

WORLD BANK

Support to NEPAD

Period of Report: July 2006 to June 2007

The Bank's assistance to NEPAD is multi-form and includes financial support (lending) to specific regional projects, technical assistance to regional bodies, and support for policy dialogue on regional integration issues, and the preparation of regional programs and projects. Much advocacy work has been done in mobilizing more resources for scaling up donor support to the development of regional infrastructure, especially in the context of the Infrastructure Consortium for Africa.

Lending

World Bank's financial support to NEPAD programs amounted to US\$278.6 million during the period under review. All three regional projects that were approved between May 2006 and April 2007 support the development of regional infrastructure. These include (i) the West and Central Africa Air Transport Safety Project (US\$33.6 million), the Senegal River Basin Multi-purpose Water Development Project (US\$110 million), (iii) two operations in support of the West Africa Power Pool (US\$135 million) (see details on these projects in Annex 1).

Simultaneously, the Bank has been developing a strong pipeline of NEPAD projects of about US\$1.17 billion in transport, trade, energy, water, telecoms, financial sector and agriculture for the next 2 fiscal years. Out of this, six projects for the amount of US\$915 million are scheduled for Board presentation before end of June 2007. This includes projects supporting the implementation of (i) the Infrastructure Short Term Action Plan priorities (regional transport and trade facilitation projects in Central Africa, a Regional Communications Infrastructure Program in Eastern and Southern Africa, the second phase of the Southern Africa Power Pool project, and grid interconnection between Ethiopia and Sudan), (ii) the implementation of the Comprehensive African Agricultural Development Program in West Africa (West Africa Agriculture Productivity Program), and (iii) the management of water resources at basin level (Niger River Basin).

Non-lending activities

Several regional diagnostic studies were carried out in Fiscal Year 2006. These included a review of the implementation of customs unions, analyses of gaps in the regional infrastructure (especially trade corridors, regional power systems and international telecommunications links) and three regional assessments of financial sector integration, with emphasis on access to trade-related financial instruments.¹ Each of these reports

¹ See "East African Community (EAC) Financial Integration Report, June 2006; Southern African Development Community (SADC) Financial Integration Report," June 2006; and "Economic Community of West African States (ECOWAS) Financial Market Integration Report," June 2006.

provides updated baselines on the status of integration in the area concerned, highlights sector and thematic issues, and identifies the needed policy adjustments at the regional level. They also provide guidance on the relative priority of different types of regional investments.

The Bank continues to provide support to capacity development programs of regional economic communities that have been mandated to implement NEPAD programs (Southern African Development Community - SADC, Common Market of Eastern and Southern Africa - COMESA, Economic Community of West African States - ECOWAS) and other specialized regional bodies (Basin organizations). The support is in the form of grants that finance technical assistance in priority areas, as defined by NEPAD and the regional bodies themselves. These areas include expenditure tracking in the agricultural sector (NEPAD), strategic planning for effective implementation of own priority regional and NEPAD programs (ECOWAS), institutional and statistical capacity for poverty monitoring (SADC), harmonization of procurement reforms with the aim of contributing to unified sub-regional markets (COMESA and West African Economic and Monetary Union - UEMOA), monitoring and implementation of trade and transport facilitation programs (Economic and Monetary Community of Central Africa - CEMAC and East African Community - EAC) and collective and effective planning for multi-purpose utilization of water resources in river basins (Senegal River Basin Authority, Niger Basin Authority, and Lake Victoria). Altogether, this financial support amounts to around US\$3 million.

Impact of Bank supported programs and projects

The Bank's projects supporting NEPAD are in their initial years of implementation and it is thus too early to determine clear impacts (on average, the portfolio is 1.4 years old). However, a 2006 portfolio performance review indicates that overall implementation is proceeding satisfactorily, pointing to progress toward the achievement of the stated development objectives and expected outcomes. Annex 2 provides information on expected outcomes and results.

Annex 1 : Projects approved between May 2006 and June 2007

1. The **Senegal River Basin Water Resources project** involves Senegal, Mali, Mauritania and Guinea. The project assists riparian countries with collaborative management of their shared waters and supports small infrastructure to more effectively utilize water for agriculture and contain risks of recurrent inundations. The project also provides the institutional means for riparian countries to scale-up their collaborative fight against malaria. This complex multi-sector project (high on ECOWAS priority list) is part of a ten-year adaptable lending program (APL) in two phases and it builds on the Bank's previous assistance to the Senegal River Basin Authority (OMVS) that helped its member countries develop a common vision for regional cooperation to jointly develop and manage the Senegal River Basin and agree on a development program of the basin. The project was developed on the premise that planning the utilization of the basin's water resources at the national level has prevented riparian countries from maximizing opportunities which the rivers offer if developed cooperatively.

