



Appraisal Environmental and Social Review Summary

Appraisal Stage

(ESRS Appraisal Stage)

Date Prepared/Updated: 04/21/2023 | Report No: ESRSA02648



BASIC INFORMATION

A. Basic Project Data

Country	Region	Project ID	Parent Project ID (if any)
Eastern and Southern Africa	EASTERN AND SOUTHERN AFRICA	P180117	
Project Name	Building Institutions And Systems to Harness And Realize Agenda 2063		
Practice Area (Lead)	Financing Instrument	Estimated Appraisal Date	Estimated Board Date
Governance	Investment Project Financing	4/10/2023	5/30/2023
Borrower(s)	Implementing Agency(ies)		
African Union Commission	African Continental Free Trade Area Secretariat, African Union Commission		

Proposed Development Objective

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

Financing (in USD Million)	Amount
Total Project Cost	50.00

B. Is the project being prepared in a Situation of Urgent Need of Assistance or Capacity Constraints, as per Bank IPF Policy, para. 12?

No

C. Summary Description of Proposed Project [including overview of Country, Sectoral & Institutional Contexts and Relationship to CPF]

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 African Continental Free Trade Area (AfCFTA), The Single African Air Transport Market (SAATM), and the Free Movement of Persons (FMP). Selected PBCs will incentivize implementation of key activities required to advance the achievement of outcomes in these three areas. The Project will also support institutional

Public Disclosure



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 (US\$30m)

Sub-Component 1.1: Deepening the Institutional Framework for Regional Integration and Free Trade in Africa (Results-Based).

The project will finance incentives to accelerate the deepening of measures to improve intracontinental trade and free movement of peoples. Selected PBCs will be aligned with incentives to support the following priorities:

- i. Conclusion of outstanding negotiations of the AfCFTA Treaty (services, investment, competition policy and e-commerce) and establishment of problem-solving procedures leveraging the new rule-oriented dispute resolution mechanisms (AFCAC/AfCTA);
- ii. Promotion of specific actions geared towards facilitating cross border trade on goods and services, including through improving Customs and border management and coordination , and
- iii. investment facilitation;
- iv. Promote the establishment and functioning of effective monitoring of implementation of AfCFTA provisions and assessing their impacts on intra- and extra-AfCFTA trade and investment flows;
- v. Strengthening the capacity of the AfCFTA Secretariat to efficiently and effectively coordinate and support AfCFTA member States to implement the commitments undertaken under the AfCFTA Treaty and Protocols,
- vi. Promote the involvement and ownership of the different segments of the African private sector of the AfCFTA
- vii. Regional harmonization of air transport policies on taxation, fees and charges;
- viii. Air Transport climate adaptation and mitigation;
- ix. Consumer Protections to facilitate Free Movement of Persons;
- x. Alignment of legal and regulatory frameworks of member states and RECs with AfCFTA, FMP, and SAATM.

Sub-Component 1.2: Technical Assistance to Support Implementation of AfCFTA, SAATM, and FMP (Input-Based)

The project will finance investment in knowledge, advice, capacity building, and partnership to enable the implementation of the three Agenda 2063 priorities as follows:

Sub-Component 1.2a: Implementation of the AfCFTA: The project will finance the following activities:

- i. Strengthening institutional capacity of the AfCFTA and stakeholder engagement;
- ii. Conclusion of outstanding negotiations on specific aspects of trade in goods, as well as the conclusion of the Phase 2 negotiations on trade in services, investment, intellectual property rights, e-commerce and competition policy ;
- iii. Advancing regulatory cooperation framework for services;
- iv. Support to Phase 2 negotiations;
- v. Implementation of protocols on investment; Intellectual Property Rights; Competition; Digital Trade; Women and Youth in Trade;
- vi. Customs, Transit and Trade Facilitation; and
- vii. Harmonization of standards and removing Technical and Non-Technical Barriers.



