

AFRICAN DEVELOPMENT BANK GROUP



PROPOSAL FOR THE ESTABLISHMENT OF A NEPAD SUPPORT UNIT

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INTRODUCTION

At the request of the Heads of State and Government Implementation Committee (HSGIC) of the *New Partnership for Africa's Development* (NEPAD), the Bank has become involved in providing technical assistance and advisory services in support of the implementation of this Initiative since November 2001. In supporting the NEPAD, the Bank Group acknowledged that NEPAD is consistent with its Vision, the goal of which is poverty reduction and sustainable growth of African economies¹. This perceived consistency has remained valid through the process of implementation of the NEPAD, and has encouraged the Bank's continued involvement in the process.

The Bank has provided its support through the NEPAD Steering Committee to the Heads of State and Government Implementation Committee (HSGIC), and has also been assisting the Committee to develop and operationalize mechanisms for the mobilization of resources and implementation of the programs. In order to facilitate the Bank's role, the President designated a Bank focal point on NEPAD at the Vice Presidency level to coordinate all NEPAD-related activities and be the Bank's lead spokesperson on the Initiative. In this position, the Bank's focal point has been responsible for monitoring all aspects of the NEPAD Initiative and providing, as and when required, advice on issues arising from new developments associated with the Initiative, as well as on progress in the Bank's advisory and technical assistance programs in support of NEPAD. The function has also involved coordinating NEPAD-related activities with regional organizations and donor partners. The focal point has so far been supported by staff who have divided their time between their Departmental activities and those of NEPAD.

As the NEPAD moves into the implementation phase both for infrastructure and the African Peer Review Mechanism (APRM), and as the Bank Group has become more active in other sectors programs such as agriculture, it has become necessary for the Bank to organize its support around a unit comprising fully dedicated staff. The objective of this paper is, therefore, to provide a rational and framework for the establishment of a NEPAD Unit. The first section provides a brief review of the achievements of the process, while Section two presents the challenges facing the implementation of the process. Section three examines the continuing role of the Bank in NEPAD, focusing particularly on its assigned responsibilities as lead agency in infrastructure development and financial and banking standards. Section four presents a framework for a NEPAD Unit. The budgetary implications for the establishment of the unit are also presented in this section, followed by a final section on concluding remarks.

¹ Both NEPAD and the Bank Group Vision emphasize the importance of building strategic partnerships to facilitate Africa's development. Moreover, the priority areas identified by NEPAD are also in line with those of the Bank Group Vision. The commonality between the visions of NEPAD and the Bank ensures that in the process of operationalizing the Bank's Vision, the Bank also contributes towards realization of the goals and objectives of NEPAD. Thus NEPAD and the Bank's lending program are complementary and mutually reinforcing.

SECTION I: THE NEPAD PROCESS - - PROGRESS SO FAR

Over the past year, the NEPAD Steering Committee and Secretariat have expedited the preparation of sectoral plans and initiated a process of coordinating with and strengthening of the Secretariats of the Regional Economic Communities, and have made progress in that regard.

The necessary work to implement the African Peer Review Mechanism has been completed. With the assistance of the Bank Group, the United Nations Economic Commission of Africa (ECA), the African Union and other partner institutions, the APRM framework has been developed and documents prepared. Sixteen countries (Algeria, Burkina Faso, Cameroon, Republic of Congo, Ethiopia, Gabon, Ghana, Kenya, Mali, Mauritius, Mozambique, Nigeria, Rwanda, Senegal, South Africa and Uganda) have already acceded to the APRM and the initial Panel of Eminent persons (comprising Professor Adebayo Adedeji of Nigeria, Ambassador Bethuel A. Kiplagat of Kenya, Dr. Dorothy Limunga Njeuma of Cameroon, Ms. Marie-Angelique Savane of Senegal, Dr. Chris Stals of South Africa, Mr. Mourad Medelci of Algeria, and Dr. Graca Macel of Mozambique) has been appointed to coordinate the process. The APRM will cover country reviews of the political, economic and corporate governance (including banking and financial standards) as well as recommendations of country action plans to redress weaknesses in compliance with good governance and international standards. The HSGIC have set up an APR Secretariat to facilitate the work of the APR Panel. However, the Partner Institutions, AU, ECA, and ADB, would continue to provide advice to the process in the areas of political governance, economic governance, and banking and financial standards, respectively.

