Enhanced Role for ADF in Regional Integration and Multinational Operations
(Background Paper #11)

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Selected Abbreviations

ADB  African Development Bank
ADF  African Development Fund
AfreximBank  African Export-Import Bank
AU  African Union (successor to the OAU)
BCEAC  Banque Centrale de l’Afrique de l’Ouest
BCEAO  Banque Centrale des Etats de l’Afrique Centrale
CEEAC  Communauté Economique des Etats de l’Afrique Centrale
CEMAC  Communauté Économique et Monétaire de l’Afrique Centrale
CILSS  Comité Inter-Etats pour la Lutte contre la Sécheresse dans le Sahel
COMESA  Common Market of Eastern and Southern Africa
CPIA  Country Policy and Institutional Assessment
CPPR  Country Portfolio Performance Rating
CSP  Country Strategy Paper
EAC  East African Community
ECA  Economic Commission for Africa
ECOWAS  Economic Community of West African States
EDRE  Development Research Department
HIV/AIDS  Human immune-deficiency virus/Acquired immune-deficiency syndrome
IGAD  Inter-Governmental Authority on Development
IOC  Indian Ocean Commission
MNO  Multinational Operation
NEPAD  New Partnership for Africa’s Development
NTF  Nigeria Trust Fund
OAU  Organization of African Unity
OHADA  Organisation pour la Harmonisation des Droits d’Affaires en Afrique
OINF  Infrastructure Operations Department
OIVP  Vice-Presidency–Infrastructure, Regional Integration and Private Sector
ONRI  NEPAD and Regional Integration Operations Department
OPSM  Private Sector Operations Department
ORPC  Operations Policies and Compliance Department
ORVP  Vice-Presidency–Policies, Regional and Country Programs
OSAN  Agriculture and Agro-Industry Operations Department
OSGE  Governance, Economic & Financial Management Operations Department
OSHD  Human Development Operations Department
OSVP  Vice-Presidency–Sector Operations
PPP  Public-Private Partnership
PRS  Poverty Reduction Strategy
RAS  Regional Assistance Strategy
RASCOM  Regional African Satellite Communications Organization
RC/RO  Regional Cooperation or Regional Integration Organization
REC  Regional Economic Community
RMC  Regional Member Country
RPIA  Regional Policy and Institutional Assessment
RPPR  Regional Portfolio Performance Rating
SADC  Southern African Development Community
UA  Unit of Account [UA1.00 equivalent to SDR1.00 of the IMF]
UEMOA  Union Economique et Monétaire Ouest Africaine
UMA  Union du Maghreb Arabe
EXECUTIVE SUMMARY

1. The Bank Group and member countries – both regional and non-regional – recognize the pivotal role that regional cooperation and integration can play in accelerating the development of Africa, reducing poverty, tackling shared development problems, and increasing the generation of global public goods. It has established a strong track record as a key role player in supporting regional integration and multinational operations over the past decade. The growing demand to support and accelerate the regional integration process provides an opportunity for the Bank to further develop its support role, and to harness its extensive expertise towards building strong development partnerships.

2. Over three decades of financing multinational operations in general and regional infrastructure in particular, the Bank has gained a wealth of experience and valuable insights to ensuring the development effectiveness of such undertakings. Building on this past experience, the strategic focus of the Bank in the coming years will be to play a stronger catalytic role in strengthening regional cooperation and economic integration, in mobilizing and channelling critical resources.

3. Between 1996 and July 2006, the Bank approved 118 Multi-National Operations (MNOs) from all windows of the ADB Group, using loans, grants, and equity participation. These operations represent an aggregate commitment of UA 859 million from all Bank Group windows. Since ADF-VIII, the ADF Deputies have earmarked an increasing proportion of replenishment resources for multinational operations. Starting from five percent under ADF-VIII, the amount earmarked rose to ten percent during ADF-IX and subsequently stands at 15 percent under ADF-X. Over the past five years, from 2002 to 2007, more than 30 percent of ADF multinational allocations have gone to support the development of regional infrastructure projects. The share of multinational infrastructure operations is expected to reach 40% of the total funding for infrastructure by the end of the ADF-X Replenishment cycle.

