



**IDA17**

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**Issues Remaining from the IDA16 Mid-Term Review**

**IDA Resource Mobilization Department  
Concessional Finance and Global Partnerships**

**February 2013**

## Fiscal Year (FY)

July 1 — June 30

### Acronyms and Abbreviations

ACBF	Africa Capacity Building Foundation
ACE	Africa Centers of Excellence
ACPC	Africa Climate Policy Center
ADB	Asian Development Bank
AF	Additional Financing
ADB	African Development Bank
AFD	French Development Agency ( <i>Agence Française de Développement</i> )
AFR	Africa Region
APL	Adaptable Program Lending
AU	African Union
AUC	African Union Commission
CAPP	Central African Power Pool
CASA	Central Asia-South Asia Electricity Transmission and Trade Project
CFTA	Continental Free Trade Agreement
CO <sub>2</sub>	Carbon dioxide
CRW	Crisis Response Window
EAP	East Asia and Pacific Region
EIB	European Investment Bank
ECA	Europe and Central Asia
EU	European Union
FCSs	Fragile and Conflict-affected State
GEF	Global Environment Facility
GHG	Greenhouse Gas
HOA	Horn of Africa
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IDF	Institutional Development Fund
IGAD	Intergovernmental Authority on Development
MDG	Millennium Development Goal
MIGA	Multilateral Investment Guarantee Agency
MNA	Middle East and North Africa Region
M&E	Monitoring and Evaluation
MTR	Mid-Term Review
MW	Megawatt
NEPAD	The New Partnership for Africa's Development
OBA	Output-Based Aid
ODA	Official Development Assistance
PBA	Performance-Based Allocation
PPP	Public Private Partnership
RECs	Regional Economic Communities
RIAS	Regional Integration Assistance Strategy
SAARC	South Asian Association for Regional Cooperation
SAR	South Asia Region
SDR	Special Drawing Right
SSA	Sub-Saharan Africa
STE	Mozambique Regional Transmission Development Program ( <i>Sociedade Nacional de Transporte de Energia</i> )
STEM	Science, Technology, Engineering and Math
TA	Technical Assistance
TF	Trust Fund
UNECA	United Nations Economic Commission for Africa
WARCIP	West Africa Regional Communications Infrastructure

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## EXECUTIVE SUMMARY

i. **At the IDA16 Mid-Term Review (MTR), Participants reviewed: (i) the implementation of the IDA Crisis Response Window (CRW); and (ii) the provision of grants to regional organizations.** Management made proposals in the context of both papers, i.e., regarding the: (i) reallocation of unused CRW resources; and (ii) the revision of one of the six eligibility criteria for accessing regional grants. For both proposals, Participants requested that additional information and analysis be provided for further discussion at the 1<sup>st</sup> meeting of the IDA17 replenishment negotiations.

ii. **Reallocation of CRW resources.** The IDA16 replenishment arrangements specify that for the IDA16 MTR Management would indicate plans for the reallocation of any unused resources during the last year of the IDA16 period. In the CRW review paper presented at the IDA16 MTR, Management had proposed that, of the SDR845 million in unused CRW resources, SDR160 million be used to finance operations supporting MDGs 4 and 5 and SDR315 million be used to finance regional projects. The remaining SDR370 million would be kept in the CRW to meet potential crises-related needs for the remainder of the IDA16 period, and if unused, carried over into IDA17. Most participants at the IDA16 MTR expressed interest in the regional projects option, but did not support the MDG option. They also asked Management for further consideration of the option of leaving the resources in the CRW or reallocating them through IDA's Performance Based Allocation (PBA) system.

iii. This paper provides additional information regarding the option of reallocating SDR315 million to regional projects, including on the project pipeline and the process for prioritization. Given that there was very limited interest in the MDG option, Management proposes not to pursue this option further. The paper also examines the option of reallocating the resources through the PBA and the option of leaving the resources in the CRW and carrying them over into IDA17. Based on the additional information presented, Management seeks the approval of Deputies to proceed with the proposal to reallocate SDR315 million to regional projects. Regarding the option of reallocating resources through the PBA, the assessment made shows that the impact of the additional resources on each country's allocation would be very limited. Therefore, Management proposes that this option not be pursued and that SDR530 million be kept in the CRW and, if unused, be carried over into IDA17.

iv. **Revision of the eligibility criterion for regional grants.** The paper also reviews the proposal to adjust one of the six eligibility criteria for access to regional grants and provides additional information regarding potential recipients. The proposed revision aims to extend the provision of grants to regional institutions that may not be directly associated with ongoing regional IDA investments, if these institutions have a critical role to play in regional policy reforms and drive the agenda on regional integration in the various sub-regions. Management seeks the agreement of Deputies to this proposal, which would apply for the remainder of the IDA16 period and beyond.

