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Not Applicable

FOR INFORMATION

**MEMORANDUM**

**TO :** THE BOARD OF DIRECTORS

**FROM :** Modibo I. TOURE  
Secretary General

**SUBJECT :** AFRICAN WATER FACILITY - REVISED OPERATIONAL PROCEDURES\*

The attached Operational Procedures was adopted by the Board of Directors on 14 December 2007, subject to certain amendments. The changes in the document submitted to the Board are highlighted in the attached document. The main changes concern:

1. The preamble, with more reference to the Bank policies.
2. The functions of the Director. In this regard, a separate information document on the organizational structure for the administration and implementation of the activities of the African Water Facility Special Fund is contained in a separate information note to the Board.
3. In connection with procurement activities, the text approved by the Board in 2005 (in the original Operational Procedures), have been reinserted (7.10 and 7.11).

**Attach:**

**cc:** The President

<b>*Questions on this document should be referred to:</b>			
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**AFRICAN DEVELOPMENT BANK**

**AFRICAN WATER FACILITY**

**OPERATIONAL PROCEDURES**

DECEMBER 2007 EDITION

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## **PREAMBLE**

The Instrument establishing the African Water Facility Special Fund (the "AWF") provides that *"the Bank, in its administration of the African Water Facility, shall apply the same principles and criteria that are applicable to financing provided from its own ordinary resources, except as otherwise provided in the Instrument and in the Operational Procedures adopted by the Board of Directors of the Bank for purposes of the Facility"*.

Accordingly, the rules and policies applicable to the operations of the African Development Bank (the "Bank" or "ADB") will generally be applicable to the operations of the AWF, except otherwise provided in the Operational Procedures. These rules and policies include, but are not limited to the following:

- Rules of Procedure for Procurement of Goods and Works
- Rules of Procedure for the Use of Consultants
- Bank Group Policy on Disclosure of Information
- Independent Review Mechanism
- ADB Group's Policy on the Environment
- The Gender Policy
- Whistle Blowing and Complaints Handling Policy
- Guidelines for Preventing and Combating Corruption and Fraud in Bank Group Operations

The AWF will also generally adhere to international consensus to which the Bank has endorsed, in particular, "The Paris Declaration on Aid Effectiveness".

## PART A: BACKGROUND AND OBJECTIVES

### 1. INTRODUCTION

#### 1.1 Background and Guiding Principles

1.1.1 The African Water Facility Special Fund (the "AWF" or "Facility") was established on the basis of an initiative of the African Minister's Council on Water (AMCOW) to mobilize resources from donors to finance water infrastructure and water investment facilitating activities in Africa. The African Development Bank ("ADB" or the "Bank") accepted the request of AMCOW to establish the AWF and administer its resources. The Board of Directors of the Bank sought and received the approval of the Board of Governors concerning the Instrument Establishing the African Water Facility Special Fund (the "Instrument"),<sup>1</sup> by virtue of Resolution B/BG/2004/05 adopted on 25 May 2004, at the ADB Annual Meetings held in Kampala, Uganda. This Instrument defines the management of the AWF. The ADB Board of Directors is responsible for the general operations of the AWF, and approves the projects and programmes financed under it, as well as its annual budget and financial statements. The AWF has its Governing Council, a Director and the staff required to carry out its objectives. The preparation of the operational Procedures was guided by the general principles defined in the management response to the AMCOW request as well as the Instrument.

1.1.2 Section 5.2, Chapter V of the Instrument states that *“The Board of Directors of the Bank, in consultation with the Governing Council, shall adopt operational procedures, for operations financed with the resources of the Water Fund, which shall in particular be designed to ensure a fast-track process for the consideration, approval and implementation of operations financed with the resources of the Water Fund.”*

1.1.3 The Instrument further stipulates that the Bank, in its administration of the AWF, shall apply the same principles and criteria that are applicable to financing provided from its own ordinary resources, except as otherwise provided in the Instrument and in the present Operational Procedures adopted by the Board of Directors of the Bank for purposes of the Facility.

1.1.4 This version of the Operational Procedures takes into consideration the experience and knowledge acquired during the first two years of operations of the AWF and since the approval of the first version in October 2005.

1.1.5 Subsequent revisions by the Board of Directors to these procedures shall be undertaken as and when deemed necessary.

#### 1.2 Purpose of the Operational Procedures

The purpose of the Operational Procedures is to provide rules and procedures that will guide the operations of the Facility. The present document focuses mainly on issues requiring Board approval. It is intended that Bank Management will develop, in accordance with the usual practice, detailed guidelines, manuals, and tools using the guiding principles enshrined herein to facilitate operations.

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<sup>1</sup> See Document ADB/BG/WP/2004/11 - ADF/BG/WP/2004/09

### **1.3 Structure of the document**

The Document is divided into four main parts: **Part A** deals with the general characteristics of the AWF including the objectives and purpose of these Procedures. **Part B** deals with the structure, financial, administrative and fiduciary control systems for managing the AWF within the Bank. **Part C** deals with the types of activities that fall within the purview of the Facility, project cycle activities, and operational procedures for processing and approving grants and loans under the Facility as well as implementation and monitoring. **Part D** deals with reporting and accountability arrangements.