4. Notwithstanding concerted and ongoing efforts by the African Union, the Economic Commission for Africa, individual RMCs, the Bank and other development finance institutions to promote regional integration and multinational projects, significant challenges remain. The enormous scale of investment backlogs in all key regional infrastructure – major highways and railways to link land-locked countries to seaports and to knit fragmented national markets into sizeable and more dynamic regional markets; efficient airports, seaports and harbours to expedite trade expansion and boost tourism; clean and sustainable energy infrastructure to raise quality of life of the people of Africa (including the poor) and to boost their economic productivity; and integrated water resources management. The financing requirement of bankable multinational projects in the infrastructure sector currently under preparation is estimated at over US$22 billion.

5. The Bank Group intends to re-orient its financing and non-financing operations towards realizing greater leverage of its limited resources in building partnerships and attracting external and domestic resources in support of regional cooperation and integration objectives. The recent institutional reforms undertaken within the Bank – including the creation of a new Vice-Presidency for Infrastructure, Private Sector Development, Regional Integration and Trade – provide a basis for a strengthened role in support of regional integration and multinational operations. Furthermore, the Infrastructure Consortium for Africa (ICA) hosted by the African Development Bank, whose establishment has been
endorsed by the G8 and other leading donor states, provides a vital forum for forging smart partnerships with key stakeholders in regional cooperation in infrastructure development.

6. Clear guidelines would be finalised with regard to instances where countries that are ineligible for Bank Group support are participants in multinational projects. Concerns have been expressed by the Boards and shareholders that ineligible countries may benefit unduly from Bank Group support for such projects. The guidelines will propose mechanisms to address these concerns. This will include the use of mechanisms such as Special Purpose Vehicles for project implementation, and the application of institutional and project performance benchmarks, ensuring an efficient and results-based allocation system.

7. In addition, the Bank has recently introduced a format for the elaboration of Regional Assistance Strategies covering specific sub-regional spaces. The purpose is to present a platform for dialogue and consultations between Bank staff and stakeholders in the sub-regions, rationalize Bank Group support for regional cooperation and integration objectives, and improve selectivity of multinational operations priorities, while drawing stronger synergies between regional and national development strategies projects and initiatives identified on the basis of the Bank’s Country Strategy Papers.

8. Despite a progressively increased ADF allocation to multinational projects, demand for ADF resources has outstripped supply. Under ADF-X, 15 percent of resources were dedicated to implementation of regional programs in all sectors. This represented just over UA500 million over a three year period. These resources were fully committed halfway through the ADF-X cycle, with an additional number of projects which are ready for implementation, but which could not be financed within this period. The value of the associated funding shortfall is UA720 million.

9. Experience during the ADF-X cycle indicates that it would be feasible for the Bank to scale up its support for high priority initiatives aimed at promoting regional integration and regional infrastructure. It should be stressed that this is only a small fraction of the total requirement. The expectation, however, is that the Bank under its new strategic orientation in multinational operations would be able to use such funding to leverage a factor of at least 5 times of additional resources from other sources.
1. INTRODUCTION

Background

1.1 There is broad consensus that regional cooperation and economic integration must be an integral part of a development strategy aimed at accelerating economic growth, structural transformation, and poverty reduction. Integration is vital to overcome the problems of fragmented economic space and small markets, promote intra-African trade, strengthen the competitiveness of African countries’ exports, and promote diversification and inter-linkages among production units in various countries, unleashing opportunities for industrialization and economic growth and job creation in the RMCs.

