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MULTILATERAL INVESTMENT GUARANTEE AGENCY

SUPPORTING AFRICA'S TRANSFORMATION:

REGIONAL INTEGRATION AND COOPERATION ASSISTANCE STRATEGY

FOR THE PERIOD FY18–FY23

May 7, 2018

Africa Region, World Bank
Africa Region, International Finance Corporation
The Multilateral Investment Guarantee Agency

The date of the last Africa Regional Integration Strategy Progress Report was March 21, 2011

Abbreviations and Acronyms

ACBP	Africa Climate Business Plan
AFR	Africa Region of World Bank
AfDB	African Development Bank
ASEAN	Association of Southeast Asian Nations
ATI	Africa Trade Insurance Agency
AU	African Union
BEAC	Bank of Central African States (*Banque des Etats de l'Afrique Centrale*)
BOAD	West African Development Bank (*Banque Ouest-Africaine de Développement*)
CEMAC	Central African Economic and Monetary Community
CFTA	Continental Free Trade Area
CILSS	Permanent Interstate Committee for Drought Control in the Sahel (*Comité permanent inter-État de lutte contre la sécheresse au Sahel*)
CIWA	Cooperation in International Waters in Africa Program
COMESA	Common Market for Eastern and Southern Africa
CPF	Country Partnership Framework
CPPR	Country Portfolio Performance Review
CRRH	*Caisse Régionale de Refinancement Hypothécaire*
CRW	Crisis Response Window (IDA)
DBSA	Development Bank of South Africa
DPF	Development Policy Financing
DPO	Development Policy Operation
EAC	East African Community
EAPP	Eastern Africa Power Pool
ECCAS	Economic Community of Central African States
ECDPM	European Centre for Development Policy Management
ECOWAS	Economic Community of West African States
EEZ	Exclusive Economic Zone
EU	European Union
FCS	Fragile and Conflict-Affected States
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
IBRD	International Bank for Reconstruction and Development
ICA	Infrastructure Consortium for Africa
ICT	Information and Communication Technology
IDP	Internally Displaced Person
IGAD	Intergovernmental Authority on Development
M&E	Monitoring and Evaluation
MFD	Maximizing Finance for Development
MPA	Multiphase Programmatic Approach
PEF	Pandemic Emergency Financing Facility
R&D	Research and Development
RICAS	Regional Integration and Cooperation Assistance Strategy
SADC	Southern African Development Community
SAPP	Southern Africa Power Pool

SCD	Systematic Country Diagnostic
SMEs	Small and Medium Enterprises
SOE	State-Owned Enterprise
SSA	Sub-Saharan Africa
STEM	Science, Technology, Engineering, and Math
SUF	Scale-Up Facility (IDA)
UNECA	United Nations Economic Commission for Africa
ICCON	International Consortium for Cooperation on the Nile
IDA	International Development Association
IEG	Independent Evaluation Group
IFC	International Finance Corporation
IMF	International Monetary Fund
IPCC	Intergovernmental Panel on Climate Change
IPF	Investment Project Financing
LIC	Low-Income Country
MDG	Millennium Development Goal
MIGA	Multilateral Investment Guarantee Agency
MIS	Management Information System
NAFTA	North American Free Trade Agreement
NBI	Nile Basin Initiative
OAU	Organization of African Unity
ODA	Overseas Development Assistance
OECD	Organization for Economic Co-operation and Development
PEF	Pandemic Emergency Financing Facility
PforR	Program for Results
PIDA	Program for Infrastructure Development in Africa
PLR	Performance and Learning Review
PPP	Public-Private Partnership
PSW	Private Sector Window (IDA)
REC	Regional Economic Community
RI	Regional Integration
RIAS	Regional Integration Assistance Strategy
WAEMU	West African Economic and Monetary Union (UEMOA)
WAPP	West Africa Power Pool
WBG	World Bank Group
WDI	World Development Indicators
WDR	World Development Report
WEF	World Economic Forum
WTO	World Trade Organization

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SECTION I: INTRODUCTION

Context of Regional Integration in Africa

1. **Regional integration has remained a political and economic priority for Africa since the dawn of independence in the continent.** In the summer of 1963, 30 newly independent countries came together to establish the Organization of African Unity (OAU), the precursor to the present-day African Union (AU). Its mandate included promoting unity and solidarity and strengthening cooperation for development among African nations. Successive efforts since then have reinforced this commitment. The Lagos Action Plan of 1980 and the Abuja Treaty signed by OAU Heads of State and Government in 1991 laid out an ambitious vision of integration covering economic, social, and political convergence. Most of the currently active regional organizations in Africa were formed or reestablished in two waves — the first wave from the mid-1970s to the early 1980s and the second during the first half of the 1990s. These waves were clearly inspired by positions taken by African countries in the post-independence period as well as important integration initiatives in the rest of the world.[1] Most recently, regional integration (RI) agenda is a prominent aspect of the AU's Vision 2063, with an aspiration of being an ''integrated continent with free movement of people, goods, capital and services and infrastructure connections."

2. **The case for integration in Africa rests on several premises and these have largely remained the same over the years (see Box 1).** The political geography of Africa was mostly determined by the colonial powers and in many cases, national borders have little relationship with ethnic and cultural homogeneity. The small size of many countries and fragmentation of domestic markets results in various diseconomies of scale, which pulls down the economic potential of the entire continent. Over 70 percent of Sub-Saharan African countries have a population of less than 20 million, and about half the countries have a gross domestic product (GDP) of less than US$10 billion in 2016 (nominal terms). About one-third of Sub-Saharan African countries are landlocked and crucially dependent on their neighbors for access to global markets. The fact that the resource base may often be in countries far removed from where the markets are makes it imperative to seek regional solutions to some of the common challenges. There are over 50 transboundary river basins and several regional subsurface aquifers in Africa, which again demonstrates the need for collective action in management of these natural resources. There are also the 'global public bads' such as conflicts, natural disasters, and epidemics that do not respect national borders.

3. **The African experience of integration does not demonstrate a clear sequential process but shows a diversity of approaches and attempts.** The classical thinking on regional integration sets out a sequence of having common markets and customs unions before moving to common currency and full integration of factor markets, eventually leading to a possible political union. Despite any rhetoric, the experience in Africa bears little resemblance to this classical model. There are long-established monetary unions such as Central African Economic and Monetary Community (CEMAC) that have not become real customs unions. In fact, there have been numerous attempts toward creating common markets which have not borne fruit. However, there is renewed expectation around the recent agreement establishing a Continental Free Trade Area (CFTA), and swift follow-up would be critical in fulfilling the expectations. Then, there is the long-standing issue of overlapping membership and mandates of Regional Economic Communities (RECs) which makes it impossible for them to function like true regional communities in its classical form (some countries are members of multiple RECs). All this shows that a flexible and

[1] A fuller description of the history of regional integration efforts is available in 'Regionalism and the Global Economy: The Case for Africa, FONDAD (1996); McCarthy (2010); and ECDPM: 'Africa's Regional Integration Arrangements: History and Challenges' (2007).

opportunistic approach toward integration has been the practical reality in Africa. Whether this remains the approach going forward would depend on the resolve of African countries to address deeper issues around the balance between sovereignty and integration, recognizing that there would be short or medium-term winners and losers from integration and addressing these differentiated impacts.

Box 1: What Is Regional Integration?

At the turn of the 20th century, there were 100 international borders around the world. The wave of independence in many countries across continents meant that at the turn of the 21st century there were 600 international borders. Borders are necessary for nation states to survive, govern, and grow. Sovereign states make political and economic choices in terms of the levels of integration they would want to have with other sovereign states. Countries that have integrated regionally benefit from growth spillovers, larger markets, and scale economies in production—benefiting producers, investors, and consumers. However, current global debates indicate that trade and integration can be unpopular and these concerns need to be recognized and addressed (IMF, World Bank, and WTO 2017). Regional integration is the integration of factor and goods market and coordination of policy across sovereign jurisdictions within a region and can range in depth (the degree of sovereignty surrendered) and scope (focused on one issue or across several topics). Integration could be at a sub-regional or continental level. In very practical terms, successful regional integration requires the effective management by countries of relevant 'border crossers' to accelerate the development process. The important 'border crossers' in Africa include people, animals, commodities, money, electrons, water, germs, conflicts, technology, Internet, and institutions. As experience from other regions shows, regional integration complements global integration. Countries that struggle to trade with their neighbors could typically find it harder to integrate with global value chains.

4. **Africa has some useful lessons from wider global experiences with integration.** The World Development Report 2009 'Reshaping Economic Geography' provides an interesting conceptual framework for regional integration. It details how integration can happen in three typologies of countries: those that are close to global markets; those in regions distant from world markets, but with some large home markets; and those in regions that are divided, are distant from world markets, and lack the economic density provided by a large local economy. For the most part, Africa would fall into the last category. Nevertheless, experiences with integration in the other two types of countries would be relevant to Africa. The past two decades of global growth have been underpinned by broad consensus and established policies promoting globalization and economic integration. However, recent political debates and developments in Europe and North America have brought to the fore differences in how integration and convergence should work in future. These debates have revolved around sovereignty of nation states, inequality within and between nations, perceived loss of domestic jobs, immigration and border control, and a diminished sense of interdependency among nations. These are important issues for Africa as well and could bubble up to the top as the levels of regional integration in the continent increase.

Context for this Strategy

5. **Going forward, the nature and pace of integration in Africa would also be defined by wider economic opportunities and challenges.** In particular, there are likely to be four key economic drivers of regional integration. **First**, nature of economic growth and macroeconomic stability could be an important factor for integration. The past decade has seen the continent grow largely on the back of a commodity price boom and largely sustainable debt levels. With the recent retreat of the commodity super-cycle,

there is an opportunity to push ahead with greater intra-African trade as a potential driver for increasing productivity and economic diversification. **Second**, the ongoing demographic boom and rapid urbanization could be another important factor for integration. For instance, how is Africa going to take advantage of its burgeoning youth cohorts to meet the growing food needs and rising purchasing power of its urban population? **Third,** an accelerated pace of structural reforms, which leads to improvements in competitiveness and consequent opportunities for agglomeration and specialization among countries, could be another driver for integration. **Finally**, advances in technology and its falling costs are likely to be another driver of integration — for example, falling costs of renewables could benefit all countries equally if diseconomies of scale are addressed or availability of improved Internet connectivity could potentially revolutionize distance education and help address chronic challenges such as poor quality of teachers.

6. **The World Bank Group (WBG) has considerable experience and understanding of regional integration in Africa,[2] which provides the bedrock for future engagement.** The World Bank's dedicated support for regional integration in Africa began around 2005, when the regional window started as a pilot in IDA13 (see Box 2). From the initial level of lending commitments of around US$200 million in FY05, the RI program in Africa has grown rapidly to around US$10 billion of lending commitments by end-FY17. This represents a little under one-fifth of current total commitments of IDA/IBRD in the Africa Region. International Finance Corporation (IFC) commitments for regional programs represent about one-quarter of its total commitments. The Multilateral Investment Guarantee Agency (MIGA) is facilitating cross-country investments, through supporting cross-border power sales, facilitating regional import-export, and supporting cross-border finance and regional transportation. Therefore, the WBG has a large portfolio of active operations as well as a large body of analytical work on regional integration. With the proposed scale-up of the regional window under IDA18, there is an excellent opportunity to set out clear priorities for the future of the RI program, thus the preparation of this new WBG Regional Integration and Cooperation Assistance Strategy (RICAS) for Africa covering FY18–FY23 (the IDA18 and IDA19 periods).

Box 2: IDA Regional Window - From Pilot to Co-pilot

The regional window within IDA is a good example of how IDA responds to changing context and client demand through innovation, trialing, mainstreaming, and scaling up. The regional window started as a 'pilot' program in IDA13. It allowed leverage of national IDA with additional IDA resources as an incentive for countries to address regional challenges. As a 'pilot', it went through a trial period and has since been mainstreamed and scaled up. In response to chronic excess demand, IDA18 will see a near doubling of the size of regional window. The Africa Region of the World Bank now sees the regional program as a 'co-pilot' sitting alongside country programs to help clients achieve strong development results. As the IDA architecture becomes more sophisticated, there is much to learn from its regional window.

7. **It is important to situate this new strategy within the wider ecosystem of strategy and diagnostic tools in the WBG.** The 2008 RI Assistance Strategy (RIAS) for Africa[3] had set out several priorities that have served the World Bank well so far.[4] This WBG strategy builds upon the considerable experience gained over the past decade while also recognizing the significant changes in context in Africa.

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[2] Africa in this report refers to the Africa Region of the World Bank (or Sub-Saharan Africa).
[3] https://siteresources.worldbank.org/INTAFRREGINICOO/Resources/1587517-1271810608103/RIAS-Paper-Final-Approved-Oct2010.pdf.
[4] The 2008 Strategy was a World Bank strategy.

It sets out a pathway for developing the next generation of the WBG's engagement in regional integration. How will this new RI strategy sit within the existing diagnostic and strategy formulation processes within the WBG? The Systematic Country Diagnostic (SCD) and Country Partnership Framework (CPF) remain core part of existing processes to define priority areas of country engagement for the WBG. These products are also expected to reflect priority areas of engagement on RI issues in different countries. This new strategy sets out the priority areas for WBG engagement on regional integration, while the specific RI lending opportunities would be identified in the various CPFs. In essence, this strategy does three things: identifies lessons learned and assesses the changes in the wider context, repositions the WBG's RI work and sets out strategic priorities, and identifies improvements in the WBG's engagement model to strengthen the impact of the RI work.

8. **This document consists of six sections.** The next section provides an overview of the context in Africa in terms of economic and development challenges and looks at wider links between Africa and rest of the world. Section III takes stock of progress with regional integration in Africa and makes a forward-looking case. Section IV looks back at the performance, achievements, and lessons learned within the WBG's RI program in Africa. Section V sets out a strategic framework for the future, while the last section sets out key aspects of implementing the strategy.

SECTION II: THE SETTING—AFRICA REGIONAL CONTEXT

9. **This section looks at the broader economic and development context in Africa with relevance to regional integration.** In particular, it looks at the economic context, performance on poverty reduction and human development, infrastructure provision, fragility and sustainability, trade and financial flows, and the political context for integration.

Economic Context

10. **After a decade of strong economic growth, in 2016 Africa witnessed its lowest growth rate in nearly two decades.**[5] During 2004–2014, the real GDP growth rate in the region was an average of 5.3 percent, before falling to 3.4 percent in 2015 and 1.5 percent in 2016. In fact, the region's average per capita GDP contracted in 2016, for the first time in 22 years, reversing a period of improvements in living standards. Beneath these headline numbers, there is a sharp divergence in economic performance in some of the non-commodity exporting countries (some of which continue to see 6 percent growth), while the commodity exporters have been severely affected by the fall in global commodity prices. Growth recovered to 2.6 percent in 2017 due to recovery in oil production and easing of drought conditions. In sub-regional terms, East Africa has shown the highest economic growth in recent years, followed by West, Central, and Southern Africa (Table 1). A comparative picture of the RECs is provided in Figure 1. Besides global factors, there are domestic economic and political headwinds and rising security concerns in some countries that are undermining short to medium-term economic prospects. The retreat of the commodity super-cycle points to the need for undertaking crucial macroeconomic adjustments, deepening structural reforms and economic diversification as key measures for reigniting economic growth.

11. **The decline in growth rates is playing through in other aspects of Africa's overall macroeconomic performance and the near-term growth prospects remain modest.** In 2017, two-thirds of Sub-Saharan African countries were running fiscal deficits that were above their average 2010–2013 levels. One-half of the region's economies did not meet the traditional benchmark for reserves of less

[5] This section uses data from some recent analytical reports by the World Bank and IMF, including IMF's Regional Economic Outlook and World Bank's Africa Pulse.

than three months' worth of imports. At the same time, there was a sharp decline in the number of countries accessing private external financing in 2016—at its peak, a dozen countries had Eurobond issuances during 2013–2015. With the prospects of a rise in interest rates and continuing global uncertainty, investors are likely to seek higher yields and look more closely at domestic economic fundamentals—posing some uncertainty over availability of cheap private capital. Deterioration in the fiscal position in many countries is also being reflected in the deteriorating debt situation, among both the commodity exporters and non-exporters. Public debt rose above 50 percent of GDP in 22 countries at end-2016, a sharp increase within a short period of three to four years. While a modest growth rebound took place in 2017, the short-term growth prospects for the continent tend toward moderate recovery due to continuing regional and global uncertainty. Growth is expected to pick up to 3.1 percent in 2018 and 3.6 percent in 2019–2020 (World Bank 2018). Overall, growth is likely to rise only slightly above the population growth, a pace that is unlikely to make a big dent in creating employment and supporting poverty reduction. While the recent strengthening of global growth, particularly in key trading partners, is a positive development for Africa's prospects, the buildup of domestic vulnerabilities is a cause for concern.

Table 1: Economic Growth Performance by Sub-regions

Real GDP Growth (%)	2008–2012	2013	2014	2015	2016
Central Africa	4.9	4.0	5.7	3.1	0.1
East Africa	5.6	7.2	5.9	6.5	4.9
Southern Africa	3.1	3.7	2.7	1.6	0.9
West Africa	6.2	5.7	6.0	3.2	0.5
Sub-Saharan Africa	4.9	5.2	4.9	3.3	1.5

Source: African Economic Outlook 2017 and 2018.

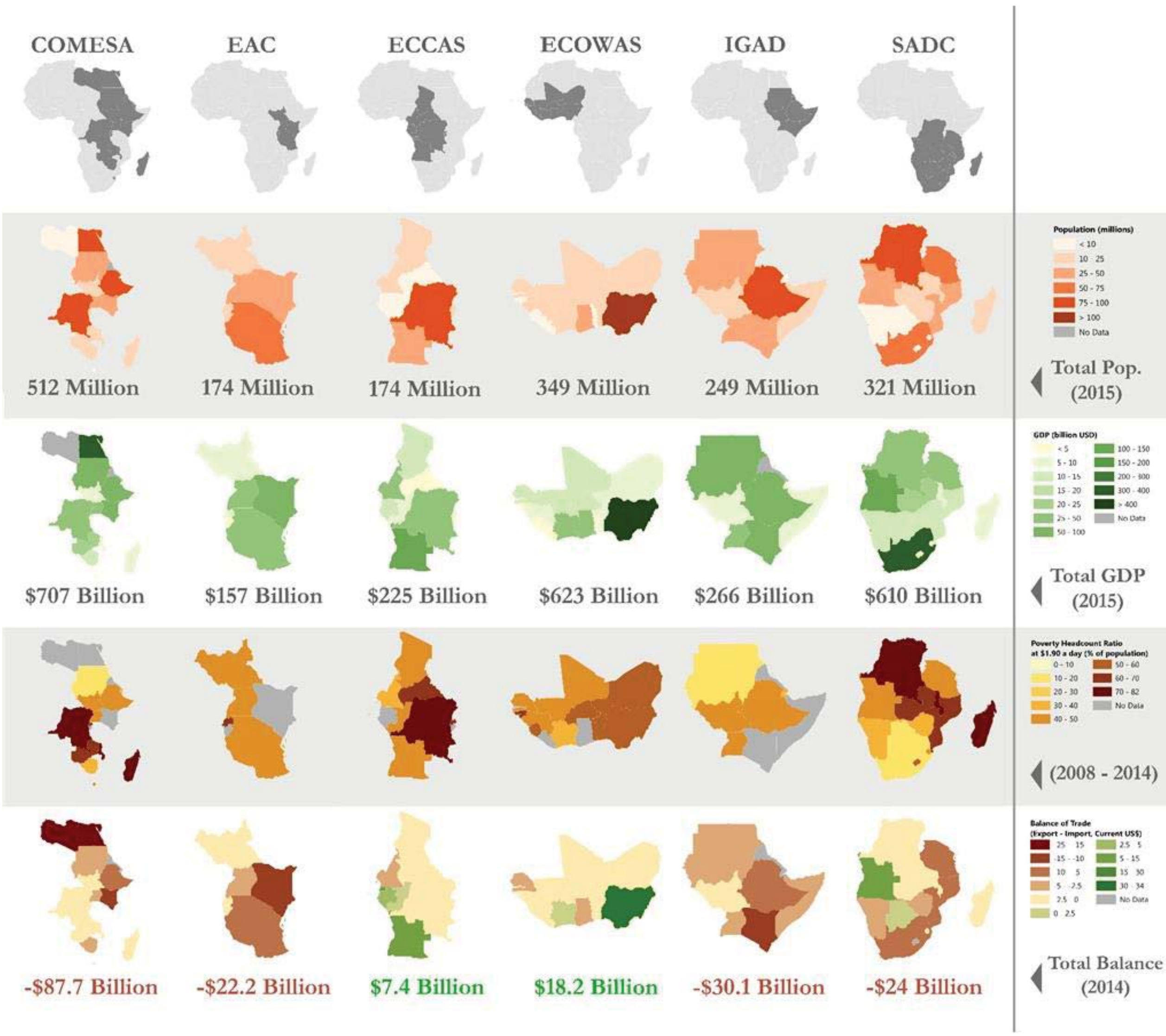
12. **There are two monetary unions in Sub-Saharan Africa and more are proposed.** The West African Economic and Monetary Union (UEMOA/WAEMU) and CEMAC cover 13 countries between them. More proposals are on the table, including in the East African Community (EAC) and the intention of having a West Africa Monetary Zone currency, Eco, by 2020. The stated objective of existing unions such as WAEMU is to provide monetary and fiscal stability and promote trade and financial sector integration. The performance of monetary unions has been a subject of recent discussions, particularly in light of the macroeconomic difficulties facing CEMAC countries—where international reserves stood at around two months of imports in December 2016. Monetary easing by the Bank of Central African States (*Banque des Etats de l'Afrique Centrale*, BEAC) is perceived as having delayed much-needed adjustment,[6] but more recently there are improved prospects of the zone addressing these challenges. In the WAEMU, the nominal exchange rate anchor and the union's rules have generally contributed to supporting fiscal discipline and macroeconomic stability in the zone. However, the convergence criterion has been repeatedly missed by countries in the WAEMU and it remains to be seen if the convergence criterion agreed for 2019 is likely to be met. Overall, economic integration within these monetary zones remains limited.

13. **Slow structural transformation and low productivity levels across sectors remain big challenges.** Agriculture continues to employ over 50 percent of the region's workforce, but the sector's share in GDP has declined from 34 percent in 1965 to just over 20 percent during 2010 - 2015. This decline has been largely offset by an expanding services sector, accounting for over 50 percent of GDP. There are ongoing debates (AfDB et al. 2015) whether Africa can bypass manufacturing sector development and rely more heavily on the services sector to drive future growth. In any case, movement of labor from low-

[6] IMF: CEMAC Staff Report (2016) contains more analysis on CEMAC macroeconomic challenges.

productivity agriculture to low-productivity informal trade services is unlikely to dent the current across-the-board low productivity in various sectors. Take agriculture—Africa imports food staples valued at US$25 billion annually, essentially because food production, supply, and consumption systems are fragmented and not functioning optimally. The level of value addition and processing is low, and post-harvest losses average 30 percent of total production. In the 1960s, cereal yield levels were comparable between Africa and South Asia (around 1,000 kilograms per hectare); while it has reached nearly 3,000 kilograms per hectare in South Asia, it has almost remained stagnant in Africa. Only 4 percent of crop area in the continent is irrigated. This is despite the huge potential in the agriculture sector as the continent is home to one-half of the world's uncultivated but arable land, and it taps into only 2 percent of its renewable water resources compared to 5 percent globally.

Figure 1: Overview of Major RECs in Africa



Source: World Development Indicators.

Note: COMESA = Common Market for Eastern and Southern Africa; ECCAS = Economic Community of Central African States; ECOWAS = Economic Community of West African States; IGAD = Intergovernmental Authority on Development; SADC = Southern African Development Community.

14. **In the midst of continuing global uncertainty and prospects for modest growth in Africa, greater regional integration remains an untapped driver of growth.** Africa needs to transform from what the Africa Competitiveness Report (2015) calls the 'first stage of development' where economies are factor driven and their competitiveness is based on factor endowments (unskilled labor and natural resources) to the second 'efficiency driven' stage. In the latter stage, competitiveness depends on higher education, frictionless labor markets, better developed financial markets, adoption of new technology, and larger size markets being available to firms. The potential benefits of regional integration run through each of these themes, by making markets bigger and addressing diseconomies of scale. Quality of governance, rule of law, a harmonized business environment, and policy consistency are also critical for the private sector to be a driver of regional integration.

Demography, Poverty, Development, and Environment

15. **Africa's population grew from around 640 million in 2000 to 960 million in 2015—a 50 percent increase in 15 years.** It is projected to increase to around 1.4 billion by 2030. Between 1970 and 2010, the population of China, India, and Sub-Saharan Africa grew in similar numbers, by some 550–650 million people. Over the next 50 years, however, the projections look very different. Sub-Saharan Africa's population will grow at 200 percent of the growth seen during 1970 and 2010, compared with 70 percent in India, while China will level off and start to fall. The African continent's workforce is expected to increase by over 800 million people between 2010 and 2050. Africa will each year add 25 million people to its workforce—highlighting the staggering challenge of jobs, food security, and infrastructure needs. The rising population and urbanization could also see an emerging middle class—in 2008, Africa's combined consumer spending was around US$680 billion and it is projected to increase to US$2.2 trillion in 2030. As in other regions, an expanding middle class will likely result in changing household spending patterns and concomitant changes in the economic production, supply, and trading systems.

16. **Two decades of sustained economic growth has delivered modest reduction in poverty.** The share of population in extreme poverty declined from 57 percent in 1990 to 43 percent in 2012 (World Bank 2016a). However, rapid population growth has meant that the number of people living in extreme poverty increased by 100 million during the period. Across all countries, the levels of rural poverty are significantly higher (46 percent) than in urban areas (18 percent). Some African countries also have very high levels of inequality—of the 10 most unequal countries in the world today, 7 are in Africa. However, excluding these very unequal countries, the levels of inequality in Africa are largely comparable to the average of the developing world. Therefore, the success of future growth endeavors would be measured not just in terms of the levels of growth achieved (realizing a steady 6+ percent growth would be critical) but also the poverty elasticity of this growth and how the continent does on inequality indicators. Additionally, the need for regular and comparable household surveys to allow cross-country comparisons has been highlighted in a recent World Bank report on poverty (World Bank 2016a).

17. **Despite good progress across the board, Africa only met three of the seven Millennium Development Goals (MDGs) and challenges remain on the 21st century priorities in the social sectors.** The following MDGs were achieved—universal primary education; gender equality and women's empowerment; and combat HIV/AIDS, malaria, and other diseases. The remaining four MDGs were 'off-track': eradicate extreme poverty and hunger, reduce child mortality, improve maternal health, and ensure environmental sustainability. Among the lessons learned (UNDP 2015) from implementation of

MDGs in Africa is the need to better balance the 'brick and mortar' investments in schools and hospitals with the need for increased recurrent spending and addressing quality of service provision. While the tertiary enrollment ratio reached only 8 percent in 2010, the good news is that university enrollment has doubled during the last decade. This is putting tremendous pressure on a vast majority of public universities in Africa, with an estimated 50 percent more students per professor in the continent compared to the global average. The region needs more capacity and better-quality tertiary education across universities, polytechnics, and technical institutions and innovative regional approaches could be part of the solution. Within the health sector, cross-border challenges come from recurring epidemics of cholera, malaria, meningitis, measles, and zoonotic diseases. The Ebola epidemic in West Africa during 2012–2013 starkly brought to the forefront the risks posed by weak health systems, poor surveillance, and inadequate response to outbreaks. At the same time, the rising burden of noncommunicable diseases is exposing weak capacities in screening and treatment at different levels of the medical system. In sum, the continent would need to look at radically different ways of delivering on the human development challenges, including greater use of possible regional approaches where they can strongly complement national efforts.

18. **Infrastructure deficits continue to cripple long-term competitiveness of African economies, but the impressive penetration of the telecom sector serves as a beacon for the future.** The region's current electricity generation installed capacity is 90 GW, half of which is located in one country, South Africa. Electricity consumption in Spain (population 47 million) exceeds that of the whole of Sub-Saharan Africa (population 1 billion). Internet penetration in Sub-Saharan Africa is also about one-third that of other developing economies.[7] Access to basic infrastructure remains a key challenge—with only 35 percent of people having access to energy and 30 percent of the population having access to improved sanitation services. And the needle has been moving slowly—for example, access to energy has only increased from 23 percent in 1990 to 35 percent in 2015. Over 600 million people currently lack energy access. However, the performance of the telecom and information and communication technology (ICT) sector, especially in terms of the rapid increase in mobile penetration, has been nothing short of impressive. Nearly half of the population in Africa subscribed to mobile services in 2015. Continuing with such technology leapfrogging will be important in other sectors.

19. **Despite progress in provision of regional infrastructure, critical gaps remain and progress has been uneven across sub-regions.** There are no recent assessments of the level of infrastructure financing deficit, but in 2010 (World Bank 2010) it was estimated that the region needed US$93 billion per year to fill the infrastructure gap. While data comparability may be an issue, some estimates show that overall financing for infrastructure in Sub-Saharan Africa tripled between 2004 and 2012. There has been growth across various financing sources, with domestic public financing being the single largest source of infrastructure financing, contributing over 60 percent of total infrastructure financing. At their 18th African Union Assembly in 2011, African Heads of State and Government formally adopted the Program for Infrastructure Development in Africa (PIDA), which identifies priority continental projects in transboundary water, energy, transport, and ICT to be realized by 2040. Annex VII shows the various continental priorities and World Bank's support for PIDA priority projects. There has been steady progress in the provision of regional infrastructure. In the energy sector, the Southern Africa Power Pool (SAPP) created by the 12 member countries of the SADC is the most developed power pool in Africa. The SAPP largely has a sound governance structure, with its key establishing agreements and operating guidelines signed by both member governments and utilities. The West Africa Power Pool (WAPP) and East Africa

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[7] International Telecommunication Union and the United Nations Broadband Commission - The State of Broadband 2016.

Power Pool (EAPP) are also making rapid progress toward connecting all national power grids. Progress has been limited in establishing a regional power pool for the Central African countries. On the ICT side, Internet connectivity through submarine cable has been largely successful, but initiatives connecting East-West corridors are lacking, putting landlocked countries at a disadvantage. Even when there have been improvements in regional road infrastructure, the impact on greater regional trade has not been realized due to a variety of nontariff barriers and other market failure that exist in those corridors. This points to the need for paying greater attention to 'soft' policy reform issues alongside filling gaps in 'hard' infrastructure. Regional infrastructure projects can sometimes suffer from lack of strong champions at the country level, outside of concerned ministries, due to competing national investment priorities.

20. **Unless effective collective action is forthcoming, there is a risk that regionally shared natural resources could face the 'tragedy of the commons'.** Africa has many shared natural resources—there are over 50 transboundary river basins, coastal zones that are much bigger than the exclusive economic zone (EEZ) of the United States, drylands that cover multiple countries, and rich forest and biodiversity resources. At least three of Africa's eight biodiversity hotspots have cross-country coverage. The coastline of Africa stretches to over 45,000 km and there are around 300 coastal cities—highlighting the importance of sustainable management of marine resources and coastal erosion, which would have important medium to long-term dividends. Better management of natural resources and ensuring environmental sustainability requires collective action by countries, more so in the context of rapid population growth and expected pressures on natural resources. However, experience also shows that addressing the 'free rider' problem and optimizing the 'transaction costs' of collaboration should be an important part of promoting collective action among countries.[8] This, in turn, requires close examination of the incentives and disincentives for meaningful cooperation among countries—going beyond traditional methods of providing technical assistance and institutional capacity building support.

Fragility and Resilience

21. **Many of today's fragility risks in Africa have an increasing cross-border dimension.** Cross-border fragility risks could take multiple forms: violent conflict, forced displacement, spread of epidemics, and uncoordinated management of shared natural resources. Some of these risks have materialized in recent years. The conflict and unrest caused by Boko Haram in countries of West and Central Africa show that conflicts quickly spillover across borders pointing to the cross-country dimension of drivers of fragility. These conflicts come at tremendous economic, environmental, social, and human costs. For instance, estimates show that the Boko Haram crisis has come at a huge economic cost of nearly US$9 billion just in North East Nigeria (World Bank 2016b). The Lake Chad region is now an unfortunate theater of conflict and environmental stress feeding into each other. Figure 2 shows the cross-border conflict hotspots that have resulted in major fatalities. Some of the regional conflicts are long-standing—for example, in the Great Lakes region, conflict and resulting forced displacement has been playing out over five decades and has left over 3 million displaced people. Additionally, regional conflicts vitiate the climate for cooperation among countries and undermine prospects of private investments. These, in turn, affect the prospects for regional integration and cooperation. Since the drivers and impacts of regional conflicts are cross-border in nature, tackling them requires strong political consensus among countries. The Peace, Security, and Cooperation Framework Agreement for the Great Lakes signed by 10 countries in 2013 illustrates the potential of how countries can come together with political resolve, but it also points to the need for effective implementation of such agreements.

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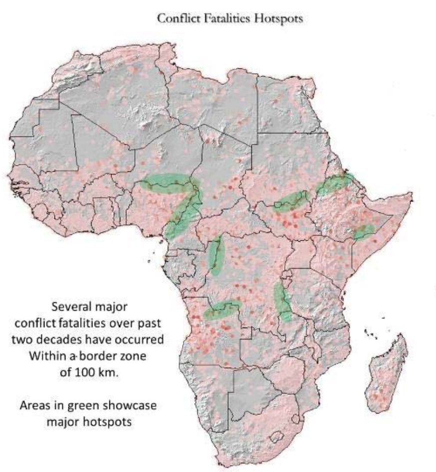
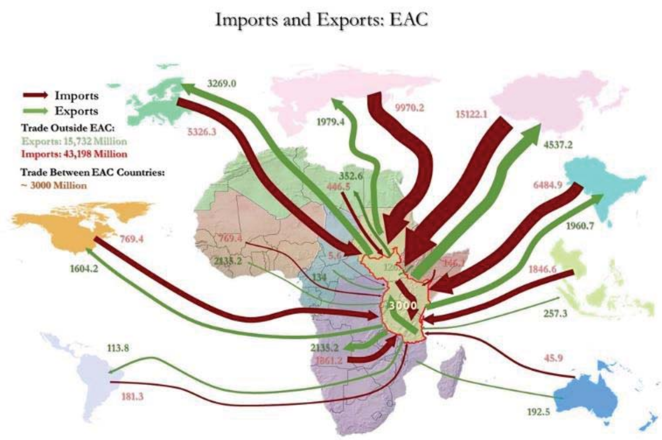
[8] OECD: 'Managing Agri-environmental Commons through Collective Action: Lessons from OECD Countries'.

22. **Climate change poses a significant risk to Africa.** The projected climate change impacts range from reduction in precipitation, damage to land and coastal ecosystems, increasing vulnerability for agriculture and food systems, and climate-relevant health risks. At a global mean temperature increase of 4°C, risks for Africa's food security are "assessed as very high, with limited potential for risk reduction through adaptation" (IPCC 2014). No region has contributed as little as Africa to the increase in global greenhouse gas emissions, yet Africa could face the brunt of climate change impacts. The continent's existing climate adaptation deficit poses 'medium to high risks' in dealing with multiple climate challenges: shift in biome distribution, loss of coral reefs, reduced crop productivity, adverse effects on livestock, vector and water-borne diseases, malnutrition, and migration. High poverty levels, dependence on rainfed subsistence farming, poor management of natural resources, and limited provision of safety nets combine to make climate change a major risk for the continent. Climate change impacts are not going to stop at national borders, pointing to the need for effective collaborative action among countries to address or mitigate these impacts.

Figure 2: Conflict Fatalities Hotspots and Imports and Exports from EAC



Source: World Bank team, ACLED Conflicts Database.



Source: MIT Trade Atlas, World Bank Boundaries.