## I. INTRODUCTION

1. **At the IDA16 Mid-Term Review (MTR), Participants reviewed: (i) the implementation of the IDA Crisis Response Window;<sup>1</sup> and (ii) the provision of grants to regional organizations.<sup>2</sup>** Management made proposals in the context of both papers, i.e., regarding the: (i) reallocation of unused CRW resources; and (ii) the revision of one of the six eligibility criteria for accessing regional grants. For both proposals, Participants requested that additional information and analysis be provided for further discussion at the 1<sup>st</sup> meeting of the IDA17 replenishment negotiations.

2. **The first proposal was to reallocate unused CRW resources amounting to SDR845 million as follows:** (i) SDR315 million to increase support for a substantial unfunded pipeline of regional projects that could be approved by end FY14; and (ii) up to SDR160 million to support faster progress on MDGs 4 and 5. The remaining SDR370 million would stay in the CRW to respond to potential crises during the remainder of IDA16, and if unused, would be carried over to IDA17.

3. **There was general agreement among Participants at the IDA16 MTR that an adequate amount of resources would need to remain in the CRW in order to respond to potential future crises.** Participants also expressed interest in the regional projects option, but did not support the MDG option. They asked Management to consider the option of reallocating unused CRW resources through IDA's Performance Based Allocation (PBA) system as well as the option of leaving the resources in the CRW. Given that there was very limited interest in the MDG option, Management proposes not to pursue this further. Section II of this paper provides additional information on Management's recommended option to allocate SDR315 million to IDA's regional program, as well as the options of reallocation through the PBA and of leaving the resources in the CRW and, if unused, carrying them over into IDA17.

4. **The second proposal was to revise one of the six eligibility criteria for accessing regional grants,** to enable the provision of grants to regional institutions that may not be directly associated with ongoing regional IDA investments, if these institutions have a critical role to play in regional policy reforms and in leading the agenda on regional integration in the various sub-regions. This issue is discussed in section III. Section IV presents issues for discussion.

## II. OPTIONS FOR REALLOCATION OF CRW RESOURCES

5. **At the time of the IDA16 MTR, CRW resources had been accessed twice with SDR329 million set aside for post-earthquake reconstruction in Haiti and SDR161 million to respond to the drought in the Horn of Africa.** Thus, a total of SDR490 million of the CRW has been allocated to date, while SDR845 million of the original SDR1,335 million CRW set-

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<sup>1</sup> See IDA16 Mid-Term Review Paper "IDA Regional Integration Program: Progress Update and Review of the Provision of Grants to Regional Organizations" (World Bank: Washington, DC 2012).

<sup>2</sup> See IDA16 Mid-Term Review Paper "Enhancing IDA's Capacity to Respond to Crises" (World Bank: Washington, DC 2012).

aside remain unallocated. This section provides additional information regarding the option of allocating unused resources to regional projects, and considers the options of reallocating unused resources through the PBA and maintaining unused resources in the CRW.

***Option 1. Allocate SDR315 million to regional projects***

6. **Allocated to carefully selected regional projects, SDR315 million from the CRW would provide a valuable boost for the IDA Regional Program.** This program supports projects aiming to tackle challenges and harness opportunities which can only be achieved through coordination and cooperation at the regional level. Regional approaches can connect landlocked countries and small domestic markets to regional and global markets and communications networks. They can also harness economies of scale in infrastructure provision, lowering the unit costs of construction and dramatically improving efficiency and impact through regional harmonization of legal and regulatory regimes to allow for the free movement of goods, services and people across borders. Sustainable development and protection of shared natural resources including water, minerals, forests and fisheries as well as mitigation of shared risks such as drought and communicable diseases can only be achieved through cooperative approaches.

**Table 1: Commitments to Date for Regional Projects**

	<b>Regional IDA (SDR)</b>	<b>Regional IDA (US\$)<sup>2</sup></b>
<b>Regional IDA Envelope</b>	<b>1,500.0</b>	<b>2,305.4</b>
AFR	1,125.0	1,729.0
Other Regions	375.0	576.3
<b>Commitments<sup>1</sup></b>	<b>859.3</b>	<b>1,320.6</b>
AFR	794.2	1,220.5
Other Regions	65.1	100.1
<b>Regional IDA Remaining<sup>1</sup></b>	<b>640.7</b>	<b>984.8</b>
AFR	330.8	508.5
Other Regions	309.9	476.3

1/ Commitments data are as of December 27, 2012.

2/ Exchange rate: 1SDR=1.54US\$.

