decision of Heads of States and Government Assembly.

49. **The World Bank is particularly well positioned to add value by supporting the AUC in promoting the AU's Agenda 2063,** its first ten-year implementation plan and corresponding MTP, as well as the UN SDGs. Particularly, the World Bank's support will be directed towards the AUC's institutional reform and deepening of its regional economic integration agenda.

50. **Financial analysis and sustainability:** While the project has helped improve budget execution rate from 55 to 74 percent, further benefits have yet to materialize for the medium and long term as the financing of the AUC largely remains donor funded (i.e., about 75 percent and the rest is funded by member states). In view of this and other factors, the project is not considered for a typical financial analysis because regional agencies have very limited opportunities to recover the costs of their collective action, and policy harmonization and coordination mandate. Therefore, only marginal financial returns are expected from this project. For example, with the introduction of a smart IT-based conference management system, AUC saved about US\$600,000 in paper and logistical services. Furthermore, the project outcomes are expected to promote improved allocation of resources by enhancing the monitoring of the AUC's activities and further improvement in budget execution, as well as efficient use of resources, e.g. by reducing duplication of mandates and lengthy processing times. In addition, the project is expected to be fiscally sustainable since the member States' contributions towards the AUC's annual resource allocation are expected to increase with the implementation of the new 0.2 percent import tax levy on select goods to fund the AU as part of the AU reforms. The AUC is also providing budget with respect to IT maintenance for investment sustainability. Furthermore, the promotion of continental economic development priorities such as the AfCFTA, SAATM and FMP by the AUC are expected to generate positive financial impacts in member states and thereby improve the potential of improved financial contribution to the AU from the member states.

B. Technical

51. **The appraisal summary developed for the parent project remains valid. The technical design of the project is based on a detailed institutional analysis of the AUC and its organizational setting within the AU institutional architecture.** The recent AU reforms and Heads of State decisions including the Report on Proposed Recommendations for the Institutional Reform of AU, Agenda 2063, and the AUC's MTP and AUC Strategic Plan 2014-18, provide a sound basis for reprioritization of activities and updated project design. Furthermore, recent technical work carried out under the project including: Institutional



review - consulting reports; RECs diagnostics report; LLC report (Training needs assessment); AUC Branding report; IT master plan documents; Procurement reviews; Audit reports; and Financial Modernization Plan; provide a sound basis for the expanded assistance under the AF.

C. Financial Management

52. **FM capacity assessment was conducted for the parent project and regular FM supervisions have been conducted which confirmed that the FM arrangements in place are adequate.** Therefore, the same FM arrangements are expected to continue to be used for this AF. The AUC will continue to submit quarterly Interim Financial Reports (IFRs) which will be submitted within 45 days of end of the fiscal quarter. The same format will be applicable, but will include the AF activities as well. The project will also continue to conduct annual audit by an auditor acceptable to the World Bank covering both the current project and this AF and will submit the audit report within 6 months of the end of the fiscal year. To facilitate tracking of expenditures financed under the parent IDA Grant and the proposed AF, annual work plans, accounting records and financial reports will clearly identify expenditures financed under each source of financing. The current audit Terms of Reference (ToR) is applicable, but will be updated to include these AF activities. Regarding disbursement, the project will continue to have all disbursement methods available. The project will open a separate US\$ designated account at the Commercial Bank of Ethiopia to receive resources of the World Bank. The project will continue to use report based disbursement method for disbursing to the designated account using the IFRs with six monthly cash forecasts. Designated account ceiling will vary according to the forecast and initial advance may be released up to the ceiling and subsequent advances to the designated account will be based on withdrawal applications along with IFRs. The details are noted in the Disbursement and Financial Information Letter (DFIL).

D. Procurement

53. **Procurement activities under the AF shall be carried out in accordance with the World Bank Procurement Regulations for IPF Borrowers (July 2016, revised in November 2017).** A procurement capacity assessment of the implementing agency (AUC) was carried out as part of the implementation of the parent project. The assessment found that the implementing agency under the proposed AF has experience in implementing World Bank-financed projects. Over time, reasonable improvements have been made in the planning and execution of procurement activities and regular training and consultation are conducted for AUC staff in collaboration with the Bank. The World Bank will provide oversight of procurement activities through prior reviews, which will be based on the risk level assessed by the World Bank and shall be updated annually.

54. **The Borrower has submitted the Project Procurement Strategy for Development (PPSD).** It forms the basis for a draft Procurement Plan (PP) for the first 18 months of the AF implementation and provides the basis for the selection of procurement methods. The PP includes low-value, low-risk contracts and will be displayed with the parent project in the Bank's electronic Systematic Tracking of Exchange in Procurement (STEP) system. This plan was agreed between the AUC and the World Bank. It will be available in the project's database and in the World Bank's external website before AF's effectiveness. The PP will be updated by the project team annually or as required to reflect the actual project implementation needs and improvements in institutional capacity.

E. Social (including Safeguards)

55. **Under the AF, the project will continue to adopt a consultative and participatory approach among** AUC staff, RECs, development partners, Diaspora representatives, civil society groups, think tanks,



and media experts, among others, to encourage learning and promote the AU's Agenda 2063, its ten-year implementation plan and corresponding MTP, as well as SDGs.

56. **The AF seeks to scale-up the successful interventions of the current project.** As such, it is expected to have continuing positive social impacts. Since the AF will promote the AUC's collaboration and connectivity with women and youth, the positive social impact of the project is expected to increase further. Specifically, the AF will: a) pursue and reinforce the dissemination of progress and results to stakeholders; b) support increased AU visibility by facilitating the information process via communications tools. In particular, the continuation of AUC scorecard exercise, open data focus groups, skills building, dissemination events and outreach activities will be carried out to assess and expand the AUC visibility among stakeholders; c) support knowledge sharing of international best practices on priority topics as per AU regional economic integration agenda, as well peer to peer exchanges with sister institutions such as ASEAN to promote learning and foster a culture of change within the AUC and select AU organs; and d) enhance the AUC's social and economic leadership role in the region, as per AU regional economic integration agenda and related key priorities, through the engagement of the private sector and civil society and the fostering of public private dialogue. This collaborative effort although planned on a pilot basis is expected to generate an informed policy debate, which could result in cascading private sector investments in key priority sectors.

F. Environment (including Safeguards)

57. **The project is rated Category C for environmental purposes.** The project does not trigger any environmental or social safeguard policies of the World Bank. Only training, goods and consultancy services will be provided, and no infrastructure investments are contemplated.

