



**IDA17**

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**IDA Support to  
Transformational Projects with Regional Impact**

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

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**Acronyms and Abbreviations**

AU	African Union
CRW	Crisis Response Window
DFID	Department for International Development
FCS	Fragile and Conflict-affected State
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IFC	International Finance Corporation
MDB	Multilateral Development Bank
MIGA	Multilateral Investment Guarantee Agency
MTR	Mid-Term Review
PIDA	Program for Infrastructure Development in Africa
PPP	Public Private Partnership
SAPP	Southern Africa Power Pool
SDR	Special Drawing Right
WBG	World Bank Group

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## EXECUTIVE SUMMARY

i. **In the last few years there has been an increased global effort to develop and implement regional transformational projects, particularly in the infrastructure sector.** The focus on regional transformational projects arises from the recognition that they have the potential to catalyze very large-scale benefits to improve access to infrastructure services beyond borders and promote joint action to tackle shared challenges. A number of initiatives are underway to help focus global attention to move potential regional transformational projects from identification to full scale development. At the global level, the G20 meeting in Mexico 2012 focused on transformational projects, and produced a list of priority projects for support in Africa. The G20 effort has been supported by the Multilateral Development Bank (MDB) Working Group on Infrastructure, which has stressed the need to unlock the potential of transformational projects with technical assistance and targeted financial support. In the Africa region, the Program for Infrastructure Development in Africa (PIDA), which was endorsed by the African Union (AU) in January 2012, provides the strategic framework for the continent's regional infrastructure development. A number of the transformational projects described in this note are included in the PIDA list of priority projects.

ii. **At the IDA16 Mid-Term Review (MTR), Management raised the issue of how IDA can expand its role in facilitating the preparation and implementation of regional transformational projects.** Since IDA13, IDA has provided support for this type of projects through its Regional Integration Program. Importantly, the Regional Program integrates a strong emphasis on leveraging external and internal partnerships, including with the private sector, and has leveraged over US\$3 billion in co-financing and parallel financing. However, IDA's ability to expand its role to further facilitate the preparation and implementation of regional transformational projects is being constrained by the following factors: (i) for projects that qualify for financing from the IDA national and regional program, the size of their financing needs often exceeds the resources available; and/or (ii) some projects do not qualify for financing from the regional IDA program because their physical implementation is only in one country and their national IDA allocation is not large enough – but they are expected to have a significant impact at the sub-regional or regional level.

iii. **At the IDA16 MTR, Participants agreed to further explore these issues during the IDA17 replenishment discussions.** The topic of transformational projects with regional impacts is linked to a number of themes that may be discussed in the course of the IDA17 replenishment negotiations. The issue of regional and transformational initiatives has been proposed as a special theme for the IDA17 replenishment negotiations.<sup>1</sup> The work on regional transformational projects would build on IDA's experience with the ongoing regional integration program. There are also important linkages to the issue of enhancing synergies across IDA, IFC and MIGA to help mobilize private sector participation and funding and address political, financial and other risks, to innovations in terms of financial instruments, and to IDA's ongoing efforts to strengthen the implementation and performance of the regional program and portfolio. The purpose of this background note is to set out the kind of issues that would need to be examined in greater detail in the coming months. This includes identifying what the constraints are with respect to IDA's

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<sup>1</sup> See IDA17 discussion paper, "Setting the Agenda for IDA17", February 2013.

existing policies and financing framework, as well as providing information on the type of projects that could be considered for financing in the course of IDA17. A full proposal on IDA's engagement in transformational projects could be submitted at the time of the second meeting of the IDA17 replenishment negotiations.



## I. INTRODUCTION

1. **At the IDA16 Mid-Term Review, Management raised the issue of how IDA can expand its role in facilitating the preparation and implementation of regional transformational projects.** Participants at the IDA16 MTR agreed to Management's proposal that these issues would be further explored during the IDA17 replenishment discussions. The purpose of this background note is to set out the kinds of issues that would need to be examined in greater detail. Specifically, Section II of the paper provides background on the broader issue of transformational projects with regional impacts, and how these are defined. Section III sets out the constraints that IDA is currently facing with respect to scaling up its engagement for these projects and the kinds of changes that may need to be considered for IDA to sustain and optimize its role. Section IV provides examples of transformational projects that IDA could potentially help develop and finance during the course of the IDA17 replenishment period.

