Validation workshop on the Draft Feasibility Study
on the African Integration Fund
05-06 December 2013
Johannesburg
SOUTH AFRICA

REPORT
I. INTRODUCTION


II. ATTENDANCE

2. The following Member States were present: Algeria, Burkina Faso, Burundi, Cameroon, Comoros, Congo, Cote d'Ivoire, Ethiopia, Ghana, Kenya, Mauritius, Namibia, Senegal, South Africa, Swaziland, Tanzania, Tunisia, Zambia and Zimbabwe.

3. The following RECs were present: the Common Market for Eastern and Southern Africa (COMESA), the Economic Community of Central African States (ECCAS), and the Inter-Governmental Authority for Development (IGAD).

4. Also represented at the meeting were the African Union Commission, African Development Bank (AfDB), the United Nations Development Programme (UNDP), the European Union Delegation to the African Union.

III. OPENING

5. The meeting was officially opened by Dr. René Kouassi N'Guettia, Director for Economic Affairs Department, African Union Commission. He began by thanking the participants for their commitment to the integration of the Continent demonstrated by their presence in this very important workshop.

6. Further, he reminded the meeting that the ultimate objective of the workshop is to review the work done by the consultants in undertaking the Draft Feasibility Study on the African Integration Fund, make contributions and finally validate the study taking into consideration all the inputs made. He expressed his gratitude to UNDP for its technical and financial support throughout the process of developing the Feasibility Study on the integration Fund and the validation workshop.

7. In conclusion, he informed the meeting that the outcome of the workshop will be used to enhance the study which will be submitted to the AU policy organs for adoption and subsequent endorsement.

VI. PROCEEDINGS

8. The meeting was chaired by H.E Susan Sikaneta, Ambassador of Zambia to Ethiopia and Permanent Representative to the African Union and the Economic Commission for Africa and Chair of the Permanent Representatives Committee (PRC) Sub-Committee on Trade and Economic matters.

9. The consultants presented the Draft Feasibility Study. Overall, the workshop positively appreciated the good work done by the consultants and made the following observations and recommendations in order to improve the study:
The Assignment, Background and Methodology Approach

- Regarding the need for continued consultations with all stakeholders, including Member States, the workshop was informed that the matter is being addressed by convening the validation workshop as well as upcoming consultation processes such as the Joint Conference of Ministers of Economy and Finance and Ministers in charge of Integration to be held in Abuja, Nigeria in March 2014;
- The need to clearly define terminology used in the study (grant, blending etc...);
- Need for more information on challenges and difficulties as well as in-depth analysis on weaknesses confronting the integration process, including corruption, governance issues, capital flight, tax evasion and weak capacity of member states in policy formulation; and
- Peace and security issues (regional counter-terrorism, trans-boundary security, maritime crime, interstate conflicts, and cross border pastoral conflicts, amongst others) are not well articulated in the report in terms of being part of the contextual constraints to deepening and accelerating integration.

Progress on the African Integration Agenda

- The context is too descriptive and should be recast as a succinct and concise analytical problematique stressing how the Fund can help address Africa’s key integration challenges;
- Update the report with emerging policy developments taking place at the Continental level such as the adoption of the AUC Strategic Plan 2014-2017, Action Plan for BIAT, CFTA Road Map, PIDA, AIDA, CAADP, African Mining Vision and its Action Plan as well as work underway on the Agenda 2063;
- Enrich the study by taking into consideration existing AU reports assessing the integration process such as the State of Integration in Africa (SIA); and
- The focus of the study which is the setting up of the AIF should be introduced early in the report.

The Minimum Integration Programme (MIP)

- Align the study with MIP priority sectors and sub-sectors;
Articulate, through statistical evidence, the funding challenges and gaps being faced in the implementation of the regional integration process and build a stronger business case for setting up the AIF as a critical missing link to accelerating integration;

Align the planning cycle of the AIF with the MIP and AUC strategic planning cycles;

Better links should be made between Africa’s socio-economic context and the imperative for establishing the AIF; and

Strengthen the link between the MIP and the AIF by identifying which activities of the MIP require financing under the AIF that do not already benefit from existing financing mechanisms.

**African Integration Fund:**

**Rationale**

- Demonstrate the value addition and uniqueness of the AIF as well as its synergy and complementarity with existing funds such as those at the level of the RECs and the Africa 50 Fund;
- The AIF is not the only solution to Africa’s integration challenges but can be conceived as a critical means of accelerating integration and this should be expressed clearly in the study; and
- The study should articulate challenges and lessons learnt from other existing funds by providing best practices of funds in operation in other regional bodies in Latin America, Asia and Europe.

