

# **AFRICAN DEVELOPMENT BANK**

## **AFRICAN WATER FACILITY**

### **OPERATIONAL PROCEDURES**

November 2005

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## **PART A: BACKGROUND AND OBJECTIVES**

### **1. INTRODUCTION**

#### **1.1 Background and Guiding Principles**

1.1.1 The African Water Facility (AWF) is 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 Bank has accepted the request of AMCOW to establish the African Water Facility Special Fund and administer its resources. The Board of Directors of the Bank sought and received the approval of Board of Governors concerning the Instrument establishing the African Water Facility Special Fund (the "**Instrument**"), Document ABD/BG/WP/2004/11, ADF/BG/WP/2004/09 of 7 May 2004, pursuant to 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 Water Fund. The ADB Board of Directors is responsible for the general functioning of the Water Fund Facility, and approves the projects and programmes financed under it, as well as its annual budget and financial statements. The Water Fund 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 The present procedures are intended to kick-start the operations of the Facility and must be revised, not later than 31 December 2007, to incorporate lessons learnt from their use in the operations of the Facility.

#### **1.2 Purpose of the Operational Procedures**

The purpose of the Operational Procedures is to develop 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.

#### **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 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 Structure**

2.1.1 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 as well as staff 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 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.
- 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 of the AWF, as well as an operational and administrative team to assist the Director. 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.

2.2.4 The Director has to ensure the Facility focuses on its main objective of improving the enabling environment and strengthening water resources management so as to mobilize financial resources and attract the massive investments necessary to achieve the basic needs and the regional objectives for water security. He/She should therefore assist AMCOW in carrying out one of its major constitutional objectives, the coordination of water programmes and initiatives in the Africa region. The Director of the AWF will ensure that the Facility activities are well coordinated with the Bank's initiatives and related activities in the water sector. The Bank shall ensure at all times that adequate complement of staff numbers and skill mix is provided to support the Director in the discharge of his functions at the Facility.

**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 is expected to support the Rural Water Supply and Sanitation (RWSSI) front-end facilitation activities related to: a) policy and institutional reform; and b) programme 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 Programme, the water for food security programme and similar initiatives. This implies a permanent coordination between the AWF and the operations departments and the NEPAD Unit, in order to build synergy and increase the impact on Countries as well as promote a coordinated African Water agenda and regional integration on the continent. Specifically, the Bank experts in the operations complex will assist the staff assigned to the Facility and its consultants to identify, prepare, appraise, supervise and evaluate the projects/programs of the Facility. This support should, in particular, be provided in the countries where the Bank has on-going or planned activities in the water sector, as well as in countries with Regional/Countries Offices. The Bank Management will define practical modalities for such assistance. The cost of missions undertaken by Bank staff for specific activities of the AWF should be supported by the Facility. In case the volume of the work of the AWF increases significantly and impacting heavily on Bank staff, Management should make appropriate to the Governing Council and the Board of Directors for a remedy.

### **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.

#### **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 and shall therefore prepare its annual budget in accordance with the provisions of the AWF 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 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 Board to Directors for approval, after consultation with the Governing Council, in accordance with the overall Bank schedule.

**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 procedures and the Instrument of Establishment of the AWF, 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 of funds 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 programmes and projects implementation”

4.1.2 Each of the above areas of intervention covers a wide range of activities and include but not limited to the activities in the following paragraphs.

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

This cover the following items: IWRM policy development and reform, Water Resources Management Strategies and related programmes, 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 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 PRSP, the National Action Plans to meet MDG, 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, 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.

#### **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 progressively increased in accordance with the amount of resources mobilized. The focus and scope for capital investments will depend on the decision of the Governing Council. At the initial stage, the following areas of intervention will be considered: facilitating local private sector investments; innovative pilot projects in water harvesting, water treatment, water supply, sanitation; irrigation; mini-hydropower; wetlands protection; small dams etc. (these might be associated with traditional investment loans to explore alternatives in the sector); extending already planned or ongoing projects to cover additional uses such as extending drinking water projects to cover livestock, small scale irrigation or family gardens; developing local water technologies; implementing relatively small investment projects that would help to reinforce capacity of NGOs, CSOs, water user associations, research organisations, and awarding grants in parallel for components of programs of other donors or agencies that are specific to AWF objective.

#### **4.11 Attracting Investments**

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.

#### **4.12 Operational focus**

The above areas of intervention are very broad and cover the potential activities to be financed by AWF. 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 pursued by the Council, the annual and multiyear operational programme of the Facility will be accordingly prepared, and submitted to the ADB Board for approval, after consultation with the Governing Council.

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

#### **5.1 Ceilings for Grants**

The floor of EUR 50,000 and a ceiling of about EUR 5,000,000 should be considered for accommodating the financing of various categories of activities during the period of validity of these Procedures defined in paragraph 1.1.4.

#### **5.2 Cost Sharing**

In financing its operational activities, 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 10% 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. The funds provided to eligible recipients shall be treated as non-reimbursable grants. In the future, appropriate amendments may be made to the Instrument by the Governing Council and the Board with regards to the introduction of loans and appropriate repayment terms.