## **PART B:     STRUCTURE AND ADMINISTRATION**

### **2.     STRUCTURE AND FUNCTION OF THE FUND**

#### **2.1    Administrative Structure**

The dedicated administrative structure of the AWF consists of a) Governing Council; b) Director; and c) Staff. The Governing Council comprises 13 members consisting of five (5) members from AMCOW, five (5) members from the Donors, one (1) member from the ADB, one (1) member from the African Union, and one (1) member from UN Water Africa. The President of the ADB appoints the Director of the Facility.

#### **2.2    Functions**

**2.2.1   *The Board of Directors:*** Consistent with the Bank's fiduciary obligations as trustee of the AWF, the Board is primarily responsible for the general operations of the AWF, and in this regard, will serve as the decision-making organ for certain operational matters, including, the approval of the Operational Procedures, the Annual Report, and the Financial Statements. In addition, the Board approves the operational activities to be financed from the resources of the AWF. This power, as provided in this document, may be delegated to Management.

**2.2.2   *The Governing Council:*** The Governing Council has the following functions and mandate as defined by the Instrument. The Governing Council shall:

- a) Approve the operational focus of the AWF and the proposed areas of intervention;
- b) Review the annual report of activities financed from the resources of the AWF;
- c) Appoint its Chairperson who shall serve for a term of one (1) year (the Chairperson shall be a national of a member country of the Bank and he/she shall be a person of international repute and of the highest competence);
- d) Adopt its Rules of Procedure; and
- e) Initiate discussions for a general replenishment of the resources of the AWF.

**2.2.3   *The Director:*** The Bank shall assign/appoint a person to serve as Director, as well as an operational and administrative team to implement the mandate of the facility. The Director shall be appointed by the President of the Bank and shall be accountable to the President or other officer of the Bank designated by the President. The Director shall serve as the administrative head of the Facility within the organizational structure of the Bank and shall perform such related functions as may be assigned by the Bank. The Director ensures that the Facility focuses on the operational orientations as defined by the Governing Council. He shall ensure that all activities undertaken by the Facility are in compliance with its policies and procedures. He/She shall assist AMCOW in carrying out one of its major constitutional objectives, the coordination of water programmes and initiatives in Africa.

**2.2.4   *Staffing of the Facility:*** Activities of 60

the AWF will be carried out by staff of the Bank assigned to the AWF, in accordance with the provisions of the Instrument, as well as other staff recruited for such purpose. The Bank will be guided, in this regard by the needs of the AWF, both projected and actual. The staff assigned to the Facility by the Bank will function within the same framework applicable to Bank staff, including the grades as well as benefits. The Delegation of Authority applicable

in the Bank also will be applicable for the AWF. The sources of funding the human resource requirements of the Facility shall include the Bank and the resources of the AWF. Recruitment of such staff will be carried out using the applicable Bank rules and procedures. These will constitute the core staff of the AWF, who may be supplemented through technical assistance, secondments, short-term consultancies and short-term staff. The decision to use the Funds of the AWF to recruit staff will be based on the cost of implementation of the approved operational programme. The Bank's Management will propose the budget for the funding of such recruitment for approval by the Board of Directors, after the endorsement of the Governing Council.

**2.2.5 *Liaison with Bank Operations:*** There will be strong links between the AWF and regular Bank operations and the NEPAD initiative. The Facility, in line with its mandate, will support the Rural Water Supply and Sanitation (RWSSI) front-end facilitation activities related to: a) policy and institutional reform; and b) program preparation and capacity building in countries that require these pre-investment activities. This will help to improve the enabling environment and provide a strong incentive for the scaling-up of investments by donors under RWSSI. The Facility will support the NEPAD Water and Sanitation Program, the water for food security program and similar initiatives. This implies a permanent coordination between the AWF and the operations departments and the NEPAD Division of the Regional Integration Department, in order to build synergy and increase the impact in countries as well as promote a coordinated African Water agenda and regional integration on the continent. Finally, in view of the fact that activities related to watershed management and irrigation are under the purview of the Agriculture and Natural Resources department and also small dams and utilization of solar water pumping technology being under the Infrastructure department, there is need for cooperation with these departments as these activities have significant ramifications on the work of the AWF.

### **3. ADMINISTRATIVE ARRANGEMENTS**

#### **3.1 Administration**

As trustee of the Fund, the ADB shall, in accordance with its financial rules, regulations and policy guidelines, administer and manage the resources of the Facility using its organisation, services, facilities and staff in accordance with the provisions of the Instrument. The Director of the AWF shall be responsible for conducting the operations of the AWF Special Fund in accordance with the directives of the Board, and the President. The ADB shall bear the cost of administering the fund as its contribution. However, the resources and accounts of the Facility shall be kept separate and apart from the ordinary resources of the Bank and all other assets and accounts administered by the Bank. As its operations expand, the Facility shall use its own resources to finance some of the additional professional and administrative staff required to effectively implement its operations.

#### **3.2 Budgeting**

**3.2.1 *Budget Directives:*** Annual budgeting for the Facility will be introduced as part of planning and management. Quarterly budget analysis will be introduced as an expenditure control mechanism. The Facility will have a separate cost centre, managed by the Director, who is responsible for the preparation of the annual budget of the AWF in accordance with the provisions of the Instrument.