G. Other Safeguard Policies (if applicable)

Not applicable.

V. WORLD BANK GRIEVANCE REDRESS

58. **Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS).** The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service>. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.

**VI. SUMMARY TABLE OF CHANGES**

	Changed	Not Changed
Change in Project's Development Objectives	✓	
Change in Results Framework	✓	
Change in Components and Cost	✓	
Change in Loan Closing Date(s)	✓	
Change in Procurement	✓	
Change in Implementing Agency		✓
Cancellations Proposed		✓
Reallocation between Disbursement Categories		✓
Change in Disbursements Arrangements		✓
Change in Safeguard Policies Triggered		✓
Change of EA category		✓
Change in Legal Covenants		✓
Change in Institutional Arrangements		✓
Change in Financial Management		✓
Change in APA Reliance		✓
Other Change(s)		✓

VII. DETAILED CHANGE(S)**PROJECT DEVELOPMENT OBJECTIVE****Current PDO**

Strengthen AUC's capacity to facilitate economic development results and transformation through enhanced institutional efficiency. This will be achieved by means of enhancing the AUC's internal human resources and management systems, and supporting result-oriented external partnerships and collective actions designed to enhance the implementation of regional economic development initiatives in priority areas (e.g. regional trade,



energy, infrastructure, governance, natural resource management) relevant to the AFR IDA portfolio for the benefit of African Union member states, the Regional Economic Communities and African citizens.

Proposed New PDO

The Project Development Objective (PDO) is to strengthen AUC’s capacity to facilitate regional integration results and transformation through enhanced institutional efficiency.

RESULTS FRAMEWORK

Project Development Objective Indicators

AU institutions with strategic plans (as per the AU vision and mission) under implementation Unit of Measure: Number Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	2.00	4.00	6.00	Revised
Date	31-Dec-2013	06-Jun-2018	30-Jun-2021	
AUC’s Budget execution rate Unit of Measure: Percentage Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	55.00	74.00	84.00	Revised
Date	31-Dec-2013	06-Jun-2018	30-Jun-2021	
Actions taken by the AUC to support the AU’s priority regional economic integration programs (cumulatively) Unit of Measure: Number Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	2.00	6.00	Revised
Date	31-Dec-2013	06-Jun-2018	30-Jun-2021	
Publication of Monitoring Reports of AU programs, involving collaboration between the AUC, the AU entities, the RECs and member states Unit of Measure: Number Indicator Type: Custom				



	Baseline	Actual (Current)	End Target	Action
Value	0.00	2.00	6.00	Revised
Date	31-Dec-2013	06-Jun-2018	30-Jun-2021	

Intermediate Indicators

<p>AUC’s internal organizational structures reviewed and made fully operational Unit of Measure: Text Indicator Type: Custom</p>				
	Baseline	Actual (Current)	End Target	Action
Value	Institutional assessment of AUC done	Implementation in progress	Staff training and implementation of reorganization of at least 4 units completed	Revised
Date	31-Dec-2013	06-Jun-2018	30-Jun-2021	
<p>Full implementation of IPSAS Unit of Measure: Text Indicator Type: Custom</p>				
	Baseline	Actual (Current)	End Target	Action
Value	The policy for introduction of IPSAS approved	First IPSAS compliant financial report published	First publication of IPSAS compliant FS for 2019 achieved	Revised
Date	31-Dec-2013	06-Jun-2018	30-Jun-2021	
<p>Timely delivery of key AU services: (i) time to procure; (ii) Protocol Services and Accreditation; and (iii) Financial management-time to pay Unit of Measure: Months Indicator Type: Custom</p>				
	Baseline	Actual (Current)	End Target	Action
Value	8.00	8.00	3.00	Revised
Date	31-Dec-2013	06-Jun-2018	30-Jun-2021	
<p>Time to procure Unit of Measure: Months Indicator Type: Custom Breakdown</p>				
	Baseline	Actual (Current)	End Target	Action



Value	8.00	8.00	3.00	New
Date	31-Dec-2013	06-Jun-2018	30-Jun-2021	
Protocol Services and Accreditation Unit of Measure: Months Indicator Type: Custom Breakdown				
	Baseline	Actual (Current)	End Target	Action
Value	8.00	8.00	3.00	New
Date	06-Jun-2018	06-Jun-2018	30-Jun-2021	
Financial management-time to pay Unit of Measure: Months Indicator Type: Custom Breakdown				
	Baseline	Actual (Current)	End Target	Action
Value	8.00	8.00	3.00	New
Date	06-Jun-2018	06-Jun-2018	30-Jun-2021	
Procurement contracts processed in accordance with the AU Procurement Guidelines Unit of Measure: Percentage Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	50.00	85.00	90.00	Revised
Date	31-Dec-2013	06-Jun-2018	30-Jun-2021	
State-of-the-art AUC ICT and Mirror data centers established and fully functional Unit of Measure: Text Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	Not yet available	Update of space and security requirements, and ongoing technical, staffing and financial review	Both ICT and Mirror Data centers remain fully functional	Revised
Date	31-Dec-2013	06-Jun-2018	30-Jun-2021	
Outreach and communications are strengthened and active (cumulative) Unit of Measure: Number Indicator Type: Custom				



	Baseline	Actual (Current)	End Target	Action
Value	0.00	2.00	8.00	Revised
Date	31-Dec-2013	06-Jun-2018	30-Jun-2021	
Proportion of the Directorates at AUC HQ that have prepared annual workplans with acceptable results indicators and reports Unit of Measure: Number Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	5.00	5.00	20.00	New
Date	24-Apr-2018	06-Jun-2018	30-Jun-2021	
Established and fully functional E-Procurement Unit of Measure: Text Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	E-procurement not yet established	E-procurement not yet established	Use of the system for at least 50 per cent of relevant contracts	New
Date	24-Apr-2018	06-Jun-2018	30-Jun-2021	
Innovative pilots with RECs and civil society (cumulative) Unit of Measure: Number Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	0.00	4.00	New
Date	24-Apr-2018	06-Jun-2018	30-Jun-2021	
Peer-to-peer knowledge sharing, change management and learning events to promote staff leadership and facilitate AU transformation (cumulative) Unit of Measure: Number Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	0.00	6.00	New
Date	24-Apr-2018	06-Jun-2018	30-Jun-2021	



