

AFRICAN DEVELOPMENT BANK GROUP



**A REVIEW OF THE CONTRIBUTION MADE BY BANK
SUPPORTED PHYSICAL INFRASTRUCTURE
ROJECTS AND PROGRAMMES TOWARDS PROMOTING
REGIONAL INTEGRATION IN AFRICA**

**OPERATIONS EVALUATION DEPARTMENT
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TABLE OF CONTENTS

Page N°.

Acronyms and Abbreviations	i
1. STUDY CONTEXT	1
1.1 Need for and Aim of the Study	1
1.2 The Meaning of Regional Integration	2
1.3 Classification of Regional Physical Infrastructure Projects	2
1.4 The Goal of Providing Physical Infrastructure to Improve Regional Integration	3
2 BANK INVOLVEMENT IN REGIONAL INTEGRATION	4
2.1 Regional Integration Policies and Strategies	4
2.2 Regional Structures and Programmes	5
2.3 Infrastructure Financing	7
3 SCOPE OF THE REVIEW	9
3.1 Study Objectives	9
3.2 Role of Infrastructure Projects in Regional Integration (TASK A)	11
3.3 Policy Review (TASK B)	11
3.4 Support for Projects and Programmes (TASK C)	11
3.5 Engagement with RECs (TASK D)	12
3.6 Bank Support for Regional Infrastructure Projects (TASK E)	14
3.7 Study Limits	15
4 STUDY METHODOLOGY	15
4.1 Phases	15
4.2 Undertake a Literature Review and Data Collection	15
4.3 Undertake a Cross-country Portfolio Review	16
4.4 Review of Bank Supported Regional Integration Programmes	17
4.5 Undertake a Detailed Review of a Sample of Projects	18
4.6 Conclusions and Recommendations	19
5 MAJOR EVENTS, MILESTONES AND TIMEFRAME	19
5.1 Approach Paper	19
5.2 Appoint Consultants	19
5.3 Inception Report	20
5.4 Policy Review	20
5.5 Desk Studies	20
5.6 Field Studies	21
5.7 Reporting	21
5.8 Review Procedures	21
5.9 Dissemination	21
5.10 Suggested Timeframe for Implementation of Energy Sector Regional Integration Review (Phase 1)	22

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ACRONYMS AND ABBREVIATIONS

AfDB	African Development Bank (“the Bank”)
CODE	Committee on Operations and Development Effectiveness
COMESA	Common Market for East and Southern Africa
EAC	East African Community
ECCAS	Economic Community of Central African States
ECOWAS	Economic community of West African States
EU	European Union
IGAD	Intergovernmental Authority on Development
MLTAP	Medium-Long Term Action Plan
NEPAD	New Partnership for African Development
OPEV	Operations Evaluation Department
PCR	Project Completion Report
PPER	Project Performance Evaluation Report
REC	Regional Economic Community
RMC	Regional Member Country
SADC	Southern Africa Development Community
SER	Sector Evaluation Report
STAP	Short Term Action Plan
TOR	Terms of Reference
UMA	Union du Maghreb Arabe
WB	World Bank

1. STUDY CONTEXT

1.1 Need for and Aim of the Study

1.1.1 The Bank's performance on infrastructure projects and programmes has never before been reviewed and evaluated in a regional integration context. Performance assessments based on supervision and project completion reports shows that physical infrastructure projects, especially those in the transport sector, have performed well. On the other hand, the performance of lines of credit has been mixed and points to the need to be more selective in the choice of national and regional development banks as on-lending institutions. River basin-based initiatives show some mixed outcomes, with performance varying from region to region. Given this mixed outcome, there are a number of reasons why it is prudent to undertake a review of the contribution made by African Development Bank supported physical infrastructure projects and programmes towards promoting regional integration in Africa. Following is a summary of the main reasons for the study:

- (a) The Bank has not conducted post completion evaluation for several of the multinational projects. It is therefore difficult to draw definite conclusions about their regional development impacts.
- (b) There is a renewed focus worldwide and in Africa on regional integration, which makes the review topical to the Banks present focus.
- (c) Infrastructure is one of the key intervention areas to support and promote regional integration.
- (d) There is a renewed interest and focus by multilateral and bilateral donors in infrastructure investment in developing countries.
- (e) Infrastructure is one of the potential areas where the Bank could build a comparative advantage.
- (f) A review of the progress made by RECs with the implementation of regional infrastructure projects, as well as the implementation of the NEPAD process, is required to establish whether these institutions are on track with their expected service delivery.

1.1.2 The study therefore **aims** to review¹ Bank's performance to date with the progress made towards encouraging greater regional integration through the funding and support of the following:

- (a) The implementation of regional infrastructure projects.
- (b) Regional integration programmes that impact on infrastructure projects.

¹ A review is an assessment of the performance of an intervention, periodically or on an ad hoc basis. Reviews tend to emphasize operational aspects and assess performance qualitatively by means of e.g. case studies, whereas an evaluation is a more comprehensive and/or an in-depth assessment than a review that often uses specific ratings/metrics to measure specific performance of indicators.

1.2 The Meaning of Regional Integration

1.2.1 The majority of literature on regional integration, including the African Development Bank (AfDB) *Economic Cooperation and Regional Integration Policy*², do not provide a clear definition of the concept of regional integration and assume that the reader understands what it means and includes. The most comprehensive definition of regional integration that could be found is that of Bourenane³ who defines it as "...a voluntary pooling of resources for a common purpose by two or more sets of partners belonging to different states. The process aims to reinforce structural interdependencies of a technical and economic sort, with positive effects on economic welfare." Based on this definition and the context within which the majority of reports deal with the topic it is clear that (i) there is no restriction on the size of the region (as long as it involves at least two countries), (ii) that the region can span more than one continent and (iii) that "integration" includes one or more of the following objective areas:

- Physical integration.
- Economic/financial integration
- Political integration
- Institutional integration
- Social/cultural integration

1.2.2 The main regional integration objective of physical infrastructure (transport, energy, communications and water facilities) is to provide physical integration between countries. Generally accepted theory states that physical integration is a necessary, albeit not sufficient, condition to achieve other regional integration objectives such as economic integration and social integration. This will, in turn, help to achieve the ultimate goal of regional integration (see Section 1.3) which is sustainable economic development and poverty reduction.