The Infrastructure Short-Term Action Plan (STAP) was developed last year by the Bank Group and adopted by the Heads of State and Government Implementation Committee. However, following a review undertaken earlier this year, a revised and updated STAP was again presented to the HSGIC for adoption. The STAP includes high priority projects in energy, transport, water and sanitation, and information and communication technology. In particular, the revised STAP includes 10 flagship projects that NEPAD would focus on implementing.

The Comprehensive African Agriculture Development Program (CAADP), also completed this year, is being used as a basis for preparing detailed and costed country and region specific projects for implementation.

The NEPAD has also made progress in elaborating objectives in areas such as health, education, science and technology, environment and tourism that will be implemented at the national levels.

The NEPAD process has made other contributions in tackling the challenge of Africa's development, including the following:

- highlighting Africa's development needs on the global development agenda and, thereby, helping to create a momentum, genuine interest and support by Africa's development partners and the international community in tackling Africa's development challenges. In particular, the United Nations General Assembly passed three resolutions formally accepting NEPAD as the framework for engagement with Africa after ending the UN-NADAF. Subsequently, the Secretary General directed all UN agencies operating in Africa to work within the context of the NEPAD policy framework. The G8 countries have also produced the G8 Africa Action Plan and committed themselves to reversing the downward trend of development assistance. In addition, the private sector is taking a keen interest in Africa, and the continent is featuring prominently in high-level investor conferences;
- generating a new paradigm for Africa's development through a structured engagement between Africa and its development partners;
- making progress in the resolution of conflicts in various parts of the continent, including preparation of the Joint Africa/G8 Plan to undertake peace support operations, and addressing need of immediate conflict challenges;
- fostering a high-level political will and involvement by African heads of State and Government in creating conditions for sustainable development and implementing Africa's socio-economic development programs; and
- generating a high level of interest, coordination and involvement of African institutions towards the implementation of Africa's socio-economic development programs.

SECTION II: IMPLEMENTATION CHALLENGES AND THE WAY FORWARD

NEPAD's continued success will, however, depend on four critical developments: first, the degree of implementation of the APRM and the extent to which the principles of good political and economic governance are respected; the depth of the support that NEPAD will generate within civil society and the private sector in support of its objectives; the strength of the new strategic partnerships that NEPAD will forge with the international community; and the success that the initiative will have in designing and implementing projects and programs that are in line with the spirit and letter of NEPAD.

The Challenge of implementing the APRM: The APRM is at the heart of NEPAD and the success of the initiative will clearly depend on the extent to which African leaders respect the principles of good political and economic governance that underpin NEPAD. In this regard, it is encouraging that 16 countries have already volunteered to be peer reviewed. The effectiveness of the APRM will depend on a combination of factors. It is very important that the process is seen as credible by ensuring that the approach of the examiners is objective, fair and consistent. Therefore, the Bank Group and the UN Economic Commission for Africa have advised on the use of generally accepted international criteria in the design of the assessment instruments to ensure objectivity

and credibility. The implementation of the criteria also has to be protected from political interference and should be objective and technically credible. To ensure this, the HSGIC appointed the panel of Eminent Persons and have asked the partner institutions to continue to advise the process. In addition, a special secretariat, the APR Secretariat, has been set up by the Heads of State to handle the logistics. However, it is also now clear that the exercise will be quite expensive and resource intensive, especially on the participating countries. Therefore, its implementation has been designed to balance the need for meeting the high expectations of the process and minimising the cost to the participating countries in terms of financial and human resource outlays. In this regard, the APRM will take place in four stages, comprising²:

Stage 1: Preparation of background materials

Stage 2: Country Visit

Stage 3: Preparation of Report on Country

Stage 4: Submission of Report to APR Panel and APR Forum of Heads of State and Government

Substantial part of the background documents will include self-assessments by the country or any recently undertaken credible assessment (such as the IMF/World Bank Financial Sector Assessments) that will be reviewed by the NEPAD Secretariat and the partner institutions to draw up an issues paper for the Country visit. It is hoped that the focus on issues, rather than duplicating areas already assessed, will help to minimize costs while protecting the credibility of the process. In addition, independent consultants (to be financed by the participating countries) and experts seconded by other institutions will be used to assist the Secretariat and partner institutions.