2. In West and Central Africa, the first phase of a **regional Air Safety and Security Project** was financed, which supports upgrading to IATA standards of safety and security facilities at the airports of five capitals in West and Central Africa.

3. In the energy sector, the financial support to the **West Africa Power Market Development** in the form of a four-phase APL was approved in June 2005 with the Board presentation of the APL1 phase 1. APL1 phase 2 and APL2 were approved in June 2006. APL1 (phase 1 and 2) consists of (i) the implementation of the West Africa Power Pool (WAPP) Cooperation Agreement to facilitate enhanced cross-border power exchanges between Benin, Ivory Coast, Ghana, Nigeria and Togo; and (ii) the establishment and deployment of the cross-border electricity transfer capabilities of a 330 KV Coastal Transmission Backbone. The aim of APL2 is to augment the supply of low cost hydroelectricity from OMVS Power System to the national power utilities of Mali, Mauritania and Senegal by developing the Felou hydropower project under a public private partnership and developing a nucleus of the WAPP Zone B power pooling mechanism based on the protocols already established for the OMVS power system.

Annex 2: Outcomes achieved and in prospect from current support

Project	Project outcomes achieved and to be achieved	IDA commitment/co-financing
(i) Infrastructure		
West Africa Power Pool (Phase 1 and 2)	Price of power will be reduced to 5-6 US Cents/Kwh compared to current 8-10 US Cents/Kwh.	<i>US\$115 million.</i> Ghana, Togo, Benin, Mali, Mauritania, Senegal
South African Power (APL1)	Increase of energy exports from DRC to SAPM from a level 210MW today to 500MW at the project completion.	<i>US\$178.6 million.</i> DRC and Zambia and SAPP member countries
West Africa Gas Pipeline	Reduce the energy costs in Benin, Ghana and Togo by replacing expensive fuel for power generation, industrial and commercial uses by gas.	<i>US\$75 million MIGA guarantee and US\$50 million IDA partial guarantee. US\$465 million of private sector investment.</i> Nigeria, Benin, Ghana, and Togo
West and Central Africa Air Transport	Improve Civil Aviation Authorities' compliance rates with ICAO's safety and security standards; International airports' compliance with ICAO's security standards.	<i>US\$35 million.</i> Burkina Faso, Cameroon, Guinea and Mali

(ii) Regionalism		
East Africa Trade and Transport Facility	Reduce transport cost to move goods across countries through improvement of road infrastructure and reduction of transit time (border crossing time delays have decreased by 20% to 35%, dwell time reduced in Mombasa Port from 16 days to 8 days and Dar es Salaam Port from 17.5 days to 10 days); Support the concessioning of Uganda and Kenya railways to improve efficiency and reduce government transfers to national companies (market share increased from current 16% to 30%).	<i>US\$199 million.</i> Kenya, Tanzania, Uganda
Regional Trade Facilitation (RTFP)	Country exports to over 30 buyers world wide, by issuing 20 policies and/or policy renewals; and covering a total transaction value of USD 130.9 million. Utilizing ATI's ² own underwriting capacity of USD 23.6 million, has mobilized USD 107.3 million in private and public coinsurance/reinsurance capacity.	<i>US\$122.5 million.</i> Burundi, Kenya, Malawi, Rwanda, Tanzania, Uganda, Zambia, DRC, Madagascar, Eritrea and Djibouti
Central Africa Regional Payment System	Reduction of delays in payment clearing and settlement to a maximum of 3 days bank to bank and 7 days client to client. 90% of large value transactions settled in real time (within 30 minutes).	<i>US\$14.5 million.</i> Cameroon, Chad, Central African Republic, Congo, Equatorial Guinea and Gabon
West Africa Capital Markets Development	Increased volume of commercial financing for infrastructure and regional transactions (US\$1 guarantee triggers US\$3 of financing) and increase in number of market participants satisfied with new market regulations and fees structure.	<i>US\$96.4 million in lending and US\$70.0 million MIGA guarantee</i> UEMOA Countries
(iii) Shared Resources		
Senegal River Basin Multipurpose Senegal Water Resources Development	A common and shared framework for regional water resources planning, management, and development is in place, institutional capacity for effective basins is developed, regional multi-purpose water resources infrastructure to improve the livelihoods of the populations living in the basin is expanded (improved water resources availability, improved agricultural production, improved agro-forestry practices, fisheries development, improved access to and utilization of malaria and schistosomiasis control interventions); health impacts from related multi-purpose water infrastructure are mitigated.	<i>US\$110.0 million.</i> Guinea, Mali, Mauritania, Senegal

² African Trade Insurance Agency, created to promote intra-regional and external trade and private sector investment by covering political risk.