Trade and Factor Markets

23. **Africa's share in global trade continues to be very small, but destinations of African exports have changed.** The comparison with East Asia's trade performance is illustrative. In 1970, Africa's share of global exports was around 5 percent—twice that of East Asia and by 2010 Africa's share had fallen to 3.3 percent, while East Asia had galloped ahead to 18 percent share of global trade. That said, there has been a fivefold increase in the real value of sub-Saharan Africa's exports over 1995–2013 (deflated by U.S. GDP deflator)—which is explained by both a 2.5-fold increase in volumes and a 2-fold increase in the relative price of exports. Almost three-fourth of Africa's exports were extractives, and manufactures formed just 18 percent of Africa's exports in 2013 (compared to a world average of 65 percent). Trade flows between Africa and China have increased significantly in recent years. In 1995, around 90 percent of Africa's trade was with advanced economies, and now China is the single largest market for African exports. While Africa's export mix to China is narrowly focused on the primary sector, its imports from China are much diversified (World Bank 2015). There are ongoing initiatives for promoting trade and investments with Africa, including the African Growth and Opportunity Act (AGOA) of the United States and the Economic Partnership Agreements that the European Union (EU) is negotiating with some RECs.

An increase in global trade integration may be accompanied by greater volatility from external shocks—as the current economic difficulties for some resource exporters demonstrates. Regarding services, Africa has become an increasing net importer of services with a trade deficit of nearly US$50 billion in 2013 for services, raising the question if this deficit could widen further with rising urbanization.

24. **Intra-African trade continues to be small, but if done right it could open up huge economic potential.** About 16 percent of total trade in 2013, and only 12 percent of Africa's imported intermediates, are sourced from the region. Recent literature (IMF 2016a) reinforces the need for the continent to address five priority areas to increase intra-regional trade: bringing infrastructure to global average quality, which could improve intra-regional trade by 42 percent; addressing nontariff barriers and investment climate; further financial deepening and access to credit, which could increase intra-regional trade by 28 percent; lowering tariffs, which would need to be done with other measures to increase domestic revenue mobilization; and deepening the integration in existing customs unions. Figure 2 illustrates the limited intra-regional trade by illustrating the trade flow data for EAC countries. Reliable and comparable data on large levels of informal trade between countries is hard to come by, but estimates put the level of informal trade in the SADC region to be one-third of total intra-SADC trade. Many of the cross-border traders across the continent are women, who often face hardships and personal risks.

25. **In a promising move, the Framework Agreement establishing the African CFTA was signed by 44 countries in Kigali in March 2018.** The CFTA holds the potential to stimulate the diversification of exports away from primary commodities, which will help reduce vulnerability to commodity prices fluctuations and create employment. Key details of the agreement are still to be agreed upon. These, to a large extent, will determine whether the agreement paves the way for Africa to realize the enormous potential for increased regional trade. Key remaining issues include the following:

(a) **Which specific tariff lines will be liberalized.** The agreement requires members to remove tariffs on 90 percent of products, though countries have not yet negotiated which ones.

(b) **The nature of rules of origin.** Restrictive rules of origin can negate the preferential market access intended by the free trade agreement and prevent global and regional supply chains from functioning.

(c) **Addressing nontariff barriers.** Key barriers to intra-African trade are often the result of implementation of systems of permits and licenses for exports and imports, difference in standards and the procedures of customs and other agencies at the border. If intra-African trade is to flourish, mechanisms will have to be found for the monitoring and disciplining of such barriers.

(d) **Commitments to liberalize trade in services.** If the enormous opportunities for increased regional trade are to be realized, commitments to open services markets will have to go beyond those previously agreed.

26. **The external flow of finances into Africa has been in the range of 10–12 percent of GDP during the past decade but is concentrated in a few countries**. The external flows have averaged US$190 billion per year during the period (AfDB, OECD, and UNDP 2016). At the same time, domestic revenue collections have increased from US$281 billion during 2004–2008 to US$461 billion in 2014. Foreign direct investment (FDI) and portfolio investments have formed the largest share of external flows in recent years in the range of US$50 billion to US$80 billion annually. Remittances form the next category, ranging between US$37 billion in 2004–2008 to US$64 billion in 2015. Overseas development assistance (ODA)

has largely remained steady in the range of US$40 billion to US$50 billion per year. Table 2 shows the distribution of external flows and government revenues for the RECs. The EAC has been the largest recipient of ODA, while the SADC is largest recipient of private capital flows as a share of GDP. Resource-rich countries have been getting two-thirds of FDI flows in the extractive sectors, while ICT and services also show an increased share. The geographical concentration of FDI flows is striking. From 1990 to 2000, one-half of total FDI flows into Sub-Saharan Africa went to two countries—South Africa and Nigeria. This trend has not changed much—between 2001 and 2012, the top 10 recipient countries received 85 percent of FDI flows into the region. The relatively smaller countries and those with weaker investment climate were at the bottom of the table on levels of external financing. This points to the likely 'neighborhood effect' in determining the destination of investment flows and thus the need for greater convergence in the investment climate at a sub-regional level so that more countries are likely to benefit from these investments.

Table 2: Domestic and External Flows by REC (Average 1990–2012 % of GDP)

	ODA	Private Capital Flows	Government Revenue	Remittances
SADC	5.9	6.2	28.5	4.6
ECOWAS	7.9	4.8	20.1	5.0
EAC	8.7	4.1	21.8	1.7
CEMAC	3.1	2.3	25.7	0.4
WAEMU	6.1	2.0	20.0	4.2
Sub-Saharan Africa	6.8	4.9	24.8	3.9

Source: Brookings Institution 2015.

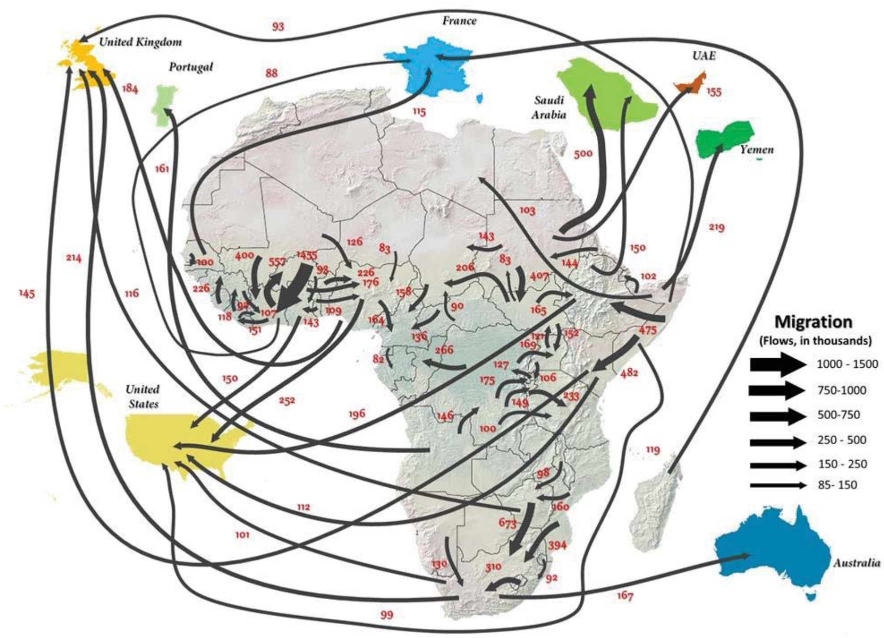
27. **There has been progress with financial sector development, but the capital market is at an early stage of development.** There is now a strong presence of pan-African banks across many countries in Africa—these represent the potential for African businesses to grow within a conducive policy environment. About 20 national stock exchanges are currently active in the continent. With the exception of the Johannesburg stock exchange, all other stock exchanges are small. There is one functioning regional stock exchange covering the WAEMU group of countries. While the case for larger regional exchanges is strong, there are several constraints to the development of regional stock exchanges—smaller exchanges may be concerned that they would get overshadowed by the bigger counterparts, and there may be an inclination for countries to view stock exchanges as national assets with pride. The financial sector faces challenges with undertaking financial intermediation and faces diseconomies of scale in accessing private financing, due to high-risk perceptions, lack of 'bankable' projects, and projects individually seen to be too small to warrant the high transaction costs for larger investors.

28. **With regard to movement of people, there is a large stock of migrants who have moved within Africa.** As shown in Figure 3, about 13 million people have moved between countries within Africa—representing two-thirds of the total number of Sub-Saharan Africans living outside their country (IMF 2016b). With rapid urbanization and growth of the services sector and other nonagricultural jobs, it is likely that there would be further impetus toward economic migration in both the skilled and semiskilled occupations within the region. It is hard to predict the levels and nature of cross-country migration in future, but if the story of other continents is anything to go by, economic migration between countries in the region could remain an important factor in Africa's future. This is only likely to enhance the need for managing remittances, allowing cross-national banking and insurance products, greater reliance on mutual recognition systems of education degrees, and convergence of remuneration levels in the job market—all of which require collective facilitation at a regional level. In addition, forced displacement due to economic, social, or environmental factors has been an underlying cause for displacement both within

and outside the region. Challenging rural conditions have also contributed to past migrations from Africa's Sahel drylands and the Horn region, underscoring "the link between water supply variability, food insecurity, the potential for unrest and mass migration." [9]

29. **Rapid technological change and entrepreneurship is likely to affect Africa in profound, but previously unknown, ways.** Apart from changing the landscape of the job market, technology advancements could affect the future of multiple sectors—food, energy, medicine, transportation and logistics, construction, health care, telecom and digital economy, shared economy, and the financial sector, among others. It could also dramatically change the future of innovation and domestic entrepreneurship and existing service delivery mechanisms. Insufficient attention is being paid to technological developments that respond to Africa's challenges and to innovative financing arrangements to facilitate development and application of technological solutions at a large enough scale. Additionally, some of the 'future-ready' strategies for Africa to take full advantage of the technology revolution could include (WEF 2017) providing robust technical and vocational education and training, ensuring the 'future readiness' of curricula, and investing in digital fluency and ICT literacy skills. Such efforts could prevent further gaps in the 'digital divide'.

Figure 3: Migrant Stocks within and from Sub-Saharan Africa



Source: World Bank Migration and Remittances Database.

Political Context for Integration

30. **Effective cooperation among countries to achieve mutually shared objectives is a critical determinant of regional integration**. 'Pan-Africanism' and 'African solidarity' have remained important ideals for leaders to articulate the benefits of integration. Nevertheless, translating these ideals into reality has often been fraught with political economy and sovereignty considerations. For very legitimate reasons, countries could compete as preferred destinations for private investments or strive to protect

[9] Stockholm International Water Institute: The Water Report (2016).

their market share for key products. Countries are not unitary entities and there are stakeholders within countries who make different assessments of the costs and benefits of greater integration. How these different domestic interest groups along with historical, diplomatic, and other factors play out at a sub-regional level has been an important determinant for the success of integration efforts. Political economy issues are obviously important in achieving development results at the country level, but with regional integration there is the added factor around national sovereignty issues, which can complicate things. A stronger engagement on political economy issues will be critical in shaping the integration agenda and making sure it does not move at the pace of the slowest mover. There is also sometimes a trust deficit between countries that could result in reliance on more expensive domestic solutions. The hurdles in moving to a single common market is an example of the trade-offs to be made between integration and domestic sovereignty considerations.

31. **The role of the AU and the RECs becomes particularly important in this context of political economy issues around integration.** There is a reason for optimism in recent efforts by these regional bodies. For example, ECOWAS has played an increasingly critical role in ensuring electoral outcomes are respected in member countries—a recent instance being in The Gambia in early-2017 following the contentious elections in the country. The AU and RECs have been playing an important role in addressing terrorism and potential risks of conflicts and fragility—these are critical in ensuring that Africa gets the full benefits of rapid economic growth. However, political economy issues in integration extend beyond provision of regional stability and security, and here the record has been patchy. RECs have generally played an important political force in promoting integration. With the creation of a large number of RECs and associated regional insitutions, it is apparent that there is a heavy structure of supranational institutions with mixed performance on efficiency and effectiveness standards.[10] The overlapping membership of the RECs has been an important inhibitor for successful integration. Commitment to regional bodies or regional projects could sometimes arise out of a historical sense of African solidarity among leaders, but there is little cost associated with noncompliance by member states of regional agreements (ECDPM 2016). This could be an important explanation for the wide gap between rhetoric and reality of integration. Several efforts are under way to provide capacity development support to the regional institutions, and these are likely to be more effective once there is clarity on the respective roles of these institutions and how they can effectively support countries to implement various regional agreements. Ongoing efforts on reforms of the AU acquire important relevance in this regard, particularly the measures outlined in the recent 'Report on the Proposed Recommendations for the Institutional Reforms of the African Union'.[11] Annex VII has more information on continental and REC priorities.

Key Emerging Issues

32. **Three main issues arise from the foregoing analysis which are closely intertwined with regional integration.** First, Africa needs to restart its growth engine and strengthen the poverty elasticity of growth within a context of global uncertainties and modest prospects for a commodity price boom. Deepening of integration could be a timely and effective way of reigniting the growth engine. This requires economic diversification, improving the competitiveness of countries, and promoting greater regional trade. Continued attention to filling critical regional infrastructure gaps along with 'soft' policy and regulatory reforms would be critical. Second, there are some big opportunities that lie ahead, including the

[10] There has not been an independent review of the 2008 General Protocol of Relations between the African Union Commission (AUC) and RECs.

[11] http://www.gsdpp.uct.ac.za/sites/default/files/image_tool/images/78/News/FInal%20AU%20Reform%20Combined%20report_28012017.pdf.

demographic boom, rising urbanization, and the likely prospects of technological improvements. These factors could fundamentally redefine production, trading, and consumption patterns in the continent. All of these, if optimally realized, could become the 21st century drivers of greater integration in the continent but, if not well harnessed, could risk bypassing the integration efforts. Finally, several fragility and environmental risks that have a cross-border dimension require effective collective action by multiple countries—again pointing to the need for strong and meaningful regional cooperation. But such efforts need to go beyond narrow efforts of building institutional capacity of regional bodies and should help establish clear incentives and disincentives for countries to comply with regulatory improvements. There is thus a strong case that deepening of integration and cooperation in Africa could be an effective way of responding to Africa's short and medium-term challenges and opportunities. The subsequent section looks into the constraints and opportunities in unleashing the full potential of integration to chart the next course of Africa's development story.

SECTION III: STATE OF PLAY AND MAKING THE CASE FOR 21ST CENTURY—INTEGRATION IN AFRICA

Global Perspective on Integration

33. **There are rich experiences with regional integration in the developing world, but there is no 'blueprint' here.** Intra-regional trade in Asia and the Pacific is currently at 57 percent, compared to 63 percent in the EU and 20 percent in Latin America. The Association of Southeast Asian Nations (ASEAN), which is now in its fifth decade of existence, is perhaps the most successful regional grouping outside the EU and in the developing world. Four broad characteristics have defined ASEAN (ADB 2016): there is great degree of economic, political, cultural, and linguistic diversity; most member countries have achieved rapid economic growth—the economic dynamism and steadily expanding regional integration have created a virtuous cycle, with increased regional harmony providing an enabling business environment—although it may be difficult to pinpoint the direction of causality between greater integration and high levels of economic dynamism; ASEAN diplomacy and cooperation have been characterized by caution, pragmatism, and consensus-based decision making, with a focus on avoiding creation of strong supranational institutions; and ASEAN has not been an EU-type organization or even a North American Free Trade Agreement (NAFTA)-type economic bloc. In fact, ASEAN, despite its obvious successes in promoting integration, remains quite different from any classical definitions of integration—in that it only partly allows free trade in goods and services, does not address labor mobility, and has not aspired to be a monetary union. ASEAN presents a pragmatic, market-oriented approach with little focus on building regional institutions—an alternative model with relevant lessons as Africa looks ahead to deepening its integration.

34. **The success of East Asia with regional integration is rekindling interest in Latin America, where integration efforts are much more incipient.** Since at least the 1960s, Latin America has experimented with various forms of regional integration with the hope that fostering regional economic ties can yield economic success, but actual performance has been mixed. The region has long practiced 'open regionalism'—viewing regional integration as a stepping stone to the goal of global integration. Recent analysis shows that Latin America's push toward greater integration is based on the argument that part of the region's low-growth problem is its low levels of intra-regional economic integration and embracing domestic structural reforms can "raise the economic efficiency of the Americas as a whole" (World Bank 2017). Again, this is relevant for Africa given the ongoing slowdown in economic growth. But it is also true that some of Africa's own efforts and successes with integration, such as in building a regional power pool, could be relevant to other regions such as Latin America and South Asia.

African Vision for Integration

35. **The AU's Vision 2063 sets out five 'African aspirations', and regional integration is fundamental to them.** The aspirations are: (a) a prosperous Africa based on inclusive growth and sustainable development; (b) an integrated continent, politically united, based on the ideals of Pan-Africanism and the vision for Africa's Renaissance; (c) an Africa of good governance, democracy, respect for human rights, justice, and the rule of law; (d) a peaceful and secure Africa; and (e) an Africa with strong cultural identity, common heritage, values, and ethics. It sets out an ambitious target that as a result of greater integration, intra-African trade would grow from less than 12 percent in 2013 to about 50 percent by 2045. Similar priorities and aspirations are set out in several vision and strategy documents prepared by the RECs (refer to Annex VII for a brief analysis of continental and sub-regional strategic priorities). A review of the strategic priorities of the six official RECs in Sub-Saharan Africa shows a lot of common ground with due emphasis on moving toward a common market, customs union, monetary union, and political federation. In specific terms, they all emphasize improved regional infrastructure, greater regional/sub-regional trade, agricultural development, and industrialization. Some of these strategies also highlight areas such as ensuring regional peace and security, human development and skills transfer, and effective management of shared resources.

Progress with Regional Integration

36. **The case for integration has been clear and well-articulated.** This section does not repeat the assessment provided in Section II. At one level, it is remarkable that regional integration has remained central to the African political priorities through periods of economic booms and down cycles, during peace and conflict periods, through domestic electoral and governance challenges, and through the second generation of post-independence leaders. It is also remarkable that in different ways all types of countries, many key sectors, and economic actors see potential benefits from greater integration—implicitly pointing to a likely broad-based support for the agenda. Countries, small and large, resource-rich and resource-poor, landlocked and coastal, post-conflict and others, could all benefit in different ways from deeper integration. It also remains highly relevant for most sectors, whether infrastructure, productive sectors, or human development. Integration is also an important agenda for the main economic actors—governments, private sector, and the general public.

37. **Over the past decade, there has been progress with integration, but it remains a complex agenda.** In regional infrastructure development, many sub-regions have seen commissioning of several regional projects. For example, in the road transport sector, work is under way on some priority regional projects identified under the PIDA, including the Abidjan-Lagos Corridor, North-South Multi-Modal Corridor connecting South Africa, Zambia, Malawi and the Central Corridor connecting Tanzania, Uganda, Rwanda, Burundi, and the Democratic Republic of Congo. A few priority regional projects have successfully secured private sector financing, including the Multi-Modal Maputo Corridor connecting South Africa and Mozambique and recently the Nacala Corridor rail and port development connecting Mozambique and Malawi and extending to Zambia. ECOWAS has to a large extent effectively implemented its policy allowing free movement of ECOWAS nationals but has not yet done the same about movement of goods between member countries. Elsewhere, there has been progress in the EAC with elimination of tariff barriers and some sub-regions are also moving to Common External Tariff (CET). Nevertheless, the experience of integration in Africa and in other continents points to the complexity, time required, and the gestation period to successfully realize the full benefits of deeper integration—in some ways it is like patient capital. However, as discussed earlier, the real game changer for deepening integration would be effective conclusion to the remaining areas of the CFTA agreement and its timely implementation.

38. **The overall performance of Africa on regional integration has been mixed.** The 2016 Regional Integration Index for Africa (AU, AfDB, and UNECA 2016) (Table 3) prepared by the AU and others provides a composite picture of the relative levels of integration across five dimensions: productive integration (share of intra-regional intermediate goods exports and imports); trade integration (levels of customs duties, share of intra-regional goods imports and exports); regional infrastructure (Infrastructure Development Index, intra-regional flights, regional electricity trade, and average cost of roaming); financial and macroeconomic integration (convertibility of currencies and inflation rate differential); and free movement of people (visa on arrival for REC nationals, ratification of protocol on free movement, and REC nationals who do not require visa for entry). The average relative score for the six Sub-Saharan African RECs, on a scale of 0 to 1, is 0.484. The EAC and SADC score the highest relative scores among the RECs in terms of the levels of integration. Interestingly, the single highest score across all dimensions is 0.800 for ECOWAS on free movement of people, which allows ECOWAS citizens to travel to member countries without a visa. This indicator shows that a combination of political leadership and bureaucratic follow-through can deliver huge returns. As per the 2016 Index, Côte d'Ivoire, Kenya, and South Africa are the most 'deeply and broadly' integrated countries. And there is strong, but yet unrealized, potential for the following countries to integrate more within their RECs by steering their economies toward the region—Angola, the Democratic Republic of Congo, Ethiopia, Nigeria, Sudan, and Tanzania. These six countries are among the top 10 largest economies in the region, perhaps reflecting the distance the continent has to go in deepening integration.

Table 3: Five Dimensions of Regional Integration: How Does Africa Perform?

REC	Trade Integration	Regional Infrastructure	Productive Integration	Free Movement of People	Financial and Macroeconomic Integration	Average Score
COMESA	0.572	0.439	0.452	0.268	0.343	0.415
EAC	0.780	0.496	0.553	0.715	0.156	0.540
ECCAS	0.526	0.451	0.293	0.400	0.599	0.454
ECOWAS	0.442	0.426	0.265	0.800	0.611	0.509
IGAD	0.505	0.630	0.434	0.454	0.221	0.457
SADC	0.508	0.502	0.350	0.530	0.397	0.531
Average of six RECs	0.555	0.490	0.391	0.528	0.388	0.484

Source: Africa Regional Integration Index 2016.

39. **A clear priority is to address the large implementation gap between the political rhetoric on integration and the reality on the ground.** There has been no lack of regional agreements and political commitments on closer integration, but these have not always been followed through by effective implementation—for example, by 2013, ECOWAS member countries had not ratified 16 of the 51 texts adopted by ECOWAS. None of its member states had fully complied with the payment of 'Community Levy' to finance ECOWAS (ECOWAS and UNECA 2015). This picture is illustrative of most of the RECs. The SADC had set itself the following targets—free trade area by 2008, customs union by 2010, common market by 2015, monetary union by 2016, and single currency by 2018—all of these targets would be missed. There could be a number of reasons for this implementation gap, including misalignment between domestic sovereignty and regional benefits and limited consensus among countries to move in a coordinated manner toward dismantling some of the barriers.

40. **Specialized regional institutions and regional development banks face significant challenges in fulfilling their mandates.** There are a number of specialized agencies and regional institutions, but a

robust assessment of their mandate, efficiency and effectiveness has not been undertaken. The sub-regional development banks were established with the purpose of raising financing for infrastructure and other regional programs. They have been making progress in fulfilling their mandates to varying degrees. There are six sub-regional development banks in Africa, and a recent study found that their combined assets were modest, only about US$6.2 billion (AfDB and ICA 2015). One of these banks, West African Development Bank (*Banque Ouest-Africaine de Développement,* BOAD), has a relatively strong financial position and is rated investment grade stable by Moody's and Fitch (Baa1/BBB)—a rating much higher than any individual sovereign in the WAEMU region. Most of the other regional development banks have struggled to mobilize sufficient levels of long-term financing, are mostly undercapitalized, need stronger governance oversight, and have skills and capacity constraints, and some confusion exists around their mandates in relation to the national development banks.

41. **The public and private sectors, as key stakeholders, should be facilitating popular participation in RI efforts.** Issues of globalization and integration have been central to recent election debates in several countries across the world, indicating that ultimately the people would have a say on the end objectives and pace of integration efforts. As Box 3 shows, recent public surveys in Africa have indicated that a majority of people support freer movement of goods and people. This is a strong basis on which to deliver tangible benefits of integration to the people; otherwise public perceptions could rapidly deteriorate and reinforce a 'sense of disbelief' around the RI agenda. The private sector plays a pivotal role in regional integration. While national and regional institutions play a critical role in setting up the enabling policy framework and agreements and building some of the infrastructure foundations, the private sector's role is critical in boosting cross-border trade and financing. It is also important to recognize that regional integration and private sector participation are mutually reinforcing: private sector engagement can provide the foundations for regional integration, and regional integration further stimulates private sector development. Support from national governments and regional bodies can stimulate and step up private sector activities including trade flows, investment, private sector financing of infrastructure, and public-private partnership (PPP) models across the region. Therefore, the private sector in Africa needs to, and as confirmed by recent WBG consultations wants to, be a bigger voice in the policy debates on integration—but perhaps there has been some sort of 'crowding out' of the private sector from these discussions (see subsequent sections on key issues arising from external consultations conducted by the WBG). This must change. For instance, in the Northern Corridor Initiative in East Africa, there are signs that transport sector efficiency is improving, in large part due to private transporters and traders putting pressure on the governments to improve port efficiency (World Bank 2016c). This is a strong pointer that providing effective platforms for the private sector and for citizen engagement would be critical in taking forward the integration agenda.

42. **Overall, the assessment of state of play with regional integration could best be described as a 'glass half full'.** On the positive front, the integration agenda has remained a core political priority for Africa through good and bad times and through passing of the 'leadership torch' from the first generation of post-independence leaders. There is also a lot of public support for integration, although as recent experience from other parts of the world shows that unless there are tangible benefits to show from integration, public support could rapidly change. There has been considerable progress with building up regional infrastructure, but gaps remain. Other regions have chosen different pathways toward regional integration, which could hold useful lessons for the African model of integration (El-Agraa 2004). The approach taken so far has not proven to be both necessary and sufficient for promoting integration. It remains for Africa to articulate a realistic end result from this. This would allow development partners and private sector to play a more effective role. This process of articulating a realistic agenda ought to also systematically address the issue of winners and losers from integration to get more traction for the

agenda. In addition, Africa also needs to be explicit on how countries could strike a balance between trade-offs from 'sovereignty' and 'regionalism'.

Box 3: Public Perceptions Matter: How do People in Africa Look at Integration?

Perhaps the only recent public survey of what Africans think about regional integration is available in the Afrobarometer survey of 2016. The survey conducted in 36 African countries shows that a majority of the people (58 percent of the respondents[12]) support free movement of people and commodities across borders. In Western and Eastern Africa, this figure is higher, representing two in three people being aligned toward closer integration. The figures are lower in Southern (51 percent) and Central (44 percent) Africa. It is noteworthy that about one-third of the respondents in the continent take an opposite view—they would like governments to restrict cross-border movement of people and goods to protect their citizens from foreign migrants who are perceived as taking away jobs and foreign traders who sell goods at low prices. As experience from other regions shows, public support for integration could swiftly change, especially when there are perceptions that it has increased inequality, that trade agreements have taken away jobs, and that immigration and sovereignty considerations overshadow other benefits from integration. But the Afrobarometer survey shows that, handled with care, it should be possible to build upon the existing strong support for integration in Africa and for political leaders in all countries to continue to effectively communicate the benefits of integration to the people in a manner that resonates with them.

Source: Afrobarometer 2016.

43. **Regional integration is essentially a political choice being made by countries and the rationale for it must be redefined according to changing contexts.** The origins of the EU go back to the collective suffering caused by the wars and the affirmation that closer economic integration could be an antidote to war and conflict. But, even though it remains important, that is not the most compelling rationale for the EU today. As African leaders look at shaping the future of integration, it is important to focus particularly on three issues from recent global experience: (a) for Africa to be realistic about the end game of integration, is it complete or partial integration of factor markets? Is it a currency union? Is it political integration? (b) there will be 'losers' from the process both in terms of countries or groups within countries—what domestic policies are needed to carry them along in economic and social terms? and (c) how to continue to redefine the purpose of integration in political terms so that it resonates with views of the changing demography in the continent. These are not small challenges for African leaders and their people, but global experience points to the need to address these issues head-on.

Revisiting the Case for Integration in Africa

44. **There is a need to renew the rationale for regional integration in Africa to take account of the 21st century context.** Some of the traditional arguments for integration continue to be relevant, while the good progress in some areas warrants addressing the next generation of challenges. Given the 'implementation gap' between commitments and follow-through, it is important for the integration agenda to be strongly embedded in the priority goals for African countries. Looking ahead, here are some key arguments for closer integration in Africa:

[12] The Afrobarometer survey covered countries in Northern Africa as well. The figures used here refer more to eastern, western, central, and southern Africa—which more closely align with the World Bank's Africa Region.

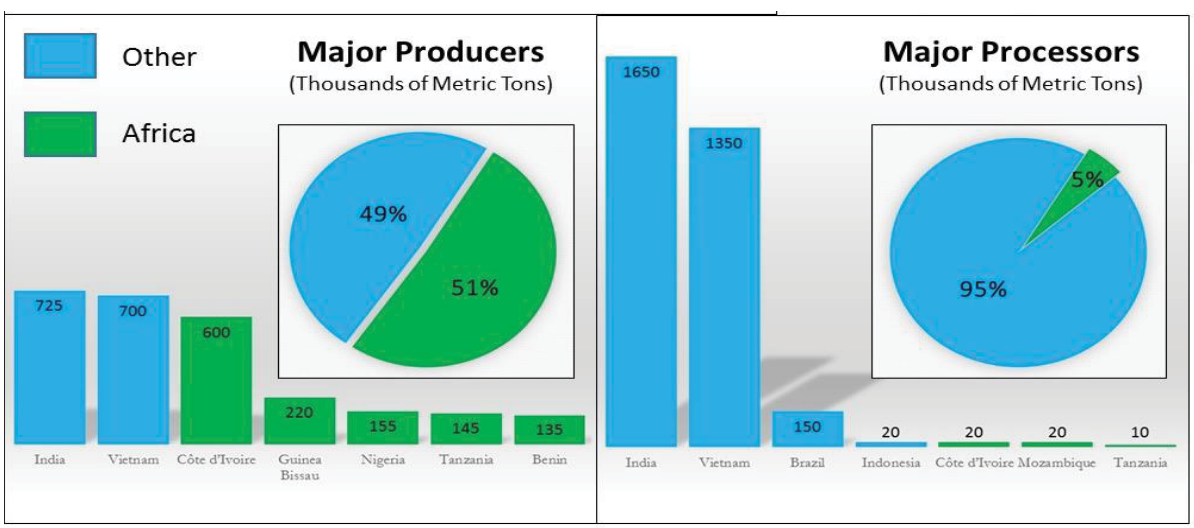
- **Geography and imbalance in resource endowments.** About one-third of African countries are either landlocked or sea-locked, making them more distant from global and regional markets. Additionally, resource endowments vary widely across countries. For instance, much of the hydropower potential in the continent is located in a handful of countries, and for these to be commercially exploited, it is necessary for these projects to have access to larger energy markets, often distant from the source of supply. Some estimates suggest that increasing integration in the power sector could save about US$40 billion in capital spending and save African countries nearly US$10 billion per year by 2040 (McKinsey 2015) (a more modest estimate of such savings is US$2.7 billion per year[13]).

- **Diseconomies of scale.** The small size of domestic economies (one-half of countries have a GDP of less than US$10 billion) entails higher costs in accessing regional and global markets. The scale arguments become relevant in multiple areas, from attracting private financing to developing a regional skills markets, among others.

- **Addressing growth, diversification, and jobs.** As Africa is faced with prospects of sluggish medium-term growth, it is important that integration is seen to provide short and medium-term benefits for the priorities of economic diversification and creating jobs. Greater regional trade is likely to drive diversification and improvements in productivity and help attract private investments—all important factors for reigniting the continent's economy.

- **Regional integration as a stepping stone to global value chains.** Figure 4 illustrates this point for the cashew sector and a similar story exists in cocoa and other sectors. Even though Africa produces 51 percent of global cashew, it only processes 5 percent of that. Raw produce is shipped all the way to Asia for processing before it hits supermarket shelves worldwide. Strengthening regional value chains could be a stepping stone to global value chains in some important products for the region.

Figure 4: Story of Global Cashew Market



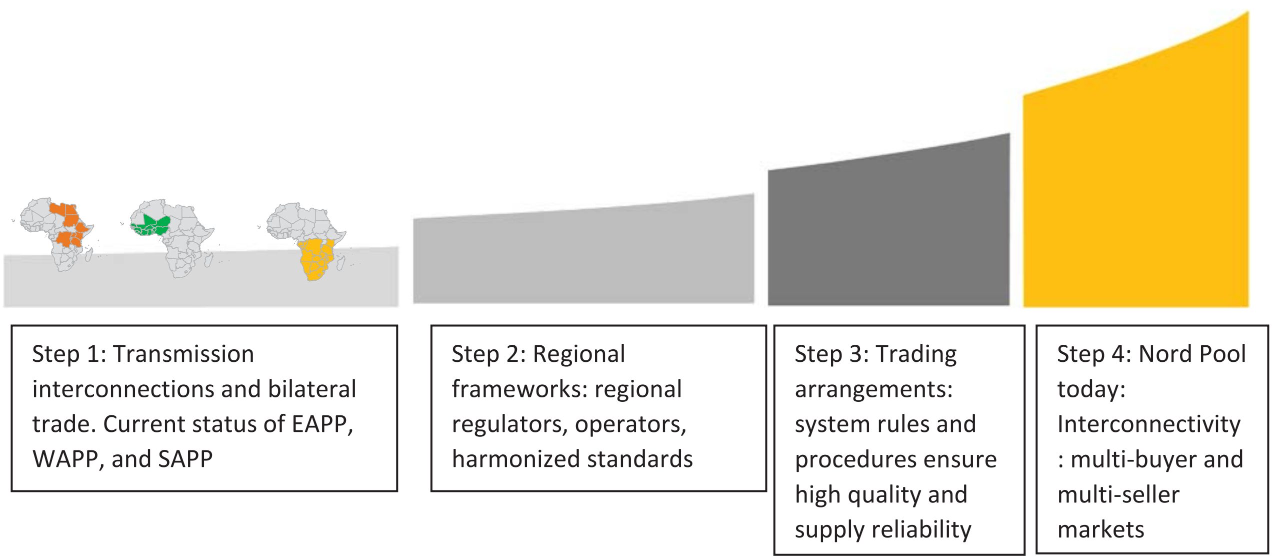
Source: Based on RONGEAD and Food and Agriculture Organization of the United Nations (FAO) data.

[13] World Bank: Africa's Power Infrastructure: Investment, Integration, Efficiency (2011).

- **Tapping into opportunities from urbanization and technology changes.** Urban population in Africa is projected to double to over 800 million in the next 25 years. Among other things, this could potentially transform agricultural and food systems and reduce the reliance on food imports. It is estimated (World Bank calculations) that currently about 60 million people live in African cities that are within 100 km of an international border—with increases in their population it is very likely that these cities would exercise a sphere of influence that goes beyond its national borders. At another level, the rapid transformation in technology and progress toward a 'flat world' could be a driver for greater integration within Africa and help with the 'last-mile' agenda on service delivery (for example, use of drones for provision of blood in Rwanda).

- **Bringing the integration agenda to the 21st century.** For regional physical infrastructure, much of the focus so far has rightly been on building physical connectivity. But it now needs to have a strong infrastructure 'plus' approach.
- Figure **5** shows what success could look like on this 'plus' agenda by illustrating it for one sector—regional power market. This would require building physical connectivity as well as taking simultaneous policy, regulatory, and institutional steps to deliver on the 21st century agenda of integration through functioning regional markets.

Figure 5: What Would Success Look Like? Steps to Develop a Regional Power Market



- **Need for collective action.** This continues to remain a key rationale for regional cooperation—countries often need to act collectively for the good of everyone. This is required with the public goods agenda—which include non-rivalry and non-excludability factors—and deal with positive externalities from sustainable management of a transnational water resource and productive landscapes or negative externalities from conflict or epidemics or preventing natural disasters and adapting to climate change.

