Operations Evaluation Department

African Development Bank Group

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Fostering Regional Integration in Africa:

An Evaluation of the Bank's Multinational Operations, 2000-2010

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Caption, left photo: Consultations with local civil servants in Arusha.
right photo: Manantali Energy Project

About OPEV
The mission of the Operations Evaluation Department is to help the African Development Bank to foster sustainable growth and poverty reduction in Africa through independent and influential evaluations.

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Acronyms and Abbreviations

AfDB (ADB)	African Development Bank
ADF	African Development Fund
AFRITAC	African Regional Technical Assistance Centres
AU	African Union
AWFF	Africa Water Facility Fund
COMESA	Common Market for Eastern and Southern Africa
CSP	Country Strategy Paper
DFI	Development Finance Institution
EAC	East African Community
ECOWAS	Economic Community for West African States
FAPA	Fund for African Private Sector Assistance
FDI	Foreign Direct Investment
FO	Field Office
ICA	Infrastructure Consortium for Africa
IPPF	Infrastructure Project Preparation Fund
JICA	Japanese International Cooperation Agency
LoC	Line of Credit
MGJ	Million Gigajoules
MICF	Middle Income Countries Fund
MOs	Multinational Operations
NEPAD	New Partnership for Africa's Development
OMVS	Organisation pour la Mise en Valeur du Fleuve Sénégal (Senegal River Basin Development Authority)
ONRI	NEPAD, Regional Integration and Trade
PAR	Project Appraisal Report
PASIE	Plan d'Atténuation et de Suivi des Impacts sur l'Environnement (Environmental Impact Mitigation and Monitoring Plan)
PCR	Project Completion Report
PCR-EN	Project Completion Report Evaluation Note
PIU	Project Implementation Unit
PPER	Project Performance Evaluation Review
SOGED	Société de Gestion du Barrage de Diama
SOGEM	Société de Gestion du Barrage de Manantali
OSBP	One-Stop Border Post
QAE	Quality-at-Entry
REC	Regional Economic Community
RIS	Regional Integration Strategy
RISP	Regional Integration Strategy Paper
RMC	Regional Member Country
RPG	Regional Public Good
WAPP	Western African Power Pool Organisation

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Executive Summary

This evaluation assesses: (a) the relevance and consistency of the Bank's strategic and operational framework for fostering regional integration; and (b) the relevance, efficiency, effectiveness and sustainability of the Bank's multinational operations (MOs). It discusses the key factors of performance for MOs, the Bank's organisational effectiveness, and it makes recommendations for improvement. The evaluation covers the period 2000-2010. As the evaluation does not include single-country operations that have contributed to regional integration, the overall contribution of the Bank to regional integration may be larger than indicated herein (the Bank's databases do not identify single-country operations that contribute to regional integration, and thus this evaluation is unable to include these operations).

This summary report is based on the following set of background papers: a Policy and Strategy Review; a Portfolio Review; a Quality-at-Entry Review; three case studies of MOs in the infrastructure sector in East Africa, Southern Africa and West Africa; and three Project Performance Evaluation Reviews (PPERs). The methodologies used include statistical data and documentary analysis, site visits, individual interviews and focus groups. Different limitations in terms of quality and coverage of the information characterise these sources, which were mitigated through cross-referencing while identifying findings and drawing conclusions.

Main Findings

The Bank has developed an increasingly coherent strategic and operational framework to guide its assistance towards regional integration. The 2000 Economic Cooperation and Regional Integration Policy, and the Regional Integration Strategy (RIS) 2009-2012, set out a comprehensive framework for Bank support to regional integration. The current Bank approach to regional integration is underpinned by a coherent logic model which builds on the priorities and strengths of the Bank, especially in relation to regional infrastructure. The RIS was followed by four Regional Integration Strategy Papers (RISPs) to program regional interventions in West, Central, East and Southern Africa. The strategy for North Africa was delayed by recent political events in the region. The RISPs have improved alignment between national and regional development priorities. The Strategic and Operational Framework for Regional Operations (2008), the Criteria for Cost Sharing Exemptions when Financing Regional Public Goods (2008), and the Regional Operations Selection and Prioritization Framework (2011) have further improved the strategic focus of the MO portfolio by aiming to ensure greater selectivity, strategic alignment and higher-quality operations.

The strategic framework requires further focus and fine-tuning to facilitate its operationalisation and increase the Bank's contribution to regional integration.

- First, there is no consistent definition of what constitutes a MO contributing to regional integration. The Bank's information system records as MO any operation taking place in at least two countries, irrespective of its possible linkages to regional integration objectives. While the MOs financed under the African Development Fund (ADF) concessional window need to demonstrate their contribution to regional integration outcomes on the basis of financial eligibility criteria, this is not the case for MOs financed under the African Development Bank (ADB) window. As a consequence, Project Appraisal Reports (PARs) of multinational ADB operations (especially for the private sector window) may indicate a contribution to regional integration, although there is no clear results framework demonstrating a direct link with regional integration. Furthermore, the contribution of single-country operations to regional integration is not defined and those operations are not identified. This limits the possibility of fully identifying the potential contribution of Bank operations to regional integration.

- Second, there is a lack of strategic focus in addressing the soft constraints of regional integration. These include institutional, regulatory and administrative bottlenecks that need to be addressed for infrastructure assets to fully benefit regional integration. At the same time, there is limited elaboration of the areas where the Bank could bring its strengths and value added to bear in addressing specific regulatory and administrative constraints to the development of integrated regional markets.

- Third, the strategic areas for providing Regional Public Goods (RPGs) – defined as goods or services whose benefits are shared by a group of countries in the same region in a non-rival and non-excludable way – are too broadly defined. There are no references to the specific sectors in which regional cooperation could be enhanced through the provision of RPGs, or through the linkage of RPGs with the other two strategic pillars – regional infrastructure development and institutional capacity building. This lack of clarity limits the Bank's capacity to make a difference, given the limited ADF resources available.

- Finally, the role of private sector operations in complementing the Bank's public sector operations to develop regional value chains, integrate financial markets, finance trade and build the capacity of African regional institutions is not elaborated.

The Bank has significantly increased its share of MOs from 6% (2000) to 15% (2010) of total Bank approvals. The sectoral composition of the Bank's portfolio is in line with the strategic focus of the Bank. Transport and finance are the main priorities, accounting 39% and 31% of MOs approvals. Over the decade, around 50% of the approvals were for multiregional operations, followed by East Africa with 18% and West Africa with 15%. MOs financed under the ADF window represent 65% of approvals of MOs – the approvals increased from UA0.6 million in 2000 to UA467 million in 2009 before dropping to UA382 million in 2010. Earmarked ADF resources and the financial incentives provided by the Bank for MOs contributed to this increase.

MOs respond to compelling needs and generally achieved their objectives no less effectively than single-country operations even though they are exposed to more risks.[1] They are satisfactory at 96% and 83% for relevance and effectiveness, compared to 80% and 78% respectively for single-country operations. Only 46% and 56% of single-country operations are deemed to be satisfactory for efficiency and sustainability, as compared to 63% on both criteria for MOs. This illustrates the difficulty for both types of operations in adhering to planned costs and timelines, and in sustaining results after the completion of operations.

Key factors in performance include country commitment and ownership, implementation and governance arrangements, as well as a conducive policy environment for MOs. A quality-at-entry (QAE) review of projects approved between 2006 and 2010

1 Possible explanations for this counterintuitive conclusion could be that MOs undergo a more rigorous selection process and due diligence than single-country operations. However, imperfections in measurement and reporting tools cannot be ruled out. Non-infrastructure MOs tend to record lower levels of performance than infrastructure operations.

shows that the Bank has performed 'moderately well and better' in relation to those factors of effectiveness, but further progress is needed on other aspects.

- First, increased alignment on national and regional priorities has not been matched with strong option analysis, adequate cost-benefit calculations (especially for non-infrastructure projects) and risk assessment to allow governments to make informed decisions on the opportunity costs of engaging in MOs.

- Second, the Bank pays attention to implementation and governance arrangements (capacity of the implementing agency, roles and responsibilities of key stakeholders, etc.), but seems to give limited consideration to how the changing role of actors will be managed, how conflicts among stakeholders will be solved, or how the operations can be adapted to contextual changes.

- Third, the contribution of operations to development outcomes is more likely to be sustainable if accompanying measures and policy reforms are adopted at the country level. While the regional integration agenda is being increasingly integrated into Country Strategy Papers (CSPs), field offices have not yet engaged in the kind of strategic policy dialogue needed to ensure that the necessary conditions and political commitment are in place for sustaining the outcomes of MOs.

The Bank's capacity to implement its mandate on regional integration has significantly improved with the creation of the NEPAD, Regional Integration and Trade Department (ONRI). The establishment of ONRI was a turning point in strengthening the Bank's strategic vision and its capacity to be increasingly selective in MOs in its ADF portfolio.

The ambitious mandate of ONRI is not matched by existing resources and the roles and responsibilities of ONRI as compared to those of the regional and sectoral departments are not clearly delineated.

- ONRI's mandate is very broadly defined, especially in relation to the soft constraints of regional integration.[2] This leads ONRI to engage in a large number of activities without the capacity to deliver them effectively.

- The roles and responsibilities of the different Bank's departments are not clearly defined, leading to confusion, lack of follow-up of certain operations, and limited accountability for development outcomes. The Bank's regional and sector departments have very different views of ONRI's involvement, especially in relation to the soft constraints of regional integration. ONRI's role in relation to policy and strategy formulation (CSPs, RISPs, sector strategies, etc.) versus the role of the regional or sector departments is also unclear.

- The field offices do not have clear responsibilities in relation to MOs; and policy dialogue at the country level does not include sufficient consideration of the regional integration agenda.

- No department is tasked with collecting lessons from monitoring and evaluation to influence the programming and design of MOs.

The business model of the Bank is still a single-country operation model and is not adapted to the specific requirements of MOs. The Bank's

2 These cover all trade issues, various international initiatives such as the G20, Deauville Partnership, Regional Economic Communities, the African Union Commission, World Trade Organization, Multilateral Development Banks, support to both sector and regional departments in the Bank with only 8 Professional staff and a modest budget. According to the list of accomplishments and deliverables of the Regional Integration Division (ONRI 2), activities span the following areas: capacity development, macroeconomic convergence, trade facilitation, centres of excellence, transport, power sector, aid for trade, financial integration, maritime piracy and parliamentary matters.

organisation does not provide the necessary incentives for cross-sectoral work, which leads to a focus on sectoral outputs rather than broader development outcomes. Likewise, incentives are lacking for the cross-regional departments work required for MOs. Thus, several MOs cutting across different regions are left orphans from any regional departments. Also, staff incentives do not necessarily compensate for the complexity of MOs (e.g., time for design, modalities of supervision, etc.). Finally, the format of PARs is imperfectly adapted to the specificity of MOs.

Recommendations

The Bank should clarify and strengthen the strategic focus of its approach to regional integration:

- **The Bank should develop a distinct definition, consistent across the Bank, of MOs as operations contributing to regional integration.** This definition could be based on a set of criteria related to the results chain of the strategic framework. These criteria should be applied equally to private and public sector operations. The same criteria should also be used to identify single-country operations contributing to regional integration. The Bank's information systems (in particular SAP) should be adapted to distinguish operations along two separate dimensions: (a) those taking place in one or several countries; and (b) those that make (or do not make) a significant contribution to regional integration. These changes would help improve results reporting on the Bank's role in regional integration, and enable the Bank to better capture its overall contribution in relation to development corridors.

- **The Bank should be more focussed when addressing the soft constraints of regional integration, and specify areas for providing RPGs.** For soft constraints, one option would be to concentrate on the bottlenecks of the regulatory and administrative framework in relation to the sectors where the Bank is most active. For RPGs, the Bank should define a limited number of areas where it has appropriate expertise and where it can contribute the most compared to other donors.

- **The Bank should define the role of private sector operations,** taking into account the contribution that such operations – and the private sector more generally – can bring to fostering regional integration.

A mechanism for systematic feedback and learning from the Bank's experience with MOs should be established to influence the design of new operations, especially in relation to the key factors of performance. This mechanism should specify clear responsibilities for the collection, validation, analysis and use of the information for policy and program formulation. It should encourage internal learning on the specific characteristics of MOs (e.g., governance agreements, legal arrangements underpinning these agreements, cost sharing, etc.). Given the time required for the implementation of MOs operations, the feedback mechanism should ensure that learning takes place not only at completion but also during implementation.

The mandate and resources of ONRI should be aligned. The Bank should expand ONRI's resources to fit its mandate, or focus ONRI's mandate to fit existing resources, especially for addressing the soft constraints to regional integration. ONRI's mandate should consist in creating maximum value for the Bank rather than spreading resources too thinly to respond to ad-hoc demands. ONRI should focus on providing high-level and strategic advisory services, knowledge management (generation, assimilation and dissemination) as well as engaging with regional economic communities (RECs) and other institutions supporting regional integration in Africa.

