Chapter 4

Integrate Africa

Greater integration of African economies is essential to economic growth and development that benefits most people across the continent. Regional infrastructure services and easier cross-border travel and trade create wider, more competitive markets that help businesses thrive and consumers access the goods they need. For agriculture, economic integration creates important opportunities for producers, agro-industries, traders and consumers.

This chapter sets out Africa’s progress on regional integration, using indicators from Level 1 of our new Results Measurement Framework (RMF). We also review the results of the Bank’s efforts on regional integration (from Level 2 of the RMF) and highlight lessons learnt from our work. We present our plans to rapidly scale up our programmes to address the challenges ahead, and also discuss how regional integration will support agricultural transformation across the continent.

Bringing about regional economic integration

For many decades regional integration has been a goal for African leaders, and a key priority for the Bank. The African Union Heads of State and Governments have been consistently clear about the priority they attach to integrating Africa. Policymakers also recognise that regional economic integration is fundamental to increasing competitiveness, trade, and the economic growth needed for reducing poverty.

Better transport infrastructure—roads, rail, air and water navigation facilities—is critical for linking producers and consumers across national boundaries and building regional markets. Cross-border roads, including regional transport corridors with trade facilitation measures, dramatically reduce the time and costs involved in intra-Africa trading, particularly for landlocked countries.

Regional power pools, with large-scale investments in power generation that cut across borders and with regional transmission lines, create opportunity for energy trading between countries with surplus generating capacity and those with deficits. Investment in regional power infrastructure enables millions of people and businesses throughout Africa to access electricity at much more competitive rates. The spread of ICT across the continent is also a major success story, with high-speed international fibre connectivity now delivering broadband Internet services.

Nonetheless, there remains enormous scope and need for investing in regional infrastructure and integration, to attract investment and create larger markets and competitive agricultural and other businesses. In 2014, foreign direct investment into Africa was $54 billion—just 4.4% of the global total.

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In 2016, intra-African trade was just 15% of total trade, although some regions have made a start in scaling up trade; In East Africa, for example, the intra-trade level is as high as 25%. The cost of trading across borders within Africa is $2384 per 20-foot container by sea transport, a serious barrier to trade that hinders economic development.

Of Africa’s 54 countries, 19 are categorised as deeply and broadly integrated, with policies and legislation that promote freer movement of capital, goods and people, enabling investment and trade to take place with fewer barriers. However, only 13 countries have liberal visa policies enabling Africans to move easily between countries—slower progress than expected.

Africa’s Regional Economic Communities (RECs) show steady progress, with a performance index score at 0.47 on a scale of 0 to 1. They coordinate regional activities and help develop and implement the integration agenda agreed by national governments. RECs continue to need capacity strengthening, and regional structures need improved governance.
For example, in West Africa, the Economic Community of West African States (ECOWAS) has put in place the legal framework for a customs union, deepening trade integration. The Tripartite Free Trade agreement across southern and eastern Africa, representing 26 countries, was launched in 2015. Awaiting country ratification, it is not yet implemented. In addition, in 2016 the African Union and the UN hosted a conference on the proposed Continental Free Trade Area, with a view to concluding a deal by 2018.

The Bank’s catalytic role in developing regional infrastructure

As part of our emphasis on regional integration, we work closely with other development partners to catalyse private sector investment. We now have a range of financial instruments to help share the risk of investing in large projects, such as partial risk guarantees that cover private investors against the risk of a government’s failing to perform its contractual obligations.

We are also engaging with financial markets to raise capital for investment in infrastructure. We have signed an agreement with the African Securities Exchanges Association, the apex body of African stock exchanges, with a view to increasing finance for regional infrastructure by deepening and connecting financial markets.

Results of regional integration programmes

In 2016, we constructed or rehabilitated 540 km of cross-border roads, which was below our target of 983 km because of delays in our operations. We are rehabilitating the Lome-Ouagadougou corridor, repaving 300 km of road and giving training in road maintenance to young people. The project has increased traffic volumes and reduced journey times between the two cities by 5 days. The impact of the project also reaches far and wide, through the five economic capitals and the port city, because the road intersects with the 1022 km-long Abidjan-Lagos Corridor (see Figure 11)—a corridor that generates 75% of trade in ECOWAS.

Togo’s maritime sector has expanded, generating tax revenues and enhancing links with local transport businesses. We increased the capacity of the port at Lome by building a new container terminal to meet the growing trade demand from Burkina Faso, Mali, Niger and Nigeria. The investment stimulates competition in the shipping market, driving efficiencies that reduce costs for importers and exporters. Our investments also include air transport (see Box 9).

