AfDB’s Policy on Regional Integration

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Context: Why Integrate Africa?

• Africa’s markets for (goods, capital, services) too small and poorly connected

• Intra-regional trade is lowest of all regions
  ✓ 14%-16% compared with other regions: EU (70%), ASEAN (40%), North America (54%), Latin America (20%)

• Geographically isolated: landlocked countries (16), small island states, fragile states

• RI will help to create larger and more competitive markets

• RI facilitates cooperation to deliver regional public goods

• Efficiency & better resource allocation through RI (via enhanced movement of factors such as labour & capital)

• Responding to continental, REC and RMCs initiatives
  ✓ Agenda 2063: RI is a central pillar of the vision
  ✓ PIDA: provides framework for regional infrastructure development
  ✓ BIAT: identifies programs that can increase intra-African trade
  ✓ CFTA: fast tracks consolidation of regional free trade areas
  ✓ REC initiatives: e.g. Tripartite; infrastructure priorities, etc.
  ✓ National initiatives

Economic integration is key to Africa’s economic transformation
The Bank’s Approach

Bank’s Strategic Priorities

Bank Ten Year Strategy (TYS)
- Inclusive Growth
- Transition to green growth
  - RI is one of the 5 core operational priorities

Bank’s High-5:
- Light-up & Power Africa
- Feed Africa
- Industrialize Africa
- Integrate Africa
- Improve the living conditions of people of Africa

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Regional Integration Priorities

Infrastructure Connectivity (hard & soft)
- Develop transport corridors and logistic services & hubs
- Improve access to reliable energy supply: energy markets including power pools & interconnections
- ICT fiber-connectivity and digitization of the economy
- Trans-boundary water resource management
- Infrastructure Project Preparation
  - USD68 billion gap, PIDA PAP alone

Trade, Investment and Finance
- Trade Facilitation: addressing thick borders and transit issues
- NTMs, SPS etc
- Regional value chains development
- Factor market integration: Talent mobility, Financial Sector integration
- Trade Finance
- Support commodity-based VCs

Customize approaches to account for regional differences
- Trade related capacity building (RECs, RMCs, Power Pools, Corridor Management Institutions, etc.) for cohesion from EWS, project preparation & implementation
- Knowledge products

Programing tools
- RISPs
- CSPs
Integrate Africa High-5: What’s New?

Addresses cross-cutting issues across the Hi-5s

Added attention on tackling Soft Issues:
- NTBs; the Cost of Borders, Transport Facilitation, Capacity building, Regulatory and policy issues
- Creating larger energy markets, centres of excellence for training and regulatory reform, Talent Mobility, Capacity building, working with Power Pools, Utilities, Regulators, etc.

Scale up the role of the private sector: both as source of financing and source of solutions

Pay added attention to regional variability: SIDs, LLCs, MICs, transition states, etc.

A more decentralized approach & improved coordination for enhanced delivery
How the Bank Delivers its RI Support

**Financing instruments**

**ADF Window: Concessional Resources**
ADF 14: UA4.2bn

- RO Envelop: UA869m
- Performance Based Allocation: 2.3bn
- TSF: UA711m

**ADB Window: Non-concessional Resources**

- Sovereign loans: MICs
- Private sector: (LIC, MIC)

**NTF, Thematic Funds, Bilateral Trust Funds**

**Capacity building**
- Knowledge products
- Advocacy
- Policy Dialogue
- Infrastructure (hard & soft)
- Project preparation
- Private sector operations
Regional Operations Incentive Mechanism

- Total Resources Available for RO Envelope: UA 869m of which:
  - RO: UA 739 m
  - RPG: UA 130 m

- Resource Leveraging for regional operations
  - non-TSF countries - 1:1
  - TSF countries - 1:1.5

- Project must include soft infrastructure element
- Must be prioritized in RISP
- Alignment with the Hi-5
- PIDA priority - for infrastructure
Opportunities for the Private Sector...

1. Regional Infrastructure
   • Contractors
   • Consultants
   • Suppliers of goods and services
   • Opportunities for sub-contracting arrangements, Joint Ventures & participation in value chains for SMEs

2. Financing & Investment Mobilization
   **Private Sector Financing**: Private sector can participate in PIDA projects (e.g. through PPPs): USD70-USD100 bill of business opportunities by 2020
   **Dedicated Investor Platforms**: Partnership between the Bank and private sector institutions to convene dedicated platforms (e.g. public & private on specific PIDA projects to mobilize financing)
   **Infrastructure Skills Training**: Skills training in specific infrastructure sectors to develop a core infrastructure expertise in Africa around PIDA Projects

3. Business Environment
   • Improved infrastructure: SEZ, transport, energy, ICT, water
   • Improved policy & regulatory environment

4. Private Sector Pipeline
   • Industrial sector projects (more on this in Session III)
   • Agricultural value chains
   • Financial Sector
   • Trade Finance (RPAs, TFLOC)
Opportunities for the Private Sector…

• Examples Investment Opportunities in East Africa (PIDA-DAA), EAC IAP

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<thead>
<tr>
<th>Transport Projects</th>
<th>Energy Projects</th>
<th>ICT Projects</th>
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<tbody>
<tr>
<td>Dar es Salaam Port expansion</td>
<td>Zambia-Tanzania-Kenya (ZTK) Project</td>
<td>Rwanda Innovation Fund (UA28million, prepared)</td>
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<td>Juba-Torit-Kapoeta Nadapal-Eldoret Project</td>
<td>Ruzizi III Hydropower Project</td>
<td>Digital Government (Kenya)-UA50m, identified</td>
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<td>Kampala-Jinja Road Upgrading Project 2017</td>
<td>Ethiopian-Kenya power interconnection (UA 225 million)</td>
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<td>Mombasa - Nairobi– Addis-Ababa road corridor phase III (UA105 m)</td>
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<td>• 200km of new road</td>
<td>• Improved road asset management system</td>
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<td>• construction of road side amenities between Hawassa and Agaremariam.</td>
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<td>Expansion of JKIA (USD189million-set for approval in Q4, 2017)</td>
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### Some Useful Contacts

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<thead>
<tr>
<th>Name</th>
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Thank you