- **Maximizing Finance for Development (MFD).** Africa needs to be able to attract private financing at unprecedented levels. The WBG's approach to MFD involves starting with seeking to mobilize commercial finance, enabled by upstream reforms to address market failures and use all WBG instruments to address constraints to private sector investments.[14] This approach is as true for regional initiatives, including in infrastructure.

SECTION IV: LOOKING BACK: ACHIEVEMENTS AND LESSONS LEARNED FROM WBG ENGAGEMENT

Growth and Evolution of the WBG's RI Program in Africa

45. **The World Bank's RI program in Africa has seen impressive growth from modest beginnings.** During 1979–2002, the World Bank provided assistance to 10 regional projects in Africa, totaling US$315 million. The establishment of the Regional IDA window under IDA13 provided additional incentives for scaling up RI programs. It addressed a disincentive for countries to use their limited national IDA allocations for regional projects by providing leveraging of additional resources from the regional IDA pot for projects that met the eligibility requirements. Since the establishment of the regional window, regional projects worth US$1.9 billion were added to the portfolio during FY04–FY08. In FY08, the RI commitments in Africa were US$2.1 billion, consisting of 30 projects. Energy, transport, and communications made up two-thirds of this commitment at that time. In FY11, financial commitments for RI in Africa increased to around US$4 billion. At the end of FY15, this rose to US$7 billion and at the end of FY17, the World Bank's RI financial commitments were at US$10 billion. Thus, between FY08 and FY17, there has been a fivefold increase in the World Bank's financial commitments for the RI program in Africa.

46. **The size of the regional window in various IDA replenishments has increased substantially, and so has the sophistication in designing regional interventions.** In IDA14, the Pilot Regional Window allocation was SDR 600 million, doubling to SDR 1.2 billion under IDA15. It rose further to SDR 2 billion in IDA16 and was SDR 2 billion in IDA17. In response to strong client demand, the regional window under IDA18 has been increased by two-third to SDR 3.6 billion. Over the course of these IDA cycles, the Africa Region has been getting about three-fourth of the regional window pot. In addition, regional pipeline projects can tap into the other windows under IDA18, including the Scale-Up Facility (SUF), Crisis Response Window (CRW), Refugee Sub-Window, and the Private Sector Window (PSW). IBRD and Trust Fund resources have also supported RI programs in Africa, though commitments have been modest. The thinking behind intervening regionally is also evolving, and Box 1 in Annex II provides the current rationale for World Bank support for regional projects.

47. **IFC and MIGA support for regional projects has been rising steadily.** To date, projects with a regional angle represent about 25 percent of IFC's advisory and investment engagements, both for new and portfolio projects in Africa. IFC's projects that have a regional scope represent its second or third largest exposure from a portfolio perspective. For MIGA, projects with a regional angle represent about 27 percent of all projects supported in Africa. Together, the WBG institutions support a transformational agenda of economic resilience and integration by stimulating the economic building blocks such as infrastructure, agriculture, access to finance, investment climate, and capital market development. For instance, IFC is currently engaged with the World Bank in supporting three regional initiatives—Great Lakes, Sahel, and the Horn of Africa—with an aim to encourage entrepreneurship, transform infrastructure and agribusiness, and improve investment climate within the humanitarian-security-development nexus (see also Box 7).

[14] World Bank Group: Forward Look (2017).

48. **The 2008 RIAS laid out broad strategic objectives for the RI program, and this has generally provided a reasonable framework for guiding the program so far.** The three priority areas laid out in the 2008 strategy were (a) regional infrastructure, (b) institutional cooperation for economic integration, and (c) coordinated interventions to provide regional public goods. The 2011 RIAS Progress Report recorded good progress in implementation and made modest adjustments to the priorities. It identified three areas where progress had been limited: capacity building of regional organizations—the opening of provision of IDA grants to these organizations was meant to address this; quality of the project portfolio being uneven, with delays in implementation and low disbursements; and the preparation of sub-regional implementation plans envisioned under RIAS had been delayed but reiterated a commitment to completing these plans.

Existing WBG Programs and Results

49. **While the RI portfolio is young, there are signs of good results being achieved.** Annex VII shows how the existing and pipeline RI support of the WBG is contributing to the achievement of the continental priorities, including for PIDA priority projects. A more detailed analysis of the World Bank RI portfolio and results is provided in Annex II. In the transport sector, the World Bank is supporting programs in seven critical corridors all across the continent. The 'percentage of trunk corridors in good or fair condition' along World Bank-financed sections in many of these corridors has increased from under 50 percent to over 90 percent. The implementation of transit and trade facilitation measures has significantly reduced transit and transport time—for example, average transit time for container imports from Mombasa to Kigali has gone down from 19 days in 2008 to 5 days in 2015. Around 60 percent of commitments in the active RI portfolio are composed of projects that have been under implementation for less than four years, indicating that it would be premature to talk of impact and results. Aggregating results from individual operations is also complicated due to the lack of consistent indicators that measure regional benefits across projects (this shortcoming is being addressed in the new strategy).

50. Table 4 provides an overview of some of the results achieved from ongoing projects and the expected targets by project closing—it uses the World Bank's Core Sector Indicators. This is based on a sample of projects under advanced implementation and does not correspond to the expected results from the entire RI portfolio.

51. **The energy and ICT sectors have seen considerable WBG investments and are showing good results.** On the World Bank side, in the energy sector, about 4,500 km of transmission lines have been constructed or rehabilitated. Specifically, through World Bank and other partner financing, WAPP will soon be expected to connect the grids of 15 countries in ECOWAS. This could potentially have a transformative impact on increasing generation, power trade, and access to energy across the sub-region. Similarly, there has been progress with power interconnections in the Eastern and Southern Africa power pools. Regional operations are also exploiting the hydropower generation potential in transboundary shared waters, with nearly 500 MW of new generation capacity that has been added. In ICT, World Bank support has connected 24 countries to the Internet, opening the doors to the future of a digital economy and reducing the costs of international bandwidth by 75 percent to 90 percent. On the IFC side, over US$3.4 billion has been invested during the last 25 years to deploy mobile networks across Sub-Saharan Africa, helping connect over 200 million people. This has helped increase connectivity by improving efficiency of telecommunications networks, lowering the barriers to entry/expansion for new and existing telecom operators, and driving down prices—all of which has increased affordability, connectivity, and reliability. MIGA has supported Senegal's largest telecommunications provider, Sonatel, in its expansion into West Africa, including coverage for its operations in Guinea, Guinea-Bissau, and Sierra Leone.

Table 4: Sample of Results from the World Bank's RI Program

Core Sector Indicator	Current Indicator	End Target
Clients who have adopted an improved agricultural technology promoted by the project	140,579	185,000
Transmission lines constructed or rehabilitated under the project (km)	4,563	7,243
Generation capacity of hydropower constructed or rehabilitated under the project (MW)	455	940
Freight volume measured in TEU in targeted corridor (number)	35,000	70,000
Average time from ship readiness to unload to final destination for an imported container, on the corridor targeted by the project (days) *Average Baseline: 10 days*	6 (average)	7.5 (average) (already met)
Roads rehabilitated, non-rural (km)	548	1,174
Roads constructed, non-rural (km)	38	138
Number of Internet connections (custom indicator)	52,075	71,155
Number of localities with broadband access (custom indicator)	685	1,055
Total number of fixed and mobile Internet subscriptions (custom indicator)	176,545	66,030 (already met)

Note: TEU = Twenty-foot equivalent unit.

52. **In the financial sector, WBG support is helping deepen integration.** IFC has developed strategic partnerships with several regional financial institutions that facilitate integration by fostering financial sector development, sustaining regional trade and capital flows, promoting responsible financing in strategic sectors, and championing job creation. As of CY2016, IFC portfolio commitment to the financial institutions[15] was US$24.7 million, and the financial institutions had an aggregate outstanding small and medium enterprises (SMEs) portfolio of US$255 million. This has been accompanied by advisory service activities to support financial infrastructure development, such as credit bureaus, collateral registry, and leasing. The World Bank has been supporting financial sector integration in the EAC and CEMAC and is looking at deepening the support further. A successful use of regional IDA was the technical and financial support provided to set up the Africa Trade Insurance Agency (ATI), which has grown into an effective regional institution having facilitated trade and investments worth US$20 billion into its member states. A recent case of WBG joint effort in financial sector deepening is in the WAEMU zone on mortgage refinancing (see Box 4). MIGA has supported the Development Bank of South Africa (DBSA) as a regional development bank for the Southern African sub-region.

53. **In the human development sector, progress has been made in building tertiary education, strengthening disease surveillance systems, and promoting gender equality.** Around 40 Africa Centers for Excellence spread across 20 countries are at various stages of establishment and functioning—these are expected to help increase the quantity and quality of technical graduates in science, technology, engineering, and math (STEM) disciplines from African institutions. This project is an innovative use of a regional approach—since it would be hard for all countries to raise the capacity of technical institutions in a range of disciplines, a regional approach helps strengthen specialization and collaboration so that all countries between them get to benefit from access to quality education across disciplines. In the health sector, following the devastation caused by the Ebola virus, the World Bank has worked with clients in a dozen countries in West Africa to strengthen a coordinated approach to disease surveillance, recognizing

[15] In the Cameroon, Central African Republic, Chad, Ghana, Guinea, Kenya, Liberia, Mali, and Nigeria banks.

that the strength of any surveillance system is as good as the weakest link in the chain. The recently established Pandemic Emergency Financing Facility (PEF)[16] using regional IDA resources is another innovative use of regional approaches for disaster risk insurance arising from epidemics. Additionally, progress in harmonizing lab standards across countries is bearing fruit in terms of strengthening testing for diseases. The WBG's RI program is helping address the gender equality agenda in its various dimensions and complementing numerous country-level efforts (see Box 5).

Box 4: WBG Coordinated Approach to Creating, Connecting, and Growing Markets: Case of Regional Housing Finance in the WAEMU

IFC and the World Bank came together in 2014 to develop the WBG Housing Strategy for Sub-Saharan Africa to address the growing housing deficit, which had been made worse by the continent's rapid urbanization. One of the first projects under the new strategy is the support being provided for *Caisse Régionale de Refinancement Hypothécaire* (CRRH), the regional mortgage refinancing company of the WAEMU. CRRH became an IFC client following a US$2 million IFC equity investment for a 14.9 percent shareholding in the company committed and disbursed in FY17. In FY18, IFC got approval to invest up to US$18 million in CRRH's regional bond program with the support of the IDA18 PSW's Local Currency Facility. CRRH is also the main recipient of the IDA WAEMU Affordable Housing Finance Project, approved and signed in FY18. The IDA project is financed by IDA SUF of US$130 million to strengthen the capital base of CRRH and encourage the institution to support lower-income households and a US$25 million regional IDA grant to support enabling environment work in areas such as micro-housing, home construction, and the development of a regional guarantee fund. This is an excellent example of the WBG coming together to create, connect, and grow regional markets (see Figure 6).

54. **The RI program is fostering collective action to manage shared natural resources and improve productivity in key sectors.** The program is working on the management of important transboundary river basins—that is, Senegal River Basin, Lake Chad Basin, Niger River Basin, Lake Victoria, Zambezi Basin, and Nile River Basin. This work is complex and requires long-term engagement to deliver results—see Box 6 for details on the long-standing engagement in the Nile Basin dealing with a complicated set of issues. With off-shore fishery resources, regional projects are delivering significant impact in over a dozen countries all along Africa's vast coast to address deep-seated governance and transparency issues. Elsewhere, regional pastoralism projects in the Sahel and the Horn are helping secure vulnerable livelihoods and facilitate collective management by countries of pastoral ranges. The regional agricultural projects across the continent have delivered hundreds of new technologies that are helping farmers increase productivity and undertake value addition. Engagement with regionally relevant and mandated organizations such as the Permanent Interstate Committee for Drought Control in the Sahel (*Comité permanent inter-État de lutte contre la sécheresse au Sahel*, CILSS) has been an important part of WBG engagement in the Sahel.

55. **There has been a strong emphasis on capacity building of regional institutions in order for them to play an effective role in facilitating collective action.** The establishment of the regional grant facility in IDA has been an important route for financing these activities. World Bank has provided support to a number of regional entities - AUC, several RECs and other specialized institutions like Africa Capacity Building Foundation (ACBF), Lake Victoria Basin Commission among others. Greater selectivity for such support will be a key factor in ensuring impact and sustainability of such efforts.

[16] In June 2017, the World Bank launched the first-ever pandemic bonds to support the US$500 million PEF.

Box 5: Seeking Regional Solutions for Gender Equality - It Works!

The WBG RI program has been addressing gender equality issues in its various dimensions.

Jobs and livelihoods: Regional projects in agriculture, fisheries, and informal trade (sectors that predominantly employ women) are helping women use new technology to improve their incomes and address security issues. For example, the West Africa Agricultural Productivity Program has helped about 3 million women improve their livelihoods.

Skilled workforce: The Africa Centers for Excellence Project has already helped enroll hundreds of women in STEM technical education. This is an important step toward reversing the lack of women in technical disciplines and to build a diverse future workforce for Africa.

Access to finance: IFC's Banking on Women program is playing an important role to profitably and sustainably serve women-owned businesses. The objective is to increase access to finance for women entrepreneurs by leveraging IFC's extensive global network of financial institutions.

Reproductive rights: The Sahel Demographics and Women's Empowerment Project is expected to provide women with access to critical reproductive facilities in countries with some of the highest fertility rates in the world.

Gender-based violence: Women often bear the brunt of violence during conflicts. The Great Lakes Emergency Sexual and Gender-Based Violence Project is helping heal some of the physical and mental wounds of thousands of women who underwent trauma during the prolonged conflict.

Box 6: Reaching across Waters—This Is Patient Capital

In 1996, the Nile Council of Ministers of Water Resources approached the World Bank for investment assistance for the Nile, but without full agreement on specific projects to be financed. Recognizing the untapped development potential in the region and associated risk of increased competition over already-scarce water resources, the World Bank supported the countries to prepare a shared vision for the Nile. In 2001, the Nile Basin governments and international partners convened for the International Consortium for Cooperation on the Nile (ICCON) in Geneva, and the World Bank was entrusted with the role of facilitator and administrator of a US$200 million trust fund for the Nile Basin Initiative (NBI). By the time it closed in 2015, the NBI had established institutional norms and rules of procedure for its work, as well as provided tools and analysis to help countries plan and manage their water resources. The NBI had also worked with countries to prepare an investment project pipeline of US$6 billion. Projects include the Rusumo Falls Hydroelectric Project for Burundi, Rwanda, and Tanzania, which has since received regional IDA funding. The path toward increased cooperation has not been linear—with certain members freezing participation in regional activities, with continued unilateral development, and with larger questions on water sharing in the Nile still unresolved. All the while, the Nile cooperative process has yielded significant steps in providing norms and processes for dialogue, as well as greater integration through shared investments. The Nile experience has also contributed to the establishment of a larger program to support transboundary cooperation across Africa, the Cooperation in International Waters in Africa Program (CIWA), and has informed the design of similar regional trust funded programs in Central Asia, South Asia, and Middle East and North Africa.

56. **An important area that was prioritized during IDA17 was cross-border conflict and violence in response to its rising prevalence on the continent and its increasing regional nature.** The WBG along with other regional and international partners identified three flagship initiatives that work on a continuum of conflict, security, humanitarian, and development axis. These initiatives in the Great Lakes,

Sahel, and the Horn of Africa have resulted in new WBG lending of over US$3 billion for regional projects covering multiple sectors, which are at early stages of implementation (see Box 7). These initiatives have also included the first wave of regional forced displacement projects in Africa, which provide a solid bedrock for implementation of the Refugee Sub-Window under IDA18. There is a strong justification for such regional efforts in fragile and conflict-affected states (FCS) settings, but the challenge would be to see tangible progress on the security and political aspects for the development efforts to deliver its full benefits. Rolling back progress on security and political issues could undermine the development efforts.

Box 7: Operating Regionally in the Security-Humanitarian-Development Axis

During IDA17, the WBG, along with the United Nations and other regional and international partners, launched three flagship initiatives in Africa to address the cross-border conflict and fragility risks. These initiatives were in the Great Lakes, Sahel, and the Horn of Africa—long-standing theaters of regional conflict and associated human misery. These initiatives brought together security, humanitarian, and development issues and it responded to the growing recognition that the world no longer needs to make false choices between humanitarian and development issues. Some of the humanitarian crises have been so long-drawn that they get intertwined with local and regional development challenges. The initiatives brought together national and international leadership on the understanding that locking in domestic political commitment for conflict prevention with substantial development resources could help create a more virtuous development cycle. Consequently, the WBG has committed over US$3 billion in regional programs under the three initiatives addressing challenges such as restoring livelihoods, improving pastoralism, boosting economic activity and trade, improving investment climate, addressing long-neglected health challenges, and improving the well-being of refugees and their host communities. Effective implementation of these new regional projects in low-capacity and often insecure areas will remain a priority going forward. To deliver the full benefits of these regional operations in fragile situations, it is important to see concomitant progress on political, governance, and security issues—if there is backsliding on these areas, it would be difficult for these operations to deliver meaningful impact. This is an important area where the World Bank's partnership work with other players would continue to play a vital role, for example under the recently formed Sahel Alliance.

Portfolio Analytics

57. **Regional projects remain an important element of the WBG's work in Africa, with a positive bias to FCS and landlocked states.** Annex II has a detailed analysis of the World Bank's RI portfolio. A few important points to put this discussion in perspective: the World Bank's RI portfolio grew fivefold in the last 10 years; it is currently around 17 percent of the Africa Region's total financial commitments, which would make it the single largest 'country' program in the region; and there are around 70 active projects and a similar number of analytical tasks. There is a positive bias toward FCS and landlocked countries in the RI program. About 30 percent of Bank's RI commitments are in landlocked countries and 30 percent are in FCS. The RI portfolio comprises a range of participating countries in each project, with single-country projects at the one end and eight-country projects at the other end. About 40 percent of the projects have one to two countries and another 30 percent of projects have three to four participating countries. In addition, many projects involve support to regional institutions. In one-half of countries in the region, at least 20 percent of the World Bank's financial commitments are for regional projects. In a handful of countries, RI forms over 50 percent of total World Bank financial commitments in those countries. When it comes to sectoral distribution of RI commitments, four sectors make up more than 85 percent of commitments (that is, energy, transport and ICT, health, and agriculture). The heavy share of infrastructure projects in energy and transport has been a long-standing feature of the RI portfolio, with

the 2011 RIAS Progress Report also referring to it. The limited commitment in sectors such as finance and trade perhaps reflects the need for strengthening coordinated action by countries in the 'soft' areas of policy and regulatory reforms. Energy and transport sectors have one-third of the projects in the RI portfolio but between them have two-thirds of the total RI commitments, indicating the scope for greater consolidation in other sectors of the portfolio.

58. **The RI portfolio implementation is complex and shows mixed portfolio performance.** During IDA17, 28 countries participated in new RI commitments, with 22 of them committing less than US$50 million from their national IDA allocations for RI projects. The average size of projects in the RI portfolio is US$110 million, only slightly higher than the average project size for the Africa Region. Both these data reflect some degree of fragmentation in the portfolio. A comparison of RI portfolio quality indicators with other large country programs in Africa shows a mixed performance (Annex II). Nonetheless, portfolio reviews show significant implementation challenges in many RI projects that operate in multiple countries (this is not universally true, as Box 2 in Annex II points out). The weak client implementation capacity at a country level gets magnified when a project operates in multiple countries. Another issue from the portfolio reviews is that the disbursement ratios of RI projects tend to do poorly when compared with national projects in the same countries, indicating the need to pay greater attention to mainstreaming RI projects within country programs. This agenda of 'closing the gap' between the performance of country and regional projects in the same country is being addressed through greater use of Country Portfolio Performance Reviews (CPPRs) and effective country-level dialogue. The regional analytical work has been an important part of the RI program and in several cases, has helped shape both the policy dialogue and lending work, for example, recent reports such as 'Africa can Feed Africa'; 'Poverty in a Rising Africa'; and 'Africa's Unexplored Potential for Trade in Services'.

Key Issues and Lessons Learned

59. **Seven main lessons from the existing RI program have been identified through consultations, portfolio reviews, 'deep-dives', and project Implementation Completion Reviews (ICRs) and Implementation Support Reviews (ISRs).** The last major Independent Evaluation Group (IEG) evaluation of the RI program was carried out in 2007 (IEG 2007). The IEG is currently planning an evaluation of the WBG RI program across regions for delivery in FY19. The Independent Evaluation Department of AfDB has recently carried out an evaluation of AfDB's regional programs in East Africa (AfDB 2017). Some findings from these independent evaluations are relevant but others not so much. The seven main issues and lessons from the WBG's RI work in Africa are captured below—they focus on areas where further attention would be required going forward.

1. **Operating at scale, but need overall strategy to drive the operational work.** The Africa RI program has grown rapidly and constitutes a sizeable share of the Region's lending. The program has rightly taken an opportunistic approach in identifying lending activities, which has served the purpose during the initial growth phase in the program. In preparing for the next phase of the WBG's RI program, it is pertinent to consider a more strategic approach to guide the overall direction of the program. There are limited sub-regional or sector-level assessments that provide an overall picture of regional challenges and opportunities that could help clients and the WBG prepare a list of binding constraints and identify regional financing programs. Some plans have been prepared by RECs and others, but not all of these plans are robust and meet the requirements for concessional and non-concessional financing. Recent SCDs completed by the WBG in Africa have paid variable attention to the identification of regional binding constraints and opportunities. While each individual

operation in the RI portfolio has a clear regional rationale, it is important to show how the WBG's collective effort is helping move the needle on the integration agenda. This requires a clear line of sight between strategic priorities, financial viability criteria, WBG lending/convening/analytical work, and the delivery of results in the RI program.

2. **Country commitment is key but to get true regional benefits it is necessary to get the commitment of multiple countries, which requires high-level 'sector/development diplomacy'.** Previous sections show that a greater challenge with integration is for countries to effectively implement important regional commitments and address the 'implementation lag'. This indicates the importance of greater country-level traction to continue to be a key factor in shaping the World Bank's RI program. Recent efforts towards strengthening country-ownership for the regional agenda is showing results in the quality of the new lending pipeline. Additionally, moving the needle on integration requires multiple countries to show commitment to finding regional solutions. Addressing some of the underlying political economy challenges requires engaging with 'sector/development diplomacy'. The WBG's convening function would now need to take on a more explicit and calibrated approach to support deepening of integration. In many countries, regional integration and cooperation issues fall under the purview of the Ministries of Foreign Affairs and Integration. Bringing the various parties together requires high-quality analytical work to better understand the potential costs and benefits of integration efforts and how to 'compensate' potential losers. This would become more important as the RI program takes on 'soft' reforms (next point). The weak capacity of RECs has been a constraint here, and the World Bank needs to work with other partners to clarify a coordinated approach to engaging with the RECs and supporting capacity-building efforts.

3. **Need to balance infrastructure financing with deeper policy and 'soft' reforms that require instruments fit for purpose.** Regional infrastructure gaps continue to be a binding constraint for deepening integration in Africa, but these must now be accompanied by policy, regulatory, and institutional reforms to get full benefits of the infrastructure. Several regional infrastructure projects prepared by RECs ostensibly for PPP financing do not meet the requirements for private financing and hence do not attract private capital. Along with points (1) and (2) above, tackling the 'soft' agenda would require the use of all appropriate and eligible instruments in the WBG toolkit. The World Bank's RI program currently rests primarily on the Investment Project Financing (IPF) instrument, when supported by the IDA regional window. Going forward, the program needs to focus on an important leverage—how much private financing is being leveraged by the WBG for regional projects. This would be important to deliver on the WBG's commitments on MFD.

4. **Project design and portfolio quality needs a step change.** Portfolio reviews in the RI program have underscored the challenges with complex project design, inadequate project preparation leading to poor readiness for implementation, weak capacity in national and regional institutions, and procurement and disbursement delays. The lead time required in preparing regional projects needs to be addressed systemically—the Project Development Facility created with SAPP provides a good example of financing the preparation of feasibility studies for large regional infrastructure projects. The average project size in the World Bank's RI program is currently around US$110 million—while there should be no bias against smaller innovative projects, the need for having fewer and larger transformative projects in the RI program has been well recognized. Any fragmentation of lending and analytical

portfolio comes with opportunity costs, in terms of World Bank staff and budget resources. Increasing the project size would allow World Bank administrative budgets to be utilized in a more efficient manner. Project implementation performance needs continued attention and the need for mainstreaming RI portfolio management within country programs has been recognized and needs to be reinforced.

5. **Results and impact need to be clear and evident.** There is recognition of the need for a strong overall monitoring and evaluation (M&E) framework, which links the overall strategy with operations and clearly communicates the 'theory of change' in the RI program. There has been some tension between retaining a single project with all participating countries and the need to be pragmatic about countries being ready at different times and to manage the load of large number of participating countries in a project. This can result in some diffusion in articulating the regional benefits. The use of the Series of Projects approach, with attendant pros and cons,[17] has been highlighted in the reviews. The lack of accompanying analytics on likely impact of regional projects on poverty and shared prosperity needs to be addressed. There has been a recent improvement in the communication and outreach efforts in the RI program, and this needs to continue.

6. **Internal issues that need to be addressed.** The RI program continues to receive significant share of the World Bank's administrative budget resources. However, portfolio reviews have highlighted a need for more allocation of budget for preparation and supervision of regional projects. The FY18 budget allocations for RI have been increased. Having a more consolidated portfolio would go a long way in ensuring adequate funding within existing budget resources. While RECs have sought direct lending to them, the RI program has been operating within existing IDA policies and has used regional grant mechanism as the principal means of supporting the RECs (although in recent cases, waivers have been sought to provide selected regional institutions with support under other IDA instruments, including SUF). The need for using a range of appropriate and eligible WBG instruments to deliver on the next set of integration challenges has been highlighted in the reviews. There are some policy issues that could be improved in delivering on the new agenda for the RI program, in terms of feasibility to use regional IDA for Development Policy Operations (DPOs) and the type of lending to be given to regional organizations. Progress is also being made in ensuring that relevant internal World Bank information systems (for example, Operations Portal) are responding to the specific needs for information on the RI program. World Bank task teams are also actively looking at the 'simplification agenda' in the RI program, including using 'Agile Bank' principles. In terms of staff skills, there are three cross-cutting areas where the RI program is currently not well resourced—poverty, M&E, and political economy specialists—and these skills would need to be available to deliver on the emerging RI priorities.

7. **The program would benefit from greater collaboration within the WBG.** An important step in this direction is that while the earlier 2008 RI strategy was a World Bank strategy, this one is a WBG strategy. To implement the MFD approach, the WBG would need to jointly assess bottlenecks in four priority sectors (energy, ICT, agriculture and finance and competition) and develop Joint Implementation Plans to facilitate the mobilization of the private sector

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[17] The recent announcement by the World Bank to undertake the Multiphase Programmatic Approach (MPA) to lending opens up new possibilities to address some specific needs of the RI program.

in the RI space. This would allow the full use of appropriate WBG instruments to deepen the levels of integration. Figure 6 shows the possibilities of the WBG working together in RI by creating, connecting, and helping grow regional markets, building on the recent work in deepening financial integration in WAEMU (see also Box 4).

Figure 6: WBG Together in Regional Integration

SECTION V: STRATEGIC FRAMEWORK FOR WBG's SUPPORT FOR REGIONAL INTEGRATION IN AFRICA: 'WHAT' WILL WE DO?

Distilling Key Issues: 'Accelerators' and 'Inhibitors' of Integration

60. **While Africa's economic growth is slowly starting to recover, if strong policy actions are forthcoming, the medium-term potential for the continent is enormous (McKinsey 2016).** In an aging world, Africa could potentially reap the benefits of both demographic dividend and high rates of urbanization. These factors along with rising urban incomes are expected to almost double private consumption to over US$2 trillion by 2025. The continent is blessed with a vast untapped resource base, including tracts of unused but arable cropland and rich mineral resources. Manufacturing sector, starting on a low base, could increase its output and increasingly cater to rising domestic demand within Africa. Recent analysis points to the potential of greater intra-regional trade as a launching pad for deeper global integration, including in higher value products (World Bank Group et al. 2017). In an increasingly interconnected global manufacturing and services sectors, Africa could find a place by boosting its domestic and regional value chains and closing the infrastructure deficit.

61. **What are likely to be some of the 'accelerators' and 'inhibitors' for integration in Africa**? The economic downturn and increasing realization that Africa cannot wait for the next commodity boom to drive its growth has led to calls for economic diversification and improving the competitiveness of African economies (IMF 2017). If properly managed, the two forces of restarting economic growth engines and dealing with demographic changes could come together as a trigger for greater integration and more intra-regional trade. In addition, the rapid technological changes and its falling prices could benefit African consumers if the diseconomies of scale are fully addressed. For example, can smaller countries get the full benefits of rapidly falling off-grid solar costs by harmonizing their standards and protocols so that private providers could get the benefit of bigger markets? Another factor for deepening integration could be greater convergence of interests among countries, through any 'fund of funds' type arrangements for infrastructure financing and pressures to improve the investment climate within sub-regions (the 'neighborhood effect'—being an island of excellence is unlikely to deliver large private investments if the neighbors are not keeping pace). The main 'inhibitors' for deeper integration are likely to come from

inability of countries to see national benefits of integration, perceived loss of domestic sovereignty, limited role of private sector, and weak capacity of regional institutions in promoting genuine collective actions. Furthermore, to secure continued public commitment for integration, it is important that the general population can see tangible short-term and medium-term benefits from integration.

Possible Future Scenarios of Integration in Africa

62. **While it is hard to predict the pace of regional integration going forward, it is very likely to remain in positive territory.** Three possible scenarios for the status and depth of integration in Africa during the next decade can be identified: (a) the integration agenda gets into high gear, among others, with a strong agreement and effective implementation of the CFTA, and a rapid scale-up of regional infrastructure through leveraging private financing; (b) a more likely scenario of continuation of selective approach to integration where collective and sovereign interests overlap, but with greater engagement of the private sector and deepening in certain sectors such as power trade, financial integration, and removal of some barriers to trade; and (c) an unlikely downturn in the overall climate and support for integration due to rising domestic sovereignty considerations and a growing disbelief among people and policy makers about achieving tangible benefits from integration. Consultations during preparation of the strategy brought out a shared positive assessment of the benefits to be had from deeper integration, but stakeholder views on the prospects of realizing these benefits ranged from some very optimistic to rather pessimistic assessments. Neither of those extremes is realistic and/or warranted, but most feedback was in line with systematically working through the barriers to integration. This WBG strategy has been drafted on the basis that Scenario (b), that is, continuation of an opportunistic approach with pockets of deepening of integration, is more likely to play out over the coming years. Strong and meaningful results are possible under this scenario. But the WBG will continue to support willing governments and regional organizations to push the boundaries and move into a possible high-gear phase reflected under Scenario (a).

'Theory of Change' for WBG Support

63. **The proposed 'theory of change' for the next phase of WBG support for RI envisages both external and internal considerations.** First, regional integration cannot be a purely top-down or supply-driven agenda, and to be successful it requires the support and commitment of groupings of countries. Thus, the WBG needs to operate both at a continental/sub-regional level to help shape the overall agenda but also engage effectively at the country level to build greater traction for the RI agenda. There is an important balance to be struck here and engaging at both levels can only be mutually reinforcing. Second, the pace of integration ought not to be set by the slowest mover. The WBG must look at supporting 'coalition of the willing', providing and demonstrating 'early-mover' advantage, and fostering more measured risk taking as some important avenues for accelerating the pace of integration. Third, it is important for the WBG to take a more holistic approach to promoting integration, combining public and private financing, and having a good balance in the support for infrastructure and 'soft' policy reforms. It may not always be possible to have all these elements lined up, and that may require some sequencing of efforts and activities. Finally, having a strategically oriented, innovative, and well-performing WBG RI portfolio is critical for delivering strong impact from the scaling up of WBG support envisaged in this strategy.

WBG's Strategic Priorities for the Africa Region

64. **To strengthen the strategic orientation of the RI program, it is imperative that the program is closely intertwined with the WBG's twin goals and Africa Region priorities.** As mentioned in previous sections, the RI agenda could be a big driver for achieving the goals of poverty reduction and promoting shared prosperity in Africa. The WBG's Africa Region priorities are an important segue for the RI program to contribute to the twin goals. Closer alignment of the RI and country programs would be an important vehicle for helping achieve the full potential of country development efforts. The Africa Regional Updates for the Board in recent years have prioritized the following areas for WBG engagement. These areas also resonate with the IDA18 priorities and special themes of jobs, economic transformation, climate, and fragility.

(a) **Macroeconomic stability.** Priority would be attached to supporting macroeconomic stability, debt stability, strengthening domestic revenue mobilization, investment climate reforms, and generating greater private sector financing.

(b) **Boost competitiveness and economic diversification.** As part of promoting rapid economic diversification, the WBG support would focus on improving agricultural productivity, strengthening value chains, and reforming policy on land tenure, subsidies, and access to finance. This area would also include providing support to infrastructure through SOE and regulatory reforms, expanding private sector solutions, and de-risking strategies as a way of implementing the MFD agenda.

(c) **Improve human capital and access to basic services.** The priorities here include improving quality of education, investing in early years and stunting, realizing demographic dividends through policies in health and nutrition, and investing in ICT and STEM education to prepare a skilled workforce. Additionally, given the backlog of unmet provision of basic services, efforts would be made to scale up delivery of basic services including in drinking water and sanitation and energy access. Social inclusion issues would also be addressed.

(d) **Resilience to shocks.** This area would include strengthening the continent's resilience to climate change impacts on its natural and physical capital, as well as human and social capital, and addressing fragility risks including support to internally displaced persons (IDPs), refugees, and their host communities.

65. **Given the limited availability of public resources to deliver on the above priorities and promote sustainable inclusive growth throughout the continent, IFC's Creating Markets initiatives would become pivotal in catalyzing private investments, supporting regional integration.** The landlocked nature and the relatively small population and domestic markets of some African countries call for mechanisms facilitating market expansion to secure economies of scale. Against this background, IFC's comprehensive approach to the WBG RI strategy builds on the deployment of IFC 3.0 in the region and entails scaled-up WBG cooperation with the objective of

(a) **Pursuing value chain approaches and cross-sector synergies.** The globalization of supply chains and the fragmentation of production processes has created potential new opportunities for developing countries and SMEs to access global markets as components or services suppliers without building the entire value chain of the product;

(b) **Leveraging internal and external stakeholders.** A key pathway for regional integration under IFC 3.0 is to leverage internal resources such as IDA PSW, IFC/MIGA own account investments, and advisory services, together with external partners and private sector finance to develop sectors and create markets. At the same time, creating strategic partnerships with regional champions and South-South investors will help foster cross-border economic activities; and

(c) **Using new products and solutions.** IFC 3.0 also highlights supporting new and innovative products and operating models to create new markets and develop underperforming ones.

Strategic Priorities for WBG Support for Regional Integration

66. **There are compelling reasons for having an ambitious Africa RI strategy for the WBG.** As outlined in the previous sections, deeper integration can be an important part of Africa's development story going forward—it can help reignite the growth engine by promoting trade and improving competitiveness and it can address the diseconomies of scale facing the continent. The WBG's RI program helps advance the climate objectives—for example, promoting regional energy generation and transmission will essentially chart out a low-carbon trajectory and some of the continent's climate adaptation challenges are best dealt at a regional level. Regional integration can make an important contribution to implementing the Africa Climate Business Plan (ACBP) prepared by the World Bank in 2015. The private sector remains a significant, but as-yet underutilized, stakeholder, and leveraging private sector advocacy groups into mainstream policy platforms could help deepen the integration process. Besides raising private financing for regional infrastructure, there is scope for a more leveraged financial sector and a developed capital market playing an instrumental role in financing Africa's development needs. The regional fragility and public goods element of regional cooperation remain vital for the continent. Finally, the level of ambition of the strategy is based on the scale-up in IDA18 financing for regional programs, including the possibilities available through other IDA18 windows, especially CRW, SUF, PSW, and Refugee Sub-Window.