3.2.2 ***Preparation Process:*** The Director of the AWF prepares a three-year rolling budget to cover administrative and equipment expenses in accordance with ADB's budgeting cycle and directives on eligible items for inclusion in an administrative budget. The preparation of the administrative and capital budget will be guided by efficient and effective utilisation of human and material resource. The budget proposals are submitted to the ADB's Board of Directors for approval, after consultation with the Governing Council.

3.2.3 ***Budget Management and Control:*** The Director of AWF is responsible for managing the budget to ensure that it will cover the activities that have been programmed and that expenses remain within the provisions made. The Budgetary control mechanism is integral to the internal control of the Bank, which is structured in such a way that expenses on a particular cost centre approved and incurred only to the extent of the relevant budgetary appropriation.

### **3.3 Accounting and Financial Controls**

In accordance with the Bank's procedures and the Instrument, a separate account for the resources of the Facility would be maintained. In addition, financial reports and statements would be maintained by the Bank and disseminated in accordance with the stipulation in the Instrument. Also, an annual audited financial statement shall be prepared and approved by the Board of Directors.

## **PART C:        OPERATIONS**

### **4.     PRINCIPAL ACTIVITIES**

#### **4.1    Areas of Intervention**

4.1.1 The areas of Intervention, as defined in the Instrument, are the following:

- (a) Integrated Water Resources Management (IWRM)
- (b) Capacity Building
- (c) Policy, legal and Institutional Reform
- (d) Knowledge and Information Building or Dissemination
- (e) Developing and Implementing a Regulatory Framework
- (f) Effective Management of Shared Waters
- (g) Monitoring and Evaluation
- (h) Environmental Management
- (i) Strategic capital investment programs and projects implementation

4.1.2 Each of the above areas of intervention covers a wide range of activities including the activities in the following paragraphs.

#### **4.2    Integrated Water Resources Management (IWRM)**

This covers the following items: IWRM policy development and reform, Water Resources Management Strategies and related programs, the planning, development and implementation of IWRM, awareness creation and consensus building around water management and development and finally the development and management of information system.

#### **4.3    Capacity Building**

This activity concerns capacity building at both the National and Regional levels and includes especially the development of national institutions and improving organizational capacity. In addition support will be provided for national human resources development including applied research, training and formal education and also river basin organisations (RBO), regional and sub-regional institutional capacity building activities.

#### **4.4    Policy, Legal and Institutional Reform**

This concerns the development of the overall enabling environment and include: the Prioritization of Water in PRSPs, the National Action Plans to meet the MDGs, the formulation of national water policy, the design of water sector and institutional strengthening, the development of water sector investment strategies and related programmes, the drafting of legislation and the design of related sector reforms, and the development of public-private and public-public partnerships.

#### **4.5    Knowledge, Information Building and Dissemination**

This covers the following activities: knowledge sharing and awareness, establishment of water information management system including data and information collection taking into account local knowledge, analysis and dissemination, web based water information system, integrated river basin master plans, and a regional and international water advocacy.

#### **4.6 Developing and Implementing a Regulatory Framework**

This component concerns the following activities: the development of regulatory instruments, drafting of legislation, the development of framework for private sector participation, the promotion of knowledge and best practices on regulatory framework and the development of norms and standards.

#### **4.7 Effective Management of Shared Waters**

This covers the assessment of potentials and opportunities at the basin level, facilitation of regional cooperation, and regional water use planning.

#### **4.8 Monitoring and Evaluation**

Monitoring and evaluation activities shall be supported at the national and regional levels. This shall include the definition of indicators and benchmarks, the design and implementation of programme monitoring and evaluation systems in accordance with Results based Management (RBM) principles, impact assessment studies, and coordination with others partners.

#### **4.9 Social Analysis and Environmental Management**

This covers social and environment impacts assessments, poverty, vulnerability and gender analysis, watershed and risk and natural disasters managements (water pollution, flood etc), the tracking of water quality and quantity, invasive species and, strategic environmental management.

#### **4.10 Strategic Capital Investment Programmes and Projects Implementation**

Support for capital investments will be gradually increased to effectively address the mandate of the Facility in the implementation of the African Water Vision and Framework for Action. This will mean that AWF shall not only add value, but shall indeed augment the overall funds available to the RMC in their effort to achieve the Millennium Development Goals. The focus, the scope and the mode of capital investments will be as articulated periodically in the Operational Programme approved by the Governing Council.

#### **4.11 Attracting Investments**

In this area, the AWF, in line with its overall mandate, will support activities that will lead to immediate capital investments. These will generally be studies to ensure capital investment project quality and enhance viability. These include: socio-economic baseline data surveys; Programme or project preparation; some feasibility studies and engineering design; and finally strategic environmental assessment. These will be done with the full expectation that additional investment will follow the conclusion of the AWF activity.

#### **4.12 Operational Focus**

The Governing Council shall, in accordance with its mandate defined in the Instrument, determine the operational focus and areas of intervention of the Facility. Based on the policy direction provided by the Council, the annual and multiyear operational programme of the Facility and the associated budget will be accordingly prepared, and submitted to the ADB Board of Directors for approval, after consultation with the Governing Council.