### **6 ELIGIBILITY**

#### **6.1 Recipient Eligibility**

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 financing or other assistance from the resources of the AWF. This implies that the recipient could be central or local Governments, Municipalities, NGOs, civil society organisations, community-based organizations, (CBOs), Regional, sub-regional and

sectoral organization (Regional Economic Organization, River Basin Organizations, etc). 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. Such organization should: 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 RMC in which it is operating, as well as evidence of a certificate to carry out business in the RMC, 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. This letter must be sent together with the application for support.

## **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 should have clear performance indicators with good expected outcomes and clear targets.

6.2.2 In considering a request for financing, due consideration should be given to the following: i) political commitment of the country 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 Beneficiary should demonstrate the sense of ownership and commitment through active participation in the activities proposed for funding; iv) the beneficiaries should 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 should be given to environmental and social impact to ensure sustainability, and vi) clear indicators with defined targets should 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**

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 Bank Management will set up the detailed procedures and usual instructions taking into account this requirement, 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 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-up its pipeline of projects from many sources including the following: i) proposals sent directly by eligible Government and sub-sovereign entities, Regional and sub regional organizations; ii) projects emanating from identification missions and; iii) Proposals emanating from normal Bank operations.

**7.2.2 Call for Proposals:** a call for proposals shall be made to all eligible entities 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) actual or requested amount of grant; iii) actual or planned dates of completion of project concept (identification report), finalising appraisal, Board submission and expected outputs project completion.

**7.2.5** The Director shall ensure that the processing 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 should include at least the following elements: i) objectives and anticipated results and impact; ii) the cost of the project or activity; iii) time-bound details on implementation of the project and its individual components; iv) schedule of procurement actions; v) schedule of disbursement actions, including source of funds additional to the grant; (vi) assessment of fiduciary control environment and funds flow arrangements; vii) provision for accounting for project finances, including reporting and auditing; viii) contributions of the beneficiaries and; ix) reference/performance of the implementation agencies.

**7.3.2** The report shall be taken through the Bank internal review process. 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. A Bank internal review process will be established to review the project preparation and make recommendations for appraisal.

## **7.4 Project Appraisal and Negotiation**

**7.4.1 *Field and Desk Appraisal:*** Projects for which a grant of EUR 500,000 or more is requested will require field appraisal. Projects valued at less than EUR 500,000 will also require full field appraisal if: i) The proposal is the Bank's first working relationship with the originator; 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 require 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** In order to standardize Appraisal reports, the structure and content of the report for facilitation and capital investments will be put in a sample format (template). A more detailed guideline will be developed specifically for capital investments.

**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 the 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. Furthermore, a permanent committee presided by a vice-president and composed of at least the directors of the following departments: disbursements, legal, policy, two operations departments, and the head of the procurement unit. 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 audit that it may deem necessary.

**7.5.2 *Approval Responsibility:*** All grants shall be approved by the Board of Directors or by management, as delegated by the Board the levels of approval authority outlined below. The following approval thresholds shall apply: 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 for funding and proposed projects in the pipeline for consideration will be detailed in the Quarterly Progress Reports (see Section 9.2), which will be submitted to the Board. 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 Effectiveness**

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

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 grant was declared effective, failing which the grant may be cancelled.

## **7.8 Project Supervision**

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. 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.

7.8.2 Supervision missions as scheduled in the appraisal report 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.

## **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 grants 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 this report is to benefit from the experience gained and to utilise this experience for future planning and implementation of Facility operations.

## **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>1</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.

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<sup>1</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."

**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:

<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 8.10.10 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 paid by special account, reimbursement, direct payment and reimbursement guarantee depending on the nature of the item being purchased.

7.12.5 Supporting documentation for advance under the special account will be the approved annual work programme and will depend on the nature of activities. The tranches or schedule of payment will be included in the grant agreement.

7.12.6 Supporting documentation for replenishment of special account will be the Summary Statement of Expenditure and the annual work program provided in paragraph 8.11.5 unless there are revisions. All detailed documents related to utilization of AWF funds will be held by the Recipient for subsequent independent verification by the external auditors.

7.12.7 ***Suspension of Disbursements:*** Disbursements will be suspended if the project/subproject/beneficiary is in contravention to the grant agreement or any other AWF covenants.

## **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 grant agreement, has been partly transferred to the Recipient of the grant funds. As a result all activities/projects/programmes financed under the Facility have to undergo a documented financial management assessment to ensure that the programmes have adequate capacity to manage grant funds.

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

With regard to the provision that supporting documentation will not be provided before the replenishment under the special account, the Facility will require that a statement of expenditure and supporting documents review be performed and certified by an independent auditor at predetermined intervals to ensure that fund have been utilized in line with the grant agreement.

### **8.3 Audit of operations**

In each country or Group of Countries, the AWF will recruit and retain an auditor for term of one-year renewable for not more than three years. The auditor will perform ex post evaluation or supporting documents review and audit all projects in that 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 the Results-Based Management (RBM) reporting requirements. 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 should include an overall description of projects in the portfolio ranging from projects being identified to those that are completed. It should 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 should describe lessons learned from both successes and difficulties 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**

The Facility shall be subject to the internal and external procedures of the Bank, including an annual audit to be 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 to be audited by external auditors. The costs of such special audit shall be charged to AWF.

## **9.5 Effectiveness Audit**

At the end of 2009, an effectiveness Audit of the Facility will be conducted; the objective will be 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 of 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 and its website.