The Bank should clearly define the roles, responsibilities and division of labour among ONRI, regional departments and sector departments. Regional and sector departments should designate focal points to act as counterparts to ONRI and be responsible for integrating the regional integration mandate into CSPs, sector strategies and operations. Responsibilities for monitoring and reporting on RISPs should be specified. The responsibilities of field offices should be better defined and their capacity strengthened to engage in strategic policy dialogue on regional integration issues. These roles and responsibilities should be clearly specified and disseminated across the Bank.

The Bank's tools and business model should be adapted to the specificities of MOs. This includes but is not necessarily limited to: (a) defining a set of specific criteria for MO readiness reviews; (b) giving overall responsibility to one task manager for each MO; (c) allocating more time and resources for the design and supervision of MOs; (d) reconsidering the format of PARs for MOs; and (e) adapting staff incentives to allow for the kind of work required for complex, cross-sectoral MOs.

1. Introduction

This evaluation assesses: (a) the relevance and consistency of the Bank's strategic and operational framework for fostering regional integration; and the (b) relevance, efficiency, effectiveness and sustainability of the Bank's multinational operations (MOs: operations taking place in at least two countries). It discusses the performance of the Bank and key factors in that performance, the Bank's organisational effectiveness, and makes recommendations for improvement. The evaluation covers the period 2000-2010. The evaluation focuses on MOs and does not include single-country operations that contributed to regional integration. These are not captured in the Bank's data systems. As a consequence, the evaluation is unable to assess the Bank's overall contribution to regional integration.

The evaluation is based on a Policy and Strategy Review, a Portfolio Review including approvals analysis, implementation performance and results analyses from existing PCRs, a Quality-at-Entry review, three case studies of infrastructure MOs, and three Project Performance Evaluation Reviews (PPERs). The methodology included review and analysis of Bank documents; individual interviews and focus groups; questionnaires sent to targeted Bank staff in Tunis; interviews with selected development partners, including the World Bank and the Regional Economic Communities (RECs); benchmarking with other donor institutions; and a literature review.

The main evaluative questions are:

- How relevant are Bank policies, strategies and MOs in promoting regional integration and addressing obstacles to its realisation?
- What results have the operations achieved or are likely to achieve vis-à-vis the development challenges they were designed to address at the regional and national levels; are MOs more or less successful than national operations?
- What are the key factors in the performance of MOs?
- To what extent were the Bank's resources and processes efficiently deployed?
- To what extent are MOs sustainable?

There are limitations regarding the sources of evidence utilised. These were mitigated, to the extent possible, by cross-referencing and taking them into account when identifying findings and drawing conclusions. The limitations include:

- Weak data coverage and limited quality of information, as illustrated by supervision reports and project completion report (PCR) ratings: out of 66 completed projects, only 24 PCRs were available, which limits confidence in the generalization of findings;
- Changes to templates of key Bank documents, such as project appraisal reports (PARs), country strategy papers (CSPs) and PCRs, which limits comparison over time;
- Inclusion of private sector MOs in the description of the portfolio but not in the implementation performance and outcomes measurement, due to limited availability of Expanded Supervision Report and differences in rating measures;
- Use of self-assessment for the implementation and outcomes analysis, which is not a guarantee of objectivity.

The report is organised as follows: Chapter II analyses the Bank's strategic approach to regional integration through its strategies and portfolio of MOs. Chapter III assesses MOs against the evaluation criteria of relevance, effectiveness, efficiency and sustainability. Chapter IV examines some key factors of performance, and Chapter V reviews the Bank's performance. Chapter VI draws conclusions and makes recommendations.

Women selling handicrafts at the one-stop border post of Namanga at the frontier of Kenya and Tanzania.

2. The Bank's Approach to Regional Integration in Africa

The strategic and operational framework of the Bank

While regional integration has been part of the Bank's mandate since its creation in 1963, it is only during the last decade that the Bank has developed a more systematic and focussed approach to regional integration. This is in line with emerging AU/NEPAD regional priorities. The measures taken include a policy on economic cooperation and regional integration issued in 2000, a regional integration strategy (RIS) in 2009, and a set of programmatic documents to achieve greater selectivity and focus in the use of ADF resources (Table 1).

The consistency and relevance of the Bank's strategic framework have improved significantly over time. While the Policy on Economic Cooperation and Regional Integration (2000) is geared towards providing a broad set of guiding principles to underpin the Bank's strategy, the document lacks clarity in its strategic orientation (e.g., the five focus areas are a mix of aid delivery modalities, strategic objectives and sector interventions). The RIS (2009) provides a much more comprehensive framework for Bank support for regional integration. The underlying principle is that the Bank's contribution to promoting regional integration should be based on addressing the policy environments of Regional Member Countries (RMCs) together with their infrastructure constraints. The Bank's approach is based on two mutually reinforcing pillars – infrastructure and institutional capacity-building – that address the hard and soft constraints to regional integration.

Table 1. Key milestones toward a systematic approach to regional integration

1963	Article 2 of the Agreement Establishing the African Development Bank recommends paying special attention to the selection of suitable multinational projects
1989	African Development Report, Economic integration and Development in Africa
1999	The Bank's vision
2000	Policy on Economic Cooperation and Regional Integration
2006	Creation of NEPAD, Regional Integration and Trade Department (ONRI)
2008	• Mid Term Strategy, 2008-2012 • Strategic and Operational Framework for Regional Operations • Criteria for Cost Sharing Exemptions when Financing RPGs
2009	Regional Integration Strategy 2009-2012
2010-2011	Preparation of RISPs for Western, Central, Eastern and Southern Africa (The strategy for the Northern African region has been hindered by political events)
2011	Regional Operations Selection and Prioritization Framework

Table 2. MOs in ADF policy directives and approvals (%)

ADF Cycles	Planned	Approvals
ADF VIII (1999-01)	5-10	2.8
ADF IX (2002-04)	10 .0	8.5
ADF X (2005-07)	15.0	10.7
ADF XI (2008-10)	17.5	17.3

The RIS identifies a mix of instruments and delivery modalities, which translate into the Bank having the triple role of catalytic financer, knowledge broker and partner. It provides for mainstreaming regional approaches across sector and regional strategies. A key innovation of the RIS is the introduction of programming documents – the RISPs – which define the priorities for Bank assistance in each region over a five-year period, in alignment with the regional development objectives set out in the REC strategies.

The Bank has developed a systematic approach to ensure greater selectivity and strategic alignment of MOs that benefit from ADF resources earmarked for regional integration. Documents setting out this approach include the Strategic and Operational Framework for Regional Operations; the Criteria for Cost Sharing Exemptions when Financing Regional Public Goods (RPGs); and the Regional Operations Selection and Prioritisation Framework. This approach helps ensure that MOs benefitting from financial incentives under the ADF envelop are linked to demonstrable regional integration outcomes, and are approved on the basis of quality criteria such as superior strategic relevance and demonstration effect. Table 2 indicates the planned and actual percentages in ADF resources used for MOs since earmarking for MOs began with ADF VIII (1999-2002).

Despite these significant improvements, some areas of the Bank's strategic framework require measures to be operationally useful.

- **There is no consistent definition of what constitutes a MO that contributes to regional integration.** First, the Bank's information system records MOs as any operation taking place in at least two countries, irrespective of its possible linkages to regional integration objectives.

  Second, while the MOs financed under the ADF window must demonstrate their contribution to regional integration outcomes on the basis of explicit criteria, this is not the case for MOs financed under the ADB window. PARs of ADB operations (especially for the private sector window) have a section to indicate the operation's contribution to regional integration, but this is not based on a clear results framework demonstrating a direct effect. Third, the terminology "regional operations" has increasingly been used in the context of ADF, leading to further confusion, as this is only one of the Bank's financing windows for MOs. Finally, while the Bank is supporting the key concept of development corridors, in line with AU/NEPAD priorities, it has not adapted its information systems to capture single-country operations that may contribute to regional integration. These limitations imply that the Bank cannot capture the full picture of what it does in relation to regional integration. Overcoming these limitations could serve to improve results reporting on the Bank's role in regional integration.

- **The strategic focus of the second pillar of the RIS addresses the soft constraints to regional integration too broadly, without reflecting on the areas in which the Bank has developed strengths and can bring the highest value compared to other institutions.** The range of administrative and regulatory rules and procedures that create bottlenecks and may prevent infrastructure initiatives from achieving their development outcomes is wide and varied. The

Bank cannot cover all of these through a systematic and a consistent approach and with the required level of expertise. In addition, the strategic areas for providing regional public goods have been vaguely defined, especially in light of the limited ADF financial resources earmarked for that purpose. The World Bank (2007) sets out the following activities: management of shared water resources; agricultural productivity; malaria prevention and treatment; HIV/AIDS prevention; trans-boundary pandemics and other infectious diseases, and pests; and regional rationalisation of research and tertiary education. Finally, no consistent definition of cross-cutting issues applies throughout the RIS.

- **Although the RIS acknowledges the role of the private sector, there is no systematic analysis of how private sector operations contribute to the goal of regional integration.** The role of private sector operations in complementing the Bank's public operations is not elaborated, especially in relation to the RIS logic model (Annex A1), the regional infrastructure development and institutional capacity building pillars and the results framework. As a result, the contribution of these private sector operations in developing regional value chains, integrating financial markets, financing trade, and building capacity of African regional institutions is understated.

- **The Bank does not have instruments to provide loans to regional economic communities (RECs),** as these organisations cannot provide guarantees that would make them eligible.

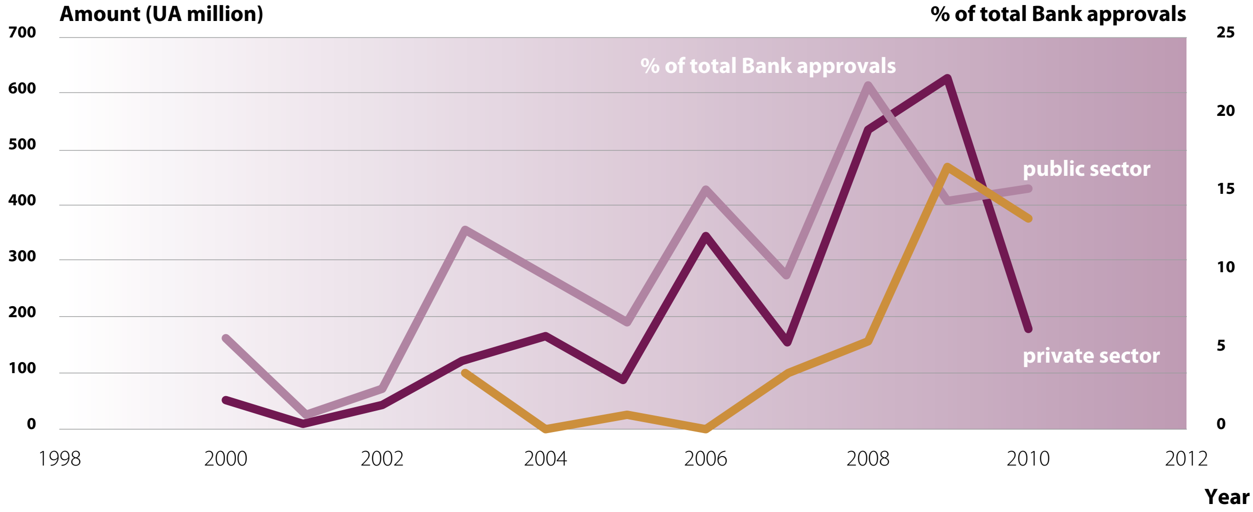
- **Finally, the RIS lacks an adequate results framework.** The existing framework is limited to identifying short-term inputs rather than articulating intermediary outcomes. At the same time, there are no specific targets for RPGs.

Evolution of the Bank's MO Portfolio

The Bank's portfolio of MOs has increased significantly over the past decade. From 2000 to 2010, the Bank approved 1,232 operations, of which 201, or 12.5% were classified as multinational. Over the same period, MOs increased from 5.9% to 15.4% of total Bank approvals (Figure 1). The public sector accounts for about two-thirds of MO approvals (UA2.35 billion). Public sector MOs are mostly in transport, corresponding to cross-border roads or capacity building/trade facilitation programmes. Private sector operations account for the remaining one-third (UA 1.26 billion), consisting mostly of finance operations such as lines of credit, private equity funds, guarantees and other instruments for financial institutions. MOs in the private sector have increased rapidly, from only two operations approved in 2000, representing 4% of Bank approvals, to 14 operations approved in 2010, or 67% of approvals. In 2010, the decline of public sector MOs corresponded to the end of the ADF XI, for which most approvals were made in 2008 and 2009.

