

AFRICAN DEVELOPMENT BANK

INDICATIVE FINANCING PROGRAMME

AND BUDGET FOR 2006

AFRICAN WATER FACILITY

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LIST of ACRONYMS

ADB	African Development Bank
ADF	African Development Fund
AMCOW	African Council of Ministers
AWF	African Water Facility
CBOs	Community Based Organization
EU	European Union
ECOWAS	Economic Community of West African States
GC	Governing Council
GWP	Global Water Partnership
IDB	Islamic Development Bank
IWRM	Integrated Water Resources Management
JMP	Joint Monitoring Programme under WHO/UNICEF
LFA	Logical Framework Analysis
MDG	Millennium Development Goals
M&E	Monitoring and Evaluation
NEPAD	New Partnership for Africa's Development
NGO	Non-Governmental Organisation
PRSP	Poverty Reduction Strategy Paper
RBO	River Basin Organizations
REC	Regional Economic Communities
RMC	Regional Member Country
RWSSI	Rural Water Supply and Sanitation Initiative
STAP	Short Term Action Plan (under NEPAD)
TWRM	Transboundary Water Resource Management
WHO	World Health Organisation
WRM	Water Resource Management
WSS	Water Supply and Sanitation
WSP	Water and Sanitation Programme (of the World Bank)
WWC	World Water Council

1 INTRODUCTION

1.0.1 In line with the Operational procedures of the African Water Facility (AWF) approved by the Board of Directors on 19 October 2005, the budget proposals of the Facility are submitted to the Board for approval, after consultation with the Governing Council, in accordance with the overall Bank schedule. The ADB contribution to the AWF budget is included in the ordinary 2006 Bank budget submitted to the Board for consideration. The present 2006 Budget of the AWF is related to the use of resources from the other donors contributing to the AWF Fund.

1.0.2 The Instrument Establishing the African Water Facility states that “The Governing Council shall be responsible for determining the general policy direction of the Water Fund. In this regard, the Governing Council shall approve the operational focus of the Fund and the proposed areas of intervention”. In line with this mandate, the Governing Council considered and approved the Operational Programme 2005-2009 of the African Water Facility (AWF) at its second meeting on the 31st October 2005. The Programme was distributed to the Board members for information. The Governing Council also review the operations to be financed in 2006 as derived from the five-year programme, including the administrative expenses budget required to implement the operations in 2006. The Governing Council insists of the main objective of the AWF that is to pool resource for investments in Water infrastructure in Africa. Therefore, all the facilitations should aims to attract more resources, and the Facility should also start investments in small scales projects. The present proposed budget has taken account the comments received from the Governing Council.

1.0.3 The purpose of this document is to submit, after the views of the Governing Council, the 2006 indicative financing programme and administrative budget to the ADB Board for approval. The current document contains i) the basis and operational priorities for 2006 and ii) the 2006 indicative financing programme and iii) the administrative expenses budget for 2006. The implementation of the 2006 operations programme will be subject to quarterly progress reporting as well as the annual report, which will be distributed to all the AWF stakeholders.

1.0.4 As indicated above, the Operational programme 2005-2009 has being distributed to the members of the ADB Board of Directors. By way of a reminder, the main objective of the AWF is to attract and make effective use of increased and appropriate investments needed to achieve the national and regional water and sanitation targets. This implies providing support to improve the enabling environment for sustainable national and regional water resources management, to prepare projects and programmes for immediate capital investments, and to provide resources for strategic direct investments. To realise this, all interventions under the Facility will focus on achieving the following three main outcomes:

- **Improved Integrated Water Resources Management (IWRM);**
- **Improved Transboundary Water Resources Management (TWRM);**
- **Increased Water Sector Investments**

1.0.5 To be able to achieve these outcomes, three corresponding core components or areas of interventions have been identified and include the following:

- i) Implementation of National IWRM;
- ii) Transboundary Water Resources Management (TWRM); and
- iii) Capital Investments.

Indicative cost estimates of the five year operational programme have been made to establish the financial requirements to support resources mobilization efforts, and build-up a credible annual work programme. The cost for the overall programme implementation from 2005 to 2009 is estimated to be EUR 500 million.

1.0.6 The resources of AWF will be allocated to the three strategic components that translate the goals and objectives and the institutional mandate into the outcomes. Interventions will be made under two cross-cutting components to provide broad support to IWRM and TWRM implementation and these include:

- i) Information and Knowledge Systems;
- ii) Monitoring and Evaluation;

1.0.7 It is anticipated that providing support to African countries individually and jointly through shared river basin organizations to improve or establish IWRM policies, framework agreements, preparation of investments programmes and plans will create the conditions conducive for attracting and sustaining equitable and gender sensitive capital investments. This environment will be further enhanced through the cross-cutting support activities that will ensure the availability of reliable knowledge and information as well as regular monitoring of sector activities.