## **5. FINANCING AND COST SHARING**

### **5.1 Financing**

The floor of EUR 50,000 and a ceiling of EUR 5,000,000 will be applied for any financing from the AWF. However, subject to availability of funds, and based on the strategic direction provided by the Governing Council, the Facility may occasionally submit for approval to the Board of Directors, requests for financing for amounts higher than the ceiling.

### **5.2 Cost Sharing**

In financing its operational activities in the framework of its investment projects, the AWF will give preference to activities for which the ownership by the beneficiaries and their participation can be clearly demonstrated and established. The nature and timing of beneficiary contributions will vary and depending on the specific circumstances it could be in cash or in kind such as labour and/or materials. The nature of beneficiary contribution shall be negotiated during project appraisal. The Facility will base its decisions on the need for harmonization and alignment with established practice in the country. Therefore, cost-sharing arrangements shall be in accordance with the practice agreed upon between the country and the stakeholders and partners. In countries where such mechanisms do not exist, a minimum beneficiary contribution shall be 5% for capital investments.

### **5.3 Financing Instruments and Terms**

The AWF funds are made to Governments, sub-sovereign entities and other recipients, to facilitate reforms, programme preparation, improve knowledge and leverage much needed investments in order to advance the development and management of water infrastructure in Africa. Financing from the AWF shall be provided in the form of non-reimbursable grants, except as otherwise decided by the Board of Directors, after consultation with the Governing Council..

## **6. ELIGIBILITY**

### **6.1 Recipient Eligibility**

6.1.1 Regional member countries of the Bank, political subdivisions or agencies thereof as well as regional agencies or institutions concerned with water resource development in Africa shall be eligible to receive funds or other assistance directly from the resources of the AWF. This implies that recipients can be bodies of the central or local Government, a Municipality, a Non Governmental Organisation (NGO), at the country or regional level, a civil society organisation, a community-based organization, (CBOs), a Regional, sub-regional and sectoral organization (Regional Economic Organization, River Basin Organizations, any other organization whose credibility and role could be verified and established), and private sector entities.

6.1.2 In order to streamline the eligibility of NGOs and Civil Society organisations they will need to fulfil criteria establishing their credibility and track record in the water sector in the country and in the region. Such organizations shall: i) be a non-governmental organization committed to the continent's or national development priorities and that the proposed activities will be implemented in Africa; ii) be Africa-based or provide evidence of partnership with African institutions; iii) provide evidence of currently valid legal registration

under the laws of the RMCs in which it is operating, as well as evidence of a certificate to carry out business in the RMCs, in which it intends to carry out the relevant activity, if different from the place of legal registration; iv) have appropriate organizational and management capacity, including a governing board; v) show the existence of a sound financial system - including clear accounting and budgeting standards, financial statements, a transparent budgeting process, audited accounts and other indicators that confirm their capacity to assume fiduciary responsibility for African Water Facility resources vi) provide evidence of competence, based on past performance, to carry out proposed activities; vii) demonstrate credibility, knowledge of local values, networks and structures required to carry out the indicated activities; viii) have their proposals supported by the national government as evidenced by a letter signed by the appropriate official of the government, at the Ministerial level, indicating that the country supports the request as being consistent with national priorities. A regional proposal has to also be supported by a recognized regional organisation (REC or RBO). These letters must be sent together with the application for support. Finally, the NGO does not derive benefits purely attributable to the use of grant proceeds above the administrative and prime costs associated with the execution of the proposal.

## **6.2 Project Eligibility**

6.2.1 To be eligible for financing under the AWF, proposed activities and projects must fall into one or more of the areas of intervention, and within the focus defined by the Governing Council. All the projects financed by the Facility shall have clear performance indicators with good expected outcomes and clear targets.

6.2.2 In considering a request for financing, due consideration shall be given to the following: i) political commitment of the country or region with respect to appropriate prioritization of the water sector such as inclusion of water as a priority within the PRSP or any Development Programme of the country demonstrating a clear indication of the importance accorded to the sector; ii) relevant self-help measures being taken by the recipient; iii) the recipient shall demonstrate ownership and commitment through active participation in the activities proposed for funding; iv) the beneficiaries shall have a credible record and shall also ensure the effectiveness and sustainability of the institutions and investments through adequate operations and maintenance (O&M), cost recovery and budgetary support; v) due consideration shall be given to environmental and social impact to ensure sustainability, and vi) clear indicators with defined targets shall be mandatory for all projects and programmes. The principle of beneficiary contribution shall be applied to all investment activities and could be in cash or the cost of providing facilities, services, staff and equipment.

## **7. PROGRAMMING AND OPERATIONS PROCESS**

### **7.1 General Principles**

7.1.1 The Bank's Practices and guidelines on programming and operations would, in principle, be applied to the AWF. Nevertheless, these should be simplified as much as possible to allow for faster implementation of the activities funded by the Facility. The Operational Programming shall be done annually on the basis of projects and other activities included in the pipeline. The annual programme of activities will be submitted for approval to the Governing Council in order to confirm the financial resources needed to implement the programmes.