1.2.3 As with the definition of regional integration, very few studies offer a metric for measuring "regional integration". The most authoritative attempt appears to be the African Integration Index developed by the United Nations Commission for Africa. This index is based on an aggregation of the level of integration in terms communications, trade, transport, money and finance, agriculture, manufacturing, human resources and labour markets, as well as energy. The most obvious limitations of applying this index is the omission from these sectors of the pooling of water resources, as well as the restricted application of the index to measure the level of integration between established RECs.

1.3 Classification of Regional Physical Infrastructure Projects

Firstly, the study concerns itself with physical infrastructure only, which means that it excludes e.g. economic and financial infrastructure. More specifically this includes physical projects from the transport, power, communications and water sectors. Secondly, the study concerns itself with the role of physical infrastructure in achieving regional integration. Physical infrastructure from each of the above sectors will therefore be classified as "regional" based on the physical regional integration properties that are unique to each sector. The regional integration properties of each sector are as follows:

² The AfDB policy defines regionalism as "preferential trading agreements among a subset of countries".

³ Naceur, B. *Regional Integration and Cooperation in West Africa: Theoretical and Strategic Approaches*.

- (a) Transport, including:
 - International airports.
 - International ports.
 - A link in a continuous transport route that transverses two or more countries, including road transport corridors, rail corridors, waterways and pipelines.
- (b) Power:
 - Power pooling and energy sharing.
 - Interconnection of electricity grids.
- (c) Communications:
 - Communications networks and facilities that are shared by more than one country.
- (d) Water resources:
 - Water resource facilities that are shared by more than one country.

1.4 **The Goal of Providing Physical Infrastructure to Improve Regional Integration**

1.4.1 Based on a review of the available literature on “regional integration”, it is fair to state that the primary goal of regional integration in Africa is economic development and poverty reduction. Reports vary in the degree to which they provide proof of the causal link between improved regional integration and the goal of economic development and poverty reduction. A common argument in favour of this link is that physical infrastructure cost has a direct impact on the competitive advantage of African goods in local and international markets. It is therefore one of the main determinants of product prices. Poor infrastructure therefore leads to inefficiencies in other production sectors. These inefficiencies can be measured in terms of the “cost gap”, which are broadly defined as the difference between the actual cost of a service and what the cost of such a service should be in terms of an internationally accepted benchmark. The cost gap includes elements of both the price of the service and the quality of the service. NEPAD defines an infrastructure gap as is one of the main factors that constrain economic growth and job creation in Africa. It states specifically that “there can be no meaningful development without trade – and there can be no trade without adequate and reliable infrastructure.”⁴

1.4.2 However, product prices, including production cost and transport cost, must be competitive in the first place in to order create a market for African products. Only then will economies of scale help to strengthen and expand an established market. Bridging the infrastructure gap has therefore been identified as an important element of promoting regional integration in Africa. Development of regional infrastructure is critical for sustaining regional economic development and trade. This view is supported by other development agencies such as the World Bank which has elevated regional integration as a priority instrument for promoting economic growth and poverty reduction.

⁴ NEPAD. 2002. *Short Term Action Plan Infrastructure (Main Report)*.

2. BANK INVOLVEMENT IN REGIONAL INTEGRATION

2.1 Regional Integration Policies and Strategies

2.1.1 Policies and strategies relating to the planning and implementation of infrastructure can be viewed in terms of two tiers. The first tier deals with the Bank's overarching policies on economic coordination and regional integration. This includes the *Economic Cooperation and Regional Integration Policy, Management Proposal to Establish a Focal Unit on Regional Integration* and the Bank's policy on engagement with RECs (currently under development). The second tier is meant to guide the general planning and implementation approach of specific sectors towards regional integration. These sector specific regional integration policies outline the Bank's focus and priorities in the selection of and support for specific programmes and projects within that sector. Policies and strategies are briefly outlined in paragraphs 2.1.2 to 2.1.9 below.

2.1.2 The Bank's *Economic Cooperation and Regional Integration Policy* states that the Bank will endeavour to leverage its comparative advantages as Africa's premier development bank by focussing its intervention in the following thematic areas:

- Policy Based Operations
- **Regional co-operation in infrastructure**
- Private sector promotion
- Institution building
- Ensuring Sustainable Development

2.1.3 Some of the recommendations of the Management Proposal for the establishment of a Focal Unit on Regional Integration have been implemented by the Bank. However, the establishment of the Infrastructure Unit has not materialised to date due to concern that its activities will overlap with that of the NEPAD Infrastructure Unit.

2.1.4 A policy on RECs is currently under development and a very early draft document had been circulated for comment. This document outlines the Bank's policy on, amongst others, with which of the RECs the Bank will cooperate on regional integration matters, in which areas the Bank will cooperate with RECs and what type of cooperation there will be between the Bank and RECs.

2.1.5 The Bank's *Transport Sector Policy* includes the following specific strategic options to promote regional integration:

- Support development of international transport conventions.
- Develop policy to facilitate cross-border transport and cooperation.
- Improve selected road links.
- Improve the organizational and management of port associations.
- Promote pooling of aircraft and ground maintenance resources.
- Encourage consolidation of air services through regional airports.

2.1.6 The *oil and gas sub-sector* of the Bank's *Energy Sector Policy* states that the Bank will strive towards the following objectives:

- Facilitation and encouragement of regional coordination and cooperation in all possible sub-sector activities.
- Removal of inter-state trade barriers.
- Promotion of regional utilisation of natural gas in countries which possess both oil and gas reserves, in particular where the gas is currently being burnt off to release oil production for export.

2.1.7 The *electricity sub-sector* of the Bank's *Energy Sector Policy* states that the Bank shall promote regional interconnection of electricity networks and shall give investment priority to this and other activities which embody genuine regional cooperation.