2 INDICATIVE PROGRAMME FOR 2006

2.1 STRATEGIC OPERATIONAL PRIORITIES

2.1.1 A five year implementation plan of the indicative 2005-9 programme for the AWF has been developed and designed to achieve the maximum impact in line with the anticipated outcomes mentioned above. Ongoing activities to the end of 2009 will consist of a wide range of facilitation and capital investment interventions. To start in 2006, based on the limited resources expected, the operational activities will be limited to facilitation and capital investments that require limited funding, little preparation and with high potential impact.

2.1.2 The primary focus of the 2006 operational indicative financing programme is to prepare the ground-work for concrete support to the African countries in subsequent years as well as start some limited investment interventions. The important building blocks of the AWF's 2006 strategic agenda are i) regional and national diagnostic work and assessments; ii) raising awareness and building synergy through creating partnerships; iii) preparing viable projects and building the pipeline for future investments; iv) starting facilitating interventions in some countries and some regional organisations and v) starting the financing some small highly leveraged investment projects. By the end of 2006 the AWF would have achieved the following:

- Completed diagnostic and assessment reports regarding water information management, monitoring and policy environments in RMC;
- Built a pipeline of projects and activities for future financing;
- Started financing small investment projects with potential for leveraging additional donor funding;
- Started support to some countries in knowledge and information, monitoring and evaluation, and policy strengthening;
- Started support to some River Basin Organisation (RBO).

2.1.3 With the achievement of the above targets (see Annex 1 for summary of 2006 outputs), the stage would have been set for progressively increasing core business undertakings in facilitation activities and

implementing physical investments in subsequent years. The activities in support of this perspective are outlined herein and covers i) Implementation of IWRM; ii) TWRM Implementation; iii) Capital Investments; iv) Consultation, Partnership and Resource Mobilisation.

2.1.4 Awareness Creation: Information regarding the AWF and the support it provides to African countries will be disseminated through various channels of communication. This involves direct communications with the African Countries and main stakeholders, Web site, wide disclosure of all the main AWF documents. The development of an AWF communication strategy and Internet web site that will be hosted on the Bank's system will be undertaken with support of the Austrian Government as part of its in-kind contribution to the AWF. It is then anticipated that requests for funding will be received to build a pipeline of projects. In addition projects will be identified from existing programmes implemented by various multilateral institutions such as the ADB, World Bank, EU, IDB, as well as bilateral and other donors.

2.1.5 Selection criteria: The AWF five-year Operational Programme (2005-9) has outlined Recipient and project eligibility criteria as approved in the Operational Procedures by the ADB Board of Directors. These criteria will be applied in selecting the operations to be financed in 2006.

2.2 IMPLEMENTATION OF NATIONAL IWRM

2.2.1 The AWF will provide support to African countries to develop water and sanitation sector policies, strategies and master plans using IWRM principles as necessary pre-requisites for sustainable equitable investments in the water and sanitation sector. The implementation of strengthened water policy environment will be facilitated through the availability of favourable information and knowledge management systems as well as sound monitoring and evaluation mechanisms. Support will therefore be provided to countries to build knowledge and monitoring systems. Capacity development in the implementation of IWRM will be supported at various human resource and institutional levels in order to optimise the benefits of the overall outcomes. The range of activities under this component is detailed hereunder.

a) Information and Knowledge

2.2.2 Most of the activities for this component, initiated in 2005, will focus on providing support to national institutions to improve their knowledge and information management systems during 2006. Specific tasks are:

i) Assessment of National Knowledge and Information Systems: An assessment will be conducted to evaluate the situation of knowledge and information management in all RMCs. This work will evaluate the current practices regarding water information collection, analysis and dissemination in Africa with the view to making recommendations for an improved environment for water information collection, analysis and dissemination. When ever appropriate data and information management will be gender disaggregated. AWF staff will undertake work involved in this activity with the support of consultants, in consultation with national, regional and international stakeholders.

ii) Support to National Knowledge and Information Management: It is anticipated to support about 3 countries that request for support in knowledge and information management to develop such systems. Funds will be provided to the countries, after appropriate appraisal of the request by the AWF staff.

b) Monitoring and Evaluation

2.2.3 The specific monitoring and evaluation tasks and activities, initiated in 2005, include the following for 2006:

i) Assessment of the situation in monitoring and evaluation: An assessment of the monitoring and evaluation practice in African countries will be conducted to evaluate the situation in all RMCs. This work will assess the status of regional and national monitoring and evaluation, the challenges and the opportunities for an improved system. The assessment will also provide the basis for coordination and building synergy with regional actors in monitoring and evaluation. The AWF will support the establishment of regional monitoring and evaluation system for water supply and sanitation in accordance with the mandate given at the Paris Declaration¹. AWF staff will undertake work involved in this activity with the support of consultants and in consultation with national, regional and international stakeholders;

ii) Support to National Monitoring and Evaluation Systems: Support will be provided to at least 5 national institutions to improve their monitoring and evaluation systems as well as the management of water sector data and related activities in their countries. Funds will be provided to the concerned countries, after appropriate appraisal of the request by the AWF staff.

