I. Project Context

Country Context

A. Regional Context
1. Africa has experienced robust economic growth. Economic activity remains strong in much of Sub-Saharan Africa (SSA), with the pace of GDP growth in the region projected to strengthen to 4.9 percent in 2013 (Figure 1). While growth has been driven in part by high prices and strong demand for commodities, it is also a result of sound macroeconomic policies and improved governance. The CPIA indicates that the policy framework for non-fragile states in Africa is as good as in developing countries elsewhere (Figure 2). The continent is also more business-friendly — since 2005, 17 of the 50 countries that have made the most progress in improving the business climate are in Africa.

2. Growth has unleashed opportunities. African countries are increasingly seen as investment destinations rather than as recipients of assistance—private flows to SSA now stand at $50 billion, more than foreign aid. Much of this is channeled into extractive industries, given that the continent
is exceptionally well endowed with natural resources. It boasts over 15 percent of the world’s oil reserves, 40 percent of its gold, and about 80 percent of the platinum group of metals. Much of Africa’s natural resource wealth remains unexplored, and substantial new findings occur on a regular basis.

3. There are also other opportunities for investment, particularly in infrastructure and agriculture. In energy, there is $25-30 billion investment gap and African governments are increasingly turning to PPPs. Agriculture and agribusiness together are expected to be a US$ 1 trillion industry in SSA by 2030. The continent also represents a potentially huge market. It currently has 1 billion people, with a middle class of 300 million that is growing as incomes increase.

Figure 2: Governance and Public Sector Management in Africa

4. Growth and opportunity have resulted in a new level of optimism and confidence on the part of African leaders and the civil society as a whole. African countries see themselves as contributors to global progress and prosperity, and are pursuing mutually beneficial relationships with a variety of partners. There is increased demand from within the continent for greater accountability, better governance, and improved provision of services from governments that they have elected.

Sectoral and institutional Context

5. African institutions have also become more forward-looking and assertive. In 2002, the African Union (AU) replaced the Organization of African Unity. The AU’s overall objective is the accelerated political and economic integration of the continent, and its mandate reflects the broad range of development challenges confronted by Africa at the beginning of the 21st century. Its Constitutive Act embraces democracy, good governance, sustainable economic growth and integration into the global economy, and provides a specific mandate to promote peace and security. The African Union Commission (AUC) has assumed an increasingly proactive role as the operational administrative arm of the AU, and has built synergies with the African Development Bank and the UN Economic Commission for Africa. As a result, the continent’s institutional architecture has been revitalized.

6. But despite progress, several challenges remain. According to Afrobarometer’s 2013 survey of over 50,000 people across 34 countries, “Africa's breakneck growth is not improving the lives of ordinary citizens across the continent.” Poverty remains unacceptably high, with nearly one out of every two people living in extreme poverty. While some countries have made significant strides in recent years, the continent as a whole lags behind in achieving the MDGs. Growth has not led to significant job creation, and inequality is growing in many countries. SSA’s infrastructure is by far the most deficient and costly in the developing world: its overall electrification rate is 30.5%, and 600 million people do not have access to modern energy sources. Although there have been significant improvements, women remain legally, socially and economically disadvantaged throughout much of the continent, and continued high population growth rates prevent a number of countries from reaping the demographic dividend that helped spur Asian prosperity.

7. African member states are seeking to transform the continent and have articulated a vision for transformation, with a call to action to accelerate development and improve peoples’ lives. Reflecting a new assurance and determination to chart the continent’s future, member states requested the AUC, together with the AfDB and UNECA, to develop a 50 year continental
development plan at the 21st Ordinary session of the Assembly of Heads of State and Government of the African Union in May 2013. Agenda 2063, which was adopted by member states in January 2014, calls on all segments of African society and institutions to work together to build a common future and builds on existing strategic frameworks. It places particular emphasis on partnership, knowledge and achieving results, and on African ownership and leadership. (See Annex 7 for details).

8. To fully realize its potential, the continent must move from a narrow base of economic growth to transformation, and regional integration will play a critical part. To do this, African countries need to individually and collectively take steps to diversify their economies, increase productivity and competitiveness, continue to improve governance, expand their human resource base, and significantly reduce poverty and inequality. Greater regional integration is an essential element of this transformation. In addition to bolstering national efforts, regional integration enlarges markets and improves competitiveness, promotes collaborative management of cross-border natural resources and cooperative approaches to shared problems, and achieves economies of scale and scope in provision of regional public goods. The continent’s infrastructure agenda is inherently regional, and intra-regional trade would foster greater economic opportunity. Despite its obvious benefits, progress toward real integration has been relatively slow, in part because it requires action on the part of both groups of diverse countries and the continent as a whole.