AU Data Repository established and disseminated to connect African citizens Unit of Measure: Yes/No Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	No	No	Yes	New
Date	24-Apr-2018	06-Jun-2018	30-Jun-2021	
Reports issued based on the monitoring of AU agreements (cumulatively) Unit of Measure: Number Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	1.00	6.00	New
Date	24-Apr-2018	06-Jun-2018	30-Jun-2021	
AUC support to member states on M&E to meet Agenda 2063 (FTYIP) and MTR requirements Unit of Measure: Text Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	Not existent	Not existent	Engagement plan implemented with at least 2 RECs and 5 countries	New
Date	24-Apr-2018	06-Jun-2018	30-Jun-2021	
AU's gender balance ratio for professional categories Unit of Measure: Percentage Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	28.00	28.00	35.00	New
Date	24-Apr-2018	06-Jun-2018	30-Jun-2021	
Enhanced Citizen engagement at the AUC Unit of Measure: Number Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	50,000.00	100,000.00	300,000.00	New



Date	24-Apr-2018	06-Jun-2018	30-Jun-2021
Dissemination and monitoring of project implementation (cumulatively)			
Unit of Measure: Number			
Indicator Type: Custom			
	Baseline	Actual (Current)	End Target
Value	2.00	2.00	6.00
			Action
			New
Date	24-Apr-2018	06-Jun-2018	30-Jun-2021

COMPONENTS

Current Component Name	Current Cost (US\$, millions)	Action	Proposed Component Name	Proposed Cost (US\$, millions)
i. Strengthening Institutional Capacity	15.00	Revised	Strengthening Institutional Capacity	22.00
ii. Facilitating Economic Development Results with Stakeholders	10.00	Revised	Facilitating Regional Integration Results with Stakeholders	18.00
TOTAL	25.00			40.00

LOAN CLOSING DATE(S)

Ln/Cr/Tf	Status	Original Closing	Current Closing(s)	Proposed Closing	Proposed Deadline for Withdrawal Applications
IDA-H9390	Effective	31-Dec-2018	31-Dec-2018	30-Jun-2021	30-Oct-2021

Expected Disbursements (in US\$)

Fiscal Year	Annual	Cumulative
2014	0.00	0.00
2015	4,533,913.47	4,533,913.47
2016	9,998,132.24	14,532,045.71
2017	4,169,839.82	18,701,885.53
2018	3,719,425.00	22,421,310.53
2019	4,558,689.47	26,980,000.00



2020	7,020,000.00	34,000,000.00
2021	6,000,000.00	40,000,000.00
2022	0.00	40,000,000.00
2023	0.00	40,000,000.00

SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)

Risk Category	Latest ISR Rating	Current Rating
Political and Governance	● Substantial	● Substantial
Macroeconomic	● Moderate	● Moderate
Sector Strategies and Policies	● Substantial	● Substantial
Technical Design of Project or Program	● Substantial	● Substantial
Institutional Capacity for Implementation and Sustainability	● Substantial	● Substantial
Fiduciary	● Substantial	● Moderate
Environment and Social	● Low	● Low
Stakeholders	● Substantial	● Substantial
Other		
Overall	● Substantial	● Substantial

LEGAL COVENANTS – Support for Capacity Development of the AUC and Other African Union Organs (P166316)

Sections and Description

The Recipient shall: (a) prepare under terms of reference acceptable to the Association, and furnish to the Association, not later than March 31 of each Fiscal Year during the period of Project implementation, for the Association’s review and agreement, an annual work plan of activities (including training and workshops) proposed for inclusion in the Project during the following calendar year, together with a budget and financing plan for such activities and a timetable for their implementation; and (b) thereafter, carry out the Project with due diligence during such following year in accordance with such annual work plan as shall have been agreed by the Association, as such plan may be amended from time to time by prior written agreement between the Association and the Recipient (“Agreed Annual Work Plan”), in accordance with Section I.B.1 of Schedule 2 of the Financing Agreement.

The Recipient shall furnish to the Association each Project Report not later than one month after the end of each calendar semester, covering the calendar semester, in accordance with Section II of Schedule 2 of the Financing Agreement.



In order to ensure the proper implementation of the Project, the Recipient shall at all times maintain a qualified and experienced staff in adequate numbers, and with terms of reference acceptable to the Association and the resources necessary to carry out the Project with due diligence and efficiency, in accordance with Section I.A.1 of Schedule 2 of the Financing Agreement.

Conditions

Type	Description
Effectiveness	The Additional Condition of Effectiveness consists of the following, namely that the Recipient has updated the operations manual for the Original Project in accordance with Section I.A.3 of Schedule 2 of the Financing Agreement.
Disbursement	Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Recipient may withdraw the proceeds of the Grant to finance Eligible Expenditures; in the amount allocated and, if applicable, up to the percentage set forth against each Category of the disbursement table in accordance with Section III.A.1 of Schedule 2 of the Financing Agreement.
Disbursement	Notwithstanding the provisions of Part A of the Financing Agreement, no withdrawal shall be made for (a) payments made prior to the Signature Date; or (b) payments financed by the grant under the Original Financing Agreement, in accordance with Section III.B.1 of Schedule 2 of the Financing Agreement.



VIII. RESULTS FRAMEWORK AND MONITORING

Results Framework

COUNTRY : Africa

Support for Capacity Development of the AUC and Other African Union Organs

Project Development Objectives

The Project Development Objective (PDO) is to strengthen AUC's capacity to facilitate regional integration results and transformation through enhanced institutional efficiency.

Project Development Objective Indicators

Action	Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source / Methodology	Responsibility for Data Collection
Revised	Name: AU institutions with strategic plans (as per the AU vision and mission) under implementation		Number	2.00	6.00	Annual	AU annual report	AU

Description: In line with Agenda 2063 and AU institutional reforms, a strategic plan is a Medium-Term Plan with a time horizon of typically 3-5 years, setting out what the respective institution is expecting to achieve, and the steps and efforts it will pursue to reach these achievements. Currently, there are about 50 AU institutions. By the end date of the project, at least 6 AU institutions will have adopted a strategic plan as per the AU's vision and mission with support from the project. Data collection and reporting will be the responsibility of the AUC on an annual basis. Capacity support under the project



would be provided through the AUC to those AU institutions that seek to develop a strategic plan as signaled in the Annual Work Plan exercise and once the institution submits its request as per the AUC and participating AU institution's procedures.

Revised	Name: AUC's Budget execution rate	Percentage	55.00	84.00	Annual	AU annual report	AU
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Description: This indicator measures improvements in the budget execution rate in comparison to annual approved released budgets. The AUC has significantly improved the budget execution rate over the last years and is expected to meet the target of 80 percent by the end of December 2018. Given the annual budget uncertainty and the recent AU reforms which include a revised model of funding for the AU, the budget execution rate target is further increased at a modest pace for the initial 2.5 years of the AF and then projected to be maintained. This is the most realistic scenario given that the new funding model will take some time to be operationalized in member states and to then help enhance AU budget certainty. Data collection and reporting will be the responsibility of the AUC on an annual basis.