**Table 2: Demand for IDA Regional Resources**

	<b>Regional IDA (SDR)</b>	<b>Regional IDA (US\$)</b>
<b>Pipeline and stand-by projects</b>	<b>1,773.6</b>	<b>2,725.9</b>
AFR	993.1	1,526.3
Other Regions	780.5	1,199.6
<b>Unfunded demand</b>	<b>1,132.8</b>	<b>1,741.1</b>
AFR	662.2	1017.8
Other Regions	470.6	723.3

7. **As illustrated in Table 2 above, demand for IDA Regional Program resources greatly exceeds the available envelope for the remainder of the IDA16 period.**<sup>3</sup> The IDA16 regional allocation for the AFR region is expected to be exhausted by the end of FY13, with a long list of strategic priorities and projects lacking the requisite IDA regional allocations to advance. Specifically, the AFR region has committed SDR794.2 million of its total allocation of regional IDA resources of SDR1,125 million (see Table 1). The remaining SDR330.8 million is expected to be committed by the end of FY13, leaving an unfunded pipeline of SDR662.2 million. Other regions are experiencing similar growth in demand as clients come to see the transformational potential of regional integration, regional institutions are strengthened, regional strategic development plans are advanced, and priority regional investments identified. In total, over SDR1.8 billion (US\$2.7 billion) of investment operations (excluding matching national IDA allocations) could be delivered by the end of IDA16 if additional regional IDA resources were made available.

8. **A prioritized list of 16 regional projects has been identified as potential beneficiaries of the reallocated CRW resources (see Table 3).** These projects all meet the following criteria: (i) potential for high impact that requires collective action across countries; (ii) alignment with IDA16 themes and or/Regional Integration Assistance Strategies; (iii) readiness for delivery; (iv) availability of national IDA allocation; and (v) fostering partnerships and leveraging of IDA. Of these projects, nine are in the AFR region, four in the SAR region, one each in the EAP and ECA regions, and one as a joint ECA/SAR operation (see Table 3).

9. **All 16 projects are under preparation and are expected to be ready for delivery before the end of FY14.** For all the pipeline and stand-by projects, including the 16 projects in Table 3, to be submitted for approval before the end of the IDA16, as indicated in Table 2, an additional SDR1,133 million of regional resources would be needed.<sup>4</sup> Given that SDR315 million is available, the unfunded projects would be approved on a first-come first-served basis, while respecting the overall guideline that 75 percent of resources would be allocated to AFR and the remainder would target demand from other regions.

10. **The identified regional operations would leverage significant donor and private sector resources, address the IDA16 special themes of Climate Change, Gender, Fragile and Conflict Affected Countries or Crisis Response, and include some of the most innovative, high impact IDA financed operations to date (see Table 3).** Proposed cross-border power generation and transmission investments in Southern Africa, West Africa and Central and Southern Asia would leverage over US\$5 billion in donor and private sector financing, enable the trading of over 4,600 MW of clean, low cost power and displace millions of tons of CO<sub>2</sub> emissions per year. Regional transport corridor and trade facilitation investments would provide connectivity to regional and global markets and lower barriers to trade for four

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<sup>3</sup> The Regional IDA envelope totaled SDR1.5 billion for the IDA16 period. Financing provided from this envelope is required to be complemented by funding from each participating country's national IDA allocation, generally at a ratio of 2 to 1.

<sup>4</sup> The total funding needed for the 16 investment projects identified in Table 3 are estimated at SDR1,350 million. Of this amount, SDR217 million would come from the already available IDA Regional Program funding and SDR1,133 billion would be needed as additional financing.

landlocked countries in Central Asia – Kyrgyz Republic, Tajikistan, Kazakhstan and Uzbekistan – as well as for South Sudan through Kenya, boosting the economic prospects and viability of the newly independent, landlocked country emerging from conflict. The long term resilience of mobile, pastoralist populations in the Horn of Africa, among the most vulnerable to waves of drought affecting the region, would be strengthened, with a particular focus on the many female-headed pastoralist households. Students in West and Central Africa would be able to acquire the skills in Science, Technology, Engineering and Math (STEM) from regional centers of excellence needed to harness the opportunities and maximize the benefit of natural resource led growth across the continent. Marine fisheries populations in West Africa and the Pacific Islands would be protected from illegal fishing through cooperative governance and surveillance networks, with important livelihood benefits to local populations through increased catches and value added through fish processing industry development with primary benefit to the majority female workers in the processing sector.