The ADF envelop dedicated to regional operations has helped the Bank devote more resources to public sector MOs. Approvals of ADF MOs increased from UA 0.6 million in 2000 to UA 467.2 million in 2009, before decreasing to 381.7 million in 2010. The Bank still faces challenges in responding to the demand for MOs based on the incentive framework and the cost-sharing formula introduced in ADF-XI. In this formula, a country finances at least one-third of project costs from its Performance-Based Allocation, and the Regional Operations envelop covers up to two-thirds. These incentives have produced a demand that exceeds the supply of resources. For 2011, requests for MO financing totaled UA 1,378 million, equivalent to 128% of the Regional Operations Envelope available for 2011-13. Therefore, Management has decided to reduce the MOs envelop leverage ratio from 2:1 to 1.5:1 starting in 2012.

Figure 1. Bank approvals for multinational operations 2000-2010



Significant changes in portfolio composition

Changes in the sector distribution of the MO portfolio have been in line with the strategic focus of the Bank's Medium-Term Strategy (2008-2012) and its Regional Integration Strategy 2009-12. As shown in Table 3, the share of infrastructure (mostly transport) and private sector (mostly finance) in MOs has increased significantly while the shares of agriculture and rural development, the social sector and multisector operations have declined. Multisector operations are generally developed to provide institutional support, -e.g., capacity building for public institutes, government agencies, national statistical offices - to a large number of countries simultaneously.

Table 3. Bank's MO approvals by sector and time period

Sector	2000-2004	2005-2010	2000-2004	2005-2010
	Amount (UA 000)		%	
Transport	149,190	1, 254,263	29	41
Finance	55,805	1, 030,045	11	33
Agriculture and rural development	123,341	117,283	24	4
Power	47,791	191,094	9	6
Social	42,250	107,000	8	3
Communications	-	138,621	-	4
Water supply and sanitation	-	105,781	-	3
Environment	17,280	87,414	3	3
Multisector	36,179	55,792	7	2
Industry/mining/quarrying	50,5534	-	10	-
Total	522,371	3, 087,293	100.0	100.0

There are marked differences in the size of the public sector and private sector portfolios. Private sector operations are usually large (UA 188 million on average), of which the Bank contributes 12%. Public sector operations are generally more limited in scale (UA 32.4 million on average), and the Bank's co-financing is about 50%.

The Bank's portfolio addresses both hard and soft constraints of regional integration but also includes private sector operations that fit neither category. About half of the Bank's MOs are dedicated to infrastructure development: transport, power, communication, water supply and sanitation, and environment. Almost one-third respond to a need to solve soft infrastructure constraints, and correspond to the second pillar and the cross-cutting issues as defined in the RIS. The remaining 20%, which consist mostly of private sector operations, cannot be attributed to either category.

Shifting geographical scope

The majority of MOs cover countries that belong to different African regions, and this trend has increased over time. As shown in Table 4, the geographical distribution of MOs shows that about 50 % of the Bank's approvals are for operations involving countries that belong to different regions. Within this category, about half of resources are spent on Pan African operations addressing all 53 African countries together. Apart from a few exceptions, these Pan African operations are all private sector finance operations.

There are significant differences in the geographical coverage of MOs, and some important shifts have occurred over the decade. East Africa has the largest number of approvals (18.1%) during the period (2000-2010). West Africa experienced a sharp decrease, from a peak of 92.7 % of approvals of MOs in 2001 to none in 2010. The only multinational approval in West Africa in 2010 was a supplementary grant provided to an operation approved in 2008, the West African Monetary Zone Payments System Development Project. As a supplement to a previously approved operation, this grant was considered part of the 2008 operation. North Africa receives the smallest share. The share of MOs in different regions is influenced by a number of factors, including the level of political interest or commitment, the presence of ADB and ADF countries with different incentives, and the presence of fragile states.

Table 4. Geographical distribution of MOs (% of approvals)

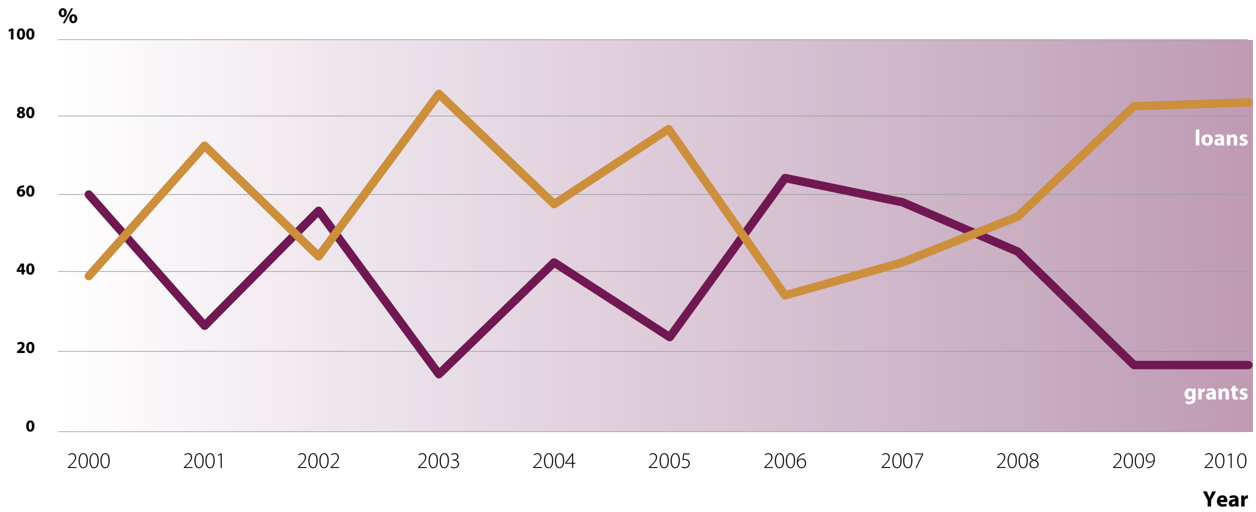
Region	2000-2005	2006-2010	2000-2010
Multi-Region	28.2	56.3	51.3
East	14.3	18.9	18.1
West	47	8.1	15
South	8.7	8.2	8.3
Center	1.8	8.4	7.2
North	0	0.1	0.1
Total	100	100	100

Type and sources of financing

The sources and modalities for financing MOs reflect the characteristics of the Bank's portfolio, especially the growing importance of private sector operations. Loans represent 67.3 % of MO approvals. The proportion of loans has strongly diverged from that of grants since 2008 (Figure 2), which is explained by the increase of approvals in the financial sector. ADF and ADB, the main sources of funding, represent 65.2% and 34 % respectively of MO approvals. The remaining 1.3%-UA 0.5 million- is provided by other sources such as the African Water Facility Fund - AWFF, the Fund for African Private Sector Assistance – FAPA, the Congo Basin Forest Fund -CBFF, the Emergency Assistance Grant, and the Middle Income Countries Fund –MICF. Out of the 201 operations approved, 60 were financed by the

Bank alone (11 % of volume of approvals); 59 by the Bank and the borrowing countries as co-financers (25 %); and 82 by the Bank plus a number of other co-financers (64 %). The Bank is the most important contributor, followed by private sector institutions and DFIs. The Bank has contributed, on average, 23.5 % of the total cost of MOs. Private institutions and DFIs contributed 16.0 % and 15.6 %, respectively. The average contribution of the Bank increased over the period, from UA 64 million (12.5 %) to UA 567 million (23.6 %).

Figure 2. Trends in loan and grant approvals for multinational operations (%)



3. What Has Been the Development Performance of MOs?

Relevance

The overall relevance of the Bank's MOs is high for both completed and recently approved operations REC and country government representatives confirm that Bank initiatives have increased its alignment with national and regional strategies. Completed operations responded to compelling needs of participating countries, as revealed by national and regional strategies. Of the 24 rated MOs, only one operation was not considered relevant.[3] MOs have addressed underdeveloped but crucial sectors for economic and social development such as power, transport, education, health and trade. However, the multinational dimensions of the operations were not always well justified and some projects were multinational only because of the mode of financing, without any collective learning benefits or collective actions. A review of the QAE of MOs approved between 2006 and 2010 confirms the relevance of those operations (Annex A.2.11). Most PARs clearly describe the project rationale and justification, and the key strategic challenges (regional, national or sectoral) which the projects help address. Operations benefitting from extensive preparation, those involving different donors or stemming from previous operations are more likely to provide detailed and robust justifications.[4]

The alignment of MOs with the Bank's country strategies is weak. PARs do not systematically refer to the CSPs, and when CSPs are mentioned, a brief reference is made to the relevant strategic pillar with no further discussion. A sample review of 17 CSPs mentioned in 17 PARs found that in some cases, no alignment was evident. This was the case, for example, for the Dori-Tera project between Burkina Faso and Nigeria. While the Nigeria CSP explicitly mentioned 'developing new roads and rehabilitating old ones' among its priorities, and listed the Dori-Tera operation among its priorities, the CSP for Burkina Faso did not mention transport infrastructure as a priority, nor mention the improvement of road corridors as an operational objective. The same was true for the Kicukiro-Kirundo road project. The PAR mentioned its alignment with the CSPs of both Rwanda and Burundi; however the Burundi CSP had no reference to transport infrastructure among its priorities.

The three case studies offer examples of highly relevant cross-border infrastructure investments:

- The *Arusha-Namanga-Athi River Road Project* responded to the needs of both Kenya and Tanzania to improve road transport infrastructure and increase linkages between their economies. Civil servants from local governments, representatives of local communities, and private sector stakeholders all identified poor infrastructure (especially transport and energy) as bottlenecks to regional development, together with regulatory issues (customs, common standards), political instability, security and lack of skilled labour.

- The *Manantali Energy Project* was conceived to address the needs of Senegal, Mali and Mauritania for reliable, low-cost power supply and increased

3 *The Capacity Building for Disability Rehabilitation Project* aiming to strengthen the capacity of the African Rehabilitation Institute to contribute to the social and vocational rehabilitation of persons with disabilities in selected Southern African Development Community (SADC) countries.

4 This chapter focuses on public sector MOs, drawing on 24 PCRs, 3 PPERs, the QAE Review, and the three case studies. The assessment is constrained by the limited quality of information, especially in relation to development outcomes. All operations except one were funded by ADF.

Box 1. Three case studies confirming the evaluation findings

The electricity generated at Manantali has been providing a lower-cost alternative to thermal-based power generation with better service quality and limited greenhouse emissions. In Mauritania, the electricity produced by Manantali is being used by the Cooperative Union at a cost 38% lower (2010/2011) than the cost of thermal energy. In Senegal, between 2005 and 2015, the estimated average electricity production cost from Manantali was 33.5 FCFA/kWh, whereas the average production cost of electricity generated in thermal plants was 47 FCFA/kWh. Broader developmental impacts are more difficult to assess. They depend on the capacity of countries to distribute project benefits among the beneficiary population; to design and implement adequate national policies, which have thus far been delayed. Efforts to create a subregional energy market have been constrained by the structural deficits in electricity production of the three national power systems. The successful cooperation among the Organisation pour la Mise en Valeur du Fleuve Sénégal (OMVS) countries has been an example for other regional organisations; and Manantali is an operational model that the West African Power Pool (WAPP) is seeking to promote elsewhere in Western Africa. Institutional learning and capacity building have been two positive development results.

Likewise, it is estimated that the reconstruction of two road sections, from Arusha to Namanga in Tanzania and from Namanga to Athi River (near Nairobi) in Kenya, has cut travel time almost in half, and has reduced the travel time for trucks from four days to one. A rough estimate provided by respondents indicates a decrease of vehicle operating costs of about 20 to 30 % (Vehicle operating costs considered here do not include fuel consumption, since this is mainly related to traffic congestion and not to road conditions).

Finally, the Sasol Natural Gas Project has performed better than expected. Compared to the target of shipping 120 MGJ/year, the project is currently shipping about 150 MGJ/year and shipping of up to 180 MGJ/year is expected. The project has fulfilled its corporate social responsibilities. Clinics, schools, sink boreholes for drinking water and other facilities have been constructed for local communities. Sasol aimed to improve poor living conditions through investments in human capital. More than 150 projects, accounting for US$11.5 million (compared to US$6 million planned), were implemented in three provinces between 2001 and 2011.

electricity access in urban and rural areas. While the project has significantly increased the countries' energy production capacity, the increase in demand means that Mali and Mauritania continue to have periodic power deficits and Senegal suffers from chronic blackouts. However, without the project the situation would have been worse. The project also laid down foundations for establishing a sub-regional energy market. This aligns with the longstanding aspirations of the Economic Community for West African States (ECOWAS), to which Senegal and Mali belong, and in particular with the Western African Power Pool Organisation (WAPP), which provided a framework for creating a regionally interconnected electricity market.

- The *Sasol Natural Gas Project* was in response to a business opportunity and corresponded to a convergence of objectives and priorities for Mozambique and South Africa. In South Africa, Sasol was interested in gas as an alternative to coal as feedstock for its petrochemical plants, and also as source of energy for domestic and industrial use. At the same time, the Government of Mozambique was looking for a way to monetise its untapped natural gas resources, discovered in 1960s but not yet exploited due to their location in a remote area without basic infrastructure or market access, as well as lack of technical skills. Sasol, by providing the extraction, refinement and distribution technology and equipment, could help meet all these objectives and priorities.