## II. BACKGROUND

2. **In the last few years there has been an increased global effort to develop and implement regional transformational projects, particularly in the infrastructure sector.** The focus on regional transformational projects arises from the recognition that they have the potential to catalyze very large-scale benefits to improve access to infrastructure services beyond borders and promote joint action to tackle shared challenges. In particular, it reflects the recognition that the infrastructure deficit in IDA countries is a basic impediment to development and that regional solutions are needed given the large financing requirements necessary. For instance, estimates indicate that investment needs in the power sector in sub-Saharan Africa alone will nearly triple, from US\$4.9 billion to US\$13.8 billion over the period 2012-2030. Roads will require an estimated US\$11.2 billion of investment in 2030. In addition, some regional projects can have significant transformative impact for regional resilience and disaster risk management, river basin management, cross-border habitat protection/biodiversity and multi-country coastal zone management and fisheries.

3. **A number of initiatives are underway to help focus global attention on the issue and to move potential regional transformational projects forward from identification to full scale development.** At the global level, the G20 meeting in Mexico 2012 focused on transformational projects, and produced a list of priority projects for support in Africa. The G20 effort has been supported by the Multilateral Development Bank (MDB) Working Group on Infrastructure, which has stressed the need to unlock the potential of transformational projects with technical assistance and targeted financial support.<sup>2</sup> In the Africa region, the Program for Infrastructure Development in Africa (PIDA),<sup>3</sup> which was endorsed by the African Union (AU) in January 2012, provides the strategic framework to the continent's regional infrastructure development and a number of transformational projects are included in its list of priority projects.

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<sup>2</sup> Infrastructure Action Plan: Submission to the G20 by the MDB Working Group on Infrastructure, October 2011.

<sup>3</sup> The Program for Infrastructure Development in Africa (PIDA): Interconnecting, integrating and transforming a continent (January 2012).

4. **While there is increased attention and focus on regional transformational projects, there is not a globally agreed definition of a transformational project.** Various development partners use slightly different definitions, to align with their strategies and development objectives. The MDB Infrastructure Action Plan submitted to the G20 highlights a few criteria to guide the identification and prioritization of regional transformational/catalytic projects, including:

- Regional Integration (RI) – the extent to which the project brings about RI;
- Political Support – the extent to which the project has been officially endorsed;
- Transformation – the magnitude of the project’s potential development impact and the extent to which it promotes environmentally and socially sustainable development;
- Maturity – how far along the project is in the preparation process;
- Institutional capacity – the capacity of the relevant institutions that will implement the project; and
- Private Sector Potential – the project’s potential to raise private sector financing.

5. **There are certain characteristics of regional transformational projects that are fairly common across the various initiatives.** A transformational project implies major positive improvements to some binding constraint that will enable a fundamental change in a country. For “regional transformational projects”, these positive impacts are expected to have very significant spill-over benefits beyond borders, namely at the sub-regional or regional level. These are not “business as usual” projects, but interventions that cause significant structural and sustainable change in a positive manner. Generally these projects: (i) significantly affect supply prices (or resource cost in some form, e.g. time); (ii) reap large economies of scale or other efficiencies by acting collectively in the pursuit of common objectives to increase regional/sub-regional supply capacity and improve access to market; and (iii) affect a large number of people. For the purposes of the present paper regional transformational projects refer to projects with significant transformational impact: (1) on three or more IDA countries (or two if one is a fragile and conflict-affected state, FCS); or (2) whose physical implementation is only in one country but are expected to have a significant impact at the sub-regional or regional level. According to this definition, regional transformational projects align very well with the IDA’s ongoing regional integration program.