2.1.8 The *Water Supply and Sanitation Policy* makes no specific mention of regional integration.

2.1.9 The *Integrated Water Resources Management Policy* states that there are at least 54 water bodies that cross or form international borders in Africa. Only very few are managed jointly. In this context, the dependency of downstream countries on upstream ones for access to and development of water resources is a potential threat to regional stability and peace. An integrated approach to water resource management calls for regional cooperation for joint management of international watercourses. The effective functioning of trans boundary river basin organisations at the regional and international level is a major priority. The Bank will support joint efforts of riparian countries in developing strategies for integrated water resource management and will assist in improving financial resources for multinational and regional organisations and river basin authorities.

2.2 Regional Structures and Programmes

2.2.1 The roles and responsibilities of each tier, i.e. country, sub-regional economic communities, regional organs and development agencies are summarised in Table 1.

Table 1: Summary of the roles and responsibility for implementing STAP and MLTAB

TIER	ROLE	RESPONSIBILITIES
Countries	Nuclei, ownership	Ownership, implementation
Sub-Regional Economic Communities (RECs)	Building blocks	Coordination, monitoring & review, prioritization
Regional organs (AU, NEPAD)	Parent	Facilitation, resource mobilization, peer review
African Development Bank, together with other development agencies and donors such as sub-regional development banks, the EU, ECA, WB, Bilateral Agencies)	Partners	technical support, capacity building, resource mobilization

2.2.2 The role of the AfDB Dedicated NEPAD Infrastructure Team is threefold. Firstly, it would mobilize RECs and other Implementing Agencies, including dissemination of the short-term program and implementation guidelines, establishment of benchmarks and targets for sub-sectoral programs and compilation of coordinated action plans and timetable. Secondly, it would mobilise finance in consultation with WB, EU and others by organizing road shows to seek finance from perspective financiers, organizing sub-regional international

investment for and establishing/managing a NEPAD Project Preparation/Implementation Facility. Thirdly, it would undertake a long-term Perspective Study, including finalizing the Terms of Reference for the study, securing financing for the study, procure consultants to undertake the study; and carry out the study.

2.2.3 Regarding institutional and organisational measures the NEPAD Secretariat had by March 2003 begun recruitment of experts to assist the Secretariat follow up the progress of implementation of the Infrastructure Program. The AfDB has initiated the recruitment of an Infrastructure Expert that would have been seconded to the NEPAD Secretariat. In addition, the AfDB had constituted a dedicated team of Infrastructure Experts to assist the NEPAD Secretariat in the launching and implementation of the Short Term Action Plan. The intention was for the team to assist the Secretariat in the launching and implementation of the NEPAD Infrastructure Action Plan.

2.2.4 Specific contributions by the AfDB Group were to constitute dedicated Team of Infrastructure experts to assist in implementation of the Short Term Plan. In addition, an amount of about US\$1.3 million was allocated from Bank's Administrative Budget for NEPAD related activities. It also financed and assisted in the preparation of the medium-long term plan in infrastructure and managed the Canadian Trust Fund (Can\$ 10 million) provided to support institutional development and capacity building initiatives in infrastructure development under NEPAD. In addition, it approved AfDB financing for 4 projects/studies in 2002, with a further five Short Term Action projects/studies to be considered for AfDB financing 2003.

2.2.5 A two pronged approach was supported by the Bank in developing the NEPAD infrastructure programme, namely a Short-Term Action Plan (STAP) and a Medium-Long Term Action Plan (MLTAP).

2.2.6 STAP is based on a survey of countries and Regional Economic Communities (RECs). The sectors covered include energy, transport, water and sanitation and information and communications technology. STAP was endorsed by the African Union Summit in July 2002. The project selection process of STAP was guided by the following criteria:

- Projects that are at an advanced stage of preparation and that can be fast-tracked.
- Projects that support both a regional approach to infrastructure provision and regional integration.
- Projects that have stalled for political reasons and where NEPAD's intervention could be expected to make a difference.
- Initiatives that offer solutions to regional policy, regulatory or institutional constraints.

2.2.7 STAP projects can be categorised by type as follows:

- Facilitation with the establishment of policy, regulatory and institutional framework to create a suitable environment.
- Capacity building initiatives to empower particularly the implementing institutions.
- Physical or capital investment projects.
- Studies to prepare new priority projects.

2.2.8 The MLTAP is linked to and complements STAP. It will take up projects and initiatives that require more time for preparation and development.

2.2.9 In addition to mobilising resources to finance the infrastructure component of the NEPAD STAP, the challenges for the successful implementation of the programme are at three levels:

(a) Country Level

- Incorporating NEPAD infrastructure policies and plans into their own.
- Creating and Sustaining Implementation capacity.
- Program Implementation.

(b) Sub-Regional Level

- Coordination & monitoring of countries.
- Incorporate NEPAD infrastructure policies and plans into their own.
- Creating and sustaining requisite capacity.
- Implementation of regional programmes.

(c) Continental level

- Coordination & monitoring of RECs & Countries
- Conducting Peer Review
- Implementing actions to unlock impediments

2.3 Infrastructure Financing

2.3.1 The purpose of this section is to provide an overview of the extent of the Bank's involvement in all physical infrastructure projects. A summary of the Bank's involvement history with regional infrastructure financing is provided in Table 2. A discussion of the most pertinent issues is presented in paragraphs 2.3.2 through 2.3.8.

Table 2: Summary of Bank's Involvement History with Regional Infrastructure Financing

SECTOR	COUNTRY	ALL YEARS			FROM 1990			FROM 1995		
		NO	NET LOAN (UA)	PROJ COST (UA)	NO	NET LOAN (UA)	PROJ COST (UA)	NO	NET LOAN (UA)	PROJ COST (UA)
All	All	2573	35349	188626	1489	26278	157035	901	18673	134926
All	Multinational	160	1863	3861	139	1717	3524	95	1612	3332
Transport	All	413	5991	97744	197	4281	92525	111	3212	89480
Transport	Multinational	19	158	621	13	143	604	9	101	529
Power	All	161	2348	11900	77	1186	7602	44	705	4631
Power	Multinational	14	54	566	14	54	566	6	36	507
Comms	All	59	746	1986	17	459	1408	4	340	550
Comms	Multinational	4	20	51	1	1	1	0	0	0
Multisector (Infr)	All	10	157	154	8	145	151	5	44	123
Multisector (Infr)	Multinational	0	0	0	0	0	0	0	0	0

2.3.2 There are 2573 projects on record since the Bank's inception of which 679 (25%) are infrastructure related, i.e. falls into either one of the transport, power, communications or

multi sector (infrastructure) sectors. The share of the total loans for infrastructure projects, as expressed by the Net Loan amount is for all practical purposes similar to the infrastructure share of number of projects at 26% of the total. However, in terms of total project cost infrastructure projects accounts for almost 60% of the total project cost of all projects. From this it can be deduced that the average size of loans for infrastructure are no bigger than that for any other type of project, but that the size of loans in relation to total project are much smaller for infrastructure projects than for other projects.