7.1.2 The Bank Management will set up the detailed procedures and usual instructions

taking into account the requirement to ensure a fast-track process for the Implementation of the operations, in particular, in setting-up the different stages of the internal review process. The operations of the AWF will be undertaken in accordance with Results-Based Management approach (RBM), where expected results form the basis for project/programme identification, preparation, appraisal and reporting. This approach will focus the activities of the AWF on results and allow appropriate feedback to improve performance by comparing and analyzing actual results against planned results through regular monitoring and evaluation, reporting and making the necessary adjustments to programmes. The procedures outlined in the next section provide the general orientation for processing requests for AWF support.

## **7.2 Project Identification**

**7.2.1 Sources of Projects:** The AWF will build its pipeline of projects mainly from proposals submitted directly by eligible government entities, their organs regional and sub-regional organizations as well as other organizations as specified under paragraph 6.1.1. The pipeline of projects will also be built from other sources including: i) projects emanating from identification missions; and ii) proposals emanating from normal Bank operations.

**7.2.2 Call for Proposals:** A call for proposals shall be made to all eligible entities, where deemed necessary, to ensure a demand-driven, flexible, open and transparent approach allowing equal opportunities for all stakeholders to apply for grants.

**7.2.3 Identification Mission:** Projects can also be identified through identification missions by staff of the Facility and also by the Bank Task Managers. The Director approves the Identification Reports of proposals and the projects retained are then included in the project pipeline and the country and proponents of the project are informed. Projects declined shall be similarly communicated.

**7.2.4 Pipeline of Projects:** The Facility will build a pipeline of projects after careful selection in line with the AWF focus defined by the Governing Council. The Director of AWF shall maintain a list of all projects submitted to the Facility for consideration (pipeline of projects), indicating the status of each: i) date submitted; ii) amount of grant; iii) planned dates of completion of project concept (identification report), finalising appraisal, approval, and expected outputs project completion.

**7.2.5** The Director shall ensure that the consideration of each Project is in accordance with the eligibility criteria defined in these procedures. He/she shall take the necessary measures to avoid marked imbalances in approval of resources as far as countries and regions are concerned.

## **7.3 Project Preparation**

**7.3.1** Task Managers shall prepare a report for each project before appraisal. The report shall include at least the following elements: i) objectives and anticipated results and impact; ii) description of the project's components; iii) the cost of the project or activity; iv) implementation schedule of the project and its individual components; v) the procurement modes and the schedule of procurement actions; vi) schedule of disbursement actions, including source of funds additional to the grant; vii) assessment of fiduciary control environment and funds flow arrangements; viii) provision for accounting for project finances, including reporting and auditing; ix) contributions of the beneficiaries and; x) reference/performance of the implementation agencies.

7.3.2 The report shall be taken through the internal review process defined in the AWF Operational Manual. This process is set in the Bank to review the project preparation and to make recommendations for its assessment. The preparation phase will be concluded only when all the relevant information has been provided and presented in a satisfactory manner. The need for preparation missions will be decided on a case-by-case basis. However, as a matter of principle, there shall be no formal preparation missions except for projects determined to be complex or for capital investments.

## **7.4 Project Appraisal**

7.4.1 *Field and Desk Appraisal:* Projects/activities will require field or desk appraisal depending on each project's level of complexity and the quality and comprehensive nature of the concept document submitted by the sponsor(s). More specifically, projects/activities may also require full field appraisal if: i) the proposal is the Bank's first working relationship with the Country in the water sector; ii) implementation would involve a multi-stakeholder process; iii) information provided for the Appraisal reports after requests to the recipient still requires investigation or confirmation; iv) procurement and disbursement arrangements, and more generally the operation procedures of the Facility, require more clarification.

7.4.2 Projects, which do not fall into the above category, would generally be desk-appraised, unless there are other unforeseen circumstances, which would necessitate field appraisal.

7.4.3 As in all other facility activities, capital investments' appraisal reports will use the AWF format for the structure as well as for the content. Considering their specificities, a different format will be used in preparing facilitation reports. A more detailed guideline will be developed specifically for capital investments in the Operational Manual.

7.4.4 *Review:* The Facility is a demand-driven, quick access, and quick disbursing facility and it is therefore imperative that the approval process of projects be expeditious and client responsive.

## **7.5 Approval**

7.5.1 To ensure a flexible and fast access to funds the approval processes shall be prompt and responsive to client demands. The decision making process for the review and approval of grants need to be flexible and fast. It is proposed that the Board of Directors would delegate to Management the authority to approve grants up to a specified amount (Section 5.2 of the Instrument states: "the Board of Directors may delegate to Management of the Bank, the approval of activities below a specified amount"). Management will regularly report to the Board, approvals that have been made through this delegation. All the approvals done under delegation will be subject to reporting and accountability as developed in "Part D" of the present document.

7.5.2 Furthermore, a permanent committee presided by a Vice President and composed of at least the directors of the following departments: Disbursement, Legal, Policy, two Operations Departments, and the head of the Procurement Unit shall be set up. The Committee will review all such approvals every quarter, check and verify compliance with the AWF Instrument, Governing Council decisions, and the Bank responsibilities as the Trustee of the Fund; The Committee will also ensure that all recommendations made in the different audit reports are implemented. The Committee may request for specific audits that it may deem necessary.

