IDA14

IDA14 MID-TERM REVIEW OF THE IDA PILOT PROGRAM FOR REGIONAL PROJECTS

International Development Association
Regional Integration Department – Africa Region

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Abbreviations and Acronyms

AAA	Analytical and Advisory Activities
AAP	Africa Action Plan
AfDB	African Development Bank
AFR	Africa Region
AIDS	Acquired Immune Deficiency Syndrome
APCs	Adaptable program credits
APL	Adaptable program lending
AU	African Union
BOAD	West African Development Bank
CAS	Country Assistance Strategy
COMESA	Common Market for Eastern and Southern Africa
DFID	UK Depart for International Development
EAC	East Africa Community
EAP	East Asia and the Pacific
EASSy	East Africa Submarine System
ECA	Eastern and Central Asia
ECSEE	Energy Community of South East Europe program
ECOWAS	Economic Community of West African States
EU	European Commission
ESW	Economic Sector Work
GDP	Gross Domestic Product
GEF	Global Environment Facility
HIV	Human Immunodeficiency Virus
IATA	International Air Transport Association
IBRD	International Bank for Reconstruction and Development
ICR	Implementation Completion Report
IEG	Independent Evaluation Group
IDA	International Development Association
IDB	Inter American Development Bank
IFC	International Finance Corporation
IMF	International Monetary Fund
LCR	Latin America and the Caribbean
MAP	Multi-Country HIV/AIDS Program
MDG	Millennium Development Goals
M&E	Monitoring and Evaluation
MIGA	Multilateral Investment Guarantee Agency
NEPAD	New Partnership for Africa's Development
NGO	Non Governmental Organization
OECS	Organization of Eastern Caribbean States
OMVS	Senegal River Basin Authority
PBA	Performance-Based Allocation
PRS	Poverty Reduction Strategy
PRSP	Poverty Reduction Strategy Paper
PSD	Private Sector Development
REC	Regional Economic Communities
RTFP	The Regional Trade Facilitation Project
RIAS	Regional Integration Assistance Strategy
SADC	Southern Africa Development Community
SDR	Special drawing rights
SSA	Sub-Saharan Africa
TA	Technical Assistance
UEMOA	African Western Union Economic Monetary
UK	United Kingdom
WAEMU	West African Economic and Monetary Union
WAPP	West Africa Power Project

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Executive Summary

1. This paper responds to a request from the IDA Deputies that Bank Management report on progress in implementing the IDA Pilot Program for Regional Projects (the "Regional Pilot Program") at the IDA14 Mid-Term Review. The paper also examines issues and lessons emerging from the portfolio of activities associated with the Pilot.

2. The Bank had broad experience with regional projects well before the Regional Pilot Program, but the outcomes of that experience have been mixed.[1] Both strategy and resource allocations are made primarily at the country level within the Bank, which in the past limited the mechanisms available for encouraging regional actions and regional integration. Ensuring country ownership, and the capacity of regional institutions to implement projects, has also been a challenge. However, with the Regional Pilot Program in place and now well underway, there are encouraging signs that its design parameters are helping to sharpen the focus on regionalism and partnerships across the national borders of IDA countries, while also ensuring the strong country ownership that is important for achieving development results.

3. At the end of FY06 (June 30, 2006) the portfolio comprised 14 projects with total commitments of SDR664 million ($958 million).[2] Seven of these projects were approved in FY06, and only 9 have reached their effectiveness date in participating countries. As intended by the IDA Deputies, the Regional Pilot Program is heavily geared towards the Africa region, which accounts for 10 of the projects and SDR601 million ($865 million) of the portfolio. Seven of the Africa projects have reached their effectiveness date in the participating countries. The average age of the Pilot portfolio is just 1.2 years, which means that implementation experience is still limited.

4. Partnerships have featured prominently in most of the operations financed, and are expected to contribute strongly to new operations being developed. In addition to IFC and MIGA, partners in existing projects have included ADB, the EC, IDB, USAID, the Kuwait Fund and French, British, German, Japanese and South African bilateral agencies. Partnerships with IFC and MIGA are playing an important role in developing the pipeline projects, especially concerning regional infrastructure.

5. It is too early to measure the development effectiveness of the projects that have been financed so far by the Regional Pilot Program. However, this review of implementation experience confirms that the projects being financed are strategically well aligned with the objectives of both the Pilot and the Africa Action Plan (AAP). Project implementation to date is mostly satisfactory, though the portfolio is still young.

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[1] The Regional Pilot Program was initiated with the Board paper *"Pilot Program for Regional Projects"*, IDA/SecM2003-0532/1, October 24, 2003. That paper discusses some of the Bank's previous experience with regional projects.

[2] One of these projects was a supplement to an existing credit.

6. Notwithstanding the short track record of implementation, experiences to date have brought out some important issues and findings. Regional projects are more complex and tend to be more costly to prepare than single-country projects. The internal systems of the Bank have taken some time to adjust to their different processing requirements. However, with needed adjustments underway, and the increasing interest in regional integration on the part of IDA counties, the initial delays in establishing the Pilot have given way to a robust use of the IDA resources.

7. A key conclusion of this review is that there is strong – and increasing – demand on the part of IDA countries, particularly in Africa, to work together to solve common problems on a regional basis, with the goal of using IDA resources more effectively for development. Another important conclusion is that IDA has a comparative advantage in supporting regional integration, especially in Africa, and in close partnership with the many donors working actively in this area. This comparative advantage arises from its combination of global expertise, strong national level policy engagements and long-standing role as a convener of governments and donors.

8. Effective regional integration depends on countries harmonizing national policies to create a policy environment in which regional initiatives can succeed. The extensive engagement of IDA in country policy dialogue and supporting economic sector work, together with its close relationship with the IMF, are significant assets to support policy harmonization among groups of countries in sectors where regional approaches offer potential to strengthen outcomes. The role of IDA as a member of the Bank Group provides further leverage. Many regional infrastructure programs require significant private investment and co-financing. The Bank Group combines the capabilities of IDA to facilitate regional policy alignment, with the catalytic capabilities of IFC and MIGA to mobilize needed private financing. For the donor community, these factors make IDA a valuable platform on which to build further regional integration efforts.

9. Given that the annual allocations provided through the Pilot have been unchanged since its launch in early FY04, there is a strong rationale to increase resources for the Regional Pilot Program if possible, especially to cover the costs of inflation. The IDA Deputies may therefore wish to consider augmenting the resources in the Pilot over the remainder of IDA14. The Pilot currently accounts for SDR200 million of IDA funds per year, or 2.7 percent of the total annual allocations of IDA. By increasing this share to 3.3 percent of the annual allocations, the Deputies may wish to provide an additional SDR50 million (roughly US$75 million), a 25 percent increase, for encouraging regional integration activities in each of FY07 and FY08. A detailed assessment of the requirements for regional resources may also be considered in the planning of IDA15, in addition to the regular IDA country allocations.

IDA14 Mid-Term Review of the IDA Pilot Program for Regional Projects

I. INTRODUCTION

1. This paper responds to a request from the IDA Deputies that Bank Management report on progress with implementation of IDA's Regional Pilot Program at the IDA14 Mid-Term Review. The paper reviews progress and examines lessons and issues emerging from the portfolio of activities associated with the Pilot.

2. The paper is structured as follows. Section II outlines both the basic objectives of the Regional Pilot Program and the guidelines that have been followed in its implementation. A summary of projects financed to date – by region, sector and thematic distribution – is also provided. The main review of the Pilot is in Section III, with discussion of project alignment with strategic objectives, implementation experiences to date and linkages with regional analytical products. Section III places an emphasis on Africa, capitalizing on the extensive assessments carried out by the Bank's Africa Region (AFR). The forward looking pipeline for the remainder of IDA14 is presented in Section IV. Section V focuses on some of the issues and findings that have arisen in the Pilot. Section VI presents summary conclusions.

II. OVERVIEW OF THE IDA REGIONAL PILOT

3. Regional integration is indispensable to several aspects of development: (i) achieving scale economies in regional infrastructure; (ii) overcoming the disadvantages of land-locked economies; (iii) management of "regional commons"; and (iv) development of shared natural resources:

(i) Regional integration can assist countries to overcome constraints to competitiveness associated with the high costs of national infrastructure systems and poorly developed financial sectors. Regional power systems and transport corridors, telecommunications infrastructure and financial sector integration offer possibilities for small countries to provide the foundations for private sector development more effectively and more economically. Aspects of human development, for example tertiary education and research, also fall into this category.

(ii) Regional integration can provide effective solutions for landlocked economies. The comparative advantages of these economies are chronically eroded without regional transport corridors that open access to the sea and trade systems to facilitate exports across land borders.

(iii) Shared commons include migratory diseases, agricultural pests, weather-related vulnerabilities and air pollution. Regional integration offers opportunities to create compensating regional commons to help countries manage these mostly exogenous risks.

(iv) Shared natural resources include lakes and rivers, fisheries and sensitive ecological environments. Cooperation among stakeholder countries greatly increases the likelihood of effective and sustainable management of such resources. However, imbalances between individual country costs and perceived benefits impede progress in cooperation.

4. With its global reach and expertise on global and regional public goods, IDA is well positioned to help poor countries achieve regional integration objectives. These include assuring clean and sustainable water resources, preventing the spread of infectious disease and improving access to infrastructure to spur private sector development. Especially in small economies, working on a regional basis to address these challenges can significantly leverage the impact of country-level efforts.[3] From an individual country perspective, however, while the benefits of working with other countries can be great, the hurdles to effective collaboration can also be high.

A. Basic Objectives and Guidelines

5. The IDA Deputies explicitly recognized both the importance of, and the challenges to, cross-border cooperation when they recommended the creation of a separate funding envelope in IDA13 on a pilot basis to encourage regional actions through IDA.[4] The Regional Pilot Program provided additional IDA financing for regional projects in FY04 and FY05, with funding of up to SDR200 million (about US$290 million) per year. This level of financing has been continued for the Pilot in IDA14.[5] The additional financing is used to 'top up' IDA resources provided to countries through the regular performance-based allocation (PBA) system of IDA, in order to encourage and facilitate participation in regional projects.

6. The Pilot was specifically designed to address some of the issues that had arisen in other regional development projects in the past. This includes criteria intended to help ensure strong ownership by participating countries and prioritization of the projects that are developed. The Regional Pilot Program requires that country IDA allocations cover one-third of the regional project costs attributable to each country, so as to anchor ownership of the regional effort within the national IDA program of participating countries. The remaining two-thirds of project costs come from the separate Regional Pilot Program funding envelope. Since they are additional to each country's IDA allocation, they give a strong incentive for countries to work together to find regional solutions. The combined total of the one-third from country allocations and the two-thirds

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3 This is particularly true in Africa, home to 15 land-locked economies. In aggregate, the combined GDP of the economies of sub-Saharan Africa (excluding South Africa) is equivalent to the GDP of Belgium; including South Africa, it is equivalent to that of Brazil. Regional integration is critical for Africa to improve market access and facilitate trade, improve competitiveness through economies of scale, manage the continent's shared natural resources and improve human development outcomes related to migratory diseases.