Sub-Component 1.2b: Implementation of the SAATM. The project will finance the following activities:

- i. Advocacy activities to accelerate SAATM implementation (Experts workshops, activities of the AFCAC as Executing Agency of SAATM, and the the Yamoussoukro Decision (YD) Monitoring Body);
- ii. Establishment of the Secretariat and the Administrative Council to implement the SAATM Dispute Settlement Mechanism in coordination with AfCFTA;
- iii. Development of a comprehensive airspace and air navigation aviation Infrastructure investment plan informed by a continental gap analysis on airports and aviation navigation systems and intended to harmonize aviation systems in Africa;
- iv. Technical Assistance to develop a framework for the reduction of air transport taxes to boost trade and movement of people;
- v. Support towards the establishment of continent-wide aviation data and statistics reporting system for monitoring of Solemn Commitments; and
- vi. Develop prototype air transport policies on taxation, fees and charges for member states.

Sub-Component 1.2c: Implementation of the FMP. The project will finance the following activities:

- i. Advocacy activities for accelerated ratification of the FMP protocol in pending countries;
- ii. Establishment of principles and policies to facilitate border management;
- iii. Support to the Office of the Champion to advocate for ratification of the Protocol;
- iv. Support for the development of shared databases to facilitate border management among member states;
- v. Technical Assistance to harmonize policies on free movements between the Regional Economic Commissions (RECs) and state parties (e.g. one stop border check) ; and
- vi. Technical Assistance to conduct studies on the economic benefits of the FMP.

Component 2: Improved Capacity of the Africa Union Commission (AUC), including the AfCFTA Secretariat, to Implement Agenda 2063 (US\$20m)

Sub-Component 2.1: Supporting AUC to Achieve Agenda 2063 (Results based/PBCs). The project will finance incentives to accelerate the transformation of key management functions at the AUC to improve efficiency, effectiveness, and value for money. The PBCs will be derived to incentivize the following:

- i. Development and implementation of new Staff Regulations and Rules;
- ii. Finalization of the Skills Audit and implementation of the recommendations;
- iii. Upgrading of the IT fleet to address automation of HRM, Financial Management and Procurement; and
- iv. Staff Development and Establishment of implementation of best practice measures to improve performance of Procurement, Financial Management, and HR Management.

Sub-Component 2.2: Technical Assistance to support selected core managerial functions of the AUC, including the AfCFTA Secretariat, (Input based). The project will finance activities to strengthen the AUC capacity in the following areas:

- i. Training and Staff Development;



- ii. Development of policies, tools/equipment, and procedures for HR, FM, Procurement, and ICT;
- iii. Upgrade of hardware, software ,and IT systems to enable HRM, FM (ERM), Procurement, and ICT;
- iv. Digitization of HR records;
- v. Development of e- learning system; and
- vi. Project Management.

The proposed Project is aligned with the updated FY 2021-2023 Regional Integration and Cooperation Assistance Strategy (Report No. 154458-AFR) approved by the Executive Directors of the World Bank on December 7, 2020. The project support pillar 2 on trade and market development. However, various aspects of the project also support the rest of the pillars notably pillars (i) Connectivity; (iii) human capital; and (iv) Resilience. The project promotes trade 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.

D. Environmental and Social Overview

D.1. Detailed project location(s) and salient physical characteristics relevant to the E&S assessment [geographic, environmental, social]

The proposed operation is an investment project financing (IPF) with Performance Based Conditions (PBCs) aimed at improving the effectiveness of the AUC and the AfCFTA Secretariat in implementing Member States’ commitments to enhance regional integration and intracontinental trade in Africa. Climatic shocks and conflicts have contributed to the recent steep increase in food insecurity and malnutrition in the region. Climatic shocks to food production have continued in Sub-Saharan Africa—such as, droughts and floods. Maintaining long-term per capita production growth is becoming increasingly difficult with more frequent weather-induced setbacks, as food security is estimated to decline by 5-20 percent on average with each major episode of flooding or drought. The resurgence of violent conflict in recent years has disrupted transportation of food to markets and destroyed infrastructure and other forms of capital critical for crop production and income growth. Food price spikes and acute food shortages, in turn, have triggered social unrest and conflict.

