

## **WORLD BANK**

### **Support to NEPAD**

**Period of Report: August 2005 to August 2006**

#### **Support to areas relevant for the implementation of NEPAD**

The Bank's assistance to NEPAD is multi-form, but covers three main categories: financial support (lending) to specific regional projects, technical assistance to regional bodies, and analytical work to inform policy dialogue on regional integration issues and the preparation of regional programs and projects.

##### Lending

Since August 2005, the World Bank has funded a US\$199 million NEPAD Trade and Transport Facilitation project in the East African sub-region. Before the end of fiscal year 2006 (July 2006) it will present to its board an additional US\$270 million IDA financing of additional NEPAD regional projects, including the West and Central Africa Air Transport Safety project, the Senegal River Basin Multi-purpose Water Development project, and two projects in support of the West Africa Power Pool.

Simultaneously it has been developing a very strong pipeline of NEPAD projects of about \$2 billion in transport, trade, energy, water, telecoms, financial sector and agriculture for the next 3 fiscal years. This includes gap-filling projects in regional infrastructure responding to the Short Term Action Plan priorities (two additional regional transport and trade facilitation projects in West and Central Africa, a Southern Regional Communications Infrastructure Program – RCIP, the Southern and Western Africa Power Pools projects, and other energy projects in the East, such as the Cooperative development of the Kagera River), agricultural productivity (projects in support to the Comprehensive African Agricultural Development Programme (CAADP) in preparation in Southern and Western Africa) and management of water resources at basin level (Niger River Basin, Nile River Basin). Thirdly the Bank has been working towards developing the Regional Economic Communities' (RECs) capacity to drive integration within the region through the preparation of capacity building projects and Project Development Units (PDIUs).

##### Technical Assistance

The Bank has continued during this period to provide technical inputs to the development of programs and assist the RECs and the NEPAD Secretariat in the preparation of projects. It also provides advisory services (particularly in the area of trade and policy harmonization in different sectors in collaboration with UNECA) and helps in strengthening the capacity of regional institutions (ECOWAS, SADC, UEMOA, CEMAC). The Bank has also continued its support directly to NEPAD Secretariat

Activities through its “*Public Expenditure Tracking*” in Agriculture and “*Strengthening implementation of NEPAD Agenda in West Africa*”, Institutional Development Fund Grants (IDF).

The Bank has also been working with the NEPAD Secretariat in launching TerrAfrica – a large partnership on land sustainable management in Africa as well as identifying a potential support to the NEPAD Secretariat Strategic Communication unit.

### **Innovative approaches for funding the priorities of NEPAD**

The creation of an Africa Catalytic Growth Fund (ACGF) in February 2006 was an innovative step which will increase NEPAD projects funding. This fund provides a new pilot mechanism to complement IDA resources. One of its goals is to scale up regional investments that represent a clear opportunity to supply regional public goods. Currently this type of investments is systematically underprovided through the pooling of national aid entitlements. The fact that Africa is divided into far more countries than other regions makes the under-provision of regional public goods uniquely severe.

Regional programs require close cooperation with partners particularly in the areas in which the Bank’s instruments are limited. The World Bank regional projects have benefited from partnership with the European Union, DFID, the Africa Development Bank, the Japanese cooperation and other bilateral partners in the infrastructure area particularly in transport corridors within the SSATP framework.

### **Challenges and constraints**

The pipeline of regional integration projects in Africa has been growing rapidly and currently stands at more than \$2 billion over the next 3 years, more than twice the amount that can be financed from IDA14 under its regional pilot program. In addition, IDA14 regional pilot program does not offer grants to non-sovereign regional institutions which has proved to be an important limitation to regional programs financing (see example provided in the box below). The ACGF will represent a window of opportunity to partially fill this gap as it will fund programs that cannot presently be funded by IDA.

#### **Box: Southern Africa Power Market Program (SAPP)**

This is a ten-year program aimed at assisting the SADC countries to increase availability and reliability of power supplies to improve competitiveness and growth in the region. The first phase of SAPP is supported by an IDA credit of US\$178.5 million to finance upgrading of transmission lines to enable DRC to export more power to other SADC countries. Effective management of the power market also requires enhancing the capacity of regional institutions to promote and manage trade, regulate access to regional transmission systems; and advise on cross-border transit pricing of power flows and on quality of services. While IDA is providing financing for physical investments to interconnect power systems, it lacks the appropriate instruments to facilitate necessary strengthening on nascent regional bodies, for example the SAPP Coordination Center responsible for managing the power pool. Thus far support from bilateral sources has not materialized to the extent required. This lack of complementary financing is restricting benefits able to be derived from the interconnected power systems. Additional grant financing can improve operation of the power pool, (through additional power trading) and enable countries to realize additional benefits from the investments being made.

### **Advocacy and awareness-raising**

Senior Bank management participated in fiscal year 2006 in major strategic meetings aimed at raising interest for NEPAD and mobilizing resources to finance the NEPAD agenda.

The Directorate for Regional Integration has continued this year to be actively involved in the promotion of donors coordinated support to the implementation of NEPAD programs through collaborative and coordinated efforts in supporting regional economic groupings.

The WB is also currently working with MIGA to enhance NEPAD's capacity to improve its capacity to monitor progress in projects and promote them from financing to implementation through a Project Management System. This MIGA-NEPAD database could be a concrete and powerful tool for sharing knowledge & coordination among NEPAD, RECs, even countries, on the one hand, and other continental and foreign stakeholders, including the private sector & policy makers, on the other hand.