4 IDA. 2003. *Pilot Program for Regional Projects.* IDA/SecM2003-0532. World Bank Resource Mobilization Department. Washington, DC.

5 IDA. 2005. *Additions to IDA Resources: Fourteenth Replenishment.* IDA/R2005-0029. World Bank Resource Mobilization Department. Washington, DC.

from the Regional Pilot Program envelope provides for a total funding level of approximately $435 million annually, or $1.3 billion over the IDA14 period.[6]

7. As noted in the original Board paper for the Pilot, in some cases where project costs or benefits cannot be readily split into country components, such as in the case of a regional center of excellence, a legally eligible regional entity can take on the IDA credit on behalf of the region, in accordance with the relevant provisions of the Articles of Agreement of IDA. Capacity building of a regional entity that represents various IDA members may also be considered as a priority to further the basis for regional integration. An important caveat is that experience with regional projects in the past has shown that the least successful projects have relied on new institutions, while the more successful regional projects have built on existing ones. IDA credits have been extended along these lines in the past to sub-regional development banks such as the Caribbean Development Bank and West African Development Bank (BOAD).[7]

8. For the purpose of the Pilot, regional projects are defined as those involving at least three countries which need to participate for the project's objectives to be achievable (i.e., the project would not be viable without the participation of at least three of these countries). Qualifying projects must be able to demonstrate evidence of strong commitment by the majority of participating countries and the relevant regional entity. The economic and/or social benefits of the investments must "spill over" country boundaries (i.e., must generate significant positive externalities, or mitigate negative ones). Lastly, the projects are expected to provide a platform for policy harmonization among countries, and be priorities within a well-developed and broadly supported regional strategy.

9. As noted in the original Board paper, regional projects should be distinguished from multi-country initiatives where an umbrella framework is defined, but projects are identified and benefits accrue on a country-by-country basis. In addition, multi-country initiatives do not require concerted action from a group of countries for all potential benefits to accrue to any one country (for example, the recent SME initiative is a multi-country project).

10. While the Regional Pilot Program requires the committed participation of at least three IDA countries, and contributions from their country IDA resource envelopes, not all of the investments need to be taken simultaneously by the three (or more) countries. There may be occasions where the Bank would fund a regional project through an adaptable program lending (APL) instrument, both "horizontally" to support the different pace of preparation for regional members and "vertically" to support different investments for a given member. Such support can be considered when the project is part of a regional pact or treaty to which all members have committed, where there are policy triggers that the countries need to meet before an investment would be warranted, and where investments under the regional umbrella are planned in at least three of the IDA countries. An example of such a project would be a regional power pool, which enables

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6 IDA. 2003. *Pilot Program for Regional Projects*. IDA/SecM2003-0532. World Bank Resource Mobilization Department. Washington, DC.

7 Ibid. The Board paper also notes that, for these exceptional projects, the one-third of costs normally charged to country IDA allocations is waived.

the Bank to provide support flexibly for individual projects under a regional umbrella, when they are ready for investment. Ultimately, however, the various projects funded under such an APL need to be part of a coherent whole.

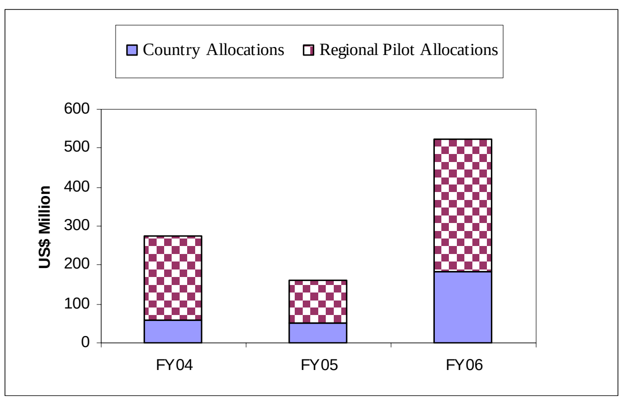
11. Regional Pilot Program funds are allocated within the Bank on an annual basis, using a process designed to maximize the impact of these limited resources. Given the considerable need and demand for regional solutions in Africa, 80 percent of the funding for the Pilot is made available for projects in Africa, as long as there are well-designed and eligible projects in that region. The remaining 20 percent are allocated to other regions and countries based on three factors: the regular PBA shares of IDA resources for each region, the level of demand and the quality of project proposals.

B. The Projects Financed to Date

i. Projects by Region and Country

12. From its inception in FY04, the Regional Pilot Program has strengthened IDA's ability to support regional actions within its country-based engagements (Chart 1). Requests for regional support from IDA clients have developed strongly, and continue to gather momentum. It appears that the current pipeline of regional projects will enable commitments in FY07 and FY08 that are close to the level approved in FY06.

Chart 1: IDA Commitments FY04-FY06 (Actual)



13. The two regional projects approved in FY04 were in Africa (Table 1). These utilized SDR154 million ($216 million) from the regional envelope and in total committed SDR197 million ($275 million) of IDA resources. The largest operation was the first phase of the Southern Africa Power Market ($178.6 million). This will connect the electricity grids of the Democratic Republic of Congo and Zambia; subsequent phases of the project will interconnect additional Southern African countries to create a regional energy system. The second project was the West African Economic and Monetary Union (WAEMU) Capital Market Development Project (a $96.4 million credit plus $70 million guarantee); with co-financing, total resources mobilized for the project exceeded $400 million. This project provides finance through the BOAD to help strengthen the financial sectors of the Bank's eight member countries. It benefited from the flexibility allowed by the Regional Pilot Program to allocate the credit directly to BOAD (since the costs

associated with the project could not be readily split into country components) and waive the one-third of costs normally charged to each participating country's allocation.

Table 1: FY04-06 Regional Pilot Program Approvals

	Projects (#)	SDRm			US$m		
		From Country Allocations	From Regional Envelope	Total	From Country Allocations	From Regional Envelope	Total
Africa							
FY04	2	43.3	153.7	197.0	59.5	215.5	275.0
FY05	3	23.9	51.2	75.1	35.7	76.3	112.0
FY06	5	109.7	219.5	329.2	159.2	318.4	477.6
Subtotal	10	176.9	424.4	601.3	254.4	610.2	864.6
Europe and Central Asia							
FY05	2	10.5	21.1	31.6	16.0	32.0	48.0
FY06	2	16.0	15.4	31.4	23.0	22.0	45.0
Subtotal	4	26.5	36.5	63.0	39.0	54.0	93.0
Total	14	203.5	460.8	664.3	293.4	664.2	957.6

14. In FY05, the level of financing used was significantly below the original Regional Pilot Program funding envelope. This was primarily due to constraints in the availability of country level IDA contributions in the last year of IDA13. Still, three regional projects were approved in Africa and two were approved in the Europe and Central Asia (ECA) Region, for SDR72.3 million (US$108.3 million) of regional 'topping-up' and a total of SDR106.7 million (approximately US$160 million) in IDA financing.

15. In Africa, the largest project was the Africa Emergency Locust Project, which provides support to seven affected African countries. Energy sector projects accounted for most of the remaining FY05 operations: (i) the West Africa Power Market Development (WAPP) Project (Box 1); and (ii) two adaptable program credits for Albania and Serbia under the strategy of the Energy Community of South East Europe (ECSEE). Finally, a small supplement was added to the Africa Regional Trade Facilitation Project, a regional initiative originally approved prior to the Regional Pilot Program.

Box 1: The Role of the Pilot in Providing Economic and Reliable Infrastructure: The West Africa Power Market Development Project (WAPP)

Shop-floor productivity in some sectors in West Africa can match productivity in Asian countries. But infrastructure costs associated with transporting and marketing products can be three times higher in Africa, throttling competitiveness. Private companies identify power supplies as the most difficult problem. The objective of the West Africa Power Pool is to develop a regional power market that delivers supply more cheaply and more reliably than countries are able to achieve working alone.

Developing the power pool is an initiative inherently regional in character. Many of the projects involved are beyond the financial means of the country where they are located, and to achieve economies of scale often need to be dimensioned larger than required for domestic needs. Similarly, facilities such as transmission lines provide reliability benefits to all pool countries, not just where the line is located. It would not be possible for IDA to support the creation of this significant regional asset without regional resources and regional instruments. While power pool investments invariably are located in one country or another, their rationale and viability makes sense only in a regional context, including through complementary investments to be undertaken subsequently in other countries.

Specific objectives of the WAPP are to: (i) improve supply reliability through expanding transmission inter-connections; (ii) reduce generation costs through expanding economic sources of power within the region; (iii) assist in mobilizing needed private investment, through diversifying perceived political and market risk; and (iv) reduce countries' reliance on expensive imported oil and diesel fuel in favor of less expensive endogenous resources (natural gas as well as hydroelectricity). The end results will be significantly lower costs and better supply reliability; hence more competitive power supply for manufacturing. Compared with costs of supply from separate national systems of US15-25 cents per kWh, the Power Pool can provide supply at US8-10 cents per kWh.

Support provided by the Pilot through the first phase of the project is strengthening coastal transmission to improve supply security and promote power trading. A second phase of support in FY06 is commencing rehabilitation of hydro generation. A third phase, assisting with additional regional generation, is planned for FY08. Partners to date include ADB, EIB, BOAD and the Kuwait fund.

16. Seven operations were financed by the Regional Pilot Program in FY06 – five in Africa and two in the ECA Region. All five projects approved in Africa supported regional infrastructure: in West Africa two further phases of the WAPP were financed, together with a Senegal River Basin Water Resources project that involves Senegal, Mali, Mauritania and Guinea. In West and Central Africa, the first phase of a regional Air Safety and Security Project was financed. In East Africa, the Regional Pilot Program supported the East Africa Trade and Transport Project. The regional power market and transport projects aim to improve the cost effectiveness and reliability of regional infrastructure and strengthen the ability of regional bodies to develop collaborative planning and policy formulation. The Senegal River Basin project assists riparian countries with collaborative management of their shared waters and supports small infrastructure to utilize water for agriculture more effectively and contain risks of recurrent inundations. The project also provides the institutional means for riparian countries to scale-up their collaborative fight against malaria. The Air Safety and Security Project supports upgrading to IATA standards of safety and security facilities at the airports of five capitals in West and Central Africa.

17. In ECA, both Bosnia-Herzegovina and Montenegro proceeded with adaptable program loans (APLs) under the regional strategy of the ECSEE in FY06. This regional program is aimed at integrating the energy systems of the South East European countries into the internal energy market of the European Union. The program helps the

participating countries to develop the energy community by implementing priority investments supporting electricity market and power system operations, technical assistance for system development, and project preparation and implementation (Box 2).