Effectiveness

Existing information demonstrates the effectiveness of MOs mostly at the output level, but is not sufficient to assess their contribution to higher development outcomes, including strategic outcomes defined by the RIS (competitiveness, increased intra-regional trade, etc.) While the Bank has contributed to the creation of some important regional assets in infrastructure, it is not always possible to demonstrate the extent to which these assets are contributing to regional integration. The World Bank evaluation of closed and on-going regional programs has revealed that activities designed to create assets (knowledge, infrastructure, financial, and other services) have typically been successful. But programs have often failed to adequately address specific policies or the broader policy environment needed to utilize and maintain the assets created. The assessment of outcomes in the PCRs is insufficient and the time since completion is too short to demonstrate impacts.

Completed operations achieved the main objectives identified at appraisal. Most of these operations (22 of 24) contributed to cross-border dimensions of infrastructure, environment, agriculture, health, education and trade. Infrastructure operations have helped to build cross-border roads, power interconnections and hydropower capacity. For instance, the construction of the road between Kicukiro in Rwanda and Kirundo in Burundi decreased travel time between the two cities from 6 hours in 2006 to 2 hours in 2008. The road also decreased the unit cost of transport from 20,000 FRW to 6,000 FRW by encouraging the entry of a greater number of competing transport agencies.

While the effectiveness of MOs is satisfactory overall, it is important to underscore that the soft components of infrastructure operations were often neglected or abandoned. For instance, the capacity building component in the Arusha-Namanga-Athi River Road Development Project was not implemented; the socio-environmental component – PASIE – of the Manantali project was only partially implemented; and the cost of studies for the Programme de lutte contre l'ensablement dans le bassin du Niger was underestimated. Similarly, while the social responsibility activities funded under the Sasol project were impressive in terms of volume and range, information on the use and impact of the main project components is not available.

Operations aimed at developing capacity building and institutional development have been relatively less successful, with some exceptions such as the Common Market for Eastern and Southern Africa's (COMESA's) Public Procurement Reform and Capacity Building Project. This project was found satisfactory in fostering the adoption by all member states of the COMESA Public Procurement Regulations, whereby the states align their public procurement systems to the COMESA Directive and commit to harmonising their procurement rules, regulations and procedures. On the other hand, the Applied Technology, Project Planning and Evaluation (ISTA) Project helped to improve the academic and pedagogic conditions of students trained at ISTA as part of the specialised institutions of the Central African Economic and Monetary Community (CEMAC). However, it failed to revitalize the activities of the

ISTA Research Department and did not improve the external effectiveness of ISTA, given the non-optimal use by member countries of the limited number of graduates trained. This has reduced the project's impact on improving the capacity of public and private administrations to design, plan, implement and evaluate socioeconomic development policies, programs and projects.

Efficiency

Table 5. Factors affecting operations efficiency

Non MO-specific factors	Percentage
• Weak capacity of PIUs	38.1
• Late processing of contract award and disbursement dossiers	38.1
• Lack of knowledge of Bank procedures	28.6
• Late fulfilment of conditions precedent to first disbursement	23.8
• Late payment of counterpart funds	19.0
• Unrealistic time schedule	14.3
MO-specific factors	
• Weak capacity of RECs	28.6

Source: 21 PCRs, 3 PPERS

Efficiency, defined as adherence to implementation schedule and estimated project cost, is the lowest rated criterion for MOs, as it is for all Bank's operations. Of the 24 rated MOs, efficiency was found to be satisfactory for 67 %, which is unsatisfactory but better than the 46 % satisfactory results for single-country operations. Almost 66 % of the operations analysed incurred time overruns (Table A.2.9-12 in Annex). In fact, 5 out of 16 MOs approved in 2003 have not yet been completed. The additional time for required implementation was, on average, around 41 % of the planned time for each operation, ranging from 20 % for the seven operations in the social sector to 112 % for the one operation in the finance sector. By contrast, only 3 out of 21 operations incurred cost overruns. The overruns were for the three soft operations; none of the four infrastructure operations incurred a cost overrun.

Efficiency was affected by various factors, primarily the weak capacity of project implementation units (PIUs) and the late processing of contract award and disbursement dossiers. Those factors were not specific to MOs but their effects were amplified by the number of participating countries and the complexity of dealing with different partners, rules and practices. Table 5 shows completed operations according to key factors cited as affecting efficiency. Only the weak capacity of the RECs was found to be specific to MOs.

While the infrastructure operations were economically viable (Annex A2.14), their efficiency was unsatisfactory. For the three case studies, the late processing of contract award hindered adherence to the implementation schedule. Implementation of the Arusha-Namanga Athi River Road Development Project was also delayed due to unpredictable events such as the floods in Tanzania and the instability following the disputed presidential election of December 2007 in Kenya. Efficiency of that project was hindered by the inadequate technical design of bridges, with implications for additional investment costs and time; by deficiencies in tendering and contractor management (Tanzania); and by incomplete design of the One-Stop Border Post (OSBP). The Manantali and Sasol Natural Gas projects were efficiently implemented. Both operations benefitted from efficient governance structures grounded in well-organised implementation committees. The three case studies were economically viable. The economic rate of return (ERR) of the four remaining operations shows that they also were economically viable, although they were less efficiently implemented. The economic value of the operations at completion was generally higher than at appraisal (Annex A2.12; the value of ERR is compared with the opportunity cost of capital, which varies between 10-12 %, depending on the country.)

Box 2. Planning for sustainability: COMESA Public Procurement Reform Project

The operation achieved a major milestone by developing an institutional framework to initiate reform in the member states. As described in the PPER, the sustainability issue was addressed at an early stage of the project cycle and culminated in the creation of the Technical Committee of Procurement Experts, financed by the participating countries, to oversee the reform process in the region. In the Capacity Building for Disability Rehabilitation Project, by contrast, sustainability of the project was undermined by the failure of some countries to meet their financing commitments.

Sustainability

Sustainability of MOs is particularly challenging; only 15 of the 24 were rated sustainable. Sustainability requires appropriate exit strategies and a carefully planned hand-over process involving the different stakeholders, to ensure the availability of adequate financial resources and adequate institutional arrangements once external support ends. While MOs suffer from the same problems as single-country operations, for MOs the problems may be exacerbated by the involvement of several countries without an effective system of accountability when countries fail to meet their obligations. High-level and long-term political commitment by the participating countries, and the strength of regional arrangements after project completion, appear to be vital sustainability factors.

In addition to regional issues, MOs face many of the same challenges as single-country operations. For example, for the Arusha-Namanga-Athi River Road Development Project, both Kenya and Tanzania are experiencing a financing gap of about 40 % in meeting their share of road network maintenance. The current policy on maintenance of trunk and regional roads in both countries is to prioritize the preservation of all roads that are in good condition, "to maintain the maintainable first." If the Arusha-Namanga-Athi road deteriorates, this policy could mean even less maintenance. For the project Aménagement de la route Kanka-Koureme-Bamako, the analysis of the financial resources for road maintenance in Mali showed that for 2008, only 40% of the road fund budget was collected, putting sustainability at risk.

The challenges in achieving sustainability go beyond financial affordability. For the Manantali project, concerns for its sustainability are due to a mix of technical, financial and institutional factors. First, in the absence of appropriate maintenance effort, the continuing deterioration of distribution networks in the concerned countries threatens electricity allocation to each country. Second, financial sustainability of the project depends on the success of the incumbent utilities' restructuring efforts and their improved ability to cover operating costs. Third, the project governance structure is not well insulated from political interference and, in the absence of an independent arbitrator, Manantali's management contracts, as well as some loan conditions, were found to have been repeatedly violated.

Overall performance of MOs

In assessing their overall performance, MOs were compared to single-country operations on the basis of ratings in PCRs. The sample of single-country operations comprised 79 operations in the public sector approved between 2000 and 2009 for which PCRs were available. Table 7 shows that, in general, MOs were found to perform better than single-country operations, particularly with respect to relevance and effectiveness. However, the difference is not statistically significant. The World Bank's (2007) evaluation of the issue also found that multicounty projects had been as effective as single-country projects in achieving their objectives – which is counterintuitive given the fact that MOs are known to be more difficult and complex. Possible explanations could be that MOs undergo more rigorous selection, appraisal and due diligence processes than single-country operations and that MOs are better positioned to overcome greater risks and implementation challenges. However, imperfections in measurement and reporting tools do not allow any strong conclusion on this point.

Table 6. Performance of multinational and single-country Operations, 2000-2010

	Number of operations rated		Number of satisfactory operations		% of satisfactory operations	
Criteria	**Single country**	**Multi-national**	**Single country**	**Multi-national**	**Single country**	**Multi-national**
Overall Performance	**73**	**24**	**44**	**18**	**60**	**75.0**
Relevance	74	24	59	22	80	96.0
Effectiveness	74	24	58	22	78	83.0
Efficiency	71	24	32	15	46	62.5
Sustainability	52	24	29	15	56	62.5

Note: T-test shows insignificant difference at 5% for all criteria.
Source: Available PCRs of multinational and single-country operations approved between 2000-2010.

Manantali Energy Project (Mali)

View from the dam of Manantali

One of the solar panels financed by Sasol Natural Gas Project (Mozambique)

One of the schools financed by Sasol Natural Gas Project (Mozambique).

4. Factors of MOs Performance

This chapter identifies three factors of MOs performance stemming from the analysis of QAE (see A.2.11), implementation performance, PCRs and case studies. Operations that integrate the following dimensions in their design are less likely to face implementation delays, poor effectiveness or lack of sustainability.

Country commitment and ownership

Country commitment and ownership have greater significance for MOs, as they require inter-country collaboration to attain regional goals while **satisfying the national interests of each country.** Every participating country needs to clearly assess the net benefits of using its limited resources for a regional instead of a national operation. Hence, the country demand for an MO needs to be supported by an extensive preparation process that provides a sound analysis of the rationale, the political economy and the costs and benefits of the operation.

The QAE review confirms that strategic relevance of MOs were generally well demonstrated (80 % moderately satisfactory or better) and that operations were demand driven, but that the information provided by the Bank on options considered, cost-benefit analysis and risk assessment was not always sufficient. The justification for the proposed operation was in general scant, with very few alternatives considered. Cost-benefit analysis was better for infrastructure than for non-infrastructure projects, although the lack of a detailed explanation of the key assumptions was a generic weakness. Risk assessment was too optimistic: the economic, political and social risks were underestimated or poorly treated, and the risk analysis itself was rated, on average, unsatisfactory.

Strong country commitment and ownership are key to good performance. The reconstruction of the Arusha-Namanga-Athi River Project was motivated by the interest of both Kenya and Tanzania in developing national and regional transport. The Manantali project was seen as vital by the participating countries to produce electricity at lower price and of better quality than other sources of energy. The success of the Sasol Natural Gas Project was based on the strong support of the governments of both South Africa and Mozambique. At the other extreme, however, the Capacity Building for Disability Rehabilitation Project and the Institute of Applied Technology, Project Planning and Evaluation Project both suffered from the failure of participating countries to paying their dues, reflecting their low level of commitment and ownership. In the three relatively successful case study projects, there was an adequate assessment of the costs and benefits accruing to each country. Overall, however, the appraisal documents showed that analysis of the technical, financial and economic aspects of the projects was weak. Finally, while the RIS recognizes that ownership should be supported by empowerment of beneficiaries and development of participatory approaches involving stakeholders, the case studies showed that this does not always happen.

Implementation and governance arrangements

As MOs usually require the collaboration of several national authorities and some form of regional cooperation, sound implementation and governance arrangements are necessary to ensure smooth execution of the project and the continuation of benefits after its completion. There is no magic formula for these arrangements; each operation's unique circumstances need to be taken into account. This involves clarity about the role of the national and regional institutions participating in project implementation, an understanding the evolving nature of their responsibilities as the project progresses, and the identification of mechanisms for resolving conflicts.

The QAE review found that the implementation and governance sections of the PAR often describe the arrangements in place, but not the considerations that underpin specific governance arrangements.

- The PARs paid particular attention to aspects concerning the capacity of the implementing agency, and governance roles and responsibilities. This was in contrast with the qualitative interviews, which found that implementation was a major weakness of the MOs. However, the contrast between this result and the relatively low implementation performance can be explained by the weaknesses identified in the risk assessments of the PARs. Implementation plan is usually sparse without mention of critical milestones or responsibilities for delivery.

- The review of PCRs shows that the coordination of several national PIUs and differences in national rules and procedures constitute specific challenges. Although the PARs describe the respective governance roles and responsibilities of the different stakeholders, they do not necessarily provide information on the stakeholders' changing roles and responsibilities, or on how conflicts among stakeholders will be managed. There is also limited description of the institutional arrangements required to transfer responsibility for operations to the relevant country-level and regional institutions after Bank support has ended.