6. **Regional transformational projects are characterized by very complex designs (including challenging safeguard requirements), require significant financing, and often take place in difficult and risky environments.** As a result, the private sector is often not forthcoming in engaging alone in the early phases of these projects given the large upfront costs required to determine their feasibility or the significant political and financial risks involved. Despite these challenges, these projects have very large potential spill-over benefits at the sub-regional or regional level. For instance, the development of Nepal’s estimated 80,000 MW+ hydropower capacity offers the country with the most tangible opportunity for transformational development and would help address South Asia’s crippling energy shortages. It would also contribute significantly to reducing India’s and South Asia’s dependence on costly and polluting oil and coal resources. The large size of the project financing requirements (US\$1-2 billion), even when including funding from other sources, is beyond IDA’s regular allocation of resources for Nepal, and since the physical implementation of the project would be primarily within Nepal, the project would not qualify for accessing IDA regional program funding. Similarly, the



Mozambique regional transmission project (US\$5 billion) would help link the energy resource rich region of Mozambique with power demand centers in the Southern Africa Power Pool (SAPP), thus delivering least cost power for the country and the entire sub-region and helping substitute for high carbon generation. The Central Asia-South Asia Electricity Transmission and Trade project (US\$1 billion) would facilitate the export of 1,300 MW of already available summertime surplus energy from Tajikistan and the Kyrgyz Republic to Afghanistan and Pakistan, saving the importing countries US\$300-400 million in oil costs and helping relieve regional power shortages. It would also facilitate private investment to develop Afghanistan's and Central Asia's clean energy sources (especially hydropower and natural gas) to serve South Asia's rapidly growing energy demands and investments in Afghanistan's mineral deposits.

7. **In this context, countries are asking IDA to play a leading role in the preparation and implementation of several of these complex projects given its unique offering of financing, knowledge and partnerships.** IDA has a unique comparative advantage in many areas of the regional integration agenda. The engagement of IDA can help mitigate risks from investing in difficult environments and mobilize large financing (through its own and the leveraging of others' financing). Its global experience enables cross-regional learning and introduction of global best practice. IDA's cutting edge analytical work and technical assistance across the sectoral spectrum provide vital knowledge to spark regional policy debate and inform strategic planning and operational design. It also serves as a valued asset and entry point for dialogue and long-term engagement and partnerships with national governments, regional institutions and other donors. IDA provides high standards of due diligence and offers strong advisory services through its depth of skills and presence on the ground to craft innovative and targeted solutions to complex project design and implementation issues, as well as help improve the broader sector environment and project impact on communities.

8. **In these projects, IDA works closely with other financiers given its global reach and long-standing partnership with regional development banks, bilateral donors and the private sector.** The Bank was one of the first development institutions to operate regionally on a large scale and has had long experience in regional integration. Lessons learned from this experience have helped inform its strategy going forward and the innovations and staffing strategies currently being rolled out to position the Bank as a practice leader on innovative new approaches to speed regional project delivery, improve project management and attract significant private sector financing for regional programs. The Bank's leadership has also helped encourage other development partners to scale up their regional programs and collaboration in a significant way and IDA increasingly co-finances projects with other regional development banks. In this context, Table 1 details the significant co-financing on regional projects with the African Development Fund (AfDF)/African Development Bank (AfDB).

**Table 1: IDA Co-financing on Regional Projects with the AfDF/AfDB**

<b>FY of Commitment</b>	<b>Project Name</b>	<b>IDA Financing (US\$)</b>	<b>ADB/AfDF Financing (US\$)</b>
2007	Southern Africa Power Pool: Regional and Domestic Power Market	579.9	85.5
2011	Regional Trade Facilitation Project II	27.5	16.5
2012	West Africa Power Pool: APL 4 Phase 1 (CSLG Power Network)	176.0	133.1
2013	East Africa Power Pool: APL1 Eastern Electricity Highway (Kenya-Ethiopia Interconnector)	684.0	354.3
2007	East Africa Trade and Transport Facilitation APL 1	229.0	15.8
2007	CEMAC Transport and Transit Facilitation	655.0	169.5
2006	Senegal River Basin Water Resources Management	110.0	2.0
2008	Niger Basin Water Resources Management: APL 1	186.0	34.0
2013	Niger Basin Water Resources Management: APL 2A (Kandaji)	203.0	104.7
2005	West Africa Power Pool: APL 1 Phase 1	40.0	50.0
2006	West Africa Power Pool: APL 1 Phase 2	60.0	80.0
2008	West Africa Trade and Transport Facilitation	190.0	100.0