9. As the continent’s preeminent institution, the African Union Commission (AUC) has an important role in stimulating this collective action through an increased focus on economic development and the regional integration aspects of it (See Figure 3 ahead). It has already begun the process with the adoption of continental programs such as PIDA (the Programme for Infrastructure Development in Africa), CAADP (the Comprehensive African Agriculture Development Programme), and CFTA (the Continental Free Trade Agreement), which are themselves transformational in nature and which can only be implemented through collective action. Given Agenda 2063’s scale of ambition, the AUC now needs to achieve the same success in promoting and supporting economic development as it has done in fostering peace and security. This will place additional demands on the AUC, requiring substantial improvements in capacity and operational efficiency. The AUC is aware of both the need for increased attention to economic development, including implementation of agreed programs, and for strengthened institutional capacity, as reflected in its strategic plan for 2014-2017.

10. Since its inception, the African Union has achieved important milestones. It has helped to raise normative standards on issues of democracy, governance, accountability and transparency, and extra-constitutional transfers of power are sanctioned. Its convention on preventing and combating corruption and its non-aggression and common defense pact have made substantive contributions to international law. It has been particularly successful in the area of peace and security, specifically by setting up the African Peace and Security Architecture (APSA), which often involves both Regional Economic Communities and the UN. APSA is based on the premise of collective responsibility and proactive engagement, and covers conflict management and mediation efforts as well as peacekeeping operations. For example, in recent years, African-led peace support operations have taken place in Sudan, Somalia, the Central African Republic and Mali. And although conduct of elections varies among countries, the principle of democratic participation is widely upheld, and the AU has successfully used the good offices of some former, as well as current, leaders to promote good governance and sustainable development.
11. More ambitious collective action requires strengthening African institutions. The AUC has been setting norms and standards; coordinating actions by member states, RECs and other stakeholders; advocating Africa’s position in the global arena, and performing other institutional functions by generally adopting a top down, consultative and subsidiarity approach. Its move towards a more facilitating and catalyzing role—from peace building and security, to increased (or equal) emphasis on economic development—requires appropriate adjustments to incentives for stakeholders, as well as to institutional arrangements within the AUC and other AU organs, based on pragmatic assessments of stakeholders’ strengths and weaknesses. It would also require an emphasis on harnessing the political will, trust, reputation and legitimacy of African leaders, all through the process of strengthening the AUC’s economic development footprint. Efforts that strengthen collective action also need to employ multiple approaches customized to suit situations that allow for continuous learning and adaptation.

12. The AUC is a new frontier for Bank support, and reflects the role that member states have assigned to it in the process of economic transformation, based on its peace and security track record. The World Bank Group has supported the following collective action programs for sub-regional integration, and gained useful lessons for continent-wide support: (i) The Accelerated Program of Economic Integration (APEI), which is based on variable geometry principles involving Seychelles, Mauritius, Malawi, Mozambique and Zambia; (ii) The Trilateral Agreement between Kenya, Uganda and Rwanda, which aims to boost intra-EAC trade and integration in the region, as well as the broader and more ambitious EAC Common Market Agenda, which includes WBG support to the Heads of States of the Trilateral in order to accelerate economic integration in East Africa; (iii) the Sahel and Great Lakes Initiatives in collaboration with the UN, AfDB and the AUC; and (iv) an IFC led program to develop an EAC Scorecard that benchmarks progress in Trade Integration; among other initiatives.

13. A strengthened AUC and AU Organs will add stimulus and direction to the transformational agenda. The AUC faces capacity challenges which can be addressed by establishing accountability mechanisms for reporting on commitments; counterbalancing the potential for powerful member states and stakeholders to grab the lion’s share of benefits from collective action; taking proactive initiatives so that disadvantaged groups such as women and youth can organize themselves to protect their interests; strengthening legal capacity for regional integration and harmonization of laws; expanding knowledge for stakeholder awareness and buy-in; and learning from past reforms promoted by AUC and development partners and offering support to pilot projects that pioneer innovative ideas that could stimulate sustainable collective action for people-centered results (see Section B ahead and Annex 7 for details).