**7.5.3 Approval Responsibility:** All grants shall be approved by the Board of Directors or by Management, in accordance with the levels of approval authority provided below: i) the Director approves all grants up to EUR 500,000; (ii) the President approves all grants between EUR 501,000 and EUR 2,000,000; iii) the Board of Directors approves all grants above EUR 2,000,000 on lapse-of-time basis. Nonetheless approval will be sought at formal presentation to the Board for proposals covering a package or set of operations comprising a certain number of activities over a given period. Also the Board of Directors may request that a proposal be submitted for its consideration. All the requests funded and activities carried out shall be detailed in the Quarterly Progress Reports. In addition, such information will be posted on the AWF Website.

## **7.6 Grant/Loan Signing**

The Bank will prepare the standard legal agreement document to be signed by the Director and the Recipient. The deadline for signing the Agreement is 90 days from the date of approval, failing which the grant may be cancelled.

## **7.7 Grant/Loan Effectiveness**

7.7.1 The financing agreement must be declared effective before AWF may make any disbursement of funds. The Director may declare the agreement effective immediately upon its signature. If there are “conditions precedent to effectiveness”, compliance shall be monitored by the Director and effectiveness declared only when these conditions have been satisfied.

7.7.2 The grant must also have a first disbursement deadline before which disbursements must be made otherwise the grant may be cancelled. The period for first disbursement is 90 days from the date the agreement was declared effective, failing which the financing may be cancelled.

## **7.8 Monitoring & Evaluation and Supervision of Project Implementation**

7.8.1 An important activity of the management and staff of the AWF, as well as the Bank, is the administration, monitoring and supervision of the implementation of activities financed with the resources of the AWF. In this regard, there will be a monitoring and evaluation system (M&E) in all activities to collect relevant information during project execution. The M&E system will be designed to facilitate access to physical and financial information about progress of activities as well as an evaluation of the economy and efficiency of the procurement process. Project/programme monitoring and evaluation will essentially assess the achievement of anticipated results, which will feed into the RBM reporting and feedback process.

7.8.2 Bank staff in operations department will assist the AWF in the supervision of activities financed by the AWF, in particular, projects that are directly related to Bank operations. The Bank Management will determine the modalities for such cross support. The supervision activities occur in the Bank headquarters and in the Recipient’s country during the field missions. At the headquarters the supervision activities include the monitoring of the fulfilment of the relevant terms and conditions by the Recipient, the review of the Project Quarterly Progress Reports prepared by the Recipient, Procurement and Disbursement Supervision, implementation of measures taken to solve the project’s difficulties and follow up of files.

7.8.3 Supervision missions on field, aimed to solve specific implementation problems and

to get information directly on project site, may be undertaken when deemed necessary and upon approval by the Director. The Recipient is required to report on a quarterly basis on the physical and financial status of implementation of the activities financed under the AWF. The Task Managers for the various projects will prepare and submit on a quarterly basis progress reports to the Director on the status of implementation of all active projects. The reports must give a description of each activity and results attained in terms of meeting implementation schedules, status of execution of contracts, physical outputs and attainment of objectives

## **7.9 Project Completion Report**

**7.9.1 Recipient's Project Completion Report:** Within three months of completion of the project, the Recipient submits a project completion report covering the implementation of all project activities in a format defined by the Facility. The report must clearly state the outcomes in relation to the objectives and performance indicators.

**7.9.2 Staff Project Completion Report:** The AWF, depending on the activities, shall prepare a completion report covering all financing approved (such as per Country, per sector, per category of intervention, etc.). The Staff Project Completion Report will be based on results achieved and how they compare with and support the attainment of anticipated outcomes. The main objective of the completion report is to examine the project's performance and achievements in view of the implementation plans and primary objectives and outcomes set during the appraisal. Lessons distilled from these reports will inform and guide future operations of the Facility.

## **7.10 Procurement**

**7.10.1 Principles:** The modes of procurement of goods and services under the Facility shall essentially be governed by the existing Rules of Procurement of the African Development Bank, as modified by the present operational procedures. Where they exist, national procurement procedures may be used when they respond to international standards and found consistent with the underlying principles of Bank procurement policies. The procedures proposed shall be outlined in the Appraisal Report and the Grant Agreement.

**7.10.2** The procurement mode should be transparent, and allow adequate competition between contractors, suppliers or consultants and facilitate Recipient control in their selection, as well as in the use of funds.

**7.10.3** Participation in procurement that may arise from projects and programmes emanating from the Facility shall be limited to the member countries of the Bank; however, as authorized by the Instrument, where an AWF contributing country is not a member of the Bank, it shall be included in the list of eligible countries where goods and services may be procured with resources of the Facility.

**7.10.4 Procurement Modes:** Given that the Facility is a demand-responsive facility with a major objective to provide flexible and rapid response to clients, the following procurement modes shall be used whenever deemed to be efficient.

**7.10.5 Works:** The bulk of procurement of works will be on the basis of National Competitive Bidding, Local Competitive Bidding, National or Local Shopping. Very occasionally, International Competitive Bidding will be used when it is the most economic or the contract price dictates the choice of this mode.