Revised	Name: Actions taken by the AUC to support the AU's priority regional economic integration programs (cumulatively)	Number	0.00	6.00	Annually	AU annual report	AU
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Description: This indicator measures the effectiveness of the AUC's convening and leveraging role to foster regional economic integration by supporting collective action with member States and RECs. At least two strategic actions are taken per year towards the achievement of AU's priority regional economic integration programs. Actions include: capacity support for the ratification of AU treaties; raising awareness about the importance of these programs; and partnership building for policy coherence on the priority programs. Data collection and reporting on this indicator will be the responsibility of the AUC on an annual basis. The focus will be on AfCFTA, SAATM, and FMP for the first year of AF implementation.

Revised	Name: Publication of Monitoring Reports of AU programs, involving collaboration	Number	0.00	6.00	Annually	AU annual report	AU
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between the AUC, the AU entities, the RECs and member states

Description: It seeks to capture improvements in reporting and dissemination of results of priority AU programs. This would include (i) the continuation of the status report on the ratification of AU programs; (ii) the continuation of the AUC scorecard report; (iii) the preparation of program evaluation report in priority areas, namely the AfCFTA, SAATM and FMP; (iv) the M&E Report linked to the First Ten Year Implementation Plan – 2013-2023 (FTYIP) and its Medium Term Plan (MTP) Report 2019-2023 for the Agenda 2063. For Agenda 2063 and SDG implementation, a single monitoring and evaluation instrument has been prepared that accommodates both agendas, and has outlined a common reporting architecture that will produce a single periodic performance report to minimize burden on member states. 70 per cent of 63 core indicators of the FTYIP are fully convergent between the SDGs and the Agenda 2063; in addition, there are 77 complementary indicators.

At least three reports from the categories set out above, have been produced and published annually. Data collection and reporting on this indicator will be the responsibility of the AUC on an annual basis.

Intermediate Results Indicators

Action	Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source / Methodology	Responsibility for Data Collection
Revised	Name: AUC's internal organizational structures reviewed and made fully operational		Text	Institutional assessment of AUC done	Staff training and implementation of reorganization of at least 4 units completed	Annually	AU annual report	AU

Description: Measuring the progress and number of Departments, Directorates, Autonomous Divisions, and others subjected to functional review and



fully operational after reorganization, defined as having an appointed head in place and at least 70 percent of allocated positions filled.								
Revised	Name: Full implementation of IPSAS		Text	The policy for introduction of IPSAS approved	First publication of IPSAS compliant FS for 2019 achieved	Annually	AU annual report	AU
Description: Upgrade the current system progressing and in place by the end of the AF, having achieved full compliance with IPSAS and publish IPSAS compliant financial statements.								
Revised	Name: Timely delivery of key AU services: (i) time to procure; (ii) Protocol Services and Accreditation; and (iii) Financial management-time to pay		Months	8.00	3.00	Annually	AU annual report	AU
New	Time to procure		Months	8.00	3.00	Annually	AU annual report	AU
New	Protocol Services and Accreditation		Months	8.00	3.00	Annually	AU annual report	AU
New	Financial management-time to pay		Months	8.00	3.00	Annually	AU annual report	AU
Description: This indicator measures improvements in AUC's efficiency with regards to delivering on core institutional services (procurement; protocol and accreditation; and financial management/payments)..								
Revised	Name: Procurement		Percentage	50.00	90.00	Annually	AU annual report	AU



	contracts processed in accordance with the AU Procurement Guidelines							
<p>Description: Adherence to procurement and financial management procedures to be assessed through sample analysis of documents and/or SAP data on e-procurement. Significant improvements have been achieved so far by the AUC, but the institutional context remains complex. The introduction of an e-procurement tool and of the SAP module for purchases will help improve the compliance rate further and maintain it at that level. A comprehensive assessment of AU Procurement system in 2019 would set the basis for its potential use for the projects/programs financed by the Bank and/or other donors as generally envisaged in the Bank's new Procurement Framework. Data collection and reporting will be the responsibility of the AUC on an annual basis.</p>								
Revised	Name: State-of-the-art AUC ICT and Mirror data centers established and fully functional	Text	Not yet available	Both ICT and Mirror Data centers remain fully functional	Annually	AU annual report	AU	
<p>Description: Successful establishment of AUC ICT and Mirror Data centers. Achievement of Certified Level 1 data centers completes a phased implementation and certification process. In 2018, update of space and security requirements, and a technical, staffing and financial review will be completed. In 2019 technical deployment report would be prepared and IT procurement initiated, and equipment installed, tested and certified so that the centers become fully functional before the end of 2020.</p> <p>The use of cloud services will be for AU non-sensitive data. Assessment will be conducted to confirm which data fall under the category of "sensitive data".</p>								
Revised	Name: Outreach and communications are strengthened and active (cumulative)	Number	0.00	8.00	Annually	AU annual report	AU	
<p>Description: The AU provides relevant information to citizens, opinion shapers (including CSOs, Think Tanks), and staff affiliated with core stakeholders (member states, RECs) with information on priority programs (e.g. AfCFTA, SAATM and FMP) and progress with AU reforms, through its websites and</p>								



through other communication channels in at least three languages.

A mailing list of target recipients of information is established and utilized by relevant units; and there is dedicated staff to respond to inquiries received through the AU's website on the three priority topics and on AU institutional reforms. At least 2 of these action areas are supported by the project per year.

New	Name: Proportion of the Directorates at AUC HQ that have prepared annual workplans with acceptable results indicators and reports		Number	5.00	20.00	Annually	AU annual report	AU
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Description: Annual plans are prepared and have meaningful results indicators. At this time there are 24 directorates and only 5 percent (i.e. 1 directorate) meet the target. The AUC management requires that annual workplans be done in the AMERT system, which is being upgraded to meet the requirements of the MTP.

New	Name: Established and fully functional E-Procurement		Text	E-procurement not yet established	Use of the system for at least 50 per cent of relevant contracts	Annually	AU annual report	AU
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Description: Promoting efficiency in the procurement processes (e.g. of development programs) through the establishment of an e-procurement system. This would gradually help increase the share of total procurement processes through the e-procurement portal before project end. In 2020 after the e-procurement system is made fully functional, additional e-portal use targets may be set as part of the annual work planning process of the project. The feasibility study for the introduction of e-procurement system has been completed by the AUC in 2017.