c) Policy Development and Reforms

2.2.4 Support will be provided to RMCs to improve or establish IWRM policies. It is expected that during the course of 2006, at least three countries will be supported in the areas of IWRM policies on demand. This will involve knowledge of IWRM status in each country, sector studies, national dialogue and the organisation of consensus building workshops in the concerned countries; drafting sector policy documents, legislative instruments and decrees in support of the water sector development. Capacity building, involving institutional and human resource development will also be provided. This support will be provided alongside other donors operating in the sector and although work will start in 2006, it may continue in subsequent years as this kind of support is based on consensus and takes time. Funds will be provided to the concerned countries, after appropriate appraisal of the request by the AWF staff.

d) Planning and Implementation

2.2.5 The objective of this sub-component is to facilitate effective IWRM at the national level through planning, strategy development and implementation of IWRM. Support will be provided for the preparation of IWRM strategies and national action plans, development of water sector investment programmes and preparation of integrated water resources master plans in three countries.

e) Expected Outputs and Targets of Implementation of National IWRM

2.2.6 As a result of activities under this component in 2006, the following outputs and indicative targets are anticipated:

Information and Knowledge

¹ The declaration of the "International Conference for the Attainment of the MDG for Water in Rural Africa" Paris 1 April 2005

- Strategy, guidelines, and action plan for supporting countries in the collection and dissemination of WSS data and information prepared by June 2006;
- Definition of standards and country status assessments on information and knowledge completed in all RMCs by December 2006
- Effective support during year 2006 to at least three countries to implement reliable information system and better quality data for IWRM;
- Internet Website for dissemination of Africa-wide water information established and running at the AWF, by November 2006;

Monitoring and Evaluation

- Regional and country status assessments on monitoring and evaluation completed in all RMCs by December 2006
- Support for the establishment of the proposed regional monitoring and evaluation system for water supply and sanitation;
- Effective support during year 2006 to at least three countries to develop a system to produce reliable and regular monitoring and evaluation reports;
- Harmonised definitions, benchmarks, indicators as well as methods of data collection for use by all African stakeholders, by the end of 2006.

Policy, Strategies and Implementation Plans

- Support given to start in the development of strengthened national sector policies, strategies and plans in at least three countries, by the end of 2006;

2.3 TWRM IMPLEMENTATION

2.3.1 The AWF will generally support the NEPAD regional agenda in the management and development of trans-national water resources, in close coordination with the Bank NEPAD Unit. The AWF will assist in the implementation of on-going trans-boundary water resources development initiatives and programmes in Africa, with the view to strengthening the enabling environment for effective cooperation among riparian countries leading to sustainable development of trans-national river basins. Support will be provided to the 10 shared river basins that have been prioritized by AMCOW and NEPAD. The priority river basins in this regard comprise:

- West Africa: Senegal, Niger, Volta;
- Central Africa: Lake Chad, Congo;
- East Africa: Nile (which includes Victoria and Kagera);
- Southern Africa: Zambezi, Okavango, Orange/Senqu;
- North Africa: Shared aquifers in North Africa (focusing on the Nubian Sandstone aquifer and the Northern Sahara Aquifer System).

Work on TWRM requires substantial resources and takes time and much effort to yield benefits. It is therefore foreseen that work started in 2006 may continue into subsequent years. There are also several actors and consequently there is the need for the AWF to work in coordination with all the concerned stakeholders and take into consideration, work already undertaken by other regional and international organizations (such as UN Water Africa, JMP, WSP-World Bank, GWP, etc). The AWF interventions will be made where distinct value can be added to ongoing efforts by other stakeholders and when this support cannot be provided by others.

2.3.2 For 2006, support under the AWF for trans-boundary water resources will be based mainly on specific request from River Basin Organizations (RBOs), riparian countries and some priority activities established under the NEPAD Short-Term Action Plan (STAP) as described in detail hereunder.

a) Knowledge and Information

2.3.3 This sub-component component is to support the establishment and enhancement of information and knowledge management capabilities at shared river basin or regional level in coordination with all the concerned stakeholders, particularly work already undertaken by regional and international organizations (UN Water Africa, JMP, WSP-World Bank, etc). Specific activities include the following:

- Assessment and definition of regional information systems;
- Support to establishment of 3 shared river basin information systems;
- Support collection and analysis of water data and related information;
- Support regional research programmes.