### **III. KEY CONSTRAINTS FOR IDA SUPPORT TO REGIONAL TRANSFORMATIONAL PROJECTS**

9. **IDA is already engaged in supporting the financing and implementation of transformational projects through its regional integration program.**<sup>4</sup> Since its launch in IDA13, the regional program envelope has grown from SDR304 million (US\$435 million) to SDR1.5 billion (US\$2.25 billion) in IDA16. For the IDA16 period, 75 percent of the resources (SDR1.125 billion) have been provided to Sub-Saharan Africa where there is a significant need and demand for regional projects, while the remainder (SDR375 million) targets growing demand in other regions. About half of the portfolio commitments and the projected pipeline are targeted towards fragile and conflict-affected states. In addition, the regional program has increased its focus and support to land-locked countries as well as small island states. The regional IDA portfolio is performing well, and some of the early challenges highlighted in various reviews have been successfully addressed. Demand for regional projects continues to increase and the pipeline for the IDA16 period is over-programmed with a large list of stand-by projects ready to be delivered by end of FY14, if additional resources become available. It is against this background that Management is seeking to augment resources for the regional program with a reallocation of SDR315 million of unused resources from the Crisis Response Window (CRW).<sup>5</sup>

<sup>4</sup> See IDA16 Mid-Term Review discussion paper “IDA Regional integration program: Progress Update and Review of the Provision of Grants to Regional Organizations”, October 2012.

<sup>5</sup> See IDA17 discussion paper “Issues Remaining from the IDA16 Mid-Term Review. February, 2013.

10. **IDA's regional program is however constrained in two important ways.** First, the available resources are limited relative to demand and the scale of financing needed for many regional transformational projects. Second, the eligibility criteria for regional projects require the participation of three countries (or two, if one is an FCS). This means that large transformational projects where the works are located in one country (such as a large hydroelectric project) are currently not eligible, even when there are very significant positive regional spillover effects. The financing needs for these projects are often very large, thus limiting IDA's ability to participate in their financing with only resources from the country's IDA allocation.

11. **Moving forward on the regional transformational project agenda will require actions to address these two constraints.** Management's view is that there is no need to consider an additional financing window for transformational projects; rather what is needed is to consider adjusting the eligibility criteria in order to pilot transformational projects under the regional program financing window and to augment the amount of financing available. Specifically, it would be necessary to revise the eligibility criteria so that financing of transformational projects that only cover one IDA country would be allowed, as long as the impact/benefit covers three or more countries (two, if one is an FCS). The other criteria for accessing regional IDA funds would remain the same, thus the regional nature of the program is safeguarded by the fact that proposed transformational projects must have cross-country impact and spill-overs, would still require close alignment with regional strategies, and be supported by regional institutions and development partners. It is therefore not envisioned that this modification would have a major impact on the type of projects that are currently being financed, except it would allow IDA to engage more fully on a few selected large and highly transformational projects, which are fully aligned with the current objectives of the regional IDA program. With respect to financing, it is clear that additional resources will be needed, both to meet existing demand for regular regional projects, and to be able to scale up support for large regional transformational projects.