1.2 Regional infrastructure plays a key role in promoting the regional integration imperative. In the energy sector, countries can share resource endowments, including natural gas and untapped hydropower potential by connecting national gas and power grids and developing sub-regional power pools. Multi-country telecommunications markets provide incentives to the private sector to invest in new technologies for broadband data and communication networks. In the agriculture sector, there is significant scope for accelerating growth through regional initiatives such as the development of trans-boundary shared water resources, disease control and technology transfer. In social sectors, such as education and health, institutions of higher education and research are viable as regional and multi-national undertakings rather than to serve individual countries; and several communicable diseases such as HIV/AIDS cannot be contained through national strategies alone.

1.3 In recognition of the importance of regional cooperation and economic integration, the articles of Agreements establishing the African Development Bank, the African Development Fund, and the Nigerian Trust Fund all enjoin the Bank Group to apply its resources to promoting economic cooperation and integration among the regional member countries (RMCs). The three windows have responded positively to this mandate. In fulfilment of this mandate, the Bank Group has catalysed some important ventures in multinational cooperation and shared strategic investments. The Bank over the years has worked to promote key objectives, notably towards the creation of the African Economic Community and strengthening regional trade, in close partnerships with sister regional institutions, the African Union (formerly, the Organization of African Unity) and the UN Economic Commission for Africa. In recent years, under the Bank Group’s Strategic Plan 2003-2007, promoting regional integration was identified specifically as one of the priority areas. As the ADF is the window that is more accessible to the majority of African economies, it has assumed an increasing responsibility in this regard.

Problem Statement

1.4 Notwithstanding concerted and ongoing efforts by the African Union, the Economic Commission for Africa, individual RMCs, the Bank and other development finance institutions to promote regional integration and multinational projects, significant challenges remain. These include:

- The enormous scale of investment backlogs in all key regional infrastructure – major highways and railways to link land-locked countries to seaports and to knit fragmented national markets into sizeable and more dynamic regional markets; efficient airports, seaports and harbours to expedite trade expansion and boost tourism; clean and sustainable energy infrastructure to raise quality of life of the
people of Africa (including the poor) and to boost their economic productivity; and integrated water resources management. The financing requirement of bankable multinational projects in the infrastructure sector currently under preparation is estimated at over US$22 billion.

- At the national level, the need for Development Plans of RMCs to afford greater attention to regional and economic integration.
- The proliferation of Regional Economic Communities (RECs) with overlapping mandates, and which are under-capacitated and under-resourced.
- The need for RMCs to ratify protocols of agreement on key regional integration policies of intra-and inter-regional trade, the legal and regulatory reform necessary to open up borders for free movements of people as well as goods and services.

1.5 If regional integration is to be accorded the attention that it deserves in order to enhance Africa’s competitiveness in an increasingly integrated global economy, there is a need to redress the foregoing (software and hardware) impediments by identifying feasible options for effective scaling up of investments in regional infrastructure development.

1.6 Because of the scale of regional infrastructure investments required to close identified infrastructure gaps, bring about closer regional integration, and connect Africa more efficiently to the rest of the world, as well as the range of policy and institutional reforms that RMCs need to undertake individually and collectively to create propitious conditions for these investments to take place and bear fruit, no single entity can make a meaningful impact on its own. Thus, the Bank recognizes the importance of forging strong partnerships geared to mobilizing capital resources, technical expertise, and political support. Looking to the future, this consideration is central to the new strategic focus of Bank Group support for regional cooperation and integration, including multinational projects.

1.7 Over three decades of financing multinational operations in general and regional infrastructure in particular, the Bank has gained a wealth of experience and valuable insights to ensuring the development effectiveness of such undertakings.

1.8 Building on this past experience, the strategic focus of the Bank in the coming years will be to play a stronger catalytic role in strengthening regional cooperation and economic integration, in mobilizing and channelling critical resources (capital, technical knowledge and advisory services), and in facilitating the contributions of partner IFIs including the Bretton Woods Institutions as well as the operations of private enterprise and non-governmental operators. In this regard, the Bank Group will apply its own resources selectively and strategically with a view to leveraging greater commitments, investments and activities by other players, in order to mobilize substantial resources and the vital private-enterprise know-how to help propel a new momentum of development anchored on the principles of the New Partnership for Africa’s Development (NEPAD).