Box 2: **Regional IDA Pilot Support to the Energy Community of South East Europe (ECSEE)**

The World Bank approved in January 2005 a US$1 billion regional APL facility supporting the ECSEE – a regional program aimed at integrating energy systems in South East European countries into the internal energy market of the European Union. The APL program helps the countries develop their energy community by implementing priority investments supporting electricity market and power system operations, technical assistance for system development, and project preparation and implementation.

Development of the energy community was initiated under the Athens Memorandum on the regional energy market process, signed in Athens, Greece in December 2003. The World Bank's commitment of US$1 billion helped to build confidence for the countries to take further action. A treaty formally establishing the energy community was signed in October 2005. Ratification by the countries of South East Europe quickly followed and the treaty become effective in July 2006.

The operation of the ECSEE APL facility is off to a good start. In less than two years since its approval, eight operations to seven countries have been prepared and approved: Albania, Bosnia & Herzegovina, Macedonia, Montenegro, Romania, Serbia and Turkey (two operations) are all accessing the facility. In addition, a separate technical assistance project has recently been approved for Kosovo for the development of power generation into the regional market. The total volume of Bank assistance so far committed is over US$400 million.

The Regional Pilot Program has been instrumental in enabling the Bank to provide adequate support to the IDA countries of the energy community: namely Albania, Bosnia & Herzegovina, Montenegro and Serbia. The Pilot supports electricity transmission system development in Albania; electricity generation, management information systems, and technical assistance in Bosnia & Herzegovina; electricity generation and transmission and related telecommunication systems in Montenegro; and electricity transmission system development in Serbia. Most of these countries are seeking further Bank support under the APL facility.

The energy community is a great opportunity for the countries of South East Europe to work together and exploit the economies of scale in energy sector operations and investments to provide a stable and continuous energy supply on competitive terms and conditions and to improve the security of energy supply. The creation of an area without internal frontiers for energy will contribute to economic development and social progress in the region. The energy community will help the countries in their efforts to attract investors and facilitate their integration into the internal energy market of the European Union, and more broadly, their accession to the European Union.

18. While no projects have been approved under the Pilot so far in FY07, it is expected that the Africa Region (AFR) will present up to four projects and up to three more may be approved for countries in the ECA, Latin America and the Caribbean (LCR) and East Asia and the Pacific (EAP) programs of the Bank. Especially in Africa, the number of projects to be presented is constrained by the availability of resources. Because of heavy demand, Africa over-utilized its share of Pilot resources in FY06. Compared with total commitments of SDR329.2 million ($477.6 million) in FY06, resource availability will limit commitments to $317 million in FY07 and $288 million in FY08.

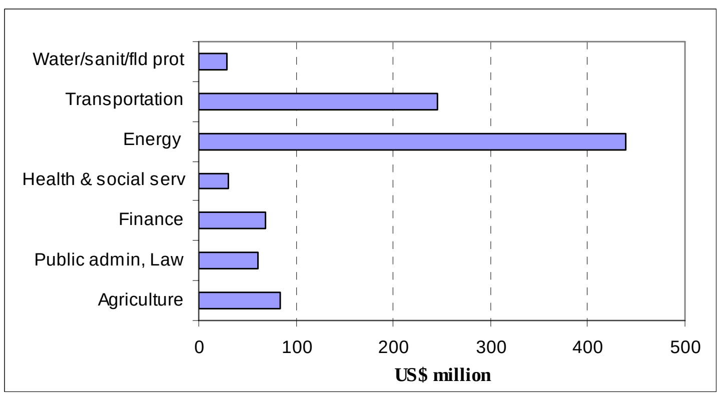
19. Overall, 90 percent of the financing has been used so far to promote regional integration in Africa – surpassing the 80 percent share that was originally envisioned. Only 10 percent of the commitments to date have come from outside of Africa, all of which were in ECA. This distribution across regions is expected to shift and become

more balanced once the new projects being developed in ECA countries and the regional integration efforts actively underway in the Caribbean countries and Mekong sub-regions of LCR and EAP respectively, come to fruition.

ii. The Sector and Thematic Focus of Regional Interventions

20. The Regional Pilot Program has been an important financier of regional infrastructure. Infrastructure sectors account for more than 74 percent of total commitments approved through FY06 (Chart 2). This reflects the high priority of regional infrastructure in the New Partnership for Africa's Development (NEPAD) Short Term Action Plan and in the Bank's own Africa Action Plan (AAP). (Section III provides more information on these strategies.) This high share also reflects shortages of regional funding from other sources, considerable pent-up demand for regional infrastructure across the continent and – not least – the unique capability of the Bank Group globally to partner with regional and national clients to develop complex investment projects.

Chart 2: IDA Commitments by Sector (Actuals)



21. Within infrastructure, the energy sector has been the strongest source of demand (46 percent of total commitments) and transport has been the second largest sector (26 percent of total commitments). Projects to support regional actions in agriculture and other sectors have been comparatively smaller in size. However, it should be noted that a considerable program of regional actions to respond to the HIV/AIDS epidemic has been financed by IDA separately from this Pilot, originally through the IDA13 grants window. These projects, which are now under implementation, were designed regionally but are not formally considered to be part of the Pilot, due to different characteristics. They have been financed with the special grant resources for this work made available in IDA13, and did not generally require the one-third country contribution (Box 3).

Box 3: The Central Asia AIDS Control Project (CAAP)

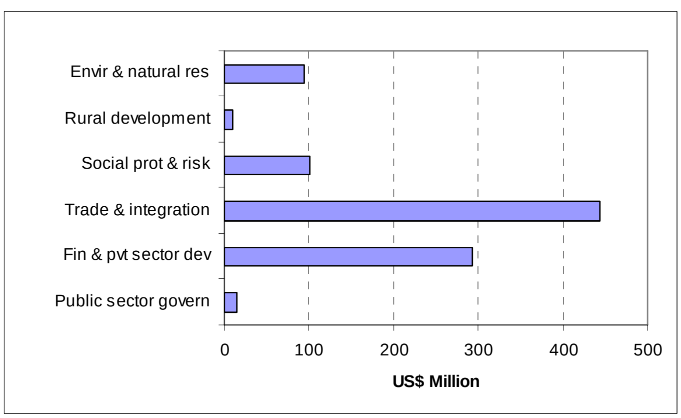
Progress in fighting Central Asia's HIV/AIDS epidemic is being realized through a four-country project that is already allowing non-governmental organizations to compete for grants to work on prevention, treatment, outreach to vulnerable groups and awareness raising. The US$27 million Central Asia AIDS Control Project (CAAP), launched in May 2005, covers Kazakhstan, the Kyrgyz Republic, Tajikistan, and Uzbekistan. Though the project is not formally part of the IDA Regional Pilot Program, this initiative is important to note as the first-ever multi country AIDS project for the Europe and Central Asia Region, and was financed alongside the Pilot in IDA13, using the IDA13 grants window.

The CAAP aims to minimize the human and economic impact of the HIV/AIDS epidemic in its four participating countries. Day-to-day operation of the project is handled by a project management unit based in Almaty. The unit is in turn overseen by a steering committee, which has representation from all four governments as well as UNAIDS and other donors, and which meets regularly to weigh in on major project decisions. The Eurasia Economic Cooperation Council is the pan-regional entity that is expected to assume broad oversight of the CAAP within the next calendar year.

Two grants are covering most of the costs of the project – a US$25 million IDA grant and a £1 million grant from the UK Fund for International Development (DFID). As of early October 2006, about US$5 million or 19 percent of the total grants for the project have been disbursed and committed under signed contracts. The CAAP has two main components – one is focused on regional coordination, policy development, and capacity strengthening; the other focuses on the establishment of a Central Asia AIDS Fund that will last beyond the five-year life of the project.

22. Considering the portfolio thematically (Chart 3), shows that trade and integration have received the strongest support under the Pilot (US$444 million, 46 percent) followed by finance and private sector development (US$293 million, 31 percent) then social protection and risk (US$100 million, 10 percent). Shared natural resources and environmental protection has received support of US$95 million (almost 10 percent of commitments). Within each thematic category, significant assistance is provided for capacity development of regional sector bodies[8]. This thematic distribution of resources accords well with the priorities set by Deputies when the Pilot was launched.

Chart 3: Thematic Distribution of Regional Lending (Actual)



[8] Conversely, little support has been able to be provided for capacity development of regional bodies outside a specific project context.

Box 4: The Role of the Pilot in Supporting Trade Integration:
The East Africa Transport and Trade Facilitation Project (EATTF)

The EATTF includes four major components: (a) support to the recently reconstituted East African Community Customs Union; (b) institutional support for transport facilitation in the East African Community (EAC) and Rwanda; (c) investment support for trade facilitation in EAC and Rwanda; and (d) support to Kenya and Uganda for the joint concession of their railway systems. The project was approved by the Bank's Board in January 2006 for an IDA amount of US$199 million. IFC has invested US$ 32 million to support the railway concession, for which KfW also provided co-financing of US$32 million. Additional support of US$5 million is being provided by AfDB for capacity development of the EAC Secretariat. Over the 25 year life of the project, Bank Group engagement will leverage over US$400 million of additional private financing for railway modernization.

Specifically, the Bank finances the retrenchment of surplus staff of Kenya Railways not taken up by the concessionaire, the relocation of traders from railway lands to create a safe operating zone, a partial risk guarantee to be made available to potential lenders and a capacity-building component for the new asset authority and safety regulator that will be created. In addition, both the governments and the winning bidder have agreed to work together to actively promote small business linkage opportunities.

This project represents a number of significant achievements for both Kenya and Uganda. In Kenya, this transaction is the first privatization where a concession structure has been used. While concessions have been used previously in Uganda to facilitate investment in infrastructure, this project marks a major step in the development process of the land-locked country. The joint concession is also expected to benefit other land-locked neighboring countries through increased efficiency and lower transportation costs (up to 35% by cutting border crossing delays and dwell time at Mombasa port from 17.5 days to 10 days).

Currently, the trade routes in East Africa mostly use the Northern and Central transport corridors, which link the ports of Mombasa and Dar-Es-Salaam by road and rail to the landlocked countries. Transport costs are estimated at 35 percent of the value of exports for Uganda and more for the other Great Lakes countries. Bank studies have found that the costs per ton-km to/from Rwanda to Mombasa through the Northern Corridor are twice the cost per ton-km between Nairobi and Mombasa, showing the large impact of border crossing and trade volumes on logistics costs.