b) Monitoring and Evaluation

2.3.4 The AWF will support the establishment of water sector monitoring and evaluation systems and management capabilities at shared river basin or sub-regional levels, in coordination with all concerned stakeholders, particularly work already undertaken by regional and international organizations (UN Water Africa, JMP, WSP-World Bank, EU, GWP, WWC etc). As a result, improved M&E standards and methodologies will be developed, and regular M&E reporting mechanisms will be established and become operational at the basin or sub-regional level. Support will be provided for the following activities:

- Assessment of river basin organisation or sub-regional monitoring situation;
- Promote agreement among the main stakeholders on appropriate standards, indicators and M&E systems;
- Support the establishment of shared river basin and/or sub-regional monitoring and evaluation systems and institutions in three river basins.

c) Cooperation and Development of Framework Agreements

2.3.5 The preparation of framework agreements are undertaken to consolidate cooperation and partnership among riparian countries, represented by the RBOs. The AWF will support activities aimed at the development of framework agreements in the river basins identified under the NEPAD STAP. The process involves studies, dialogue, meetings among the stakeholders leading to consensus and the adoption of a framework for cooperation and joint programme implementation. This work is long and time consuming and results are not expected in the short-term, consequently intermediate indicators will be used to measure progress. The work activities above will be undertaken by the AWF in close collaboration with NEPAD Secretariat and the Bank NEPAD Unit and other donors intervening in specific basins being supported. Support will be targeted at activities that add value and are not already being supported by other donors.

d) Capacity Building in RBOs

2.3.6 The AWF would support the following types of activities:

- Support to RBOs for network extension and/or improvement, collection, analysis and dissemination of data and information on transboundary water resources;

- Developing and promoting cooperative working relationships (e.g. memorandum of understanding) between RECs and RBOs so as to formalize and improve liaison between the two institutions.
- Provide support for capacity building (training, institutional strengthening, etc) when it is directed to results and backed by a needs assessment.

e) **Expected Outputs and Targets**

2.3.7 As a result of activities undertaken under this component in 2006, the following outputs and indicative targets are anticipated:

- Start supporting the development of shared river basin or sub-regional knowledge and information systems in 1 basin and monitoring and evaluation systems developed in at least 3 basins;
- Shared vision development in at least 3 river basin started;
- Studies, dialogue, workshops and consultation meetings begun in at least three shared river basins for the development of framework agreements and joint programme implementation;
- Partnership activities started in all major river basins, and support given to the African Network of Basin Organisation action programme;
- Capacity building activities initiated in at least three RBOs.

2.4 INVESTMENTS

The AWF will provide support to water resources development programme and project preparation at national and regional level in order to have a pool of viable projects that will attract immediate investments interventions. The Facility will also provide targeted direct capital investment for small-scale water infrastructure development projects. The detailed activities under each of the sub-components are discussed below.

Project and Programme Preparation

2.4.1 The activities to be supported under this sub-component comprise support for the preparation of viable water resource development programmes and projects at the national and regional levels, which will lead to funding. Priority will be given to projects that will attract public and private participation and lead to immediate capital investments.

2.4.2 Support in 2006 will focus on preparatory activities that will make projects and programmes attractive for potential funding sources and include socio-economic and gender studies, execution studies, Public Private Partnership (PPP) transaction, and tender documents, etc. Special support to Private sector participation may include assistance to develop the required tools, guidelines and legal agreements that will promote competitiveness and help small towns and communities deal with private operators, as well as develop local cadre of artisans and small-scale service providers. The sub-sectors that will be focused upon include WSS, agricultural water use, hydropower, environment, multi-purpose water uses.

2.4.3 The strategy for achieving this in the short-term is to make use of existing pool of projects in the countries and Regional organizations that have already been identified and prepared thus requiring small support to move them into the financing phase. This will require strong collaboration and

partnerships with different donors intervening in the Water sector in Africa. The first step in this regard will be to built synergy with the African Development Bank Group interventions as well as collaborate closely with the World Bank, EU, Arab Funds, Bilateral donors, etc.

Small Scale Projects

2.4.4 The operations for 2006 shall be focussed on supporting small-scale projects. The range of small scale Projects that may be supported under this category is wide and include projects that would promote innovation and best practices, emphasise learning by doing, reinforce the efforts of communities to effectively access water resources services. In addition to the recipient and project eligibility criteria outlined in paragraph 2.1.5, the following criteria will be used in setting priorities for investments:

- i) Projects that need minimum amounts of money to be implemented but which impact greatly on gender sensitive, poverty reduction outputs;
- ii) Activities that can be implemented quickly with proposals already prepared;
- iii) Activities that produce quick and sustainable results;
- iv) Activities requiring relatively small amount of funds but with high impact and recipient capacity to implement;
- v) Projects that require relatively small amounts of money to take off but which will unleash other investment funds that would otherwise not be available;
- vi) Projects that will trigger larger investments from other donors;
- vii) Projects already identified by other agencies, subject to the activity fulfilling beneficiary national priorities and demonstrate recipient ownership;

Some of the small scale projects that will be supported in 2006 are described below. Sound environmental and social impact analysis will be undertaken for the activities supported by AWF as appropriate.