**Missions and objectives**

- Explore the possibility of financing commercial activities in addition to the proposed advisory and technical activities

**Structuring**

- The study should clearly articulate that the AIF will provide for two windows implemented in a gradual manner. The first window will be grants/technical assistance and fund operations the second window will be commercial;
- The grants/technical assistance and fund operations window will provide grant support for technical assistance, capacity building, project preparation and implementation for the MIP as well as managing the operations of the AIF;
- The commercial window will be for capital intensive MIP projects and will attract commercial and direct investments from the private sector, FDI, international reserves, portfolio investments, sovereign wealth funds, pension funds, capital flight;
- Preparatory work on the establishment of the second window should begin in parallel to creating the first window and operationalised gradually as the AIF matures and the integration process gains momentum;
- The minimum Fund size of the grants/technical assistance and operations window should be stated at the minimum amount whereas the size of the commercial window should be left open;
- Present different host institution options for the AIF and identify the pros and cons of each of them taking into consideration issues of ownership and other aid/development effectiveness principles; and
- Need for early engagement at the highest political level between AUC and the potential host institution.

Procedure and Governance

- Present the overall financial requirements for the operations and management of the Fund broadly;
- Strengthen the Monitoring and Evaluation component of the study by including a framework for regular monitoring of financial inflows and mid-term reviews to assess the performance of the Fund;
- Consider/explore replenishment of the Fund through instruments such as the commercial window, matching grant and partial cost recovery on technical assistance activities;
- Clearly articulate the eligibility criteria for benefiting from the Fund;
- Consider introducing implementation performance based criteria as an incentive for accessing future and increased levels of funding;
- Eligibility of projects to be funded should be those that aim to enhance regional integration and have a strong impact on the structural transformation of the African continent;
• Consideration should be given to landlocked countries and island states in accessing the AIF, particularly those projects that have the potential to enhance regional integration;
• The study need not emphasize detailed procedural issues as operational/procedure manuals will be elaborated at a later stage;
• The required AIF legal framework should be clearly defined for each element namely its establishment, hosting arrangements, membership of the Fund;
• The detailed governance structure, voting size and operational aspects of each window should be developed at a later stage;
• Review the proposed overall governance structure with the following composition: Advisory Committee, Executive Committee (Ministers of finance and integration, AUC as well as donors), Secretariat (AUC + Funding Partners), Technical Committee (to evaluate/approve projects); and
• Need to clarify roles and responsibilities in different components of the governance structure

Resource mobilization & rollout plan

• Need to map existing available resources that could be used as potential sources of financing for the AIF including private and public resource flows, saving, international reserves, natural resource–based wealth, African Diaspora, pension funds, amongst others);
• In order to leverage and attract other financing, African Member States should provide seed money as a sign of commitment to and ownership of the Fund; ownership to the Fund;
• The Fund should organize periodic pledging conferences;
• Include risk mitigating factors into the study; and
• Rephrase the section on rollout plan by indicating that the mobilization strategy should start in 2014.

VII. ANY OTHER BUSINESS

10. As the way forward the workshop agreed on the following:

• The AUC should share, as soon as possible, the revised AIF Study, received from the consultants, with Member States and RECs for their comments and inputs;
• Convene a joint Conference of Ministers of Economy, Finance, Planning and Development, and Ministers in charge of Integration, in March 2014, to consider and adopt the revised AIF Study. This proposal will be brought to the attention of the AU Authorities for their approval;

• The African Monetary Fund statutes, alternative sources of funding, the pan-African Stock Exchange, the Implementation Strategy for the Pan-African Statistics Institute and the Draft Feasibility Study on the Integration Fund should be examined by Experts four days before the joint Ministers of Economy, Finance, Planning and Development, and Ministers in charge of Integration. The Report would then go directly to the Joint Conference for adoption; and Submit the final version of the AIF Study to the AU Summit in July 2014 for endorsement, if the proposal to convene a joint Ministers of Economy, Finance, Planning and Development, and Ministers in charge of Integration is approved.

VIII. ADOPTION OF THE REPORT

11. The workshop adopted its report after amendments.

IX. CLOSING

12. The Director of Economic Affairs thanked participants for their active engagement and the fruitful discussions that ensued. He also expressed his sincere gratitude to H.E Susan Sikaneta, for accepting to Chair the workshop and the excellent manner in which she steered the discussions. He also thanked UNDP for its technical and financial support in the development of the Draft AIF study as well as convening the validation workshop. Finally, he expressed a strong desire and willingness to continue the momentum of AUC cooperation with UNDP to ensure the full set up and operationalisation of the Integration Fund as well as technical work to finalize negotiations on the formation of a second bloc of RECs.

13. In closing, the Chair of the workshop thanked the consultants for the quality of the Draft study and instructed them to take into consideration the outcomes of the workshop in order to strengthen and improve the revised draft. Finally, she thanked all the participants for their commitment to advancing the integration process and officially declared the meeting closed.