New	Name: Innovative pilots with RECs and civil society (cumulative)		Number	0.00	4.00	Annually	AU annual report	AU
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Description: Determine successful establishment of new and ground breaking innovative pilots on priority topics (e.g. intra-African Trade, ID cards for



the Free Movement of Persons and or institutional development areas such as good governance). At least 2 pilots are under implementation per year, and at least 4 cumulatively by 2021.

New	Name: Peer-to-peer knowledge sharing, change management and learning events to promote staff leadership and facilitate AU transformation (cumulative)		Number	0.00	6.00	Annually	AU annual report	AU
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Description: AUC-AULA organized leaderships development, change management, peer-to-peer learning and training programs for staff and stakeholders in AUC HQ, AU Organs, AU entities, NEPAD Coordination Office, AU representational, liaison, and specialized agency offices and RECs to advance the transformation of AUC and implement AU reform priorities.

At least two such programs are prepared and delivered per year.

New	Name: AU Data Repository established and disseminated to connect African citizens		Yes/No	No	Yes	Annually	AU annual report	AU
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Description: Repository established, open data policy approved, Mirror Center operational, percent of departments that are sharing their administrative data on the repository in the format consistent with the open data policy and disseminating it through the posting of data on the AUC's website.

New	Name: Reports issued based on the monitoring of AU agreements (cumulatively)		Number	0.00	6.00	Annually	AU annual report	AU
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Description: Determine the extent to which the AUC has become a results-oriented organization by disseminating reports such as the AUC corporate scorecard, client surveys, and AU treaty ratification updates. At least one of each of these have been produced and published (scorecard, client survey, treaty ratification update by the end of 2020 with project support), and cumulatively at least 6 in total.

New	Name: AUC support to member states on M&E to meet Agenda 2063 (FTYIP) and MTR requirements		Text	Not existent	Engagement plan implemented with at least 2 RECs and 5 countries	Annually	AU annual report	AU
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Description: The AUC provides M&E support to member states, RECs, and national and regional statistical offices as per the engagement plan to be prepared in 2019. The plan will have special attention to priority regional economic development priorities (AfCFTA, SAATM, and the FMP) and seek to target at least 5 countries by 2021

The engagement plan will also have at least one peer learning event each year for the provision of technical and analytical support. It will also include the preparation and publication of event reports on the AUC website.

New	Name: AU's gender balance ratio for professional categories		Percentage	28.00	35.00	Annually	AU annual report	AU
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Description: Ensure the increased gender representation of women in the Professional Category at the AUC.

New	Name: Enhanced Citizen engagement at the AUC		Number	50,000.00	300,000.00	Annually	AU annual report	AU
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Description: Extent to which feedback provided by youth, women and other stakeholders is considered/reflected in improving AU's offerings (e.g. training programs, website and social media contents, summits and other statutory meetings, technical progress reports).

This would be measured by adopting a survey mechanism for collecting, analyzing and incorporating such feedback. This will include monitoring of



subscription and number of views/shares of AU social media channels all linked to the upgrade of AUC's website (e.g. an AU You-Tube channel, Instagram and a corporate Facebook etc.) Attention will also given to upgrading the website's look, feel and functionality to receive citizens' feedback.

Furthermore, the impact of citizen engagement-oriented actions can be increased by developing and launching mobile phone and radio based tools. In addition, digital systems for participant registration at the AUC and AU-sponsored fora at AUC HQ and all other offices can help collect data and feedback for informed decision making.

New	Name: Dissemination and monitoring of project implementation (cumulatively)	Number	2.00	6.00	Annually	AU annual report	AU
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Description: This indicator measures the number of dissemination events conducted by the AUC for Project stakeholders, including AUC development partners, the PRC, and others; as well as the AUC's monitoring of the annual work plan and making of adjustments based on lessons learned and technical requirements. Each year one event for dissemination and one for monitoring/lessons learning.



Target Values

Project Development Objective Indicators

Action	Indicator Name	Baseline	YR1	YR2	YR3	End Target
Revised	AU institutions with strategic plans (as per the AU vision and mission) under implementation	2.00	4.00	5.00	6.00	6.00
Revised	AUC's Budget execution rate	55.00	80.00	82.00	84.00	84.00
Revised	Actions taken by the AUC to support the AU's priority regional economic integration programs (cumulatively)	0.00	2.00	4.00	6.00	6.00
Revised	Publication of Monitoring Reports of AU programs, involving collaboration between the AUC, the AU entities, the RECs and member states	0.00	2.00	5.00	6.00	6.00

Intermediate Results Indicators

Action	Indicator Name	Baseline	YR1	YR2	YR3	End Target
Revised	AUC's internal organizational structures reviewed and made fully operational	Institutional assessment of AUC done	Implementation of AUC HR unit completed	Staff training and implementation of reorganization	Staff training and implementation of reorganization	Staff training and implementation of reorganization



				of 5 other units in progress	of 4 units completed and 2 further in progress	of at least 4 units completed
Revised	Full implementation of IPSAS	The policy for introduction of IPSAS approved	Continual upgrading of the system	Continual upgrading of the system	Continual upgrading of the system and first publication of IPSAS compliant FS for 2019	First publication of IPSAS compliant FS for 2019 achieved
Revised	Timely delivery of key AU services: (i) time to procure; (ii) Protocol Services and Accreditation; and (iii) Financial management-time to pay	8.00	5.00	5.00	3.00	3.00
New	Time to procure	8.00	5.00	5.00	3.00	3.00
New	Protocol Services and Accreditation	8.00	5.00	5.00	3.00	3.00
New	Financial management-time to pay	8.00	5.00	5.00	3.00	3.00
Revised	Procurement contracts processed in accordance with the AU Procurement Guidelines	50.00	85.00	85.00	90.00	90.00
Revised	State-of-the-art AUC ICT and Mirror data centers established and fully functional	Not yet available	Update of space and security requirement, and technical, staffing and financial review will be completed	Technical deployment report has been prepared and IT procurement initiated, and equipment installed, tested	Both ICT and Mirror Data centers have become fully functional	Both ICT and Mirror Data centers remain fully functional