2.4.5 **Pilot projects:** Support to demonstration projects that would initially validate and measure transferability of major lessons learned from existing good practice in local contexts. The pilot projects may include the following:

- Projects that offer the opportunity for the scaling up of worthwhile lessons from successful projects and research results;
- Projects that make use of the potential for rapid impact by building on local initiatives to quickly expand equitable access to water;
- Projects that involve the application of new technologies.

2.4.6 **Use of innovative technology:** Support will be provided to projects that utilize simple and appropriate gender sensitive technology and promote local manufacturing and dissemination of technologies with the involvement of community, local private sector and NGOs. Emphasis will also be given to up-scaling and commercialization of research results focused on the rural and peri-urban areas in Africa. Development of innovative technologies will enhance the effectiveness of small-scale projects. Some of these technologies may include:

- Development of water lifting, conveyance and distribution systems;
- Community water quality improvement;
- Appropriate low cost sanitation facilities and hand washing facilities;
- Water harvesting and storage facilities;
- Mini hydro-power and renewable energy for water use.

2.4.7 **Projects that increase access to services:** Capital investment support will be provided for small-scale projects that reinforce the efforts of communities, NGOs, and water user associations. The scaling-up of successful small scale projects will be given emphasis. Some of the possible areas for which capital grants may be made are as follows:

- **Water Supply and Sanitation:** expanding water supply and sanitation access backed by hygiene education; expanding existing projects such as water for livestock or small-scale irrigation schemes to cover domestic use;
- **Multi-purpose water projects:** implementing multipurpose water projects to include agricultural water use(small scale irrigation schemes, livestock); mini-hydropowerconstructing small dams (with proper environmental and social safeguards) for various uses; providing gender sensitive water lifting or conveyance and distribution systems to harness water for various agricultural uses. Small scale enterprise will be encouraged;
- **Environmental Management:** wetlands protection; community level water shed management; community waste management.

2.5 CONSULTATION, PARTNERSHIP, RESOURCE MOBILIZATION

2.5.1 **Consultation and Partnerships:** Many partners are involved at different levels in water sector activities in Africa. Therefore, as an initial step in the pursuit of implementing its programmes, it is necessary to ensure collaboration among the various partners. This would involve an assessment of the main on-going activities in the sector and the various stakeholders, and then undertake consultations with all the parties involved in order to reach agreement on key activities that will build synergy and harmonize critical water activities. Among other things the assessment will demonstrate results that are being achieved from allocation by various donors and the gaps to be met. In the pursuit of this objective, dialogue and close relationship with AMCOW and its technical Committee will be kept. For monitoring and evaluation for example, close collaboration and consultation will be kept with key stakeholders intervening in this area including: UN Water Africa, EU, France, World Bank (WSP) etc. AWF staff will undertake the required missions to ensure this common understanding and building of partnership in carrying out these activities.

2.5.2 **Resource Mobilisation:** An ongoing resource mobilization drive will be undertaken by AMCOW and the Chair of the Governing Council in order to increase contributions from existing donors and to rope in more donors to support the AWF. Funds will be required to support travel and related consultation meetings of AMCOW members and the Chair of the Governing council in this drive. AWF staff will accompany the personalities on these missions.

3 FINANCING REQUIREMENTS AND BUDGET ESTIMATES FOR 2006

The financial requirements and budget for 2006 cover two main aspects of AWF activities namely i) Indicative financing programme in respect of resources provided to recipients to implement the programme), and ii) Administrative budget in respect of expenses on human resource emoluments, equipment and missions required to carry out the activities. This nomenclature is used by the ADB in the preparation of its budgets.

3.1 THE INDICATIVE FINANCING PROGRAMME

3.1.1 Indicative financial estimates of the operational programmes amount to Euro 33,000,000 million with the details shown in Table 1 below. These amounts been planned to be committed in 2006, however it is not expected that the entire allocated amounts will actually be disbursed in 2006, especially since some projects, such as those under IWRM and TWRM, will likely carry on for more than one year. These financial requirements will be funded by donor funds under the AWF Special Fund.