The level of trust in public institutions and government in general is low in Africa. Pursuing the African Union’s goals set out in Agenda 2063 will require building capable institutions in which citizens can place their trust. Data from Afrobarometer shows that trust in government institutions has significantly declined. In the 2019/2021 survey only about 31 percent of respondents across Africa said that they trusted their president “a lot”, down from 44 percent in 2005/2006. Similarly, trust in parliament has declined from 30 percent in 2005/2006 to 19 percent in the last survey while trust in local government has declined from 28 percent in 2005/2006 to 20 percent in the last survey. In turn, the Ibrahim Index of African Governance (IIAG) shows that the public perception of overall governance has declined from 51 percent in 2010 to 49 percent in 2019 with declines in all four subcategories. Some of the largest declines are found in the public’s perception of accountability, anti-corruption, and the quality of public administration.

Africa’s economies have been associated with relatively low levels of economic diversification and trade and investment integration. FDI provides a critical source of external capital, creates more and better-paid jobs, lifts people out of poverty, and boosts exports, diversification, and productivity. Yet most African markets are underperforming in attracting investment. Furthermore, the FDI that many African economies do attract continues to

Public Disclosure



be concentrated in extractive industries and commodities, rather than higher value-adding manufacturing and services while regional value chains are underdeveloped.

The proposed project will be implemented to strengthen the capacity of AUC base in Addis Ababa - Ethiopia and the AfCFTA Secretariat in Accra – Ghana. The implementing agencies facilitate to advance three key Agenda 2063 priorities towards achieving regional integration through trade and free movement of persons. In supporting institutional reforms underway at the AUC as well as improvements in skills, policies, and tools for FM, Procurement, and IT, the project is anticipated to have limited direct E&S risks and impacts. However, several of the proposed TA activities on policy reforms, regulatory advice, etc. could have potential downstream environmental and social impacts depending on the nature and scale of the activities. Thus, the client has prepared a terms of reference (ToR) for SESA which will be conducted at AUC level and will conduct the Strategic Environmental and Social Assessment (SESA) during implementation. E&S consultants will be hired by AUC for the assessment during implementation stage.

D. 2. Borrower’s Institutional Capacity

The proposed project is the second in an ongoing engagement to support the African Union (AU) through targeted investments to build the capacity of the African Union Commission (AUC) to facilitate regional integration. The project will also support the implementation of the African Continental Free Trade Area (AfCFTA) Protocol. The World Bank’s Executive Board of Directors approved the first project—Support for Capacity Development of the African Union Commission and other African Union Organs (P126848) on May 4, 2014. A restructuring in 2018 provided additional financing and extended the project closing date to December 31, 2022, and revised the PDO to “Strengthen the AUC’s capacity to facilitate regional integration results and transformation through enhanced institutional efficiency”.

The proposed “Building Institutions and Systems to Harness AU Regional Agenda (BIASHARA) 2063” project will build on the achievements of the previous project now expected to close on June 30, 2023, after a proposed restructuring. The new project will deepen the institutional quality of the AUC and support measures to advance the three key Agenda 2063 priorities namely, the AfCFTA; the Single African Air Transport Market (SAATM); and the Free Movement of Persons (FMP) and the African Passport. The AUC has experience in the implementation of the World Bank-financed project. However, the project did not require E&S staffing as there were no adverse environmental and social footprints as the project has focused on technical assistance activities. Similarly, no physical investments are anticipated in this project. Hence, it will not require full-time environmental and social risk management experts. However, PIUs under the AUC and AfCFTA will assign E&S focal persons who will oversee the overall implementation of environmental and social risk management of the project; the project shall make sure that the technical assistance activities and feasibility studies will be implemented in compliance with relevant environmental and social standards. This requirement will be clearly indicated in the environmental and social commitment plan. Besides, the Bank shall organize basic ESF awareness training for the PIUs.