Accordingly, the project will provide considerable support to the growth strategies of EAC member countries through facilitating additional trade within the region and enhancing the competitiveness of exports. Direct growth impacts e.g., quantified for the Ugandan and Kenyan State budgets will consist of (i) a reduction of US$14 million (that will now be redeployed to other strategic objectives) in accrued arrears for Kenyan Railway Corporation (KRC), (ii) a reduction of US$2 million per year in operating costs, (iii) direct investments of US$390 million by the concessionaire (supported by IFC and KfW) over a period of 25 years, and (iv) annual concession fees of US$9.5 million.

iii. Partnership and Co-financing

23. The portfolio of regional projects has benefited from significant co-financing and partnerships for capacity development. In addition to IFC and MIGA, partners have included the ADB, EU, IDB, USAID, the Kuwait Fund and French, British, German, Japanese and South African bilateral agencies. Capacity development partnerships have focused on selected Regional Economic Communities (RECs) and high priority regional programs: the Nile Basin Initiative, West Africa Power Market, East Africa Transport and Trade Facilitation Project, Lake Victoria Environmental Management Project and the Regional Trade Facilitation Program. The Bank has stepped back from assuming a leadership role in several key areas. For example in the critical area of regional infrastructure the Bank is supporting leadership by ADB of the G8 Infrastructure Consortium, recognizing ADB's special role under NEPAD. Similarly capacity

development of the RECs is being led mostly by other partners (DFID and the European Commission for ECOWAS, Germany for SADC and the European Commission for COMESA).

24. Compared with 'best practice' examples of donor harmonization in country programs donor harmonization in regional programs is mostly at an earlier stage. This is now receiving considerable attention from all development partners supporting regional institutions and regional programs. The Bank is structuring partnerships to promote progress on harmonization through leveraging its strong network of donor relationships at the country level. As partners, the Bank Group's strongest roles are:

- Leveraging country dialogue among partners to build constituencies that help strengthen regional policy debate;
- Through analytic and advisory activities (AAA), supporting development of regional knowledge to inform these debates and regional policy development;
- Shouldering much of the load of preparing complex regional investment projects.

25. Alignment between donor and government procedures in regional programs is at an early stage. Countries participating in regional projects do not yet have harmonized national procedures to facilitate collaboration. Country decisions on financing, financial management, safeguards and procurement mostly are made according to their own differing national procedures. This slows project development and exacerbates the challenges of alignment for participating donors. To a considerable extent, progress will depend upon an enhanced role by the relevant RECs. The mandate of each REC includes developing arrangements among member countries to facilitate working jointly. However, the RECs' own early stage of development has not allowed them to meet this challenge effectively.

26. In addition to external partnerships, there are also strong partnerships within the Bank Group. In the West Africa Capital Markets Development Project, MIGA has provided $70 million in guarantees to support regional investments financed by BOAD. In the East Africa Transport and Trade Facilitation Project, IFC has invested $32 million to support the joint concession by Kenya and Tanzania of their national railway systems. Both IFC and MIGA are partnering with IDA to develop additional regional infrastructure projects, which tend to be large and complex. The complementary nature of Bank Group engagements and instruments will be essential to ensure needed policy alignment and the private sector investment and co-financing required to complete financing plans.

**Box 5: Assisting Africa to Accelerate Export-Led Growth:
The Regional Trade Facilitation Project (RTFP)**

The RTFP was originally approved by the Bank's Board in April 2001, with individual credits to Burundi, Kenya, Malawi, Rwanda, Tanzania, Uganda and Zambia totaling $119.5 million. The project aimed to fill a gap in available risk management instruments to protect against political risks and thereby help facilitate intra-regional trade. The funding made available through IDA helped to set up the multi-country-owned African Trade Insurance Agency (ATI), to provide coverage against losses caused by political risks. The project was not originally part of the Regional Pilot Program, but received support from the Pilot with a small supplemental credit of $12.5 million approved in FY05.

To date, this regional insurance agency has issued political risk guarantees with total transaction value exceeding $168 million, leveraging the disbursed IDA resources. This needs to be explained or taken out.) However, ATI's original country-by-country approach has proved problematic and does not allow for risk pooling and diversification which constrains attracting co-financing and further leveraging of IDA resources.

The RPTF operation is being restructured to convert the current IDA-funded facilities granted by its member countries into pooled equity capital. The pooled capital structure of ATI will enable it to offer a fuller range of coverage demanded by the market. In anticipation of the new capital structure, there have been several offers of both official and private co-financing. As the funding base of ATI develops, it is expected that the need for catalytic IDA support will diminish. Country demand for participation in RTFP is also strong: a growing number of addition African states have requested to join ATI.

ATI's business plan includes branching into providing protection for commercial credit risks. This will then open risk sharing opportunities with the US$500 million Global Trade Facilitation Program of IFC. ATI also aims to enhance risk sharing cooperation with MIGA, in particular to promote investment in post-conflict countries, and to support small and medium enterprises. IFC, MIGA and private sector support to ATI may further expand access to ATI's insurance instruments.

The regional approach has provided both the economies of scale needed to launch a sustainable, Africa-based enterprise capable of promoting regional trade, with a sufficiently diversified risk portfolio needed to attract co-financing and investment partnerships.

III. REVIEW OF THE PILOT - WITH A FOCUS ON AFRICA

A. Alignment with Strategic Objectives

27. Africa is a highly fragmented continent in which 30 percent of people live in land-locked countries (seven times the world average). The global markets in which Africa needs to reverse its declining presence are increasingly liberalized and characterized by scale economies, specialization and rationalization of production that cannot be matched in small, resource scarce and landlocked economies. That was the reason why a major focus of the Pilot has been on Africa. This section reviews the experience with implementing the Pilot, with an emphasis on Africa, capitalizing on the extensive assessments carried out by AFR.

Box 6: The Role of the Pilot in Cooperative Water Resources Management: Senegal River Basin Multipurpose Water Resources Development Project

This complex US$110 million IDA multi-sector project is part of a ten-year APL in two phases involving Guinea, Mali, Mauritania and Senegal. It builds on previous Bank assistance to the Senegal River Basin Authority (OMVS) that helped its member countries develop a common vision for regional cooperation to jointly develop and manage the Senegal River Basin. Member countries considered that water resources planning at the country level prevented realizing the full development opportunities offered by the basin.

The project's objectives are to (i) modernize river basin institutions; (ii) facilitate regional water resources planning, management and development; (iii) expand regional multipurpose water resources infrastructure, (iv) mitigate health impacts from related water infrastructure, and (v) foster economic growth through collaborative basin development. A $40 million malaria control 'boost' component is included in the project with a focus on three strategic areas: (i) control of the mosquito vector using insecticide-treated bednets, indoor-spraying, and environmental management; (ii) mitigating malaria infection risk related to population movements; and (iii) partnership coordination and operational research and dissemination on malaria control.

A direct benefit of the policy dialogue that accompanied project preparation was the return of Guinea to OMVS in May 2006. Guinea's absence from OMVS had constrained the possibility to develop the enormous hydropower potential of Guinea (6000MW) to help address the energy crisis impacting all OMVS member countries.

Expected outcomes from the project include: (i) improved institutional capacity for effective management of the basin; (ii) expansion of regional multi-purpose water resources infrastructure to improve the livelihood of the population living in the basin. This infrastructure will increase water availability and contribute strongly to increases in agriculture production (projected 35% increase of acreage under cultivation plus 35% increase in crop yields in irrigated areas), (iii) adoption of improved agro-forestry practices in basin communities; and (iv) development of community fisheries. The project will also ensure that health impacts from water related infrastructure are mitigated. The project targets 60% utilization of insecticide-treated bed nets among children under-five in the project areas and coverage of the Albendazole and Praziquantel regions to reduce the incidence of Schistosomiasis.

The Strategic Framework: the Case for Africa

28. The Regional integration is of great importance in shaping a strategic framework for Africa's development. With the African Union's launch of the New Partnership for Africa's Development (NEPAD) over five years ago, African leaders are working to bring regional integration into the mainstream of countries' development efforts. The NEPAD was motivated by recognition that effective regional integration can significantly contribute to growth and poverty reduction in Africa by: (i) producing economies of scale and enhanced competition, thus lowering costs and improving competitiveness for export diversification and growth; (ii) promoting Africa as an investment target through joint commitment to macro-stability and lowered country-risk; (iii) creating greater weight in international negotiations through more effective collective bargaining in world forums; (iv) contributing to peace and security through joint commitment to promote democracy and prevent and resolve conflicts;[9] and, (v) resolving public goods issues that involve externalities. Priority action areas under NEPAD include: peer review and coordination mechanisms, regional infrastructure programs, food security and agricultural development programs, improving market access and market presence, and accelerated progress on improving health and education.

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9 *Toward a Systematic Approach to Regional Integration*, The World Bank, Africa Region, February 5, 2004.

29. Since a Regional Integration Department was established by AFR in Fall of 2004, AFR has considerably strengthened its support for regional integration. This support is set specifically within the context of the Africa Action Plan (AAP), which was launched in Spring 2005 and sets out the Bank's strategic priorities to assist Africa. The AAP folds support for priority regional programs into the mainstream of country-based assistance. Specific objectives are to strengthen regional infrastructure, improve trade integration and trade facilitation and strengthen financial market integration. Regional integration also provides support to regional initiatives to manage shared water resources and combat migratory diseases and pests. Emphasis is placed on capacity development in each sector engagement.

30. In FY06, AFR conducted an internal review of its regional portfolio.[10] One key objective of the review, which complements other scheduled reviews,[11] was to assess the strategic alignment of regional projects against the objectives of (i) the IDA Regional Pilot Program; (ii) the AAP; and (iii) the strategies and objectives of the RECs, which carry responsibility for implementation of NEPAD.

31. The Africa portfolio review considered projects financed through the Regional Pilot Program together with other regional projects managed in AFR (and financed outside of the Pilot). The review found that projects approved under the Regional Pilot Program are strategically well aligned – both with the objectives of the Pilot and the AAP. Projects also align well with the development strategies of the RECs. In comparison, some projects which pre-date the Pilot and the AAP now appear less well-aligned. These include some of the regional HIV/AIDS and GEF projects prepared during 2000-2004, in response to specific requests for Bank assistance (Annex 2). The Portfolio Review found these projects were not incorporated explicitly within the national programs of participating countries and so lacked adequate ownership at the country level. This has exacerbated the challenges of implementation.

32. The portfolio review considered that regional and sub-regional strategies for Africa's development still need considerable strengthening. Largely as a result of capacity weaknesses in the RECs, regional strategy development mostly is at an early stage. In West Africa, ECOWAS and UEMOA have prepared a regional Poverty Reduction Strategy (PRS). In Southern Africa, SADC has prepared a Regional Indicative Strategic Development Program. In East Africa, EAC has just finalized a regional strategy for 2006-2010. These planning exercises have been undertaken with varying degrees of stakeholder consultation and varying levels of political engagement at country level. They have not yet resulted in clear linkages between regional strategy and national level PRS. Particular difficulties in regional planning are the lack of harmonization in key national policies and the absence of results frameworks, monitoring and evaluation arrangements and needed baseline analyses.

33. Political support for regional planning is coalescing, but somewhat variably according to countries' different levels of confidence in the ability of the REC concerned

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[10] *Africa Regional Integration Portfolio Review*, The World Bank, Africa Region, August 2006.

[11] IEG is currently carrying out a review of Bank-wide regional integration projects. QAG is scheduled to review Bank-wide regional AAA/ESW products.

to deliver tangible outcomes, in terms of policy harmonization and priority projects. Uncertainties in this regard limit the constituencies for greater development of regional strategy processes. Progress in this area, together with linkages between regional PRS and national programs, is inextricably linked with the need for capacity development of these key regional bodies.