Program implementation: As NEPAD is moving from design to implementation, it is important that appropriate projects and programs are drawn up at the country and regional levels, and that effective institutional structures exist for their implementation. In this regard, the Heads of State have designated the African Union as the apex body of NEPAD to drive the whole process at the continental level. However, given that AU itself is still in the process of establishing its units, the Heads of State have mandated the NEPAD Secretariat to continue working on the elaboration of the NEPAD framework and program and the monitoring of its implementation for a period of three years. Thereafter, it will be fully integrated in the structures of AU. During this period, NEPAD will continue to be financially supported by voluntary contributions of the member states of the African Union. At the sub-regional level, the Regional Economic Communities (RECs), including intergovernmental institutions or other sub-regional organizations representing civil society and the private sector, are expected to be actively involved. NEPAD and the RECs have also designated established African institutions, including the Bank Group, to assist in the development of specific initiatives and programs. While NEPAD has made some progress at the continental and sub-regional level with respect to identifying institutions and structures for its implementation, it will still need to address the issue of implementation at the national level. Clearly, NEPAD, in collaboration with national authorities will need to develop national mechanisms for its implementation and for

² See Annex for full presentation of the process

collaboration with external partners. These should also be responsible for mobilizing civil society and the private sector to further NEPAD's objectives. Progress at this level will be essential for the success of the whole NEPAD enterprise. It is also crucial to take into consideration country-specific factors in making implementation plans.

Strategic Partnerships: As noted earlier, one of the distinguishing features of NEPAD is its call for new partnerships based on shared principles, and mutual accountability, a proposal that has already secured some positive response from the donor community. Within this new framework, Africa's development partners would need to address three critical issues: increasing development assistance, enhancing debt relief, and improving market access. The Bank will continue to support Africa's development by mobilizing resources through its ordinary and concessionary windows, as well as continue to participate in the HIPC process. More recently, towards improving market access, the Bank Group has collaborated with the World Trade Organization and the ECA to offer training to African trade negotiators.

Mobilizing Civil Society and the Private Sector: While NEPAD has gained broad acceptance among Africa's political leaders and the academic community, as well as Africa's external development partners, there is also a need to get the general support of civil society and the private sector in Africa. Some important initiatives have been taken in this regard. In 2002 the African Development Bank organized in Abidjan consultations with civil society organizations on NEPAD as well as a symposium and a workshop during its Annual Meeting in Addis Ababa; the Government of Benin hosted a conference of Parliamentarians in Cotonou Benin last year; and the Government of Senegal organized a Private Sector Forum also in 2002. More, however, needs to be done to build on these initiatives and establish broad grass roots support.

SECTION III: THE CONTINUING ROLE OF THE BANK GROUP

Since its designation, the Bank has carried out a number of activities, intended to push forward the agenda of NEPAD in the two designated areas, Infrastructure, and Banking and Finance, in collaboration with the World Bank, the European Union, the International Monetary Fund and the United Nations Economic Commission for Africa.

In the area of Infrastructure, the Bank developed a two-pronged action plan, namely, a Short Term Plan and Medium-Long Term Plan. The Short Term Plan of Action addressed immediate actions, processes, projects and programs to kick start the NEPAD program in infrastructure development. The STAP was successfully completed in June 2002 and culminated in a workshop for the RECs' organised by the Bank Group in July 2002 to provide a forum for the Short term Action Plan on Infrastructure to be discussed by the RECs and other stake holders prior to the submission of the report to NEPAD.

In April 2003, the Bank Group, on behalf of NEPAD undertook a review of the implementation of the STAP across all the sub-regions. The Review revealed that some progress had been made in the implementation of the STAP projects although generally

uneven across the regions. It also identified a number of key issues that need to be addressed to ensure a coordinated and effective implementation of the STAP. The STAP review was presented to the NEPAD and subsequently endorsed by the AU.

Following the adoption of the STAP Review Report, a consultative meeting with key partners, namely, World Bank, EU, ECA, DBSA, NEPAD Secretariat and CSIR was held in Tunis in April 2003. The review and the subsequent consultations with key stakeholders and partners identified the need to adjust the planned development of the MLTAP into (i) initially determining and taking measures to effectively monitor and accelerate implementation of STAP to create a better basis of successful long-term infrastructure development, and (ii) developing a medium to long-term strategic framework (MLTSF). It also recommended a number of activities to build the capacity of the RECs and to promote the NEPAD Infrastructure programs.