Public Disclosure

II. SUMMARY OF ENVIRONMENTAL AND SOCIAL (ES) RISKS AND IMPACTS

A. Environmental and Social Risk Classification (ESRC)

Substantial

Environmental Risk Rating

Substantial

The activities to be financed by the project will not directly lead to : i) generation of pollutants to air, soil and water; ii) an increased consumption of water, energy, and raw materials; and iii) degradation of biodiversity and living natural resources. Furthermore, no direct community health and safety concerns are anticipated as a result of the



project activities. The project will not support the preparation of future investment projects or Type -1 TAs according to OESRC Advisory Note classification. It will support Type 2 and Type 3 TAs which include support for the formulation of plans, strategies or legal frameworks as well as strengthening borrower capacity. However, there are potential downstream EHS risks as the TA activities involve preparation of a comprehensive airspace and air navigation aviation infrastructure investment plan. Potential downstream environmental issues associated with airport operations include noise and vibrations, wastewater, hazardous materials management, solid waste, air emissions and energy and water consumption. Similarly, potential downstream environmental issues associated with flight operations include noise and air emissions from aircraft engines and dangerous cargo handling. Besides, ICT and digitalization activities to be supported by the project could lead to generation of e-waste. The project implementing entity will therefore ensure that the technical assistance activities are implemented in compliance with the requirements of the ESF of the Bank which has been described in the Environmental and Social Commitment Plan. The environmental risk of the proposed project is rated as substantial mainly due to downstream risks.

Social Risk Rating

Moderate

The potential social risk of the project is rated as moderate for there are no activities with high potential for harming people or likely to cause significant social risks and impacts. The proposed activities under the three components mainly involve technical assistance aimed at building the institutional capacity of AUC to facilitate regional integration and advance the three key agenda 2063 priorities. The proposed various institutional reforms under the TAs and feasibility studies for the air transport, Africa manufacturing and tourism study would have potential downstream social risks and impacts. As the Project will not involve in any physical investment, there are no anticipated risks and impacts related to land acquisition, restrictions on land use and involuntary resettlement. Likewise, since the activities under each component focus on institutional reforms, there will be no or limited probability for having activities that require any direct interaction with wider communities. Hence, there would be no grievances expected from communities including vulnerable groups, but from project workers. However, a requirement for stakeholder engagement will be limited to the AUC, AfCFTA, and other implementing units. On the other hand, as the project is anticipated to involve multiple staff of the implementing agencies mainly in the AUC and AfCFTA secretariats in Accra and Addis Ababa, respectively, the implementation of TA activities could be disrupted due to the contextual risks of security situation in western and eastern Africa that could potentially cause impacts on the project workers' safety and security as well as risks related to SEA/SH or other forms of GBV. Furthermore, as the proposed activities involve engagement of project workers (both direct, contract as well as supply) for the proposed reform activities, there could be potential risks related to labor and working conditions including risks around discrimination/exclusion based on gender and ethnicity, Occupational Health and Safety (OHS), workers' security, and risks related to gender-based violence (GBV). However, labor influx is not anticipated and there would also be no issues related to forced labor and child labor. Thus, requirements and timelines for the preparation and adoption of labor management procedures, and security and safety measures will be incorporated in the ESCP. In addition, AUC will develop a standalone stakeholder engagement planning framework as well as a terms of reference (ToR) for the preparation of Strategic Environmental and Social Assessment (SESA) prior to the project appraisal. A SESA will ensure compliance with the ESF in regard to downstream environmental and social risks and impacts as they may emanate from the TA activities and feasibility studies.

Public Disclosure

B. Environment and Social Standards (ESSs) that Apply to the Activities Being Considered

B.1. General Assessment



ESS1 Assessment and Management of Environmental and Social Risks and Impacts

Overview of the relevance of the Standard for the Project:

This project will not have any significant adverse environmental and social risks and impacts as no physical works will be financed. The proposed project mainly focuses on technical assistance of the AUC and AfCFTA secretariats which have no activities with a high potential for harming people or likely to cause significant social risks and impacts. No land acquisition and no potential risk of labor influx are anticipated from this project. Also, the potential SEA/SH risks of the proposed project is classified as moderate. Hence, no environmental and/or social assessment document needs to be prepared prior to the approval of the project. However there are potential downstream EHS risks such as noise and vibrations, wastewater, hazardous materials management, solid waste, air emissions, energy, and water consumption. air emissions, and dangerous cargo handling (mainly due to the preparation of an air navigation aviation infrastructure investment plan). ICT and digitalization activities to be supported by the project could lead to the generation of e-waste.

