

Box 1: The Role of the Pilot in Providing Economic and Reliable Infrastructure: The West Africa Power Market Development Project

Shop-floor productivity in west Africa in some sectors can match productivity in Asian countries. But infrastructure costs associated with transporting and marketing product can be three times higher in Africa, throttling competitiveness. Private companies identify power supplies as the most difficult problem. The objective of West Africa Power Pool is to develop a regional power market that delivers supply more cheaply and more reliably than countries are able to achieve working alone. Developing the Power Pool is an initiative inherently regional in character. Many of the projects involved are beyond the financial means of the country where they are located, and often need to be dimensioned larger than required for domestic needs to achieve economies of scale. Similarly facilities such as transmission lines provide reliability benefits to pool countries, not just where the line is located. It would not be possible for IDA to support the creation of this significant regional asset without regional resources and regional instruments. While Power Pool investments invariably are located in one country or another, their rationale and viability makes sense only in a regional context, including through complementary investments to be undertaken subsequently in other countries.

Specific objectives of the West Africa Power Pool are to: (i) Improve supply reliability through sharing technical back-up capacity using additional transmission interconnections; (ii) Reduce generation costs through using economic sources of power within the region, by creating markets large enough to warrant project development (for example hydro projects in the Guinea Highlands); (iii) Assist in mobilizing needed private investment, through diversifying perceived political and market risk; (iv) Reduce countries' reliance for power generation on increasing expensive imported oil and diesel fuel in favor of less expensive endogenous resources (natural gas as well as hydroelectricity.) The end results will be significantly lower costs for consumers and better supply reliability; hence more competitive power supply for manufacturing industry. Compared with costs of supply from separate national systems of US 15-25 cents per kWh, the Power Pool can provide supply at US 8-10 cents per kWh.

Support provided by the regional pilot through the West Africa Power Market Development Project is strengthening coastal transmission to improve supply security and promote power trading. A second phase of support in FY06 is commencing rehabilitation of hydro generation. A third phase, assisting with additional regional generation is planned for FY08. Partners to date include ADB, EIB and the West Africa Development Bank.