PARTNERING FOR AFRICA'S REGIONAL INTEGRATION:

PROGRESS REPORT ON THE REGIONAL INTEGRATION ASSISTANCE STRATEGY FOR SUB-SAHARAN AFRICA

MARCH 21, 2011

AFRICA REGION

ABBREVIATIONS AND ACRONYMS

AAA	Analytical and advisory activities
ACBF	African Capacity Building Foundation
ACGF	Africa Catalytic Growth Fund
ACE	Africa Coast to Europe
AFD	Agence Francaise de Developpement
AfDB	African Development Bank
AFR	Africa Region
APL	Adaptable Program Lending
AICD	Africa Infrastructure Country Diagnostic
APL	Adaptable Program Lending
APRM	African Peer Review Mechanism
ATI	African Trade Insurance
AU	African Union
AUC	African Union Commission
BEAC	Banque des Etats de l'Afrique Centrale
BOAD	West African Development Bank
CAADAP	Comprehensive Africa Agricultural Development Program
CEMAC	Central African Economic and Monetary Community
CAB	Central Africa Backbone Program
CAR	Central African Republic
CAS	Country assistance strategy
CEMAC	Communauté Économique et Monétaire de l'Afrique Centrale
CMU	Country management unit
COMESA	Common Market for Eastern and Southern Africa
DBSA	Development Bank of Southern Africa
DfID	Department for International Development
DPO	Development policy operation
DRC	Democratic Republic of Congo
EAC	East African Community
ÉAPP	East African Power Pool
EASSy	Eastern Africa Submarine Cable System
EATTFP	East Africa Trade and Transport Facilitation Project
ECOSOCC	Economic, Social and Cultural Council of the African Union
ECOWAS	Economic Community of West African States
EPA	Economic partnership agreement
ESKOM	Energy Supply Commission of South Africa
ESW	Economic and sector work
EU	European Union
GDP	Gross domestic product
GEF	Global Environment Facility
ICA	Infrastructure Consortium for Africa
ICT	Information and Communication Technologies
IEG	Independent Evaluation Group
IFC	International Finance Corporation
KfW	Kreitanstalt fur Wiederaufbau
LDC	Least Developed Country
MIGA	Multilateral Investment and Guarantee Agency
MIC	Middle-Income Country
MIS	Management information systems

ABBREVIATIONS AND ACRONYMS (Continued)

MOU	Memorandum of Understanding
MTR	IDA-15 Mid-Term Review Meeting
NBA	Niger Basin Authority
NEPAD	New Partnership for Africa's Development Planning and Coordination Agency
NTB	Non-tariff barriers
OECD	Organisation for Economic Co-operation and Development
OHADA	Organization for the Harmonization of Business Law
PIA	Private Investors for Africa
PIDA	Program for Infrastructure Development in Africa
PPP	Public-private partnership
QAG	Quality Assurance Group
RCDI	REC Capacity Development Initiative
RCIP	Regional Communication Infrastructure Program
REC	Regional Economic Community
REDD	Reducing Emissions from Deforestation and Forest Degradation
RIAS	Regional Integration Assistance Strategy for Sub-Saharan Africa
SACU	Southern Africa Customs Union
SADC	Southern African Development Community
SAPP	Southern African Power Pool
SSA	Sub-Saharan Africa
UEMOA	L'Union Economique et Monétaire Ouest Africaine (West African Economic and Monetary Union)
UNECA	United Nations Economic Commission for Africa
USAID	United States Agency for International Development
WAEMU	West African Economic and Monetary Union
WAGP	West African Gas Pipeline
WAPCo	West African Gas Pipeline Company
WAPP	West African Power Pool
WARCIP	West Africa Regional Communications Infrastructure Program
WDR	World Development Report
WTO	World Trade Organization

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Partnering for Africa's Regional Integration

Progress Report on the Regional Integration Assistance Strategy for Sub-Saharan Africa

Executive Summary

1. **This Progress Report comes in the wake of our new Africa Strategy, which has been prepared at a time of strong economic growth and rapid post crisis rebound that has given rise to a new optimism.** In this new context, African leaders and citizens are increasingly embracing regional solutions to accelerate growth and tackle the remaining development challenges. The African Union (AU) and Regional Economic Communities (RECs) are building capacity, and beginning to take on difficult political-economy issues, like peace and security, governance, and trade integration.

2. **The RIAS, the first of its kind for Africa, covered the IDA-15 period and set out a comprehensive framework for engagement**, including three strategic pillars to guide Bank support for regional integration, key guiding principles and selectivity criteria to prioritize investment activities, modalities for implementation, and a results framework to monitor program impact. The strategy focused on regional infrastructure development, institutional cooperation for economic integration, and coordinated interventions to provide regional public goods, with a cross-cutting theme of capacity development of regional institutions.

3. **During the RIAS period, the regional lending program has grown by 75 percent, from US$2.1 billion in March 2008 to US$3.65 billion in March 2011.** The program has leveraged about US$1 billion of external co-financing, with strong support from the European Union, African Development Bank, and other partners. About 78 percent of total lending has been focused on reducing "missing links" in regional infrastructure network. Management of regional public goods accounts for an additional 17 percent of lending (primarily for agriculture, fisheries environment, and health), and institutional cooperation for economic integration account for the remaining 5 percent (primarily for financial market deepening and regional capacity building). Five small countries have benefited from the special provision introduced under IDA-15 designed to enable countries with small IDA allocations to participate in large regional projects.

4. **The RIAS program has achieved initial results.** Regional infrastructure projects are providing a substantial addition to Africa's key infrastructure backbones: ICT projects are supporting development of more than 8,000 kilometers of fiber optic backbone, power transmission projects are covering close to 7,000 kilometers, and transport projects are financing some 9,000 kilometers of regional roads. The impact of the ICT program is already visible – the geographical reach of broadband networks has increased, the costs of communications services has dropped, and a new enabling environment for private participation and competition has developed in several countries. In energy, investments in power pools have supported institutional development and policy reforms, although physical construction has moved slowly because of implementation and procurement delays. In transport, there have been initial benefits from trade facilitation measures: dwell times in ports, transit times on main networks, and customs clearance times at border crossings have reduced in several projects. Collaboration across the World Bank Group has supported important public private partnerships (PPP), particularly in energy and ICT.

5. **To leverage the investment in infrastructure, a strong program of analytical, advisory, and capacity building activities has been implemented in trade and investment**. The focus has been on addressing non-tariff barriers, integrating services markets, and cross-border growth corridors. This work has included a strong gender dimension, in view of the central role of women in cross-border trade. Some early results have been achieved in regional financial integration, where Bank support has led to improved efficiency of payments systems, harmonization of regulations, and capital market deepening.

6. **The program to strengthen management of regional public goods is in the early stages of implementation.** In the area of trans-boundary water resource management, several important steps have been completed to develop the institutional capacity and enabling framework for regional collaboration in the Senegal and Niger basins. An innovative program to generate and disseminate agricultural technology on a sub-regional basis has been launched in West and East Africa, thereby creating economies of scale in research across small programs. A new program to manage fisheries in West Africa on a sub-regional basis has started. Projects to tackle "negative" public goods, such as pests and disease pandemics, have already generated promising results, including reductions in the incidence of HIV/AIDs in high risk populations and more effective locust control.

7. **Three shortcomings have emerged during RIAS implementation.** First, there has been limited progress on capacity building of regional organizations; efforts are now accelerating in response to our new ability to extend grants to regional organizations, which was approved at the IDA-15 Mid-Term Review. Second, the quality of the project portfolio is uneven, with delays in implementation and disbursements; a regional action plan to improve portfolio results has been implemented since December 2009. Third, the preparation of regional implementation plans envisioned under RIAS has been delayed, as staff refocused on portfolio quality and more time was required for RECs to finalize their development strategies and investment plans. These plans will be completed shortly.

8. **The new Africa Strategy provides a strong framework to sharpen the priorities and impact of the RIAS, with a focus on competitiveness and employment, vulnerability and resilience, governance and public sector capacity.** Several adjustments are proposed to accelerate regional solutions linked to the Africa Strategy. First, regional infrastructure will remain a core priority, and regional approaches to improve the environment for trade and investment, agricultural productivity, and higher education and skills development will be scaled up, to support enhanced competitiveness and job creation. Second, regional collaboration to manage shocks (particularly related to health, natural disasters, disease, and climate change) will be strengthened, to reduce vulnerability and enhance resilience. Third, we will explore regional approaches for the demand and supply sides for governance in partnership with African institutions, and scale up capacity building support for the AU, RECs, and other key regional organizations.

9. **In line with the focus of the new Africa Strategy, the updated RIAS will be implemented by leveraging partnerships, knowledge, and World Bank Group financing**. Our approach to partnerships will entail increased engagement with civil society, partnering with governments to generate stronger synergies with public expenditures that support regional investments, enhanced leveraging of private sector expertise and resources through PPPs, and continued close collaboration with traditional and emerging partners, particularly around the harmonization of joint financing. Our knowledge work will focus on promoting the consensus building and evidenced-based decision making that lie at the heart of the integration process. Lending will selectively focus on a smaller number of high impact operations, and draw on a more diversified mix of instruments, including regional development policy operations, the proposed new P4R instrument, guarantees, and IBRD enclave financing. As part of the new strategy, we will accelerate support to fragile states and middle-income countries in the integration process.

10. **In order to implement the updated RIAS successfully, AFR will continue to strengthen the management and organization for results**. We will increasingly deploy multi-sectoral approaches to break down sector silos, maintain a heavily decentralized staffing, strengthen the role of country directors in regional integration work, improve the RIAS results framework and align it with the monitoring system set out in the Africa Strategy, and continue to champion reform of internal business procedures to enhance regional approaches in the Bank's products and services.

I. Introduction

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1. **Regional integration is critical to accelerate progress in Africa.** Most economies and markets in Africa are relatively small and isolated, and many are landlocked. Linking markets together will unlock the benefits of agglomeration for the continent, and create a mutually reinforcing process that spreads investment opportunities and growth beyond current centers of development. For example, trading power through regional pools can cut US$2 billion off energy costs and reduce carbon dioxide emissions by 70 million tons every year; countries that link-up to submarine cables can halve their costs of international communications; and a 20 percent reduction in border crossing time alone would generate 10-15 percent savings in transport prices in Southern Africa. Beyond infrastructure, regional approaches are needed across many sectors to tackle the challenges of trade, food security, water resource management, climate change, disease prevention, tertiary education, and governance.

2. **African leaders and citizens are increasingly embracing regional solutions.** Across the continent, there is renewed momentum to enlarge markets, develop economies of scale, and work together on a regional basis to address common problems. The African Union is stronger and providing increasingly effective leadership on a number of critical development challenges, most notably peace and security. The Regional Economic Communities (RECs) are building capacity, and some are beginning to take on difficult political-economy issues, like the Economic Community of West African States (ECOWAS) on peace and security, and the East African Community (EAC) on trade integration. There is increased support for this agenda from both traditional donors and new partners.

3. **The World Bank's commitment to global priorities and region-wide programs gained considerable momentum with the launch of the IDA Regional Program in 2003.** Until then, Bank support for regional priorities in Africa had been limited largely to region-wide sector strategies and the occasional support for multi-country projects. The "Southern Africa Strategy" paper, discussed by the Bank's Board in April 1998, marked a turning point. It explicitly argued the benefits of integration in the sub-region and became the first in a series of sub-regional interim assistance strategies developed for West, Central, and East Africa in ensuing years. However, only with the launch of the IDA Regional Program did the Bank obtain a lending instrument and resources specifically geared to support regional integration; the Regional Program has grown from SDR 304 million in IDA-13 to SDR 1.5 billion under the IDA-16 replenishment. The establishment of the Regional Integration Department in 2004 further bolstered the Bank's capacity to support regional integration in Africa.

4. **Set in the context of the renewal of the Africa Strategy recently presented to the Board which emphasizes the importance of regional solutions, this Progress Report reviews the implementation of the Regional Integration Assistance Strategy for Sub-Saharan Africa (RIAS) over the past three years.** Section II covers the RIAS performance, including the lending program and results. Section III reviews the RIAS implementation issues, including portfolio outcomes and quality, mainstreaming of the RIAS in country programs, regional implementation plans, and partnerships. Section IV proposes adjustments to align the RIAS with the new Africa Strategy, with a focus on strategic priorities, results, and implementation modalities. Section V reviews the risks to the RIAS program.

II. RIAS Performance

Summary of RIAS Framework

5. **The RIAS, the first of its kind for Africa, set out a comprehensive framework for Bank support for regional integration in Africa** (Annex 1 provides a summary).[1] It focused on the following strategic priorities**:**

- *Regional Infrastructure*, with a focus on (a) expanding and upgrading selected trade corridors and transport networks, (b) improving access to clean energy and improving supply reliability, and (c) improving telecommunication connectivity. Assistance to trade corridors and transport networks will have a special focus on improving the connectivity of landlocked countries.

- *Institutional Cooperation for Economic Integration*, with a focus on: (a) reducing Africa's external trade tariffs toward the rest of the world; (b) reducing tariff and nontariff barriers to intraregional trade; (c) implementing customs unions and free trade agreements, including analytical work related to new trade agreements and ongoing World Trade Organization (WTO) led multilateral trade negotiations; (d) improving regional environments for business, investment and industrial cooperation; (e) developing regional financial markets and related institutions; and (f) developing regional dimensions of initiatives to improve governance and financial management.

- *Coordinated Interventions to Provide Regional Public Goods*, with a focus on (a) improving management of shared water resources, (b) raising agricultural productivity (including research and knowledge-sharing on likely implications for Africa of climate change and assistance in developing mitigation strategies); (c) regional and sub-regional programs to address the cross-border dimensions of malaria prevention and treatment; (d) increased access to HIV/AIDS prevention methods along main transport corridors, and improved preparedness to respond to trans-boundary pandemics, other infectious diseases, and pests; and (e) regional rationalization of research and tertiary education to strengthen regional knowledge assets and technical capacity.

- *Strengthening Regional Strategic Planning and Connections with National Development Plans***,** with a focus on (a) capacity development of the AU, NEPAD, and RECs; and (b) strengthened connection between regional policy commitments and national planning.

6. **The RIAS covered FY09-11 (although the results framework envisioned a longer timeframe for program implementation) and identified key implementation modalities**. An indicative program for lending and Analytical and Advisory Activities (AAA) FY09 was included. In addition, it was expected that future Bank support would be finalized during preparation of new Regional Implementation Plans to be developed during FY09, covering West, Central, East, and Southern Africa, an aspect that regrettably could not be achieved (see Section III). The RIAS included a Monitoring Framework for the roll-out of the strategy, and an indicative results framework for the Regional Implementation Plans.

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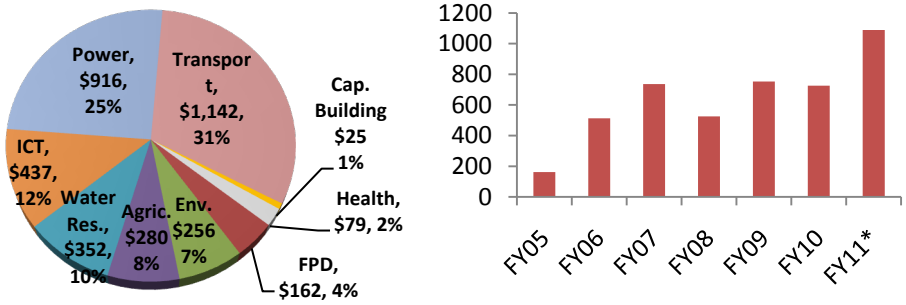
[1] "Regional Integration Assistance Strategy for Sub-Saharan Africa," SecM2008-0103, March 25, 2008.

Lending Program

7. **The regional lending program has grown by 75 percent during the three years of RIAS implementation – from US$2.1 billion in commitments in March 2008 to US$3.65 billion as of March 17, 2011**[2] -- see Figure 1. The number of operations in the portfolio grew from 29 in 2008 to 45 in 2011, calling attention to the need for increased selectivity, an issue that is picked up in Section IV. Annex 2 includes a description of all active projects in the portfolio. An additional US$758 million is expected to be committed by the close of FY11, with a total expected portfolio amounting to US$4.4 billion (Annex 3 includes a description of proposed lending for the remainder of FY11 period and the indicative pipeline for FY12). In addition, a large program of regional analytical and advisory activities was completed in FY08-11.

Figure 1: Regional IDA Lending under RIAS (USD Million)

(A) Portfolio by Sector **(B) New Commitments by Fiscal Year**



8. **The program has leveraged about US$1 billion of external co-financing.** Energy accounts for the largest share, 39 percent, followed by agriculture and rural development with 18 percent. The largest partners were the EC, AfDB, and the consortium of partners who have funded agriculture trust funds, each contributing around US$200 million or 20 percent of total co-financing. The two largest bilateral co-financiers were France and Germany, jointly accounting for an additional 20 percent. The only major non-OECD co-financier was the Kuwait Fund for Arab Economic Development. While these results are a first step, as noted in Section IV, we would aim at increasing considerably the leveraging impact of our work in the years to come, in line with the emphasis of our new Africa strategy on partnerships.

9. **About 78 percent of total Bank lending has been focused on reducing "missing links" in regional infrastructure networks**, in line with strategic focus of the first pillar on regional infrastructure. Management of regional public goods accounts for 17 percent of lending, including US$280 million for agriculture, US$256 million for environment, and US$79 million for health. Investments have grown substantially for agriculture, from 2 percent in March 2008 to 8 percent in March 2011, in line with AFR's focus on strengthening regional solutions for agricultural productivity and food security in response to the global food crisis. The remaining 5 percent of total lending, or US$187 million, has targeted selective priorities related to institutional cooperation for economic integration, (primarily financial market deepening) and capacity building (the ACBF Capacity Building Project was recently approved in March 2011).

10. **Of the US$3.65 billion in total commitments as of March 17, 2011, 61percent of total financing came from the Regional IDA Program and 39 percent from matching national IDA**

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[2] This includes regional IDA and matching national IDA, GEF, and large Recipient Executed Trust Funds for regional integration programs mapped to the Regional Integration Department, but excludes national programs funded entirely by national IDA that contribute to regional infrastructure networks that are mapped to CMUs.

envelopes. Six projects have triggered the "20 percent rule" designed to enable countries with small IDA allocations to participate in larger regional projects – as a result, Central African Republic, Sierra Leone, Benin, Togo, and São Tomé and Príncipe benefited by a reduction of US$43 million in their national IDA contribution, which was covered by an increased allocation under the Regional IDA Program (see Box 1).[3] An additional four projects are expected to trigger the rule in the remaining part of FY11, benefitting the additional countries of Guinea-Bissau, Republic of Congo, Gambia, Guinea and Chad, for an expected total reduction of US$60 million in national IDA contribution under IDA-15.

Box 1: Supporting Small States

Regional IDA resources under the Central Africa Backbone Program (CAB) have catalyzed a transformative opportunity for São Tomé & Príncipe (STP) to join the Africa Coast to Europe consortium, a group of private investors installing an undersea, fiber-optic cable along the west coast of the continent. The project will bring high speed, fiber-optic bandwidth to the country for the first time and is expected to drive down costs and expand access to communications services through increased competition under a robust open access policy -- boosting per capita GDP by an estimated 0.8% annually.

Without IDA financing, STP would have been unable to mobilize private investment in the ICT sector, given the lower financial returns arising from the remote island location, low per capita income, and small population of 160,000. STP's small annual IDA allocation of about $2.3 million would normally have precluded using IDA resources to participate in a large project, even after leveraging regional IDA (the standard 2/3 regional and 1/3 national IDA cost-sharing would have required about $5 million from the national IDA allocation). However, with the 20% rule, the required national IDA contribution was capped at $0.5 million – which allowed the project to move ahead and facilitated STP mobilizing almost $12 million in financing from the private sector.