Objectives of the Paper

1.9 This discussion paper:

- Reviews the performance of the ADF in economic integration to date and maps out an enhanced role for it going forward;
• Highlights a number of key issues/constraints on scaling up support for multi-country/regional programs;
• Outlines the broad thrusts of the Bank’s strategy in seeking to optimise its impact; and
• Outlines resource requirements to fulfil its envisaged role.

2. HISTORICAL OVERVIEW OF MULTINATIONAL OPERATIONS

Performance to Date

2.1 Between 1996 and July 2006, the Bank approved 118 Multi-National Operations (MNOs) from all windows of the ADB Group, using loans, grants, and equity participation. These operations represent an aggregate commitment of UA 859 million from all Bank Group windows. Of these operations, 12 have been financed under the ADB window, 105 under the ADF window, and one by the Nigeria Technical Cooperation Fund. In terms of resources, the 12 operations under the ADB window represented a total commitment of UA 183 million, while the 105 operations under the ADF window represented a total commitment of UA 676 million.

2.2 Since ADF-VIII, the ADF Deputies have earmarked an increasing proportion of replenishment resources for multinational operations. Starting from five percent under ADF-VIII, the amount earmarked rose to ten percent during ADF-IX and subsequently stands at 15 percent under ADF-X.

2.3 Over the past five years, from 2002 to 2007, more that 30 percent of ADF multinational allocations have gone to support the development of regional infrastructure projects. This is in line with the fact that one of the factors limiting intra-African trade and hence economic integration is the poor state of infrastructure on the continent. Over the last three years covering the ADF-X cycle (2005-2007), the share of multinational infrastructure operations is expected to reach 40% of the total funding for infrastructure.

Lessons Learned

2.4 Key lessons learned by the Bank from its long experience in supporting regional cooperation and integration include the following:

• The need for regional member countries to accord a higher priority to multinational and regional operations in national development strategies.

• The need for the countries to work collectively on creating an enabling policy, legal and regulatory environment and institutional frameworks at the national, sub-regional and regional levels.

• The imperative to rationalize existing RECs to eliminate unnecessary duplication of mandates and overlapping memberships, and to strengthen the capacity, corporate governance, policy and control frameworks of regional specialized agencies to carry out specific responsibilities for which they were created.

• In view of the scale of investment requirements, particularly in the infrastructure sector, the need to build partnerships with the private sector (investors, regional and
multinational corporations, philanthropies, non-government organizations, and capital markets), as well as with bilateral and multilateral development agencies in support of regional development objectives and initiatives.

- The need for the Bank to re-organize its efforts and modus operandi in order to play a more catalytic role geared to ‘crowding in’ a wide range of players in the NEPAD programs to build an integrated continental African economic market.

- The need for the Bank to strengthen internal organizational arrangements, policies and procedures, and staff resources to be more effective in carrying out this role.

3. FUTURE STRATEGIES TO DEEPEN REGIONAL INTEGRATION AND MULTINATIONAL OPERATIONS

3.1 As indicated above, the Bank Group intends to re-orient its financing and non-financing operations towards realizing greater leverage of its limited resources in building partnerships and attracting external and domestic resources in support of regional cooperation and integration objectives. In order to do so, emphasis will be placed on the following strategic thrusts:

- Advocacy and policy-based financing for comprehensive policy, legal, regulatory and institutional reforms among the RMCs;

- Building the project and program identification, development, implementing and operationalization capacities, corporate governance, and policy and internal control instruments of RECs and regional specialized agencies;

- Collaborating closely with sister regional institutions – African Union and Economic Commission for Africa and other donors– to rationalize and streamline the RECs and regional specialized agencies with a view to enhancing the capacity of the selected RECs;