12. **Given the high demand for regional resources, and the often very large size of regional transformational projects, increased efforts will be required to target scarce IDA resources for the purpose of leveraging financing and partnerships from other international financial institutions and the private sector.** Specifically, IDA's role will have to increasingly shift from financing a finite regional investment to that of using IDA resources (financing, knowledge and partnerships) to catalyze support from other development partners. While this is true for all (regional and national) projects that IDA supports, it is particularly critical for the regional transformational projects whose complexity and financing requirements cannot be addressed by any financier alone. This will require:

- closer engagement across IDA, IFC and MIGA to help mobilize private sector participation and funding and address political, financial and other risks, including through the full use of their financing instruments (credits, guarantees, risk insurance, etc.); indeed, the expectation is that regional transformational projects would be supported by the WBG in an integrated and synergistic manner. In addition, ongoing efforts to expand IDA's guarantee instruments will help improve IDA countries' access

to market funding, particularly for infrastructure where financing needs remain large.<sup>6</sup> In this connection, support for Public Private Partnerships (PPPs) is particularly relevant, providing private sector financing, innovation and efficiency along with support for countries to improve the planning of public investments, procurement, and the incentive and regulatory frameworks for key industries. The WBG is well positioned to help IDA countries establish PPP delivery mechanisms by leveraging its capacity to support this agenda from priority setting to policy formation and governance to projects/transactions across sectors. As one World Bank Group, the combined competencies of IDA, IFC and MIGA present IDA countries with a cohesive package of catalytic financing and technical advisory support to meet diverse and evolving needs.

- enhanced collaboration with other international financing institutions, especially regional development banks which have an important complementary role to play, bilateral donors and other financial institutions; this will require enhanced joint long-term planning and partnerships.
- for large transformational projects, focusing scarce IDA's resources on project preparation up to the selection of a private developer/operator. This will help determine project feasibility in what are often very risky environments in which private sector involvement may not be forthcoming in the early stages. Funding could cover pre-feasibility and feasibility studies, environmental and social impact assessments, preliminary engineering design, technical testing and the cost for bidding and selection of the private sector developer/operator. Financing could be structured so that if a project were to reach financial closure, then the private sector developer/operator would repay the costs financed by IDA within a specified period of time, after which the IDA credit would convert to grant terms.
- continued efforts to strengthen the implementation and performance of the regional IDA program and portfolio. As discussed in the paper provided for the IDA16 Mid-Term Review,<sup>7</sup> there have already been very significant improvements in the performance of the regional IDA portfolio. Areas of continued management focus include tailoring the design and scope of projects to the capacity of national and regional institutions, ensuring readiness at entry, careful attention to the political economy context to mitigate risks and

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<sup>6</sup> In light of market developments and new opportunities to mobilize development financing, and as part of the modernization of the World Bank's Operational Policy on guarantees, a proposal is being developed to extend IDA's guarantee products to include Partial Credit Guarantees (PCG) and Policy Based Guarantees (PBG), in addition to the existing Partial Risk Guarantee (PRG). Following a discussion of an Approach Paper on this proposal by the Board's Committee on Development Effectiveness (CODE) in October 2011 and external consultations, a final paper will be put forward to CODE and the Board in 2013. In addition, as noted in the CODE Approach Paper, the Bank plans to further align the guarantee policies with lending policies, to facilitate the use of guarantees and encourage further leveraging of IDA's resources by mobilizing private and other resources. Also, alignment of environmental and social safeguards for private sector projects among WBG institutions was approved by the Board on June 26, 2012 to facilitate WBG collaboration, including for guarantees. The Bank continues to provide a series of training sessions on public-private partnership projects to increase awareness for the guarantee instruments internally and externally.

<sup>7</sup> See IDA16 Mid-Term Review discussion paper "IDA Regional Integration Program: Progress Update and Review of the Provision of Grants to Regional Organization." October 2012.

ensure commitment, and regularly conducting in-depth project performance reviews to identify and address implementation bottlenecks.

13. **IDA will also reflect lessons from experience with large scale transformational investment.** It should be noted that, without careful attention, the benefits of large scale, transformational investments can bypass local communities and the most vulnerable populations. IDA's approach and strategy takes into account lessons learned from experience to ensure maximum stakeholder ownership and benefit when financing large scale infrastructure operations. This means paying close attention to environmental and social safeguards - ensuring extensive consultation and responsiveness to local concerns and focusing not only on mitigation measures to prevent harm but actively incorporating new opportunities and benefits for local populations. Practical examples include designing transmission lines with more sub-stations than would be technically needed to export power over long distances - enabling electrification of local grids rather than bypassing local communities; approaching water resource development from a multi-purpose perspective - not only building hydropower plants but also incorporating flood control, irrigation, agriculture and livelihoods development for riparian communities; and incorporating HIV/AIDS awareness and treatment and road safety initiatives with regional transport corridor investments to empower and protect populations at risk.