RIAS Results

11. **Despite the short implementation period, the RIAS program is beginning to demonstrate impact** (Annex 4 includes a matrix summarizing progress on RIAS implementation). As reviewed below, there has been good initial performance related to regional infrastructure development, institutional cooperation for economic integration, and management of regional public goods. However, the quality of the Bank's portfolio in these areas remains uneven, and significant work is needed to accelerate project implementation and disbursements. The main shortcomings of RIAS implementation relate to the capacity development of regional institutions, where there has been little progress to date. This overall assessment of good initial performance, except in the area of regional capacity building, is consistent with the recent IEG evaluation of the Africa Action Plan, which concluded: "Good progress was made on the regional integration agenda, except in strengthening regional institutions."[4]

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[3] The usual financing split for regional projects is 2/3 from the Regional IDA Program and 1/3 from the national IDA allocation. However, under IDA15, the contribution from national IDA financing was capped at 20 percent per project of the country's total annual IDA allocation, so as to enable countries with small IDA allocations to participate in larger regional projects.

[4] IEG, "The Africa Action Plan: An IEG Evaluation," 2011, p. 31. The AAP, which was endorsed about three years before the RIAS, focused on three objectives for regional integration: (a) define a strategic framework for supporting regional integration programs; (b) strengthen regional institutions; and (c) scale-up support to regional projects. IEG assessed that the first and third objectives were achieved, but noted the lack of adequate information to assess progress made in strengthening the capacity of regional institutions.

Pillar 1: Regional Infrastructure Development

12. **Regional infrastructure projects approved under IDA 13-15 are providing a substantial addition to Africa's key infrastructure backbones**.[5] As summarized in Table 1, regional ICT projects are supporting development of more than 8,000 kilometers of fiber optic backbone, which together with the 69,000 kilometers invested by the private sector covers the bulk of regional requirements for this sector. Regional power transmission projects are covering close to 7,000 kilometers, rising to 18,000 kilometers when projects funded by other multilaterals like AfDB and EU are included. Finally, regional transport projects are financing some 9,000 kilometers of regional roads, rising to over 32,000 kilometers when projects covered by other multilaterals are included. As reviewed in Chapter IV, the future pipeline maintains a strong focus on regional infrastructure development, and it is envisioned that future regional projects in the pipeline will contribute an additional 9,000 kilometers of fiber optic networks, nearly 4,000 kilometers of power transmission lines, and 6,000 kilometers of regional roads. Progress in sub-sectors is reviewed below, and Annex 6 provides several maps illustrating IDA support for the "missing links."

Table 1: Support for "Missing Links" in Regional Infrastructure (in km)

	ICT	Power	Transport
Total length of required regional network	92,000	106,000	64,000
Total length covered by private sector	69,000	0	0
Total length covered by multilaterals	8,800	18,200	32,600
• Of which IDA 13	0	2,800	1,300
• Of which IDA 13 to 14	1,700	4,500	7,100
• Of which IDA 13 to 15	8,600	6,700	9,300
• Future IDA Pipeline	9,000	3,700	6,000

Source: Staff estimates, and World Bank, Africa Infrastructure Country Diagnostic, 2010

13. **RIAS has played a key role in accelerating connectivity and access to ICT networks.** Adaptable lending programs are now in place in all four sub-regions, with existing commitments amounting to US$437 million in 13 countries; additional countries will join as they meet the eligibility requirements. The programs are financing interconnections to submarine cables, which will increase the geographical reach of broadband networks and reduce the costs of communications services. Equally important, they are helping to develop an enabling environment for private participation and competition to ensure that improved physical connectivity will translate into better access to quality services at competitive prices. The Regional Communications Infrastructure Program in East Africa is the most advanced and is helping countries benefit from three high capacity submarine cables that were completed in 2009-2010. Internet access has increased in almost all countries by at least 50 percent, and retail prices have already dropped by about one-third in Kenya and Rwanda. The newest program, the West Africa Regional Communications Infrastructure Program is financing the participation of West African countries in the "Africa Coast to Europe" submarine cable (ACE), led by a private consortium of 23 telecommunications operators. The future support of the Bank will draw on these early achievements to help build further critical ICT links.

14. **In the energy sector, two gas pipelines have been completed that have contributed to a reduction in the regional power deficit and lower energy costs** – and demonstrated the importance of

[5] These results include both (a) regional projects funded by regional IDA and matching national IDA contributions, and (b) and national projects funded entirely by national IDA that make a significant contribution to "missing links" in regional infrastructure networks.

public-private partnerships, innovative World Bank Group financing instruments, and MIC-LIC cooperation for regional infrastructure development. The FY05 West Africa Gas Pipeline Project aims to supply 133 million cubic feet of gas per day from Nigeria through a 678 km pipeline to address power shortages and the high cost of electricity generation in Ghana, Benin, and Togo, with financing from the Bank and MIGA. The pipeline is now completed and slated for commissioning in June 2011. The pre-commissioning gas flows have already enabled Ghana to switch from high cost oil-based generation to cost-effective gas-fired generation, saving on average US$0.10 per kilowatt-hour of electricity produced. The FY04 Mozambique - Southern Africa Regional Gas Project involved World Bank, IFC, and MIGA financing to support development of gas fields in Mozambique and a 865 km cross-border pipeline for gas export to South Africa. The project has provided Mozambique with an important export market for its gas, and allowed South Africa to diversify its energy mix. The economic rate of return, initially estimated by IFC at 29 percent, is higher than expected as a result of the successful production and sale of both gas and condensate and of very favorable increases in commodity prices. The project is expected to bring estimated royalties and taxes of around US$2 billion over the life of the project.

15. **RIAS scaled up investment for development and capacity building of power pools,** with total commitments amounting to US$916 million, plus extensive co-financing from partners such as European Investment Bank, EC, and AfDB. The Southern Africa Power Market Program supports transmission strengthening for DRC, Zambia, and Tanzania, and generation rehabilitation in DRC; the Mozambique transmission backbone link is under preparation and will enable supply of hydropower from northern Mozambique into the SAPP. The West African Power Pool Program is supporting a multi-year programmatic framework, covering investments in transmission and generation in Ghana, Benin, Togo, Mali, Mauritania, Senegal, Côte d'Ivoire, Sierra Leone, Liberia, and Guinea. The Regional Power Trade Project under the Nile Basin Initiative Shared Vision Program has provided capacity building and analytical support for power trade development in the East African Power Pool and Nile Basin countries. These programs have effectively supported institutional development, sector planning, and regulatory and policy reforms – but physical construction has moved slowly because of implementation and procurement delays. The energy agenda, which received a strong initial push under RIAS, will require continued focus in the years to come, given the major economic gains that can be expected from cooperation in power development in the region.

16. **In transport, there has been progress on the development of corridors.** The Bank is supporting programs in five critical corridors, with total IDA financing of US$1,035 million. The support includes rehabilitation and construction of road and rail links, and the implementation of transit and trade facilitation measures (such as ports efficiency, harmonization of customs procedures, electronic truck tracking, one-stop border posts) to reduce transit and transport time and cost. Under the FY06 East Africa Trade and Transport Facilitation Project, dwell time at the port of Mombasa is estimated to have decreased from 19 to 14 days; and transit time between Mombasa and Kampala has declined from 15 to 5 days. The one-stop border post piloted at Malaba, located at the border of Kenya and Uganda, has reduced customs clearance time for transit goods from 3 days to 3 hours, as a result of the harmonization and automation of customs clearance procedures and improved physical facilities. The FY07 CEMAC Trade and Transport Facilitation Program is helping two landlocked countries with some of the highest trade costs in Africa, Central African Republic and Chad. During the first three years of implementation, the proportion of roads in good condition between Douala and N'Djamena and Douala and Bangui has increased from 40 and 53 percent to 42 and 57 percent, respectively. On some sections between Ngaoundéré and the border with CAR, the travel time has been more than halved. To address the critical problem of slow release of goods from the port in Cameroon, the program is introducing one common transit document, removal of all checkpoints on the roads, and use of a bar code on transit documents and containers that is read optically at the start, destination, and border to simplify transit procedures for authorized freight. Much remains to be achieved in accelerating trade through improved corridors, and this will be an important emphasis of future Bank support to regional integration.

17. **Some early progress has also been made in strengthening security and safety for air transport in West and Central Africa,** a key step for enhancing competitiveness and access to regional and global markets. The Bank is providing US$96 million for the West and Central African Air Transport Safety and Security Program, which is supporting capacity building of civil aviation agencies, adoption of harmonized aviation regulations, development of security programs, and provision of core communications, inspection, and navigational equipment in Nigeria, Burkina Faso, Cameroon, Guinea, and Mali. Under the program, the countries' compliance with International Civil Aviation Organization safety standards has increased from an average of 53 to 65 percent, and with security standards from 33 to 48 percent.

18. **Partnerships with IFC and MIGA have been significant in leveraging private financing for regional infrastructure.** There has been collaboration on advisory services, project preparation, financing, and implementation in several key RIAS projects, including the West Africa Gas Pipeline project, the Mozambique - Southern Africa Regional Gas Project, and the East African Submarine Cable System (see Box 2). Often, IFC advisory services on structuring infrastructure PPPs build upon earlier reforms by the Bank, sometimes with regional impact, such as the concessioning of the Kenya-Uganda Railway under the East Africa Trade and Transport Facilitation Project. The Mozambique -South Africa pipeline was an example of Bank and MIGA cooperation in mitigating risk to support issuance of a local currency denominated bond in support of a PPP. The Bank has also collaborated with IFC and MIGA to organize infrastructure finance workshops in West, East, and Southern Africa.

Box 2: WBG Collaboration for Regional Solutions

Strong partnership with IFC and MIGA is critical for leveraging private financing for regional solutions, not only for regional infrastructure development but also for other areas like health and education. We will build on our successful collaboration to date:

- The Bank and IFC-co-financed the East Africa Submarine Cable System (EASSy), a US$240 million submarine cable led by 26 telecommunications operators (mostly private) that connects the East coast of Africa to Asia and Europe. IFC provided U$19 million in financing for the cable system, and the Bank provided technical assistance to make the case with operators and governments for operating the cable on an open access basis, and project financing of US$165 million for the related terrestrial backbone links.
- The West Africa Gas Pipeline Project supports the development of the West African electricity market by providing lower-cost gas to Ghana, Benin, and Togo. The Bank provided a Partial Risk Guarantee of US$50 million to cover payment obligations by the Government of Ghana to the project sponsor, and MIGA extended investment guarantees up to US$75 million.
- For the Mozambique - Southern Africa Regional Gas Project, IDA, MIGA and IFC combined WBG Instruments (IBRD enclave guarantee, MIGA guarantees and IFC equity investment) to facilitate the mobilization of critical private capital as well as commercial debt financing required for the development of Mozambique's natural gas industry and export facilities to South Africa.
- The Chad Cameroon Pipeline Project involved the construction of an oil pipeline from Chad to the port of Kribi in Cameroon. IDA provided financing of US$ 40 million to Chad and US$53 million to Cameroon, and IFC provided loans of US$400 million to the private sponsors.
- For the Kenya-Uganda (Rift Valley) Railway, IFC provided upstream advisory work to the Government of Kenya as well as US$32 million in debt financing to the investor, and IDA provided Partial Risk Guarantees to the investor for termination risks of an amount of US$45 million for the Government of Kenya and US$10 million for the Government of Uganda. In parallel, IDA financed severance costs associated with the railway restructuring under East Africa Trade and Transport Facilitation Project.

19. **In addition to scaling up lending to address the "missing links" of regional infrastructure networks, RIAS has supported a comprehensive program of AAA on regional infrastructure**

development (Annex 4 lists the main Economic and Sector Work conducted under RIAS in FY08-11). AAA has been a particularly important instrument in the water resource sector to build consensus around cooperative approaches at the basin-level, as in the case of the Zambezi ESW, to quantify the benefits of coordinated multi-purpose investments and management, or through technical assistance to river basins in West Africa. In the ICT sector, a number of technical assistance activities in the ECOWAS region have helped to pave the way for the recent West Africa operation supporting the extension of broadband connectivity. AAA has also contributed to a continent-wide analysis of the vulnerability of Africa's transport and water resource infrastructure to climate change. Finally, the Africa Infrastructure Country Diagnostic (AICD) provided an unprecedented overview of Africa's infrastructure challenges, and included a number of sub-regional reports documenting the extent of regional integration of infrastructure networks (see Box 3).

Box 3: Flagship Knowledge: Africa Infrastructure Country Diagnostic

AICD is a knowledge program designed to expand the world's knowledge of physical infrastructure in Africa, and provide a solid empirical foundation for prioritizing investments and designing policy reforms in key infrastructure sectors. It was commissioned by the Infrastructure Consortium for Africa following the 2005 G8 summit at Gleneagles, Scotland, which flagged the importance of scaling up donor finance for infrastructure in support of Africa's development. The World Bank has implemented the AICD, in partnership with the AU, NEPAD, RECs, AfDB, DBSA, DFID, AFD, EC, and KfW.

The AICD was based on an unprecedented effort to collect detailed economic and technical data on African infrastructure, covering public expenditure, spending needs, and sector performance in each of the main infrastructure sectors, including energy, information and communication technologies, irrigation, transport, and water and sanitation. The main findings were synthesized in a Flagship Report entitled *Africa's Infrastructure: A Time for Transformation*, published in November 2009. Subsequently, AICD produced technical volumes bringing together detailed results for each sector, a series of customized AICD *Country Reports*, and reports for each of the major RECs.

Pillar 2: Institutional Cooperation for Economic Integration Performance

20. **The focus of AFR work in the second pillar of RIAS has been the removal of obstacles to trade and investment – and the main instrument for delivering results has been knowledge, not lending**. The investment in regional infrastructure development described above are playing a critical role in strengthening trade competitiveness and creating jobs – by addressing behind-the-border trade constraints to promote value addition, increase productivity, reduce the costs of inputs, and remove bottlenecks in trade supply chains. To leverage this investment, a strong program of analytical, advisory, and capacity building activities has been implemented, with a focus on addressing non-tariff barriers, integrating services markets, facilitating cross-border trade in goods and services, and making regional trade agreements work better. Key activities delivered during the past three years include:

- *Sub-regional studies on trade integration*, including non-tariff measures on goods trade in EAC, merchandise trade diagnostic in Southern Africa, trade and growth in the Great Lakes, and the apparel industry;
- *Analytical work on trade in services,* including cross-border mobile banking in Southern Africa, financial services in West African Monetary Zone, ICT services in Nigeria and Ghana, financial integration in EAC, and money transfers in UEMOA;
- *Work on international cooperation and multilateral agreements*, including analytical support on Economic Partnership Agreements (EPAs) to assist countries during negotiations with the EU; and collaboration with PREM and DEC on the poverty impacts of different Doha round scenarios

in a sample of African countries, research on rules of origin in the context of duty free access, and work advocating for aid-for-trade for Africa;

- *Capacity building programs*, in partnership with WBI, which have reached 250 policy makers and trade negotiators from 30 countries, both at the national and REC levels, with a focus on (a) raising awareness of important trade issues, (b) enhancing skills in analyzing, designing and formulating trade policies and reforms, and (c) fostering networks of African trade practitioners.

21. **The trade work has included a strong gender dimension, in view of the central role of women in cross-border trade and the incidence of human security risks and gender-based violence at borders**. Trade is estimated to provide women with 60 percent of non-agricultural self-employment in Africa and women constitute the bulk of informal traders, between 70 to 80 percent in Southern and West Africa. Yet recent Bank analytical work confirms that women are subject to considerable risk from extortion and violence. For example, more than 80 percent of people trading across the borders between the DRC and Burundi, Rwanda and Uganda report having to pay bribes, and more than half have been subject to gender based violence on both sides of the border. In response, the Bank is developing a pilot program to curb corruption and sexual harassment in border areas, with a focus on (a) improving the infrastructure and facilities at key crossings used by small-scale, women traders, (b) providing capacity-building to border officials and small-scale traders on violence prevention, (c) supporting women's associations on cross-border issues, and (d) introducing social accountability mechanisms.

22. **Trade facilitation has been a top priority, as high transaction costs have become a huge obstacle in Africa to competiveness and job creation**. The RIAS program has therefore targeted investments to improve the efficiency of government agencies at the border, and support policy reform to ensure more competitive markets for transport, logistics, and other trade facilitation services. Support for the African Trade Insurance Agency (ATI) is being scaled up. Developed under the FY01 Regional Trade Facilitation Project, ATI has evolved into a critical provider of political and commercial risk insurance in the region. During the RIAS period, ATI insured US$2.5 billion in investment and trade transactions, attained an "A" rating from Standard and Poor's, and attracted new investors, including the Italian export agency, Africa Re, and AfDB. In addition, the new Trade Facilitation Facility launched in 2009 has provided critical support, funding 17 projects for US$17.7 million covering a range of activities in all sub-regions.[6]

23. **Improving the regional frameworks for business, investment, and industrial cooperation has been a strong focus of the RIAS knowledge program,** with an emphasis on business reforms for trade facilitation, gender, knowledge sharing around regional PPPs, and cross-border growth corridors and value chains. The World Bank and FIAS supported a broad program of technical assistance to support harmonization and modernization of commercial law under the framework of OHADA. Analytical work on investment climate and private sector development was completed, including a regional investment climate assessment of SADC, technology absorption and foreign direct investment in Southern Africa, industrial clusters as market access platforms, and development of special economic zones. As part of the Africa Region Gender Action Plan, national and sub-regional policy frameworks were reviewed as they relate to the rights and economic empowerment of women, particularly with regard to family, inheritance, labor and land law, which determine legal capacity and control over assets within the household and often limit women's decision making authority.

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[6] TFF activities have covered transit regimes in Central Africa, interconnections of customs administration of members of CEMAC and between Lesotho and South Africa, customs administration capacity building for all RECs, cross-border trade facilitation between DRC and EAC and between Nigeria and Cameroon, facilitation of innovation and competition in small-value payments in ECOWAS and CEMAC, and simplification of international trade procedures in DRC.

24. **Some early results have been achieved under RIAS in accelerating regional financial integration,** related to the harmonization of financial systems, deepening of capital markets, and capacity building of key regional institutions. The FY03 BEAC Payment System Project strengthened the efficiency, payment certainty, and security of the payments system of the Central African Economic and Monetary Union. Transactions among financial institutions are now fully computerized and delays in payments and check clearing have significantly declined, from three to four weeks to less than two days bank-to-bank, and seven days client-to-client. The FY04 West Africa Economic and Monetary Union (WAEMU) Capital Markets Development Project and the FY09 CEMAC Regional Institutions Support Project are enlarging markets and mobilizing public and private investment financing through establishment of common capital market regulations and better governance of regional cross-border financial institutions, including banks, stock markets and regulatory bodies. The West African Development Bank (BOAD) is leveraging the IDA line of credit made available under the WAEMU project to fund regional infrastructure investments. BOAD's capacity has been significantly strengthened under the project, through introduction of a modern assets/liability management system, a safeguards unit, and international accounting standards. The recently approved FY11 EAC Financial Sector Development and Regionalization Project marks a deepening of Bank support to financial sector reform at the REC-level, with a focus on harmonization of regulatory frameworks, mutual recognition of supervisors, integration of financial market infrastructure, and development of a regional bond market.

25. **The Bank and IFC have collaborated in a number of areas related to development of regional markets**. In support of regional dialogue on private sector development, IFC and the Bank have launched joint work on policy harmonization for private sector development, in collaboration with RECs and business stakeholder groups like regional chambers of commerce. IFC is also providing technical advisory services to help implement IDA-sponsored initiatives on improving trade logistics and trade facilitation in a number of countries. IFC and the Bank are also working to improve the functioning of capital markets, and their ability to serve sub-regional markets. Importantly, IFC also continues to target assistance to companies establishing regional production and service networks. Recent examples include banks expanding sub-regional and regional networks, an East African steel producer expanding into Southern Africa, a Malian hotel operator expanding in several other West African countries, a Nigerian-based mobile phone tower firm expanding regionally, a cement manufacturer expanding regional capacity, and a number of private equity funds active on a regional basis.