**Table 3: Potential Beneficiary Projects from Reallocated CRW Resources**

Project Name	Amount of regional IDA	Participating Countries	Description
Mozambique Regional Transmission Development Program	SDR108.4 mn	Mozambique and wider SAPP region.	Construction of high-voltage transmission lines totaling 1,300 kms that will deliver significant quantities of least cost and carbon free power for Mozambique, and the wider Southern Africa Power Pool region from the 1,500 MW Mphanda Nkuwa hydropower plant (phase I) and expansion of the Cahora Bassa dam (phase II) by 1,245 MW. Combined investment costs of the transmission component and Mphanda Nkuwa (phase I) exceed US\$5 billion, the majority of which will be financed by the private sector and donor partners including ADB, EIB, AFD and DBSA. IDA support will largely be structured as guarantees to leverage private investment, paired with equity investments from IFC and guarantees from MIGA.
Strengthening Tertiary Education in Africa through Centers of Excellence (ACE)	SDR47.7 mn	Countries in West and Central Africa	Generate economies of scale and scope by clustering financial and human resources to develop higher quality, larger and more specialized research and education programs (centers of excellence) serving the wider regional population. The centers of excellence will focus on programs STEM, all areas considered to be in high demand and short supply in line with economic growth opportunities arising from extractive industries and telecommunications growth.
Regional Pastoral Livelihoods Recovery and Resilience	SDR78.1 mn	Ethiopia, Kenya, Uganda	Develop and implement regional approaches to enhancing livelihood resilience to weather shocks and long term climate change for pastoral and agro-pastoral communities in drought prone areas in the Horn of Africa (HOA). Centerpiece of the Bank’s medium to long term response to the HOA drought and famine crisis response.
West Africa Fisheries Program Adaptable Program Lending (APL)	SDR5.2 mn	Mauritania, joining Cape Verde, Ghana, Guinea-Bissau, Liberia, Senegal and Sierra Leone	The project brings Mauritania into the West Africa Regional Fisheries Program, which currently includes Cape Verde, Ghana, Guinea-Bissau, Liberia, Senegal and Sierra Leone, under the coordination of the West Africa Regional Fisheries Commission. The program aims to strengthen the capacity of the coastal countries to cooperatively and sustainably manage and govern targeted fisheries and to increase the value and contribution of these fisheries to the West African economies. Leveraging resources from GEF (US\$7 million) and an IBRD enclave operation (US\$30 million).



Project Name	Amount of regional IDA	Participating Countries	Description
West Africa Regional Communication Infrastructure (WARCIP) APL3	SDR41.9mn	Mali, Niger, Guinea- Bissau	Extension of the WARCIP program to cover Niger, Mali and potentially Guinea-Bissau. WARCIP seeks to extend the geographic reach of broadband infrastructure and to dramatically reduce the costs of and access to communications services through connections to regional and global broadband networks through neighboring countries and sector reform to greatly improve private sector led competition. Structured as PPPs designed to maximize private investment and allow for government divestiture as the private market grows.
West Africa Power Pool APL1 Phase III - Adjarala Hydropower	SDR52.1 mn	Benin, Togo	Construction of the 109 MW Adjarala hydroelectric plant, a key element of the West Africa Power Pool Master Plan, offering a lower cost alternative to thermal generation with the added benefit of reduced greenhouse gas emissions. Leveraging financing from a number of development partners.
South Sudan-Eastern Africa Regional Trade and Transport Adaptable Program Loan (APL)1	SDR195.2 mn	South Sudan, Kenya	Upgrade priority roads, implement trade facilitation measures that increase efficiency in the performance of the corridors, and open up access to alternative sea ports to enhance regional connectivity and integration of South Sudan with its Eastern Africa neighboring countries and the international market. Financing partners include ADB and the EU.
Southern Africa Trade and Transport Facilitation Program (SATTFP) APL2	SDR 26.0 mn	Malawi, joining SATTFP, along with Tanzania, and in the future Mozambique	The project would bring Malawi into the Southern Africa Trade and Transport Facilitation Program (SATTFP), along with Tanzania (APL1) and could be joined by Mozambique in a subsequent phase (APL3). The program pairs investments in transport infrastructure along the North-South Corridor with trade facilitation and software improvements to reduce travel times and transport costs, increase trade and improve competitiveness along this critical corridor. SATTFP forms a key piece of the Bank's commitment to invest US\$500 million along the N-S corridor, under the harmonized multi-billion dollar donor investment platform led by DFID.
South West Indian Ocean Fisheries	SDR15.5 mn	Comoros, Mozambique, Seychelles	Program aims to increase the benefits from economic growth based on sustainable fisheries and coastal marine resources. Program will leverage GEF resources.
Pacific Islands Fishery and Ocean Protection Program	SDR30.0-120.0 mn	Federated States of Micronesia, Kiribati, Marshall Islands, Solomon Islands, and Tuvalu	The objective of the Program is to sustainably increase the economic benefits captured by Pacific islands from the ecosystem services provided by the Western Pacific Ocean. A horizontal APL will be pursued, whereby the overall investment program is prepared and agreed, and qualified countries join based on readiness and financing resource availability.
Central Asia Regional Roads Program	SDR30.0-90.0 mn	Kyrgyz Republic, Tajikistan, and Uzbekistan, and with potential participation of IBRD countries of the region	The proposed program is the result of a collaborative effort initiated by the Kyrgyz Republic and Tajikistan and is expected to extend to Kazakhstan and eventually Uzbekistan. The development objective is to enhance transport connectivity and integration while developing sustainable and efficient transport solutions, and it is also expected to have substantial positive impacts on poverty reduction and economic growth in the region, including through reducing trading costs across countries.
Central Asia-South Asia Electricity Transmission and Trade Project (CASA-1000)	SDR420.9 mn (ECA portion: SDR203.7 mn; SAR portion: SDR217.3 mn)	Kyrgyz Republic, Tajikistan, Afghanistan and Pakistan	Electricity transmission project would facilitate the export of 1,300 MW of already available summertime surplus energy from Tajikistan and Kyrgyz Republic at lower cost and increased reliability to Afghanistan and Pakistan.