Conducive policy environment for MOs

For the development outcomes of MOs to be fully realized and sustainable, conducive policy environments are required at the national and regional levels. The RIS notes that the Bank's contribution to promoting regional integration should be based on addressing both regional infrastructure constraints and the RMCs' policy environments. This implies that the Bank needs to develop a holistic approach to regional integration, reflected in its country and sectoral strategies and supported by policy dialogue at the regional and country levels.

A majority of CSPs emphasised the importance of regional integration and included MOs in their pipelines. A review of 18 CSPs approved between 2009 and 2011 shows that the consideration of regional integration in CSPs was moderately satisfactory in 10 CSPs, satisfactory in 7 CSPs and moderately unsatisfactory in one CSP. Some MOs were not captured by CSPs. In addition, the PARs for the MOs did not systematically refer to the CSPs, or referred only to the relevant strategic pillars, with no further explanation. However, significant progress has been seen in recent CSPs, in which the themes identified for policy dialogue refer increasingly to MOs.

No evidence that the dialogue on strategic policy issues related to MOs is systematically taking place at the country level. This confirms the findings of the policy-based lending evaluation (2011), which emphasised the rather narrow focus of the operations and related policy dialogue on governance issues, which implies that they are an unlikely mechanism for policy dialogue around regional integration. In addition, the policy dialogue in the three case studies was limited to ensuring smooth project execution, while broader development issues concerning reforms of policy and regulatory frameworks were rarely discussed. This constitutes an impediment to bringing broader regional development objectives into national policy dialogue and ensuring that MO outcomes are fully realized and the benefits distributed nationally. Interviews with task managers confirmed that country field offices are called on to provide operational support more often than strategic advice.

5. The Bank's Organisational Performance

Intra-organisational arrangements

The Bank's organisational arrangements to support regional integration envisage a Bank-wide approach, with involvement of the Regional and Operational complexes and of ONRI[5], the creation of which marked a turning point in the operationalisation of the Bank's regional integration policy. These arrangements recognise the cross-cutting nature of the regional integration agenda, which needs to be mainstreamed across the Bank's departments, together with the need to develop specific knowledge and expertise to support the Bank's work. Despite a broad and challenging mandate and frequent changes in leadership, ONRI has contributed to strengthening the Bank's strategic vision on regional integration issues, and has consistently improved the Bank's capacity to develop a programmatic and selective approach to MOs. This is evidenced by the Bank's progress since ONRI's creation in three important areas: (a) the overall approach to regional integration; (b) the development of capacity building activities for the RECs to address the soft constraints to regional integration; and (c) influential studies for infrastructure development in Africa.

As a unit responsible for activities that impact other departments, ONRI faces a number of organisational challenges. Reflecting the lack of strategic focus on pillar 2 of the RIS, institutional capacity building, ONRI is facing difficulties establishing a focussed work program on the soft dimensions of regional integration. While a number of guiding documents have been approved in recent months, the overall direction is not yet clear. In addition, the department has limited resources to deliver on its ambitious program. Some of its resources are dedicated to project-related activities, such as developing feasibility studies in the context of the Infrastructure Project Preparation Fund (IPPF).

Collaboration between ONRI and other Bank departments has not yet been institutionalised, and responsibilities are not clearly defined.

- The roles and responsibilities of the different departments are not clearly defined, leading to confusion, lack of follow-up of certain operations, and limited accountability for development outcomes. Interviews revealed very different expectations of ONRI on the part of various regional and sector departments, especially in relation to the soft constraints of regional integration.

- The role of ONRI in relation to policy and strategy formulation (CSPs, RISPs, sector strategies, etc.) versus the role of the regional or sector departments remains unclear. Should ONRI engage on every single strategy, or should it focus on knowledge and advisory services to enable those departments to mainstream regional integration in their strategic and operational work? It is not clear what ONRI's counterparts or entry points in other Bank departments should be. This was reported to be confusing for all parties involved and to create disincentives to collaborate.

5 The need to establish a focal point unit for regional integration was identified in the Regional Integration Strategy paper of 2000. This was followed by the creation of a NEPAD Unit under the Operation Complex and of a Regional Integration Unit within the Policy Complex. Because of overlapping mandates, and within the context of a broader organisational reform, the two units merged in 2006 into the NEPAD, Regional Integration Department. ONRI has experienced frequent leadership changes: there have been six different department heads since 2007. The longest-serving member of the current management team held the post for little more than two years.

- No department is tasked with collecting lessons from monitoring and evaluation to influence the programming and design of MOs. The revised terms of reference for ONRI[6] are silent on its role in knowledge generation. Some economic and sector work (ESW) has been undertaken, but learning from the past experiences of MOs has been limited. As a consequence, there is no corporate repository of knowledge on MOs, despite the fact that these operations present unique challenges that need to be addressed at the design stage.

- In recent years, regional and sectoral departments have become more involved in realising the Bank's mandate on regional integration, but this involvement needs to be further strengthened. In particular, these departments have been tasked with development of the RISPs – with significant input from ONRI – and have contributed to ensuring that regional integration has a more prominent place in CSPs. Some departments have created a lead economist position dedicated to regional integration issues, but this has been done without preliminary discussion with ONRI on their respective roles. Sector department strategies are also gradually introducing regional approaches to sector-specific development priorities, especially in relation to harmonisation of regulatory frameworks and market integration.

- The role of field offices in relation to MOs is not clearly defined. The Bank's decentralisation process has not yet assigned clear responsibilities to field offices in relation to the MO project cycle and policy dialogue. The establishment of Regional Resource Centres, such as those in Nairobi and Pretoria, with an explicit mandate to work on regional integration issues, is very recent and its results cannot yet be assessed. Until now, field offices have provided administrative and organisational support for the preparation of RISPs; assistance with preparing regional flagship reports addressing sector-specific issues; and country-level support in negotiations, implementation and monitoring of MOs.

No specific incentives, accountabilities, and responsibilities have been developed to address the complexity of MOs. There are no additional staff incentives for engaging in complex regional operations as compared to national operations, despite this being emphasised in the RIS. Bank staff reported that the proportion of time and resources allocated to the design and oversight of regional operations does not correspond to their complexity.[7] Ownership and accountability for some MOs is also a critical problem, especially when an operation involves countries in different regional departments. A recurrent practice is that oversight responsibilities for some MOs are split among different task managers, with no systematic coordination or central guidance for the national portions of MOs. As a consequence, there is a focus on delivering planned outputs, with little reflection on regional integration outcomes. Finally, across the Bank, weak internal coordination mechanisms have hampered the effectiveness of the different complexes. Regional teams, cross-complex ad hoc groups composed of various Bank experts, have been used to program some regional operations, but without much success.

Some of the Bank's tools may not be well adapted to MOs. For example, the quality criteria of the readiness review do not adequately assess the quality-at-entry of MOs, particularly in terms of determining whether the design addresses issues of harmonisation,

6 AfDB (2010), *Fine Tuning the Organisational Structure*.

7 By contrast, the World Bank estimates that the average budget allocation for preparation of regional projects in Africa was 70% higher than for non-regional projects. Similarly, the average budget allocation for supervision of regional projects is 30% higher than for non-regional projects. See World Bank (2011), *Partnering for Africa's Regional Integration: Progress Report on the Regional Integration Assistance Strategy for Sub-Sahara Africa*.

coordination, collective action problems, ways of adapting to changing conditions, the roles of different actors, and different levels of political commitment. Similarly, the existing information base on MOs is insufficient to analyse the implementation performance and results of the MO portfolio. It also appears that the new, abbreviated PAR format affects the quality and comprehensiveness of reported information. The removal of the sections on origin and history of the decision making process, and of the description of the sectoral and national policy context, has been detrimental, especially on the most technical aspects of the projects (Annex A.2.11).

Bank's partnerships

While donor partnering for regional integration used to focus on co-financing of large projects on an ad-hoc basis, there is a need to achieve better strategic and policy coherence. This is particularly critical for the implementation of trade agreements, as incoherence occurs when donors sponsor competing initiatives at county and regional levels. The emergence of new donors and economic players – notably China, India and Brazil – which may have a different approach to supporting regional integration, also calls for more coordinated and coherent strategic planning.

The Bank has been playing a key role in forging partnerships for regional integration in Africa through several instruments, multidonor and bilateral trust funds, institutional partnerships, and co-financing agreements. Although these initiatives remain mostly limited to project identification, formulation and financing – with no systematic rules for establishing joint implementation structures, and no framework for developing coordinated policy dialogue on regional issues – the Bank has also participated in high-level meetings and coordination mechanisms to mobilise political consensus for regional integration and prioritise investments.[8]

There is also a fundamental issue concerning extending the RIS to stakeholders other than RECs and national authorities. According to the RIS, ownership and enhanced participation should be key principles guiding African integration and should be supported through empowerment of beneficiaries, capacity building, and development of participatory approaches. The voices of the private sector and civil society are increasingly integrated into regional development vision and strategies, as they were during preparation of the RIS. However, the RIS does not set out a clear plan for involving non-state actors in regional strategy formulation and regional project design.

8 See The World Bank (2011), *Partnership for Africa's Regional Integration*, pp. 16-17.

Stakeholders consultation in Nouakchott (Mauritania).

6. Conclusions and Recommendations

Conclusions

The Bank has developed a sound strategy for its activities in relation to regional integration, as well as a programming framework to improve the strategic focus and ensure greater selectivity in the use of the ADF resources. However, further improvements are required. First, there is no consistent definition across the Bank of what constitutes a multilateral operation that contributes to regional integration. The Bank's information system records any operation taking place in at least two countries as a MO, irrespective of its possible linkages to regional integration objectives. While the MOs financed under the ADF window are required to demonstrate their contribution to regional integration outcomes on the basis of explicit criteria, this is not the case for MOs financed under the ADB window. PARs of ADB operations (especially for the private sector) indicate their contribution to regional integration, but without reference to a clear results framework. Further, the contributions of the Bank's single-country operations to regional integration are not defined or identified. Another key issue relates to a lack of strategic focus in addressing the soft constraints of regional integration and the provision of regional public goods. Finally, the role of private sector operations in complementing the Bank's public operations is not elaborated, especially in relation to the RIS logic model and results framework; and the contribution of private sector operations in developing regional value chains, integrating financial markets, financing trade, and building the capacity of African regional institutions is understated.

The Bank has significantly increased its share of MOs from 6 % (2000) to 15.4 % (2010) of total approvals. Sector distribution of the MO portfolio has evolved in line with the priorities of the Mid-Term Strategy and ADF. The Bank has responded to the growing demand for MOs by increasing the ADF resource envelop dedicated to regional integration, while setting up strong financial incentives for ADF countries.

MOs achieve their objectives no less effectively than single-country operations. There is no evidence that the Bank's MOs are less effective, less efficient or less sustainable than single-country operations even though they are more complex and face more difficulties at the design and implementation stages. Possible explanations for the better performance of MOs range from imperfections in measurement and reporting tools, to the hypothesis that MOs which have gone through the relatively rigorous selection and appraisal processes are particularly fit to withstand adverse conditions. Sustainability and efficiency remain a challenge for most MOs as well as for single-country operations.

Key factors in the performance of MOs include country commitment and ownership, implementation and governance arrangements, and a conducive policy environment. A QAE review of MOs approved between 2006 and 2010 found that the Bank has performed "moderately well or better" in those areas. However, increased alignment on national and regional priorities has not been matched with strong analysis of alternatives, adequate cost and benefits calculations (a particular issue for non-infrastructure projects, although even infrastructure projects lack cost-benefit analysis, especially at the project completion stage), and risk assessment to allow governments to make informed decisions on the opportunity costs of engaging in MOs. The Bank has a strong record of describing in detail the implementation and governance arrangements (capacity of the implementing agency, roles and responsibilities, etc.), but seems to give more limited consideration to the underpinnings of the specific governance arrangements. Finally, the contribution of operations to development outcomes is more likely to be sustainable if accompanying measures and policy reforms are adopted at country level. Although the regional integration agenda is being increasingly integrated into CSPs, field offices have not yet engaged in the kind of strategic policy dialogue required to ensure that the necessary conditions and political commitment are in place for sustaining project outcomes.

The Bank's capacity to implement its regional integration agenda has significantly improved with the creation of ONRI, although further specification of its mandate and clarification of responsibilities of the different departments involved in regional integration could improve its effectiveness. ONRI was a turning point in efforts to strengthen the Bank's strategic vision and improve its capacity to deal more selectively with MOs. However, reflecting the lack of focus of its strategic framework and mandate, ONRI is yet to develop a focussed program of work on the soft dimension of regional integration. ONRI's relations with the Bank's other departments are crucial for promoting a regional integration approach across the Bank, but its role in relation to policy and strategy formulation versus the role of these departments is unclear. There is limited evidence that lessons from monitoring and evaluation influence the programming or design of MOs, particularly since there is no department tasked with compiling and disseminating those lessons.