Pillar 3: Coordinated Interventions to Provide Regional Public Goods Performance

26. **Several important steps have been completed to develop the institutional capacity and enabling framework for regional collaboration in water,** which are pre-requisites for the complex, politically difficult, and lengthy process of managing water resources at the river basin level. Under the Senegal River Multi-Purpose Water Resources Development Project, the Council of Ministers approved in October 2009 the institutional reform of the Senegal River Basin Authority to include Guinea, the upstream riparian, as a full member to the Authority. The project is already yielding tangible results, including the provision of three million bed nets for malaria control, which has led to a marked reduction in the incidence of malaria in Northern Senegal. Other indicators show that the quantity of fresh water fish sold in the main markets have increased by 12 percent, and 4,400 ha of degraded land have been rehabilitated or developed for agriculture. Under the Niger Basin Water Resources Development and Sustainable Ecosystems Project, the Water Charter, which establishes procedures for notification and conflict resolution, was ratified in 2009, and an investment plan for development of the Basin has been adopted. Finally, in the Zambezi River Basin, a comprehensive, two-year flagship analysis of investment opportunities has been completed, which provides the "evidence base" for riparian decision-makers to analyze and discuss the optimal allocation of water for hydropower, irrigation, and other uses.

27. **An innovative program to generate and disseminate agricultural technology on a sub-regional basis has been launched in West and East Africa,** thereby creating economies of scale in research across small programs and facilitating spillover potential of research results produced in similar agro-ecological zones. Early results include: common regulations for the registration of genetic materials and pesticides have been adopted by ECOWAS; Senegal is disseminating a new technology that allows for the blending of local cereal flours with wheat in bread production, which has resulted in cost savings on bread; Mali has released improved fodder seeds in response to a shortage of cotton seed cake among livestock farms; and Senegal has released 20 improved varieties of maize, sorghum and millet. Discussions are underway to develop similar productivity programs in Central and Southern Africa.

28. **There has also been strong cross-border coordination to tackle "negative" public goods, such as pests and disease pandemics.** Under the FY05 Africa Emergency Locust Project, seven Sahel countries have collaborated to establish a new locust early warning and response system, and several locust warnings were issued in 2008-2010 – the system worked well and the outbreaks were quickly mitigated. The HIV/AIDs Project for the Abidjan-Lagos Transport Corridor, approved in FY04 and closed in FY08, supported increased access by underserved vulnerable groups to HIV/AIDS prevention, basic treatment, support and care services, which contributed to the reduction of the spread of HIV/AIDS. Between 2005 and 2007, HIV prevalence rates for truck drivers declined from 5 to 2 percent, and for commercial sex workers from 30 to 21 percent in the corridor. The Regional HIV/AIDS Treatment Acceleration Project, approved in FY04 and closed in FY09, supported the expansion of voluntary counseling and testing, prevention of mother-to-child transmission, prophylaxis for treating opportunistic infections, and anti-retroviral treatment on a sub-regional basis. The African Regional Capacity Building Network For HIV/AIDs Prevention, Treatment, and Care Project, approved in FY05 and closed in FY10, developed a network of learning sites for the training of health care practitioners to enhance the delivery of HIV-AIDS related services. The project directly trained 1,721 workers from Ethiopia, Kenya and Tanzania, who have in turn provided training to 67,393 other health workers. The East Africa Public Health Laboratory Networking Project**,** approved in May 2010, is launching a new network of high-quality public health laboratories to improve access to diagnostic and surveillance capacities in cross-border areas in Kenya, Rwanda, Tanzania, and Uganda.

29. **Finally, work is underway to improve management of natural resources on a sub-regional basis, with some positive initial impacts.** The West African Regional Fisheries Program, approved one year ago, has started to assist countries to introduce policy and institutional reforms. Senegal has almost completed the crucial first step to control access, by legally registering over 13,000 small-scale fishing boats that had previously operated informally. Similarly, Liberia has gazetted the first regulatory framework for the fisheries sector in several decades, including a new and more profitable fish licensing scheme, and built institutional capacity for surveillance and enforcement of fisheries regulations. In forestry, good progress has been made in promoting REDD+ at the regional and sub-regional levels, with a particular focus on the Congo Basin.[7] Analytical and advisory support helped provide the basis for Congo Basin countries to prepare national-level REDD strategies and build consensus for a new joint regional program.

30. **Overall, the program related to regional public goods has demonstrated a strong focus on gender, reflecting the central role of women in managing natural resources and the higher burden on women from transboundary disease transmission, like HIV/AIDS**. Since women are active in fish processing and handling in West Africa, the West Africa Regional Fisheries Program includes support to empower women's voices in local fishing co-management associations that manage local fish stocks and

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[7] Under the REDD+ framework (Reduced Emissions from Deforestation and Forest Degradation) currently being developed in the context of UN Climate Change Convention, countries are rewarded for conserving and sustainably managing forests, a major sink of carbon.

rights, and provides targeted training. To provide alternative sources of income for fisher households and reduce the demand for overfishing, retraining programs are offered targeted specifically at women. Since female farmers in the Senegal Basin are often forced to cultivate marginal lands subject to flooding, with irrigated lands largely controlled by farmer cooperatives led by men, the Senegal River Basin Multi-Purpose Water Resources Development Program has increased women's voice and participation in local water management coordination committees and associated water management agencies. It supports the strengthening of women's cooperatives, technical assistance targeted at women to promote income generating activities, and other measures to increase access to irrigated land. All four regional HIV/AIDS projects have included a strong gender dimension, in recognition of the spiraling of women's infection rates in Africa, where more than 60 percent of people living with HIV are women and young women are six times more likely to be HIV positive than are young men.[8]

Cross-Cutting Theme: Regional Capacity Building

31. **RIAS envisioned an ambitious program of support for capacity building for RECs, which did not materialize**. The World Bank, AUC, AfDB, and United Nations Economic Commission for Africa (UNECA) agreed in early-2008 to collaborate on the development of a new REC Capacity Development Initiative (RCDI) for coordination and rationalization of donor support for capacity building. The World Bank prepared a detailed concept note and held initial consultations with the heads of RECs in March 2008 and then with donors in July 2008. A general consensus emerged from these consultations that RCDI must be African owned and driven to be successful and to receive full donor support. It was therefore proposed that under AUC leadership, a Working Committee would be established with responsibility for further development of the initiative.

32. **The RCDI failed to gain momentum for several reasons.** First, the initial proposal was not developed in consultation with the main bilateral development partners, who had been providing extensive capacity building support to the RECs for some time and had significantly more experience in this area than the World Bank. Second, the World Bank had no suitable instrument to channel financing to the RECs and was therefore "bringing no resources to the table," which raised questions about the role and value of Bank leadership. Third, most RECs at this time were developing strong partner coordination mechanisms at the sub-regional level, which raised questions about the efficacy and effectiveness of launching a new centralized, Africa-wide process. The RCDI therefore had to be abandoned in favor of more coordinated approaches with other donor partners that centered on the work of the AU and RECs, and which can now be supported through newly available regional IDA grant instruments.

33. **Notwithstanding the problems with RCDI, RIAS has made some important contributions to capacity building of regional institutions.** Capacity building programs funded by Institutional Development Fund grants were developed for11 regional institutions, including five RECs and six technical organizations. The Bank has provided significant capacity building support to the AUC, including support for the launch of the African Charter of Statistics (through the Trust Fund Statistical Capacity Building), the establishment of the African Institute for Remittances (through the Institutional Development Fund and a trust fund from the European Union), and capacity building on post-conflict recovery and economic development (through the Post Conflict Fund).

34. **The extension of regional IDA grants to regional organizations, which was approved by the IDA Deputies during the IDA-15 Mid-Term Review (MTR) Meeting, has solved the instrument constraint and has facilitated stronger support for capacity building**. The first grant for US$16

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[8] In addition to the three projects reviewed in para. 27, the Africa Catalytic Growth Fund financed the FY07 IGAD Regional HIV/AIDS Partnership Program Support Project. Infection rate data from "The World Bank's Commitment to HIV/AIDS in Africa: Our Agenda for Action, 2007–2011," 2008.

million was approved in February 2011 to the East African Community to support capacity building for financial sector integration under the Financial Sector Development and Regionalization Project; and the second grant for US$25 million was just approved for the ACBF Regional Capacity Building Project which will help strengthen capacity of African think tanks, RECs, and AU. Additional grants amounting to US$42 million are proposed for consideration in the remainder of FY11 to the West African Power Pool Secretariat, Dar Corridor Committee, AUC, and West African Sub-Regional Fisheries Commission. All approved and proposed grants comply with the agreed eligibility criteria, as well as the specific guidance provided by the IDA Deputies during the MTR to respect the division of labor with other partners, confirm there are no other sources of grant financing available, and conduct a robust assessment of the institutional and fiduciary capacity of the recipient. Annex 7 includes details on approved and proposed grants to regional organizations.

III. RIAS Implementation

Portfolio Outcomes and Quality

35. **Enhancing portfolio quality and results from the portfolio is a major objective of the new Africa Strategy, and the regional portfolio will be a key focus of this effort.** While 4 of the 5 regional projects that have closed exited with satisfactory IEG outcomes, the overall quality of the regional portfolio remains mixed (see Annex 8 for key portfolio indicators for active projects). The FY10 QAG Learning Review of Regional Projects noted that 56 percent of AFR projects currently under implementation were likely or moderately likely to achieve their Development Objective, based on their current performance -- compared to 67 percent of regional projects in other regions.[9] The QAG findings were consistent with the findings of the portfolio review that was conducted by AFR in August 2009 and reported in the IDA 15 Mid-Term Review of the IDA Regional Program.[10] Many projects have substantial undisbursed commitments and significant disbursement lags.[11]

36. **Portfolio issues and disbursement lags are due to a number of structural factors**, including the large share of commitments in large-scale infrastructure operations with long gestation periods, the relative youth of the portfolio and its rapid growth (from US$1.7 billion in FY08 to US$3.5 billion in FY10), the political and security disruptions that affected participating countries, the weakness of implementation agencies, and the increase in cost that affected a number of projects, notably in energy and transport.

37. **To aggressively deal with quality and disbursement issues affecting the regional portfolio, a comprehensive action plan has been designed and is being implemented by the Africa Regional Management Team since 2009**. Key actions include strengthening of internal upstream entry quality processes; acceleration of restructuring of non-performing projects; closer mentoring and support to supervision teams; training of TTLs and dissemination of lessons learned; strengthening of organization of safeguards supervision; and senior management direct oversight of regional projects through periodic meetings chaired by the VP and attended by both sector and country directors.

38. **Further, and as noted in the Africa strategy, the region has been strengthening its presence in the field, and devolving supervision responsibilities to the field to enhance day-to-day interaction with clients, including on regional portfolios.** This step is aligned with the finding of a recent study conducted in the region that indicates that implementation success, notably in conflict countries, is much more likely when supervision is conducted from the field. The creation of a Fragile States Hub will strengthen availability of skills that can be deployed in regional projects located in fragile settings. The decentralization of the Regional Integration Director will ensure faster response to issues as they occur, and notably facilitate leveraging the AU and RECs in addressing implementation bottlenecks related to regional cooperation and political economy issues.

39. **Acknowledging the complexity of regional projects, we have also increased preparation and supervision funding of regional projects.** The average budget allocation for preparation of a regional project in AFR in FY08-10 was US$553,000, which was 70 percent higher than for a non-regional project in AFR. Similarly, the average budget allocation for supervision of a regional project was US$148,000, which was 30 percent higher than for a non-regional project in AFR.

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[9] Regional Projects: A QAG Learning Review, March 2010.

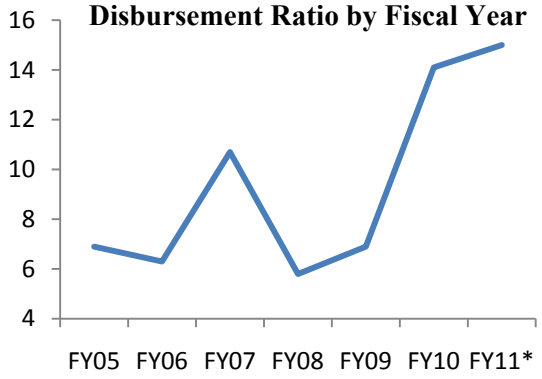
[10] IDA-15 Mid-Term Review of the IDA Regional Program, p. 35.

[11] As of March 17, 2011, the disbursement ratio was 8.2 percent, compared with 13.3 percent for AFR, and about 20 percent of the portfolio showed a disbursement lag of two years or more.

40. **We are encouraging Teams to utilize PPAs to build implementing agency capacity during preparation and include capacity building activities in the project design**. A new proposal is also under preparation for a donor funded facility that would help accelerate the preparation of new regional projects.

41. **We are expecting these strong steps and focus to increase results from the existing portfolio, improve quality at entry, and accelerate disbursements** (see Figure 2). The QAG Learning Review was supportive of the stronger quality assurance framework developed by AFR, and indicated that 81 percent of the projects reviewed were now supervised satisfactorily. [12] We will continue in the years to come to focus closely on the implementation of this regional portfolio enhancement strategy, and we will report to the Board on its progress as part of our updates.

Figure 2: Regional IDA Disbursement Ratio by Fiscal Year



Mainstreaming Regional Integration in Country Programs

42. **There has been progress under the RIAS in aligning regional programs with Country Assistance Strategies (CASs)**. According to IEG, AFR has substantially complied with the recommendation from the 2007 evaluation of regional programs for stronger treatment of regional integration issues in CAS. [13] Of the 17 new CASs approved to date during IDA15, all have addressed regional integration, albeit to different degrees. In general, the CASs covering land-locked countries have shown greater attention to exploring regional solutions to development challenges. For example, the CAS for Rwanda has articulated well the opportunities for regional collaboration (see Box 4).

Box 4: Incorporating Regional Priorities into CAS: Rwanda

Rwanda, a small land-locked country in Eastern Africa, can benefit significantly from increased cooperation and integration with its neighboring countries. The current CAS, covering FY09-12, recognizes the importance of Rwanda joining the EAC, and the importance of regional integration for reducing economic vulnerability and promoting growth. Faster and more comprehensive regional integration will help Rwanda overcome some of its economic constraints (landlocked location, limited natural resources and small size of its economy). Indeed successful integration is critical for realizing Rwanda's vision of becoming a regional service and trade hub as stated in its Economic Development and Poverty Reduction Strategy. To realize this vision, Rwanda will speed up efforts to make the business environment more attractive for regional investment and trade; lower domestic costs of production so domestic firms can compete on the regional market; and strengthen its participation in regional infrastructure investment and services initiatives, including efforts to strengthen the functioning of cross-border transit systems, power pools and regional skills development programs. The CAS also highlights some of the challenges through regional neighborhood risks, including the threat of conflict and political instability in the region, as well as its landlocked location, which could negatively affect trade, export and private sector growth.

43. **Nonetheless, regional policy issues are still not sufficiently mainstreamed in the country policy dialogue.** As indicated in the new Africa Strategy, there will be increased focus on deepening the

[12] Compared to 68 percent of non-regional AFR projects - Quality Assessment of Lending Portfolio, April 2009.
[13] IEG, Results and Performance of the World Bank Group, Volume II: Management Action Records for World Bank, IFC, and MIGA," 2010, p. 14.

coverage of regional integration issues in CAS and work programs, with a focus on addressing policy and institutional barriers that impede economic integration, and ensuring stronger alignment between national policies and regional trade and economic agreements.

Regional Implementation Plans

44. **Regrettably, the preparation of the Regional Implementation Plans for the four sub-regions has been delayed** (these were initially envisioned for FY09 in the RIAS). Management rescheduled this work for two reasons. Internally, staff were redeployed to refocus more on the pressing challenges of improving the quality of the portfolio and strengthening the development of the lending pipeline, rather than preparation of the plans. Externally, some of the RECs were in the process of finalizing their new development strategies and prioritized expenditure plans, which are essential inputs to ensure that our Regional Implementation Plans are client-focused and fully aligned with REC priorities. These plans remain important tools to clarify strategic priorities for Bank assistance in each sub-region, and ensure strong linkages of regional issues with the CAS and country-level policy dialogues. The first one covering West Africa will be finalized shortly and the remaining three will be completed by December 2011.

Partnerships

45. **As envisioned under RIAS, partnerships with the key African institutions, especially the AU, have been significantly strengthened.** In September 2008, the Bank and AUC signed a Memorandum of Understanding, which outlined strategic collaboration in five areas: regional integration, post-conflict countries, governance, health and communicable diseases, and relations with the Diaspora. The areas for collaboration have subsequently been extended to cover agriculture, infrastructure, education, and social accountability. The Bank has participated in most AU Summits of Heads of State since 2008, with senior management regularly addressing the plenary. The AUC has also attended most World Bank Annual and Spring Meetings, frequently speaking in the program of seminars. Senior level policy consultations between AFR and AUC are now held twice a year to agree on strategic focus and review progress.

46. **This collaboration has been mutually beneficial and helped contribute to effective implementation of both the RIAS and AU Strategic Plan**. AU programs such as PIDA and CAADP have provided continental frameworks that support implementation of the RIAS agenda. We have jointly identified seven high priority regional projects in the energy, transport, and ICT sectors for collaboration, where AUC has addressed sensitive political economy issues involved in benefits sharing and policy reform. Finally, we have scaled up collaboration on knowledge sharing and joint analytical work (including the 2011 WDR, the Migration and Remittances Program, AICD, and a new flagship study on strategic applications of ICT in Africa) and contributed to AUC's global advocacy role on trade, climate change, and other regional public goods at international fora, such as the G8, G20 and the Conference of the Parties processes. As a result of the closer partnership with AUC, there is now strong alignment between the RIAS lending program and the AU Strategic Plan of 2009-2012.

47. **The region's African Diaspora Program has been working closely with the AUC on mobilizing diaspora to support Africa countries**, by (a) strengthening diaspora engagement in policy development and implementation, (b) developing diaspora finance, particularly the leveraging of remittances for development, and (c) mobilizing diaspora technical support and human capital (brain gain) in Africa. This is being done through a portfolio of activities working with countries, partner donors, and African Diaspora Professional Networks and Diaspora Hometown Associations that the program helps connect.

48. **AFR has followed up on commitments made at the High Level Forum on Aid Effectiveness in Accra to harmonize assistance, reduce transaction costs, and improve effectiveness of aid for regional integration**. As highlighted in the new Africa Strategy, an example of the new, more harmonized approach for regional investments is the North South Corridor model of a large umbrella framework based on joint analysis (see Box 5). Other examples of increased harmonization with partners under RIAS include:

- The joint statement issued by the Bank, AfDB, and EC in May 2009 on "Support to Africa Infrastructure in Times of Crisis," which called on development partners to support harmonized spending and interventions around the three key strategic areas of development of regional infrastructure, maintenance of existing infrastructure assets, and enhancement of policy, regulatory and administrative frameworks.

- Development of new partner coordination mechanisms to mobilize political consensus for regional integration and prioritize key investment and policy requirements. For example, a high-level conference organized jointly by the World Bank, DFID, EU, AfDB, UNECA, AUC, and ICA in London in March 2010 brought together representatives from governments, RECs, regional organizations, donors, business and academia; it aimed to maintain momentum and support for regional integration that was catalyzed at the North South Conference in Lusaka in April 2009, and agree on key next steps.

- Collaboration among the Bank, AfDB, EU, and DFID to develop a set of principles to strengthen ownership, alignment, harmonization, results management, and mutual accountability in regional integration projects, which will be brought to the Fourth High Level Forum on Aid Effectiveness in November 2011 in Korea.