- Identifying and financing suitable demonstration projects with a view to attracting the interest of private-sector players (e.g., by demonstrating the viability of specific operations in particular environments, or by generating essential data and information to scale up operations on commercial or public-private partnership terms, etc);

- Building and updating a comprehensive database and information bank on regional cooperation and integration opportunities in Africa’s sub-regions, on-line at the disposal of prospective investors, infrastructure developers and service providers, and bilateral and multilateral IFIs; and

- Convening international partnerships and consortia to address specific regional cooperation or integration objectives – providing syndication services to bring together the necessary range of capital, technology and advisory service providers in support of specific projects; and coordinating and facilitating the regional cooperation and integration interventions of partner development agencies to build synergies and enhance development effectiveness.
• Clear guidelines would be finalised with regard to instances where countries that are ineligible for Bank Group support are participants in multinational projects. Concerns have been expressed by the Boards and shareholders that ineligible countries may benefit unduly from Bank Group support for such projects. The guidelines will propose mechanisms to address these concerns. This will include the use of mechanisms such as Special Purpose Vehicles for project implementation, and the application of institutional and project performance benchmarks, ensuring an efficient and results-based allocation system.

3.3 In order to play the catalytic role outlined above, there is a need to significantly scale up the Bank Group’s capacity to finance pilot operations or to anchor syndicated operations. In view of 40 out of the 53 RMCs being Highly Indebted Poor Countries (HIPCs), the bulk of the resources for enhanced Bank Group activities in support of regional cooperation and integration will need to be concessional resources, from the ADF window.

3.4 The recent institutional reforms undertaken within the Bank – including the creation of a new Vice-Presidency for Infrastructure, Private Sector Development, Regional Integration and Trade – provide a basis for a strengthened role in support of regional integration and multinational operations. Furthermore, the Infrastructure Consortium for Africa (ICA) hosted by the African Development Bank, whose establishment has been endorsed by the G8 and other leading donor states, provides a vital forum for forging smart partnerships with key stakeholders in regional cooperation in infrastructure development.

3.5 In terms of policy instruments, the Bank in recent years has introduced a format for the elaboration of Regional Assistance Strategies covering specific sub-regional spaces. The purpose is to present a platform for dialogue and consultations between Bank staff and stakeholders in the sub-regions, rationalize Bank Group support for regional cooperation and integration objectives, and improve selectivity of multinational operations priorities, while drawing stronger synergies between regional and national development strategies projects and initiatives identified on the basis of the Bank’s Country Strategy Papers.

### Resource Allocation

3.6 The new catalytic orientation of the Bank Group’s regional cooperation and integration operations will be anchored on a new enhanced framework to resource allocation that Management is currently elaborating, incorporating incentives for performance. This will take duly into account the specific characteristics of the African Development Fund spelled out in the articles of its charter. In addition, the framework will incorporate key principle, including the following:

- **Equity:** All other factors being equal, regional allocations of ADF resources should reflect a balance between population and territorial space of the sub-regions (North, West, Central, Southern, and Eastern) while taking into account eligibility to different Bank Group windows.

- **Development impact:** Eligible projects and programs should demonstrate high potential of yielding lasting development impact.
• **Value for money:** Under the same development objective, resources should be allocated to projects or programs with higher potential impacts per unit of resources committed.

• **Relevance:** Multinational operations financed by the Bank Group should be in line with the regional integration and development strategies and priorities espoused by the member states themselves. The NEPAD Framework, endorsed by the Heads of State and Government of the African Union in June 2001, and supported by the international community, presents an authoritative and coherent framework of reference. In the area of regional infrastructure including water resources, the STAP and the MLTSF provide catalogues of bankable projects and programs. The APRM as an anchor for good public and corporate governance, environment, food security, higher education, anti-communicable diseases and skills development programs are additional objectives that may be financed.¹

• **Effectiveness:** Resource allocations should take into account the implementation capacity of regional organizations. In addition, information on the relative performances of the sub-regional portfolios (gauged in terms of the rates of projects-at-risk and commitments-at-risk) could be used as a pertinent indicator of capacity.