				and certified		
Revised	Outreach and communications are strengthened and active (cumulative)	0.00	2.00	4.00	6.00	8.00
New	Proportion of the Directorates at AUC HQ that have prepared annual workplans with acceptable results indicators and reports	5.00	5.00	10.00	20.00	20.00
New	Established and fully functional E-Procurement	E-procurement not yet established	System specifications, procurement and installation	Initial use of the system by pilot units	Use of the system for at least 50 per cent of relevant contracts	Use of the system for at least 50 per cent of relevant contracts
New	Innovative pilots with RECs and civil society (cumulative)	0.00	0.00	2.00	4.00	4.00
New	Peer-to-peer knowledge sharing, change management and learning events to promote staff leadership and facilitate AU transformation (cumulative)	0.00	2.00	4.00	6.00	6.00
New	AU Data Repository established and disseminated to connect African citizens	No	N	N	Y	Y
New	Reports issued based on the monitoring of AU agreements (cumulatively)	0.00	2.00	4.00	6.00	6.00
New	AUC support to member states on M&E to meet Agenda 2063 (FTYIP)	Not existent	Not existent	Engagement plan prepared	Engagement plan	Engagement plan



	and MTR requirements				implemented with at least 2 RECs and 5 countries	implemented with at least 2 RECs and 5 countries
New	AU's gender balance ratio for professional categories	28.00	28.00	30.00	35.00	35.00
New	Enhanced Citizen engagement at the AUC	50,000.00	100,000.00	200,000.00	300,000.00	300,000.00
New	Dissemination and monitoring of project implementation (cumulatively)	2.00	2.00	4.00	6.00	6.00



ANNEX 1: REVISED INSTITUTIONAL AND IMPLEMENTATION ARRANGEMENTS

Implementation Arrangements

1. **The AF will follow the same AUC project implementation arrangements as the parent project.** It will be implemented by the senior level AUC team assigned for project implementation. Regular coordination meetings would be arranged with various departments and units that will lead the planning and implementation of tasks, including technical, financial, procurement, project M&E and dissemination activities.

Financial Management

2. **FM capacity assessment was conducted for the parent project and regular FM supervisions were being conducted which disclosed that the FM arrangements in place are adequate.** Therefore, the same FM arrangements are expected to continue to be used for this AF. The AUC will continue to submit quarterly IFRs which will be submitted within 45 days of end of the fiscal quarter. The same format will be applicable but will include the AF activities as well. The project will also continue to conduct annual audit by an auditor acceptable to the World Bank covering both the parent project and this AF and will submit the audit report within 6 months of end of the fiscal year. The current audit Terms of Reference (ToR) will be applicable but will be updated to include these AF activities. Regarding disbursement, the project will continue to have all disbursement methods available. The project will either open a separate US\$ designated account or use the existing project's designated account at the Commercial Bank of Ethiopia to receive resources of the World Bank. Similarly, local currency accounts can be opened if needed for this AF. The project will continue to use report based disbursement method for disbursing to the designated account using the IFRs with six monthly cash forecasts. Designated account ceiling will vary according to the forecast and initial advance may be released up to the ceiling and subsequent advances to the designated account will be based on withdrawal applications along with IFRs. The details are noted in the DFIL. The overall FM risk rating has been assessed as **moderate**.

Disbursement

3. **All disbursement methods would be available to the AUC for the AF as applicable to the parent project under implementation.** In accordance with the DFIL, AUC may withdraw the proceeds of the Grant to finance Eligible Expenditures; in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

Table 1.1: Disbursement Categories

Category	Amount of the Grant Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, Works, Non-consulting Services, Consultants' Services, Audits, Training, and Operating Costs for the Project	10,500,000.00	100%
TOTAL AMOUNT	10,500,000.00	100%



Procurement

Applicable Procurement Regulations

4. **Procurable items under the project include procurement of goods and consultancy services.** Goods to be procured under the project include ICT equipment such as compact and portable livestreaming machines, network equipment and core switches for data center, and standard knowledge management tools. A substantial proportion of the grant shall be used for various types of consultancy services including the supply, installation and integration of various software, e-procurement system for the African Union and the roll over to other AUC organs and various studies.
5. **Procurement under the proposed AF of Support for the Capacity Development of AUC and Other African Union Organs Project will be carried out in accordance with the World Bank's Procurement Regulations for IPF Borrowers** - Procurement in Investment Project Financing, Goods, Works, Non-Consulting, and Consulting Services', dated July 1, 2016 revised in November 2017; the 'Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants', revised as of July 1, 2016; and the provisions stipulated in the Legal Agreement.
6. **The regulations are designed to support a modern, fit for purpose procurement framework.** The regulations detail many options to tailor individual procurement processes to meet the operational needs under the project and to deliver the right result. The AF shall mainly cover the procurement of goods and consultancy services. The procurement arrangements under the project are made in accordance with the provisions of the regulations to ensure that the correct procurement approach is used to deliver the right results. By designing the right procurement approach, there is far more likelihood of the right bidders participating, better bids being received, and an overall increased chance of achieving value for money.
7. **The regulations are guided by the core procurement principles of value for money, economy, integrity, fit for purpose, efficiency, transparency, and fairness.** The regulations support these core procurement principles by providing many choices for the Recipient to design the right approach to market.
8. **Standard Procurement Documents issued by the World Bank to be used by the Recipient for IPF-financed projects** which include the General Procurement Notice, Specific Procurement Notice, Request for Expression of Interest, Request for Proposals, and Request for Bids documents, will be used for goods, consulting, and non-consulting services to be procured through international open competitive bids and for consultancy contracts. In addition, the Recipients will use Standard Bid Evaluation Forms for procurement of goods, and non-consulting contracts, and the Sample Form of Evaluation Report for Selection of Consultants.

AUC Procurement Procedures

9. **When approaching the national market, as agreed in the PP, the AUC's own procurement procedures may be used.** The World Bank has reviewed the procurement manual of the AUC for procurement of goods and services and has found them acceptable in terms of consistency with the Bank's procurement principles. Hence, national open competitive bids shall follow the procedure set forth in the Procurement Manual issued by the AUC, provided that such procedure shall be subject to



the following requirements as provided in section 5 paragraph 5.4 of the Procurement Regulations for IPF Borrowers (July 1, 2016):

- (a) open advertising of the procurement opportunity at the national level;
- (b) the procurement is open to eligible firms from any country;
- (c) the request for bids/request for proposals document shall require that bidders/proposers submitting bids/proposals present a signed acceptance at the time of bidding, to be incorporated in any resulting contracts, confirming application of, and compliance with, the World Bank's Anticorruption Guidelines, including without limitation the World Bank's right to sanction and the World Bank's inspection and audit rights;
- (d) contracts with an appropriate allocation of responsibilities, risks, and liabilities;
- (e) publication of contract award information;
- (f) rights for the World Bank to review procurement documentation and activities;
- (g) an effective complaints handling mechanism; and
- (h) maintenance of records of the procurement process.