- The Bank is contributing to the preparation of sub-regional assistance strategies currently underway by AfDB.

Box 5: Donor Harmonization for Regional Integration: North South Corridor

The North South Corridor Program (NSC), launched by EAC, COMESA, and SADC, is designed to reduce transport and transit costs in the corridor trade that stretches from the Copperbelt in Northern Zambia to Dar es Salaam in the east and Durban in South Africa. It aims to upgrade roads, rail, ports, and border posts; reduce cross-border procedures, harmonize transit and transport regulations; and simplify administrative requirements. The program will be implemented over a period of five years and requires investments of roughly US$2.5 billion. IDA's analytical work played a central role in developing the program, by helping to build understanding that regional trade barriers were driving up transport costs in the region and reducing competitiveness. African leaders and develop partners met in April 2009 to review and endorse the program. Development partners (including AfDB, EC, DFID, USAID, AFD) committed US$1.2 billion in funding. The Bank has already approved US$140 million in support of core NSC investments, and is developing an additional US$360 million over the next three years focused on the Dar es Salaam Corridor to Lusaka and Lilongwe.

49. **The Bank continued to engage actively in a number of partner coordination frameworks related to regional integration,** notably the Tripartite process (with AfDB and EU), the Infrastructure Consortium for Africa, Private Investors for Africa, and the Africa Partnership Forum. In addition, a new Africa Regional Integration Working Group was established with AfDB, EC, UK to build on the successful collaboration under the North South Corridor, which involved monthly meetings to discuss pipeline and portfolio issues; and a new Memorandum of Understanding was signed with Microsoft to scale up private sector collaboration in ICT.

IV. Aligning RIAS with the New Africa Strategy

50. **The new Africa Strategy provides a strong framework to sharpen the priorities and impact of the RIAS.** While the overall thrust of the RIAS remains valid, some adjustments are proposed below to accelerate results on the ground and strengthen alignment with the new Africa Strategy's priorities of competitiveness and employment, vulnerability and resilience, and governance and public sector capacity. Reflecting the direction of the new Africa Strategy, leveraging of partnerships (including the private sector) will be critical under the new approach, and we will be deploying multi-sectoral approaches to achieve a higher level of results. These adjustments build on consultations that preceded the new Africa Strategy, respond to recent economic and political developments on the continent, and incorporate lessons learned from RIAS implementation over the past three years (which are summarized in Annex 9). They also draw on recent AFR and Bankwide analytical work (including the 2009 WDR on Reshaping Economic Geography and the 2011 WDR on Conflict and Development).

Competitiveness and Employment

51. **In line with the first pillar of the new Africa Strategy on competitiveness and employment, regional infrastructure development will remain the core focus of the program.** Lack of integration of regional infrastructure networks escalates costs of infrastructure services and undermines performance, thereby holding back competitiveness and limiting job creation. Sub-Saharan Africa has 48 countries, most with small populations. Economies are also very small: 20 countries have a GDP of less than $5 billion. Small scale makes it difficult for governments to fund the large fixed costs associated with infrastructure. In addition, borders further complicate infrastructure development: Africa's 15 landlocked countries depend on their neighbors for access to global markets; 60 African river basins are shared by more than one country, and half of these cross three or more national jurisdictions. Infrastructure sharing addresses the problems of small scale and adverse location, increasing the scale of infrastructure construction, operation, and maintenance—particularly important in the ICT and power sectors. Joint provision of infrastructure reduces costs, pools scarce technical and managerial capacity, and creates a larger market.

52. **In power, development of large-scale, export-oriented generation projects and cross-border inter-connectors will continue to be emphasized**. The scale of the regional power challenge is such that the World Bank will work increasingly in terms of broader partnerships, based on principles of comparative advantage. This will entail leveraging other partners' resources for large and commercially-viable generation projects – becoming a catalytic rather than a concessional financier for such projects – and engaging own resources for less commercially-viable projects. Competitive power will in turn lead to the emergence of growth poles, export industries, and SMEs that could be supported by the Bank and IFC.

53. **In transport, we will continue to focus on transport corridors that combine both physical investments with technical assistance for trade facilitation**. A shift will take place towards longer corridors aimed at spurring both intra-regional and global trade by connecting production areas to regional markets – a prime example is the North-South Corridor linking Durban to Dar es Salaam. In addition, corridor projects will include further vertical linkages related to logistic distribution chain efficiency (e.g. trucking market regulation and inter-modal rail-road pricing policy), as well as horizontal linkages related to broader social welfare (e.g. road safety, HIV/AIDs prevention, gender issues). The link to agriculture production and value chains will be emphasized.

54. **In ICT, we will focus on completing the connection of countries to submarine cables and extending the terrestrial fiber optic backbone network into landlocked countries, on a strong PPP**

basis. Whereas the first generation of connectivity projects emphasized building the regulatory conditions favoring open access into the submarine cable's legal documentation (as in the case of EASSy), the more recent projects have moved towards a model where the very PPP ownership structure being financed at the country level ensures a competitive gateway. Looking ahead, as low cost broadband spreads across the continent, the challenge will become how to harness the technology for transformation through applications adapted to local development challenges, some of which are regional in nature (such as disease surveillance, deforestation, cross-border mobile payments, and hydromet solutions). The ICT development will have major links to the governance and capacity building agendas that will be supported through our national programs.

55. **In water resource management, we will continue to support the capacity building of transnational river basin organizations to manage multi-purpose investments in hydraulic infrastructure as well as smarter water resource management practices, with major impact on agriculture productivity and land management.** The focus basins will continue to be the Niger, Nile, Senegal and Zambezi. In recognition of the considerable challenges involved in building the capacity of nascent regional institutions, a more phased approach may be desirable in future. This may entail initial operations that are smaller and focused on strengthening the systems and structures for implementation of larger regional operations to follow

56. **Improving the regional environment for trade and investment is the second priority after regional infrastructure networks for accelerating private sector led growth and jobs creation in Africa.** Overall, Africa ranks poorly in performance on trade policy and trade facilitation. Seven African countries are listed among the bottom ten most restrictive trade regimes, and Africa has the lowest rating of any region for logistics performance. High trade costs seriously damage prospects for increased economic integration and hinder competition and job creation in economies through high costs of services and inputs, supply chain bottlenecks, and distortive domestic policy.[14] Building on the new World Bank Group trade strategy, the updated RIAS will deepen support to enhance trade competitiveness and diversification, reduce trade costs by improving trade facilitation and transport logistics, and support expanded market access and cross-border trade cooperation. Doha remains essential for reducing remaining barriers to international trade, and we will continue our global advocacy role for broad and comprehensive market access – particularly liberalization of trade policies on the part of developed countries, and elimination of overly restrictive rules of origin on African imports.[15]

57. **Regional business and financial sector reforms will facilitate the development of competitive value chains to reach optimal economic scale and spatial distribution across borders**. Key priorities include continued assistance to OHADA and the RECs to support modernization of the legal and institutional framework for commercial activities, and support for sub-regional growth poles and corridor development, including strengthening of value chains and industrial clusters across borders. Financial integration will help deepen and broaden financial systems by facilitating the spread of new financial products and delivery channels, supporting the emergence of SMEs, and by enabling larger segments of the population to transfer money across borders, fostering economic integration. Regional financial

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[14] There are huge benefits from reducing trade transaction costs. It currently takes 33 days on average to export goods from Africa. It is estimated that a one-day decrease in transit delays would increase total African exports by 7 percent, equivalent to a 1.5 percent decrease in all import tariffs of trading partner countries. The country level benefits would be enormous – for example, improving trade logistics so that Ethiopia cuts the costs of moving a standardized container of goods half-way to the level in Mauritius is equivalent to a 7.6 percent cut in tariffs faced by Ethiopian exports.

[15] Recent Bank analysis indicates that eliminating duties and tariffs for LDCs could have a significant impact on trade and national income. For example, full duty-free, quota-free access to all G20 markets could increase Malawi's GDP by some 10 percent.

integration will also help lengthen financial contracts and support the emergence of broader and deeper liquidity pools. The level of harmonization of legal and regulatory frameworks, and internal systems for financial sector integration, vary widely among REC; therefore, Bank support will need to be carefully calibrated for each sub-region.

58. **Agriculture, as one of the key pillars of competitiveness, will continue to be a priority for regional approaches.** Growth in productivity requires significant rebuilding of the capacity of agricultural research – yet many African countries are too small to support fully developed establishments of agricultural research operating on the global frontiers of scientific advancement. Even when technologies are generated, the mechanisms for their dissemination and adoption across the continent are inefficient and constrained by the lack of supporting agribusiness services. The updated RIAS will continue to promote regional solutions to agricultural technology development and dissemination, within the framework of CAADP, and regional collaboration for sustainable management of transboundary natural assets like fisheries and forests. Agriculture and agro industries, as noted above, will greatly benefit from support to regional transport corridors and improved water resource management.

59. **In addition to infrastructure and an improved business environment, Africa needs effective higher education institutions and centers of excellence to generate the skills, research, and innovation required for competitiveness.** Yet, the gross enrollment rate in tertiary education is still the lowest in the world, just under 6 percent. The updated RIAS will include a new focus on regional solutions for higher education -- to facilitate scale economies in the use of facilities, equipment, and staff in specialised fields of study; share innovations in curricula, pedagogy, and approaches to teaching, learning, and research across countries; and foster the development of new cross-border, multi-disciplinary research networks. In particular, we will seek to support the emergence of at least five African universities in the global worldwide ranking of universities, leveraging support from ACBF and other partners.

Vulnerability and Resilience

60. **In line with the second pillar of the new Africa Strategy on vulnerability and resilience, regional approaches will be scaled up to manage shocks**. The updated RIAS will maintain its strong focus on health, as Africa continues to face numerous public health threats that require collective action across borders, including the emergence of drug resistant strains of malaria and TB, ineffective insecticide alternatives for malaria, and global epidemics like HIV/AIDs and H1N1 influenza. Key priorities include joint surveillance to bolster capacities to track communicable diseases using harmonized strategies and protocols, disease outbreak preparedness, joint procurement of drugs to reap economies of scale, regional stockpiling of vaccines, and enhancing critical services for vulnerable populations in cross border areas.

61. **Regional integration will also help cushion the impact of external price shocks.** Global food markets have demonstrated twice in the past five years that prices are volatile -- and they are likely to remain so. We will look for regional entry points to support the development of large, spatially integrated markets that facilitate the flow of locally produced close substitutes, such as cassava or banana, to dampen the impact of spikes in prices of imported cereals. Likewise, the development of robust regional meteorological networks will help traders and holders of food stocks to improve forecasts of intra-seasonal price movements, and thus dampen volatility arising from localized supply shocks. Regional management of national strategic grain reserves could help reduce the cost of holding and managing stocks, and provide lower cost mechanisms to manage supply shocks.

62. **Finally, as emphasized in the new Africa Strategy, climate change is a serious threat that requires collective action.** The updated RIAS will include a stronger focus on regional approaches to support adaptation and mitigation, including:

- *Improved access to climate finance*: mechanisms to support "investment readiness," and exploration of innovative financing tools, including green bonds, guarantees, weather insurance instruments, and dedicated financing facilities for low-carbon, climate resilient investments;
- *Improving energy access* with a focus on low carbon sources and efficiency to make energy services more affordable and reliable to households and industry, including accelerating regional integration for more reliable, low-cost, and low-carbon energy opportunities; and promoting CDM reform and simplification to broaden eligibility of environmentally and socially-responsible hydro and emission-reduction projects;
- *Climate-smart sustainable forest management*, ensuring that as REDD+ gets operative, it addresses the specificities of African countries, particularly in terms of establishing a reasonable level of reference emissions;
- *Enhancing climate resilience of water resource management*, by launching a program to develop tools to integrate climate risks in the design and operation of water infrastructure; stepped up commitments to finance and consolidate climate-resilient investment in the water sector; and strengthening hydro-meteorological monitoring and forecasting networks; and
- *Improving resilience to climate shocks* and enhancing climate risk management, by stepping up and investing in Africa's preparedness capacity, strengthening hydromet and early warning systems, investing in climate resilient infrastructure, and piloting financial schemes to mitigate climate-related risks and disasters.

Governance and Public Sector Capacity

63. **In line with the third pillar of the new Africa Strategy on governance and public sector capacity, we will support the AUC and RECs to strengthen their capacity to effectively manage the regional governance initiatives agreed by their member states**. Regional institutions have been sending an increasingly clear message that more open democratic political systems are a "shared value" of Africans, though the implementation at the country level has been uneven and difficult. Collective action at the regional level has been a major challenge in Africa, limiting growth, security and good governance for several decades. More recently, several practical compacts around trade, resource pooling (e.g. central banking or peace-keeping in West Africa), and governance norms have emerged. Most, though not all, governments have accepted the imperative of regular elections, which has increased focus on delivery of public services and the need for accountability. The norms and values articulated by the AU and RECs have helped to establish democratic principles and set standards for member states. Perhaps most importantly, the voice of non-state actors and their participation in the process of governance have radically increased in most countries, and the role of ICT in promoting good governance by increasing access to information and facilitating collective action cannot be underestimated.

64. **The African Charter on Democracy, Elections and Governance commits member states to adopt and implement democratic principles, ensure free and fair elections, and improve governance**. The involvement of the AU and RECs in election monitoring has helped to improve the conduct and management of elections. The Declaration against Unconstitutional Changes of Government has been instrumental in discouraging military coups, and has allowed the AU to suspend membership of countries where unconstitutional takeovers have occurred. Such actions have usually been undertaken in collaboration with RECs, which have adopted similar institutional principles and mechanisms. The establishment of the AU Peace and Security Council, and the active engagement of both RECs and the AUC in peacemaking and peacekeeping efforts, including in Niger, Madagascar, Somalia, Sudan, Guinea and Cote d'Ivoire, has underscored their institutional commitment to democratic values and the resolution of disputes through the process of governance.

65. **Legally binding agreements like the AU Convention on Combating Corruption, the African Charter on the Values and Principles of Public Service and Administration, and the African Charter on Statistics, aim to improve specific elements of governance by enhancing standards and conduct**. These are buttressed by voluntary participation in continental initiatives like the African Mining Vision, intended to promote best practices in the management of extractive industries. The main challenge remains the very limited capacity of the regional institutions to move beyond norm-setting, and to begin to influence implementation and the delivery of results.

66. **Against this framework, we will seek entry points to support both the supply and demands sides of governance**. A project to help build institutional capacity at the AUC is under design. Initial discussions are also underway in response to AUC's request for assistance to popularize agreements relating to governance, and thus build citizen demand for their implementation at the national level. We will continue to pay greater attention to the adverse impact of unconstitutional changes of government on domestic accountability mechanisms and the business environment, and, therefore on our development effectiveness. This has allowed us to apply the provisions of OP/BP 7.30, *Dealing with De Facto Governments*, in countries like Guinea, Madagascar, Mauritania and Niger, in ways that complement key governance principles of the AUC. We will continue to support implementation and management of the African Charter on Statistics, and assistance will be provided to ECOSOCC to enhance civil society participation in AU policy formulation. Aside from technical and financial assistance, we have agreed to participate in AUC initiatives to improve governance, such as the Extractive Industries Forum, and to provide information on governance work we are undertaking. Going forward, we will be acting on recommendations from the 2011 WDR on Conflict, Security and Development, such as providing support for regional initiatives that link security and development.

Fragile States

67. **The updated RIAS will have a stronger focus on regional solutions involving fragile states, in line with the strategic priorities of the new Africa Strategy and the recommendations of the 2011 WDR on Conflict and Development**.[16] As outlined in the recent paper on operationalizing the WDR, we will focus on broadening the thematic scope of our dialogue, adopting the proper time horizon, revisiting modalities of Bank Group support, and ensuring timely and appropriate responses. Building on the expanded expertise that will be available in the new Fragile States Hub, AFR will explore several possible areas for regional approaches outlined in the WDR:

- *Trade and transit infrastructure – roads are more effective across borders than to borders.* Gaps between producers and consumers in many conflict affected and fragile states divide people and goods from ports and airports. Infrastructure projects across borders should be calibrated to local context drawing on labor-intensive methods where needed, locating roads and other infrastructure where they will promote peace (or, at a minimum, do not contribute to increased rents and conflict).

- *Beyond infrastructure, development programming can also be effective across borders where target populations share ethnicity, history, or even terrain.* Development interventions that are unlikely to be contentious, such as health programs, can be particularly effective and can increase cross-border cooperation. Cross-border development programming need not be complicated or expensive; it may be as simple as arrangements for sharing knowledge between communities of neighboring countries.

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[16] To this end, the IDA Deputies have approved the adjustment of the eligibility criteria for the IDA Regional Program under IDA16 so that the required minimum number of countries is reduced from three to two if at least one IDA fragile state participates in the project.

- *Scaling up of regional initiatives already in place, such as the AU's Border Program.* This would also include joint efforts to reduce trafficking of natural resources – many fragile and conflict-affected states need assistance to develop capacity to increase extractive industries transparency.

- *Regionally-managed humanitarian food stocks could be used to target particularly vulnerable populations in emergency situations, particularly in fragile and conflict-affected states.* These reserves should be managed for distribution directly to the affected target groups and not attempt to operate through market price impacts by adding to supply, since this would entail higher costs of commensurately large reserves, and lower efficiency since the non-vulnerable would also benefit.

Middle Income Countries

68. **At the other end of the spectrum, the updated RIAS will also give greater attention to middle-income countries (MICs), which are uniquely placed to promote the continent's economic development and progress toward regional integration.** These countries are a significant source of direct investments and entrepreneurial experience for the rest of Africa, and offer indigenous African capacity in areas critical to many of their low-income neighbors. Moreover, some MICs hold a particularly strong position of influence in key regional organizations, like South Africa in SADC/SACU and Mauritius in COMESA. MICs, in turn, stand to benefit significantly from regional solutions in a number of critical areas, notably in addressing the spread of diseases such as HIV/AIDS and malaria, and in pooled regional infrastructure. Key steps will include:

- *Scaling up IBRD financing to support integration of MICs in regional infrastructure programs* (for example, a US$16 million loan is under preparation for Gabon to join the Central African ICT backbone program in FY12);

- *Exploring innovative ways of funding MIC participation in regional public goods programs,* possibly through buy-downs of IBRD interest rates (as have been used for HIV/AIDs projects in Botswana and Swaziland) and mobilization of co-financing grants from trust funds (as has been done with GEF to fund Seychelles participation in the Southwest Indian Ocean Fisheries Project, and South Africa's participation in the Africa Stockpiles Program);

- *Supporting development of sub-regional centers of excellence in MICs*, possibly in the areas of higher education, agricultural research, and skills development;

- *Accelerating South-South knowledge sharing and joint analytical work with MICs, particularly on trade policy, sub-regional growth corridors, and business environment reforms.* The new initiative being launched by the Regional Multidisciplinary Center for Excellence in Mauritius, in partnership with the World Bank and IFC, to share "Doing Business" reform experiences among African countries illustrates our new focus on a MIC-led, peer-to-peer-learning model for building capacity;

- *Supporting emerging MIC countries in participating in regional projects,* for example through support to access to international markets with PCGs or structuring advice.

Partnerships

69. **The updated RIAS will reinforce the central role for partnerships set out in the new Africa Strategy – with African society, governments, the private sector, universities, policy research institutes, and other development actors.** The relationship between the Bank and the AU and RECs will continue to be critical. As reviewed above, we intend to deepen collaboration with AU in the areas of governance, disaster risk management, and higher education. Strengthening the institutional capacity of the AUC and RECs will continue to be a priority.

70. **Increased attention will be given to engaging civil society in the integration process.** They play a key role to enhance the accountability of regional institutions, monitor implementation of African leaders' commitments under regional trade and integration agreements, and monitor and report examples of bribes, road harassment, and other impediments to free movement of goods and people.