Table 1: AWF Indicative financing programme for 2006 (Euro)

	Component /Activity	Amount
1	<i>Implementation of National IWRM</i>	
	Support for Knowledge and information	2,000,000
	Support for Monitoring and Evaluation	3,000,000
	Support for Policy development and reforms	5,000,000
	Support for Planning and Implementation	6,000,000
	Subtotal	16,000,000
2	<i>TWRM</i>	
	Support for Knowledge and Information	2,000,000
	Support for Monitoring and Evaluation	1,000,000
	Cooperation and Development of Framework Agreements: <ul style="list-style-type: none"> • <i>Shared vision development</i> • <i>Development of framework agreement</i> • <i>Support to African Network of Basin Organisations (ANBO) action programme</i> • 	4,500,000
	Support resource mobilisation efforts of RBOs involving <ul style="list-style-type: none"> • <i>Preparation of background documents and resource requirements</i> • <i>Organise consultation meetings</i> • <i>Undertake follow-up actions</i> 	500,000
	Planning and strategy development <ul style="list-style-type: none"> • <i>Development of regional programme</i> • <i>Support to start the development of shared river basin plans and master plans</i> 	3,000,000
	Subtotal	11,000,000
3	<i>Investments</i>	
	Project preparation <ul style="list-style-type: none"> • <i>Preparation of projects intended to leverage other resources</i> • <i>Support for preparation of mall scale projects</i> ○ 	2,000,000
	<u>Direct Investments</u> <ul style="list-style-type: none"> • <i>Small scale projects supported with investment funds (Pilot projects; Promoting appropriate technology; Increasing access to water)</i> 	4,000,000
	Subtotal	6,000,000
	Total Operations	33,000,000

Key Cost Assumptions

3.1.2 The funding allocations for the 2006 operational programme have been based on general assumptions of costs from similar activities as well as actual cost estimates of project proposals provided in the NEPAD STAP. These costs may change during actual implementation when detailed proposals would have been prepared in the coming request for funding to the AWF. Examples of funding allocation assumptions include the following:

IWRM

a) Knowledge and Information: the estimated cost of providing country support to improve Knowledge and Information management include different aspects: institutional, training, hard and software, etc. varies between EUR 500,000 and EUR 900,000 depending on the status of the country. It is assumed that three countries will be supported in 2006 with a total allocation of about EUR 2 million.

b) Monitoring and Evaluation: the average cost of providing Monitoring and Evaluation support which include also different many aspects is assumed to be about EUR 600,000 per country giving a total allocation for 5 countries to about EUR 3 million.

c) Policy and Reforms: the cost of preparing a comprehensive national IWRM policy including institutional reform can be very substantial ranging between EUR 1 to 2 million, however since countries are at various stages in this process it is assumed that average support would be about EUR 1.25 million and therefore the cost of providing support to 4 countries in 2006 gives a total allocation of about EUR 5 million.

d) Planning and Implementation Support: the average cost of support for the development and preparation of national sector strategies, , sector programmes and/or master plans, and implementation plans, is assumed to be about EUR 1.5 million and therefore the total allocation for supporting 4 countries is about EUR 6 million.

TWRM

e) Cooperation and Development of Framework Agreements: The cost of providing support to at least 3 river basins in various aspects of cooperation framework arrangements is about EUR 4.5 million sub-divided as follows:

- o Support for 3 shared vision development activities – EUR 2.5 million
- o Support for preparation of 1 basin Framework Agreement – EUR 1.5 million
- o Support to African network of Basin Organisations (ANBO) action programme - EUR 500,000

f) Resource mobilisation of RBOs: The costs allocated for preparing background documents and resource requirements is about EUR 300,000. The cost of consultation meetings with donors and other stakeholders is estimated at about EUR 200,000 making a total requirement of about EUR 500,000.

g) Planning and Strategy Development: The cost of developing one regional multinational river basin programme is assumed to be EUR 1.5 million while the cost of supporting the preparation of 1 shared basin master plan is assumed to be about EUR 1.5 million giving a total allocation of EUR 3 million

INVESTMENTS

h) Project Preparation: it is assumed that about EUR 2 million will be used to prepare and appraise various types of water investment projects that will receive immediate funding.

i) Direct Investments: it is assumed that EUR 4 million will be used for direct investment activities comprising small scale Projects. These are community based projects and involve small investment funds.

3.2 ADMINISTRATIVE EXPENSES BUDGET

3.2.1 The administrative expenses budget covers costs incurred by the AWF in order to implement the planned programmes and activities. The administrative expenses cover the budget supported by the ADB (not consider here) and the part supported by donors.

a) ADB Support to the administrative budget

3.2.2 The Bank is supporting Staff salaries and benefits for the permanent staff, and Office space, equipment and running costs. The 2006 administrative expenses to be funded by the ADB stand at about Euro 600,000. This a include in the budget to be considered by the Board under the normal 2006 Bank budget.

b) Donors' support to the administrative budget.

3.2.3 The donors' support has two components: i) Technical Assistance staff salaries and benefits (additional to their cash contribution); ii) Operational Cost of the programme implementation (mission et consultants).

3.2.4 Technical assistance. The cost of six Technical Assistance personnel to be seconded to the AWF and paid by the donors themselves is about **Euro 630,000**. This estimate assumes an average emolument of Euro 120,000 per staff per year for three staff present during the all the year 2006, and Euro 90, 000 for nine months per staff, for three staff who shall join the AWF from April 2005. By January, the experts from Austria, Norway and France should be in place. The discussions with others donors are well advance and could expect the completion of negotiations by end March 2006. There is also in-kind contribution from Austria, provisionally estimated at about Euro 130,000 over six months duration of for the AWF Web site development.