34. In practice, the development of regional integration projects has been driven to a large extent by cross-country collaboration among sector constituencies. Given this, regional projects selected for support under the Pilot have been identified through synergies in the PRS and Country Assistance Strategies (CASs) of countries seeking to deepen integration in areas identified as priority in the AAP. Examples include the West Africa Power Market Development Project, the East Africa Transport and Trade Facilitation Project, the Senegal River Basin Development Project and the West Africa Capital Markets Development Project. In these cases, the countries involved have ascribed high priority to regional action in areas important to their national development programs. Even in West Africa, where regional planning has developed furthest, project development to date has been driven mostly by country-to-country sector collaboration; less through regional strategic planning by the concerned REC.

35. Within the Bank, in FY06 the Regional Integration Assistance Strategy (RIAS) for West Africa and the Central Africa RIAS were reviewed and updated.[12] Each review confirmed the continuing validity of strategic priorities identified in the RIAS and the alignment of these with priorities in the AAP. Similar analyses were prepared in outline for East and Southern Africa, to validate selections of priorities in those regions and also ensure alignment with the AAP. In FY07, the Bank is building upon these regional analyses to develop an Africa RIAS on a continental basis. This will provide a framework within the AAP to guide development of national Country Assistance Strategies (CASs). It will identify priority areas of the AAP where regional approaches can leverage impact at the national level, and hence where incorporation of regional integration into the CAS can strengthen outcomes from the Bank's country-based approach. The Africa RIAS will also elaborate a strategy of capacity development for key regional and national bodies.

B. Implementation Experience

i. Portfolio Quality

36. Since the majority of the projects in the current Regional Pilot Program portfolio are in the Africa region (Annex 1), the Africa Regional Projects portfolio review[13] serves as an important resource on the quality of the overall Regional Pilot Program portfolio. The review analyzed the performance of projects in the IDA Pilot, together with the other Africa regional projects financed outside of the Pilot. It assessed the quality of the portfolio, the experiences to date with implementation and some likely indicators of the development effectiveness of the projects. Special attention was paid to understand systemic issues impacting the performance regional projects under implementation, to

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12 The RIAS for West Africa was considered by IDA's Board in 2003 and the RIAS for Central Africa in 2004.

13 *Africa Regional Integration Portfolio Review*, The World Bank, Africa Region, August 2006.

draw lessons for project supervision, the design of new operations and the processing of regional projects within Bank systems.

37. In comparing the 10 projects in AFR to the remaining four projects financed in ECA countries, it also appears that the experiences are quite similar across the regions – specifically in terms of the quality-at-entry of regional projects[14], levels of supervision, and the standard implementation ratings typically used to monitor Bank projects.

38. The AFR Pilot portfolio comprises 10 projects, of which 7 have reached effectiveness. The full Africa portfolio of regional projects comprises 19 projects, of which 16 are effective. In addition to projects financed under the Pilot, the full portfolio includes HIV/AIDS and GEF financed projects. Reflecting the scale-up of support since launch of the Pilot, the average age of the full Africa regional portfolio is just 2.1 years, while the average age of projects financed under the Pilot is just 1.2 years. As noted in Annex 1, the ECA projects are even more recently approved and hence ‘younger’ in age on average.

39. Given the early stage of implementation of projects financed under the Pilot, it is not yet possible to measure the development effectiveness of these projects. However, there can be cautious optimism that the projects will achieve satisfactory development outcomes at a level comparable to single country projects. One reason for this optimism is the preliminary findings of an ongoing IEG review of Bank-wide regional projects which closed between 1995 and 2005. These findings point to comparable rates of development effectiveness for regional engagements and for single country projects completed during the same period.

40. The work of IEG has also shown strong correlation between projects assessed to have satisfactory ‘quality-at-entry’, with projects that eventually achieve satisfactory development outcomes. Recognizing that projects under the Regional Pilot are still at very early stages of implementation, the projects – in both AFR and ECA – have all been assessed to have satisfactory ‘quality-at-entry’.[15] This reflects considerable improvement from earlier regional engagements outside of the Pilot: in Africa, six early projects were assessed not to have had satisfactory ‘quality-at-entry’. These included regional HIV/AIDS projects financed under the MAP, projects financed by the GEF and the Regional Trade Facilitation Project, approved in 2001. Each of these projects has now been restructured. Consequently the AFR regional portfolio, including projects financed under the Pilot, does not now include any projects rated as ‘problem projects’ or ‘potential problem projects’ within the Bank. None of the four ECA projects in the Pilot are rated as problem or potential problem projects either.

41. Notwithstanding this, the entire AFR regional portfolio received a ‘Country Record/Risk flag’ from IEG in March 2006. This was based on IEG ratings of three Africa regional projects that closed between 2001 and 2006. While none was financed

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14 IEG work has shown a strong association between satisfactory ‘quality-at-entry’ in the project cycle and achieving successful project outcomes.

15 Based on project assessments made by IEG and the AFR Quality and Knowledge Unit.

under the Regional Pilot Program, this flag reflects that regional projects present higher risks, of which project teams should be aware.

42. As of June 2006, the internal 'realism rating'[16] for projects financed under the Regional Pilot Program in AFR was 100 percent, compared with the AFR average of 71 percent and the Bank-wide average of 80 percent. Similarly, the 'pro-activity' rating for projects financed under the Pilot was 100 percent, compared with the AFR average of 80 percent and the Bank average of 82 percent. No projects financed under the Pilot are assessed to be 'at risk' (compared with 21 percent for the AFR project portfolio overall).

43. The average time to reach effectiveness for AFR projects in the Pilot is not significantly longer than for single country projects in Africa: 6.9 months compared with 5.7 months for single country projects. However, the average for projects under the Pilot is impacted strongly by a delay of 17 months in effectiveness of the West Africa Capital Markets Development Project, mostly related to parliamentary ratifications. Excluding this project, the average time to effectiveness of Africa projects financed under the Pilot is 4.3 months. In ECA, two of the four projects approved are effective – and the two approved in late-FY06) are currently delayed.

44. Regional projects invariably are more complex than single country projects. Under the Pilot, IDA financing is provided through aggregations of single-country IDA credits which combine to support the concerned regional project. Because of this, each regional project is dependent on multiple legal processes. In most projects each component credit has to be effective before project implementation can get underway. Despite considerable efforts by Bank staff, government approvals and parliamentary ratifications have sometimes been processed by participating countries with quite different levels of priority – as with the West Africa Capital Markets Development Project.

45. With relatively young projects in the portfolio, their disbursement performance is mixed. Disbursements from the full portfolio of 19 AFR regional projects were 12.1 percent of commitments as of June 30, 2006. Disbursements from the 10 projects financed by the Pilot were only 3.4 percent of commitments and disbursements from the 7 projects which had reached effectiveness averaged 4.8 percent of commitments. To put these figures into context, comparisons were made with sample portfolios of single country projects[17] (Table 2). The reliability of such comparisons is limited, given the small numbers of projects and short implementation track record. However they provide some indication that disbursements from regional projects are broadly following the pattern of single country projects in AFR**.**

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[16] The realism index is defined by IEG as the ratio of actual problem projects to total projects at risk (i.e., the extent to which task teams themselves identified their projects at risk of not achieving their objectives).

[17] These sample portfolios were selected from Africa region projects. Each portfolio has the same number of projects, similar sector coverage and approximately similar volume of resources lent as the full portfolio of Africa regional projects. The average age of each sample portfolio is likewise comparable with that of the Africa portfolio of regional projects. Projects were selected without knowledge of project performance.

***Table 2: Disbursements from Regional and Sample Single Country Portfolios*[18]**

	Age yrs	Net Comm Amt	Tot Disb	% Disbursed
Full portfolio of Africa regional projects (19 projects)				
Full portfolio of Africa regional projec	2.06	1116.62	135.53	12.1%
Sample portfolio #1	2.24	1022.05	152.39	14.9%
Sample portfolio #2	2.13	1002.84	188.21	18.8%
Sample portfolio #3	2.19	1250.20	152.86	12.2%
Portfolio of projects financed under Regional Pilot (10 projects)				
Portfolio of Regional Pilot projects	1.16	864.56	29.79	3.4%
Sample portfolio #1	1.25	959.60	114.28	11.9%
Sample portfolio #2	1.43	703.90	52.08	7.4%
Sample portfolio #3	1.28	841.60	54.58	6.5%
Portfolio of effective projects financed under Regional Pilot (7 projects)				
Portfolio of regional active projects	1.53	619.58	29.79	4.8%
Sample portfolio #1	1.59	553.58	41.82	7.6%
Sample portfolio #2	1.50	431.90	25.05	5.8%
Sample portfolio #3	1.80	508.60	44.02	8.7%

46. Efforts to strengthen disbursements performance will focus on three general areas of difficulty confronting regional projects. The first concerns the technically complexity of administering supra-national procurement contracts. Processes to obtain technical agreement on engineering specifications, terms of reference and bid requirements are more involved when they bring together line ministries in different countries and one or more regional body. Different national procedures for financial management and audit requirements add to challenges. The second area of difficulty is that regional projects depend more often on client agencies that lack familiarity in dealing with multilateral institutions and with Bank procurement and disbursement procedures in particular. Such a concentration of new and institutionally weak implementing agencies is highly unusual in a country portfolio. The third area of challenge concerns internal Bank processes. The AFR portfolio review identified that some internal processes are not yet well adapted to meet the review and processing needs of regional projects in as timely a manner as for single country projects. This is being addressed by Management. Main challenges lie in the areas of financial management, procurement and safeguards, as regional projects bring together countries with different national procedures.

47. Portfolio performance will continue to be monitored very closely in each of the three areas, to ensure possible threats to project implementation are identified and dealt with expeditiously. Reflecting the level of effort required, the monitoring and

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[18] The composition of the three sample portfolios is described in the previous footnote. For the second and third sets of comparisons in Table 2, the size of each sample portfolio was reduced to match the portfolio of projects under the Pilot. Adjustments were made in ways to preserve sector comparability and a comparable average age of the portfolio.

supervision of regional projects is well resourced. For example, in FY07 the Africa Regional Integration Department has allocated 42 percent of its internal resources to project monitoring and supervision, well above the norm required for mature country portfolios.