71. **Partnering with Governments will generate stronger synergies with public expenditures that support regional solutions**. For example, a regional focus in public expenditure reviews in transport, water resource management and power can help strengthen the efficiency and efficacy of government spending. Also, leveraging IDA with government funds, notably in resource rich countries, will deepen the impact of our lending interventions. Supporting the design and implementation of national policies that will enhance the impact and benefits of regional investments (e.g., tariff policies in power, opening up of ICT sectors, capacity building in managing border posts) will ensure that regional investments are yielding the expected results.

72. **The updated RIAS will focus more on leveraging private sector expertise and resources for regional solutions,** in line with the new Africa Strategy promotion of "Africa as an investment proposition." A number of regional projects have the potential to be developed as PPPs, for example in ICT, energy generation, pipelines, power transmission, road corridors, railways, international airports and ports, but also in regional education and health projects. We will more actively reach out to the private sector for collaboration. For example, we are working with the Private Investors for Africa (PIA) business coalition to develop a green channel/fast track model for the Abidjan-Lagos Transport Corridor, and PIA companies have agreed to use their supply networks in West Africa to pilot this new authorized economic operator scheme. Similarly, we are developing MOUs with additional ICT companies. We will deploy PCGs and PRGs as well as enclave lending in support of PPPs so as to achieve a higher level of leverage than was accomplished previously.

73. **In this respect, IFC and MIGA will continue to play an invaluable role in catalyzing private finance and mitigating the risks in PPPs,** while helping governments negotiate fair terms and ensuring that safeguards are being met. Likely areas of collaboration include power pools, transport, ICT, agribusiness, financial sector integration, and continued reform of business frameworks like OHADA. More broadly, we are envisioning a different type of synergy with IFC and MIGA going forward. Bank financing for major power and gas interconnections, and the hardware and software of the power pools, are creating infrastructure that will facilitate public and private investments in a variety of related power generation projects. For example, the West Africa Gas Pipeline has facilitated the private development of gas-based generation in Togo, where IFC is financing an Independent Power Producer with a global energy company. Similarly the planned high voltage interconnection between Mozambique and South Africa as part of the SAPP architecture is making it possible for a Brazilian consortium to develop the Mpanda Nkuwa hydropower project in Mozambique as a PPP based on exports to SAPP and South Africa. As the regional integration infrastructure grows, it will stimulate increased potential for PPP projects to be supported by IFC and MIGA, thereby advancing the development of much needed energy generation resources, and promoting energy security and sufficiency through trade and pooling.

74. **Strong and effective partnerships with multilaterals and bilaterals will remain an important priority -- and an important source of co-financing for joint infrastructure programs**. We will keep pushing on harmonization of joint lending procedures to reduce transaction costs and streamline processing. To this end, we will seek to replicate the successful North-South Corridor programmatic approach in other large-scale regional infrastructure programs. Sometimes the Bank will play a convening role, other times we will follow the lead of others (for example, we are following the EU lead on regional approaches in the Horn of Africa). We will particularly seek to strengthen our collaboration with emerging actors, including China, Brazil, India, Arab Funds, and private foundations.

75. **Selectivity in these partnerships will be emphasized**, with a stronger focus on the two strategic priorities of infrastructure (through continued engagement with the G-20 agenda, ICA, and PIDA) and agriculture (through continued engagement in the CAADP process, and leadership on the Global Agriculture and Food Security Program and CAADP Multi-Donor Trust Fund).

Knowledge

76. **Knowledge – the second instrument of the new Africa Strategy -- will play a critical role in promoting the consensus building and evidenced-based decision making that lies at the heart of the integration process**. The updated RIAS will therefore continue to focus on addressing critical knowledge gaps that undermine ownership and effective participation of countries and citizens in the development of integrated regional economic space. Objectives will be to: (a) analyze the political economy of regional integration in each sub-region, to identify the impediments and better inform the design of Bank assistance programs; (b) generate the required knowledge to help formulate evidence-based policies and facilitate political dialogue on the cost and benefits of regional integration within and across countries; (c) develop needed knowledge to underpin priority regional investments; and (d) build capacity to analyze and monitor the implementation of regional decisions both at the national and regional levels. We will continue to improve the impact and effectiveness of our knowledge portfolio, including stronger collaboration with regional research and policy institutes, more South-South exchange, and increased attention to outcomes in line with the Region's new selectively framework for AAA.

77. **We will also develop a stronger Bankwide knowledge platform on regional integration**, by increasingly sharing experience with the other regions that are scaling up support for regional solutions, and continued close collaboration with WBI, PRMTR, DEC, and other networks.

Lending

78. **Lastly, we will use our traditional instrument of financing for selective, high impact operations for regional integration.** While the overall allocation for regional IDA under IDA-16 has increased to SDR 1.5 billion, the share for Africa will meet only a fraction of the huge financing requirements. We will therefore focus on leveraging these resources to crowd-in other sources of financing – not only from the private sector and development partners as noted above, but also from the countries' and REC's own resources. This implies greater linkages to country and REC budgets in our interventions, and collaboration on the quality of regional public expenditures through processes like PIDA.

79. **The regional lending program will concentrate on a smaller number of high impact operations in key strategic sectors,** in line with the increased focus on selectivity set out in the new Africa Strategy, and the recent decision of the Regional Management Team to reduce the number of active projects in each Country Management Unit (CMU) by 15 percent by FY13, to achieve greater efficiencies and cost-effectiveness in AFR. Regional infrastructure development will remain the top priority, as the critical building block of the competitiveness and employment pillar of the Africa Strategy

– and Inga hydropower illustrates the type of transformative investment that we seek to support (see Box 6). Annex 3 includes the indicative pipeline for the remaining FY11 period and FY12. Our focus will be on completing subsequent phases of already approved APL programs in ICT, energy, and transport, which will improve internal cost efficiencies through economies of scale in preparation and supervision.

Box 6: Transformative Investments: The Power of Inga

The Inga site in DRC, located on a bend in the Congo River, has possibly the largest hydro-power potential in the world, about 40,000 MW. With the countries of the Southern African Power Pool facing large power deficits in the future, the viability of sourcing clean and inexpensive electricity from Inga is being explored by SADC and the African Union.

Inga has two existing power plants with installed capacity of 1,800 MW each, but they are currently able to generate only 700 MW as a result of inadequate maintenance; their rehabilitation is supported under the Bank's ongoing Southern Africa Power Market Program. DRC is reviewing the scope for developing Inga 3 (4,300 MW) and possibly Grand Inga (30,000+ MW). Grand Inga could supply electricity to an estimated 500 million of Africa's 900 million people, as well as to the industries of several countries; a pre-feasibility study is being financed by AfDB.

Inga III is expected to cost about US$7-8 billion and be developed as a privately-held Independent Power Producer. About 2,000 MW would be taken by private sector mining or smelting companies in DRC and the rest would be available for domestic consumption and export -- a transformative opportunity for DRC and Southern Africa. Once the private partner is in place, the development of this much awaited regional project will take off. Strong multilateral and bilateral engagement will be needed to support (a) the technical, institutional, sustainability, and financing feasibility work required, and (b) the financing framework, both for the project investment itself and guarantees for managing regulatory and political risks.

80. **This selectivity lens will ensure that regional solutions in other high priority sectors are also deployed in piloting and mainstreaming regional and multi-sectoral approaches** related to vulnerability and resilience (especially health, food security, and climate change) and governance and public sector capacity (especially social accountability, and AU and REC capacity building). For FY12, new lending will target development of a new Africa Drought Risk Pool Facility to provide insurance and real-time resources to deal with climate-related shocks; and capacity building of the Economic Social and Cultural Council of the African Union to better engage civil society in the decision making process of the AU, and support for the Institutional Transformation and Capacity Building Program of the AUC.

81. **AFR will diversify the mix of instruments and mobilize innovative finance to support regional integration**. We will continue to develop longer-term programmatic lending frameworks through APLs, and explore the scope for new instruments like regional Development Policy Operations to support the enabling policy framework for infrastructure investment (particularly in the case of ICT) and support trade policy reforms; the new P4R instrument; IBRD enclave financing for projects that support regional exports, such as energy from Mozambique, or water from Lesotho to South Africa; PCGs, if they become available to IDA countries, to help leverage bonds towards public financing of regional projects, as mentioned above; and the possible deployment of diaspora financing in support of regional projects, an area that we are developing as part of our collaboration with AU on diaspora issues.

82. **Given the high cost of preparation of regional projects, AFR is exploring in the context of the G-20 the establishment of a preparation facility** that would help fund essential preparatory steps, including project advisory support, environmental, social and engineering studies as well as legal and financial structuring advice.

Managing and Organizing for Results

83. **Accelerating the implementation and impact of the regional integration program is the most important priority of the updated RIAS**, in view of the mixed performance to date. In addition to the measures already outlined to improve portfolio quality and increase strategic selectivity, the following steps will be taken.

- *The Regional Integration Department will remain heavily decentralized,* with the Director located in Addis, 3-4 Senior Operations Officers located in the sub-regions to manage the relationships with the RECs, and one Operations Analyst based in Washington. A new Operations Manager will be recruited in Washington to focus on portfolio management and pipeline development.

- *Beginning in FY12, one of the existing Country Directors in each of the four sub-regions will be appointed as the lead Country Director for regional integration,* with responsibility for guiding the implementation of the sub-regional integration agenda in partnership with the Regional Integration Director – this will facilitate stronger CMU ownership of the regional agenda under the overall coordination of AFCRI. Responsibility and accountability for effective implementation of the regional integration agenda will be added to the Results Agreements for all Country Directors.

- *The Implementation Hub, which will be piloted in West Africa, will provide critical procurement and contract management expertise to help unblock project delays.* It will be supported with appropriate technology and other services to ensure connectivity with country and global levels.

- *AFR will continue to provide increased cost-coefficients for preparation of regional projects (to strengthen readiness for implementation and build implementing agency capacity before project launch), and for supervision (to support enhanced implementation support, particularly for problem projects).*

- *AFR will continue to champion reform of internal business processes to enhance regional approaches to investment lending, DPLs and AAA*, in collaboration with OPCS, LEG, and ISG. Key areas include: revision to OP/BP 8.10 Project Preparation Facility (which includes several restrictions on the use of project preparation advances for regional organizations); clarification of policies for APLs (particularly related to triggers, eligibility criteria, good practices with mixed APLs, and documentation requirements); review of procurement and financial management arrangements for regional projects, particularly those involving private sector participation; and improved coding in Business Warehouse for regional projects.

84. **The results focus of the regional integration program will continue to be strengthened**, in line with the new Africa Strategy and the recommendations of the IDA-15 Mid-Term Review of the IDA Regional Program. The elaborate results framework set out in the RIAS has proved unworkable, as it tracks high-level outcomes related to trade, infrastructure, health, governance, and other sectors that are not directly attributable to or linked with World Bank Group interventions. A new results framework will be prepared in FY11 that is more closely aligned with (a) the strategy monitoring framework of the new Africa Strategy (so that a common set of key performance indicators is used to track progress on Bank support for regional integration), and (b) the new IDA-16 Results Monitoring System (particularly the use of core indicators for regional education, health, roads, and ICT projects). We will also continue to explore the scope for harmonization of results monitoring with AfDB and EU, in view of the increasing collaboration and joint financing on large regional infrastructure programs.

V. Risks

85. **The RIAS presented a very comprehensive assessment of risks and mitigation measures, and the overall risk management framework remains valid**, particularly with regard to political support, capacity development, linkages with country programs, program complexity, and implementation challenges. However, the past three years of implementation have confirmed that some risks were understated or not fully developed, and other new ones have emerged. These will be closely monitored and managed going forward, as reviewed below.

86. **Risks related to implementation challenges were understated**. Beyond the issues of the weak capacity of implementing agencies and the need to harmonize across the multiple procurement and financial management systems of participating countries in a regional project, it has been challenging to secure sustained commitment to and championing of projects across all key stakeholders to ensure effective pressure and support for good implementation performance. AU has put in place a new framework to help address this – the July 2010 Summit of Heads of State agreed to introduce an explicit system of championing of key flagship regional infrastructure projects by designated heads of states. The early signs are that this high-level focus on implementation performance is already having an effect in catalyzing action in some key flagship programs, such as the North-South Corridor, which is championed by the President of South Africa. More broadly, RIAS implementation will benefit from the strong overall framework for implementation and results set out in the new Africa Strategy.

87. **A critical risk that was not flagged in the original RIAS relates to the impact of political violence and conflict,** which has significantly undermined the implementation of existing regional projects and the building of consensus around future regional cooperation, particularly programs involving Cote d'Ivoire, Guinea, Madagascar, Mauritania, Niger, Sudan, and Zimbabwe. The updated RIAS will address this risk by incorporating the recommendations of the 2011 WDR for regional activities that contribute to conflict prevention and peace-building, and by supporting regional approaches to demand-side accountability and citizen engagement in the integration process which help promote inclusion. We will continue to carefully design projects (including cross-conditions between countries in legal agreements) so that if one country in a regional project falls into a conflict that leads to suspension of Bank support in that country, the other participating countries will be able proceed with investments within their own boundaries, to the extent appropriate under the specific circumstances. Finally, the change in approach to the Bank's work in fragile states, which is set out in the new Africa Strategy, will allow for greater risk appetite and more flexibility with procedures in the preparation and supervision of regional projects involving fragile states.

88. **The risk of climate change will require significant attention going forward**. Climate change will exacerbate the development challenges Africa already faces in terms of enhanced risks to droughts, floods, uncertainties around precipitation and the management of water resources, coastal storm damage, etc. A regional perspective and collective action has increasingly been recognized as needed to effectively address many of the existing and emerging climate challenges, including strengthening negotiating leverage in gaining access to financing for climate risk management, pooling and reducing climate-related risk exposure where appropriate, joint development and exploitation of river basins, and collaboration on climate information systems. This regional perspective will benefit from and complete the focus on vulnerability and resilience in the new Africa Strategy.

89. **The risks related to changes in the continent's institutional architecture and leadership of key institutions will be limited.** The AUC, RECs, and World Bank have developed a strong working relationship in support of a shared vision of Africa's future. The leadership of these institutions may

change, but overall political and policy directions are unlikely to be substantively affected. However, changes in leadership may affect the effectiveness of the working relationships.

90. **Finally, there is a major risk that the resources needed to deliver on the updated RIAS will be limited.** While there is growing consensus among development partners for increased support and collaboration on regional infrastructure development, the reality remains that ODA is constrained and previous commitments under Gleneagles and L'Aquila have not materialized. The updated RIAS therefore focuses on continued World Bank leadership on donor coordination for regional integration, as well as aggressive leveraging of Bank resources to crowd-in financing from other partners, including African Governments' own resources, the private sector, and non-traditional partners like China, India, and Brazil.

Annex 1: Summary of RIAS Framework[17]

Strategy Pillars

1. **Pillar I: Regional Infrastructure**. Stronger and better-connected infrastructure platforms can help unlock economies of scale and sharpen competitiveness in Africa, not least for Africa's 15 landlocked countries. Regional infrastructure will facilitate more intraregional trade and exports from the continent, thus strongly supporting Africa's growth agenda. Bank support will focus on three areas: (a) expanding and upgrading selected trade corridors and transport networks, (b) improving access to clean energy and improving supply reliability, and (c) improving telecommunication connectivity. Assistance to trade corridors and transport networks will have a special focus on improving the connectivity of landlocked countries.

2. **Pillar II: Institutional Cooperation for Economic Integration**. The benefits of strengthened economic integration include enhancing economies of scale facilitated by regional infrastructure, promoting trade diversification, and providing learning-by-exporting experiences. Combined with improved regional economic and political stability, closer economic integration will enhance incentives for both domestic and foreign investment, spurring existing industries and new business start-ups. Bank assistance will focus on six areas: (a) reducing Africa's external trade tariffs toward the rest of the world; (b) reducing tariff and nontariff barriers to intraregional trade; (c) implementing customs unions and free trade agreements, including analytical work related to new trade agreements and ongoing WTO-led multilateral trade negotiations; (d) improving regional environments for business, investment and industrial cooperation; (e) developing regional financial markets and related institutions; and (f) developing regional dimensions of initiatives to improve governance and financial management.

3. **Pillar III: Coordinated Interventions to Provide Regional Public Goods**. Bank assistance will focus on (a) improving management of shared water resources; (b) raising agricultural productivity (including research and knowledge-sharing on likely implications for SSA of climate change and assistance in developing mitigation strategies); (c) regional and sub-regional programs to address the cross-border dimensions of malaria prevention and treatment; (d) increased access to HIV/AIDS prevention methods along main transport corridors, and improved preparedness to respond to trans-boundary pandemics, other infectious diseases, and pests; and (e) regional rationalization of research and tertiary education to strengthen regional knowledge assets and technical capacity. In addition, the Bank will explore potential avenues to enable it to assist with regional dimensions of conflicts and emergency responses.

4. **Cross-cutting theme: Strengthening Regional Strategic Planning and Connections with National Development Plans.** Bank assistance will focus on three areas: (a) SSA-wide themes centered on capacity development of the AU (including NEPAD); (b) capacity development of selected RECs and subsidiary regional bodies; and (c) strengthened connection between regional policy commitments and national planning.

Implementation Modalities

5. **Lending and non-lending programs of Bank assistance will be developed in four sub-regional implementation plans**, covering West, Central, East, and Southern Africa. They will have rolling two-year time horizons, and the first set of four plans will be developed and finalized in FY09. The plans will outline both regional and national program activities that support regional integration, to enable country teams to coordinate CAS objectives and business plans in areas in which regional

[17] "Regional Integration Assistance Strategy for Sub-Saharan Africa," SecM2008-0103, March 25, 2008

solutions can strengthen outcomes at the national level, or which facilitate creation of important regional public goods not achievable through national action alone. The implementation plans also will devote particular effort to capacity development as an integral component of Bank work under each of the strategy's three pillars.

6. **The close engagement with stakeholder groups during the preparatory phase of the strategy will be continued during implementation**, with the objectives to (a) leverage impact by involving African stakeholders in developing regional implementation plans; (b) extend debate on regional and global integration issues through active dissemination of this document; and (c) obtain continuous feedback on strategy implementation to inform needed course adjustments and other adaptations in light of client and stakeholder experiences.

7. **The strategy includes a set of Key Performances Indicators to help monitor and evaluate progress in implementation,** along with a risk matrix. The strategy also sets out a proposed results matrix to be developed for each of the subregional implementation plans.

8. **The strategy covers FY09–FY11**, corresponding to the IDA replenishment cycle.