The Bank's single-country operational model is not adapted to the specific requirements of MOs. For example, staff incentives do not account for the complexity of MOs. Existing tools (ratings, format of PARs, dissemination of information) are imperfectly adapted to the specificity of MOs, and do not always help to ensure transparency, accountability and learning. Field offices do not have clear responsibilities in relation to MOs, and the policy dialogue at country level does not include sufficient consideration of the regional integration agenda.

Recommendations

The Bank should clarify and strengthen the strategic focus of its approach to regional integration. In particular:

- **The Bank should develop a clear, institution-wide definition of MOs as operations that contribute to regional integration.** This definition should be based on a set of criteria related to the results chain of the strategic framework. Those criteria should be applied to both private and public sector operations; and should also be used to identify single-country operations contributing to regional integration. The Bank's information systems (in particular SAP) should be adapted to distinguish operations along two separate dimensions: (a) those taking place in one or several countries; and (b) those that make (or do not make) a significant contribution to regional integration. These categories would help improve reporting on the Bank's role in regional integration, and enable the Bank to better capture its overall contribution.

- **The Bank should be more focussed when addressing the soft constraints of regional integration, and specify the areas for providing RGPs.** For soft constraints, one option would be to concentrate on the constraints of the regulatory and administrative framework in relation to the sectors where the Bank is most active. For RPGs, the Bank should define a limited number of areas where it has appropriate expertise and where it can contribute the most compared to other donors.

- The Bank should define the role of private sector operations, taking into account the contribution that such operations - and the private sector more generally - can bring to fostering regional integration.

A mechanism for systematic feedback and learning from experience should be established to influence the design of new MOs, especially in relation to the key factors of performance. This mechanism should specify clear responsibilities for the collection, validation, analysis and use of the information for policy and program formulation. It should encourage internal learning on the specific characteristics of MOs (e.g., governance agreements, legal arrangements underpinning these arrangements, cost sharing), and – given the time required for the implementation of such operations – ensure that learning takes place not only at completion but also during implementation.

The mandate and resources of ONRI should be aligned. The Bank should expand ONRI's resources to fit its mandate, or focus ONRI's mandate to fit existing resources. ONRI's mandate should consist in creating maximum value for the Bank rather than responding to ad-hoc demands. It should focus on providing high-level and strategic advisory services, knowledge generation and management, and deeper engagement with RECs and other regional institutions in Africa.

The Bank should clearly define the roles, responsibilities and division of labour among ONRI, regional departments and sector departments. Regional and sector departments should designate focal points to engage with ONRI and have responsibility for mainstreaming regional integration into CSPs, sector strategy and operations. Responsibilities for monitoring and reporting on RISPs should be specified. Field offices' responsibilities should be better defined and their capacity strengthened to engage on strategic policy dialogue on regional integration issues. These roles and responsibility should be clearly specified and disseminated across the Bank.

The Bank's tools and business model should be adapted to the specificities of MOs. Necessary measures include, but are not limited to: (a) defining a set of specific criteria for the MO readiness review; (b) assigning overall responsibility for the MO to one task manager; (c) allocating more time and resources for the design and supervision of MOs; (d) reconsidering the format of PARs for MOs; and (e) adapting the incentives for staff to engage in complex, cross-sectoral MOs.

ANNEXES

A.1 The Logic Model of the Bank Strategy for Regional Integration 2009-2012

Situation:	Opportunities to regional integration in Africa: i) economic growth on the continent ii) revitalized interest on regional integration, iii) development of corridors under the AU/NEPAD, iv) increased support to regional integration initiatives for development partners. Challenges to regional integration in Africa include: i) soft infrastructure constraints (e.g. complex procedures regulating business and investments, cumbercome customs procedures, poorly developed financial markets, lack of harmonized sector policies), ii) hard infrastructure (e.g. poor physical connectivity); iii) institutional weaknesses (e.g. overlapping memberships and mandates of the RECs, capacity constraints of the RECs, country commitment to regional integration).

Stratetic Objectives	Inputs/ Instruments	Outputs: Result areas	Outputs: Participation	Strategic Outcomes (long-term)
Provide investment, technical assistance and knowledge to facilitate delivery of regional priorities	Programming tools (RIS and RISPs)	Provision of regional infrastructure (formulation and review of project prioritization, investment, development of corridors, project preparation)		Increased competitiveness of the continent in attracting FDI and enhanced depth of private sector involvement
Facilitate an enabling policy framework for investment on the continent	Financial resources (ADF country and regional Windows, ADB resources, Private Sector Window)	Institutional capacity building (support to the REC's rationalization process, trade facilitation, strengthening of institutions)	RMCs, RECs, private sector, civil society and other development partners	Enhance African presence in the global marketplace and increased intra-regional trade
Support the establishment of an effective and efficient continental and regional institutional framework and related capacity to promote trade and regional integration	Other instruments (advocacy, policy dialogue and knowledge products)	Strategic partnerships and cross-cutting issues		The establishment of a more effective African voice on issues of development and regional integration
				More efficient provision of RPGs

Assumptions: RMCs prioritize regional projects in their national development strategies , development partners keep consistently their support to regional integration, improved coordination mechanism between the AU and NEPAD and ultimately with the RECs, adequacy of human and financial resources within the Bank.

A.2 Statistical Annexes

Table A.2.1 Trend in Bank Approval of Multinational Operations

Year	N. of Operations			Amount approved (UA 000)			Average Bank approvals	
	Multi-national	All Bank approvals	%	Multi-national	All Bank approvals	%	Multi-national	All Bank approvals
2000	11	123	8.9	63,580	1,069,978	5.9	5,780	8,699
2001	5	118	4.2	16,050	1,751,011	0.9	3,210	14,839
2002	15	109	13.8	43,136	1,586,885	2.7	2,876	14,559
2003	16	143	11.2	228,013	1,764,465	12.9	14,251	12,339
2004	20	112	17.9	171,611	1,733,062	9.9	8,581	15,474
2005	6	90	6.7	118,548	1,742,947	6.8	19,758	19,366
2006	25	114	21.9	354,337	2,308,124	15.4	14,173	20,247
2007	17	72	23.6	258,673	2,582,282	10.0	15,216	35,865
2008	23	102	22.5	698,408	3,170,236	22.0	30,366	31,081
2009	40	141	28.4	1,090,014	7,505,653	14.5	27,250	53,232
2010	23	108	21.3	567,311	3,674,021	15.4	24,666	34,019
Total	201	1,232	16.3	3,609,683	28,888,663	12.5	17,959	23,449

Table A.2.2 Trend in Sizes of Multinational Projects, 2000-2010

Year	Total cost of MOs (UA 000)	N. of projects	Average project size	AfDB contribution	Average AfDB contribution	Average rate of cofinancing
2000	507,966.3	11	46,178.76	63,580.48	5,780.04	12.5%
2001	24,317.6	5	4,863.51	16,050.00	3,210.00	66.0%
2002	248,940.2	15	16,596.01	43,135.60	2,875.71	17.3%
2003	1,235,076.6	16	77,192.29	228,013.37	14,250.84	18.5%
2004	302,599.7	20	15,129.99	171,611.30	8,580.56	56.7%
2005	574,349.7	6	95,724.96	118,547.84	19,757.97	20.6%
2006	776,408.6	25	31,056.34	354,337.05	14,173.48	45.6%
2007	1,443,093.3	17	84,887.84	258,673.46	15,216.09	17.9%
2008	1,244,038.6	23	54,088.64	698,408.07	30,365.57	56.1%
2009	6,605,624.3	40	165,140.61	1,090,014.44	27,250.36	16.5%
2010	2,407,969.9	23	104,694.34	567,311.07	24,665.70	23.6%
Total	15,370,384.9	201	76,469.58	3,609,682.68	17,958.62	23.5%

Table A.2.3 Bank Approvals by Sector (Public versus Private)

	Private		Public		Total	
	N. of projects	Amount approved (UA 000)	N. of projects	Amount approved (UA 000)	N. of projects	Amount approved (UA 000)
2000	2	2,672.5	9	60,908.0	11	63,580
2001	-	-	5	16,050.0	5	16,050
2002	-	-	15	43,135.6	15	43,136
2003	3	100,158.8	13	127,854.5	16	228,013
2004	1	1,600.0	19	170,011.3	20	171,611
2005	1	32,770.1	5	85,777.7	6	118,548
2006	2	5,637.1	23	348,700.0	25	354,337
2007	9	103,266.0	8	155,407.4	17	258,673
2008	7	164,696.8	16	533,711.3	23	698,408
2009	18	469,020.0	22	620,994.4	40	1,090,014
2010	14	381,708.7	9	185,602.3	23	567,311
Total	57	1,261,530.0	144	2,348,152.7	201	3,609,683

Table A.2.4 Multinational Operations Approvals, Public and Private Sectors, 2000-2010

	Private sector (%)	Public sector (%)
Agriculture and rural dev.	0.0	10.2
Communications	11.0	0.0
Environment	0.0	4.4
Finance	84.1	1.1
Industry/mining/quarrying	4.0	0.0
Multisector	0.9	3.5
Power	0.0	10.1
Social	0.0	6.4
Transport	0.0	59.8
Water supply/sanitation	0.0	4.5
Total	**100.0**	**100.0**

Table A.2.5 Multinational Operations Financing Sources, 2000-2010

Source of finance	Amount approved (UA 000)	% of the total for the period
African Development Fund	2,352,051.9	65.2
African Development Bank	1,209,147.1	33.5
Africa Water Facility Fund (AWFF)	23,420.5	0.6
Fund for African Private Sector Assistance (FAPA)	13,064.1	0.4
Congo Basin Forest Fund (CBFF)	4,844.7	0.1
Emergency Assistance	6,269.3	0.2
Middle Income Countries Fund (MICF)	885.0	0.02
Total	**3,609,682.7**	**100.0**

Table A.2.6 Multinational Operations Financing (Loan versus Grant)

Approval Year	Loan (UA 000)	Grant (UA 000)	% from grant	% from loan
2000	25,000.0	38,580.5	60.7	39.3
2001	11,690.0	4,360.0	27.2	72.8
2002	18,920.0	24,215.6	56.1	43.9
2003	195,078.8	32,934.5	14.4	85.6
2004	97,655.3	73,956.0	43.1	56.9
2005	90,930.1	27,617.7	23.3	76.7
2006	123,816.8	230,520.2	65.1	34.9
2007	106,609.8	152,063.7	58.8	41.2
2008	382,305.5	316,102.5	45.3	54.7
2009	903,030.9	186,983.5	17.2	82.8
2010	473,127.7	94,183.3	16.6	83.4
Total	**2,428,165.0**	**1,181,517.7**	**32.7**	**67.3**

Table A.2.7 Average Time Overrun of MOS between Approval and First Disbursement

Approval Year	Number of delayed operations	Average time overrun (months)
2000-2004	28	11.07
2005-2009	20	8.86
Total	**48**	**10.15**

Table A.2.8 Time Overrun between Approval and First Disbursement for Cofinanced MOs

Level of Cofinancing	Total of Operations with available data	Delayed operation	Percentage
Projects financed only by the Bank	28	3	10.7
Projects financed with beneficiaries	53	27	50.9
Projects financed with other DFIs	42	18	42.9
Total	**123**	**48**	**39.0**

Table A.2.9 Time Overrun of Approved MOs between Approval and First Disbursement (Studies and Projects)

	Total operations (available data)	N. of delayed operations	Percentage
Studies	24	14	58.3
Projects	99	34	34.3
Total	**123**	**48**	**39.0**

Table A.2.10 Delay between Effectiveness and First Disbursement, by Sector

Sector	Total operations (available data)	N.. of delayed operations	Percentage
Agriculture and rural development	20	13	65
Communications			
Environment	8	3	38
Finance	2		0
Multisector	16	9	56
Power	10	5	50
Social	19	12	63
Transport	22	22	100
Water supply/sanitation	14	6	43
Total	**111**	**70**	**63**

Table A.2.11 "Moderately Satisfactory or Better" Operations (%)

Dimensions	2006-2010	2006-2007	2008-2010	Statistical Significance
Implementation Arrangements	85,00	100	71,43	Significant
Strategic relevance and governance	80,00	84,21	76,19	Negligible
Poverty, Gender and Social Development Aspects	60,00	52,63	66,67	Negligible
Environmental Aspects	60,00	52,63	66,67	Negligible
Technical, Financial and Economic Aspects	45,00	52,63	38,1	Negligible
Risk Assessment	25,00	31,58	19,05	Significant
Overall quality	67,5	73,68	61,9	Negligible

Note: The QAE review was carried out on a sample of 40 PARs of MOs. Over 2006-2010, 75% of the PARs were rated 'moderately satisfactory or better'. No PAR was rated highly unsatisfactory or highly satisfactory. Each of the above criteria includes a number of sub-criteria.