Table 4 Integrate Africa indicators (Level 1 & Level 2)

<table>
<thead>
<tr>
<th>INTEGRATE AFRICA INDICATORS—PROGRESS IN AFRICA (LEVEL 1)</th>
<th>ALL AFRICAN COUNTRIES</th>
<th>ADF COUNTRIES</th>
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<tbody>
<tr>
<td>Intra-African trade as a proportion of total goods’ trade (%)</td>
<td>14.6</td>
<td>15</td>
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<tr>
<td>Cost of trading across borders ($)</td>
<td>2384</td>
<td>2384</td>
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<tr>
<td>Regional economic communities’ average score (scale, 0 Low —1 High)</td>
<td>0.47</td>
<td>0.47</td>
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<tr>
<td>Deeply and broadly integrated countries (number)</td>
<td>19</td>
<td>19</td>
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<tr>
<td>Countries with liberal visa policies (number)</td>
<td>13</td>
<td>13</td>
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<tr>
<td>Transport: cross-border roads constructed or rehabilitated (km)</td>
<td>380</td>
<td>540</td>
<td>983</td>
<td>9830</td>
<td>380</td>
</tr>
<tr>
<td>Energy: cross-border transmission lines constructed or rehabilitated (km)</td>
<td>..</td>
<td>..</td>
<td>360</td>
<td>3600</td>
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Note: Achieved 95% or higher of the 2016 target
Achieved less than 95% of the 2016 target but above baseline value
Achieved less than the baseline
Data are not available to measure progress

Figure 11 Abidjan-Lagos corridor: Decreasing time to cross-borders

![Figure 11](image-url)

Source: Abidjan-Lagos Corridor Organisation

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To improve trade, countries need reliable access to energy. Many countries are too small to develop efficient national grids, and some landlocked countries depend on imported oil to fire thermal plants—a costly and unsustainable approach. Therefore, African countries are joining together in regional power pools to share electricity and generate economies of scale. While no operations delivered cross-border transmission lines over the past three years, more results will trickle in the coming years and our past investments are bearing fruit. In 2013, we provided 30% of a $476 million networks interconnection project linking Côte d’Ivoire, Liberia, Sierra Leone and Guinea with 1357 km of transmission lines. Now that the international treaty providing the framework for project realisation has been signed by all four countries, the project is fully functional and is about to conclude the necessary power purchasing and transmission service agreement. In 2015 the Bank committed to expand this power pool to neighbouring countries, such as The Gambia and Senegal (see Figure 12). It also conducted feasibility studies for connecting Nigeria and Benin.

African countries are joining together in regional power pools to share electricity

One critical constraint to developing regional infrastructure is the limited investment pipeline. Our support to Infrastructure Project Preparation Facility of the New Partnership for Africa’s Development (NEPAD) enables the preparation and appraisal of regional projects to attract finance for implementation. In 2016, we provided eight grants to develop bankable projects. One $5.9 million grant was used to prepare a major power interconnector investment involving Nigeria, Niger, Benin and Burkina Faso, which has since received financing pledges for the full $682 million investment, a major achievement of the Bank in the region. We are also developing our investment pipeline in innovative areas, such as by opening up business opportunities for women along the energy value chain in West Africa.

We will accelerate our work to promote larger and more integrated markets

We also financed studies and workshops to identify constraints to infrastructure services and develop consensus on future development needs. Topics included expanding aviation services, improving sustainable urban transport and mobility in five African cities, and promoting transport and trade facilitation in the West African Economic and Monetary Union.

To improve our future programmes, we will feed in lessons from our investments in regional integration. Four key lessons are set out in Box 10.

**Box 9 Enhancing air transit through supporting airports and fleet expansion**

The first flights will soon be landing at, and leaving from, Dakar’s new airport. A long-term solution to traffic management and an important aspect of connecting African countries, the Blaise Diagne airport has been built to accommodate up to 10 million passengers and 80 000 aircraft movements annually. With an investment of €70 million from the Bank and for a total cost of €525 million, the project will create about 500 direct jobs, develop skills, and help establish many more indirect jobs. The Bank also supported the just-opened Marrakech-Menara airport in Morocco.

Development of airports is only one aspect of our support to the aviation sector. In 2011, we designed a corporate loan to help Ethiopian Airlines set the standards for airlines in Africa in operating modern and fuel-efficient fleets. Expanded capacity on long-haul routes and aircraft replacement were two of the project results that contributed to make Ethiopian Airlines one of the top African airlines. Building on this success, in 2016 the Bank approved a new $159 million financial package to the airline, which is based in Addis Ababa, the most connected city in Africa.