In the area of banking and finance, the Bank Group developed a framework for fostering implementation of banking and financial standards under the NEPAD. Central to this framework was the operationalization of the proposed African Peer Review Mechanism to assess weaknesses in the adoption of standards, to be followed by implementation of corrective measures. Therefore, subsequent activities related to the design of the APRM: identifying the indicators and assessment criteria and suggesting systems and methodology to protect the credibility of the process. The supportive role of the partner institutions, particularly the Bank Group and the ECA, was greatly appreciated³.

The Bank Group is expected to continue to provide support to the NEPAD structures (the Secretariat, the Steering Committee, the APR Panel, and the HSGIC) to facilitate implementation of the NEPAD programs particularly in these two areas: Infrastructure and banking and financial standards. The Bank has also been collaborating with the UN Food and Agriculture Organization and will continue to provide its support in this area. The Bank Group's support should, in general, also help to address some of the implementation challenges of NEPAD in these areas. The Bank's support activities will, therefore, include the following:

A. Infrastructure

As the NEPAD lead agency on Infrastructure and the author of the NEPAD Infrastructure STAP, the Bank Group will continue to play an important role of project identification and promotion in this area. The activities of the Bank will be in six main areas:

Preparation of the Medium–Long Term Action Plan/Strategic Framework: As you will recall, the Bank Group formulation of the NEPAD Infrastructure Program involved a two pronged action plan, namely, the development of a Short Term Plan (STAP) to be followed by a Medium-Long Term Plan (MLTAP). Therefore, Bank Group future support activities are expected to include development of the MLTAP. This would involve the preparation of regional integration studies from where appropriate strategies and action

³ Details of these past involvements have been presented to the Board in previous documents. See also Annex 1

plans would be derived for sustainable development of Infrastructure in the continent. This year, the Bank Group engaged a team of consultants, who developed the draft Terms of Reference (TOR) for the study in consultation with NEPAD Secretariat and key stakeholders within the region. The Bank Group is discussing the draft TOR with the RECs and key partners, and it is planned that the development of the MLTAP would be fully launched this year.

Promotion of intra-REC and inter-REC cooperation on project implementation:

One of the criteria for the selection of projects in the STAP is that they have to be regional in nature. However, the implementation of such projects requires political commitment and presents a big challenge. The Bank Group is expected to help in formulating a framework for collaboration on these projects at the REC as well as inter-REC level. One area where such cooperation arrangement will be crucial and beneficial regards the sharing of trans-boundary water resources, and the Bank Group will collaborate with the World Bank to draw up a strategy of engagement for NEPAD.

Capacity building of the RECs: A key recommendation of the STAP Review was the strengthening of the capacity of the RECs to prepare and implement infrastructure projects. In this regard, the Bank organized, this year, a seminar for the CEO's of RECs that provided a forum for an open discussion and dialogue with all the RECs on suggested actions to accelerate implementation of NEPAD. Following this seminar, the ADB will provide further support to the NEPAD Secretariat in designing and implementing training programs for the RECs.

Promotion of Regional Infrastructure Flagship Projects: At the request of the NEPAD Secretariat, the Bank Group will provide further support and advice in identifying implementation constraints of flagship projects, organizing facilitation meetings and workshops, and advising the secretariat on types and modes of NEPAD interventions.

Managing the Financial Facilities: The Bank Group will coordinate the utilization of or advise on facilities being set up to fund aspects of the NEPAD process. These include:

- ***NEPAD Infrastructure Facility:*** The NEPAD infrastructure facility, using the Canadian Grant Facility, is expected to be effective this year. Soon after its effectiveness the Bank will start processing technical assistance requests from RECs.
- ***NEPAD Infrastructure Fund:*** Following the proposal of President Wade, the HSGIC has requested the Secretariat and the Bank to look into the NEPAD Infrastructure Fund proposal. The Secretariat has asked the Bank Group to assist in the preparation of the paper for presentation to the HSGIC before the end of the year. If the Fund is set up, there are proposals that it should be managed by the Bank Group.