67. **This overreaching vision is well aligned with IFC's 3.0 strategic approach to partner with key regional stakeholders**. The objective being to bolster trade and investment integration through connectivity, entrepreneurship, capacity building, investment climate, and other cross sectoral engagements, to stimulate regional supply chains and knowledge spillovers. Specifically, IFC will contribute to the WBG RI strategy by (a) propping up regional connectivity and digitalization as well as developing sub-regional infrastructure; (b) developing regional value chains and supporting regional champions; (c) disseminating inclusive private sector solutions, developing capital markets, and fostering partnerships for trade and capital flows; and (d) building reform momentum for trade, investment, capital market development, and regional integration.

68. **Consultations during preparation of this document have helped identify key criteria for formulating the WBG's strategic priorities for RI and these provide a line of sight with higher-level objectives.** In particular, four criteria were identified as useful filters.

(a) Identify how best regional integration can help deliver on the economic transformation agenda for Africa while reflecting upon key lessons learned from Africa's progress with integration as well as from WBG support for the agenda.

(b) Operate within a 'spatial-sectoral-temporal' axis. Identify the ideal spatial axis where specific elements of integration could be best promoted—these could be either at continental or sub-regional level or indeed along corridors connecting countries. A greater sector-wide approach could require looking at specific sectors where deepening of integration is possible and systematically addressing the infrastructure, policy, financing, and institutional issues at a sector level. The temporal aspect would require balancing more medium-term benefits of integration with clear short-term benefits to keep up the support for regional integration among the public and policy makers.

(c) Identify areas where further strengthening of partnerships is possible with the private sector, regional bodies, and development partners.

(d) Recognize that regional integration across 40+ Sub-Saharan African countries necessarily has to be a 'broad tent'—different sectors and themes would be important for different countries and restricting priorities at the continental level would not respond to the specifics of different sub-regions. However, selectivity in terms of WBG RI engagement remains key and needs to be exercised at the level of individual WBG country strategy and programming.

69. **Four strategic priorities for the WBG's RI program are being proposed for FY18–FY23 (also the IDA18 and IDA19 periods).** These priorities have been guided by the criteria mentioned in the previous paragraph, continental priorities, and feedback from external consultations. African countries and regional institutions (that is, AU and RECs) will continue to set the overall framework for regional integration and determine its pace and sequencing. The WBG support will be within that overall framework and prioritized based on the following strategic priorities (also see Figure 7):

1. Generate economic dynamism along regional economic corridors.

2. Develop functioning regional markets in four priority sectors.

3. Scale up access to quality public services and entrepreneurship through complementary regional solutions.

4. Promote collective action to address risks of regional economic contagion, fragility, epidemic, and climate 'hot spots'.

Strategic Priority 1: Generate economic dynamism along regional economic corridors

70. **What is the rationale?** The rationale for this strategic priority rests on three arguments: (a) the continent is in need of economic dynamism to reverse the current downturn. There is a close relationship between growing the economic pie and deeper regional integration—if the pie does not grow, then there is little to integrate. East Asia grew, diversified and integrated at the same time. Africa has the same opportunity now. This priority uses the 'spatial' prioritization criteria by focusing on selected transnational economic corridors where integration could be realized; (b) this would build upon the WBG's ongoing and anticipated financing for regional physical infrastructure connectivity and would complement that with additional focus on addressing policy and other barriers to value addition and facilitating greater trade on these corridors. It would include creating an enabling environment for private sector to invest along these corridors; and (c) it responds to the RI priorities of the RECs and countries and the expectations of the private sector in terms of connecting and growing markets.

71. **What will we do?** Identify 8–10 economic corridors during FY18–FY20—either along transport trunk routes or along production centers for major agricultural commodities (for example, livestock, or cash crops). Along these corridors, use a combination of WBG instruments to support countries to address

policy issues (including standardization of norms and regulations) that affect productivity and promote trade and private investments, along with financing the remaining infrastructure gaps and promoting skills development to take up the job opportunities. Together, this support is expected to make these corridors more dynamic and deepen regional integration. It would also involve using WBG financing and advisory services for leveraging further private investments for improving regional connectivity and developing sub-regional infrastructure, using appropriate WBG instruments to support policy change to address the 'soft' areas and use higher-level convening functions to bring multiple countries to take coordinated actions and attract private investments. Success would be measured by increases in productivity, value addition, intra-regional trade volumes, and job creation.

Objective 1.1: Develop regional infrastructure along economically important trunk routes.
Objective 1.2: Leverage private sector for financing infrastructure and investing in regional value chains in agriculture and allied sectors along these economic corridors.
Objective 1.3: Harmonize policy and reduce nontariff barriers to promote trade and improve productivity along these economic corridors.
Objective 1.4: Build effective stakeholder coalitions to deepen integration along these economic corridors.

72. **Expected results:**

(a) Multi-modal regional transport infrastructure operational in 15 countries

(b) Increased regional trade along six–eight priority economic corridors

(c) Regional value chains strengthened for four–six important agricultural/related products, including through leveraging private financing

(d) Knowledge and convening functions around air transport, ports, nontariff barriers, and agricultural value chains

73. **Some near-term flagships:**

- **World Bank:** Economic Transformation Program along six–eight corridors; development of four–six regional value chains

- **IFC:** Support to regional ICT and broadband operators and investment in securing and increasing supply of strategic agricultural commodities to ensure sustainable development impact through support of irrigated value chains

- **WBG:** Preparation and financing of sub-regional and cross-country infrastructure, harmonization of policy, and regulation for PPPs and private sector participation

Strategic Priority 2: Develop functioning regional markets in identified priority sectors

74. **What is the rationale?** The rationale for this strategic priority rests on three arguments: (a) true integration involves having functioning regional markets where producers, suppliers, and consumers benefit through cross-border investments and trade; (b) some sectors are more ripe for taking a sector-wide approach to integration – the WBG's prior engagement and consultations show that energy, telecom/ICT, financial sector, and technical skills are four areas where opportunities for deepening

integration exists; and (c) this priority builds upon the WBG's ongoing support and the priorities of the RECs and private sector. Unless there are functioning regional markets, some of the regional infrastructure investments and commitments made by countries would be sub-optimally utilized. To illustrate, currently there are pending payment obligations by power purchasing countries to power selling countries, which, if left unaddressed, could undermine the confidence in regional power pools.

75. **What will we do?** In the spirit of the MFD approach, during the initial years of the strategy, work will focus on laying the foundations of regional markets in priority sectors—agriculture, energy, digital and telecom markets, financial sector, and technical skilled labor. In these areas, the focus would be on increasing supply and quality of the product or service; addressing regulatory, policy, and institutional barriers toward development of functioning regional markets; enabling business reforms aimed at improving access to finance; facilitating cross-border trade and investment; and harmonizing policies and regulations. For example, improving agricultural productivity requires scaling up regional solutions, especially to address training, equipment, and technical support, as well as access to finance. Regional approaches are particularly critical for the introduction of irrigation and integration of development interventions between permanently located agriculturalists and migratory pastoralists. The WBG would continue to align its ongoing programs such as the Sahel Regional Pastoralism Support Project (PRAPS) and the Sahel Irrigation initiative to mitigate internal and cross-border conflicts. The objective is to develop regional migration corridors of livestock to reduce the risks associated with competition for water and land resources. In addition, in WAPP, completion of all planned cross-border interconnectors is expected by 2021, making it possible to have a 'seamless flow' of electricity between the 14 member countries of WAPP. Going forward, the physical infrastructure investments would be complemented by building trust in power trade through payment securitization and addressing off-taker risks. The power trade should eventually lead to a regional spot market. In the area of regional market for skills, WBG support would involve features such as increasing the supply of trained skilled labor from technical and vocational institutions to meet the requirements of the evolving job market, allowing mutual recognition of degrees and addressing other barriers to labor market movement (where countries are committed to such labor movement). Within the financial sector, it would involve developing trade finance and financial infrastructure as well as long-term financing through capital market development and deepening the market in areas such as SME finance, agriculture finance, and housing finance. In the telecom/ICT sector, there are opportunities for sub-regional harmonization of telecom regulations and roaming policies, cross-border digital payment integration, e-trade, and examining options for regional data centers and 'cloud platforms' and for multi-currency, multi-country settlement platforms for cross-border financial transactions. In the real sectors, the WBG will support the integration of supply chains across countries/sub-regions, including through the emergence of regional champions and capacity-building and product-upgrading solutions. Success would be measured by progress made in laying the foundations of these markets, increase in supply, reduction in cost, and improved quality of supply, all of which should ultimately benefit the end users.

Objective 2.1: Support priority regional energy generation and transmission links. Objective 2.2: Transform sub-regional power pools into effective entities actively enhancing power trade between countries. Objective 2.3: Address market fragmentation in financial sector and ICT/telecom sector by promoting harmonization of standards and policies and by expanding access and reducing costs to consumers. Objective 2.4: Support regional skill development initiatives and facilitate country-led measures for promoting cross-border movement of skilled labor and opportunities for integration in services sector.

76. **Expected results:**

(a) Develop regional interconnections in WAPP, EAPP, SAPP, and CAPP connecting 20 countries

(b) Develop regional hydro and other renewable energy generation in six–eight countries, including through leveraging private financing

(c) Develop regional frameworks to facilitate regional power trade in two power pools resulting in a 10 percent increase in power trade over 2015 baseline

(d) Develop regional solutions for improving energy access through grid and off-grid solutions in 10 countries

(e) Provide regional ICT connectivity in 10 countries and develop regional frameworks for creating telecom/digital regional markets, including through leveraging private financing

(f) Provide regional lines of credit/long-term financing solutions, including through leveraging private financing, in four areas—housing, agriculture, SME, and infrastructure

(g) Promote regional skills development and measures to facilitate continental mobility of talent

(h) Knowledge and convening functions around regional power trade, harmonized digital markets, and capital market development

77. **Some near-term flagships:**

- **World Bank:** Closing the transmission/interconnection gaps in the power pools, implementation of road map toward power trade through WBG confidence-building measures, scale-up of regional skills development programs, and a Single Digital Market Initiative

- **IFC:** Support the supply chain integration across countries/sub-regions through (i) Regional champions; (ii) capacity building and product upgrading; (iii) support to regional financial institutions; (iv) financial infrastructure and capital market development; (v) trade finance; and (vi) market creation, support, and scale-up of climate-resilient agricultural systems through advisory

Strategic Priority 3: Scale up access to quality public services and entrepreneurship through complementary regional solutions

78. **What is the rationale?** The rationale for this strategic priority rests on three arguments: (a) Africa still suffers from poor access to basic services in multiple sectors. Clearly, these are country-level challenges. However, it is possible to address some of these challenges through complementary regional actions which allows scale-up of new technology and innovative approaches to improved targeting across a larger geographic area and to drive down costs of services; (b) research and development (R&D) activities for new agricultural technology or new drugs or to rapidly scale up innovations are best provided at a regional level taking advantage of scale benefits; and (c) unleash the spirit of enterprise, which is very prevalent in Africa but is constrained by limits of size of markets and financing. This would help promote

the jobs agenda, including for women and other marginalized groups. This is a relatively new area of focus in the RI program and the private sector will be a big driver of this agenda. Care would be taken in ensuring that specific areas chosen for support have a clear rationale for engaging at the regional level and complement ongoing national efforts.

79. **What will we do?** In areas such as off-grid energy access and small-scale irrigation, there are economies of scale benefits that are possible by harmonizing standards and regulations and providing regional lines of credit to scale up access. Opportunities would be explored for facilitating greater uptake of improved technologies, including through private sector channels. In areas, which have multiplier regional benefits such as through R&D support, technology adoption, provision of identity systems (ID4D), building institutional capacity, or promoting entrepreneurship, complementary regional solutions would be explored. In parallel, the WBG will contribute to the dynamism of regional entrepreneurship with dedicated disruptive technology solutions and investment funds. Prioritize the introduction of ICT and mechanization to modernize agricultural production and increase its competitiveness.

Objective 3.1: Support targeted R&D efforts and innovations in areas such as agricultural technology development and drug development for priority African diseases.
Objective 3.2: Promote entrepreneurship and technology adoption for improving access to services, including in energy and irrigation.
Objective 3.3: Promote harmonized development of information systems/statistics and national identity systems to improve provision of services.
Objective 3.4: Support targeted regional capacity-building efforts which result in improving national public-sector delivery systems.

80. **Expected results:**

- Achieve universal ID coverage in six–eight countries through coordinated regional efforts
- Scale up regional delivery arrangements and improved access through new technologies in energy and irrigation
- Targeted facilities to support R&D/technology development and uptake in agriculture and health
- Harmonized statistical survey arrangements in two sub-regions
- Piloting of regional facility to develop innovation and entrepreneurship
- Targeted capacity building support for specialized regional institutions

81. **Some near-term flagships:**

- **World Bank:** Scaling Up Solar in Sahel, Regional ID4D Program covering 12 countries, and Regional Capacity Building Program
- **IFC:** Replicate regional access to finance programs such as the East Africa Smallholder Irrigation Program and support the emergence of disruptive technology solutions and regionally focused investment funds for entrepreneurship

- **WBG:** Scaling Solar and Sahel Irrigation Initiative

Strategic Priority 4: Promote collective action to address risks of regional economic contagion, fragility, epidemic, and climate 'hot spots'

82. **What is the rationale?** The rationale for this strategic priority rests on three arguments: (a) some of Africa's development challenges and potential risks do not stop at national borders and require collective effort on the part of multiple countries (Sections II and III contain a deeper analysis of this); (b) ensuring effective collective action requires clear understanding of the pros and cons of addressing these risks, addressing possible asymmetry of benefits for the parties involved, and ensuring strong regional platforms that bring together key stakeholders; and (c) over time, it would be important to make such collective action efforts more sustainable from a financing and institutional point of view and less reliant only on development financing. This strategic priority responds to sub-regional, regional, or global risks that could affect the continent and compromise the development gains made so far.

83. **What will we do?** There is a large body of existing WBG operational engagement in this area. Many of the regional priorities in the World Bank's ACBP[18] would be pursued further. As mentioned elsewhere, this area of work would require long-term engagement. The focus going forward would be on deepening the cooperation and collective action efforts, making them more sustainable both institutionally and financially. There are also opportunities for innovation and developing the next generation of regional solutions in complex areas of providing public goods.

Objective 4.1: Address cross-country risks from macroeconomic and financial sector crisis. Objective 4.2: Support sustainable management and financing of transboundary water, coastal, and marine resources. Objective 4.3: Support communities affected by regional forced displacement and help countries deal with underlying regional conflict prevention measures. Objective 4.4: Support prevention of and set up insurance or innovative financing for potential regional epidemic outbreaks and cross-border natural disasters.

84. **Expected Results:**

(a) Management of macro and financial risks in two monetary zones

(b) Active support for managing coastal erosion in six countries, marine fisheries management in ten countries, and sustainable management of transboundary water resources in six basins/lakes

(c) Support communities affected by regional conflicts/displacement in six–eight countries and help address underlying fragility risks

(d) Coordinated disease surveillance systems established in eight–ten countries

(e) Piloting of innovative financing for regional epidemic outbreaks and cross-border natural disasters

[18] World Bank: Accelerating Climate-Resilient and Low-Carbon Development, the Africa Climate Business Plan (2015).

(f) Knowledge and convening functions on the next set of challenges for monetary unions, transboundary resource management, and regional fragility drivers

85. **Some near-term flagships:**

- **World Bank:** Multi-sector approach to CEMAC crisis (coordinated approach between the World Bank, IMF, AfDB, and other development partners); West Africa Coastal Resilience Project; Forced Displacement Projects; and Regional Hydromet Program

- **IFC:** Build capacity at the regional level with advisory services; adopt conflict-sensitive and programmatic approaches at the regional level; and address rural conflict around migratory and stationary systems of agriculture and livestock production through the development of fodder banks

M&E and Results Framework

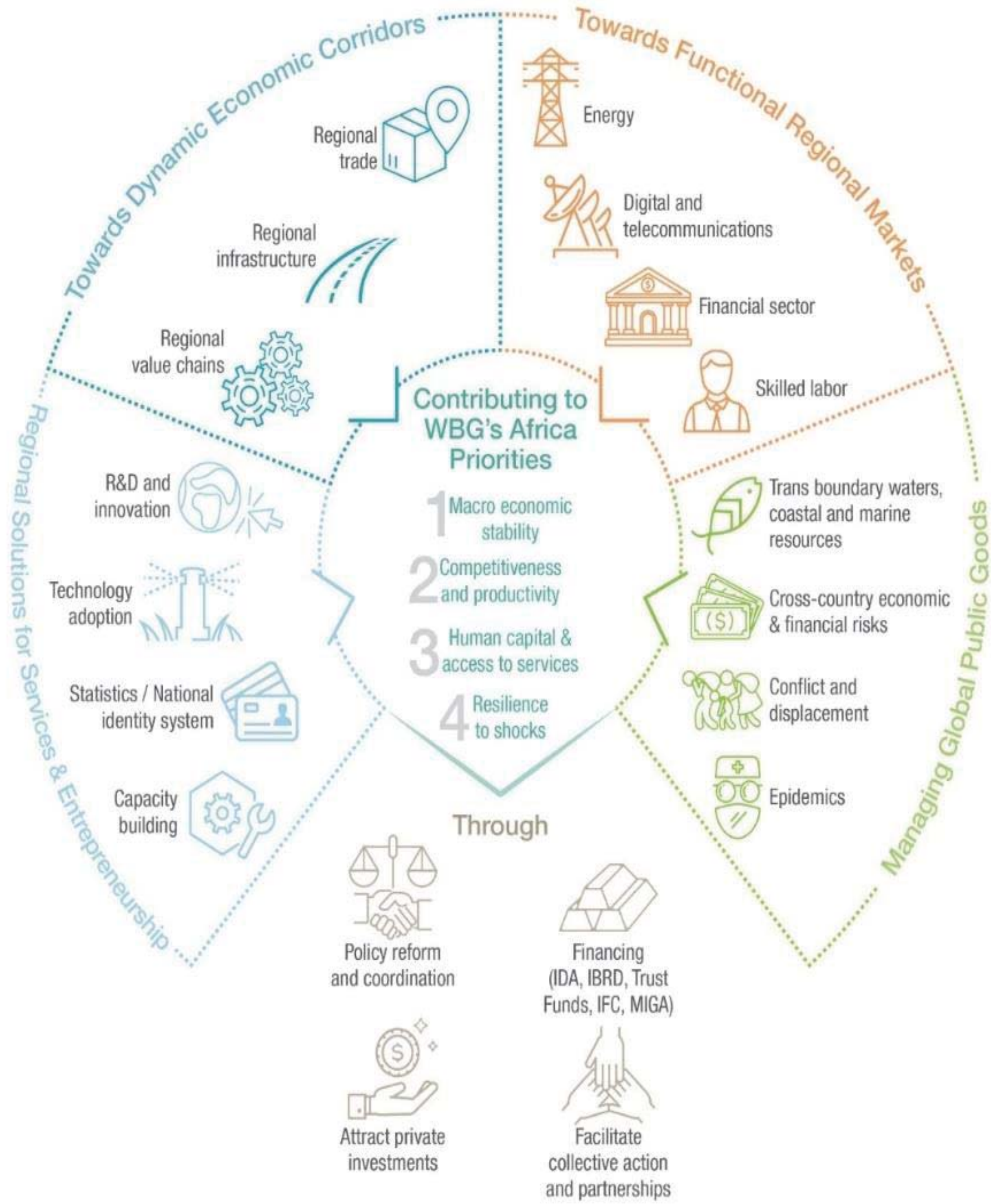
86. **The Results Framework (Annex 1) provides an overall basis for monitoring the implementation of the strategy alongside results that are tracked under individual CPFs**. The Results Framework is positioned at three levels:

(a) Monitor progress with integration at the continental and sub-regional levels. This would be done in collaboration with other partners, building upon existing work (including what is shown in Table 3). WBG RI support will contribute to progress against these high-level indicators, but direct attribution may not be always possible.

(b) Provide a menu of indicators to measure results from the RI program. Here, it is important to note that the RI strategy sits within a wider ecosystem of existing diagnostic and strategy formulation processes within the WBG (see paragraph 7). The CPFs will identify both national and regional interventions being supported by the WBG for each country, and the RI strategy does not provide a list of country-level interventions. The CPF Results Frameworks are also expected to increasingly capture precise baseline figures and future targets for regional benefits. The indicators in Annex 1 would also better guide the identification of specific project-level indicators and help address the inconsistent use of indicators in existing RI operations. Therefore, the full impact of WBG support will be better measured at the project and country levels and aggregated at the RI portfolio level using Annex 1.

(c) At a third-level, Annex 1 provides a set of indicators to measure the performance of the RI portfolio and these would be tracked as part of implementing this strategy.

Figure 7: Regional Integration Strategy: What and How?



87. **Further steps are being proposed to strengthen the M&E systems in the RI program.** The following steps are planned to take forward the M&E work in the RI program by the end of FY18/early FY19: strengthen M&E capacity within the RI program; based on the RI pipeline agreed with clients, develop a customized Results Framework for each sub-region; and ensure that forthcoming RI operations reflect all relevant indicators proposed in Annex 1. Additionally, there would be close monitoring of the performance of the monetary unions in conjunction with IMF and other partners. The household poverty survey results would also be analyzed to understand if there are any implications for the integration agenda for respective countries.

Positioning the WBG: Knowledge, Financing, Collective Action, and Partnerships

88. **Delivering the strategy would require a much higher level of WBG engagement on all fronts—knowledge, financing, facilitating collective action, and promoting partnerships.** On the knowledge side, there would be more focus on strengthening the strategic orientation and getting policy leverage from analytical work, while at the same time reducing the volume of analytical products being undertaken—'fewer and more effective' analytical work. The analytical work program will include an early flagship report on taking stock of Africa's RI efforts and charting out the next set of policy agenda for deepening integration. Taking into account the regional envelope for Africa, along with national IDA and other windows (CRW, SUF, and PSW), it is expected that a substantial World Bank RI program would be delivered during IDA18. This would represent a significant ramp-up in lending and will need to be done alongside improving the strategic orientation and quality of project design and implementation. There will be more strategic use of trust funds, particularly to support the preparation of feasibility studies for bankable regional projects and for facilitating the anticipated stepping up in efforts toward promoting collective action. IFC and MIGA instruments, including under PSW, would be mobilized to support regional initiatives as per the strategic priorities and viability criteria. The only lending instrument used in the RI program so far is the IPF. Some of the priorities listed in the new strategy such as addressing policy and regulatory reforms and leveraging private investments may require use of other World Bank instruments such as Development Policy Financing (DPF), Programs for Results (PforRs), and guarantees that were originally designed for use in individual countries. World Bank management recognizes the need for addressing the next generation of RI challenges and is examining how DPFs can help address these challenges as part of a review of the overall use of DPFs for IDA countries. Recommendations on the use of DPFs as well as other instruments to support regional integration will be provided in the update on the IDA regional program at the IDA18 midterm review.

89. **Delivering the ambition of this strategy requires facilitating collective action and promoting partnerships**. The WBG has played an effective role in promoting collective action on several aspects of regional integration, but with the level of ambition and financing envisaged in this strategy it would be necessary to step up such efforts. This could entail even closer engagement with national and regional leadership and with the private sector on integration issues. Facilitative approaches, such as the 'championing' process of regional integration tried out by the World Bank in South Asia,[19] and better understanding of the *realpolitik* of integration would be used. The WBG would help facilitate creation of platforms for public and private sector dialogue to address bottlenecks to deepening integration. The partnership agenda remains critical and there are strong existing partnerships with several bilateral and multilateral institutions, including AfDB, the EU, and other bilateral institutions, which would be strengthened further through ongoing strategic dialogue. In particular, the World Bank and AfDB are actively collaborating on the RI agenda and discussions are underway to coordinate the implementation

[19] World Bank (internal document): Technical Briefing on Regional Integration in South Asia Region (2015).

of the new RI strategies of both institutions. At the same time, new partnerships would be explored, especially with private sector bodies inside and outside of Africa and with key think tanks in the region. The WBG will continue to work closely with key existing and new international engagements with Africa, including the recently established G20 Compact with Africa.[20]

Box 8: Six Ways this Strategy Aims to Reshape the WBG's Integration Work in Africa

Greater strategic orientation: Rebalance individual transaction-driven approach with greater strategic orientation in identifying lending pipelines and engagement opportunities. This would involve undertaking diagnostic work for specific sectors and specific sub-regions and preparing WBG Joint Implementation Plans in key sectors.

Combining 'hard' and 'soft': Some sectors are ready for deepening the integration agenda going beyond building infrastructure. These would be prioritized along with identifying the next generation of lending to deepen the integration process.

Scaling up: This would be done by having bigger programs to have more transformative impact and by expanding what is currently working on a smaller scale.

Leveraging/MFD: Thus far, the main leverage that has been sought within the RI program is the leverage of regional IDA using national IDA resources. Going forward and based on the MFD approach, WBG resources would be actively used to leverage private finance, as this remains central to Africa's development ambitions.

'Development diplomacy': To some extent, lack of collective action has been seen as an external risk to the WBG operations, but this strategy proposes a calibrated approach to stepping up facilitation of collective action in close collaboration with key stakeholders.

M&E: Regional operations would be required to select from agreed RI indicators (see Annex I), and incorporate them in the project Results Framework to facilitate measurement of results in this strategy.

External Consultation

90. **Focused and high-quality external consultations have contributed to shaping some aspects of the strategy and confirmed the priorities and proposed approaches.** See Annex VI for a detailed note on external consultations. The consultations reached six stakeholder groups: selected IDA client countries, the AUC and RECs, regional development banks/financial institutions, private sector, the general public through online consultations, and development partners. Four broad questions framed these consultations: (a) is Africa realizing its full potential from regional integration; if not, why not? (b) what are the big opportunities available in priority sectors and sub-regions to deepen integration? (c) do the lessons learned from WBG work so far resonate with the stakeholders? and (d) do the proposed WBG priorities and approaches resonate with the stakeholders? Across stakeholder groups, there was strong recognition of the benefits to be had for the continent from deeper integration. But, there was also a strong feeling that Africa is not realizing its full potential from integration, and there is a gap between the pronouncements and implementation. There are important domestic sovereignty considerations that have not aligned with considerations of regional benefits. Therefore, efforts are needed in getting further traction at the country level for the RI agenda. Effective implementation of some of the regional agreements was seen to be a good starting point for translating political agreements into action. The need

[20] Under the German Presidency of G20, the July 2017 Summit established a 'Compact with Africa'. http://www.bundesfinanzministerium.de/Content/EN/Standardartikel/Topics/Featured/G20/2017-03-30-g20-compact-with-africa.html.

for stronger private sector voice in policy formulation around integration was underscored by both the private sector and public-sector stakeholders. Strong calls for the WBG to further deepen the integration process and get more traction for addressing the policy hurdles through use of knowledge and dialogue platforms and innovative financing arrangements. On the whole, across key stakeholder groups there was widespread confirmation and resonance of the proposed strategic priorities for WBG support.

SECTION VI: IMPLEMENTING THE STRATEGY AND RISK ASSESSMENT

Connecting the Strategy to Country Priorities and Lending

91. **Two key mechanisms for implementing the strategy will be through existing regional and country-driven processes and through strategic use of diagnostic and planning work.** As mentioned in Section I, the RI strategy will be delivered through the collective effort of the various country strategy processes. The CPFs and Performance and Learning Reviews (PLRs) will identify specific regional lending possibilities in the respective countries alongside country-level lending pipeline. This would be based on dialogue with country clients and using lending prioritization criteria informed by this strategy. The additional diagnostic work being proposed will be in the form of preparing high-level road maps on integration opportunities in key sectors and in terms of doing a light-touch diagnostic assessment to help identify sub-regional challenges and opportunities for integration (see Annex VIII for scope of such diagnostics). The proposed diagnostics are expected to promote the strategic orientation in the RI program as set out in this document—they would be a bridge through which this strategy document will connect with the priorities laid out in the CPFs and PLRs. The need for preparing sub-regional plans for the RI program has been identified previously—including in the IEG evaluation of 2007 and in the RI Strategy of 2008—but was not implemented (the proposal now is not to prepare sub-regional action plans to keep the sanctity of the CPF processes but to undertake sub-regional diagnostic work to better inform the country strategies). The proposed sectoral and sub-regional diagnostics work would also be a useful input for the regional convening role of the WBG.

Retrofitting the Strategy Priorities with Existing Lending Commitments

92. **It is important that the priorities in this strategy inform not just new lending but also existing commitments in the RI program.** Over 50 percent of current World Bank RI commitments are yet to be disbursed, and it provides an opportunity to identify any additional support that would strengthen the alignment of the existing portfolio with the new strategy. During FY19, work would be undertaken to review the fit of the World Bank's current RI portfolio with the new strategy and propose any project-level restructuring and Additional Financing to help address the broader agenda outlined in the strategy. This exercise is expected to be limited in scope and would, for instance, result in new opportunities where current commitments for physical road infrastructure could be complemented with Additional Financing to facilitate greater trade or value addition along those routes. Such opportunities would be prioritized in agreement with country clients to have high impact from the existing World Bank lending commitments.

Selectivity and Prioritization Criteria

93. **Reducing fragmentation and strengthening the strategic orientation in the RI program are key considerations in implementing the new strategy.** Selectivity would be taken seriously with a view to consolidating the number of active World Bank operations in the RI portfolio and increase the average project size to US$150 million by the end of IDA18. Each CPF would prioritize regional lending opportunities most relevant for the country. Since this strategy covers the entire continent, it is necessarily a 'broad tent'—since the specific integration priorities of each country/sub-region could differ

substantially from others. Selectivity considerations would be informed by the diagnostics assessments and CPFs. It is very likely that the World Bank lending pipeline for RI projects during IDA18 could again outstrip the available regional IDA resources. The Prioritization Framework provided in Figure 8 would be used as guidance to inform prioritization of the World Bank RI lending pipeline. The Prioritization Framework responds to lessons learned from the ongoing program (Section IV)—specifically, strengthening the sub-regional and sectoral context of operations, ensuring sufficient traction exists for collective action efforts by countries and to have a more balanced approach to support for infrastructure and 'soft' reforms. This framework is intended to support the prioritization process and is not intended as a rigid template.

Stepping Up Engagement on Facilitating Collective Action

94. **Effective collective action by stakeholders for promoting integration is a lynchpin for the strategy.** Delivering on this objective requires the WBG to have a better assessment of key political economy issues that are likely to be a stumbling block for promoting integration. The WBG, along with other partners, would also need to facilitate a dialogue process that brings together various stakeholders and practitioners to strengthen awareness around regional approaches and to identify possible 'win-win' opportunities for participating countries. The World Bank's South Asia Region has used such 'championing' approaches with good outcome, including in reaching agreement on regional power trading agreements between South Asian countries. As an initial part of implementing this strategy, the World Bank' Africa Region will look to pilot similar approaches jointly with IFC and MIGA for specific RI priorities. This would be done in collaboration with other key partners who are interested in the integration agenda. Based on the experience with the proposed pilot, it would be rolled out to the other parts of the RI program in Africa.

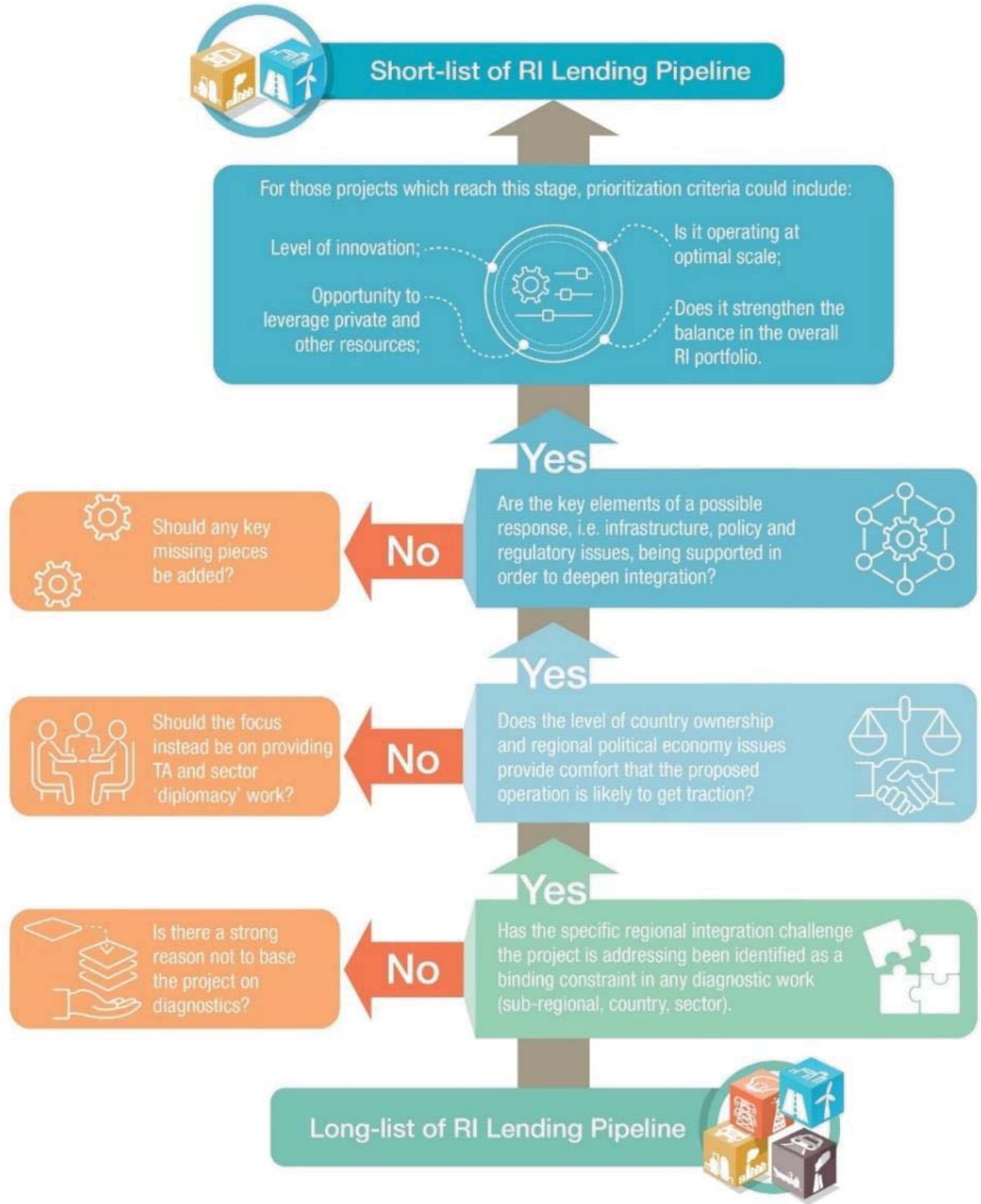
Immediate Implementation Priorities for FY19

95. **As immediate follow-up to the Board discussion of this strategy, several key activities would be undertaken in FY19 to start implementation**. In no particular order, these activities would include the following: continue implementing/deepening the RI client engagement model (Annex X); undertake a pilot sectoral or sub-regional diagnostic assessment (Annex VIII); prepare WBG corridor development plans for two to three corridors (Strategic Priority 1); prepare WBG sector plans for identified sectors to allow deepening of integration (Strategic Priority 2); prepare for a pilot of using 'sector/development diplomacy' to facilitate collective action among countries where such action has been proving difficult; finalize the World Bank's RI lending pipeline for the remainder of IDA18; undertake a portfolio review to look at the 'fit' of the current RI portfolio with the strategic objectives laid out here; take forward discussions on IDA policy issues in the regional program; use the M&E framework to inform the result indicators for new pipeline projects; take forward operational simplification measures to benefit RI task teams; and ensure greater mainstreaming of the RI program with country programs in two selected CMUs.

