



Project Information Document (PID)

Concept Stage | Date Prepared/Updated: 07-Dec-2022 | Report No: PIDC35140

**BASIC INFORMATION****A. Basic Project Data**

Country Eastern and Southern Africa	Project ID P180117	Parent Project ID (if any)	Project Name Building Institutions And Systems to Harness And Realize Agenda 2063 (P180117)
Region EASTERN AND SOUTHERN AFRICA	Estimated Appraisal Date Apr 10, 2023	Estimated Board Date May 30, 2023	Practice Area (Lead) Governance
Financing Instrument Investment Project Financing	Borrower(s) African Union Commission	Implementing Agency African Union Commission, African Continental Free Trade Area Secretariat	

Proposed Development Objective(s)

To improve the effectiveness of the AUC and the AfCFTA Secretariat in supporting Member States to implement commitments to enhance regional integration and intracontinental trade in Africa.

PROJECT FINANCING DATA (US\$, Millions)**SUMMARY**

Total Project Cost	50.00
Total Financing	50.00
of which IBRD/IDA	50.00
Financing Gap	0.00

DETAILS**World Bank Group Financing**

International Development Association (IDA)	50.00
IDA Grant	50.00



Environmental and Social Risk Classification

Moderate

Concept Review Decision

Track I-The review did authorize the preparation to continue

B. Introduction and Context

Regional Context

Two years after the devastating effects of COVID-19 pandemic, the global economy is faced with another set of exogenous shocks. Africa’s economic growth is expected to slow to 3.3 per cent in 2022 after an initial recovery of 4.1 per cent in 2021. The slow recovery of the per capita income growth rate, estimated at 0.9 per cent and 1.3 per cent in 2022 and 2023 respectively, still falls short of putting the continent back on the pre-pandemic path of economic growth and poverty reduction. The upward trend of inflation following the post-pandemic period was exacerbated by the war in Ukraine, soaring to record highs in many countries. Only four of 33 countries with high-frequency data available registered annual headline inflation below 5 percent in July 2022. The number of countries with double-digit inflation almost doubled from 10 in January to 17 in July 2022. Despite the aggressive monetary policy used by several countries, inflation has remained stubbornly high in most of them. There are high levels of debt across Africa, rising borrowing costs, depleting public savings and putting pressure on the domestic currencies. African governments allocated a larger share of their revenues to servicing external debt (16.5 per cent in 2021, up from less than 5 per cent in 2010), leading to increased exchange rate risks for countries with high external debt and reduced fiscal space.

To address these challenges and their impact on Africa’s competitiveness in the global economy, the African Union—the premier continental regional body of 55 Member States— has proposed several measures in its *Agenda 2063* plan. The AU Summit adopted this 50-year business plan with the objective of “transforming Africa into the global powerhouse of the future.”¹ The seven aspirations of the Agenda 2063 reflect the AU’s commitment to achieving its goal of transformation through 14 priority projects, of which the AUC identified the AfCFTA, SAATM, and FMP for fast tracking. The AUC is also undergoing significant internal reforms to improve its effectiveness to address its aspirational agenda through internal reform that includes targeted restructuring in departmental configurations, staffing, and financial management and procurement policies and procedures.

Sectoral and Institutional Context

Africa has made significant progress in regional integration. In the recent past, the establishment of the AfCFTA remains the single most important achievement in this regard. The African Integration Report ranks Africa’s regional integration as 0.62 on a scale of 0 to 1.0—signaling a long distance from frontier in terms of achieving full integration. The overall picture is mixed, with some Regional Economic Commission (RECs) such as EAC, ECOWAS, COMESA, SADC and ECCAS progressing faster than others, such as IGAD, CEN-SAD and AMU.² Trade and movement of people stand out across the dimensions of regional integration with the most promise for improvement. There is increased free movement and trade within RECs, in most cases exceeding the continental level averages for integration. The establishment of the AfCFTA and the ongoing efforts to complete ratification of SAATM and FMP protocols are significant milestones expected to boost Africa’s competitiveness in the global economy. Initiatives such as the Guided Trade Initiative (GTI) started in 2022 to promote collective action and understanding across member states on the practical aspects of the AfCFTA

¹ African Union. 2021.- *Agenda 2063*. Addis Ababa: African Union Commission.