Project Name	Amount of regional IDA	Participating Countries	Description
Pakistan-India Electricity Transmission and Trade Project	SDR78.1 mn	India, Pakistan	Construction of a transmission interconnection infrastructure for 500 MW of electricity from India to Pakistan. This low cost extension of the transmission grid by about 20-30 km on each side would allow India to begin exporting about 200 MW of electricity within a 12-18 month period while a more costly sub-station on the Pakistan side – estimated to be constructed in 36 months – would allow export of the full 500+ MW. The interconnection of the grids of India and Pakistan would be part of the phased development of the South Asia regional electricity grid and market.
Nepal-India Trade and Transport Facilitation Project	SDR43.0 mn	Nepal, India	The project is designed to facilitate efficient goods trade between Nepal and India by removing current policy, procedural, systems, capacity and infrastructure constraints. Two-thirds of Nepal’s trade is with India. The expected outcome as a result of project interventions is a reduction of transport time and logistics costs for Nepal’s international trade. The project is part of a broader phased development of Nepal-India-Bhutan-Bangladesh Trade/Transport Corridors (in bilateral steps).
Nepal-India Electricity Transmission and Trade Project Additional Financing (AF)	SDR15.2 mn	Nepal, India	The project is financing the first high voltage electricity transmission line between Nepal and India, capable of transmitting up to 1000 MW of power and paving the way to relieving Nepal’s power shortages (with about 150 MW of imports from India) and facilitating the development (and subsequent export) of Nepal’s hydropower potential. The AF will finance conductor procurement and the remaining domestic transmission line that will evacuate power from the cross-border line.
Third Phase of the Adaptable Program Lending (APL) on Strengthening Regional Cooperation	SDR13.0 mn	SAR	The Third Phase of the APL on Strengthening Regional Cooperation for Wildlife Protection in Asia is designed to assist the participating governments of India and others to build or enhance shared capacity, institutions, knowledge and incentives to collaborate in tackling illegal wildlife trade and other selected regional conservation threats to habitats in border areas. The first phase included Nepal and Bangladesh, the second phase Bhutan, and this third phase India.

11. **The identified operations would be expected to build on the improved performance and lessons learned from experience with the regional IDA program.** Disbursement rates, a proxy for implementation pace and other key performance indicators for regional projects, have been steadily improving and are now nearly on par with those of national operations, despite the inherent complexity and risk of working in a multi-country context and the high percentage of regional programs in fragile and conflict-affected states. The improvements in performance reflect additional focus and efforts by management and task teams to track and pragmatically address procurement and project management bottlenecks, increase supervision intensity, provide more capacity building support built into project design and through preparation advances upstream, simplify project design and incorporate lessons learned from early regional projects. Innovative legal and public-private partnership (PPP) models are being deployed to harness the private sector to speed implementation. Large infrastructure operations with lumpy, backloaded disbursement schedules are now reaching more advanced stages. Country management units are taking a much more active role in planning, dialogue and supervision of regional programs at the national level and through joint engagement with Regional Economic Communities (RECs) in their regions.

*Option 2. Reallocation through the PBA*

12. **If SDR315 million is reallocated for regional programs (per the section above) and, as proposed during the MTR, SDR370 million remains in the CRW in order to respond to potential crises during the remainder of the IDA16 period, that would leave SDR160 million for reallocation through the PBA.** The overall impact of the additional resources on each country's allocation would be limited. The estimated total allocable amount for FY14 is SDR8.6 billion; thus, the allocation for each IDA country would increase on average by a modest 1.7 percent of that year's envelope. Channeling all resources not needed for potential future crises (i.e., also including the resources proposed for reallocation to regional programs) through this modality would only raise the percentage increase to 5.5 percent.