14. **On these financing and other issues, Management will provide a precise assessment of financing implications at the time of the second meeting of IDA17.** Beyond the issue of the volume of financing, Management would be looking at innovative ways to finance regional transformational projects, in line with what is described above, including to catalyze both public and private investment. Management will explore all options to determine what type of financing is required and that can be provided, at what stage of the project preparation cycle, and how project financing can be leveraged, in particular working closely with the private sector.

#### **IV. ILLUSTRATIVE EXAMPLES OF REGIONAL TRANSFORMATIONAL PROJECTS**

15. **Since the IDA16 MTR there have been a number of internal consultations in the Bank involving the regions, IFC and MIGA in order to identify potential regional transformational projects.** A key feature of these discussions has been to identify projects where IDA, together with IFC and MIGA, has been asked to play an important role, providing comprehensive WBG support, in close coordination with other development partners. The list provided in Table 2 below is illustrative of the kind of projects identified, and is not meant to be comprehensive (e.g., it may exclude projects for which sufficient information on project design, financing needs, etc., is currently not available). It should be noted that the list includes some projects mentioned in the IDA17 discussion paper "Issues Remaining from the IDA16 Mid-Term Review". This is because these are part of a pipeline of regional projects whose funding requirements largely exceed available financing (even after the proposed reallocation from CRW resources for the remainder of the IDA16 period (see para. 9 of this paper). The list will be further analyzed as part of the preparations for the second IDA17 meeting in order to determine the status of preparation, financing requirements and other considerations related to each project. Given the limited funds available, and the substantial funding required for these types of

projects, a strict selectivity process will also need to be established, in order to ensure a focus on truly regional transformational projects that will deliver results and impact for the poor.

**Table 2: Illustrative Regional Transformational Projects**

Project name	Tentative Program/ IDA cost	Project Information
Africa Hydromet Enhancement Program	US\$1 billion/ TBD	The project would aim to improve the information infrastructure and institutional capacity in Africa for weather and hydrologic forecasting and information access. It is expected to fill a critical void in international support for Africa to adapt to existing climate variability and future climate change. The objective is to improve performance of existing water investments (e.g., storage, hydropower, irrigation), and enhance resilience to floods, droughts, and other natural disasters. IDA is placed as a key development partner for this project given its involvement in all the key related institutions and the interface of such a project with similar national-level activities already under IDA/IBRD/TF financing.
Lake Chad Sustainable Water and Land Mgt. Project	US\$300 million/TBD	More than 22 million people depend upon the Lake Chad basin's resources to support a wide range of economic activities including recession agriculture, pastoralism, forest regeneration, fish breeding and production, and drought security. The symbiotic relationship between poverty and environmental degradation is particularly strong in the Lake Chad basin with arid conditions coupling with human pressures such as deforestation and unsustainable agricultural practices to exacerbate desertification. Measures to tackle the environmental issues are severely limited by regional poverty. The basin's population has to deal with the consequences of the shrinking of the lake and its associated aquifers, such as declining perennial vegetation and increased vulnerability to erosion. Lake Chad is 10 percent of the size it was 40 years ago (2,500 of 25,000 km). A possible project would include the following components: i) ecosystems and biodiversity systems; ii) enhancing livelihoods; and iii) understanding the hydrological systems.
Mozambique Regional Transmission Project	US\$5 billion/TBD	The project would include the construction of two high-voltage transmission lines and the first power generation project on the Zambezi River to use the STE to link the energy resource-rich central (Tete) region of Mozambique with the major regional power demand in the Southern Africa Power Pool (SAPP). The transmission lines would deliver significant quantities of least cost power for Mozambique and the wider region (SAPP). Furthermore, the significant quantities of power for the region would be low carbon power – potentially substituting for high carbon generation. IDA has so far allocated US\$150 million from country and regional IDA allocations to be structured as government equity contribution and Partial Risk Guarantees (PRGs), but this is far short of the funding requested from IDA. Whilst IDA is seen as the lead development financing institution supporting the project, a number of other development finance institutions (DFIs) have also expressed their intention to support the project. IFC has also been approached by EdF to play a role, specifically to finance the Mphanda Nkuwa hydropower plant. Even with this additional financing, there would still be a significant financing gap and the project would be structured as a Private-Public Partnership to raise commercial financing to cover the gap. The World Bank Group's contribution, together with DFIs, will likely need to leverage in the region of US\$4 billion (debt and equity). IDA would need to offer both credits and Partial Risk Guarantees to effectively support the leveraging of the required amounts of financing.