7.10.6 Force account, that is, construction by the use of the Recipient's own personnel and equipment<sup>2</sup>, may be the only practical method for constructing certain works. Whenever it is evident that force account may be the most efficient and economic way of executing certain works the AWF may approve this mode of procurement. The AWF, however, before authorizing the use of this procedure, shall satisfy itself that local organs are adequately staffed, equipped and organized to carry out the works expeditiously and at a reasonable cost. The use of force account may be justified where: i) quantities of work involved cannot be defined in advance; ii) works are small and scattered or in remote locations for which qualified construction firms are unlikely to bid at reasonable prices; iii) work is required to be carried out without disrupting ongoing operations; iv) risks of unavoidable work interruption are better borne by the Borrower than by a contractor; and; v) there are emergencies needing prompt attention. Details concerning the possibility of undertaking construction works by force account shall be discussed at the time of project appraisal.

7.10.7 **Goods:** The procurement of items of goods will be based on Limited International Competition, National Competitive Bidding and International Shopping, National Shopping and Local Shopping depending on the mode agreed by AWF and the Recipient. Shopping is an appropriate method of procuring readily available off-the-shelf goods or standard commodities in quantities of small value.

7.10.8 **Consultants Services:** Consultant Services, Training and Audits involve the recruitment of persons or firms or other groups through competition on the basis of shortlists using mainly the selection procedure combining technical quality with price consideration. CSO/NGOs or consultants (individuals and or firms including national educational institutions) will normally provide services for community-based training, seminars and workshops and consequently the appropriate Bank or National rules should be used for these categories of service providers. Where there is limited number of qualified persons or firms, direct contracting with entities that have proven competence in the assignment may be undertaken. The procurement of CSO/NGO services should be undertaken using the Bank's *Guidelines for Procurement under Community-Based Investment Projects (September 2000)*. The recruitment of individual consultants could be limited to the Country or to the Sub-Region, unless the expertise required is not available.

7.10.9 **Direct Contracting:** In exceptional circumstances direct purchasing, direct contracting, direct negotiations or sole source contracting shall be used subject to the approval of the Director, after consultation of the Procurement Unit of the Bank, when it is clear that competitive bidding is not possible or has been attempted and no response was obtained. This is because it does not encourage competition or afford the same levels of accountability regarding the use of funds. It is employed when there is only one contractor, supplier or consultant available.

## 7.11 Proposed Procurement Thresholds

7.11.1 The financial thresholds to be used as a guide for the use of particular modes of procurement are as indicated below:

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<sup>2</sup> A government-owned construction unit that is not managerially and financially autonomous shall be considered a force account unit. "Force account" is otherwise known as "direct labor", "departmental forces," or "direct work."

<b>Value of Procurement</b>	<b>Procurement Mode</b>
<b>Goods</b> Below EUR 300,000  <b>Works</b> Below EUR 500,000	National Competitive Bidding International shopping National Shopping Local shopping Direct Contracting Direct Purchasing Sole Sourcing
<b>Goods:</b> Between EUR 300,000 and EUR 500,000 <b>Works:</b> Between EUR 500,000 EUR 1,000,000	The procurement mode will be determined during appraisal and will dependent on the type of infrastructure to be built and/or capacity of the Recipient entity.
<b>Goods:</b> Above EUR 500,000 <b>Works:</b> Above EUR 1,000,000	International Competitive Bidding
<b>Consulting Services</b> Individuals: Below EUR 200,000 Firms: Below EUR 500,000	International Short list National short list Local short list Direct contracting
<b>Consulting Services:</b> Above 500,000.	International short list

7.11.2 **Bid Preparation Period:** In order to expedite procurement, the minimum bid preparation periods for goods and works would be as follows: i) international competitive bidding: 40 days; ii) national competitive bidding: 30 days; iii) international shopping: 30 days; iv) national shopping: 20 days; v) local competitive bidding: 15 days; vi) local shopping: 10 days.

7.11.3 **Post-Procurement Review:** Use will be made of post procurement review procedures that allow Recipients to proceed with procurement of works without having to obtain approval for some contracts. Procurement carried out under these procedures will be reviewed for compliance during supervision missions or special audits. Ex-Post Technical Verification and Ex-Post Financial Controls systems will be used in these instances to allow Recipients to procure goods, works and consulting services in accordance with the thresholds indicated in Section 7.11.1 without obtaining prior “no-objection”. The AWF carries out post review to confirm compliance.

## 7.12 Disbursement Arrangements

7.12.1 Disbursement arrangements and reporting procedures under the Facility will be specifically designed to fast track receipt of funds by beneficiaries, while satisfying the fiduciary requirements of the Recipients, AWF and the Governments. The procedures proposed are permissible within the requirements of the Bank’s Disbursement Handbook.

7.12.2 The disbursement arrangements will be tailored for each project funded under AWF and will depend on the nature of the activity for which funds are being applied. These arrangements will be included in the Financing Agreement between AWF and the Recipient.

7.12.3 Payments for facilitation activities will be made into an account opened by the Recipient using the special account method in line with the provisions of the Disbursement Handbook.