*Option 3. Maintaining the resources in the CRW*

13. **A third option is to maintain all currently unused resources in the CRW (SDR845 million).** This would strengthen IDA's ability to respond to exceptionally severe natural disasters or economic crises during the remainder of the IDA16 period. In the event that no eligible crises occur before the end of IDA16 and the resources remain unused, they would be carried over into the IDA17 period. As such they would constitute a share of IDA's internal resources, and would thus reduce the need for new resources with which to replenish the CRW in IDA17. However, given limited utilization of CRW funding to date, and the fact that less than half of the IDA16 period remains, Management's view is that a share of CRW resources could prudently be reallocated for regional projects. Such a reallocation strikes an appropriate balance between ensuring an adequate response in the uncertain event of a crisis and addressing existing developmental opportunities. It should also be noted that as described in paragraph 47 of the IDA16 MTR paper<sup>5</sup> reviewing the CRW, the availability of the reallocated resources is contingent on lack of demand for crisis response resources, i.e., if crises occur during FY14, resources allocated for these two purposes, but not already committed, could be directed back to responding to these crises.

14. **Based on the above considerations, Management recommends that SDR315 million be reallocated from the CRW to the IDA regional program and SDR530 million be kept in the CRW and, if unused, be carried over in IDA17.**

### **III. ELIGIBILITY CRITERION FOR ACCESSING REGIONAL GRANTS**

15. **In the context of the IDA16 MTR discussion of the review of IDA's regional grant program, Participants requested additional information regarding Management's proposal to revise criterion #6 for access to IDA regional grants.** These grants were introduced on a pilot basis in IDA15, and financing is restricted to 10 percent of the IDA regional envelope (meaning no more than SDR150 million for IDA16). Since then, nine regional grants in the

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<sup>5</sup> See footnote 2.

amount of US\$106.9 million have been provided.<sup>6</sup> Most of the grant funding supports technical regional organizations with planning, coordination, regulatory or implementation functions in infrastructure, trade, finance, agriculture, environment and natural resource management, as well as health. Given that the approval of grants only began in FY11, it is too early to make in-depth assessments of their results.

**16. Regional organizations must meet six eligibility criteria to access regional grants (see Box 1) in addition to the overall eligibility criteria for regional IDA support.** Criterion #6 restricts the grants to regional entities that are directly linked to ongoing IDA financed regional projects. This has proven problematic in that it prevents IDA from supporting institutions that play a critical role in advancing the regional integration agenda through intellectual and policy-setting leadership, planning, coordination and enabling environment support. The following paragraphs highlight specific examples of regional organizations that could benefit from IDA regional grants if criterion #6 is revised as proposed.

**Box 1: Eligibility Criteria for Access to Regional Grants**

1. The recipient is a bona fide regional organization that has the legal status and fiduciary capacity to receive grant funding and the legal authority to carry out the activities financed.
2. The recipient does not meet eligibility requirements to take on an IDA credit.
3. The costs and benefits of the activity to be financed with an IDA grant are not easily allocated to national programs.
4. The activities to be financed with an IDA grant are related to regional infrastructure development, institutional cooperation for economic integration, and coordinated interventions to provide regional public goods.
5. Grant co-financing for the activity is not readily available from other development partners.
6. The regional entity is associated with an IDA-funded regional operation involving some of the participating member states.

**17. Support for the Central Africa Power Pool (CAPP).** The CAPP, first established in 2003, is at a far more nascent stage of development than equivalent regional power pools in West, Southern and East Africa. Capacity building support for the CAPP, including preparation of legal and management arrangements, harmonized regulatory and commercial frameworks, master planning and feasibility studies for key investments are all needed to bring the institution to the level ready to lead implementation of investments and management of a regional power pool. As there are no current or pipeline regional IDA investments supporting a Central African Power Pool, it would be difficult to provide a regional IDA grant that satisfies criterion #6. However, support to regional IDA investments would be likely in the future, as part of the Regional Integration Assistance Strategy for Sub-Saharan Africa (RIAS) with a strong CAPP key to the success and outcomes in terms of developing least-cost, environmentally friendly power trading solutions in the sub-region. A stand-by project to support CAPP could be finalized for Board consideration in FY14 if Deputies approve the revised formulation for criterion #6 proposed in paragraph 26.

<sup>6</sup> For more information on approved regional IDA grants to regional organizations please see [http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2012/10/18/000356161\\_20121018010816/Rendered/PDF/732840BR0IDA0S0Official0Use0Only090.pdf](http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2012/10/18/000356161_20121018010816/Rendered/PDF/732840BR0IDA0S0Official0Use0Only090.pdf).

