

The World Bank Africa Regional Integration Department

Issue: Many African countries are faced with a multiplicity of challenges that prevent them from participating in the global economy and reaping the benefits of increased globalization. Africa is the most fragmented continent. Fourteen countries are landlocked, accounting for 30% of Africa's population. The roots of the problem lie in chronic constraints to competitiveness including, poor infrastructure, small and fragmented markets, undeveloped financial markets, weak systems to facilitate trade, weaknesses in key institutions, and the lack of adequate human resources. Regional approaches offer the possibility for countries to make more headway in overcoming these development constraints than on their own.

Response: Regional integration and cross-national approaches are increasingly important. World Bank's involvement has been facilitated by establishment of a Regional Integration Department, charged to work with Bank staff, donors and clients to incorporate regional approaches into country programs and to support regional bodies. In addition to building an extensive lending portfolio, totaling nearly US\$1 billion in commitments by December 2006, and an increasing body of analytical work on regional integration, the Department is now embarking on developing a Regional Integration Assistance Strategy as a framework complement to the country-specific assistance strategies.

Financing: The Regional Pilot Program in the Africa region under IDA* 13 and 14 accounts for 10 regional projects for a total of US\$865 million. The Bank's investment operations are concentrated on agreed NEPAD priorities, mostly dealing with regional infrastructure. The full Africa portfolio of regional projects comprises 18 projects. The average age of the full Africa regional portfolio is just 1.4 years while the average age of projects financed under the Pilot is just 1.3 years, which means that implementation experience is still limited. The thematic distribution of regional commitments emphasizes the focus on trade and integration (52 percent) finance and private sector development (24 percent) and natural resources management and environmental protection (10 percent.)

Progress to date: Overall implementation of the projects is proceeding satisfactorily. Although too early to measure the development impact, there can be cautious optimism that a large proportion of the regional projects will achieve satisfactory development outcomes. With increasing interest in regional integration on the part of IDA counties (see Graph attached), the pilot not only needs to be continued but also scaled up if more funding can be found (some additional funding was approved during the IDA 14 mid-term review).

Examples: Key Elements of Bank Group's Regional Program of Support for Africa

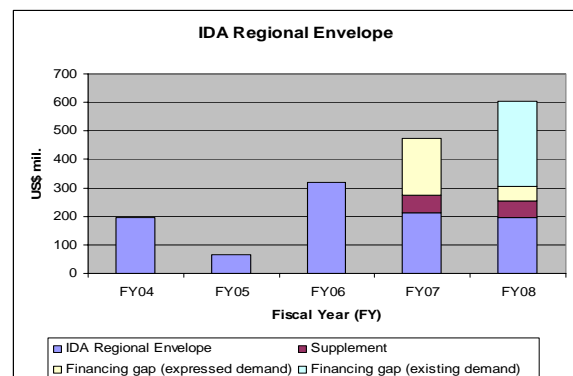
The Africa Region established in August 2005 a Department of Regional Integration (currently composed of 17 staff) and an objective of investing 10 percent of IDA* resources in regional projects; demand for these projects has grown quickly. In FY06, over \$400 million of regional infrastructure projects were approved, and there is a pipeline of over \$1.5 billion for FY07 and FY08. Many operations are co-financed with the African Development Bank. Operations include integration of power and transport networks and coordinated river basin management.

Regional projects are set to show tangible results. The West Africa Power Pool Project will reduce energy costs while building an efficient power market in six countries. The East Africa Transport Project will reduce transport costs by 20-35 percent through improved roads. The Southern Africa Power Market Project (\$179 million) will connect the electricity grid of the Democratic Republic of Congo to that of Zambia and will assist in eventually integrating all southern African countries into a regional energy market.

The African Trade Insurance (ATI) program, established with the support of IDA, is an Africa-wide public-private partnership that provides insurance against political risk, with a goal to increase intra-regional trade flows and investment. To date, ATI has issued 25 insurance policies, including eight intra-regional transactions. The total value of transactions exceeded \$168 million in 2006 and is projected to increase to \$290 million by 2009.

MIGA started a guarantee facility with the West African regional development bank (BOAD) to improve local capacity to support small- and mid-sized infrastructure investments in eight West African countries. It worked with NEPAD to develop an online project management system that allows development partners to share information on regional projects and disseminate tenders to the business community.

**The International Development Association (IDA) is the part of the World Bank that helps the world's poorest countries by providing interest-free credits and grants.*



**The expressed demand takes into consideration pipeline projects in the preparation stage, while existing demand refers to pipeline projects in the pre-identification stage.*