2.3.3 There has been a marked change in the Bank's financing pattern of infrastructure projects. The number of infrastructure projects financed by the Bank has declined from 25% overall to 20% since 1990 and to 18% since 1995. Since 1990 the total amount of finance provided for projects has declined to 23% (from 26% overall) and has stabilised at this level since.

2.3.4 Transport projects accounted for approximately 65% of all infrastructure projects that were supported by the Bank (in terms of number of projects as well as financial amount). About 66% of these transport projects are from the "Road Transport / Highways" sub-subcategory. The Bank has also focussed increasingly on transport projects, in particularly road transport / highway projects. The percentage of transport projects that were financed by the Bank increased to 66% since 1990 and 68% since 1995. Similarly the share of roads transport/ highways projects of all transport projects has increased from 66% overall to 68% since 1990 and 70% since 1995.

2.3.5 The number of projects in the power generation sector stayed constant at around 25% of all infrastructure projects. However, there was a sharp decline in the amount of finance extended to such projects from 25% since inception of the Bank to only 16% since 1995. In the communications sector with the amount of finance remaining constant at around 8%, but the number of projects declining from 9% overall to 2% since 1995.

2.3.6 Only 6% of all infrastructure projects fall into the "multinational" sub-subcategory. However, this is not an accurate reflection of the Banks involvement in regional integration as the size and nature of many infrastructure projects are such that they benefit the region even though the finance have been extended to one country (ports for example). In other cases a particular regional project has been split up into separate projects within specific countries (e.g. Trans Kgalagadi Highway). Infrastructure projects that are classified as "multinational" received only 3% of the total project loans and the project cost accounts for only 1% of the project cost of all infrastructure projects. Scrutiny of the operations reveals that many of these projects involve the funding of studies rather than contributions for the construction of the physical infrastructure.

2.3.7 According to the OPEV database PCRs were completed for only 12 projects that have entered service before 1990. As a result the database is insufficient to draw any meaningful conclusions of Bank performance before 1990. However, PCRs of projects that were started prior to 1990 would still be used to assess the performance of individual projects if required.

2.3.8 Scrutiny of the PCR database further shows only 10 multinational projects, of which only 5 are infrastructure projects. Three of these are electricity generation/power projects. Only 112 of the infrastructure projects that were undertaken since 1990 have PCRs. This include 71 transport/highways projects (out of 197 that were undertaken), 28 power projects

(out of 77 that were undertaken) and 13 telecommunications projects (out of 17 that were undertaken).