Annex A2.12 Efficiency and Economic Viability of Infrastructure Projects

Project Name	Sector	ERR at appraisal (%)	ERR final (%)	Appraisal report date	PCR date	Duration planned	Duration actual	Cost planned	Cost actual
Infrastructure									
Arusha-Namanga-Athi River Road Development Project	Transport	14.1	-	05.10.2006		36	42	Tanz:UA40.3 million/ Ken:UA54.7 million	Tanz:N/A Ken:UA61.8 million
OMVS Manantali Energy Project	Power	15.6	15.9	13.12.1996	01.07.2007	68	68	209.9 billion CFA	219.1 billion CFA
Sasol Natural Gas Project	Power	Upstream:17.1 Pipeline:24.4	N/A	29.09.2003		21	21	US$856.2 million	US$714.5 million
Nigeria/Togo/Benin Power System Interconnection Project	Power	19.9/20.33	21.3/40.8	17.10.2002	01.01.2010	13	27	UA 11.9 million	UA 10.3 million
Route Kankan-Kouremale-Bamako	Transport	14.2	-	14.04.2000	30.11.2009	48	75	UC 24 million	UA 20.5 million
Projet de route Kicukiro-Kirundo	Transport	15.7	16.2	08.06.2006	15.10.2010	38	61	UC 30.2 million	UA 22.2 million
Ethiopia-Djibouti Power Interconnection Project	Power	14.5	11.06	01.11.2004	15.06.2011	52	64	UC 20.88 million	UA 20.26 million

Note: The value of ERR is compared with the opportunity cost of capital, which varies between 10-12%, depending on the country.

A.3 The Three Case Studies in a Snapshot

1. Arusha-Namanga-Athi River Road Development Project

The project was approved in February 2002 (to be completed in December 2012) for joint financing with the Japanese International Cooperation Agency (JICA) on 13 December 2006. It consists of the rehabilitation and reconstruction of 242 km of existing road and the construction of a one-stop border post (OSBP) in Namanga. The project aims to support the regional integration process by (a) reducing transaction costs at the border; (b) increasing cross-border trade and tourism; (c) developing socioeconomic activities in the main urban centres of Arusha, Namanga and Nairobi; and (d) generating new settlements along the Tanzania--Kenya coast line. The cost of the project was estimated to be UA 98.815 million, of which 55.5% was allocated to Kenya, 410% to Tanzania and 3% to the East African Community. The financing was provided by the Technical Assistance Fund (ADF) of the AfDB and by JICA.

Findings

The project is highly relevant but its quality-at-entry was unsatisfactory. It responded to the needs of both governments, and was aligned with the Bank's strategy to support regional integration through development of transport infrastructure. Although the project was designed as a MO and an effort was made to harmonise some technical standards, the design has nevertheless suffered from severe deficiencies relating to inadequate provisions for the OSBP, underestimation of costs, an unrealistic implementation schedule, and lack of on-the-ground project appraisal in Tanzania.

Project effectiveness has been moderately satisfactory. The activities are still unfolding, including implementation of the OSBP, which is significantly behind schedule. The most critical delays have been due to the countries' lack of harmonised custom procedures. However, the project has resulted in increased traffic flow, faster travel times, and lower vehicle operating costs. Development impacts such as increased cross-border trade, increased tourism and socio-economic development are still unfolding. Data on cross-border trade and other activities were not available, but interviews with stakeholders point to positive achievements. Due to the underestimation of costs of the two design studies, no financing resources were available to carry out the capacity building components, including the recruitment of two engineers to continue working as East African Community (EAC) staff after project completion, and in particular, report on the capacity of contractors in the EAC region. Full attainment of the project's regional integration objective depends on the improvement of custom facilities, the opening of OSBP, and the introduction of harmonised procedures and a computerized system.

Efficiency is satisfactory despite delays and cost overruns. In Tanzania, expected cost at completion is in line with forecasts, although construction is behind 156 calendar days behind schedule. In Kenya, implementation progress is also behind schedule and costs are expected to be 113% higher than estimated. Major causes of delay and cost overruns were due to circumstances beyond the control of Bank Management.

Sustainability is unlikely unless more pro-active measures are taken. Both countries are experiencing a financing gap of about 45% to meet the cost of periodic maintenance of their road networks. The road maintenance policy in both Tanzania and Kenya is to prioritise the preservation of all roads that are already in good condition.

Lessons Learned

- If the benefits of a multinational road are to fully realised, it is of paramount importance to solve the problem of the OBSP at the design stage of a project. It is also necessary to overcome non-physical barriers, including harmonisation of the of policies, rules, standards and procedures national regulatory authorities; as well as road blocks and border controls, which are seen as concrete limits to trade.

- If the Arusha-Namanga-Athi River Road is not adequately maintained over time, it will fall under the group of 'poor roads' for which maintenance is not provided

2. Manantali Energy Project (Mauritania, Mali and Senegal)

This hydropower project approved in 2000 and completed in 2003 involves cross-border cooperation of Senegal, Mali and Mauritania under the egis of the OMVS, a regional river basin organisation. The project establishes a unique subregional power system consisting of a 200 MW hydroelectric plant at the foot of the Manantali dam, a 1,000 km system of 225 kV transmission lines, and substations that evacuate electricity produced to the main load centres in Mali, Mauritania and Senegal, both operated in real-time by a central load dispatching system located at Manantali. The project objectives are to: (a) reduce the long-term cost of electricity supply; (b) contribute to meeting debt service associated with construction of the Manantali dam; (c) contribute to increasing the efficiency and reliability of the countries' power systems; (d) establish an effective organisation to construct and operate the project facilities and to mitigate environmental and health impacts of the Manantali dam; (e) promote competitive private sector participation; and (f) support the traditional agricultural sector through rational management of the Manantali reservoir. Total project cost was estimated at 209,9 billion West African Franc. The AfDB, as one of ten major donors, contributed a loan of 25 million UA to finance the construction of the western transmission lines, and a grant of 1.5 million UA to finance the project's socio-environmental component.

Findings

The project is highly relevant and the quality-at-entry was satisfactory. Its objectives were aligned with national and regional development priorities, which attached great importance to securing more energy supply to support economic growth. The project is built upon an equitable and consensual distribution of project costs and benefits. The project is being implemented by a special purpose company (SPC), which has several advantages compared to the traditional project implementation unit (PIU) model. However, a number of technical and institutional limitations have emerged, including: (a) a technical solution that does not consider the potential development of a regional energy market; (b) the lack of a credible sanction mechanism for defaulting parties;

(c) an unrealistic plan for privatising the energy markets; and (d) the lack of an independent party to regulate implementation of Manantali concession agreement.

The overall project effectiveness is rated satisfactory. However, while project's physical outputs have been satisfactorily achieved, broader development outcomes remain partially achieved. In addition, country-level interventions (e.g., irrigation infrastructure, rural electrification) that are essential to allow the riverine population benefit from the project have been only partially implemented. With regard to the project's socio-environmental component (PASIE), the most remarkable achievement has been the approval of the Water Charter in 2002, which helps ensure the efficient allocation of water for different purposes. However, smallholder farmers complain that flood releases are insufficient to support recessional agriculture, and the establishment of the Hydrology Risk Fund has been severely delayed. Finally, successful cooperation among the OMVS countries serves as an example for other regional organisations and interconnection projects. However, with respect to the creation of a subregional energy market, results have thus far been limited, given the structural deficit in electricity production of the three national power systems.

Project efficiency is satisfactory. Various evaluation studies have confirmed a high economic rate of return at project completion (see Annex A2.12) relative to the opportunity cost of capital which varies between 10-12%, and have shown that hydropower-generated electricity is more cost-effective compared to the thermal-base alternative (33.5 FCFA/Kwh against 47 FCFA/Kwh). Works were implemented within the planned 68 month timeframe, although some delays were reported because of insufficient preparation of the civil works component and poor performance of the selected contractor.

Project sustainability is a concern. This is due to the negative outlook of the three national utilities. The continuing deterioration of countries' distribution networks countries threatens the equitable allocation of electricity. The project's long-term financial sustainability depends on the success of the restructuring efforts of the incumbent utilities and their improved ability to cover operating costs. In the absence of an independent arbitrator, Manantali management contract provisions, as well as some loan conditions, were repeatedly violated.

Lessons Learned

- A rigorous methodology for cost and benefit sharing is key for achieving an equitable distribution of project outcomes and ensuring the long-term consensus and commitment of participating countries.

- To enhance the development impact of regional infrastructure projects, complementary national policies need to be designed and opportunely implemented.

- The absence of independent regional regulatory authorities to enforce the agreed contract rules can be an obstacle to effectiveness in case of disagreement between operators.

- Donor coordination needs to go beyond cofinancing agreements and the setting up of project implementation committees, to consider the soft and policy measures that complement and sustain the results of infrastructure projects.

3. Sasol Natural Gas Project

The project was approved in October 2003 and completed in November 2006. It has the following key components: (a) an upstream component that entails development of the gas fields of Temane and Pande, in Mozambique's Inhambane province, and the Central Processing Facility at Temane; and (b) the transmission component, comprising an 865 km gas pipeline from the gas fields in Mozambique to Sasol's petrochemical complex at Secunda in the Republic of South Africa. The project also includes corporate social responsibility investments to provide development assistance to communities within the project catchment areas. The project's objectives are to: (a) develop the untapped natural gas resources available in Mozambique in order to supply Sasol's petrochemical plants; (b) initiate export of Mozambique's natural gas resources in an environmentally sustainable manner, while providing opportunities for the development of a domestic gas market; (c) diversify the energy supply mix on the South African market; (e) promote new investments and generate employment in both countries; (f) strengthen the economic and bilateral ties between Mozambique and South Africa to foster regional cooperation and integration. The total cost of the project up to initial production in 2004 was estimated at about US$856.2 million. Total capital expenditure funded by external lenders amounted to US$505.7 million, of which the AfDB contributed US$75.34 million (about 9% of the overall project cost).

Findings

The project is very relevant and its quality-at-entry fully satisfactory. Its objectives were aligned with both private sector and public sector priorities in both countries: exploitation of previously untapped natural gas resources in Mozambique in order to secure the provision of gas to South Africa as a response to business and market opportunities. The project design and preparation process benefitted from: (a) the existence of good information on which to base risk analysis; (b) appropriate information provided to rural communities around the gas field and the pipeline; (c) political commitment to the project; (d) strong sponsorship and sufficient financial resources; and (e) a flexible infrastructure design, which made it possible to increase the capacity of the pipeline to meet market demand.

The effectiveness of the project is satisfactory. The project has achieved and surpassed its physical targets. It has fulfilled its corporate social responsibilities and increased local employment in Mozambique. Business expectations of the shareholders were generally met. However, the Mozambican shareholder was not satisfied with the profit generated, owing to covenants on dividends imposed by lenders. Broader development impacts of promoting new investments and strengthening the economic and bilateral ties between the countries were met. The links between the economies of Mozambique and South Africa have increased. To manage and maintain the central processing facility and the pipeline, people, goods, services and technologies move across the border between the two countries.

Project efficiency was fully satisfactory. The implementation time schedule was strictly adhered to and cost savings were obtained. Positive factors were: (a) favourable exchange rates; (b) high quality of the design, which minimised the occurrence of predictable adverse events during construction; (c) knowledge of the construction context, which helped ensure that activities were implemented efficiently; (d) establishment of a liaison committee, which facilitated implementation by mitigating institutional and legal constraints.

Sustainability is likely. Sasol Petroleum International is responsible for the operation and maintenance of the central processing facility, as well as for maintaining the infrastructure pertaining to corporate social responsibility (schools, clinics, boreholes, training). Corporate social responsibility investments are also being used to promote sustainability by ensuring that communities benefit from the project over the 25 period of the project licences. Since the beginning of the project, there has been on-shore and off-shore exploration for new sources of gas. If successful, these activities will improve the profitability and sustainability of Sasol's business.

Lessons Learned

- The strong convergence of development priorities and the objectives of public and private stakeholders of the MO, along with adequate return to investment, are key to successful implementation and sustainable results.

- The provision of basic services (schools, clinics, boreholes, training, etc.) for communities impacted by large productive infrastructure is of paramount importance for ensuring the sustainability of the operation.

4. Management Response

Management welcomes **OPEV's Evaluation of the African Development Bank's Multinational Operations (2001-2010). The Evaluation assesses the relevance and effectiveness of the Bank's strategic and operational framework in fostering regional integration through its multinational operations. Management is encouraged by OPEV's finding that the Bank has "developed an increasingly coherent strategic and operational framework to guide its assistance towards regional integration" and that multinational operations have "responded to imperative needs". Overall, it agrees with the main findings of the Evaluation recognising, in particular, the need to improve its operational definitions of regional integration, revisit the strategic framework that guides the Bank's actions in supporting regional integration and fine-tune ONRI's mandate so that it is in a better position to respond to emerging challenges.**

Since the African Development Bank's creation in 1964, regional integration has always been one of the Bank's highest priorities. The continent's low population density, wide geographic spread and low levels of urbanisation make integration essential for building economies of scale and making the continent more economically competitive. Poor regional infrastructure and the absence of suitable regulatory frameworks have made it difficult for many African countries to reap the benefits of globalisation. Transport costs in Africa are still two to three times higher than in other parts of the world. Moreover, 40% of sub-Saharan Africans live in landlocked countries with the lowest road densities in the world.