10. **Other AUC procurement arrangements (other than national open competitive procurement) that may be applied by the recipient** (such as limited/restricted competitive bidding, request for quotation/shopping/local bidding, direct contracting), shall be consistent with the World Bank's core procurement principles and ensure that the World Bank's Anticorruption Guidelines and Sanctions Framework and contractual remedies set out in its Legal Agreement apply.

Procurement Oversight and Monitoring Arrangements

11. **Mandatory thresholds for prior review for the proposed project based on procurement risk levels of the project are provided in table 1.2.** Based on the risk level of the project, procurement above the applicable thresholds as provided in the table shall be subject to prior review and shall be included in the PP. Such procurement activities shall use the World Bank's Standard Procurement Documents. For contracts to be awarded using Direct Selection, the recipient shall submit to IDA, for its review and 'no objection', a sufficiently detailed justification, before inviting the firm to negotiations. The Bank staff or Bank appointed consultants shall review post review contracts once a year and during implementation support missions. Based on the initial risk rating, the AUC shall seek the World Bank's prior review for equivalent value of contracts, as detailed in table 1.2 below.



Table 1.2: Thresholds for Procurement Approaches and Methods (US\$ millions)

Category	Prior Review (US\$, millions)					
		Open International	Open AUC Competition	RFQ	Short List of National Consultants	
					Consulting Services	Engineering and Construction Supervision
Works	≥ 15.0	≥ 7.0	< 7.0	≤ 0.2	n.a.	n.a.
Goods, IT, and non-consulting services	≥ 4.0	≥ 1.0	< 1.0	≤ 0.1	n.a.	n.a.
Consultants (Firms)	≥ 2.0	n.a.	n.a.	n.a.	n.a.	n.a.
Individual Consultants	≥ 0.4	n.a.	n.a.	n.a.	n.a.	n.a.

Assessment of the Agencies' Capacity to Implement Procurement

12. **A procurement capacity assessment of the AUC was carried out as part of the preparation of the proposed AF.** The AUC's corporate procurement function is centred at its Procurement, Travel, and Store Division (PTSD). The entire AU procurement system is governed by the Financial Rules and Regulations and the AU Procurement Manual. The first comprehensive Procurement Manual was issued in 2009 and the latest revision of the Manual became effective on October 1, 2016. PTSD has seven procurement professional staff and two qualified and experienced staff who are employed under the World Bank project. PTSD has also eleven procurement support staff. The assessment has generally indicated that procurement planning and execution at AUC is in good shape. Moreover, the staff capacity to handle procurement advertisement, bid evaluation and award of contract, review of procurement complaints and perform procurement oversight is considered generally adequate. However, some capacity building needs and risks were identified. The procurement team is considered to be overloaded and expanded AUC procurement effort to meet AU reform priorities would put increased pressure on these teams. To mitigate this risk, the effort should be made to continue peer-to-peer learning to enhance their capability, and additional experts should be added to shoulder priority area responsibilities. Also, procurement oversight is constrained by a cumbersome contract management process. To address this gap, expeditious deployment of e-procurement tools would help, as it will improve the workflow and document handling. The weak performance of bid evaluation committees is also affecting the procurement outcomes at the AUC. Training courses on bid evaluation techniques, and related topics would be promoted for the AUC staff to address this problem.

13. **In general, the current capacity of the AUC to plan and execute procurement activities under the AF is considered adequate.** However, there is a gap in the availability of resources to undertake successful procurement planning, processing, bids/proposal evaluations, supplier selections, and contract



management. This is because of the enormous demand for procurement planning and execution from the various Divisions and other AUC organs. There is a need to expand technical courses for the skills building of procurement and contract management staff at the AUC. It should be noted that there is a pool of experience on which to improve upon to build the necessary capacity for an improved procurement system in the AUC to enhance the objectives of efficiency and value for money with integrity of the procurement functions under the AF. Based on the findings of the capacity assessment the following key issues and associated mitigation measures have been discussed and agreed with the AUC. The overall procurement risk is rated as **moderate**, in light of the risk mitigation measures proposed for the AF.

14. **Key issues and associated mitigation measures have been discussed and agreed as follows:**

A. Action Plan to Mitigate Overall Procurement Capacity Risks

Table 1.3. Summary of Findings and Actions (Risk Mitigation Matrix)

I/No	Issue/Risk	Severity and Impact on Project	Mitigation Measures	Responsible and Time Frame (all actions to be taken within the first three months of the AF approval)
1	Need for additional procurement proficient staff in the AUC	Moderate	Recruitment of additional procurement proficient staff for AUC Project;	AUC
2	Need to strengthen the contract management system in the AUC	High	Improving the contract management system in the AUC;	AUC
3	Delays in Bid/Proposal Evaluation and contract award	Moderate	Improve pace of bid/proposal evaluation through targeted training of bid evaluation committees in bid/proposal evaluation	AUC
4.	Delays in preparation and updating of PP Need for a dedicated staff for preparation and updating of PP	Moderate	Recruit a dedicated staff for preparation and updating of PP	AUC

15. **Procurement Planning.** The AUC has submitted the PPSD which has the PP for the first 18 months



of the AF implementation and provides the basis for the selection of procurement methods. It will also be available in the project's database and in the World Bank's external website, before AF's effectiveness. The PP will be updated in agreement with the project team annually, or as required, to reflect the actual project implementation needs and improvements in institutional capacity.

16. **Salient PPSD elements include:** the consultancy for digitization of AUC records for user access and dissemination; the selection of IT system integrator for design, development and implementation of e-sourcing software for procurement; the supply, installation and the testing of open data IT center, including servers, switches, and cabling; the consultancy for full rollout and implementation of IPSAS, including staff training; the purchase and installation of cybersecurity software and applications; the consultancy to design and roll out of SAP grant management module; the consultancy for the upgrade of AUC website; and the consultancy to design and implement training courses for AUC staff on new processes and policies to improve operational efficiency, including development of online materials and assessment criteria.

Procurement Arrangement and Value for Money

17. **The intervention through the AF is aimed at further strengthening of the capacity of AUC.** The proposed AF is meant to cover the financing for the procurement of Goods and Consulting Services which are aimed at strengthening the system. Major IT related procurement activities to be financed under the AF include (i) Supply, Installation and configuration of e-Procurement System for the Africa Union – IT Consultancy – US\$1.1 million, (ii) IT Infrastructure Design and Deployment for the AUC Datacenter Mirror – IT Consultancy – US\$1 million. There are also other low value contracts information technology related consultancy and goods contracts as well as management consultancy contracts. The procurement objective under the additional financing is aimed at the provision of quality consulting services and goods which are needed for capacity development of the AUC and other AU organs and timely completion of the contracts without delay to provide the necessary inputs for the successful implementation of the project and attainment of the development objectives of the AF. This should be addressed through a regular monitoring of the contracts and the institutionalization of a proper contract management system.

