

INTEGRATING AFRICA

CREATING THE NEXT GLOBAL MARKET



The challenge

Regional integration is a development priority for Africa. All Africans, not just policy makers and decision makers, have a role to play in making integration a reality for the continent. Africa's regional integration challenges are well known. Intra-African trade is the lowest globally – approximately 15 percent compared to 54 percent in the North America Free Trade Area, 70 percent within the European Union and 60 percent in Asia. The continent's difficult physical landscape makes connection between communities, countries, and even entire regions challenging.

These difficulties are mainly due to the limited integration of regional markets for infrastructure services, particularly in power, transport, water and sanitation. Cumbersome policy and regulatory frameworks, and significant non-tariff barriers pose serious challenges and this is further complicated by weak regional economic communities (RECs) that lack capacity and are inadequately structured to make

or even attract necessary regional investments. This is especially significant for fragile countries, as they stand to gain the most from greater integration. Many of their governments have also not worked enough with the private sector and others to develop and upgrade regional infrastructure; improve policies for industries that fit the productive capabilities of countries in Africa (for example, in agriculture and food security); and fully implement protocols of the RECs that governments have signed.

The figures below highlights some of the challenges 'Integrate Africa' must address:

- In 2015, the African Union in its report stated that regional physical infrastructure deficit represented a 2 percentage point loss of growth opportunity for the continent;
- Africa's share of global trade is estimated at 3%;
- Only 13 out of 54 countries offer liberal access (visa free or visa on arrival) to all Africans;
- Africans need visas to travel to 55% of other countries;

Integrate Africa: The Challenge

Limited amount of intra-African trade



Constraints to intra-African trade:

- Lack of infrastructure
- Cumbersome policy and regulatory frameworks
- Significant non-tariff trade barriers
- Limited capacity of regional economic communities

- Accelerate the development of regional power projects through the Light Up and Power and Africa initiative
- Support the development of transport corridors through the infrastructure program
- Help integrate African markets by supporting the development of regional industrial zones and regional standards systems
- Support transboundary programs including basin development, such as Lake Chad, Niger Basin, etc.
- Assist with transboundary animal disease control as part of dairy and beef commodity value chains



Consumer spending in Africa stood at USD 680 billion as of 2010, and is expected to grow to USD 1 trillion by 2020, increasing demand for consumer goods and the potential of intra-regional trade. Intra-African Investment is trending upwards, from about USD 10 billion in 2000 to about USD 55 billion in 2015.



The response

In 2014, the Board of Directors of the African Development Bank approved a new Regional Integration Policy and Strategy 2014-2015 to respond to these challenges. The Bank has moved to strengthen its regional operations. It continues to lead in several continent wide and regional projects targeting both “hard” and “soft” infrastructure (e.g. trade infrastructure and trade facilitation, and energy grid interconnections). These projects are mostly in the context of continental initiatives such as i) the Continental Free Trade Area, the Agenda 2063, ii) The Comprehensive Africa Agriculture Development Programme - CAADP, iii) Programme for Infrastructure Development in Africa - PIDA, and iv) Boosting Intra-African Trade - BIAT.

The Bank has also improved its soft infrastructure support, providing capacity building to support the NEPAD Planning and Coordination Agency (NPCA) and the Tripartite process. It developed a system of indicators for measuring regional integration. It also developed a framework for transport and trade facilitation and knowledge products for value chain development, application of standards, cross-border

mobile banking, international investment flows and regional financial integration. With seed funding from the government of Canada, the Bank established the Africa Trade Fund to support capacity building.

The Integrate Africa priority will be mainstreamed across the other High 5s, and the Bank will fast-track the regional integration continental agenda for which several of the agreed programs are already in place.

The role of the African Development Bank

Despite the challenges, Africa is teeming with opportunities and integration will help unlock the continent’s full potential as the next investment frontier in the developing world.

The vision of the Bank Group, as expressed in the Ten-Year Strategy 2013-2023, is a stable, integrated and prospering continent of competitive, diversified and sustainably growing economies participating fully in global trade and investment. The goal of the Bank Group’s Regional Integration Policy and Strategy is to help realize that vision.

To take the lead in managing the integration process, the Bank has a major role to play in **supporting the mobilisation of resources** for project preparation and implementation. The Bank will **promote public-private partnerships (PPPs)** in infrastructure development—from planning, design, preparation and construction to operations, management and monitoring. They will help ease financial burdens on governments in regional infrastructure, offer expertise and ensure that infrastructure functions effectively.

The Bank will in parallel **encourage countries** to adopt frameworks or international principles to guide private sector participation (PSP) in developing infrastructure. It will also **monitor implementation of projects** that it supports and share best practices.

Overall, the Bank aims to create larger, more attractive markets, link landlocked countries to regional & international markets and support intra-African Trade to foster the continent's development.

“ Regional integration is critical for expanding the size of our markets. We must integrate Africa – grow together, and develop together. Our collective destiny is tied to breaking down the barriers separating us.”

AfDB President, Akinwumi Adesina.



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The High 5 for transforming Africa Le Top 5 pour transformer l'Afrique



The High 5 agenda – five priority actions for the African Development Bank and for Africa – is the AfDB's channel for focusing and scaling up its 2013-2022 Ten Year Strategy, to bring about the social and economic transformation of Africa.

The High 5s are designed to deliver the twin objectives of the Ten Year Strategy: inclusive growth that is shared by all; and the gradual transition to green growth.

The High 5s are: Light up and power Africa; Feed Africa; Industrialise Africa; Integrate Africa; Improve the quality of life for the people of Africa.

Le Top 5, c'est-à-dire les cinq actions prioritaires pour la Banque africaine de développement et pour l'Afrique, constituent le moyen utilisé par la BAD pour concentrer et étendre la mise en œuvre de sa Stratégie décennale pour la période 2013-2022 visant à transformer l'Afrique sur le plan social et économique.

Le Top 5 a pour but de réaliser le double objectif de la stratégie décennale : une croissance inclusive partagée par tous ; et la transition progressive vers une croissance verte.

Le Top 5 est constitué des priorités suivantes : Éclairer l'Afrique et l'alimenter en énergie ; Nourrir l'Afrique ; Industrialiser l'Afrique ; Intégrer l'Afrique ; Améliorer la qualité de vie des Africains.