The AUC has prepared an environmental and social commitment plan and a stakeholder engagement framework prior to project appraisal. The AUC’s ESCP incorporates requirements and timelines for the preparation and adoption of ESS2 requirements, and security and safety measures as well as requirements to prevent and address risks and incidents related to SEA/SH and other forms of GBV. For Type 2 & 3 technical assistance activities (based on the OESRC Advisory Note on Technical Assistance and the ESF), the project implementing entities shall make sure that these activities are carried out as per the requirements of the ESF. Besides, a ToR for a strategic environmental and social assessment has been prepared. The SESA shall be conducted during the first year of project implementation depending on the scope and environmental and social implications of the TAs based on the OESRC Advisory Note for any policies or strategies that may have downstream environmental and social risks. Where applicable, TAs will be designed and implemented following the requirements of the WBG Environmental, Health, and Safety Guidelines for Airlines and Airports.

ESS10 Stakeholder Engagement and Information Disclosure

This standard is relevant for the project needs to engage with various stakeholders to advance its objectives throughout the project life cycle. The project requires to engage early with multiple stakeholders relevant to pursue the achievements of its intended objectives. However, the engagement requirements will be limited to stakeholders to participate in the institutional capacity development i.e. there is no direct contact with the community including the disadvantaged and vulnerable groups. Given the continental coverage/geographical scope of the proposed project, the exact location of project implementation is not known or couldn’t be determined at this stage. Thus, a stakeholder engagement planning Framework that sets out the principles to be followed for the later stage preparation of contextualized stakeholder engagement plan (SEP) in a manner consistent with the requirements of ESS10 has been developed by AUC. Thus, the project has developed a SEP framework in accordance with the requirement of ESS10 prior to the project appraisal.

B.2. Specific Risks and Impacts

A brief description of the potential environmental and social risks and impacts relevant to the Project.

ESS2 Labor and Working Conditions



This standard is relevant to this project. In addition to the direct project workers, although limited in number, the AUC may engage direct project workers and contract workers in the form of consultants to support the technical assistance activities. As indicated above, there could be potential risks related to labor and working conditions including risks around discrimination/exclusion based on gender and ethnicity, Occupational Health and Safety (OHS), workers' security, and related risks of gender-based violence (GBV) during the implementation of the proposed technical activities. However, labor influx is not anticipated and there would be no issues related to forced and child labor. Moreover, the reform activities proposed under Sub-Component 1.3: Human Resource Management will not be expected to cause any retrenchment i.e. potentially lead to layoffs and rightsizing /downsizing. Thus, the AUC's Environmental and Social Commitment Plan includes commitments that help to ensure compliance with the requirements of ESS2 and AUC's Policy on Staff Rules and Regulations as well as the WBG's EHS Guidelines. The African Union Commission's (AUC) policy on Staff Rules and Regulations aims to promote effective and efficient management of human resources in the organization including the AfCFTA and it sets out guidelines for job classification, recruitment and selection, condition of service, performance management, training and staff development, employee benefits, health and safety, disciplinary measures, and grievance handling. Thus, relevant aspects of the ESS2 and AUC's policy requirements will be included in any terms of reference (ToR) of the TA activities, particularly of the reforms on human resource management to ensure that the activities or reforms will not lead to any retrenchment. Besides, technical assistance activities and feasibility studies will be implemented as per the requirements of the OESRC Advisory Note on Technical Assistance and the ESF so that potential downstream health and safety risks could be properly addressed.