Progress Report

96. **A Progress Report on this strategy would be prepared in the last year of IDA18 (that is, FY20).** The Progress Report will reflect the status of implementing the strategy and take account of important external developments and also any additional evidence available on the impact of the RI program, including from the upcoming IEG evaluation of the WBG RI program. The Progress Report will also identify any adjustments to be made in the strategy for the remainder of the period, that is, during IDA19.

Figure 8: Prioritization Framework for RI Lending Pipeline



Risks and Mitigation

97. **The following are some of the key risks for successful implementation of the strategy:**

(a) **Macroeconomic shocks.** If the Africa Region faces severe economic downturns, it may vitiate the overall environment for deepening the integration agenda. Though there may be economic shocks in particular countries, the chances of a major economic downturn at the continental level are considered low. Moreover, regional integration could be seen as part of the solution during any downturns.

(b) **Regional/sub-regional cooperation failures.** The risk that domestic sovereignty considerations could sometimes overshadow wider regional cooperation is a key risk in deepening the integration agenda. This strategy considers such a risk could be significant in specific areas, but if it is more widespread it could affect achievement of the stated objectives. Part of the mitigation effort focuses on more effective use of the WBG's convening power alongside other partners, greater use of private sector platforms for advocacy, use of appropriate instruments to support the formulation and implementation of 'soft' reforms, and a greater examination of strategic pros and cons before identifying individual lending operations.

(c) **Regional fragility risks.** Cross-border fragility risks, either due to epidemics, conflict, or large-scale disasters, could set back the appetite for closer integration (for example, barriers to food exports during severe droughts). The WBG's overall policy and country dialogue with Africa would be critical in addressing such risks.

(d) **The deepening of integration agenda does not materialize and the RI program remains largely focused on financing a regional public infrastructure program with limited leveraging of the private sector.** There is a risk that the 'new generation' of regional projects envisaged in this strategy do not materialize, and the focus remains only on supporting regional infrastructure. Or the level of ambition of MFD in the RI space as outlined in the strategy does not materialize due to regulatory barriers or investment climate risks or lack of 'bankable' projects. Managing this risk would require high-level WBG engagement at the country and regional levels, address the lack of bankable projects, and continue to strongly articulate the case for integration.

(e) **Internal WBG processes and policies need to be adjusted to support this strategy.** This is an internal risk that could be well managed by ensuring sufficient senior management attention remains on the RI work, and the processes and resource allocation decisions continue to prioritize the needs of the RI program. Some of the potential policy adjustments with the IDA regional program mentioned earlier would need to be discussed with IDA Deputies and approved by the IDA Board.

Annex I. Results Framework

The following table captures the major results expected from the WBG's RI program in Africa.

RI Strategy Priorities	Key Expected Result Areas
1. Develop Regional Economic Corridors.	i. Multi-modal regional transport infrastructure operational in 15 countries. ii. Increased regional trade along 6-8 priority economic corridors. iii. Regional value chains strengthened for 4-6 important agricultural/related products, including via leveraging private financing. iv. Knowledge and convening functions around air transport, ports, nontariff barriers and agricultural value chains.
2. Develop Regional Markets in Four Sectors (energy, finance, ICT and skills).	i. Develop regional interconnections in WAPP, EAPP, SAPP connecting 20 countries. ii. Develop regional hydro and other renewable energy generation in 6-8 countries, including via leveraging private financing. iii. Develop regional frameworks to facilitate regional power trade in two power pools resulting in a 10% increase in power trade over 2015 baseline. iv. Regional solutions for improving energy access through grid and off-grid solutions in 10 countries. v. Provide regional ICT connectivity in 10 countries and develop regional frameworks for creating telecom/digital regional markets, including via leveraging private financing. vi. Provide regional lines of credit/long-term financing solutions, including via leveraging private financing, in four areas - housing, agriculture, SME, infrastructure. vii. Promote regional skills development and measures to facilitate continental mobility of talent. viii. Knowledge and convening functions around regional power trade, harmonized digital markets and capital market development.
3. Promote Research, Innovation & Entrepreneurship on regional solutions.	i. Achieve universal ID coverage in 6-8 countries through coordinated regional efforts. ii. Scale-up regional delivery arrangements and improved access through new technologies in energy and irrigation. iii. Targeted facilities to support R&D/technology development and uptake in agriculture and health. iv. Harmonized statistical survey arrangements in two sub-regions. v. Piloting of regional facility to develop innovation and entrepreneurship. vi. Targeted capacity building support for specialized regional institutions.

RI Strategy Priorities	Key Expected Result Areas
4. Global Public Goods.	i. Management of macro and financial risks in two monetary zones. ii. Active support for managing coastal erosion in 6 countries, marine fisheries management in 10 countries, and sustainable management of transboundary water resources in 6 basins/lakes. iii. Support communities affected by regional conflicts/displacement in 6-8 countries and help address underlying fragility risks. iv. Coordinated disease surveillance systems established in 8-10 countries. v. Piloting of innovative financing for regional epidemic outbreaks and cross-border natural disasters. vi. Knowledge and convening functions on next set of challenges for monetary unions, transboundary resource management and regional fragility drivers.

Overview: The Results Framework for the RICAS has been built around three levels to address the different requirements of monitoring the performance of the RI program. These levels are: progress with integration in the continent, impact of RI operations, and quality of the RI portfolio. There will be a clear line of sight between the RICAS Results Framework, the Results Frameworks in CPFs, and the Results Framework for individual RI operations. This arrangement is either consistent with or an improvement over comparable Results Frameworks for similar strategy documents.

Level 1: Measuring Africa's Progress with Regional Integration: Progress being made by Africa on regional integration would be measured along the following six dimensions. There are existing periodic assessments by the AU and others for most of these dimensions, and these would be supplemented by other available data, including qualitative assessments. WBG's overall support under this strategy would contribute to these wider objectives. The six dimensions for assessing Africa's progress with regional integration are:

- Trade Integration (levels of customs duties; share of intra-regional goods imports and exports; share of total intra-regional goods trade).
- Regional Infrastructure (Infrastructure Development Index: transport, electricity, ICT, water & sanitation; Intra-regional flights; Total regional electricity trade; Average cost of roaming).
- Productive Integration (share of intra-regional intermediate goods exports and imports; Merchandize Trade Complementarity Index).
- Free Movement of People (Visa on arrival for REC nationals; Ratification of protocol on free movement of people; REC nationals who do not require visa for entry).
- Financial and Macroeconomic Integration (Regional convertibility of national currencies; Inflation rate differential).
- Management of 'Public Goods' and 'Public Bads' (Enforcement of agreements on management of shared natural resources; conflict prevention measures; Coordinated efforts toward managing cross-border epidemic and natural disasters).

Level 2: Measuring Progress with Implementing the WBG Strategy: (the last column is based on internal WBG assessment)

Strategic Priority 1: Generate Economic Dynamism Along Regional Economic Corridors			
This Strategic Priority contributes to wider Africa objectives of economic diversification, improving productivity, promoting intra-regional trade and leveraging private investments. The proposed four objectives under this priority reflect how regional integration could contribute to these broader continental priorities.			
Rationale The rationale for this strategic priority rests on three arguments: (i) the continent needs economic dynamism to reverse the current downturn. There is a close relationship between growing the economic pie and deeper regional integration – if the pie doesn't grow then there is little to integrate. East Asia grew and integrated at the same time. Africa has the same opportunity now; (ii) this would build upon WBG's ongoing and anticipated financing for regional physical infrastructure connectivity, and would complement it with additional focus on addressing policy and other barriers to value addition and greater trade on these corridors. It would include creating an enabling environment for the private sector to invest along these corridors; and (iii) it responds to the RI priorities of the RECs and countries and the expectations of the private sector in terms of connecting and growing markets.			
Objective 1.1: Develop regional infrastructure along economically important trunk routes.			
Outcomes	**Indicators**	**Intermediate Progress Indicators**	**Key Initiatives – Lending & Knowledge**[21]
Trunk road and rail infrastructure gaps reduced. Improved physical connectivity, including for landlocked countries. Increased private sector leveraging in regional infrastructure.	Roads/rail constructed or rehabilitated. Travel time/cost reduction. Total WBG leveraging of private financing for regional infrastructure.	Economic corridors identified. Financing secured for transport infrastructure gaps. Priority regional projects for MFD identified.	**Ongoing**: Six active projects which will construct/rehabilitate over 1,000 km of trunk roads. Current commitments over US$1.6 billion. **Pipeline**: At least four regional priority trunk corridor projects supported. **Knowledge**: Regional studies on air transport and ports used to convene sub-regional/regional consultations.

[21] The pipeline projects are tentative and subject to client confirmation during IDA18. The confirmed RI pipeline projects would be reflected in each CPF/PLR.

Objective 1.2: Promote agricultural productivity and regional value chains, particularly along the economic corridors.			
Outcomes	**Indicators**	**Intermediate Progress Indicators**	**Key Initiatives – Lending & Knowledge**
Increased private investment in regional value chains in agriculture and allied sectors. Increase in levels of value addition to selected primary products.	Private investment in regional value chains (% of total financing). Policy coordination and harmonization of standards. Value addition (US$). Established and supported regional value chains (#).	Increase in agricultural/non-farm productivity. Areas for harmonization of policies and standards across countries identified. Outreach to private investors Products with potential for value addition identified. Promote skills development.	**Ongoing**: Eight active projects in agriculture and allied sectors focused on improved research and enhancing productivity. Current commitments over US$1.5 billion. **Pipeline**: Regional value chains strengthened for 4-6 important agricultural/related products, including via leveraging private financing. **Knowledge**: Regional studies and convening around regional value chains.
Objective 1.3: Harmonize policy and reduce nontariff barriers to promote trade and improve productivity along these economic corridors.			
Outcomes	**Indicators**	**Intermediate Progress Indicators**	**Key Initiatives – Lending & Knowledge**
Increased productivity and trade along economic corridors. Identified Nontariff Barriers (NTB) addressed in coordinated manner.	Cross-border trade volume (% increase). Trade Logistics Performance Index. NTBs removed (#).	Norms and regulations harmonized. Dialogue with stakeholders on removing identified NTBs.	**Ongoing**: Trade facilitation built into six active regional transport projects. **Pipeline**: Projects in 6-8 priority economic corridors supported with focus on addressing NTBs and other barriers in a coordinated manner. **Knowledge**: Regional studies and convening around harmonized standards and NTBs.

Objective 1.4: Build effective stakeholder coalitions to deepen integration along these economic corridors.			
Outcomes	**Indicators**	**Intermediate Progress Indicators**	**Key Initiatives – Lending & Knowledge**
Active cross-country policy coordination efforts. RECs actively involved in addressing barriers to trade. Private sector actively involved in dialogue.	Number of formal and informal regional platforms supported. Private sector survey respondents show uptick in engagement on trade issues.	Targeted support provided to aid these efforts. Higher-level convening functions to bring together multiple stakeholders.	**Ongoing:** Sector-level regional dialogue taking place in all sub-regions. **Pipeline:** Greater engagement with RECs on selected issues and active facilitation of private sector in RI policy dialogue.
Strategic Priority 2: Develop Functioning Regional Markets in Identified Priority Sectors			
This Strategic Priority contributes to wider Africa objectives of deepening integration in priority sectors. It reflects a broader sectoral approach (infrastructure + regional regulatory issues) in dealing with integration in four priority sectors – energy, telecom/ICT, financial sector and skills.			
Rationale: The rationale for this strategic priority rests on three arguments: (i) true integration involves having functioning regional markets where producers, suppliers and consumers benefit through cross-border investments and trade; (ii) some sectors are more ripe for taking a sector-wide approach to integration. WBG's prior engagement and consultations shows that energy, telecom/ICT, financial sector and technical skills are four areas where opportunities for deepening integration exists; and (iii) this priority builds upon WBG's ongoing support and the priorities of the RECs and private sector. Unless there are functioning regional markets, some of the regional infrastructure investments and commitments made by countries would be sub-optimally utilized. To illustrate, currently there are pending payment obligations by power purchasing countries to power selling countries, which if left unaddressed, could undermine the regional power pools.			
Objective 2.1: Support priority regional energy generation and transmission links.			
Outcomes	**Indicators**	**Intermediate Progress Indicators**	**Key Initiatives – Lending & Knowledge**
Regional energy generation increased. Increased energy supply. Progress with interconnection of national grids. Regional energy transmission network expanded.	Energy supplied through regional generation projects (GW). Private investments in energy generation, transmission and/or distribution (US$) Unit cost of electricity in the power pools. Households with new/improved electricity services.	Feasibility studies for regional projects completed. Generation capacity constructed under the project (MW). Transmission lines constructed or rehabilitated under the project (Km).	**Ongoing:** Nine active regional generation and transmission projects. Expected to generate nearly 1,000MW of power and construct over 7,000km of regional transmission. Current commitment of US$2.5 billion **Pipeline**: Six major remaining interconnections supported. Possible PPP projects for regional generation. Scaling up of regional solar initiatives.

Objective 2.2: Transform sub-regional power pools into strong entities actively enhancing power trade between countries.			
Outcomes	**Indicators**	**Intermediate Progress Indicators**	**Key Initiatives – Lending & Knowledge**
Regional power pools show stronger performance. Improved power trade between countries.	Energy trade between countries (GW). Financial performance of regional power pools. Cross country arrears to power-selling countries (US$). Variation in power supply from agreed power trade agreements	Establishment of adequate operating and regulatory framework including enforceable commercial arrangements for cross-border power trade. Operationalize spot markets.	**Ongoing:** TA to regional power pools. **Pipeline:** Possible regional operations to help strengthen confidence in power trade. **Knowledge:** Regional studies and convening around promoting power trade.
Objective 2.3: Address market fragmentation in financial sector and ICT/telecom sector by promoting harmonization of standards and policies and by expanding access and reducing costs to consumers.			
Outcomes	**Indicators**	**Intermediate Progress Indicators**	**Key Initiatives – Lending & Knowledge**
Availability of long-term financing through capital markets. Available financing in SME and housing finance. Harmonization of national standards to address scale diseconomies. Improved coverage/access to the digital and Internet services. Reduced cost and better quality of digital/Internet services.	Beneficiaries accessing formal financial services. Number of countries with common standards in priority areas. People provided with access to the Internet (number of subscriber per 100 people). Volume of digital cross-border payments and e-trade. Retail price of Internet services (per Mbit/s per Month, in US$)	Financial sector reforms laying the foundations for these markets or Legal, regulatory and institutional arrangements for functioning regional markets made. Sub-regional harmonization of telecom regulations and roaming policies, cross-border digital payment integration, establishment of regional data centers and clouds. Additional providers of digital and telecom services.	**Ongoing:** Six active ICT connectivity projects worth US$350 million. **Pipeline:** Develop regional frameworks for creating single digital markets. Provide regional lines of credit/long-term financing solutions in four areas - housing, agriculture, SME, infrastructure. **Knowledge:** Regional studies and convening around single digital markets and capital market development.

<table>
<tr><td colspan="4">Objective 2.4: Support regional skill development initiatives and facilitate country-led measures for promoting cross-border movement of skilled labor and integration in services sector.</td></tr>
<tr><th>Outcomes</th><th>Indicators</th><th>Intermediate Progress Indicators</th><th>Key Initiatives – Lending & Knowledge</th></tr>
<tr><td>Increase in trained graduates from regional technical and vocational institutions.

Improved cross-country mobility of skilled labor.</td><td>Supply of trained skilled labor from technical and vocational institutions (#).

Implementation of cross-border agreements on labor movements.</td><td>Progress in mutual recognition of degrees;
Progress in addressing other barriers to labor market movement.
Regional institutions for technical and vocational training supported.</td><td>Ongoing: Higher education STEM projects covering 40 universities worth US$350 million.

Pipeline: Scaling-up of higher education to cover 10 additional universities. Support for regional vocational skills in 4 countries. Address higher education financing through regional solutions.</td></tr>
<tr><td colspan="4">Strategic Priority 3: Scale-up Access to Quality Services and Entrepreneurship through Complementary Regional Solutions.</td></tr>
<tr><td colspan="4">This strategic priority helps the RI agenda tap into new opportunities available due to rapid developments in technology and innovation. It caters to two types of actions that could be supported at a regional level: activities like supporting R&D which is better done at a regional level given all countries could potentially benefit; or innovations which are currently happening at a local level but could be scaled-up to have a much larger geographical reach.</td></tr>
<tr><td colspan="4">Rationale
The rationale for this strategic priority rests on three arguments: (i) Africa still suffers from poor access to basic services in multiple sectors. Clearly, these are country-level challenges. However, it is possible to address some of these challenges through complementary regional actions which allows scale-up of new technology and innovative approaches to improved targeting across a larger geographic area and drive down costs of services; (ii) R&D activities for new agricultural technology or new drugs or to rapidly scale-up innovations are best provided at a regional level taking advantage of scale benefits; and (iii) unleash the spirit of enterprise which is very prevalent in Africa, but is constrained by limits of size of markets and financing. This would help promote the jobs agenda, including for women and other marginalized groups. This is a relatively new area of focus in the RI program and the private sector will be a big driver of this agenda. Care would be taken in ensuring that specific areas chosen for support have a clear rationale for engaging at the regional level and complement ongoing national efforts.</td></tr>
</table>

Objective 3.1: Support targeted R&D efforts and innovations in areas such as agricultural technology development and pharmaceutical sector for priority diseases in Africa.			
Outcomes	**Indicators**	**Intermediate Progress Indicators**	**Key Initiatives – Lending & Knowledge**
Increased uptake of improved agricultural technology. Commercialization of technologies Reduction in the incidence of Africa's neglected diseases. Development and regional harmonization of treatment protocols for selected diseases/conditions.	Farmers adopting improved agricultural technology. Producer incomes and/or sales associated with newly adopted technologies. Countries adopting and implementing agreed regional treatment protocols.	Identification of opportunities for new technology development. Farmers reached with agricultural assets and services. Identification, and assessment of neglected diseases/conditions appropriate for regional solutions Financial and human resources in R&D efforts for addressing key diseases/conditions.	**Ongoing:** Four agricultural research projects. **Pipeline**: Two sub-regional interventions for agricultural technology adoption. Priority neglected disease intervention, including possible regional stunting initiative. **Knowledge:** Regional studies and convening around harmonization of regulations for medicines.
Objective 3.2: Promote entrepreneurship and technology adoption for improving access to services, including in energy and water/irrigation.			
Outcomes	**Indicators**	**Intermediate Progress Indicators**	**Key Initiatives – Lending & Knowledge**
Cross-country spread of entrepreneurship. Support to innovation to address Africa's needs. Introduction of new regionally-supported technologies for national public service delivery.	Intra-regional venture capital flows (US$) New business registrations. Beneficiaries (households, farms, firms) provided with selected improved services	Provision of regional lines of credit for entrepreneurs. Provision of other support (training, R&D, etc.) to entrepreneurs. Introduction of new regionally-supported technologies for national public service delivery	**Ongoing:** N/A. **Pipeline**: Regional projects to promote uptake of new technologies in energy and irrigation. Piloting of regional innovation and entrepreneurship development fund.

Objective 3.3: Promote harmonized development of information systems/statistics and national ID systems to improve provision of basic services.			
Outcomes	**Indicators**	**Intermediate Progress Indicators**	**Key Initiatives – Lending & Knowledge**
Harmonized statistics with cross-country comparisons. Increase in coverage of national ID systems resulting in better targeting of basic services.	Quality and comparability of statistics – key parameters comparable across country systems (GDP, CA, etc.) Coverage of people with IDs (% change).	Regional coordination mechanisms for producing comparable statistics and inter-operable ID systems. Steps and elements needed to develop national ID systems – legislation, regulation, institutional base.	**Ongoing**: Harmonized statistics development in one sub-region. **Pipeline**: Universal ID coverage in 6-8 countries. Statistics development in one sub-region.
Objective 3.4: Support targeted regional capacity building efforts which result in improving national public sector delivery systems.			
Outcomes	**Indicators**	**Intermediate Progress Indicators**	**Key Initiatives – Lending & Knowledge**
Specialized regional institutions which serve as service providers for national entities.	Capacity of selected institutions in priority sectors – civil servants trained per country and thematic area.	Identification of institutions for targeted capacity building.	**Ongoing**: Support to AUC, RECs and other regional institutions. **Pipeline:** Support to public service training institutes and continuation of targeted support to RECs.
Strategic Priority 4: Promote Collective Action to Address Regional Economic Contagion, Fragility, Epidemic and Climate 'Hot Spots'.			

Rationale

The rationale for this strategic priority rests on three arguments: (i) some of Africa's development challenges and potential risks do not stop at national borders and require collective effort on the part of multiple countries (Sections II and III contain a deeper analysis of this); (ii) ensuring effective collective action requires clear understanding of the pros and cons of addressing these risks, addressing possible asymmetry of benefits for the parties involved and ensuring strong regional platforms which bring together key stakeholders; and (iii) over time, it would be important to make such collective action efforts more sustainable from a financing and institutional point of view and less reliant only on development financing. This strategic priority responds to sub-regional, regional or global risks which could impact the continent and compromise the development gains made so far.

Objective 4.1: Address cross-country risks from macroeconomic and financial sector crisis.			
Outcomes	**Indicators**	**Intermediate Progress Indicators**	**Key Initiatives – Lending & Knowledge**
Improvements in the macroeconomic conditions of monetary zones and other financially integrated sub-regions.	Macroeconomic stability – debt to GDP ratio, current account. Financial sector stability [indicator] - NPLs, capital adequacy, liquidity ratio	Dialogue with identified monetary unions stepped up, in partnership with IMF and others. Progress toward meeting convergence criteria for monetary unions.	**Ongoing**: NA **Pipeline:** Coordinated dialogue and support for macroeconomic management in one monetary union. **Knowledge:** Regional studies and convening on economic diversification and monitoring of financial sector and IFFs.
Objective 4.2: Support sustainable management and financing of transboundary water, coastal and marine resources.			
Outcomes	**Indicators**	**Intermediate Progress Indicators**	**Key Initiatives – Lending & Knowledge**
More collective management of marine fish resources. Broader efforts to address coastal erosion. Improved coordination systems for identified river basins	Number of countries implementing regionally-informed fisheries management plans. Numbers of countries implementing coastal erosion plans.	Further institutional development for sub-regional fisheries management. Regional platform(s) in place for tackling coastal erosion established Implementation of institutional development and planning systems in trans-country river basins	**Ongoing**: Seven active projects in coastal and transboundary waters worth US$1 billion. **Pipeline**: Addressing coastal erosion in West Africa. Next generation of environment and water resource management projects with focus on institutional sustainability.

Objective 4.3: Support communities affected by regional forced displacement and help countries to deal with underlying regional conflict prevention measures.			
Outcomes	**Indicators**	**Intermediate Progress Indicators**	**Key Initiatives – Lending & Knowledge**
Improved coordination of conflict prevention measures across the region. Better support to those affected by forced displacement (displaced and host communities).	Quality of dialogue on the security-humanitarian-development issues. Number of IDPs, refugees and/or host communities supported Number of direct conflict-affected people to whom benefits have been delivered (number).	Broader stakeholder (countries and other entities) engagement with regional platforms on fragility and forced displacement. Regional fragility assessments in 'hot spots' completed.	**Ongoing:** Three active forced displacement projects in two sub-regions worth US$300 million. **Pipeline**: Interventions in two priority regional fragility 'hot spots'. **Knowledge**: Partner with other stakeholders for convening around addressing underlying risks.
Objective 4.4: Support prevention and set-up innovative financing of potential regional epidemic outbreaks and cross-border natural disasters.			
Outcomes	**Indicators**	**Intermediate Progress Indicators**	**Key Initiatives – Lending & Knowledge**
Lower human and financial cost of epidemics and natural disasters Innovative risk-reduction financing (including insurance) available	Human and financial costs of regional epidemic or natural disaster incidents. Beneficiaries covered by innovative risk-reduction financial services (including insurance).	Effective regional epidemic and disaster response measures in place. Regional/national capacities built for implementing innovative risk-reduction financial services (including insurance)	**Ongoing:** Eight regional health and disease surveillance projects covering three sub-regions worth around US$1.5 billion. **Pipeline**: Pilot testing of innovative financing arrangements for regional epidemic or natural disasters.

Level 3: Portfolio Quality Indicators in the RI Program

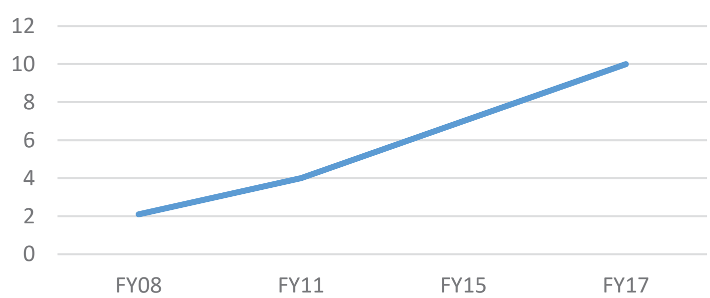
1. Full commitment of regional IDA resources in line with strategy.
2. Portfolio quality indicators are at least equal to Africa-region averages.
3. Average Bank project size increases to US$150 million by end of IDA18.
4. List of analytical products is optimized and feedback indicates good uptake.
5. IEG exits are at least similar to Africa-region averages.
6. Implementation of 4 Joint WBG Implementation Plans.

Annex II: World Bank's Africa RI Program: Portfolio Analysis

Trends and Distribution of Commitments[22]

1. The Bank commitments for regional integration in Africa has grown rapidly. During the period 1979–2002, the World Bank provided assistance to 10 regional projects in Africa totaling US$315 million. The establishment of the Regional IDA window under IDA14 provided incentive for scaling-up RI programs – it addressed the disincentive for countries to use their limited national IDA allocations for regional projects by providing leveraging of resources from the regional IDA pot for projects meeting the eligibility requirements. During FY04-08, regional projects worth US$1.9 billion were added to the portfolio. In FY08, the RI commitments in Africa were US$2.1 billion consisting of 30 projects. In FY11, financial commitments to RI in Africa increased to around US $4 billion. At the end of FY15, this rose to US$7 billion and at the end of FY17, the RI financial commitments are at US$10 billion. So, between FY08 and FY17, there has been a five-fold increase in financial commitments for the RI program in Africa (Figure 1).

Figure 1: Lending Commitments for RI FY08-FY17 ($bn)



2. The project size in the portfolio shows a wide range – the largest project in the portfolio is US$680 million while the smallest is US$2 million, with an average project size of US$111 million. Large projects with funding of more than US$250 million represent less than 10 percent of the number of projects but, in fact, account for 40 percent of the total commitments. About 60 percent of the projects in the portfolio are less than US$100 million (Table 1). Smaller projects can sometimes be very effective in laying out a broader enabling environment for integration—for example, the OHADA project has been supporting with harmonization of business laws, which can be an important trigger for attracting private investments.

Table 1: Distribution of Projects by Amount of IDA Commitment

Size of project	Credits and	Credits and grants	Av. Proj. size	No. of projs	No. of projs
	$m	%	$m	(No.)	(%)
Over US$250 million	3,312	39%	473	7	9%
Between US$200 million and US$250 million	1,742	21%	218	8	11%
Between US$100 million and US$200 million	1,524	18%	152	10	13%
Between US$50 million and US$100 million	1,201	14%	80	15	20%
Between US$25 million and US$50 million	398	5%	40	10	13%
Less than US$25 million	287	3%	11	26	34%

[22] Unless otherwise mentioned, this Annex is largely about the Bank's RI portfolio.

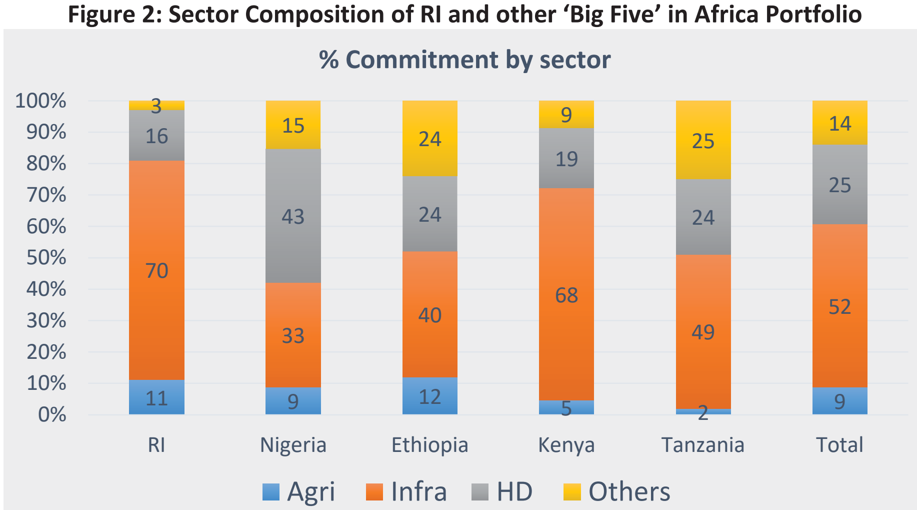
Sector Distribution

3. The RI portfolio currently covers most key sectors. Over 90 percent of the portfolio is concentrated in five sectors – transport & ICT; energy; agriculture; health and water (Table 2). In fact, over 60 percent of the commitments are in two sectors – energy and transport & ICT. The 'lumpiness' of commitments could also be seen by the average size of commitments in different sectors – with a ratio of 1:10 between sectors with the smallest and largest project size. Historically, the sector distribution in the RI portfolio has not changed significantly – in FY08, energy and transport/ICT made up two-third of the total commitments. Three sectors which have entered the RI portfolio during IDA17 in a relatively big way are health, education and forced displacement. Figure 2 provides a perspective on the sectoral distribution of the 'Big Five' in the Africa portfolio (the largest programs who between them account of nearly 60 percent of total Africa commitments). The sectoral distribution, and the infrastructure dominance, in the RI portfolio is broadly similar to some of the country portfolios, especially Kenya.

Table 2: Distribution of RI Portfolio by Sector/Global Practice

Global Practice	No. of projs.	% of projs.	Commitment amount US$, millions	% of total commitment	Average commitment US$, millions	% average commitment
Energy & Extractives	10	13%	2,720	31%	272	232%
Transport and ICT	18	24%	2,694	30%	150	128%
Heath & Nutrition	7	9%	967	11%	138	118%
Agriculture	11	14%	953	11%	87	74%
Water	10	13%	795	9%	80	68%
Environment &Nat.	13	17%	350	4%	27	23%
Education	2	3%	310	3%	165	141%
Governance	2	3%	115	1%	58	49%
Trade & Compet	2	3%	94	1%	47	40%
Finance & Markets	2	3%	66	1%	33	28%
SURR	3	3%	300	3%	100	
Poverty	1	2%	40	0.5%	40	

Figure 2: Sector Composition of RI and other 'Big Five' in Africa Portfolio



Country Distribution

4. This section examines the regional spread of the RI portfolio – by looking at distribution of the portfolio by sub-regions, number of countries involved in RI projects and by commitments in different countries. Figure 3 shows the sub-regional distribution in the portfolio. About 45 percent of the projects are in the west – perhaps a reflection of the large number of countries in the sub-region. Eastern Africa has about 30 percent of the projects in the portfolio, followed by Central Africa. With few borrowing clients (especially IDA countries) in the south, the sub-region's share is fairly small. There is a strong focus in the RI portfolio on FCS countries, with the share of FCS countries in the RI portfolio commitments at 30 percent – which is higher than the share of FCS commitments in the overall Africa region commitments which is at 12 percent (Figure 4).

5. The RI portfolio has a mix of projects with varying number of participating countries. Table 3 shows that 12 percent of projects have over 5 participating countries. Nearly 30 percent of the projects have three or four participating countries. About 30 percent of RI commitments go to a dozen landlocked countries (including the Democratic Republic of Congo) – Table 4.

Table 3: Distribution of projects by Number of participating countries

Number of countries in the project	% of projects
5 or more	12%
3 or 4	29%
1 or 2	39%
Regional	20%

Table 4: Commitments for Landlocked countries (including Congo, Dem. Rep.) (% of total commitments)

30 percent

6. RI commitments are at least 30 percent of total Bank commitments in 13 countries (Table 5). For about another 10 countries, RI commitments are more than 20 percent of Bank commitments in their countries. This shows that for one-half of countries in the region, RI commitments are at least 20 percent of total Bank commitments in those countries.

Table 5: What is the share of RI in Total Bank Commitments to Countries?

Share of RI commitments in total Bank commitments	List of IDA Countries
RI is at least 45 percent of Bank commitments	The Gambia, Sierra Leone, Mauritania, Guinea, Comoros.
RI is between 30 percent and 45 percent of Bank commitments	Cameroon, CAR, Congo, Dem. Rep., Burundi, Chad, Niger, Liberia Togo.
RI is between 15 percent and 30 percent of Bank commitments	Kenya, Rwanda, Tanzania, Senegal, Burkina Faso, Cote d'Ivoire, Mali, Benin, Zambia, Malawi, South Sudan.
RI is less than 15 percent of Bank commitments	Uganda, Ethiopia, Madagascar, Mozambique, Ghana, Nigeria, Cabo Verde, Guinea Bissau.

Figure 3: Distribution of RI Projects by Sub-Region (% of projects)

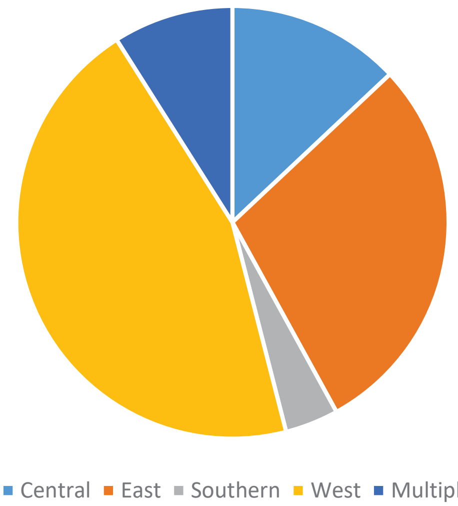
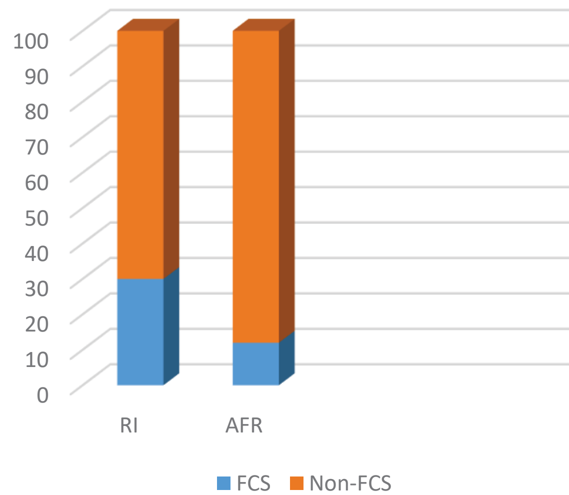


Figure 4: Share of FCS Commitments in RI and AFR Portfolios (%)



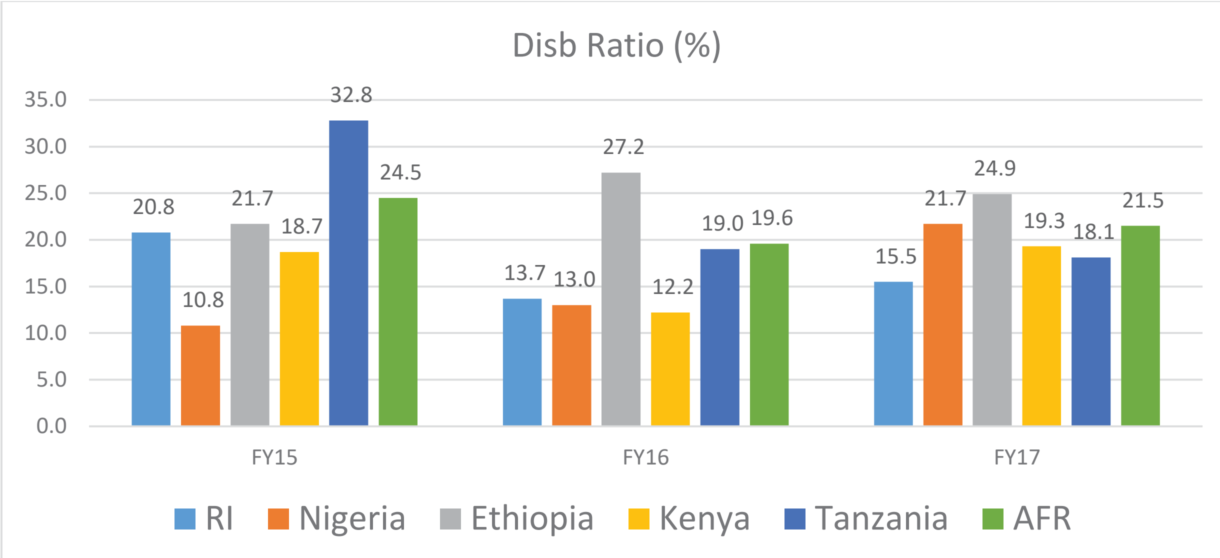
Portfolio Performance

7. Figure 5 compares the Disbursement Ratios of RI and the 'Big Five' portfolios in Africa – which together make up about 60 percent of the World Bank's total commitments in the Africa Region. Table 6 compares the portfolio performance of the RI portfolio among the 'Big Five' and the Africa average at the end of FY17 on six key indicators: Disbursement Ratio; percentage of High or Substantial risk projects; Problem Projects; Commitments at Risk; Candor Gap; and Proactivity Index. RI has the lowest Disbursement Ratio among the 'Big Five' and in comparison, to the Africa region average at the end of FY17 and even when comparing the average for FY16 and FY17. The RI's share of problem projects and commitments at risk is also higher than the Africa average and higher than most other country programs among the 'Big Five'. However, RI's performance on two indicators – candor gap and proactivity index is better than many of the comparators.