Annex 2: Portfolio of Active Regional Projects

Fiscal Year	Project Name	Description	Amount (USD Million)	Instrument
Trade and Transport Facilitation				
2006	**East Africa Trade & Transport Facilitation Project**	Reducing transit time in regional corridors through establishment of joint border posts, improvements in port security, implementation of customs union protocol and concessioning of Uganda and Kenya railways. **(Kenya, Rwanda, Tanzania, Uganda)**	**199.0**	IDA
2007	**West Indian Ocean Marine Highway Development SIL**	Strengthening navigation systems and building capacity to reduce the risk of ship-based environmental contamination and to strengthen the capacity of countries to respond to oil or chemical spill emergencies in the region. **(South Africa, Comoros, Kenya)**	**11.00**	GEF
2007	**CEMAC Transport & Trade Facilitation Project**	Improvement of road and rail and port infrastructure and implementing transit and transport facilitation measures, including implementation of Economic Community of Central African States (CEMAC) Customs Union protocol along the Douala-N'Djamena and Douala-Bangui corridors. **(Cameroon, CAR, Chad)**	**418.0**	IDA
2008	**West Africa Transport and Transit Facilitation Project**	Improving road and rail infrastructure and impementing transit and transport facilitation measures along the Tema-Ouagadougou-Bamako corridor. **(Ghana, Mali, Senegal)**	**190.0**	IDA
2006	**West & Central Africa Air Transport Safety and Security Program APL1**	Strengthening of Civil Aviation Authorities' safety and security oversight capacities and improvements in airport security and safety standards and infrastructure. **(Burkina Faso, Cameroon, Guinea, Mali)**	**33.6**	IDA
2008	**West & Central Africa Air Transport Safety and Security Program Phase II - APL 2**	Strengthening of Civil Aviation Authorities' safety and security oversight capacities and improvements in airport security and safety standards and infrastructure. **(Nigeria)**	**46.7**	IDA
2009	**West & Central Africa Air Transport Safety and Security Program Phase II b - APL2b**	Strengthening of Civil Aviation Authorities' safety and security oversight capacities and improvements in airport security and safety standards and infrastructure. **(Benin, Senegal)**	**16.0**	IDA
2010	**Abidjan-Lagos Transport & Transit Facilitation APL1**	Trade Facilitation (customs modernization and harmonization, establishment of joint border posts), rehabilitation/construction of critical road infrastructure segments, and HIV/AIDS treatment and prevention along the Abidjan-Lagos corridor. **(Benin, Ghana, Togo)**	**228.0**	IDA
Power				
2004	**Southern Africa Power Market APL1**	Construction/Rehabilitation of 800 MW transmission lines and supporting infrastructure linking the Inga hydropower site in DRC to the border of Zambia, allowing for power trading with the Southern Africa Power Pool and installation of modern ICT backbone infrastructure along transmission lines at low marginal cost. **(DRC, Zambia)**	**359.2**	IDA
2007	**Southern Africa Power Market APL1b - Regional & Domestic Power Market Development Project**	Rehabilitation of the hydroelectric facilities at Inga (I & II) in DRC, increasing capacity from 700 MW to 1300 MW, allowing for export to the Southern Africa Power Pool as well as domestic consumption through construction of a 400 kV transmission line to Kinshasa. **(DRC)**	**296.7**	IDA
2005	**West Africa Power Pool Phase 1 APL1**	First Phase of Multi-donor Construction/Rehabilitation of a 330kV transmission backbone and supporting infrastructure connecting West Africa Power Pool coastal states **(Benin, Cote d'Ivoire, Ghana, Nigeria and Togo)**	**40.0**	IDA
2006	**West Africa Power Pool Phase 1 APL2**	Rehabilitation of a 60 MW run-of-the-water Felou hydroelectric dam supplying power to Senegal, Mali and Mauritania, and linked with the wider West Africa Power Pool network. **(Mali, Mauritania, Senegal)**	**160.0**	IDA

Fiscal Year	Project Name	Description	Amount (USD Million)	Instrument
2006	**West Africa Power Pool Phase 2 APL1**	Second Phase of Multi-donor Construction/Rehabilitation of a 330KV transmission backbone connecting West Africa Power Pool Coastal States from Cote d'Ivoire to Nigeria. **(Benin, Cote d'Ivoire, Ghana, Nigeria and Togo)**	**60.0**	IDA
Information and Communications Technologies (ICT)				
2007	**Regional Communications Infrastructure Program APL1**	Construction of a landing station for international undersea fiber optic cables and regional backhaul infrastructure and financing the purchase of capacity on the submarine cables for targeted users (rural and underserved areas, governments, universities, hospitals, etc.) **(Burundi, Kenya, Madagascar)**	**164.5**	IDA
2009	**Regional Communications Infrastructure Program APL2**	Establishment of a 'virtual landing station' for international fiber optic cables, construction of regional backhaul infrastructure and financing of capacity purchase schemes on the cables for targeted users (rural and underserved areas, governments, universities, hospitals, etc.) **(Rwanda)**	**24.0**	IDA
2009	**Regional Communications Infrastructure Program APL3**	Construction of a landing station (or virtual landing station for landlocked countries)for international undersea fiber optic cables and regional backhaul infrastructure and financing the purchase of capacity on the submarine cables for targeted users (rural and underserved areas, governments, universities, hospitals, etc.) **(Malawi, Mozambique, Tanzania)**	**151.0**	IDA
2010	**Central Africa Backbone APL 1A**	Capacity building and technical assistance to support policy reform in preparation of an investment phase which will provide international broadband access through the Central African Backbone **(Cameroon, CAR, Chad)**	**26.2**	IDA
2011	**Central Africa Backbone APL 2**	Connection of STP to the ACE international broadband cable under the CAB program **(Sao Tome & Principe)**	**14.9**	IDA
2011	**West Africa Broadband & Connectivity APL 1**	Establishing a regional ICT backhaul network by leveraging and commercializing excess capacity on the fiber optic cables installed along with the cross-border power transmission lines under the West Africa Power Pool. **(Liberia, Sierra Leone)**	**56.6**	IDA
Water Resources Management				
2005	**Southern Africa Groundwater & Drought Management**	Development and testing of a groundwater drought management plan for the Limpopo River Basin pilot areas, supporting regional groundwater drought management, and establishing the Groundwater Management Institute of Southern Africa (GMISA). **(SADC)**	**7.0**	GEF
2006	**Senegal River Basin Multi-Purpose Water Resources Development Project - APL1**	Capacity building of the Senegal River Basin Association (OMVS), investment in irrigation infrastructure, improvements in fishing techniques and fisheries management, water protection, reduction in water-borne diseases, and pre-investment activities for five potential hydroelectric dams. **(Guinea, Mali, Mauritania, Senegal)**	**111.4**	IDA
2008	**Niger Basin Water Resources Development and Sustainable Ecosystems Management Project - APL1**	Capacity building of the Niger Basin Authority (NBA), rehabilitation of the 760MW Kainji and and 578MW Jebba hydroelectric plants, sustainable management of degraded environments and rehabilitation of small-scale water infrastructure (small hydroelectric dams and irrigation schemes). **(Benin, Guinea, Mali, Niger, Nigeria)**	**186.0**	IDA
2009	**Nile Basin Initiative Institutional Strengthening**	Strengthening the foundations of the Nile Basin Trust Fund for institutional sustainability, enhanced capacity, and harmonized corporate management to more effectively deliver programs and projects. **(NBI, Burundi, Democratic Republic of Congo, Egypt, Ethiopia, Kenya, Rwanda, Sudan, Tanzania, Uganda)**	**24.0**	Trust Fund

Fiscal Year	Project Name	Description	Amount (USD Million)	Instrument
2009	**Shared Vision Program Water Resource Planning & Management Phase 2 (Additional Grant)**	Development of a basin-wide Decision Support System (DSS) to strengthen analytical capacity with the aim to support the development, management, and protection of Nile Basin water resources in an equitable, optimal, integrated, and sustainable manner. **(NBI, Burundi, Democratic Republic of Congo, Egypt, Ethiopia, Kenya, Rwanda, Sudan, Tanzania, Uganda)**	**11.2**	Trust Fund
2010	**Eastern Nile First Joint Multipurpose Program (JMP1) Identification**	Assisting the three Eastern Nile countries in identification of the JMP 1 investment package, through a series of studies and consultative activities that take into account economic, social and environmental sustainability issues in an integrated manner. **(NBI, Egypt, Ethiopia, Sudan)**	**7.00**	Trust Fund
2010	**Eastern Nile Planning Model**	Strengthening the knowledge, modeling, and stakeholder interaction capacity of regional and national institutions to plan for water resources investments in a regional context, with appropriate regard to economic, environmental and social considerations. **(NBI, Egypt, Ethiopia, Sudan)**	**6.5**	Trust Fund
Finance and Private Sector Development				
2004	**West Africa Economic and Monetary Union (WAEMU) Capital Markets Development Project**	Strengthening the capital markets in West Africa and mobilizing public and private financing for infrastructure development. **(Benin, Burkina Faso, Cote d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, Togo)**	**96.4**	IDA
2009	**Economic Community of Central African States (CEMAC) Regional Institutions Support Project**	Strengthening of six regional financial and regulatory institutions to expand and improve transparency and competitiveness of regional financial markets - with the aim of channeling oil revenues toward investment in Central Africa. **(Cameroon, CAR, Chad, Congo)**	**50.0**	IDA
2010	**EAC Financial Sector Development and Regionalization Project**	Capacity building of the East African Community (EAC) to support regional harmonization of the East African Financial System **(East African Community)**	**16.0**	IDA
Agriculture				
2007	**West Africa Agricultural Productivity Program APL 1A**	Establishment of regional centers of excellence in agricultural research, establishment of common regional regulations for genetic materials and pesticides and facilitating dissemination of new agricultural technologies. **(Ghana, Mali, Senegal)**	**45.0**	IDA
2011	**West Africa Agricultural Productivity Program APL1B**	Extension of the WAAPP to new member countries and new priority technologies and provision of additional resources to bring technologies initiated under phase 1 to full maturity and wide dissemination. **(Burkina, Cote d'Ivoire, Nigeria)**	**90.0**	IDA
2009	**East Africa Agricultural Productivity Program APL1**	Strengthening regional centers of excellence in agricultural research and increasing availability of new technologies to farmers. **(Ethiopia, Kenya, Tanzania)**	**90.0**	IDA
2010	**Eastern Africa Agricultural Productivity Program APL1A (Uganda)**	Addition of Uganda to the EAAPP **(Uganda)**	**30.0**	IDA

Fiscal Year	Project Name	Description	Amount (USD Million)	Instrument
2009	**Association for Strengthening Agricultural Research in Eastern and Central Africa (ASARECA) Trust Fund**	Trust fund to finance activities related to strengthening the use of resources devoted to agricultural research among the member countries and enhancing access to the results of research in the regional agricultural systems of Eastern and Central Africa. **(ASARECA)**	**28.7**	Trust Fund
2009	**Forum for Agricultural Research in Africa (FARA) Trust Fund**	Trust fund to support of the alignment of African agricultural institutions at the national, regional and continental levels with the Framework for African Agricultural Productivity (FAAP), Pillar 4 of the Comprehensive Africa Agriculture Development Program (CAADP), for effective research, extension, training and education. **(FARA)**	**18.7**	Trust Fund
2010	**NELSAP Regional Agriculture, Trade & Productivity Technical Assistance Phase 2**	Capacity building to increase knowledge of basin agriculture in Nile Basin Initiative (NBI) institutions, to promote more efficient and sustainable use of water resources and economically viable investment in agriculture. **(NBI, Burundi, Democratic Republic of Congo, Egypt, Ethiopia, Kenya, Rwanda, Sudan, Tanzania, Uganda)**	**7.00**	Trust Fund
Environment				
2005	**Africa Emergency Locust Project**	Investments in emergency locust management, agricultural investments to restore areas damaged by infestation, and strengthening of early warning and response systems. **(Burkina Faso, Chad, Mali, Mauritania, Niger, Senegal, The Gambia)**	**59.5**	IDA
2006	**Africa Stockpiles Program 1A**	Implementation of measures to prevent the accumulation of pesticides stocks and ensure safe and environmentally sound elimination or containment of obsolete pesticide stocks and associated waste. **(South Africa, Tunisia)**	**10.64**	GEF
2006	**Africa Stockpiles Program 1B**	Implementation of measures to prevent the accumulation of pesticides stocks, and ensure safe and environmentally sound elimination or containment of obsolete pesticide stocks and associated waste. **(Mali, Morocco, Tanzania)**	**13.42**	GEF
2007	**Africa Stockpiles Program - Ethiopia**	Implementation of measures to prevent the accumulation of pesticides stocks, and ensure safe and environmentally sound elimination or containment of obsolete pesticide stocks and associated waste. **(Ethiopia)**	**2.62**	GEF
2008	**West Africa regional Biosafety**	To assist the West African Economic and Monetary Union establish a regional biosafety framework for the regulation of Living Modified Organisms (LMOs). **(Benin, Burkina Faso, Cote d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, Togo)**	**3.9**	IDA
2008	**West Africa Biosafety Project (GEF Component)**	Dissemination of regional methodologies, establishment and implementation of an institutional, legal and regulatory regional bio-safety framework and implementation in WAEMU member states who have ratified the Cartagena Protocol. **(West Africa Economic and Monetary Union (WAEMU), Benin, Burkina Faso, Cote d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, Togo)**	**5.40**	GEF
2009	**Lake Victoria Environmental Management Project II - APL1**	Capacity building and institutional strengthening of the Lake Victoria Basin Commission, point source pollution control and prevention, watershed management. **(Kenya, Tanzania, Uganda)**	**90.0**	IDA
2009	**Lake Victoria Environmental Management Phase II APL 1 (GEF)**	Strengthening institutional capacity to enhance collaborative management of the transboundary natural resources of the Lake Victoria Basin (LVB) and reduce environmental stress to improve the livelihoods of communities. **(East African Community (EAC), Burundi, Kenya, Rwanda, Tanzania, Uganda)**	**7.00**	GEF
2009	**Eastern Nile Watershed Management**	Promotion of sustainable land and water management practices and technologies, and strengthening of the knowledge base and human resource capacity for cooperative action on watershed management in the Eastern Nile Basin to develop a framework for integrated and sustainable management of the Lake Nasser/Nubia	**8.70**	Trust Fund

Fiscal Year	Project Name	Description	Amount (USD Million)	Instrument
		sub-basin. **(Eastern Nile Technical Regional Office (ENTRO), Egypt, Sudan)**		
2010	**West Africa Regional Fisheries APL A1**	Program aimed at sustainable management of regional fisheries and increasing local revenues from the fisheries trade. **(Cape Verde, Liberia, Senegal, Sierra Leone)**	**45.00**	IDA
2010	**West Africa Regional Fisheries APLA1 (GEF Component)**	Program aimed at sustainable management of regional fisheries and increasing local revenues from the fisheries trade. **(Cape Verde, Liberia, Sierra Leone)**	**10.00**	GEF
Health				
2007	**Horn of Africa HIV/AIDS Initiative (ACGF)**	Establishment of HIV/AIDS prevention, care, treatment, and mitigation programs for mobile, and vulnerable groups such as refugees, transport sector workers, and highly affected/infected populations within the region states to reduce HIV infections, and mitigate the socio-economic impact of the epidemic in the Great Lakes Region. **(Intergovernmental Authority on Development (IGAD))**	**15.00**	ACBF
2010	**East Africa Public Health Laboratory Networking Project**	Creation of regional reference labs linked with national labs to reinforce drug-resistance surveillance networks in tracking and identification of Multi-Drug Resistant (MDR) and Extensively drug Resistant (XDR) TB with plans for scale-up to cover additional diseases as capacity is built. **(Kenya, Tanzania, Uganda, Rwanda)**	**63.70**	IDA
Capacity Building				
2011	**ACBF Capacity Building Project**	Capacity building support for ACBF and financing of technical assistance sub-grants to improve institutional capacity for public policy formation **(Africa Capacity Building Foundation)**	25.0	IDA

Annex 3: Indicative Lending Program for Remaining FY11 and FY12 Period

Remaining FY11 Period		
Project	**Description**	**USD Million**
Power		
West Africa Power Pool (WAPP) - APL 3 (Inter-zonal transmission hub)	Construction of a 225kV inter-zonal transmission hub and supporting infrastructure from Bolgatanga to Ouagadougou and capacity building support for West Africa Power Pool (WAPP) secretariat **(Burkina Faso, Ghana, WAPP)**	70.0
Regional and Domestic Power Market Development (PMEDE) - Additional Financing	Additional financing for the rehabilitation of hydroelectric generation facilities of Inga 1 and Inga 2 (increasing capacity from 700MW to 1300MW) to supply power to the Southern Africa Power Pool. **(DRC)**	285.0
SAPP - Zambia Transmission Line	Increase in transmission capacity and efficiency along the Kafue – Muzuma – Victoria Falls transmission lines to enable exports to the Southern Africa Power Pool **(Zambia).**	90.0
Transport and Trade Facilitation		
Southern Africa Trade and Transport Facilitation Phase I (N-S Corridor)	Capacity building of the DCC to support management, results monitoring, policy reform and coordination of transport investments along the Dar Corridor. Will be followed by IDA infrastructure investments along the corridor under the North-South Corridor Initiative. **(Dar Corridor Committee)**	6.5
East Africa Trade and Transport Facilitation - Additional Financing	Additional Financing for EATTFP - Reducing transit time in regional corridors through establishment of joint border posts, improvements in port security, implementation of the Customs Union Protocol, concessioning of Uganda and Kenya railways and port and intermodal infrastructure construction/rehabilitation **(Kenya)**	30.0
Information & Communications Technology		
Central African Backbone - APL-1B	Investment phase of APL of the Central Africa Backbone Program to provide fiber optic broadband connectivity for CAR and Chad, following policy reforms and capacity building under phase I **(CAR, Chad)**	24.6
Central African Backbone - APL3	Extending the CAB program to Congo, financing landing station and connective infrastructure **(Congo)**	15.0
West Africa Regional Communications Infrastructure Program APL2	Extending the regional ICT backhaul network connectivity infrastructure to additional countries under the WARCIP program **(Gambia, Burkina Faso, Guinea)**	80.0
Finance and Private Sector Development		
Regional Trade Facilitation Project II - APL1	Equity financing to allow Benin and Ghana to join the Africa Trade Insurance Agency **(Benin, Ghana)**	27.5
Agriculture		
West Africa Agric Productivity Program - APL1C	Extension of the WAAPP to new member countries to establish regional centers of excellence in agricultural research centered around new crop varieties and regional dissemination of new technologies **(Benin, Niger, Gambia, Sierra Leone, Togo, Liberia)**	83.8
Environment		
Lake Victoria Phase II - APL2	Additional of Rwanda and Burundi to LVEMPII Program. Strengthening institutional capacity to enhance collaborative management of the trans-boundary natural resources of the Lake Victoria Basin (LVB) and reduce environmental stress to improve the livelihoods of communities. **(Rwanda, Burundi)**	30.0
West Africa Fisheries - APL2	Addition of Guinea Bissau to the West Africa Fisheries Program **(Guinea-Bissau)**	6.0
WA Regional Fisheries APL A1 Additional Financing	Support for the CSRP to scale up a planned investment in a regional fisheries information system and fisheries research **(Sub-Regional Fisheries Commission)**	2.0
Capacity Development		
Enhancing Social Accountability at AUC (ECOSSOC)	Capacity building of ECOSOCC to better engage the African public and CSOs in the decision making processes of the AU and to improve external accountability. **(Economic Social and Cultural Council of the African Union)**	8.0
FY12 Period		

Project	Description	USD Million
Power		
Southern Africa Power Pool - Mozambique Transmission Line Development	Construction of a north-south transmission backbone system to connect the Tete Power Plants to the Southern Africa Power Pool (SAPP). First phase of staged program to link 5 planned generation projects in Mozambique to SAPP **(Mozambique)**	90
Southern Africa Power Market APL1 Additional Financing	Additional financing for contracts which have exceeded initial cost estimates **(DRC)**	100
Rusumo Falls Hydroelectric and Multipurpose Project	Construction of 60-80MW Hydropower facility, 368 km of transmission lines and associated infrastructure, multipurpose local area development and institutional capacity building **(Burundi, Rwanda, Tanzania)**	135
East Africa Power Pool - Ethiopia-Kenya Interconnector	Connection of 1200km of 500kV DC line between Sodo Substation (Ethiopia) and metropolitan Nairobi, including the two converting stations to transport 2,000MW from Southern Ethiopia to the Eastern Africa Power Pool **(Kenya)**	300
West Africa Power Pool (WAPP) APL4 Phase 1 CSLG Power Network	Construction of a 225kV transmission line to interconnect the power networks of Liberia, Cote d'Ivoire, Sierra Leone and Guinea under the West Africa Power Pool **(Liberia)**	150
Transport and Trade Facilitation		
Southern Africa Trade and Transport Facilitation Phase II (North-South Corridor)	Trade and transport facilitation activities along the North-South Corridor including road and customs infrastructure investments and harmonization of regional customs regulations and protocol **(Tanzania)**	150
Information & Communications Technology		
Regional Communications Infrastructure Program (RCIP) APL4	Addition of Uganda to the RCIP program, providing improved international broadband capacity to improve quality and lower costs of ICT services **(Uganda)**	90
Central Africa Backbone APL4 (IBRD)	Connection of Gabon to international broadband cables through the CAB program with the aim of lowering the cost and improving the quality of ICT services **(Gabon)**	16
Agriculture		
Southern Africa Agricultural Productivity Program	Establishment of regional centers of excellence in agricultural research and regional dissemination of new agricultural technologies **(Malawi, Mozambique, Zambia)**	90
Resiliance & Climate Change		
African Risk Capacity Support Project	Providing governments with macro-level financial coverage against drought risks, supporting stronger frameworks for drought risk management and providing technical assistance and data on weather risks **(TBD)**	150
Capacity Development		
Institutional Transformation and Capacity Building Program of the African Union Commission	Regional IDA Grant support for AUC's ITBC Program including management support, improved administrative and HR systems, improving technical expertise and strategic communications **(AUC)**	15