18. **There are procurement of goods and consulting services, which shall be financed under the AF, that are low-value contracts for which the procurement arrangement is provided in the PPSD and the risks for such contracts is determined to be low.** Hence, appropriate selection methods are determined in the PPSD to ensure that value for money is obtained in the procurement process of such consultancy services.

Procurement Risk Analysis

19. **The AF shall finance the procurement of goods and consulting services.** The procurement of goods involves ICT equipment such as compact and portable livestreaming machines, network equipment and core switches for data center, and standard knowledge management tools. These are low value contracts which can be acquired by approaching the national or international market as appropriate. There are established markets and adequate number of market players available for all the goods planned to be procured under the AF and the procurement risk in this regard is considered to be low.

20. **A significant proportion of the additional financing is planned to be utilized for the selection and employment of consulting firms.** The most significant consultancy service under the AF is the consultancy service for design, development, implementation, and maintenance of e-Sourcing Software.



In the PPSD it is clearly indicated that there are many companies which are available for such assignments and published by CMMI Institute. The AUC shall select the most qualified firm for this activity. Hence, the risk for this procurement activity is considered to be moderate.

21. **The consultancy services to be financed under the AF also include other low value low risk contracts for the selection and employment of consultants which are in familiar competency areas.** For most consultancy assignments there is an established and competitive national and international market from where such consulting firms and individual consultants can be selected and employed. Hence the market risk in this area can also be considered very low. Overall there are established competitive markets locally and internationally for the goods and consulting services to be financed under the proposed AF. Hence, the market risk for goods and services to be acquired through the AF is considered to be very low. Measures shall be put in place to mitigate the risks associated with the procurement of goods and services as provided in the following table 1.4 (e.g. for the procurement of an e-procurement tool).

**Table 1.4: Procurement Risk and Mitigation Measures
(e.g. for the procurement of an e-procurement tool)**

Risk Description	A Likelihood Rating	B Impact Rating	C Duration (Time) Rating	Overall Risk Rating (A*B*C)	Description of Proposed Mitigation Measures
Inadequate follow-up by Steering Board of e-Procurement	M	H	H	H	Enhance monitoring mechanism to improve continuous follow-up and implementation
Project management of e-Procurement not in place timely	M	H	H	H	Hiring of Project Manager, technical consultant and application and database administrator, timely.
Delay in the implementation of the consultancy service for e-procurement system development	M	H	H	H	Put monitoring arrangements for the implementation of the assignment
Inadequate e-procurement requirement definition and preparation	M	H	H	H	Provision of training to Business Units and Hand-on Support
Delay in e-procurement implementation due to lack of procurement/contract	M	H	H	H	Recruit additional procurement/contract management staff



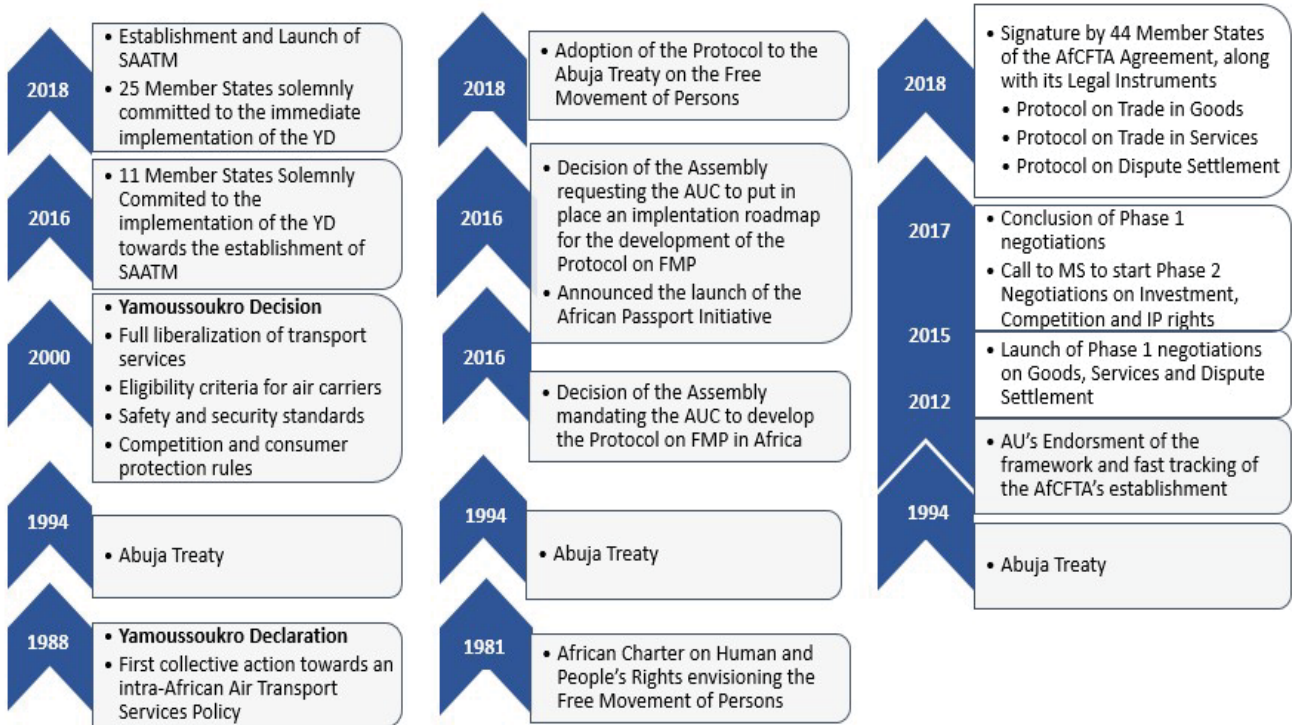
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Note: M = Moderate; H = High



ANNEX 2: MILESTONES OF THE AUCS PRIORITY REGIONAL INTEGRATION PROGRAMS (SAATM, FMP, AFCFTA)

Source: AUC and World Bank



Note: YD = Yamoussoukro Decision

Source: AUC and World Bank



ANNEX 3: THEORY OF CHANGE