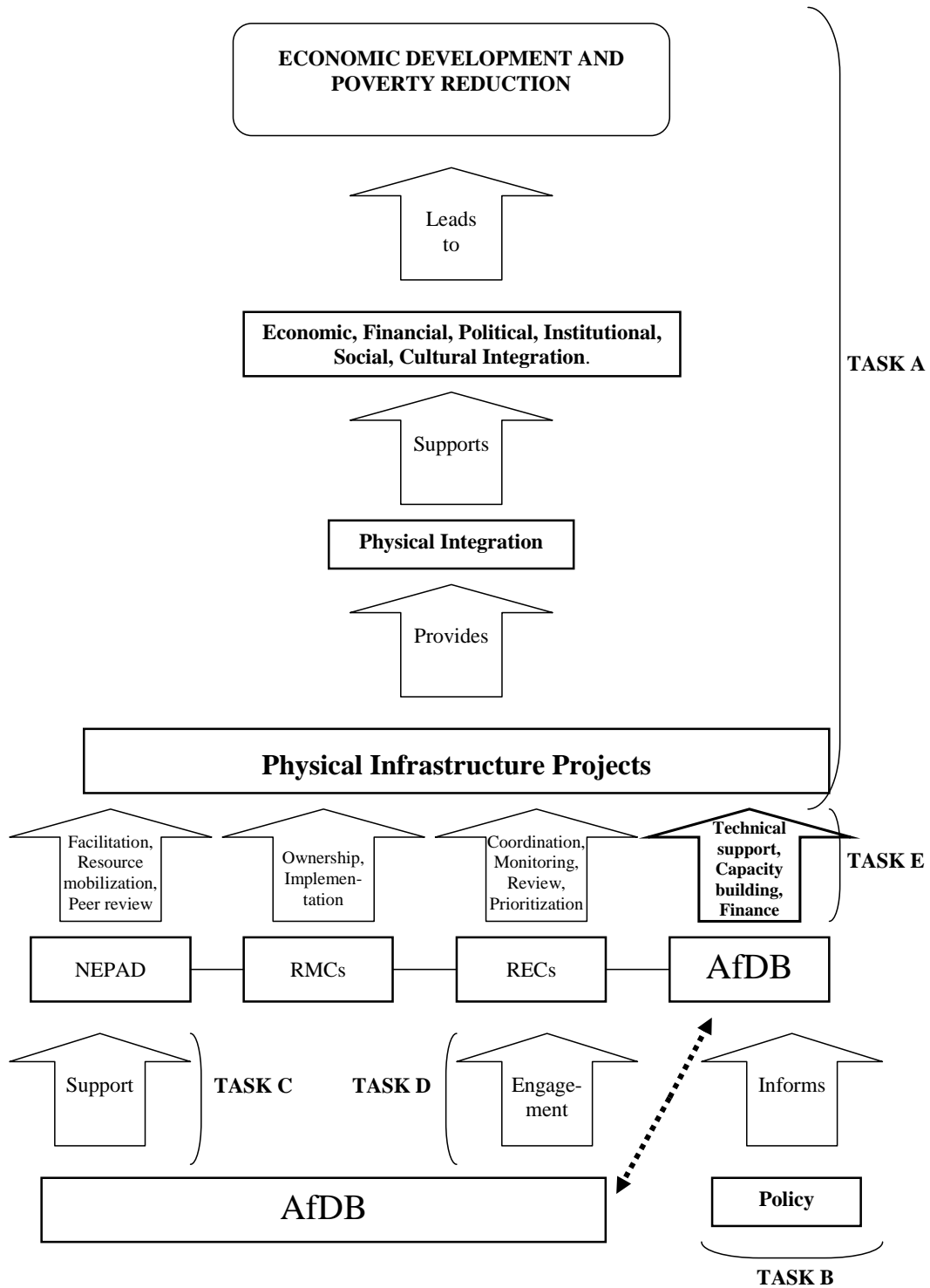
3. SCOPE OF THE REVIEW

3.1 Study Objectives

3.1.1 The Bank's performance on regional integration should be seen in context of overall success of regional integration and the established structures that supports it. In order to achieve that, the following principal **objectives** have been identified. Each group of objectives have been assigned a task number, which is also indicated on the flow chart in Figure 1.

- (a) **TASK A:** Affirm the following hypotheses by providing the latest data and research findings on the topic (see also Section 3.2):
 - Infrastructure projects contribute significantly to greater regional integration.
 - Regional integration has a considerable positive impact on sustainable economic development and poverty reduction.
- (b) **TASK B:** Undertake a review of the adequacy and appropriateness of (see also Section 3.3):
 - The Bank's Economic Coordination and Regional Integration Policy.
 - The regional integration focuses of the Bank's individual infrastructure sector policies.
 - Bank's REC policies and strategies.
- (c) **TASK C:** Investigate the Bank's support for projects and programmes that promote regional integration through infrastructure projects and programmes with special reference made to its involvement in the NEPAD initiative (see also Section 3.4).
- (d) **TASK D:** The success of the Bank's engagement with RECs in the implementation of regional infrastructure projects (see also Section 3.5).
- (e) **TASK E:** Establish the performance of the Bank in the funding and financing of infrastructure projects and programmes which had a regional infrastructure focus (see also Section 3.6).

Figure 1: Flow chart outlining the context of the Study's activities.



3.1.2 The above objectives form the key areas in terms of which the Bank's performance will be assessed.

3.2 **Role of Infrastructure Projects in Regional Integration (TASK A)**

The outcome of this objective is to compile a summary of the latest primary data available and research finding on the causal relationship between the provision of regionally focussed infrastructure provision, regional economic integration and economic development in developing countries. This review should be undertaken in light of the concern expressed by some sources that regional integration would benefit emerging economies more (perhaps even at the expense of) less developed economies. Also, what are the benefits of regional integration to fragile states and landlocked countries?

3.3 **Policy Review (TASK B)**

The policy review will strive to answer the following three questions:

- (a) Does the policy address all the relevant issues and are there any gaps in the policies?
- (b) Do the policies address the issues appropriately?
- (c) Is there sufficient linkage between regional integration issues and the different policies, and does the policies reflect a coherent view on the Bank's approach to regional integration.

3.4 **Support for Projects and Programmes (TASK C)**

3.4.1 This assessment of the Bank's performance will cover the following specific subject areas:

- (a) Specific contributions by the AfDB Group to constitute a dedicated Team of Infrastructure Experts to assist in implementation of the NEPAD Short Term Plan.
- (b) Funding of NEPAD related infrastructure activities and projects.
- (c) Effectiveness of the Bank's structures to deal with regional integration and the progress within the Bank to focus on regional integration in the selection, planning and implementation of projects, including implementation of existing policies that refers to infrastructure.
- (d) Level of focus on infrastructure, i.e. how much resources are allocated to infrastructure projects vs. other types of specific projects (both infrastructure and non-infrastructure).
- (e) Level of focus on regional integration, i.e. how much resources are allocated to "regional projects" vs. country specific projects.
- (f) The overall performance of Bank financed completed projects in the STAP and MLTAP programmes.

- (g) Review progress with planned, as well as current/ on-going projects.
- (h) Analysis of the progress with mechanisms to harmonize the coordination and effectiveness of the interventions of the various partners involved in regional integration.

3.4.2 Review the progress made by NEPAD to implement the institutional and organisational measures and with the implementation of the Short Term Action Plan and the Infrastructure Action Plan. This assessment will cover the following specific subject areas:

- (a) The mobilization of the RECs and other Implementing Agencies, including dissemination of the short-term program and implementation guidelines, establishment of benchmarks and targets for sub-sectoral programs and compilation of coordinated action plans and timetable.
- (b) Mobilization of finance in consultation with WB, EU and others by organizing road shows to seek finance from perspective financiers, organizing sub-regional international investment for a and establishing/managing a NEPAD Project Preparation/Implementation Facility.
- (c) The long-term Perspective Study, including finalizing the Terms of Reference for the study, securing financing for the study, procures consultants to undertake the study; and carry out the study.

3.5 Engagement with RECs (TASK D)

3.5.1 3RECs are regarded as one of the main vehicles for regional integration. All RMCs belong to at least one REC. The following seven RECs have been identified by NEPAD⁵ as being primarily responsible for the integration of infrastructure in order to achieve NEPAD's goals:

- ECOWAS: Economic community of West African States
- ECCAS: Economic Community of Central African States
- IGAD: Intergovernmental Authority on Development
- EAC: East African Community
- COMESA: Common Market for East and Southern Africa
- SADC: Southern Africa Development Community
- UMA: Union du Maghreb Arabe

3.5.2 This analysis will be undertaken in light of the fact that, firstly, each of the REC's views the importance and priority of infrastructure within the framework of their mandate and own unique set of goals and objectives. Secondly, each REC also has different levels of resources at their disposal and capacity for planning and implementation of infrastructure projects.