Mobilization of the Private Sector: In the area of Infrastructure, the Bank Group has participated in the past in making presentations at conferences organized by NEPAD to present its programs, especially, the STAP, to private sector operators. The Bank has also featured the STAP in some of the road shows organized by the Private Sector Department. However, NEPAD Secretariat plans to intensify the presentation of the STAP to private financiers once the projects are prepared and properly costed at the REC level. This activity will be performed mainly by the NEPAD Secretariat Infrastructure Expert but the Bank Group will extend support to the Secretariat on selective basis, especially where technical presentation of the Infrastructure programs may be required.

B. Banking and Financial Standards (and Corporate Governance)

The Bank Group role in the area of banking and financial standards (and corporate governance) will consist of supporting the NEPAD Secretariat and the newly established APR Secretariat to operationalize the APRM. The Bank Group will not, therefore, play a lead or sole role in this area but will provide technical assistance to the process of country assessments. However, beyond assessments, the Bank Group will assist countries to formulate and implement corrective measures and will collaborate with the key financial institutions to foster the implementation of the action plans. The Bank Group activities in this area will, therefore, include the following:

Support towards operationalization of the African Peer Review Mechanism: The Bank Group has played an important role in designing the APRM framework and in selecting the indicators for review. With the appointment of the Panel of Eminent Persons, the African Peer Review Mechanism will be launched early next year, with the first review of three or four countries. The HSGIC has still retained the ADB as one of the technical institutions to provide advice to the process in the area of banking and financial standards and corporate governance. In this regard, the Bank Group will only be playing a supportive role to the APR Panel that will coordinate the process. The Bank and other partner institutions are also expected to assist the participating countries towards launching the APRM and to provide technical advice during the country reviews.

The Bank Group, as well as the other partner institutions, is expected to provide advisory services in all stages of the reviews. During the preparatory stage, the Bank Group may advise the participating countries towards the launching of the APRM at national levels and through the process of self-assessments. However, a major aspect of the Bank Group work during this stage will consist of coordinating technical assessments for the areas in banking and finance for which issues are identified from the self-assessments. The report of the technical assessments will assist the APR Secretariat to finalize the issues paper for the Country visit. The country visit team, to be led by a Panel member, will include representatives of the technical partner institutions, as advisors. The partner institutions will also assist, if necessary, in the writing of the country report and its presentation to the APR Panel and the APR Forum. While the

Bank Group will use a combination of its own staff and consultants to undertake this assignment, the Association of African Central Banks may also provide some experts to facilitate the work.

Support in the Formulation and Implementation of Corrective Measures: The APRM assessments and reviews will identify gaps and constraints in the implementation of banking and financial standards and codes. Specific recommendations will be made on how to deal with the identified weaknesses in the country's level of compliance with financial standards and codes and corporate governance in general. Countries will be expected, based on the recommendations, to develop specific time-bound Action Plans to improve compliance with the standards and codes, and the Bank Group will be expected to assist in the design and implementation of the action plans. While the Bank Group will mainstream this area of support in its operations, the Unit will collaborate with CHRM, PDRE and OPSD to organize the necessary training for Bank staff. Meanwhile, the Private Sector Department is developing a strategy to assist RMCs to improve corporate governance practices in Africa.

Mobilizing the Financial Community: In the area of banking and finance, it is important to mobilize the financial community to support the NEPAD activities in this area. The Bank Group has, therefore, taken steps to strengthen collaboration with the International Monetary Fund and the Association of African Central Banks. It will also collaborate with these institutions and the NEPAD Secretariat to organize workshops and conferences to discuss issues in the implementation of banking and financial standards as well as related areas of money laundering, financial governance, and financial market development.

C. Support to NEPAD Agriculture programs

Since last year, the Bank has worked closely with the FAO to assist in implementation of FAO's mandate as the lead NEPAD organization for agriculture. In this regard, the Bank contributed significantly in the formulation of the Framework of Regional Projects and co-sponsored a high-level forum to discuss the document. This document provides a project preparation focus to the Comprehensive African Agriculture Development Program, prepared by FAO as a reference document for NEPAD-Agriculture. The Bank also participated in other meetings (Johannesburg and Maputo) to fine-tune the identified NEPAD agriculture projects. For the immediate future, the Bank is discussing with the NEPAD Secretariat and the FAO the possibility of co-sponsoring other meetings to build the capacity of the RECs in the preparation of regional and national projects and their presentation to financiers.