Annex 4: Matrix of Progress on Implementation of the RIAS Strategic Pillars

Pillar I - Regional Infrastructure		
Expand and Upgrade Road Networks and Transit Corridors	**Investments:** • East Africa Trade & Transport Facilitation Project • West Indian Ocean Marine Highway Development • CEMAC Transport & Trade Facilitation Project • West Africa Transport and Transit Facilitation Project • West and Central Africa Air Transport Safety and Security APL1, 2 & 3 • Abidjan-Lagos Transport & Transit Facilitation APL1	**Results:** • Dwell time at the port of Mombasa decreased from 19 to 14 days • Transit time between Mombasa and Kampala has reduced from 15 to 5 days • One-stop border post at the border of Kenya and Uganda has reduced customs clearance time for transit goods from 3 days to 3 hours • Proportion of roads in good condition between Douala and N'Djamena and Douala and Bangui has increased from 40 to 53% and 42 to 57%, respectively • On some sections between Ngaoundéré and the border with CAR, the travel time has been more than halved • Participating West African countries' compliance with International Civil Aviation Organization safety standards has increased from an average of 53 to 65%, and with security standards from 33 to 48%.
	Analytical Work: Transport Prices and Costs in Africa: A Review of the Main International Corridors; Africa Infrastructure Country Diagnostic (AICD); COMESA and ECOWAS Infrastructure Funds Structure and Management; Southern Africa Transport Corridors and Spatial Development: Implications for Growth, Equity and Food Security; Spatial Prioritization of Infrastructure Investments to Support Trade and Economic Growth in Central Africa; Economic Geography and Aid Effectiveness in Transport in SSA; Making Transport Climate Resilient: A SSA Initiative to Respond to Climate Change's Impact on Transport; Legal Instruments in Trade and Transport Facilitation in Sub Saharan Africa	
Improve Access to and Reliability of Clean Energy	**Investments:** • Southern Africa Power Market APL1a & APL1b • West Africa Power Pool Phase I - APL1 & APL2 and Phase II APL1	**Results:** • Construction of a new hydro-electric power plant in Felou on the Senegal River for the generation of 60 MW is underway • Procurement for the rehabilitation of Inga 1 and 2 power stations in DRC, and the Jebba and Kainji hydro-electric power plants in Nigeria, which will generate 1,300 MW, are at an advanced stage and works are expected to break ground in 2011 • The rehabilitation and reinforcement of 2,360 km of transmission lines to interconnect national grids in Southern Africa (DRC-Zambia) and West Africa (Ghana-Togo-Benin) are ongoing -- the Ghana portion of the Ghana-Togo-Benin interconnection has been completed and commissioned • Preparatory work for the construction of other remaining transmission lines has commenced.
	Analytical Work: Africa Infrastructure Country Diagnostic; COMESA and ECOWAS Infrastructure Funds Structure and Management; Regulating Electricity Trading in SADC; Southern Africa Power Market: Indicative Generation & Transmission Expansion Study	
Improve Telecommunication Connectivity	**Investments:** • Regional Communications Infrastructure Program (RCIP) APL1 – APL3 • Central Africa Backbone (CAB) APL 1A & APL2 • West Africa Regional Communications Infrastructure Program (WARCIP) APL1	**Results:** • 13 countries have been or will be connected to undersea international broadband cables • Internet access has increased in almost all countries covered by the RCIP program by at least 50 percent • Retail prices have dropped by one-third in Kenya and Rwanda (from US$300 to US$200 in Kenya, and US$1,015 to US$687 in Rwanda) • All participating countries have committed to open and non-discriminatory access to the infrastructure as well as participation of the private sector, leveraging significant private sector investment
	Analytical Work: Leveraging the Fiber Optic Opportunity of the West Africa Power Transmission Network – Business Models and Regulatory Implications; Backbone Communications Networks in Sub-Saharan Africa; Africa Infrastructure Country Diagnostic (AICD); COMESA and ECOWAS Infrastructure Funds Structure and Management	

Pillar II: Institutional Cooperation for Economic Integration		
Removal of Obstacles to Trade and Investment	**Investments:** • West Africa Economic and Monetary Union (WAEMU) Capital Markets Development Project • Economic Community of Central African States (CEMAC) Regional Institutions Support Project • EAC Financial Sector Development and Regionalization Project • (See above for regional transport projects with significant trade facilitation components)	**Results:** • An electronic payments clearance system has been established across Central Africa, moving inter-bank and retail transactions from primarily cash to electronic transfers, increasing security and reducing transaction clearance times from 3-4 weeks to 2-3 days • Number of companies issuing bonds in the regional market (due to new rules and fee structure) has risen from 25 to 38 • Regional infrastructure financing facility supporting construction of 1,300 km of regional road links, transmission lines between Cote d'Ivoire and Mali, and the upgrade of the port of Lome • Capacity of the West African Development Bank (BOAD) has been significantly strengthened through introduction of a modern assets/liability management system, a safeguard unit, and international accounting standards - allowing it to raise substantial capital in the regional financial market (as well as equity from China and India) • The Africa Trade Insurance Agency insured over $2.5 Billion in trade and investments, attained an "A" rating from Standard and Poor's, and attracted new investors, including the Italian export agency, Africa Re, and the African Development Bank;
	Analytical Work: WAEMU Financial Sector Assessment; Sudan Trade Integration Diagnostic; Options for Strengthening EAC's Trade Integration; Scaling Up Trade for Growth and Competitiveness in Tanzania; Mainstreaming Trade in Madagascar; Re-launching Growth in Cote d'Ivoire through Trade; Support to Ghana's Services Industry Association to Promote Trade in ICT Services; Scaling Up Regional Financial Integration in the EAC; Non-Tariff Measures in the Goods Trade in the East African Community; Strengthening Food Security in Southern and Eastern Africa through Trade Liberalization and Regional Integration; Guinea Bissau Diagnostic Trade Integration Study; Support to Trade Policy Making in Nigeria; Capacity Development on Regional Integration Policy; Ethiopia Pro-Poor Tourism Linkages; Coordination Support for Africa Agricultural Market Program; Oil, Exchange Rates and Agricultural Export Competitiveness in Ghana; Enabling Private Sector Development in the Landlocked Regions of the North South Corridor; East Africa Trade in Services; Scaling Up Financial Sector Integration in the East African Community; EPA Implementation Issues and Complimentary Reforms; Structural Implications of Economic Liberalization on Agriculture and Rural Development; Southern Africa Regional Investment Climate Assessment; Africa MIC Spillover Study; Doing Business in the East African Community; Sudan-Uganda-DRC Cross-Border Trade Facilitation; Mainstreaming Trade in Lesotho, Malawi, Mozambique; Legal and Regulatory Environment for Cross-Border Mobile Bank in Southern Africa; Regional Trade and Integration in East Africa: Professional Services Needed for Business; Promoting Trade in ICT Services in Nigeria; Southern Africa Trade in Services: Policies and Performance; Promoting Trade in Services and Service Sector Reforms for Accelerated Growth and Development; Competitive Africa: What Will it Take?; Industrial Clusters as market Access platforms in Africa; Extractive Industry Linkages in Burkina Faso; Africa Regional Tourism Strategy: Capturing the Economic Power of an Under Recognized Export; Incentives, Experts and Industrial Growth in Sub-Saharan Africa - Lessons Learned from the Textile and Apparel Industry; Regional Integration, Trade and Growth in the Great Lakes Region of Africa; Southern Africa Regional Trade Integration; Migration, Remittances and Development in Africa; Barriers to Trade in Financial Services and Financial Development in Africa; Lowering Transaction Cost of Money Transfers in UEMOA; Technology Absorption FDI and Trade in Southern Africa; Reshaping Economic Geography in EAC	
Pillar III: Coordinated Interventions to Provide Regional Public Goods		
Improve Management of Shared Water Resources	**Investments:** • Southern Africa Groundwater & Drought Management • Senegal River Basin Multi-Purpose Water Resources Development Project - APL1 • Niger Basin Water Resources Development and Sustainable Ecosystems Management Project - APL1 • Lake Victoria Environmental Management Project Phase II • Nile Basin Initiative Institutional Strengthening • Shared Vision Program Water Resource Planning & Management Phase 2 • Eastern Nile First Joint Multipurpose Program (JMP1) Identification • Eastern Nile Planning Model • Eastern Nile Watershed Management Project	**Results:** • Key regional water resources management institutions have been strengthened - the Niger basin riparians have ratified a Water Charter which establishes procedures for notification and conflict resolution and an investment plan for development of the Basin and in 2009 the Council of Ministers approved institutional reform of the Senegal River Basin Authority to include Guinea, the upstream riparian as a full member • In the Senegal Basin three million bed nets for malaria control have been distributed, with the percentage of children sleeping under nets rising from 58 to 81%, and reducing reported incidence to less than 1% in some areas, irrigation systems established or rehabilitated for an additional 4,400 hectares of previously degraded land and the quantity of fresh water fish sold in the main markets and at the landing sites has increased by 12% • In the Zambezi River Basin, a comprehensive, two-year flagship analysis of investment opportunities has been completed, which provides the "evidence base" for riparian decision-makers to analyze and discuss the optimal allocation of water for hydropower, irrigation, and other uses
	Analytical Work: Benefit Sharing in International Rivers: Three Case Studies; Water Resources in a Changing Climate: An Operational Perspective; Zambezi Basin Multi-Sector	

	Investment Analysis	
Improve Regional Agricultural Productivity	**Investments:** • West Africa Agricultural Productivity Program APL 1A - APL1C • East Africa Agricultural Productivity APL1 & APL1A • Association for Strengthening Agricultural Research in Eastern and Central Africa (ASARECA) Trust Fund • Forum for Agricultural Research in Africa (FARA) Trust Fund • NELSAP Regional Agriculture, Trade & Productivity Technical Assistance Phase 2	**Results:** • Senegal is disseminating a new technology that allows for the blending of local cereal flours with wheat in bread production, which has resulted in cost savings on bread and has released 20 improved varieties of maize, sorghum and millet • Mali has released improved fodder seeds in response to a shortage of cotton seed cake among livestock farms • ECOWAS has adopted common regulations for the registration of genetic materials and pesticides
	Analytical Work: East Africa Regional Grain Trade Study	
Increase Cross-Border Collaboration to Tackle "Negative Public Goods" Such as Pests and Disease Pandemics	**Investments:** • Africa Emergency Locust Project • Africa Stockpiles Program 1A - 1C • West Africa Regional Biosafety • Horn of Africa HIV/AIDS Initiative (ACGF) East Africa Public Health Laboratory Networking Project • African Regional Capacity Building Network for HIV/AIDS Prevention Treatment and Care (ARCAN) • Regional HIV/AIDS Treatment Acceleration Project • Great Lakes Initiative on HIV/AIDS (GLIA) Support Project • HIV/AIDS Project for the Abidjan-Lagos Transport Corridor	**Results:** • The seven Sahel countries have collaborated to establish a new locust early warning and response system, and several locust warnings were issued in 2008-2010 – the system worked well and the outbreaks were quickly mitigated • Support for increased access by underserved vulnerable groups to HIV/AIDS prevention, basic treatment, support and care services along the Abidjan-Lagos corridor resulted in the decline of HIV prevalence rates for truck drivers from 5 to 2%, and for commercial sex workers from 30 to 21% • A network of learning sites for the training of health care practitioners to enhance the delivery of HIV-AIDS related services was established in East Africa - training 1,721 workers from Ethiopia, Kenya and Tanzania, who have in turn provided training to 67,393 other health workers • A regional network of high-quality public health laboratories to improve access to diagnostic and surveillance capacities in cross-border areas has been launched in East Africa
	Analytical Work: West Africa HIV/AIDS Epidemiology, Prevention and Response; Co-management of Marine Resources for Disaster Risk Management; Water Resources in a Changing Climate: An Operational Perspective; Regional Implications of Climate Change for Sustainable Land Management, Mode of Transmission of HIV/AIDS Epidemic in Southern and Eastern Africa	

Improve Management of Natural Resources at the Regional Level	**Investments:** West Africa Regional Fisheries Program APL1A	**Results:**
		• The West African Regional Fisheries Program has started to assist countries to introduce policy and institutional reforms:
		  ○ Senegal has almost completed the first step to control access, by legally registering over 13,000 small-scale fishing boats that had previous operated informally
		  ○ Liberia has gazetted the first regulatory framework for the fisheries sector in several decades, including a new and more profitable fish licensing scheme, and built institutional capacity for surveillance and enforcement of fisheries regulations
		• Analytical and advisory support helped provide the basis for Congo Basin countries to prepare national-level REDD strategies and build consensus for a new joint regional program.

	Analytical Work: Aluminum Production Study for West and Central Africa; Managing the Miombo Woodlands of Southern Africa; Regional Multi-Disciplinary Center of Excellence Business Plan Preparation; Co-management of Marine Resources for Disaster Risk Management; Regional Implications of Climate Change for Sustainable Land Management, West Africa Regional Mineral Sector Strategic Assessment; Modeling Deforestation and GHG emissions in Congo Basin	

Annex 5: Regional ESW in FY08-FY11

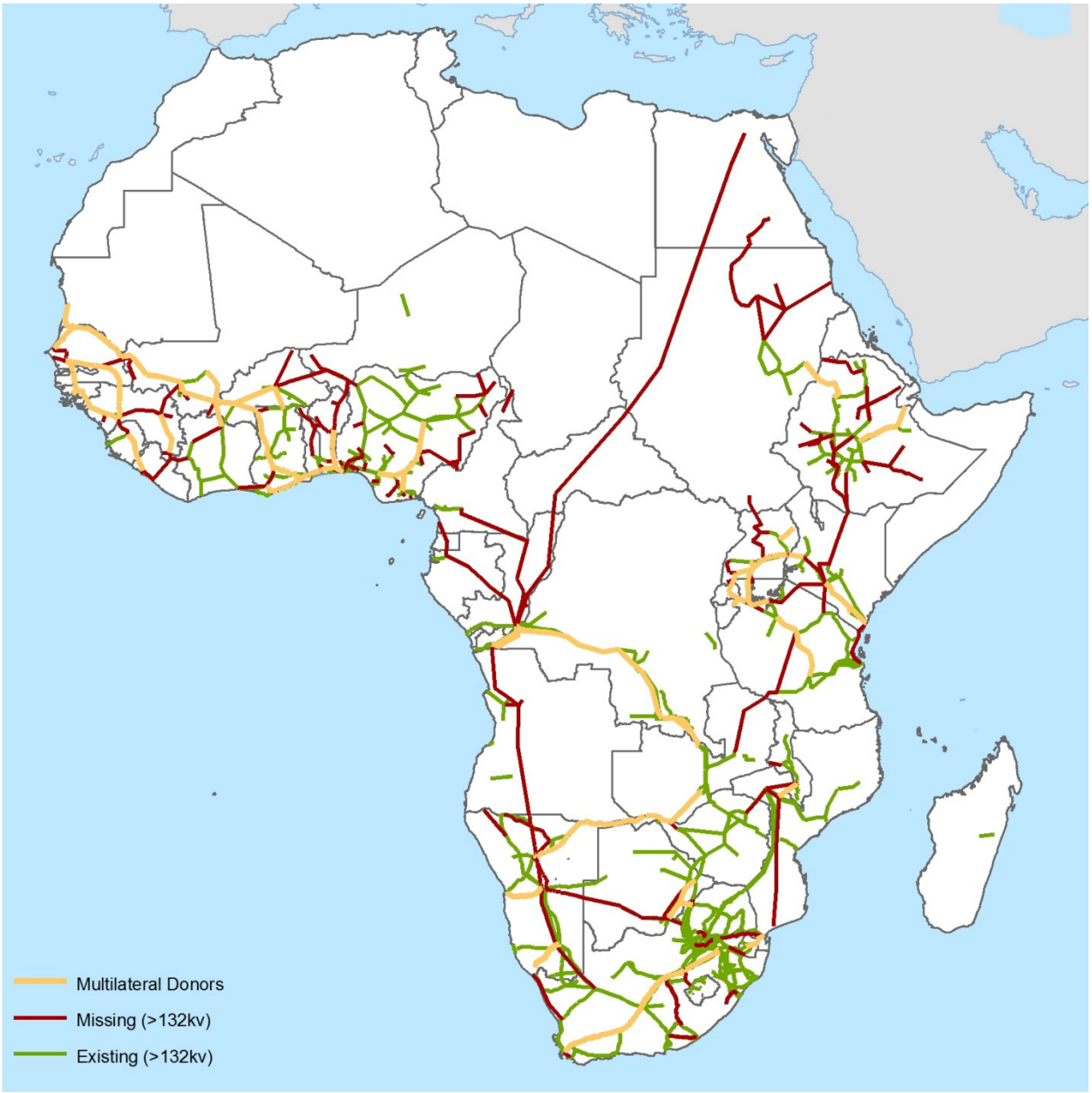
FY	Infrastructure	Economic Integration	Regional Public Goods
2008	Transport Prices and Costs in Africa: A Review of the Main International Corridors; Leveraging the Fiber Optic Opportunity of the West Africa Power Transmission Network – Business Models and Regulatory Implications; Backbone Communications Networks in Sub-Saharan Africa	WAEMU Financial Sector Assessment, Sudan Trade Integration Diagnostic; Options for Strengthening EAC's Trade Integration; Scaling Up Trade for Growth and Competitiveness in Tanzania; Mainstreaming Trade in Madagascar; Re-launching Growth in Cote d'Ivoire through Trade; Support to Ghana's Services Industry Association to Promote Trade in ICT Services; Scaling Up Regional Financial Integration in the EAC	Aluminum Production Study for West and Central Africa; Managing the Miombo Woodlands of Southern Africa; Benefit Sharing in International Rivers: Three Case Studies
2009	Africa Infrastructure Country Diagnostic; COMESA and ECOWAS Infrastructure Funds Structure and Management; Southern Africa Transport Corridors and Spatial Development: Implications for Growth, Equity and Food Security; Spatial Prioritization of Infrastructure Investments to Support Trade and Economic Growth in Central Africa	Non-Tariff Measures in the Goods Trade in the East African Community; Strengthening Food Security in Southern and Eastern Africa through Trade Liberalization and Regional Integration; Guinea Bissau Diagnostic Trade Integration Study; Support to Trade Policy Making in Nigeria; Capacity Development on Regional Integration Policy; Ethiopia Pro-Poor Tourism Linkages; Coordination Support for Africa Agricultural Market Program; Oil, Exchange Rates and Agricultural Export Competitiveness in Ghana	Regional Multi-Disciplinary Center of Excellence Business Plan Preparation; West Africa HIV/AIDS Epidemiology, Prevention and Response; East Africa Regional Grain Trade
2010	Regulating Electricity Trading in SADC; Economic Geography and Aid Effectiveness in Transport in SSA; Southern Africa Power Market: Indicative Generation & Transmission Expansion Study	Enabling Private Sector Development in the Landlocked Regions of the North South Corridor; East Africa Trade in Services; Scaling Up Financial Sector Integration in the East African Community; EPA Implementation Issues and Complimentary Reforms; Structural Implications of Economic Liberalization on Agriculture and Rural Development; Southern Africa Regional Investment Climate Assessment; Africa MIC Spillover Study; Doing Business in the East African Community; Sudan-Uganda-DRC Cross-Border Trade Facilitation; Mainstreaming Trade in Lesotho, Malawi, Mozambique; Legal and Regulatory Environment for Cross-Border Mobile Bank in Southern Africa; Regional Trade and Integration in East Africa: Professional Services Needed for Business; Promoting Trade in ICT Services in Nigeria; Southern Africa Trade in Services: Policies and Performance; Promoting Trade in Services and Service Sector Reforms for Accelerated Growth and Development; Competitive Africa: What Will it Take?; Industrial Clusters as market Access platforms in Africa; Extractive Industry Linkages in Burkina Faso; Africa Regional Tourism Strategy: Capturing the Economic Power of an Under Recognized Export; Incentives, Experts and Industrial Growth in Sub-Saharan Africa - Lessons Learned from the Textile and Apparel Industry	Co-management of Marine Resources for Disaster Risk Management; Water Resources in a Changing Climate: An Operational Perspective; Regional Implications of Climate Change for Sustainable Land Management, West Africa Regional Mineral Sector Strategic Assessment; Zambezi Basin Multi-Sector Investment Analysis
2011	Making Transport Climate Resilient: A SSA Initiative to Respond to Climate Change's Impact on Transport; Legal Instruments in trade and transport facilitation in Sub Saharan Africa	Regional Integration, Trade and Growth in the Great Lakes Region of Africa; Southern Africa Regional Trade Integration; Migration, Remittances and Development in Africa; Barriers to Trade in Financial Services and Financial Development in Africa; Lowering Transaction Cost of Money Transfers in UEMOA; Technology Absorption FDI and Trade in Southern Africa; Reshaping Economic Geography in EAC	Mode of Transmission of HIV/AIDS Epidemic in Southern and Eastern Africa; Modeling Deforestation and GHG emissions in Congo Basin