Zambezi River Basin Development Program	US\$3-4 billion/TBD	This 1,600 MW hydro-power project is situated on the Zambezi River across the boundary between Zambia and Zimbabwe, approximately 54 km downstream of the Victoria Falls and upstream of the existing Kariba Dam Batoka Gorge Hydro-Electric Scheme (HES). With the persistent power constraints to regional economic prosperity, the development of water resources within the Zambezi River basin presents a unique opportunity to advance regional integration through development of strategic hydropower basin investments.
Inga III	US\$10 billion/TBD	With half of the continent's water resources, the Democratic Republic of the Congo (DRC) has a hydro-power potential of 100 GW. With 40 GW, Inga alone is the largest hydropower sites in the world and one of the continent's most cost-effective power sources (at an estimated overall cost of about US\$0.02/kWh). Inga's development will allow for a transformational reduction in power costs both within DRC and across the sub-region through export to the Southern Africa Power Pool (SAPP). Inga III is the next phase of the Inga site development, with an expected generation capacity of 4.5 GW and a total investment cost estimated at US\$10 billion. Inga 3 would later be followed by the Grand Inga development, increasing generation capacity at the site to 40 GW. The Africa Infrastructure Country Diagnostic Study estimates that the displacement of thermal generation with cost-effective hydropower from DRC could save the SAPP region US\$1.1 billion annually in power costs and reduce the long run marginal cost of power from US\$0.07 to US\$0.06 per kilowatt-hour or 5 percent overall. The largest benefits would be felt by small countries with thermal-based systems, which could save as much as US\$0.05 per kilowatt-hour or more than 40 percent of power costs overall. The shift to cleaner energy would reduce regional carbon emissions by a significant 41 million tons annually.
Central Asia-South Asia Electricity Transmission and Trade Project (CASA-1000)	US\$1 billion/TBD	This regional project would include: the Kyrgyz Republic, Tajikistan, Afghanistan and Pakistan - and is at an advanced stage of preparation. It would be a transformative project for both Central and South Asia by (i) setting the stage for a much greater degree of energy trade between the two regions, eventually linking energy supplies between the Urals and South Asia; (ii) establishing Afghanistan's role as a viable transit country, leveraging a key comparative advantage and enhancing the country's growth prospects; (iii) ensuring a steady source of revenue from power exports for Tajikistan and the Kyrgyz Republic, which could help alleviate the existing acute winter energy shortages; and (iv) alleviating severe electricity shortages in Pakistan and Afghanistan during the peak summer season and reducing the country's dependence on costly oil-based generation. This approximately 1,300 km electricity transmission project would facilitate the export of 1,300 MW of already available summertime surplus energy from Tajikistan and Kyrgyz Republic to Afghanistan and Pakistan, saving the importing countries about US\$300-400 million in (imported) oil costs and relieving power shortages, strengthening mechanisms for dependable transit through Afghanistan (a natural comparative advantage of this landlocked country), and alleviating fiscal and financial stress in all four countries. Should the project succeed in establishing the methods for ensuring safe passage through the sub-region (in this case for electricity), it will facilitate private investment to develop Afghanistan's and Central Asia's clean energy resources (especially hydropower and natural gas) to serve South Asia's rapidly growing energy demands, and also investment in the development of Afghanistan's mineral deposits.
Nepal Hydropower Development	US\$1-2 billion/300-600 million	The sustainable development of Nepal's estimated 80,000 MW+ hydropower capacity offers the country the most tangible opportunity to eliminate poverty and will also have major impact on the sub-region, by relieving its crippling energy shortages and reducing India's and South Asia's dependence on costly and polluting oil and coal resources. IFC and IDA would support projects with a total capacity of 500-1000 MW (US\$1-2 billion), with IDA providing about 30 percent of the financing (US\$300-600 million). IDA funds for this breakthrough opportunity would enable the WBG to play