• **Enabling Environment:** Consideration should be given to peace and stability, political will to implement collective decisions and provide sustained support to regional institutions, and the level of commitment among sub-regional RMCs to coordinate far-reaching economic reforms to strengthen regional cooperation, deepen economic integration, set trade free to expand, liberalize sub-regional and regional factor markets, harmonize and streamline legal, regulatory and judicial institutions and procedures, and generally create enabling environments to facilitate increased investment and private participation in multinational operations.

• **Inclusion:** No sub-region should be left out of the regional integration process. Where regional organizations lack critical capacities to be able to generate or manage the implementation of bankable projects or programs, resources should be allocated to support capacity building. Where enabling conditions for regional cooperation and integration are missing, resources should be directed to economic and sector work on regional integration problems, dissemination of knowledge and best practices, dialogue with stakeholders, financial and technical support to regional peace-building efforts, etc.

• **Subsidiarity:** At the present stage of regional integration in Africa, most of the effort towards deepening cooperation and integration needs to be committed among sub-regional groupings of countries. The bulk of Bank Group resources set aside for multinational operations, therefore, should be allocated to sub-regions for projects and programs within or between adjacent sub-regions. A significant amount of resources, however, should be provided to support Pan-African initiatives, as there are some operational objectives most effectively promoted at the continental level.

• The ADB-only countries, individually, may finance their participation in MNOs by tapping non-concessional loan resources from the ADB window. The Bank can also

¹ Short-Term Action Plan on Infrastructure (STAP); Medium and Long Term Strategic Framework on Infrastructure (MLTSF); and African Peer Review Mechanism (APRM).
finance regional and multinational operations from the ADB window without sovereign guarantees, provided that these operations are financially and economically viable, and they satisfy other conditions spelled out under the Bank’s policies and guidelines for private sector and non-sovereign public-enterprise sponsored operations. Such financing can take the form of loans, lines of credit, agency lines, full or partial guarantees, equity and quasi-equity participations in support of regional and multinational operations sponsored by private firms with a multi-national reach; regional organizations and multi-government owned corporations operating under financial and managerial autonomy; and public-private joint ventures involving public corporations and private investors.

4. **FUNDING REQUIREMENTS FOR REGIONAL INTEGRATION AND MULTINATIONAL PROJECTS**

**Scale of Demand**

4.1 Despite a progressively increased ADF allocation to multinational projects, demand for ADF resources has outstripped supply. Under ADF-X, 15 percent of resources were dedicated to implementation of regional programs in all sectors. This represented just over UA500 million over a three year period. These resources were fully committed halfway through the ADF-X cycle, with an additional number of projects which are ready for implementation, but which could not be financed within this period. The value of the associated funding shortfall is UA720 million.

4.2 Looking forward, a number of studies have attempted to quantify the scale of investment needed to support a sustainable development process, and to achieve the Millennium Development Goals (MDGs). The Commission for Africa (CFA) report which formed the basis of the Gleneagles G8 initiative on Africa identified the need to scale up resources to Africa. The report advocated that for the continent to achieve the MDGs a minimum of US$ 75 billion per annum in additional resources should be invested in the continent by 2010. Additional resources proposed by the CFA report cover programmes of national and regional nature.

4.3 With regard to infrastructure (including social infrastructure) and agriculture of resource requirements have been conducted as part of a number of multinational initiatives. Total estimated demand for investment and opportunities within key sectors are summarized in the table below.

