



Accelerating Africa's Transformation through Regional Integration: What are the Priorities and Policy Options?

Session of Networking with Think Tanks for Policy Dialogue

Montecasino Entertainment Complex, Johannesburg, South Africa, 27th October 2013

1. Africa's Transformation Agenda

Africa's vision is to transform itself into a prosperous continent, with high quality growth that creates more employment opportunities for all, especially women and youth. The transformation agenda entails diversifying the sources of economic growth and opportunity in a way that promotes higher productivity, in a sustained and inclusive economic growth.

2. Supporting Africa's Transformation Agenda through Regional Integration

As a rising continent, Africa needs to seize the momentum and be recognized for its potential as a consumer market and investment destination. Regional integration will play a pivotal role to consolidate and amplify the opportunities for Africa to capture its own market, exploit economies of scale, attract investment, facilitate value addition, create jobs, and achieve economic transformation in a sound and sustainable manner. This, however, will not be possible without coordinating and integrating the currently 54 fragmented markets. Regional integration will therefore play a key role in unlocking Africa's potential.

Some of the specific concerns in ensuring the contribution of regional integration into the transformation agenda of the continent are: investing in transformative infrastructure; implementing trade facilitation reforms to lower transit and border crossing costs and times; exploring innovative infrastructure funding to bridge Africa's infrastructure deficit; enhancing support for infrastructure project preparation to bring projects to bankability thereby unlocking financing; supporting regional value chains development and intra-African investment; and supporting targeted capacity building for regional member countries, regional economic communities and specialized regional bodies.

3. Learning from other Developing Regions

Africa can draw valuable lessons on how to attain economic transformation from other developing regions. A good example is East Asia which has transformed itself from an inward-looking industrial region to the world's most formidable manufacturing region, hence generating millions of jobs in a relatively short period.

A key feature in East Asia's success story was its ability to expand intra-regional trade in a network of value chains in which final products are assembled with components manufactured from neighbouring countries. This phenomenon, known as "factory Asia", has not materialized in Africa. In 2012 only 16% of an average African country's exports went to other African countries, as compared to over 40% intra-regional trade in south-east Asia. What can Africa do to follow East Asia's experience?



4. Objectives

The African Development Bank is developing a new Regional Integration Strategy (RIS) for the period 2014-2023, which marks a step change in its approach to regional integration. The main objective of the event is to engage Think Tank partners and Regional Economic Communities into exchange of views on how best to structure Africa's Integration Path into its Structural Transformation.

5. Discussion questions

The following questions would guide the debate:

- Despite the rhetoric about regional integration in Africa, results have been less impressive, with intra-African trade estimated at between 12% and 16%. *Is there a need for a new approach? What are the key priorities to facilitate trade and fast-track regional integration in Africa?*
- *What should multilateral development Banks, such as the AfDB, do differently to support Africa's integration? What type of relationship should they have with key players in regional integration (e.g. pan-Africa bodies[AUC, ECA], RECs, academia and business associations)*
- *What will it take for Africa to successfully integrate into regional and global value chains?*
- As China moves into higher rungs of the value chain it will shed an estimated 85 million jobs in lower-tech and light manufacturing. *What industrialization policy measures and investments need to be put in place for Africa to be more attractive than other possible destinations?*
- *What policies are best suited to bring about industrialization?*
- Unlike China which has abundant natural resources, but imported the resources it needed for industrialization, it appears that Africa's path to industrialization should be easier, the dangers of 'the resource curse hypothesis notwithstanding'. *How then can Africa leverage its commodities for industrialization, job creation and economic transformation?*
- *What are the political economy issues impacting on Africa's integration and what can the countries do to overcome such impediments and to translate commitment into reality?*
- *How can Africa finance its regional integration to truly drive its own agenda?*

6. Target Audience

- Think Tanks working on Africa's development issues,
- Regional Economic Communities,
- Africa's policy/decision makers,
- Development partners.



7. Structure

The event will be organized on 27 October from 14:30 to 17:30, articulating two sessions, following the programme in the Annex.

8. Expected outcome

The session of Networking with Think Tanks for Policy Dialogue would scope in the elaboration the Bank's new Regional Integration Strategy Africa's vision of:

- ***Key priorities to accelerate regional integration in Africa?***
- ***Role of multilateral development Banks, such as the AfDB, and what they need to do differently to support Africa's integration?***
- ***The relationship between MDBs and key players in regional integration (e.g. Pan African Bodies[AUC, ECA], RECs, academia and business associations)***
- ***Targeting policies are best suited to bring about an industrialization that: i) captures the opportunities that are envisaged in terms of bringing in FDI for industrialization as other regions move into higher rungs of the value chain and ii) leverages Africa's commodity wealth for industrialization, job creation and economic transformation;***
- ***Setting the path necessary for Africa to successfully integrate into regional and global value chains.***
- ***Stimulating productive capacity as a pre-requisite for increased value addition and trade, both regionally and globally***
- ***Addressing the political economy issues impacting on Africa's integration in order to translate commitment into reality***
- ***Financing regional integration***