SECTION IV: INSTITUTIONAL ARRANGEMENTS

Establishment of a Temporary NEPAD Support Unit

To enable the Bank Group provide adequate support and efficient technical and advisory services to the NEPAD structures (the Secretariat, the Steering Committee, the APR Panel, and the HSGIC) during the period of implementation of NEPAD programs and projects, it has become necessary to set up a Unit to work full time on the NEPAD activities as outlined above. The Unit, which would be located with the Bank Group NEPAD focal point, would provide advisory services to the areas of the NEPAD process (Infrastructure and banking and finance) as well as in the other NEPAD regional programs of interest to the Bank Group (economic and corporate governance and agriculture). The Unit would not be involved in project appraisal and implementation, which would be the responsibility of the Bank Group sector and country departments.

The proposed NEPAD Support Unit is expected to have a temporary lifespan of 3 years, coinciding with the period during which the necessary preparations are expected to be made in the NEPAD implementation process to allow integration of the NEPAD Secretariat into the African Union structures. At that time, it is presumed that the AU would have the necessary capacity to carry out its mandate. Besides, the activities outlined for the NEPAD Support Unit would have been largely concluded. The temporary nature of the unit would also be partly reflected in its staffing structure, with a heavy reliance on consultants.

It is proposed that the Unit be headed by a Director, in view of the level of responsibilities (technical and managerial) and the level of interaction required with the NEPAD structures (the Secretariat, the HSGIC and the development partners) and other stakeholders. However, the designated Director need not be full time in this function. The rest of the staff will include one full time infrastructure expert, one full time expert on banking and finance, and one full time coordinator of the Canadian Infrastructure Fund. The Infrastructure expert, who would be assisted by consultants as necessary, would work on the promotion of the Short-Term Action Plan and the preparation of the Medium to Long term Action Plan. The expert would also advise on the mobilization of civil society and the private sector towards the implementation of the STAP as well as assist in building the capacity of the RECs. The banking and finance expert will work mainly with consultants and experts sourced through the Association of African Central Banks to coordinate the provision of advice to the APRM process in the area of banking and corporate governance. The expert will, therefore, also be the Bank's liaison person with the APRM. The expert would also help to organize capacity building at the Bank towards mainstreaming Bank Group support to countries to implement country action plans. The third regular staff will be assigned full time on coordinating the use of the infrastructure financial facilities, particularly the resources (Can \$ 10 million) earmarked by Canada to support the work on NEPAD, while also assisting in activities related to the development of the MLTAP. In addition, consultants in the area of agriculture would be recruited to undertake specific assignments as the need arises. The staff will also include a secretary/administrative assistant.

In order to facilitate the work of the Unit, it is also proposed that infrastructure and governance thematic groups be set up to improve the flow of information and knowledge across complexes and allow the teamwork and linkage necessary to articulate the Bank's advisory role. In addition, the Unit would develop partnerships with other African-based institutions like the Development Bank of southern Africa, the association of African Central Banks, besides those with the Bretton Woods Institutions and the European Union, in order to pool resources and knowledge for the Bank's advisory work.

Budget Implications

Utilization of the 2003 Budget: For 2003, the Board approved a budget of UA 921,295 (equivalent to about US\$1.268 million), excluding staff time, to support the Bank's NEPAD activities. The budget enabled the Bank to undertake various activities, including missions, review and refinement of the STAP, consultations with key partners, organization of an infrastructure workshop for the RECs, and support to the APR process. In addition, it will finance the placement of an Infrastructure Advisor and a Corporate Governance Advisor at the NEPAD Secretariat and APR Secretariat respectively and the recruitment of a long-term consultant at the Bank. The budget was, therefore, utilized on missions and workshops (UA 218,203), short-term consultants (UA 337,943), long-term consultant at the Bank (UA 82,634), secondment to the NEPAD Secretariat (UA 154,590), and secondment to the APR Secretariat (UA 82,634). The utilization of the 2003 budget is presented as Annex 2.

January – December 2004: For the period January-December 2004, the budget is estimated at UA822,143 (approximately US\$1.175 million), excluding staff time and UA1.113 million with staff time. The estimates, excluding staff time, cover activities for infrastructure (UA 499,056), banking and finance (UA 147,739), agriculture (UA 96,359), and meetings and short-term consultants (UA79,000). Estimated costs for this period are presented in Annex 3.

2005 and beyond: While the budget for the period 2005 and beyond has not been projected, the Bank will endeavor to limit the scope and size of the support to the 2004 levels.