<table>
<thead>
<tr>
<th>SECTOR</th>
<th>FINANCING REQUIREMENT (US$ MILLION)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transport</td>
<td>11,500</td>
</tr>
<tr>
<td>Energy</td>
<td>10,600</td>
</tr>
<tr>
<td>ICT</td>
<td>2,000</td>
</tr>
<tr>
<td>Agriculture</td>
<td>313</td>
</tr>
<tr>
<td>Environment</td>
<td>61</td>
</tr>
<tr>
<td>Health</td>
<td>82</td>
</tr>
<tr>
<td>Education</td>
<td>67</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>22,623</strong></td>
</tr>
</tbody>
</table>
The Bank’s Financing Role

4.4 As already noted, Africa’s financing requirements for the foreseeable future are enormous. African countries and their international development partners are committed to achieving and sustaining annual economic growth rates in the range of 7-10 percent. Experience from South-East Asia has shown that such a growth momentum is required in order for a significant rate of poverty reduction to be realized. To sustain such economic performance, however, experience similarly indicates that high rates of investments – of the order of 30-40 percent of GDP annually – in fixed capital formation and human capital are required. In regions fragmented into many countries, ideally much of the infrastructure fixed capital formation should be coordinated regionally. Much of the financing requirements are needed to cover Africa’s regional infrastructure backlogs to integrate isolated national economies into sub-regional and continental economic spaces and more efficiently connect African countries to global markets.

4.5 Additionally, sizeable resources are required to strengthen critical capacities of regional and continental institutions, finance regional programs of applied research and development on more effective solutions to Africa’s development challenges (including the imperative of adaptation to increasing climate variability), reinforce regional cooperation in tackling commonly shared problems and threats including strengthening food security and fighting communicable diseases and pests, and upgrade technical skills.

4.6 The Bank Group’s recognized comparative advantage and long experience in multinational operations place it in a good position to play a catalytic role in multinational operations, especially in infrastructure, where the Heads of State and Government Implementation Committee of NEPAD have assigned a lead role to the Bank. In the same vein, the Infrastructure Consortium for Africa, hosted and coordinated by the Bank, provides further scope for the Bank to strengthen its efforts in the mobilization of resources and creation of partnerships in support of regional infrastructure development.

4.7 It is worth noting, however, that the catalytic role that the Bank Group is opting for will be much more demanding than the previous operational thrust which was characterized by championing multinational operations of which the Bank or the Fund was the single or the dominant financier. At the same time, no institution – whether regional, bilateral, multilateral, or private – is currently providing the type of catalytic services for regional and multinational operations outlined in Section 3, above. Yet, the provision of that range of catalytic services would help to ‘crowd in’ private investment resources as well as significantly enhance the development effectiveness of the national and multinational operations of partner development agencies.

4.8 The Bank Group, however, cannot effectively fulfil this catalytic role unless it is able to secure enhanced backing and empowerment from its regional and non-regional member countries, as well as substantially increased funding of its multinational operations. As the majority of its RMCs are eligible to be financed only with concessional resources, there is a significant need for resources from the ADF window. Experience during the ADF-X cycle indicates that it would be feasible for the Bank to scale up its support for high priority initiatives aimed at promoting regional integration and regional infrastructure. It should be stressed that this is only a small fraction of the total requirement. The expectation, however, is that the Bank under its new strategic orientation in multinational operations would be able to use such funding to leverage a factor of at least 5 times of additional resources from other sources.
5. CONCLUSION

5.1 The Bank Group and member countries – both regional and non-regional – recognize the pivotal role that regional cooperation and integration can play in accelerating the development of Africa, reducing poverty, tackling shared development problems, and increasing the generation of global public goods. It has established a strong track record as a key role player in supporting regional integration and multinational operations over the past decade.

5.2 The Bank has strengthened its capacity to deliver multinational operations and play a more catalytic role in helping African countries to harness the opportunities of regional cooperation and integration. The growing demand to support and accelerate the regional integration process provides an opportunity for the Bank to further develop its support role, to harness its extensive expertise towards building strong development partnerships, and to scale up its investment activities.