48. A potential fourth area of difficulty for regional projects concerns risks imposed by unexpected events in one or more participating countries. An example concerns development of the West Africa Power Pool, in relation to difficulties in Ivory Coast[19]. This type of risk cannot be eliminated entirely, as with country programs. The approach adopted by the Bank, and donor partners generally, is to mitigate risks in two principal ways. First, through focusing on regional collaborations which enjoy broad political support in each of the participating countries. This limits risks of disruption triggered by a change of political direction in a participating country. Second, the risk is substantially mitigated by providing support to regional programs in a step-wise manner, as with the West Africa Power Pool. Support is 'ring-fenced' to collaborations in which benefits can be assured even if there is no further development of the greater regional system of which the specific regional project is a part

49. The inherent complexities of regional projects will continue to pose additional challenges for project implementation. While early implementation performance overall is encouraging, it is clear that specific aspects of project performance will continue to require concerted attention to build progress, especially to strengthen disbursements. Management is acting on each of these areas, guided by experience acquired in implementing the Pilot, and with knowledge from the IEG and AFR regional portfolio reviews. In parallel, AFR is developing performance benchmarks for regional projects against which performance can be meaningfully assessed as the body of implementation experience expands.

ii. Regional Integration Analytical Products

50. In addition to project investments, increased emphasis is being placed by the Bank on strengthening regional knowledge and improving the analytical base for regional policy debate and policy formulation. The program also provides the intellectual underpinnings to distill priorities among competing regional investment projects, and assists in shaping project design.

51. Several regional diagnostic studies were carried out in FY06. These included a review of implementation of customs unions, analyses of gaps in regional infrastructure (especially trade corridors, regional power systems and international telecommunications links) and three regional assessments of financial sector integration, with emphasis on

[19] The conflict in Ivory Coast makes it impractical for the time being to further extend the coastal transmission development supported under the West Africa Power Market Development Project. The inability to connect Ivory Coast does not reduce benefits to participating countries of the investments financed. But it does preclude the possibility to access additional reliability support for the grid through connecting with generation within Ivory Coast. In this case participating countries have focused on other priority projects able to provide comparable technical support (for example, rehabilitation of the Felou hydropower station in Mali).

access to trade-related financial instruments[20]. Each of these reports provides updated status reports on integration in the area concerned, highlights sector and thematic issues and identifies needed policy adjustments at the regional level. The reports also provide guidance on the relative priority of different types of regional investments.

52. The challenges of working regionally have been no less pronounced for the Bank's analytical products than they are for investment projects. In AFR, action is being taken on several fronts to strengthen the quality of regional analytical work. The Regional Integration Department oversees and approves regional analytical tasks and ensures that they are resourced in order of priority and that the program as a whole is intellectually coherent and coordinated with country departments and partner institutions. Specific steps on quality include application of a uniform approach to peer review and quality assurance at key stages of the analytical cycle. The process also assures that tasks are appropriately resourced, through combinations of Bank budget and trust funds (including for supervision and dissemination). During FY06, the AFR Office of the Chief Economist also established a complementary fund to sponsor cross-cutting analytical work on regional issues. The objective is to advance regional thinking and public debate on core issues of regional integration on a continental basis. The resulting 'flagship' products are presented in broad international forums, and within the Bank are distilled sub-regionally, to inform the more operationally-centered analytical program administered by the Regional Integration Department.

IV. LEVERAGING IDA AND THE FUTURE DEMAND

53. In FY06, the first year of IDA14, the US$523 million committed by the Regional Pilot Program accounted for more than five percent of total FY06 IDA commitments of US$9.5 billion. In Africa, the US$477 million committed was about 10 percent of total IDA commitments of US$4.7 billion. The Pilot also mobilized a further $250 million of co-financing for the five projects approved in Africa.

[20] See "East African Community (EAC) Financial Integration Report, June 2006; Southern African Development Community (SADC) Financial Integration Report," June 2006; and "Economic Community of West African States (ECOWAS) Financial Market Integration Report," June 2006. (P096471, P099076, P096472).

54.

Box 7: Connecting Africa to Markets: Regional Communications Infrastructure Program (RCIP)
A Joint World Bank Group Initiative

The proposed RCIP is an ambitious World Bank Group effort to leverage regional IDA, IFC investment, and the Bank's partnership with seven other development partners (ADB, DBSA, AFD, EIB, DFIS, KfW and SIDA). The shared objective is to improve access to international connectivity in Eastern and Southern Africa, a region that relies mostly on expensive and poor quality satellite infrastructure with costs amongst the highest in the world (international wholesale bandwidth prices are 20 to 40 times higher than in the US). The RCIP is complex. It brings together 23 countries and 30 telecommunications operators with a broad array of development partners in a sector with significant pockets of vested interests.

Over the last 2 years, the Bank Group team has been instrumental in shifting the focus of project development from a closed financial structure among a few operators towards the current partnership between operators and governments based on an open access structure. This will deliver much lower prices to end-users while providing assurance of returns adequate to mobilize the needed foreign investment.

A consortium comprised of IFC, EIB, DBSA, ADB, AFD and KfW will contribute private investment alongside telecommunications operators to finance the East Africa Submarine System (EASSy) cable. This will link Durban and Port Sudan, connecting at each end with existing international telecommunications cables. Along its length the EASSy will connect South Africa, Madagascar, Mozambique, Tanzania, Kenya, Somalia, Sudan and land-locked countries in what will be Africa's first open-access international communications facility.

A programmatic engagement by IDA, supported under the Regional Pilot will finance roll-out of sub-regional and related national backbone linkages, to extend access to EASSy broadly within Eastern and Southern Africa, particularly to land-locked countries. IDA is also requested to finance pre-purchases of capacity for use by governments, for example by schools, universities and hospitals. A first phase of support under the Pilot is expected to be presented to the Bank's Board in FY07 and to include Kenya, Burundi and Madagascar.

Assistance being provided through IDA and IFC is strongly complementary. IFC has taken a lead to develop the package of private financing required to finance the submarine cable system. IDA has taken a lead to solidify political buy-in and deliver needed policy alignment at the regional level. The viability of the EASSy project is leveraged by projected increases in traffic generated by construction of the sub-regional and national backbone links and pre-purchases of capacity, which IDA is able to finance. Governments' use of modern telecommunications also will enhance service provision in key areas. Conversely, without IFC's role in mobilizing private financing, countries will not have the competitive telecommunications EASSy will provide to help enhance competitiveness in manufacturing and trade.

55. As regards private co-financing, it is clear that tapping potential will require strong support from the Bank Group. Private investors are well aware of the additional complexity of regional projects and in many cases perceive higher risks. Investors are quick to caveat that their participation is dependant upon partnership with the Bank Group and other donor partners, and that 'going it alone' is not an option. The Bank is considered an especially valuable investment partner because of its sector policy engagements and relationships at the country level.

56. The strong demand which the Regional Pilot Program has experienced reflects that among development partners IDA is well placed to provide leadership in supporting regional integration, working closely with others. This comparative advantage derives from the Bank's comprehensive policy engagement at the country level and its access to global knowledge. Effective regional integration – in any of the development areas outlined in this paper – depends for success upon alignment of national policies to create

the needed policy environment in which regional projects and initiatives can succeed. The extensive engagement of IDA in country policy dialogue and supporting economic sector work, together with its close relationships with the IMF, are significant assets in supporting and driving policy harmonization among groups of countries in many sectors. The Bank's expertise in trade policy is but one example; the Bank's strength in infrastructure policy and regulation is similarly recognized globally.

57. Projects financed under IDA13 and early in IDA14 to a considerable extent reflect pent-up demand for regional IDA support: pre-existing political agreements which have awaited financing support from development partners. This is evident to a lesser extent of projects proposed for financing in FY07 and FY08. Additional progress on regional integration increasingly will depend on additional harmonization of policies regionally. In this area, the Bank's traditional strengths outlined above provide a solid foundation both for expanded support from the development community and progress on alignment of donor support. It is important to emphasize that the Bank is committed to working in full partnership with other institutions and agencies, and in a fully collaborative manner. But it is equally important to recognize that the Bank already has established, through the core business of its country programs, the policy engagements and partnerships that will be indispensable to further policy harmonization.

Future Project Pipeline

58. There is a solid pipeline of regional projects through the remainder of IDA14 – some examples of the projects being developed for possible approval in FY07 and FY08 are in Table 3. The pipeline includes excess and growing demand in Africa, as well as the other regional programs of the Bank. Some of the possible projects outside of Africa include two projects in the Greater Mekong Subregion, to support regional power trading and integrated water resources management. In the Caribbean countries, a CARICOM-wide catastrophic risk insurance initiative is being proposed for support (for several of the IDA countries) from the Pilot, along with investments in infrastructure and utilities reform in the smaller sub-grouping of the Organization of Eastern Caribbean States (OECS). The ECA region, which has availed of resources for energy sector support thus far in the Pilot, would continue with an operation in that sector, as well as developing regional initiatives in natural resources management and food safety.

59. With demand for regional financing continuing to strengthen, higher amounts of co-financing are targeted in FY07 and FY08 and will be critically important to leverage resources from the Pilot. However, the amounts of co-financing that are likely to be available through the remainder of IDA14 are not fully clear; working regionally is as new a business for most of our partners as it is for the Bank Group. Like the Bank, these partners are wrestling with the complexities of supporting regional programs in which harmonization among participating countries is limited and challenges of donor coordination and alignment are considerable.

Table 3: Examples of Possible Projects for the Remainder of IDA14

(All projects are tentative and subject to review for eligibility[21])

Region/Project Name	Potential Participants	IDA Amount (US$)
AFR		
1. Regional Communications Infrastructure Program	Kenya, Rwanda, Mozambique, Madagascar	100
2. West Africa Agricultural Productivity Project	Senegal, Ghana, Mali	56
3. West & Central Air Transport Safety and Security Project 2	Nigeria, Mauritania, Gambia	60
4. Central Africa Transport and Trade Facilitation Project	Cameroon, Chad, Central African Republic	100
5. Southern Africa Power Market Development Project Phase II	Mozambique, Malawi*	70
6. Lake Victoria Environmental Management Program Phase II	Kenya, Tanzania, Uganda, Burundi, Rwanda	60
7. Central Africa Regional Financial Institutions Development Project	Cameroon, the Central African Republic, Chad, The Republic of Congo, Equatorial Guinea, Gabon	105
8. West Africa Transport and Trade Facilitation Project	Ghana, Burkina Faso,	61.5
9. Niger Basin Water Resources	Benin, Guinea, Mali, Niger	40
ECA		
1. Sangtuda Hydroelectric Project and associated transmission lines	Russia, Tajiskistan, Kazakhstan, Pakistan, Afghanistan	40
2. Tien Shan Natural Resources Management Project	Kazakhstan, Kyrgyz Republic, Uzbekistan	11
3. South East Europe Regional Food Safety Initiative	South East Europe	60
EAP		
1. Greater Mekong Subregion Power Trading Program Phase I	Greater Mekong Sub-region	33
2. Integrated Water Resources Management	Greater Mekong Subregion	47
LCR		
1. OECS Infrastructure and Utilities Reform Investment/TA Program	OECS Countries	5
2. Caribbean Catastrophe Risk Insurance Initiative	OECS Countries	16
* Phase I included the Democratic Republic of Congo as well.		