² African Union. 2021. *African Integration Report*. Addis Ababa: African Union Commission, p.18.



and are expected to provide the much-needed impetus. Eight countries (Cameroon, Egypt, Ghana, Kenya, Mauritius, Rwanda, Tanzania, and Tunisia) have signed up for the GTI and more are expected to join.

Regional integration is further hampered by restrictive air transportation market. African countries have not yet fully liberalized air transport services, leading to multiple challenges: expensive flights across Africa; infrequent and low service quality; and poor safety standards. Intra-African air transport connectivity levels remain among the lowest in the world, in large part due to a lack of affordability for the average African national. Connectivity challenges emanate from the sector's operating environment in Africa, as higher provisional cost of essential infrastructure (including airports and air navigation services) and lower industry demand together generate market distortions that result in higher net costs than in the rest of the world. Several analyses project that Intra-Africa traffic volumes would increase by 51 percent, with average fare levels declining by 26 percent that result in fare savings of US\$ 1.46 billion per annum as a result of competitive market forces. Connectivity and travel convenience are also expected to improve, with an additional 145 country-pairs receiving direct service and frequencies on existing routes increasing by 27 percent. The increased aviation activity, tourism, trade, investment, productivity, and other economic benefits will generate considerable employment and economic output.

Related to this is the problem of visa restrictions for Africans traveling across the continent, where still about 25 percent of African countries require visas for citizens of other African countries. Low levels of visa openness by a large number of States and the burden of entry visa fees undermines connectivity, demand for airline services, and regional integration. While the number of African countries which offer an e-visa for Africans has increased from only nine in 2016 to 25 in 2022 (a 27 percent jump in six years) there is still much to be done to improve mobility across the continent. Among the reasons for slow progress include: Confusion over the implementation plan of the Protocol and its sequencing; the lack of Civil registration/ID documentation; difficulty in exchanging of civil and criminal data and data standards; insufficient border management systems; ongoing security challenges and inadequate mechanisms for exchange of information.

To address these Agenda 2063 priorities, the AUC requires significant support both to manage its own program and also to coordinate continental implementation of the African Union's aspirations. Additional investment is required to improve financial management, procurement, human resource management, and information technology. At the same time, newly formed bodies such as the AfCFTA Secretariat will require continuous support in the short to medium terms. Finally, regional initiatives under the auspices of the AU, such as the Specialized Technical Committees, will also require support to drive sector specific engagements to drive Agenda 2063.

Relationship to CPF

The proposed Project is aligned with the updated FY 2021-2023 Regional Integration and Cooperation Assistance Strategy (Report No. 154458-AFR) discussed by the Executive Directors of the World Bank on January 6, 2021. The project supports pillar 2 on trade and market development which has a specific focus on the AfCFTA. However, various aspects of the project also support the rest of the pillars notably pillars (i) connectivity, particularly digital and air connectivity; (iii) human capital; and (iv) resilience. The project promotes trade and investment facilitation through a combination of targeted policy reforms and technical assistance to the AfCFTA, but also by supporting the important intermediary mechanisms to improve movements of persons—principally for trade—through support to SAATM and the FMP. The project is also aligned with the World Bank's Africa Strategy (2019-2023), especially the goal on "Creating Jobs and Transforming Economies". The project is also aligned with the World Bank's priorities for West and Central Africa Region and in particular with Goal#2 "Remove the bottlenecks that prevent firms from creating more and better jobs".



C. Proposed Development Objective

To improve the effectiveness of the AUC and the AfCFTA Secretariat in implementing Member States commitments to enhance regional integration and intracontinental trade in Africa.