3.2.5 Operational costs of Programme implementation. This item covers cost of staff missions and consultant services to implement the operational programme. The detailed 2006 administrative expenses related to implementing programmes amount to about Euro 2,000,000 with the details indicated in the following Table 2.

Table 2: Administrative Expenses for Implementing 2006 Programme
(Missions and consultants)

Item	Cost Component	Cost Estimate in EURO
1.0	Staff Missions for operations activities (<i>identification, appraisal, supervision, coordination, etc.</i>)	300,000
2.0	Consultant Services* <ul style="list-style-type: none"> • <i>Assessments in Information and in M&E</i> • <i>Assistance for AWF operations missions and activities</i> 	1,100,000
3.0	Workshops and Seminars <ul style="list-style-type: none"> • <i>4 Workshops and seminars in support of harmonisation in knowledge and information, monitoring and evaluation and 2 workshops for RBOs</i> 	450,000
4.0	Governing Council Meetings (June and October 2005)	100,000
5.0	Ressource Mobilisation	50,000
6.0	Total	2,000,000

* In addition, Austria will provide financial support to develop AWF web site as in-kind contribution, provisionally estimated at about Euro 130,000 over six months duration.

Key Budget Assumptions

3.2.6 The Administrative budget estimates are based on assumptions of the number of staff missions, the level of efforts for consultants' services and cost of organising workshops and seminars. These costs include the following activities:

- **AWF Staff Mission:** Staff will undertake field missions to the prepare and appraise and supervise the implementation of projects as well as attend relevant national and regional meetings. In view of the limited human resources staff missions for operations will be rationalised to cover several components in one mission (such as combining Knowledge and Information with Monitoring and Evaluation) and also undertake support activities in a limited number of countries. In this way nine (9) staff members will undertake about 70 missions, mainly in African Countries, at an average cost of EUR 4,285 per mission which gives a total of about EUR 300,000.
- **Consultant Services:** Consultants will be recruited to undertake all sector diagnostic and assessment as well as support specific implementation activities. It is assumed that consultant firms will be recruited to undertake assessment activities in Knowledge and Information as well as Monitoring and Evaluation at the cost of about EUR 600,000. This work will be based on existing information from the ADB and other partners. Also consultant services in support to the staff for the programme/project preparation, appraisal, supervision, and other related services, will cost about EUR 500,000. This gives a total consultant cost of about EUR 1.1 million.
- **Workshops and Seminars:** Workshops will be organised, including regional level harmonisation workshops for knowledge and information management as well as monitoring and evaluation. Also it is envisaged to organise at least two consensus building workshops

for river basins involving RBOs and RECs. It is assumed that 4 regional level harmonisation and consensus building workshops will be held at the cost of about EUR 85,000 per workshop, which gives a total cost of EUR 340,000. Also 2 workshops will be organised for TWRM involving RBOs at the cost of about EUR 55,000 per workshop giving a total cost of about EUR 110,000. The total cost of workshops and seminars amounts to about EUR 450,000;

- **Governing Council Meetings:** Two Governing Council meetings will be organised during the course of 2006 at the cost of about EUR 50,000 per meeting, which gives a total cost about EUR 100,000; The next meeting will take place in Cairo with the main agenda on resource mobilization (Including meeting with Arab Funds), and the second meeting will take place in October to consider the progress of the implementation of the five years programme and the update, and review the 2007 programme and budget.
- **Resource Mobilisation:** Missions will be undertaken by the Chair of the Governing Council and some members to mobilise resources for the AWF. This will include consultation meetings with AMCOW and missions to donor countries to advocate for funding support to the AWF. The total cost of these activities is estimated to cost about EUR 50,000.

3.3 RESOURCES AVAILABLE

3.3.1 The total funding requirements for the indicative financing programme and administrative expenses for 2006 (Missions and consultants activities) is estimated as Euro 35 million (Programmes: Euro 33 million and Administrative expenses: Euro 2 million). This amount of funding matches the total amount of funds expected to be available in the AWF Special Fund by 2006. The status of commitment and payments is given in the table 3 below.