Table 6: Portfolio Quality Indicators for the 'Big Five' (at end-FY17)

Country	Disbursement Ratio (%)	High or Substantial Risk Project (%)	Problem projects (%)	Commitments at Risk (%)	Candor gap	Proactivity index
Africa	21.5	74.1	17.8	33.0	20	70.5
RI	15.5	69.9	26.9	39.0	6	87.5
Nigeria	21.7	96.2	18.5	27.0	0	50.0
Ethiopia	24.9	79.3	13.3	10.5	10	66.7
Kenya	19.3	87.5	32.0	38.3	0	40.0
Tanzania	18.1	79.2	25.0	27.6	30	71.4

Figure 5: RI and 'Big Five' Disbursement Ratio FY15-FY17



8. Table 7 compares the Disbursement Ratios for RI projects in specific countries with the respective Disbursement Ratios for their national projects. This information has been provided for both selected FCS and non-FCS countries (the sample comprises of countries where RI commitments are at least 20 percent of total Bank commitments in those countries). This analysis is particularly useful since it compares the disbursement performance of country and regional programs within the same countries. There are some caveats to this analysis – the comparisons do not take into account differences in the size of commitments between country and regional programs in each country (it may be possible that there are very few regional projects in a country while there may be several national projects) and nor does it take account of any differences in the age of projects in the national and regional portfolios (it may be possible that country projects have been under implementation for longer than regional projects or vice versa, which impact upon their disbursement profiles). The table shows that in most cases (for both FCS and non-FCS), the Disbursement Ratios for RI projects is lower than that for national projects operating in the same countries. This points to the need for closer attention to the implementation performance of regional programs and mainstreaming them within country program dialogue – steps that could help 'close the gap' between the performance of regional and national projects at the country-level.

9. Steps are underway to simplify design of RI projects to ensure more effective implementation. One cause for project complexity has been the poor articulation of the regional rationale for projects. Box 1 provides a more nuanced articulation of the rationale for regional projects. New projects are expected to use this framework so sharpen the rationale for regional projects – it may be possible that some projects may meet multiple criteria. Another factor contributing to project complexity could be the different asks of participating countries. While responding to client demand is an important way of getting multiple clients on board with regional initiatives, but project preparation and review processes are expected to help multiple clients to come to a shared understanding of the project purpose and key components for support.

Table 7: Disbursement Ratios for Country and RI Projects in Selected Countries

Program	Disbursement Ratio for Country Program (FY15-FY16 average)	Disbursement Ratio for RI Projects in these Countries (FY15-FY16 average)
Non-FCS		
Cameroon	23.0	11.4
Kenya	15.5	5.5
Mauritania	33.5	7.2
Senegal	24.2	15.8
Benin	33.6	60.0
Cote d’Ivoire	37.5	16.0
Guinea	25.8	14.6
Zambia	13.3	11.1
Niger	22.5	6.3
FCS		
CAR	65.3	5.8
Congo, Dem. Rep.	21.6	14.6
Burundi	11.9	11.4
South Sudan	32.0	3.0
Gambia	31.3	10.8
Liberia	25.2	55.0
Chad	22.8	9.0
Togo	33.9	18.0
Mali	21.7	15.7

Box 1: What is the Rationale for Regional Projects?

Bank regional projects are expected to respond to one of more of the following rationale:

Physical connectivity: The project promotes physical or virtual connectivity between the countries or with the rest of the world.

Manage movement of people, goods, money across borders: The project helps in better management of movement of people, transhumance, goods and money across borders.

Country specialization and collaboration: The project helps promote specialization among countries and collaboration between them, so that between them they have helped shift the collective production function.

Transboundary shared resource management: When there are transboundary shared resources (typically hydropower in shared waters, river basin, productive landscapes, forests etc.) it is important for countries to have a well-coordinated process for managing the resources.

Regional solutions to constraints facing multiple countries: When several countries face a similar challenge, it may be possible to find a regional solution which benefits all countries.

Regional platform and harmonization: Often, there is a need for collective action by countries to realize an integration benefit. The project can help create a regional platform to facilitate countries to come together, negotiate and harmonize approaches and share lessons.

Cross-border fragility and resilience: One of the threats to securing development gains is to ensure peace, reduce the threat of cross-border conflicts and address external shocks that affect multiple countries. The rationale here is that the benefit accrues to all countries and no country by itself can unilaterally deal with the problem.

Attract private capital: One of the challenges that Africa faces in attracting private investments is its fragmentation and small size markets. Sometimes, operating regionally could address this constraint and make it more attractive for the private sector to come in.

Regional institution strengthening: Regional institutions have a critical role to play in integration. Targeted support for such institutions could help serve this regional benefit.

Agglomeration benefits: One of the challenges facing Africa is its small size and the consequent diseconomies of scale. Harmonizing norms and standards could expand markets and help bring about benefits of agglomeration – increased competition among providers, lower costs and enhance quality.

Results Achieved in Two Key Sectors

10. Tables 8 and 9 provide a detailed review of the results achieved/likely to be achieved from RI projects in energy and transport sectors.

Table 8: Results from RI Transport Projects

1. Improvement of the quality of trunk corridors		
% of trunk corridor in good or fair condition	As a share of the Tema (GH) – Ouagadougou (BF) section: from 50% (2008) to 75% (2015) As a share of the Heremako – Bamako (MA) section: from 40% (2008) to 85% (2015)	P079749
	As a share of Douala (CM) – Bangui (CAR) corridor: from 53% (2007) to 69% (2016); to increase to 77% (2019) As a share of Douala (CM) -N'Djamena (CH) corridor: from 40% (2007) to 71% (2016); to increase to 90% (2019)	P079736
	As a share of the Dar Corridor length in Tanzania: to increase from 77% (2012) to 92% (2018)	P120370
	As a share of Abidjan-Lagos corridor: to increase from 71% (2010) to 77% (2018); as a share of the corridor length in Cote d'Ivoire: to increase from 71% (2012) to 74% (2018)	P096407 P116323
	As a share of the Juba (SU) - Mombasa (KE) corridor: to increase from 45% (2015) to 64% (2021)	P148853
2. Reduction in transport times and time uncertainty		
Travel time by road (days, hours)	Mombasa (KE) to Malaba and Busia (border with Uganda): from 24 hours (2004) to 21 hours (2015) by truck	P082615
	Mombasa (KE) to Kigali (RW): from 19 days (2005) to 5 days (2015)	P079734
	From ship readiness to unload at Mombasa Port (KE) along the Northern Corridor: from 9 days (2011) to 5 days (2015)	P079734
	From ship readiness to unload at Port of Tema (GH) to Ouagadougou (BF): from 7 days (2008) to 5.6 days (2015) From ship readiness to unload at Port of Tema (GH) to Bamako (MA): from 15 days (2008) to 5.6 days (2015)	P079749
	From ship readiness to unload at Douala (CM) to N'Djamena (CH): from 15 days (2007) to 7 days (2016) From ship readiness to unload at Douala (CM) to Bangui (CAR): from 10 days (2007) to 5 days (2016)	P079736
	Abidjan (CI) - Ouagadougou (BF): to decrease from 140 hours (Oct 2015) to 100 hours (Oct 2017)	P129282
	Nadapal/Nakodok (KE/SU border) - Lokichar (KE): to decrease from 2 days (2015) to 1 day (2021)	P148853
	Juba (SU) - Mombasa (KE): to decrease from 8 days (2014) to 7 days (2019)	P131426
	Songwe/Kasumulu border (MW/TZ) to Lilongwe (MW) on the North-South corridor: to decrease from 6 hours (2015) to 5 hours (2021)	P145566
	From ship readiness to unload at Port of Dar es Salaam (TZ) along the Dar Corridor: to decrease from 7 days (2012) to 5 days (2018)	P120370
	Through Northern Corridor: from 14 days (2005) to 2 days (2015)	P079734

Variance in transit time (days)	Tema Port (GH)–Ouagadougou (BF): from 3 days (2008) to 2.4 days (2015) Tema Port (GH) – Bamako (MA): from 6 days (2008) to 3 days (2015)	P079749
	Douala Port (CM) – N'Djamena (CH): from 8.6 days (2007) to 5 days (2016) Douala Port (CM) – Bangui (CAR): from 6.4 days (2007) to 4 days (2016)	P079736
Port dwell time (days)	Port of Dar es Salaam (TZ): from 18 days (2005) to 8 days (2014) Port of Mombasa (KE): from 13 days (2005) to 3 days (2015)	P079734
	Port of Cotonou (BE): from 19 days (2009) to 14 days (2017) Port of Lomé (TO): from 18 days (2009) to 9 days (2017) Port of Abidjan (CI): from 14 days (2012) to 11 days (2017)	P096407 P116323
3. INCREASE IN CROSS-BORDER TRADE		
Freight volume	Freight volume between Kenya and South Sudan to increase by 20% between 2015 and 2021	P148853
	Freight volume on Dar Corridor (TZ) to increase from 35,000 TEU (2012) to 70,000 TEU (2018)	P120370
4. IMPROVEMENT IN COUNTRY LOGISTICS PERFORMANCE INDEX (LPI) RANKING		
The average ranking for all African countries ranked in both 2010 and 2016 improved from 116 (2010)[i] to 108 (2016). Performance in countries where the World Bank has implemented RI projects improved particularly significantly: - **East Africa:** Tanzania from 95 to 61, Kenya from 99 to 42, Rwanda from 151 to 62, Uganda from 66 to 58; - **West Africa**: Mali from 139 to 109, Burkina Faso from 145 to 81, Cote d'Ivoire from 109 to 95, Ghana from 117 to 88		
5. REGIONAL HARMONIZATION OF TRANSPORT REGULATIONS		
The EAC Customs Union was established in 2011 and EAC Customs Management Law was implemented in the EAC region.		P079734
The Burkinabe and the Ivorian Customs administrations signed an agreement to interconnect their respective Customs information systems, and the two countries' Chambers of Commerce signed an agreement to allow single payment of the inter-state road transit (ISRT) guarantee, which should lead to a cost reduction of 0.25% of the CIF value of goods in transit at the border between the two countries.		P129282
Southern One Stop Border Post are expected to be established on the Songwe-Kasumulu (Tanzania/Malawi) border by 2018.		P120370

KE – Kenya, TZ – Tanzania, UG – Uganda, RW – Rwanda, MW – Malawi, MA – Mali, CI – Cote d'Ivoire, BE – Benin, TO – Togo, CM – Cameroon, CH – Chad, CAR – Central African Republic, GH – Ghana, BF – Burkina Faso, SU – South Sudan

In 2010, LPI ranked a total of 155 countries; in 2016 it ranked 160

Table 9: Results from RI Energy Projects

1. Increase in availability of cross border transmission networks		
Transmission lines constructed/ rehabilitated	**OMVS**: Transmission lines constructed/rehabilitated: 288km (December 2020 target)	P147921
	Rusumo Falls Project: 378 km transmission lines built (119 in Rwanda, 161 in Burundi and 98 in Tanzania) [with AfDB parallel financing] (August 2019 target)	P075941
	Kafue-Musume-Victoria Falls Project: Transmission lines constructed under the Project: 277 km (August 2017) to 348km (June 2018 target)	P124351
	Kafue-Musume-Victoria Falls Project: Transmission line capacity between Kaftu Town and Livingstone substations from 220,000 V (baseline) to 330,000 V (June 2018 target)	P124351
	WAPP CLSG: Transmission lines constructed or rehabilitated under the project: 1,349kms (December 2020 target)	P113266
	Eastern electricity highway Project: Transmission lines constructed: 1,000km between Ethiopia and Kenya (June 2019 target)	P126579
	WAPP First Phase of the Inter-Zonal Transmission Hub Project: Annual total hours of operations of the line: 7,884 (December 2018 target)	P094919
	OMVG: Transmission lines constructed: 1,677 Km (June 2022 target)	P146830
Quality of service	**OMVS**; Construction of a SCADA system; Decrease in average annual duration of power outages in the RMA: from 72 to 60 hours/year (December 2020 target)	P147921
	Kafue-Musume-Victoria Falls Project: average frequency of interruption per year in the project area: from 5 to 4 (achieved in December 2016) to 3 (June 2018 target); average unplanned transmission line interruption duration: from 33.54 to 1.54 hours (achieved in December 2016) vs 12 hours (June 2018 target)	P124351
	WAPP First Phase of the Inter-Zonal Transmission Hub Project: Annual duration of outages in Burkina Faso from 130 (2010) to 200 (September 2017) to 8 (December 2018 target)	P094919
2. Increase in generation capacity		
Capacity/energy available for regional trade	**OMVS**: Additional yearly electricity traded between Mali and Mauritania: 147GWh; Additional yearly electricity traded between Mali and Senegal: 147GWh (December 2020 targets)	P147921
	OMVG: Electricity Trade (Export/Import) Capacity of Guinea: 340,000 KVA; Guinea Bissau: 170,000 KVA; the Gambia: 180,000 KVA (all June 2022 targets).	P146830
	Kafue-Musume-Victoria Falls Project: Power transmission capacity between Kafue Town and Livingstone from 230,000 KVA to 700,000 (June 2018 target)	P124351
	WAPP CLSG: Annual electricity supply from CLSG imports at utility level: 300GWh (December 2020 target)	P113266

	WAPP First Phase of the Inter-Zonal Transmission Hub Project: Annual quantity of energy exported from Ghana to Burkina Faso 158 GWh (June 2018 target)	P094919
Capacity/energy available for regional trade – renewable energy	**Rusumo Falls Project**: 80MW of hydro generation capacity installed; 448 GWh/year energy generated (August 2019 targets)	P075941
	Eastern electricity highway Project: Electricity exported to Kenya: 2,970GWh (June 2019 target- hydro)	P126579
3. COST EFFICIENCY		
Cost savings	**Eastern electricity highway Project Electricity** yearly cost saving: USD 39 million for Kenya (June 2019 target)	P126579
Weighted annual costs	**WAPP First Phase of the Inter-Zonal Transmission Hub Project**: Average weighted annual cost of electricity supply in Burkina Faso from 0.26 (2010) to 0.28 (September 2017) to 0.25 (December 2018 target)	P094919
4. IMPROVEMENT IN REGULATORY/CONTRACTUAL FRAMEWORKS		
CLSG WAPP[23]: (i) international Treaty between the four countries, with an annex on Tax exemptions, (ii) PPAs and TSA signed.		P113266
OMVG: Creation of an Asset Management Agency (AMA) to contract a qualified company for the operations and maintenance (O&M) of the transmission infrastructure; project management firm is providing support to OMVG's project management unit; preparation and signature of contracts for the extension of WAPP transmission network.		P146830
5. STRENGTHENING ENABLING ENVIRONMENT		
EASTERN ELECTRICITY HIGHWAY PROJECT: Technical assistance and capacity building activities are part of the project to support EEP and KETRACO to improve transmission system operation, promote financial sustainability, and enhance staff and institutional capacity in transmission planning, design, operation, financial management etc.		P126579
OMVS: TA TO assist (SOGEM, asset holding company of OMVS) in implementing the project, and consultancy services to strengthen SOGEM's capabilities to implement the Environmental and Social Management Plan (ESMP), Environmental and Social Impact Assessment (ESIA), Resettlement Policy Framework (RPF), and Resettlement Action Plans (RAPs) as well as operating costs.		
SAPP-Program for Accelerating Transformational Energy Projects (AREP): Currently, the SAPP AREP portfolio comprises 4 projects where preparation activities have commenced and further requests are expected: (i) Luapula HPP, development of feasibility and ESIA studies – jointly funded by the World Bank and DBSA; (ii) Zambia-Congo, Dem. Rep., development of feasibility and ESIA studies – funded by AfDB NEPAD IPPF; (iii) Zambia-Mozambique, development of feasibility and ESIA studies – funded by AfDB NEPAD IPPF; and (iv) SAPP-EAPP Interconnection (on the case of Tanzania-Zambia Interconnector). Furthermore, SAPP PAU continues to provide support on an as-needed basis to address long-standing structuring issues for projects funded by the Development Bank of Southern Africa: (i) ZIZABONA, restructuring and ESIA; (ii) MOZISA, restructuring and renegotiating contractual arrangements; (iii) Angola-Namibia, concept review; and (iv) Botswana-South Africa.		P126661
AREP-Multi-Donor Trust Fund (MDTF): Support to preparation of projects (SAPP), as well as TA for strengthening of regulatory/technical/planning frameworks of both SAPP and EAPP.		P126661
Facilitating Regional Power Trade: includes TA to sector stakeholders (WAPP, SAPP) on regional cross-border payment securitization; engagement strategies for each pool.		P164011

[23] The CLSG will also contribute to the access agenda, because it will allow not only to connect more people from the new or expanded substations, but also because it includes the use of low cost shield wire technology. Electrification projects are associated with the CLSG Line in all the four participating countries, but they are handled separately. (hence not included in the results framework).

Key Issues from RI Portfolio Reviews

11. The portfolio analysis and in-depth reviews have identified a number of areas which need attention to strengthen the overall performance and impact of the RI portfolio. Some of the key issues are listed below. Box 2 provides a perspective of a Bank Task Team Leader managing an RI project.

(a) Capacity and capability of regional coordinating agency: One of the more important features contributing to the overall success of RI projects is the quality and capacity of the regional agency being used to manage the regional aspects of the project. There is a difference here between the energy and other sectors, as the former has more competent regional institutions compared to the non-energy sectors. Energy sector companies are able to manage both the regional and national components of the projects and so internalize the project implementation issues. Perhaps the river basin authorities are among the weakest regional institutions. This weakness is exacerbated by the large number of sectors over which they need to exercise responsibility, including agriculture, agro-forestry, water supply and drainage, energy, health and transport.

(b) Budgetary, human and time resources: Although there are some economies of scale when the project includes multiple countries, portfolio reviews have brought out the need for additional provision of bank administrative budgets. At the same time, proliferation and fragmentation of projects in the RI portfolio results in rationing the limited budget across a larger number of projects.

(c) Participation of other aid agencies/institutions: Participation of multiple donor agencies in an RI project is sometimes necessary, also for reasons of meeting the financing gap in projects. Sometimes, the requirement to coordinate between the procurement and other processes of various agencies could add to the complexity of implementation. These are best addressed through upfront discussions and regular troubleshooting jointly by all parties when problems arise.

(d) Lack of sufficient guidance on design and implementation of RI projects: New task tasks would benefit from additional support in managing the complexities of preparing regional projects. . In this regard, additional resources and guidance for task teams would be useful. Having effective learning platforms for RI task teams could be a good way of ensuring cross-learning and avoiding reinventing the wheel multiple times.

(e) Some participating countries more ready to participate than others: In some cases, this issue has resulted in the project having fewer than anticipated number of countries, at least at the start of the project. There have been a few instances of other countries joining the project later on (for example, Burkina Faso joined the Sahel Women's Empowerment and Demographic Dividend project once the political situation in the country was resolved). On the other hand, when a country that was less prepared was actually included in the project from the outset, it was able to take advantage of the challenge presented by working alongside colleagues from better prepared countries. The latter group could often be very willing to support the less prepared countries, if for no other reason, than for the improved prospects for a satisfactory outcome of the project.

(f) Financing arrangements for RI projects are complex. The regional nature of the projects requires additional financial conditions to be met to ensure that regional IDA funding is available for strictly regional activities. The relatively straightforward use of grant funds to support the regional agency is used where possible. The larger number of financing agreements that need to be prepared for RI projects adds substantially to the projects' complexity.

Box 2: What is it Like to be Task Team Leader of a RI Project?
Contributed by Christian Berger, Task Team Leader for Regional Sahel Pastoralism Project

On the difference between being a Task Team Leader (TTL) for a country project and a regional project. A regional project is in some ways a collection of national projects plus regional coordination – all of which is meant to serve a shared regional and country objective. Seizing the regional dimension makes the difference and is the beauty of it! During preparation, this means bringing all countries together around a shared goal and ironing out any differences – which can be quite hard work. At implementation stage, it means keeping an eye on the regional and national benefits. It is this combination that makes regional projects unique!

On the workload of a TTL of an RI project. Day to day TTL work may not be very different from being the TTL of a national project: reviewing documents, providing "no objection" to plans and activities, securing procurement, organizing and reporting implementation support…among others. In the case of the Sahel Regional Pastoralism Support Project (PRAPS), we are talking about keeping activities and disbursements in the range of US$1 million per week. This might translate into spending a couple of hours a day on average for managing each individual country project under PRAPS. Multiply this by the number of country projects bundled together and add the regional coordination which need management … and one will understand why RI projects need more than a single TTL to be successful. A good practice has been to devote one co-TTL to each country project, all collaborating with the "regional TTL".

On what is really the hard part and what is the easy part of managing an RI project. Successful projects are hard work in general, and successful RI projects are no different. Indeed, maybe a bit harder work. In some part, some of the WBG systems are still not designed to accommodate large RI projects, but we are making progress. During preparation stage, regional projects may prove harder, mainly due to the number of national and regional stakeholders we have to deal with. These are sovereign states and there can be asymmetrical benefits between countries. Getting them onto a regional platform is the first step and then getting them to agree on a common regional program is the next step. Then we have practical problems to worry about – elections in one country, civil unrest in another, change of country personnel…but we try not to move the agenda at the pace of the slowest mover. However, contrary to what most people think, business could get easier at implementation stage! Our experience with PRAPS shows that country teams network together, sharing methodologies, and experts, and draft manuals, and bidding documents …. On the other hand, implementation support in the field might come harder as far as logistics are concerned, since there are a lot of individual country projects to review in the same period of time, and also due to insufficient BB allocation.

On what gives you most satisfaction to be a TTL for an RI project? I consider that being TTL of a RI project at the World Bank is a real treat as it is both challenging and rewarding. Task teams help with building efficient professional networks between countries, linking people who hardly knew each other, and contributing effectively to regional economic and political integration. Bringing these often disparate groups together is the cherry on the cake for an RI TTL.

(a) <u>The preparation time for RI projects is invariably longer than for a single county project</u>. The need for additional preparation time and the need for having good project feasibility studies, especially for infrastructure projects, has been recognized. Over time, the use of effectiveness conditions for regional projects has been reduced, but the slow start of implementation for some recent projects points to the need for better readiness for implementation.

(b) Complexity of coordination of regional components: Most RI projects have to ensure that there is compatibility in progress on project components that involve coordinated actions and investments by more than one country. Ensuring that this coordination takes place is usually the role of a regional agency. Weak capacity/mandate of these agencies could limit the effectiveness of such coordination efforts.

(c) Excessive supervision load: With a minimum of two and up to six or more participating countries, and sometimes with components in several different sectors to be supervised, together with supervision of the activities of the regional coordination agency, the supervision load for RI projects can be excessive. Scheduling and planning of supervision missions of single country projects can be difficult enough, but when demands of two or more countries plus a regional coordination agency have to be accommodated the task is several times complicated. Each mission can take several weeks and include travel to a large number of places.

(d) Projects that impact on more than one sector are more difficult to implement: This is not specifically an RI issue, but is one that is exacerbated in RI projects since activities in multiple sectors are replicated in each country.

(e) Projects with many small contracts have extra supervision burden: This issue is highly correlated with that of multiple sectors and countries in an RI project. Projects which include many small contracts are time consuming to supervise.

(f) Simplification agenda: Some internal Bank requirements need to be addressed: things like Project Preparation Advance (PPA) are required to be processed separately for each country and institution involved in the project; need for multiplicity of safeguard documents; the Operations Portal does not provide disaggregated data on country-level performance of regional projects, and country-level operations data does not reflect regional projects operating in each country; ISR formats do not provide disaggregated country-level progress reporting.

(g) Mainstreaming of RI in country programs: There is continuing work in mainstreaming RI programs into country operations. For instance, Country Portfolio Reviews need to always include discussions on RI projects operating in the countries.

(h) Poor M&E frameworks: A review of the Results Frameworks of selected RI projects indicated that it is not easy to see the consistency in results indicators across Series of Projects or the previous arrangement of Adaptable Program Loans. There was also inconsistent use of indicators to capture regional benefits of projects addressing similar challenges, making aggregation of results at the program level more difficult.

Conclusions

12. **Seven main lessons from the existing RI program have been identified through consultations, portfolio reviews, 'deep-dives' and from review of project Implementation Completion Reviews and Implementation Support Reviews**. The last major IEG evaluation of the RI program was carried out in 2007 (IEG 2007). IEG is currently planning an evaluation of WBG RI program across regions for delivery in FY19. The Independent Evaluation Department of the AfDB has recently carried out an evaluation of

AfDB's regional programs in East Africa[24]. Some findings from these independent evaluations are relevant but others not so much. The seven main issues and lessons from the WBG's RI work in Africa are captured below – they focus on areas where further attention would be required going forward.

i. **Operating at scale, but need to strengthen the WBG strategic approach to drive the operational work**. Clearly, the Africa RI program has grown rapidly and constitutes a sizeable share of the Region's lending. The program has rightly taken advantage of opportunities in critical areas for potential lending activities, which has served the purpose during the initial growth phase in the program. In preparing for the next phase of WBG's RI program, it is pertinent to consider if a more strategic approach can be adopted to guide the overall direction of the program? There are limited sub-regional or sector-level assessments which provide an overall picture of regional challenges and opportunities which could help clients and the WBG to prepare a list of binding constraints and identify regional financing programs. Some plans have been prepared by RECs and others, but not all of these plans are robust and meet the requirements for concessional and non-concessional financing. Recent SCDs completed by the WBG in Africa have paid variable attention to the identification of regional binding constraints and opportunities. While each individual operation in the RI portfolio has a clear regional rationale, it is important to show how the WBG's collective effort is helping move the needle on the integration agenda. This requires a clear line of sight between strategic priorities, financial viability criteria, WBG lending/convening/analytical work, and the delivery of results in the RI program.

ii. **Country commitment is key but to get true regional benefits it is necessary to get the commitment of multiple countries which requires high-level 'sector/development diplomacy'**. Previous sections show that a greater challenge with integration is for countries to effectively implement important regional commitments. This indicates the importance of greater country-level traction to continue to be a key factor in shaping the World Bank's RI program. The Africa Region's decision to change the leverage ratio for accessing regional IDA has also helped strengthen country demand (during IDA17, the Africa Region moved from a 1:2 leverage ratio across the board between national and regional IDA contributions for regional projects to a two-tier arrangement with LICs with smaller IDA allocations retaining the 1:2 leverage, while others were moved to 1:1 ratio). The availability of other windows under IDA18 which allow countries to add to their PBA allocations provide an opportunity to meet the demand for financing regional interventions. However, moving the needle on the integration challenges requires multiple countries to show commitment by enhancing their focus on implementation of projects. This requires active engagement on political economy issues and engaging with "sector/development diplomacy". The WBG's convening function would now need to take on a more explicit and calibrated approach to supporting deepening of integration. In many countries, regional integration and cooperation issues fall under the purview of Ministries of Foreign Affairs and Integration. Bringing the various parties together requires analytics to better understand the potential costs and benefits of integration efforts and how to 'compensate' potential losers. This would become more important as the RI program takes on 'soft' reforms (next point). The weak capacity of RECs has been a constraint here, and the World Bank needs to work with other partners to clarify a coordinated approach to engaging with the RECs and supporting capacity building efforts.

iii. **Need to balance infrastructure financing with deeper policy and 'soft' reforms and require instruments which are fit for purpose**. Regional infrastructure gaps continue to be a binding constraint for deepening integration in Africa, but these must now be accompanied by policy, regulatory and institutional reforms. Several regional infrastructure projects prepared by RECs ostensibly for PPP financing do not meet the requirements for private financing and hence do not attract private capital.

[24] AfDB: Independent Evaluation of Bank's Eastern Africa Regional Integration Strategy Paper (2017).

Along with points (i) and (ii) above, tackling the 'soft' agenda would require the use of all appropriate and eligible instruments in the WBG toolkit. The Bank's RI program currently rests primarily on IPF instrument, when supported by the IDA regional window. Going forward, the program needs to focus on an important leverage – how much private financing is being leveraged by the WBG for regional projects. This would be important to deliver on the WBG's commitments on Maximizing Financing for Development (MFD).

iv. **Project design and portfolio quality needs a step change**. Portfolio reviews in the RI program have underscored the challenges with complex project design, inadequate project preparation leading to poor readiness for implementation, weak capacity in national and regional institutions, procurement and disbursement delays. The lead time required in preparing regional projects needs to be addressed systemically – the Project Development Facility created with SAPP provides a good example of financing the preparation of feasibility studies for large regional infrastructure projects. The average project size in the World Bank's RI program is currently around US$110 million – while, there should be no bias against smaller innovative projects, but the need for having fewer and larger transformative projects in the RI program has been well-recognized. The fragmentation of lending and analytical portfolio comes with opportunity costs, in terms of Bank staff and budget resources. Increasing the project size would allow Bank administrative budgets to be utilized in a more efficient manner. Project implementation performance needs continued attention and the need for mainstreaming portfolio management of RI within country programs has been recognized, and needs to be reinforced.

v. **Results and impact need to be clear and evident**. There is recognition of the need for a strong overall M&E framework which links the overall strategy with operations, and clearly communicates the 'theory of change' in the RI program. There has been some tension between retaining a single project with all participating countries and the need to be pragmatic about countries being ready at different times and to manage the load of large number of participating countries in a project. This can result in some diffusion in articulating the regional benefits. The use of Series of Project approach, with attendant pros and cons[25], has been highlighted in the reviews. The lack of accompanying analytics on likely impact of regional projects on poverty and shared prosperity needs to be addressed. There has been a recent improvement in the communication and outreach efforts in the RI program, and this needs to continue.

vi. **Internal issues which need to be addressed**. RI program continues to receive significant share of the World Bank's administrative budget resources. However, portfolio reviews have highlighted a need for more allocation of budget for preparation and supervision of regional projects. The FY18 budget allocations for RI have been increased. Having a more consolidated portfolio would go a long way in ensuring adequate funding within existing budget resources. While RECs have sought direct lending to them, but the RI program has been operating within existing IDA policies and has used regional grant mechanism as the principal means of supporting the RECs (although in recent cases, waivers have been sought to provide selected regional institutions with support under other IDA instruments, including SUF). The need for using a range of appropriate and eligible WBG instruments to deliver on the next set of integration challenges has been highlighted in the reviews. There are some policy issues that can be improved in delivering on the new agenda for the RI program, in terms of feasibility to use regional IDA for DPOs and the type of lending to be given to regional organizations. Progress is also being made in ensuring that relevant internal Bank information systems (for example, Operations Portal) are responding to the specific needs for information on the RI program. Bank task teams are also actively looking at the 'simplification agenda' in the RI program, including using 'Agile Bank' principles, but more work is

[25] The recent announcement by the World Bank to undertake the MPA to lending opens up new possibilities to address some specific needs of the RI program.

required. In terms of staff skills, there are three cross-cutting areas where the RI program is currently not well resourced – poverty, M&E and political economy specialists – and these skills would need to be available to deliver on the emerging RI priorities.

vii. **The program would benefit from greater collaboration within the WBG**. An important step in this direction is that while the earlier RI strategy was a World Bank strategy this one is a WBG strategy. To implement the MFD approach, WBG would need to jointly assess bottlenecks in four priority sectors (energy, ICT, agriculture and finance and competition) and develop Joint Implementation Plans to facilitate the mobilization of the private sector in the RI space. This would allow the full use of appropriate WBG instruments to deepen the levels of integration. Figure 6 shows the possibilities of WBG working together in RI by creating, connecting and helping grow regional markets, building on the recent work in deepening financial integration in WAEMU (see also Box 4).