II. Proposed Development Objectives
Strengthen AUC’s capacity to facilitate economic development results and transformation through enhanced institutional efficiency. This will be achieved by means of enhancing the AUC’s internal human resources and management systems, and supporting result-oriented external partnerships and collective actions designed to enhance the implementation of regional economic development initiatives in priority areas (e.g. regional trade, energy, infrastructure, governance, natural resource management) relevant to the AFR IDA portfolio for the benefit of African Union member states, the Regional economic communities and African citizens.

III. Project Description
Component Name
IV. Financing (in USD Million)

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Project Cost:</td>
<td>25.00</td>
</tr>
<tr>
<td>Total Bank Financing:</td>
<td>25.00</td>
</tr>
<tr>
<td>Financing Gap:</td>
<td>0.00</td>
</tr>
<tr>
<td>For Loans/Credits/Others</td>
<td></td>
</tr>
<tr>
<td>BORROWER/RECIPIENT</td>
<td>0.00</td>
</tr>
<tr>
<td>IDA Grant</td>
<td>25.00</td>
</tr>
<tr>
<td>Total</td>
<td>25.00</td>
</tr>
</tbody>
</table>

V. Implementation

14. As per the AUC Chairperson’s letter of May 3, 2013, AUC has requested Bank capacity building support and has assigned a team to prepare the project through a participatory process. Previously, the Bank had also received a Project Preparation Advance (PPA) request to develop implementation plans that are consistent with Bank policies and procedures. This project preparation team comprises of AUC experts in procurement, financial management, communication, IT, conference services, protocol, facilities, planning and M&E, among others. For project implementation, a technical Project Coordinator will be appointed acceptable to the Bank, which will coordinate the technical work of different AUC experts and that of additional consultants (e.g. specialists in procurement, information technology, IPSAS, institutional development and HRD) that will be needed for project implementation (that is the overall project management team). Project implementation will take into account existing AUC structures and avoid duplication. It will also conform to the AUC financial rules and regulations as per the statutes of the AU 2014, whereby Chairperson is the accounting officer of the AU, and the Deputy Chairperson is the controlling officer of the AUC. The participatory process of consultation with various AUC department staff and development partners will continue during project implementation to promote ownership of institutional improvements and will be a key responsibility of the project coordinator and the rest of the implementation team (See Annex 6 for a partial list of persons who have worked on the project).

15. The Project is results-based by design and requires learning reviews at high management levels. The results are a subset of the AUC Third Strategic Plan 2014-17. The AUC seeks to deploy a learning-by-doing –results approach in which coherent results packages are defined, budgeted, implemented and assessed in order to create focused commitment, generate results, and develop the motivation and momentum for taking on subsequent tasks. As needed, support will be provided to the Office of the Chairperson and Deputy Chairperson to lead project learning and implementation reviews. The Project Coordinator will coordinate with different AUC departments and have the responsibility to take day to day decisions for project implementation.
VI. Safeguard Policies (including public consultation)

<table>
<thead>
<tr>
<th>Safeguard Policies Triggered by the Project</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental Assessment OP/BP 4.01</td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>Natural Habitats OP/BP 4.04</td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>Forests OP/BP 4.36</td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>Pest Management OP 4.09</td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>Physical Cultural Resources OP/BP 4.11</td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>Indigenous Peoples OP/BP 4.10</td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>Involuntary Resettlement OP/BP 4.12</td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>Safety of Dams OP/BP 4.37</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Projects on International Waterways OP/BP 7.50</td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>Projects in Disputed Areas OP/BP 7.60</td>
<td></td>
<td>x</td>
</tr>
</tbody>
</table>

Comments (optional)

VII. Contact point

World Bank
Contact: Waleed Haider Malik
Title: Sr Public Sector Mgmt. Spec.
Tel: 473-9237
Email: wmalik@worldbank.org

Borrower/Client/Recipient
Name: African Union Commission
Contact: H.E. Jean Ping
Title: Chairperson
Tel: 251-551-7844
Email:

Implementing Agencies
Name: African Union Commission
Contact: Citizens and Diaspora Directorate (CIDO)
Title: 
Tel: (251-11) 551-3822
Email: cido@africa-union.org

VIII. For more information contact:
The InfoShop
The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 458-4500
Fax: (202) 522-1500
Web: http://www.worldbank.org/infoshop