Annex 6: "Missing Links" Maps for Regional Infrastructure

Status of Regional ICT Backbone, with Donor Commitments since 2002

Source: World Bank, 2010

Status of Regional Power Transmission, with Donor Commitments since 2002



Source: World Bank, 2010

Status of Regional Road Networks, with Donor Commitments since 2002

Source: World Bank, 2010

Annex 7: Approved and Indicative Regional IDA Grants to Regional Organizations

Project	Recipient	Description	Amt	FY
Approved to Date				
Financial Sector Development and Regionalization Project	East African Community (EAC)	Capacity building of EAC to facilitate financial sector integration and deepening in East Africa (financial inclusion, harmonization of laws and regulations, mutual recognition of national supervision agencies, integration of market infrastructure, development of regional bond market, capacity building at regional and national level)	$16 million	FY11
ACBF Regional Capacity Building Project	Africa Capacity Building Foundation (ACBF)	Capacity building support for improved and sustained management of ACBF's operations and financing of technical assistance sub-grants to improve institutional capacity for public policy formation related to: (i) economic policy analysis and development management; (ii) Financial management, accountability, and transparency; (iii) National Statistics and Statistical Systems; and (iv) Regional economic cooperation and integration and provision of regional public goods.	$25 million	FY11
Planned				
West Africa Power Pool Program APL3 - Phase I	West Africa Power Pool (WAPP) Secretariat	Strengthening of institutional and technical capacity of WAPP Secretariat and infrastructure investments to ensure interoperability/synchronization between national power grids, allowing the secretariat to facilitate the efficient exchange of electricity across an integrated regional power network.	$26 million	FY11
Southern Africa Trade and Transport Facilitation - Phase I	Dar Corridor Committee (DCC)	Capacity building of the DCC to support management, results monitoring, policy reform and coordination of transport investments along the Dar Corridor. Will be followed by IDA infrastructure investments along the corridor under the North-South Corridor Initiative.	$6 million	FY11
Enhancing Social Accountability of the African Union Commission through the Economic Social and Cultural Council	African Union Commission (AUC)	Capacity building of ECOSOCC to better engage the African public and CSOs in the decision making processes of the AU and to improve external accountability.	$8 million	FY11
West Africa Regional Fisheries APL1A Additional Financing	West Africa Sub-Regional Fisheries Commission (CSRP)	Support for the CSRP to scale up a planned investment in a regional fisheries information system and fisheries research	$2 million	FY11
Institutional Transformation and Capacity Building Program of the African Union Commission	African Union Commission (AUC)	Regional IDA Grant support for AUC's ITBC Program including management support, improved administrative and HR systems, improving technical expertise and strategic communications **(AUC)**	$15 million	FY12
African Drought Risk Capacity Support Project	African Union Commission (AUC) & Regional Economic Communities (TBD)	Technical and financial assistance to AUC to support establishment of a drought risk financing facility to enable countries to secure contingency funds for a range of drought events in a cost-effective manner by capitalizing on the natural diversification of drought risk across the continent.	TBD	FY12

Annex 8: Selected Portfolio Indicators for Active Regional Projects

Project	Approval	Effectiveness	Closing	Development Objective Rating	Impl. Performance Rating	Commitment (USD Million)	Disbursed to Date (USD Million)	Age (Years)	Problem Project	Potential Problem Project
Trade and Transport Facilitation										
3A-CEMAC Transp Transit Facil (FY07)	6/26/2007	12/5/2007	1/31/2015	MS	MS	418.0	101.7	3.7		
3A-Abidjan-Lagos Trade & Transp. Facilit	3/23/2010	8/6/2010	9/30/2016	S	MS	228.0	2.6	1.0		
3A-E Afr Trade & Transp Facil (FY06)	1/24/2006	6/5/2006	9/30/2011	MS	MS	199.0	86.0	5.1		X
3A-W Africa Transp. & Transit Facilitat	6/19/2008	10/2/2008	3/31/2014	S	S	190.0	38.5	2.7		
3A-APL2 West &Centr Air Transp	10/2/2007	6/24/2008	6/30/2011	S	MS	46.7	26.9	3.4		
3A-West &Central Afr Air Tran TAL (FY06)	4/27/2006	8/24/2006	12/31/2011	MS	MS	33.6	20.3	4.9		
3A-Air Transport Phase II-B APL (FY09)	2/25/2009	8/11/2009	12/31/2012	MS	MS	16.0	3.1	2.0		
3A-GEF WIO Marine Highway Dev SIL (FY07)	5/22/2007	9/21/2007	12/31/2012	S	S	11.0	2.4	3.8		
Power										
3A-Southern Afr Power Mrkt APL 1 (FY04)	11/11/2003	5/17/2004	12/31/2012	MS	MS	359.2	75.8	7.3		X
3A-Reg&Domestic Pwr Mkt Dev. (FY07)	5/29/2007	4/2/2008	6/30/2013	MU	MU	296.7	24.0	3.8	X	
3A-WAPP Phase 1 APL 1 (FY05)	6/30/2005	11/1/2005	6/30/2011	MS	MS	40.0	25.7	5.7		
3A-WAPP APL 1 (CTB Phase 2) Project	6/29/2006	11/29/2007	6/30/2013	MU	MU	60.0	16.4	4.7	X	
3A-WAPP APL 2 (OMVS Felou HEP)	6/29/2006	4/30/2007	6/30/2013	S	S	160.0	34.6	4.7		
Information and Communications Technology (ICT)										
3A-Telecommunications APL (FY07)	3/29/2007	8/21/2007	4/30/2013	MS	MS	164.5	42.0	3.9		
RCIP - Phase 2 - Rwanda Project	9/30/2008	1/16/2009	1/31/2014	S	MS	24.0	3.0	2.4		
RCIP - Phase 3	6/25/2009	10/14/2009	2/28/2015	MS	MS	151.0	12.2	1.7		
AFR:Central African	9/24/2009	2/12/2010	3/15/2016	MS	MS	26.2	3.4	1.5		

Project	Approval	Effectiveness	Closing	Development Objective Rating	Impl. Performance Rating	Commitment (USD Million)	Disbursed to Date (USD Million)	Age (Years)	Problem Project	Potential Problem Project
Backbone - APL1A										
AFR:Central African Backbone - APL2	1/20/2011	#	12/31/2014	#	#	14.9	0.0	0.1		
31:West Africa Reg. Comm. Infrast. Progr	1/20/2011	#	9/30/2015	#	#	56.6	0.0	0.1		
Water Resources Development										
3A-Niger Basin Water Resources	7/3/2007	11/8/2007	1/31/2013	MU	MU	186.0	18.4	3.7	X	
3A-SRB M. Water Res. Dvpt. APL (FY06)	6/8/2006	3/14/2007	9/8/2011	S	MS	110.0	65.0	4.8		
3A-GEF Grndwtr & Drght Mgmt TAL (FY05)	6/14/2005	3/15/2006	10/31/2011	MS	MS	7.0	4.2	5.7		
3A-NBI-Institutional Strengthening Proj	10/21/2008	10/21/2008	3/31/2012	MU	MU	24.0	15.2	2.4	X	
3E-Eastern Nile Planning Model	7/1/2009	9/9/2009	10/30/2012	MS	MS	6.5	0.9	1.7		
3A:SVP-Add'tial Grant Water Res.Plan&Mgt	3/20/2009	3/30/2009	12/31/2012	S	S	11.2	8.4	2.0		
3A:EN 1st Joint Multipurpose Program ID	7/1/2009	9/9/2009	9/30/2011	MS	MS	7.0	1.9	1.7		
Finance and Private Sector Development										
3A-WAEMU Capital Markets Dev FIL (FY04)	2/26/2004	7/29/2005	9/30/2011	MS	MS	96.4	47.8	7.0		X
3A-CEMAC Regional Institutions Support	12/4/2008	4/27/2009	6/30/2014	MS	MS	50.0	9.3	2.3		
Fin Sec Dev + Regionalization Proj-FSDRP	1/31/2011	#	3/30/2014	#	#	16.0	0.0	0.1		
Agriculture										
3A-W.Af Agric Prod Prgm APL WAAPP (FY07)	3/29/2007	3/21/2008	6/30/2012	S	MS	45.0	19.9	3.9		
West Africa Agric Prod Progrm (WAAPP-1B)	9/30/2010	#	6/30/2016	#	#	90.0	0.0	0.4		
Eastern Africa Agricultural Productivity	6/11/2009	2/16/2010	2/27/2015	MS	MS	90.0	15.2	1.7		
Uganda- Eastern Africa Agric. Prod. PRJ.	11/12/2009	11/29/2010	6/30/2015	MU	MU	0.0	0.0	0.0		
3E:ASARECA Trust Fund	9/19/2008	11/4/2008	12/31/2013	S	S	28.8	24.0	2.5		

Project	Approval	Effectiveness	Closing	Development Objective Rating	Impl. Performance Rating	Commitment (USD Million)	Disbursed to Date (USD Million)	Age (Years)	Problem Project	Potential Problem Project
FARA Trust Fund	6/1/2009	9/4/2009	12/31/2013	S	S	18.8	10.4	1.8		
NELSAP Reg Agric Trade&Prod (Phase II)	9/1/2009	12/16/2009	10/30/2012	MS	MS	7.0	1.0	1.5		
Environment										
3A-Lake Victoria Phase II APL 1 (FY09)	3/3/2009	7/30/2009	6/30/2013	MS	MS	90.0	11.1	2.0		
3A-Lake Victoria Phase II APL 1 (SIP)	3/3/2009	9/25/2009	6/30/2013	MS	MS	7.0	2.4	2.0		
3A-Afr Emergency Locust Prj (FY05)	12/16/2004	5/27/2005	5/31/2011	MS	MS	59.5	58.4	6.2		
3A-W Africa Stockpiles 1 GEF (FY06)	9/8/2005	11/21/2005	7/31/2011	#	MU	10.6	3.0	5.5	X	
3A-Africa Stockpiles1 MMT GEF (FY07)	9/8/2005	12/19/2006	12/31/2011	#	#	13.4	3.6	5.5		
Africa -Ethiopia Stockpiles 1 GEF (FY07)	6/19/2007	7/13/2007	6/30/2011	U	MS	2.6	0.5	3.7	X	
3A-GEF W Afr Biosafety APL (FY07)	11/13/2007	10/1/2008	6/30/2012	MU	MU	5.4	1.1	3.3		
3A-West Africa Biosafety	11/13/2007	7/7/2008	6/30/2012	MU	MU	3.9	0.5	3.3	X	
3A-West Africa Fisheries - Phase 1	10/20/2009	4/19/2010	12/15/2014	S	S	45.0	3.9	1.4		X
3A-West Africa Fisheries GEF (FISH)	10/20/2009	4/19/2010	12/15/2014	S	S	10.0	0.4	1.4		
3A- EN Watershed Management (SIP)	4/30/2009	7/21/2009	12/31/2014	MS	MS	8.7	2.4	1.9		
Health										
3A-Horn of Africa HIV/AIDS ACGF	6/28/2007	2/7/2007	12/31/2011	MS	MS	15.0	10.4	3.7		
3A-East Afr Publ Hlth Laborat Net (FY10)	5/25/2010	9/7/2010	3/30/2016	S	S	63.7	2.8	0.8		
Capacity Building										
ACBF Regional Capacity Building Project	3/17/2011	#	12/31/2015	#	#	25.0	0.0	0.0		

Annex 9: Lessons Learned from RIAS Implementation

1. **The past three years of RIAS implementation have generated many lessons learned to improve the effectiveness and impact of World Bank support for regional integration.** These have helped shape the updating of our strategy outlined in the next section. The lessons are summarized below around the themes of (a) prioritization and sequencing, (b) complementarity and coordination, and (c) preparation and implementation support.

Prioritization and Sequencing

2. *Political considerations can trump the best economic rationale.* Regional infrastructure involves a high level of trust between countries, not least because of the implied dependence on neighbors for key resources such as water and energy. For example, Malawi cancelled its participation in the FY08 Mozambique-Malawi Transmission Interconnection Project, which was a priority investment for the Southern Africa Power Pool, three years after the Board approval because the government reprioritized development of national energy investments over regional interconnection.

3. *While very essential, effective sequencing and priority setting for regional projects have been difficult*, with several examples of overly complex objectives and design, and unrealistic sequencing and implementation periods. The Adaptable Program Lending (APL) instrument has proven to be very useful in improving sequencing and aligning implementation with client capacity and commitment. The horizontal APL has allowed regional programs in ICT, agriculture, and fisheries to commence in a few countries and then expand to additional countries as they become ready. Similarly, for complex operations involving difficult policy issues (like structuring open access arrangements in ICT projects), the vertical APL has facilitated splitting up a program into smaller and more manageable phases, sequenced on the basis of demonstrated performance against triggers

Complementarity and Coordination

4. *Complementary policy reforms are needed to address the institutional and administrative barriers that prevent regional infrastructure from delivering services effectively.* For example, to harness the benefits of regional power trade, countries need to align their national power development plans with those of the regional power pools and develop harmonized regulations for trade in power. Similarly, trucking cartels and restrictive market regulations are largely responsible for high road freight tariffs in Africa – without addressing these regulatory issues, improvements in road infrastructure and transit procedures will largely be captured as monopoly rents. Likewise, as more African countries secure access to submarine cables and a regional fiber optic backbone develops, there is the potential for Internet costs to fall by as much as 75 percent – but these benefits will simply be captured as rents by the incumbent telecommunications monopoly if international gateways are not liberalized.

5. *These complementary reforms and investments have to be implemented in a coordinated way.* Typically, the maximum benefits from individual national investments will be realized only if each country invests as agreed and on time. Often coastal countries lack the motivation to invest in the hinterland sections of their national network that are so critical for neighboring landlocked countries. Likewise, harmonization of legal and regulatory standards – such as axle weights, customs documents, and other trade facilitation measures – must be done across all countries in a corridor if the full benefits of the road are to be realized.

6. *Given the critical importance of complementary policy reforms, we need to broaden the range of instruments that we bring to regional solutions*. In particular, there is scope to develop regional DPOs to support the enabling policy framework for infrastructure investment (particularly in the case of ICT) and

support trade policy reforms. In addition, compensation measures can play a central role in addressing the "soft challenges" of regional integration. These have been the most difficult to tackle, as the political economy along logistics chain is often highly complex and lucrative and cannot be dealt with from a regional perspective. Compensation schemes can mitigate the losses, like retraining excess truck drivers

7. *Large, complex regional infrastructure projects often entail extensive donor collaboration*, which has been complicated by the lack of harmonization among different donors' financial and procurement procedures.

Preparation and Implementation Support

8. *The complexity and capacity requirements of regional projects make them challenging to prepare.* First, the scope of regional projects has to match national and regional capacities. Failure to deal adequately with capacity weaknesses can be a major bottleneck to timely project preparation and implementation. Second, the participation and interaction among national institutions in all phases of a regional project, from inception and design through implementation, is essential for securing country commitment. The effective coordination of national and regional level activities requires clear delineation of roles and responsibilities. Third, regional institutions that are involved in the use and allocation of transboundary benefits require significant long-term capacity building to strengthen technical and economic expertise – experience from engagements in the Senegal, Niger and Nile water basins confirm that early focus should be on establishing proper regional institutions supported by enabling legal frameworks. Finally, preparation cost for large infrastructure projects can amount to 10 percent of the investment value. As a result, the pipeline of technically prepared and financially viable projects is lagging. While there is some scope for expanding the use of Project Preparation Advances, there is also need to explore development of global mechanisms to pull together new and existing resources from all parties for the preparation of bankable projects.

9. *Preparation of regional ICT projects, with private sector participation, has been essential – but challenging to structure, further taxing the capacity of national institutions.* First, ensuring that open access and competition are built into deals arranged by the private sector has proven difficult. Project preparation work has played a key role in early engagement to build open access and competition (and other desirable features) into transactions. Second, the cost of extending regional backbones into Africa remains high and will require some element of public subsidy as a precondition for private sector investment. For example, the cost of excavations to install the cables represents a significant share of investment, which can sometimes be reduced by joint development with power transmission or road infrastructure. Third, the complexity of crafting PPP agreements and the time needed to ensure their sound implementation has exceeded initial expectations. This reflects the need to customize solutions to the specific institutional frameworks and political economies of different countries, difficulties in aligning Bank processes to handle the procurement requirements of PPPs, and the complexity of balancing the interests of public and private stakeholders.

10. *Regional power projects have been extremely demanding to implement.* First, the size of the investments needed is particularly large and often goes well beyond what would be developed to supply domestic power demands alone. For example, export-oriented hydropower projects frequently have capital costs in excess of 5 percent of GDP, making them difficult to fund on the balance sheet of the host country alone. Second, the number of countries involved can be quite large; a generation project in one country can serve market demand well beyond that country's immediate neighbors, and, as a result, transmission lines may have to run through transit countries, which are neither the main importer nor exporter. Third, the creditworthiness of "offtakers" remains a significant challenge. Many of the national utilities that make up the building blocks of the regional power pools lack the necessary credit rating

required to underwrite the investment, along with the necessary power purchase agreements and legal and regulatory environments.

11. *Governance arrangements in regional projects need to facilitate accountability*. Three key features for good governance have emerged: (a) significant country voice to ensure that the government and other national stakeholders have meaningful roles in the overall design and oversight of regional program; (b) level of representation in governance bodies matches the level of issues being addressed, if agreements are to be implemented and country obligations met; and (c) there is a clear and accepted mandate to provide oversight and resolve potential conflicts among participating countries.

12. *Finally, the slow pace of implementation and disbursement delays have highlighted the need to reduce complexity in project design and further strengthen implementation support* -- through reduction in number of activities and components, formulation of more realistic project objective and outcome indicators, and more realistic implementation sequencing and longer implementation periods.