3.5.3 Thirdly, there is substantial overlap in membership patterns which could impact on the way in which RECs tackle individual projects in light of the complex relationship between RECs. As illustrated by the summary of regional groupings in Table 3, 76% of states belong to more than one REC and 31% of countries belong to more than two RECs. In

⁵ African Development Bank. 2003. *NEPAD Infrastructure Short-Term Action Plan (STAP): Review of Implementation Progress and the Way Forward*. P 8.

this respect The World Bank noted that overlapping regional institutions may lead to a risk of “overlapping or inconsistent decisions that complicate or even retard the overall integration process”⁶. Lesotho, for example, suspended its membership of COMESA due to possible conflict of interest with its membership of SADC. The Bank’s policy and practice in dealing with RECs should be reviewed in the light of the fact that it will create political difficulties for the Bank if it only select a few RECs with which to cooperate. At the same time it needs to be recognised that the long term solution would be to rationalise RECs and/or overlapping membership patterns. Progress made by the Bank towards the achievement of these solutions would be assessed.

Table 3: Summary of regional groupings in Africa that is directly responsible for transport infrastructure⁷

	COUNTRIES	COMESA	CEN-SAD	EAC	ECCAS	ECOWAS	IGAD	SADC	UMA
1	Algeria								X
2	Angola	X			X			X	
3	Benin		X			X			
4	Botswana	X						X	
5	Burkina Faso		X			X			
6	Burundi				X				
7	Cameroon				X				
8	Cape Verde					X			
9	Central African Republic		X		X				
10	Chad		X		X				
11	Comoros	X							
12	Congo				X				
13	Congo, DR	X			X			X	
14	Cote d'Ivoire		X			X			
15	Djibouti	X	X				X		
16	Egypt	X	X						
17	Equatorial Guinea				X				
18	Eritrea	X	X				X		
19	Ethiopia	X					X		
20	Gabon				X				
21	Gambia		X			X			
22	Ghana		X			X			
23	Guinea Bissau		X			X			
24	Guinea Conakry					X			
25	Kenya	X		X			X		
26	Lesotho							X	
27	Liberia		X			X			
28	Libya		X						X
29	Madagascar	X							
30	Malawi	X						X	
31	Mali		X			X			

⁶ The World Bank 2001. *Memorandum of the President of the International Development Association to the Executive Directors on a Regional Integration Assistance Strategy for West Africa*. Report No. 22520-AFR, July 11, p vii.

⁷ The EAC, ECCAS, ECOWAS, SADC and UMA were designated by the now defunct OAU to represent each of the five sub-regions. (See Moore, C. 2004. *Regional Integration and Regional Governance Under the new African Initiatives: A Critical Appraisal*. Centre for Policy Studies, Johannesburg. p 4.)

	COUNTRIES	COMESA	CEN-SAD	EAC	ECCAS	ECOWAS	IGAD	SADC	UMA
32	Mauritania								X
33	Mauritius	X						X	
34	Morocco		X						X
35	Mozambique	X						X	
36	Namibia	X						X	
37	Niger		X			X			
38	Nigeria		X			X			
39	Rwanda	X			X				
40	Saharawi Arab Dem Rep								
41	Sao Tome & Principe				X				
42	Senegal		X			X			
43	Seychelles	X						X	
44	Sierra Leone		X			X			
45	Somalia		X				X		
46	South Africa							X	
47	Sudan	X	X				X		
48	Swaziland	X						X	
49	Tanzania	X		X				X	
50	Togo		X			X			
51	Tunisia		X						X
52	Uganda	X		X			X		
53	Zambia	X						X	
54	Zimbabwe	X						X	

3.6 Bank Support for Regional Infrastructure Projects (TASK E)

3.6.1 This should be seen against the backdrop that most African countries have a history of inward looking infrastructure networks. Main transport corridors for example were established during colonial times often for the sole purpose of exporting raw materials and importing manufactured goods from the industrial world. After independence many countries continued this trade and investment patterns and supplemented it with inward looking economic policies and protectionism. In addition, there are low levels of tradable goods as many countries produce similar types of commodities. For this reasons there are still a very low level of mutual trade between African economies.

3.6.2 The inward focus was further exacerbated by the fact that Africa has 15 countries that are land locked, more than any other continent. Countries with ports do not necessarily share landlocked countries' priority for the development of certain infrastructure and consequently do not allocate the same level of funding priority to such projects.

3.6.3 The Bank's policies and strategies regarding the funding and support of regional projects at the country level should therefore be considered in light of its support for country specific (local) projects. In its extreme form overemphasis on country specific projects may undermine regional integration efforts and may continue to enforce views that countries should be islands of self sufficiency. It is also important that local and regional projects are integrated and that all projects, both regional and local, should form part of an integrated strategic master plan. There may be constraints within the Bank which restricts financial support for regional and sub-regional support, particularly if such projects are undertaken under the auspices of RECs. These constraints need to be highlighted.

3.7 Study limits

The above objectives will be pursued within the following study limits:

- (a) All physical infrastructure operations that were approved since 1990 will be included in the initial universe of projects to be analyzed. All projects that could be regarded as being of a regional nature will be selected from the initial universe for further analysis.
- (b) Physical infrastructure includes projects from the transport, power, and communications sectors.
- (c) Infrastructure includes the implementation, management and maintenance of physical infrastructure.
- (d) A review is an assessment of the performance of an intervention, periodically or on an ad hoc basis. Reviews tend to emphasize operational aspects and assess performance qualitatively by means of e.g. case studies, whereas an evaluation is a more comprehensive and/or an in-depth assessment than a review that often uses specific ratings/metrics to measure specific performance of indicators.

4. STUDY METHODOLOGY

4.1 Phases

4.1.1 As a result of the magnitude of infrastructure projects that will have to be assessed, the study will be undertaken in the following phases:

- Review of electricity projects.
- Review of transport projects.
- Review of communications and water supply projects.
- Summary Report (To be published as a glossy document for wider dissemination).
- Road show.

4.1.2 Each phase of the review will be undertaken as a separate study with its own stand-alone report. It is envisaged that the basic review format and methodology will remain the same for each sector report, but changes may be required based on the experienced that is gained during each successive phase, as well as to accommodate the unique characteristics of each infrastructure sector. After completion of the sector reviews a Summary Report will be prepared that summarises the Bank's performance in all infrastructure sectors. The Summary Report will be prepared in a manner so that it could be published as a glossy document for wider dissemination. Further dissemination will take place through a series of workshops to be held both at AfDB Headquarters, as well as at Regional/Country offices.

