

PPIAF Supports Regional Integration to Deliver Infrastructure Services

Regional integration can play a role in accelerating economic growth, promoting peace and stability, and achieving sustainable development goals in developing countries. By breaking down physical, political, and economic barriers in isolated economies and taking advantage of synergies of regional collaboration, developing countries can unleash their full potential.

Regional integration depends heavily on regional infrastructure, which is essential for dealing with development constraints in small and fragmented markets. Regional infrastructure projects take advantage of economies of scale, reduce costs of services, and facilitate international trade to boost sustainable economic development. They link centers of consumption with remote areas of production, connect national infrastructure networks to facilitate trade of goods and services, and support mobility of people and information.



Despite the obvious benefits of developing better regional infrastructure networks and services, little actual investment in such projects has been realized, in part because regional projects are notoriously complex and time consuming. In Africa, for example, agreement on the urgency of advancing regional integration is widespread, but national governments tend to pursue their own objectives rather than focus on regional priorities. Regional Economic Communities abound in Africa—there are 14—and have made progress toward achieving free trade, custom unions, and increased connectivity. However, advancement towards actual harmonization and integral regionalization has been slow.

The private sector can play a crucial role in supporting the development of regional infrastructure by increasing project effectiveness and mobilizing financing from multiple parties. The private sector can also bring in technical know-how and the technology required to structure and implement these complex projects. **However, preparing regional public-private partnership (PPP) projects requires considerable foresight, planning, and coordination by and among national and international entities.** Securing the long-term, enduring commitment of the respective governments and institutions is also a challenge. These projects require highly competent teams in charge of preparing the corresponding projects and launching the bidding processes, as well as overall legal and regulatory frameworks that are harmonized among the different countries involved, to provide the transparency, stability, and predictability necessary for private involvement.

PPIAF provides support to governments to help them address key issues associated with PPP regional infrastructure projects. **With its significant experience in creating and strengthening the enabling environment for infrastructure PPPs, PPIAF is well positioned to assist governments with:**

- Harmonization of policies and regulations to make a regional project feasible and attractive to private participation
- Consensus building to foster knowledge exchanges that share good practices and lessons learned about regional infrastructure projects across sectors and regions
- Designing frameworks to coordinate the activities of national PPP units with regional planning and preparation entities operating on a supra-national level, such as power pools, corridor authorities, and regional economic communities
- Preparation of pioneering transactions that have a strong demonstration effect and could be replicated in different countries and sectors



Experience

PPIAF has experience in supporting upstream activities benefitting regional infrastructure projects and initiatives such as the Mozambique–South Africa Gas Pipeline, Central Asia–South Asia regional electricity trade project, Southern and West Africa Power Pools, and Mtwara Development Transport Corridor. PPIAF has also provided support to regional regulators to set-up various regional regulatory associations around the world. Its multi-sector and multi-regional experience plays a critical role in fostering knowledge exchanges to share good practices and lessons learned on regional infrastructure projects.

Box 1: Examples of PPIAF activities in support of regional integration

Harmonization of policies and regulations
Economic Community of Western Africa: harmonization of telecommunications policies to liberalize the telecommunications market
Southeast Europe: development of legal and institutional framework to support the creation of a regional gas market with private participation
Caribbean: regional energy strategy identifying viable private sector-driven alternative energy solutions
Pacific Islands: options for developing a regional resource center and technical advisory facility for telecommunications
Pioneering regional transactions
Central Asia–South Asia: project structuring and legal advisory for the regional electricity trade project
Central Africa: assessment of technical requirements on the Central Africa Backbone broadband network
Nile Basin countries: development of a Nile Basin Power Forum Regional Power Initiative to support regional power market
Southern Africa: financial feasibility study for the Inga III hydroelectricity plant in the Democratic Republic of Congo and its related transmission corridor link to the Southern Africa Power Pool
Mtwara Development Transport Corridor (Malawi, Mozambique, Zambia, and Tanzania): preparation of infrastructure projects with private sector participation
Capacity and awareness building
Regional regulatory associations: disseminating best practice in infrastructure regulation at the African Forum for Utility Regulators, East Asia Pacific Infrastructure Regulatory Forum in East Asia and the Pacific, South Asia Forum for Infrastructure Regulation in South Asia, and Association of Regulatory Entities in Water and Sanitation in Latin America
West Africa: preparation of templates for implementation of West Africa Power Pool priority projects
Global: review of the role of regulation in the creation of regional infrastructure markets in Africa, Latin America, and Europe

PPIAF can also provide substantial support to governments to address emerging regional integration challenges by:

- Strengthening the capacity of sector ministries to develop or strengthen strategic planning capacity for their sectors, especially in energy, so that potential regional projects can be identified earlier in the process, consultations and project preparation can start earlier, and the credibility of a viable set of bankable projects can be increased
- Designing and enforcing sensible rules and regulations along transport corridors, as countries sharing transport corridors often have major difficulties in eliminating multiple road controls, enforcing truck weight limitations, and agreeing on how to allocate the costs of road maintenance and expansion among road users
- Incorporating climate change mitigation and adaptation measures in the development of a pipeline of regional infrastructure projects