60. Co-financing for the projects is actively being sought from multilateral, bilateral and private investment partners. IFC and MIGA are working in parallel with IDA on

[21] Regional projects are also under preparation to support implementation of the Nile Basin Initiative. However, technical preparation of the first of these projects will not be complete in time for financing during IDA14.

several projects where private investment and co-financing is feasible[22]. The participation of IFC and MIGA will be especially important in large, complex regional infrastructure programs where private investment and co-financing is essential to complete financing plans. Notwithstanding this, mobilizing private financing will continue to be challenging. Investors and co-financiers perceive higher risks in projects involving multiple beneficiaries. While participation by the Bank Group is considered to provide significant mitigation, investing regionally is as new a business for most private investors as for official development partners.

61. Presently, AFR estimates that approximately US$300 million of co-financing will be available to support the most promising pipeline projects in Africa. Meeting the balance of financing requirements will require all of the US$605 million[23] that is currently available to Africa under the Regional Pilot Program.[24] It is clear, however, that IDA could also strengthen its catalytic role in Africa as well as in the other regions. In the event additional resources would be available to the Regional Pilot Program in FY07 and in FY08, the Pilot would leverage those resources with significant co-financing.

62. Considering the FY07 and FY08 pipeline in Africa and elsewhere, demand for further assistance with regional infrastructure continues to feature prominently. The emphasis remains on power supplies, transport and trade facilitation, including with support for telecommunications. Additional support is also expected in environmental protection and management of shared natural resources, regional initiatives to raise agricultural productivity and other initiatives, including capacity development[25].

V. CHALLENGES AND LESSONS LEARNED

The Complexity and Cost of Working Regionally

63. Regional projects are more difficult to prepare and supervise than single country projects, and more costly. Compared with average preparation costs for single country projects of $375,000 (in the Africa region) regional projects on average cost $649,000 to prepare,[26] or 73 percent more. Likewise, annual supervision costs for regional projects, at $150,000 are 36 percent higher than the average for singe country projects.[27]

64. The Africa portfolio review notes some of the factors that add to the cost and complexity of regional projects:

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[22] These include the Regional Trade Facilitation Project II and the Regional Communications Infrastructure Program.

[23] As noted, including country IDA contributions, the Pilot is able to finance $317 million in FY07 and $288 million in FY08 (compared with $477 million in FY06).

[24] For each project in the firm pipeline, required contributions from IDA country have been agreed in principle by concerned governments and are factored into country strategies and business plans.

[25] Capacity development also features prominently in each regional sector project.

[26] Excluding GEF and HIV/AIDS projects.

[27] Despite these higher costs, regional projects are not significantly more expensive when assessed per US dollar provided. The larger size of regional projects (average $95 million in Africa compared with $61 million for single country projects) gives preparation and annual supervision costs of $6,840 and $1,570 per $1 million of IDA respectively. This compares with $6,140 and $1,770 respectively in single country projects.

- *Limited capacity of regional institutions***:** Almost all regional projects deal with nascent institutions that require extensive capacity building. Such a concentration of weak and mostly new implementing agencies is highly unusual in a single program.
- *Complex Coordination Challenges:* Multiple stakeholders increase challenges of coordination. Regional projects engage regional sector institutions as well as national ministries, utilities and civil society in each participating country. Projects also have to be coordinated across several country teams of the Bank (Annex 3).
- *Harmonization and Alignment:* Experiences with regional projects show limited harmonization of national procedures. Decisions on financing, financial management, procurement and safeguards mostly are made through national procedures which are different. This exacerbates donor challenges of alignment.
- *Legal Complexity:* Anchoring cross-national compliance with protocols and project agreements in separate legal agreements is especially challenging. The resulting legal structures are often complex (Annex 4).
- *Safeguards:* Safeguards issues are similarly complex. Cross-border requirements need to be anchored in national regulations, which are often different. Provisions also have to address potential future environmental and social impacts, including situations where responsibilities of national and regional bodies are not clear.
- *Procurement and Financial Management:* Regional projects combine different national systems for procurement and financial management. Managing supranational contracts becomes highly complex while lack of harmonization of national systems poses sharp challenges for project financial management.
- *M&E:* Weak regional M&E systems and poor alignment with country M&E systems are major issues, which are likely to persist. An absence of indicators in strategies prepared by regional institutions makes it difficult to assess how project outcomes contribute to outcomes targeted in regional strategies.

These inherent difficulties raise a question whether it is realistic to assess regional projects against similar performance thresholds as single country projects (e.g., time to effectiveness, disbursement profiles, etc.). As experience with implementing the Pilot continues to expand, AFR will undertake additional performance assessments and analysis to recommend specific performance measures and thresholds.

The Findings of Early Implementation

65. With its country-driven model of development, the Bank's systems and organization are geared towards country clients. They were not designed for working laterally across country programs. Implementation of projects financed under the Pilot has consequently faced some internal process challenges. Main process difficulties have been pin-pointed and are now being addressed. Implementation experience has also pointed towards important lessons for design and supervision of regional projects:

- Because of their complexity, regional projects should routinely be subject to quality reviews of preparation and supervision to capture learning from other regional operations, drawing from across Bank regions.

- Project planning should be undertaken through a regional lens, while implementation should be managed nationally to the extent possible. This leverages the strength of national institutions and limits performance risks of comparatively weak regional institutions.
- Continuing efforts are needed to strengthen coordination across country units and teams. Development of management information systems to show regional projects within country programs has been a key step.
- Ensuring ownership among regional and national stakeholders is essential for successful implementation. This requires coordination among sector agencies in each country and between regional and national agencies.
- Weaknesses in regional M&E systems hamper efforts to track project impacts against outcomes targeted in regional strategies. This requires considerable capacity development of regional institutions.
- Procurement responsibility for supranational project components is particularly challenging and places special emphasis on harmonizing national systems.

Actions and Next Steps

66. The Regional Pilot Program has provided the means and opportunity for the Bank to develop support for regional integration within the mainstream of its country-based approach. This support holds considerable potential to enhance country impact and strengthen the overall effectiveness of IDA. However, the ability to work regionally as effectively as in national projects requires continuing development in key areas. These have been a focus of management since the Regional Pilot Program was launched.

- *Strategic Alignment:* As the Africa RIAS is developed in FY07, the Africa region will ensure regional and CAS objectives are explicitly aligned and more clearly reflected in country work programs.
- *Project Management:* The management of regional projects will be further strengthened. Additional efforts will be made to ensure regional projects are assigned strong team leaders. In Africa, team leaders will increasingly be based in country offices, to ensure timely oversight and to improve coordination of multiple client relationships.
- *Operations Development:* As gaps in knowledge are filled through regional analytic work, project preparation will have stronger analytical underpinnings. This will further improve project design and readiness for implementation. However, needed capacity development of key regional institutions will remain problematic in the absence of an appropriate instrument.
- *Results Frameworks:* Project design will sharpen emphasis on developing harmonized results frameworks among participating countries. Special emphasis will be given to M&E frameworks in regional organizations, where possible underpinned with needed capacity building.
- *Institutional Learning:* AFR will continue to draw upon specialized skills and experience from other Bank regions, to ensure best practice in project design and supervision. This will be complemented by IEG quality enhancement reviews at key stages of preparation and supervision.

- *Processes:* AFR is in the process of stepping-up operations support to regional projects to ensure adequate support is available in legal, procurement, and financial management.
- *Incentives:* AFR will explore practical means to sharpen staff incentives for regional work. These will include specific provisions within the terms of reference of Country Managers. The region will also increase weighting in performance evaluations given to regional activities, as has been done for cross-sectoral assignments.

VI. CONCLUSIONS AND RECOMMENDATIONS GOING FORWARD

67. Regional integration is an essential complement to the national programs that characterize IDA's assistance. In key areas bearing upon growth, managing natural resources, human development and regional 'commons', national IDA programs cannot achieve their full potential for impact at the country level without the leverage of regional collaboration. Among development partners, the Bank's comprehensive engagement in country policy dialogue, its extensive program of economic sector work, close relationship with the IMF and access to global knowledge, provide a unique combination of skills and resources that are indispensable to extend donor support for regional integration.

68. Nowhere is this dynamic more true than in Africa. To grow more quickly and strengthen human development outcomes, Africa needs more robust progress towards open regionalism. Political commitments have so far outstripped progress towards trade integration, removal of 'behind the border' trade constraints and development of regional infrastructure. This reflects weaknesses in key regional institutions, the technical challenges of developing complex regional investment projects and insufficient funding for priority regional programs.

69. This review of experience with projects funded through the IDA Regional Pilot Program confirms that projects being financed are strategically well aligned with the objectives of both the pilot and the AAP. Project implementation to date is mostly satisfactory, though the portfolio is still very young and implementation experience consequently limited. Notwithstanding this, the demand for regional assistance from IDA is robust and growing, and will exceed the IDA resources currently set aside for the Pilot.

70. Given that the annual allocations provided through the Regional Pilot Program have been unchanged since its launch in early FY04, there is a rationale to increase resources for the Pilot if possible, to help meet the excess demand in the project pipeline and especially to cover the costs of inflation. The IDA Deputies may therefore wish to discuss and consider whether to augment the resources in the Pilot over the remainder of IDA14. The Pilot currently accounts for SDR200 million of IDA funds per year, or 2.7 percent of the total annual allocations of IDA. By increasing this share to 3.3 percent of the annual allocations, the Regional Pilot Program would avail of an additional SDR50 million (roughly US$75 million), or a 25 percent increase in annual resources from its launch in FY04. An increase in resources at this level for both FY07 and FY08 would

likely catalyze additional co-financing sources, and serve to further encourage regional integration efforts that are essential to development. A detailed assessment of the requirements for regional resources may also be considered in the planning of IDA15, in addition to the regular IDA country allocations.