The small scale of Africa's manufacturing base is partly a result of a limited market size that prevents many African firms from operating more efficiently. Most African exports are still destined primarily for markets in the North: only 12% of formal trade is among African nations. To address this, regional integration has been pursued by a complex architecture of regional economic communities, and positive steps towards common regional markets are underway.

In order to address these challenges, the African Development Bank has made regional integration one of its highest priorities. The Bank's Medium-Term Strategy (2008-2012) notes that deeper regional integration is "imperative to build markets and new opportunities for growth, job creation and improved living standards". To boost regional and economic integration, nearly a third (28%) of the Bank's resources have been directed towards regional integration. In 2010 alone, 15% of Bank approvals were for multinational operations designed to build up infrastructure networks in transport, energy, transboundary water-resources, and information and communication technologies.

Against this backdrop, Management welcomes OPEV's finding that the Bank has "developed an increasingly coherent strategic and operational framework to guide its assistance towards regional integration" and that multinational operations have "responded to imperative needs". Overall, Management agrees with the main findings and recommendations made by the Evaluation. There are, however, important aspects of the Evaluation that deserve further consideration. These are briefly discussed below.

Fine-tuning and adjusting the focus of the Bank's strategic approach to regional integration

The Evaluation assesses positively the strategies the Bank has developed in recent years to guide its assistance towards regional integration. It notes that the *Regional Integration Strategy*[9] set out a "comprehensive framework for Bank support to regional integration" and is "underpinned by a coherent logic model that builds on the priorities and strengths of the Bank". It also commends the Bank for developing the four Regional Integration Strategy Papers (RISPs) for "improving alignment between national and regional development priorities".

The Evaluation also calls for the Bank to fine-tune its approach to regional integration and adjust the focus of its interventions. It highlights two areas in particular that require Management's special attention: i) the operational definitions of regional integration, and ii) the "soft" infrastructure of regional integration.

- *Improving the Bank's operational definition of regional integration.* Management agrees that the Bank's business model is still a single-country operation model and that additional work is needed to better define regional integration and to examine how the Bank supports it through a range of operations and activities. Multinational operations constitute only one of a number of activities in support of regional integration (and arguably, not all multinational operations support regional integration). In order to improve the way the Bank measures the impact of its operations on regional integration — including regional public goods — Management will develop a clear set of definitions for:

    - Multinational operations.
    - Regional operations.
    - National operations with an impact on regional integration.
    - Regional public goods.

These definitions should also help clarify the role of both public and private operations. In addition, and in order to better record and track its support, the new definitions will be applied and rolled out across the Bank's business processes and review mechanisms. These should include the IT systems, readiness review frameworks, Regional Operations Selection and Prioritisation Framework.

- *The soft infrastructure of regional integration.* Hard infrastructure is only one side of regional integration. Africa also needs the soft infrastructure of common institutional and regulatory frameworks to encourage the free movement of goods, services, capital and labour. The Bank is already working, for example, with Africa's regional economic communities to dismantle trade barriers, harmonise trade and investment policies and build institutions to better manage regional markets. Management agrees that in the near future the Bank will need to step up its support for Africa's soft infrastructure. This transition will need to be managed gradually and selectively, focusing on the areas where the Bank has a comparative advantage (e.g. energy, transport and water) and the skills to pursue these goals effectively. To this end, Management will, inter alia:

    - Lead a review of regulatory constraints and cross-border procedures focusing on transport, energy and non-tariff measures.

    - Finalise a framework for capacity building and identifying regional regulatory constraints in the energy sector.

    - Implement a trade facilitation framework for transport projects.

    - Review constraints regarding trans-boundary water management and propose a joint work programme on selected river/lake basins.

9 Including the 2000 Economic Cooperation and Regional Integration Policy.

Adjusting ONRI's role and mandate within the context of a new strategy

Management welcomes OPEV's assessment that the Bank's "capacity to implement its mandate on regional integration has significantly improved with the creation of the Department for NEPAD, Regional Integration and Trade (ONRI)". It notes in particular that the establishment of ONRI was a turning point in strengthening the Bank's strategic vision and its capacity to be increasingly selective.

Management also agrees with OPEV's assessment that ONRI's current mandate is ambitious with regard to its current capacities and level of resources. ONRI is not currently equipped, and does not have the resources, to achieve the full range of objectives and goals it is expected to deliver on regional integration. The evaluation also calls for greater clarity in defining the roles and responsibilities of other Departments, including Sector and Regional Departments, in supporting regional integration.

While Management agrees with the need to fine-tune its operational arrangements in order to better support regional integration, these adjustments need to take place within the broader framework of the Bank's Long-Term Strategy that is currently being developed. At the same time, Management recognises that there is a need to define in greater operational detail how the Bank's regional integration strategy will be implemented across the organisation. To this end, Management will develop by 2013 an operational framework for the new regional integration strategy. This framework will:

- Assess the relevance of the Policy on Economic Cooperation and Regional Integration, which was drafted in 2000.
- Provide a Bank-wide approach to regional integration and mainstream regional integration in all relevant activities of the Bank Group.
- Review the position of ONRI within the overall bank structure.
- Adjust ONRI's mandate and resources, including the skills mix of the Department in strengthening, for example, the soft infrastructure of regional integration.

Special attention will need to be given to the role of Field Offices and Regional Resource Centres in promoting regional integration. There is untapped potential for them to manage multinational operations. Field Offices and Regional Resource Centres will increasingly need to take the lead in engaging with national authorities on multinational projects, as well as monitoring the implementation of the national components of multinational operations. Over time, Regional Resource Centres are expected to have a critical mass of sector and regional expertise to dialogue effectively with Regional Economic Communities.

Incentives and feedback mechanisms

The Evaluation notes that the Bank's business model is still a single-country operation model and is not adapted to the specific requirements of multinational operations.

Management agrees only in part with this statement. Although the Bank's current business model does not provide any specific staff incentive to promote multinational operations, a few institutional incentives are in place. For example, ADF countries and Regional Departments have a clear financial incentive to promote regional integration as multinational operations are financed up to two-thirds by the regional envelope. This means individual ADF country allocations can be leveraged with a ratio of up to 1:2. Regional Public Goods also provide additional financial resources for RECs or specialised institutions. These institutional incentives encourage

Departments and staff to undertake complex multinational operations.

An issue that was rightly emphasised by OPEV's Evaluation is that there is a lack of a defined mechanism for systematic feedback and integrating lessons learnt in new multinational operations. To address this issue, ONRI is introducing a process for regularly reviewing experiences and lessons learnt of multinational operations and other regional integration initiatives. The regional integration focal points will assist in this exercise and provide feedback from a sector and regional department perspective. The regular review of experiences will also create central repository of lessons learned, which will be analysed and whose results will be disseminated on a regular basis.

MANAGEMENT ACTION RECORD

Recommendation	Management's response
Recommendation 1: *Clarify the strategic focus of the Bank's approach to regional integration.*	
The Bank should develop a clear definition, consistent across the Bank, of MOs as operations contributing to regional integration.	AGREED—Management will take the following actions to improve the way it tracks and records it support for regional integration: • ORPC and ONRI will develop by **December 2012** a set of definitions of activities in support of regional integration including specific definitions for: i) multinational operations, ii) regional operations, iii) national operations with a regional integration impact, and iv) regional public good. • In developing these definitions, special attention will be given to framing the role of the private sector. • Once developed, the new definitions will be applied and rolled out across the Bank's business processes and review mechanisms, including: the IT systems, readiness review frameworks and Regional Operations Selection and Prioritisation Framework.
The Bank should be more focused when addressing the soft constraints of regional integration, and specify areas for providing RPGs.	AGREED—The Bank will step up its support to strengthen Africa's soft infrastructure selectively and gradually, focusing on the areas where the Bank has a comparative advantage (e.g. energy, transport and water) and the skills to pursue these goals effectively. To this end, Management will take the following actions by **December 2012**: • ONRI will lead the review of regulatory constraints and cross-border procedures with OSGE support, including in the focus areas of transport, energy and non-tariff measures. • ONRI and ONEC will finalise a framework for capacity building and identifying regional regulatory constraints in energy sector. • ONRI, OITC and OPSM will implement the trade facilitation framework for transport projects. • ONRI and OWAS will identify the key constraints regarding trans-boundary water management and propose a joint work programme on selected river/lake basins. • ONRI will propose a financial integration programme in close liaison with ECON, OSGE, OPSM and FTRY.
The Bank should define the role of private-sector operations in fostering regional integration.	AGREED—Management agrees and will take the following actions: • OPSM and ORPC will clarify by **December 2012** the role of private sector operations in fostering regional integration in the ongoing Private Sector Development Strategy and Policy. • OPSM and ONRI will prepare by **July 2013** an operational guidance note on Private Sector Operations contributions to the Bank's Regional Integration Strategy.
Recommendation 2: *Establish a mechanism for systematic feedback and learning from the Bank's experience with multinational operations, which should influence the design of new operations.*	
This feedback mechanism should specify clear responsibilities for the collection, validation, analysis and use of the information for policy and program formulation.	AGREED—Management agrees to take the following actions by **December 2012**: • ONRI will put in place a process for regularly reviewing experiences and lessons learnt in promoting regional integration. In so doing, it will work with the network of regional integration focal points that are located in sector and regional departments, including Field Offices and Regional Resource Centres (*See recommendation 4*). • ONRI will create a repository of experiences and lessons learnt and will disseminate its findings on a regular basis.

Recommendation	Management's response
Recommendation 3: *Align mandates and resources of ONRI.*	
The Bank should expand ONRI's resources to fit its mandate, or focus ONRI's mandate to fit existing resources, especially for addressing the soft constraints to regional integration. ONRI's mandate should consist of creating maximum value for the Bank rather than spreading resources too thinly to respond to ad hoc demands.	AGREED—Management will review and approach to regional integration within the broader framework of the Long-Term Strategy: • ONRI will conduct by **November 2012** a review of the current regional integration strategy (2009-2012), highlighting emerging issues to be considered as part of the future approach to regional integration. • STRG will clarify by **December 2012** the strategic approach to regional integration in the Long-Term Strategy (LTS). • ONRI will lead the development by **December 2013** of a new regional integration strategy for the Bank which, among other things, will align resources and skill set of the Department.
Recommendation 4: *The Bank should clearly define the roles, responsibilities and division of labour among ONRI, regional departments and sector departments.*	
Regional and sector departments should designate focal points to act as counterparts to ONRI and be responsible for monitoring RISPs and integrating regional integration into CSPs, sector strategies and operations.	AGREED—Management agrees that there is a complementary role between ONRI, sector and regional departments, Field Offices and Regional Resource Centres (RRCs). Overall, ONRI should focus at the strategic level and support other departments in identifying appropriate interventions. These issues will be addressed in the review and fine-tuning exercise as indicated under the third recommendation. As part of this, Management will take the following action: • ONRI will identify by **December 2012** focal points in sector and regional Departments, including Field Offices and RRCs.
Recommendation 5: *The Bank's tools and business model should be adapted to the specificities of multinational operations.*	
The Bank's business model should be adapted to the specificities of Multinational Operations, including: (a) defining a set of specific criteria for Multinational Operations readiness reviews; (b) reconsidering the format of PARs for Multinational Operations; and (c) adapting staff incentives to allow for the kind of work required for complex, cross-sectoral Multinational Operations.	AGREED IN PART–Management will take the following actions by **December 2012**: • ORQR and ONRI will review the need to harmonise and adapt the Quality at Entry and Readiness Review for multinational operations. • ORQR, OPRC and ONRI will consider the need to revisit the format of PARs for multinational operations.
More time and resources should be allocated for the design and supervision of Multinational Operations.	AGREED – These will be addressed within the context of the Bank's new approach to supervision (IPPR) developed by ORQR.

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Fostering Regional Integration in Africa:

An Evaluation of the Bank's Multinational Operations, 2000-2010

While financing multinational operations is part of the Bank's mandate, it is only since 1998 that it became among the top priorities of Bank policies and strategies. The evaluation found that the Bank has developed an increasingly coherent strategic and operational framework to guide its assistance towards regional integration in Africa. Over the last decade, multinational operations have grown significantly from about 6% in 2000 to over 15% of total Bank approvals in 2010. Those operations have responded to compelling needs while addressing key sectors for regional economic and social development such as power, transport, education, health and trade. They have generally achieved their objectives no less effectively than single-country operations.

About the AfDB: The overarching objective of the African Development Bank Group is to spur sustainable economic development and social progress in its regional member countries (RMCs), thus contributing to poverty reduction. The Bank Group achieves this objective by mobilizing and allocating resources for investment in RMCs; and providing policy advice and technical assistance to support development efforts.

The mission of the **Operations Evaluation Department** is to help the Bank to foster sustainable growth and poverty reduction in Africa through independent and influential evaluations. Such evaluations assess the Bank Group's policies, procedures and operations, review performance and report on results in order to draw useful lessons and promote accountability.

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