18. **Establishing an Africa-wide Hydrometeorological System (Africa Climate Policy Center and others).** Africa is highly vulnerable to climate variability. Current hydromet systems, where available, are highly inadequate and the information shared among countries, especially in the public domain, is extremely poor. This limits the ability and effectiveness of storm, flood and drought forecasting to prevent human devastation, results in sub-optimal operation of water infrastructure (e.g., dams, hydropower generation, irrigation systems) and limits innovative climate adaptation solutions (e.g., weather or flood insurance). There is a need to find ways to rapidly scale-up regional efforts to modernize the regional hydromet network, facilitate open data access, and improve regional weather and hydrologic forecasts.

19. Taking on this important challenge through separate national IDA credits/projects would be impractical and the benefits of one or a few countries improving their monitoring systems in isolation does not compare with a regional approach. A regional IDA grant or a series of regional IDA grants to key institutions could help provide the information infrastructure (Earth observation/satellite knowledge products for weather/hydrological/land-use monitoring and forecasting, hydromet systems monitoring network modernization, improved forecasting tools and open hydromet data visualization portals/apps) and improved institutional capacity to establish a shared vision for interoperable systems and to deploy and use these tools. The Africa Climate Policy Center (ACPC), created by the African Union Commission (AUC), the ADB, and the United Nations Economic Commission for Africa (UNECA), could be the focal point for such a project with activities to be carried out through a network of key international organizations (river basin organizations, regional power pools, and a number of regional climate analysis and information service providers). Given that currently there is no regional IDA investment project working through individual countries on hydromet issues, such a grant or series of grants would not be possible with the current formulation of criterion #6.

20. **African Union Commission (AUC).** The AUC is responsible for translating the AU's vision and mission on regional integration and economic development into concrete actions, in collaboration with the various RECs and member states. While the AUC generally does not directly implement regional investment projects, it plays a key role on regional policy formulation, harmonization and standard setting. The AUC establishes consensus around priority regional development and investment frameworks and serves as a critical advocate and key interlocutor in resolving coordination and other issues between countries in regional programs and policymaking. Strengthening the capacity and effectiveness of the AUC would strengthen and complement the impact of IDA financed regional programs and the Regional Integration Assistance Strategy for Sub-Saharan Africa (RIAS), including the RIAS cross-cutting theme of improving regional and national planning, coordination and implementation. For example, the AU's Program for Infrastructure Development in Africa (PIDA) has identified priority regional infrastructure development investments endorsed by member states and serves as a benchmark in IDA's regional investment pipeline planning and as a platform for donor cooperation. The AU and the New Partnership for Africa's Development (NEPAD) Comprehensive Africa Agriculture Development Program (CAADP) have served as a common platform to channel and scale-up donor support for agriculture and have formed the basis for IDA support to highly successful regional agriculture productivity programs. The AU has also agreed to launch a Continental Free Trade Agreement (CFTA) by 2017, an ambitious agenda to greatly accelerate trade and economic integration on the continent which will require strong leadership from the AUC to

ensure implementation by RECs and member states. A potential support program would be focused on enhancing management decision making and leadership (strategic consultation/strategy/visioning, results based approach to planning, budgeting, implementing and monitoring and evaluation), modernizing administrative, human and support systems, strengthening strategic communications/outreach and modernizing the technical sector directorates.

21. **Africa Capacity Building Foundation (ACBF).** As highlighted in the 2007 Independent Evaluation Group (IEG) report on regional programs and in the 2008 Regional Integration Assistance Strategy for Sub-Saharan Africa (RIAS) and its 2011 update, lack of capacity at both the regional and national level and lack of implementation of regional agreements at the national level are key constraints holding back implementation of regional investment projects and implementation of regional policy reforms in Africa.<sup>7</sup> Building capacity to coordinate and implement regional and national planning and policy serves as the cross-cutting theme of the RIAS strategic framework. The ACBF, a leading institution supporting systematic capacity building through technical and financial assistance to strategically selected institutions in Africa, is a key partner in addressing this capacity challenge. Support for regional integration and regional solutions to the continent's development challenges are at the core of ACBF's mandate. As such, the ACBF provides capacity building support for regional economic communities (RECs), regional technical organizations and think tanks, to build effective institutions driving the regional integration agenda and informing the regional policy debate. Examples of recipients of ACBF support include the Council for Social Science Research in Africa (CODESRIA), the West African Monetary Institute (WAMI) and the African Economic Research Consortium (AERC). The ACBF also supports ministries and technical bodies responsible for implementation of regional projects and policies at the national level, and coordination and cross-learning with partner ministries and institutions of neighboring countries. Without effective national level partners, regional projects and regional reforms in areas such as customs harmonization, trade facilitation, cross-border power trade and natural resource management cannot be successful.