**Figure 12 Connecting the electricity grids of West African countries by 2020**

We are investing in transport and energy infrastructure and supporting a range of “soft” or institutional infrastructure. As Africa’s main financier of regional programmes, we are well positioned to build on our knowledge and experience. We will accelerate our work, in conjunction with African governments, donors and the private sector, to promote larger and more integrated markets.

**Integrating and expanding markets**

Many African economies have been held back by their small market size, which can constrain investment and lead to less efficient domestic producers. Regional integration creates larger
Box 10 Lessons from our programmes to support regional integration

What has worked well

Promoting government commitment to regional regulations

Efforts should be made to ensure that governments implement and enforce agreed regulations on regional projects. In the Bamako-Ouagadougou-Accra corridor investment, the project actively encouraged governments to maximise project benefits by enforcing regulations on axle loads and numbers of checkpoints. In addition, recording how far these regulations are enforced will be useful when preparing and discussing new regional projects.

Promoting project activities for women

Careful planning is needed to ensure gender mainstreaming in projects. In DRC, the regional integration Lake Tanganyika programme provided infrastructure inputs and seeds exclusively for women and monitored the number and proportion of women attending training events on responsible fisheries. Planning activities and monitoring participation by gender will achieve project results for women.

What has not worked so well

Improving project monitoring

If data on project indicators are not routinely collected, monitoring cannot inform project supervision. In the multinational Nacala Road Corridor Development Project in Malawi, the lack of monitoring and evaluation expertise led to inadequate reporting on project indicators. When designing a project, the Bank and its partners should consider recruiting a monitoring and evaluation expert in the executing agency to ensure that quarterly progress reports are prepared.

Ensuring high quality at entry for regional projects

High-quality technical studies are needed when preparing complex regional investments. For the Tema-Ouagadougou transport corridor and Niamey-Ouagadougou transport facilitation project, the studies prepared ahead of the project were of low quality, and therefore of limited operational use. As a result, extensive feasibility studies were needed after contracts had been signed and the project initiated, causing delays. In future, we should ensure that independent experts provide quality control of the technical studies used to prepare projects.

We will work to deepen Africa’s financial infrastructure

In the agriculture sector, there is extensive trade in produce across African borders, but most of it is informal and small in scale. Improving regional infrastructure and reducing barriers to trade will help link farmers, traders, and agro-industries into regional agricultural supply chains and larger markets, allowing them to become more business-oriented and competitive, achieve greater value-added, and reap greater returns. It will create jobs in agriculture and encourage investments in innovative solutions to particular agricultural challenges, such as managing the trade logistics of perishable or bulky goods. Countries are also working together on pest control and uniformity in food standards.

A key part of the regional integration agenda is expanding infrastructure services to help businesses trade. The Bank will scale up investments in areas such as power, transport and ICT infrastructure, in line with the Programme for Infrastructural Development in Africa, the successor to NEPAD’s long-term plan. We will play a leading role in facilitating and broking agreements on major regional projects that create infrastructure services for many people.

Our integration efforts will facilitate not only the movement of goods and services, but also the movement of investments through more efficient regional financial systems, and of people through visa reform. We will work closely with RECs and national authorities to develop soft infrastructure, including ICT, strengthen institutional capacity and rationalise the many rules, procedures and practices that hinder trade and deter investment. To promote financial stability and help businesses access capital and finance, we will work to deepen Africa’s financial infrastructure. And we will continue to promote a freer flow of people between countries, building on examples such as Rwanda, Ghana, Mauritius and Benin, which have exempted all Africans from the requirement to obtain an entry visa before traveling. In another clear signal of Africa’s move toward integration, in 2016 the African Union started to deliver the African Passport to selected people as a powerful symbol of an integrated continent.

With our support for the many aspects of integration, including in the agriculture sector, we expect to help Africa take a major step in its development.

New regional integration programmes

Under our Integrate Africa Strategy, which will be finalised in 2017, we are scaling up our operations to Integrate Africa by supporting regional economic integration. We will bolster talent mobility and improve the business climate to attract foreign direct investments. Over the next three years, our targets are to construct or rehabilitate 2681 km of cross-border roads and 2059 km of cross-border transmission lines.

Regional integration is instrumental to promoting trade and cooperation between countries

We will promote access to finance through a new multinational investment. In West Africa, we are supporting the West African Development Bank to enable businesses operating across the region to access the finance they need to invest and grow.
In Niger and Chad, we are investing in an ICT multinational project that will install an optical fibre backbone across the Sahara. This will help increase the coverage of internet services, improve communications and enhance the productivity of businesses.

Regional integration is instrumental to promoting trade and cooperation between countries. Our support demonstrates that we can deliver impact and reinforce a sense of solidarity, political will and commitment to bring African countries closer to one another.