4.2 Undertake a literature Review and Data Collection

4.2.1 The study will kick-start with an extensive review of literature and the collation of relevant data and information on the subject matter. This includes documents produced by

the Bank, as well as independent research reports and documents prepared by other development agencies.

4.2.2 It was established from the preliminary literature review that an extensive knowledge base exists on the role that infrastructure can play in facilitating regional economic integration, as well as on the impact that such projects has on development. The experience that can be gained and the lessons that can be learnt from these reports will ensure that a broad understanding is formed of the environment within which the Bank undertakes its activities in this regard. It will also enable a tracking of the changes in international trade and intra-regional trade patterns over evaluation period.

4.3 Undertake a Cross-country Portfolio Review

4.3.1 The first step in the cross-country portfolio review will be to identify all the infrastructure projects that the Bank has approved for financing. Multinational infrastructure projects will be grouped according to the five sub-regions (north, south, central, east and west) that were agreed on at the Accra Accord. The regional assessment will be undertaken in terms of the five regions. Where multinational projects span more than one region they will be categorised separately as a sixth virtual region, as it is also important to record and note the extent to which projects cuts across the major regions.

4.3.2 The reason for undertaking the cross country portfolio review in terms of regions is by no means an endorsement of the sub-regions by the study. Its purpose is to review projects within the context of these long established sub-regions in order to assess the relevance or not of this historical sub-regional demarcation.

4.3.3 In cases where regional projects were not categorised as “multinational” an informed selection process will have to take place, as the project database provides no obvious indication of whether a project benefits more than one country. Consequently all other infrastructure projects, i.e. those that were funded as single country projects, will be subjected to a desk review to establish whether they have a regional focus. Projects will, based on a comprehensive content analysis of the PCRs, be classified as “local” and “regional” based on the following criteria:

(a) Transport, including:

- International airports.
- International ports.
- Link in a continuous international transport route (paved road, pipeline, rail line or waterway) that transverses two or more countries.

(b) Power:

- Power pooling and energy sharing.
- Interconnection of electricity grids.

(c) Communications:

- Communications networks and facilities that are shared by more than one country.

(d) Water resources:

- Water resource projects that is shared by more than one country.

4.3.4 In cases where PCRs have not been undertaken for completed projects, where the required information could not be obtained from the PCR or where projects are still on-going, this information will be sourced through interviews with the Task Managers or from Operational Files and the SAP system.

4.3.5 The portfolio review will be undertaken of both completed and on-going projects to categorise these according to country, region, sub-sector, type of loan (African Development Bank or African Development Fund or a combination), project cost, loan amount and number of projects in each category. This information will be sourced from an assessment of the project database, PCRs, interviews with Task Managers and secondary data on socio-economic and physical indicators of the respective countries in which the projects were undertaken.

4.3.6 The level of infrastructure support by the Bank in a region will be established by aggregating the number of projects, size (as measured by project cost) and type in each region. This will be compared with the level of infrastructure support provided by countries and other development agencies, as well as to the overall economic development performance by region.

4.3.7 In addition to the projects that have been financed by the Bank there is merit in including certain selected projects that have not been directly financed by the Bank, as the Bank was actively involved in the overall planning and support to NEPAD. The reason for this is that the Bank can also learn from the experience of these projects. These projects will, however, be treated as a separate category.

4.4 **Review of Bank Supported Regional Integration Programmes**

4.4.1 The programme review will seek to establish the success and progress that individual countries, RECs and AfDB has made with the following focus areas:

- Internalisation of NEPAD at country and regional level.
- The creation and sustaining capacity to successfully implement projects and regional programmes.
- Implementation of specific NEPAD programmes and projects that were identified in STAP.
- Coordination & monitoring of RECs and countries.
- Implementing actions to unlock impediments.

4.4.2 As pointed out in Section 3.5 above, the Bank's support to RECs should be reviewed within the framework of the REC Strategy Documents, as well as the Bank's overall policy of engagement with RECs. It is consequently imperative that RECs be reviewed in order to allow the Bank to make an informed decision on how to approach individual RECs. For this purpose only those RECs whose focus area is infrastructure projects (see Table 3 for a list) will be included in the analysis.

4.4.3 Following is a suggested framework within which the efficiency and effectiveness criteria could be made to reflect proxy measures of the extent of the efficient delivery of RECs' products and services. At a high level there are three objectives to achieving regional integration:

- Macro economic policy and monetary integration.
- Infrastructure development.
- Trade facilitation.

4.4.4 Within these objectives the following specific criteria could be used to review the efficiency and effectiveness of service delivery by RECs (It should be noted that only those criteria that are relevant to the focus areas of a specific REC should be applied):

- (a) Effectiveness in achieving overall regional integration objectives through infrastructure development:
- (b) Institutional capacity and efficiency in delivering the mandate:
 - Technical and managerial aspects.
 - Effective secretariat.
 - National focal point.
 - Transaction costs (spending efficiency).
 - Resource mobilisation.
- (c) Commitment (ownership) of member states and sustainability
 - Self financing.
 - Value adding.
 - National capacity.
 - Complementary nature of mandate (i.e. is its focus areas complementary to or in conflict with that of other REC's in the region).
- (d) Membership profile
 - Level of regional focus.
 - Extent of membership outside the region.
 - Percentage of countries within the region that belongs to it.

4.5 Undertake a Detailed Review of a Sample of Projects

4.5.1 All completed "regional" projects will be assessed in order to gauge their performance in terms of achieving regional economic integration. In this respect it is important to note that in addition to the standard PCR "development" evaluation criteria, projects will also be assessed in the extent to which they contributed to regional integration. This is based on the supposition of a positive casual relationship between regional integration and the development effectiveness criteria of the normal PCR evaluation. The positive spin-off of a project that has successfully contributed to regional integration will therefore automatically lead to the desired development goals.