22. Given the broad challenges on capacity, incremental support for a few key regional institutions and national level project implementation units for regional projects is not enough. ACBF's wide network and reach provide a vehicle to effectively and systematically address capacity issues across the continent in a way that selected interventions by IDA and its partners cannot practically and cost-effectively do alone. A regional IDA grant would allow IDA, along with other donors and member states, to support the implementation of the next ACBF strategic plan – the Strategic Medium Term Plan III. A stand-by project to support ACBF could be sent for Board consideration in FY14 if Deputies approve the revised formulation for criterion #6 proposed in paragraph 26.

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<sup>7</sup> IEG, The Development Potential of Regional Programs, An Evaluation of World Bank Support of Multicountry Operations (2007); Regional Integration Assistance Strategy for Sub-Saharan Africa (Report No. 43022-AFR); and Partnering for Africa's Regional Integration" progress Report on the Regional Integration Assistance Strategy for Sub-Saharan Africa (Report No. 60387-AFR).

23. **South Asian Association for Regional Cooperation Development Fund (SDF).** The SDF serves as the umbrella financial institution for the South Asian Association for Regional Cooperation (SAARC) projects and programs. It was inaugurated by the Heads of State/Governments of SAARC Member States in April 2010. The SDF has three windows for supporting SAARC priority projects and activities: (1) the Social Window, which is currently the only active window, focuses primarily on poverty alleviation and social development projects. This window funds projects through grants; (2) the Infrastructure Window will invest in projects in the areas of energy, power, transportation, telecommunications, environment, tourism and other infrastructure areas; and (3) the Economic Window will focus on non-infrastructure funding related to trade and industrial development, agriculture, service sector, science and technology. It will also be utilized for identifying, studying, developing, and sponsoring commercially viable programs/projects of regional priority including their pre-feasibility and feasibility studies. The Infrastructure and Economic windows will fund projects through investment lending.

24. The SDF requested IDA to provide capacity building support to develop a professional Secretariat and a monitoring and evaluation framework, and to help design the organizational structure, systems and procedures for the infrastructure and economic investment windows. The Bank is providing initial Technical Assistance through a grant from the Institutional Development Fund (IDF) and a Bank-executed trust fund. Additional support will be required for the SDF to meet its goal of becoming a fully operational regional cooperation Development Fund. Investing in institutions for closer regional cooperation and fostering and leveraging collaborative partnerships are key pillars of the South Asia Regional Strategy (SAR Regional Update 2012). Strengthening the development arm of SAARC, the primary organization chartered to foster closer cooperation among its eight Member States — Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka — fits well within this strategic framework. Furthermore, through its investment windows, the SDF funding could be leveraged to support transformational projects in the areas of energy and trade and transport, which are the strategic focus areas of the regional integration program in South Asia.

25. **The reformulation of criterion #6 would extend the access to grants under the IDA Regional Program to selected institutions not linked to an IDA funded regional project but which support strategic regional priorities.** The 2007 IEG evaluation found the availability of financing on grant terms to be necessary in the upstream, preparatory phases of regional programs and the initial phase of most regional programs focused on generating regional public goods. Implementation experience shows that strong regional institutions, some of which not directly linked with IDA supported projects, are critical for the successful implementation of regional programs. IDA is well positioned to support regional institutions build their capacity, drawing on its analytical knowledge, ability to design complex regional projects, capacity to forge consensus to foster regional integration, and ability to convene the support of other development partners.

26. **As proposed in the paper discussed during the MTR, it is proposed that the formulation of criterion #6 be revised as follows: “The regional entity is associated with an IDA-funded regional operation or otherwise supports the strategic objectives of IDA on regional integration”.** IDA will continue to be very selective, and will support only regional

institutions that will help to move forward critical aspects of the regional integration agenda in alignment with strategic regional priorities. If approved by Deputies, the revised formulation of criterion #6 would apply for the remainder of the IDA16 period and beyond. Given that most regional grants are small in size, changing criterion #6 will not have a major impact on the Regional Integration Program envelope. Furthermore, the total amount of resources allocated to regional grants will still be limited to 10 percent of the overall IDA Regional Integration Program allocation.

#### **IV. ISSUES FOR DISCUSSION**

27. Deputies' views and guidance are sought on the following key questions:

- With respect to the reallocation of unused CRW resources, do Deputies agree with Management's recommendation to: (i) maintain SDR530 million in the CRW to respond to potential crises in the remainder of IDA16 and, if unused, carry it over into IDA17; and (ii) reallocate SDR315 million to increase support for regional projects?
- With respect to criterion #6 for access to regional grants, do Deputies agree with Management's proposal to extend the access to grants under the IDA Regional Program to selected institutions not linked to an IDA funded regional project but which support strategic regional priorities, as per the proposed text provided in para. 26?