		a catalytic role to mobilize significant private investment into this fragile country, and have a transformational impact for the sub-region.
Central Asia Regional and Local Transport Connectivity Program	US\$310-390 / 270-320 million	This program would help reconfigure the economic geography of Central Asia and the region's connectivity to Russia and Asia. This project would help enhance transport connectivity and integration while developing sustainable and efficient transport solutions through: (i) financing the rehabilitation of priority road links complementing the on-going CAREC program in transport; (ii) implementing at pilot sites a set of measures to ensure sustainability and efficiency of the infrastructure investments (e.g., maintenance, safety); (iii) strengthening mechanisms of interaction between road users (trading community and local population) and public agencies providing services; and (iv) developing a strategy and action plan with specific measures which could further increase the efficient movement of goods and people across borders.
Port and Border Inter-connectivity between Honduras-Nicaragua and other Central America's countries	TBD	This project would improve the trunk roads linking markets to the region's major Atlantic ports (particularly Puerto Cortés in Honduras) and improve productivity for producers throughout the region utilizing the ports (from Guatemala, El Salvador and Nicaragua, respectively). Investments would include building more climate resilient roads and bridges (Hurricane Mitch in 1998 is estimated to have destroyed 70 percent of Honduras' transport infrastructure). The project could support speedways that allow trucking traffic to bypass major metropolitan areas (principally Tegucigalpa) and associated gridlock which would reduce transit times and costs. Border crossing infrastructure, including the construction of parking lots and additional lanes for trucks in the "Las Manos" and "El Espino" border crossings, would improve efficiency of transport. A real-time GPS trucking system for cargo would also play an important role reducing transit times to and from Puerto Cortés and at border crossings.
Integrated Disaster Risk Management and Financing (Central America)	TBD	Honduras and Nicaragua, along with the rest of Central America, are affected by adverse natural events, and are among the most disaster prone countries in the world. There is a need to find more efficient ways to reduce existing vulnerability to natural hazards, to better manage disaster risk in decision making processes, and to find efficient financial tools to manage budgetary and fiscal variability associated with natural hazard shocks to the national economies. Two needs in this context would benefit from IDA support: (i) capitalization of regional technical assistance fund, and (ii) Participation of Honduras and Nicaragua in the Caribbean Risk Insurance Facility.
Geothermal development in Nicaragua and Honduras	TBD	The Electric Interconnectivity System for Central America (SIEPAC) was finalized in 2010, creating an integrated energy market from Guatemala to Panama. The economies of Central America still rely heavily on imported fossil fuels though the region has great potential to develop its own renewable energy endowment (notably hydro and geothermal). Based on current knowledge, Nicaragua is believed to have the largest geothermal potential in Central America and there is considerable interest on the part of the Government to develop the resources. Geothermal development in Nicaragua initially took place under the auspices of the Government-owned power company, ENEL. However, with the electricity sector reforms of the 1990s, the private sector has been tasked with geothermal development. Geothermal development in Honduras has followed a similar approach to Nicaragua, with the Government providing concessions to private companies for the development of the resource. In both countries, establishing public-private partnerships through which costs are shared with the private sector until exploration has determined the feasibility of developing a particular field may reduce the private sector hesitance to assuming the risk and high costs of entry to this market. In Honduras, funds could be used to identify the proven deposits. Once online, installed energy capacity can take advantage of the Regional Energy Infrastructure (SIEPAC) for electricity sharing.