Table 3: Status of Resource Commitments and Payments (million Euros)

Donor	Resource Commitments			Modalities of Payment				
	Amount (million)	Exchange Rate to Euro ²	Amount in Euro	Payment Period	Paid amount	Planned 2005	Estimated 2006	Total at end of 2006
EU	Euro 20.0		20.00	2 year			10.00	10.00
Canada	Can \$ 20.0	1.47	13.63	3 year	6.81		3.41	10.22
Norway	NOK 30.0	7.92	3.79	3 year	1.27		1.20	2.40
Sweden	SEK 45.0	9.45	4.76	3 year	1.60		1.60	3.20
Denmark	DKK 40.0	7.45	5.37	5 year		1.15	2.11	3.26
Austria	Euro 0.10		0.10	1 year	0.10			0.10
France	Euro 12.0		12.00	5 year		4.00	2.00	6.00
Total			59.65		9.78	5.15	20.32	35.18

4 ASSUMPTIONS, RISKS AND MITIGATION MEASURES

4.1 PROGRAMME ASSUMPTIONS

² Exchange Rates applied are for June 2005 as provided by the Treasury Department of the ADB (For paid amounts, value date of payment is used)

4.1.1 The AWF will disclose, by the end of 2005, all of its documentation including the indicative programme to the general public through the web as well as specific communication with AMCOW members and other stakeholders. It is then anticipated that requests for funding would come from the various potential recipients and beneficiaries of AWF funding support. The basic assumption therefore is that there will be sufficient interest backed by recipient commitment and ownership of programmes. It is also assumed that 2006 financial commitments to the AWF by donors will be made good before the end of the year. It is also assumed that AWF will have the full complement of staff to implement the programme. There are risks associated with the basic assumptions for implementing the 2006 programme as outlined above and the main risks are discussed with proposed mitigation measures in subsequent paragraphs.

4.2 FINANCIAL

4.2.1 The main financial risk associated with the implementation of the 2006 programme is that donors do not pay up or delay in the payment of their commitments to the AWF. Although this risk is small, its ramifications are significant and will undoubtedly affect the achievement of the 2006 programme targets. To mitigate this risk the AWF will support AMCOW and the Governing Council to proactively pursue with the donors to make good their commitments for the year 2006. Donors confident need also to be reinforced by effective and successful initial implementation of the program.

4.3 INSTITUTIONAL

4.3.1 There is the risk that AWF will not have in time the staff complement to undertake the programme. In view of the volume of work involved in this programme the ramifications will be significant on the attainment of programme targets. To mitigate this risk, AWF will pursue the secondment pledges by donors, develop closer relationship with ADB Operations staff involved in some of the programme activities and recruit long-term consultants to support the programmes.

5 CONCUSSIONS AND RECOMMENDATION.

5.0.1 The African Water Facility was created by AMCOW, with the support of donors; to attract and make effective use of increased and appropriate investments needed to achieve the national and regional water and sanitation targets, in particular the Africa Water vision and the MDGs. The expectation is high from different stakeholders and there is a quick need to start business as soon as possible.

5.0.2 Despite of initial delay in the implementation of the AWF after the Governors approval in May 2004 of the Instrument, the Bank did in the recent months a quiet important progress in the Establishment of the African Water Facility. The key milestones have being achieved. The permanent staff in place, the Board has approved the operational procedures, the Governing Council has approved the five years programme. The conditions are met to start operations in African Countries. The present budget, if approved, will allow the actual starting of the implementation in 2006 of the five years programme.

5.0.3 The Board of Directors is Invited to take note of the Indicative financing programme and to approve the AWF administrative budget for 2006 of EURO 2 million for the program implementation cost.

ANNEX 1: PROGRESS IN ACHIEVEMENT OF 2006 PROGRAMME OUTPUTS/TARGETS

Component	Output and Performance Indicators	Targets				
		1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	Total
Implementation of IWRM						
Information and Knowledge Systems	Situation assessments		All countries by June			
	Communication strategy and website functional				By November	
	No. of countries supported to establish or strengthen systems			1	2	3
Monitoring and Evaluation	Situation Assessment		All countries by June			
	No of countries with strengthened or newly established M&E systems		1	2	2	5
	Regional agreement on standard national M&E indicators and methods				By December	
Policy Development and Reforms	No. of countries IWRM policies assessed		All countries by June			
	No. of countries supported to develop comprehensive IWRM policies				3	3
Planning and Implementation	No. of countries supported to prepare strategies, action plans and programmes				3	3
Transboundary Water Resources Management (TWRM)						
Information and knowledge systems	Assessment of RBO information and knowledge systems				By October	
	Support to establish RBO information system				1	1
Monitoring and Evaluation	Agreement on RBO monitoring indicators				By December	
	No. of RBO supported to start the development of M&E systems				3	3
Cooperation and Development of Framework Agreements	No. of river basins supported to start development of shared visions and cooperative framework				3	3
	No. of river basins support to start dev't of legislative frameworks				1	1
Planning and Development	Regional programmes developed				1	1
	No. of river basin plans prepared				1	1

Component	Output and Performance Indicators	Targets				
		1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	Total
Capital Investments						
Programme/Project Preparation	Rural Water Supply and Sanitation programmes			1	2	3
	Small-scale projects		4	6	10	20
Direct Investments	Small scale projects			5	10	15