ESS3 Resource Efficiency and Pollution Prevention and Management

ESS3 is relevant. The project activities are not anticipated to directly lead to the generation of pollutants in the air, soil and water at this stage. Furthermore, they will not directly lead to increased consumption of resources including water, energy, and raw materials. However, the project implementing entities shall make sure that the technical assistance activities will be implemented in compliance with the ESF as per the requirements of the OESRC Advisory Note on Technical Assistance and the ESF as there are potential downstream risks related to resource efficiency and pollution management. Potential downstream relevant for ESS3 include noise, wastewater, hazardous materials management, solid waste, air emissions, energy and water consumption. To address these potential downstream risks, TAs will be designed and implemented following the requirements of the WBG Environmental, Health, and Safety Guidelines for Airlines and Airports. The SESA will also cover the downstream risks associated with airport and airline operations. ICT and digitalization activities to be supported by the project could lead to the generation of e-waste. To address this risk, AUC has prepared an e-waste management plan.

ESS4 Community Health and Safety

The project activities will not have adverse community health and safety risks as no infrastructure will be financed. Traffic and road safety and labor influx risks are not anticipated in this project. The technical assistance activities will be implemented in compliance with the OESRC Advisory Note on Technical Assistance and the ESF so that potential downstream risks to the community could be avoided or minimized.

ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement



This standard is not relevant at this stage. Because, the proposed project activities will not involve infrastructure development or construction works that may involve in land acquisition; and thus, there will be no impacts related to land acquisition, restriction on land use and involuntary resettlement. However, this standard is considered relevant in relation to the downstream social implications of the TA activities particularly the development of a comprehensive airspace and air navigation aviation infrastructure investment plan, the feasibility studies for Sub-Component 2.4: Support to Department of Trade, Feasibility Study for the establishment of the Africa Manufacturing Institute and the Tourism related studies. Thus, the relevant requirements to assess, manage and monitor the potential downstream social risks and impacts related to land acquisition and involuntary resettlement will be reflected in the project ESCP.

ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources

The project activities are not anticipated to have any adverse impacts on biodiversity and living natural resources as no physical investments will be financed. However, the technical assistance activities shall be implemented in compliance with the ESF following the OESRC Advisory Note on Technical Assistance and the ESF.

ESS7 Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities

The project is not expected to involve activities that require any direct interaction with communities. However, this standard is considered relevant in relation to the downstream social implications of the TA activities particularly the development of a comprehensive airspace and air navigation aviation Infrastructure investment plan. The relevant requirements to assess, manage and monitor the potential downstream social risks and impacts on those Sub-Saharan African Historically Underserved Traditional Local Communities (SSAHUTLCs) as per the criteria will be reflected in the ESCP.

ESS8 Cultural Heritage

No adverse impacts on cultural heritage is anticipated as no works will be financed. However, the technical assistance activities will be implemented following the OESRC Advisory Note on Technical Assistance and the ESF so that potential downstream risks to cultural heritage could be avoided or minimized.

ESS9 Financial Intermediaries

No financial intermediaries will be involved.

C. Legal Operational Policies that Apply

OP 7.50 Projects on International Waterways	No
OP 7.60 Projects in Disputed Areas	No

Public Disclosure



B.3. Reliance on Borrower’s policy, legal and institutional framework, relevant to the Project risks and impacts

Is this project being prepared for use of Borrower Framework?

No

Areas where “Use of Borrower Framework” is being considered:

None

IV. CONTACT POINTS

World Bank

Contact: Raymond Muhula Title: Senior Public Sector Specialist

Telephone No: Email: rmuhula@worldbank.org

Contact: Ankur Huria Title: Senior Economist

Telephone No: 5702+4925 / 60-322-634925 Email: ahuria@worldbank.org

Contact: Megersa Abera Abate Title: Transport Economist

Telephone No: 5220+34208 Email: mabate@worldbank.org

Borrower/Client/Recipient

Borrower: African Union Commission

Implementing Agency(ies)

Implementing Agency: African Continental Free Trade Area Secretariat

Implementing Agency: African Union Commission

V. 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>

VI. APPROVAL

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

Public Disclosure



Practice Manager (ENR/Social)

Iain G. Shuker Cleared on 22-Mar-2023 at 16:05:25 EDT

Public Disclosure