Annex III: AFR RI Portfolio Trends (IBRD/IDA)

Data as of	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18 @ Nov 30
PORTFOLIO AND DISBURSEMENTS								
Active Projects #	40	43	44	50	59	61	61	**62**
Net Commitments Amt $m	4,495.00	5,101.36	6,351.48	7,460.01	9,352.26	9,589.92	8,884.13	**9,163.51**
Total Disbursements $m	918.49	1,401.82	1,928.43	2,687.43	3,348.10	3,744.01	3,083.03	**3,356.01**
Total Undisbursed Balance $m	3,726.02	3,669.39	4,356.82	4,800.49	5,604.52	5,433.44	5,324.50	**5,461.44**
Disbursements in FY $m	403.08	572.10	659.77	840.16	988.33	818.70	727.86	**277.88**
Disbursement Ratio for IPF only %	13.0	16.1	18.5	18.9	22.7	15.1	13.7	**5.1**
Slow Disbursements %	15.0	14.0	6.8	10.0	10.2	9.8	13.1	**14.5**
PORTFOLIO RISKINESS								
Actual Problem Project #	7	5	7	11	11	7	14	**13**
Problem Project %	17.5	11.6	15.9	22.0	18.6	11.5	23.0	**21.0**
Potential Problem Project #	4	3	1	1	2	4	5	**2**
Projects At Risk #	11	8	8	12	13	11	19	**15**
Projects At Risk %	27.5	18.6	18.2	24.0	22.0	18.0	31.1	**24.2**
Commitments At Risk $m	1,221.12	537.90	1,592.30	3,478.84	3,568.54	2,842.28	3,414.79	**3,463.19**
Commitments at Risk %	27.2	10.5	25.1	46.6	38.2	29.6	38.4	**37.8**
Proactivity %	62.5	71.4	80.0	57.1	54.5	72.7	85.7	**75**
IEG RATINGS (FY11 - FY17)								
# of Exits	3	2	4	2	4	5	9	
No. of Projects Evaluated by IEG	3	2	3	2	4	5	2	
IEG MS+ Outcome Sat %	66.7	100.0	66.7	100.0	50.0	60.0	100.0	
ICR Quality Sat %	100.0	100.0	75.0	100.0	25.0	0.0	0.0	
Net Disconnect %	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Bank Perf. MS+ @ Entry (%)	100.0	50.0	25.0	50.0	50.0	40.0	50.0	
Bank Perf. MS+ @ SPN (%)	33.3	50.0	75.0	100.0	100.0	60.0	50.0	
M&E Quality %	0.0	50.0	33.3	50.0	75.0	20.0	50.0	
Borrower Overall Performance % Sa	66.7	100.0	25.0	100.0	50.0	60.0	100.0	

AFR Regional Integration Active IBRD/IDA Projects (Dec 4, 2017)

GP	Project ID	Project Name	Age (Yrs)	Board Approval Date	Closing Date	Net Comm. Amt. - Total ($M)	Total Disb. ($M)	Undisb. Bal. ($M)	% Disb.
AGR	P094183	AFCC2/RI Agricultural Productivity Program for Southern Africa (APPSA)	4.7	14-Mar-2013	31-Jan-2020	89.99	52.54	30.43	63.3
AGR	P122065	West Africa Agricultural Productivity Program APL (WAAPP-1C)	6.7	24-Mar-2011	31-Dec-2019	151.80	93.36	58.63	61.4
AGR	P129408	AFCC2/RI-Regional Pastoral Livelihoods Resilience Project	3.7	18-Mar-2014	31-Dec-2019	197.00	40.66	139.76	22.5
AGR	P129565	West Africa Agricultural Productivity Program 2A	5.5	22-May-2012	31-Dec-2018	200.00	181.60	5.87	96.9
AGR	P143307	AFCC2/RI-Regional Great Lakes Integrated Agriculture Development Project	1.5	21-Jun-2016	30-Nov-2022	225.00	0.00	227.59	0
AGR	P147674	Regional Sahel Pastoralism Support Project	2.5	26-May-2015	31-Dec-2021	248.00	63.82	189.59	25.2
AGR	P161781	Great Lakes Regional Integrated Agriculture Development Project	0.6	5-May-2017		25.00	0.00	0.00	0
EDU	P126974	Africa Higher Education Centers of Excellence Project	3.6	15-Apr-2014	31-Dec-2019	165.00	73.34	78.62	48.3
EDU	P151847	Eastern and Southern Africa Higher Education Centers of Excellence	1.5	26-May-2016	31-Dec-2022	148.00	26.74	122.72	17.9
E&E	P075941	AFCC2/RI-Regional Rusumo Falls Hydroelectric Project	4.3	6-Aug-2013	31-Dec-2020	339.90	51.90	268.72	16.2
E&E	P094919	WAPP: The First Phase of the Inter-Zonal Transmission Hub Project of the WAPP (APL3) Program	6.4	29-Jun-2011	31-Dec-2018	41.90	23.11	13.32	63.4
E&E	P097201	AFCC2/RI-Regional and Domestic Power Markets Development Project (Southern Africa Power Market Project: APL-1b)	10.5	29-May-2007	30-Jun-2018	579.70	461.72	79.29	85.3
E&E	P113266	WAPP APL4 (Phase 1) - Côte d'Ivoire, Sierra Leone, Liberia, and Guinea Power System Re-development	5.5	31-May-2012	15-Dec-2020	298.38	50.52	231.92	17.9
E&E	P124351	Kafue-Muzuma-Victoria Falls Regional Transmission Line Reinforcement Project	5.6	15-May-2012	29-Jun-2018	60.00	51.92	0.66	98.7
E&E	P126579	AFCC2/RI-The Eastern Electricity Highway Project under the First Phase of the Eastern Africa Power Integration Program	5.4	12-Jul-2012	30-Jun-2019	684.00	114.15	505.03	18.4
E&E	P126661	AFCC2/RI-SAPP-Program for Accelerating Regional Energy/Transformational Projects	3.1	11-Nov-2014	30-Nov-2019	20.00	3.71	14.85	20
E&E	P146830	OMVG Interconnection Project	2.6	29-Apr-2015	30-Jun-2022	200.00	20.75	181.15	10.3
E&E	P147921	OMVS - TRANSMISSION EXPANSION PROJECT	0.6	12-May-2017	31-Dec-2020	97.00	0.00	109.32	0
ENV	P100406	AFCC2/RI-Lake Victoria Environmental Management Project Phase II	8.8	3-Mar-2009	31-Dec-2017	112.00	106.12	2.28	97.9
ENV	P118316	AFCC2/RI-Lake Victoria Environmental Management Project (Burundi and Rwanda)	6.5	13-Jun-2011	31-Dec-2017	30.00	22.24	4.09	84.5
ENV	P126773	West Africa Regional Fisheries Program SOP-C1 - Mauritania & Guinea	2.7	16-Mar-2015	15-Dec-2020	22.00	5.58	16.46	25.3
ENV	P132123	AFCC2/RI-South West Indian Ocean Fisheries Governance and Shared Growth Project 1	2.8	27-Feb-2015	30-Sep-2021	75.50	21.64	50.02	30.2
ENV	P153370	Second South West Indian Ocean Fisheries Governance and Shared Growth Project	0.7	28-Mar-2017	29-Sep-2023	74.00	0.00	77.17	0
ENV	P155642	Third South West Indian Ocean Fisheries Governance and Shared Growth Project (SWIOFish3)	0.2	29-Sep-2017	30-Jun-2023	5.00	0.00	5.00	0
F&M	P121611	Financial Sector Development & Regionalization Project I (FSDRP I)	6.8	31-Jan-2011	30-Sep-2019	26.50	16.96	9.19	64.8
F&M	P161658	WAEMU Affordable Housing Finance	0.2	28-Sep-2017	31-Dec-2022	155.00	0.00	155.50	0
GOV	P122478	AFCC2/RI-ACBF Regional Capacity Building Project	6.7	17-Mar-2011	31-Dec-2017	90.00	88.09	0.03	100
GOV	P126848	Support for Capacity Dev't of the AUC and other African Union Organs	3.6	6-May-2014	31-Dec-2018	25.00	18.70	3.85	82.9
HNP	P111556	AFCC2/RI-East Africa Public Health Laboratory Networking Project	7.5	25-May-2010	30-Mar-2020	127.78	86.23	40.08	68.3
HNP	P147489	AFCC2/RI- Great Lakes Emergency Sexual and Gender Based Violence & Women's Health Project	3.4	26-Jun-2014	30-Jun-2018	106.96	38.59	59.05	39.5
HNP	P149526	Sahel Malaria and Neglected Tropical Diseases	2.5	11-Jun-2015	31-Dec-2019	121.00	34.44	88.56	28
HNP	P150080	Sahel Women's Empowerment and Demographics Project	3.0	18-Dec-2014	31-Dec-2019	205.00	43.87	153.23	22.3
HNP	P152359	Ebola Emergency Response Project	3.2	16-Sep-2014	31-Mar-2021	390.00	329.97	46.12	87.7
HNP	P154807	Regional Disease Surveillance Systems Enhancement (REDISSE)	1.4	28-Jun-2016	31-Jan-2023	110.00	8.97	101.83	8.1
HNP	P155658	AFCC2/RI-Southern Africa Tuberculosis and Health Systems Support Project	1.5	26-May-2016	31-Dec-2021	122.00	18.75	102.95	15.4
HNP	P159040	Regional Disease Surveillance Systems Enhancement (REDISSE) Phase II	0.8	2-Mar-2017	31-Aug-2023	147.00	1.24	148.55	0.8
POV	P153702	REGIONAL PROGRAM TO HARMONIZE AND MODERNIZE LIVING CONDITIONS SURVEYS	1.7	6-Apr-2016	31-Dec-2021	40.50	2.55	38.00	6.3
SURR	P152821	AFCC2/RI-GLR: Displaced Persons & Border Communities	1.5	27-May-2016	31-Dec-2021	23.00	0.00	23.20	0
SURR	P152822	Development Response to Displacement Impacts Project in the HoA	1.5	31-May-2016	31-Dec-2021	175.00	11.16	163.72	6.4
SURR	P161067	Development Response to Displacement Impacts Project (DRDIP) in the Horn of Africa	0.6	26-Apr-2017	29-Apr-2022	103.00	0.00	108.08	0
SURR	P163830	Somalia Emergency Drought Response and Recovery Project	0.5	30-May-2017	29-Jun-2018	50.00	41.93	8.79	82.7
T&C	P126663	Improved Investment Climate within the Organization for the Harmonization of Business Law in Africa (OHADA)	5.4	26-Jun-2012	31-Dec-2018	15.00	12.21	1.48	89.2
T&C	P151083	AFCC2/RI-Great Lakes Trade Facilitation	2.2	25-Sep-2015	31-Dec-2020	79.00	8.56	71.50	10.7
T&I	P079736	CEMAC - Transport-Transit Facilitation	10.4	26-Jun-2007	31-Jan-2019	655.00	370.98	252.53	59.5
T&I	P111432	AFCC2/RI-RCIP3 - Regional Communications Infrastructure Program - Phase 3	8.4	25-Jun-2009	31-Dec-2017	151.00	123.20	22.92	84.3
T&I	P116323	Abidjan-Lagos Trade and Transport Facilitation Program - APL-2	5.5	31-May-2012	30-Jun-2018	90.00	64.09	18.33	77.8
T&I	P118213	RCIP4 - Regional Communications Infrastructure Program - APL 4 (RI)	4.2	10-Sep-2013	30-Jun-2018	22.00	15.98	4.20	79.2
T&I	P120370	Southern Africa Trade and Transport Facilitation Project	4.5	21-May-2013	31-Dec-2018	213.00	112.31	84.22	57.2
T&I	P122398	AFCC2/RI-Central African Backbone - APL3 - Republic of Congo	6.5	25-May-2011	31-Dec-2019	20.00	13.28	5.47	70.8
T&I	P122402	West Africa Regional Communications Infrastructure Project - APL-1B	6.5	21-Jun-2011	31-Dec-2017	91.63	80.68	3.69	95.6
T&I	P123093	West Africa Regional Communications Infrastructure Project - APL 2	4.5	30-May-2013	30-Nov-2018	60.00	9.89	47.06	17.4
T&I	P130871	Regional Communications Infrastructure Program Phase 5 - Uganda	2.5	22-May-2015	28-Feb-2022	75.00	10.25	65.97	13.4
T&I	P131426	South Sudan- Eastern Africa Regional Transport , Trade and Development Facilitation Program (Phase One)	3.5	20-May-2014	30-Dec-2019	80.00	1.79	71.96	2.4
T&I	P132821	AFCC2/RI-Central African Backbone SOP5	3.4	16-Jul-2014	31-Dec-2019	92.10	10.13	73.60	12.1
T&I	P145566	Southern Africa Trade and Transport Facilitation Program - SOP2	2.6	29-Apr-2015	31-Dec-2021	69.00	21.06	47.63	30.7
T&I	P148853	EA Regional Transport , Trade and Development Facilitation Project (Second Phase of Program)	2.5	11-Jun-2015	31-Dec-2021	500.00	47.26	463.12	9.3
T&I	P155876	West Africa Regional Communications Infrastructure Project - SOP3	0.7	24-Mar-2017	31-May-2022	35.00	0.00	35.88	0
T&I	P160488	LAKE VICTORIA TRANSPORT PROGRAM - SOP1, RWANDA	0.5	25-May-2017	31-Dec-2023	81.00	0.00	88.03	0
WAT	P093806	Niger Basin Water Resources Development and Sustainable Ecosystems Management Project	10.4	3-Jul-2007	31-Dec-2017	182.17	177.16	1.97	98.9
WAT	P130174	First Part of the Second Phase of the Niger Basin Water Resources Development and Sustainable Ecosystems Management Program - APL 2A	5.2	2-Oct-2012	1-Apr-2021	258.20	18.06	221.49	7.5
WAT	P131323	Senegal River Basin Climate Change Resilience Development Project	4.0	5-Dec-2013	30-Jun-2021	212.50	50.29	144.26	25.8
WAT	P146515	Kariba Dam Rehabilitation Project (RI)	3.0	9-Dec-2014	28-Feb-2025	75.00	1.98	69.42	2.8

Annex IV: IFC Statement of Investment and Advisory Portfolio (as of October 31st, 2017)

Investment Portfolio

	Client	Product Type	Industry Group Sector	Committed Portfolio (US$, millions)
Africa Region	8 Miles	Equity	Collective Investment Vehicles	30.0
Africa Region	Abraaj AfricaIII	Equity	Collective Investment Vehicles	50.0
Africa Region	Actis ARE Fund 2	Equity	Tourism, Retail, Construction & Real Estates (TRP)	35.0
Africa Region	Actis ARE Fund 3	Equity	Other MAS Sectors	40.0
Africa Region	Actis Energy Fund 4	Equity	Other Infra Sectors	50.0
Africa Region	Adenia II	Equity	Collective Investment Vehicles	0.5
Africa Region	Adenia IV	Equity	Collective Investment Vehicles	23.2
Africa Region	Advans Holding	Equity	Financial Markets	11.6
Africa Region	AFIG Fund II	Equity	Collective Investment Vehicles	15.0
Africa Region	Africa Dvpt I	Equity	Collective Investment Vehicles	7.5
Africa Region	Africa Dvpt II	Equity	Collective Investment Vehicles	39.9
Africa Region	Africell Hld Ltd	Debt	Telecom, Media, and Technology	28.0
Africa Region	AfricInvest II	Equity	Collective Investment Vehicles	0.8
Africa Region	Africinvest III	Equity	Collective Investment Vehicles	18.2
Africa Region	AIIF 2 Partnership	Equity	Other Infra Sectors	96.0
Africa Region	AKFED SA	Debt	Infrastructure	3.1
Africa Region	Andela	Equity	Other CTT Sectors	0.7
Africa Region	AREP	Equity	Tourism, Retail, Construction & Real Estates (TRP)	40.5
Africa Region	Aureos Africa II	Equity	Collective Investment Vehicles	3.3
Africa Region	Brait IV LP	Equity	Collective Investment Vehicles	22.8
Africa Region	CAPE II	Equity	Collective Investment Vehicles	0.9
Africa Region	Ciel Healthcare	Equity	Health, Education, Life Sciences	4.3
Africa Region	CITICC Africa Holding Limited	Debt	Tourism, Retail, Construction & Real Estates (TRP)	58.0
Africa Region	CITICC Africa Holding Limited	Equity	Tourism, Retail, Construction & Real Estates (TRP)	2.0
Africa Region	Convergence Fund	Equity	Collective Investment Vehicles	35.0
Africa Region	CRRH-UEMOA	Equity	Financial Markets	2.0
Africa Region	Delonex Energy	Equity	Oil, Gas & Mining	54.1
Africa Region	DiViNetworks	Equity	Telecom, Media, and Technology	1.4
Africa Region	EASSy SPV	Debt	Telecom, Media, and Technology	6.8
Africa Region	ECP Africa III	Equity	Collective Investment Vehicles	22.1
Africa Region	ETC Group	Debt	Agribusiness & Forestry	50.0
Africa Region	Ethos VI	Equity	Collective Investment Vehicles	22.7
Africa Region	GEF Africa Fund	Equity	Other MAS Sectors	19.9
Africa Region	GroFin AF	Equity	Collective Investment Vehicles	18.9

	Client	Product Type	Industry Group Sector	Committed Portfolio (US$, millions)
Africa Region	GWFP Nedbank	Guarantee/RM	Other MAS Sectors	50.0
Africa Region	Helios Fund I	Equity	Collective Investment Vehicles	0.8
Africa Region	Helios Fund II	Equity	Collective Investment Vehicles	51.4
Africa Region	Helios Fund III	Equity	Collective Investment Vehicles	25.0
Africa Region	Helios Towers AF	Equity	Telecom, Media, and Technology	58.8
Africa Region	IFHA	Equity	Other MAS Sectors	2.4
Africa Region	IFHA II	Equity	Health, Education, Life Sciences	24.0
Africa Region	IHS Holding Ltd	Equity	Telecom, Media, and Technology	124.0
Africa Region	Investec II	Equity	Collective Investment Vehicles	29.4
Africa Region	MRPAH	Equity	Infrastructure	22.5
Africa Region	NAMF II	Equity	Other Infra Sectors	4.8
Africa Region	PanAfrican I	Equity	Collective Investment Vehicles	2.7
Africa Region	PanAfrican II	Equity	Collective Investment Vehicles	4.9
Africa Region	RMB Westport II	Equity	Other MAS Sectors	40.0
Africa Region	ALCB Fund Ltd	Debt	Financial Markets	20.0
Africa Region	CSquared Holdings	Equity	Telecom, Media, and Technology	15.0
Africa Region	GBfoods Africa	Equity	Other CTT Sectors	15.5
Africa Region	IHS Sub-Saharan Africa	Equity	Other MAS Sectors	3.8
Africa Region	Aureos Afr Healt	Equity	Other MAS Sectors	16.5
Central Africa Region	African Rivers	Equity	Collective Investment Vehicles	10.0
Central Africa Region	Ventures CASF	Equity	Collective Investment Vehicles	7.2
Eastern Africa Region	AAR Healthcare	Equity	Health, Education, Life Sciences	4.0
Eastern Africa Region	BPI EA	Equity	Financial Markets	6.0
Eastern Africa Region	Catalyst Afr I	Equity	Collective Investment Vehicles	8.8
Eastern Africa Region	Catalyst Afr II	Equity	Collective Investment Vehicles	15.0
Eastern Africa Region	EASSy SPV	Debt	Telecom, Media, and Technology	20.0
Eastern Africa Region	Fanisi Fund I	Equity	Collective Investment Vehicles	7.1
Eastern Africa Region	IPS(K)	Equity	Other MAS Sectors	2.8
Eastern Africa Region	Kibo Fund II	Equity	Collective Investment Vehicles	11.5
Eastern Africa Region	Mobisol	Equity	Other CTT Sectors	6.1

	Client	Product Type	Industry Group Sector	Committed Portfolio (US$, millions)
Eastern Africa Region	NSIF	Debt	Agribusiness & Forestry	2.4
Eastern Africa Region	Fanisi Fund II	Equity	Collective Investment Vehicles	7.5
Southern Africa Region	Agri-Vie	Equity	Other MAS Sectors	6.9
Southern Africa Region	BP Southern Afri	Equity	Collective Investment Vehicles	8.0
Southern Africa Region	Evolution One	Equity	Collective Investment Vehicles	5.5
Southern Africa Region	Lereko Metier	Equity	Collective Investment Vehicles	13.8
Western Africa Region	ACTIVA.	Equity	Financial Markets	7.7
Western Africa Region	AFIG Fund I	Equity	Collective Investment Vehicles	16.5
Western Africa Region	CAPE III	Equity	Collective Investment Vehicles	21.8
Western Africa Region	Cauris II	Equity	Collective Investment Vehicles	4.9
Western Africa Region	Oasis AfricaFund	Equity	Collective Investment Vehicles	7.0
Western Africa Region	Synergy	Equity	Collective Investment Vehicles	7.5
Western Africa Region	Ventures WAVF	Equity	Collective Investment Vehicles	12.8
Total				**1,546.5**

Active Advisory Portfolio

	Primary Business Line Name	Project Name	Total Funds Managed by IFC (US$, millions)
Africa Region	Environment, Social and Governance	Africa Corporate Governance Program - Regional	2.6
Africa Region	Finance and Markets	Sub-Saharan Africa Index Insurance Program	4.9
Africa Region	Finance and Markets	Sub-Saharan Africa Leasing II (Africa Leasing Facility II)	6.4
Africa Region	Financial Institutions Group	Africa MF KM	5.0
Africa Region	Financial Institutions Group	Africa Microfinance AS Program Management	4.0
Africa Region	Financial Institutions Group	Africa Mobile Financial Services Knowledge Management	4.7
Africa Region	Financial Institutions Group	Africa Mobile Financial Services Program Management	4.9
Africa Region	Trade and Competitiveness	CASA 2 East and Southern Africa	11.2
Africa Region	Trade and Competitiveness	CASA 2 West and Central Africa	11.3
Africa Region	Trade and Competitiveness	IC Rapid Response III	2.6
Africa Region	Trade and Competitiveness	Indicator-Based Reform in Sub-Saharan Africa	2.1
Eastern Africa Region	Finance and Markets	ESMID East Africa II - Bond Market Development	2.8
Eastern Africa Region	Trade and Competitiveness	EAC IC Phase 2	6.5
Western Africa Region	Trade and Competitiveness	Investment Policy Reform for West Africa Regional Organizations	10.4
Western Africa Region	Trade and Competitiveness	OHADA Uniform Acts Reform phase 2	5.2
Western Africa Region	Trade and Competitiveness	West Africa Trade Logistics	5.0
Total			**89.5**

Annex V: MIGA Statement of Outstanding RI Guarantee Portfolio (as of November 30, 2017)

Fiscal Year	Contract Enterprise	Host Country	Investor Country	Business Sector	Outstanding Exposure (US$) - November 2017
FY00	Motraco-Mozambique Transmission Co. S.A.R.L.	Mozambique	South Africa	Infrastructure	5,386,489
FY05	West African Gas Pipeline Company Ltd, Ghana	Ghana	Ghana	Oil and Gas	56,250,000
FY12	SEGUB	Benin	France	Services	5,847,188
FY13	Societe de Scanning du Gabon	Gabon	Switzerland	Services	6,198,609
FY13	Sky Handling Partner Sierra Leone Limited	Sierra Leone	France	Services	5,066,086
FY14	Cotecna Inspection, S.A.,	Burundi	Switzerland	Services	7,335,563
FY16	Eskom Holdings SOC Ltd	South Africa	United Kingdom	Infrastructure	785,195,067
FY17	Alvima Import and Export PLC	Ethiopia	Djibouti	Manufacturing	5,409,468
FY17	Vitol Upstream Ghana Ltd and eni Ghana Exploration and Produc	Ghana	United Kingdom	Oil and Gas	217,103,995
FY17	Ravinala Airports	Madagascar	France	Infrastructure	76,545,000
FY17	Development Bank of Southern Africa Limited	South Africa	United Kingdom	Financial	226,428,700
TOTAL					**1,396,766,164**

Annex VI: Key Issues from WBG External Consultations on the RICAS

1. During the preparation of the RI Strategy, the WBG jointly undertook an extensive outreach to various stakeholders to consult and get feedback. There was strong resonance with the issues and priorities identified in the strategy and the final strategy document has been informed by the specific feedback received. After the Board discussion, there is a plan to rollout the strategy by having focused sub-regional discussions on the specific priorities for each sub-region.

2. **Participants in the consultations.** The consultations reached six stakeholder groups: (i) selected IDA client countries; (ii) AUC and RECs; (iii) Regional development banks/financial institutions; (iv) private sector; (v) general public through online consultations; and (vi) development partners.

3. **Purpose of the consultations.** Four broad questions framed these consultations: (i) Is Africa realizing its full potential from regional integration? If not, why not? (ii) What are the big opportunities available in priority sectors and sub-regions to deepen integration? (iii) Do the lessons learned from WBG work so far resonate with the stakeholders? and, (iv) Do the proposed WBG priorities and approaches resonate with the stakeholders?

4. **Setting/Format for the consultations.** Four continent-wide consultations were held in Addis Ababa, Abidjan and Washington DC (during the WBG Annual Meetings). These continental consultations were jointly organized by WBG and AfDB, with the WBG leading on the consultations in Addis and Washington, DC, and AfDB leading the consultation in Abidjan. Around 150 participants were engaged in these continental consultations. The regional institutions involved in these consultations included: AUC, COMESA, EAC, ECOWAS, IGAD, ECCAS, SADC, BOAD, UNECA, CEMAC, BEAC, WAEMU, EBID, DBSA, AFREXIMBANK, NEPAD and East Africa Power Pool. To complement the continental consultations, further specific institutional consultations were also undertaken with EAC, BOAD and ECOWAS (latter planned for week of December 11th). Dedicated private sector consultations were held in Abidjan, Lagos and Dar es Salaam reaching another 150+ private sector representatives. These private sector consultations were jointly organized with the leading sub-regional/national business councils. The online consultations through social media reached 200,000 people with over 25,000 'likes' and shares and over 150 online comments. Consultations with development partners have involved AfDB, EU, EIB and AFD.

Overall Feedback and Key Issues from Consultations

5. This consolidated note highlights some of the key messages from the consultations reflecting views of different stakeholders.

(a) **Continued strong interest across stakeholder groups in deepening integration.** Policymakers, private sector and the public in different ways reinforced the strong imperative for deepening regional integration to help with rapid development and economic transformation of the continent. Some policymakers saw integration as the *sine qua non* for economic diversification and industrialization. The private sector sees promising opportunities to be had from a bigger common market and by reducing the high costs of poor physical connectivity, including air connectivity. Some of the feedback from the online public consultations emphasized the benefits that people see from improved cross-border trade, smoother border crossings, and ease of mobility of labor. Demonstrating tangible benefits from integration was cited as being important to secure greater political and public support for the agenda.

(b) **Recognition that while progress has been made, but Africa isn't realizing the full benefits from integration.** Much expectation from a potential agreement on the CFTA and acknowledgement of progress in improving regional infrastructure. But also concern that it is time for Africa to re-energize the integration agenda and questions around whether political momentum maybe stalling? Lot of examples given of unfulfilled promises on RI across all sub-regions. Effective implementation of some of the regional agreements could be a good start to close the gap between political agreements and the reality on the ground. The lack of value addition and missing regional value chains was consistently identified as a key manifestation of the lack of integration. When there isn't alignment between domestic sovereignty considerations and realizing the benefits of integration, the agenda has largely fallen off the table. But it is important to address such issues and not side-step them – otherwise, Africa would not realize the benefits of integration. The security and conflict risks in some parts of the continent had vitiated the climate for cross-country collaboration. Addressing political economy issues of deepening integration in different sub-regions would be key to seeing further progress. In that regard, the need for putting in place various 'confidence-building measures' was identified, including better analysis and communication of the benefits of integration, specific financing arrangements for promoting cross-border investment and trade, and prompt handling at the highest political level of any restrictive trade practices by individual countries. Linguistic barriers and differences in legal and business cultures was identified as a barrier to integration in West Africa. The limited intra-regional trade, poor development of the capital markets, greater financial sector integration including the need for cross-border multi-currency settlement platforms and SWAP facilities were also highlighted. Some in the private sector also felt that there should be strong checks on countries taking unilateral measures to prevent freer movement of goods.

(c) **Reorienting the role of various stakeholders.** Ongoing discussions on AU reforms, including clarifying division of responsibilities between AUC and RECs would be important in having a clearer institutional architecture for regional collaboration. The multiple membership of RECs by countries is seen to pull down the overall momentum for integration. The need for coordinated support by development partners for capacity building of regional institutions was also underscored. There was a general feeling that the private sector has, by and large, not been a major voice in policy discussions on integration. The private sector seems very keen to play a bigger role on this and could turn out to be a strong driver for the agenda as it sees how lack of integration is holding back entrepreneurship and investments. A clear need was identified for stronger public-private platforms to ensure greater traction exists for addressing the hurdles to integration. As integration deepens the hurdles are only likely to become more difficult.

(d) **Feedback on the WBG proposed strategic priorities**. Strong resonance on the proposed strategic priorities. Several regional institutions and private sector confirmed that the priorities are in line with their own regional/sub-regional priorities. Strong calls for WBG to play a bigger role to further deepen the integration process and get more traction for addressing the policy hurdles. Continued support for regional infrastructure will be key, especially in energy and transport sectors. But there is support for balancing future support for physical infrastructure with 'soft' policy reforms. Other areas in the strategy which were identified as being important included using regional value chains as the basis for agricultural transformation, promoting integration within specific sectors including financial sector and ICT, addressing Nontariff Barriers, facilitating skilled labor mobility and completing the work on the power pools to lower costs and increase energy access. More support for banks through regional credit and trade lines was also identified as being important.

(e) **Other Feedback for WBG.** Lot of kudos for organizing joint WBG – AfDB consultations with AUC and RECs and call for keeping this collaboration strong during strategy implementation. Interest in seeing clearer joint WBG efforts in promoting integration, particularly in promoting private sector participation in infrastructure. The private sector, especially in West Africa, made a strong plea for increased coordination and collaboration for regional integration by the multilateral development banks ("MDBs") especially through joint financing to increase the pool of public sector financing which can leverage private capital. Feedback suggests that the WBG should be even more proactive in shaping discussions in existing platforms for promoting regional integration and to support public-private platforms. Also, for the WBG to ensure greater mainstreaming of regional integration in its ongoing country-level dialogue. And for the WBG to reduce the preparation time and bureaucracy often associated with its support.

Annex VII: Continental and Regional Economic Community Priorities

1. This Annex examines the priorities of regional institutions in Africa and shows the alignment of the proposed priorities of this WBG Strategy with the regional priorities. There are three types of regional institutions considered in this Annex. Continental institutions like AUC; RECs; and specialized subregional institutions.

2. **AUC - Agenda 2063.** It sets out the aspirational priorities for the continent. It contains seven aspirations - one of which is 'an integrated continent, politically united based on ideals of Pan Africanism and the vision of Africa's Renaissance'. RI is quite key to Agenda 2063 and it prioritizes having an "integrative infrastructure that crisscrosses the continent; a continent with seamless borders and management of cross-border resources through dialogue; a continent where free movement of people, capital, goods and services results in intra-Africa trade growing to 50 percent by 2045".

3. **Priorities of RECs.** There are six official RECs in Sub-Saharan Africa – COMESA, EAC, ECCAS, ECOWAS, IGAD and SADC. But as Figure shows, there are several regional groupings with countries having multiple memberships of these blocs. A review of the strategic priorities of the six official RECs shows a lot of common ground with due emphasis on moving toward a common market, customs union, monetary union and political federation. In specific terms, they all emphasize improved regional infrastructure, greater regional/subregional trade, agricultural development and industrialization. Some of these strategies also highlight areas such as ensuring regional peace and security, human development and skills transfer, and management of shared resources.

4. **PIDA.** The Bank remains an important financier of the priority PIDA projects (see Table 1). Of the 45 priority PIDA projects for Sub-Saharan Africa, the World Bank either has existing support or pipeline projects supporting 19 of these projects, with a total value of around US$7 billion.

5. **Specialized regional institutions.** There are several specialized regional institutions which either have a continental or sub-regional focus. These include *inter alia* River Basin Authorities like the Niger Basin Authority; sub-regional power pools like the SAPP; specialized institutions of RECs like the West Africa Health Organization of ECOWAS; and regional development banks like BOAD.

6. **WBG support for regional institutions.** The facility under regional IDA window to provide grants to regional institutions has been an important way of supporting the AUC, RECs and some specialized institutions. In addition, Bank and IFC have Trust Fund resources which have supported several regional institutions.

7. **High profile continental initiatives.** There are numerous continental initiatives which have been in existence for some time and new ones are being launched. These are in response to specific challenges and priorities that have been identified. An important initiative is the PIDA. Table 1 shows the current and planned support of the WBG to several of the priority PIDA projects.

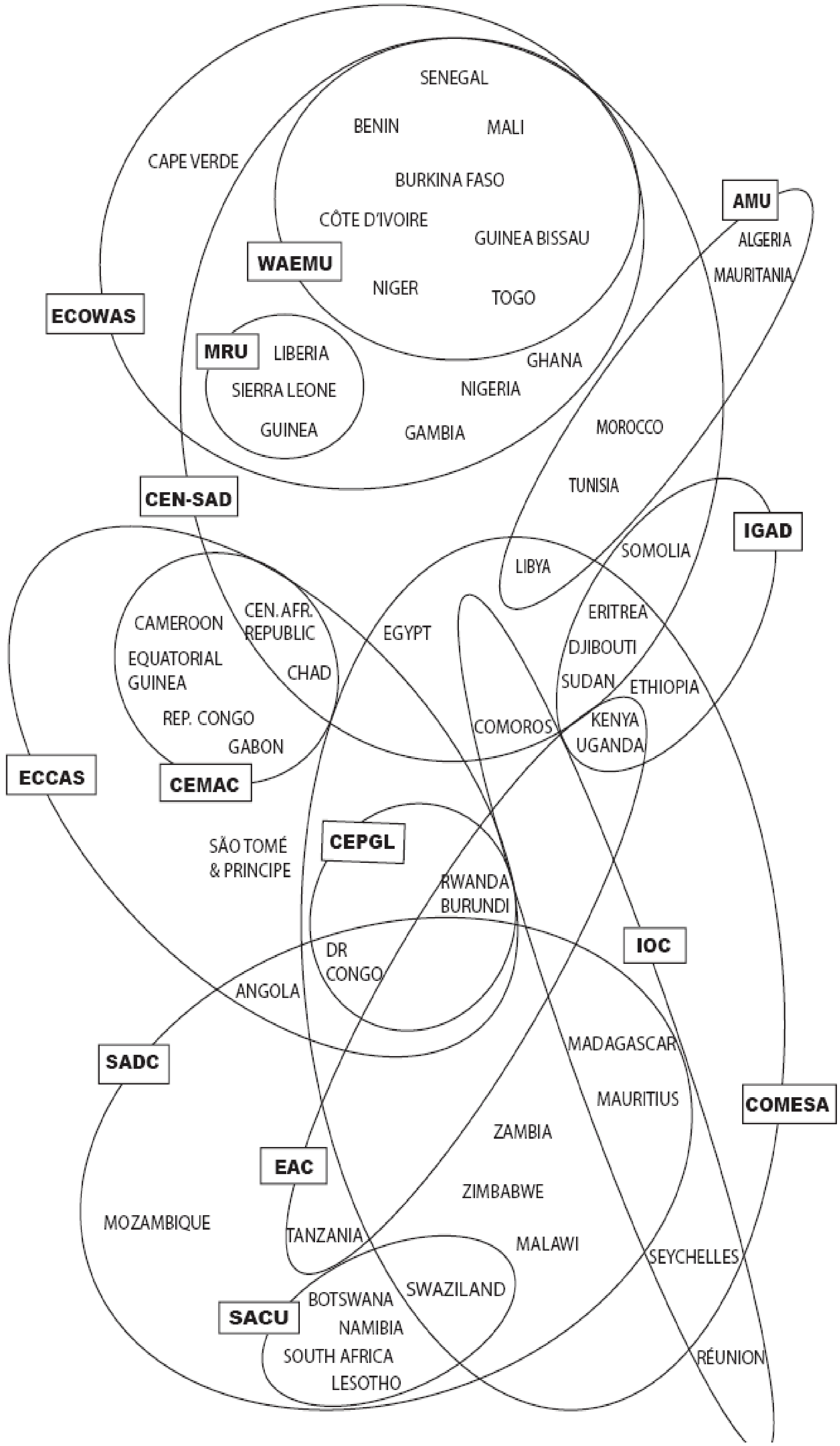
Table 1: PIDA Priority Projects and World Bank Engagement

(Amounts for pipeline projects are tentative and could change)

	PIDA Priority Project	World Bank Engagement
	Energy	
1.	North-South Power Transmission Corridor covering Kenya, Ethiopia, Tanzania, Malawi, Mozambique, Zambia, Zimbabwe, South Africa	**Existing Lending**: (i) Eastern Electricity Highway Project; US$684 million; approved FY13; (ii) Kafue-Mazuma-Victoria Falls Transmission Line Project: US$60 million; approved FY12; (iii) Feasibility studies in SAPP: US$20 million; approved FY15. **Pipeline:** Mozambique Regional Transmission; FY19 delivery; US$300 million; Malawi – Mozambique Interconnector: FY19 delivery; US$200 million; Tanzania – Zambia Interconnector; FY19 delivery; US$500 million.
2.	West Africa Power Transmission Corridor covering Guinea, Guinea-Bissau, Gambia, Sierra Leone, Liberia, Cote d'Ivoire, Ghana	**Existing Lending:** (i) CLSG Project: US$296 million (including AF); approved in FY12. (ii) OMVG Project: US$200 million; approved in FY15; (iii) Several other existing and pipeline projects connecting 15 countries in WAPP.
3.	Batoka Hydroelectric plant covering Zambia, Zimbabwe	**TA**: World Bank providing TA support for the preparation and feasibility studies.
4.	Ruzizi III Hydroelectric plant covering Rwanda, Congo, Dem. Rep.	**Pipeline**: Ruzizi III; FY19 delivery.
5.	Rusumo Falls Hydroelectric plant covering Burundi, Rwanda & Tanzania	**Existing Lending**: Regional Rusumo Falls Hydroelectric Project: US$340 million; approved in FY14.
	Transport	
6.	Yamoussoukro Decision Implementation	**ASA**: Report on Air Transport in Sub-Saharan Africa completed. Planned dissemination and convening upcoming.
7.	Northern Multimodal Corridor covering Kenya Uganda, Rwanda and Burundi	**Existing Lending:** (i) East Africa Regional Transport, Trade Facilitation; US$500 million; FY15; (ii) South Sudan Eastern Africa Regional Transport and Trade Development Facilitation Program (Phase One), US$80 million, FY14
8.	North-South Multimodal Corridor covering Congo, Dem. Rep., Zambia, Zimbabwe, South Africa, Mozambique	**Existing Lending**: (i) Southern Africa Trade & Transport Facilitation, Tanzania & Malawi; US$292 million; approved FY13/FY15. **Pipeline:** Southern Africa Trade & Transport Ph3, Tanzania; US$300 million; FY20.
9.	Central Corridor covering Tanzania, Uganda, Rwanda, Burundi, Congo, Dem. Rep.	**Existing:** (i) Lake Victoria Transport and Trade Facilitation Project (Rwanda); US$81 million; FY17. **Pipeline**: (i) Lake Victoria Transport and Trade Facilitation (Uganda and Tanzania);

		US$100 million and US$205 million; FY19; (ii) Lake Tanganyika Transport Program (Tanzania, Burundi, and Congo, Dem. Rep.); US$400 million; FY19–FY20.
10.	Beira – Nacala Multimodal Corridors	**Pipeline**: One of the economic corridors being considered for IDA18 support.
11.	Abidjan – Lagos Corridor covering Nigeria, Benin, Togo, Ghana, Cote d'Ivoire	**Existing Lending:** Abidjan -Lagos Trade & Transport Facilitation Project; US$318 million; approved FY10/FY12; Phase 2 (Cote d'Ivoire, US$90 million) active
12.	Dakar – Niamey Multimodal Corridor covering Senegal, Mali, Burkina Faso, Niger	**Pipeline:** (i) Dakar – Bamako transport and logistics corridor; (ii) Cotonou-Niamey economic corridor: being considered for IDA18.
13.	Praia – Dakar – Abidjan Multimodal Corridor covering Cape Verde, Senegal, Gambia, Guinea-Bissau, Guinea, Sierra Leone, Liberia, Cote d'Ivoire	**Pipeline:** Dakar – Gambia – Casamance (Senegal) trade and transport corridor being considered for IDA18
14.	Abidjan-Ouga/Bamako Corridor covering Cote d'Ivoire, Burkina Faso, Mali	**Existing Lending**: Transport Sector Modernization and Corridor Trade Facilitation Project Cote d'Ivoire, US$30 million and Burkina, US$20 million, approved FY17, active
15.	West Africa Hub Port and Rail Program	**ASA:** Report on West Africa Ports Concession – just completed.
16.	Douala – Bangui/Douala – Ndjamena Corridor covering Cameroon, Chad, CAR.	**Existing Lending:** CEMAC Transport & Transit Facilitation; US$655 million; approved FY107;
	ICT	
17.	ICT Enabling Environment - continental	**Existing Engagement:** Actively engaged in policy/regulatory reforms in telecom/ICT in over 20 countries through IPF and DPOs.
18.	ICT Connectivity - continental	**Existing Lending:** Connected 24 countries to high-speed Internet connectivity/regional fiber backbones; around US$1 billion of World Bank investments.
19.	Internet Exchange Program (IXP) - continental	**Lending and TA**: Supported development of IXPs in 17 countries.