Key Results

- a. Progress in concluding pending negotiations and additional protocols (Text)
- b. Alignment of national legal framework with Treaties (Text)
- c. Establishment and effectiveness of core Secretariat functions to support Treaty implementation (Text)
- d. Professional staff for whom annual performance evaluation were completed in the previous year (Percentage)

Of which, grades P5-D1(%)
Of which, grades P1-P4 (%)
- e. Female staff as Head of Division and higher in AUC and other AU organs in AUC and other AU organs (Number)
Of which, at AfCFTA (%)
Of which, at AUC (%)

D. Concept Description

The proposed operation is a US\$50 million Investment Project Financing (IPF) with Performance Based Conditions (PBC). The Project will support implementation of key activities under the AU's Agenda 2063 specifically related to the implementation of the AfCFTA, SAATM, and FMP. Selected PBCs will incentivize achievement of key results required to advance the outcomes in these three areas, for instance to leverage efforts such as the GTI in participating countries.. The Project will also support institutional reforms underway at the AUC as well as improvements in skills, policies, and tools for FM, Procurement, and IT. The Project is divided into two components:

Component 1: Improved Regional Integration through Free Trade and Movement of People and Air Connectivity

This component will finance the following:

Sub-Component 1.1: Deepening the Institutional Framework for Regional Integration and Free Trade in Africa (Results-Based). Under this sub-component, PBCs will finance results that accelerate the deepening of measures to expand intracontinental trade and free movement of peoples, including implementation of the AfCFTA' s GTI in participating countries.

Sub-Component 1.2: Technical Assistance to Support Implementation of AfCFTA, SAATM, and FMP (Input-Based). This sub-component will finance investment in knowledge, advice, capacity building, and partnership to enable the implementation of the three Agenda 2063 priorities.

Component 2: Institutional Capacity Strengthening to Implement Agenda 2063



Sub-Component 2.1: Supporting AUC to Achieve Agenda 2063 (Results based/PBCs). This sub-component will finance PBCs to finance that enable transformation of key management functions at the AUC to improve efficiency, effectiveness, and value for money.

Sub-Component 2.2: Support to core managerial functions of the AUC, AfCFTA Secretariat, and continental initiatives for building capacity to implement Agenda 2063 (Input based). This sub-component will finance TA to strengthen HR, FM, Procurement, ICT, and Project Management functions at the AUC and AfCFTA. It will also support activities of the Specialized Technical Committees to improve capacity in Financial Management and Public Administration in collaboration with relevant continental bodies.

Legal Operational Policies	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No
Summary of Screening of Environmental and Social Risks and Impacts	

E. Summary of Screening of Environmental and Social Risks and Impacts

The activities to be financed by the project will not lead to generation of pollutants to air, soil and water; an increased consumption of water, energy, and raw materials; or degradation of biodiversity and living natural resources. Furthermore, no community health and safety concerns are anticipated as a result of the project activities. The project will involve a limited number of workers to support the technical assistance activities. The project implementing entity will therefore ensure that the technical assistance activities are implemented in compliance with the requirements of the World Bank’s Environmental and Social Framework (ESF), which will be described in the Environmental and Social Commitment Plan. The environmental risk of the proposed project is rated as low at this stage. Hence, no environmental and/or social assessment document needs to be prepared prior to approval of the project.

CONTACT POINT

World Bank

Raymond Muhula, Ankur Huria, Megersa Abera Abate
Senior Public Sector Specialist



Borrower/Client/Recipient

African Union Commission
Patrick Maanke
Project Coordinator
MankeP@africa-union.org

Implementing Agencies

African Continental Free Trade Area Secretariat
Prudence Sebahizi
Director
Prudence.Sebahizi@au-afcfta.org

African Union Commission
Patrick Maanke
Project Coordinator
mankep@africa-union.org

FOR MORE INFORMATION CONTACT

The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 473-1000
Web: <http://www.worldbank.org/projects>

APPROVAL

Task Team Leader(s):	Raymond Muhula, Ankur Huria, Megersa Abera Abate
----------------------	--

Approved By

Practice Manager/Manager:		
Country Director:	Boutheina Guerhazi	19-Dec-2022