Annex 1: IDA Regional Pilot Program Portfolio

Regional projects approved under IDA13 and IDA14 Regional Window Pilot Program

Data as of: 10/17/2006

	Project Name		Age	Approval	Effective	Rev Closng	Comm. Amt (US$)	Disb. Amt(US$)
IDA13	Southern Africa Power Market (SAPP) APL 1	P069258	2.9	11/11/2003	05/17/2004	12/31/2007	178.6	4.0
	WAEMU: Capital Markets Development	P074525	2.6	02/26/2004	07/29/2005	09/30/2009	96.4	0.5
	West Africa Power Pool APL 1 (1st Phase)	P075994	1.3	06/30/2005	11/01/2005	12/31/2009	40.0	0.0
	Africa Emergency Locust Project	P092473	1.8	12/16/2004	05/27/2005	06/30/2009	59.5	14.7
	Regional Trade Facilitation Project Supplemental Credit	P089100	1.2	05/31/2005	02/23/2006	06/30/2011	12.5	0.0
	Energy Community of South East Europe APL2 (ALBANIA)	P090656	1.3	06/28/2005	12/21/2005	07/31/2009	27.0	0.7
	Energy Community of South East Europe APL2 (SERBIA)	P088867	1.3	06/30/2005	02/06/2006	02/28/2010	21.0	0.0
				Total:	5+2 projects		435.0	19.9
IDA14	East Africa Trade and Transport Facilitation	P079734	0.7	1/24/2006	06/05/2006	9/30/2011	199.0	8.2
	West &Central Africa Air Transport Safety	P083751	0.5	04/27/2006	08/24/2006	12/31/2009	33.6	0.7
	Senegal River Basin Multipurpose Water Resources Development APL	P093826	0.4	06/08/2006	Not yet	09/08/2011	110.0	0.0
	West Africa Power Pool APL2 (1st Phase)	P094916	0.3	06/29/2006	Not yet	06/30/2010	75.0	0.0
	West Africa Power Pool APL 1 (2nd Phase)	P094917	0.3	06/29/2006	Not yet	12/31/2010	60.0	0.0
	Energy Community of South East Europe APL 3 (MONTENEGRO)	P096598	0.4	05/22/2006	Not yet	06/30/2011	9.0	0.0
	Energy Community of South East Europe APL3 (Bosnia Herzegovina)	P090666	0.3	06/16/2006	Not yet	12/31/2010	36.0	0.0
		Average Age:	1.1	Total:	5+2 projects		522.6	8.9

Proj. approved under IDA 13, IDA 14 (excl. HIV AIDS MAP)	FY04	FY05	IDA 14 - FY06*
# Pj.	2	3+2	5+2
Total Project Amount	275	160	523

Annex 2: Strategic Alignment of the Portfolio in Africa

Projects approved under IDA13 and IDA14 Regional Window Pilot Program

	Project Name	Overall Rating	(i) involve 3+ countries	(ii) transboundary externalities	(iii) country or regional ownership	(iv) policy harmonization	(v) part of well-dev regional strategy	(vi) anchored in stronger	(vii) reg inst supported by countri	(viii) integration of countries
IDA13	Southern Africa Power Market (SAPP) APL 1	YES	Entire APL, not each phase	yes	medium	yes	yes	n/a	yes	high for Phase 1, medium for entire APL
	WAEMU: Capital Markets Development	YES	yes	yes	low	yes	yes	n/a	yes	low-medium
	Regional Trade Facilitation Project Supplemental Credit	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	West Africa Power Pool APL 1 (1st Phase)	YES	Entire APL, not each phase	yes	high	yes	yes	yes	yes	high for Phase 1, medium for entire APL
	Africa Emergency Locust Project	YES	yes	yes	high	yes	yes	n/a	n/a	High
IDA14	East Africa Trade and Transport Facilitation	YES	yes	yes	high	yes	yes	yes	?	High
	West &Central Afr Air Transport Safety	YES	Yes	Yes	High	Yes	Yes			
	Senegal River Basin Multipurpose Water Resource Development APL	YES	yes	yes	high	yes	yes	no	yes	Medium
	West Africa Power Pool APL2 (Phase 1)	YES	Entire APL, not each phase	yes	high	yes	yes	yes	yes	high for Phase 1, medium for entire APL
	West Africa Power Pool APL 1 (Phase 2)	YES	Entire APL, not each phase	yes	high	yes	yes	yes	yes	high for Phase 1, medium for entire APL
OTHER	GEF Reversal of Land and Water Degr Trends in the Lake Chad Basin	YES	yes	yes	low	yes	no	no	yes	Medium
	GEF Reversing Land and Water Degr Trends in the Niger River Basin	YES	yes	yes	medium	yes	yes	no	yes	Low
	GEF Senegal River Basin Water and Env Mgt Project	YES	yes	yes	high	yes	yes	no	yes	Medium
	GEF Groundwater & Drought Management TAL (FY05)	YES	yes	yes	low	yes	no	no	yes	Low
	Regional HIV/AIDS Treatment Acceleration Project (a)	NO	yes	no	low	no	no	no	no	Low
	African Regional Capacity Building Network for HIV/AIDS Prevention, Treatment, and Care (b)	NO	yes	no	medium	no	no	no	no	low
	Great Lakes Initiative on HIV/AIDS (GLIA) Support	YES	yes	yes	high	yes	yes	yes	yes	High
	HIV/AIDS Abidjan Lagos Transport	YES	yes	yes	high	yes	yes	yes	yes	High

Annex 3: Project Stakeholders and Coordination Complexity in Africa

	Project Name	Countries	Implementation Institutions	RECs	World Bank Country Teams
IDA13	**Southern Africa Power Market (SAPP) APL Phase 1**	**2:** DRC, Zambia (APL1, 5 countries for entire APL)	**SAPP CC - existing, requires strengthening, PMU located in SNEL - DRC utility**	**SADC**	**2**
	WAEMU: Capital Markets Development	**8:** Benin, Burkina Faso, Cote D'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, Togo	**BOAD, existing regional bank, requires strengthening**	**WAEMU**	**3**
	West Africa Power Pool APL 1 (Phase 1)	**1:** Ghana (APL1 Phase 1, 5 countries for entire APL)	**Ghana Volta River Authority and WAPP Authority (requires strengthening) - existing**	**ECOWAS**	**1**
	Africa Emergency Locust Project	**7:** Burkina Faso, Chad, Mali, Mauritania, Niger, Senegal, the Gambia	**Ministries of each country**	**ECOWAS/ WAEMU, AMU, CEMAC**	**3**
	Regional Trade Facilitation Project Supplemental Credit	**7:** Rwanda, Burundi, Tanzania, Zambia, Malawi, Uganda, Kenya	**African Trade Insurance Agency**	**COMESA**	**3**
				5 projects	
IDA14	**East Africa Trade and Transport Facilitation**	**4**: Kenya, Tanzania, Uganda, Rwanda	**Participating countries established a Regional Steering Committee of participating ministries, regional bodies, state owned enterprises, etc.**	**EAC**	**3**
	West &Central Africa Air Transport Safety	**4:** Burkina-Faso, Cameroon, Guinea, Mali	**National implementing agencies or Civil Aviation Authorities**	**ECOWAS**	**3**
	Senegal River Basin Multipurpose Water Resources Development APL	**4:** Senegal, Guinea, Mali and Mauritania	**OMVS, requires strengthening**	**OMVS**	**3**
	West Africa Power Pool APL2 (Phase 1)	**3:** Mali, Mauritania and Senegal	**OMVS, requires strengthening**	**OMVS**	**3**
	West Africa Power Pool APL 1 (Phase 2)	**2:** Ghana and Benin	**Ghana Volta River Authority and WAPP Authority (requires strengthening) - existing**	**ECOWAS**	**2**
				5 projects	

Annex 4: Legal issues (Africa Region)

Legal Issue
Agreeing on Protocols The key issue for implementation of regional projects is having the Protocols of Cooperation in place, to ensure quick progress. The countries demand new sectoral protocols instead of using existing agreements. Differences in terms of country size, wealt
International Legal Relationships Between Countries Project assets may need to be physically situated in a territory that crosses boundaries of two or more countries, and questions can arise about ownership and which state's property law regime applies. If the territory is governed by an existing treaty o
Legal Status of the Regional Organization If a new regional organization is required to be established, the legal status of the regional organization will need to be agreed upon, together with decisions about the authorized activities and scope of regulatory authority of the organization. Settin
Legal Covenants for Implementation If the regional organization lacks the technical capacity to implement the project (in terms of procurement, financial management, etc.), assistance relating to capacity building will need to be provided. Sometimes a covenant will need to be included in **Assuring Commitment of Member States** The choice of whether to use MoUs or other types of instruments to signify the member states' commitment to the project often cannot be determined at the concept design stage. Often the choice will depend on the particular circumstances of the project as
Cross-effectiveness If the regional organization has secured funds from sources other than the Bank, how should the funds from other sources be treated? This decision will determine whether to make the legal agreement cross-effective and whether to have other remedies apply
States under Provisional Status Another issue that impacts regional projects specifically is how the Bank should respond if one of the countries involved in a regional project is affected by political crisis or other emergency that either renders the country incapable of continuing with

Annex 5: IDA Contributions to FY06 Projects in Africa

Description	Date, Approval	By Country	US$ million: From Regional Pot	From Country's allocation	Project Total IDA Commit Amt	Country Total IDA Allocation Envelope	Proj IDA Alloc as % of Total Country IDA Envelope	Remarks
FY06 IDA allocation for Regional projects			**230**	**115**	**346**			US$m based on current xrates
East Africa Trade and Transport Facilitation	01/24/06	Kenya	80.41	40.21	120.62	**164.8**	24%	
		Uganda	17.60	8.80	26.4	**172.3**	5%	
		Tanzania	24.67	12.33	37.0	**369.5**	3%	
		Rwanda	10.00	5.00	15.0	**39.9**	13%	All Grants
		Total	**132.7**	**66.3**	**199.0**			
West &Central Afr Air Transport Safety	04/27/06	Burkina Faso	4.3	2.2	6.5	**104.3**	2%	
		Mali	3.7	1.8	5.5	**82.6**	2%	
		Cameroon	9.7	4.8	14.5	**48.0**	10%	All Grants
		Guinea	4.7	2.4	7.1	**3.6**	67%	All Grants
		Total	**22.4**	**11.2**	**33.6**			
Senegal River Basin Multipurpose Water Resource Development APL	05/30/06	Senegal	20.4	10.2	30.6	**70.0**	15%	
		Mali	20.4	10.2	30.6	**82.6**	12%	
		Mauritania	20.4	10.2	30.6	**17.6**	58%	
		Guinea	12.1	6.0	18.1	**3.6**	170%	All Grants
		Total	**73.3**	**36.6**	**109.9**			
West Africa Power Pool APL 1 (Phase 2)	06/20/06	Ghana	30.0	15.0	45.0	**189.6**	8%	
		Benin	10.0	5.0	15.0	**53.6**	9%	Partial Grants
		Total	**40.0**	**20.0**	**60.0**			
West Africa Power Pool APL2 (Phase 1)	06/27/06	Senegal	16.7	8.3	25.0	**70.0**	12%	
		Mali	16.7	8.3	25.0	**82.6**	10%	
		Mauritania	16.7	8.3	25.0	**17.6**	47%	
		Total	**50.0**	**25.0**	**75.0**			
FY06 Total Regional Project			**318.3**	**159.2**	**477.5**			
FY06 Overprogramming Regional Projects			**88.3**	**44.2**	**131.5**			
% Frontloading the regional pot			**38%**					
IDA Allocation for All Africa FY06 Projects By Country		Benin	10.0	5.0	15.0	**53.6**	9%	
		Burkina Faso	4.3	2.2	6.5	**104.3**	2%	
		Cameroon	9.7	4.8	14.5	**48.0**	10%	
		Ghana	30.0	15.0	45.0	**189.6**	8%	
		Guinea	16.8	8.4	25.2	**3.6**	237%	
		Kenya	80.4	40.2	120.6	**164.8**	24%	
		Mali	40.7	20.4	61.1	**82.6**	25%	
		Mauritania	37.1	18.5	55.6	**17.6**	105%	
		Rwanda	10.0	5.0	15.0	**39.9**	13%	
		Senegal	37.1	18.5	55.6	**70.0**	26%	
		Tanzania	24.7	12.3	37.0	**369.5**	3%	
		Uganda	17.6	8.8	26.4	**172.3**	5%	