CONCLUSION AND RECOMMENDATION

So far, with the help of short-term consultants, staff has been able to give technical support to the NEPAD process. The staff work in infrastructure has enabled the Bank to establish a leading position in the infrastructure sector. It has also been useful to advance one of the principal objectives of the Bank -- that of promoting regional economic integration. Given the need to keep the NEPAD Secretariat as a lean organization and that the RECs are short on capacity, it is expected that for the next three years at least, the HSGIC not only needs but also expects greater support from the Bank to meet the challenge of NEPAD's implementation.

To enable the Bank continue to extend technical support to the NEPAD process in an effective manner, it is recommended that the Bank establish a small technically staffed unit, the NEPAD Support Unit, under the Bank Group NEPAD Focal Point (ONVP). The Boards of Directors of the Bank Group are invited to take note of the planned future activities in support of the NEPAD process in the areas of Infrastructure, Banking and Finance, and Agriculture and to approve the establishment of the Bank Group NEPAD Support Unit. The related budgetary implications have been incorporated to the 2004 budget proposal.

WORK PROGRAM FOR FOURTH QUARTER OF 2003 AND FISCAL YEAR 2004

1. Operationalization of the African Peer Review Mechanism:

Final Preparation towards launching the APRM

NEPAD is in the final phase of the preparation towards the launching of the APRM. Therefore, during this quarter the APRM secretariat and the partner institutions are working towards (i) developing detailed criteria and indicators for the APRM; (ii) drafting a standard questionnaire in the four areas of the APRM for country review; and (iii) providing guidance to countries to prepare for participation in the APRM. This phase will entail a series of meetings at the APR Secretariat and presentations to the APR Forum (of Heads of State and Government). The Bank will also hold consultations with the Association of African Central Banks to develop criteria for the self-assessments. The Bank will also make a presentation at a workshop to be organized for the participating countries before the end of the year. These activities will take about one and half man-months.

Support to the first group of APR Assessments

The African Peer Review Mechanism will be launched in early 2004, with the assessments of four countries. The Bank Group support to the process (the APR Secretariat and the four countries) during 2004 will include the following:

- Information sharing on banking and financial standards, and providing relevant advice to the APR Secretariat;
- Information sharing on participating countries in the areas of competence of the Bank;
- Assistance to countries to prepare for and participate in the APRM;
- Assistance to countries during the process self assessments and preparation of the Draft Program of Action;
- Assistance to the APR Secretariat to develop the Issues Papers on the countries to be reviewed;
- Assistance to the APR Secretariat for the Technical Assessments; and
- Assistance to the APR Secretariat for Country Review Visits;

These activities will take 24 person/months of staff and consultant time.

2. Identification of Projects/Programs to promote cooperation on transboundary water resources: One unique feature of the water resource landscape in Africa is the numerous international river basins, more than any other continent, shared by three or more countries. Cooperative management of these resources require political commitment and presents a big challenge, particularly for NEPAD. The Bank will prepare a strategy of engagement for NEPAD and as a first step to field identification missions to the following basins:

West Africa:	Niger and Senegal
East Africa:	Continue support for the Nile Basin Initiative
Central Africa:	Congo and Lake Chad
Southern Africa:	Limpopo and Okavango
North Africa	Focus will be on shared international aquifers and desertification issues

The identification missions will prepare project briefs/proposals for inclusion in the STAP together with an action plan towards the realization of the proposals. This activity is expected to take 5 pers/m staff and 6-m/m consultant time.

3. Promotion of Regional Infrastructure Flagship Projects: The Secretariat has expressed the need for ADB's support and advice in identifying implementation constraints of flagship projects, organizing facilitation meetings and workshops, and advising it on types and modes of NEPAD interventions. The following activities have been identified for 2003/4:

- **Implementation of the Yamoussoukro Decision:** The objective of the decision is to liberalize scheduled and non-scheduled air transport services within Africa. Full implementation of the agreement has been hampered by lack of strong political commitment by some countries due to concern about the ability of their national airlines to compete. NEPAD needs advise on how it can assist in mobilizing political support. ADB, together with key partners is expected to prepare an issues paper that would discuss what needs to done at the level of NEPAD and assist the Secretariat in drawing up and implementing an action plan for the Secretariat and HSGIC. This activity is expected to take 3 pers/m of staff and 4 pers/m of consultant time
- **Great Inga Integrator Study** on the Congo river: ADB has been asked to help the NEPAD Secretariat and SADC to organize a conference of stakeholders that would draw out a road map of cooperation on the Congo river. SADC has agreed to take lead in this exercise but needs ADB's assistance. This activity is expected to take 2 pers/m of staff and 6 pers/m of consultant time.
- **Facilitating of Road Transportation:** Africa has 15 landlocked countries and road transport is the main mode of transport to seaports. Cumbersome administrative procedures and poor facilities within the Transit Countries now pose serious problems of delay and transport cost. Road transport facilitation programs have been identified on key transit corridors and the consensus view is that NEPAD can put peer pressure to promote the implementation of bilateral and multilateral agreements to facilitate the movement of goods and services. The Bank is expected to recommend actions to be taken by NEPAD. This activity is expected to take 5 m/m of staff and 8 m/m of consultant time.

4. Preparation of the Medium to Long Term Plans of Action for Infrastructure: The Bank would finalize the preparation of the TOR, source fund undertaking it, and supervise the preparation of the study. The Study will be carried out in two parts. The

output of Part I resulting in Part I report will be finalized before the end of 2004 while Part II would be carried forward for completion in 2005. The Study process will be intensely participatory. Both Part I and Part II will involve a series of workshops involving RECs and the stakeholders. The entire study will have as its basis and starting point, the existing strategies and programs for the development of the regional infrastructure. The Bank NEPAD Unit in cooperation with RECs and key partners would drive the whole study process. This activity will take 1 man year of staff time.

5. Managing the NEPAD Infrastructure Project Preparation Facility: The NEPAD infrastructure facility, using the Canadian Grant Facility, is expected to be effective this year and fully operational in 2004 with operating guidelines and dedicated staff to manage the facility. The ADB will approach other development partners to contribute to the facility. The specific activities to be supported by the facility can be grouped into two:

- Project Cycle Activities: to provide critical technical advice and assistance in analyzing projects, including review and revision of studies;
- Enabling environment activities: provide critical assistance to programs that improve enabling environment for delivery of infrastructure services.

This activity will take 1 man year staff time.

6. NEPAD Infrastructure Fund: Following the proposal of President Wade the HSIGC has requested the Secretariat and the Bank to look into the NEPAD Infrastructure Fund proposal. The Secretariat has asked us the Bank to assist in the preparation of the paper for presentation to the HSIGC. This work should be complete before June of next year. This activity will take 2 man yearsof staff time.

7. Monitoring and Reviewing of the Implementation of STAP: The Bank will undertake periodic reviews on the implementation of STAP for the HSIGC meetings based on the implementation progress reports of RECs and would make every attempt to assist the RECs in monitoring the implementation of STAP. This activity will take 10 person months.

UTILIZATION OF THE 2003 NEPAD BUDGET

	Budget (UA)		
	Infrastructure	Banking/Finance	Total
Operating Cost	50,852.14		50,852.14
NEPAD Secretariat Secondment	154,590.50		154,590.50
Missions and Workshops	176,529.56	57,680.85	234,210.41
Consultants	390,035.89	91,606.49	481,642.38
			921,295.42

	Actual/Committed (UA)		
	Actual	Committed	Total
Operating Cost			
NEPAD Secretariat Secondment*		154,590.50	154,590.50
Missions and Workshops	142,581.78	75,621.70	218,203.47
Consultants	157,646.34	180,297.16	337,943.50
APRM Secretariat - Consultant *		82,263.77	82,263.77
ADB NEPAD Unit*		82,263.77	82,263.77
			875,265.00
* Items expected to be fully committed by end of 2003 UA values based on Feb. 2003 Exchange Rates			

THE PROPOSED 2004 BUDGET

	Budget (UA)			
	Infrastructure	Banking/Finance	Agriculture	Total
Sector Development	72,169.23	12,755.13	21,650.77	106,575.13
Missions	269,124.81	67,468.72	46,799.21	383,392.74
Consultants	157,762.31	67,514.99	27,909.46	253,186.76
Steering Committee Meetings				64,624.54
Short Term Staff - Support				14,364.10
				822,143.26
Staff Seconded to NEPAD Unit	194,000.00	97,000	-	291,000
Total Estimated NEPAD Budget				1,113,143.26