7.12.4 Payments for investments programmes may be made through special account, reimbursement, direct payment and reimbursement guarantee procedures depending on the nature of the concerned activity and as agreed between the Facility and the Recipient.

7.12.5 Supporting documentation for advanced payment under the special account will be approved on the basis of a 6-months work program and will depend on the nature of activities.

7.12.6 Supporting documentation for replenishment of the special account will be a Summary Statement of Expenditure and the 6-months work program provided in paragraph 7.12.5 unless otherwise revised and agreed by AWF and the Recipient. All detailed documents related to utilization of AWF funds will be held by the Recipient for subsequent verification and confirmation by the external auditors.

7.12.7 Disbursements will be suspended if the Recipient is in contravention of the terms and conditions of the financing agreement or any other AWF covenants.

### **7.13 Bank Involvement in the Operations of the Facility**

Bank Group experts in all the Bank complexes (operations, finance, procurement, legal, administration), will assist and facilitate the work of staff assigned to the Facility and its consultants to undertake their activities and provide them with appropriate support. The Bank staff will assist the Facility in the processing of legal and procurement issues considering the special circumstances of the Facility's activities to be fast-tracked without compromising on quality and fiduciary requirements. The Facility will also make a good use of field offices and will synergize with operations staff in countries where the Bank has ongoing or planned activities in the water sector. In any case, the cost of missions undertaken by Bank staff for specific activities of the AWF will be supported by the Facility. In case the volume of the work of the AWF increases significantly and impacts heavily on Bank staff, Management will make appropriate proposals to the Governing Council and the Board of Directors.

## **8. FINANCIAL MANAGEMENT ARRANGEMENTS**

### **8.1 Ex Ante Evaluation of the Control Environment**

In order to fast track disbursements, the onus of ensuring that funds have been utilized in accordance with the financing agreement, is partly transferred to the Recipient of the grant funds. As a result, all activities/projects/programmes financed under the Facility will undergo a thorough financial management assessment to ensure that program sponsors have adequate capacity to manage grant funds.

### **8.2 Ex Post Evaluation of Supporting Documents**

AWF will require that expenditure and supporting documents' review be performed and certified by an independent auditor at predetermined intervals to ensure that funds have been utilized in line with the grant agreement.

### **8.3 Recruitment of the Auditors**

In each country or group of countries, the AWF will recruit and retain an auditor for a term of one-year renewable for not more than three years. The auditor will perform ex post evaluation or a review of supporting documents and audit of all projects in a country or group of countries that have benefited from the Facility.

**PART D: REPORTING AND ACCOUNTABILITY****9. REPORTS****9.1 General Principles**

In general, the AWF reports will be undertaken in accordance with its Results-Based Management (RBM) reporting requirement. The reports will generally provide a brief overview of the activity being reported, and make inferences on the pertinence of the activities with the overall strategic directions and anticipated results as outlined for the activity.

**9.2 Quarterly Progress Reports**

The Director of the AWF will submit to the President and the Board of Directors a quarterly progress report on the activities of the Facility including projects and programmes funded out of the resources of the Fund and the status of progress on preparatory activities. The report shall include the following:

- a. Description of each activity approved since the last progress report and the objectives;
- b. List of contracts engaged, with some key information, contract title, amount, nationality of contractor, mode of procurement, etc;
- c. Brief description of progress of ongoing activities, including the financial status;
- d. Status of project audits;
- e. Brief description of proposed activities still under consideration.

**9.3 Annual Report**

9.3.1 The Director will also be required to prepare a Portfolio Review Report at the end of each year. This report will include an overall description of projects in the portfolio ranging from projects being identified to those that are completed. It will compare operations carried out and the results achieved during the year with objectives set by the Governing Council and agreed by the Board. The report will describe lessons learned from both successes and challenges encountered, based on a review of the objectives.

9.3.2 The Annual Report shall include a financial statement of the Facility, a statement of cumulative receipts and expenditures, and a statement of the use of resources of the Facility, with such explanatory notes as may be pertinent.

**9.4 Audit of the Facility's accounts and documents**

The Facility shall be subject to the internal and external audit procedures of the Bank, including the normal annual audits conducted by the external auditors of the Bank. Upon the written request of the Governing Council, the Bank shall cause the accounts and the records of any specific activity financed with the resources of the Facility be audited by external auditors. The costs of such special audit shall be charged to AWF.

## **9.5 Operations Effectiveness Assessment**

At the end of 2009, an effectiveness assessment of the Facility will be conducted; the targeted objective is to assess the actual impact of the Facility and the effectiveness of operations financed. It would draw lessons and provide guidance for the future operations.

## **9.6 Disclosure Policy**

The operations of the Facility would be subject to the Bank's Disclosure of Information Policy. The Policy is intended to promote proper accountability for the resources entrusted to the Bank to manage. This would be done through the disclosure and dissemination of relevant documents to the general public, including governments, civil society organizations and the private sector, unless there is a compelling reason not to do so. This approach would enhance transparency and accountability and promote public support and active participation, thereby strengthening development effectiveness. The main outlets for disseminating these documents to the public would include the Public Information Centre at the Bank, the Bank's field offices, its website and the AWF website.