Figure 1: Membership of RECs



Annex VIII: Sub-regional Systematic Assessment of Development Constraints and Opportunities: Outline Concept Note

Context

1. Regional cooperation and integration is a key political and economic priority for many African countries. The AU's Vision 2063 puts regional integration and convergence as one of its core priorities. Over the past decade there has been noteworthy progress in Sub Saharan Africa on the RI agenda. This is manifest in the rising interest in creating common markets, monetary unions, power pools, trade corridors, and addressing several development challenges in a collective manner. This points to the need for sustaining political and policy focus across Africa on the unfinished business of regional integration. The good news is that the political leadership in the continent is more committed to regional cooperation than at any time in its post-independent history, but there are challenges in translating the political commitment into implementable actions and tangible results. However, there is an opportunity to use the existing political commitment to deepen the actions being taken by countries toward regional integration.

2. The process of identifying specific RI operations and regional analytical work for the World Bank is not based on a rigorous analysis of the key regional binding constraints and opportunities for different groupings of countries. In some way, if the CPFs are informed by the detailed analysis in the SCD, there is no counterpart to the SCDs at a sub-regional level. There is little by way of analysis which tells us for a particular country the biggest benefit from integration may come from cooperating on a power pool with the country on its west and/or from cooperating on an agricultural value chain with its neighbors on the east. As a result, while our RI operations seem to be the *right* things to be doing, but there is no way of identifying if they are also the most *critical things* to do. So, this note proposes that we undertake a systematic analysis of development challenges and opportunities for a grouping of countries/sub-region. It sets out the possible scope and process of undertaking such a Sub-Regional Assessment (SA).

Likely Benefits of a Sub-Regional Assessment

3. There are three clear benefits of doing a Sub-Regional Assessment (SA):

- **Facilitate collective action among countries.** often the benefits of regional integration/cooperation are not explicit to countries and there may be limited understanding of any likely asymmetry of benefits between countries from a regional initiative. Having an assessment of both the challenges and opportunities of regional cooperation could greatly facilitate the collective actions being taken by countries and in the dialogue between the World Bank and the countries on policy and operational matters. Such an assessment is likely to more comprehensive as it is likely to cover multiple sectors in multiple countries – it could build upon existing/planned regional sector-specific analytical work.

- **Inform country dialogue and programming**. Preparation of country strategy products (SCD, CPF, PLR) could be better informed by an assessment of what is happening in the broader neighborhood. In cases where CPFs have been recently prepared, the SA could help inform future PLRs or programming decisions. The SA could help identify if the roots of some of the binding development constraints for a country lie outside the country or indeed do the opportunities to address some of the national problems lie outside the country? The SCDs have typically focused on country-level challenges and have paid insufficient attention to the wider neighborhood of the countries. An understanding of the broader neighborhood would also allow better alignment between the World Bank's country and regional programs, since it would be possible to identify how regional efforts could genuinely complement what is being done at the country level and vice versa.

- **Help identify RI Priority Lending and Analytical Program.** The SA would also help prioritize the regional IDA lending pipeline with the benefit of understanding how these operations address the key regional binding constraints and opportunities. Given that there is chronic excess demand for regional IDA, this would allow a greater degree of objectivity in the pipeline prioritization process. It would also allow identification of knowledge gaps which need deeper analysis and could be included in the regional ASA program.

Broader Parameters for this Sub-Regional Assessment

4. To assess the added value of such sub-regional assessments, it is proposed that the first one be carried out as a pilot. It would be important for the proposed pilot to test out the scope of work, methodology and the nature of analytical questions that an SA could address. Given the overlapping country membership of the various RECs, there would need to be flexibility in identifying countries to be included in any SA. This aspect would need further thought if the SA pilot is to proceed to cover other parts of Sub-Saharan Africa. But, for the purposes of the pilot, it is proposed that this Sub-Regional Assessment focus on the EAC countries. This is because the EAC is fairly compact with five established members and it is also a dynamic REC with strong political leadership and initiatives toward integration and convergence. It is also a sub-region where a lot of underlying analytical work already exists, including poverty assessments and SCDs, which would provide a good basis for undertaking this pilot SA. This pilot will largely be aimed at an internal audience, but based on management guidance the final output may be disseminated in the EAC sub-region.

Analytical Framework for the Sub-Regional Assessment

5. Like the SCD, the SA is expected to identify the most critical *regional* constraints (and opportunities) facing a *sub-region* in accelerating progress toward the goals of ending extreme poverty and promoting shared prosperity. The distinguishing feature of the Sub-Regional Assessment (SA) will be that it will focus on the following ten 'border crossers' – commodities, people, animals, water, electrons, money, diseases, conflict/fragility, voice/data and institutions, prioritized based on the specifics of the sub-region covering the SA. The focus of the SA would be to identify the synergies, gaps, pressure points, obstacles and opportunities for countries to better manage the 'border crossers' to help achieve the poverty and shared prosperity goals for the sub-region. This approach would build upon existing national diagnostics and provide a sub-regional lens for identifying constraints and opportunities.

6. Specifically, the SA will undertake the following analysis:

A. **Key Analysis of the Sub-Regional Development Context**. This part of the SA will identify the key development constraints and opportunities for countries in the sub-region as well as the constraints and opportunities for greater regional integration and convergence. More specifically, it would look at:

i. Economic performance and economic structure. Nature of drivers for poverty and shared prosperity. Nature of investment financing – public and private sector. Identify the characterizing features of the sub-regional economy (for example, a large national economy which is influencing the economic trends in other countries). Identify whether the proximate causes of the key national challenges lie outside of the national borders.

ii. Current levels of integration and convergence among countries in the sub-region. Assess existing regional cooperation agreements and history of social, cultural and diplomatic relations and nature of political economy issues in relations among the countries.

B. **Assessment of the 'border crossers' and how they are being managed.** This part of the assessment would include detailed spatial/mapping and other assessment to identify how these 'border crossers' are currently contributing or could contribute to the further achievement of the twin goals in the countries. The focus would be to look at possible synergies, gaps, pressures points, obstacles, opportunities and likely costs and benefits in the management of these 'border crossers'. It would specifically look at [scope of each area to be revised based on GP inputs]:

i. **Commodities.** current levels of trading within and without the sub-region; transport corridors; cost and time issues in movement of goods; trade facilitation and nontariff barriers; comparative advantage issues.

ii. **People.** levels of migrants from the sub-region in the formal workforce; informal movements across borders; visa and work permit issues; recognition of degrees; and levels of forced displacement and its drivers.

iii. **Animals.** assess the livestock and animal movement corridors across borders; issues of fodder and animal health; levels of processing of and markets for animal products.

iv. **Water.** identify shared waters and its current status and management; issues in cross-border management of the water resources and fisheries.

v. **Electrons.** identify current and planned power/gas generation and demand projections. Assess gaps in physical infrastructure. Assess opportunities and bottlenecks to development of regional power trading. Assess situation of energy access and scope of regional solutions.

vi. **Money.** assess level of development of financial sector development and integration and risks. Opportunities for leveraging private financing on a regional scale. Opportunities for promoting mobile money, remittances etc.

vii. **Diseases.** level of disease surveillance and preparedness. Financing mechanisms for dealing with outbreaks of epidemics.

viii. **Conflict/fragility.** assess cross-border conflict and other fragility drivers. How are they being managed and what opportunities may exist for collective action by countries. Financing mechanisms for dealing with regional disasters.

ix. **Voice/data.** assess constraints and opportunities for addressing voice/data issues across borders. Regulatory and pricing harmonization.

x. **Institutions.** examine current experiences with institutional cooperation at a sub-regional level. Role played by regional bodies (RECs) and their effectiveness in ensuring collective action among countries.

C. **Identify possible drivers and barriers to regional cooperation and integration and prioritize areas for possible World Bank support**: based on the analysis in Sections A and B above, identify possible drivers and/or barriers to promoting further cooperation and integration among countries. Identify possible priority areas for World Bank support based on a set of criteria: likelihood of impact on the twin goals in the countries; extent of 'regional' benefits; fit with emerging RI strategy priorities; likelihood of political support and client interest at the country level; complementarities with other World Bank programs; and likely time horizons for seeing the benefits.

Criteria for Assessing this 'Pilot'

7. As mentioned earlier, this exercise would be carried out as a 'pilot' for the EAC region. The pilot would be assessed based on the following criteria: (i) extent of added value to existing World Bank country products; (ii) relevance of scope and analytical framework used for the pilot; (iii) process adopted for the pilot; and (iv) possibility of rolling out such diagnostics for other sub-regions.

Annex IX: IFC 3.0 and the WBG Sub-Saharan Africa RI Strategy

This note discusses IFC 3.0 in the context of the WBG Sub-Saharan Africa Regional Integration strategy. It provides a brief overview of the IFC 3.0 strategy, and how the WBG Regional Integration strategy is aligned with the overall IFC 3.0 strategy. It also highlights the approach adopted to deploy IFC 3.0 in SSA and how this is built into the implementation of the WBG Regional Integration strategy. Finally, it concludes by providing an overview of three ongoing IFC initiatives fostering regional integration.

Key Statistics for Sub-Saharan Africa

	2014	**2015**	**2016**	**2017**
GDP growth rate (%)	5.1	3.4	1.4	2.6
FDI (% of GDP)	1.6	2.0	2.6	2.6
ODA (% of GDP)	2.7	3.0	-	-
Investment (% of GDP)	21.2	20.4	18.9	19.0
Debt (% of GDP)	32.3	38.2	43.2	45.1

Source: IMF, WDI data

1. The WBG Sub-Saharan Africa RI Strategy and IFC 3.0

1.1. Introduction to IFC 3.0

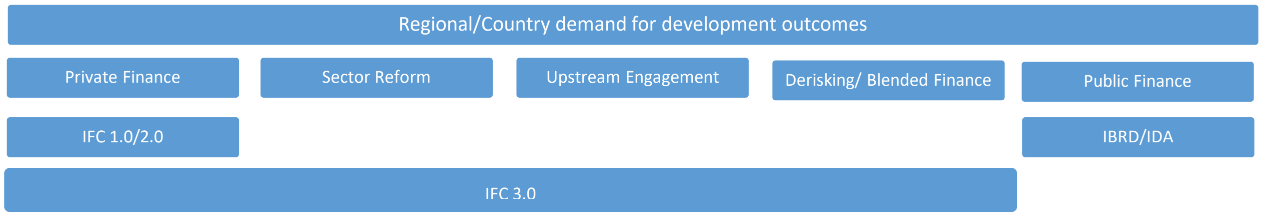
1. IFC's corporate strategy, IFC 3.0, is a manifestation of the current global scenario characterized by persistent developmental challenges in LICs, slowdown in returns from emerging markets, and a plateauing of Official Development Assistance (ODA). Though in Sub-Saharan Africa, ODA (as a % of GDP) is marginally higher than FDI (as a % of GDP), FDI inflows into the region have witnessed an upward trend, increasing from 1.3% in of GDP in 2013 to 2% of GDP in 2015, whereas ODA flows (as a % of GDP) have remained broadly constant at about 3% since 2010. In addition to this, increasing fiscal risk, as indicated by the level of public debt, has reduced the scope for public-investment driven growth. In addition to public investment, overall investment levels have also witnessed a downward trend given the commodity price shock, and poor investment climate. Thus, to drive economic growth and address key development challenges, market-based solutions driven by the private sector will play a leading role. IFC 3.0 takes these issues into consideration and builds on the foundation of its initial phases, IFC 1.0 and IFC 2.0, and develops a holistic and forward-looking strategy.

2. The two key pillars on which IFC 3.0 is based are:

- **Creating Markets.** The Creating Markets pillar is focusing on correcting market failures, creating new markets and demonstrating profitability, promote private sector development in IDA countries, targeted and focused sector-specific interventions, and scaling up advisory services;

- **Mobilizing private investments.** This is based on leveraging internal and external partnerships to mobilize funding from private investors for financing development, through providing complementary facilities such as de-risking, blended finance, advisory support, policy reform and upstream engagement. The following figure summarizes the IFC 3.0 strategy.

Figure 1. Focus areas under IFC 3.0



1.2. Sub-Saharan Africa Regional Integration and IFC 3.0

3. One of the main pillars of IFC 3.0 is the creation of markets, and regional integration is crucial for the creation of sustainable, efficient and functioning markets in Sub-Saharan Africa. Given the landlocked nature and the relatively small population and GDP of some Sub-Saharan Africa countries, regional integration will be essential to expand markets and achieve economies of scale. In conjunction with this, the plateauing of ODA and the fall in commodity prices and expectations of a weak recovery only strengthen the case for diversification and trade to drive growth.

4. The private sector plays a pivotal role in regional integration. It is important to recognize that while national and regional institutions are important as they set up the policy frameworks and agreements, it is the private sector that engages in cross-border trade, investments and financing, and contributes to regional integration. It is also important to recognize that regional integration and private sector participation are mutually reinforcing: private sector engagement can provide the foundation for regional integration, and regional integration further stimulates private sector development.

5. IFC's comprehensive approach to implement the WBG RI strategy builds on the deployment of IFC 3.0 in the region. To create and develop markets across the region alongside the other WBG institutions, IFC is: (i) pursuing value chain and other approaches that create synergies; (ii) using new products and solutions; and (iii) further leveraging internal and external stakeholders.

- **Value chain approach and cross-sector synergies.** The globalization of supply chains and the fragmentation of production processes has created potential new opportunities for developing countries and SMEs to access global markets as components or services suppliers without building the entire value chain of the product

- **Leveraging internal and external stakeholders.** A key pathway for regional integration under IFC 3.0 is to leverage internal resources like IDA PSW, IFC/MIGA own account investments and advisory services, and private sector finance to develop sectors and create markets.

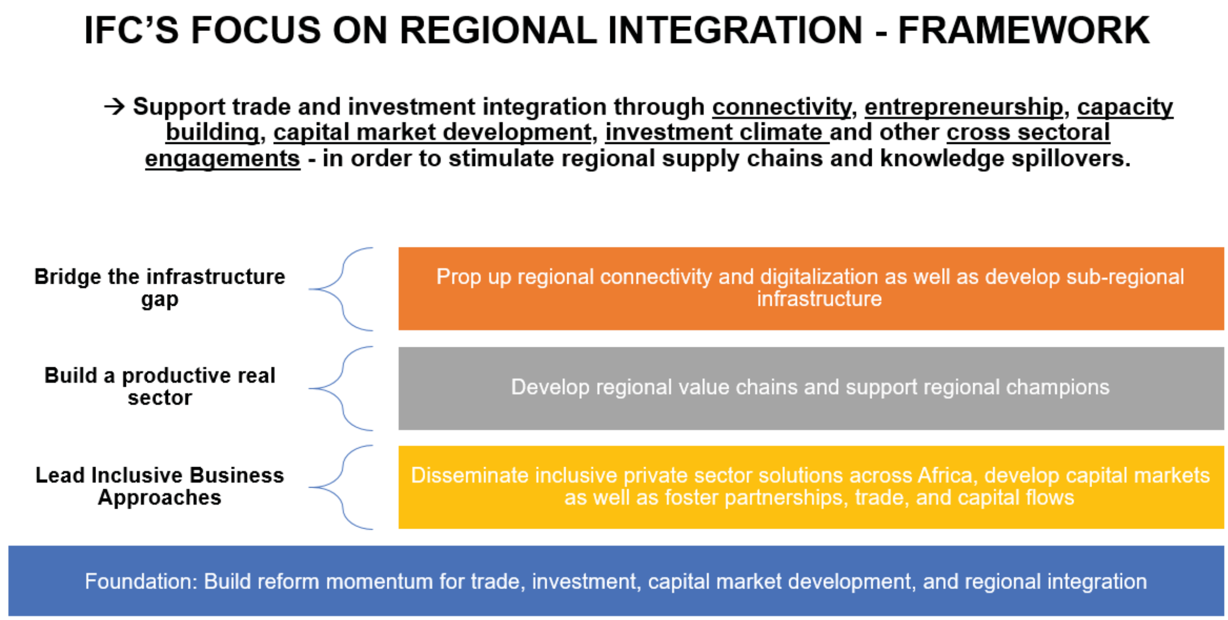
- **Using new products and solutions.** IFC 3.0 also highlights supporting new and innovative products, operating models and solutions as a key aspect of creating markets.

1.3. IFC Sub-Saharan Africa's approach to implement the WBG RI Strategy

6. The approach to implement the RI strategy is well aligned with the IFC's strategic framework for Sub-Saharan Africa and the approach to implement IFC 3.0 in the region. This approach considers both the regional challenges as well as the sectors with the greatest potential for impact. The overall strategic vision is to support trade and investment integration through connectivity, entrepreneurship, capacity

building, investment climate and other cross sectoral engagements, to stimulate regional supply chains and knowledge spillovers.

Figure 2: Approach to implement WBG Regional Strategy



7. This approach is based on three complementary strategic priorities anchored on the foundation of building reform momentum for trade, investment, and regional integration. At the program level, these activities are deployed as follows:

- **Prop up regional connectivity and digitalization as well as develop sub-regional infrastructure**. (1) Leveraging on the WBG Digital Infrastructure/Ecosystem initiative to invest in digital technology through seamless broadband connectivity, regional investment funds and support to innovative and disruptive platforms; (2) Improve sub-regional (physical) infrastructure, and harmonize regulations for greater private sector participation.

- **Develop regional value chains and support regional champions.** (1) develop manufacturing, agribusinesses, and services through supply chain integration and capacity building; (2) facilitate the expansion of regional companies into Low-Income and/or Fragile countries.

- **Disseminate inclusive private sector solutions across Africa, develop capital markets as well as foster partnerships, trade, and capital flows.** support regional financial institutions, promote reforms targeting the financial infrastructure, stimulate trade finance, as well as develop and deepen capital markets at sub regional level, especially in the WAEMU, CEMAC, and EAC (Eastern African Community). and WAEMU.

- **Build reform momentum for trade, investment, and regional integration.** Jointly with the World Bank, scale up regional investment climate programs to improve enabling business environments and harmonize policies and regulations with a specific focus on trade and investment facilitation.

2. Landmark IFC initiatives supporting regional integration

8. **Sahel Irrigation Initiative.** The core Sahel countries are Burkina Faso, Chad, Mali, Mauritania, and Niger. Instability in the Sahel region is driven by land pressures from increasing population growth, environmental degradation, intensifying extreme conditions such as desertification, drought and flash floods, lack of basic infrastructure, especially power and water, and widespread hunger and malnutrition. These factors have created a 'fragility trap' in the region. To enable all the countries in the region to breakout of this trap, the WBG launched a Sahel Initiative, with a coordinated response from IDA and IFC.

9. The IFC is supporting the Sahel irrigation Initiative through advisory services and investments which are focused on creating a market for irrigation and mobilizing the private sector by developing business models which address technical and financial barriers to the adoption of irrigation. This program is already operational in Burkina Faso and Niger. In Burkina Faso, the project is delivering technical assistance in soil water management and supplemental irrigation, and will support access to finance for 1000 farmers in the SOFITEX supply chain. The program is expected to be scaled up in Burkina Faso, with private finance being mobilized for financing the scale-up. Simultaneously, IDA is providing public finance for dedicated public-sector projects in the region. The project is also seeking to align with the initiatives of other development partners like the EU, AFDB, IFAD, and AFD to increase impact and prevent duplication.

10. **CRRH, West Africa.** There is an extensive shortage of affordable housing in the WAUMU/UEMOA region, with the housing shortage being estimated at 3.5 million units. This is likely to increase as the population in the region is growing at the rate of 2.5-3.5% per year. In spite of this, a robust housing market has not developed in the region. Underdeveloped housing finance, and more broadly, regional capital markets remain key issues to demonstrate the viability of housing finance, and develop a strong regional capital market, the IFC and the IDA have adopted a joint approach.

11. In FY 18-Q2, the IFC supported CRRH, a regional mortgage refinancing company that was recently established to address the pressing need for affordable housing, by tapping into the IDA PSW of US$2.5 billion, to purchase local currency bonds worth US$9 million. This is also the first time IFC has tapped into the IDA-PSW funds. Prior to that, IFC had committed equity investment of 1.25 billion CFA franc (US$2 million) in CRRH-UEMOA. IFC's support provides anchor financing and an advisory agreement will enable IFC to support CRRH's goals for the region while encouraging its development. The World Bank, on the other hand, is preparing to offer more comprehensive support for the sector through BOAD and CRRH. IDA Funds are being used as subordinated capital for CRRH to leverage its bond issuances in a manner that crowds in private investors for its low-income housing program. Working together with IDA, IFC was able to provide equity that supported the creation of a housing finance company.

12. **Digital Infrastructure Initiative.** Since 2016, IFC and the World Bank have undertaken a joint initiative called the digital infrastructure initiative, which focuses on the joint development of broadband infrastructure in Africa. This project is based on two pillars: (i) Identifying existing IBRD interventions in broadband connectivity, both regional (for example, Regional Communications Infrastructure Program (RCIP), West Africa Regional Communications Infrastructure Program (WARCIP) and local in nature, that IFC can support by mobilizing private sector investment; and (ii) IFC financing investments that have synergies with IBRD's interventions. IFC is working with the World Bank on opportunities in Senegal, Benin, Zambia, Malawi and the Republic of Congo. IFC has also supported Western Indian Ocean Cable Company Ltd (WIOCC), which is a regional initiative to provide connectivity for the Easy submarine cable

in East Africa developed with support from IBRD. IFC is also considering investing in the first privately owned operator in Comoros following the World Bank's intervention in deregulation.

13. IFC is developing and funding early stage opportunities supporting the WBG's connectivity agenda. An example is this year's IFC's investment in C Squared (metro fiber connectivity in Uganda, Ghana and recently announced in Liberia), which has synergies with WARCIP. The collaboration above on digital infrastructure has also now extended to support the broader development of the digital economy across Africa. IFC is working with FCI and the Transport/ICT Global Practices to build the three main components of the digital economy and that together will address the widening gap between the connected world and the offline world.

3. Expected results from IFC's implementation of the WBG Sub-Saharan Africa RI Strategy

Area	Objective	Development Impact	Feasibility
Deepen and replicate successful relationship with regional champions	Leverage strategic partnerships with regional champions -such as Dangote Cement, Kirene/Agro CI, and Azalai- with the objective of fostering their activities across countries and facilitating their expansion into Low Income and Fragile countries	**High**	**Medium**
Further support trade, investment, financial, and regulatory integration	Leveraging OHADA (Organization for the Harmonization of Business Law in Africa) and regional investment climate programs to improve enabling business environments as well as harmonize policies and regulations	**Medium**	**High**
	Prop up capital market development to support the deepening of domestic capital markets and the issuance of securities in local currency. Replicate the successful collaboration with CRHH	**High**	**Medium**
	Deepen engagement with regional financial institutions	**Medium**	**High**
Expand regional infrastructure	Deploy the Digital Infrastructure and Scaling Solar initiatives across the region with a focus on Low Income and Fragile countries	**High**	**Medium**

Annex X: RI: Client Engagement Model and Overall Program Management

I. Types of clients and engagement model for the RI program

1. In implementing the new RI Strategy, the WBG would deal with three major types of clients - country governments, regional organizations and the private sector. This Annex spells out the engagement model with the clients and how the RI program is organized to implement this model.

Country Clients

2. Country clients remain central to the RI program, as they borrow IDA/IBRD resources for regional projects. Country clients are also critical as they take specific decisions on policy, public spending and institutional actions which heavily influence progress with regional integration. In the absence of carefully coordinated actions at the country-level, it would be difficult to close the big gap that exists between the multitude of regional agreements and their limited implementation by countries. This implies that a large part of the engagement efforts on RI would need to remain at the country-level to promote complementary actions in all countries. The WBG has a well-tested and proven country-engagement model and this would continue to be the basis for engaging with country clients on RI agenda as well.

3. Four specific actions are proposed during RI strategy implementation, including continuation of existing actions which are working well: (i) the existing processes of SCD and CPFs/PLRs would remain the basis for identifying priority national and regional programs for each country. Further efforts would be undertaken, starting with country products being prepared in FY19, for mainstreaming the prospects for regional solutions within these country diagnostics and strategy products. The intent here is to ensure that these documents fully reflect and own the key regional issues relevant to their countries. For each country, the SCD, CPF and PLRs will remain the place to spell out the RI lending pipeline for each country; (ii) the RI strategy document includes proposals for better sector and sub-regional diagnostics to inform discussions with client countries on regional integration. This planned additional sector and sub-regional diagnostic work along with other regional analytical work is expected to further strengthen the overall dialogue on RI and help further mainstream the regional agenda within SCDs and CPFs; (iii) further mainstreaming of RI portfolio issues in country-level CPPRs with a view to improving the portfolio quality of the RI program operating in each country; and (iv) for the World Bank, the RVP's MOU with CDs shows that the responsibility of effective implementation of projects rests with each CD for all national and regional projects which operate in their CMU. This allows all CDs to engage with respective country clients and ensure their continued ownership of specific policy, programming and implementation issues on the RI program.

Regional Institutions

4. The WBG currently engages with over 50 regional institutions of various types and mandates, including the officially recognized RECs. Some of these regional institutions have played a critical role in promoting integration and cooperation measures in close collaboration with the WBG. There is already a strong WBG engagement in bringing countries together within sectors and specific themes of integration. For instance, just during recent weeks the WBG teams have brought together different country governments and regional stakeholders in dedicated platforms to discuss issues like strengthening power pools, improving higher education/STEM, creating agricultural value chains, and addressing environmental challenges in lake basins. There are constant and ongoing efforts of convening around specific themes – either around RI policy coordination issues or around specific regional operational initiatives. These platforms which bring together country and regional clients provide the foundations for

the RI program and it would remain a key part of the effort going forward. In addition, the WBG has organized various high-level events on specific integration and cooperation issues bringing together Finance Ministers and relevant sector Ministers around the Annual and Spring Meetings: SM2016 – two events on promoting irrigation in the Sahel and ID4D for Africa; AM2016 – two events on climate change and strengthening utilities in electricity and water sectors; SM2017 – one event on strengthening agriculture higher education; AM2018 – two events on coastal erosion in West Africa and consultation on the new RI strategy. These efforts will remain central to implementing the new RI strategy.

5. To have a more focused and streamlined implementation of the new RI strategy, two changes are being proposed in WBG's engagement with regional institutions – (i) categorize the regional institutions into different types/intensity of engagement and customize the nature of engagement with these different types of institutions; and (ii) clarify CMU and GP responsibilities in leading on engagement with these countries. The engagement with the regional institutions would also be coordinated with other key development partners like AfDB and EU, building upon the successful joint external consultations carried out by the WBG and AfDB on their respective new RI strategies. The engagement with regional institutions would be based on existing policies for financing these institutions and recognize the limited regional IDA grants that are available to support the regional institutions. Given the varying institutional capacities of the regional institutions, the WBG should be prepared to see variable progress in this engagement and patchy results. Grouping the institutions into four types would make it easier to customize the nature of engagement, manage work-load and clarify division of labor in the WBG.

6. **Continental engagement.** The RVP would lead the strategic engagement with the AUC. The RVP would be supported by a newly-titled position of World Bank Special Envoy to AUC. The Special Envoy will assist in three specific areas: help coordinate WBG engagement on specific continental priorities; keep abreast of wider institutional developments, including the ongoing AU reform agenda; and provide advice on having a coherent engagement between the AUC and the key RECs.

7. **Strategic partners**. It is proposed to have five strategic partners among the regional institutions – this group reflects the strength of the current engagement and the strong overlap with priorities in the new RI strategy. The strategic partners are ECOWAS, WAEMU, CEMAC, SADC and EAC[26]. The nature of engagement with the strategic partners would be broad-based covering multiple areas of integration. The WBG will participate in high-level events with these regional organizations and aim to organize an annual high-level dialogue with them. This dialogue would allow regular monitoring of progress with key elements of integration and priorities for strengthening WBG's ongoing collaboration. The engagement with the strategic partners will be overseen by the RI Coordinating CDs for each sub-region. Where relevant, they would be assisted by the Country Managers based in countries which are home to the HQs of these institutions. These CMs will also be designated as 'World Bank Special Envoy to [name of institution]'.

8. **Thematic partners.** This group represents institutions which play an important thematic or geographical role and where there is a possibility of further strengthening WBG's dialogue with them. The engagement with thematic partners will focus on six institutions – between them they address economic and financial integration, productive integration, and regional fragility issues: BCEAO, BOAD, BEAC, CILSS, COMESA and IGAD. The WBG would engage regularly with them to review relevant aspects of integration and review progress on areas of collaboration. The engagement with the strategic partners will be

[26] These do not exactly match the officially recognized RECs in SSA, which are: COMESA, EAC, ECCAS, ECOWAS, IGAD, SADC.

overseen by the RI Coordinating CDs for each sub-region. Where relevant, they would be assisted by the Country Managers based in countries which are home to these institutions. These CMs will also be designated as 'World Bank Special Envoy to [name of institution]'.

9. **Collaborating institutions.** These are institutions with specific mandates with whom the WBG would interface on relevant aspects of integration or specific programs in the RI portfolio. Examples of such institutions include the regional power pools, river basin authorities, institutions in the aviation, health, education, financial or other priority sectors. As and when there are specific issues of integration which require higher-level policy engagement, these issues would be brought to the attention of stakeholders in the strategic partner category. The engagement with this group of institutions would be typically coordinated by the relevant GP Practice Manager and the relevant RI Coordinating CDs would be kept informed.

Private Sector

10. The RI Strategy recognizes that there has been insufficient engagement with the private sector on the RI agenda. The strategy also underscores the need for a step-change in this regard. External consultations on the strategy also highlighted a strong demand from the private sector to be engaged on policy discussions on integration. During the strategy implementation period, there would be structured regular engagements with the private sector around specific themes of integration (for example, removal of NTBs) or at a sub-regional level (starting with West, East and Southern regions, where the private sector engagement is more developed). The WBG will also facilitate private sector participation in high-level dialogue with the identified strategic partners in line with operationalizing the MFD agenda on integration. IFC would typically lead on preparing for these private sector dialogue and World Bank and MIGA would be involved in specific substantive discussions. The World Bank will also use its engagement with the RECs to facilitate greater engagement of the private sector on specific integration issues.

II. RI Program Management Arrangements

11. The oversight and management arrangements for the WB's RI program are meant to help further mainstream RI in the country dialogue and country operations while continuing to give priority to regional-level engagement. This mainstreamed arrangement has been the practice over the past two years and is delivering on the objectives of the RI program. The RI Coordinating CDs will work with other fellow CDs in ensuring that the sum total of WB's regional and national efforts is delivering significant results. The RI Coordinating CDs will be collectively responsible for three broad functions: the RI program is strategically aligned and coherent and designed to deliver strong impact; bringing together internal and external stakeholders to ensure that the key RI policy and coordination issues are being sufficiently addressed; and ensuring delivery of the RI lending and analytical work. Three Country Directors will take on the additional responsibilities as RI Coordinating CDs for the following subregions:

12. **Western Africa.** CD for Nigeria will be the RI Coordinating CD covering countries in the following CMUs: Mali, Senegal, Cote d'Ivoire, Ghana, Nigeria. This group comprises of countries of ECOWAS and WAEMU.

13. **Central Africa.** CD for Cameroon will be the RI Coordinating CD covering countries in the following CMUs: the Democratic Republic of Congo, Cameroon. This group roughly comprises of countries in CEMAC (and ECCAS).

14. **Southern and Eastern Africa**. CD for South Africa will be the RI Coordinating CD covering countries in the following CMUs: South Africa, Mozambique, Kenya, Tanzania and Ethiopia. This group roughly comprises countries of SADC, EAC and COMESA.

15. The RI Coordinating CDs would be supported by their respective CPCs in Washington and two dedicated CO-based Senior Operations Officers for the RI program. In addition, an Adviser in the RVP Front Office will help the RVP and RI Coordinating CDs on the RI agenda. The Director of AFREC and the unit's partnerships staff would also be closely involved with the external engagement on RI. On the GP side, the overall engagement of RI issues rests with the Directors/Practice Managers. They would continue to be assisted by senior staff (typically GH or senior GG staff) in policy coordination with external stakeholders and preparing and supervising the lending portfolio.

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Annex XII: Map of Africa Region