4.5.2 An in-depth examination will be made of a representative sample of projects by sector. The sample of projects that are selected for review should provide a representative

view of the universe of infrastructure projects that were undertaken to promote regional integration. In this respect it should be borne in mind that all projects that has a potential regional integration impact will be included in the universe of projects, regardless of whether it was conceived as a multinational project or not. Section 4.3.3 above describes the selection criteria of regional infrastructure projects in more detail.

4.5.3 This examination will involve a review of the entire project cycle, from inception to date, in order to learn from the experience during the implementation cycle, as well as after completion. Although quantifiable metrics will not be used (this is a review and not an evaluation), the case studies will follow a particular format to provide a structured framework according to which it will be conducted. This framework is as follows:

- Relevance of the project for regional integration
- Efficacy (achievement of regional integration objectives)
- Efficiency
- Sustainability
- Regional institutional development impact
- Borrower performance
- Bank performance

4.5.4 Generally accepted statistical sampling will be used to obtain an unbiased representative sample. The sample size would be determined by means of the following formula provided by Yamane: $n = \frac{N}{1 + N(e)^2}$, where n is the sample size, N is the universe of projects and e is the selected confidence level. In order to minimize the level of variability, the sample size will be determined separately for the respective infrastructure sectors.

4.6 **Conclusions and Recommendations**

Conclusions will be formulated from the above analysis and lessons learnt will be recorded. Recommendations will be based on conclusions and lessons learnt.

5. **MAJOR EVENTS, MILESTONES AND TIMEFRAME**

5.1 **Approach Paper**

Acceptance of the Approach Paper will signal the official start of the project.

5.2 **Appoint Consultants**

OPEV has the in-house expertise and capability to undertake all of the reviews related to socio-economic and financial matters. A considerable amount of the work could therefore be undertaken in-house by Bank staff of OPEV. However, OPEV will require the assistance of an acknowledged expert on regional integration policies, structures and programmes. This expert will assist OPEV staff with the policy review, as well as with the review of structures and programmes. OPEV will also require the services of a research assistant/consultant to help with data gathering and analysis, as well as with the recording the results of the desk and

field studies. The terms of reference for the consultant and assistant will be prepared at the project inception phase.

5.3 Inception Report

During this brief initial stage the TOR will be reviewed by the consultants and discussed with OPEV in order to reach agreement about scope, methodology and timeframe with the consultant. It will result in a concise Inception Report that would describe methods (including the countries and projects to be sampled), tasks, outputs and timetable against which progress would be monitored. A detailed project framework will be the most important part of the report. In addition the report would be laying out the hypotheses and questions in more detail, as well as the methods and sources that will be employed to answer them.

5.4 Policy Review

This will be a comprehensive review the Bank's existing regional integration strategy as well as its sub-sector policies in the light of the performance assessment of projects, countries and RECs. The main sources of data for this review will include published and unpublished reports, and communication with key policy thinkers both in Africa and outside by means of telephonic and personal interviews, as well as email. The Bank's policy stance will be assessed in terms of the latest international thinking and good practice on the link between the provision of transport infrastructure, regional economic integration and the development. The key elements of regional integration policy and strategy will, together with the results and outcome of the literature review, be summarised in an **Interim Report No. 1**. A final assessment of the Bank's policy and recommendations for the future would come only in the final report after the countries, RECs and individual projects have been assessed.

5.5 Desk Studies

5.5.1 Desk work will be split into two broad categories namely (a) interviews with staff, project documentation and management, and, (b) process documentation. A sample of the substantial volume of project documents (appraisal, supervision, completion reports, sector reviews, country assistance evaluations and grant documents) related to transport infrastructure between 1990 and 2005 will be studied. The information gathered from the reports will be supplemented by interviews and discussion (either singly or in groups) with staff members and task managers. The findings from the project documentation will be used to inform further work, in particularly the field studies. It will consequently not be specifically included an interim report.

5.5.2 A comprehensive examination will be made of process documentation in order to arrive at a full and complete understanding and performance assessment of all key bank processes that has a bearing on the effectiveness of the Bank's work in infrastructure that has a regional integration focus. This will include Bank guidance and rules governing all steps in the project cycle, plus portfolio, budget and human resources management. Again, the interrogation of documents will be supplemented by meetings with key personnel. The findings from the process assessment of desk studies will be summarized in an **Interim Report No. 2**.

5.6 Field Studies

5.6.1 Field studies will cover two aspects. Firstly, it will for the most part relate to project performance, outcomes and impact together with assessments of the Bank's and the Borrower's performance. Secondly it will supplement the knowledge assembled through the desk study on the relationship between countries and RECs and the resources that is available at country and REC level for the successful implementation of regional integration transport infrastructure projects. There will also be examination of the quality and efficacy of the Bank's partnerships in the rural sector through interactions with key informants at the country level and elsewhere.

5.6.2 The main challenge for the field studies will be to cover sufficient ongoing and completed projects in sufficient sub-sectors in sufficient countries to render the conclusions credible and convincing. This will require taking the fullest possible account of evidence from the Bank's Project Completion Reports (PCR), Project Performance Evaluation Reports (PPER) and Sector Evaluation Reports (SER) for transport infrastructure. However, these reports do deal specifically with the question of regional integration. Extensive field studies are therefore unavoidable. Evidence from each country will be assembled, analyzed, and standardised and be made easily retrievable. The combined evidence from these building blocks coupled with project related material from the desk studies will be assembled into an **Interim Report No. 3** on field (project) investigations.

5.7 Reporting

Reporting will be done throughout the study in order to ensure that the work complies with the TOR and that key milestones are met. Specific reporting events include an Inception Report, a mid-term Progress Report and Intermediate Papers documenting the Policy Review, Desk Studies and Field Studies respectively.

5.8 Review Procedures

All reports will be reviewed by OPEV's Task Manager and an External Reviewer. The Draft Final Report will be reviewed internally within OPEV and approved by the Director OPEV before being submitted for final approval.

5.9 Dissemination

When the Draft Final Report finalised will, at the discretion of the Director OPEV, be formally reviewed by CODE. Subsequently the report will be distributed to a wider audience within and outside of the Bank. Internally the report will be posted on the intranet and a workshop will be organised for all those in the Bank involved in infrastructure. Externally the report will be distributed amongst stakeholders and the Bank's principal partners.

